

Appendix 3:

Materiality and sustainability agenda in 2021

In 2020, we revised our sustainability ambition: By 2050, we want to be carbon neutral across the entire supply chain, from grass to glass. This calls for a joint long-term vision and a joint supply chain-wide approach. In 2021, the sustainability team worked together with internal and external stakeholders on a new sustainability agenda that can count on broad support across the organisation. The sustainability agenda is part of Vreugdenhil Dairy Foods' Marathon 25 corporate strategy.

Materiality analysis

In order to ensure that we continue to focus on the most relevant themes and respond to the latest trends and developments, we again mapped out the priorities for Vreugdenhil and our external stakeholders in late 2020. We did that by way of a materiality analysis for which we consulted employees and various stakeholder groups, including suppliers, customers, competitors, dairy farmers, financial institutions, trade organisations, packaging suppliers, and scientific institutions. The results of this analysis are an important basis for the new sustainability agenda. Based on company information, our long-term strategy, international standards, the SDGs, and market and industry trends, we put together a list of relevant sustainability topics. Using an online questionnaire, we subsequently assessed which sustainability topics are the most important to our organisation. In order to garner broad support, we asked 249 internal and external stakeholders to arrange these topics by their level of priority. 131 stakeholders responded, 40 employees and 91 external stakeholders, and their response has been captured in a materiality matrix. Additionally, we conducted in-depth interviews with four key stakeholders.

The full Management Team was closely involved in this process and in the inception of the material topics. The MT also filled in the online questionnaire. After all the results were processed, the internal results of the survey were validated in an internal validation session in which the MT also took part. Based on this validation, the final materiality matrix has now been compiled, which is shown below.

Materiality matrix

- | | |
|-------------------------------------|-------------------------------|
| 1. Product quality and food safety | 10. Sustainable procurement |
| 2. Customer satisfaction | 11. Circular economy |
| 3. Good employment practices | 12. Economic performance |
| 4. Emissions and energy consumption | 13. Technological innovation |
| 5. Health and nutrition | 14. Human rights |
| 6. Business ethics and integrity | 15. Water management |
| 7. Responsible dairy farming | 16. Government policy |
| 8. Sustainable collaborations | 17. Community development |
| 9. Product innovation & development | 18. Responsible communication |



About 10 topics proved to be the most relevant to both our organisation (x-axis) and our stakeholders (y-axis). What stands out compared to the previous materiality matrix, which dates from 2016, is that two socially oriented topics have been added, namely good employment practices and business ethics & integrity. Sustainable collaborations, product innovation & development, and health & nutrition are also new material topics. A number of other topics have ceased to be material, such as transparency and packaging. The new material topics and their definitions are listed in Table 2. These topics are the basis for the new sustainability agenda.

Table 2: Material topics and their definitions

Material topic	Definition
Product Quality & Food Safety	Offering high-quality products that are safe to consume and have a high nutritional value.
Customer Satisfaction	Meeting customer demand and preferences by supplying high-quality products at a good price.
Good Employment Practices	Investing in training to enable employees to develop their skills. Investing in their health and well-being, as well as in diversity.
Emissions & Energy Consumption	Reducing energy consumption and emissions across the entire supply chain to minimise contamination and the use of natural resources.
Health & Nutrition	Offering safe, healthy, and affordable nutritional products that guarantee the availability of food and foodstuffs worldwide.
Responsible Dairy Farming	<p>The responsible dairy farming cluster is made up of three topics:</p> <ul style="list-style-type: none"> • Biodiversity: protecting and investing in diversity of animals, nature, and landscape elements. • Animal Feed Procurement: minimising the impact of animal feed crop production on water, soil, biodiversity, land use, emissions, and energy consumption. • Animal Welfare: treating dairy cattle in a fair and ethical manner, with a responsible approach to antibiotics and grazing.
Business Ethics & Integrity	Ensuring that our business practices meet high ethical standards in our relationships with customers, suppliers, business partners, and local communities.
Sustainable Collaborations	Collaborating with various stakeholders in long-term partnerships focused on healthy and sustainable innovations in the milk industry value chain.
Product Innovation & Development	Developing new and innovative products that take customers' and consumers' needs and wants into account.
Sustainable Procurement	Procuring raw materials from sustainably managed sources to minimise the impact on the environment and rural communities.

New sustainability targets

The sustainability agenda is part of the Marathon 25 corporate strategy. This new sustainability agenda supports our vision of 'Creating Shared Value' and ambition to be 'Carbon neutral from grass to glass by 2050.' The new sustainability agenda is made up of three focus areas, which each consist of five strategic themes with the material topics below that.

1. 'Responsible value chain'

As a Dutch producer of milk powder, we deliver the best of milk.

Worldwide, demand for healthy food is rising. The high quality of Dutch milk and our many years' experience make that we are in a position to make a difference for millions of consumers worldwide, day after day.

2. 'Great place to work'

Vreugdenhil wants to be a place where employees enjoy their work in good health and thus contribute to our company's success. We want to keep developing and improving, both on an individual level and as a company, so that everything always gets better one step at a time.

3. 'Climate Neutral'

Pioneering gives us a competitive edge and helps us reduce our environmental impact.

We reduce our energy consumption and use more sustainable sources of energy, wherever possible.

Vision	Focus area	Strategic themes	Materiele onderwerpen
'Creating shared value'	Responsible value chain	Nutritious and tasty products	Product quality and food safety
			Health and nutrition
			Customer satisfaction
			Sustainable collaborations
	Great place to work	Fair and environmentally conscious purchasing	Sustainable procurement
			Product innovation & development
	Climate neutrality	Healthy and engaged staff	Good employment practices
			Business ethics and integrity
		Sustainable dairy farming	Responsible dairy farming
			Environmentally friendly factories and offices

In dialogue with the MT, targets were set for the material topics for 2030. A total of 33 targets were formulated, a number of which have been selected as KPIs for the sustainability agenda. These KPIs, including their respective baseline values, are listed in Table 3.

Table 3: Marathon 25 sustainability agenda KPIs

Strategic theme	Material topic	Targets for 2030	Baseline in 2021	Target for 2022	Relevant SDG
Responsible value chain					
Nutritious and Tasty Products	Health & nutrition	2 new customers per year who focus on malnutrition and/or ready-to-use therapeutic food	2021: 0	2 new customers	SDG 2, 3
	Customer satisfaction	Sustainability is on the agenda for 100% of customer visits by 2024	2021: <10%	Developing an action plan.	SDG 2, 3, 17
	Product quality & food safety	< 0.20% product quality complaints per 1,000 tonnes of product.	2021: 0.20% product quality complaints per 1,000 tonnes of product.	< 0.20% product quality complaints per 1,000 tonnes of product.	SDG 2, 3
	Sustainable collaborations	2 new sustainability-related collaborations with partners outside the supply chain every year	2021: 0	2 new collaborations	SDG 17

Fair and Environmentally Conscious Purchasing	Sustainable procurement	100% of high-risk ingredients procured in our value chain should be segregated, and at least mass balance certified, by 2024	2021: to be determined.	Identify risks and high-risk ingredients.	SDG 12, 15
	Product innovation and development	2 new products enriched or produced with sustainable ingredients every year, such as with vitamins, minerals, less sugar, unsaturated fats	2021: 0	2 new products	SDG 2, 3, 12
Great place to work					
Healthy and engaged staff	Good employment practices	Employee engagement score is higher than the benchmark	2021: 8.4; benchmark: 7.8	>7.8	SDG 5, 8
	Business Ethics & Integrity	100% of current and new employees have successfully completed code of conduct training by 2024	2021: 0%	0%	SDG 8, 10
Climate neutral					
Responsible Dairy Farming	Emissions & Energy Consumption	Reduction of carbon emissions by dairy farmers by 2030 compared to 2018 levels	2021: 0%	Set target and make reduction plans for the first dairy farmers	SDG 7, 12, 13, 15
	Responsible dairy farming	75% of dairy farmers take biodiversity-related measures by 2024	2021: 69.5%	72%	SDG 7, 12, 13, 15
Environmentally Friendly Factories and Offices	Emissions & Energy Consumption	16% carbon emission reduction at the factory per tonne of product by 2030 compared to 2019 levels (which equals a reduction of 50% on 2005 levels)	Reduction compared to 2019	5.6%	SDG 7, 12, 13, 15
	Emissions & Energy Consumption	30% reduction of waste at factories and offices by 2024 compared to 2020	2021: 0%	Developing an action plan	SDG 7, 12, 13, 15

From 2022, we will start reporting on these KPIs. From next year, the strategic themes and the material topics from the new sustainability agenda will, therefore, serve as a guideline for the structure of the sustainability report.

For the year 2021, details of our progress on the targets for each material topic from 2016 are provided in the 'Results, targets, and value creation in 2021' appendix.