



Directors' Report 2022

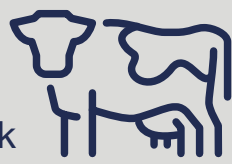
# Daily Dairy

Care for tomorrow



# Highlights 2022

1,4 billion kilos own milk is processed per year (10% Dutch milk pool)




890 directly supplying dairy farmers



95,3% of our dairy farmers receive a premium through our sustainability programme




50% increase in turnover (€1.25 billion in 2022)




Collaboration with Nestlé to reduce greenhouse gas emissions at dairy farmers




>80% of our pre-transport, from all production facilities to the port, is by water



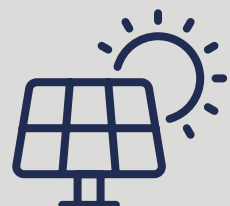
2,4% carbon reduction/tonne of product in 2022 compared to 2019 levels at our factories



34,9% of our dairy farmers generate at least 50% of their energy consumption themselves



1400MWh was generated through the solar panels on our roofs



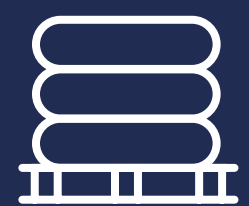
Our own Wastewater treatment plant in Gorinchem ensures our waste water is discharged cleanly



10% less water required per tonne of product thanks to the Scharsterburg water reduction programme



20% less plastic for three-quarters of the pallets in Gorinchem



35,7% less residual waste in Scharsterbrug by separating waste




95% of employees have completed basic safety and food safety training



100% of our suppliers has signed the Supplier Code



100% climate neutral Barneveld



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# Foreword by the board

**As a company, we deliver tomorrow's nutritional products and ingredients today. We do this by using the best milk, based on years of experience in the dairy sector and with knowledge of our customers and the market. The choice for Daily Dairy as the theme for this 2022 sustainability report is in keeping with the phase that our organisation has reached in the transition to sustainability. Sustainability is intertwined in everything in the production of our healthy and nutritious milk powders, and therefore part of our daily work.**

Last year was challenging, dynamic and exciting, both in the world around us and at Vreugdenhil Dairy Foods. The unstable situation in Europe; the outbreak of the conflict in Ukraine, the sharp price fluctuations of raw materials, large fluctuations in energy prices and the tensions in China, led to a sharp rise in prices in the first half of the year, enabling us to pay a historically high milk price. After the summer, prices started to fall.

The nitrogen crisis dominated the national news, and the developments brought along a lot of emotions and unrest. It is still not clear to the dairy farmers what their future prospects will be, at the time of writing this foreword. Various parties are still negotiating the Agricultural Agreement. It is crucial to stay on track, especially in challenging times – with a volatile, uncertain and complex market we operate in- and stick to our strategy Marathon '25 and ambition: Vreugdenhil is the specialist in nutritional (milk) powders, as a frontrunner. A customer survey conducted last year shows that many of our customers see us as a preferred supplier. We are proud of that, and it drives us to be better every day. Because we have continued to produce and distribute healthy food to millions of people worldwide, despite all the challenges and concerns around us. We have always been able to deliver our customers on time, with only the highest quality products our customers have come to know

and expect. We Care for tomorrow, for the developments that play a role in the value chain and the opportunities and challenges that these entail. We are constantly innovating to meet evolving customer demand. Sustainability is embedded in the organization, and we take steps in this area every day. That is why the theme of this report is: Daily Dairy. We do it together. Both at the office and at the various production locations, as well as with our suppliers and in several cases with our customers.

Everyone makes a difference in their own way, and together we contribute to Vreugdenhil's ambitions. We are doing this successfully. For the first time since we were founded, partly due to the extremely volatile market, we have passed the EUR 1 billion mark. We can only do that together: with the customer with whom we like to enter into a long-term and future-oriented partnership, dairy farmers who supply our most important raw material, milk, and our employees who, with their knowledge and skills, form the capital of the organisation.

The sustainability strategy that was introduced in 2021 is supported by the organisation and was further integrated into our corporate strategy (Marathon '25). A good plan that helps us achieve our long-term goals. Broad support, from both employees and other stakeholders, is important in this respect. In this report we take the first steps to communicate more about which activities Vreugdenhil is implementing in the field of sustainability and try to anticipate the upcoming regulations. We are getting ready for more detailed reporting on the impact of our activities on people and the environment. Every day, Care for tomorrow.

We would like to thank our employees and all stakeholders in our supply chain for their shown trust, ranging from dairy farmers and suppliers to customers and other stakeholders. Your continuous commitment and support enables us to keep our performance levels up, and deliver the best of milk, every day and anywhere in the world.



Jan Vreugdenhil, *Chairman*  
 Albert de Groot, *Chief Executive Officer (CEO)*  
 Arie Santinge, *Chief Financial Officer (CFO)*





Daily Dairy  
General

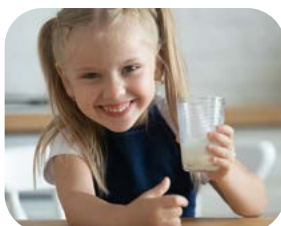


# About Vreugdenhil

## Market position

Vreugdenhil Dairy Foods (Vreugdenhil) is a family business based out of the Netherlands that has been active in the dairy market since 1954. Every day, we work hard to make all the goodness of milk available to everyone in the world. We specialise in milk powder. Vreugdenhil is based in the Netherlands, with the main office in Nijkerk and four production sites: Gorinchem, Scharsterbrug, Putten and Barneveld. At these sites, we process 10% of the Dutch milk pool, namely 1.4 billion kilograms of milk per year.

Vreugdenhil operates in the worldwide playing field of nutritional and functional powders. We produce tasty and nutritious powders in different compositions and packaging, based on three main categories:



**Consumer Dairy:** Consumers worldwide use our Dutch milk powder for a delicious glass of milk or as a basis for preparing a meal, because it is healthy, nutritious and tasty. Plus, it has a long shelf life and is very soluble in hot and cold water.



**Industrial Dairy:** We produce tasty dairy ingredients for the global food industry, such as ice cream, yoghurt and chocolate makers. With different types of powders and recipes, we fulfil the wishes and applications of the customer.



**Specialised Nutrition:** We optimise our powders for use in special products or for special users. For example, to improve sports performance, to feed children and people with fragile health and to contribute to the protein transition by means of plantbased powders.

We supply our products to customers in more than 130 countries. Ingredients for the food industry are mainly used in Europe, and we mainly supply milk powder for consumer use in most countries in Africa, the Middle East, East Asia, Southeast Asia and Middle America. At a minimum, all regional regulations are complied with, but these are often surpassed by Vreugdenhil's quality standards and the wishes of our customers.

We want to be seen as the specialist in powders within the playing field of nutritional and functional powders. Our ambition is to be the preferred supplier to our world-wide customer base. In 2022, we conducted a customer survey, in which 75% of our customers indicated that we are already the preferred supplier for them. Therefore, we have made great strides, and will continue to work towards our ambition.

## Marathon '25

We have established the strategy for the coming years, titled Marathon '25, to achieve our ambition. We strive to be the most sustainable powder producer in the world and with this strategy, we are further preparing for the future. Three focus areas form the foundation: Responsible value chain, Climate Neutral and Great Place to Work.

### • '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 enables us, together with our dairy farmers, suppliers and customers, to make the difference for millions of consumers worldwide, every day.

### • 'Climate Neutral'

Our ambition is to make the supply chain entirely carbon neutral, from grass to glass, by 2050. Pioneering gives us a competitive edge and helps us reduce our environmental impact. We will continue to reduce our energy consumption, use more sustainable energy sources wherever possible and seek cooperation in our chain.

### • 'Great Place to Work'

Vreugdenhil wants to be a place where all our employees enjoy their work in good health and thus contribute to the success of our company. We treat our employees with respect and provide an environment where they can be themselves, regardless of our differences. We want to keep developing and improving, both on an individual level and as a company, by connecting and working together, we ensure everything goes one step better every time.

Eight strategic initiatives have been formulated for the coming years based on this foundation. They are:

- 1. Low carbon farming:** Reducing greenhouse gas emissions at our dairy farmers;
- 2. Sourcing plan:** Identifying purchasing risks and ensure continuous supply of critical raw materials, packaging materials and auxiliary materials;
- 3. Customer and product portfolio:** Connecting customers, markets and products by adding as much value as possible;
- 4. Innovation:** Making tomorrow's milk powder today with new methods, better properties and more efficient processes;
- 5. Barneveld site:** Taking our Barneveld site to the next level by smarter processes and focusing on more complex products, while maintaining our service and flexibility;
- 6. Plantbased:** Contributing to the protein transition, among other things by developing plantbased powders with our expertise in spray drying and high-quality powders;
- 7. Carbon-neutral production:** Reducing energy consumption and making our energy sources more sustainable in order to work towards our ambition: Carbon-neutral from grass to glass by 2050;
- 8. Continuous improvement:** A little better every day, together. We invest in our people and their knowledge, development and how we work together. We achieve the best results by being an effective and efficient organisation and working together as one Vreugdenhil.

Sustainability is integrated into the strategic initiatives through the underlying objectives. Each strategic initiative is led by a Management Team member (MT member), who is responsible for the implementation and achievement of the agreed objectives. The Management Team, the Executive Board, the Supervisory Board and the shareholders are periodically informed about the steps taken in the strategic initiatives.

The strategic initiatives are discussed in various sections of this report.

### Value chain

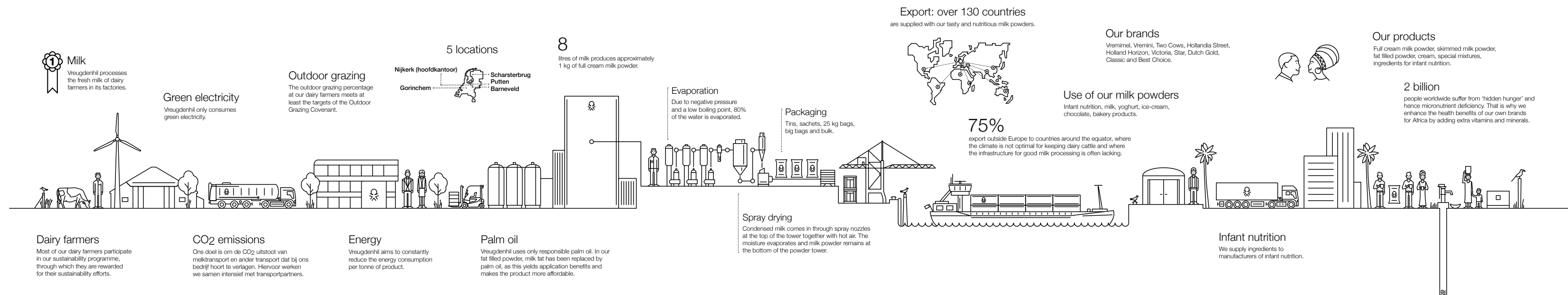
Healthy food is essential to a long and happy life and dairy is an important contributing factor. Millions of people around the world enjoy Vreugdenhil's products every day. Our nutritious milk powders not only fit well into a healthy diet, they are also tasty and made from fresh milk. We are constantly looking for new ways to offer more value to our stakeholders through the 'Customer and Product Portfolio', 'Innovation' and 'Plantbased' strategic initiatives,

Dutch cows provide us with high-quality milk 365 days a year for the production of consumer milk powders and ingredients. Vreugdenhil controls the entire value chain from grass to glass. With the 'Low carbon farming' and 'Sourcing Plan' strategic initiatives, we ensure security of supply, now and in the future.

### Value creation model

We supply tomorrow's milk powder today. We only supply the best milk, based on years of experience in the dairy sector and with knowledge of our customers and the market. We are and will remain a family business, customer-oriented and committed. And we also like to reflect these principles in the relationships with our employees, customers and suppliers. They trust us to do our utmost to produce the most nutritious and tasty (milk) powders. (Milk) powders that are used to make a glass of delicious milk, as a basis for infant nutrition or as an ingredient for baking or cooking the most delicious dishes. As such, together, we feed millions of people around the world. We are constantly innovating to meet the evolving customer demand. Sustainability is a daily part of our work, because we recognize our vital role in social and environmental friendly practices. Every day, Care for tomorrow. Please find our value creation model on the next page.

## Care for Tomorrow



### INPUT

#### FINANCIAL CAPITAL

- Financial resources (shareholders' equity, debts and investments) from banks and investors
- € 210 million in group equity

#### COLLABORATION AND DIALOGUE

Collaborations and annual engagements with NGOs, civil society parties, customers/scientific institutions, public authorities, suppliers and others

#### STAFF AND INTELLECTUAL CAPITAL

- Knowledge and competences of our employees
- 508 permanent employees (487 FTEs)
- Approximately 100 interim employees and agency workers
- Training and development

#### NATURAL CAPITAL

- 1.4 billion kilos of milk, more than half of which comes from our 890 Dutch dairy farmers
- 100% responsible palm oil from Indonesia, Malaysia, Colombia, and Costa Rica
- Other raw materials and packaging materials
- 100% green electricity from European wind
- Gas and water

### BUSINESS MODEL

#### Mission

As a Dutch producer of milk powders, we supply tomorrow's nutritional products and ingredients today.

#### Vision

To be the most sustainable milk powder producer in the world

#### Focus areas

Responsible value chain, Great Place to Work, Climate Neutral

#### Core activity

Production of milk powders from fresh cow's milk



### OUTPUT

#### FINANCIAL CAPITAL

- € 1.25 billion turnover
- Customers in more than 130 countries
- Consumer Dairy - milk powder packaged in consumer packaging
- Industrial Dairy - milk powder as an ingredient for the food industry
- Specialised Nutrition - milk powder as an ingredient for specific applications, such as infant nutrition, sports nutrition and plantbased powder.

#### COLLABORATION AND DIALOGUE

- Knowledge exchange
- Product innovations
- National and international partnerships
- Low carbon farming programme with Nestlé
- Made more than 1.5 billion litres of drinking water available in Ethiopia
- Providing school meals to nearly 2,000 children in Liberia

#### STAFF AND INTELLECTUAL CAPITAL

- Knowledge development
- Healthy and vital staff
- 7.4% sickness absence
- 8 lost time accidents

#### NATURAL CAPITAL

- 95.3% of dairy farmers participate in our sustainability programme
- 89.6% of our dairy farmers apply some form of outdoor grazing
- 2.4% fewer carbon emissions per tonne of product compared to 2019 levels
- 1400MWh generated with our solar panels

#### EMISSIONS AND WASTE

- Carbon emissions
- Wastewater
- Industrial and packaging waste
- Residual heat

### IMPACT

#### Responsible Value Chain



With our (enriched) milk powders, we want to offer everyone, worldwide, access to safe and nutritious food all year round. In addition, the Milky Gari project in Liberia ensures that children get a nutritious breakfast so they can go to school.



With our products, children get a good start and we contribute to the health of adults. This ensures there are fewer health problems and we increase the well-being of our customers.



Protecting agrarian ecosystems by means of financial rewards to dairy farmers participating in the sustainability programme. We contribute to sustainable forest management by purchasing certified palm oil and soy.



Long-term relationships and partnerships are important to us. Vreugdenhil focuses on sustainable and healthy innovations, knowledge sharing and clarity about the chain.

#### Great Place to Work



We believe it is important that everyone at Vreugdenhil has equal chances and opportunities and that we treat each other with respect, regardless of gender and gender identity.



We stimulate employment, offer a safe and healthy working environment and contribute to the Dutch economy.



We offer an inclusive environment, where we treat each other equally, regardless of diversity characteristics such as religion, origin, skin colour, age and competences.

#### Climate Neutral



We aim to be carbon neutral from grass to glass by 2050, focusing on energy efficiency, generating our own renewable energy and using alternative energy sources.



We contribute to the preservation of natural resources by purchasing responsible raw materials and pursue efficient production and transport so as to use as little energy as possible. We aim to reduce waste and ensure the waste we have can be recycled again.



Our ambition is to be carbon neutral from grass to glass by 2050. We reduce greenhouse gas emissions at dairy farmers, our offices and factories and the transport in our chain.





### Stakeholder engagement

We involve our employees, dairy farmers, suppliers and customers in the development and implementation of our strategy and create support for the measures we take. Moreover, the material topics largely determine which civil society organisations we will consult. In 2022, we consulted various stakeholders in the chain about our strategy. This chapter describes how we do this and to what activities and results it leads.

*The colleagues of Milk Supply are available every day for the dairy farmers and go for the long-term relationship. Our dairy farmers supply us with their high-quality milk, the basis for our products!*

**Claudia Schiphorst** - Livestock Affairs

### Dairy farmers

The milk supplied by our dairy farmers is the main raw material for our nutritious milk powders. We are proud to work with Dutch dairy farmers. The Netherlands has a leading position in the fields of efficiency, quality and sustainability and we are happy to contribute to further innovation within the sector. From 2021, we will increase our share of milk from our own dairy farmers. Dozens of dairy farmers have now made the switch to Vreugdenhil. We welcome more than 160 million kg of new milk from Dutch dairy farmers, as a result of which our own milk supply has increased to more than 800 million kg.

Our good relationship with the dairy farmers remains our top priority. Our regional advisors speak to all dairy farmers at least once a year and we ensure an advisor is available 24 hours a day for emergencies. Each year, we organise supplier meetings where we meet and discuss the strategy. In recent years, contact with dairy farmers on location has been made more difficult by COVID guidelines. We allowed the supplier meeting to take place virtually in January 2022. In November 2022, we were able to organise live supplier meetings again. It is of great added value to meet

each other in person. The active and open relationship we have with our dairy farmers gives them the opportunity to raise any problems within the sector and thus gives us the opportunity to support our dairy farmers through knowledge development, lobbying and incentive schemes. This summer, we were able to hold our regular quality meetings again. At these meetings, high-quality performers are put in the spotlight for their great achievements. In addition to the individual visits, the quality meetings and the extensive supplier meetings, we hold sounding board groups with dairy farmers. At these meetings, we discuss developments in the sector and the purchasing conditions for the new year. The dairy sector faces many challenges, such as climate and nitrogen, but also animal welfare, the welfare of the dairy farmer and new, more sustainable ways of farming. We will continue to work on this together in order to maintain prospects for the future for our dairy farmers.

As a dairy sector, we are proactively addressing sustainability challenges through partnerships, our sustainability program and the Low carbon farming strategic initiative.

- Through the Sustainable Dairy Supply Chain (“DZK”) we work together with dairy farmers on, for example, animal welfare, biodiversity and climate-neutral production. DZK is a joint initiative in which the dairy industry and dairy farmers work together to make the Dutch dairy sector a world leader in sustainability. We are active in various working groups. The results of this partnership are regularly published in sector reports on the [DZK website](#).
- In addition, we reward our more than 890 dairy farmers with premiums for outdoor grazing and sustainability performance. The subjects in our sustainability programme contribute to the goals of DZK and thus to make the dairy sector more sustainable. The 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 premium per point of € 0.05 for each 100kg of milk. In 2022, 95.3% of dairy farmers received such a sustainability premium, compared to 94.3% in 2021. In order to help dairy farmers with their efforts as part of the sustainability programme, we are making various tools available. By using tools such as the KringloopWijzer, the KoeMonitor and the KalfOK score, dairy farmers gain insight into where they stand in terms of the cycle on the farm and animal



welfare. Our regional advisors are also available for questions. Each year, we monitor developments and evaluate the programme together with dairy farmers.

- At the end of 2021, Vreugdenhil started a pilot within its Low carbon farming strategic initiative to reduce greenhouse gas emissions at the dairy farmer. With the support of Vreugdenhil and partners, including Nestlé, 17 dairy farmers are working on greenhouse gas reduction. This group spent four days reflecting on the activities carried out, collaborating and looking ahead to future activities. They exchange tips and experiences through an online platform. The goal is to increase the number of dairy farmers participating in this initiative yearly. More than 90 dairy farmers have registered to participate at the end of 2022, of which over 30 will start in a new group at the beginning of 2023.

The maximum milk price paid to the dairy farmer during the year 2022 increased by about 20 cents per kg of milk compared to 2021 levels. As a result, the average maximum milk price for 2022 was € 58.77 / 100 kg (for standard fat and protein values of 4.42% and 3.57% respectively and an annual supply of 1.1 million kg).

On behalf of the MT, the Milk Supply director is responsible for the above subjects. In addition to our employees from the Milk Supply department, the CEO and Chairman also have regular contact with the dairy farmers.



95,3% of our **dairy farmers** received a **premium** through our sustainability programme

### Suppliers

In addition to dairy farmers, we work closely with other suppliers in our supply chain. They supply raw materials such as dairy ingredients, vitamins and minerals, plantbased oil, lecithin, or packaging materials. We also purchase various services, such as the milk transport from the dairy farm to one of our factories, and the transport of our products from the factories to the customer. In addition, talks were held with (potential) suppliers of energy, installations, green certificates, advice and energy-saving techniques.

*Sustainability is always on the agenda in supplier- and customer meetings. A good example is how we supply lactose, 16,000 tons on an annual basis. By delivering directly from the producer to our production locations in bulk, we work more sustainably. In the end, we have to do it together!"*

**Sabine Martens** - Purchase Manager

Our buyers are in regular contact with our suppliers. Sustainability and collaboration in various areas will continue to feature prominently in our supplier engagements and audits. This includes safety in factories, making packaging materials more sustainable, efficient planning of logistics processes and certification of certain high-risk raw materials.

The Chief Operations Officer (COO) is responsible for purchasing and planning. The Quality Assurance (QA) team, led by the QA director, assesses the sustainability performance of suppliers.

### Employees

Vreugdenhil wants to be a place where people enjoy working and can contribute to the further development of and into a successful company. To achieve this, employees are actively involved in the creation of Marathon '25 and its implementation. A number of employees were involved in determining the strategic initiatives. A larger group of ambassadors is involved in the specification and implementation of this





strategy. Specifically for the theme of sustainability, all sustainability themes were communicated through various channels such as strategy meetings, Intranet (Vreugdenhil Plek) and narrowcasting. In 2022, we organised thematic brainstorming sessions for employees to further increase awareness of sustainability themes. In 2023, we will organise follow-up sessions and make an inventory of how we can further improve our systems to ensure sustainability awareness at the production sites.

Health, social and physical safety are important themes, in addition to job satisfaction. During most of 2022, COVID-19 and the associated safety and quality guarantees continued to be an important focus point, along with our employees' health. Vreugdenhil does everything in its power to offer all staff a safe workplace. The root cause of every lost-time accident is identified, measures are taken to prevent the accident from occurring again and this is communicated to all sites. Employees can raise abuses with an internal and external confidential advisor. They can also use the [Report Your Concerns resource](#) on the website to raise any concerns, anonymously if preferred.

An important development in 2022 was the takeover of the factory in Putten. One condition for the final takeover was that sufficient (former) employees of NutriDutch B.V. were willing to join Vreugdenhil. Through various presentations about Vreugdenhil as an organisation, and individual meetings, many of them have decided to work at Vreugdenhil. We are confident that, with the experience of the employees within this factory and the expertise of Vreugdenhil in the powder market, we will make the site in Putten a success.

All MT members were involved in determining Marathon '25. The well-being of employees and safety in the factories is the responsibility of all employees. This is overseen by the HR director and the COO respectively.

**Customers**

Our customers are essential stakeholders. That is why we like to be in close contact with them on various topics. Our account managers have regular consultations about their needs with regard to product specifications and sustainability objectives. Following our current customer presentation, topics such as Marathon '25, including sustainability, are included in customer meetings. Our goal is to set

up more sustainability projects together with our customers. Last year, specific attention was paid to climate measures and Ready to Use Therapeutic Food (RUTF), which means we have made good progress in this area. The further information can be read elsewhere in this report.

*Vreugdenhil listens to its customers and wants to be preferred supplier. Our customer survey conducted last year shows that 75% of customers see us this way. We can still grow in the field of innovation and sustainability and we would like to do this together with our customers.*

**Leonie Soetendaal** - Commercial Project Manager

As mentioned earlier, our ambition is clear: to be preferred supplier for our customers. In 2022, we conducted a customer survey with an independent international research agency. The aim was to gain insight into how customers rate the relationship with us and what developments they expect from us. We are proud of the results! Our customers see Vreugdenhil as a reliable partner with honesty, transparency, and a problem solving mentality. In addition, customers indicate that we are flexible and offer good service. 75% of our customers indicate that we are already their preferred supplier. The quality of our products, the service and the relationship with the customer are already highly valued. We still see opportunities in raising the appreciation for innovation and sustainability, and in communicating about these topics. We will be working on these results in the coming period. In 2022, we started actively approaching customers to explore whether we can jointly start sustainability projects. We will continue this in 2023. We set goals and measure our effectiveness with a follow-up survey in 2024.

International partnerships are important ways for us and our customers to streamline efforts. Within the Sustainable Agriculture Initiative (SAI) Platform, we work together with our customers on more sustainable





agriculture. The SAI platform brings together more than 120 companies and organisations that are global leaders in sustainable agriculture. A working group for companies in the dairy sector has also been set up. We work together on themes such as carbon reduction, regenerative agriculture and animal welfare. In addition, we developed the Sustainable Dairy Partnership (SDP) reporting hub, allowing us to inform customers about sustainability progress through one uniform portal. This a much more efficient platform that will save time and provide a broader coverage.

We inform our customers and consumers about the health benefits of dairy via the [knowledge page of our website](#). In addition, we provide information about dairy and dairy ingredients in our brochures and during trade fairs and customer visits.

On behalf of the MT, the Commercial Director is responsible for all customer contact and putting our sustainability goals on the customer's agenda.

### Civil society organisations

With civil society organisations, we discuss various subjects, ranging from sustainable dairy farming (outdoor grazing, animal welfare, climate, nitrogen, phosphor, biodiversity, soil management), climate measures, clean drinking water projects, and other charity projects.

Since 2021, we have further strengthened our partnership with MVO Nederland, the network for sustainable companies, by joining the Major Companies Network and the Agrifood Network. These networks also address various sustainability topics. These topics will remain important in 2023, we will continue these discussions and actively participate in various networks.

### Trade organisations

We are a member of industry associations for dairy in the Netherlands, Dutch Dairy Association (NZO), and Europe, European Dairy Association (EDA). In addition, we are a member of the trade associations for the food industry, the Dutch Food Industry Federation (FNLI), and the Confederation of Netherlands Industry and Employers, VNO-NCW. In 2022, we took part in NZO's Energy and Environment Working Group. This working group focuses on developments in laws and regulations and the exchange of experiences with regard to energy and the environment. Within the FNLI, Vreugdenhil participates in the Sustainability Committee where various sustainability themes are discussed. In the field of sustainable dairy, we also participate in the Theme, Contact and Coordination Group of the Sustainable Dairy Supply Chain (DZK) and the executive board of Stichting Weidegang.

Through the above networks and organisations, Vreugdenhil stays at the forefront of what is possible in order to achieve our goals. It also helps us as a sector to properly represent our interests vis-à-vis politicians. The CEO, COO, Milk Supply director and the QA director are involved on behalf of the MT. They participate in several committees and working groups of the organisations mentioned.

### Public authorities

We engage with the local authority, provincial authority, and companies in Barneveld, Gorinchem, Nijkerk and Scharsterbrug to look for alternative green energy sources (solar, wind, biomass, residual heat flows) and we are in close contact about our (environmental) permits.

In 2022, we opened our new site in Putten and we have sought cooperation with other companies and governments there from the start. By working together with companies and local public authorities, we can work together to achieve our sustainable goals.

### External audit of sustainability performance

Besides stakeholders, we have independent parties assess our sustainability performance:

- In 2022, we came through the EcoVadis assessment process again. EcoVadis is a collaborative platform that allows companies to evaluate the sustainability performance of their suppliers across 150 sectors and 110 countries. In early 2023, we received an EcoVadis Silver Award, which is awarded to the top 25% of all scores published by EcoVadis. In fact, Vreugdenhil's score puts us among the top 13%. This score reflects the quality of our CSR management system. We use the results to identify and implement further improvements.
- Since 2016, we have been audited in Gorinchem and Scharsterbrug according to SMETA (Sedex Members Ethical Trade Audit) 4 pillar. SMETA is an internationally recognised standard for working conditions, the environment and business ethics. SMETA is based on existing standards such as the internationally recognised code of conduct of the Ethical Trading Initiative (ETI). Based on the outcome of the SMETA audit, which is conducted every three years, we identify and act on improvement points. We successfully completed this audit again in 2022.
- Various parts of the sustainability programme for dairy farmers are checked by recognised bodies. Vreugdenhil has certified its dairy farmers and milk transport under the Stichting Weidegang quality mark. Qlip monitors the amount of outdoor grazing and the presence of a sustainable stable. The Royal GD (GD) checks the absence of animal diseases IBR (Infectious Bovine Rhinotracheitis) and BVD (Bovine Virus Diarrhoea). The CRV (Cattle Improvement Cooperative) keeps track of the average lifespan per dairy farmer. Lastly, our organic livestock farmers and our production site in Gorinchem are certified organic according to Skal.
- Our production sites in Barneveld, Gorinchem and Scharsterbrug are certified according to the internationally recognised food safety standard, FSSC 22000. We expect to achieve this in Putten in 2023.



Our strengths are: product quality, service and good customer relationship. Of which **product quality** is our greatest strength



- Our production sites in Barneveld and Scharsterbrug and the head office in Nijkerk are certified according to the internationally recognised standard for occupational health and safety, ISO45001.
- Our production sites in Barneveld, Gorinchem and Scharsterbrug are Kosher certified by Chief Rabbinate of Holland and all our production sites are Halal certified by Halal Quality Control.
- The Dutch government ranks the transparency of companies' social reporting by means of the Transparency Benchmark. The ranking is done every two years and at the last measurement in 2021 (over 2020), we rose from place 52 to place 44 of the 685 largest companies in the Netherlands. In the Food & Beverage sector, we rose from 8th place to 6th place of the 62 companies.

#### Memberships and initiatives

We are a member of various trade associations and (international) initiatives such as:

- Dairy Sustainability Framework (DSF)
- Sustainable Dairy Supply Chain (DZK)
- EcoVadis
- Eucolait
- European Dairy Association (EDA)
- FBNed (Dutch Association of Family Firms)
- Dutch Food Industry Federation (FNLI)
- GemZu (Dutch dairy industry association)
- IFCN Dairy Research Center
- International Dairy Federation (IDF)
- Made Blue
- MVO Netherlands (CSR network)
- Dutch Dairy Association (NZO)
- Round Table on Sustainable Palm Oil (RSPO)
- Sustainable Agriculture Initiative (SAI) Platform - Dairy working group & Sustainable Dairy Partnership (SDP) reporting hub
- SEDEX (Platform for ethical commercial chains)
- Association of Dutch Baby Food and Dietary Foodstuff Manufacturers (VNFKD)
- VNO-NCW
- ZuivelNL (supply chain organisation of the dairy sector)



# Governance

Vreugdenhil Holding BV heads a group of companies that is managed by an Executive Board under the supervision of a Supervisory Board, according to the two-tier model.

## Executive Board

The Executive Board (also referred to as ‘the board’) consists of three individuals. The board is collectively responsible for managing the company. The board consists of Jan Vreugdenhil (chairman), Albert de Groot (CEO) and Arie Santinge (CFO). The first two were granted the title of director and are registered as directors with the Chamber of Commerce. Jan Vreugdenhil is the 3rd generation in the family business and focuses on the continuity of the company. He is also a member of the board of GemZu. Albert de Groot has 30 years of experience in the dairy industry and sits on various dairy-related governing bodies, as vice-chairman of the Dutch Dairy Organisation (NZO) and vice-president of the European Dairy Association (EDA). On behalf of the NZO, he is a general board member of VNO-NCW. Arie Santinge is registered with the NBA as a chartered accountant and has over 35 years of experience in finance, controlling & accounting, with more than 10 years in dairy-related companies.

The board has periodic consultations with Vreugdenhil’s central works council (COR). This represents the interests of the more than 500 employees within the group and can advise the board in various areas.

The Executive Board is advised in its decision-making process by a central management team (MT). In addition to the CEO and CFO, the following people will be part of this in 2022: Gerben van Schaik (Commerce), Erik Petter (Supply Chain/Operation), Gerrit Jan van Schaik (HR/Communication), Sicco Roukema (Quality Assurance/Sustainability) and Patrick Besten (Business Development). Marjolein de Kreij joined the management team on 1 January 2023 with responsibility for Milk Supply.

The management team meets once a month in full capacity and once a week in an operational setting. The operational setting consists of

supply chain/operations, commerce, finance, and (periodically) the CEO; depending on the subject, other MT members or officers may join in. Once a quarter, the realisation of the strategic objectives is discussed within the MT and actions are taken where necessary. Jan Vreugdenhil also joins this meeting.

The members of the management team (MT) are responsible for achieving our sustainability goals within the strategic initiatives. Our sustainability manager coordinates the determination and realisation of the goals. In 2020, we set up the Sustainability Steering Group. The responsible MT members participate in this. They meet at least quarterly. In 2022, the Sustainability Steering Group met on five occasions. During these meetings, the progress of the sustainability agenda and objectives is discussed. In addition, the steering group discusses strategic issues to determine the way forward. In 2023, the progress of the sustainability goals will be discussed in the full MT and no longer separately in the Sustainability Steering Group. This way, sustainability will be an even more prominent topic in the organisation.

## Supervisory Board

Since 7 October 2021, there has been a three-member Supervisory Board of Vreugdenhil Holding B.V. : Arnout Traas (chairman), Geert van Iwaarden and José Matthijssse. Arnout Traas worked as CFO at a listed, internationally operating animal feed company. Geert van Iwaarden works as CFO at a family brewery. José Matthijssse fulfils the role of CEO at a German-based manufacturer of packaging machines and applications. The members of the Supervisory Board meet the independence requirements as applied in the selection of the members. These requirements are laid down in the Regulations for Supervisory Directors and the Corporate Governance Code. The Supervisory Board acts as employer of the directors of Vreugdenhil Holding B.V., supervising and advising the board. Based on the Articles of Association, which have been drawn up on the basis of the so-called mitigated regime, and the Regulations for Supervisory Directors, important resolutions of Vreugdenhil Holding B.V. and its subsidiaries are also submitted

to the Supervisory Board for approval. The Supervisory Board has two committees: the Audit Committee (supervises in particular the risk management and control systems, the annual and semi-annual financial reporting, the financing of the company and pensions) and the Selection and Appointments Committee. Committee meetings are reported during the meetings of the entire Supervisory Board. Decisions are made on that basis. Each year, the Supervisory Board draws up a report describing the activities of the past year.

The Executive Board has periodic consultations with the Supervisory Board. In 2022 nine meetings took place. The following topics are covered each year: investment plan/budget, (operating) budget, cash flow forecast, quarterly results, enterprise risk management, the financial statements (audit), determining the strategy and discussing the management letter with the accountant. In addition, current themes such as nitrogen, climate change and diversity are discussed. Sustainability and continuity of the company are regularly on the agenda.

## Balanced composition

The composition of the Supervisory Board meets the statutory target of 30% for a balanced distribution of seats between men and women. This is not yet the case for the Executive Board. As of 1 January 2023, the proportion in the MT is 12.5% female. Diversity is an explicit focus of the company. The policy is aimed at doing justice to the diversity requirements set out in the law and the Dutch Corporate Governance Code for future vacancies.



### Remuneration policy

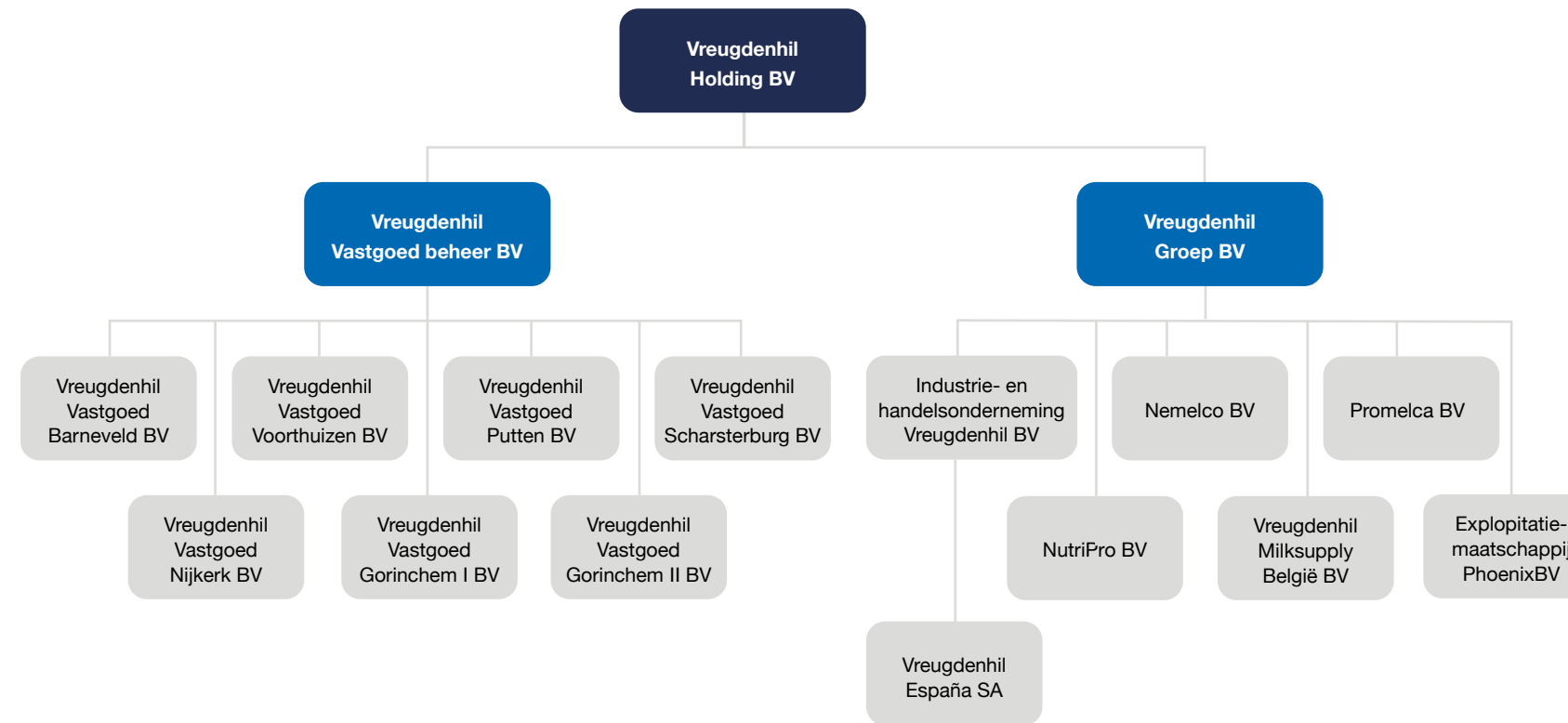
Vreugdenhil has a remuneration policy for management and employees that fall under the Vreugdenhil Employment Conditions Scheme (AVR). This means that a fixed percentage of profit distribution is awarded in case of (financial) success.

This is not linked to progress on the strategy. The strategy and associated goals are periodically discussed in the MT meeting. The strategy is reviewed and refined at least once a year. This is done partly on the basis of the results of internal stakeholder discussions.

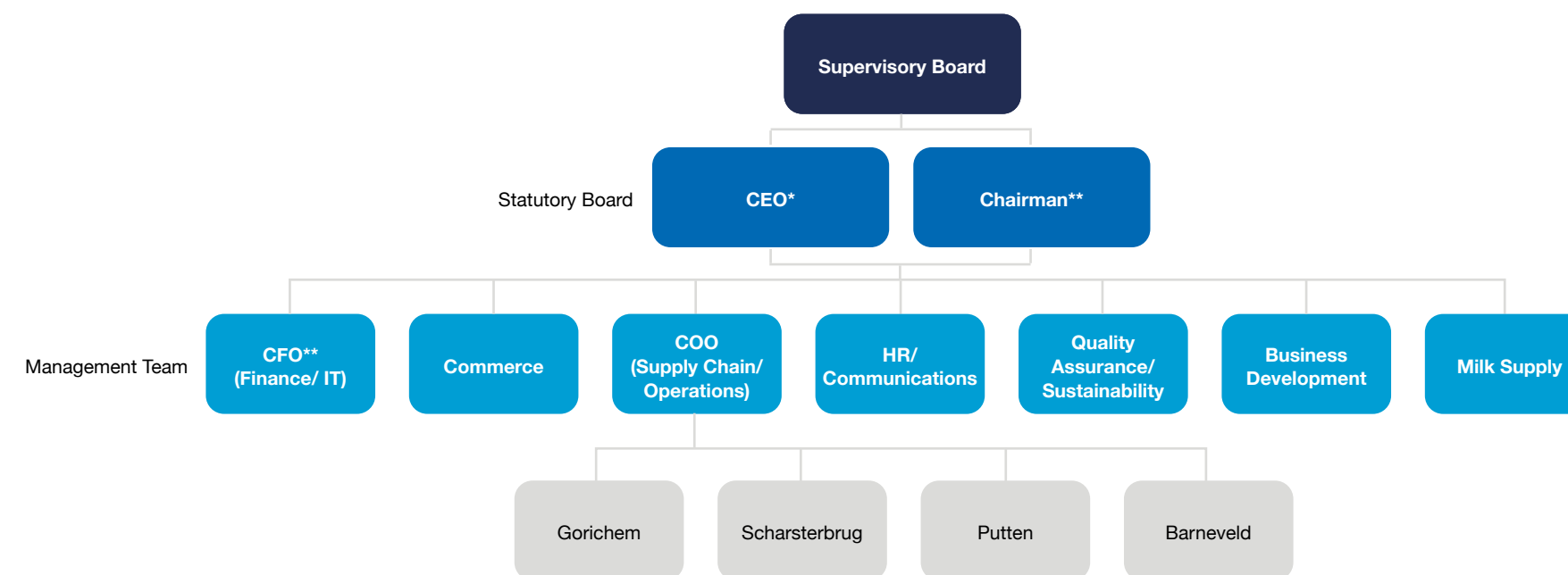
### Structures

See images on the right.

#### The legal structure (as at 31 December 2022)



#### The organisational structure (as of 1 January 2023)



\* Take a seat in Executive Board and Management Team    \*\* Take a seat in Executive Board

# Materiality assessment

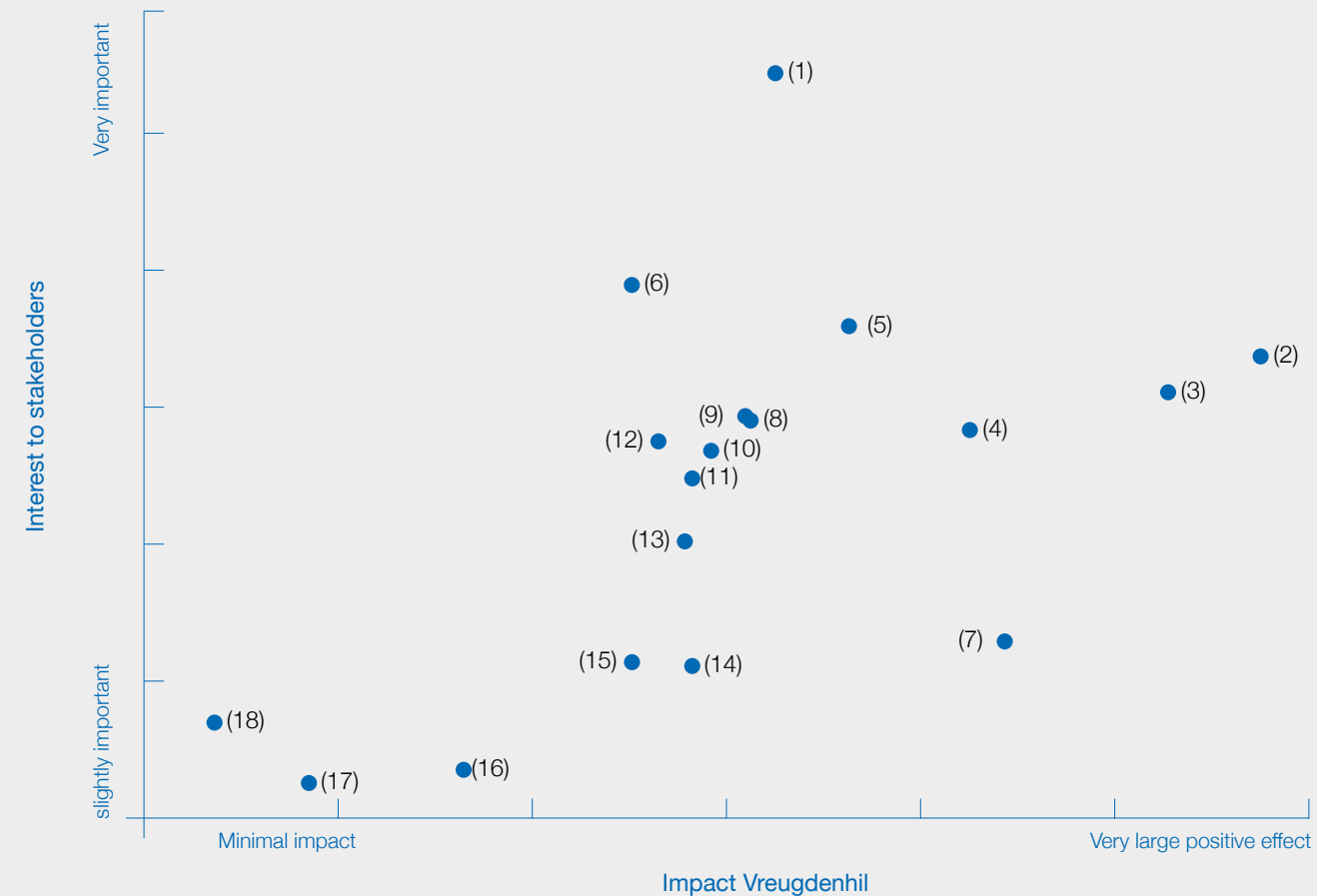
To ensure we continue to focus on the most relevant themes and continue to respond to the latest trends and developments, we again mapped out the priorities for Vreugdenhil and our external stakeholders in late 2020. We did that by way of a materiality assessment for which we consulted employees and various stakeholder groups, including suppliers, customers, dairy farmers, financial institutions, trade organisations, packaging suppliers, and scientific institutions. The results of this analysis are an important basis for the new sustainability strategy. 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 obtain stakeholder opinions, we asked 249 internal and external stakeholders to arrange these topics by their level of priority. More than 130 stakeholders responded, including 40 employees and more than 90 external stakeholders, under which 28 suppliers, 24 dairy farmers and 9 customers. Their responses have been incorporated into a materiality matrix. In addition, we discussed these topics further with four key stakeholders during in-depth interviews.

The entire MT is closely involved in the realisation of the materiality assessment. After all the results were processed, the internal results of the survey were validated in an internal validation session with the MT. Based on this validation, the final materiality matrix has now been compiled, which is shown below.

Ten topics proved to be the most relevant both for 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 & food are also new material topics. A number of other topics have ceased to be material, such as transparency and packaging. These ten most relevant topics are covered in this report, in which the associated policies, actions and goals are explained. The new material topics, their definitions and their place in this report are listed in the table on the next page.

## Materiality matrix

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





Material topic	Definition	Chapter in this report
Product Quality & Food Safety	Offering high-quality products that are safe to consume and have a high nutritional value.	Customers and end users
Customer Satisfaction	Meeting customer demand and preferences by supplying high-quality products at a good price.	Customers and end users
Good Employment Practices	Investing in training to enable employees to develop their skills. Investing in their health, well-being and diversity.	Own workforce
Emissions & Energy Consumption	Reducing energy consumption and emissions across the entire supply chain to minimise the use of natural resources.	Climate change Pollution Water  Use of raw materials and circular economy
Health & Food	Offering healthy, safe and affordable nutritional products that guarantee food and the availability of nutrients worldwide.	Customers and end users
Responsible Dairy Farming	The responsible dairy farming cluster is made up of three topics; <b>Biodiversity:</b> protecting and investing in diversity of animals, nature, and landscape elements. <b>Animal Feed Procurement:</b> minimising the impact of animal feed crop production on water, soil, biodiversity, land use, emissions, and energy consumption. <b>Animal Welfare:</b> treating dairy cattle in a fair and ethical manner.	Climate change Biodiversity and ecosystems Business conduct
Business Ethics & Integrity	Ensuring that our business practices meet high ethical standards in our relationships with our customers, suppliers, business partners, and local communities.	Business conduct
Sustainable Collaborations	Collaborating with various stakeholders in long-term partnerships focused on healthy and sustainable innovations in the milk industry value chain.	Stakeholder engagement Climate change
Product Innovation & Development	Developing new and innovative products that take customers' and consumers' needs and wants into account.	Customers and end users
Sustainable Procurement	Procuring raw materials from sustainably managed sources to minimise the impact on the environment and rural communities.	Biodiversity and ecosystems Workers in the value chain Affected communities

In the second half of 2023, a new materiality assessment will be performed according to the principle of 'double materiality'. We use these results to recalibrate the report and our strategy.

### Principles

Vreugdenhil draws up an annual report containing the results of the past year (January 1-December 31), after which the report was approved by the Executive Board and Supervisory Board on June 28, 2023.

Vreugdenhil uses the standards of the Global Reporting Initiative (GRI) as a starting point for the preparation of this report and the selection and collection of the sustainability data. The appendix contains the GRI table that refers to the various GRI standards and their place in this report.

This year, the draft Corporate Sustainability Reporting Directive and associated European Sustainability Reporting Standards (ESRS) were consulted for writing the sustainability statements. The structure has been adapted and a first step has been taken to meet the requirements. The ESRS table, referencing to the various requirements and their place in this report, is included in the appendix. This will be extended to all requirements in the coming years.

In this report, Vreugdenhil discusses the topics identified as material and the information it wishes to communicate to stakeholders. The GRI Standard is used to determine, define and delineate the material topics. Next year this will be done on the basis of double materiality, as described in the ESRS draft standards.

For each topic in this report, it is indicated for which locations within Vreugdenhil Holding and/or which parts of the chain are being reported on. The location in Spain is included in the financial figures, but is out of scope for the other data. This data will be expanded in the coming years, with the aim of reporting at a consolidated level of Vreugdenhil Holding. No use is made of the option to omit information related to intellectual property, knowledge or results of innovation.







Daily Dairy  
**Environment**



# Climate change

Climate change is a top priority at Vreugdenhil, both from intrinsic motivation and the expectations of society and stakeholders. We are working hard to reduce greenhouse gas emissions. The focus of our policy is on activities in the Netherlands, particularly with regard to dairy farming, transport and our factories and offices. Due to the size of the theme throughout the chain, the CEO is ultimately responsible. Responsibility for the implementation of the various components lies with the other MT members, namely the Milk Supply director and the COO.

## Climate mitigation transition plan

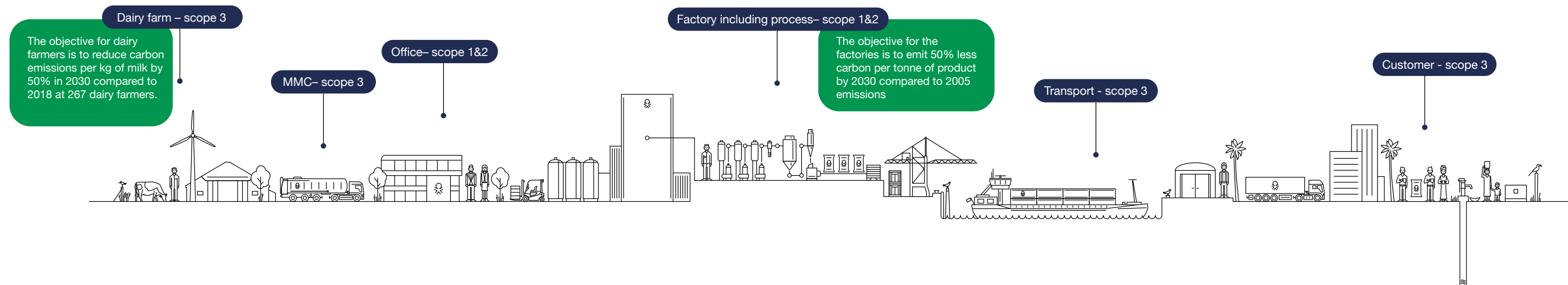
Vreugdenhil's ambition is to be climate neutral throughout the chain by 2050; from grass to glass. This is in line with the objectives of the Paris Agreement. Last year, the transition plan to achieve these objectives went even further. The first steps have been taken with specific reduction targets for factories (scope 1 and 2) and dairy farmers (scope 3). As a result, we cover 90% of our carbon footprint. Our objective for the factories is to emit 50% less carbon per tonne of product by 2030 compared to 2005 emissions. This base year was chosen because we purchased the factory in Gorinchem in 2005. The objective focuses on

emissions from energy use in our own buildings and for production-related activities. The reduction will be achieved through regular process optimisation. The objective for dairy farmers is to reduce carbon emissions per kg of milk by 50% in 2030 compared to 2018 at 267 dairy farms.

In addition, we are working on solutions to realise carbon reductions between 2030 and 2050. We foresee substantial investments on related projects. Electricity for factories and offices has been purchased 100% green for several years now, and part of it is also generated via solar panels on our roofs. The next step is to generate more green energy ourselves. We want to replace our gas consumption with alternative energy sources wherever possible. Our research into potential options is ongoing. The timeline followed and the targets set are determined by the availability of technology, infrastructure and equipment. We keep track of progress in a graph that shows the savings and the status of realisation. Three things thus become visible: 1) the forecast of the emission reduction, 2) which reduction has been worked out in a specific (investment) plan and 3) which reduction has indeed been achieved.

For Vreugdenhil, energy reduction starts with increasing awareness and a focus on the effective use of energy sources and our factories. Training courses are held for this purpose, but investing in measurement and visualisation is also an important part of positively influencing the behaviour of our employees.

In addition to working on behaviour, we treat the transition plan at the factories as an investment programme, the specific components of which will be included in the regular CAPEX agenda for the coming years. The size of the budget is stated separately and reserved so it is not under pressure from other investments. This method secures the financial planning and approval on separate programme points. Both the investment agenda and specifically the energy transition are prominent on the agendas of the Executive Board and Supervisory Board. This way, we periodically pay attention to content, progress and vision.





**Dairy farm Policy**

Most of the greenhouse gases in our value chain are produced at farms, especially in the form of methane emissions from cows. Since 2018, the greenhouse gas module, also known as the climate module, has been embedded in the KringloopWijzer. The greenhouse gas module gives dairy farmers insight into their farm’s greenhouse gas emissions per kilogramme of milk. We use the outcome of the KringloopWijzer to determine the company-specific bonus in our sustainability programme. This is how we aim to stimulate greenhouse gas emission reduction at farms.

*We participate in the Low carbon farming project. We are working in small steps towards a greenhouse gas reduction of 50% by 2030. To reduce our carbon footprint, we sowed grass/clover last year, and this year we use a different type and less fertilizer. We think it's important: to stand still is to go backwards.*

**Tijmen Nagel** - Dairy Farmer in pilot Low carbon farming

We support the transition to more sustainable livestock farming with the Low carbon farming strategic initiative. The programme is designed in collaboration with Nestlé. The principles of regenerative agriculture and Net Zero in 2050 are vital components. Regenerative agriculture is aimed at restoring the soil and thereby increasing soil quality, protecting water supplies and promoting biodiversity. In addition, it strengthens the resilience of farmers, enabling them to provide for their livelihood in a sustainable way. Net Zero means there are minimal greenhouse gas emissions and the remaining emissions are removed from the atmosphere. Collaboration between external consultants, Wageningen University and dairy farmers is leading to further examination of these two principles. The individual dairy farm can take measures that significantly reduce carbon equivalents per kg of milk. This is done with a focus on integrated measures that ensure the dairy farmer can continue to improve soil, water and animal welfare. To make these reductions possible, Nestlé and Vreugdenhil co-invest in measures taken by the

dairy farmers, organise stakeholder meetings and handle programme management. Despite the fact that it is not easy to achieve this intended reduction by 2030, this performance can be achieved, provided that all relevant chain parties participate and carry out activities that contribute to this goal.

**Action plans**

The Low carbon farming strategic initiative started with a pilot, after which a new group of dairy farmers joins each year to work towards a total of 267 dairy farmers by 2030. Together with an external advisor, dairy farmers are working on measures to further reduce their companies’ emissions. These measures are aimed at reducing greenhouse gas emissions based on the conditions on the farm and on accepted and scientifically tested effects of these measures. Conditions include the type of soil and the feeding system, as well as measures already implemented. The scientific backing of the measures has been provided by Wageningen University & Research. The following types of measures have emerged in the reduction plans: Sowing more clover herbs, so fertiliser can be reduced, feed additives, manure processing, fertilisers with a low footprint, concentrates with a low footprint and the use of by-products.

A Low carbon farming pilot group of 17 dairy farmers started in 2021. The measures mentioned above have been converted into individual reduction plans, in which the participating dairy farmers can see what reduction in carbon equivalents is possible, calculated up to 2025. In 2022, the focus was on sowing grass/clover: 15 of the 17 pilot farmers have each sown several hectares of grassland with white and/or red clover. The carbon savings are achieved through a reduced supply of fertiliser and concentrates, which often cause high emissions during production. Clover ensures nitrogen fixation in the soil, leading to a reduction in the fertilizer needed to fertilise the soil. In addition, it has a high nutritional value for the cow due to the protein content in clover. This makes it possible to save on concentrated feed. This measure makes the principle of an integrated approach visible: it adds value to the company and has a positive effect on soil quality and nature. Continuous sharing of knowledge about the introduction and management of grass-clover are preconditions. We expect to see the first results of the pilot in the data from the KringloopWijzer tool in early 2023.



In 2022, a start was made with the development of the possibility of adding a feed additive to the cow's feed. This feed additive has been tested by Wageningen University and strongly reduces the cow's methane emissions. One condition for this reduction is that the product is systematically administered to the cow. This measure will be rolled out to participating dairy farmers in 2023. The other types of measures will be further elaborated into specific actions in the coming years.

**Target**

Low carbon farming must lead to at least a 50% reduction in greenhouse gas emissions per kg of milk by 2030 compared to 2018 levels. This objective applies to the 267 participating dairy farms in total. This objective is expected to amount to approximately 550 kton of absolute carbon reduction.

The above project is the start of actively working towards reducing emissions at dairy farmers. We look forward to scaling this up in the coming years with our partner Nestlé and exploring with other customers what we can achieve with our other dairy farmers.



Collaboration with **Nestlé** to reduce **greenhouse gas emissions at dairy farmers**

**Transport Policy**

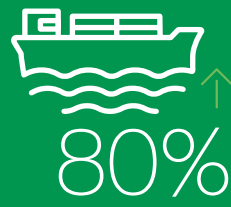
Our transport consists of various parts. The first is Mobile Milk Collection (MMC), which transports the milk between the dairy farmers and our factories. In addition, transport takes place from suppliers to our factories, between our factories and external warehouses, between our factories and to our customers.

In 2022, a new way of working will be implemented for the drivers, including the policy on reducing our carbon emissions. We expect carriers to transport products as economically and sustainably as possible. New material to be purchased must be arranged so that as much freight as possible can be loaded without exceeding the legally permitted total weight. In addition, the material must meet the latest requirements with regard to carbon emissions. Vreugdenhil encourages additional initiatives with which the carbon emissions are reduced. In addition, we ask various carriers to report on various matters, including the actions taken to reduce carbon emissions, the kilometres driven, the fuel used, the type of engines in the fleet and the carbon emissions per shipment. Vreugdenhil and the transporter discuss the sustainability performance each year. We are jointly responsible for identifying opportunities for chain optimisation that can lead to improvements in service, quality and sustainability.

We transport our end products that go to other continents by water as much as possible. We mainly plan the route to the port via barges due to lower carbon emissions. In addition, we are actively working to ensure that transport by sea takes place as effectively as possible, using full containers, and a minimum number of intermediate destinations. Container filling at our sites has improved over the past year.

**Action plans**

Our Mobile Milk Collection (MMC) carriers cover more than 3 million km per year to bring our dairy farmers' milk to our factories. We try to limit fuel consumption and greenhouse gas emissions through efficient route planning and fuel efficient technology implementation. In addition, we work closely with NZO to collect the milk as optimally and consciously as possible and to bring it to the various dairy processing factories.



At all **production facilities**, more than **80%** of our pre-transport to the port is by **water**

In 2022, we have looked at the options for making the transport of end products within Europe more sustainable. We have made more use of train transport and short sea transport to further destinations within Europe, which means that fewer kilometres were travelled by road. Last year, we also started research into the use of electric transport and/or biofuel by our carriers. We will continue this in 2023 to come up with specific plans.

We are also expanding our warehouses at our factory in Gorinchem. This involves an expansion of approximately 2,500 pallet places, which is expected to be completed by the end of March 2023. These expansions of our warehouses prevent us from travelling unnecessary kilometres to and from external locations. We thus achieve a significant reduction in the number of kilometres travelled. Another planned expansion is the skimming capacity in Scharsterbrug. Once the expansion has been completed, milk from the Northern Netherlands can be transported directly to the factory to be skimmed and dried. We expect this investment to result in a reduction of 1,500 MMC trips per year from the north to Gorinchem. In addition, the skimmed milk made from this milk no longer needs to be transported from the skimming site to Scharsterbrug.



### Targets

We had a target for MMC transport until 2022, after which no new reduction target has been set for the time being. The carbon emissions from transport, per kilogram of milk in 2022 were almost 40% lower compared to 2013 levels. The carbon reductions were mainly achieved by planning trips more efficiently and by additional measures taken by our carriers, such as the use of newer and cleaner trucks. A number of these carriers are also applying carbon offset mechanisms.

For the transport of end products, we will continue to do as much pre-transport to the ports by water as possible, making maximum use of the cargo space. In Gorinchem, 90% of our end products were transported by water (2021: 91.2%), in Scharsterbrug, 89% (2021: 87.3%) and in Barneveld, 83% (2021: 79%). In 2023, we will use an inland shipping terminal for Scharsterbrug that is closer to our factory and we will also provide our pre-transport by water for export from Putten.

*In Scharsterbrug we process a lot of skimmed milk every year. Because the skimming capacity here is limited, many unnecessary kilometres are made with the milk. That is why we want to increase the de-icing capacity in Scharsterbrug in the short term: a great sustainability step.*

**Elena Rosier** - Planner & Business Administrator

### Factories and offices

#### Policy

The objective of all factories to be carbon neutral by 2050 is part of the widely rolled-out Marathon '25 strategy. This means the reduction of carbon and the energy transition have become an integrated part of Vreugdenhil's policy.

With investments and modifications, the impact on energy consumption and emissions is monitored through the involvement of energy

coordinators and teams. The close involvement is guaranteed by testing the CAPEX agenda and investment applications in the approval procedure.

### Action plans

We are very proud of the fact that in 2022, Barneveld was the first factory where we established a completely climate-neutral production process. No greenhouse gases are emitted in the production process of our milk powders at this site. 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-neutral production at these sites is a more arduous feat. 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. In 2022, process optimisations will be implemented in Scharsterbrug that will lead to a reduction in energy consumption. The basis for this is an even higher degree of control of process parameters through the application of new technology and control techniques, resulting in carbon reductions of more than 5% for certain products. In the coming years, several investments will be made in Scharsterbrug and Gorinchem that provide for the upgrading and reuse of available residual heat in places where this was not possible in the past. In 2022, various investments were approved, initiated and implemented. In total, Vreugdenhil has approved and implemented multi-million investments to accelerate the realisation of the stated sustainable ambition. This trend is expected to continue unabated in 2023, and will therefore lead to energy savings.

In addition to process efficiency and energy reduction, we are also looking into alternative energy sources. Vreugdenhil is investing in implementation and research for this transition. Initiatives are being launched with partners, advisors and suppliers. We see that the current state of the art and national infrastructure are currently insufficient to make the transition fully possible at our sites. Technical and technological



developments are therefore closely monitored and supported where possible, so they can be implemented as soon as they have been sufficiently developed and tested. The rapid pace at which these developments are taking place requires alertness and attention across the board. Investments and infrastructure for alternative energy sources are costly. Vreugdenhil's aim is to be progressive in the selection, by having properly researched and considered the various options.

In 2021 and 2022, investments were made in the first steps to expand the electrical infrastructure for the Gorinchem and Scharsterbrug sites. Now that the preliminary studies have started, including the preparation of a preliminary design, expansion of the infrastructure can be realised in the shortest possible time. It will take at least another three years before the infrastructure is effectively expanded. Vreugdenhil foresees that the purchase of sustainable energy will only be part of the solution. That is why in 2023, studies into our own energy production or generation will be conducted. The purpose of this, apart from eliminating carbon emissions, is also to ensure flexibility and independence from specific energy sources. Putten has not yet been included in the plans and goals. This will be integrated in 2023.

emissions by 16% by 2030, compared to 2019 levels. This corresponds to the aforementioned halving of carbon emissions compared to 2005 levels. In order to make this happen, we have formulated individual reduction targets for each of these two sites. In 2022 we will have realised a 2.4% carbon reduction per tonne of product compared to 2019 levels.

**Climate change indicators**

**Energy consumption and mix**

We use non-renewable energy through the consumption of natural gas and renewable energy through the consumption of purchased electricity and self-generated electricity. The purchased electricity comes from European wind. The self-generated electricity comes from the solar panels on our roofs. The table below shows our total energy consumption and the energy sources of the factories and offices in 2022.

Energy consumption and mix	2022
Fuel consumption of natural gas (MWh)	368,484
<b>Total non-renewable energy consumption (MWh)</b>	<b>368,484</b>
Percentage of non-renewable resources in total energy consumption (%)	<b>84.6</b>
Consumption of purchased electricity, heat, steam or cooling from renewable sources (MWh)	65,983
Consumption of self-generated non-fuel renewable energy (MWh)	1367
<b>Total renewable energy consumption (MWh)</b>	<b>67,350</b>
Percentage of renewable resources in total energy consumption (%)	<b>15.4</b>
<b>Total energy consumption (MWh)</b>	<b>435,834</b>
Energy intensity: Total energy consumption of activities in high climate impact sectors per net turnover (MWh/€)	0.00035



*Last year we improved product quality and realized a significant energy reduction. We are constantly looking at where the limits lie and how we can optimize further.*

**Nammen van der Meulen** - Process Technology and R&D Manageren R&D



**carbon reduction/tonne of product in 2022 compared to 2019 levels at our factories**  
**2.4%**

**Targets**

Our aim is to reduce carbon emissions in Gorinchem and Scharsterbrug by 50% per tonne of product by 2030, compared to 2005 levels. It concerns emissions from energy use in our own buildings and for 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 have reduced carbon

**Energy production**


We have solar panels on the roofs of our head office in Nijkerk and our production sites in Gorinchem, Barneveld, and Scharsterbrug. In 2022, the solar panels will supply more than 1,400 MWh of green electricity, resulting in savings of more than 770 tonnes of carbon. This is sufficient power for about 450 households per year.

	# panels 2022	Yield 2022 (MWh)	Reverse supply to grid (MWh)	Own use on site (MWh)
Gorinchem	1,284	356	0	356
Barneveld	1,800	608	103	505
Scharsterbrug	1,572	468	0	468
Nijkerk	173	44	6	38
<b>Total</b>	<b>4,829</b>	<b>1,476</b>	<b>109</b>	<b>1,367</b>

Dairy farmers receive a premium (€0,05/100kg milk) through our sustainability programme for generating renewable energy. In 2022, 34.9% of our dairy farmers generated at least 50% of the energy they use from renewable sources themselves. In 2021, this was 26.9%. This increase comes mainly on the back of dairy farmers' investments in solar panels. In 2023, we will continue to reward dairy farmers for generating energy from renewable sources.

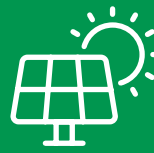
34.9%

of our dairy farmers generate at least 50% of their energy consumption themselves



1400MWh

was generated through the solar panels on our roofs



**Greenhouse gas emissions**

At the beginning of 2023, the carbon footprint is calculated for the first time for Vreugdenhil for the year 2022. The data of scope 1 and 2 can be found below. In 2023 we will work on reliable data for scope 3 and the goals and follow-up steps will be determined on the basis of this analysis.

	2022
<b>Scope 1</b>	
Gross Scope 1 greenhouse gas emissions (ktCO2eq)	75
Percentage Scope 1 greenhouse gas emissions under regulated emissions trading systems (%)	73
<b>Scope 2</b>	
Gross Scope 2 greenhouse gas emissions (market based) (ktCO2eq)	0
Percentage Scope 2 greenhouse gas emissions under regulated emissions trading systems (%)	n/a

As this is the first year that we report absolute data, the above data is an approximation and no comparison is made with previous years. We are setting up the systems to be able to report more and more accurately in the coming years.

Our most important raw material, milk, comes from cows. Due to the biological process in the cow, we know there will always be emissions. At the same time, we see opportunities in the sector to capture greenhouse gases in the soil. In addition to reducing our emissions, we are therefore looking at the options for compensation in the chain. We currently do not monitor greenhouse gas removal in our own operations and in the value chain. Dairy farmers do capture greenhouse gases in the soil. However, there is no a general calculation model for this yet. This will be further explored in the coming years to achieve a net zero value chain by 2050. We are also not involved in any greenhouse gas mitigation projects outside our value chain, financed by purchasing carbon credits. We have limited knowledge of other organisations in our chain that do this, so has not been considered in this report.

Greenhouse gas emissions are taken into account when making investments. No financial value is yet assigned to the greenhouse gases, which means we do not apply internal carbon pricing schemes.



# Pollution

For the themes aimed at emissions, various management programmes are monitored at the production sites. Coordination with the competent authority takes place to manage themes that can cause pollution inside or outside the facility. Improvement plans are shared at the sites in Scharsterbrug and Gorinchem and incorporated into the annual environmental plan. For each of our production sites, we compile an annual environmental report that includes details of our waste, energy efficiency, and water consumption. For several years now, we have also been assessing our investment plans on sustainability, whereby, in addition to economic aspects and the well-being of employees, attention is also paid to the environmental benefits of new measures. Below, an explanation is given of how control is maintained at the Gorinchem, Scharsterbrug and Barneveld sites for the themes of air, water, soil and hazardous substances emissions. In Putten we were in the start-up phase last year, so there have not yet been any specific actions for emissions. The COO is responsible for reducing pollution at the factories.

## Emissions to air Fine particles

In terms of emissions to the air, at the milk powder sites in Scharsterbrug and Gorinchem, in addition to greenhouse gas emissions, the focus is on preventing the emission of milk powder particles. We manage the sites according to standards laid down in the permit. The standard for this is achieved through presence, correct maintenance and correct cleaning of the technical components, such as cyclones, bag filters or wet scrubbers. Every year, an accredited company measures the air emissions at the various powder towers. This ensures we are effectively controlling installation operation and milk powder emissions. In Barneveld, milk powder particles emissions are negligible.

Periodic measures are in place in Scharsterbrug to control fine particle emissions. No additional actions are planned here. Gorinchem has an action plan in place to control fine particle emissions for the Egron powder towers. The focus is on the operation of the downstream technology, specifically the effect of the cyclone. In 2022, new gaskets will be placed on the cyclones and checks of these gaskets will be

guaranteed. In addition, new locks have been installed at one of the drying towers. In 2023, locks will also be installed at the other drying tower. Differential pressure meters and emission meters are installed to gain more insight into the emissions and the cause. In Putten we were in the start-up phase last year, so there have not yet been any specific actions for emissions.

The aim is to (continue to) meet the emission standards according to the permit requirement and to be in control of powder emissions for every type of product on every powder tower. In addition, no powder may be detectable outside the establishment.

## Odours

Assuming that powder can give an odour sensation in the nose, potential odour sources can be identified: these are for example - and mainly - the outlets of the powder towers. To minimise fine particle and therefore odour emissions, filter installations have been installed that are regularly cleaned. In Barneveld, odour emissions are negligible.

In Scharsterbrug, together with the province, the outlets of the powder towers are fitted with extended emission pipes that bring the exhaust air vertically higher into the atmosphere. As a result of this measure, in addition to the dust, any odour emission is also immediately limited. After an adjustment to the waste gas discharges of the drying towers, no more complaints have been received from the surrounding area with regard to odour nuisance.

The Gorinchem site has its own wastewater treatment plant (WWTP). Due to the biological processes, there are positions where odour is released. A carbon filter is used to prevent odour nuisance. In addition, the sludge collection vehicles are also equipped with an air filter. A maintenance programme is in place for the filter system to ensure proper operation. Odour control is monitored via the Odour Management Plan, which is evaluated annually. In 2023, odour control measures are planned by installing an activated carbon filter, evaluating the flotation sludge collection method and adjusting the aeration method of the water

treatment. These measures are a result of the odour investigation of 2020; a new inventory will take place at the end of 2023.

The goal with regard to odour is to implement the measures and follow-up according to the odour management plan. We value our surrounding communities. As such, we aim to see that we receive no complaints from local residents about odour.

## Noise

In 2021, a noise report was drawn up for compliance with the environmental permit, both in Gorinchem and in Scharsterbrug. The report has shown that noise levels are exceeded at several zoning points designated by the government. Based on the noise model, noise must be reduced, an action plan has been drafted for this. In Barneveld, noise emissions are negligible. At none of the sites, local residents or neighbouring companies have complained about excessive noise levels.

Gorinchem and Scharsterbrug have a multi-year plan in place to reduce noise sources. Examples include installing silencers or casings. The total investment amount for this is approximately one million euros. All sources are expected to have been addressed by 2024. A total of ten noise sources will be reduced or removed in Gorinchem and five in Scharsterbrug. Regular progress is reported to the environmental services.

### Emissions to water

Emissions to water differ greatly from site to site. Barneveld has no emissions to water, because it has a production process that does not use water.

In Gorinchem, the used water is processed by its own WWTP, after which it is sent to the Merwede. Policies and actions are focused on this processing. The processing of water is laid down in the water processing policy procedure. This is a care system for managing environmental risks for the receiving surface water when processing waste water from the various sources at the WWTP. The water processing policy ensures that 1) only waste water streams are processed at the water treatment plant that can be treated there (BBT) efficiently; 2) the efficient functioning of the WWTP is not disrupted; 3) clean rainwater is discharged to the surface water, and; 4) the quality of the receiving surface water is not compromised. The WWTP operators are trained and work according to the management system. A handbook has been drawn up and approved in consultation with Rijkswaterstaat. During the daily management control meeting, the results and any transgressions of the WWTP are discussed.

At the Scharsterbrug site, the used water is processed via pre-purification, after which it enters the sewer. Cooling water and rainwater discharge into the surface water in accordance with the permit granted.

Vreugdenhil registers and analyses environmental emergencies in order to learn from them and prevent incidents in the future. The learning points from incidents are shared within the factories. The policy and system are working properly and therefore no additional actions and targets for 2023 have been specified.

### Emissions to the soil

There are no emissions to the soil at our sites. To ensure this remains the case, we carry out annual checks in Gorinchem and Scharsterbrug on the parameters present regarding emissions to the soil. These are measured in the observation tubes within the installations. Pollution is prevented by using certified liquid-tight or liquid-resistant floors. Monthly and weekly environmental inspections are conducted, during which attention is paid to deviations. In addition, this is a recurring subject in information and training.

In 2023, the focus will be on preventing soil pollution from the wastewater treatment plant in Gorinchem. At the moment, an action plan is being drafted that focuses on a negligible soil risk under and around the WWTP. It must be demonstrated that the collection and process containers are leak-tight. Preventive inspections are carried out to ensure this. In Scharsterbrug, attention is also paid to the inspection of the liquid-tight or liquid-resistant floors. In addition, discharges must be prevented and if they do occur, they must be reported correctly.

### Substances of high concern

Vreugdenhil ensures the correct storage and use of substances of high concern. A special storage unit is used for this (PGS 15).

At the Scharsterbrug and Gorinchem production sites, the management of large chemical storage is becoming an increased point of attention. The sites must comply with the amended ARIE (Additional Risk Inventory and Evaluation) regulation that was published in January 2023. From 2024, the sites must meet the requirements. This includes safe storage and installation and an emergency plan with suitable scenarios for hazardous substances. In Barneveld, this management consists of continuous monitoring. Management plans are drawn up for adjustments where pollution may occur.

The goal for 2023 is to map all substances of very high concern for Gorinchem and to carry out general assessment method tests on the substances. In Scharsterbrug and Barneveld, the substances of very high concern have been mapped out and are being reduced or phased out respectively.

### Pollution indicators

The table below shows the emissions to air, water and soil. This is for the Gorinchem and Scharsterbrug sites. In Barneveld and Nijkerk, the emissions are negligible and the Putten site was in the start-up phase, so we have not yet been able to determine emissions properly.

		Total 2022 (kg)
<b>Air</b>	NMVOCs	1
	CO <sub>2</sub>	74,006,721
	NOx/NO2	29,044
	Fine particles (PM10)	5,395
	Total particles	5,993
<b>Surface water</b>	Chlorides	350,932
	Total phosphorus	238
	Total organic carbon (TOC)	60,192
	Total nitrogen	33,871
<b>Soil</b>	Not applicable	0

As this is the first year that we report absolute data, no comparison is made with previous years. We are setting up the systems to be able to report increasingly accurate in the coming years.



Our own **Wastewater** treatment plant in Gorinchem ensures our **waste water** is **discharged cleanly**



# Water

For each of our production sites, we compile an annual environmental report that includes details of our waste, energy efficiency, and water consumption. For a few years now, we have also been assessing our investment plans based on sustainability criteria, focusing specifically on the environmental gains of new measures. Coordination with the competent authority takes place to manage themes related to water. Improvement plans are shared and incorporated into the site's annual environmental plan. No water is used in the production process in Barneveld. The COO is responsible for water consumption in the factories.

## Scharsterbrug

In Scharsterbrug, drinking water is supplied by water supply company Vitens. The water is used in the production process, for cleaning, in the laboratory and for sanitary purposes. The total amount of mains water used is registered monthly. In 2021, a water-saving plan was drawn up by the technology and R&D departments to use less water. This successful project has achieved a structural reduction of 10% water per tonne of product.

Water savings are discussed during various meetings. During the technology and energy meetings, various measures and ideas are discussed to save water. In 2023, work will be done on an optimised CIP set, a new standardisation programme, awareness in the factory, using more concentrated ingredients in the process and the treatment of condensate water for reuse in the process.

Scharsterbrug aims to reduce relative water consumption by 2% in 2023 compared to 2022 levels (2.7m3 /tonnes of milk powder). Water savings remain a topical theme and are monitored weekly in the weekly objectives. This is an essential discussion during various meetings and improvements and savings are being studied.

## Gorinchem

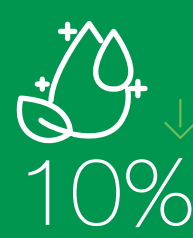
In Gorinchem there are several water streams: harbour water from the Merwede is used as cooling water, spring water is used for fire protection, drinking water is mainly used for Cleaning in Place (CIP) and water from the milk is used for rinsing and cleaning. To manage the water streams, we work according to established policy and work instructions, in which the permit regulations are followed. Adjustments are made if the factories exceed their water consumption.

Currently, no action plan on the theme of water management is in place. The system works properly and water is used effectively and efficiently. Internally, water savings within the production process are being studied. There is no separate target for water yet. Active monitoring of water consumption will start in 2023.

## Water consumption indicators

The table below shows the figures of our drinking water consumption. This is for the Gorinchem and Scharsterbrug sites. In Barneveld and Nijkerk, water consumption is negligible and the Putten site was in the start-up phase, so we have not yet been able to measure consumption properly.

	2022
<b>Drinking water consumption (m3)</b>	790,663
Water intensity - Total water consumption per net turnover (m3/€)	0.00063



**less water** required per tonne of product thanks to the Scharsterburg water reduction programme

# Biodiversity and ecosystems

The impact on biodiversity and ecosystems is mainly due to the purchase of milk and other raw materials. Together with dairy companies and dairy farmers, we are focusing on a Dutch dairy sector that is future-proof and responsible, through the Sustainable Dairy Supply Chain (DZK). By sharing knowledge, offering tools to gain more insight and by stimulating sustainability with a sustainability premium, we and our dairy farmers are focusing on sustainability. The Milk Supply director is responsible for this collaboration. We are working on responsible procurement for various other raw materials that pose a risk to biodiversity and ecosystems, such as palm oil and soy lecithin. The QA director, COO and Commercial Director are jointly responsible for this.

## Dairy farm

Our dairy farmers live with and for nature. 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. Within the Sustainable Dairy Supply Chain, the following topics are key elements; outdoor grazing, biodiversity and the environment, a climate-responsible dairy industry, and continuous animal welfare improvement. For biodiversity and the environment, the focus is on sustainable animal feed, environmental preconditions and conservation of biodiversity.

## Sustainable animal feed

Since 2015, dairy farmers have been using 100% responsible soy (RTRS or equivalent). Since 1 January 2015, Vreugdenhil has included the GMP+ MI103 with the Responsible dairy feed scope in its quality systems. Animal feed suppliers that comply with the GMP+ MI103 will be placed on a white list of companies that are allowed to supply our dairy farmers. The GMP+ MI103 stipulates that all soy purchased must be certified according to the RTRS criteria or equivalent. In this case, Segregation, Mass Balance and Book & Claim are accepted as models.

## Production within environmental preconditions

Vreugdenhil asks all dairy farmers to complete the Kringloopwijzer. The KringloopWijzer gives the dairy farmer insight into their environmental and climate performance on their farm. The dashboard includes six environmental indicators: Nitrogen soil surplus; Ammonia (kg per LU); Ammonia (kg per ha); Greenhouse gases per kg of FPCM; Percentage of permanent grassland and; Percentage of protein from own land. A more land-based dairy farming, by increasing the protein of our own land, reduces the need for animal feed raw materials from other parts of the world. This way, the sector makes a positive contribution to the conservation of biodiversity elsewhere.

The results of the KringloopWijzer give dairy farmers more insight into their business operations, enabling them to better manage healthy soil and the use of minerals. This helps their business operations with an eye to the future and can result in fertiliser and roughage savings.

## Preservation of biodiversity

Increasing numbers of dairy farmers are getting serious about agricultural nature management. 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 2023, we want to further increase our commitment to biodiversity and offer dairy farmers more support in this area. Regenerative agriculture also plays a role in the Low carbon farming strategic initiative.

In 2022, the number of dairy farmers that took additional measures to boost biodiversity on their land fell slightly to 67.8%. In the Kringloopwijzer, this is the only part for which the dairy farmer must actively add an explanation. We believe the percentage has fallen because fewer dairy farmers have done so. Our objective for 2024 is for 75% of our dairy farmers to take measures to increase biodiversity.

## Procurement of raw materials

In 2022, we started with due diligence as part of our International Corporate Social Responsibility (ICSR). This has given 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. A risk assessment has been made, looking at the raw materials with a high risk of deforestation. The assessment is fed with information from Sedex and external experts. In 2023, we will complete the risk assessment and decide which measures we will take to reduce risks and proceed to realisation and verification. Raw materials that emerged during the first inventory are palm oil, soy lecithin, cardboard and paper.

In 2022, all palm oil we used in our milk powders was certified 100% sustainable. The palm oil we procure is mass balance certified through the Round Table 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, low responsible pesticide use, and good working conditions. We incorporate palm oil into our fat-filled milk powders. In these products, we replace milk fat with plantbased fat, while retaining the nutritional value. This ensures a lower cost price and makes our products more easily accessible. Our goal remains to purchase 100% of the palm oil RSPO certified. Last year, an assessment into the added value of segregated certified purchasing compared to mass balance was made with an external consultant. Based on this, we have decided to first focus on the certified procurement of other high-risk raw materials and to continue to purchase palm oil mass balance certified.

\*This reported figure is not audited for all our locations through RSPO Certification



In some of our products, we use soy lecithin to make our milk powder easily soluble in water. From the end of 2015 to the beginning of 2022, we used only 100% responsible soy lecithin certified according to ProTerra or Round Table on Responsible Soy (RTRS). This meant that our soy beans from Brazil were cultivated in accordance with sustainability criteria. Those criteria include the protection of workers, local companies and vulnerable areas, and deforestation-free production. Unfortunately, due to value chain disruptions caused by the war in Ukraine, we only obtained limited quantities of certified soy lecithin. As soon as the market allows it again, we will switch back to this completely.

All the cardboard we purchase for packaging is 100% FSC certified. The Forest Stewardship Council (FSC) is an international organisation that is committed to the preservation of forests and responsible forest management worldwide. Responsible forest management includes logging, social and economic well-being of workers and local communities, and transparency and inclusiveness in decision-making. In addition, the paper for our bags was also FSC certified, but this is also not possible for the time being due to the conflict in Ukraine and Russia. In 2023, we want to buy our bags 100% FSC certified again and get the wooden pallets FSC or PEFC certified.

### **Biodiversity and ecosystem indicators**

Vreugdenhil has no factories or offices in protected nature reserves or other areas with a high biodiversity value.

# Use of raw materials and circular economy

Our use of raw materials consists largely of ingredients for our products, which are consumed by the end customer. Our contribution to the circular economy lies in making our packaging more sustainable and reducing our waste production. The COO is responsible for these themes.

## 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. We are working on making our packaging materials more sustainable in collaboration with customers and suppliers. First and foremost, new packaging must not have any adverse effects on our products' quality and shelf life. According to current legislation, primary packaging must still be made of virgin material for food safety reasons. Secondary or tertiary packaging, such as plastic pallets, is currently produced from recycled material as much as possible.

In 2021, we made an inventory of sustainability options. Based on these results, we have chosen a number of focus projects in 2022. A saving of 20% plastic has been achieved for almost three-quarters of the pallets in Gorinchem by using a thinner stretch hood foil. We also immediately started using this thinner foil for a new machine in Scharsterbrug. The process started in 2021 for a more sustainable alternative to sachets with a vapour-deposited aluminium layer is still ongoing.



**less plastic** for  
three-quarters of the  
**pallets** in Gorinchem

We have already achieved improvements in shelf life tests. At the same time, the market has selected new films that are even more durable. This means the number of tests will be increased.

In 2023, the focus will be on reducing the material in paper bags. The first preparations have already been made, so this will be further implemented next year. In addition to material reduction, this will also have an effect on more efficient production of the bags by our supplier and a reduction in transport. Furthermore, we are 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.

The objective is to start two new sustainable packaging projects each year. In 2023, we will test new films to increase the recyclability of sachets and we want to achieve paper reduction by testing a different composition of the bags.

## Waste

Our waste policy ensures that waste products are disposed of in a responsible manner and that we adhere to laws and regulations. All employees in the factories are responsible for properly separating waste. The Facilities department is responsible for disposing of the waste and the Administration department for documenting waste streams. The Health, Safety & Environment (HSE) department checks the process and documentation.

We work with a recognised private collector and we keep a waste registration. By means of an indication, such as a colour system (entirely in that colour or coloured lids), for the containers/storage systems, the waste is separated correctly. We separate the following streams within the factories: category-2 material, category-3 material, paper and cardboard, plastic, tin and residual waste. In addition, construction and demolition waste from projects is disposed of separately. Scrap metal and stainless steel are stored in the appropriate containers and

periodically removed. Pallets are partly reused and partly disposed of. In Gorinchem, the sludge from the WWTP is separately transported to the fermentation unit. The guidelines for the disposal of hazardous waste (including chemicals) are laid down in law. These substances are collected separately by the relevant departments.

When soil becomes available on the site, an external party carries out a soil survey first. This determines the category into which the soil is classified (usable, which means suitable for the highest possible application in view of the quality, or not usable). It follows from this how the soil must be disposed of. You may never use soil or dredging sludge deemed unusable. This is transported to a depot or cleaned.

## Action plans

At the end of May 2022, Scharsterbrug started a project for the further separation of waste. After a month of testing how people react to this and what the collection structure should look like, it was fully implemented. Four containers have been placed on our car park. Three compactors for the streams of paper, plastic and kraft bags, and a regular container for the storage of soft drinks cans. As a result, the emptying of the residual waste containers has gone from weekly emptying 32 containers three times to nine containers twice.

An analysis was carried out in Gorinchem in July 2022 to gain better insight into the composition of our residual waste. The places where residual waste streams are released have been traced. Waste is already being separated in various places and the analysis shows there is still room for improvement with regard to the infrastructure for waste collection and awareness of employees. We will improve the collection structure, install additional compactors and provide information to employees to be able to collect and dispose of more waste streams separately. These measures will be introduced in the first half of 2023. The effect assessment will take place at the end of 2023, followed by an advisory report. We monitor the contents of the containers, the discharged streams and quantities to determine the effect. The changes in the content of the waste can be made visible by regularly taking



photos of the waste containers and comparing them with the recently taken photos. In addition, our waste processor can tell us which waste streams are disposed of at what frequency and in what quantities.

Every department has daily or weekly meetings about the operational state of affairs. During these meetings, the “new” practice and any opportunities for improvement will be discussed regularly with the employees involved. The action points that follow from this are kept up to date by the team leader, who also monitors the follow-up.

**Targets**

In Scharsterbrug, the objective was to create 25% less residual waste over the year 2022 compared to the year 2021. A reduction of residual waste of 35.7% has already been achieved, due to the hard work of all our colleagues. The objective of having 25% less residual waste compared to 2021 remains in place in 2023, allowing us to examine whether this result is maintained. New goals will be subsequently set.

In Gorinchem, the goal is to dispose of 20% less residual waste in 2023 compared to 2022 levels. This is realised by completely separating factory film (with the exception of LDPE and HDPE plastics) from the residual waste and collecting the milk powder used in the lab separately as category 2 and thus separating it from residual waste. At the end of 2023, a new analysis of residual waste will be carried out as a check.



**35.7%** less residual waste in Scharsterbrug by separating waste

**Indicators use of raw materials and circular economy**  
**Resource inflows**

We use various raw materials to make our products. The table below shows the quantities of our ingredients and packaging.

*When war broke out in Ukraine last year, we immediately noticed the effects on our value chain. Certain raw materials became scarce. We successfully searched for alternative raw materials and showed that we can act quickly.*

**Herm Schonewille** - Supply Chain Manager

Resource inflows (kton)	2022
Dairy ingredients	1,406
Non-dairy ingredients	44
Renewable packaging, such as cardboard, paper, wood	6
Non-renewable packaging, such as plastic, tins	11
<b>Total weight of materials</b>	<b>1,467</b>

As this is the first year that we report absolute data, the above data is an approximation and no comparison is made with previous years. We are setting up the systems to be able to report more and more accurately in the coming years.



**Resource outflows**

Our main product, milk powder, is consumed by the end customer. Furthermore, our production process generates various packaging streams. Almost all of our renewable and fossil packaging is technically recyclable. We continue to work on reducing and making our packaging more sustainable.

**Waste**

The table below shows the figures for our waste. This is for the Gorinchem, Scharsterbrug and Barneveld sites. In Nijkerk, waste is negligible and the Putten site was in the start-up phase, so we have not yet been able to measure waste levels properly.

Type of waste	Hazardous/ non-hazardous	Destination	Quantity (tonnes)
Construction and demolition waste	Non-hazardous	Recycling	39
Category-2 material	Non-hazardous	Fermentation	514
Category-3 material	Non-hazardous	Animal feed	1344
Chemical waste	Hazardous	Recycling	116
Metals	Non-hazardous	Recycling	135
Mineral substances	Non-hazardous	Recycling	10
Paper and cardboard	Non-hazardous	Recycling	455
Plastic	Non-hazardous	Recycling	148
Residual waste	Non-hazardous	Energy recovery	84
Sludge (6% dry matter)	Non-hazardous	Energy recovery	8,064
Fat and oil mixtures	Non-hazardous	Energy recovery	34
<b>Total recycled waste</b>			<b>9,599</b>

As this is the first year that we report absolute data, the above data is an approximation and no comparison is made with previous years. We are setting up the systems to be able to report more and more accurately in the coming years.

*Within the waste separation project, we went from 35 residual waste containers to nine last year and from emptying three times a week to two times. All in all, a great success!*

**Fokke Laanstra** - QA coordinator & Facility Manager







Daily Dairy  
Social



# Own workforce

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. All employees are jointly responsible for creating a pleasant and safe working environment; this is overseen by the HR director and the COO respectively.

## Continued fitness and enjoyment on the job

Under our [human rights policy](#) and the [code of conduct](#) we are committed to conducting business with respect for people's fundamental dignity and human rights. We do this in accordance with several international standards, including the International Labour Organisation (ILO) Declaration on Fundamental Principles and Rights at Work, the United Nations Guiding Principles on Business and Human Rights, and the Universal Declaration of Human Rights. In specific terms, this means no human trafficking, forced labour or child labour takes place in our organisation and we do not discriminate or intimidate. By promoting a healthy work-life balance, paying a fair wage and putting employee health and safety first, we ensure an attractive workplace for our employees.

We have set up various programmes at Vreugdenhil that are focused on improving our employees' health and fitness. We regularly post messages via internal channels about the themes Exercise, Smoking, Alcohol, Nutrition and Relaxation. Fresh fruit is available at all our sites at all times and we hold a weekly boot camp in Nijkerk. We encourage mystery lunchtime walks, during which new employees get to know colleagues, and various sporting events are promoted and organised, such as short and longer-distance runs in Nijkerk and an ice skating clinic.

Due to rising inflation and high energy costs, our employees will also be faced with extra costs in 2022. By way of support, we decided to give employees a net allowance of €300. In addition, we have offered employees the opportunity to make free use of financial advice from an independent external advisor during this special period. We also offer confidential support for anyone who may want it.

In 2021, we also launched the Vreugdenhil Academy for all employees. On this platform, we now offer online food safety and workplace safety training. A number of these training courses are compulsory and attendance is recorded, based on the various job profiles within Vreugdenhil. We have drawn attention to the Vreugdenhil Academy through various channels, and seen promising results. Over 95% of all employees completed basic safety and food safety training last year. This system also keeps track of who must follow the mandatory training

*My friend's parents own a dairy farm and their positive image of Vreugdenhil made me enthusiastic to apply as an intern. From day 1 I was involved in the processes within HR and I am well guided. Vreugdenhil is a great place to work for me!*

**Margriet van Klompenburg** - HR intern

courses and when this expires, such as a forklift truck certificate and company emergency response. In 2023, the plan is to add training courses in areas such as working in confined spaces, Halal, cyber security and desirable & undesirable behaviour.

The biggest challenge of 2022 was absenteeism due to illness. In 2022, we were confronted with a high rate of absenteeism, which increased from 5% to 7.4%. 1.0% was off sick for more than one year, while 3.2% was off sick for more than six weeks but less than one year. The national average for the food industry was 6.7% through Q3 of 2022. Statistics Netherlands' annual figure is expected to rise once the figure for Q4 is also known. Nevertheless, we did not hit our target of being 1% below the national industry average. There are several reasons for this high absenteeism rate: COVID, flu and employees who had to wait longer for their operation due to the delayed care related to COVID. Unfortunately, several employees also turn out to be (seriously) ill for a long time.







### Safe working environment

Safety is a top priority for Vreugdenhil. At all sites we remind all employees of the importance of physical safety on a daily basis. We continuously analyse and invest in workplace safety. Every six weeks, we have a safety meeting with the safety managers for the factories. We regularly launch messages to raise safety awareness through our internal communication channels and our employees attend compulsory safety training. Additionally, we organise information meetings to stress the importance of safe working practices. In 2022, there were eight lost time accidents in total across Vreugdenhil. We saw the same results in 2021. None of the accidents resulted in permanent injury. One of the accidents was notifiable, and an external investigator assessed that the building complied with the Buildings Decree and had the correct markings and closed the case. Our target continues to be zero lost time accidents. It is vital to learn from the accidents, near-accidents and hazardous situations that have occurred so we can prevent them in the future.

We took measures to increase safety at all our sites. At the beginning of 2022, this resulted in an accident-free year at the Scharsterbrug site. By accidents, we are referring to lost time accidents. It is a result that fills us with great pride and it sets the standard for our other sites. An online visitor registration system has been implemented at all sites. This way, we know exactly who is on site in the event of an emergency situation. This system will be further tested in 2023 during evacuation exercises. A physical load scan was performed in Gorinchem, after which training was given and lifting aids were purchased, and the safety measures in the outdoor area were tightened.

*I've been working at the Vreugdenhil laboratory for 34 years and I think it's a great employer. My work is varied and I come everywhere in the company. I can go to work by bike. I like what I do!*

**Yvonne Beekmeijer - Analyst**

95% of employees have completed **basic safety** and food **safety training**

ISO45001 is the global standard for health and safety at work. Our goal was for all our sites to be ISO45001 certified by 2023. Nijkerk and Scharsterbrug have been certified since 2020. Barneveld received the certificate in 2022. Due to the takeover of the factory in Putten, we are adjusting the goal slightly, namely that by 2023, all our branches will be certified according to this standard, except Putten. The aim is that Gorinchem and Putten will also obtain this certificate in the coming years.

At the end of 2022, we organised a preventive medical examination at Vreugdenhil. This examination consisted of two parts: an extensive questionnaire and physical measurements. The results will be announced in early 2023. Follow-up actions are determined based on these results.



### Collective labour agreement for the dairy industry and terms and conditions of employment

For several of our factories, we fall under the scope of the collective labour agreement (CAO) for the dairy industry by law. Based on the idea of a 'United Vreugdenhil', we have chosen to also follow the collective labour agreement for the dairy industry for the other sites. Several years ago, we drew up the Vreugdenhil terms and conditions of employment (AVR) in consultation with the central works council for positions that fall outside the collective labour agreement. Through the collective labour agreement and terms and conditions of employment we guarantee that we comply with legislation, employees receive a fair remuneration, working hours and work schedules comply with occupational health and safety standards. Remuneration is based on job evaluation, which means men and women enjoy equal pay to the greatest possible extent.

Employees who come under the collective labour agreement for the dairy industry had access to the TipTrack tool last year. This is a tool to increase sustainable employability. TipTrack offers training and coaching on four themes: 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 opt to save it for additional leave, or to take more birth leave. At present, there are more than 300 TipTrack users at Vreugdenhil.

### Processes to involve employees in decisions

Employees are involved in decision-making in various ways. Indirectly, because trade union members influence collective labour agreement outcomes. Vreugdenhil has three works councils, with two representatives from each works council participating in the central works council. Depending on the subject, this is discussed with a local works council or the central works council, whether or not accompanied

by a request for an opinion or consent. The works council and central works council can also submit proposals themselves. By conducting an employee survey, for example, in the field of job satisfaction or health, employees can immediately give their opinion on numerous subjects. In addition, there are various forms of consultation where people can influence decision-making, such as departmental/work meetings, performance interviews and the interactive communication channel, Plek. In addition to these more formal influencing methods, Vreugdenhil is characterised by an informal culture, offering a lot of freedom to take (improvement) initiatives and to express oneself as an employee.

*The location in Putten became part of Vreugdenhil last February and we have made great progress. We have become a very close team. It's about the people, that's the most important!*

**Samara Nieswaag - Processing Team Leader**

### 'Report your concerns' and confidential advisors

Employees and external stakeholders can (anonymously) report abuses in the organisation or in the chain via [our website](#). Over the past year, this function was not used. Our employees can also turn to an internal or external confidential advisor when they want to report certain conditions at work or behaviour by colleagues. The confidential advisors offer a sympathetic ear and come up with ideas about possible follow-up steps or solutions, depending on what the employee concerned wants. The confidential advisors report annually on the numbers and types of reports to the MT and the central works council, whereby privacy and anonymity are guaranteed.

### Inclusiveness and personal development

In 2023, our goal is to give more attention to inclusiveness, both by defining inclusiveness, and by finding ways to stimulate even more diversity, equality and inclusion. This is then also communicated internally. We plan to invest more attention in the courses. Vreugdenhil is rich with opportunities. We notice that actively offering courses results in more demand for courses. Our plan is to arrive at a collectively diverse range of courses/trainings.



97%

of our employees are covered by a **safety management system**



## Indicators for own workforce Employees

As at 31/12/2022	Female	Male	Other	Not disclosed	Total	%
Total employees (#)	105	403	0	0	<b>508</b>	
%	21%	79%				
Permanent employees	97	363	0	0	<b>460</b>	91%
%	21%	79%				
Temporary employees	8	40	0	0	<b>48</b>	9%
%	17%	83%				
No guaranteed hours employees					<b>0</b>	0%
%	0	0	0	0		
Fulltime employees	59	381	0	0	<b>440</b>	87%
%	13%	87%				
Part-time employees	46	22	0	0	<b>68</b>	13%
%	68%	32%				
Employees <30	31	48	0	0	<b>79</b>	16%
%	39%	61%				
Employees 30-50	19	151	0	0	<b>170</b>	33%
%	11%	89%				
Employees >50	55	204	0	0	<b>259</b>	51%
%	21%	79%				
Employees under terms and conditions of employment	36	99	0	0	<b>135</b>	27%
%	27%	73%				
Employees under collective labour agreement	69	304	0	0	<b>373</b>	73%
%	18%	82%				

By law, it is not permitted to include medical data in the personnel file or to request this from personnel. That is why we do not register how many of our employees have a disability.

Employees are represented at site level by employees through the works council. Employees may take family-related leave, as agreed on in the collective labour agreement for the dairy industry or by law.

## Agency workers

On average, we work with 95 agency workers spread over the various sites. They are mainly deployed in the factories as forklift drivers, operators and within the technical department.

Agency workers who work for us enjoy the same terms and conditions of employment as set out in the collective labour agreement for the dairy industry and which also apply to our employees. We apply the hirer's remuneration.

## Wages and social protection

Both employees and agency workers, are paid a living wage, which enables them to support themselves and their families. We adhere to the salary scales of the collective labour agreement for the dairy industry.

In addition, our employees are covered by social protection programmes in case of loss of income due to illness, unemployment, accident and disability due to work, pregnancy and retirement.

## Training and personal development

All employees who are employed by us have a performance and career development interview at least once a year.

Employees can complete various mandatory and voluntary training courses during working hours. This is requested and approved by HR in consultation with the manager. For the time being, we do not keep track of how many training hours are completed by employees. We will set up a registration system for this in the coming years.

## Safe working environment

All employees and agency workers at the production sites in Gorinchem, Scharsterbrug and Barneveld and at the head office in Nijkerk are subject to a safety management system. Putten is still in a start-up phase and will then also set up a safety system. As a result, approximately 97% of our employees now fall under a safety management system. The factories in Scharsterbrug and Barneveld and the head office in Nijkerk are ISO45001 certified. Gorinchem and Putten will also obtain the certificate in the coming years.

The table below shows the number of accidents for all sites.

Accidents	Number
Accidents total (#)	58
Lost time accidents #	8
Total days lost due to accidents	192
Fatal accidents (#)	0
Frequency ratio of lost time accidents	9.7
Severity ratio of lost time accidents	0.23

In 2022, four employees made use of the internal confidential advisor and two of the external confidential advisor. To the best of our knowledge, these reports have been handled to the satisfaction of the person reporting. It is good to see that our employees are taking advantage of the presence of the advisors.

There have been no serious human rights issues and incidents related to our staff.

## Compensation indicators

Our employees are remunerated in accordance with the salary scale associated with the position in question, as described in the collective labour agreement for the dairy industry. This is regardless of diversity characteristics. The average hourly wage of male and female employees gives an unadjusted wage gap (hourly wages man-hourly wages women)/hourly wages men\*100%) between men and women of 4.06%. Because it concerns an unadjusted pay gap, equal positions, years of service and other experience have not been taken into account.

In 2022, the annual total remuneration ratio was 9. This is the ratio of the highest-paid person to the median annual total remuneration for all employees (excluding the highest-paid person).

# Workers in the value chain

We work a lot with suppliers of raw materials, packaging materials, and services such as transport. Through this close contact, we take care of the employees in our value chain. This has been laid down as policy and in the management system with the supplier code. In addition, we have specific campaigns for dairy farming and for the Procurement of raw materials.

## Supplier Code

All our suppliers must comply with our [Supplier Code](#). The Supplier Code contains rules of conduct on suppliers' responsibilities in relation to business integrity, the environment and communities, workers, and animal welfare. We are committed to conducting business with respect for people's fundamental dignity and human rights. We do this in accordance with several international standards, including the International Labour Organisation (ILO) Declaration on Fundamental Principles and Rights at Work, the United Nations Guiding Principles on Business and Human Rights, and the Universal Declaration of Human Rights.



**International  
Labour  
Organization**



**United  
Nations**

We only work with suppliers who meet our requirements. Many of the potential risks are often covered by laws and regulations, as we do a lot of business with European suppliers. Suppliers are asked to sign the Supplier Code every year. Sustainability is regularly discussed during visits, as part of the agenda or during the introduction. In addition, supplier audits pay a lot of attention to the great importance of a safe and healthy working environment and we assess compliance with the requirements we set.

Workers in the value chain can report issues to the buyers in case of issues. If the subject is too precarious, the employee can (anonymously) report issues with suppliers or producers via [our website](#).

Ensuring that the Supplier Code is signed and auditing suppliers on working conditions is the responsibility of the QA Director.

## Dairy farm

Our dairy farmers supply our most important raw material and therefore their well-being is essential to us. We have five regional advisors who visit our dairy farmers on their own farms. As a result, we know what is going on within the companies and we can help them where possible. We also organise our sounding board groups and supplier meetings every year to discuss what is going on in the sector and how we can help each other. Unfortunately, there are currently too many uncertainties in agricultural policy. This can lead to uncertainties and tensions on the farm. In addition to our regional advisors offering assistance, we sponsor <https://www.zorgomboerentuinder.nl/>. We also believe good education about dairy farming is crucial. We do this collectively through ZuivelNL. At [www.zuivelonline.nl](http://www.zuivelonline.nl), you can find various teaching materials that schools and dairy farmers can use free of charge. We also sponsor local initiatives such as: [www.kombijdeboer.nl](http://www.kombijdeboer.nl).

Team Milk Supply, led by the Milk Supply Director, is responsible for the above initiatives and is responsible for the well-being of the dairy farmers.



100%

of our **suppliers**  
has signed the  
**Supplier Code**

## Procurement of raw materials

As mentioned earlier in the chapter 'Biodiversity and ecosystems', in 2022 we worked on 'due diligence' in the context of International Corporate Social Responsibility (ICSR). This means that we have gained a better understanding of the risks to people and the environment that we are involved in – directly or indirectly – through our business activities. We have an integrated approach in which we look at both environmental and social risks. 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. A risk assessment has been made, looking at the raw materials with a high risk of human rights violations, including child labour and forced labour. The assessment is fed with information from Sedex and external experts. In 2023, we will complete the risk assessment and decide which measures we will take to reduce risks and proceed to realisation and verification. Raw materials that emerged during the first inventory are palm oil and cocoa.

As previously mentioned, all palm oil we used in our milk powders was 100% RSPO mass balance\* certified by 2022. In 2023, we will focus on cocoa. We aim to use certified raw materials according to Rainforest Alliance. Vreugdenhil will build up knowledge about certification and its effectiveness.

Vreugdenhil's buyers are responsible for purchasing raw materials from various suppliers and producers, so if there are any issues, it is possible to switch between the available suppliers and producers. Raw materials from high-risk countries are not purchased directly, but via - generally - European suppliers.

\*This reported figure is not audited for all our locations through RSPO Certification





In addition to the focus on raw materials, Sedex is also used to provide insight into risks at suppliers. We started inviting suppliers in 2022 and expect to be linked with all our suppliers on the Sedex platform by 2023. The data companies have entered themselves and the SMETA audits carried out facilitate a better assessment of where the risks lie for employees in our value chain so we can take action on this.

*In recent years we have worked a lot on responsible procurement, for example on good working conditions for workers and farmers, deforestation and the purchase of palm oil. We expect to take steps regarding cocoa in the future.*

**Sicco Roukema** - QA director



Vreugdenhil employees are informed via internal media about the steps we are taking in the field of responsible procurement. We ensure that steps taken do not lead to a negative impact on the business, so as to safeguard risks for the continuity of our company. Responsible procurement is the responsibility of the QA Director, Commercial Director and COO.

# Affected communities

We indirectly impact communities through raw material sourcing and we also directly affect the communities around our facilities. We have policies and procedures in place for both groups to involve them in our activities and action plans.

## Around the facilities

Our factory in Scharsterbrug is located in the middle of the village, which means the relationship with local residents is vital. Twice a year, a meeting is held for local residents and the local interest (these are representatives of the rest of the village). We jointly discuss possible changes in permits and scheduled projects during this meeting. Local residents can then provide input, raise any complaints and ask questions. A similar meeting is organised in Putten each year, the first of which took place in 2022.

In Gorinchem and Barneveld, the factories are located on industrial estates, with a few private neighbours. There is contact with surrounding businesses, where mutual understanding has been expressed about their potential impact on the environment. Consider the freight traffic on and around the factory. In the event of an issue, we work together to find a solution. Every few years, the private parties who live in the area are invited for a tour and dialogue, which are planned for 2023 again.

At Gorinchem, we also participate in G11, a club consisting of the large companies of Gorinchem, the mayor and aldermen. This committee meets twice a year to discuss current issues in order to move forward together. This way, we have direct contact with the municipality and the strengths of companies are bundled. We discuss topics such as sustainable energy (wind turbines, electricity grid, heating grid), labour market, mobility, the A27 and A15 motorways, development of industrial estates and partnerships with schools.

In the event of damage to the environment and local residents, this can be reported (anonymously) via [our website](#) and you can also contact the SHE Manager and/or Site Director directly. We think it is essential that they inform us immediately in the event of noise, odour and/or emission nuisance. After reporting, the damage is determined, after which action is coordinated and implemented. Any costs will be reimbursed by Vreugdenhil. The emergency is evaluated in order to prevent future recurrence in collaboration with community stakeholders.

We are also committed to making a positive impact on our environment. For example, we sponsor local initiatives and charities at all sites. These are usually put forward by our employees or farmers or we are approached directly. We provide food bank donations, for example, if there are employees who do not want their Christmas gift. We also encourage local residents to present ideas. We are more than happy to lend a hand where our communities are in need.

## In the chain of our raw materials

Vreugdenhil mainly buys the raw materials from European suppliers and has no direct contact with the communities where the raw materials are grown and harvested. Care for the environment is guaranteed by the [Supplier Code](#). In the event of a negative impact, Vreugdenhil will make use of suppliers who source the raw materials from a different source or who will actively work on restoring the negative impact. The expertise of sustainable cultivation and harvesting is guaranteed by using certified systems, namely RSPO, Pro Terra and Rainforest Alliance. We contribute to better conditions for the stakeholders in the value chain by joining global initiatives. Vreugdenhil will build up knowledge about the impact and effectiveness of such systems. Responsible procurement is the responsibility of the QA Director, Commercial Director and COO.

Local communities from our value chain can report issues via [our website](#).



# Consumers and end users

The success of our company depends on the satisfaction of our customers and consumers. That is why we are always committed to make tasty and nutritious powders. Quality and food safety are paramount to us. We also continue to innovate by developing new products, expanding with a new factory in Putten and looking for ways in which our powders can deliver as much value as possible. An example of this can be seen in our push to fight malnutrition.

## Food safety

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. Our newest site in Putten will be certified in 2023.

In order to further guarantee food safety, our employees take compulsory food safety training. This also applies to employees at the head office and external parties who work for us, such as agency workers and cleaning staff.

In 2022, a continuous improvement team worked on improving the complaints process. Responsibilities have been redefined, the procedure has been optimised and those involved have been retrained. This allows us to convert complaints into opportunities more efficiently.

In 2022, we received 0.20 product quality complaints per 1,000 tonnes of product. This means we have achieved our target of a maximum of 0.20 product quality complaints per 1,000 tonnes of product. We handle all quality complaints prudently and we pay extra attention to complaints that occur more often. In response to such complaints, we get to the bottom of what exactly is the cause, so we can prevent them in the future. Our target for 2023 is still a maximum of 0.20 product quality complaints per 1,000 tonnes of product. Ensuring the quality and food safety of our products is everyone's responsibility, but is overseen by the QA Director.

## New 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. At New Product Development, we focus on four different themes:

1. Nutritious products, where we enrich milk powders with vitamins or minerals;
2. Healthier products that contain fewer sugars and unsaturated fats;
3. Affordable alternatives to existing products to make our products more inclusive;
4. Products for specific applications, such as infant nutrition, tube feeding, or sports nutrition.

*In the factory in Putten, which was purchased last year, we produce small batches of specialised products, innovation. Those products can be scaled up to our factories in Scharsterbrug and Gorinchem. This provides continuity for the future.*

**Patrick Besten** - Business Development Director

The customer survey revealed several opportunities in the field of innovation. That is why this is one of our new strategic initiatives. Innovation projects can arise in different ways: internally from certain trends or new technologies or externally from our customers and/or suppliers. In 2023, we will develop our innovation process internally while at the same time starting the first innovation processes.

In 2022, ten new products were developed. Every year, we aim 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. In 2022, we were able to successfully launch one extra enriched product on the market, which was an instant success.

We are also proud to announce that we have developed a High Heat Heat Stable skimmed milk powder. This product is very suitable for specific applications such as long-life dairy products, UHT milk and as a raw material for recombined products.

New Product Development comes under the portfolio of the Commercial Director.

**Putten**

In February 2022, we acquired a factory in Putten. With this expansion, we will mainly focus on producing high-quality nutritional products. For example, specialties based on milk, whey and plantbased raw materials. The start-up of production in Putten and selection of the desired production is done by the Site Director in collaboration with the Business Development Director.

Much has happened since the acquisition. Many improvements have been made to achieve the desired quality level. The size of the drying towers is such that they are suitable for us to focus on producing specialties. For example, this year, goat's milk will be processed and sold under our own label. We will also set up an organic line (organic whole and skimmed milk powder) which fully matches our ambition of being a specialist in powders.

One of our strategic initiatives is 'plantbased', which fits well in the factory in Putten. The factory is well suited to produce smaller volumes and for experimenting with new products that can then be scaled up to the other factories. Part of the capacity will be used to innovate products and processes.

*One of the specific applications of our milk powders is Ready to Use Therapeutic Food (RUTF). RUTF is a composite product of various ingredients, including our milk powders. This provides basic nutrients for severely malnourished children.*

**Sander Verweij** - Sales Director Industrial Dairy & Specialised Nutrition

**Combating malnutrition**

By enriching milk powders with the right vitamins and minerals, we contribute to the fight against hidden hunger. Similar to recent years, in 2022, we have approximately 15% enriched products in our own product portfolio in the African market.

Nearly 60 million children suffer from acute malnutrition worldwide. These children are treated with special nutrition, namely Ready to Use Therapeutic Food (RUTF) and Ready to Use Supplemental Food (RUSF). In addition to developmental consequences, acute malnutrition also has a major impact on the immune system. For that reason, RUTF and RUSF must be produced as safely as possible. Since 2021, we have focused on supplying skimmed milk powder for this specific application and aim to further increase our market share in 2023 as well. This way, we contribute to the safe treatment of acute malnutrition. The Commercial Director is responsible for this.



 We have **full confidence** in our **new factory in Putten**





*For the past five years I worked in Liberia, where ZOA and Vreugdenhil provided school meals with milk powder to children on a daily basis. These meals have helped children to focus, achieve better school results and have also improved access to education.*

**Marleen Spieker** - Programme Coordinator ZOA

Together with our partners ZOA and Hoogwegt, we started the Home-Grown School Meals project in 2018. The aim of this project is to help children in Liberia start their school day with a nutritious meal, Milky Gari. Many children in Liberia are malnourished and do not go to school. Milky Gari is a nutritious meal based on our enriched milk powder and locally grown cassava. International relief and recovery organisation ZOA provides this meal to school-going children. This is an additional reason for parents to send their children to school. The program has resulted in a 21.7% increase in the number of children attending school, with nearly 2000 children in participating schools by the end of 2022. The project makes a significant contribution to the development of the

local community, by creating market links between local farmers and processing companies to provide schoolchildren with a nutritious meal. Local farmers supply cassava to women-led processing plants and receive training to increase their yields. The processing companies make a dry mixture, which the cooks at the school can then use to make a meal. In this way we ensure that farmers can improve their income by selling fresh products to the processing companies. Which leads to more nutritious school meals that combat malnutrition among children and at the same time get children back to school. The local population has gained new knowledge in the field of hygiene, health, agriculture and nutrition. Also, microcredit schemes have been started to create more access to finance. This enabled us to sustainably complete the Home-Grown School Meals project together with ZOA on 31 December 2022.

### Clean drinking water

For the consumption of milk powder, our end users must have access to clean drinking water. That is why we have been working with Made Blue since 2015. We want to make drinking water available where it is most needed, so we have made more than 1.5 billion litres of water available in Ethiopia in recent years. Made Blue provides water points and associated infrastructure, such as toilets and washing facilities at schools. Local people have been trained to maintain the drinking water infrastructure. Coaches have also been trained to encourage people to change their hygiene habits. Our aim is to further expand this collaboration by supplying our milk powder to these locations.

### Restrictions of sales

Vreugdenhil produces healthy and nutritious milk powders. We make the products available to all end users and consumers, unless sales are restricted by sanctions. If there are restrictions due to sanctions or other restrictions in the sale of our milk powders, Vreugdenhil will respect these restrictions and halt distribution.

Foto credits: Lieuwe Siebe de Jong





Daily Dairy

# Governance



# Business conduct

## Code of Conduct

As a milk powder producer with customers worldwide, Vreugdenhil is committed to conducting business with integrity and honesty. The law and our norms and values serve as a basis for this. Our guidelines and expectations for good behaviour are stated in our [Code of Conduct](#). If someone in our chain notices that our employees do not comply with the code of conduct, an (anonymous) report can be made via the contact page on our website. In the event of a violation of the law, our code of conduct or our policy, we will discuss this with the employee and, if necessary, our internal sanctions policy will take effect.

## Animal welfare

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 2022, this resulted in our dairy farmers' cows living 6 years, 1 month and 24 days on average, which is 29 days (1.3%) longer than in 2020. This result is comparable to the national average of 6 years, 1 month and 25 days.

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. In the sustainability programme, rewards are based on the results from Koe-Data. This is a tool that calculates a quarterly score on the animal health of the cows on the farm, based on the company's key figures. KoeKompas, Koe Data and Koe Alert, together form Koemonitor, which monitors animal health on the farm both physically and on the basis of performance indicators.

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.

## Outdoor grazing

In 2022, our outdoor grazing rate was 89.6%. This is a slight drop compared to 2021 (91.1%). This means our dairy farmers have exceeded 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 83.9%. The bonus for outdoor grazing has been high for several years now, incentivizing 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 six 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.

*In the six years that we have been a supplier to Vreugdenhil Dairy Foods, we particularly like the short lines of communication with the factory. Animal welfare is important to us at our company. Our cows spend a lot of time outdoors, we have deep litter boxes and we encourage natural behaviour.”*

**Laurens van der Gun - Dairy Farmer**



### Management of relationships with suppliers

Vreugdenhil is a family business. The business operations are aimed at current and future generations. Long-term relationships with suppliers are part of this. We build partnerships and the aspect of sustainability is becoming increasingly important in this. In the long term, suppliers and producers who supply Vreugdenhil must meet the 2030 and 2050 targets. The major challenges include those in strategic initiatives of Low carbon farming and Carbon-Neutral Production. Vreugdenhil will work within partnerships with suppliers and producers to achieve the sustainability goals.

### Prevention and detection of corruption and bribery

The [Supplier Code](#) and the [Code of Conduct](#) can be found on the website. Stakeholders can report undesirable behaviour anonymously via the website. To date, we have never received such reports.

No anti-corruption and anti-bribery training took place in 2022.

### Business conduct indicators

#### Confirmed incidents of corruption or bribery

In 2022, there have been no confirmed incidents of corruption or bribery. There have therefore been no convictions, no fines were paid and/or there have been no public lawsuits. Neither have there been any incidents where employees have been sanctioned or contracts have been terminated or amended.

### Political influence and lobbying activities

Our CEO, Albert de Groot, is a member of the NZO board as vice-chairman. NZO stands for Dutch Dairy Organisation. In this capacity he is also a member of the General Board of the VNO-NCW Association and the European Dairy Association (EDA). These are organisations that represent the interests of (dairy) entrepreneurs from different perspectives. Albert is therefore involved in the discussions to arrive at a joint agricultural agreement that should provide a solution to the nitrogen problem in the Netherlands.

Vreugdenhil did not make any political (or politically related) contributions in 2022. Members of the Executive Board and Supervisory Board have had no place in politics in the past two years. We are not registered in the European Transparency Register. Lobbying activities are carried out through the sector associations for dairy (NZO), foodstuffs (FNLI) and all companies (VNO-NCW).

### Payment practices

Once an invoice has been approved internally, it will be processed administratively and made payable on the due date. If it is possible to realise a payment discount for earlier payment, we will use that option. The average payment term is 30 days. We adhere to the legal payment term for SMEs by paying them within 30 days.

The principal suppliers are our suppliers of milk and energy. Our own dairy farmers are paid on the eighth working day of the month following the month of (milk) delivery. Milk that we buy from other milk processors is invoiced to us on a weekly basis. Payment is made on the due date. This is usually 14 days after the invoice date. The utility bills are also paid (or automatically indexed by the supplier) on the due date. In this case, the due date is 30 days after the invoice date.

We have not had any legal proceedings for late payment.





Daily Dairy

# Financial



# Developments and results Vreugdenhil Holding B.V.

The year 2022 was dominated by the conflict in Ukraine. Partly as a result of this, energy prices have increased, leading to very high inflation, loss of purchasing power, higher wage demands, higher milk (/purchase) prices and increasing uncertainty.

Turnover increased by 50% to € 1.25 billion. The group profit after tax amounted to € 37.8 million (3.0% of turnover); for 2021 this amounted to € 15.3 million (1.8% of turnover).

As a result of the sharp rise in prices, the value of stocks and receivables and the balance sheet total increased. Despite this sharp increase, the solvency margin remained virtually the same at 48%.

## Future

Prices on the sales market experienced a sharp fall at the beginning of 2023, partly due to a strong lack of demand. The fall in prices on the purchasing market shows a delayed effect, while inflation has a strong influence on the development of other factory costs. The market has made a clear downward correction. We are cautiously optimistic for the second half of this year. The company does not make any further statements about the expectation for the result in 2023.

## Compliance with the Dutch Corporate Governance Code

Vreugdenhil Holding B.V. applies the Dutch Corporate Governance Code (the Code) as much as possible, although the Code only applies to listed companies. The principles and best practice provisions are often implemented in the articles of association and in the various regulations. We comply with best-practice provision 2.7.4, which stipulates that transactions involving conflicts of interest carried out by the members of the Executive Board and the Supervisory Board must be disclosed in the annual report. In 2022, no such transactions have taken place.

## Financial policy

Vreugdenhil's financial policy, which is part of the general policy and strategy of the group, focuses on paying a market-based milk price to its dairy farmers and protecting the interests of providers of capital while retaining the flexibility to grow and invest.



# Risk management

To a large degree, our success is based on our mission and vision, the quality of the employees and our joint capacity to identify and seize opportunities. We realise that our work involves risks. In order to successfully implement our strategy, risk management is an integrated part of business operations.

The timely recognition of and appropriate response to potential risks are crucial for achieving our strategic objectives. Effective risk management can only be achieved with an active and open dialogue with our stakeholders, in which the main risks are identified and weighed. The degree of risk appetite is primarily a responsibility of management. The risk management measures are integrated in the strategy, procedures and audits, including the planning & control cycle and company comparisons at production site level.

The control environment includes the conduct, corporate culture and expertise of employees with regard to (risk) management, administrative organisation and an adequately functioning internal control framework. Our employees consider both opportunities and risks associated with the realisation of our strategic objectives and ambitions.

Vreugdenhil is prepared to take responsible entrepreneurial risks to realise its strategic objectives, whereby the interests of stakeholders are always central. However, we avoid risks related to laws and regulations, customer and employee safety, business continuity, product safety, and quality and reputation. Being able to achieve our business objectives involves risks and uncertainties; risks and uncertainties originating from external economic factors, market developments, emergencies and internal factors. The general risk policy is aimed at identifying, analysing and, when applicable, mitigating financial risks in order to prevent a possible negative impact on the financial results. Management is responsible for identifying such risks and taking appropriate action, and must ensure that an effective

risk management system and internal control system are in place with respect to the identified risks.

The main business risks and measures taken to mitigate them are explained below.

## Need for raw materials

Vreugdenhil is dependent on the available raw materials, primarily milk, to meet its delivery obligations. We see a declining trend in milk supply, partly as a result of rising prices of animal feed, higher production costs, declining amounts of available phosphate rights and the consequences of climate change. The nitrogen problem is high on the political agenda, which means there is uncertainty about the future of dairy farming and the milk production to be achieved.

We are still currently seeking to acquire new dairy farmers and we have already recruited dozens in 2021 and 2022. In addition to the production of milk-based powders, we are also increasingly focusing on the production of plantbased powders.

## Product quality and food safety

Vreugdenhil is an important producer of foodstuffs. These foodstuffs must meet the highest quality requirements. Lower quality or contamination of our end products can pose a risk to the health of our customers. A quality issue or a lower quality perception can have major consequences for Vreugdenhil's reputation as a food producer. Therefore, during production, the requirements set by food and consumer goods authorities (HACCP, COKZ, NVA, SKAL) must be met. This is periodically tested to determine whether the production process meets the requirements. Audits are also carried out by our customers and we carry out audits at our suppliers, carriers and forwarders. Given the nature, production and sales of our products, it goes without saying that Vreugdenhil maintains high standards for its product quality. Quality and food safety are paramount. A quality issue or a change in the

perception of customers or governments can have enormous (financial, recall) consequences for the reputation of our company and our market position. Customers and governments are demanding higher and stricter quality requirements from food suppliers. The objective of Vreugdenhil's quality programmes is to guarantee the safety of our products throughout the production chain. Each year, these programmes are evaluated and continuously improved throughout the organisation. The risk and quality awareness of our employees is crucial in that respect. They are expected to comply with the control and quality measures, the code of conduct and applicable laws and regulations and point out to others the procedures to be followed. Where necessary, investments are made to further improve the quality of the production process.

## Compliance

In addition to economic developments, (sudden) changes in laws and regulations, such as import regulatory measures, can have major consequences for Vreugdenhil's business activities. That is why Vreugdenhil does not only focus on a limited range of products and/or customers or specific regions, but we want to serve customers worldwide with high-quality products.

## Financial position

The main risks arising from the financial position are debtor (credit) risks, liquidity risks/cash flow risks and price risks as a result of currency fluctuations, interest rate changes and market conditions.

### Debtor (credit) risk

The credit risk is the risk of a loss that arises because a counterparty is unwilling or unable to meet its obligations towards Vreugdenhil. Credit analyses and credit management are applied within Vreugdenhil, with the degree of assessment depending on the size of the credit risk arising from a transaction. Vreugdenhil supplies its products to hundreds of customers in more than 130 countries worldwide. This means that the debtor risk, i.e., the risk that the debtor cannot meet its payment obligations towards Vreugdenhil, is spread.

Vreugdenhil is not dependent on one or only a limited number of customers. In addition, there is constant monitoring of outstanding receivables and there are adequate procedures in the field of debtor monitoring, including letters of credit, prepayments, bank guarantees and credit insurance limits.

### Liquidity risk/cash flow risks

A liquidity risk is the risk that Vreugdenhil would not be able to obtain the necessary financial resources to meet its obligations in time. To this end, Vreugdenhil regularly assesses the expected cash flows over a period of several months. These cash flows include operating cash flows, interest and debt repayments and replacement investments. The aim is to have sufficient cash available at all times to meet liquidity needs. Financing facilities have been agreed on with the banks in order to be able to meet our investment obligations. Agreements with the bank are monitored periodically. It also contributes to a strong liquidity management system and adequate liquidity planning. The financing agreement and the agreements made therein are sufficient to meet Vreugdenhil's financing needs.

### Market risk

Vreugdenhil is subject to the following potential market risks:

- Commodity price risk: the risk that the price of our products, the raw materials required for them, packaging materials and the energy required for production, will change as a result of fluctuations in commodity prices;

- Currency risk: the risk that the value of a financial instrument will change due to fluctuations in exchange rates;
- Interest rate risk: the risk that the value of a financial instrument changes as a result of fluctuations in market interest rates

Vreugdenhil hedges market risks with the purchase and sale of derivatives (futures, interest rate swaps, or fixed-price contracts). Vreugdenhil tries to limit the volatility in the profit and loss account by applying hedge accounting.

### Commodity price risk

With regard to purchasing, Vreugdenhil is sensitive to the effect of market fluctuations in the prices of various energy commodities, including but not limited to electricity, gas, emission rights and green certificates. Fixed (long-term) price agreements are made for part of the annual consumption.

### Currency risk

Vreugdenhil runs currency risk on purchases and sales, liquid assets and other balance sheet positions denominated in a currency other than the euro. The currency risks consist of transaction risks. This concerns risks with regard to future cash flows in foreign currency, as well as with regard to balance sheet positions in foreign currency. At year-end 2022, currency risks mainly arise from balance sheet positions in US dollars. These risks are hedged when possible. The majority of purchase and sales transactions take place in euros. For foreign currency transactions, Vreugdenhil applies a currency policy aimed at reducing currency risks by using currency forward transactions and currency swaps. The combination of both types of derivatives limits the currency risks. The currency positions are constantly monitored and open positions are hedged where necessary, because the estimate of the correct delivery time of the goods and the moment of collection of receivables remains subject to change.

Hedge accounting is applied to the valuation of the financial instruments used to manage currency risks, because Vreugdenhil's policy is aimed at the complete prevention of currency risks and because the effectiveness of this policy is sufficient.

### Interest rate risk

To manage the interest rate risk, Vreugdenhil has concluded an interest rate swap whereby the variable interest rate of a number of external financings has been largely swapped with a fixed interest rate. The swap agreement has a different term compared to the term of the financing, resulting in no optimal hedge. Hedge accounting is therefore not used for the combination of financing and interest rate derivatives. The negative value of the interest rate swap is therefore recognised under provisions.

### Continuity of the automation environment/cyber security

In this age of digitisation, the risk of failure of our automation environment - and therefore shutdown of our factories and offices - is increasing. Phishing emails, hacking, malware software, etc. demand up-to-date security systems. In addition, we train our employees through e-learning and workshops in recognising these risks and internal safety procedures have been geared to this.

### Market and competition

Vreugdenhil depends on market demand. External events can have a major impact on this risk. Vreugdenhil does a lot of business with oil exporting countries. The production-limiting measures, as taken by the OPEC countries, have a direct influence on the amount of foreign exchange that a country generates with which it can meet its payment obligations towards (foreign) suppliers. This also affects Vreugdenhil's turnover and result development. A euro that is or becomes stronger against the local currency only reinforces this effect. This risk is therefore closely monitored by Vreugdenhil. However, Vreugdenhil as an organisation has limited influence on the development of this risk. The dairy market depends on the global market. Over the past few years, we have seen large price fluctuations from all time high to all-time low and vice versa. The big question for buyers and sellers is: what does the current price say? Due to uncertainty about the market, neither sellers nor buyers conclude long-term contracts. It is often limited to delivery within two to three months.



### Fraud risk

We recognise potential fraud risks. This concerns possible fraud and/or theft of money and goods in the factories, external storage locations, during transport and at the head office. In the context of prevention, we use several control measures, including checks on technical segregation of duties, phased authorisations, balanced money/goods movements (mass balance), KPIs, codes of conduct, whistleblower schemes, screening of third parties, investments in the security of sites, buildings, etc. In addition, we apply a prudent personnel policy, an annual interview cycle and we expect our management to set an example. We have so many control measures in place around the invoice approval process and the payments of the invoices that we estimate the risk of fraud to be low.







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Closing words



# Closing words

This report on the results for 2022 has been compiled with great care and attention. As a company, we are proud of the steps we have taken and the results we achieve day in, day out.

A specific language is spoken in both the dairy sector and the subject of sustainability. Professional language, which is understood by the people in the trade. This report was primarily written for this target group. People with knowledge of dairy and sustainability. If you want to know more or want clarification on themes, please feel free to contact us.

Sustainability reports from previous years (2018, 2019, 2020 and 2021) are available online. If you would like to read it, or if you have any questions about this report, please contact us at [info@vreugdenhil.nl](mailto:info@vreugdenhil.nl).

Nijkerk, 28 June 2023

Jan Vreugdenhil, chairman  
Albert de Groot, CEO  
Arie Santinge, CFO







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# Attachments



# Glossary

- BREEAM: instrument for integrally measuring the sustainability of new buildings, existing buildings, areas and demolition projects.
- (Central) Works Council ((C)OR): A works council (OR) consists of employees who consult with the employer on behalf of the staff. Vreugdenhil Dairy Foods has a Works Council per location and a Central Works Council (COR) at company level.
- Cleaning in Place (CIP): Cleaning in Place is a technique whereby a production part (object) is cleaned automatically without the object or parts thereof having to be dismantled, moved or taken apart.
- Dairy Sustainability Framework: The Dairy Sustainability Framework (DSF) provides a global framework for a holistic approach to sustainability across the dairy value chain. Vreugdenhil and the Sustainable Dairy Chain are members of the Dairy Sustainability Framework.
- Due Diligence: Due diligence is a process whereby companies identify risks to people and the environment in their supply chains, prevent, address or stop these risks and communicate about them.
- EDA: The European Dairy Association is the trade association for the European dairy industry.
- Severity ratio of accidents with absence:  $(\text{total number of days of absence due to accident}) \times 1,000 / \text{total number of working hours}$
- Frequency ratio of lost time accidents:  $(\text{total number of lost time accidents}) \times 1,000,000 / \text{total number of working hours}$
- FNLI: The Federation of the Dutch Food Industry is the trade association for the Dutch food industry.
- Global Reporting Initiative (GRI); is the international standard for reporting on sustainability and corporate social responsibility.
- KalfOK score: the KalfOK score was developed on the initiative of LTO and NZO and gives farmers insight into the quality of young stock reared on the farm. Companies with a good score earn points in our sustainability program.
- KoeKompas: instrument for our dairy farmers to map animal welfare and health together with a vet. With a score on 7 components, the dairy farmer has starting points for improvements.
- Kringloopwijzer: The Kringloopwijzer gives dairy farmers insight into their environmental and climate performance, enabling them to manage the use of minerals even better. The calculation rules of this tool are scientifically substantiated.
- MMC: Mobile Milk Collection, the transport of milk between the dairy farmers and the dairy processing factories.
- NZO: the Dutch Dairy Organization is the branch organization for the Dutch dairy industry.
- ProTerra: certification for the production and use of sustainable, non-genetically modified soy according to the international organization ProTerra Foundation.
- Ready to Use Therapeutic Food (RUTF): Composite product with high energy and nutrient content for acutely malnourished children.
- (Non-) Renewable energy: Renewable energy is energy from natural sources that are constantly replenished. This is energy from wind, hydropower, sun, soil, outdoor air heat and biomass. Fossil energy and nuclear energy are non-renewable energy because they come from sources that are not replenished.
- RSPO: The Round Table on Sustainable Palm Oil is an organization that brings together stakeholders from 7 sectors of the palm oil industry to develop and implement global standards for sustainable palm oil.
  - Mass balance RSPO certified is palm oil from certified sources that is blended with regular palm oil throughout the supply chain
  - Segregated RSPO certified is palm oil from a single or several identifiable certified source(s) that is kept separate from regular palm oil throughout the supply chain.
- SAI (Sustainable Agriculture Initiative) Platform: International food and beverage value chain initiative for sustainable agriculture.
- Sedex: Data platform for creating sustainable companies and chains. Includes capabilities for storing, analyzing, sharing and reporting on sustainability activities and mapping and assessing sustainability risks.
- SDP (Sustainable Dairy Partnership) reporting hub: Online portal where progress on sustainable development among dairy farmers of dairy processors is shared with the chain. Developed by the Dairy Working Group within SAI Platform.
- SDGs: At the end of 2015, the UN adopted a new global sustainable development agenda for 2030. This agenda contains 17 Sustainable Development Goals (SDGs).
- SMETA: Sedex Members Ethical Trade Audit. An internationally recognized standard for working conditions.
- Skal: Skal is an independent organization for monitoring organic production in the Netherlands.
- Soy lecithin: the part of soy that is extracted from the fat fraction of soy and that Vreugdenhil uses to make milk powder dissolve better in water.

- Sustainability: way of doing business with an eye for people, planet and profit.
- Sustainability programme: title of our programme with which we want to encourage our dairy farmers to take improvement steps in the areas of the environment, animal welfare and animal health via a points system and accompanying premium.
- Sustainable Dairy Chain (DZK): an initiative in which the dairy industry and dairy farmers work together to make the Dutch dairy sector a global leader in the field of sustainability.
- VNO-NCW: VNO-NCW is an association of entrepreneurs, with sector organizations and companies as members. They represent companies of various sizes and across all sectors, such as listed companies, family businesses, small and medium-sized enterprises and young companies.
- Vreugdenhil Employment Conditions Regulation (AVR): Supplementary employment conditions to the Collective Labor Agreement Dairy for employees of Vreugdenhil Dairy Foods in salary groups 9 and higher.
- Waste water treatment plant (WWTP): Installation for the purification of waste water from organic and chemical waste.



# GRI-table

Vreugdenhil has reported the information cited in this GRI content index for the period 1 January 2022 - 31 December 2022 with reference to the GRI Standard 2021.

GRI STANDARD	DISCLOSURE (NL)	LOCATION	Page number
GRI 2: General Disclosures 2021	2-1 Organizational details	<a href="#">General / About Vreugdenhil</a>	6-7, 14-15
	2-2 Entities included in the organization's sustainability reporting	<a href="#">General / Principles</a>	17
	2-3 Reporting period, frequency and contact point	<a href="#">General / Principles</a> <a href="mailto:info@vreugdenhil.nl">info@vreugdenhil.nl</a>	17 53
	2-4 Restatements of information	n/a	
	2-6 Activities, value chain and other business relationships	<a href="#">General / About Vreugdenhil / Market position</a> <a href="#">Value chain</a> <a href="#">Value creation model</a>	6-8
	2-7 Employees	<a href="#">Social / Own workforce / Indicators for own workforce</a>	37
	2-8 Workers who are not employees	<a href="#">Social / Own workforce / Indicators for own workforce</a>	37
	2-9 Governance structure and composition	<a href="#">General / Governance</a>	14
	2-11 Chair of the highest governance body	<a href="#">General / Governance</a>	14
	2-12 Role of the highest governance body in overseeing the management of impacts	<a href="#">General / Governance</a>	14
	2-14 Role of the highest governance body in sustainability reporting	<a href="#">General / Principles</a>	17
	2-16 Communication of critical concerns	<a href="#">Social / Own workforce / 'Report your concerns' and confidential advisors</a>	36
	2-19 Remuneration policies	<a href="#">General / Governance / Remuneration policy</a>	15
	2-22 Statement on sustainable development strategy	<a href="#">Foreword by the board</a>	4
	2-23 Policy commitments	<a href="#">Social / Workers in the value chain / Supplier code</a>	38
	2-25 Processes to remediate negative impacts	<a href="#">Social / Workers in the value chain / Procurement of raw materials</a> <a href="#">Social / Affected communities / In the chain of our raw materials</a>	38-39 40
	2-27 Compliance with laws and regulations	<a href="#">Social / Workers in the value chain</a>	38-39

	2-28 Membership associations	<a href="#">General / About Vreugdenhil / Memberships and initiatives</a>	13
	2-29 Approach to stakeholder engagement	<a href="#">General / About Vreugdenhil / Stakeholder engagement</a>	9-12
	2-30 Collective bargaining agreements	<a href="#">Social / Own workforce / Indicators for own workforce</a>	37
<b>Material topics</b>			
GRI 3: Material Topics 2021	3-1 Process to determine material topics	<a href="#">General / Materiality assessment</a>	16-17
	3-2 List of material topics	<a href="#">General / Materiality assessment</a>	16
	3-3 Management of material topics	<a href="#">General / Materiality assessment</a> <a href="#">Environment/Social/Governance chapters per topic</a>	16-17
<b>Product Quality &amp; Food Safety</b>			
Own indicator	# product complaints per 1,000 ton product	<a href="#">Social / Consumers and end users</a>	41
<b>Emissions &amp; Energy Consumption</b>			
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	<a href="#">Environment / Climate change / Climate change indicators</a>	24
	305-2 Energy indirect (Scope 2) GHG emissions	<a href="#">Environment / Climate change / Climate change indicators</a>	24
<b>Customer Satisfaction</b>			
Own indicator	Customer complaints	<a href="#">Social / Consumers and end users</a> <a href="#">General / About Vreugdenhil / Stakeholder engagement / Customers</a>	41 11-12
<b>Good Employment Practices</b>			
Own indicator	Sickness absence	<a href="#">Social / Own workforce / Continued fitness and enjoyment on the job</a>	34-35
<b>Health &amp; Food</b>			
Own indicator	% products on African market enriched with one or more nutrients	<a href="#">Social / Consumers and end users / Combating malnutrition</a>	42



Responsible Dairy Farming			
Own indicator	Climate: CO <sub>2</sub> equivalent per kg of milk	<a href="#">Environment / Climate change / Dairy farm</a>	20-21
	Biodiversity: number of dairy farmers taking extra measures to increase biodiversity on their land	<a href="#">Environment / Biodiversity and ecosystems / Dairy farm</a>	28
	Purchasing of animal feed: % of high-risk raw materials with sustainability certification.	<a href="#">Environment / Biodiversity and ecosystems / Dairy farm</a>	28
	Animal welfare: % grazing and longevity of dairy cattle	<a href="#">Governance / Business Conduct</a>	45
Business Ethics & Integrity			
Own indicator	# cases of corruption and/or bribery	<a href="#">Governance / Business Conduct</a>	46
Sustainable Procurement			
Own indicator	% raw materials from sustainably managed sources so that the impact on the environment and communities is limited	<a href="#">Environment / Biodiversity and ecosystems / Procurement of raw materials</a> <a href="#">Social / Workers in the value chain / Procurement of raw materials</a>	28-29 38-39



# ESRS-table

Vreugdenhil has consulted the draft European Sustainability Reporting Standards of November 2022 in preparation for the upcoming CSRD legislation. This ESRS table shows where the components reported so far for the period January 1, 2022 - December 31, 2022 appear in this report. In the coming years, this information will be further expanded to fully comply with all requirements.

ESRS	Disclosure requirement	Location	Page number
<b>Basis for preparation</b>			
BP-1	General basis for preparation of the sustainability statements	<a href="#">General / Principles</a>	17
BP-2	Disclosures in relation to specific circumstances	n/a	
<b>Governance</b>			
GOV-1	The role of the administrative, management and supervisory bodies	<a href="#">General / Governance</a>	14-15
GOV-2	Information provided to and sustainability matters addressed by the undertaking's administrative, management and supervisory bodies	<a href="#">General / Governance</a>	14-15
GOV-3	Integration of sustainability-related performance in incentive schemes	<a href="#">General / Governance / Remuneration policy</a>	15
GOV-4	Statement on sustainability due diligence	Will follow in 2023	
GOV-5	Risk management and internal controls over sustainability reporting	<a href="#">Financial / Risk management</a>	49-51
<b>Strategy</b>			
SBM-1	Market position, strategy, business model(s) and value chains	<a href="#">General / About Vreugdenhil</a>	6-8
SBM-2	Interests and views of stakeholders	<a href="#">General / About Vreugdenhil / Stakeholder engagement</a>	9-12
SBM-3	Material impacts, risks and opportunities and their interaction with strategy and business model(s)	<a href="#">General / Materiality assessment</a>	16-17



**Impact, risk and opportunity management**

IRO-1	Description of the processes to identify and assess material impacts, risks and opportunities	<a href="#">General / Materiality assessment</a>	16-17
IRO-2	Disclosure Requirements in ESRS covered by the undertaking's sustainability statements	<a href="#">Attachments / ESRS table</a>	60-63
CCR-1	Policies adopted to manage material sustainability matters	Will follow in 2023	
CCR-2	Actions and resources in relation to material sustainability matters	Will follow in 2023	

**Metrics and targets**

CCR-3	Tracking effectiveness of policies and actions through targets	Will follow in 2023
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ESRS	Topic	Subtopic	Location	Page number
<b>Environment</b>				
E1	Climate change	Energy GHG emissions Climate-related financial effects	<a href="#">Environment / Climate Change</a>	19-24
E2	Pollution	Pollution of air Pollution of water Pollution of soil Pollution of living organisms and food resources Substances of concern	<a href="#">Environment / Pollution</a>	25-26
E3	Water & marine resources	Water withdrawals Water consumption Water use Water discharges in water bodies and in the oceans Habitat degradation and intensity of pressure on marine resources	<a href="#">Environment / Water</a>	27
E4	Biodiversity & ecosystems	Direct impact drivers of biodiversity loss (Climate Change • Land-use change • Direct exploitation • Invasive alien species • Pollution • Others) Impact on the state of species Impacts on the extent and condition of ecosystems Impacts and dependencies on ecosystem services	<a href="#">Environment / Biodiversity and ecosystems</a>	28-29

E5	Circular economy	Depletion of non-renewable resources Regeneration of renewable resources Circular business models Waste	<a href="#">Environment / Use of raw materials and circular economy</a>	30 -32
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**Social**

S1	Own workforce	Working conditions (Secure employment • Working time • Adequate wages • Social dialogue • Freedom of association • Existence of work councils • Collective bargaining, including rate of workers covered by collective agreements • The information, consultation and participation rights of workers • Work-life balance • Health and safety)	<a href="#">Social / Own workforce</a>	34-37
S1	Own workforce	Equal treatment and opportunities for all (Gender equality and equal pay for work of equal value • Training and skills development • Employment and inclusion of persons with disabilities • Measures against violence and harrassment in the workplace Diversity)	<a href="#">Social / Own workforce</a>	34-37
S1	Own workforce	Human rights, fundamental freedoms, democratic principles (Child labour • Forced labour)	<a href="#">Social / Own workforce</a>	34-37
S2	Workers in the value chain	Working conditions (Secure employment • Working time • Adequate wages • Social dialogue • Freedom of association • Existence of work councils • Collective bargaining, including rate of workers covered by collective agreements) • The information, consultation and participation rights of workers • Work-life balance • Health and safety	<a href="#">Social / Workers in the value chain</a>	38-39
S2	Workers in the value chain	Equal treatment and opportunities for all (Gender equality and equal pay for work of equal value • Non-discrimination • Training and skills development Equality in pay • Employment and inclusion of persons with disabilities • Measures against violence and harrassment in the workplace)	<a href="#">Social / Workers in the value chain</a>	38-39
S2	Workers in the value chain	Human rights, fundamental freedoms, democratic principles (Child labour • Forced labour)	<a href="#">Social / Workers in the value chain</a>	38-39
S3	Affected communities	Communities' economic, social and cultural rights (Adequate housing • Adequate food • Water and sanitation • Land-related impacts • Security-related impacts)	<a href="#">Social / Affected communities</a>	40



S3	Affected communities	Communities' civil and political rights (Freedom of expression • Freedom of assembly • Impacts on human rights defenders)	<a href="#">Social / Affected communities</a>	40
S3	Affected communities	Rights of indigenous communities (Free, prior and informed consent • Self-determination)	<a href="#">Social / Affected communities</a>	40
S4	Consumers and end users	Information-related impacts (Privacy • Freedom of expression • Access to information • Marketing practices • Quality of information • Complaints management)	<a href="#">Social / Consumers and end users</a>	41-43
S4	Consumers and end users	Personal safety of consumers and end-users (Health and safety • Security of a person • Protection of children)	<a href="#">Social / Consumers and end users</a>	41-43
S4	Consumers and end users	Social inclusion of consumers and end-users (Non-discrimination • Access to products and services)	<a href="#">Social / Consumers and end users</a>	41-43
<b>Governance</b>				
G1	Business conduct	Protection of whistle-blowers Corporate culture Animal welfare Political engagement and lobbying activities Management of relationships with suppliers including payment practices	<a href="#">Governance / Business conduct</a>	45-46
G1	Business conduct	Corruption and bribery (Prevention and detection including training • Incidents)	<a href="#">Governance / Business conduct</a>	45-46