

Sustainability Report

2021



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Foreword

Good dialogue requires careful listening and a shared resolve to explore opportunities. By allowing the other to tell their story, appreciating their story, and treating each other with respect, we create space for dialogue.

Suffice to say that, here at Vreugdenhil Dairy Foods, we are more than happy to engage in good dialogue about dairy, milk powder, and sustainability. The choice for Dairy Dialogue as the theme for this 2021 sustainability report is in keeping with the phase that our organisation has reached in the transition to sustainability. Sustainability has been interwoven into our day-to-day operations for over 10 years, is a topical issue, and will only develop further. Over the past period, our new Sustainability Manager, Ilonka Nennie and internal and external stakeholders have worked hard on a new sustainability agenda that can count on broad support across the organisation. This agenda, which will be covered in this report, is part of Vreugdenhil Dairy Foods' overall Marathon 25 strategy. A good plan for the future that helps us achieve our long-term goals. As a company, we have opted to ground our sustainability agenda on a broad base of support, which was confirmed largely by the outcome of the materiality analysis in which we processed responses from over 130 stakeholders.

Sustainability, Creating Shared Value calls for a long-term vision. Our climate ambition is to be carbon neutral from grass to glass by 2050.

A joint approach across the supply chain is essential in making this happen. Dialogue with our stakeholders forms the basis for a shared ambition with clear goals for the future. This is how sustainability is gradually embedded more at Vreugdenhil.

As a family business, Vreugdenhil Dairy Foods is sustainable from the ground up. Based on our vision on sustainability, we take our responsibility: People, planet and profit are inseparably intertwined with our company, the people who make the company, and our sustainability ambitions, as confirmed by the results of the employee engagement survey. Despite the fact that our employees have several highly challenging Covid-19 years behind them, they say in the survey that they feel committed to Vreugdenhil and that they work to their satisfaction in a safe environment. We are very proud of these survey results.

We would like to thank our employees and all stakeholders in our supply chain, ranging from dairy farmers and suppliers to customers. Your commitment and trust enables us to keep our performance levels up, which is consistent with our ambition to bring you the best of milk, every day and anywhere in the world.

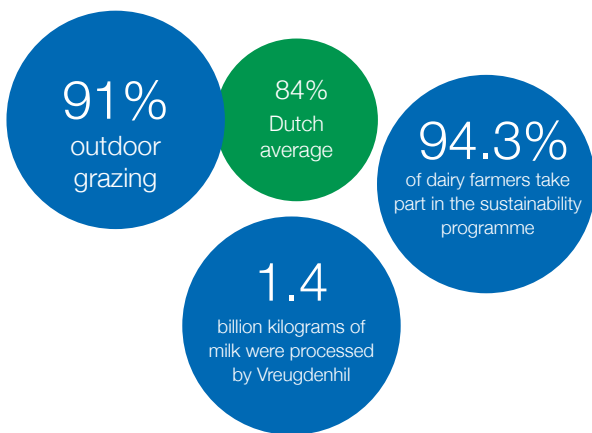
We hope you enjoy reading this annual report.

Jan Vreugdenhil, Director
Albert de Groot, CEO

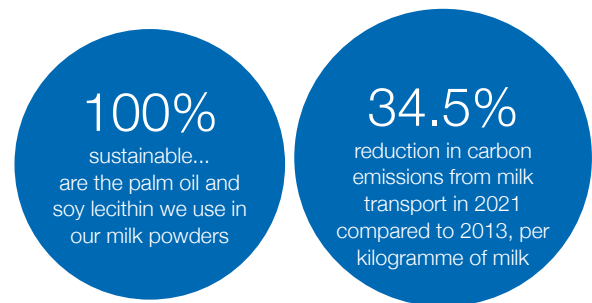
Highlights

Vreugdenhil Dairy Foods, together with all partners in the chain, took valuable steps in the field of sustainability in 2021. Our ambition is to be carbon neutral from grass to glass by 2050. Together with internal and external stakeholders, we worked on a new sustainability agenda with clear and widely supported goals. More than 94% of dairy farmers took part in Vreugdenhil's sustainability programme, the CO₂ emissions of milk transport were further reduced, and our production site in Barneveld became climate neutral. The results of our employee engagement survey show that our employees feel very committed to the company and are proud of Vreugdenhil. You can read this and more about our sustainability performance on our website.

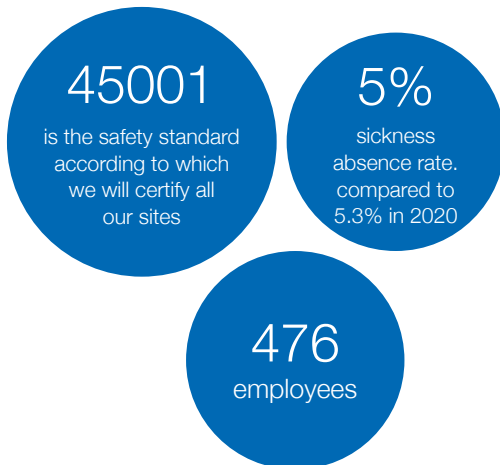
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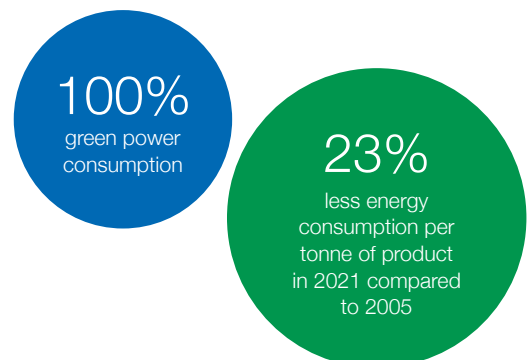
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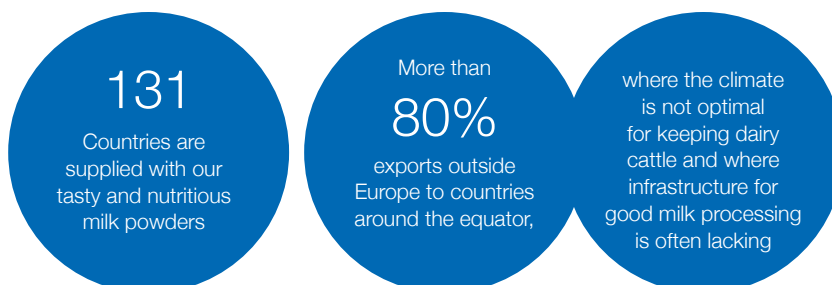
3. Healthy and engaged staff



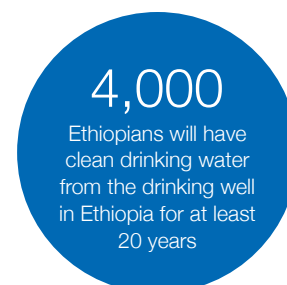
4. Environmentally friendly factories and offices



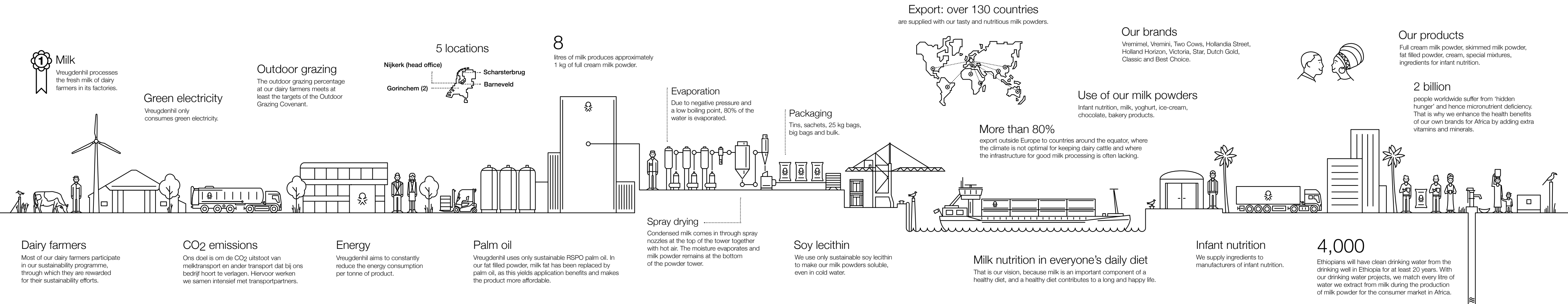
5. Nutritious and tasty products



6. Clean drinking water



We bring you the best of milk!



Sustainable dairy farming

Vreugdenhil Dairy Foods stands for quality, collaboration, and sustainability. Dutch milk has an exceptionally good name worldwide in the milk production domain. That is why dairy farmers are our most important suppliers. Vreugdenhil supports dairy farmers in making milk production sustainable, stimulating this transition, and sharing knowledge.

More and more dairy farmers are getting serious about agricultural nature management. In 2021, nearly 70% of our dairy farmers took additional measures to increase biodiversity on their land. Examples of these measures include bird management, ditch bank management, and the creation or protection of other landscape elements.

Stimulating and rewarding sustainability

Dairy processing companies and dairy farmers have joined forces in the Sustainable Dairy Chain partnership to ensure a futureproof and responsible dairy industry. Efforts in this respect are focused on the following topics: outdoor grazing, biodiversity and the environment, a climate-responsible dairy industry, and continuous animal welfare improvement.

Virtually all milk produced in the Netherlands falls into the remit of the Sustainable Dairy Chain. Vreugdenhil offers farmers an outdoor grazing premium and runs a sustainability programme to stimulate and reward our 826 dairy farmers' sustainability performance. The subjects covered by our sustainability programme contribute towards achieving the goals of the Sustainable Dairy Chain. The sustainability programme is divided into 11 themes and dairy farmers can earn 12 points in total. If a dairy farmer earns a minimum of 5 points, they get a 0.05 cent bonus per point for each 100kg of milk. In 2021, 94.3% of dairy farmers received such a sustainability bonus, compared to 92.1% in 2020. Animal welfare was also an important theme again last year. Additionally, dairy farmers worked on reducing greenhouse gas emissions from their farming activities.

In order to help dairy farmers with their efforts as part of the sustainability programme, we are making various tools available. These tools include the KringloopWijzer, the KoeMonitor and the KalfOK score, which give dairy farmers insight into how they are doing in terms of sustainability and animal welfare. They can, furthermore, turn to our district advisers with questions and whenever they need support. We also have a large network we can draw on for knowledge and to stimulate innovation. As the dairy industry, we are proactively tackling our sustainability challenges. Additionally, we and our dairy farmers continuously critically assess terms of supply to make the arrangements as pragmatic as possible. Every year, we track developments and evaluate the programme together with dairy farmers.

Lowering greenhouse gas emissions on farms

Most of the greenhouse gases in our value chain occur at farms, especially in the form of methane emissions from cows. Since 2020, we have been using the greenhouse gas module in the KringloopWijzer tool from our sustainability programme to track dairy farmers' total greenhouse gas emissions. All dairy farmers thus gain insight into their farm's greenhouse gas emissions per kilogramme of milk. We use the data gathered by the KringloopWijzer tool to calculate a farm's bonus under our sustainability programme. This is how we aim to stimulate greenhouse gas emission reduction at farms.

In 2021, we launched an initial pilot to provide dairy farmers with even more support in reducing greenhouse gases at their farms. Together with an adviser, dairy farmers make a customised plan to further reduce emissions at their farms, such as by reducing energy consumption, generating renewable energy, and reducing emissions from cows. In 2022, we will further scale up this pilot. We expect to see the first results in the data from the KringloopWijzer tool in early 2023. Over the coming year, we will set our target for the reduction of greenhouse gas at farms.

Our sustainability programme also gives dairy farmers a bonus for generating renewable energy. In 2021, 26.9% of our dairy farmers generated at least 50% of the energy they use from renewable sources themselves, compared to 23.2% in 2020. We have, therefore, hit our target of 25%. This increase comes mainly from dairy farmers' investments in solar panels. In 2022, we will continue to reward dairy farmers for generating energy from renewable sources.

Care from cow to calf

24 hours a day, 7 days a week, a dairy farmer puts great care into ensuring his or her animals can grow old healthily. In 2021, this resulted in our dairy farmers' cows living 6 years and 26 days on average, which is 34 days longer than in 2020. This result is above the Dutch national average of 6 years and 13 days, meaning that we again achieved our objective this year.

In order to continuously improve cow welfare, our dairy farmers have been using the KoeKompas tool for several years now. This is a tool that helps them track animal health and welfare. Together with a vet, the dairy farmer looks at different aspects that affect cow health and welfare, so as to identify strengths and points for improvement. This gives dairy farmers greater insight into potential risks at their farm, so that they can then take preventive measures.

Improving calf care is also part of our sustainability programme. Dairy farmers use the KalfOK score to monitor calf welfare. Based on 12 indicators, cattle farmers gain insight into the quality of calf care and possible points for improvement in their calf rearing practices.

Stimulating outdoor grazing

In 2021, our outdoor grazing rate was 91.0%. This is a slight increase on 2020 (90.6%). This means that our dairy farmers have more than met the national target of 81.2% laid down in the Outdoor Grazing covenant from 2012. For us, too, the outdoor grazing rate is well above the Dutch average of 84.0%. The bonus for outdoor grazing has been high for several years now, making it attractive for farmers to switch to outdoor grazing.

The outdoor grazing rate is calculated by dividing the number of dairy farms with partial and full outdoor grazing by the total number of dairy farms. By full outdoor grazing, we mean that dairy cows graze

outdoors at least 6 hours a day and at least 120 days a year (or at least 720 hours a year, during a minimum of 120 days). For partial outdoor grazing, at least 25% of cows have to graze outdoors for at least 120 days a year.

Year	%
2015	86.0%
2016	85.6%
2017	87.5%
2018	88.1%
2019	88.7%
2020	90.6%
2021	91.0%

Continuity in the industry

Due to ageing in the agricultural sector, continuity of the dairy industry is a focus point. We are seeing that the younger generations are not always willing or able to take over dairy farms. There is increasing pressure on space and the environment. Changing government policy and public opinion are creating uncertainty over the future of dairy farms, such as regarding the land used, the reduction of livestock numbers, and regulation around nitrogen and phosphor. We maintain an ongoing dialogue with our dairy farmers to monitor these developments and support dairy farmers where necessary.

Improving biodiversity

When it comes to our cows' feed, dairy farmers largely depend on the climate and the fertility of the soil on their land. They want to keep this at optimum levels for the long term, which is why sustainable management of the land is so important.

More and more dairy farmers are getting serious about agricultural nature management. In 2021, the number of dairy farmers that took additional measures to boost biodiversity on their land rose further to 69.5%. This is a slight increase on 2020 (65.1%). Examples of measures include bird management, ditch bank management, and the creation or protection of other landscape elements. Under our sustainability programme, dairy farmers can earn a bonus for their biodiversity efforts. In 2022, we want to further increase our commitment to biodiversity and provide more support in this area. Our objective for 2024 is for 75% of our dairy farmers to take measures to increase biodiversity.

Results for 2021

- **Outdoor grazing rate 91.0%**

Our outdoor grazing rate is higher than the Dutch average of 84.0%.

- **Cow lifespan 6 years and 26 days**

Is the average lifespan of our dairy farmers' cows. This is up 34 days on 2020.

- **Sustainability programme participation rate 94.3%**

... of dairy farmers take part in our sustainability programme. We reward them for their sustainability efforts.

- **Milk production 1.4 billion kilogrammes of milk**

processed by Vreugdenhil, with most of it coming from our 826 Dutch dairy farmers.



Interview

Marjolein de Kreijl – Manager Milk Supply

‘Since 2008, Vreugdenhil has been part of the Sustainable Dairy Chain partnership, in which parties from across the dairy industry are united to work on a futureproof supply chain that produces high-quality food with respect for people, animals, and the environment.’

‘When the partnership was created, the parties set climate targets focused on generating renewable energy and reducing energy consumption at farms. Since 2020, reducing greenhouse gas emissions has been a spearhead of our sustainability programme. We reward dairy farmers for reducing greenhouse gas emissions. In our new strategy, we will again target the reduction of greenhouse gas emissions at our dairy farmers’ farms. In order to give our dairy farmers insight into their total greenhouse gas emissions per kilogramme of milk, we use the climate module in the KringloopWijzer tool.

‘We are happy to help dairy farmers: by creating insight and by sharing new knowledge. Within the Sustainable Dairy Chain partnership, we develop new knowledge and tools and engage with stakeholders. In addition, we report on the dairy industry and the challenges that dairy farmers face. After all, if you

know where you stand now and where you want to go, you can also direct the steps you need to take.’

‘If you know where you stand now and where you want to go, you can also direct the steps you need to take’

‘There are various ways to reduce greenhouse gas emissions at farms. Seeing as every dairy farm we work with is different, this requires customisation and the approach is different for each farm. Factors to consider include the type of stables, where they store manure, how they manure the land, and what they feed their cows. Dairy farmers decide for themselves how to tackle this issue. Measures to reduce emissions may have an adverse effect on other sustainability efforts. Together with our dairy farmers, we seek to strike the right balance between these factors.

‘In order to support dairy farmers even more in lowering greenhouse gas emissions at their farms, Vreugdenhil launched a pilot last year. This pilot sees a number of dairy farmers partner with an adviser to make a customised plan for their farm. For each individual farm, we look at strengths and weaknesses and identify possible investments and concrete measures that dairy farmers can take to further reduce emissions.’



Interview

Joke van Dijk-Terlouw en Evert van Dijk - Dairy farm Woudenbergh-van Dijk-Terlouw

'In 1994, my husband took over this dairy farm, which was his family business. In 2009, he passed away and I continued the business. Meanwhile, I have remarried and I now run this dairy farm together with my new husband Evert. We have over 50 cows and we have always maintained the same way of working. That's easy, with little automation, and lots of attention for the animals. We believe that many of the machines that exist today are not necessary, such as feed mixers and manure robots. Not using these machines keeps our costs and greenhouse gas emissions down.'

'Milk production from our cows is above average; they produce almost 500,000kg of milk in total per year. The cows eat a lot of grass and are not fed any corn. They do get some sugar beet pulp, because that boosts milk production. All the manure they produce is used on our own land, meaning that we don't have to dispose of manure and buy only small amounts of artificial fertilizer. This, too, helps keep greenhouse gas emissions down.'

'Our focus is entirely on the cows. Our oldest cow is 13 years old. In our kitchen, we have put up all the certificates for cows who have produced more than 100,000 litres of milk and, therefore, achieved high production levels! Evert has a background in agricultural care, where he helped many farmers with their milking practices, but also in cattle hoof care. So this is also something we focus on a lot. By trimming properly, you can prevent infectious cow foot diseases as much as possible, which can help ensure that cows live longer.'

'Our focus is entirely on the cows'

'I take care of the young calves: by feeding them well while they're young, we hope to make them live longer. When a cow has difficulty going in calf, you need a lot of patience. We keep trying for a long time until the cow is in calf.'



Interview

Patrick Besten – Milk Supply Director

‘Our most important raw material is milk. The dairy farming sector has come under great pressure from society and the government. Luckily, many people are seeing the importance of nutritious dairy products, but at the same time we also face challenges around biodiversity, land use, climate, and animal welfare. This means that working on a sustainable dairy farming sector is key in continuing to bring our customers the best of milk. Fortunately, we are working together with enterprising farmers who want to shape sustainable dairy farming with us.’

‘We have been working on sustainability together with dairy farmers through our sustainability programme for several years now. We support them by offering tools to gain insight into issues such as animal welfare, biodiversity, and greenhouse gas emissions. Over the past years, participation in our sustainability programme among dairy farmers has risen from 75% to 94%, which goes to show that sustainability awareness is growing.’

‘Sustainability calls for a supply chain-wide approach, which is why we are working together within the dairy industry, both on a domestic scale through

the Sustainable Dairy Supply Chain initiative and internationally in the Sustainable Dairy Partnership. In order to tie in with the goals of these partnerships and the developments around us, our sustainability programme is constantly evolving. This is also reflected in our strategy. Over the coming years, the focus will be on cutting emissions at our dairy farmers’ farms. Like in many other industries, sustainability is a key topic in dairy farming, and we are taking our responsibility and doing our bit.’

‘We work together with enterprising farmers who want to shape sustainable dairy farming together with us’

‘One of the top 3 risks identified in the World Economic Forum’s Global Risks Report is loss of biodiversity. With the amount of land that our dairy farmers use, we want to make a positive impact in this area. Besides rewarding dairy farmers for their efforts to increase biodiversity, we continuously liaise with our dairy farmers to identify opportunities and challenges, so that we can take steps together wherever possible. Together, we are working on the continuity of our industry.’

Fair and environmentally conscious purchasing

In addition to dairy farmers, we work closely with other suppliers in our supply chain. They supply raw materials such as milk ingredients, vitamins and minerals, vegetable oil, lecithin, or packaging materials. Additionally, we procure various services, such as milk transport and transport services to ship our products to customers.

In 2021, we worked with our customers and suppliers on a sustainable alternative to our sachets. We also worked on making the caps for our cans sustainable. These caps are now lighter and contain less plastic. Over the coming year, we will further scale up the use of these sustainable alternatives.

Supplier Code of Conduct and ICSR

We work a lot with suppliers of raw materials, packaging materials, and services such as transport. All our suppliers have to comply with our Supplier Code of Conduct, which contains requirements with respect to human rights, animal welfare, and the environment.

[The Supplier Code of Conduct](#) contains rules of conduct on suppliers' responsibilities in relation to business integrity, the environment and communities, workers, and animal welfare. We only work with suppliers who meet our requirements. Seeing as we do a lot of business with European suppliers, many of the potential risks are already covered by laws and regulations. Suppliers are asked to sign the Supplier Code of Conduct every three years. We conduct supplier audits to monitor compliance with the requirements we have set. In case of non-compliance, we engage with the supplier and draw up an improvement plan to implement solutions in the short term. During the Covid-19 period, we conducted fewer audits than we would normally, or in some cases we conducted them remotely. In 2021, we resumed normal auditing activity, and we have more audits lined up for the coming year.

In 2022, we will be starting with due diligence as part of our International Corporate Social Responsibility (ICSR). Due diligence will give us greater insight into risks to people and the environment that we are, directly or indirectly, involved in through our business activities. Due diligence is an ongoing process, meaning that we will evaluate these risks on a continuing basis and respond as and when necessary to push back these risks. An initial step in this due diligence approach is to identify risks to people and the environment across our entire supply chain. We do that for all the raw materials, goods, and services we procure, taking stock of where potential risks are in our supply chain. Wherever we identify potentially high risk, we proceed with a more in-depth risk analysis or a supplier audit. We would do that, for example, for raw materials from countries where protection of human rights and the environment is not always a given. Where necessary, we will revise the Supplier Code of Conduct to rule out potential risks.

Sustainable palm oil and responsible soy lecithin

In 2021, all the palm oil and soy lecithin we used in our milk powders were certified as 100% sustainable. The palm oil we procure is mass balance certified through the Roundtable on Sustainable Palm Oil (RSPO). This means that palm oil producers in Indonesia, Malaysia, Colombia and Costa Rica are tested against criteria such as the prevention of deforestation, responsible use of plant protection products, and good working conditions. We incorporate palm oil into our fat filled milk powders. In these products, we replace milk fat with vegetable fat, while retaining the nutritional value. This ensures a lower cost price and makes our products more easily accessible. Our aim continues to be RSPO certification for the full 100% of the palm oil we procure, whereby our preference is to, in consultation with customers, work towards segregated certification. This means that the certified palm oil is kept physically separate across the whole supply chain. Segregated procurement increases transparency, which helps us improve collaboration and eliminate risks.

In some of our products, we use soy lecithin to make our milk powder easily soluble in water. Since late 2015, we have been exclusively using ProTerra-certified 100% responsible soy lecithin¹. This means that the soy beans are cultivated in accordance with sustainability criteria, in our case in Brazil. Those criteria include the protection of workers, local companies and vulnerable areas, and deforestation-free production.

As part of our due diligence approach, we will in the coming year identify all risks to people and the environment posed by the high-risk raw materials we use. The first step is to take stock of raw materials that involve high risk. This will at least look at palm oil, soy, coconut oil, and cocoa. We use coconut oil for blends of milk powder and cocoa, as an ingredient for the chocolate industry. Our goal for 2022 is to gain greater insight into these risks. Based on these insights, we will put together an action plan to make our raw material usage yet more sustainable.

Transport

MMC transport

Our Mobile Milk Collection (MMC) carriers drive some 2.5 million km per year to bring our dairy farmers' milk to our factories. We try to limit fuel consumption and greenhouse gas emissions as much as possible by means of smart planning and by using tank lorries with better fuel economy.

In 2021, our MMC carriers have taken significant steps to further reduce carbon emissions. Carbon emissions from transport, per kilogram of milk, were down 34.5% on 2013 levels. This means that our goal of a 20% reduction (compared to 2013) by 2022 has already been achieved. Carbon emissions were reduced mainly through additional measures taken by our carriers, such as the use of newer and cleaner lorries. A number of these carriers are also applying carbon offset mechanisms.

Other transport

In order to reduce carbon emissions from the transport of our finished products, we have been using water-based transport options to get our export containers to the port. Since 2021, we have been transporting all our export containers by inland waterway vessels to the ports of Rotterdam and Antwerp, unless this option is not available. In some cases, our carriers have no other option

than to revert to road transport, such as to deliver containers to the port by a specific time, so as to ensure they arrive at our customers on time. Last year, the availability of containers and space on (sea-going) vessels continued to be a challenge. The impact of the Covid-19 pandemic on global container logistics was still felt in 2021 and transport costs increased. Despite these conditions, we managed to keep up the share of inland waterway transport in our total transport in Gorinchem and Scharsterbrug. In Gorinchem, 91.2% of our finished products were transported by water (compared to 93.6% in 2020). In Scharsterbrug, 87.3% of all transport was by water (compared to 85.7% in 2020).

In 2021, we managed to significantly increase the use of barge operators in Barneveld for the transport of sea container to the ports. This was a major step. On the whole, transport by water was up to 79% from 67% in 2020, exceeding the 70% target we had set. From our Barneveld site, containers are transported by lorry to a nearby terminal in Tiel, from where they are shipped by water. We also ship export shipments from external parties by water as much as possible. In 2021, 79% of these shipments were transported by water. We used to mainly use road transport for that. Increasing the use of water transport for the shipping of our sea containers will continue to be a focus area for us over the coming years.

In addition to increasing transport by water, we also took other measures to further reduce carbon emissions. We have scaled up the focus on more efficient transport through smart planning, by combining shipments, and by optimising volumes per journey, always in close collaboration with our carriers and customers. This is how we are reducing the number of transport kilometres. We will continue down this path in the coming year.

Reducing carbon emissions from transport per tonne of product continues to be one of our goals. However, total carbon emissions were not calculated last year.

¹Given the current raw material challenges, Vreugdenhil will temporarily procure soy lecithin without sustainability certificate in 2022. It is our aim to, as soon as it is possible again, only buy sustainable soy lecithin.

Sustainable packaging

Sustainable packaging is a topic of growing attention in society, among our customers, and in government. Our main packaging materials are tin, plastic and paper. These serve an important purpose for the quality and food safety of our product. In collaboration with customers and suppliers, we are working on making our packaging materials more sustainable. First and foremost, the new packaging must not have any adverse effects on our products' quality and shelf life.

In 2021, we continued to work with one of our customers on a sustainable alternative to our sachets. We now use a thinner aluminium layer for our sachets, which means less material. Various tests were conducted to see if we could make this layer even thinner using physical vapour deposition of aluminium. This turned out to still be challenging due to product shelf life. Over the coming year, we will continue these tests to find a suitable alternative. The aim is to introduce an alternative material into the market in 2022 and thus complete the project.

We are, furthermore, partnering with one of our suppliers to make our milk can caps more sustainable. The new caps are lighter in weight because they contain less plastic. We are also looking into whether the new caps could be partly made of bio-based plastic. Initial small-scale testing returned positive results. In 2022, we will further scale up this pilot.

With these two projects, we have achieved our objective of teaming up with customers and suppliers to work on sustainable packaging. We had talks with our suppliers last year to explore possibilities for joint projects. These talks produced a list of projects for the coming years. We recently launched the first

new project, which is intended to reduce our use of wrapping foil. Our aim for the coming year is to launch another new project.

A number of ingredients, such as palm oil, soy, cocoa, and coconut oil, are receiving a lot of attention these days because they are known to involve risks such as deforestation and human rights violations. With this in mind, Vreugdenhil will explore options for segregated certification of high-risk ingredients, instead of mass balance certification. This is how we contribute to creating a transparent supply chain where people and the environment are respected.'

Results for 2021

- 100% sustainable were the palm oil and soy lecithin we used in our milk powders in 2021.
- 34.5% reduction in carbon emissions from milk transport in 2021 compared to 2013, per kilogramme of milk,
- compared to 30.5% in 2020.



Interview

Henk Bouw - Transport & Export Manager

'We ship our products to more than 130 countries across the globe. Our aim is to do this as sustainably as possible. We transport our export shipments by water as much as possible, whether it be transport by inland waterways to seaports or the main transport to the customer. For transport from our production sites to the ports of Rotterdam or Antwerp, we use transport by inland vessel as much as possible. In Europe, most transport is by road, supplemented by short-sea shipping and freight transport by rail. We are continuously working to make our transport more sustainable.'

'Despite the Covid-19 pandemic, which caused a shortage of containers and reduced the reliability of ships' sailing schedules, we still managed to use inland waterway shipping for a large percentage of our transport to seaports. Thanks to our employees' knowledge and experience and the good relationships we have built with carriers, we often managed to find a solution. This ultimately enabled us to maintain transport by water in Gorinchem and Scharsterbrug and even increase transport by water from our Barneveld site.'

'Our focus is also on reducing the number of transport kilometres. We do this in collaboration with our customers by, for example, combining smaller shipments to load the largest possible volumes in a container or lorry, while always adhering to regulatory and quality requirements. The great thing is that initiatives in this context are initiated by various employees at our Supply Chain department. This really goes to show that everyone at our company is really engaged on the topic of sustainable transport.'

'We are continuously working to make our transport more sustainable.'

'It is and will continue to be a challenge to deliver our products in the most sustainable way possible, on time and at reasonable cost. This is also why we maintain short lines of communication to other departments. Together, we strike a balance between our customers' preferences and our own requirements for sustainable transport.'



Interview

Sicco Roukema - Quality Assurance Director

‘Besides Dutch milk, we also use various other ingredients for our products and we do so while respecting the environment and human rights. Therefore, we only buy certified palm oil and soy lecithin, and have done for quite some time now, and we take our responsibility in the supply chain. In our procurement process, we always consider the impact on the environment and human rights to minimise any adverse impact or prevent it altogether.’

‘It is our aim to minimise adverse environmental impact across the entire supply chain and prevent human rights violations’

‘It all starts with transparency. Over the coming period, we will focus efforts on mapping out our entire supply chain, i.e. not only our suppliers, but also their suppliers, and the suppliers before them. Only when we know who has handled our raw materials, what their policy is, and where they are based will we be able to make the best possible assessment of potential risks.

If any risks are identified, we engage with the suppliers or regulatory bodies, in the same way as we are already doing now for palm oil through RSPO certification, so as to reduce risks and ultimately prevent them altogether.’

A number of ingredients, such as palm oil, soy, cocoa, and coconut oil, are receiving a lot of attention these days because they are known to involve risks such as deforestation and human rights violations. With this in mind, Vreugdenhil will explore options for segregated certification of high-risk ingredients, instead of mass balance certification. This is how we contribute to creating a transparent supply chain where people and the environment are respected.’

Healthy and engaged staff

At Vreugdenhil, we believe that vitality, employee development, and a safe working environment are important. In 2021, we had 476 permanent employees. With 245 employees, Gorinchem is our biggest site.

Vreugdenhil wants to be a place where people work safely and in good health, and enjoy helping to create a successful company. The results of our employee engagement survey show that our employees feel very committed to the company, are proud of Vreugdenhil, and experience our company as a pleasant place to work.

Keep working vitally and with pleasure

Vreugdenhil wants to be a place where people work safely and in good health, and enjoy helping to create a successful company. We stimulate health and vitality among other employees in various ways.

We have set up various programmes at Vreugdenhil that are focused on improving our employees' health and fitness. Like in the previous year, the impact of the Covid-19 pandemic was felt in 2021, as in-person meetings and staff outings were still not possible. As part of the BRAVO programme, we regularly post messages on topics such as exercise, smoking, alcohol, diet, and relaxation on various internal channels. We are proud of the fact that Vreugdenhil is a 100% smoke-free environment. Our weekly bootcamp session in Nijkerk brings vitality and enjoyment. In order to continue to stimulate exercise as employees work from home, all our employees were able to attend work-out sessions online. During the 'week of work enjoyment' in September, we organised various activities, including an online Mystery Talk for colleagues to get to know each other better. Customised individual training also continued in 2021, mostly online. Over the coming year, we hope to be able to organise yet more activities for our employees.

Employees who come under the collective labour agreement for the dairy industry again had access to the TipTrack tool last year. In an effort to boost sustainable employability, TipTrack offers training

and coaching in four areas: vital, flexible, skilled, and financial insight. Employees can choose for themselves how they want to use the budget that is made available to them. They can also opt to save it for additional leave, or to take more birth leave. At present, there are 179 registered TipTrack users at Vreugdenhil.

In 2021, we launched the Vreugdenhil Academy for all employees. On this platform, we now offer online food safety and workplace safety training. Based on job profiles, a number of these training courses are compulsory and attendance is recorded. We have drawn attention to the Vreugdenhil Academy through various channels, and with success! Nearly all employees completed basic safety training last year. In Scharsterbrug and Barneveld, 96% of employees have meanwhile also completed food safety training. In Nijkerk and Gorinchem, approximately 80% of employees have completed the same training. We are planning to further add to the curriculum and also offer training on other subjects, such as dairy.

In order to gain greater insight into our employees' engagement and job satisfaction, we conducted an employee engagement survey in 2021. In total, 346 employees (73%) took the survey and the employee engagement score came in at 8.4 out of 10. The three aspects with the highest score were i) commitment within the teams, ii) feeling proud of Vreugdenhil, and iii) commitment to our company. These results show that our employees are engaged, satisfied, and loyal, and that fills us with great pride! Our aim for the coming years is for the employee engagement score to top the benchmark score of 7.8.

Employees and external stakeholders have the possibility to report abuses (in the supply chain) via the SpeakUp feature on our website. If they want, they can raise concerns anonymously. Over the past year, SpeakUp was not used. Our employees can also turn to an internal or external confidential counsellor when they want to report certain conditions at work or behaviour by colleagues. In 2021, various employees did so. It is good to see that our employees feel comfortable taking their concerns to these counsellors.

Safe working environment

Safety is top priority for Vreugdenhil. At all our sites, we make employees aware of the importance of safety on a daily basis. We continuously analyse and invest in the workplace to see if working practices can be made safer. Through our internal communication channels, we regularly launch messages to raise safety awareness and our employees attend compulsory safety training. Additionally, we organise toolbox meetings to stress the importance of safe working practices.

ISO45001 is the global standard for health and safety at work. Our goal is for all our sites to be ISO45001 certified by 2023. Nijkerk and Scharsterbrug have been certified since 2020. In 2021, the first preparations got underway for the Barneveld site, while we hope to have the actual certification in place by mid-2022. We will also start preparing the certification process for our Gorinchem site in the coming year.

At all our sites, we took measures to increase safety. This led to our Scharsterbrug site being completely accident-free for a whole year. By accidents we mean lost time accidents. It is a result that fills us with great pride and it sets a fine example for our other sites. We have implemented a visitor registration system on all our sites. This way, we know exactly who is on site in the event of an emergency situation. At our Gorinchem site, we have appointed a second safety coordinator and implemented technical improvements, including the creation of a rescue plan for enclosed spaces, the use of more lifting devices, and the set up of a new and safer production line. Various improvements were also implemented at our Barneveld site to further increase safety. An additional escape route has been created, passageways have been fireproofed, and work instructions and procedures are now also available digitally to ensure that everyone always has access to the most recent version.

Like in 2020, Covid-19 dominated our safety efforts last year. Our employees' health and safety, both at work and at home, received our undivided attention. At all our sites, we implemented various measures to reduce the Covid-19 infection risk among employees. Examples include the testing facility we set up in Gorinchem, separate staff canteens and dressing rooms, staggered shift changes, and, of course, keeping a physical distance from each other and wearing face masks. Under a home working scheme we set up, we are making funds available to enable employees to purchase the equipment they need for their home workplace and to be able to work from home in an ergonomically responsible manner.

Sickness absence and accidents

The sickness absence rate was down to 5%, from 5.3% in 2020. The national average rate for the industry was 5.9% in 2021. This means that we did not hit our target of being 1% below the national industry average. Especially in the final quarter of the year, the sickness absence rate was relatively high, partly on the back of rising Covid-19 cases. In 2021, more people went on Covid-19-related sick leave than in 2020. This created a challenge with respect to staffing levels and production continuity.

In 2021, there were eight lost time accidents in total across Vreugdenhil, i.e. one more than in 2020. None of these accidents resulted in serious injury or had to be reported to the authorities. Our target continues to be zero lost time accidents. But what is even more important to us is that we learn from the accidents that happen, so as to be able to prevent them from happening again. Our CEO and HR Director visit all our factories on an annual basis to discuss accidents with everyone involved. Every six weeks, we have a safety meeting with the safety managers for the factories. In order to increase safety, we implement (technical) improvements on an ongoing basis. And since 2021, we have been giving compulsory safety training through the Vreugdenhil Academy.

Number of employees

Element	2020
Number of employees (including temporary workers)	476
• Gorinchem	245
• Nijkerk	95
• Scharsterbrug	93
• Barneveld	43
Gender distribution	
% Male	78%
% Female	22%
% part-time men	6%
% part-time women	41%
% men with permanent contract	92%
% women with permanent contract	81%
% of employees covered by a collective agreement (dairy collective agreement)	74%
% of employees not covered by a collective agreement: Vreugdenhil Terms of Employment Scheme.	26%
<p>* Since 2018, we have applied the Dairy Collective Agreement at all sites. For positions above the CA, we apply Vreugdenhil's Terms of Employment Scheme.</p>	

Results for 2021

- **476 employees**

... work at Vreugdenhil Dairy Foods.

- **ISO 45001**

... is the safety standard according to which we will certify all our sites. In 2021, we started preparations in Barneveld.

- **5.0% sickness absence rate**

Target for 2022: sickness absence rate 1% below the industry average calculated by Statistics Netherlands.



Interview

Evelyn Jeeninga - HSE coordinator

‘After joining Vreugdenhil on an internship five years ago, I’m now an HSE (Health, Safety, and Environment) coordinator. My role is to describe safety procedures for the factory, such as how to work in enclosed and hot spaces. What is important is how factory workers want to adopt these procedures. They work with these procedures every day, so a pragmatic approach is key. We have put a lot of time into raising awareness of safe working practices, through our internal communication system, work meetings, and simply by going out into the factory. I do a safety round every month, for example, and invite management to join me. Workers themselves also provide input for improvements.’

‘At our Scharsterbrug site, we have regular toolbox meetings, which are short meetings of no more than 10 minutes that focus on a specific subject. This allows us to, in a very low-threshold way, raise safety awareness together and pass it on to external parties as well. This has already brought down the number of incidents. Inspired by the success of this meeting format, we are now also going to do this at other departments.’

‘When it comes to technology, we have made various improvements to increase safety. The

preventive check in Ultimo Jobs is one example, as is the fire detection system, the evacuation alarm, and explosion protection. Incidents are sometimes caused by wanting to do something quickly, such as with repetitive tasks. It is important, therefore, that workers be well aware of the risks and perform all their tasks with due care. Over the past year, there were 18 incidents, which could fortunately all be dealt with by our internal emergency response organisation. Our internal emergency response organisation is made up of a group of employees who are trained to give first aid in case of accidents and to coordinate if external emergency responders are called in.’

‘Incidents are often caused by wanting to do something quickly’

‘In 2019, we had seven lost time accidents here in Scharsterbrug. We reduced that to one lost time accident in 2021. In early 2022, we had been completely accident-free for 12 months. There is a downward trend in the number of incidents and accidents and an upward trend in the number of reports. I find this latter point very positive: near accidents and hazardous situations are now increasingly reported to me. We then together look into how to prevent them. After all, prevention is still always better than cure.’



Interview

Gerrit Jan van Schaik – HR Director

‘Our employees are our most important assets, they keep the organisation running and provide all the knowledge and skills needed for our company to grow and improve. Over the past few years, we have achieved a number of concrete results. Vreugdenhil has become a 100% smoke-free environment, the number of lost time accidents has dropped significantly over the past years, and there has been greater focus on improvement teams. We have also invested heavily in safety and all our sites will have ISO45001 safety certification by 2023. Aside from that, our sickness absence rate is lower than that at similar other companies, we continue to invest in training and courses, and we have launched various initiatives to boost employees’ vitality.’

‘The most important thing is and will continue to be our employees’ satisfaction and engagement. We monitor that through the employee engagement score, whereby the target is to do better than the benchmark. The results from 2021 show that we have amply succeeded in that aim. On all of the more than 20 topics from the survey, we at least match and often exceed the scores of other similar companies.’

‘While we are, of course, proud of these results, we believe we can do better. We want to do more, for example, to prevent bad workplace behaviour. Even though we are outperforming the benchmark on this point, it is extremely important to us that all employees feel safe at Vreugdenhil. This is why we have various improvement initiatives lined up. Over the coming year, we will organise training and workshops and set up code of conduct training for all employees. The survey shows that employees are aware of the internal and external confidential counsellors, which is positive.’

‘The most important thing is and will continue to be our employees’ satisfaction and engagement’

‘The employee engagement survey is repeated on a regular basis to monitor progress. I see it as a challenge, therefore, to maintain our high scores. Additionally, our ambition on several points extends beyond merely outscoring the benchmark. We will, for example, continue to work together in creating a safe place to work, both physically safe and socially safe.’

Environmentally friendly factories and offices

Vreugdenhil has set itself the ambition of making the supply chain entirely carbon neutral, from grass to glass, by 2050. In order to realise this ambition, we are working closely together with dairy farmers and suppliers to reduce emissions to the maximum degree possible. Also in our factories, we are transitioning towards climate-neutral production.

Vreugdenhil is working hard to reduce energy consumption. Last year, we tightened our energy targets and improved the energy monitoring system.

Carbon neutral from grass to glass

In 2021, we revised our targets for the coming years. Vreugdenhil's ambition is for the entire supply chain, from grass to glass, to be carbon neutral by 2050. In order to realise this ambition, we are working closely together with dairy farmers and suppliers to reduce emissions to the maximum degree possible. Also in our factories, we are transitioning towards climate-neutral production. Besides our head office in Nijkerk, our production site in Barneveld has also gone climate neutral.

Barneveld is our first factory with climate-neutral production, and we are extremely proud of that. It means that the milk powder production process there does not emit any greenhouse gases. We are accomplishing this by using renewable energy. Thanks to the installation of heat pumps, this site became climate neutral in early 2022. We are also transitioning towards climate-neutral production at our other sites. Given the different nature of the production process in Gorinchem and Scharsterbrug, compared to Barneveld, achieving climate neutrality at these sites is a challenge of a very different magnitude. The offices in Nijkerk have been climate neutral for several years now. In fact, this office building is among the Netherlands' most sustainable office buildings: eco-friendly and with a pleasant work climate. The building has been awarded the 5-star (outstanding) BREEAM-NL New Construction and Renovation Completion Certificate, which is the

highest sustainability level under this quality mark.

Our aim is to reduce carbon emissions by 50% per tonne of product by 2030, compared to 2005 levels. This concerns emissions from our buildings and production-related activities. Between 2005 and 2020, we already realised a 34% reduction in carbon emissions per tonne of product. In Scharsterbrug and Gorinchem, the aim is to reduce carbon emissions by 16% by 2030, compared to 2019 levels. This would be a halving of carbon emissions compared to 2005. In order to make this happen, we have formulated individual reduction targets for each of these two sites. Seeing as Barneveld is already a climate-neutral production site, it has not been included in these targets.

Reducing energy consumption

In 2021, our energy consumption per tonne of product was down 23.0% on 2005 levels. This reduction was slightly less than in 2020 (23.7%). Consequently, we have not hit the target of reducing energy consumption by 30% compared to 2005 levels. However, the results achieved differ from one production site to the next. Energy consumption in Scharsterbrug has dropped by 41% since 2005, meaning that the reduction target has been hit at this site. In Gorinchem, the reduction was 13% compared to 2005.

Last year, we tightened our energy targets and improved the energy monitoring system. At all our sites, we have implemented energy-efficiency measures to further reduce our energy consumption. In Gorinchem, a new drying tower was installed in 2021. This was an important investment that ensures a more efficient and environmentally friendly production process. The new tower paves the way for further energy consumption reduction per tonne of product over the coming year. We also invested in Advanced Process Control (APC) software. This software will help us optimise process conditions, which contributes to reducing our energy consumption per tonne of product.

Other measures have also brought down energy consumption, such as the optimisation of boiler capacity and air heater efficiency. In order to further bring down energy consumption in Gorinchem, we have launched research into far-reaching heat recovery from steam. Aside from that, we are going to actively work to raise awareness around energy consumption among our employees by actively managing energy performance.

In 2021, Scharsterbrug made preparations for the replacement of part of the Egron dryer in early 2022. At the same time, we now also have a new design for an energy-efficient air heater. This will be installed in early 2022, which will mean that all gas-fired air heaters for Vreugdenhil's powder towers have been replaced by energy-efficient models. Over the coming year, we will be increasing the decreaming capacity in Scharsterbrug, which will mean less transport between production sites. Barneveld went climate neutral in early 2022. We will continue to implement energy-efficiency measures there as well, such as the installation of LED lights.

Reducing energy consumption contributes to the reduction of carbon emissions. Over the coming years, we will continue to implement measures and invest to make our production methods more energy efficient. At the same time, our customers demand increasingly high-quality milk powders, such as ingredients for the baby food industry. Due to the specifications of these products, production is more energy intensive. Despite the savings we are implementing, these changes to our product portfolio are leading to higher consumption per tonne of product.

Energy consumption per tonne of product compared to 2005

2015	-12.1%
2016	-16.0%
2017	-20.1%
2018	-19.5%
2019	-21.3%
2020	-23.7%
2021	-23.0%

Renewable energy

In 2021, 14.3% of the energy we consumed came from renewable sources. While this is below our target of 16%, we did continue to make progress. In 2021, we explored various electrification options. There are opportunities in the use of heat pumps and e-boilers. One of the major impediments that Vreugdenhil is coming up against in the transition from gas to electricity is the capacity of the Dutch power grid. The power grid needs to have sufficient capacity to be able to accommodate increasing demand for electricity. This is making it a real challenge to use electrification as a way to move the Scharsterbrug and Gorinchem plants towards sustainability.

In 2021, all the power we consumed was 100% green power. Like in previous years, we aimed to use green power with European wind power certificates.

We have solar panels on the roofs of our head office in Nijkerk and our production sites in Gorinchem, Barneveld, and Scharsterbrug. In 2021, these solar panels yielded over 1,200,000 kWh of green power, reducing carbon emissions by 690 tonnes. The power produced by our solar panels equals the amount of power that 450 households use in a year².

	# Panels 2021	Yield in 2021 (kWh)	CO ₂ reduction 2021
Gorinchem	1.284	325.948 kWh	181,2 ton CO ₂
Barneveld	1.800	546.304 kWh	303,7 ton CO ₂
Scharsterbrug	1.572	329.874 kWh	183,4 ton CO ₂
Nijkerk	173	39.279 kWh	21,8 ton CO ₂
Totaal zonnepanelen	4.829	1.241.405 kWh	690,1 ton CO ₂

²An average Dutch household consumes 2,741 kWh of power in a year (source: Milieu Centraal)

Water and waste

In 2021, our average water consumption was 3.9 m³ per tonne of product. This figure is down slightly on 2020 (4.0 m³ per tonne). The reason behind this is that water consumption in Scharsterbrug was reduced slightly as cleaning processes were optimised. The water and energy consumption figures apply to the Gorinchem and Scharsterbrug sites, which jointly account for 99% of our total energy and water consumption.

In Gorinchem, we completed a waste reduction programme in 2021 that had been running for several years. By reducing the amount of milk that is discharged to water purification plants, the amount of sludge has been brought down significantly. The next step is to thicken the sludge more. In Scharsterbrug, we will step up our focus on active waste separation in 2022. We are going to see if, and if so how, we can reuse these waste streams in a way that represents value.

For each of our production sites, we compile an annual environmental report that includes details of our waste, energy efficiency, and water consumption. Since a few years back, we also assess our investment plans based on sustainability criteria, focusing specifically on the environmental gains of new measures.

Results 2021

- **100% green power consumption**
- **23.0% less energy consumed**
per tonne of product in 2021, compared to 2005 levels.
- **1.24 million kWh solar energy**
... generated by the 4,829 solar panels on our offices and factories. This equals the amount of power that 450 households use in a year.



Interview

Remco Vrind - Facility coordinator

'Several years ago, Vreugdenhil set up an energy team in Barneveld to make production more energy efficient and reduce gas consumption. After installing solar panels on the roof of the factory last year, we installed heat pumps earlier this year.'

'The factory and the office are made up of different buildings. We first estimated the total surface area that had to be heated. Based on this estimate, we determined the capacity that the heat pumps needed to have. These heat pumps allow us to heat our buildings through the radiators and underfloor heating. In total, three heat pumps were installed, which will heat all the buildings and completely wean us off natural gas. In the spring of 2022, our gas tap will, therefore, be closed completely.'

'We started this process in late 2020 and came across various challenges, such as the power supply that turned out to be inadequate, which forced us

to adjust the meter cupboard. There were also problems with material supplies from China. But we pulled it all off in the end.'

'In the spring of 2022, our gas tap will be closed completely'

'We continue to monitor the heat pumps' functioning, so as to be able to make adjustments where necessary. With the Barneveld site now fully switched to green power, the focus has shifted mainly to energy reduction. The next project we have lined up for Barneveld is to replace the lights with LED lights. We are also going to explore ways to store solar power from our solar panels in batteries when the factory is not running. This is how we are continuously improving.'



Interview

Erik Petter - Chief Operations Officer

'At all our plants, we are investing on a structural basis to guarantee the continuity of our production and milk processing. By leading the way with our production process, we stay competitive. We are making more products accessible to our customers and consumers in general, by also stepping up our focus on minimising losses. This means less raw material wastage, and it also has a positive impact on energy and water consumption. Additionally, we are focusing on the use of renewable sources to reduce our impact on people and planet. This is why, in this pillar, we will continue to focus on cutting our energy consumption and using renewable energy, so as to ultimately reduce carbon emissions per tonne of product.'

'In our previous strategy, we set ourselves a steep ambition: to be climate neutral by 2029. Unfortunately, we had to revise this ambition. This does not mean, however, that we have been sitting still. Vreugdenhil has continued to procure 100% green power and we generate our own solar energy through solar panels on the roofs of all our plants and office buildings. Our Nijkerk head office and our Barneveld plant are completely off natural gas following the installation of a thermal energy

storage system and heat pumps respectively. At the Gorinchem and Scharsterbrug plants, we are continuing to take steps to reduce gas consumption there as well.'

'Our new ambition is to be carbon neutral from grass to glass by 2050'

'Our new ambition is to be carbon neutral from grass to glass by 2050. This means that, by then, we want to have achieved all the possible emission reductions and offset any remaining emissions. As an intermediate step, our target for 2030 is to halve our carbon emissions per tonne of product compared to 2005 emission levels. Due to the challenges around the capacity of the Dutch power grid, increased production of complex products, and shortages in energy-reducing technologies, we have to pull out all the stops to make this happen. Over the past period, we have already put a lot of time into exploring possible next steps.'

'Besides energy and emissions, we are also working in this pillar to use as little water and generate as little waste as possible. In this context, we are looking into waste prevention to see where we can do better in this respect. This is how we are constantly optimising our process to reduce raw material use, waste, and energy consumption.'

Nutritious and tasty products

Dairy is a nutritious and tasty product, as well as a high-quality source of energy and protein. It also contributes to the recommended daily intake of calcium and vitamins B2, B5 and B12. Vreugdenhil's goal is to reach more people with all the benefits of milk. Milk nutrition in everyone's daily diet!

At Vreugdenhil, we work together with our customers on the development of new nutritious, healthy, and affordable products. We also develop products for special purposes, such as tube feeding, sports nutrition, and baby food. In 2021, seven such new products were developed.

Fewer product quality complaints

Safe products are a prerequisite for contributing to consumers' health. All our production sites are certified in accordance with the internationally recognised food safety standard FSSC 22000.

In order to further guarantee food safety, our employees take compulsory food safety training. From 2021, this training has been compulsory for all employees, including head office staff, temps, and cleaning staff. In 2021, more than 85% of our employees successfully completed this training. In addition, we take food safety measures at our sites on an ongoing basis. We invested in improved metal detection in Gorinchem, worked on product improvements in Scharsterbrug, and implemented improvements following standardisations in Barneveld. Additionally, we are also designing a new way of working for production at external sites.

In 2021, we received 0.20 product quality complaints per 1,000 tonnes of product. This figure is down on 2020 (0.30) and means we have hit our target of no more than 0.25 product quality complaints per 1,000 tonnes. We handle our quality complaints in detail and focus additionally on commonly occurring complaints. In response to such complaints, we get to the bottom of what exactly causes the complaints, so that we can prevent them in the future. Our target

for 2022 continues to be to stay below 0.25 product quality complaints per 1,000 tonnes of product.

Customer complaints come in at and are coordinated by our Customer Service department. Complaints are registered in a central system and the relevant department is asked to investigate the complaint, evaluate it, and draw up and implement improvement measures. We determine the effectiveness of our complaints management system every year. An improvement point that we will be working on over the coming year is to further improve the analyses to track down the underlying reasons behind commonly occurring complaints.

Customer satisfaction

At Vreugdenhil, customer satisfaction is our primary objective. In order to serve our customers well, we make sure they have fixed points of contact and we rapidly follow up on their queries internally. Our customers always know who to turn to with queries about prices, product samples, or sustainability. We offer regular market updates to interested customers. In these updates, we go into relevant market developments based on information from our customers, suppliers, and other sources. We do this to support our customers to make better choices in their product procurement practices.

In 2022, we are planning to run a customer survey to gain more insight into our customers' needs. In order to gain greater insight into our customers' satisfaction with our collaboration, we are going to adopt the Net Promoter Score (NPS) as our metric. We would also like to engage with all of our customers on sustainability. Our aim is to make sustainability a fixture during all our customer visits from 2024 onwards.

Product development

Every day, we work hard on the development of new products, which is a domain where collaboration with our customers is becoming increasingly important. In our product development practices, our focus is on four different themes: i) nutritious products, whereby we enrich milk powders with vitamins and minerals. ii) healthier products that contain less sugar and unsaturated fats. iii) affordable alternatives to existing

products to make our products accessible to more people. iv) products for specific purposes, such as baby food, tube feeding, and sports nutrition.

While the emphasis in product development is often on one of these four themes, it is key to never lose sight of the other themes. There is, for example, great demand for affordable alternatives. Within this theme, it is still also important to, for example, guarantee the safety of a product from a health perspective, such as in terms of the amount of added sugars.

In 2021, seven new products were developed for our customers. The focus was mainly on affordability, while children's food also received a lot of attention. Our objective for 2022 is to develop two new products that have been enriched or produced with more sustainable ingredients, such as vitamins, minerals, less sugar, or less unsaturated fats.

By enriching milk powders with the right vitamins and minerals, we contribute to the fight against hidden hunger. In 2021, approximately 15% of our own products in the African market consisted of enriched products, which is comparable to the percentage in 2020. Our objective for 2022 is to supply to two new customers who make ready-to-use therapeutic food (RUTF) and/or focus on combating malnutrition.

Results for 2021

- **131 countries**

... are supplied with our tasty and nutritious milk powders.

- **>80% export outside Europe**

... to countries around the equator, where the climate is not optimal for keeping dairy cattle and where the infrastructure for good milk processing is often lacking.

- **15% of products in the African market enriched.**

worldwide almost 2 billion people suffer from hidden hunger and a deficiency of one or more nutrients. To combat malnutrition, we supply enriched milk powder to the African market.



Interview

Rutger Smit – Export Manager

‘We regularly team up with our customers to develop new products, such as for specific purposes, for affordable alternatives, and for various other needs. We also enrich our products with vitamins and minerals. Our flexibility and entrepreneurship give us a perfect ability to respond to our customers’ needs in our product development. For one of our customers, for example, we processed free range milk separately at one of our plants, so as to guarantee that the milk powder was made exclusively of free range milk. And the purchase of a factory in Putten in early 2022 allows us to also offer new concepts for relatively small volumes. This will make us even more flexible in the future.’

‘Sustainability is an increasingly hot topic among our customers and we can really add value for them in this respect’

‘We also want to work together with our customers on product development in a sustainability context. Seeing as customer needs and product development are often about seizing opportunities in the market,

about niches, and about where value can be added, Vreugdenhil wants to invite its customers to work together with us to accelerate our products’ transition to sustainability.’

‘As a company, it is also important that we are transparent towards customers and show them what we are already doing and what we can offer them. Sustainability is an increasingly hot topic among our customers and we can really add value for them in this respect. This can be about making their products more sustainable, but also about challenges in the supply chain.’



Interview

Gerben van Schaik – Commercial Director

‘Over the past few years, we have taken good steps by introducing own-brand enriched milk powder in places like Africa, launching a new affordable brand called Holland Horizon, increasing our product portfolio for the market for milk powder for specific purposes, and continuously improving the quality of our products and services. Needless to say, we will keep working along these lines and continue to develop healthier and more nutritional products for new and existing markets together with our customers. Aside from that, we are seeing the world around us change, which requires us to take a number of new steps.’

‘Many of the regions where our customers operate are plagued by poverty. We want to offer our customers affordable concepts or enriched products. We do that by, for example, engaging with customers who are working to fight malnutrition.’

‘Additionally, we also face various global challenges in areas such as climate change and raw material

shortages. We will make sustainability and our strategy a permanent focus point in our customer visits to inspire others and seek collaboration where relevant and logical. Over the coming year, we will conduct a customer satisfaction survey on the various aspects of our products and services; this will include a focus on sustainability. This will create a basis from which we can have talks with customers and continue to work together on improvement and satisfaction on both sides.’

‘Collaboration is an important part of our new sustainability agenda’

‘With our global supply chain, through which we reach consumers in many countries, combined with the high quality of Dutch milk, and our capacity to respond quickly to changing conditions, we can make a great impact in the supply chain. Our customer-facing departments will have an important role over the coming years, so that we can keep bringing everyone the best of milk, both now and in the future.’

Clean drinking water

We extract water from milk to produce our milk powders. Consumers then put water back into our products. However, clean drinking water cannot be taken for granted in Africa, where many of our consumers live. That is why we fund drinking water projects in Africa, under the motto of 'a litre for a litre'.

We have been funding a well in the Ethiopian village of Guramba Bata since 2015. Through this project, we provide one litre of water for every litre of water we extract from milk in the Netherlands to produce milk powder for the African consumer market.

Well in Ethiopia

We have been funding a well in the Ethiopian village of Guramba Bata since 2015. Through this project, we provide one litre of water for every litre of water we extract from milk in the Netherlands to produce milk powder for the African consumer market.

Until 2035, which is the expected technical lifetime of the infrastructure, we will supply at least 525 million litres of clean drinking water to some 4,000 inhabitants. The water is led to four consumption points, among which a school and a health centre. A group of people have been trained to maintain the drinking water infrastructure. Coaches have also been trained to encourage people to change their hygiene behaviour.

Milky Gari in Liberia

Helping children in Liberia start their school day with a nutritious meal is the goal of the Milky Gari project that we launched in 2018 in partnership with our partner Hoogwegt. Many children in Liberia are malnourished and do not go to school.

Milky Gari is a nutritious porridge based on our enriched milk powder and locally grown cassava. International relief and recovery organisation ZOA provides this porridge to school-going children. This is an additional reason for many parents to send their children to school. The project makes

an important contribution to the development of the local community by creating market links between local farmers and agricultural businesses to provide school children with a nutritious meal. Local farmers supply the cassava and receive training in increasing their yields. Local entrepreneurs process these into a dry mixture that the cooks at the school then make into a porridge. This is how we ensure that local farmers can increase their revenue by selling fresh products to agricultural businesses, which, in turn, offer nutritious school meals that both combat malnutrition among children and get children back in school. The project helps 15,240 people, and that is without counting the children who get the school meals.

The Milky Gari project is set to end in 2022. Together with ZOA, we intend to bring this project to an end in a sustainable way, whereby transferring it to a local party and seeking additional financing are two possible options we are looking into.

New opportunities

Vreugdenhil has the ambition to strike up strategic partnerships that are close to our core business. In 2021, explorations in this direction continued, with a view to ultimately launching new projects and partnerships. From 2022, this topic will be part of our nutritious and tasty products pillar.

Results

- 4,000 Ethiopians now have access to clean drinking water from the well in a village in Ethiopia that we have been funding since 2015. Through this project, we provide one litre of water for every litre of water we extract from milk in the Netherlands to produce milk powder for the African consumer market.

