

Seeding the Future

Sustainability Report 2011 | 2012



Sustainability

We understand sustainability as thinking and acting in terms of generations – as we have done for more than 150 years.

... for people



Because behind all KWS' commitment and ideas are people whose dedication is vital to our company's success.

... for nature



Because we as a company dealing in natural products depend on an intact natural world. That is why our day-to-day actions are shaped by unconditional respect and deep admiration for nature.

Responsibility

Responsibility toward humankind and nature has always been the guiding principle of our daily work. That includes responsible research and plant breeding using modern methods, protection of nature and the environment, with a focus on the sparing use of resources, and commitment to social issues within and outside the company. We nurture and value open and proactive communication.

Trust

KWS SAAT AG is now one of the world's leading plant breeding companies. This success is possible only if farmers, employees and our owners have trust in our company and its foresighted decisions for the good of people and nature. Our key objective is therefore to win and maintain the trust of our stakeholders by displaying a strong sense of responsibility in all we do.

Reliability

Since 1856, KWS SAAT AG has bred crops for the moderate climatic zone and produced high-quality, high-yielding seed for its customers: farmers. By continuously making large investments in product and process innovations, we strengthen our company's future viability while offering generations of employees a financially rewarding livelihood and our owners a long-term return.



Sustainability

Sustainability at a Glance – 2011/2012

Sustainability Approach

- Introduction of a sustainability logo to symbolize how we think and act in terms of generations – and have done so for more than 150 years
- “Germany’s Best” award for the company’s sustainable development

Innovation and Production

New focal areas of our breeding work

- Expansion of our corn breeding programs to include varieties in tropical regions
- KWS received sales approval for 303 varieties of sugarbeet, corn, cereals and oil seed worldwide
- Establishment of a research platform for genetically modified plants as part of the GENECTIVE joint venture (specifically for corn)

Protection of the environment and resources

- Development of a herbicide-tolerant sugarbeet variety by conventional breeding methods to reduce the use of pesticides
- Introduction of a certified processing facility system for seed

Employees

High level of satisfaction

- 82% of employees are satisfied with their current situation at KWS
- 78% of employees give an optimistic assessment of their prospects at KWS

Increase in additional social benefits

- Continuation of the child care allowance from 2011 to 2013
- Introduction of a company agreement on care for family members

Intensified development of junior employees

- Participation in the national scholarship program by supporting five students of agricultural science at the University of Göttingen
- Involvement in the international Postdoc Fellowship Program in plant science in cooperation with the organization PLANT FELLOWS

Environmental Protection

Contribution to climate protection

- 51% of the energy used in production at Einbeck comes from regenerative sources

Successes in waste management

- Reduction in hazardous waste by 11% year on year
- Reduction in industrial waste similar to household refuse by 14% year on year

Society

Increase in expenditures as part of our social commitment

- 23.1% increase in donations to promoting the region as well as science and research
- Launch of a second project to preserve biodiversity in Ethiopia

Table of Contents

Sustainability Logo
Sustainability at a Glance – 2011/20124
Foreword by the Chief Executive Officer.....6
Company Profile8
Thinking and Acting Sustainably – For Generation After Generation..... 10

Sustainability Approach

Our Approach 14
Corporate Principles, Rules and Guidelines..... 16
Compliance..... 17
Risk and Opportunity Management..... 17
Integrated Management System..... 18
Responsibility for the Supply Chain 19
Dialogue with Stakeholders.....20

Innovation and Production

Research and Breeding.....24
Biodiversity.....26
Organic Farming.....28
Energy Plants28
Seed Production30
Product Safety32
Customer Consulting.....32

Employees

Recruitment.....36
Personnel Development37
Spirit of Cooperation at the Company38
Family, Leisure and Work.....40
Work Safety and Health.....40

Environmental Protection

Energy, Emissions and Air Pollution Control44
Water and Wastewater47
Handling of Hazardous Substances48
Waste and Recycling.....48
Transport Logistics.....50
Vehicle Fleet51

Society

Promoting the Region.....54
Promotion of Science and Research56
Memberships57

GRI Index58
Outline of the Report’s Principles65
Publication Information.....66
Key Economic Figures of the KWS Group67

Foreword by the Chief Executive Officer



Philip von dem Bussche
Chief Executive Officer

Dear Readers and Friends of KWS,

You are now reading our latest Sustainability Report for the fiscal year 2011/2012. I am pleased to present its contents to you.

Once again this year, we are publishing a printed and an online version. This printed version summarizes the latest developments in the period under review. In it we inform you about our end-to-end sustainability approach, our most important measures and initiatives and the latest key figures and objectives in the areas of products, employees, environmental protection at the company and society. You can also find more information in our online report, including a detailed presentation of our strategies, management systems and organizational structures in the above areas, key figures relating to their development, as well as our corporate objectives and the degree to which they have been achieved so far.

This year's report is adorned by our new sustainability logo: "Thinking and acting in terms of generations." Since its beginnings more than 150 years ago, KWS has been a company that operates with foresight and a long-term orientation and unswervingly pursues this fundamental principle in its everyday business. We are firmly convinced that is one of the reasons why we operate successfully in the market and are now No. 4 in the international seed market – with an excellent outlook for the future. We leverage what has proven successful and yet are receptive to anything new if it opens up opportunities for us – in the context of the sense of responsibility and sustainability that are practiced daily at KWS.

The new logo expresses this unconditional respect and admiration for people and nature in the form of an image for the first time. As a company that sells products of a natural origin, we are all too aware that we depend on an intact natural world. Protecting it is a vital task. The key to achieving that is our employees. With their ideas and their engagement, they lead our company to success. Their vigor and drive deserve the very highest respect. At the same time, we wish to encourage them to remain creative. The logo will accompany us in the future and be a constant reminder of what we stand for and what we aim to accomplish.

Responsible and motivating jobs are vital to fostering a climate conducive to new ideas. That is why we as an employer create and maintain good general working conditions. We are a reliable employer that offers attractive jobs in an industry with a highly promising future. We attach importance to compensation that reflects performance, a family-friendly working environment and room for our staff to develop personally and individually. A major concern for us as a family business is work-life balance. We have long offered our employees flexible working hours through flexitime, part-time employment and the ability to work from home wherever their job permits. Extension of the child care allowance in the period under review and the new company agreement on care for family members are further steps aimed at making it easier for our employees to reconcile the demands of their career and their family. Such family-friendly measures are to be expanded further in the future so as to give our employees the opportunity to continue their work to suit their stage of life and family situation. Our corporate strategy is confirmed by the fact that 78% of our workforce stated in our employee survey that they have an optimistic assessment of their prospects at KWS.

More than ever, plant breeding is now an extremely exciting field of activity. In many years of collaboration with a project partner, we have developed an alternative approach for producing a herbicide-tolerant sugarbeet using conventional breeding methods. A very rarely occurring natural change (mutation) in the sugarbeet's genetic makeup was leveraged to achieve that. The next step is now to develop the prototype into a high-performance variety with the trait "herbicide tolerance." This variety will be able to help reduce the future use of pesticides during cultivation.

We intend to provide our customers – farmers – with optimal assistance in their work at all times. Apart from expert consulting on varieties, we therefore offer them more in-depth instructions on sowing and caring for plants during their growth. New instruments developed by our employees in the period under review are important aids in that. They include cultiVent, a new Internet-based consulting tool for corn cultivation, as well as measurement devices to enable rapid analysis of the dry-matter content of silage or energy corn directly in the field. In addition, innovative data codes on variety labels and a mobile phone app give farmers direct access to KWS' Internet sites and ensure they obtain the very best advice.

Responsibility and sustainability are lived and breathed at KWS day after day – at all levels and by all employees. Transparent communication is important for us. That is why we report annually on our progress toward achieving sustainable development. We believe we have already attained a very high level in the quality and scope of our reporting on the subject of sustainability in compliance with international standards. In the future, we intend to expand our report from year to year with additional topics. That is because sustainability is a continuous improvement process. In this spirit, I thank everyone who helped create this report for their work and commitment.

In concluding, I wish all of you an interesting read. Our experts will be pleased to assist you if you have any questions and comments on sustainability at KWS. We look forward to your feedback and suggestions.

On behalf of the Executive Board, I offer my best regards from Einbeck.

Philip von dem Bussche
Chief Executive Officer

Company Profile

Seeding the Future – Since 1856

KWS SAAT AG, which is headquartered in Einbeck, Lower Saxony, is a leading seed company for agricultural crops. It has more than 63 subsidiaries and associated companies worldwide and operates in some 70 countries. Since it was founded in 1856, KWS has been an owner-led company with a traditional of family ownership extending over six generations.

Topical issues in fiscal year 2011/2012

In fiscal 2011/2012, the KWS Group together with all its subsidiaries and associated companies generated net sales of €986 million with a workforce of 3,851 employees – a year-on-year increase of 15.3% and thus above the average growth for the past five years of 12%. That means that we are continuing to consolidate our position among the world’s top seed companies. To keep on improving our competitiveness, we spend between 10% and 15% of our net sales every year on research & development. We consequently regard our investments in R&D as our most important approach in enabling sustainability. The result is steadily increasing product performance by our varieties, helping to feed the world’s growing population and to supply renewable energy to tackle climate change.

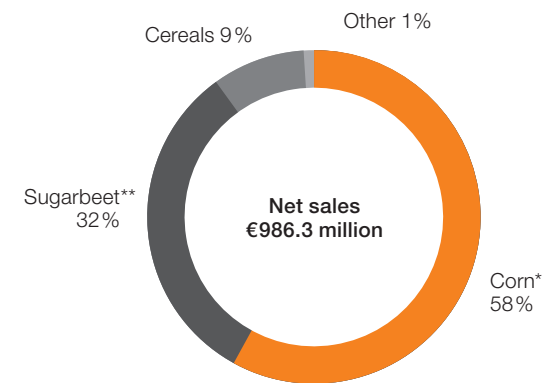
Trends in core markets

Our core markets up to now have been in the moderate climatic zone, with the main ones being Europe and North America. Germany accounts for 23% of net sales, Europe (excluding Germany) for 40%, the Americas for 33% and the rest of the world for 4%.

We were able to acquire two corn breeding companies in Brazil at the end of fiscal 2011/2012. In addition, we founded a local joint venture with an established corn production and distribution company in order to develop the tropical corn market, in which we had no prior experience.

To achieve our objectives and remain competitive, safeguarding and expanding our core business has top priority. We see further potential in energy plants and growth regions such as Eastern Europe, China and South America.

Net sales by segment in fiscal 2011/2012

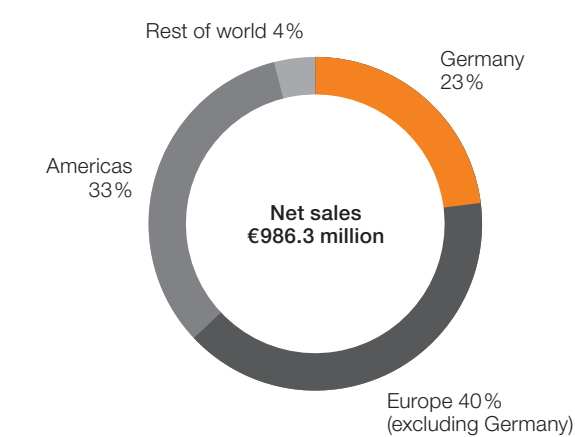


* also includes oil and field seed

** also include potatoes

KWS Group

Net sales by region in fiscal 2011/2012

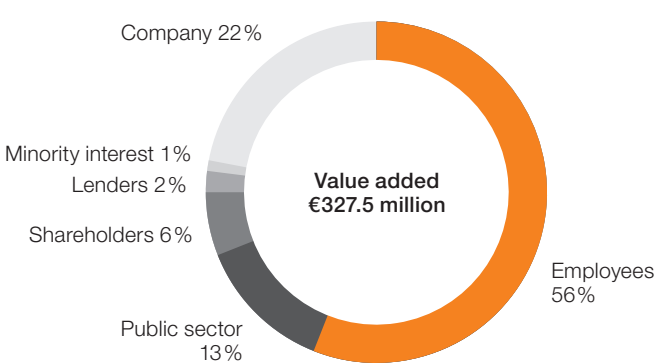


KWS Group



With a clear and far-sighted vision for the future.

Distribution of value added in fiscal 2011/2012

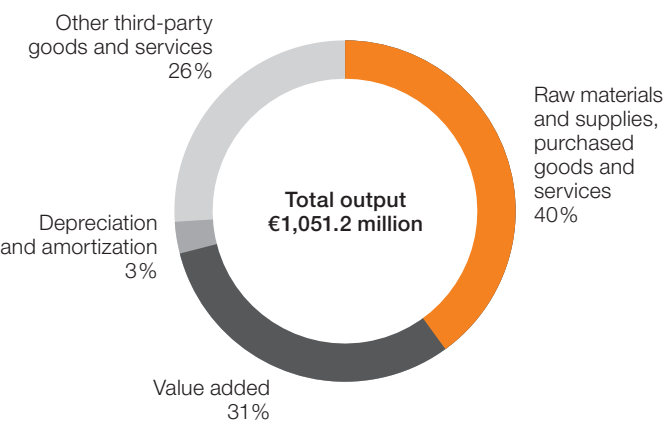


KWS Group

Growth demands new structures – “Fit for Growth” project

Our rapid growth over the past few years has meant that we have had to adapt our administrative processes, above all for our international business. We therefore conducted the “Fit for Growth” project in fiscal 2010/2011. It pooled central administrative functions at four regionally responsible Service Centers. The Service Centers with their European focus

Creation of value added in fiscal 2011/2012



KWS Group

largely relieve the operating companies in the KWS Group of administrative tasks, allowing them to focus on their core business of seed production and distribution. Another objective is to secure our anticipated further growth through cost-effective means.

Thinking and Acting Sustainably – For Generation After Generation

Responsibility – Trust – Reliability

Values such as responsibility, trust and reliability as well as devotion, solidarity and respect make a significant contribution to a company's business results. That is undisputed. However, their exact contribution is difficult to express in numbers.

Sustainability reporting fulfills a number of tasks. The prime – but not only – objective is to provide information on how the company has addressed all economic, ecological and social requirements as part of its business activity in a responsible, resource-saving and future-oriented manner. Yet we believe there is more to it than that. We define sustainable thought and action as a contract between generations, one that has always been deeply rooted in our corporate culture and that we put into practice in our relationships with customers and employees.

A fundamental orientation toward a clearly defined set of values as specified in our Code of Business Ethics and its special importance in the company's processes are not things imposed from above at KWS. Instead, this value system has evolved and been internalized over generations and thus expresses something very special. Our Code of Conduct is based on more than 150 years of practiced tradition. Above all, this special KWS-specific corporate culture that shapes our relationships with people and nature is sustained to this day by two main sources: our products and our history as a family business.

Seed is a natural product. Breeding plants requires not only specialized know-how, but above all foresightedness and forward thinking. It takes 10 to 15 years and many plant generations to develop a plant with new traits into a variety that can be approved and marketed. That means that our plant breeders and strategic planners already have their sights set on what the world will be like in 2030 and beyond. What characteristics will crop varieties have to have in the future to continue guaranteeing stable yields in as resource-saving a way as possible against the backdrop of regionally very different climate changes and population trends and the fact that fossil fuels are limited? Breeding programs for efficient, eco-friendly farming in the future are already being launched on the basis of our current knowledge.

The second source of our corporate culture is KWS' history as a company that has been family-run over six generations. Since many family businesses have been able to survive the economic fluctuations of the past years not only unscathed, but also successfully, this type of company has (once more) attracted greater public interest. Numerous studies, essays and articles analyze this success model. There are diverse reasons why family businesses can operate profitably. The factors that are repeatedly mentioned include a special corporate culture oriented toward family values, long-term thinking and acting across generations, a willingness to innovate coupled with a keen feel for market opportunities, strong customer and employee orientation and social commitment.

KWS has been a stock corporation for more than 125 years, yet still has the special character of a family business. The factors named above that make family businesses a success have featured throughout KWS' history – from when it was founded in 1856 to the present day. The core topics of this Sustainability Report – our sustainability approach, innovation and production, environmental protection, our employees and society – reflect the corporate culture that has been handed down and evolved over the years, as is shown by a number of examples from the company's history; they are the foundation of our commercial activity to this day.

In the mid-19th century, the company's founder Matthias Rabbethge thought in visionary terms and across generations by sending his two sons off to study – an extremely uncommon investment in the future for farmers at the time. In retrospect, his policy of strengthening the company long-term through his family proved to be wise and trend-setting for KWS' further development: Descendants of the marriage of his daughter Marie Rabbethge with Julius Giesecke, a son of his financially strong associate, stood at the company's helm for four generations.



Dialogue between generations at KWS.

For many years, KWS has invested well above the industry average in research and development of new varieties and technologies. Plant breeding must keep on innovating in order to ensure breeding progress every year. The roots of this strategy also reach far into the past. They begin with Matthias Rabbethge junior, who from 1862 on was the first sugarbeet breeder to measure sugar content using a polarimeter and systematically select beet by their form, weight and sugar content. The principle of selection has been preserved over the decades. The methods of determining constituents quantitatively and qualitatively have adapted to scientific and technical progress and further developed to this day by KWS' employees.

Satisfied employees are a company's most valuable asset and one that must be cherished. In the period around 1900, the company's around 2,000 employees lived in Klein Wanzleben in housing developments specially built for them, sent their children to the company's own kindergarten and received dental care in KWS' newly constructed bathhouse.

As this Sustainability Report demonstrates, we still devote extensive attention to ensuring our employees' well-being. Apart from a wide range of social benefits and individual qualification and development offerings, it is also the values we practice every day – such as trust, reliability, responsibility, fairness and team spirit – that promote identification and loyalty. As a dynamically growing company, one challenge that is dear to our heart is to win new employees over to our company and goals in the spirit of the above-described corporate culture.



Plants and people – Growth and the future in every generation.



Plants are an inexhaustible source of food and raw materials. That is why responsibility toward nature is an obligation for us and also a guiding principle of our day-to-day interaction with customers, shareholders, employees and consumers. All major aspects, such as product responsibility, environmental protection and social concerns, are covered by that. This is also expressed in our mission statement, KWS' principles. They are the binding guidelines for the visions and objectives of our daily work and preserve KWS' unmistakable image in the face of growing internationalization.

Our Approach

Corporate responsibility and sustainability have shaped how we have run the company since it was founded. The key points of our sustainability approach include:

- A business strategy that is oriented toward long-term commercial success and tackling global challenges
- The commitment to responsibility toward humankind and nature in the company's principles and their implementation in subordinate internal rules and regulations
- A comprehensive compliance system
- Systematic risk management
- Implementation of an integrated quality and environmental management system
- Our responsibility for the supply chain
- Transparent communication and open dialogue with our stakeholders

Corporate Strategy

We can look back on a 150-year tradition of delivering top-quality, high-yielding products – the key to our success, past, present and future. Our strengths are our close proximity to farmers, a broad portfolio of leading varieties, a strong brand and a strong sales presence.

All of KWS' business activities are geared toward providing modern agriculture with innovative varieties to grow feed and food and regenerative raw materials to produce renewable energies. Our goal is to supply products for all forms of agriculture: conventional, ecological and those using genetically optimized varieties.

Historically, our company's success was founded on sugar-beet breeding. Today, our product portfolio includes many other crops: corn and sorghum, the cereals wheat, rye, barley, oats and triticale, oil plants such as rapeseed and sunflower and potatoes. Our growth is driven by our breeding work on these types of crops. KWS is represented in all key markets with its own selection and testing locations. Our multiplication activities and seed processing plants are tailored to deliver top-quality seed for the crop in question.

As the world's population continues to grow, so too does demand for food, fodder and renewable energy. A key challenge that will also face our plant breeders in the future will therefore be to keep on increasing productivity per unit area through breeding progress.

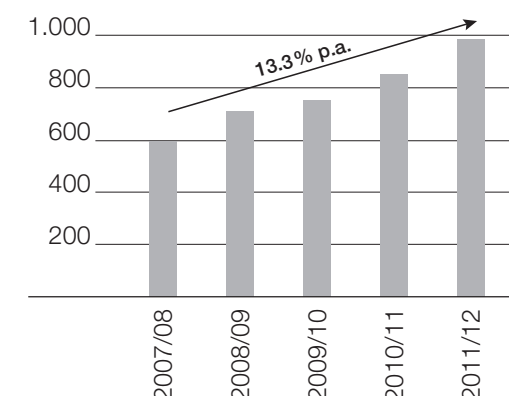
Our corporate strategy is long term and aims to adapt the diversity of our products to changing and often very specific requirements on the part of our customers. To enable that, an overarching, farsighted strategy for the entire KWS Group is formulated in a continuous, structured process for all KWS' product categories. This roadmap for the future points us in the direction we aim to go – for example regarding the long-term focus of our breeding work.

To this day, the majority stake of the family shareholders enables us to gear the company's strategy to the long term.

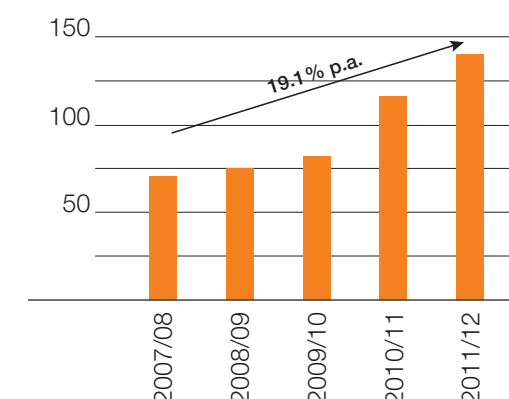
More information:
www.kws.de > Company > About KWS

- Fields of business
- Our brand
- Strategic planning

5-year net sales of the KWS Group (in € million)



5-year EBIT of the KWS Group (in € million)



"Germany's Best" award 2012

The auditing firm PricewaterhouseCoopers (PwC) and the German newspaper "Die Welt" invited nominations this year for the first-ever "Germany's Best" contest. This prize acknowledged German companies that orient their business strategy to long-term success and economic sustainability. The jury assessed the economic, ecological and social parameters of the companies' development over the past three years. KWS SAAT AG won first prize for its economically sustainable, successful development, its transparent reporting on the subject of sustainability and the conscious and open way it addresses controversial opinions on its own products.

Corporate Principles, Rules and Guidelines

The KWS brand embodies values that are lived and breathed and that generations of KWS employees have established and evolved in dialogue with our customers. In the course of our company's history, customers have developed a deep trust in our products and employees. The driving force behind our innovativeness and success are KWS' employees worldwide. To give all employees a guide as to the freedoms they have in their individual work, we have developed a set of rules that applies worldwide – the "Rules, Guidelines and Procedures" (RGPs) – on the basis of KWS' principles. This central reference work ensures a shared understanding of responsibilities and decision-making processes within KWS. It provides a comprehensive means of managing responsibility and also takes into account the framework set out by the German Corporate Governance Code.

Corporate governance

Expert, farsighted and transparent corporate governance is the basis for establishing trust in our company among business partners, employees, investors and the public as a whole. As required by law and the company's Articles of Association, KWS is managed and monitored by the Executive Board and Supervisory Board. The Executive Board runs the company on its own responsibility and conducts business with third parties. The Supervisory Board appoints, advises and monitors the Executive Board in accordance with the German Corporate Governance Code. Both bodies discuss the company's current business situation and performance, market trends, the competitive environment, strategic alignment, the risk situation and activities relating to risk management.

Corporate Principles

KWS is the independent seed specialist for farmers in the 21st century.

Development with a distinctive image: Principles of KWS

We are an independent seed company with a long tradition, and we put our principles to use in our everyday work. They stand for future orientation and responsibility.

We create the foundation for farmers' success.

For more than 150 years, we have made a major contribution to farmers' success by supplying them with high-quality seed for healthy, high-yielding varieties. We see ourselves as a partner of our customers. Expert and constant advice on the spot and a spirit of trust and openness are the hallmark of our business relationships.

We improve seed

The goal of our work is to achieve breeding progress – to keep on improving the performance of our varieties and the technical quality of our seed. We measure our work by how it meets the needs of farmers and society.

We pursue innovative goals and work transparently.

Modern plant breeding is cutting-edge technology. Every year, we invest far more than the industry average in our core competencies of breeding and research in order to develop new varieties and products faster. Our activities are geared to ensuring the sparing use of natural resources and the transparent, open communication of our activities to all interested.

We act independently, in a spirit of partnership and with our sights on profitability.

Cooperating with reliable partners worldwide is just as important to us as our independence and not being shackled by one-sided interests. Our culture of partnership is founded on trust, cooperation and mutual respect at all levels of the relationship. We secure our profitability by thinking long-term and using our own initiative.

We like working for KWS.

Our employees' ideas and achievements are what make KWS strong and successful. Personal initiative and independence are second nature to us, as are a sense of responsibility and tolerance.

Responsibility to humankind and nature.

The guiding principle and measure of our daily work is responsibility toward humankind and nature. That is why KWS continuously invests in measures to promote key aspects of sustainable economic activity. That includes responsible production, compliance with environmental guidelines and a commitment to social concerns inside and outside KWS.

Compliance

The compliance system established at KWS comprises internationally applicable regulations for all KWS employees and diverse information tools.

The central point of contact for all matters relating to compliance is the Corporate Law & Compliance department, whose staffers are available as contact persons for management and all employees in Germany and abroad. Its compliance work focuses on informing and training all business segments.

The KWS Code of Business Ethics and the policies based on it are the foundation and guide for employees in their everyday work.

Topical issues in fiscal year 2011/2012

Additional employees were hired at the Corporate Law & Compliance department in the summer of 2011 to expand the group's communication and training work. This also includes in-house handling of data protection matters in international legal relationships and projects to expand the system for protecting know-how and the risk management system. An independent auditing firm conducts regular compliance audits and examines implementation of its recommendations in subsequent audits.

At the beginning of 2012, the Chief Executive Officer assumed responsibility for the Corporate Law & Compliance department. In fiscal 2011/2012, the structures required for covering the subject of data security internally were set up. Establishment of the internal organization for data protection work and related consulting, including training, was successfully completed.

As in previous years, KWS did not record any cases of corruption or violations against the Code of Business Ethics in the period under review. A number of compliance training courses addressing the special needs of participants were held at subsidiaries and associated companies.

International compliance work is now supported by regional Service Centers, whose services include disseminating information as part of the internal compliance network.

Risk and Opportunity Management

Risk management

The risk management system is based on strategic planning and investment controlling, continuous operational controlling and the quality and process monitoring systems. External auditing by experienced auditors is conducted at KWS and is a key component of risk management in ensuring that internal controls work.

The objective of the risk management process is to identify, analyze, assess and efficiently monitor significant risks. This process is intended to ensure constant control and thus to support a decision-making process based on information.

Opportunity management

In an extensive planning process covering a ten-year horizon, all the divisions identify opportunities and analyze market and growth potential. This strategic planning is adapted regularly to reflect current developments and translated into pinpointed measures together with the Executive Board.

Topical issues in fiscal year 2011/2012

We extensively expanded our risk management system further in fiscal 2011/2012. A Risk Committee was established and creates a risk report very quarter.

The main risks for us are still related to products and the market. KWS counters the risk of weather-related losses of production by distributing its seed multiplication activities over several locations worldwide. Low temperatures in a number of regions this spring resulted in frost damage to winter cereals. Demand from farmers for substitute seed for summer cereals was able to be met. Overall, the KWS Group's risk management systems did not reveal any risks that jeopardized the company's existence in the year under review.

More information:

www.kws.de > Company > Investor Relations

- Corporate Governance
- Compliance
- Risk Management

Integrated Management System

The Integrated Management System and environmental policies, which employees are obligated to implement under our internal regulations, in conjunction with the requirements defined by environmental protection law, form the foundation for all our strategic and operational measures in protecting the environment. Energy and water are consumed and cultivation areas, auxiliary materials and supplies are used in all phases of variety breeding, seed production and the technical processes this involves. Use of these resources is based on the principles of economy, avoidance, reduction, reuse and sustaining of an internal cycle. These processes in the management system are organized in accordance with the standards DIN EN ISO 9001:2008 (quality) and DIN EN ISO 14001:2004 (environment). Their working order and effectiveness are examined regularly by audits and reviews and confirmed by the auditing firm's certificate.

Topical issues in fiscal year 2011/2012

The requirements regarding certification and compliance with standards on the part of the KWS Group are growing steadily. KWS SAAT AG currently holds ISO certificates which cover – geographically and organizationally – the Einbeck location and the subsidiaries and associated companies located there. The KWS Group also holds further certificates not limited to its activities in Einbeck. The systems used are currently being restructured, taking into account the newly created global Rules & Guidelines, and transferred to a new management system. This new platform will be structured so that it can also be used by subsidiaries and associated companies. The system's elements are to be organized in such a way that further certification on the basis of other standards, such as DIN EN ISO 50001 (energy management) or for biotechnology (Excellence through Stewardship – ETS), is possible in this system. As a result, parallel systems can largely be avoided.

The annual follow-up audit conducted by the certification company at the location in February 2012 revealed no deviations from the above standards.

In view of its function and the fact that it is made up of members from all units, the Corporate Management Circle has become the main body responsible for developing the management system and discussing issues relating to sustainability. It regularly discusses synergy effects in relation to further development of the management system and sustainability and helps prepare submissions on which the Executive Board can base its decisions.

Investments totaling €2.6 million were made on environmental protection measures in the period under review. They include optimization of the compressed air network and increasing the efficiency of the power supply by means of additional transformer stations to keep power transmission losses low. The installation of climate control for greenhouses was postponed to the current fiscal year. Investments are thus lower than the anticipated volume of €3.1 million.

We plan to invest a total of €5.0 million on environmental protection measures in the current fiscal year. These will be made up of €2.9 million on construction measures and investment in plant and machinery, as well as €2.1 million on maintenance.

Responsibility for the Supply Chain

We stand at the beginning of a food and raw materials supply chain with our varieties and seed for sugarbeet, corn, cereals and oil seed. That is why we feel a particular responsibility for natural cycles and people as consumers of food and raw materials. Seed is a product of natural origin. However, further accessory agents and active substances are required for sowing it and in the initial growth stages in order to support its germination. They include pesticides and coating components added to the seed to help it get started.

While sugarbeet seed is multiplied within the group at the subsidiaries and associated companies, KWS also works with external multiplication organizations to produce the corn and cereal seed it needs. The quality requirements KWS demands of its seed multipliers are high and precisely defined in agreements. The obligations of farmers who multiply seed for KWS are based on the company's Code of Business Ethics. The agreements explicitly stipulate that only permitted pesticides can be used in compliance with local law in caring for the plants.

Pesticides and coating components are purchased from certified suppliers in the pesticide industry with whom the company has worked with in a trusted partnership built up over decades and who operate internationally and have defined high environmental and social standards for themselves and their suppliers. Procurement is controlled centrally from Einbeck. The components are distributed from there to KWS' production operations worldwide.

Around half of all purchases KWS makes are for seed, accessory agents and active substances. The remainder is accounted for by supplies, fees and further services required for day-to-day operations. Regional suppliers are preferred if they meet the requirements.

Transportation services, for which the Logistics department is responsible, account for a large proportion of the expenditure here. The agreed terms of delivery and processes are reviewed in mutual supplier audits.

Topical issues in fiscal year 2011/2012

KWS' purchasing volume and the procurement situation worldwide underwent extensive analysis in the past fiscal year. This revealed that KWS SAAT AG and its subsidiaries and associated companies obtain 92% of their purchased goods from companies that are based in OECD countries and are committed to high social and environmental standards. The company has had longstanding and trusted working relationships with most suppliers from whom product-

related goods are procured. Overall, the risk of violation of environmental and social standards by our suppliers was classified as relatively low. A potential, but low risk was identified in cooperation with external multiplication organizations outside OECD countries. The Supplier Code of Conduct we are developing this year will help prevent violations of environmental and social standards by our partners in the supply chain. It will apply to all suppliers and service providers of KWS and to all goods and services we procure. After it comes into effect, compliance will be examined as part of planned audits or annual reviews.

Dialogue with Stakeholders

Internal and external dialogue is of great importance to us. We communicate what we do. As a result, our business activity is clear and transparent at all levels and in all areas. KWS' dialogue is characterized by maximum openness and trust in its partners.

Topical issues in fiscal year 2011/2012

Green genetic engineering

Genetically modified plants are now cultivated on a global area of 160 million hectares, a figure that is growing year by year. Despite that fact, the public discussion on "green genetic engineering" remains controversial, at both the national and European levels.

Between 2008 and 2011, KWS conducted open-air trials of genetically modified sugarbeet that are tolerant to the herbicide Roundup® at various locations in Germany (Wetze in Lower Saxony and Dreileben and Üplingen in Saxony-Anhalt). If Roundup® was used to control weeds, the herbicide-tolerant sugarbeet exhibited a clear lead in development and higher yields compared with conventionally treated sugarbeet in the trials, which were conducted over several years.

In 2011, opponents of genetic engineering impeded these trials by attempting to destroy the fields. For the time being, KWS will conduct further open-air trials with genetically modified plants only in countries where there is a friendlier climate toward green genetic engineering and there is demand for such products from farmers. However, KWS remains committed to dialogue and transparency in all matters relating to green genetic engineering. Nevertheless, open and constructive dialogue for us does not mean provocation or escalation, as was the case by opponents at the show garden in Üplingen in 2011.

Plant breeding up close

Since 2009, KWS has taken part in a show garden project for genetically modified plants in Üplingen, Saxony-Anhalt. In a comparison of plants grown with and without the use of genetic engineering, interested members of the public were able to learn more about the effects of diseases and pests on potatoes and corn and see the influence of weeds on the growth of sugarbeet plants. Such projects offer a vivid

means of helping people grasp and form a differentiated opinion on green genetic engineering. The company also planned to take part in the Üplingen show garden in 2012. However, the operator BioTechFarm GmbH & Co. KG decided against creating the show garden as a result of the restrictive political conditions and the destruction of fields in Germany.

Dialogue Forum

In May 2009, KWS established a new platform in the Leine-Solling region for communication with stakeholders – the KWS Dialogue Forum –, where KWS provides up-to-date, comprehensive information on the most important questions for the region and developments at the company. At the same time, KWS would like to get to know the viewpoints and opinions of participants in the Dialogue Forum so as to include them in its considerations and decisions. A trusting and fair relationship with the people from the Leine-Solling region and a responsible approach to the effects of our commercial activities on our surroundings are key objectives of ours. Two Dialogue Forum events were held in fiscal 2011/2012: "KWS: Operating worldwide and at home in Einbeck" and "Reconciling economics, ecology and social responsibility – Sustainability at KWS locally and throughout the company." This series of discussions is to be continued.



KWS employees visiting the show garden in Üplingen.

The Plant Breeding Advisory Board

The 44th meeting of the Advisory Board was held on November 17-18, 2011. On the basis of the current social, legal and political conditions, the participants analyzed the current situation as to the use of green genetic engineering in Germany and Europe. Among other things, they asked about the conditions under which plant breeding companies can continue using this technology and whether research institutions and universities are still able to meet the necessary requirements for training and qualifying young scientists.

They came to the conclusion that the latitude allowed players is very limited at present and the number of open-air trials with genetically modified plants will continue to fall in Germany and Europe. Consequently, the Advisory Board's participants expect that young scientists will have fewer opportunities to gain qualifications in this field of research and will leave Europe. Despite that, a study published by the EU Directorate General in December 2010 clearly showed that European companies and research institutions play an outstanding role in the research and development of new breeding methods and that genetically modified plants are just as safe as conventionally bred varieties. This study summarizes the results of 25 years of independent research, backed by more than €300 million of public funding, in 130 international projects involving more than 500 research groups.

KWS generates around 30% of its net sales with genetically modified plants, almost exclusively in North and South America. This variety portfolio is crucial for KWS' competitiveness in markets like the U.S. The company will continue to conduct its research work and initial development steps for genetically modified plants at its Einbeck location and offer young scientists the chance to gain further qualifications. Applied trials with genetically modified varieties will be conducted in regions where there is demand for the products and they are used.

The 45th meeting of the Advisory Board will be held on November 29-30, 2012, and deal with the subject of "Africa – Challenges for a continent with a promising future."

Prominent visitor to KWS

Lower Saxony's Minister President David McAllister paid a working visit to KWS on July 8, 2011. Dr. Andreas J. Büchting, Chairman of KWS' Supervisory Board, and Chief Executive Officer Philip von dem Bussche provided him with information on the innovation potential of modern plant breeding. The discussion centered on breeding's contribution to securing the future supply of food and energy for a growing world population in a time of growing climate change.



Lower Saxony's Minister President David McAllister (center) talking about the potential of plant breeding with Chairman of the Supervisory Board Dr. Dr. h.c. mult. Andreas J. Büchting (left) and Chief Executive Officer Philip von dem Bussche (right).

More information:

- www.kws.de > Company > Sustainability > Our Sustainability Approach > Dialogue with Stakeholders
- Dialogue Forum/members and subjects of the meetings to date
 - Plant Breeding Advisory Board/guidelines, members and subjects of the meetings to date
 - "KWS in Dialogue"



The changing face of lab techniques – determining quality in 1904 and now.

High-performance varieties and high-quality and healthy seed are at the beginning of the value chain in farming. This key position in plant breeding means the company bears a special responsibility regarding the requirements for sustainable, environmentally friendly and resource-efficient agriculture, as well as for subsequent production steps.

Our section in this chain extends from developing new varieties, multiplication and processing to marketing and sales consulting. We assume concrete responsibility in all phases.

Research and Breeding

We strive to deliver products that can be used for all kinds of farming systems: conventional farming, farming using genetically optimized plant varieties, and organic farming. The goal of our research and breeding (R&D) is to develop competitive plant varieties that enable efficient and resource-sparing agriculture in the markets that are relevant for us.

Topical issues in fiscal year 2011/2012

Large R&D investments again

KWS' expenditure on research in fiscal year 2011/2012 was €126.6 (113.5) million (previous year's figures in parentheses), a year-on-year increase of 11.5%. R&D expenditure was 12.8% of net sales. The success of our R&D is reflected in the sales approvals for new varieties. In fiscal 2011/2012, 129 (117) sugarbeet varieties, 111 (119) corn varieties, 49 (35) cereal varieties and 14 (25) varieties of other crops obtained approval, giving a total of 303 (296) worldwide.

Alternative herbicide concept to reduce the use of pesticides

In many years of collaboration with Bayer CropScience, KWS has developed an alternative approach for producing a herbicide-tolerant sugarbeet using conventional breeding methods. A very rarely occurring natural change (mutation) in the sugarbeet's genetic makeup was leveraged to achieve that. Out of 1.5 billion individual cells, one sugarbeet cell exhibited a mutation that has tolerance to herbicides from the class of sulphonylureas (ALS inhibitors). Herbicide-tolerant sugarbeet plants were created from this individual cell using in-vitro multiplication, i.e. cultivation of plant cells to regenerate plants with an identical genetic makeup. The next step is to produce high-performance varieties with the trait "herbicide tolerance."

Expansion of the corn breeding programs

The starting material for the corn breeding programs is varieties of flint and dent. Flint and dent varieties have specific features because they have developed separately under different climatic conditions. By continuously expanding the breeding programs with dent x flint hybrids to include dent x dent hybrids, KWS can develop region-specific varieties in all European key countries and tap markets outside Europe. A further focal area in the coming years will be to establish new dent breeding programs in Eastern Europe, China and South America.

Strengthening potato breeding and its objectives

KWS has strengthened its activities in breeding, production and distribution of seed potatoes. KWS' potato varieties are developed for consumers (ware potatoes), as well as for the food industry (French fries and chips). Apart from yield stability, better storage ability and the quality of processing are key factors when it comes to breeding seed potatoes.

Sunflower breeding for Europe

In view of the growing importance of sunflowers as raw material for many areas of industry, KWS resumed and intensified its own sunflower breeding program in 2010. The most important cultivation regions are Russia, Ukraine and Southeastern Europe. A new breeding station is being set up in Boly in Southwestern Hungary. It will complement an existing corn breeding station in Eastern Hungary. Initial sunflower lines are already being cultivated under test conditions and the trials are being expanded.



Labels are also used in plant breeding – plant generations on their way to becoming a variety.

Prediction of complex traits – marker technology

KWS strives to use state-of-the-art methods to an even greater extent in all its breeding programs. Marker technology already makes a crucial contribution to selecting desired plant characteristics on the basis of molecular data obtained from genome analysis. Constant advancement of DNA sequencing techniques and marker analyses enables specific profiles – comparable to a fingerprint – to be created. With high-throughput marker analyses, an established technology at KWS, marker profiles of many plant populations can be created quickly and at low cost. Genomic selection thus permits prediction of complex traits using these marker profiles. Using extensive statistical and mathematical methods, the profiles of many plants with known traits, such as higher yield, are recorded and compared with those of plants within this population whose traits are not known. That makes early selection of candidates for breeding programs possible and simplifies field trials for examining the plants' yield performance. Genomic selection helps increase efficiency in breeding and is being intensively tested for sugarbeet and corn. This highly promising approach is to be expanded to further crops in KWS' portfolio.

KWS and Vilmorin: Establishment of a research platform for genetically modified plants

In October 2011, KWS founded the 50:50 joint venture GENECTIVE together with the French breeding company Vilmorin. Their common goal is to establish a research platform for genetically modified varietal traits in corn. The cooperation will initially focus on further developing genetically modified corn that has herbicide tolerance and higher resistance to insect pests. These standard characteristics will be joined by others to enable better adaptation of corn plants to specific local conditions.

In North America, applications for approval of cultivation and use of genetically modified, herbicide-tolerant corn for food and feed have already been submitted to the local authorities. Approval is expected to be awarded in 2014. At the same time, applications for their use in food and feed in the main export markets are being prepared. After they have been approved, it can be assumed that they will be launched on the market in the U.S. and Canada as of 2019.

Longstanding partner in the research program GABI

The national research program GABI (Genome Analysis in the Biological System of the Plant) has been funded by the German Ministry of Education and Research and private enterprises since 1999. They have joined together to create the WPI association (Wirtschaftsverbund für PflanzenInnovation e.V.). 30 companies from the fields of plant breeding, pesticide production, the processing industry and biotechnology, including KWS and its subsidiaries and associated companies, are currently involved in the WPI. Together with research partners from universities, Max Planck Institutes and other large research establishments, such as IPK Gatersleben (Leibniz Institute of Plant Genetics and Crop Plant Research), research is conducted into the genetic and molecular processes of the most important agronomic properties, such as yield and resistance to diseases. The findings are systematically used to develop varieties. Continuous cooperation between industry and academia has evolved into a successful model of a public-private partnership.

Development of new markets

Apart from Europe, the Chinese seed market plays a major role in KWS' strategic planning. KWS built up good business relationships with China in the 1970s and in 2010 established a new subsidiary for breeding corn there. The breeding program now being set up by KWS is geared to the moderate climatic zone, in which more than 80% of China's corn cultivation area is located. The breeding program was expanded further last year in line with the rapidly growing importance of KWS' varieties in commercial cultivation. This is reflected in a doubling of testing capacities and an increase in the number of trial regions. New corn varieties are now undergoing approval tests in all major cultivation regions, with the exception of the tropics.

Strategy for international patent and variety protection

It is becoming more and more important for the company to protect breeding and research results, in particular so as to ensure it remains competitive. A key element of KWS' cross-unit and international property rights strategy is therefore to obtain and uphold patent and variety protection rights. The Industrial Property Rights department is in charge of patenting and variety protection and responsible for ensuring that proprietary rights are applied for, defended and enforced. It also monitors third-party property rights so that the risk of infringements can be ruled out at an early stage. KWS plays an active part in the discussion regarding the right balance between intellectual property protection and broad-based access.

More information:

www.kws.de > Company > Sustainability > Innovation & Production
> Research and Breeding
www.kws.de > Company > Research and Breeding

Biodiversity

Biodiversity – biological diversity – denotes the wide range of life on earth and the variability among living organisms from all sources. An essential part of biodiversity is plant genetic resources (PGR), which have an actual or potential value for food and agriculture.

The preservation of, access to and use of the genetic material of plants form the basis for breeding crops.

Topical issues in fiscal year 2011/2012

KWS projects

We are particularly committed to preserving PGR as part of projects and to supporting scientific projects on the ground in developing countries. With our projects of practical relevance, we specifically aim to demonstrate the effectiveness and ensure implementation of the International Treaty on Plant Genetic Resources for Food and Agriculture of the Food and Agriculture Organization (FAO).



Seed samples in the elite storehouse – the basis for genetic resources and breeding work.

Peru

The project in Peru launched in 2010, the International Year of Biodiversity, is being continued. As part of several projects, we intend to share our know-how from our core competence of plant breeding and in the use of PGR with Peruvian scientists and train and further qualify experts. A particular focus is on methods to preserve and evaluate PGR and on advising on the choice of suitable methods to improve breeding performance. Three projects with different terms of reference deal with corn and quinoa, crops that are especially important in Peru. Scientific training is ensured by KWS' cooperation with the endowed chair for "Crop-Plant Biodiversity and Breeding Informatics" at the University of Hohenheim. Project plans and contents were agreed with the selected project partners and initial field trials started in the past fiscal year.

Ethiopia

A similar project spanning 15 years was launched by KWS with wheat and barley this year in Ethiopia, jointly funded by KWS and the German Ministry of Food, Agriculture and Consumer Protection (BMELV). A number of other German plant breeding companies are making non-financial contributions.

In March 2012, the participants from various fields of breeding research and practical agriculture gathered in Addis Ababa to draw up the work and training schedule (recruitment of staff, agreements between gene banks, creation of

the crossing programs and trial planting and observation) for the first phase lasting three years. The German Society for International Cooperation (GIZ) is responsible for local project management. Breeding adapted and resistant varieties is now vital for the inhabitants of these regions, also because wheat production was impaired in 2010 by a yellow rust epidemic.

Organic Farming

Organic farming operations make special demands regarding the seed and varieties of our crops. Important breeding objectives in ecological agriculture are mainly the suppression of weeds, resistance against seed-borne diseases and nutrient efficiency.

Topical issues in fiscal year 2011/2012

Use of organically farmed areas for breeding

The breeding program for corn varieties for cultivation on organically farmed areas is being continued. The objective is to develop varieties that have high yield stability, quality and resistance and are suitable for growing on organically and conventionally farmed areas. A three-year research project aims to identify the extent to which additional undersowing between the rows of corn enables selection of corn varieties with a high tolerance to weeds.

Supply of plant nutrients

Nitrogen is one of the basic nutrients required for plant growth. Grain legumes (pulses) play a major role in ecological crop rotation to ensure that plants are supplied with nitrogen. The trials with grain peas that have been conducted since 2010 on organically and conventionally farmed areas have not yet been concluded. The long-term objective is to be able to offer high-performance varieties for ecological agriculture.

Dialogue with customers in the organic farming sector

KWS holds annual ecological field days for its corn, cereals, rapeseed and grain peas and, every two years, winter congresses for organic farming for customers in this sector. This year's summer ecological field day at KWS' Wiebrechtshausen monastery estate was held in cooperation with the Organic Farming department of Lower Saxony's Chamber of Agriculture. Its main focus was the presentation of trials aimed at developing wheat varieties for organic farming. The objective is to breed varieties that can resist weeds.

Selection of robust winter wheat varieties

Since 2008, the qualities of future winter wheat varieties have also been tested on organically farmed areas. The additional testing on these areas permits identification of varieties that have a low nutrient intensity and offer the best combination of yield potential and quality.

Project days for school classes

With the support of his family and the Lower Saxony Country Women's Association in Northeim, the site manager of KWS' Wiebrechtshausen monastery estate has offered project days for primary and high schools from Northeim since 2010. Under the slogan "Life on the Farm," the students conduct projects with plants on the estate and tend the "Snack Garden" which the Country Women's Association has created nearby with the support of KWS. Topics such as the importance of bees for agriculture, identification of plants or the origin of our wheat varieties provide insights into agriculture. A further focus of these practical projects is on healthy nutrition and production of food.

More information:

www.kws.de > Company > Sustainability > Innovation & Production
> Fields of Activity > Organic Farming
www.kws.de > Products > Organic Farming

Energy Plants

Renewable energy is growing in importance as a result of the finite availability of fossil fuels and efforts to reduce greenhouse gas emissions. Energy from biomass, or bioenergy, is one of the most important regenerative sources of energy when it comes to producing power, heat and various fuels.

Topical issues in fiscal year 2011/2012

Developments in the biogas sector

Energy plants for producing biogas are grown on an area of 962,000 ha in Germany. 810,00 ha of this are used to grow silage corn for producing biogas (source: Agency for Renewable Resources, 2012). That is 32% of Germany's total corn cultivation of 2.5 million ha in 2011 (source: Deutsches Maiskomitee e.V. (German Corn Committee)). Most of the corn grown is still used for feed production. This is a subject where society and policymakers do not have a sufficiently differentiated perception.



Quality analysis to select the ideal time of harvest – Determining the dry matter of sugarbeet.

In view of the increasingly heated debate about the use of corn to produce biomass, farmers want other crops that can also be grown as energy plants.

KWS promotes diversification in this market sector with special breeding programs on the use of sugarbeet, sorghum and rye as energy plants and thus helps reduce the predominance of corn in crop rotation.

The number of biogas plants in Germany is expected to increase to 7,500 by the end of 2012 (source: German Biogas Association, 2012).

Approval of energy plant varieties

Varieties from the energy beet breeding program with the names SUSETTA KWS, DEBBY KWS and BECKY KWS gained approval in fiscal 2011/2012. With their high dry mass yields, they have been optimized to produce high biogas yields per hectare. At the same time, they have an easily digestible organic substance that speeds up gas formation. Thanks to their excellent fermentation properties, KWS' energy beets are highly efficient substrates for biogas plants.

Market launch of the new sorghum varieties SOLE and TARZAN means there is an alternative to corn for locations in dry stress regions in Eastern Germany.

To promote awareness of its energy plant varieties, KWS made it a point to attend trade shows in Germany such as Agritechnika in 2011, the German Agricultural Society's field days in 2012 and BioEnergy in 2010, and is preparing to do so in November 2012.

More information:

www.kws.de > Company > Sustainability > Innovation & Production
> Fields of Activity > Energy Plants
www.kws.de > Products > Energy Plants

Breeding objectives for corn		
Strategic objective	Measures	When?
Increased yield stability for energy corn	Improvement in tolerance to dry stress and low-input (low-nutrient) conditions, in particular in Eastern Europe, Southeastern Europe and Germany	Continuous improvement
	Improvement in hardness	Continuous improvement
Development of adapted dent x dent hybrids	Expansion of the breeding programs in China and South America	2014
	Selection of drought-tolerant material and establishment of two new breeding programs for Eastern Europe	2015
Breeding objectives for wheat, barley and rye		
Higher yield stability and quality	Improvement in tolerance to low-input conditions	2016
	Improvement in tolerance to dry stress in Europe	2019
Breeding objectives for sugarbeet		
Herbicide-tolerant varieties for conventional cultivation	Breeding programs for sugarbeet with herbicide tolerance to ALS inhibitors (the class of sulphonylureas)	In the medium term

Seed Production

The goal of our production concept is to offer our customers high-quality sugarbeet, corn and cereal seed and oil and field seed to grow varieties tailored to their specific location. The wide diversity of these crops and the varieties bred from them in KWS’ portfolio are great challenges for seed production and the safeguarding of production.

Topical issues in fiscal year 2011/2012

Key seed production figures

67,774 (56,716) tons of seed for sugarbeet, corn, cereals and oil seed were sold to agricultural trading companies or sugar factories in the German market in fiscal year 2011/2012, almost 20 % more than the previous year. The increase in quantities is also due to the fact that the report’s scope was extended in relation to corn. The decentralized processing structures necessitate a more complex system for recording the key figures.

490 (407) tons of pesticide and 956 (863) tons of packaging material (primary packaging and transport packaging) were used for the quantity sold. This increase corresponds to the increase in the quantities of seed sold.

Process for sugarbeet seed processing

The sugarbeet seed processing plant in Einbeck was certified separately as a treatment site in the past fiscal year. Renovation of the filter systems for dusts containing pesticides produced in sugarbeet processing has been completed. This will be followed by further optimization measures to the waste air purification systems in the warehouses. A project that has just started involves reducing compressed air consumption in production through the detection of leaks. We expect potential savings of more than €40,000 a year in electricity.



Mechanical selection at the sugarbeet seed processing plant.

Process for corn seed processing

KWS added additional labeling to its corn and rapeseed seed sacks in the past season. Extended warnings printed on them give customers easy-to-understand information on how to handle and use dressed seed properly. This ensured compliance with requirements due to changes in EU legislation on plant protection products. In addition, we developed pictograms for the packaging to enable consumers to understand the warnings more quickly.

Process for cereal seed processing

The structure of the companies that process seed for us has changed sharply as a result of introduction of our in-house quality standard QualityPlus®, which meets requirements above and beyond those prescribed by law. While 800 firms used to process seed for us, that figure is now less than 80 companies that have passed an audit and process seed for our varieties. The result is a significant improvement in quality.

Corn seed and oil seed treatment process

The certified treatment facility system was introduced in Germany under the name SeedGuard by the German Plant Breeders Association (BDP), the German Crop Protection, Pest Control and Fertilizer Association (IVA), the German Raiffeisen Federation (DRV), the German Seed Producers Association (BDS) and other associations in the seed industry. In 2011, this system was also established in other EU countries by the European Seed Association (ESA) under the name European Seed Treatment Assurance (ESTA). KWS has been able to have a large part of its oil seed treatment work carried out by such certified treatment facilities

in Germany. Issues related to the protection of users and the environment are accorded special attention as part of this. The seed is treated in professional plants that have the appropriate application and post-treatment technologies. In addition, only successfully audited treatment recipes that ensure particularly good adhesion of the dressing agents and additional substances and cause as little dust as possible during sowing are used. The standards of quality in treatment stations abroad are examined beforehand to ensure that they meet KWS’ quality requirements. The same procedure is to be adopted for corn seed treatment in Germany for the 2012/2013 season.

More information:

www.kws.de > Company > Sustainability > Innovation & Production

> Fields of Activity > Seed Production

- Specific processes for processing sugarbeet, corn and cereal seed and oil seed

Product Safety

Farmers expect seed that gives them maximum yield and quality, yet delivers crops that need a minimum of fertilizer and pesticide per hectare and minimal tending during their growth period. Natural factors that impact the quality of products in a different way year after year are a particular challenge, affect quality assurance measures and demand additional flexibility. The quality and properties of the varieties are ensured by KWS by means of extensive quality checks in all pre-sales phases of seed production.

Topical issues in fiscal year 2011/2012

The QualityPlus® concept launched by KWS LOCHOW GMBH has significantly improved the reliability of cereal products. The cereal processing plants working on behalf of KWS LOCHOW GMBH are audited by it every two years and supported by qualified production consultants. The resultant seed qualities are examined in a specially accredited and officially recognized seed laboratory. New standards of quality for cereal seed have been set by KWS LOCHOW GMBH thanks to this initiative, and the process will be completed this year when the company is named a certified treatment site for cereal seed.

As already mentioned in the “Seed Production” section, the processing plants used by KWS for sugarbeet and rape-seed have also been audited and certified as treatment facilities. The corn treatment plants working for KWS will undergo this special process in 2012/2013.

More information:
www.kws.de > Company > Sustainability > Innovation & Production
> Fields of Activity and Current Developments > Product Safety

Customer Consulting

Farmers want expert advice on varieties and cultivation for their specific farm. KWS meets these demands by setting standards as a seed specialist for farmers in providing consulting to customers on the cultivation of sugarbeet, cereals, corn and oil plants.

Topical issues in fiscal year 2011/2012

20 years of agrotechnical trials

The Agro Service for sugarbeet has conducted agrotechnical trials in Wetze on focal topics such as soil fertility and varieties for 20 years now. In addition, trials are also being set up in Klein Wanzleben to enable results and experience to be gathered under different climatic conditions at different locations.

KWS tests and assesses a wide range of tilling and cultivation methods in agrotechnical trials. A particular highlight this year was the Geoseed® variants. Sugarbeet was sown in a triangular or square group formation. This method could optimize productivity per unit area in beet cultivation. A new product also deals with more efficient use of mineral fertilizers by means of subsoil fertilization.

Tracking down diseases and pests

KWS again took part in the sugar industry's leaf disease monitoring program in fiscal 2011/2012. Field tests involving nematodes and Rhizoctonia were conducted together with farmers. Rows of a tolerant beet variety are also grown as indicator plants in order to assess the degree of infestation. The field tests are a practical and customized on-site solution that reveals a lot of information for farmers, enabling them to take proactive measures with great care. A mobile soil sampler has been purchased to enable more precise scientific tests relating to nematodes.

Biogas – hand in hand with the pioneers

Beets are excellently suited as a substrate for biogas plants. A focus of our current work is on further developing storage systems for beets before they are transferred to the biogas plant as a fermentation substrate in shredded form. The objective is to avoid sugar losses during storage as a result of respiration. Systems are improved and innovative measures formulated by various approaches, such as in-house and external tests, meetings between professionals and knowledge transfer.

New objectives in fiscal 2011/2012: Product safety		
Strategic objective	Measures	When?
Certification of the corn treatment facilities used by KWS	Commissioning of ESTA/SeedGuard and audit firms	Germany by the end of 2012, abroad by mid-2013



Agricultural knowledge in your pants pocket – Information on varieties can be obtained by smartphone.

cultiVent – Expert consulting from KWS

The challenge in giving customers the very best advice is – apart from addressing them and their personal needs – to advise as large a number of customers as comprehensively as possible in a short space of time. An e-mail-based consulting tool for corn has been created to enable this. Its benefits include advice on the subjects of tilling, fertilizing, sowing or points of special note during vegetation. In addition to the e-mail function, an interactive homepage has been created that offers farmers additional benefits, such as a folder containing details and photos on patterns of damage or an interactive cultivation planner. Particular highlights in the cultiVent system are the monitoring of regional soil temperatures to determine the right time for sowing and the nationwide network of testing locations in Germany to enable regional dry matter monitoring.

Mobile regional optical quality analysis

A further excellent tool for research and customer consulting is the mobile dry matter lab (TS Lab) for beet and corn developed in the period under review. It has been given the name KroQ Mobile for corn; that stands for “KWS regional optical quality analysis.” The TS Lab enables rapid analysis of the dry matter content in the field. The prime objective in growing energy plants is to achieve high yields of dry mass. This analysis helps determine the ideal time to harvest corn or beet for the biogas plant. As a result, storage conditions can be optimized to avoid losses in quality and the supply of substrates to the biogas plant can be controlled.

KWS app – Agricultural knowledge in your pants pocket

KWS customers have a high affinity for technical innovations, provided they offer benefits when it comes to advice on cultivation matters. Consequently, KWS has implemented the idea of an app in a student project. The app's users are mainly farmers as well as biogas plant operators and consultants. It offers concrete assistance in ascertaining seed requirements (calculation of the quantity of seed on the basis of a set planting density), controlling the planting density (after sowing), a corn revenue calculator (calculation of revenue from the harvest when sold to biogas plants, for example) and a biogas revenue calculator (calculation of the revenue from electricity in relation to the harvested quantities). The app can also be used to contact regional field sales staff directly.

Innovative data – Codes on variety labels

Agro Service has established an extensive field trial system at many locations. The variety labels come with a code to provide customers with optimum information. Using a special data field on the label – the QR code – farmers in their fields can use their mobile phone to call up information on the variety from KWS' Internet site.

More information:
www.kws.de > Products
www.kws.de > Company > Sustainability > Innovation & Production > Fields of Activity > Customer Consulting

- Agro Service
- The Team



The care taken by our employees guarantees success in breeding.

Employees

Our commercial success is built on qualified, committed employees with a desire to achieve. We offer attractive jobs, fair compensation that reflects performance and extensive and modern social benefits. Our values as an employer – freedom, continuity, fairness, respect and trust – form the framework for our day-to-day interaction. They are the foundation for our corporate culture based on cooperation – a culture that encourages and enables progress and innovation by empowering employees to question, think ahead and share knowledge, as well as by recognizing and respecting individual knowledge and opinions. It helps employees develop personally and professionally.

Recruiting

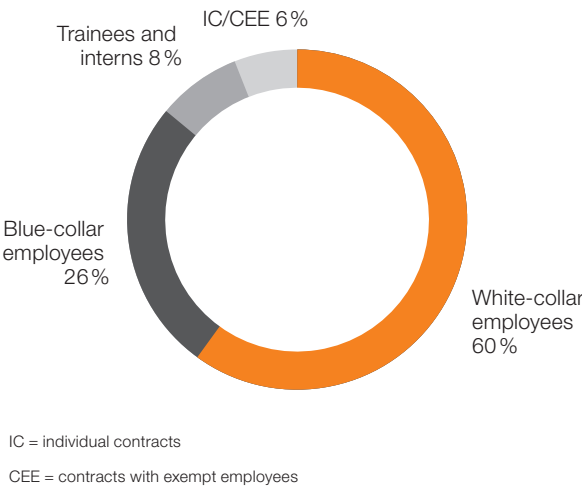
KWS is successful solely thanks to its employees. The company works constantly to recruit employees so as to secure its long-term development now and in the future through innovation.

Topical issues in fiscal year 2011/2012

Increase in the workforce

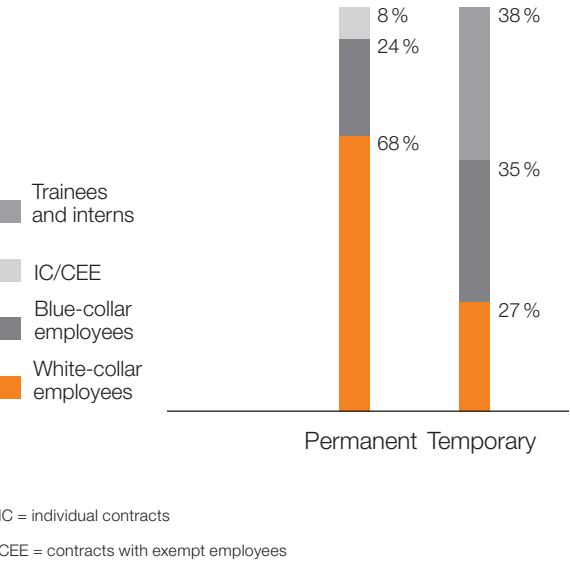
We employed an annual average of 1,588 people in Germany, 7.3% more than in the last period under review. 74 new employees were given permanent contracts. The increase in the workforce reflects the company's economic development.

Personnel structure by type of contract in fiscal 2011/2012



Of KWS' total workforce in Germany in the period under review, 60% (58%) were white-collar employees, 26% (29%) were blue-collar employees, 6% (5%) were exempt employees and 8% (6%) were trainees and interns. All the figures given in this section did not change significantly compared with the previous year.

Personnel structure by temporary and permanent contracts in fiscal 2011/2012



Employees with a permanent contract made up a large proportion of the total workforce: just under 79% (75%). The increase over the previous year was due to the fact that some temporary contracts were converted into permanent ones.

68% of the permanent contracts were with white-collar employees, 24% with blue-collar employees, and 8% with exempt employees. 27% of the temporary contracts were with non-exempt employees, 35% with blue-collar employees and 38% with trainees and interns.

Recruiting junior staffers

We endeavor to win and keep junior staffers at KWS, with the result that – as noted at the outset – they make up a constantly high level of 8% of the total workforce. KWS took various measures in the period under review to sign contacts with highly qualified students and attract them to KWS as employees. These measures range from participation in university job fairs, the award of scholarships, to setting up spots for interns.

Award of Germany scholarships

Since the 2011 Winter Semester, KWS has awarded five Germany Scholarships at the University of Göttingen. This assistance was extended for the 2011/2012 Summer Semester due to the positive experience. This national scholarship program was set up to support talented and high-performing students at universities in Germany, regardless of their or their family's income. Beneficiaries obtain a scholarship of €300 a month, of which €150 is funded by the government and €150 by private donors.

Social media as a recruiting instrument

KWS uses social media as a further channel for recruiting staff. The LinkedIn and Xing platforms are primarily oriented toward nurturing professional contacts. They offer great potential, in particular for addressing candidates who may be passively seeking a new challenge. KWS has therefore created profiles on both platforms to give an initial overview of the company. Job advertisements linked to the company profile are also placed on both platforms.

KWS is a partner organization of PLANT FELLOWS

PLANT FELLOWS is a new international Postdoc Fellowship Program in plant sciences which is open to applicants from all over the world. It offers the opportunity for transnational mobility with a certified training program consisting of mentoring and career events. The program is organized by Wageningen Business School and Wageningen University & Research Centre of Plant Breeding. KWS gives one participant the chance to take part in this summer school free of charge.

More information:

www.kws.de > Careers
www.xing.com > Company > KWS SAAT AG
www.linkedin.de > Company > KWS SAAT AG

Personnel Development

Personnel development at KWS is geared toward the units' and the KWS Group's strategic objectives so as to help all areas of the company achieve their goals and contribute to the company's overall success.

Topical issues in fiscal year 2011/2012

Establishment of an international development landscape

The internationalization of the KWS Group and restructuring of its HR activities make it necessary to establish an overarching personnel development landscape. The objective of this is to provide a framework and guide for all personnel development approaches. Initial steps to establish an international personnel development landscape have already been successfully implemented in the period under review. Important areas and objectives of personnel development were identified in consultation with the units and international Service Centers and national, regional and global programs defined. In Germany, KWS' seminar program still offers the basis for developing practical skills. There are also international events aimed at all managers and experts.

Seminar program

Our current seminar program comprises 56 seminars, which we offer in-house to KWS' employees with the assistance of a range of professional coaches. Due to growing demand, the range was increased to include seminars on the subjects of leadership skills, change competency and professional expertise. In the period under review, employees spent a total of 4,226 days at continuing education seminars, a year-on-year increase of almost 30% and an average of 25 hours per employee.

Continuing education seminars for employees

Days of continuing education	FY 11/12	FY 10/11	FY 09/10	FY 08/09	FY 07/08	FY 06/07
White-collar employees	3,300	2,463	1,881	1,936	1,184	1,253
Exempt employees	347	195	197	231	220	304
Trainees	380	419	303	410	258	155
Blue-collar employees	199	220	395	540	357	348
Total	4,226	3,297	2,776	3,117	2,019	2,060

Awards for outstanding achievements

Sarah Belzer completed her training as an agricultural technical lab assistant with the best grade nationwide and received an award for doing so from Lower Saxony’s Chamber of Agriculture. Our employee Gerrit Krüger won the 2011 Agricultural Industry Award, which is presented annually by Germany’s weekly farming newspaper Agrarzeitung. He developed a barcode system for tracking seed lots that enables producers, service providers and dealers to optimize their logistics processes.

Spirit of Cooperation at the Company

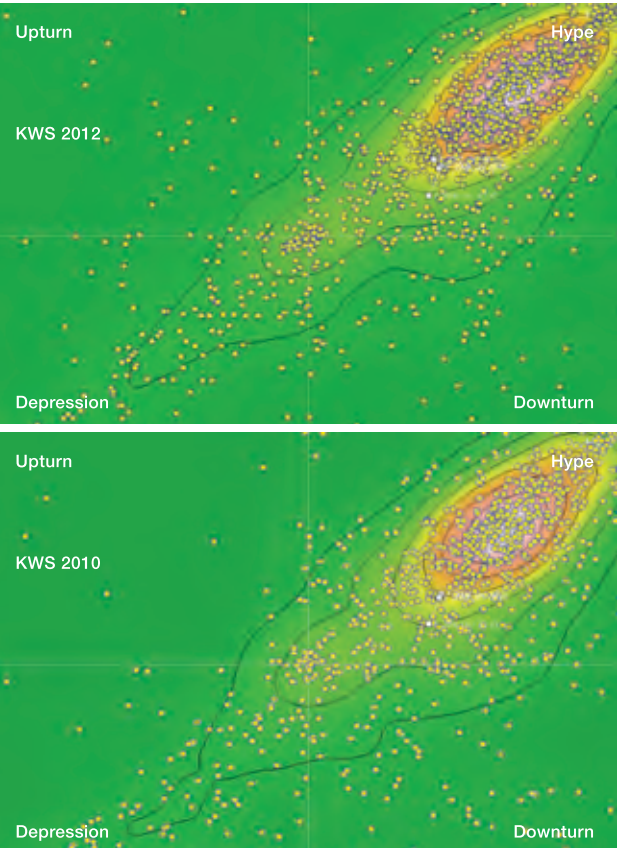
“We like working for KWS” – that is the basic philosophy of our working relationship. As an employer, we are committed to promoting a corporate culture defined by reliability, closeness, foresight, team spirit and independence. KWS’ employees always have the chance to help shape the company with their ideas and suggestions and to voice their needs.

Topical issues in fiscal year 2011/2012

Employee satisfaction and fluctuation

In the spring of 2012, KWS conducted its fourth employee survey, termed the Company Climate Monitor. The very good result of the last survey was even surpassed slightly this time around: The participation rate remained high at 73%, and 78% of those surveyed had an optimistic assessment of their prospects at KWS. 82% stated they are satisfied with their current situation at KWS. That is a very good showing, especially given the significant reshaping measures of the past two years.

We regard the average length of service for KWS as a further sign of our employees’ satisfaction: It was 15 years in fiscal 2011/2012. The total fluctuation rate is 2.7%, a slight 0.3% rise over the previous year.



The dots stand for the individual answers given by KWS’ employees. The vertical axis denotes how employees assess their current level of satisfaction, while the horizontal axis denotes their anticipated satisfaction in future. The concentration of the dots in the upper right quadrant indicates that the large majority of employees have a positive assessment of both their current situation and future at KWS.

New collective bargaining agreement

A new two-year collective bargaining agreement was concluded between the trade union IG BAU and KWS SAAT AG effective July 1, 2011. Under the agreement, there was a pay raise of €82 for the lower wage categories in the first year and 2.62% for the upper salary brackets. There was a pay increase of 2.1% for all wage categories effective July 1, 2012. All employees received a non-recurring payment of €330 in February 2012. In addition, the dividend scale was increased from €2.30 to €2.60 and at the same time the dividend framework from 75% to 100%.

All trainees receive €50 a month more and can apply for a rent allowance of up to €100 a month if needed. The child care allowance, with which KWS helps its employees reconcile the demands of their family and career, will likewise continue to be granted for the next two years. This collective bargaining agreement also envisages allowances for caring for family members. More details can be found in the section “Family, Leisure and Work.”

The agreement will run for 24 months and also applies to KWS MAIS GMBH and KWS SERVICES DEUTSCHLAND GMBH. 77% of employees were covered by collective bargaining agreements in the period under review.

Employee profit-sharing program

In fiscal 2011/2012, 333 (288) employees from fifteen subsidiaries and associated companies in the EU took part in the employee profit-sharing program and acquired 10,652 (7,270) shares, i.e. almost 32 (25) per participant. Compared with the previous year, the number of participants thus increased by 14% and the number of ordered shares by 46%. A positive aspect of note is that more employees than the previous year purchased shares – despite their further increase in price. The average number of shares per employee also rose. Employees receive an allowance of 20% on the share price, a non-cash benefit on which tax is payable.

Performance and career development reviews

In the past fiscal year, 69.8% (67.4%) of the workforce held annual performance and career development reviews with their superior, an increase of 2.4% over the previous year. We still aim to ensure more performance and career development reviews.

Women in management positions

Data on the ratio of female managers relative to the total number of managers with personnel responsibility was recorded for the first time. The figure is 18.3%. They include female employees in key administrative and scientific positions. Woman make up 51.3% of the total workforce. 29.1% of them work in R&D, a figure that has not changed much over the years.

Employee suggestion system

The period for recording suggestions for improvement was changed from the calendar year to our fiscal year effective July 1, 2012, in order to make the financial costs transparent over the same time frame as the business figures. The reporting period was therefore 18 months (January 1, 2011, to June 30, 2012), in which a total of 144 suggestions for improvement were submitted. As in the year before, most of the ideas came from the field of production technology (28.5%).

More information:
www.kws.de > Company > Sustainability > Employees
> Charts and Figures

New objectives in fiscal 2011/2012: Recruiting		
Strategic objective	Measures	When?
Promotion of diversity in recruitment	Development of recruiting strategies and measures tailored to the target groups	Continuously

New objectives in fiscal 2011/2012: Personnel development		
Strategic objective	Measures	When?
Promotion of a culture of lifelong learning so that employees can tackle changes in business requirements	Establishment of a KWS development landscape that offers employees worldwide various development opportunities	FY 2012/2013

Family, Leisure and Work

KWS regards itself as a family-friendly company, one with a corporate culture that emphasizes the importance of the family.

Topical issues in fiscal year 2011/2012

Use of the various working time models and parental leave

KWS had 327 (298) part-time employees in Germany in fiscal 2011/2012 or 23.8% of the total workforce, a slight rise over the previous year's figure of 20.1%. The possibility of working from a home office was used by 42 employees (2.6%). The number of employees on parental leave fell to 31 (47) or from 3.2% to 2% of the workforce.

Extension of the child care allowance

In the last round of collective bargaining in July 2011, agreement was reached to extend the child care allowance for the next two years. This allowance is intended to motivate employees to return to KWS after their parental leave. 98% of employees returned to their job after taking parental leave, the same figure as for the previous year. That confirms the effectiveness of this measure.

Company agreement on care for family members

A new company agreement on care for family members was concluded between KWS and the Works Council at its German companies effective January 1, 2012. It enables employees to take leave to care for relatives for a short period of time or long term. One special feature is the offer of reducing working hours to care for family members. That means employees can halve their working hours for up to two years, for example, and, thanks to an allowance from KWS, still earn 75% of their previous salary, without the need to repay the allowance.

Use of the company's own vacation home in Bad Grund

Introduction of more flexible regulations on how long employees and their families can board at the company's own vacation home in Bad Grund meant that the number of overnight stays there rose from 2,466 in the previous year to 2,720. These figures show that employees are increasingly taking up this offer.

Work Safety and Health

Early identification, understanding and action to ensure work safety and the health of its employees have always been of great importance at KWS.

Topical issues in fiscal year 2011/2012

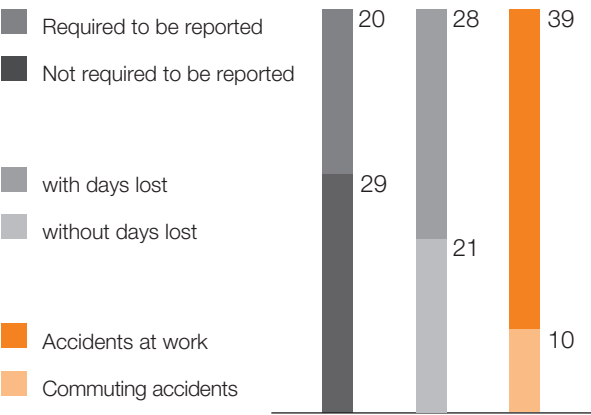
Occupational accidents and days lost

In the period under review, a total of 49 occupational accidents were recorded for the subsidiaries and associated companies based in Einbeck, including KWS LOCHOW GMBH, of which 10 were commuting accidents. 20 of these accidents were required to be reported. Consequently, occupational accidents fell by 20% and accidents that required reporting by almost 30% compared with fiscal 2010/2011. One of the main causes of accidents was personal misbehavior (65%), such as a momentary lapse of attention. As part of the regular instruction we give to employees, it is a constant concern of ours to heighten their awareness for attentiveness at the workplace so that we can keep on reducing the number of accidents.

235 days were lost as a result of occupational accidents. 21 out of 49 of them did not result in any days lost. The ratio of days lost fell by 44.4% compared with the previous year.

The rate of occupational accidents per 1 million working hours was 8, or 14 for every 1,000 employees (excluding AGROMAIS GMBH). That is well below the average accident rate for the agricultural occupational accident social insurance fund responsible for us (74 per 1,000 full-time employees).

Number of occupational accidents in fiscal 2011/2012



Pupils learn more about technical professions at KWS' Future Day.

Sickness absence

The sickness absence rate in the period under review was 3.6%, a 0.4% increase over the previous year's 3.2%.

Information events on mental health

For the first time this year, the Works Councils offered events on the subject of mental health at work. Employees were able to learn more about the increasing mental stresses that can be observed in working life, their causes and ways to prevent them. An open and serious approach to this omnipresent issue is of major importance for the future.

Training in work safety and health

Two members of the company fire brigade have completed special training on saving people from heights and depths. Ten members were trained in the subject of fall prevention. KWS' range of seminars was extended to include two first-aid courses for employees.

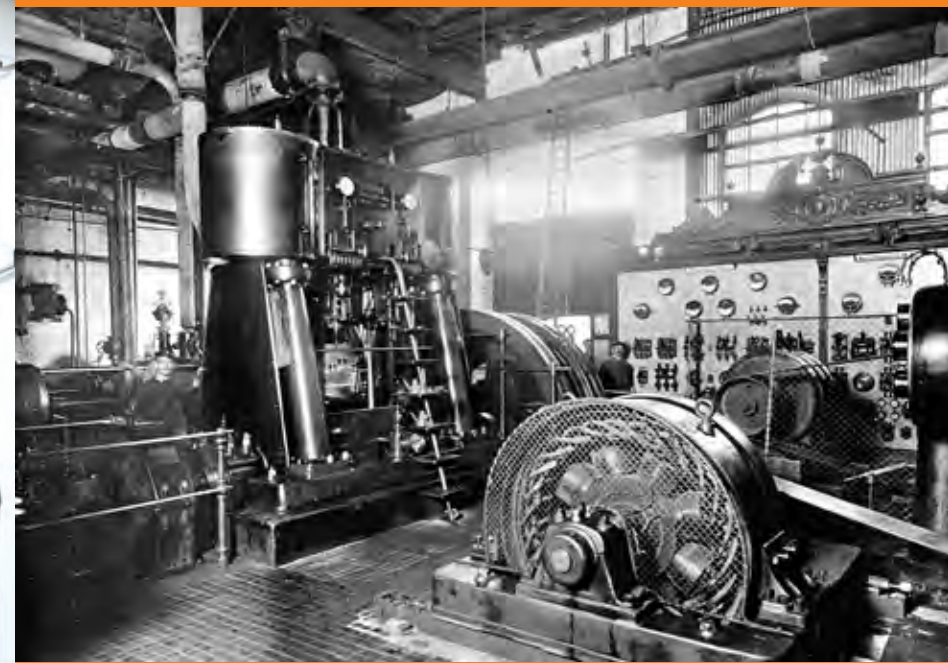
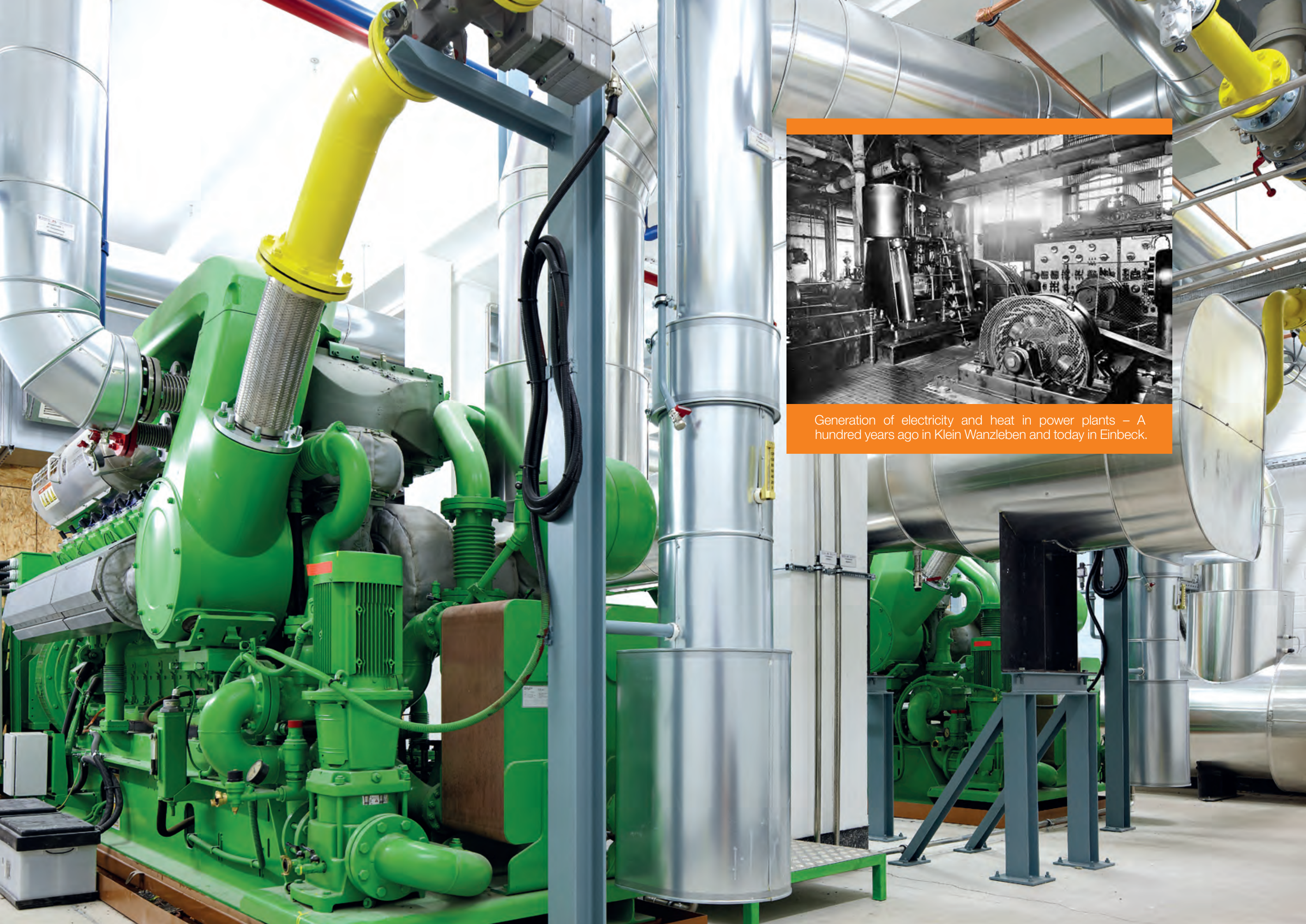
Plant safety and company fire brigade drills

In the past years, the capacities of the buildings used for production, breeding and research on the company's campus have been extended and expanded by means of a number of construction measures. A project that will last several years was launched to subject the existing precautionary measures for firewater retention to a constructional, technical and organizational examination and evaluation and adapt them to changes by means of suitable measures.

Participation in a blood drive

KWS participated in a blood drive by the German Red Cross for the tenth time in the summer of 2011. 103 employees from Einbeck donated blood during their working time, 43 of them for the first time. The drive was organized by the company medical service.

New objectives in fiscal 2011/2012: Work safety		
Strategic objective	Measures	When?
Optimization of communication and documentation of work safety information	Merging of existing databases into one central work safety database	FY 2013/2014
Avoidance of risks by third parties	Ensuring that external tradesmen are instructed in the use of the company's work platforms	FY 2012/2013
Improvement in work safety	Greater examination and evaluation of relevant production plant in relation to protection against explosions	FY 2012/2013–2013/2014



Generation of electricity and heat in power plants – A hundred years ago in Klein Wanzleben and today in Einbeck.

Environmental Protection

The integrated management system and environmental policy, in conjunction with environmental legislation, form the basis for all the company's strategic and operational measures to protect our ecology. Employees are obligated to implement the environmental policy under our guiding principles. The organization of processes and operation of plants and systems, including documentation, in the various areas of the company is regulated in the management system, which complies with the DIN EN ISO 9001:2008 (quality) and DIN EN ISO 14001:2004 (environment) standards.

Energy, Emissions and Air Pollution Control

Provision and use of energy

Our annual energy needs are the result of two basic requirements. They are determined by the quantity and quality of seed intended for distribution and processing in the seed processing plants, as well as by our current research and

breeding programs to develop new varieties by utilization of greenhouses, climatic chambers and cooling systems. A particular concern of ours is ensuring energy efficiency in operation of our technical plant and machinery and switching to renewable sources at our location.

Energy purchased, sold and consumed, by location

Type of energy in MWh	FY 11/12			FY 10/11			FY 09/10		
	Total	KWS ¹	Lochow ²	Total	KWS ¹	Lochow ²	Total	KWS ¹	Lochow ²
Total purchased primary energy, of which:	63,694	61,190	2,504	57,819	54,722	3,097	41,221	33,425	7,796
Gas	30,521	29,103	1,418	35,159	33,422	1,773	31,291	30,394	7,796
Fuel oil	2,224	1,138	1,086	2,772	1,448	1,324	9,930	3,031	6,899
Biogas	30,949	30,949	0	19,852	19,852	0	0	0	0
Total purchased secondary energy: Electricity	13,635	10,769	2,886	11,778	9,370	2,408	8,510	6,584	1,926
Total purchased primary and secondary energy	77,329	71,959	5,370	69,597	64,092	5,505	49,731	40,009	3,494
Total energy sold (electricity generated from biogas according to the EEG*)	11,433	11,433	0	7,435	7,435	0	0	0	0
Total energy actually consumed	65,896	60,526	5,370	62,162	56,657	5,505	49,731	40,009	3,494

* Renewable Energy Act (EEG) ¹KWS SAAT AG ²KWS LOCHOW GMBH

Measures to keep the air clean

Plant dusts are produced by abrasion in cleaning and processing sugarbeet seed intended for breeding processes or for distribution. They are removed from the exhaust air stream by dust extraction systems and recycled externally as biologically degradable waste. To a small extent, they are recycled internally by being added to the seed during pelleting.

Topical issues in fiscal year 2011/2012

Energy consumption and emissions

The extensive building work at KWS SAAT AG and KWS LOCHOW GmbH resulted in an increase in electricity consumed by both locations in 2010/2011 due to the fact that the new greenhouses were put into operation. Total power consumption by KWS SAAT AG and KWS LOCHOW GMBH in fiscal 2011/2012 was 65,896 (62,162)MWh, a year-on-year increase of 3,734MWh or 6%. Power consumption depends greatly on how much heat is required for processing seed or for the greenhouse air-conditioning systems. It is therefore directly linked to the seed qualities and quantities to be processed and the scope of plant experiments in the greenhouses and fluctuates from year to year. The volume of carbon dioxide emitted at both locations due to the consumption of power stands in relation to our total power consumption and amounted to 19,371 (15,906)tons, an increase of 3,465 tons or 21.7%.

Use of regenerative energies

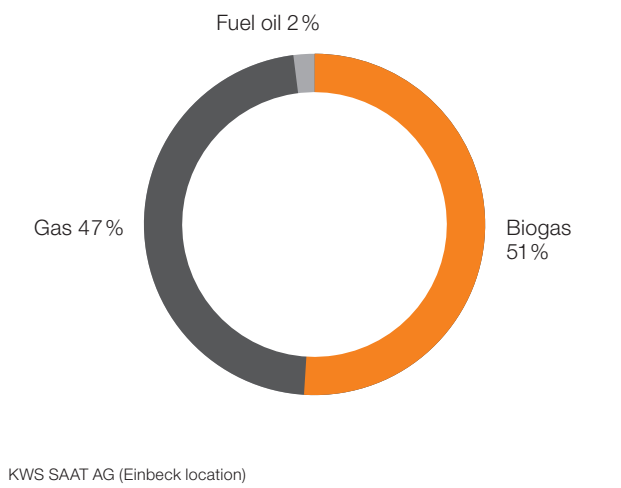
Results are now available for the two block-type thermal power station modules operated by biogas at our Einbeck location for the 18 months since they were commissioned. The share of energy generated at the company from renewable biomass accounts for around 51% of total purchased primary energy. We intend to permanently reduce carbon dioxide emissions from fossil fuels, such as crude oil or natural gas.

In fiscal 2011/2012, 30,949MWh of heat and electricity were generated from biogas. Of this amount, 11,433MWh of electricity was fed into the power grid in accordance with the Renewable Energy Act (EEG). An identical quantity was purchased as secondary energy in the form of electricity. The main use of this biogas block-type thermal power station is to generate heat we need for seed processing and HVAC for the greenhouses. Carbon dioxide emissions from biogas at Einbeck were 3,064 tons or 26% of the total figure. It should be noted that the emission factor per cubic meter of biogas is generally lower than that of fossil fuels such as oil or gas.

Energy efficiency in buildings

Plants in greenhouses need water and lots of light and heat to grow. There not only has to be enough light – the different wavelengths it is composed of (visible and invisible light) are also important. It supplies the energy needed for photosynthesis and so for all metabolic processes in the plant. The plants' growth must not be impaired by the use of new means of lighting, such as light-emitting diodes (LEDs), whose light has a different composition. We have launched a project with different combinations of light to test the influence of different light on the growth of plants and reduce the electricity needed for lighting in the greenhouses. Optimizing electricity requirements for the greenhouses' lighting is a permanent challenge.

Share of fuels in purchased primary energy in fiscal 2011/2012



KWS SAAT AG (Einbeck location)

DIHK climate protection, energy efficiency and innovation partnership

For its commitment to breeding energy plants and the power savings it has initiated, KWS SAAT AG was made a member of the group of CLIMATE PROTECTION COMPANIES, an initiative that is part of the climate protection, energy efficiency and innovation partnership of the Chambers of Industry and Commerce (DIHK). The member companies meet every quarter to discuss measures relating to energy efficiency and climate protection and to develop further approaches together. In the meantime, the companies have collected and published their best-practice examples to show various ways how small and medium-sized enterprises can save energy. The objective is for companies of all sizes to set a good example and demonstrate that they can reduce carbon dioxide emissions while increasing value added.



Power plant in Einbeck.

Objective: to save energy

KWS aims to cut power consumption by an average of 1.5% or 3,500,000 KWh a year at its Einbeck location by the year 2015. The reference base for that is the energy consumption of 56,657 MWh in fiscal 2010/2011, the volume of production and the existing production plants, greenhouses and buildings.

Energy efficiency can be improved not only by optimizing the technical plant – it is also impacted substantially by how our employees use energy. That is why we have launched a project with our trainees to identify further energy-saving measures and implement them together with our employees.

More information:
www.kws.de > Company > Sustainability > Environmental Protection > Charts and Figures

New objectives in fiscal 2011/2012: Energy and Emissions		
Strategic objective	Measures	When?
Reduction in power consumption	Cutting energy consumption by around 1.5% a year, i.e. 3,500,000 kWh (starting base: total quantity of energy of 56,657 MWh consumed at Einbeck in fiscal 2010/2011)	2015
	Employee project on energy use	FY 2012/2013

Water and Wastewater

Water is a necessary element of growing plants in greenhouses and in trial areas. The quantities required depend directly on the scope of annual breeding and trial programs and on the scientific questions being researched and thus fluctuate. Other factors include the soil conditions and distribution of the amounts of precipitation at the trial locations – additional irrigation of the fields during the vegetation period between sowing and harvesting is necessary in some years. One of our constant challenges is to save water and use it efficiently in breeding and production.

Topical issues in fiscal year 2011/2012

Water consumption

KWS SAAT AG and KWS LOCHOW GMBH used a total of 128,780 m³ of water in fiscal 2011/2012, a reduction of 12.3% over the previous year (146,897 m³). Overall, less well water was used to irrigate the plants. In addition, water consumption for the cooling systems fell by 4,708 m³, which is due to the climate control equipment in the greenhouses and depends on outside temperatures. Recording of total water quantities was further optimized in the company's individual areas at Einbeck so as to generally improve transparency as to the various ways in which water is used: for watering, as water from production and as drinking water.

Quantities of wastewater

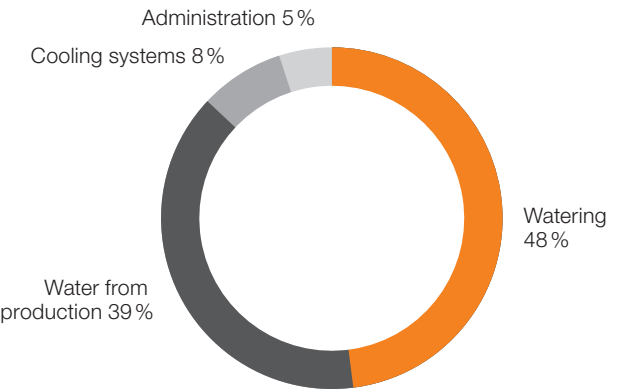
The quantities of wastewater in fiscal 2011/2012 totaled 56,665 (56,756) m³. The data is recorded on the basis of water consumption. In this regard, it should be noted that approximately 50% of the water used is utilized for watering und is not passed into the sewage system or evaporates during treatment processes.

The quantity of wastewater from production containing pesticides stabilized in the period under review at 449 (513) m³. Wastewater containing pesticides is produced when seed is treated with active substances; it is passed to the company's own treatment system. The wastewater is purified in a multi-stage treatment process by means of precipitation, filtration and adsorption with activated carbon filters in the wastewater treatment plant. The plant at Einbeck will be modernized in the coming years. Planning for this is underway.

Wastewater pollution loads

In this year's reporting, the pollutant loads in wastewater from production containing pesticides were determined over the year for the first time. After the above-described purification process, halogenated hydrocarbons, calculated as adsorbable organically bound halogens (AOX), can no longer be detected in the treated water. The proportion of organic substances – indicated by the COD (chemical oxygen demand) value – is reduced by 60% as a result of wastewater treatment. The annual pollution loads fall from 687 kg before treatment to 272 kg afterwards. The quantities are well below those permitted under Einbeck's local wastewater regulations.

Breakdown of water consumption by usage in percent for fiscal 2011/2012



KWS SAAT AG and KWS LOCHOW GMBH

More information:
www.kws.de > Company > Sustainability > Environmental Protection > Charts and Figures

Handling of Hazardous Substances

Hazardous substances such as chemicals and pesticides represent a risk to people and the environment when they are handled. Our hazardous substances database has proven its value for the structured documentation of the use of chemicals and is being used more and more, including by our subsidiaries and associated companies. Modified accordingly, it documents the local situation regarding hazardous substances.

Topical issues in fiscal year 2011/2012

The existing software solutions and databases that help KWS fulfill its obligations under environmental law, such as handling hazardous substances, creating operating notices and conducting risk assessments, have been complemented by a further module for plant and systems that require monitoring. It specifically relates to the operation of plant and systems with water-polluting substances in accordance with the applicable legislation. Establishment of the database was accompanied by a complete examination of these facilities by an external expert.



The existing individual documentation on whether plant, systems and processes are operated and conducted properly is to be combined into one central set of documentation in the medium term. In a first step, the requirements for the IT structure of these databases are to be defined. This will be done in conjunction with a complete restructuring of the IT landscape at the KWS Group and, due to its complexity, has been scheduled to take several years.

Waste and Recycling

An elemental objective of our process management is to minimize waste, separate it and feed it back into the material cycle or to dispose of it securely.

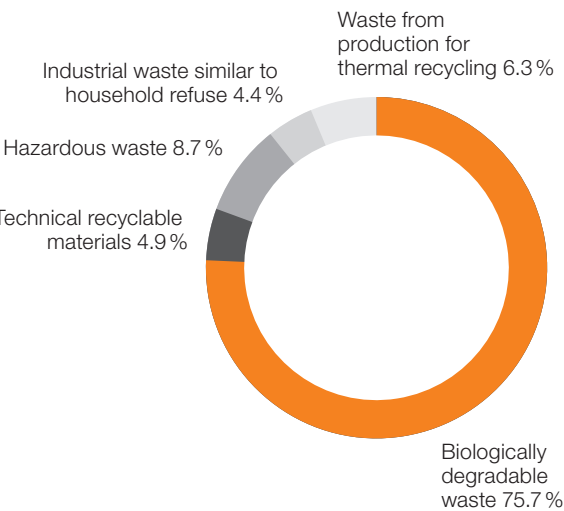
All of KWS' employees are called upon to work in an ecologically minded manner, to ensure that the principle of recycling is upheld, and to avoid waste.

Topical issues in fiscal year 2011/2012

Waste quantities

In fiscal 2011/2012, KWS SAAT AG and KWS LOCHOW GMBH produced 5,197 (4,876) tons of waste. 75.7% (77.2%) of this was compost materials (biodegradable waste), 8.7% (10.4%) hazardous waste, 4.9% (6.1%) technical recyclable materials (steel, paper, etc.) and 4.4% (4.4%) industrial waste similar to household refuse. Seed is a natural substance, so the quantity of biologically degradable waste fluctuates from year to year and is directly dependent on the differing production volumes and quality of the harvested seed.

Waste composition in % in fiscal year 2011/2012



KWS SAAT AG und KWS LOCHOW GMBH



Compacting – Recycling of packaging.

Hazardous waste

Dusts from the active substance treatment process and seed removed from our inventories are classified as hazardous waste when they contain pesticides. In fiscal 2011/2012, the total amount of hazardous waste was 453 (507) tons, a further reduction of 11% over the previous year and a continuation of the drive to reduce such waste that we began in 2010. The waste was disposed of in compliance with prevailing national laws. It was transported to approved disposal sites for hazardous waste by means of external service providers.

No waste was transported abroad in the period under review. 220 tons of hazardous waste were transported over a total distance of 15,481 km. We constantly strive to minimize the quantity of hazardous waste.

Precautions and challenges in waste management

Our aim at Einbeck is to record where waste is produced and improve separation so that less than 200 tons of industrial waste similar to household refuse per fiscal year is produced in the long term. In the period under review, we succeeded in reducing the volume of industrial waste similar to household refuse from 216 to 185 tons. By reorganizing what collection containers are provided and where and additional separation measures, we have been able to remove substances from the industrial waste and recycle them. As a result, we achieved our objective. Revenue of €24,000 was generated from recycling of a total quantity of 174 tons of steel and cable scrap.

A total of 956 (863) tons of packaging for KWS' products was fed into the Green Dot recycling system by farmers in Germany. As a result, emissions were able to be cut by 30.2 tons of CO₂ equivalent (calculated by the IFEU Institute in Heidelberg).

Implementation of the provisions of the German Recycling Act, which came into effect on June 1, 2012, is posing no difficulties for the company. Continuous and proactive further development of the waste management system and existing separation systems ensures that the waste and recyclable materials are handled appropriately. As part of internationalization of the environmental management system, a constant concern of KWS is to work towards ensuring that waste is minimized, separated and recycled or safely and definitively disposed of, both in and outside Germany.

Transport Logistics

As a company with global production and customer networks, the KWS Group transports huge volumes of seed. Logistics supports the supply of material to our international production, research and distribution networks and organizes transportation to some 100 countries.

Topical issues in fiscal year 2011/2012

Optimizing logistics in terms of sustainability is growing in importance when it comes to protecting the environment. Fiscal year 2011/2012 was the third time that KWS collected and analyzed data from its logistics partner. These figures are used to develop approaches to optimize logistics internally and with our partners.

In fiscal 2011/2012, KWS SAAT AG and KWS MAIS GMBH (excluding subsidiaries) transported 152,901,311 (157,676,617) TKM, resulting in a total of some 5,301 (5,941) tons of CO₂ emissions.

Seed quantities transported by sea increased in the period under review. This is due to an increase in volumes transported from South America to Europe and from Europe to the Far East (China).

The volumes from contra-seasonal production in Chile and Argentina shipped by air freight were again reduced from 72 tons in fiscal 2010/2011 to 53 tons.

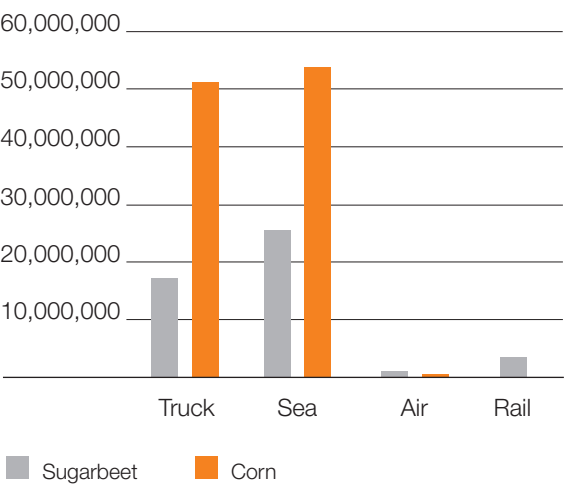
For the first time, some shipments of corn from Turkey to Germany were made by rail in the period under review in order to reduce CO₂ emissions, transit times and costs. Due to inadequate infrastructure and resultant uncertainties within the transport chain, shipments will continue to be made by sea for the time being in fiscal 2012/2013. At the same time, alternative means of transport by rail will be reevaluated in fiscal 2012/2013. In October 2011, KWS gained certification as an authorized economic operator full (AEOF) – confirmation that KWS complies with important security, safety and customs standards. The AEOF status is recognized internationally and offers administrative simplifications in trading with non-EU countries.

The fifth Supply Chain Workshop for international KWS logistics service providers was held in Verona in November 2011. Operational issues relating to improving process efficiency and overarching logistics processes for all types of seed the company distributes, such as corn and sugarbeet, were discussed at the workshop.

The 2D Data Matrix code, the product identification standard used by KWS' production partners in the Corn Segment, was rolled out in Romania. In the period under review, various supply chain partners (producers, logistics service providers and customers) were able to gain initial experience

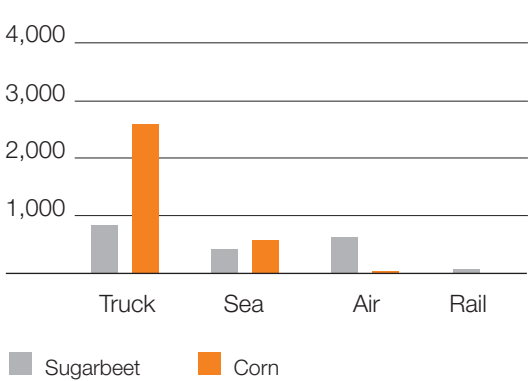
in using the 2D code, which is intended to improvement tracking and the logistics process chain. KWS also participated in information events held by the Association of German Plant Breeders (BDP) aimed at promoting expansion of standards within the agricultural sector.

Seed quantities transported (in TKM) in fiscal 2011/2012
Sugarbeet and Corn Segments



KWS SAAT AG and KWS MAIS GMBH

CO₂-emissions from transportation processes (in tons) in fiscal year 2011/2012
Sugarbeet and Corn Segments



KWS SAAT AG and KWS MAIS GMBH



On the road for KWS – seed being transported.

Vehicle Fleet

KWS' fleet in Germany comprises vehicles for employees who work at the breeding stations, subsidiaries and associated companies. They work in the fields of breeding, research and seed production and look after trial and multiplication areas during the vegetation period. The fleet also includes company cars which employees use privately in accordance with the company's regulations and applicable tax legislation.

Topical issues in fiscal year 2011/2012

KWS' fleet currently comprises a total of 254 vehicles, of which 87 are used directly in work and 167 by employees as company cars in accordance with KWS' regulations.

The 87 vehicles used directly in work covered a total distance of 1,786,309km, producing 315 tons of CO₂ emissions. 77 diesel, 3 gasoline and 7 natural gas vehicles were used. The diesel vehicles drove 1,542,959 km and produced 277 tons of CO₂. The gasoline vehicles drove 120,450km and the natural gas vehicles 122,900km; each category produced 19 tons of CO₂ emissions. The CO₂ emissions per vehicle were determined on the basis of the manufacturer's specifications.

The CO₂ emissions and kilometers driven by vehicles which are used by employees in accordance with the company car regulations are not determined, since they are also used pri-

vately. Of these 167 vehicles, 139 are diesel, 17 use gasoline, 10 natural gas and one bioethanol. Natural gas vehicles are also used by members of management.

Under the company car regulations adopted on May 31, 2012, vehicles are replaced regularly after they have around 180,000km on the odometer or have been used for three years. If an employee travels more than 20,000km a year, a diesel vehicle should generally be chosen. CO₂ emissions are limited to 190g/km. The benchmark is 150g/km. The upper limit for emissions is examined every two years to determine whether it is still appropriate.

New objectives in fiscal 2011/2012: Transport logistics		
Strategic objective	Measures	When?
Ecological orientation of transport chains to cut costs and carbon dioxide emissions	Reassessment and reanalysis of transporting corn from Turkey to Germany by rail instead of ship	31.12.2012



KWS then and now – Headquarters in Klein Wanzleben and Einbeck.

Traditionally, KWS has a close attachment to the location and the rural region where it is based thanks to the people who work for the company. KWS also aims to strengthen and promote the social environment at its locations. Our commitment to charitable works, culture and sport and our support of science and research are particularly important to us. In the future, KWS' social commitment is to be geared more strongly to the company's strategy and requirements.

Promoting the Region

As part of its efforts to promote the region, KWS initiates many projects of its own, takes part in public projects and supports our employees' wide-ranging involvement in non-profit athletic and cultural activities. All these measures are coordinated by Corporate Communications, which reports directly to the Chief Executive Officer.

Topical issues in fiscal year 2011/2012

Promoting the Region

In fiscal year 2011/2012, KWS spent a total of €254,000 for regional donations, sponsoring and social causes. This includes €53,000 in funding for the regional marketing

Art and music in a transparent research ambience

The Göttingen Handel Festival has been an outstanding international event for more than 90 years and a valuable element of Southern Lower Saxony's cultural life. For several years now, KWS has hosted a concert as part of the festival in the transparent ambience of its central research building on the company campus in Einbeck. As part of the 21st Gandersheim Cathedral Music Days, the classical group Spark performed its Downtown Illusions program at KWS' Biotechnology Center in September 2011. Art exhibitions have also been staged there regularly for more than ten years, with vernissages and guided tours open to KWS employees and inhabitants from the region.



KWS employees running for a good cause.

(MIG) with regional schools and selectively sponsored scientific projects at schools. In the spring of 2012, KWS again invited entries for its School Award, which has been staged biennially since 2006. Schools from the region can now submit applications once a year to obtain funding in support of their development. The schools' own initiative is required when it comes to selecting the topics. As before, the focus is on ways of developing youngsters' personalities, approaches to teaching science and promoting an understanding of business and economics. In particular, projects that foster cooperation between schools are to be funded.

Responsibility for your neighbor

KWS supports projects organized by church groups, non-profit organizations or associations in Southern Lower Saxony, in particular ones that support humanitarian objectives, encourage dialogue between generations or support the disadvantaged. They include events by the "Marie" Young People's Church, Caritas Einbeck, the regional hospice movement, the local chapter of Amnesty International and FIPS Einbeck.

Last fiscal year KWS gave €30,000 to BiNOM (Educational Initiative to Help Socially Disadvantaged Youngsters in the Northeim District). A targeted program is intended to prepare youngsters for successful training later. Apart from receiving socio-pedagogic supervision, they also gain practical experience by spending time at companies. One youngster has worked once a week at KWS since February 2012. His stay here is going so promisingly that he will work two days a week at KWS in the future. A second youngster is to join us starting in September 2012.

Support for athletics

KWS supports both leisure-time and top-flight sports in the region. The company supported Einbeck's sport club Sportverein ESV in staging the 2011 German All-round Gymnastics Championship and funded participation of the roller-skaters in the Dream Team from the club RSV Einbeck in the world championships in Brazil. The youth work of SVG Einbeck 05 receives funding of €2,000 a year. KWS also funds many other activities, such as youth tournaments, in particular for young people.

55 KWS employees took part in the 10th Einbeck Bierstadt Run in May 2012. KWS donated one euro for every kilometer run by each employee. €515 was raised and presented to Einbeck's Children's Café.

More information:
www.kws.de > Company > Sustainability > Society

Expenditures for social causes

in € thousand	FY 11/12	FY 10/11	FY 09/10	FY 08/09	FY 07/08
Membership dues for professional organizations (in part revenue-dependent)	961	738	690	685	611
Contributions to promote science and education (including endowed chairs and grants)	407	446	307	322	48
Cultural, social and regional commitments	254	133	222	92	105
Total	1,622	1,317	1,219	1,099	764

company Einbeck Marketing – Gesellschaft für Wirtschaftsförderung, Stadtmarketing, Veranstaltungs- und Tourismus-service mbH, which was established in 2010. KWS also supports this initiative through voluntary work by its employees.

Responsible for coming generations

One of KWS' long-term objectives is to encourage an interest in science and promote an understanding of economics among the up-and-coming generation, as well as help youngsters develop their personality. That is why KWS invested almost €110,000 in 2011 in a participation in the IdeenExpo (Ideas Exhibition), took part in Lower Saxony's Future Day, organized a management information game

New objectives in fiscal 2011/2012: Society		
Strategic objective	Measures	When?
Stronger gearing of social engagement to the company's strategy and requirements	In future, budgeting of expenditure by KWS at 0.75% to 1.0% of the previous year's EBIT	Annually

Promotion of Science and Research

Research in the public sphere is of key importance to KWS in many respects. First, young scientists are introduced to plant breeding and biotechnology and learn scientific process techniques. Second, we have a key interest in basic research being conducted on plant breeding and the results of this research being made public.

Apart from subject-specific funding of research, KWS supports the transformation of German universities into powerful and efficient educational institutions. By participating in regional initiatives to promote science, KWS lives up to its regional responsibility and helps create an interesting and well-structured environment in the region.

This promotion of science and research is coordinated by our research management team. There is close coordina-

tion as part of internal corporate communication to optimize processes and in particular to define contact persons clearly. Handling of the administrative aspect of promoting research is supported by Research Controlling. Scientists from KWS are appointed for larger projects and are then responsible for designing and conducting them.

Topical issues in fiscal year 2011/2012

Support for congresses, conferences and research projects

Communication within the scientific community is of great importance to KWS. That is why we regularly support a large number of professional congresses, conferences and events. They also include the first day of action on the importance of plants for our world, FASCINATION OF PLANTS DAY 2012, which the European Plant Science Organization (EPSO) staged on May 18, 2012.

Once more this year, KWS supported the Global Forum for Food and Agriculture (GFFA), which was held by the German Agricultural Society at the Green Week show in Berlin. The company spent a total of €112,556 on donations and sponsoring for events in the field of science and research.

Development of junior staff

We awarded grants of €28,550 to students at the University of Hohenheim and the Technical University of Munich to support their studies in crop science and plant breeding. We also contributed €9,000 as part of our participation in the national scholarship program of German universities at the University of Göttingen (see the section “Employees”).

Endowed chairs

The annual funding of the endowed chair for “Crop-Plant Biodiversity and Breeding Informatics” at the University of Hohenheim in 2007 is still €200,000. We also support concrete bilateral projects. We are granting €20,000 a year for a period of five years to the endowed chair for East Asian Studies at the University of Göttingen.

Networks of competence in agricultural research

KWS is a partner in two of four publically sponsored networks of competence in agricultural and food research: SYNBREED and CROP.SENSE. The German Ministry of Education and Research funds these networks of competence with a term of five years (2010-2014) to enable further development of basic research as well as applied agricultural and food research in Germany. Training measures are also offered and the transfer of knowledge and technology to business and society enabled.

International knowledge transfer

International networking and knowledge transfer are growing in importance. We have nurtured diverse contacts with foreign institutions for many years. Cooperative projects on specific subjects are occasionally arranged.



International projects relating to biodiversity

Since 2010 KWS has been involved in two projects in Peru and Ethiopia. Their objective is to help preserve genetic resources in Peru (corn and quinoa) and Ethiopia (wheat and barley) and enable use of them locally in breeding methods. Training and educating local staffers is a key component of this.

These programs are to be continued in the coming years. The projects are still in their initial phase and involve costs totaling €45,000(see the section “Biodiversity”).

Memberships

KWS works hand in hand with many professional organizations, whose work is funded in turn by membership fees. The international world of plant breeding represents a modest-sized community, but one that bears immense social responsibility in terms of its tasks. Active membership in organizations means that employees are in dialogue with diverse organizations and associations, both national and international, and can share knowledge on specific subjects. KWS ensures that the different viewpoints and experience of the partners is taken into account in its own day-to-day work.

Topical issues in fiscal year 2011/2012

In fiscal 2011/2012, KWS paid €961 thousand (738 thousand) in membership fees, an increase of 30% (23.3%) that was mainly due to the sharp increase in revenue-dependent membership fees in the period under review.

More information:

www.kws.de > Company > Sustainability > Society > Fields of Activity > Memberships > News

- Table of all memberships in fiscal 2011/2012

www.kws.de > Company > Sustainability > Society > Fields of Activity > Promotion of Science and Research > Theme > Public Sponsored Projects

www.kws.de > Company > Sustainability > Innovation & Production > Fields of Activity > Biodiversity > News

- KWS biodiversity projects



Youngsters carry out research at KWS' Future Day – Nature offers fascinating insights.

KWS SAAT AG's Sustainability Report is based on the internationally recognized specifications of the Global Reporting Initiative (GRI). The following index contains references to the points where the required disclosures are dealt with and shows the degree to which each indicator is fulfilled. In its own estimate, KWS achieves overall the highest GRI application level (level A).

Unternehmens- und Berichtsprofil

1.	Strategy and Analysis	Comments	Status	References
1.1	Statement from the Chief Executive Officer about the relevance of sustainability		● ● ●	P. 6–7
1.2	Impact of business activity and risks as well as opportunities for the company		● ● ●	P. 6–7, 16–17, AR p. 22–24, 38, 44–47
2.	Organizational Profile			
2.1	Name		● ● ●	P. 8
2.2	Primary brands, products and services		● ● ●	P. 8, AR p. 25–35
2.3	Operational structure		● ● ●	AR p. 82
2.4	Location of headquarters		● ● ●	P. 8
2.5	Countries where the organization operates		● ● ●	P. 8, AR p. 82
2.6	Nature of ownership and legal form		● ● ●	P. 8, AR p. 18, 48
2.7	Markets served		● ● ●	P. 8, AR p. 25–35
2.8	Scale of the organization		● ● ●	P. 8, 36
2.9	Significant changes regarding size, structure or ownership	There have been no significant changes.	● ● ●	AR p. 18, 22, 48
2.10	Awards received		● ● ●	P. 15, 38
3.	Report Parameters			
3.1	Reporting period		● ● ●	P. 65
3.2	Date of publication of the most recent report	October 28, 2011, for the reporting period July 1, 2010, to June 30, 2011 (updated Website)	● ● ●	
3.3	Reporting cycle		● ● ●	P. 65
3.4	Contact person for questions regarding the report		● ● ●	P. 66
3.5	Process for defining report content		● ● ●	P. 65
3.6	Boundary of the report		● ● ●	P. 65
3.7	Specific limitations on the scope or boundary of the report		● ● ●	P. 65
3.8	Organizational units included in reporting		● ● ●	P. 65
3.9	Data measurement techniques and the bases of calculations		● ● ●	P. 65
3.10	Explanation of any restatements of information	No information was restated.	● ● ●	P. 65
3.11	Explanation of changes to the report parameters		● ● ●	P. 65
3.12	GRI index	Presented here	● ● ●	
3.13	External assurance of the report		● ● ●	P. 65, AR p. 84

Legend:

Status of reporting	
● ● ●	Completely reported
● ●	Partly reported
●	Not reported
1	Not significant
2	Not applicable
3	Not available
4	Confidential information
The figures in the "Status" column relate to the reasons 1-4 (see the legend) why an indicator is not reported.	

References	
www	Corporate Website of KWS SAAT AG (www.kws.de). The special English Website www.kws.de/sustainability is in preparation. The references to the Website in this report respectively in the GRI-Index referred to the contents of the german Website of sustainability.
AR	2011/2012 Annual Report
CoBE	The Code of Business Ethics of KWS SAAT AG

4.	Corporate Governance, Commitments and Engagement	Comments	Status	References
4.1	Governance structure of the organization, including committees		● ● ●	P. 8–9, www (Company > Investor Relations > Corporate Governance), declaration on corporate governance: AR p. 15
4.2	Independence of the Chief Executive Officer		● ● ●	See references under 4.1
4.3	Independent members of the Executive Board		● ● ●	See references under 4.1
4.4	Mechanisms for shareholders and employees to provide recommendations or direction		● ● ●	See references under 4.1
4.5	Linkage between compensation for members of the Executive Board and executive employees and the organization's performance		● ● ●	See references under 4.1, AR p. 16 (Compensation Report)
4.6	Processes in place to ensure conflicts of interest are avoided	The bylaws of the Executive Board and Supervisory Board stipulate that their members must disclose conflicts of interest immediately. All employees are governed by the Code of Business Ethics.	● ● ●	See references under 4.1
4.7	Qualification and experience of members of the Executive Board		● ● ●	See references under 4.1
4.8	Internally developed statements of mission or values, codes of conduct and principles	The corporate principles, Rules & Guidelines, environmental policies and Code of Business Ethics apply to the whole of KWS SAAT AG.	● ● ●	P. 16, www (Company > Sustainability > Environment > Guidelines > Environmental Policies), CoBE
4.9	Procedures of the Executive Board for overseeing and controlling the organization's sustainability performance	The Executive Board approves publication of the Sustainability Report.	● ● ●	See references under 4.1
4.10	Processes for evaluating the performance of members of the Executive Board	The Supervisory Board annually conducts the efficiency review recommended by the German Corporate Governance Code.	● ● ●	See references under 4.1
4.11	Explanation of how the precautionary approach is addressed		● ● ●	P. 16, www (Company > Sustainability > Environment > Guidelines > Environmental Guidelines)
4.12	Externally developed charters, principles or initiatives	Vision and mission of the Climate Protection and Energy Efficiency Group of the German Business Community.	● ● ●	P. 46, www.klimaschutz-unternehmen.de
4.13	Memberships in associations and advocacy organizations		● ● ●	P. 57, www (Company > Sustainability > Society > Fields of Activity > Memberships)
4.14	Stakeholder groups engaged by the organization		● ● ●	P. 20–21

4.	Corporate Governance, Commitments and Engagement	Comments	Status	References
4.15	Basis for selection of stakeholders		● ● ●	P. 20–21
4.16	Approaches to stakeholder engagement		● ● ●	P. 20–21
4.17	Topics and concerns of stakeholders		● ● ●	P. 20–21

Economic Performance Indicators		Comments	Status	References
Management approach			● ● ●	P. 14, 16
EC 1	Direct economic value generated and distributed		● ● ●	P. 8–9, 67
EC 2	Financial implications for the organization's activities due to climate change		● ● ●	www (Company > Sustainability > Our Sustainability Approach > Our Approach > Risk Management), AR p. 44–47, www (Company > Investor Relations > Corporate Governance > Risk Management)
EC 3	Company retirement pension	85.6% of all employees in Germany are entitled to a company pension. This includes all permanent employees and one third of temporary employees.	● ● ●	P. 38–39, 67
EC 4	Financial assistance received from government		● ● ●	www (Company > Sustainability > Society > Promotion of Science & Research > Fields of Activity > Other Topics > Publically Funded Projects)
EC 5	Local minimum wage		● ● ●	www (Company > Sustainability > Employees > Fields of Activity > Spirit of Cooperation at the Company)
EC 6	Locally based suppliers	This indicator is not applicable to KWS. KWS gives preference to regional service providers and suppliers. It often relies on special suppliers worldwide for consumables and supplies.	● 2	P. 19
EC 7	Local hiring	KWS does not restrict its recruiting to the regions around its locations. Due to a shortage of expert candidates, KWS has to seek employees nationwide and internationally.	● ● ●	
EC 8	Investments in public infrastructure		● ● ●	P. 54–57
EC 9	Indirect economic impacts	KWS promotes the rural infrastructure in regions where it has subsidiaries, associated companies or breeding stations.	● ● ●	P. 37–39, 54–57

Ecological Performance Indicators		Comments	Status	References
Management approach			● ● ●	www (Company > Sustainability > Environment > Our Approach; Guidelines > Environmental Policies; Objectives)
EN 1	Materials used	The main quantities of materials are used in seed processing.	● ● ●	P. 30–31, www (Company > Sustainability > Innovation & Production > Environment > Charts & Figures)
EN 2	Percentage of materials used that are recycled input materials	All the plant dusts produced by abrasion when sugarbeet seed is processed in the pelleting phase are added to the seed again.	● ● ●	www (Company > Sustainability > Innovation & Production > Seed Production > Sugarbeet)
EN 3	Direct energy consumption		● ● ●	P. 44–46, www (Company > Sustainability > Environment > Charts & Figures)
EN 4	Indirect energy consumption		● ● ●	See references under EN 3
EN 5	Energy savings and energy efficiency		● ● ●	See references under EN 3

Ecological Performance Indicators		Comments	Status	References
EN 6	Energy-efficient products and services	Not applicable because seed and the plants that grow from it do not consume any energy.	● 2	
EN 7	Initiatives to reduce indirect energy consumption		● ● ●	See references under EN 3
EN 8	Total withdrawal of water		● ● ●	P. 47, www (Company > Sustainability > Environment > Charts & Figures)
EN 9	Sensitive water sources	KWS does not use any water from sensitive sources.	● ● ●	
EN 10	Water recycled and reused	Internal recycling is carried out to a limited extent as part of sugarbeet seed processing. In addition, rainwater is used in the sanitary facilities and in the sprinkler systems for fire prevention.	● ● ●	P. 47, www (Company > Sustainability > Environment > Charts & Figures)
EN 11	Land in protected areas and areas of high biodiversity value	In principle, plants are grown only on designated agricultural areas. Some of KWS' trial areas are adjacent to the flora and fauna habitat of the Ilme. This habitat is not impaired by these areas.	● ● ●	
EN 12	Impacts of products and services on protected areas	Good professional practices in agriculture are used on all KWS' trial areas and are intended to prevent impairment of soil and environment to a large extent. A healthy soil and an intact nature are vital to efficient agriculture and therefore a main concern of KWS. The environmental impact of seed on fields is steadily reduced. The use of pesticides during the plants' growth period depends on the weather conditions and the intensity of infection by pests and diseases and varies from year to year.	● ● ●	www (Company > Sustainability > Innovation & Production > Fields of Activity > Research & Breeding; Seed Production)
EN 13	Habitats protected or restored	KWS has not caused any impairments to habitats.	● ● ●	
EN 14	Strategy, objectives and actions for managing biodiversity	Conserving genetic resources and an intact nature are vital to the success of KWS and therefore a main concern of the company.	● ● ●	P. 26–27, 57, www (Company > Sustainability > Innovation & Production > Fields of Activity > Biodiversity)
EN 15	Endangered plant and animal species	Not applicable because KWS' business activity does not contribute to endangered plant and animal species becoming extinct.	● 2	
EN 16	Direct and indirect greenhouse gas emissions		● ● ●	P. 44–46, 50, 51, www (Company > Sustainability > Environment > Charts & Figures)
EN 17	Other relevant greenhouse gas emissions	Other greenhouse gas emissions are also produced by business trips and commuting by our employees. They are not systematically recorded at this point. KWS aims to develop an appropriate concept by 2016 and thus continuously improve the data situation.	● ● ●	
EN 18	Reduction of greenhouse gas emissions		● ● ●	P. 44–46, 48–49, www (Company > Sustainability > Environment > Charts & Figures)
EN 19	Emission of ozone-depleting substances	Not applicable because no ozone-depleting substances are emitted as part of our operational processes.	● 2	
EN 20	NOx, SOx, and other significant air emissions		● ● ●	P. 44-46, www (Company > Sustainability > Environment > Charts & Figures)
EN 21	Total water discharge		● ● ●	P. 47, www (Company > Sustainability > Environment > Charts & Figures)
EN 22	Total waste and disposal method		● ● ●	P. 48–49, www (Company > Sustainability > Environment > Charts & Figures)
EN 23	Significant spills	There were no significant spills in the reporting period.	● ● ●	
EN 24	Transport of hazardous waste		● ● ●	P. 48–49, www (Company > Sustainability > Environment > Charts & Figures)
EN 25	Waters and habitats significantly affected by discharges of water and runoff	Not applicable because in principle KWS does not discharge water directly.	● 2	

Ecological Performance Indicators		Comments	Status	References
EN 26	Initiatives to mitigate environmental impacts of products and services	Seed dressing protects plants against pests and diseases in their very early growth phases. The use of pesticides during the plants' growth period depends on the weather conditions and the intensity of infection by pests and diseases and varies from year to year. On-site advice on cultivation by KWS' consultants supports care for plants during their growth period.	• • •	www (Company > Sustainability > Innovation & Production > Fields of Activity > Research & Breeding, Seed Production, Customer Consulting; Crop-specific Contact Persons: www (Products > ...))
EN 27	Reclaim and recycling of product packaging	The product packaging consists of cardboard and paper and is fed into the recycling system by the farmer. Packaging that is taken back from returns is fed into the recycling system. The quantity of returns cannot be disclosed for competitive reasons.	• 4	P. 30–31, 48–49
EN 28	Fines and sanctions for non-compliance with laws and regulations	There were no significant fines due to violation of statutory requirements in the reporting period.	• • •	
EN 29	Environmental impacts of transportation	There were no accidents and related environmental impacts as a result of transportation activities in the reporting period.	• • •	P. 50, 51, www (Company > Sustainability > Environment > Charts & Figures)
EN 30	Total environmental protection expenditures and investments		• • •	P. 18

Product Responsibility Performance Indicators		Comments	Status	References
Management approach			• • •	www (Company > Products > Our Approach; Sustainability > Innovation & Production > Fields of Activity > Product Safety, Objectives)
PR 1	Analysis of the health and safety impact of products and services		• • •	www (Company > Sustainability > Innovation & Production > Fields of Activity > Product Safety)
PR 2	Incidents of non-compliance with regulations on health protection and safety	No violations in the reporting period are known.	• • •	
PR 3	Labeling of products and services		• • •	www (Company > Sustainability > Innovation & Production > Fields of Activity > Product Safety
PR 4	Non-compliance with regulations concerning labeling of products and services	There were no violations in the reporting period.	• • •	
PR 5	Measurement of customer satisfaction and results	Customer satisfaction surveys are conducted at irregular intervals by means of qualified random sampling. Binding procedural instructions in KWS' management system define how complaints are handled. In addition, customer wishes are ascertained by means of regular market research studies and close contact by consultants with farmers so that these wishes can be included in forecasts for demand for varieties.	• • •	
PR 6	Responsible marketing	In case of doubt, advertising material is examined by the legal department after it has been drafted. KWS undertakes to comply with the General Guidelines for Advertising Practice of the Association of German Plant Breeders (BDP).	• • •	
PR 7	Non-compliance with regulations on marketing	There were no violations in the reporting period.	• • •	
PR 8	Total number of substantiated complaints by customers regarding breaches of data protection	There were no violations in the reporting period.	• • •	
PR 9	Fines and sanctions for non-compliance with laws and regulations	There were no fines and sanctions in the reporting period.	• • •	

Labor Practices and Decent Work Performance Indicators		Comments	Status	References
Management approach			• • •	www (Company > Sustainability > Employees > Our Approach, Employer Values, Objectives), CoBE, p. 16
LA 1	Total workforce		• • •	P. 36–37, 40, www (Company > Sustainability > Employees > Charts & Figures)
LA 2	Rate of employee turnover		• • •	P. 38–39
LA 3	Benefits provided		• • •	P. 38–39, 40
LA 4	Employees covered by collective bargaining agreements		• • •	P. 38–39
LA 5	Minimum notice periods regarding significant operational changes	Open, regular corporate communication is part of KWS' corporate governance.	• • •	P. 38–39
LA 6	Workforce represented in health and safety committees	The whole workforce of KWS in Germany is represented.	• • •	
LA 7	Injuries, occupational diseases, lost days, days of absence and work-related deaths		• • •	P. 40–41, www (Company > Sustainability > Employees > Charts & Figures)
LA 8	Health care and counseling		• • •	P. 40–41
LA 9	Health and safety agreements with trade unions	There are currently no agreements with trade unions on health and safety issues.	• • •	
LA 10	Average annual further training per employee		• • •	P. 36–37, www (Company > Sustainability > Employees > Charts & Figures)
LA 11	Skills management and lifelong learning		• • •	P. 37–38
LA 12	Employee performance and career development reviews		• • •	P. 37–39
LA 13	Composition of governance bodies and breakdown of employees by diversity criteria		• •	www (Company > Sustainability > Employees > Charts & Figures)
LA 14	Ratio of basic salary of men to women	Employees are paid on a performance-oriented basis in accordance with the 13 wage categories of the collective wage agreement. This agreement does not make any distinction between men and women in their classification.	• • •	

Human Rights Performance Indicators		Comments	Status	References
Management approach			• • •	Approach for the company: www (Company > Sustainability > Our Sustainability Approach > Our Approach > Compliance), CoBE Approach for the supply chain: www (Company > Sustainability > Our Sustainability Approach > Our Approach > Supply Chain)
HR 1	Investment agreements that include human rights clauses	There is currently no systematic approach for considering human rights in investment agreements (see "Management approach" for reasons).	• 1	www (Company > Sustainability > Our Sustainability Approach > Our Approach > Supply Chain)
HR 2	Suppliers that have undergone screening on human rights and actions taken	Suppliers and service providers are not currently screened systematically to ascertain whether they comply with human rights (see "Management approach" for reasons).	• 1	www (Company > Sustainability > Our Sustainability Approach > Our Approach > Supply Chain)
HR 3	Employee training on human rights	There is currently no risk at KWS, so no training on this issue is held at present (see "Management approach" for reasons).	• 1	www (Company > Sustainability > Our Sustainability Approach > Our Approach > Compliance), CoBE
HR 4	Number of incidents of discrimination and actions taken	No cases constituting a violation of the principles of equal treatment were reported in the reporting period. Non-compliance with KWS' Code of Business Ethics results in disciplinary measures under employment law.	• • •	CoBE, www (Company > Sustainability > Our Sustainability Approach > Our Approach > Compliance; Company > Sustainability > Employees > Fields of Activity > Spirit of Cooperation at the Company)

Human Rights Performance Indicators		Comments	Status	References
HR 5	Risk to the right to exercise freedom of association and collective bargaining in business activity	There is no risk at KWS. The risk in the supply chain is assessed as low (see "Management approach" for reasons).	• 1	CoBE, www (Company > Sustainability > Our Sustainability Approach > Our Approach > Compliance, Supply Chain; Company > Sustainability > Employees > Fields of Activity > Spirit of Cooperation at the Company)
HR 6	Risk of child labor in business activityt	There is no risk at KWS. The risk in the supply chain is assessed as low (see "Management approach" for reasons).	• 1	CoBE, www (Company > Sustainability > Our Sustainability Approach > Our Approach > Compliance, Supply Chain)
HR 7	Risk of forced or compulsory labor in business activity	There is no risk at KWS. The risk in the supply chain is assessed as low (see "Management approach" for reasons).	• 1	CoBE, www (Company > Sustainability > Our Sustainability Approach > Our Approach > Compliance, Supply Chain)
HR 8	Security personnel trained in aspects of human rights	There is currently no special training on human rights (see "Management approach" for reasons).	• 1	CoBE, www (Company > Sustainability > Our Sustainability Approach > Our Approach > Compliance)
HR 9	Incidents of violations involving rights of indigenous people	There is no risk potential at present (see "Management approach" for reasons).	• 1	

Society Performance Indicators		Comments	Status	References
Management approach			• • •	www (Company > Investor Relations > Corporate Governance > Risk Management; Company > Sustainability > Our Sustainability Approach > Dialogue with Stakeholders), AR p. 44–47
SO 1	Programs that assess the impact of operations on society	KWS SAAT AG in Germany fosters various means of dialogue with stakeholders.	• • •	P. 20–21, www (Company > Sustainability > Our Sustainability Approach > Dialogue with Stakeholders)
SO 2	Analysis of risks related to corruption at business units		• • •	P. 17, www (Company > Sustainability > Our Sustainability Approach > Compliance), AR p.15
SO 3	Training in anti-corruption	KWS' Anti-Corruption Policy specifies that employees are given regular training.	• • •	Compliance, www (Company > Sustainability > Our Sustainability Approach > Our Approach > Compliance)
SO 4	Incidents of corruption and actions taken	There were no incidents in the reporting period.	• • •	www (Company > Sustainability > Our Sustainability Approach > Our Approach > Compliance)
SO 5	Political positions and lobbying		• • •	P. 20–21, www (Company > Sustainability > Our Sustainability Approach > Dialogue with Stakeholders; Company > Sustainability > Innovation & Production > Fields of Activity > Biodiversity, Energy Plants)
SO 6	Contributions to political parties and politicians	None. Contributions to officials and employees of state-owned organizations are not permitted (see the CoBE and Anti-Corruption Policy).	• • •	
SO 7	Number of legal actions as a result of anti-competitive behavior	There were none in the reporting period.	• • •	
SO 8	Fines and sanctions for non-compliance with laws and regulations	There were no fines or other sanctions in the reporting period.	• • •	

Outline of the Report's Principles

Fundamentals of our sustainability reporting

KWS SAAT AG's objective with its sustainability reporting is to provide information on its fields of operation, current activities and strategies in relevant areas under its commercial responsibility. At the center of this is our sustainability Website (www.kws.com/Sustainability), which is updated every year to coincide with publication of KWS SAAT AG's Annual Report. It reports in detail on our strategic and organizational approaches and management systems. We also give an account of current trends, measures and events, provide key performance indicators and describe our objectives there.

The Website is used as the basis for the printed version, which is published at the same time every two years. It summarizes the content of the Website, with a particular focus on current developments, key performance indicators and objectives. The German Website was updated on October 18, 2012, and represents KWS' 5th Sustainability Report. The printed English version is the report's 3rd edition. The references in the printed English version report are referred to the German Website. The English Website for Sustainability is under construction.

Period under review and consolidated companies

The period reviewed in the report covers the fiscal year 2011/2012 (July 1, 2011, to June 30, 2012). The reporting focuses on KWS and its German subsidiaries. The consolidated companies covered by the report are KWS SAAT AG, KWS MAIS GMBH, AGROMAIS GMBH, KWS LOCHOW GMBH, KWS SAATFINANZ GMBH and, for the first time, KWS SERVICES DEUTSCHLAND GMBH, which was newly established in 2011. Further German subsidiaries are not included: They are pure administrative and distribution locations where there are no technical processes and are thus of little relevance to the report.

This covers all of the Group's four segments: Sugarbeet, Corn, Cereals and Corporate (previously Breeding & Services). Deviations are indicated at appropriate points.

Due to our decentralized production structure, particularly for corn and cereal seed, data and information cannot be collected worldwide at present. Seed is produced in cooperation with a large number of production partners, companies from the KWS Group and external service providers. In particular, processing operations at external production partners and service partners is not subject to KWS' control.

Consequently, our reporting currently covers 41.2% of employees in the whole KWS Group. In the long term, KWS aims to include more and even all subsidiaries and associated companies covered by the KWS Group in its Annual Report.

Auditing of data and information

The key economic figures presented in this report and disposal of packaging in the Duales System Deutschland GmbH system were audited by Deloitte & Touche GmbH.

Topics covered and orientation towards the GRI guidelines

Our reporting is based on the internationally recognized specifications of the Global Reporting Initiative (GRI). For the first time, the current report provides information on KWS' responsibility in the supply chain regarding procurement processes, KWS' vehicle fleet and wastewater pollution loads. The subject of product safety was dealt with in greater detail.

Collection of data and information and bases of calculation

The data and information in this report were compiled using specific IT systems. The utility's current emission factor was used to calculate CO₂ emissions from power consumption. The data is calculated at KWS by a firm of consulting engineers. The manufacturers' specifications were used to calculate the CO₂ emissions for vehicles in KWS' fleet. The CO₂ emissions from transportation processes were determined using the LOTOS Guide from the Technical University of Hamburg-Harburg (version dated June 2009). Recording of the energy and water data for the most important processes has been continuously improved in the past years to enable comparison over the years. However, the decentralized production and processing structure for corn and cereal seed means that power consumption for these segments cannot be completely recorded at present and thus does not fully reflect the actual total. We keep on working to improve this data situation.

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The 2011/2012 Sustainability Report of KWS SAAT AG
and more information are available online at:
www.kws.de/nachhaltigkeit

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KWS Group archive

**The German version of our Sustainability Report
is available upon request.**



The method and paper used in producing the 2011/2012 Sustainability Report of KWS SAAT AG have been certified in accordance with the criteria of the Forest Stewardship Council (FSC). The FSC prescribes strict criteria relating to forest management to avoid uncontrolled deforestation, environmental pollution and violation of human rights. Since products with the FSC seal of approval pass through various trade and processing stages, firms that process paper, such as printing companies, are also certified in accordance with the FSC's rules.

Key Economic Figures of the KWS Group

Fiscal year (figures in € million*)	FY 11/12	FY 10/11	FY 09/10	FY 08/09	FY 07/08	FY 06/07
Net sales	986.3	855.4	754.1	717.2	599.1	537.9
Cost of sales	521.3	433.4	406.1	381.0	305.4	263.9
Selling expenses	161.4	138.5	128.6	115.0	106.1	101.5
General and administrative expenses	59.5	60.0	49.6	46.3	42.3	38.5
Other operating income and expenses	23.4	6.6	10.1	-7.5	5.4	5.1
Research and development expenses	126.6	113.5	97.5	89.5	80.6	75.2
Operating income (EBIT)	140.9	116.6	82.4	77.9	70.1	63.9
as a % of net sales (ROS)	14.3	13.6	10.9	10.9	11.7	11.9
Net interest expenses	-5.2	-6.9	-5.0	-2.9	-1.4	-5.6
Net financial income/expenses	-5.2	-7.0	-4.9	-2.7	5.3	-6.0
Result of ordinary activities	135.7	109.6	77.5	75.2	75.4	57.9
Income taxes	41.3	36.7	26.0	25.1	20.8	19.7
Net income for the year	94.4	72.9	51.5	50.1	54.6	38.2
as a % of net sales	9.6	8.5	6.8	7.0	9.1	7.1
Equity	603.1	530.3	492.9	434.5	398.0	366.1
Equity ratio in %	55.2	58.8	57.5	57.5	59.3	60.0
Balance sheet total	1,092.3	902.0	857.4	756.0	671.1	609.8
Return on equity in %	18.3	15.2	12.2	13.0	15.3	11.6
Return on assets in %	10.7	8.8	7.1	7.8	9.2	6.8
Dividend per share (in €)	2.80	2.30	1.90	1.80	1.70	1.40
Average number of employees	3,851	3,560	3,492	3,215	2,856	2,739
Compensation	145.6	131.2	117.2	108.3	93.7	88.6
Social security contributions, expenses for pension plans and benefits	36.9	33.8	30.0	26.7	25.3	22.7
Total personnel costs	182.5	165.0	147.2	135.0	119.0	111.3

*unless otherwise specified (IFRS)

