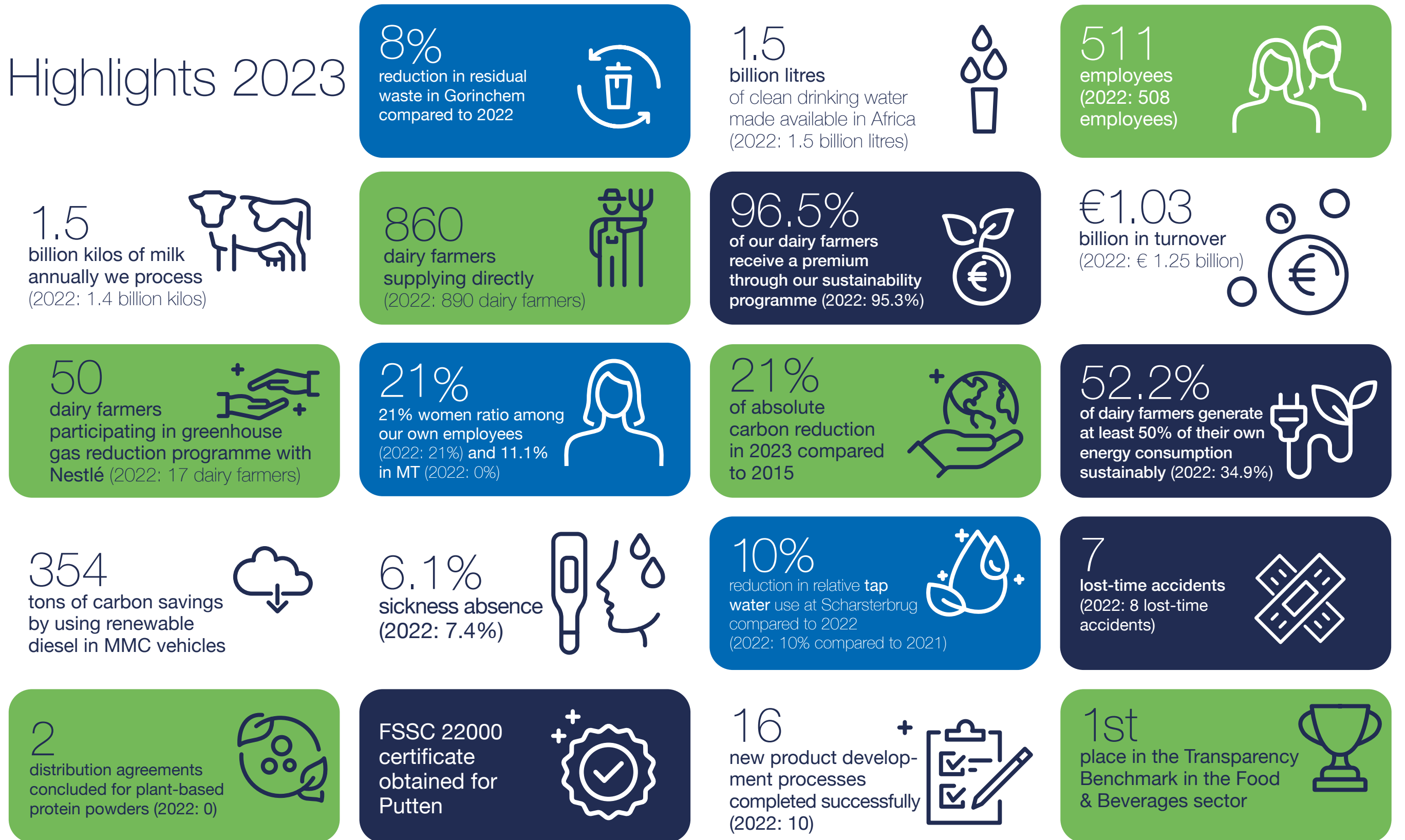




Directors' Report 2023

# Care for tomorrow

# Highlights 2023





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# Foreword by the board

We are pleased to present the 2023 directors' report. This report highlights a year in which we continued our sustainable growth and innovations, despite numerous global challenges. The directors' report contains both our social and financial report. Last year, in preparation for the mandatory European CSRD report for 2025, we performed a double materiality assessment. This enables us, as a company, to be at the forefront of our ambitions and to meet and exceed the wishes of our stakeholders. We look forward to further refining and optimising our strategy in the coming year.



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

## Collaboration in the chain

In this rapidly changing world, in which the call for sustainable food production is becoming increasingly louder, we are committed to further improving our processes and strengthening our production chain. We did this through close collaborations with our dedicated dairy farmers, suppliers, chain partners, employees and customers, all of whom play a vital role in our success in delivering high-quality and nutrient-rich powders. For example, we have worked together with Nestlé and participating dairy farmers to improve soil and water quality, promote biodiversity and optimise the revenue model of dairy farmers within the Low carbon farming programme. In 2022, the programme started with 17 participants and last year the programme was scaled up to no fewer than 50 dairy farmers. Our goal for 2030 is to reduce greenhouse gas emissions by 50% compared to 2018 levels, while annually increasing the number of participants to ultimately 267 livestock farmers.

## Increased value creation

Dairy fits into a healthy diet and makes an important contribution to the intake of many proteins, vitamins, fats and minerals. It is healthy for both young and old people. Thanks to the high-quality milk from our livestock farmers, we make the benefits of milk available to people in more than 130 countries, through our four production sites. As a powder producer, this makes us extremely relevant for people who do not have access to fresh dairy. The demand for nutritious dairy products is rising due to the growth of the world population. Yet at the same time, the global supply of milk is growing less quickly than demand. That is why we are placing increasing emphasis on the nutritional and functional properties of our powders and products of added value. Milk is and remains our most important raw material, but we enrich our range with plant-based raw materials and so-called hybrid products. This way we can continue to offer a complete product portfolio in the future that meets the demands and needs of our customers.

## Volatile market

Vreugdenhil Dairy Foods operates in an uncertain, complex and volatile market context. Financially, it was a difficult year. Despite the lower prices for energy and other costs, sales prices fell at a faster pace. The extremely high prices of 2022 led to a significant drop in demand, especially in the field of consumer products. This forced us to sell more in segments that are less attractive. These developments led to a loss in the first six months of the year, which then stabilised in the latter part, ultimately resulting in

a loss for the entire year. Day in, day out, we have committed ourselves to products of unmistakable top quality. We strongly believe that we must excel as a company for all our dairy farmers and customers.

## Sustainability and recognition

Vreugdenhil continues to work on increasing its impact unabatedly. We are proud of our progress in improving our efficiency and the investments we are making in reducing our energy consumption. We are also improving our policy on environmental, social and governance themes. Last year this led to two great recognitions. For the third consecutive year, we were awarded the silver medal following an independent evaluation of our sustainability performance by EcoVadis. In 2023, Vreugdenhil took first place in the 'Food and Beverages' sector of the national Transparency Benchmark. In the general ranking, which includes the 500 largest Dutch companies, Vreugdenhil climbed to 38th place. This shows that we are making some good progress in transparent reporting.

## Acknowledgement

We look forward with determination to maintain and expand our global leadership position in the dairy industry. Innovation remains central to this, and we continue to invest in new technologies and improvements that benefit us as well as our partners and customers. We would like to thank our dairy farmers, employees, customers and other stakeholders for their continued confidence in our company. Together we make a difference for millions of consumers, both today and tomorrow: Care for tomorrow.

On behalf of the Executive Board of Vreugdenhil Dairy Foods,  
Jan Vreugdenhil, Chairman  
Arie Santinge, Chief Financial Officer (CFO)  
Albert de Groot, Chief Executive Officer (CEO)





# General information

Care for tomorrow



# About Vreugdenhil

### Market position

Vreugdenhil Dairy Foods is a Dutch family business founded in 1954. We specialise in nutritional and functional powders, mainly based on dairy products. At our four production sites, we process one and a half billion kilos of milk into tasty, nutritious ingredients each year. Vreugdenhil operates in the worldwide playing field of nutritional and functional powders. We produce powders in different compositions and packaging, based on three main categories: Consumer Dairy, Industrial Dairy and Specialised Nutrition.

We believe in the importance of dairy as part of a healthy diet for young and old. Our products are exported across the globe, including by our European multinational customers, so that people in more than 130 countries can enjoy all the benefits and flavour dairy has to offer. Milk powder for consumer use is supplied mainly to Africa and the Middle East, ingredients for the food industry are often used in Europe and milk powder for specific applications tends to find its way to Asia. Vreugdenhil's high quality standards and the wishes of our customers ensure that national legislation is amply met, while responding to regional nutritional needs.

### Our three main categories:



**Consumer Dairy** (hereinafter referred to as: Milk powder for consumer use): Consumers worldwide use our Dutch milk powder for a delicious glass of milk, for making yoghurt, for their coffee and tea or as a basis for preparing a meal. Dairy is healthy, nutritious and tasty. Besides, our powder has a long shelf life and is very soluble in both hot and cold water.

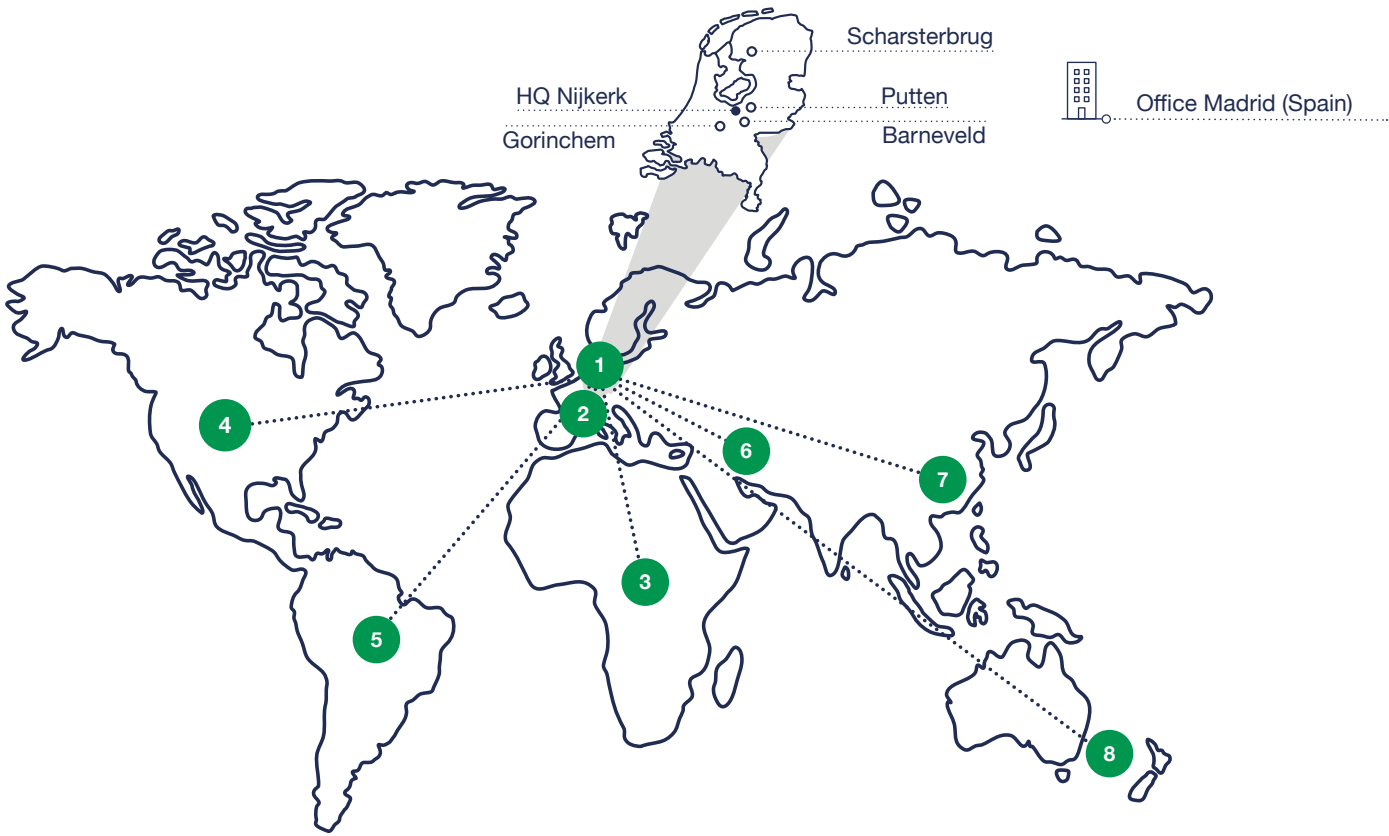


**Industrial Dairy** (hereinafter referred to as: Food industry ingredients): We produce tasty dairy ingredients for the global food industry, such as ice cream, yoghurt, biscuits and chocolate makers. With different types of powders and recipes, we fulfil the wishes and applications of the customer.

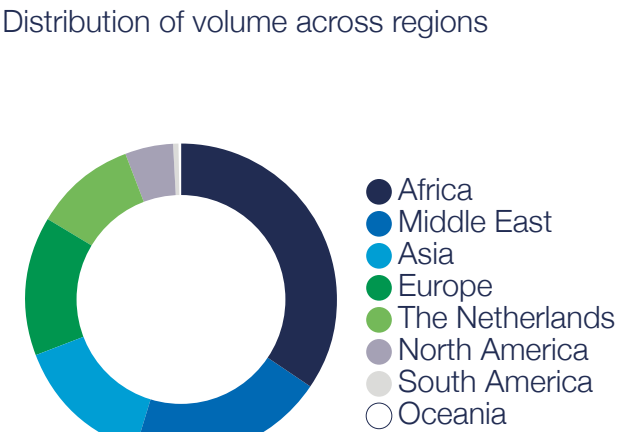
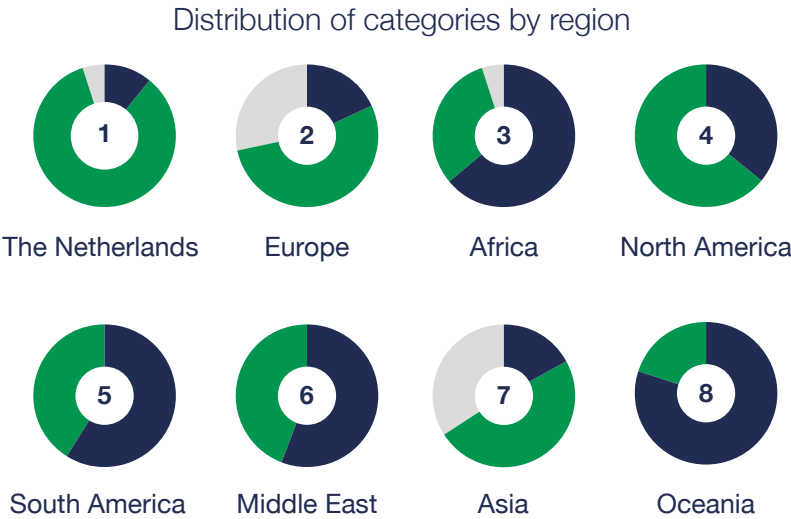


**Specialised Nutrition** (hereinafter referred to as: Specific applications): We produce high-end powders with strict specifications for use in special products or for special uses. For example, for feeding children (Early Life Nutrition) and people with vulnerable health (Therapeutic Food and Medical Nutrition), improving sports performance (Performance Nutrition) and responding to the increasing demand for plant-based products by offering hybrid or non-dairy powders.

Our locations



Global export



The volumes in the infographic above are based on the region of final destination, not the region of Vreugdenhil's direct customer



Marathon '25

Within the playing field of nutritional and functional powders, we want to be seen as specialists in powders and as preferred supplier for our customers. In 2022, we conducted a customer survey, in which 75% of our customers indicated that we are already the preferred supplier for them. We are therefore well on our way to our ambition. We will conduct this survey again in 2024. To achieve our ambition, we have set out the strategy under the name Marathon '25.

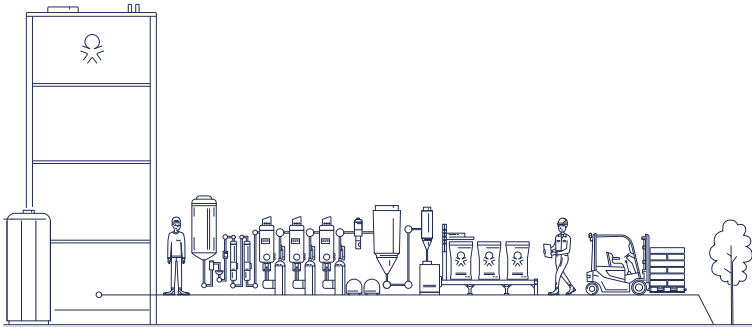
We strive to be the most sustainable powder producer in the world and with this strategy, we are further preparing for the future. The foundation is formed by three focus areas: Climate Neutral, Great Place to Work and Responsible value chain. Based on this foundation, eight strategic initiatives were formulated for 2023.

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 and seek collaboration in our chain.

Strategic initiatives:

- Low carbon farming: Reducing greenhouse gas emissions at dairy farmers;
- 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 in 2050.



Sustainability is integrated with the objectives of the strategic initiatives. 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 and approve the approach and goals. The strategic initiatives are discussed in various sections of this report.

Great place to work

Here at Vreugdenhil, we are convinced that the best performance and creativity are produced in a safe and pleasant working environment. That is why we strive to be a workplace where our employees enjoy working, in good health and a physically and socially safe environment. We treat everyone with respect and create an inclusive environment where everyone can be themselves. We believe in continuous personal and professional growth, both for our employees and for the company. Together we build a successful future in which everyone can excel.

Strategic initiative:

- 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.



Responsible value chain

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

Strategic initiatives:

- Sourcing plan : Identifying purchasing risks and ensuring continuous supply of critical raw materials, packaging materials and auxiliary materials;
- Customer and product portfolio: Connecting customers, markets and products by adding as much value as possible;
- Innovation: Making tomorrow's milk powder today with new methods, better properties and more efficient processes;
- 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;
- Plant-based : We develop plant-based powders to respond to the increasing demand for dairy alternatives. We achieve this with our expertise in spray drying, experience in the applications of powders and access to the market.



## Value chain

Healthy food contributes to the quality of life and dairy is an important part of this. Millions of people around the world enjoy Vreugdenhil's dairy and dairy ingredients every day. Our nutritious milk powders not only fit well into a healthy diet, they are also tasty and made from fresh milk. With the Customer and Product Portfolio, Innovation and Plant-Based Strategic Initiatives, we are constantly looking for new ways to offer added value to our stakeholders.

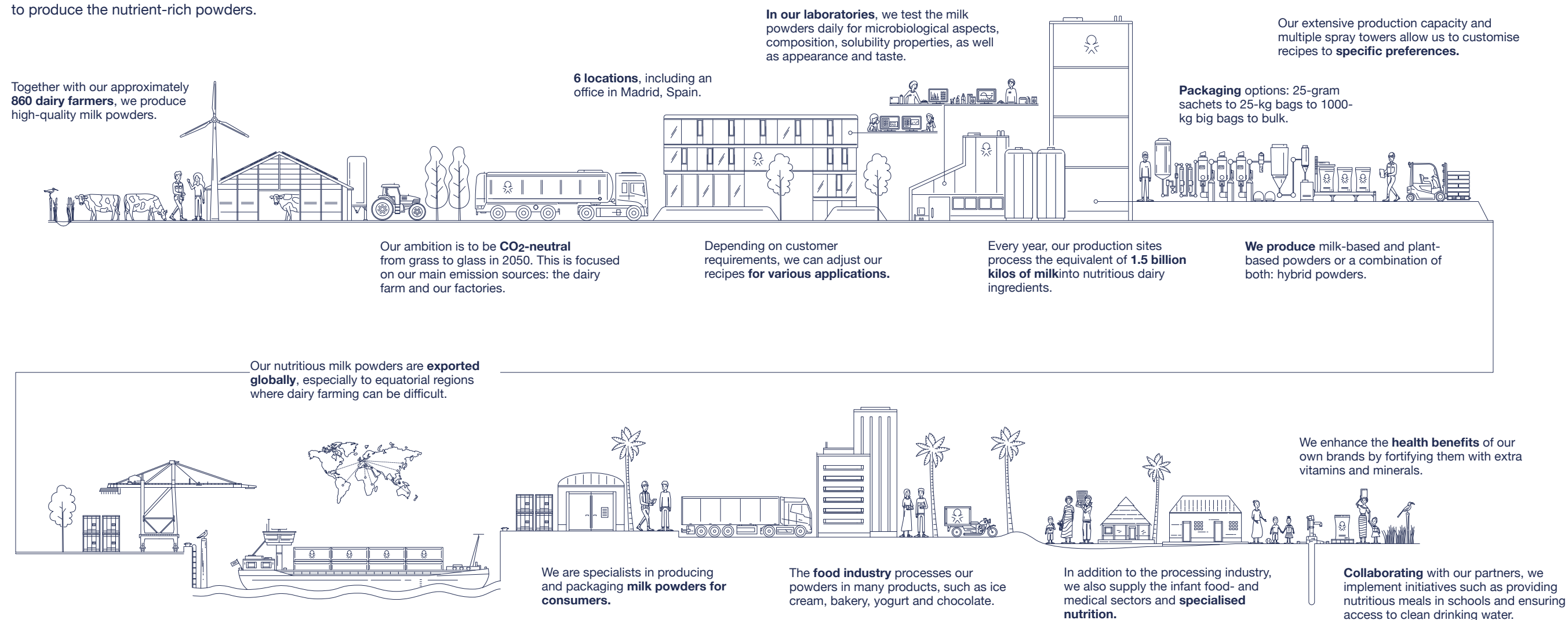
Dutch cows provide us with high-quality milk 365 days a year for the production of consumer milk powders and ingredients. Vreugdenhil controls the entire value chain from grass to glass. With the Low-Carbon Farming and Sourcing Plan strategic initiatives, we ensure security of supply, now and in the future. The figure below shows the steps we take together within the value chain to produce our nutritious products.

## Value creation model

Today we supply the powders of tomorrow. We do this using our high-quality raw materials, based on years of experience in the dairy sector and with knowledge of our customers and the market. We are 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 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 developing new products to meet changing customer demand. Sustainability is a daily part of our work, because we believe that taking good care of each other and the planet is the right thing to do. Every day; Care for tomorrow.

This value chain shows all the steps we take together to produce the nutrient-rich powders.







### 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 2023, we consulted various stakeholders in the chain about our strategy, from dairy farmers to the customer.

#### Dairy farmers

The high-quality 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, food safety and sustainability and we are eager to contribute to further innovation within the sector.

Our positive and personal relationship with the dairy farmers is and remains of great importance. Our district advisors strive to visit individual dairy farmers at least once a year. In addition, a member of the team is available for emergencies 24 hours a day. Each year, we organise supplier meetings where we meet and discuss the strategy and developments within Vreugdenhil, among other things. The active and open relationship that we have with our dairy farmers allows them to raise any problems within the sector and/or seize opportunities. In addition, it enables us to support our dairy farmers through, for example, knowledge development, lobbying and incentive schemes. We also held our quality meetings again in the summer. These are two meetings during which our high-quality

performers are put in the spotlight for their achievements. The meetings involved a round trip of our factories (one in Gorinchem and one in Scharsterbrug). They were attended by a total of 180 people. In addition to the individual visits, the quality meetings and the extensive supplier meetings (700 attendees), there are five sounding board groups with dairy farmers and two supplier associations. 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, derogation and nitrogen, but also animal welfare and the bluetongue virus, 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 programme 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](#).
- We reward our dairy farmers, nearly 860 of them, through an incentive to encourage better sustainability performance. The subjects in our sustainability programme contribute to the goals of DZK and thus to make the dairy sector more sustainable. The sustainability programme is divided into 11 themes and dairy farmers can earn 12 points in total. If a dairy farmer earns a minimum of 5 points, they are rewarded € 0.05/100kg of milk for each point. If all 12 points are achieved, the reward increases to € 0.60/100 kg of milk. In 2023, a total of 96.5% of dairy farmers were granted such a sustainability premium, compared to

95.3% in 2022. 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 KringloopWijzer™, KoeMonitor and the KalfOK score, dairy farmers gain insight into where they stand in terms of the cycle at the farm and animal welfare. In addition, we reward full outdoor grazing by awarding an outdoor grazing premium of € 1.50/100 kg of milk. Our district advisors are available to assist dairy farmers with questions about these premiums. Each year, we monitor developments and evaluate the programme together with dairy farmers.

- As part of a collaboration between Vreugdenhil and Nestlé, among others, 50 dairy farmers are now working on greenhouse gas reduction in the Low carbon farming programme. This group spent four days reflecting on the activities carried out, sharing knowledge and looking ahead to future activities. The ambition is to increase the number of dairy farmers participating in this initiative every year.

The maximum milk price paid to the dairy farmer during the year 2023 fell by about 10 cents per kg of milk compared to 2022. As a result, the average maximum milk price for 2023 was € 46.04 / 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 of the Executive Board also have regular contact with the dairy farmers.

Through our sustainability program, dairy farmers can receive a reward for their efforts. In 2023, 96.5% of dairy farmers will receive a sustainability premium

SDG 12 Ensuring sustainable consumption and production patterns.

Doel 12.2 Realising sustainable management and efficient use of natural resources by 2030.

Through collaborations with our dairy farmers and suppliers in the field of the quality and sustainability of our raw materials, Vreugdenhil can contribute to the management of natural resources.



## Suppliers

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

Our buyers are in regular contact with our suppliers. Sustainability and collaboration in various areas are playing an increasingly prominent role in supplier discussions 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 a successful company. Employee representatives are present at each site in the works council and for the group as a whole in the central works council. Consultations between the central works council and (a representative on behalf of) the Executive Board of Vreugdenhil Dairy Foods are held four times a year; the HR Director usually also attends. A representative from the Supervisory Board attends twice a year. Employees can express their wishes and concerns through these representatives. In addition, we conduct regular employee satisfaction surveys and preventive medical examinations. Within this context, we encourage sports and exercise among our employees as much as possible, for example by sponsoring the marathon skating team and organising sports clinics.

Our employees can also join trade unions. Trade association NZO regularly consults with the trade unions, both during collective labour agreement negotiations and in the interim. The HR Director joins on behalf of Vreugdenhil as a representative of employers and discussion partner.

The Executive Board, together with the MT, is responsible for determining the strategy. A number of employees were involved in this process as well. A larger group of over 50 employees, the so-called ambassadors, is involved in the specification and implementation of the strategic initiatives. The progress of sustainability themes is communicated through various channels, such as Intranet (Vreugdenhil Plek) and Narrowcasting.

Health, social and physical safety are important themes, in addition to job satisfaction. 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 through an [internal and external confidential advisor](#). They can also use the 'Report Your Concerns' functionality on the website to report, anonymously if needed, matters that could be regarded as undesirable or potentially suspicious.

The well-being of employees and safety in the factories is the responsibility of all employees. This is overseen at group level by the HR director and the COO respectively.

## Customers

Our customers are of course important stakeholders. Within the consumer products category, these are mainly brand owners, traders and repacking businesses who repackage locally in smaller packages. The ingredients for the food industry mainly find their way to producers of dairy products, bakery products, confectionery, chocolate and ice cream. Ingredients for specific applications are shipped to customers who, for example, make infant nutrition, sports nutrition or medical nutrition. We like to maintain close contact with them on various topics. Our sales and export managers are in regular consultations with them about their needs, for example, with regard to product specifications and sustainability objectives. Our goal is to set up more sustainability projects, such as Low carbon farming, 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 some good progress in these areas. The explanation and results of this can be read elsewhere in this report.

As mentioned earlier, our ambition is clear: being the preferred supplier for our customers. In 2022, we conducted a customer survey with an independent international research agency. The survey was aimed at gaining 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 who thinks in terms of solutions and is honest and transparent. In addition, customers indicate that we are flexible and offer good service. No less than 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. Despite that high appreciation, we still see opportunities in further improving innovation and sustainability, and in communicating about these topics. We set goals and measure whether we have achieved them with a follow-up survey in 2024. We started working with the results in 2023. For example, by organising customer communication training for all employees involved in direct customer contact, which training will be rolled out in 2024. In 2023, we actively approached customers about whether we can start sustainability projects together. This resulted in five concrete discussions, focused on reducing greenhouse gases in dairy farming and providing insight into and reducing the product's carbon footprint. We aim to further develop these opportunities 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. Here 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, enabling us to inform customers about sustainability progress through a single uniform portal. This prevents sending individual questionnaires.

We want to be a place where our more than 500 employees enjoy working, in good health and in a physically and socially safe environment.



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

On behalf of the MT, the Commercial Director is responsible for all customer contact, putting our sustainability goals on the agenda and initiating joint projects with customers.

### 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. In 2023, we participated in a training course on the Corporate Sustainability Reporting Directive to exchange experiences and gain knowledge. In addition, various sustainability topics were discussed in the networks. These topics will remain important in 2024, we will continue these discussions and actively participate in various networks.

### Sector organisations

We are a member of industry associations for dairy in the Netherlands, such as the Dutch Dairy Association (NZO) and the Joint Dairy Secretariat Association (GemZu) and, in Europe, the European Dairy Association (EDA). Due to the chairmanship of our CEO at NZO, we are closely involved in all activities. 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 2023, we took part in NZO's Energy and Environment Working Group, among other things. 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 keeps abreast of all developments that are of great importance to us in order to realise our ambitions. 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.

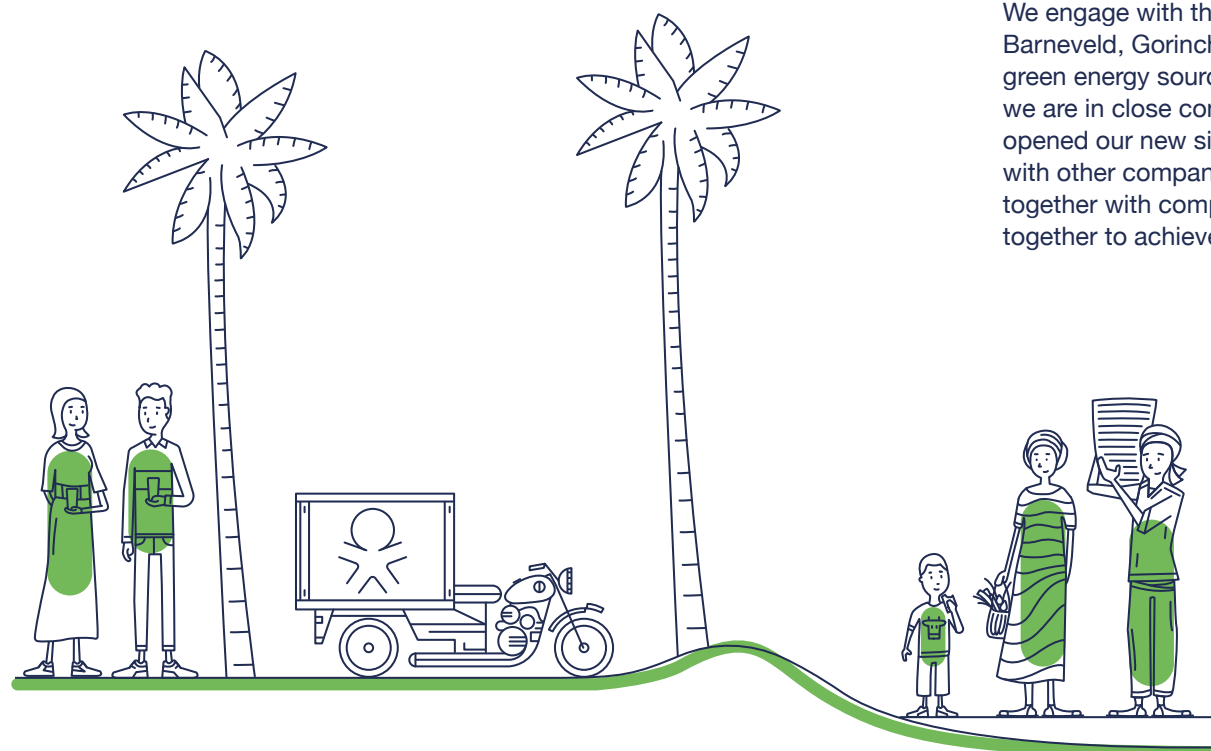
### Public authorities

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 also 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

We have independent parties assess our sustainability performance:

- In 2023, 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 220 sectors and 180 countries. In early 2024, we received the EcoVadis Silver Award. De EcoVadis Silver Award is awarded to the top 15% of all scores published by EcoVadis. In fact, Vreugdenhil's score puts us among the top 6%. This score reflects the quality of our CSR management system. We use the results to identify and implement further improvements.
- Since 2016, our branches in Gorinchem and Scharsterbrug have undergone regular audits according to SMETA (Sedex Members Ethical Trade Audit) 4 pillar. SMETA, an internationally recognised standard for working conditions, the environment and business ethics, builds on existing standards, including the internationally recognised Ethical Trading Initiative (ETI) code of conduct. With a three-year cycle of SMETA audits, we implement improvements based on the findings. We successfully completed the last audit in 2022 and the next audit is scheduled to take place in 2025.
- Various aspects of our sustainability programme for dairy farmers are carefully monitored by recognised bodies. Vreugdenhil has certified its dairy farmers and milk transport according to the Stichting Weidegang quality mark. Qlip carries out checks on outdoor grazing and sustainable stables, while the Animal Health Service (Royal GD) guarantees the absence of the animal diseases IBR (Infectious Bovine Rhinotracheitis) and BVD (Bovine Virus Diarrhoea). The CRV (Cattle Improvement Cooperative) monitors the average lifespan per dairy farmer. Furthermore, our organic livestock farmers and our production sites in Gorinchem and Putten are certified organic according to Skal.
- All our production sites are certified in accordance with the internationally recognised food safety standard FSSC 22000.
- Our production sites in Barneveld and Scharsterbrug, as well as the head office in Nijkerk, are certified according to the internationally recognised standard for occupational health and safety, ISO45001.
- The 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. In 2023, Gorinchem was also OU Kosher certified and Putten has started with Passover and Badatz Kosher.



Our customer survey showed that the quality of our products, the service and the relationship with the customer are highly valued.



- The Dutch government uses the Transparency Benchmark to assess the degree of openness in corporate social reporting. This ranking takes place every two years and, at the last measurement in 2023 (for the year 2022), we rose from place 44 to 38 among the 685 largest companies in the Netherlands. In the Food & Beverages sector, our position even rose from 6th to 1st place among the 62 companies assessed. We are proud to be first in our sector. This result reflects our commitment to transparency and responsible reporting on our social impact.

These certifications underline our commitment to high-quality manufacturing processes and ethical standards. Right now, our sustainability objectives are not yet audited. We will do this starting from the 2025 financial year, in line with the CSRD.

17
PARTNERSHIPS  
FOR THE GOALS


**SDG 17: Strengthening means of implementation and revitalising global partnerships for sustainable development.**

**Doel 17.17: Encouraging and promoting effective public, public-private and social partnerships, building on the experience and network of partnerships.**

Vreugdenhil works to accelerate sustainable development in the dairy chain by actively seeking collaboration with chain parties, social organisations, governments and network organisations.

- ### 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)
  - Fascinating
  - FBNet (Stichting Familiebedrijven Nederland)
  - 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)
  - The Protein Community
  - 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 so-called two-tier model.

## Board of Directors

The Executive Board (also referred to as 'the board') consists of three persons. The board is collectively responsible for managing the company. The board consists of Jan Vreugdenhil (chairman), Albert de Groot (CEO) and Arie Santinge (CFO). All three are executive directors. The first two were granted the title of director and are registered as directors with the Chamber of Commerce.

### Board of Directors



**Jan Vreugdenhil**  
Chairman  
Aged 45, male

More than 20 years of experience  
3<sup>rd</sup> generation in the family business  
GemZu Board



**Arie Santinge**  
Chief Financial Officer (CFO)  
Aged 61, male

Nearly 40 years of experience, of which more than 10 years in dairy  
NBA registered accountant



**Albert de Groot**  
Chief Executive Officer (CEO)  
Aged 55, male

More than 30 years of experience  
Chairman of the Dutch Dairy Organisation (NZO),  
general Board Member of VNO-NCW  
Vice-President of the European Dairy Association (EDA)

The Executive Board must consist of at least one person. Directors are appointed by the General Meeting of Shareholders (Article 272, Book 2 of the Dutch Civil Code does not apply), which also determines the number of directors. A director can also be suspended by the General Meeting of Shareholders.

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 were part of this in 2023: Commercial Director Gerben van Schaik (Commerce), COO Erik Petter (Supply Chain/Operations), HR Director Gerrit Jan van Schaik (Human Resources/Communications), QA Director Sicco Roukema (Quality Assurance/Sustainability), Business Development Director Patrick Besten and Milk Supply Director Marjolein de Kreij. Roger van der Meer joined the Management Team as IT Director on 1 December 2023.

The full Management Team meets approx. once a month and once a week in an operational setting. The Operational Management Team (OMT) consists of supply chain/operations, commerce, business development, finance, and (periodically) the CEO; other MT members or officials can join in depending on the topic. Responsibility for achieving our sustainability goals within the strategic initiatives rests with the Management Team (MT). Once a quarter, the realisation of the strategic objectives is discussed within the MT and actions are taken where necessary. Jan Vreugdenhil attends this meeting as well.

The Sustainability Manager coordinates the determination and realisation of the goals. In 2020, we set up the Sustainability Steering Group. Participants in this are the COO, CFO, HR Director, QA Director, Milk Supply Director and Sustainability Manager. They meet at least quarterly. In 2023, the Sustainability Steering Group met on five occasions. During these consultations, various new and upcoming legislation was discussed, including the Corporate Sustainability Reporting Directive. In addition, the steering group discusses strategic issues to determine the way forward, such as options for green gas, renewable diesel, developments within the [Low carbon farming programme](#) and regenerative agriculture. Since 2023, progress on the

sustainability goals is being discussed each quarter within 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. Since 7 October 2021, there has been a three-member Supervisory

## 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 Matthijsse.

### Supervisory Board



**Arnout Traas**  
Voorzitter  
Aged 65, male

NBA registered accountant  
Experience: CFO listed, internationally operating animal feed company  
Current: Supervisory Director at Heijmans stock exchange fund and ABAB accountants and advisors.



**Geert van Iwaarden**  
Aged 57, male

Registered Controller  
2023: CFO at a family brewery  
From 2024: CFO at an international caterer



**José Matthijsse**  
Aged 52, female

President & General Manager Europe at a 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 the employer of the directors of Vreugdenhil Holding B.V., supervises the Executive Board and provides the Executive Board with solicited and unsolicited advice. 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 provides two committees: the Audit Committee (supervises in particular the risk management and control systems, 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 Supervisory Board consists of at least 3 people. New members are appointed by the General Meeting of Shareholders on the recommendation of the Supervisory Board.

The Executive Board has periodic consultations with the Supervisory Board, which are regularly attended by MT members. This amounts to about six to eight meetings per year. Each year, various topics are raised regarding sustainability, continuity and the company's financial affairs. Discussions include:

- Climate change and the energy transition;
- Nitrogen, the role of dairy farming and the impact on the milk supply;
- Diversity of employees;
- The strategy, strategy progress and strategy adjustment plus quarterly results
- Enterprise risk management
- Investment plan/budget, (operating) budget and cash flow forecast
- The annual accounts (audit) and the management letter, which includes the auditor.

The quarterly reports, as discussed in the MT and with Jan Vreugdenhil, and the applicable KPIs are shared with the members of the Supervisory Board on a quarterly basis.

### 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. On 1 January 2023, the ratio of women in the MT was 12.5%, but with the arrival of the new IT Director, this will be 11.1% on 1 December 2023. 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 scheme

Vreugdenhil operates a profit-sharing scheme for employees who qualify under Vreugdenhil's terms and conditions of employment. This means that a profit distribution of a fixed percentage of the salary will be awarded, provided the companies' (financial) success so permits. Note that this decision is not linked to progress on the strategy and sustainability objectives. The strategy and associated goals are periodically discussed in the MT meeting. The strategy is reviewed and refined at least once a year, partly on the basis of the results of talks with stakeholders.



### SDG 5: Achieving gender equality and empowerment for all women and girls.

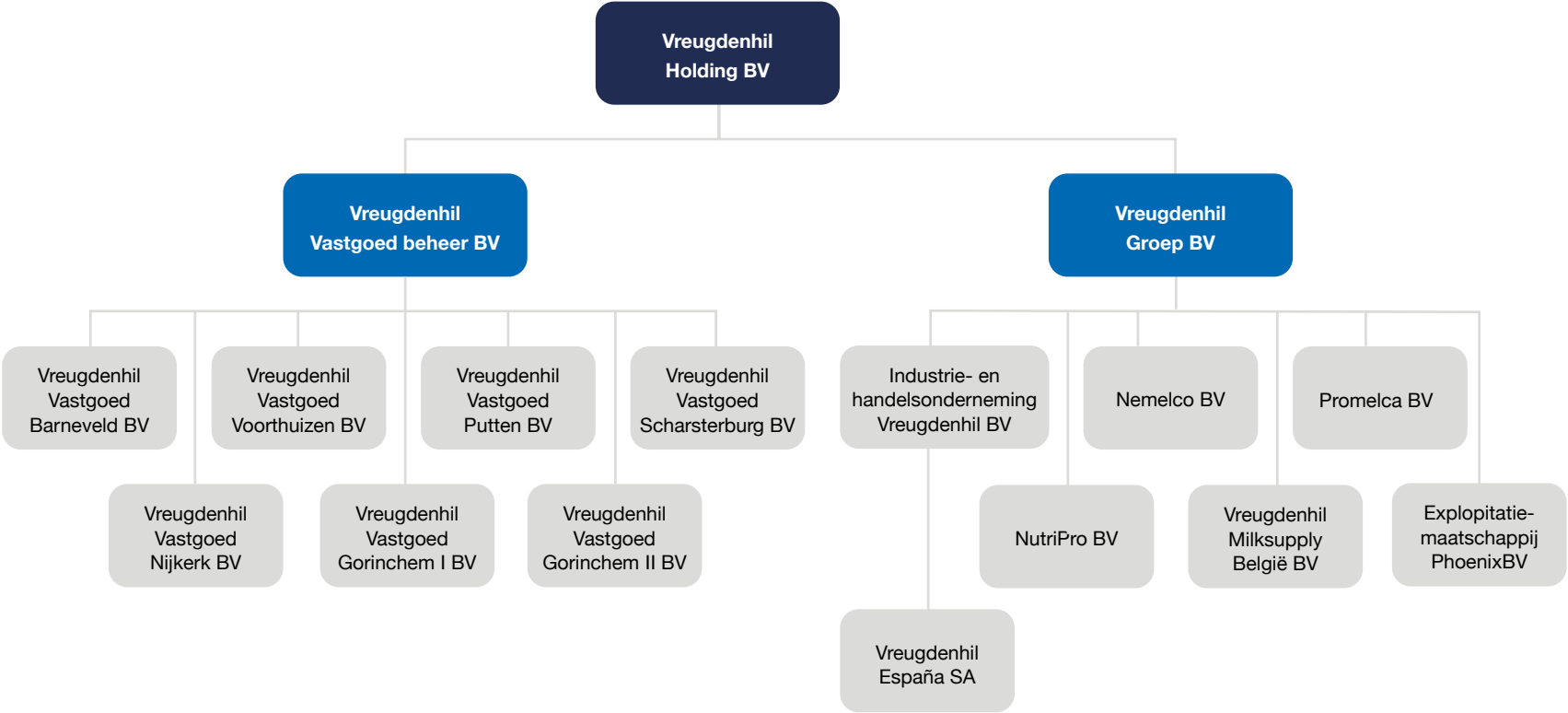
#### Doel 5.5 Ensuring women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life.

Through participation and responsibilities of women at various levels, including within the MT and the Supervisory Board, Vreugdenhil contributes to equal opportunities and more leadership positions for women.

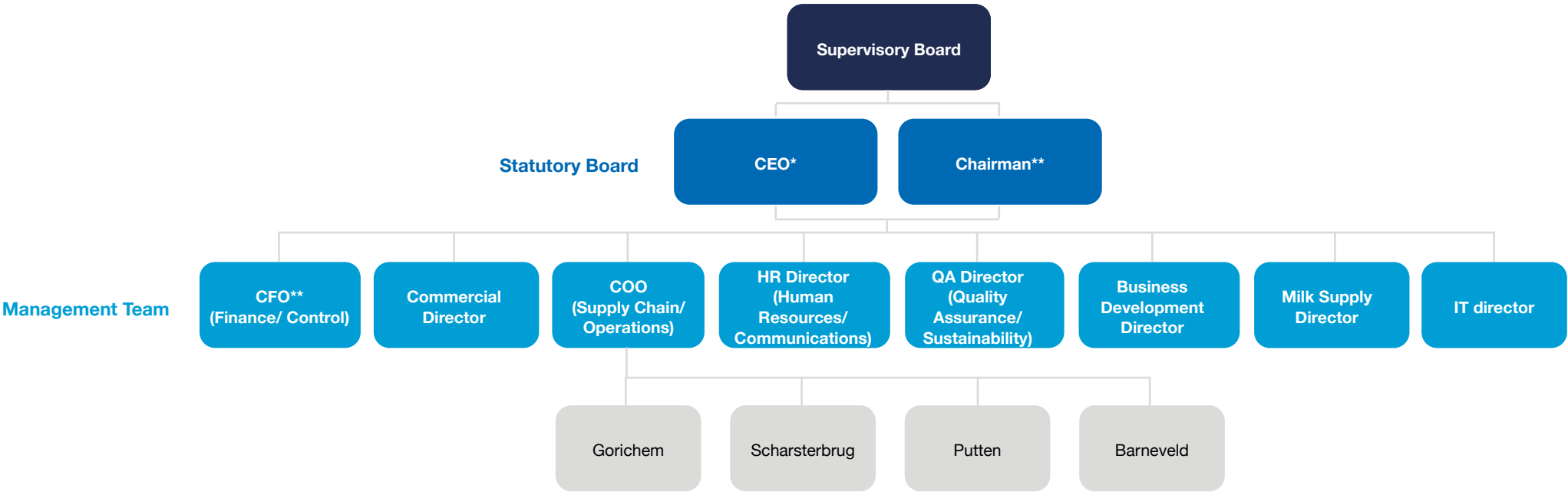


Structures

The legal structure (as at 31 December 2023)



The organisational structure (as at 31 December 2023)



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



# Principles of the sustainability statements

Vreugdenhil prepares an annual report containing the results of the previous year (1 January - 31 December). This year the report was approved by the Executive Directors and Supervisory Board on 9 December 2024.

Vreugdenhil draws up this report and selects and collects sustainability data in accordance with the standards of the Global Reporting Initiative (GRI). The appendix contains the GRI table containing a reference to where in the report the various GRI standards can be found. In addition, the Corporate Sustainability Reporting Directive and the associated European Sustainability Reporting Standards (ESRS) of July 2023 were consulted for writing the sustainability statements. This report is a first step towards compliance with this new legislation. In the coming years, we will adapt our organisation and reporting to comply fully. The ESRS table, which contains a reference to the different requirements and their location in this report, is included in the appendix. In the coming years we will further develop our organization and our reporting with the ambition to fully comply.

In this report, Vreugdenhil addresses the topics identified as material plus additional information that meets the information needs of Vreugdenhil's stakeholders. The principle of double materiality has been used to determine, define and delineate the material topics, as described in the ESRS draft standards.

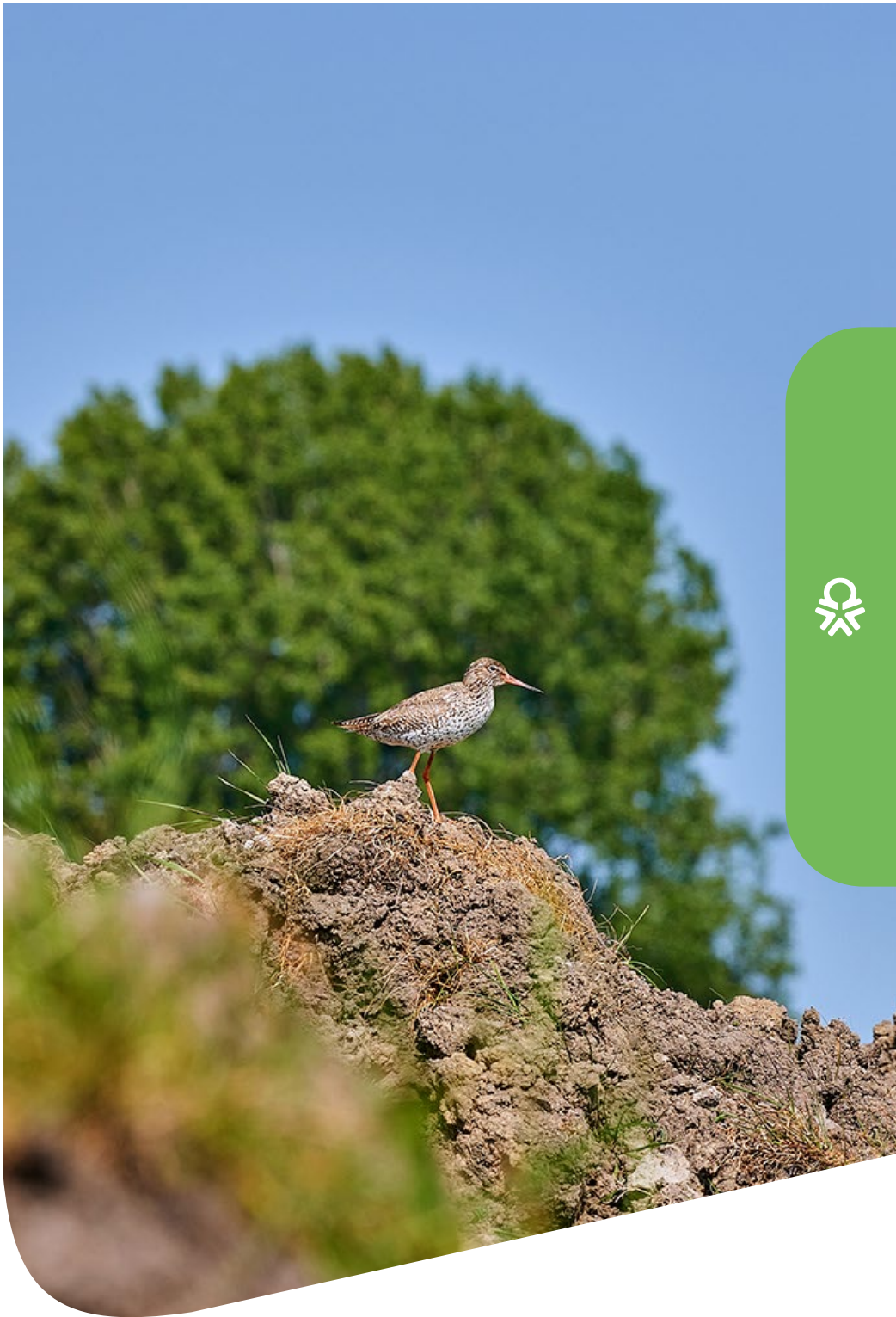
For each topic in this report, it is indicated which sites within Vreugdenhil Holding and/or which parts of the chain are reported on. The site in Spain is included in the financial figures, but is out of scope for the non-financial data in 2023. This data will be expanded in the coming years, with the 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.

12
RESPONSIBLE CONSUMPTION AND PRODUCTION


**SDG 12: Ensuring sustainable consumption and production patterns.**

**Doel 12.6 Encouraging companies, large and transnational companies in particular, to adopt sustainable practices and integrate sustainability information into their reporting cycle.**

By starting to publish sustainability reports as early as 2012 and working on expanding these annually, Vreugdenhil ensures increased transparency in the field of non-financial information in the dairy chain.



# Materiality assessment

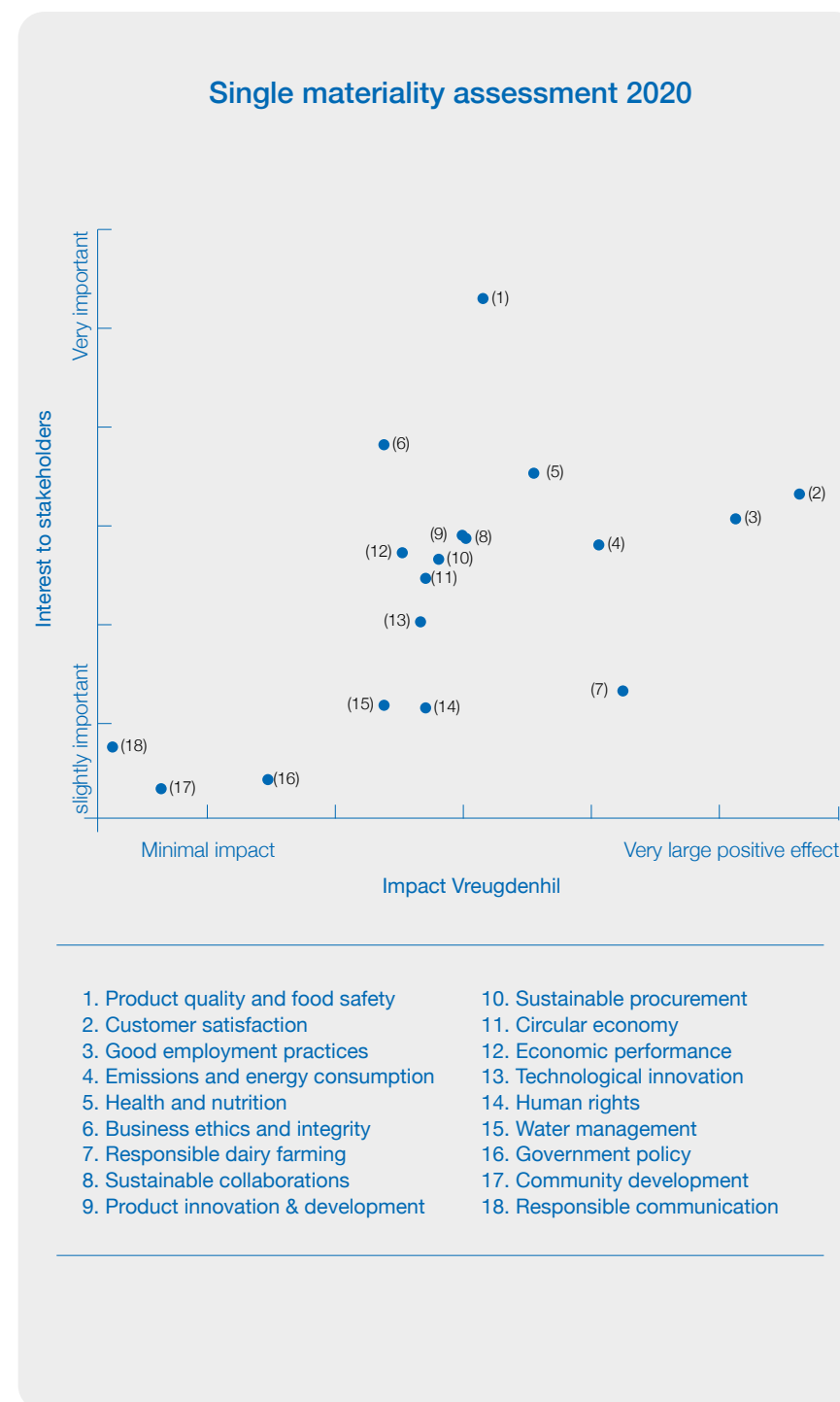
To ensure we continue to focus on the most relevant themes and continue to respond to the latest trends and developments, we regularly map out the priorities for Vreugdenhil and our external stakeholders by means of a materiality assessment. At the end of 2020, we did this according to the 'single' materiality principle, as described in the GRI standards (impact materiality). The process we completed is set out in the 2022 directors' report. The results are shown in the figure on the right, with topics numbered 1 to 10 identified as material.

This materiality assessment still serves as a basis for this report, because the strategy to date has been based on it. The table below provides an overview of the correlation between our strategy Marathon '25 and the material themes of 2020, including their definitions and where in this report the associated policies, actions and goals are explained. In 2023, in line with our commitment to transparency and corporate responsibility, we worked on a 'double' materiality assessment, as described in the ESRS standards. This analysis maps both the impacts of Vreugdenhil on people and the environment (impact materiality), and that of opportunities and risks of social themes on Vreugdenhil (financial materiality). The analysis process is described below.

Our stakeholders have been mapped out first. The most important groups on which Vreugdenhil has an impact are also discussed in the chapter 'Stakeholder engagement'. In 2024, we will be working out the stakeholder analysis in detail to make the impacts, risks and opportunities for stakeholders and the required involvement from Vreugdenhil more concrete. In addition, we have mapped out the chain processes throughout Vreugdenhil's value chain, from raw materials to end product. External, broader social trends and global challenges relevant to our business activities have been analysed as well. From these three preparatory steps, a draft list of potential material topics has been formed. Subsequently, a list of 22 themes with Vreugdenhil-specific definitions has been drawn up based on input from individual interviews with the CEO and the Business Development Director of Vreugdenhil, a trade association, a customer, a research institution and a social organisation. This list has been validated with the CFO and the Sustainability Manager.

By means of an online survey to 331 stakeholders, we determined which of the 22 themes are material. A total of 88 stakeholders responded, resulting in a 27% response rate. This list consisted of internal and external stakeholders, selected by internal experts. The internal stakeholders involved are the Executive Board, the Supervisory Directors, the MT, the ambassador group, the works councils and the central works council. External stakeholders included dairy farmers, suppliers, customers, trade associations, social organisations, governments and financial institutions. The themes were assessed for impact materiality (scale and scope) and financial materiality (scale). We also asked them to indicate where in the chain the impact on the subject is greatest, whether the impact is positive or negative and whether it is current or potential. The irreversibility of negative impacts has been determined by Vreugdenhil, together with the consultant. Of the respondents, 36 were internal and 52 were external stakeholders. Most external stakeholder groups were represented by several people. Where this was not the case, we consulted internal experts who are in contact with the relevant stakeholder group.

The average results per material topic from the survey were discussed in a workshop with the MT and the Sustainability Manager. These results have been revalidated in individual interviews with a research institution and a financial institution. We collected a lot of information in the online survey, thanks to the input from our stakeholders. This has led to us determining 21 main topics. In 2024, we will work with internal departments to work out which sub-topics are material, what the exact definitions are and which policies, actions, indicators and goals exist or need to be developed for this. This double materiality assessment enables us to tighten our strategies and respond effectively to the most relevant sustainability issues. We will report on the results of this process in 2025.





Material topic	Definition	Chapter in this report	Strategic initiative
<b>Responsible value chain</b>			
Product Quality & Food Safety	Offering high-quality products that are safe to consume and have a high nutritional value.	<a href="#">Customers and end users</a>	Innovatie
Health & Food	Offering healthy, safe and affordable nutritional products that guarantee food and the availability of nutrients worldwide.	<a href="#">Customers and end users</a>	Innovation Customer and product portfolio
Product Innovation & Development	Developing new and innovative products that take customers' and consumers' needs and wants into account.	<a href="#">Customers and end users</a>	Innovation Customer and product portfolio Plant-based
Customer satisfaction	Meeting customer demand and preferences by supplying high-quality products at a good price.	<a href="#">Customers and end users</a>	Continuous improvement Customer and product portfolio
Sustainable collaborations	Collaborating with various stakeholders in long-term partnerships focused on healthy and sustainable innovations in the milk industry value chain.	<a href="#">Stakeholder engagement</a> <a href="#">Climate change</a>	Carbon-neutral production Innovation Low-Carbon Farming
Sustainable procurement	Procuring raw materials from sustainably managed sources to minimise the impact on the environment and rural communities.	<a href="#">Biodiversity and ecosystems</a> <a href="#">Workers in the value chain</a> <a href="#">Affected communities</a>	Sourcing Plan
<b>Great Place to Work</b>			
Good Employment Practices	Investing in training to enable employees to develop their skills. Investing in their health, well-being and diversity.	<a href="#">Own workforce</a>	Continuous improvement
Business Ethics & Integrity	Ensuring that our business practices meet high ethical standards in our relationships with our customers, suppliers, business partners, and local communities.	<a href="#">Business conduct</a>	
<b>Climate Neutral</b>			
Emissions & Energy Consumption	Reducing energy consumption and emissions across the entire supply chain to minimise the use of natural resources.	<a href="#">Climate change</a> <a href="#">Pollution</a> <a href="#">Water</a> <a href="#">Use of raw materials and circular economy</a>	Low-Carbon Farming Carbon-neutral production
Responsible dairy farming	Responsible dairy farming is clustered in three themes; Biodiversity: protecting and investing in the diversity of animals, nature and landscape elements. Purchase of animal feed: minimising the impact of animal feed crop production on water, soil, biodiversity, land use, emissions, and energy consumption. Animal welfare: treating dairy cattle fairly and ethically.	<a href="#">Climate change</a> <a href="#">Biodiversity and ecosystems</a> <a href="#">Business conduct</a>	Low-Carbon Farming





# Environment

Care for tomorrow



# Climate change

Climate change is a central topic for Vreugdenhil, driven by both intrinsic motivation and the expectations of society and stakeholders. We are very much committed to reducing greenhouse gas emissions. Our policy focuses mainly on activities within the Netherlands, with specific attention to dairy farming, transport and our factories and offices. Given the extent of this theme throughout the chain, the CEO bears overall responsibility. The implementation of various initiatives rests with other members of the Management Team, including the Milk Supply Director and the COO.

## Climate mitigation transition plan

Vreugdenhil's ambition is for the entire supply chain to be climate neutral by 2050; from grass to glass. This commitment is in line with the goals of the Paris Climate Agreement. Last year we further tightened the transition plan for achieving these goals. The first concrete steps have been taken with clearly defined reduction targets for factories (scope 1 and 2) and dairy farmers (scope 3). Based on literature research, we expect this to cover the majority of our carbon footprint, but we still have to map our complete footprint.

The figure below shows the objectives in our chain. We have tightened our objective for the factories, in line with the European climate law and based on the translation into practice by the NZO. With this objective, we as a dairy sector and as Vreugdenhil meet the 55% reduction target compared to 1990 levels. We are thus tightening Vreugdenhil's climate ambition. The objective for our dairy farmers consists of two parts. The first applies to the 267 dairy farmers who will be participating in the Low carbon farming programme. The second also applies to the other, nearly 600, dairy

farmers. We seek collaborations with customers to set customer-specific objectives. With these objectives throughout the chain, we continue to work towards a more sustainable and climate-friendly future. In addition, we are actively committed to solutions for a significant carbon reduction between 2030 and 2050, namely becoming completely carbon neutral. We have made substantial investments to achieve this. Our factories and offices have been exclusively using 100% green electricity for several years, partly generated via solar panels on our roofs. The next step is to increase our own green energy production, for example by purchasing wind turbines or solar panels. This step is still in the exploratory phase.

Furthermore, we aim to replace our gas consumption with alternative energy sources as much as possible. We are currently investigating the possibilities for this. The timeline and goals are determined by technological developments, infrastructure and equipment availability. We keep track of progress in a graph that shows the savings and the status of realisation. This way, three things become clear: 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.

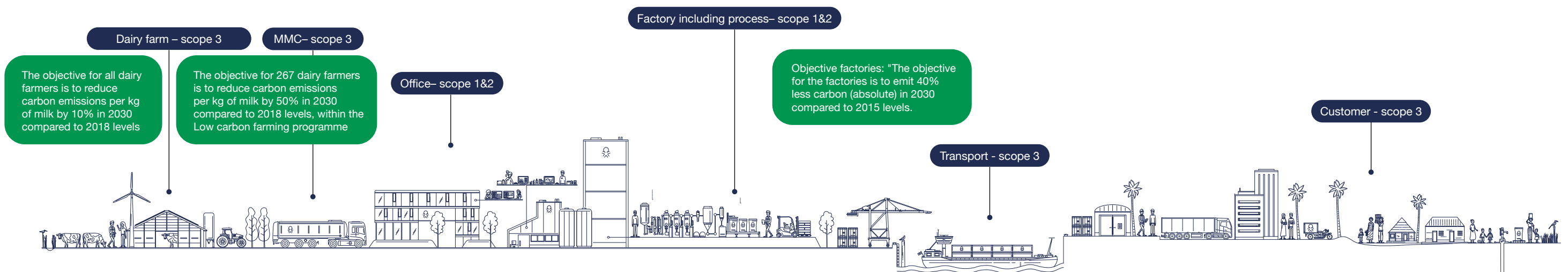
For Vreugdenhil, energy reduction starts with awareness and a targeted focus on the efficient use of energy sources in our factories. We achieve this through toolbox training and investments in measurement and visualisation technologies, which are crucial for positively influencing the behaviour of our employees.

In parallel with behavioural change, we treat the transition plan for the factories as an investment programme. The concrete components will be integrated into the regular investment 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 the energy transition take up a prominent place on the agendas of the Executive Board and the Supervisory Board. This way we periodically remain focused on content, progress and vision.

**Scope 1 emissions are direct emissions from sources that the company owns, such as through the use of natural gas.**

**Scope 2 emissions are indirect greenhouse gas emissions from purchased energy, generated outside our company and consumed by our company, such as electricity or heat.**

**Scope 3 emissions are all indirect emissions that take place in the value chain, such as during the production of raw materials or during the preparation of the product by the consumer.**






## 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 KringLoopWijzer™. This module offers all dairy farmers detailed insight into the amount of greenhouse gases emitted per kilogram of milk on their farm. To determine the company-specific reward in our sustainability programme, we use the results of KringLoopWijzer™. In 2023, we drew up the purchasing conditions for 2024, in which lower greenhouse gas emissions carry more weight in the sustainability programme. This change increases the possible reward from € 0.10/100 kg of milk to € 0.20/100 kg of milk. In doing so, we want to encourage dairy farmers to further reduce greenhouse gas emissions on their farms.

Through our Low carbon farming strategic initiative, we support the transition to more sustainable livestock farming. This programme is designed in collaboration with Nestlé, focusing on the principles of regenerative agriculture and 'Net Zero' by 2050. Regenerative agriculture focuses on restoring the soil, improving soil quality, protecting water supplies and promoting biodiversity. This also increases the resilience of farmers, allowing them to earn their livelihood in a sustainable manner. 'Net Zero' implies that greenhouse gas emissions are minimal and that any remaining emissions are removed from the atmosphere within the chain. In collaboration with external advisors, Wageningen University & Research and dairy farmers, we are investigating how these principles can be applied in practice. At an individual level, dairy farms can take measures to significantly reduce CO2 equivalent emissions per kilogram of milk, with the aim of halving this. This is achieved through integrated measures aimed at soil, water and animal welfare. To make these reductions possible, Nestlé and Vreugdenhil are jointly investing EUR 54 million in the coming years. This budget is used for measures taken by dairy farmers, organising stakeholder meetings and programme management.

### Action plans

In 2024, we will continue to reward all our dairy farmers in our sustainability programme for the reduction of greenhouse gas emissions, according to the adjusted purchasing conditions as described above. In addition, we will hold information meetings for all dairy farmers in 2024 to share knowledge about what measures livestock farmers can take to reduce greenhouse gas emissions. The Low carbon farming strategic initiative started with a pilot of 17 dairy farmers, followed by the annual joining of new groups of dairy

13
CLIMATE ACTION


**SDG 13: Taking urgent action to combat climate change and its impact.**

**Doel 13.2 Integrating climate change measures into national policies, strategies and planning.**

By recording climate mitigation in policies and goals for the various parts of our value chain and by implementing concrete actions, Vreugdenhil helps combat climate change.

farmers, with the aim of reaching a total of 267 dairy farmers by 2030. In 2023, a total of 33 new dairy farmers joined the so-called 'upscale' group. In 2024 we will continue to expand the programme, with 30 dairy farmers joining.

Together with an external advisor, dairy farmers are working on measures to further reduce their farms' emissions. These measures are specifically aimed at reducing greenhouse gas emissions, taking into account the unique circumstances on each farm and based on accepted and scientifically substantiated effects. When developing reduction plans, factors such as the soil type, the feeding system and measures taken previously are all taken into account. The scientific substantiation of these measures is provided by Wageningen University & Research. Various types of measures have emerged in the reduction plans, including:

- Sowing more clover to reduce the use of fertilizer.
- Use of feed additives to reduce emissions.
- Application of manure processing techniques.
- Use of fertilisers with a low footprint.
- Use of concentrates with a low footprint.
- Replacement of compound feed with single concentrate.



The pilot and upscale '23 group have all drawn up individual business plans and have started taking measures. Some are sowing grass/clover and some have started feeding the additive Bovaer®. In addition, various soil index measurements have been made to gain insight into soil quality. This will be expanded next year to include the upscale '23 group and translated into the company soil water plan in the pilot group. In 2024, the focus will be on starting with renewable HVO (Hydrotreated Vegetable Oil) diesel and adjusting rations. The possibilities for manure processing are also being examined and this will be further implemented in the coming years.

In addition to the aforesaid approach, a public-private partnership has been started between the Ministry of Agriculture, Nature and Food Quality, Wageningen University & Research, and a number of important chain parties in the dairy sector, including Cono, Unilever, Nestlé and Vreugdenhil.

The main goal of this partnership is to conduct joint research into issues that are relevant to both chains, resulting in the development of a broadly applicable approach. This approach includes:

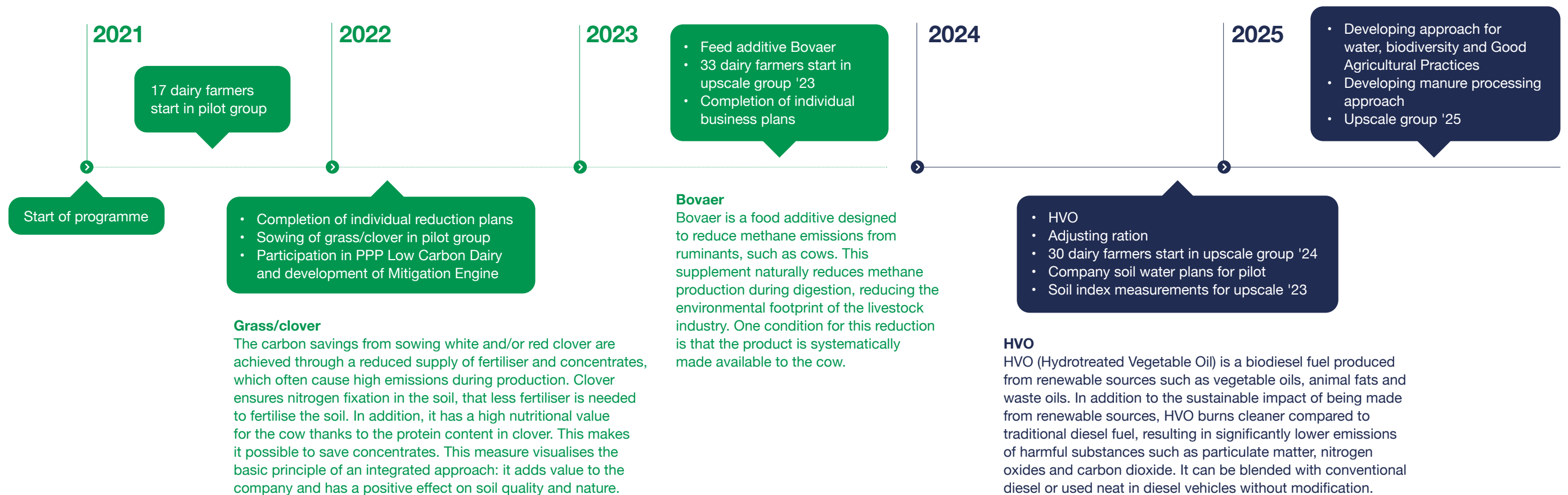
- Developing an approach for reducing greenhouse gases, including an analysis of the feasibility and consequences of aiming for a 50% reduction.
- Collecting lessons learnt and advice regarding monitoring and accountability.
- Facilitating international exchange of insights, communication and sharing of results.

This public-private partnership allows the parties involved to combine their knowledge and resources to develop effective solutions for reducing greenhouse gas emissions in the dairy chain.

## Objectives

The Low carbon farming programme is designed to 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.



## Transport Policy

Our transport consists of various parts. including 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 from end products to our customers.

The policy for our carriers for both MMC and other transport includes reducing our carbon emissions from transport. 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 welcomes and, if possible, encourages additional initiatives that reduce carbon emissions. In addition, we ask various carriers to report on various matters, including actions taken to reduce carbon emissions, kilometres driven, fuel used, the type of engines in the fleet and total carbon emissions. 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 from the production site 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.

### 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 as much as possible by means of smart planning and by using tank lorries with better fuel economy. In addition, we work together with other milk processors to collect the milk as optimally and consciously as possible and deliver it to the various dairy processing factories, thereby optimising the number of kilometres driven.

In 2023, we conducted a pilot with Hydrotreated Vegetable Oil (HVO) at one of our MMC carriers. This is a biodiesel fuel produced from renewable sources such as vegetable oils, animal fats and waste oils. The use of HVO in trucks results in carbon savings of 90%. By using HVO at one carrier from August to December 2023, we achieved 354 tons of carbon savings for that year. The pilot showed that the transition to HVO does not cause any problems for the trucks, but that there are some logistical challenges involved in making the transition at our MMC carriers. We are

therefore not expanding the pilot at this time, but we will continue to monitor the possibilities.

We are currently looking at the options for making the transport of end products within Europe more sustainable. Whenever possible, we use train transport and short-sea shipping for destinations within Europe that cover a longer distance. This means we drive fewer kilometres on the road. We also started research into the use of electric transport and/or biofuel by our carriers. And we are examining fixed delivery days per customer in the Netherlands, Belgium and Germany, so that we can cluster more shipments. This saves kilometres and transport movements.

In 2023, our own warehouse at our factories in Gorinchem was expanded. The warehouse in Barneveld is scheduled for 2024. In Gorinchem it involves an expansion of approximately 2,500 pallet places. In Barneveld, the expansion will give result in more than 11,000 extra pallet places. These expansions of our warehouses prevent us from travelling unnecessary kilometres to and from external locations. Another completed expansion is the skimming capacity in Scharsterbrug. This expansion allows milk from the Northern Netherlands to 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, which represents a reduction in the total number of kilometres of approximately 8%. In addition, the skimmed milk made from this milk flow no longer needs to be transported from the skimming site to Scharsterbrug.

### Objectives

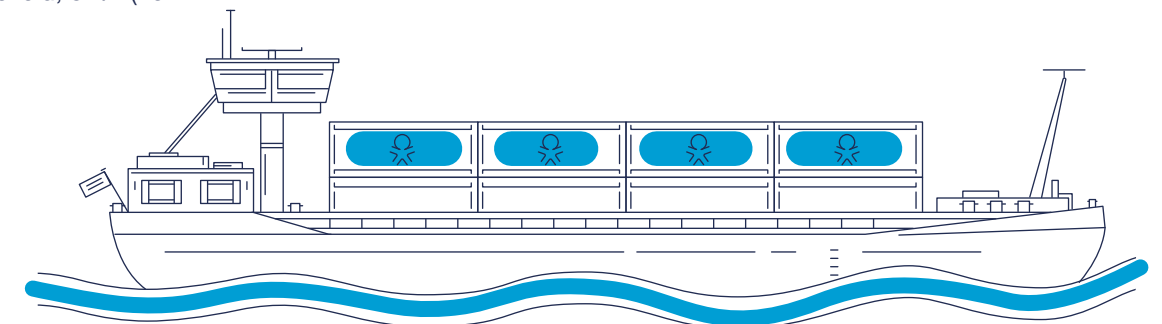
For the transport of end products, we will continue to transport as much as possible from the production sites to the ports by water, while making maximum use of the available cargo space. In 2023, we started using an inland shipping terminal for Scharsterbrug that is closer to our factory. Export from the Putten site is yet to start, but as soon as it does, transport from here will also take place by water as much as possible. In Gorinchem, 92% of our end products were transported by water (2022: 90%), in Scharsterbrug, 94% (2022: 89%) and in Barneveld, 82% (2022: 83%).

## Factories and offices Policy

The objective of all factories to be carbon neutral by 2050 is part of the wider Marathon '25 strategy that has been rolled out. 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.

More than 80% of our transport to the ports is by water

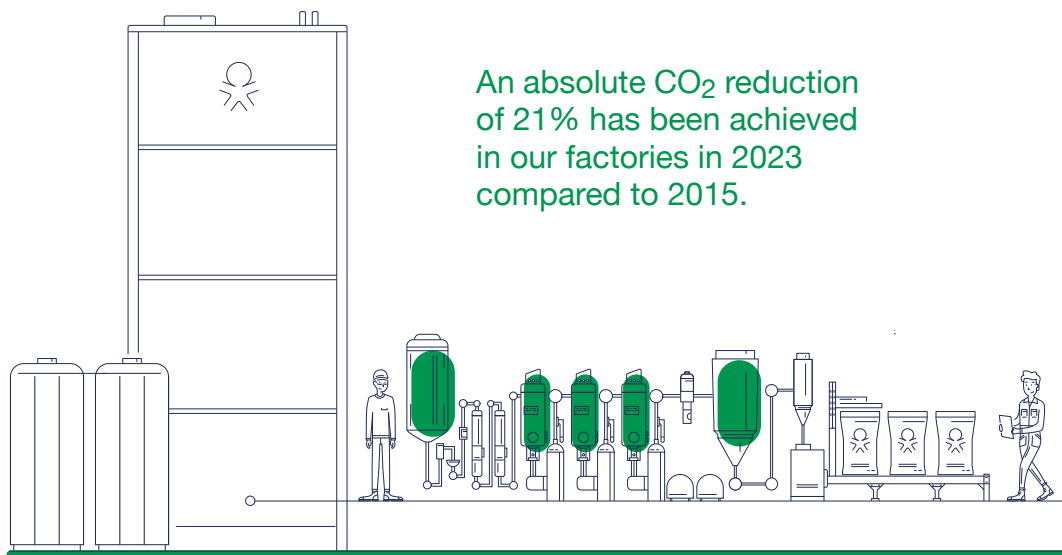




## Action plans

In 2023, we had an energy audit carried out as part of our energy saving commitment. This is combined with the European Energy Efficiency Directive (EED). The audit includes an energy consumption analysis of all sites, an assessment of process efficiency and a list of potential savings measures.


In Gorinchem, the investments in heat recovery were improved. The implementation of which has now been completed and the start-up is expected in the first quarter of 2024. In addition, we have improved the steam boilers in Gorinchem, ensuring more optimal combustion. Daily monitoring and discussion of energy performance have been started, which contributes to a continuous focus on improvement. The conversion of the fan heater of one of the production towers and the reuse of drain water are scheduled to take place in the second half of 2024, with advanced heat recovery technologies being implemented. A concept for a residual heat buffer with a reprocessing installation is being developed as well, which can increase the efficiency of our heat use. We are also investigating the possibilities for electrification by increasing the electrical capacity of our connection and the use of, for example, an E-boiler. For Gorinchem, the design of the higher capacity connection and the process to be completed are in full swing, and it is expected that the final construction order will be given in mid-2024. The power on the cable will be made available in phases due to grid congestion in the region. In 2024 and 2025, important investment decisions will have to be made in this respect.



In Scharsterbrug we are working on process optimisation. The available residual heat in the factory has been analysed and a strategy has been drawn up with the steps to be taken to achieve carbon-neutral production by 2050. The project for heat recovery from process air will be started in 2024 by means of a draft study. The application for a higher capacity electricity cable in Scharsterbrug is underway as well, which will enable us to improve our energy supply and make our activities further sustainable through electrification. In the coming years we will work intensively with the grid operator and the municipality to investigate the possibilities and costs.

Various savings measures have been implemented since the purchase of the factory in Putten. Various parts of the installation have been insulated and four pumps have been replaced with IE4 class efficiency, through which we expect to achieve more than 4% in carbon savings. In addition, some of the strip lighting has been replaced by LED. The expected electricity savings due to these measures is 28.5MWh. We are also planning to replace the other pumps in the coming years. In addition, we will replace the compressed air and refrigeration compressors, when the time is right to do so.

In addition to process efficiency and energy reduction, attention is also paid to alternative energy sources. Vreugdenhil is investing in implementation and research for this transition. In 2023, a study was conducted into the use of biogas, which is a promising step towards the use of renewable energy sources. We will continue this project in 2024. Initiatives are being launched with partners, advisors and suppliers for other sources as well. We can see that the current state of the art and national infrastructure are currently insufficient to make the transition fully possible at our sites. That is why we also support the activities of Cluster6. Cluster6 consists of nine sectors with companies committed to a carbon reduction target, spread throughout the Netherlands, which means they do not fall into one of the five major industry clusters. Through close contact with governments and energy managers, they work on the necessary preconditions to realise their climate ambitions. Vreugdenhil is in contact with government agencies, including through Cluster6, to discuss the financial feasibility of the energy transition and the need for an internationally level competitive field. We also continue to closely monitor technical and technological developments and support these where possible, so that 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.

7
AFFORDABLE AND CLEAN ENERGY


**SDG 7: Ensuring access to affordable, reliable, sustainable and modern energy for all.**

**Goal 7.3 Doubling the general rate of improvement in energy efficiency by 2030.**

By working on process optimisation and heat recovery at its production sites, Vreugdenhil contributes to improving energy efficiency.

Vreugdenhil foresees that the purchase of sustainable energy will only be part of the solution. That is why in 2023 studies were conducted into our own energy production or generation. The purpose of this, apart from eliminating carbon emissions, is to also ensure flexibility and independence from specific energy sources. A number of options were abandoned, such as participating in wind turbine projects, as it raised objections from the communities around our sites and proved unprofitable. Some of the wide range of options remained for further investigation. For example, research is underway into the application of biogas from our own chain and into electricity generation using alternative fuels. Hydrogen is another option that is certainly being monitored. A carport with solar panels will be installed at the head office in Nijkerk in 2024 to further increase our own energy generation at our offices.

## Objectives

Our goal is to be carbon neutral throughout the chain by 2050, including our factories and offices. Our office in Nijkerk has been climate neutral for several years and even ranks among one of the most sustainable office buildings in the Netherlands. It was designed with environmental friendliness and a pleasant working environment in mind. The building has achieved the highest sustainability level, namely the 5-star (outstanding) BREEAM-NL New Construction Delivery Certificate.

7

AFFORDABLE AND  
CLEAN ENERGY

**SDG 7: Ensuring access to affordable, reliable, sustainable and modern energy for all.**

**Goal 7.2 Significantly increasing the share of renewable energy in the general energy mix by 2030.**

By purchasing green electricity, generating energy together with our dairy farmers using solar panels, among other things, and by investigating whether we can produce more green energy ourselves, Vreugdenhil contributes to an increasing share of renewable energy.

We are extremely proud of the milestone we achieved in 2022, when our factory in Barneveld was the first to start producing completely climate-neutral. By installing three heat pumps and using sustainable electricity, the production process for our milk powders no longer emits greenhouse gases at this site.

We also aim to transform our other sites into climate-neutral production environments. However, achieving climate-neutral production at our sites in Gorinchem, Scharsterbrug and Putten involves other challenges, given the nature of these production processes. Our reduction target up to and including 2023 was relative, namely reducing 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 37.7% reduction in carbon emissions per tonne of product.

In 2023 we tightened our ambition by formulating a new, absolute target. This objective is based on the goals in the European Climate Law, being climate neutral in 2050 and a 55% reduction in 2030 compared to 1990. The latter objective has been translated into the practice of the dairy sector in the Netherlands by NZO, in collaboration with a consultant, to a reduction of 40% compared to 2015. This derived objective is particularly suitable for Vreugdenhil because the new spray dryer in Gorinchem came into operation in 2015, followed by the complete transition to the use of green electricity. The value of the base year has been calculated by extrapolating the emissions from the tower in Gorinchem and the factory in Putten, both of which were not yet operational in 2015, to that year. We are on track to achieve this target, with a reduction of more than

21% in carbon emissions between 2015 and 2023 at our factories in Scharsterbrug and Gorinchem. This reduction was mainly achieved by switching to purchasing 100% green electricity in 2015 and subsequently improving process efficiency in the following years. We remain committed to further reducing our carbon emissions and achieving our targets in line with European climate legislation.

**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 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 2023.

Energy consumption and mix	2022	2023
Fuel consumption of natural gas (MWh)	368.484	384.841
<b>Total non-renewable energy consumption (MWh)</b>	<b>368.484</b>	<b>384.841</b>
Percentage of non-renewable resources in total energy consumption (%)	84,6	84,7
Consumption of purchased electricity, heat, steam or cooling from renewable sources (MWh)	65.983	68.104
Consumption of self-generated non-fuel renewable energy (MWh)	1367	1229
<b>Total renewable energy consumption (MWh)</b>	<b>67.350</b>	<b>69.333</b>
Percentage of renewable resources in total energy consumption (%)	15,4	15,3
<b>Total energy consumption (MWh)</b>	<b>435.834</b>	<b>454.174</b>
Energy intensity: Total energy consumption of activities in high climate impact sectors per <a href="#">net turnover</a> (MWh/€)	0,00035	0,00044

Compared to 2022, we can see an increase in electricity and natural gas consumption. This can largely be attributed to the fact that Putten was in the start-up phase in that year, before becoming operational in 2023. The increase in energy consumption is due to increased production volumes. The increase in energy intensity is due to the combination of increased energy consumption and the decrease in turnover.





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 2023, the solar panels supplied nearly 1,300 MWh of green energy, which is enough power for more than 450 households per year.

	# panels 2022	Yield 2023 (MWh)	Reverse supply to grid in 2023 (MWh)	Own use on site in 2023 (MWh)
Gorinchem	1284	309	0	309
Barneveld	1800	540	63	477
Scharsterbrug	1572	412	0	412
Nijkerk	173	37	6	31
Total	4829	1.298	69	1.229

Our sustainability programme rewards our dairy farmers for generating sustainable energy. In 2023, no fewer than 52.2% of dairy farmers generated at least 50% of their energy consumption sustainably, compared to 34.9% in 2022. This strong increase can mainly be attributed to rising energy prices and therefore the attractive payback time for own generation. From 2024 onward, sustainable energy generation will no longer be rewarded separately within our sustainability programme, but be integrated into the graduated scales for greenhouse gas emissions. We are proud that more than half of our farmers are now able to generate their own energy, and that we have been able to encourage this through our sustainability programme.

Greenhouse gas emissions

In the table on the right you can find the data of scopes 1 and 2. In the coming years we will be working on calculating scope 3, with the goals and next steps to be determined based on this analysis.

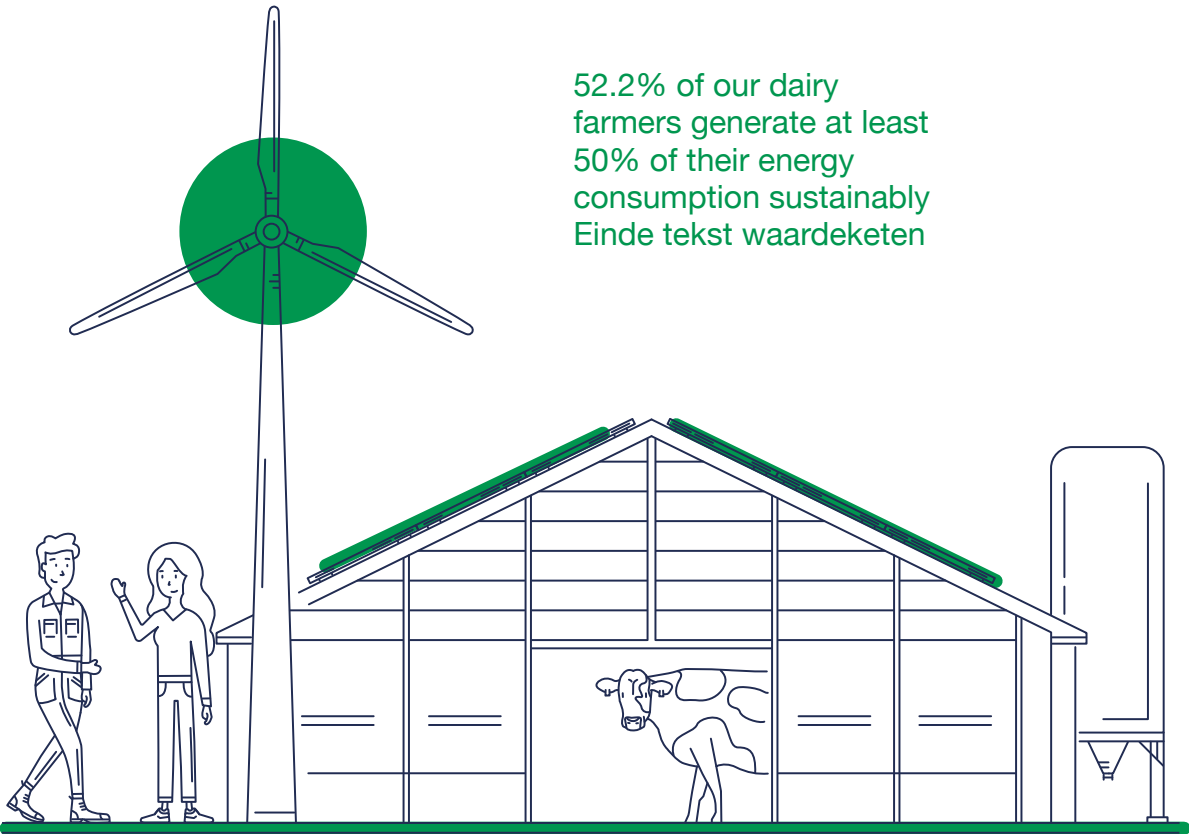
The data differs from last year, because Putten has been added to the data, whereas last year it was not. We can see an increase in scope 1 greenhouse gas emissions due to an increase in production volume. The decrease in location-based scope 2 emissions is due to the sustainability of the electricity mix in the Netherlands and therefore the reduction of the emission factor of electricity. Market-based scope 2 emissions are 0 due to the purchase of green electricity. The goal is to continue to do this.

As a player in the dairy sector, we are aware of the impact of our most important raw material, milk, on the environment. The biological process in cows results in unavoidable greenhouse gas emissions. We at the same time recognise the potential in our sector to offset these emissions by, for example, capturing greenhouse gases in the soil. While we strive to reduce our own emissions, we also look at opportunities for compensation within our value chain. Currently we are not monitoring the option of greenhouse gas removal in our own operations and in the value chain. Dairy farmers do capture greenhouse gases in the soil. However, no generally recognised calculation model is available for this yet. Our long-term vision to achieve a net zero emissions value chain by 2050 includes further research into these options and developing appropriate strategies.

Currently we are not financing our own projects to reduce greenhouse gas emissions by purchasing carbon credits outside our value chain. Although we are aware that there are initiatives within our chain that do this, currently we are not directly involved in this practice. Our primary focus is on reducing emissions in our value chain, before looking at carbon credits beyond that.

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 app

	Retrospective			Objectives	
	2015 (base year)	2022	2023	2025	2030
<b>Scope 1</b>					
Gross Scope 1 greenhouse gas emissions (ktCO <sub>2</sub> eq)	76	78	80	69	48
Percentage Scope 1 greenhouse gas emissions under regulated emissions trading systems (%)	68	70	68	65	0
<b>Scope 2</b>					
Gross Scope 2 greenhouse gas emissions (location based) (ktCO <sub>2</sub> eq)	26	37	31	nvt	nvt
Gross Scope 2 greenhouse gas emissions (market based) (ktCO <sub>2</sub> eq)	26	0	0	0	0
<b>Totaal (=bruto scope 1+markt gebaseerd scope 2)</b>	<b>102</b>	<b>78</b>	<b>80</b>	<b>69</b>	<b>48</b>



52.2% of our dairy farmers generate at least 50% of their energy consumption sustainably  
Einde tekst waardeketen

# Pollution

At our production sites in Gorinchem, Scharsterbrug and Barneveld we follow various management programmes aimed at emissions to air, water and soil. We work closely together with the competent authorities to control pollution inside and outside the facilities. Improvement plans are shared and implemented in the annual environmental plan, which allows us to respond effectively to environmental issues at each site. Each year we prepare an environmental report for each production site, in which we report on our waste and our energy and water use, as well as other relevant environmental performances. In addition, we have been assessing our investment plans for sustainability for several years, where, in addition to economic aspects, the environmental benefits of new measures are taken into account as well. Note that we still have to implement the above actions in Putten. The responsibility for reducing pollution at the factories rests with the COO.

## Emissions to air Dust

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. The sites meet the set standards that are 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 is to confirm whether the installations are operating correctly and whether there is an excessive emission of milk powder. In Barneveld, milk powder particles emissions are negligible. In Putten, actions to tackle dust emissions still need to be determined.

Periodic measures are in place in Scharsterbrug to control dust emissions. No additional actions are planned here. Gorinchem has an action plan in place to control dust emissions from the powder towers. The focus is on the operation of the downstream technology, the cyclone effect. In recent years, new gaskets were placed on the cyclones with guaranteed checks in place. In addition, new locks have been installed at the powder towers. To reduce emissions, we install differential pressure meters and emission meters. In 2023, a specialist agency was engaged to come up with ideas for an integrated approach to the topics of dust emissions, noise emissions and energy recovery in Gorinchem. In 2024, we expect to be ready to make an investment proposal.

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 our grounds.

## Odours

Milk powder can emit odours in the environment, mainly via the outlets of the powder towers. Various measures have been taken at our production sites to minimise possible odour nuisance. Firstly, filter installations have been installed at the outlets of the powder towers, with regular cleaning ensuring that dust and odour emissions are minimised. In Barneveld, odour emissions are negligible. In Putten, actions to tackle odour emissions still need to be determined.

In Scharsterbrug, in collaboration with the provincial authorities, extended emission pipes have been fitted at the outlets of the powder towers, so that any exhaust is raised vertically higher into the atmosphere. Not only does this help reduce dust emissions, it also limits any odour emissions. Thanks to adjustments made 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 uses its own wastewater treatment plant (WWTP), in which biological processes can sometimes cause odours. To prevent odour nuisance, a carbon filter is used, with the displacement air from the sludge collection vehicles being guided through this filter. This filter is regularly maintained to ensure its proper functioning. Odour control is monitored via the Odour Management Plan, which is evaluated annually. In 2023, various measures were implemented, such as installing an activated carbon filter and evaluating the collection method of flotation sludge. The replacement of surface aeration with bubble aeration from below is scheduled for 2024, from which we expect a favourable effect on odour dispersion.

Our goal is to carefully implement the measures and follow up in accordance with the odour management plan, resulting in no complaints from local residents about odour nuisance. We remain committed to minimising the impact on the environment and ensuring a healthy living environment.

## 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. In Putten, actions to tackle noise emissions still need to be determined. At none of the sites have local residents or neighbouring companies complained about excessive noise levels. On occasion, an informal report was made by local residents, which helps us to optimise matters.

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. A total of ten noise sources will be reduced or removed in Gorinchem and five in Scharsterbrug. Various sources will be tackled in 2024, as in previous years. We regularly report on our progress 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 Putten, actions to tackle emissions to water still need to be determined.





In Gorinchem, the used water is processed by its own WWPS, 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 WWPS. The Water Processing Policy ensures that:

- Only wastewater streams are processed at the water treatment plant that can be treated there efficiently;
- The efficient functioning of the WWTP is not disrupted;
- Clean rainwater is discharged to the surface water;
- The quality of the receiving surface water is not compromised.

The WWPS 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 WWPS 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 2024 have been specified.

Emissions to the soil

Currently there are no emissions to the soil at our sites, but there are potential impacts. To ensure emissions remain zero, we carry out annual checks in Gorinchem and Scharsterbrug against the present parameters regarding emissions to the soil. These are measured in Gorinchem, 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. Barneveld has no emissions to the soil, whereas actions still need to be determined for this in Putten.

In Gorinchem, there is a risk of soil contamination due to wastewater treatment, so we continue to monitor this closely. A deviation is sometimes measured in the observation tubes. However, a comparison between the composition of the liquid in the wastewater treatment tank and the composition found in the observation tubes does not yet lead to any conclusions. Further research is needed here, which means that we will continue to measure in the coming years to detect any changes in time. In order to ensure a negligible soil risk under and around the WWTP, the secondary sedimentation tanks have been completely overhauled, which included an inspection for possible leaks. This is more complex for the

aeration tank, so a plan will be made for 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 and cleaned up correctly.

Hazardous substances

Vreugdenhil ensures the correct storage and use of hazardous substances. Storage is used for this in accordance with the associated PGS scheme (Publication Series on Dangerous Substances). In 2024, having an ARIE system in place (additional hazard identification and risk assessment) will be mandatory for chemicals at the Gorinchem and Scharsterbrug sites. In 2023, a report was made, followed by the start of the safety management system, setting up and developing scenarios and adjusting the emergency plans. In addition, new chemical tanks are being built and the current chemical tanks are being improved based on the HAZOP (Hazard and Operability Analysis). In Barneveld, this management consists of continuous monitoring. Management plans are drawn up for adjustments where pollution may occur. Substances of Very High Concern have been identified at the above sites and will be reduced annually. Actions still need to be set up for this in Putten.

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, but we do not yet have available data for the Putten site.

		Total 2022 (kg)	Total 2023 (kg)
Air	NMVOs	1	0
	NOx/NO2	29,044	30,164
	Fine dust (PM10)	5395	6,734
	Total dust	5,993	7,482
Surface water	Chlorides	350,932	364,156
	Total phosphorus	238	165
	Total organic carbon (TOC)	60,192	71,524
	Total nitrogen	33,871	40,030
Soil	Not applicable	0	0

In 2023, the increase in various emissions compared to 2022 was due to higher production volumes. We are setting up the systems to be able to report increasingly accurately in the coming years.





# 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. In order to effectively manage our water consumption, we maintain close contact with the relevant authorities and agencies. All improvement plans and initiatives regarding water management are integrated into our annual environmental plan at a site level, allowing us to apply a more targeted approach on further optimisation. In Barneveld no water is used in the production process and in Putten we do not yet have any actions on the subject of water. 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 addition, port water from the Scharsterrijn canal is used for cooling. Water savings are discussed during various meetings. During the technology and energy meetings, various measures and ideas are discussed to save water. In 2023, we worked on a new standardisation programme, raising awareness in the factory and using more concentrated ingredients in the process. This has led to another 10% reduction in relative water consumption. The 2% target was thus amply achieved.

Scharsterbrug aims to reduce relative water consumption by 2% annually (m3/ton product). Water savings remain a topical theme and are monitored weekly in the weekly objectives. This is a topical theme during various meetings and improvements and savings are being studied.

### Gorinchem

Gorinchem accommodates various water streams: port water from Merwede River is used as cooling and extinguishing water, drinking water is mainly used for Cleaning in Place (CIP) and water from the milk (condensate) is used for rinsing and cleaning. To manage the water streams, we work according to established policy and work instructions that follow the permit regulations. Adjustments are made when needed, for example if the factories exceed their water consumption.

In 2023, the CIP process was subjected to a critical review. A cleaning step that normally takes place using drinking water has been replaced by using condensate (provided the levels in the condensate tanks are sufficient of course). This measure has led to a significant saving of

approximately 65,000 m3 of drinking water per year. Although no separate target for water has yet been set, we continue to strive to further optimise our water use.

### Water consumption indicators

The table below shows the figures of our mains water consumption. This is for the Gorinchem and Scharsterbrug sites. In Barneveld, Nijkerk and Putten, mains water consumption is negligible. This data is updated monthly by the controllers based on the invoices.

	2022	2023
Mains water intake (m3)	790,663	793,601
Surface water intake (m3)	Not yet reported	9.992.665
Water discharge (m3)	Not yet reported	11.254.508
Mains water intensity - Mains water intake per net turnover (m3/€)	0,00063	0,00077

The increase in water intake is the result of increased production volumes. The increase in mains water intensity is due to the combination of the increase in water intake and the decrease in turnover. We are setting up the systems to be able to report increasingly accurately in the coming years.





# Biodiversity and ecosystems

The impact on biodiversity and ecosystems in the Vreugdenhil chain is mainly due to dairy farming and the cultivation of raw materials. Through the Sustainable Dairy Supply Chain, we and dairy companies and dairy farmers are focusing on a Dutch dairy sector that is future-proof and responsible. 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. The following topics are central within the Sustainable Dairy Chain; grazing, biodiversity and the environment, climate-responsible dairy sector and continuous improvement of animal welfare. For biodiversity and the environment in dairy farming, the focus is on sustainable animal feed, environmental preconditions and preservation of biodiversity.



**SDG 15: Protecting, restoring and promoting the sustainable use of terrestrial ecosystems, managing forests sustainably, combating desertification, halting and reversing land degradation and halting the loss of biodiversity.**

**Goal 15.5 Taking urgent and decisive action to limit the degradation of natural habitats, halting the loss of biodiversity and, by 2020, protecting endangered species and preventing their extinction.**

Vreugdenhil contributes to biodiversity recovery by rewarding its dairy farmers and by working as a sector to have a positive impact on 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 emphasises the importance of sustainability in dairy farming by asking all dairy farmers to complete KringLoopWijzer™. This instrument provides valuable insight into their business operations, allowing them to better manage healthy soil and more efficient use of minerals. This approach can lead to significant savings in fertiliser and roughage. The dashboard includes six environmental indicators:

- 1) Nitrogen soil surplus;
- 2) Ammonia (kg per LU);
- 3) Ammonia (kg per ha);
- 4) Greenhouse gases per kg of FPCM;
- 5) Percentage of permanent grassland;
- 6) Percentage of protein from own land.

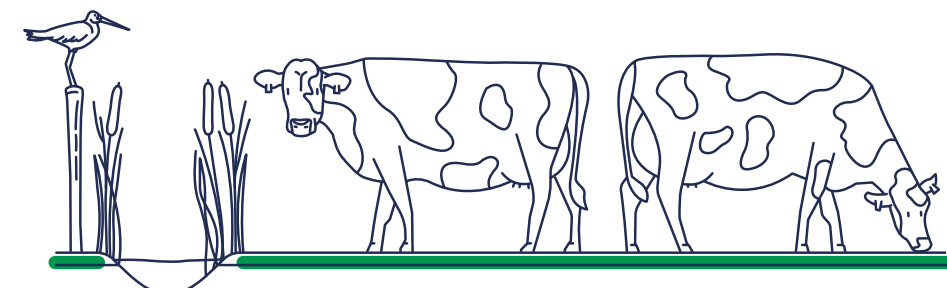
By focusing on aspects such as increasing protein from own land, we aim for more land-based dairy farming. This approach contributes to reducing the dependence on animal feed raw materials from other regions, which in turn has a positive impact on the preservation of biodiversity elsewhere. In 2023, Vreugdenhil rewarded within the sustainability programme based on the indicators Greenhouse Gases, Energy Generation (derived from greenhouse gases) and Percentage of protein from own country. This resulted in a maximum premium of € 0.15/100 kg of milk. In 2024, we will reward based on greenhouse gases more, as a result of which this maximum premium increases to € 0.25/100 kg of milk.

## Preservation of biodiversity

Many dairy farmers are committed to agricultural nature management through various measures such as meadow bird management, ditch edge management and the construction or protection of landscape elements. As part of our sustainability programme, dairy farmers are rewarded for their efforts in biodiversity. In 2023, we delved further into the theme of regenerative agriculture. This type of agriculture goes beyond sustainability and aims to restore and improve ecosystems and soil health, while producing food at the same time. In 2024 we hope to participate in the Re-Ge-NL programme, where we may be able to start a pilot with some of our dairy farmers to apply the principles of regenerative agriculture. Regenerative agriculture also plays a significant role in our Low carbon farming strategic initiative, where we aim to reduce the carbon footprint of the agricultural sector.

In 2023, the number of dairy farmers that took additional measures to boost biodiversity on their land fell slightly to 67.1%. In the sustainability programme, this is the only part for which dairy farmers 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.

Many dairy farmers are committed to agricultural nature management through various measures such as meadow bird management



Purchase of raw materials

As part of our commitment to International Corporate Social Responsibility (ICSR), we focus on due diligence. This means that we have become more aware of human rights and the environmental risks that we face, directly or indirectly, through our business activities. Due diligence is an ongoing process, so we continually evaluate and respond to these risks to reduce them.

A risk assessment has been carried out to identify which raw materials pose a high risk of deforestation. This assessment was fed with information from Sedex and external experts. The first inventory identified soy lecithin, palm oil and cardboard and paper as high-risk raw materials.

In recent years, ProTerra-certified soy lecithin was purchased. However, due to limited availability and resulting (extreme) pricing, the purchase of ProTerra-certified soy has now been discontinued. At this moment in time we have no plans to reinstate this if prices remain this high, as this is not sustainable for our organisation. As an organisation, we must determine how we deal with situations in which sustainability conflicts with profitability.

In 2023, all palm oil we used in our milk powders was certified as fully sustainable. The palm oil we procure is certified through the Round Table on Sustainable Palm Oil (RSPO) according to the mass balance system. This means that palm oil producers in countries such as Indonesia, Malaysia, Colombia and Costa Rica are assessed against criteria such as the prevention of deforestation, low responsible pesticide use and ensuring good working conditions. We process RSPO-certified palm oil in our fat-filled powders, replacing milk fat with vegetable fat while retaining the nutritional values. This results in a lower cost price and makes our products more accessible to the wider public. Our continued goal is to purchase 100% of our palm oil RSPO certified.

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 2023 we also returned to using 100% FSC certified bags. Earlier we were temporarily prevented from doing so due to the situation in Ukraine and Russia, but we were able to purchase again last year.

Biodiversity and ecosystem indicators

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

15  
LIFE  
ON LAND

**SDG 15: Protecting, restoring and promoting the sustainable use of terrestrial ecosystems, managing forests sustainably, combating desertification, halting and reversing land degradation and halting the loss of biodiversity.**

**Goal 15.2 Promoting the implementation of sustainable management of all types of forests, halting deforestation, restoring degraded forests and sustainably increasing afforestation and reforestation globally.**

By identifying which raw materials pose a risk to deforestation and purchasing these raw materials in a certified manner, Vreugdenhil works in the chain to prevent deforestation and promote the sustainable management of forests.



\*This reported figure is not for all of our sites audited by RSPO Certification.



# Use of raw materials and circular economy

Our raw materials are the core of our products and play a crucial role in our pursuit of a more circular economy. With a focus on sustainability and efficiency, we mainly focus on making our packaging more sustainable and minimising our waste. These efforts are the responsibility of our COO.

## Packaging

Sustainable packaging is attracting more and more attention in society, from our customers as well as government. Our key packaging materials, including tin plate, plastic and paper, play an essential role in ensuring the quality and food safety of our products. In collaboration with our customers and suppliers, we strive to make these materials more sustainable, while maintaining the highest quality standards. 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 2023, we tested a more sustainable sachet foil. This sachet foil contains a vapour-deposited aluminium layer, which makes it more recyclable. However, we are still encountering challenges in the machine settings. We hope to continue this in 2024 and find a solution. Last year we also conducted tests with mono-material sachet foils, but unfortunately these are not yet sufficiently suitable to maintain the quality of our products. Naturally, we will continue to closely monitor these developments and strive for further improvements. We are always open to collaboration when new opportunities arise.

A great result was achieved with stretch wrapping foil. Together with the supplier we conducted tests with foils of 30% Post Consumer Recyclate (PCR), of which we also need less. As soon as the old stock runs out, we will switch to this wrapping foil in 2024.

A stretch wrapping foil of 30% Post Consumer Recyclate (PCR) has been successfully tested together with the supplier



The inventory also presented the opportunity to reduce the layers of paper in our bags. We wanted to test this in 2023, but this was not possible due to various circumstances. Although our original goal to reduce paper bag materials by 2023 was not achieved, we remain committed to continuing this initiative into 2024. Not only do these efforts lead to material savings, but also to more efficient production and transport, which benefits our sustainability goals.

The objective is to start two new sustainable packaging projects each year. Since the 2023 projects still require a lot of attention, we will continue to focus on the same two core initiatives in 2024: increasing the recyclability of sachets by rolling out the new foil and reducing paper consumption by testing alternative bags.

## Waste

Our waste policy ensures responsible disposal of waste, in accordance with the applicable laws and regulations. In our factories, each employee contributes to the correct separation of waste. The facilities department is responsible for waste disposal, while the administrative department is responsible for documenting it. The process and documentation are checked by the Safety, Health, Environment (SHE) department.

We work together with recognised waste collectors and keep detailed waste registers. The different types of waste are separated correctly by means of clear indications for the containers/storage systems, such as a colour system. Within our factories, we separate category-2 and 3 materials, paper and cardboard, plastic, tin plate and residual waste. In addition, construction and demolition waste is removed separately, while scrap iron and stainless steel are periodically removed to special containers. Pallets are partly reused and partly disposed of. In Gorinchem, the sludge from the WWPS 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.

In the event of surplus soil on our 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 that cannot be used. This is transported to a depot or cleaned. Our commitment to responsible waste management is essential for ensuring sustainable business operations and the maintenance of a healthy living environment.



## SDG 12: Ensuring sustainable consumption and production patterns.

### Goal 12.5 Significantly reducing the generation of waste through prevention, reduction, recycling and reuse by 2030.

By using as many of the elements of dairy as possible in our products, reducing our packaging where possible and separating waste from our process more and more effectively, Vreugdenhil works to prevent waste and process waste as circularly as possible.

## Action plans

In 2022, Scharsterbrug started a project for improved separation of waste. The waste project was fully implemented in 2023. Separating and reducing waste will remain a theme that will receive active attention in 2024, by conducting an internal audit on this theme, among other things. In addition, we will no longer have plastic cups from early 2024 onward, replacing them with a more sustainable option instead.

We performed another analysis in Gorinchem to gain better insight into the composition of our residual waste. We identified the locations where residual waste is produced. Separation is already taking place in various places. However, the analysis showed that there is still room for improvement in terms of the collection infrastructure and raising awareness among our employees. In order to collect and dispose of more waste streams separately, we have improved the collection structure, installed an additional compactor and provided information to our employees.

We will evaluate the effects of these measures at the beginning of 2024 and draw up an advisory report. To determine the effect, we monitor the contents of the containers, the discharged streams and quantities. By regularly taking photos of the waste containers and comparing these with more recent photos, we can identify changes in the contents of the waste. In addition, it provides insight into which waste streams are removed at what frequency and in what quantities, thanks to our collaboration with the waste processor.

Every department has daily or weekly meetings about the operational state of affairs. During these meetings, new developments and possible improvements are regularly discussed with the employees involved. The resulting action points are recorded and followed up by the team leader.

In Barneveld, the waste is already properly separated with discussions being held with the waste processor in 2023 to gain better insight into the data. Putten does not yet have any actions on the subject of waste.

Objectives

In 2023, Barneveld aimed to reduce category-2 material to less than 0.11% produced product and category-3 material to less than 0.24% produced product. The category-2 target was achieved at 0.105%, but at 0.529% the category-3 target was not achieved, as insufficient capacity was available for this. In 2024 we will set up a project team to reduce the category-3 volume.

In Gorinchem, the goal was to dispose of 20% less residual waste in 2023 compared to 2022 levels. The volume was reduced by 8% by completely separating factory foil (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, thus separating it from the residual waste. Although our objective was not achieved, we did achieve a significant reduction.

Scharsterbrug maintained its target of 25% less residual waste in 2023 compared to 2021, just as in 2022, so that we could assess whether we were maintaining the results of the waste separation project. This goal was amply achieved. Between the start of the project in 2021 and the same period in 2023, we reduced residual waste by approximately 68%. In 2024, we will work on measuring and visualising the amount of waste, so that we can better assess and manage the reductions.

Indicators use of raw materials and circular economy  
Materials inflow

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

The increase in purchased dairy ingredients in 2023 compared to 2022 can be explained by an increase in our sales and a small change in our product portfolio. The purchased volume of non-renewable packaging has been reduced due to a change in our product portfolio.

In the coming years we will be working on setting up the systems to enable increasingly accurate reporting.

Materials outflow

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.

Materials inflow (kton)	2022	2023
Dairy ingredients	1,406	1,515
Non-dairy ingredients	44	46
Renewable packaging, such as cardboard, paper, wood	6	6
Non-renewable packaging, such as plastic	11	8
Total weight of materials	1,467	1,575

Waste

The table below shows the figures for our waste. This is for the Gorinchem, Scharsterbrug and Barneveld sites. In Nijkerk the waste is negligible, whereas data is not yet available at the Putten site.

In 2022, the amount of liquid fermentation waste was reported as 8,064 tons, but this has been adjusted to 9,832 tons as one of our sites was not included. The same applies to the amount of metals, which was adjusted for 2022 from 135 to 334. The numbers in the table above are now comparable to those of 2023. It is good to see that in 2023 we have been able to upgrade more material from category 2 (energy recovery) to category 3 (animal feed). We can see an increase in the total amount of waste compared to last year, but we expect this to be due to the increase in production volume and because we are monitoring more and more streams. In contrast, we can see a reduction in the amount of chemical waste removed, because no incidents occurred in 2023.

The above data are by approximation and are therefore setting up the systems to be able to report increasingly accurately in the coming years.

Type of waste	Hazardous/ non-hazardous	Destination	Quantity 2022 (ton)	Quantity 2023 (ton)
Construction and demolition waste	Non-hazardous	Recycling	39	8
Category-2 material	Non-hazardous	Energy recovery	514	265
Category-3 material	Non-hazardous	Animal feed	1344	1601
Chemical waste	Hazardous	Energy recovery	116	6
Wood	Non-hazardous	Recycling	0	21
Metals	Non-hazardous	Recycling	334	272
Mineral substances	Non-hazardous	Recycling	10	0
Paper and cardboard	Non-hazardous	Recycling	455	576
Plastic	Non-hazardous	Recycling	148	155
Rubble and soil	Non-hazardous	Unknown	0	120
Residual waste	Non-hazardous	Energy recovery	84	185
Liquid fermentation waste (including sludge)	Non-hazardous	Energy recovery	9,832	10,162
Fat and oil mixtures	Non-hazardous	Energy recovery	34	0
Subtotal recycled waste		Recycling or energy recovery	11,566	11,652
Total waste			12,915	13,374





Social  
Care for tomorrow

# Own workforce

Here at Vreugdenhil we strive to create an environment in which people can work on building a successful company safely, whilst enjoying their work and remaining in good health. We take various initiatives to promote the fitness and health of our employees. We believe that creating a pleasant and safe working environment is a joint responsibility of all employees. This is closely monitored by our HR director and CEO.

## Safe working environment

Safety is top priority for Vreugdenhil. At all sites we remind our employees of the importance of physical safety on a daily basis. We continuously analyse and invest in the workplace to see if working practices can be made safer. Every six weeks, we have a safety meeting with the safety managers for the factories. Through our internal communication channels, we regularly launch messages to raise safety awareness and our employees attend compulsory safety training. Additionally, we organise information meetings to stress the importance of safe working practices. In 2023, we recorded a total of seven lost time accidents across Vreugdenhil. That is a slight fall compared to 2022, when we recorded eight lost time accidents. None of these accidents resulted in permanent injury and none of the accidents required to be reported to the authorities.

Our target continues to be zero lost time accidents. It is even more important to learn from the accidents, near-accidents and hazardous situations that have occurred so we can prevent them in the future.

At all our sites, we took measures to increase safety. In Barneveld, we are seeing an increase in the number of reports of dangerous situations due to greater awareness. We will continue this in 2024, in the form of a safety game that draws attention to reporting dangerous situations. Scharsterbrug successfully renewed its ISO45001 certificate in 2023. We also updated the company emergency plan and evacuation plan. A platform was created at the packaging department in Gorinchem and various on-site exercises were conducted. In addition, efforts are made to reduce physical strain. Internal audits, inspections and checks are performed at these three sites on a regular basis. At the end of 2023, work was started on setting up a safety management system in Putten, which will be further rolled out in 2024.

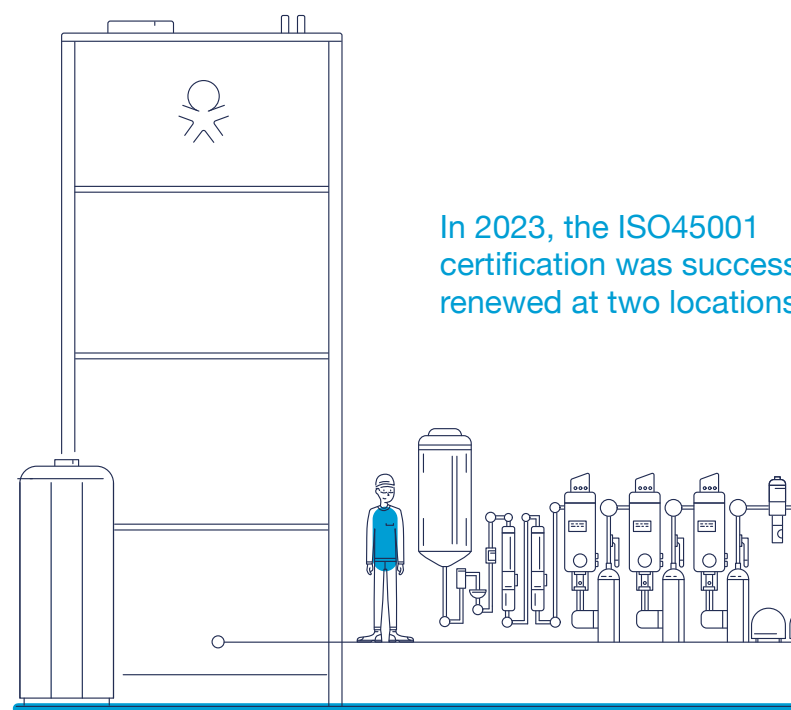
ISO45001 is the global standard for health and safety at work. Our goal was for all our sites to be ISO45001 certified by 2023. Nijkerk and Scharsterbrug have been certified since 2020, with both sites successfully renewing this certificate last year. Barneveld received the certificate in 2022. A HIRA was started in Putten at the end of the year and will be further rolled out in the course of 2024. The goal was for Gorinchem to be ISO 45001 certified by 2023 as well, but this has yet to be scheduled. Gorinchem opted to focus on the legal obligations of the ARIE scheme in 2023. We will start the ISO 45001 preparations in 2024.

At the end of 2022, the majority of our colleagues participated in a Preventive Medical Examination (PME), which provided valuable insight into the health of our employees. This examination, consisting of a questionnaire and a physical consultation, was conducted on a voluntary and anonymous basis. The physical measurements included cholesterol, glucose, weight, fat percentage, height, BMI, vision and hearing tests, as well as more extensive blood tests for some positions. The results show that participants score well on a number of themes, but that there is still room for improvement in other areas. In general, employees are satisfied with the working environment. We achieved an average score when it comes to work ability compared to other companies. A large number of our employees are proud of their work and feel happy during their work. In line with the national trend in the Netherlands, we can see an increase in obesity levels within Vreugdenhil. In addition, some employees were referred due to high blood pressure or with a view to testing their results regarding blood, vision and hearing. We follow up on the results by offering a consultation with the occupational health and safety service for employees showing high-risk symptoms and a consultation with a fitness

coach for all people aged 50-plus. In addition, we provide workshops for all employees, where they can indicate which topics they prefer per site, with the option to participate in the examination for people who have not yet done so.

## Continued fitness and enjoyment on the job

Under our human rights policy and the code of conduct we are committed to interacting and 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, offering a homeworking scheme, paying a fair wage and putting employee health and safety first, we ensure an attractive workplace for our employees.



8 DECENT WORK AND ECONOMIC GROWTH



**SDG 8: Promoting sustained, inclusive and sustainable economic growth, full and productive employment and rewarding work for all.**

**Doel 8.8 Protecting labour rights and promoting a safe and healthy working environment for all workers, including migrant workers, in particular migrant women, and those in precarious working conditions.**

By paying attention to safety, fitness, job satisfaction and the presence of an extensive collective labour agreement and code of conduct, Vreugdenhil provides a healthy working environment for its more than 500 employees.





### SDG 10: Reducing inequality within and between countries.

**Doel 10.3 Ensuring equal opportunities and eliminating inequalities, including by eliminating discriminatory laws, policies and practices and by promoting appropriate legislation, policies and actions in this regard.**

Vreugdenhil works to combat discrimination and inequality by recording desired manners and equal opportunities in our organisational policy and translating this into practice in regulations and training.

Here at Vreugdenhil we aim to promote the fitness and health of our employees. We offer several programmes focused on achieving that. We regularly share messages through our internal channels about important themes such as 'Exercising, Smoking, Alcohol, Nutrition and Relaxation'. Fresh fruit is permanently available at all our sites and we organise weekly boot camp training courses in Nijkerk, which employees can actively participate in. Gorinchem will also start this in 2024. In addition, we encourage our employees to participate in various sporting events. Examples include a running competition in Nijkerk with different distances, a cycling tour for the climate and various skating clinics. In 2023, Vreugdenhil Dairy Foods signed up to be the proud sponsor of the women's marathon skating team in the top division for a period of three years. Together with VGR Sport we are co-main sponsor of the skating team. Practising sports gives energy and a shared sports experience creates connection. Fitness and a healthy working environment are of paramount importance at Vreugdenhil. To further emphasise the importance of exercise, we distributed Vreugdenhil sportswear to our employees. This way we want to encourage a healthy lifestyle and create a positive working environment in which fitness is central.

To support our employees in dealing with challenging (private) situations, we have made various forms of assistance available. From 2024 onward, employees who provide informal care can use a special coach who can assist them in performing administrative tasks, answering questions, thinking along about options and offering a listening ear. We also offer our employees free access to financial advice from an independent external advisor. To make use of these services, employees can express their interest to the confidential advisor, in case they do not want to discuss this directly with their manager. Our aim is to create a supportive and caring

environment in which our employees feel supported, both professionally and personally.

What we are seeing throughout the Netherlands and also within the dairy industry is that sickness absence rates have been significantly higher in recent years compared to past figures. Unfortunately, this trend is also noticeable within Vreugdenhil. Still, the sickness absence rate fell from 7.4% to 6.1% compared to 2022. This puts us slightly above the annual figure published by Statistics Netherlands for the food industry of 5.8%, compared to 6.7% in 2022. Long-term sickness absence (> 6 weeks, but less than 1 year) was 2.8% and extended long-term sickness absence (> 1 year) was 1.2%. These figures are comparable to 2022 levels. Since the overall sickness absence rate for 2023 is considerably lower than in 2022, short-term and medium-term sickness absence has fallen significantly. We hope that this trend will continue in 2024 and translate into a further reduction in long-term and extended long-term absence. Our goal continues to remain 1% below the Dutch average sickness absence rate in our industry.

### 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. To create unity within Vreugdenhil, we have opted to sign up with the collective labour agreement for the dairy industry, not only for certain factories, but for all sites. This stems from our overarching vision of 'One Vreugdenhil'. For positions exceeding the collective labour agreement, we drew up the Vreugdenhil's terms and conditions of employment in consultation with the central works council, several years ago. Thanks to both the collective labour agreement and the terms and conditions of employment, we not only ensure that we comply with legislation, but also that our employees are rewarded fairly, that working hours and work rosters meet occupational health and safety standards, that remuneration is based on job evaluation and that men and women enjoy equal pay to the greatest possible extent.

On 1 June 2023, NZO, together with the trade unions FNV, CNV and De Unie, concluded a new collective labour agreement for the dairy industry for the period from 1 January 2023 to 1 April 2024. As from 1 January 2023, the salary was retroactively increased by 8% and by a further 2.65% as from 1 January 2024.

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: fitness, agility, skills and financial insight. Employees can choose how they use their available budget, for example for extra leave or supplementing their maternity leave. The sustainable employability

budget, as agreed in the collective labour agreement to date, has not led to the success we had hoped for and anticipated it would bring. During the collective labour agreement negotiations, it was therefore decided to cancel this and convert it into a 1% wage increase as from 1 January 2024. The accrued, unspent budget was paid out in November 2023. Other changes arising from the collective labour agreement negotiations include an increase in the on-call reimbursement, the possibility of working day shifts on a 40-hour contract (previously a maximum of 36 hours), and an extension of the Early Retirement Scheme. Negotiations for the new collective labour agreement, which will come into effect on 1 April 2024, will start at the end of February 2024.

### Processes to involve employees in decisions

Here at Vreugdenhil we attach great importance to the involvement of our employees in decision-making. This is achieved in various ways, both directly and indirectly. For example, our union members have influence on the outcomes of collective labour agreements. In addition, we have three works councils from which representatives participate in the central works council. Depending on the topic, matters are discussed in local works councils or in the central works council, where requests for advice or consent can be submitted. Both the works council and the central works council can also submit proposals themselves. Furthermore, employees can directly give their opinion by participating in employee surveys about job satisfaction or health, for example. In addition, there are various forms of consultation, such as departmental and progress meetings, performance reviews and the interactive communication channel Plek, in which employees can influence decision-making. In addition to these more formal avenues, Vreugdenhil is known for its informal culture, in which employees enjoy a lot of freedom to take initiatives and express themselves. All this contributes to an environment in which everyone feels heard and can contribute to the further development and growth of our company.

Employees can make their voices heard through the works councils, employee surveys, consultations and the interactive channel 'Plek'.



### '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. They can contact these confidential advisors by e-mail, telephone or in person. The confidential advisors offer a listening ear and, depending on the wishes of the employee involved, think along about possible next steps or solutions. The confidential advisors report annually on the [numbers and types of reports](#) to the MT and the central works council, while guaranteeing privacy and anonymity. This way we ensure that any concerns or problems are addressed quickly and discreetly, and that employees feel safe within our organisation.

### Inclusivity

Here at Vreugdenhil we strive for an inclusive culture in which diversity, equality and inclusion are promoted. We are working on a policy that clearly defines our interpretation of inclusivity, and how we can further promote these values within our organisation. This policy will be communicated internally to make all employees aware of the importance of inclusivity and to involve them in our efforts to create a diverse and inclusive working environment. In addition, our external communications also show that everyone is welcome at Vreugdenhil. We do this by using the right texts and images that convey the message of inclusivity and diversity. By taking these steps, we are working towards an environment in which everyone feels valued and respected, regardless of background, identity or belief.

### Personal development

Here at Vreugdenhil we know each other and we trust each other's expertise. We celebrate successes and learn from each other. We strongly believe in the power of continuous development. Our updated training platform, the Vreugdenhil Academy, offers a range of courses, training and study that have been developed to improve skills, acquire new competencies and keep up with an ever-changing (professional) environment.

Since 2021, we have been offering an onboarding programme that includes food safety and working safely training. Based on the job profiles, it is determined who needs to complete which training courses.

Participation in these training courses is recorded and monitored online. Last year, an internal 'halal certification training course' and 'HACCP' e-learning course were developed in the field of food safety. These online modules are mandatory for all employees working at the production sites and contribute to the correct level of expertise among employees in relation to our certifications. In addition to these mandatory training courses for all employees, we have recorded who must complete the



#### SDG 5: Achieving gender equality and empowerment for all women and girls.

##### Doel 5.1 Ending all forms of discrimination against women and girls, everywhere.

By paying more attention to inclusivity and working with confidential advisors, Vreugdenhil gains more insight into, among other things, the presence of discrimination against women and the targeted approach to preventing this.

mandatory training courses regarding internal transport and other safety training (e.g. emergency response, Atex and hazardous substances). The successful completion of these training courses is recorded in our learning management system.

In addition to mandatory training, we encourage employees to develop professionally and personally. Examples of this include:

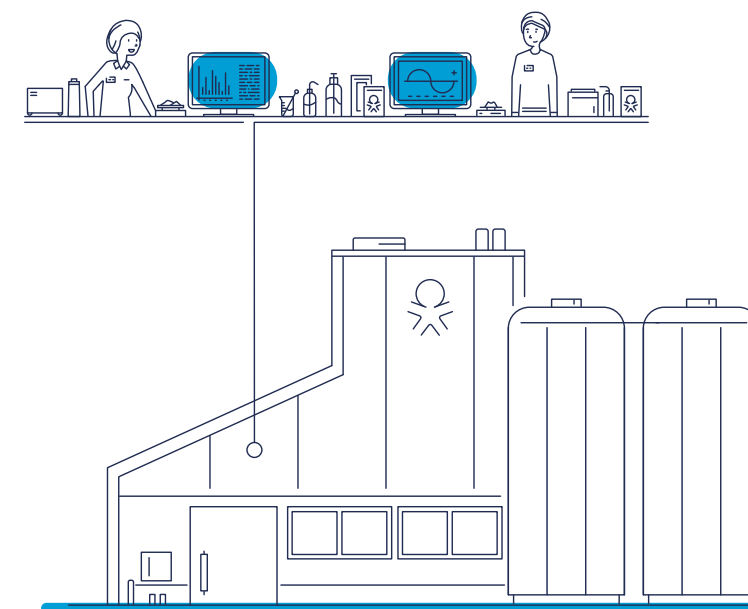
- Training programme for (new) student operators. In collaboration with the HAS, the ROVC and the LSBL, we have developed a completely tailor-made training course. In one year, employees are prepared to work as fully-fledged operators within Vreugdenhil through classroom training and practical assignments. The content of the training has been compiled by internal experts and is therefore as close to the operator's daily practice as possible.
- Customer communication: In 2023, as a follow-up to the [customer survey](#), we developed a training programme for all employees who maintain direct customer contact. In 4 training days, participants learn how to communicate with customers by e-mail and telephone in a clear manner, which reflects Vreugdenhil's core values. The process starts in Q1 of 2024 and will be completed in July 2024.
- Vreugdenhil Development Programme: Each year we select approximately 10 (young) employees who have the potential to grow within Vreugdenhil and whom we want to give the opportunity to develop further. During a six-month process, they will work with a trainer on their personal development and on a single project that is in keeping with our strategy. The employees come from various sites and get to know each other, Vreugdenhil and themselves (even) better.
- Basic dairy knowledge: In order to give all employees the opportunity to gain more knowledge about dairy, the dairy sector and our processes, we offer annual training courses to improve basic dairy knowledge. These training courses are offered by the HAS and received very

enthusiastically by our colleagues. This way colleagues who are not present on the production floor each day are given the opportunity to broaden their knowledge.

- (Un)desirable behaviour: Over the past year, workshops have been held at various sites on the theme of 'undesirable behaviour'. Interactive sessions are used to discuss (with actors) the theme of (un)desirable behaviour, how to recognise this behaviour and how to deal with it. In Q3 of 2024, we will roll out an e-learning module for all employees and managers through which we want to raise awareness of the theme of 'undesirable behaviour'.

In order to encourage employees to develop even more, we will have a wide range of classroom training courses available for which employees can register from Q2 2024 onwards. Topics covered in these training courses include: Project management, Time management, Effective meetings, Giving feedback, Addressing and influencing and Excel.

We believe in the power of continuous development. Our renewed training platform, the Vreugdenhil Academy, offers a wide range of training and education.





We are convinced that continuous personal development not only strengthens our knowledge and skills, but also enables us, as Vreugdenhil, to continuously improve. Our success as an organisation is ultimately determined by the individual growth of our employees and the collective growth of the organisation as a whole. Today, we together deliver the best milk powder of tomorrow.

Indicators for our employees  
Employees in paid employment

Average 2023 (Jan-Dec)	Female	Male	Other	Not dis-closed	Total	%
Total employees (#)	107	406	0	0	511	
%	21%	79%				
Permanent employees	96	367	0	0	462	90%
%	21%	79%				
Temporary employees	11	39	0	0	49	10%
%	22%	78%				
No guaranteed hours employees	0	0	0	0	0	0%
%						
Fulltime employees	59	378	0	0	436	85%
%	14%	86%				
Part-time employees	48	28	0	0	75	15%
%	64%	36%				
Employees <30	27	44	0	0	71	14%
%	38%	62%				
Employees 30-50	58	204	0	0	262	51%
%	22%	78%				
Employees >50	22	157	0	0	179	35%
%	12%	88%				
Employees under terms and conditions of employment	39	108	0	0	146	29%
%	27%	73%				
Employees under collective labour agreement	68	298	0	0	365	71%
%	19%	81%				

Compared to 2022, there are no significant changes in the above numbers, except for some shifts in age. In 2022, the 50-plus group of employees was the largest group, but this has shifted to the group aged between 30 and 50. We further notice a healthy male/female ratio among employees under 30, with 38% women.

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

Agency workers

In 2023, Vreugdenhil hires an average of 84.5 FTE agency workers across the various sites. These workers are mainly deployed in the factories as forklift drivers, project managers, 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 so-called hirer’s remuneration.

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 has started setting up a safety system. As a result, approximately 95% 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	Quantity 2022	Quantity 2023
Accidents total (#)	58	44
Lost time accidents	8	7
- #	192	25
- Days		
Fatal accidents (#)	0	0

We notice a healthy fall in the total number of accidents, lost-time accidents and sickness absence days. This shows that our safety measures are having an effect. Naturally, we aim for 0 lost-time accidents, so we will continue to work towards this.

In 2023, employees contacted the internal confidential advisor a total of five times (2022: 4) and the external confidential advisor once (2022: 2). An external employee also visited the internal confidential advisor once. It is very important that all reports are taken seriously and that the confidentiality of the persons reporting is handled with due care. The reports were about undesirable behaviour, integrity and not feeling heard. 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 do find these confidential advisors.

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

Wages and social protection

All employees in our workforce, both employed and non-employed, 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 salaried 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

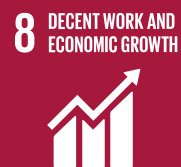
All employees who are employed by us have a performance and career development interview at least once a year.

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 be setting up a registration log for this in the coming years, with the new learning management system actually providing options for this.

### 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 produces an unadjusted wage gap (hourly wages man-hourly wages women)/hourly wages men\*100%) between men and women of 3.74%. This is a slight decrease compared to 2022, in which the unadjusted wage gap was 4.06%. Because it concerns an unadjusted pay gap, equal positions, years of service and other experience have not been taken into account.

In 2023, the annual total remuneration ratio within Vreugdenhil was 7.1. This is the ratio of the highest-paid person to the median annual total remuneration for all employees (excluding the highest-paid person). The median annual total remuneration is determined based on the employees listed in the payroll administration and the highest-paid person is determined based on the management contract of the Executive Board members.



**SDG 8: Promoting sustained, inclusive and sustainable economic growth, full and productive employment and rewarding work for all.**

**Doel 8.5 Achieving full and productive employment and rewarding work for all men and women by 2030, including young people and persons with disabilities, as well as equal pay for equal work.**

By paying attention to the diversity of our employees and the type of work they do, Vreugdenhil contributes to creating a fair, safe and pleasant working environment.



# Workers in the value chain

Our close collaboration with suppliers of raw materials, packaging and services, such as transport, plays a crucial role in ensuring the well-being of 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 developed specific campaigns for dairy farming and for the purchase of raw materials. This allows us to act proactively and ensure that the highest standards of health, safety and well-being are met by all our suppliers. Our commitment to these principles underlines our commitment to an ethical and responsible supply chain.

## Supplier Code of Conduct

All our suppliers must comply with our [Supplier Code of Conduct](#). This code sets out guidelines on responsibilities relating to business integrity, the environment, local communities, employees and animal welfare. We are committed to conducting business with respect for the fundamental dignity of people and their human rights, in accordance with international standards such as the International Labour Organization (ILO) Declaration on Fundamental Labour Principles and Rights, the United Nations Guidelines on Business and Human Rights and the Universal Declaration of Human Rights. All our raw material and packaging suppliers have signed the Supplier Code of Conduct, as they did in 2022.

We only work with suppliers who meet our requirements. Seeing as we mainly work with European suppliers, risks are often covered by legislation and regulations. In order to ensure our standards are met, the Supplier Code of Conduct must be re-signed every three years with sustainability a regular topic of discussion during visits and introductions. In addition, supplier audits pay close attention to the great importance of a safe and healthy working environment and we assess compliance with the requirements we set.

We value feedback from employees in our value chain and encourage them to report any concerns they have to our buyers. We offer an anonymous reporting system for sensitive matters on [our website](#).

Ensuring compliance with the Supplier Code of Conduct and auditing suppliers for working conditions is the responsibility of our QA Director.

## Dairy farm

Our dairy farmers supply our most important raw material and therefore their well-being is essential to us. We work with five district advisors who regularly visit our dairy farmers. This way we stay well informed of important topics within the farms and we can support them where necessary. In addition, we organise annual sounding board groups and

supplier meetings to maintain an open dialogue about developments in the sector and how we can support each other.

Unfortunately, dairy farmers currently face numerous uncertainties regarding the agricultural policy, which can lead to tensions and uncertainties on the farm. In addition to supporting our district advisors, we are also sponsors of [www.zorgomboerentuinder.nl](http://www.zorgomboerentuinder.nl), an initiative that focuses on the well-being of farmers and market gardeners.

We believe education about dairy farming is of great importance, and that is why we support collective educational initiatives such as ZuivelNL. Various teaching materials are available on [www.zuivelonline.nl](http://www.zuivelonline.nl) that can be used by schools and dairy farmers free of charge. We also sponsor local initiatives such as [www.kombijdeboer.nl](http://www.kombijdeboer.nl), to strengthen the connection between farmers and society.

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. 'Future security and equal opportunities for dairy farmers' emerged as a specific topic from our most recent double materiality assessment. We will therefore explore this topic in more depth in the coming years and include it in our strategy in more concrete terms.

## Purchase of raw materials

As part of our commitment to International Corporate Social Responsibility (ICSR), we focus on due diligence. This means that we have become more aware of human rights and the environmental risks that we face, directly or indirectly, through our business activities. Due diligence is an ongoing process, so we continually evaluate and respond to these risks to reduce them.

A risk assessment has been carried out to identify which raw materials pose a high risk of human rights violations, such as child labour and forced labour. This assessment is fed with information from Sedex (a platform with data on sustainability in the supply chain) and external experts. The first inventory identified palm oil and cocoa as high-risk raw materials. As [stated previously](#), all palm oil we used in our milk powders in 2023 was 100% RSPO mass balance certified. In 2023, it was decided to purchase Rainforest Alliance-certified cocoa from 2024 onwards. This decision will be further implemented in 2024. Vreugdenhil continues to build knowledge about certification and its effectiveness, so that we can continue to improve our ICSR efforts and minimise our impact on the environment and society.

Vreugdenhil's buyers are responsible for the purchasing process of raw materials from various suppliers and manufacturers. This allows us to quickly switch between available suppliers and producers in the event of any issues. Raw materials from countries posing increased levels of risk are not purchased directly, but through European suppliers, which provides additional guarantees for quality and compliance with standards. In addition to the focus on raw materials, we use Sedex to gain insight into the risks present at our suppliers. In 2022, we started inviting suppliers to the Sedex platform to link up and gain insight into their data. This process was continued in 2023. In 2024, we want to use these results in our supplier assessment and audits. Using the data that the companies have entered themselves and the SMETA audits, we can better assess where risks lie for employees in our value chain and take action accordingly.

Our employees are kept informed through internal communication channels about the steps we are taking in the field of responsible procurement. To safeguard the continuity of our company, we ensure that these steps do not have a negative impact on our business operations. Responsible procurement is the responsibility of the QA Director, Commercial Director and COO.

Sounding board groups and supplier meetings are organized annually to maintain an open dialogue with our livestock farmers about developments in the sector.



# Affected communities

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

## Around the factories and offices

Our factory in Scharsterbrug is located in the middle of the village, which means the relationship with local residents is very important. Twice a year, a meeting is held for local residents and the local interest (these are representatives of the rest of the village). During this meeting, we jointly discuss possible changes in permits and scheduled projects. Local residents can then respond, raise any complaints and ask questions. A similar meeting is organised annually in Putten.

In Gorinchem and Barneveld, the factories are located on industrial estates, so there are few private neighbours. There is contact with surrounding businesses, where mutual understanding has been expressed about their potential impact on the environment. Consider, for example, the freight traffic on and around the factory. If there are problems, we discuss them with each other in order to find a good solution as quickly as possible. Every few years, any private residents living locally are invited for a tour and dialogue.

At Gorinchem, we also participate in G11, a club consisting of the large companies of Gorinchem and the mayor and aldermen. This group 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. Topics we discuss include 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 any damage to the environment or nuisance caused to local residents, this can be reported (anonymously) via our website. In addition, local residents can contact our SHE Manager and/or Site Director directly. We believe it is very important to be immediately notified of any noise pollution, odour nuisance and/or emissions. As soon as a report is received, the damage is determined after which the appropriate action is agreed and implemented. Any costs arising from the situation will be reimbursed by Vreugdenhil. We attach great importance to open dialogue and that is why we evaluate emergencies together with the local residents involved, so that we can prevent similar incidents in the future.

We strive to have a positive impact on our environment. We support local initiatives and charities through sponsorship at all our sites. These initiatives are often proposed by our own employees or the dairy farmers, but external parties too approach us directly. We regularly donate products to the Food Bank, for example if there are employees who do not want Christmas stollen. Our doors are always open to local residents who have ideas or need help, because we want to contribute to our environment and always be there for people.

## In the chain of our raw materials

Vreugdenhil predominantly purchases raw materials from European suppliers and generally has no direct interaction with the communities where these raw materials are grown and harvested. In order to ensure that our activities do not have a negative impact on the environment, we apply a Supplier Code of Conduct. In 2023, we updated our [Supplier Code of Conduct](#) to include our mission and vision, and to better align with emerging legislation and regulations and international agreements. In cases where negative impacts are identified, we work with suppliers who source raw materials from alternative sources or actively seek to repair the damage.

We ensure expertise in sustainable agricultural practices by using certified systems such as RSPO and Rainforest Alliance. By participating in global initiatives, we contribute to improving the conditions for all stakeholders in our value chain. We strive to gain more insight into the impact and effectiveness of these systems by building knowledge.

Responsibility for responsible procurement lies with the QA Director, Commercial Director and COO. Local communities in our value chain have the option of reporting problems via [our website](#), so that we can proactively respond to any concerns and issues.





# Customers and end users

The continuity of our company is determined by the satisfaction of our customers and consumers. That is why we are always committed to make tasty and nutritious powders. With the added note that quality and food safety always come first. At the same time, we continue to innovate, develop new products in, for example, our factory in Putten and add even more value with the functional and nutritional properties of our powders, for example by contributing to the fight against 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 became certified in 2023.

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

In 2023, a team worked on reducing the number of complaints. The focus therein was on transport damage, invoices and service. The effectiveness of the improvement measures can be further improved. The working group will continue its activities in 2024.

In 2023, we received 0.22 product quality complaints per 1,000 tonnes of product. This means we did not achieve our target of a maximum of 0.20 product quality complaints per 1,000 tonnes of product. This also represented a slight increase compared to 2022, when we received 0.20 product quality complaints per 1,000 tons 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 causes the complaints, so we can prevent them in the future. Our target for 2024 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.

In 2024, we will prepare to register and report the provenance and origin of our products, in line with changing laws and regulations. In addition, we will continue to work on compliance in the field of contaminants, such as MOSH/MOAH, in close collaboration with our suppliers.

## 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 different themes:

- Nutritious products, in which we enrich milk powders intended for specific target groups (students, the elderly) with vitamins or minerals;
- Affordable alternatives to existing products, so that we can provide more people with our products;
- Products that are further processed in bakeries, the chocolate industry and the ice cream industry, through which we offer our customers innovative solutions for their product range.

In 2023, we further developed our innovation process, resulting in various new ideas and projects. Some highlights include the development of products for the chocolate industry, for which our milk powder can replace part of the cocoa butter, as well as milk powder specially developed for people who are lactose intolerant, goat's milk powder and organic milk powders.

Last year we successfully completed 16 new projects, including a product enriched with a vitamin premix. Other important milestones were the development of medium-heat milk powder suitable for UHT applications, skimmed milk powder for tube feeding and whole



**SDG 3: Ensuring good health and promoting wellness for all ages.**

**Doel 3.4 Reducing premature mortality linked to non-communicable diseases by one-third through prevention and treatment and promoting mental health and well-being by 2030.**

Vreugdenhil contributes to higher resistance among our consumers and thus the reduction of diseases through the nutrients in its milk and the extra enrichment of its milk powders.

milk powder for coffee cups. These developments, which involved extensive testing and research, have led to increased customer satisfaction and are in keeping with our ongoing innovation efforts.

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



**In 2023, 16 new product developments were successfully completed, including a product enriched with a vitamin premix.**

**SDG 2: Ending hunger, providing food security and improved nutrition and promoting sustainable agriculture.**

**Doel 2.1 Ending hunger and ensuring access to safe, nutritious and sufficient food for all by 2030, especially the poor and people living in vulnerable situations, including children, all year round.**

By offering safe and nutritious products to customers and consumers around the world, Vreugdenhil contributes to ending hunger and increasing the availability of food.

**2 ZERO HUNGER**



2 ZERO HUNGER

**SDG 2: Ending hunger, providing food security and improved nutrition and promoting sustainable agriculture.**

**Doel 2.2 Ending all forms of malnutrition by 2030, including meeting internationally agreed targets on stunting and underweight in children under 5 by 2025; and also meet the nutritional needs of adolescent girls, pregnant and lactating women and older people.**

With our products for specific applications, Vreugdenhil provides the right nutrients for vulnerable target groups, including malnourished children and the elderly.

Plant-based

We can see that, in addition to consuming dairy, consumers are also adding more and more plant-based products to their diet. We innovate based on customer demand and have therefore enriched our range with plant-based products. We are pleased to announce that we have signed two significant distribution agreements this year; one with IFF for SuproPlus®, a premium range of soy-based powders, and another with Cosun for Tendra®, a protein isolate based on field beans. These products can be used in a wide variety of product applications.

During our meetings with customers, we now also highlight our plant-based product range. In 2024, we aim to grow our distribution volumes of Tendra® and SuproPlus®.

In addition to distribution, expanding collaborations in the field of co-manufacturing is an important pillar of our business developments in plant-based products. Our many years of experience as a specialist in the field of spray drying enables us to help our customers with the production of high-quality plant-based powders. Carrying out various pilot productions with plant-based powders provides us with valuable insights. In 2024, we aim to expand our co-manufacturing activities for spray-drying plant-based powders, which will help us meet the growing demand for high-quality plant-based products. Furthermore, we aim to further increase our visibility as a co-manufacturing partner, positioning ourselves as a leading player in the industry.

Another important part of our strategy is the active involvement in product development of hybrid products, leveraging the qualities of both dairy and plant-based ingredients to create innovative and versatile products. We look forward to developing this further in-house and together with customers in the coming years. We have set concrete targets for the sales of plant-based products by 2024, which underlines our determination to grow in this powder category.

We believe in the power of chain collaboration. We were already affiliated with The Protein Community and this year we joined a partnership called Fascinating. This ensures that we have even more opportunities to exchange knowledge, further develop the market and expand our network. These milestones achieved and planned activities reflect our commitment to growth, innovation and creating value for our customers and partners. We look forward to achieving these goals and further strengthening our position as a market leader. The Plant-Based strategic initiative comes under the portfolio of the COO.

Putten

We took over the factory in Putten in February 2022, which was an important step in our strategy. With this expansion, we focus on the production of high-quality nutritional products, such as specialties based on milk, whey and plant-based raw materials. The start-up of production in Putten and selection of the desired products are managed by the Site Director in collaboration with the Business Development Director.

In early 2023, we started the commercial production of goat's milk powder, followed by Jersey skimmed milk powder and Organic skimmed and whole milk powder. We also arranged for all documents and approvals to deliver to specific countries. We have significantly scaled up innovative pilot productions that should lead to commercial products in 2024. These mainly include milk-based recipes, combined with some promising plant-based products. Provided the commercial success so justifies, these products will be scaled up to our other, larger factories.

Our new 25 kg packaging line was put into operation in the summer of 2023, followed by the renewal of our milk-receiving tanks. These are crucial steps to optimise our production processes and meet the growing demand for our products. Unfortunately, we suffered a fire in Putten in the autumn, which temporarily paused developments.





## Combating malnutrition

By enriching milk powders with the right vitamins and minerals, we contribute to the fight against hidden hunger. In 2023, as in previous years, 17% of our own products in the African market consisted of enriched products. This is a slight increase compared to recent years.

In various parts of the world, almost 60 million children suffer from acute malnutrition. These vulnerable children are treated with specially produced food, namely 'Ready to Use Therapeutic Food' (RUTF) and 'Ready to use Supplementary Food' (RUSF), in which milk powder is an important ingredient. These products contain a high concentration of carbohydrates, healthy fats, proteins, vitamins and minerals, which means they have a big impact in small doses. They are often distributed locally by aid organisations. Given the seriousness of the health situation of these children, it is crucial that this special food, including the milk powder, is produced safely. In 2023, we focused on increasing our market share by both growing existing relationships and building new ones. We will continue these efforts in 2024, so that we continue to contribute to the safe treatment of acute malnutrition in children. The Commercial Director is responsible for this.

In collaboration with our partners Stichting ZOA and Hoogwegt, we implemented the Milky Gari project in Liberia from 2018 to 2022. The main goal of this project was to provide children with a nutritious start to the school day. Many children in Liberia suffer from malnutrition. Milky Gari, a nutritious porridge made from our fortified milk powder and locally grown

By increasing our market share in Ready to Use Therapeutic Food (RUTF), we contribute to combating malnutrition



cassava, was provided to school children by the aid organisation Stichting ZOA. This initiative served as an additional motivation for parents, whose children were not yet attending school, to also send their children to school. The result was a remarkable 21.7% increase in the number of children attending school, with nearly 2,000 children in participating schools by the end of 2022. In 2023, we investigated which new project we could start to make our milk powder available to schoolchildren. We expect to launch a new project with World Vision, Made Blue and Hoogwegt in 2024.

## Clean drinking water

For the use of milk powder, it is crucial that our end users have access to clean drinking water. That is why we have been partners with Made Blue since 2015. Our goal is to make drinking water available where it is needed most. In recent years we have already made 1.5 billion litres of clean drinking water accessible in Ethiopia. This number is equal to 2022, because we have been working with Made Blue for 10 years now and the projects are guaranteed to generate water for that period. Every investment we make now compensates for the part we invested in 10 years ago and which has now completed. Made Blue establishes water points and develops associated infrastructure, such as sanitary and washing facilities, including at schools. A team of local people has been trained to maintain the drinking water infrastructure, while coaches have been trained to promote behavioural change regarding hygiene. Our aim is to further expand this collaboration by also supplying our milk powder to water points. We expect to take the first steps in this regard in 2024.

## Restrictions of sales

Vreugdenhil is a producer of tasty, 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 discontinue the supply of its milk powders.







# Governance

Care for tomorrow



# Business conduct

## Code of Conduct

As a milk powder producer with customers worldwide, Vreugdenhil is committed to conducting business with integrity and honesty. We apply the law and our own standards and values as the foundation for everything we do. Our [Code of Conduct](#) sets out what we consider essential for good behaviour. In the event of cases in which our employees do not act in line with this code, we offer an option for (anonymous) reporting 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 concerned and, if necessary, our internal sanctions policy will take effect.

## Animal Welfare

Dairy farmers pay a lot of attention to the well-being of their animals, providing for a healthy living environment 24 hours a day, 7 days a week. The year 2023 resulted in an average lifespan of our dairy farmers' cows of 6 years, 1 month and 24 days. This was the same as in 2022 and comparable to the national sector average of 6 years, 2 months and 4 days.

To promote continuous improvements in the welfare of the cows, our dairy farmers have been using the 'Cow Compass' for several years now. This instrument offers a comprehensive view of animal health and welfare. Together with the veterinarian, the dairy farmer examines various aspects that influence the health and well-being of the cows. This way, strengths are identified, combined with points for improvement. This gives dairy farmers greater insight into potential risks on their farms, so that they can take preventive measures to mitigate these. Within our sustainability programme, rewards are based on the 'Cow-Data' results. Each quarter this instrument calculates a score based on farm data, such as the health of the cows on the farm. 'Cow Compass', 'Cow Data' and 'Cow Alert' together form the 'Cow Monitor', which monitors animal health on the farm both physically and based on performance indicators.

Improving calf care is also part of our sustainability programme. Dairy farmers use the CalfOK 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.

In 2023, dairy farmers within Vreugdenhil's sustainability programme could be rewarded for the absence of Infectious Bovine Rhinotracheitis (IBR) and Bovine Virus Diarrhoea (BVD), longevity, 'Cow Data' and CalfOK, accumulating to a maximum premium of € 0.30/100 kg of milk. In 2024, our purchasing conditions will be adjusted to increase the focus on greenhouse gas emissions, which means the maximum premium will drop

to € 0.20/100 kg of milk. IBR and BVD are removed from the programme, yet participation in an IBR or BVD programme is still guaranteed through the Milk Quality Chain.

## Outdoor grazing

In 2023, our outdoor grazing percentage was 86.9%. This is a slight drop compared to 2022 (89.6%). The cause of this drop is that we have hired dairy farmers who do not practice any form of grazing. This outdoor grazing percentage means that our dairy farmers have more than met the national target of 81.2% laid down in the Outdoor Grazing covenant from 2012. Our outdoor grazing percentage is also higher than the Dutch average of 82.8%. The bonus for outdoor grazing has been high for several years now, making it attractive for farmers to opt for 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.

## Management of relationships with suppliers

As a close family business, Vreugdenhil embraces business operations that are focused on both this generation and future generations. We foster long-term relationships with our suppliers, while striving for sustainable partnerships. Sustainability is at the heart of our business practices and we aim to ensure that our suppliers and manufacturers meet our targets by 2030 and 2050. The major challenges can be found in the [Low carbon farming](#) and [Carbon Neutral Production](#) strategic initiatives. Through close collaboration within our partnerships and with an integrated approach, we are jointly committed to achieving our sustainability.

## Prevention and detection of corruption and bribery

The [Supplier Code of Conduct](#) and [Code of Conduct](#) can be found on the website. Stakeholders can report undesirable behaviour anonymously via the website. To date, we have not received any such reports. In 2023, we implemented changes to our CAPEX contracting process to ensure transparency and integrity. In the event of transactions of a certain size, for which payments must be made before goods or services are received, we now require a bank guarantee. This way, we strive to ensure that our suppliers aspire to the same business commitment as we do. In addition, the purchasing department has been given the responsibility to co-approve requests exceeding specific amounts.





This involves checking whether purchases are made in accordance with our purchasing conditions and Supplier Code of Conduct, and whether multiple quotations have been requested, if possible. These measures ensure that decision-making takes place on the basis of objective criteria and is not influenced by personal interests.

No anti-corruption and anti-bribery training took place in 2023.

### Business conduct indicators

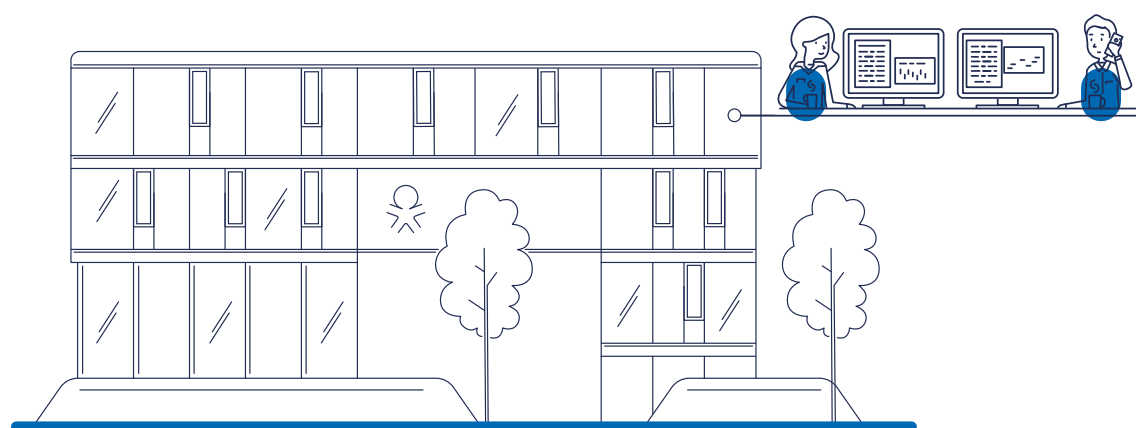
#### Confirmed incidents of corruption or bribery

In 2023, 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 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 de Groot was therefore involved in the table discussions to arrive at a joint agricultural agreement, which was supposed to provide a solution to the nitrogen challenges in the Netherlands.

Our supplier code contains rules of conduct regarding our own and our chain partners' responsibilities with regard to business integrity, the environment and local environment, employees and animal welfare.



Vreugdenhil did not make any political (or politically related) contributions in 2023. Members of the Executive Board and Supervisory Board have not been engaged 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 a purchase 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.

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. 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, either from purchasing or sales.







# Financial

Care for tomorrow

# Developments and results

After the, in all respects, very positive year for dairy in 2022, 2023 was a year with many challenges. These challenges were partly caused by the sharply declining sales prices on the world market of dairy commodity products. The downward trend started in the second half of 2022 and continued into the first quarter of 2023. This took place at a time when demand fell sharply due to rising living costs, while milk supply increased due to lower feed and energy costs. The market stabilized somewhat in the second and third quarters as supply and demand became better balanced. Towards the end of 2023, dairy product prices started to rise again.

In addition, competition around milk increased in the Netherlands, with the result that the paid milk prices were not in line with the sales value of the end products to be produced from it. There also remains uncertainty surrounding the solution to the nitrogen problem in the Netherlands, partly as a result of the outcome of the House of Representatives elections on November 22, 2023.

There was geopolitical unrest outside the Netherlands, such as the ongoing war between Russia and Ukraine and the escalation of the conflict between Israel and Palestine. These circumstances increased the risks and therefore the costs of (sea) transport through the Middle East.

Direct financial challenges arose because the European Central Bank continued to implement the interest rate increases it started in 2022 to slow down inflation in 2023. In addition, wage costs increased due to a significant (dairy) collective labor agreement increase of 8% as of January 1, 2023 and there was a strongly fluctuating dollar exchange rate throughout the year.

On the evening of November 22, our company was confronted with a fire at the recently acquired location in Putten. Production there has been at a standstill since that evening. Production started again in mid-2024. This has had a negative impact on the 2023 result as a result of the applicable deductible.

As a result of average price declines, turnover fell by 20% from €1.25 billion to over €1.03 billion. For the first time in 20 years, the company has suffered a loss. The group result after taxes amounted to €-12.9 million; a (record) profit of €37.8 million was achieved in 2022. As a result of the decreased prices, the value of stocks and receivables and therefore the balance sheet total decreased. As a result, solvency margin again exceeded 50%..

## Future

The trend of the fourth quarter of 2023 will continue into the beginning of 2024. 2024 will therefore remain a challenging year, in which we think we can achieve a slightly positive result after taxes.

Investments, which were already at a high level in 2023, will increase further in 2024. A large part of the investments are necessary to make our production process more sustainable.

The result for 2023 was such that it led to a breach of the covenants agreed with the financiers, a so-called default situation. A waiver was obtained for this and other (minimum EBITDA to be achieved) agreements were made for a period of 12 months (July 2023 to June 2024). These have been fully complied with. As of July 1, the “old” covenant agreements applied again. However, this did not make us decide to extend the current financing by another year, but rather to start a process for new financing with the intended goal of more room for growth and making the necessary (sustainability) investments. This led to new financing with the current 2 financiers (ING and Deutsche Bank) and Rabobank as of 29 October 2024 for a period of at least 5 years, but with an option to extend this twice by one year. The loan that still existed as of 31 October 2024 (pro resto amounting to EUR 17,500,000) has been fully repaid as of November 1. With the results of the refinancing, we have expanded resources in the coming years, which will allow us to accelerate the implementation of our energy transition plans. Solvency will continue to develop positively to a level of around 50%.

The new covenant agreements have taken effect retroactively as of the third quarter of 2024.

## 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.



# Organisation and risk management

At Vreugdenhil Dairy Foods, risk management forms an integral part of its business operations, supported by a governance system designed for this purpose. Risks are an essential element in assessing opportunities and determining strategies. Management decisions are made in line with Vreugdenhil Dairy Foods' risk appetite. Risks are continuously identified, mitigated and monitored as part of our business routines. Risk management is therefore a permanent part of the Management Team's periodic agenda. The increased volatility in recent years (due to COVID and the supply and energy crisis) has highlighted the importance of active risk management. Vreugdenhil Dairy Foods' approach focuses on the risks that the company inevitably faces in realising its strategy. Consciously managing risks increases the chance of achieving our strategy and business objectives. A proactive approach ensures that risk management is part of our Board meetings and is embedded in our processes. This benefits our decision-making and is essential for creating and retaining long-term value.

In 2023, we worked on our first double materiality assessment in preparation for compliance with the requirements of the Corporate Sustainability Reporting Directive (CSRD). The risks identified as part of our risk management process served as input for this assessment. Continuous Risk Management supports the achievement of business objectives, based on our Risk Assessment Cycle.

As part of the Risk Assessment Cycle, sites and their Management Teams continually assess their risks throughout the year. The Corporate Governance Code and the underlying policy set out Vreugdenhil Dairy Foods' commitment to doing business with integrity and honesty, and with respect for the law and our values. The rules included in the Code reflect how we work and the standards we adhere to. They are a key element in managing the risks our business faces and translating our objectives into clear instructions on how to carry out our daily work.

## Risk profile

Vreugdenhil Dairy Foods is a predominantly single-product company that is active in the (milk) powder industry in the Netherlands, selling these products to approximately 130 countries worldwide. Vreugdenhil Dairy Foods is present in three countries - in addition to the Netherlands, Spain and Belgium - with a growing part of turnover coming from emerging markets. An increasingly negative perception in society regarding nitrogen, CO<sub>2</sub>, energy consumption, air pollution, the manure surplus, meat and milk production for export, etc. may prompt legislators to implement further restrictive measures, such as reducing the livestock population, the number of dairy farmers and higher (energy) taxes (on emissions).

This could cause changes in consumption trends, which in turn could lead to a decline in the production and sales of (milk-based) products of Vreugdenhil Dairy Foods. Vreugdenhil Dairy Foods has therefore undertaken commercial initiatives with other market parties in the form of strategic partnerships for non-dairy-based alternative protein sources. We are also working on retaining our current dairy farmers and attracting new ones.

## Risk appetite

The level of risk that Vreugdenhil Dairy Foods is willing to accept depends on the type of objective involved (related to reputation, finances or business continuity).

## Reputation

Vreugdenhil Dairy Foods depends on the reputation of its brands and the protection of its intellectual property rights. Reputation management is of the utmost importance for Vreugdenhil Dairy Foods. We have made significant efforts to protect our brands, including registering trademarks and domain names. We strive to minimise the risks that could negatively impact our reputation and accept that this may incur costs.

## Financial

Vreugdenhil Dairy Foods is committed to pursuing commercial opportunities to achieve growth, while accepting uncertainties related to its strategic choices and the context of the individual markets in which it operates.

## Business continuity

Vreugdenhil Dairy Foods makes the availability of its brands a priority and only accepts minimal disruptions in its operations. In addition, Vreugdenhil Dairy Foods continuously invests in making the organisation future-proof and guaranteeing the sustainability of the company.

## Internal audit

Vreugdenhil Dairy Foods' internal audits are aimed at providing reasonable assurance about the accuracy of its financial information, non-financial disclosures, compliance with applicable laws and internal policies and the effectiveness of its internal processes.

In its operations, the internal audits are defined at entity level (comprising all mandatory standards and procedures) and at process level (process and audit standards) for key processes, including financial reporting, IT and taxes.

Compliance with company policies is assessed periodically. Deviations from the defined standards are included in the global monitoring and follow-up processes, thereby supporting management in addressing these deviations. The Executive Board is responsible for the definition and timely implementation of action plans to remediate any deficiencies identified as part of these assessments. The results are reported to the Executive Board.

Vreugdenhil Dairy Foods' rules, policies and audits are periodically updated to reflect both the business risks and the extent to which the company is prepared to mitigate these. The points set out in the auditor's management letter are also taken into account.

## Organisation

In order to reduce its risks, Vreugdenhil Dairy Foods uses a mitigating model at 3 levels:

1. The first and most important is quality and conduct in business operations. This comprises the ownership, responsibility and accountability for assessing and mitigating risks.
2. These operations are monitored for compliance with Vreugdenhil Dairy Foods' policies, processes and audits, facilitating the implementation of risk management practices and encouraging the continuous improvement of internal audits by the Supervisory Board.
3. The third mitigating level is the internal audit function. This involves the task of carrying out and reporting on group-wide assessments of important processes, projects and systems regarding the strategic priorities of Vreugdenhil Dairy Foods.

## Processes

Vreugdenhil Dairy Foods' risk management activities aim to identify and appropriately address any significant threats to the achievement of the company's strategy and business objectives, its reputation and the continuity of its operations. Vreugdenhil Dairy Foods' risk management system makes it possible to identify, assess, prioritise and manage risks continuously and systematically. The ongoing identification and assessment of risks, including new risks arising from changes at a global or local level, are part of Vreugdenhil Dairy Foods' planning, performance and risk management cycles.

Responsibility for mitigating, monitoring and reporting the most important risks is assigned to the functional Management Team members who report on this in MT meetings

## Main risks

The risk overview on the following pages highlights the main risks that could impede Vreugdenhil Dairy Foods from achieving its strategy and business objectives. This is not a complete overview of all risks and uncertainties that may affect the business. As new risks emerge and existing immaterial risks evolve, the timely discovery and accurate evaluation of said risks are at the core of Vreugdenhil Dairy Foods' risk management system.

### Need for raw materials

In order to meet its delivery obligations, Vreugdenhil Dairy Foods is dependent on the available raw materials, in particular milk. 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, we see a declining trend in milk supply. 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. New dairy farmers are very welcome and we successfully recruited dozens more in recent years. In addition to the production of milk-based powders, we are also increasingly focusing on the production of plant-based powders.

### Product quality and food safety

Vreugdenhil Dairy Foods 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 Dairy Foods' reputation as a food producer.

Therefore, during production, the requirements set by food and consumer goods authorities (HACCP, COKZ, NVWA, 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 its products, it goes without saying that Vreugdenhil Dairy Foods 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 Dairy Foods' 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 of crucial importance in that respect. They are expected to comply with the control and quality measures, the code of conduct and applicable laws and regulations and,

where necessary, 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 too, such as import regulatory measures, can have major consequences for Vreugdenhil Dairy Foods' business activities. That is why Vreugdenhil does not just focus on a limited range of products and/or customers or specific regions. Instead, it aims to serve customers with high-quality products across the globe.

### 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. Vreugdenhil Dairy Foods uses credit analyses and credit management, in which the degree of assessment depends on the size of the credit risk arising from a transaction. We use credit insurer Coface to assist in this. Vreugdenhil Dairy Foods 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 Dairy Foods, is spread. Vreugdenhil is not dependent on one or only a limited number of customers. In addition, we conduct weekly monitoring of outstanding receivables and can rely on adequate procedures in the field of debtor monitoring, including letters of credit, prepayments, bank guarantees and credit insurance limits.

### Liquidity risk/cash flow risks

Liquidity risk is the risk that Vreugdenhil Dairy Foods would not be able to obtain the necessary financial resources to meet its obligations in time. To this end, Vreugdenhil Dairy Foods 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 so that Vreugdenhil Dairy Foods can meet its investment obligations. Agreements with the bank are monitored periodically. This further contributes to an effective liquidity management system and adequate liquidity planning. The financing agreement and the agreements made therein are sufficient to meet Vreugdenhil Dairy Foods' 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 changes 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 changes in market interest rates. Vreugdenhil Dairy Foods hedges market risks with the purchase and sale of derivatives (futures, interest swaps, or fixed price contracts), as much as possible. Vreugdenhil Dairy Foods tries to limit the volatility in the profit and loss account as much as possible 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.

### Commodity price risk

Vreugdenhil Dairy Foods 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 2023, currency risks mainly arise from balance sheet positions in US dollars. These risks are hedged as much as possible. The majority of purchase and sales transactions take place in euros. For foreign currency transactions, Vreugdenhil Dairy Foods 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 as much as possible. Because the estimate of the correct delivery time of the goods and the moment of collection of receivables remains subject to change, the currency positions are constantly monitored and open positions are hedged where necessary. Because Vreugdenhil's policy is aimed at the complete prevention of currency risks and because the effectiveness of this policy is sufficient, hedge accounting is applied to the valuation of the financial instruments used to manage currency risks.



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. Because the swap agreement has a different term compared to the term of the financing, there is 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 e-mails, hacking, malware software, etc. demand up-to-date security systems. We work with external parties, such as FOX-IT, to conduct assessments, after which we can define and follow up on the appropriate actions. In addition, we regularly train our employees through e-learning and workshops in recognising these risks, while internal safety procedures have been geared to this. We regularly send test phishing e-mails to employees to train them to recognise them and deal with them correctly.

Market and competition

Vreugdenhil Dairy Foods is dependent on market demand. External events can have a major impact on this risk. Vreugdenhil Dairy Foods 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 Dairy Foods' 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 Dairy Foods. However, Vreugdenhil Dairy Foods 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. Key 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. As additional measures to this, 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.



# Closing words

Care for tomorrow



# Closing words

This report on the results for 2023 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 (2019, 2020, 2021 and 2022) are available on request. If you would like to read these, please [contact us](#).

Nijkerk, 9 December 2024

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







# Appendices

Care for tomorrow



# 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 2023 - 31 December 2023 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
	2-2 Entities included in the organization's sustainability reporting	<a href="#">General / Principles of sustainability statements</a>	17
	2-3 Reporting period, frequency and contact point	<a href="#">General / Principles of sustainability statements</a>	17
		<a href="#">Closing words</a>	55
	2-4 Restatements of information	n/a	
	2-5 External assurance	<a href="#">General / External audit of sustainability performance</a>	17
	2-6 Activities, value chain and other business relationships	<a href="#">General / About Vreugdenhil / Market position</a>	6, 8-9
		<a href="#">General / About Vreugdenhil / Value chain</a>	
		<a href="#">General / About Vreugdenhil / Value creation model</a>	
	2-7 Employees	<a href="#">Social / Own workforce / Indicators for own workforce</a>	39
	2-8 Workers who are not employees	<a href="#">Social / Own workforce / Indicators for our employees / Agency workers</a>	39
	2-9 Governance structure and composition	<a href="#">General / Governance</a>	14-16
	2-10 Nomination and selection of the highest governance body	<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
	2-13 Delegation of responsibility for managing impacts	<a href="#">General / Governance</a>	14
	2-14 Role of the highest governance body in sustainability reporting	<a href="#">General / Principles of sustainability statements</a>	17
	2-15 Conflicts of interest	<a href="#">Financial / Compliance with the Dutch Corporate Governance Code</a>	50
	2-16 Communication of critical concerns	<a href="#">Social / Own workforce / 'Report your concerns' and confidential advisors</a>	38
	2-19 Remuneration policies	<a href="#">General / Governance / Remuneration policy</a>	15
	2-21 Annual total compensation ratio	<a href="#">Social / Own workforce / Compensation indicators</a>	40
	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 of Conduct</a>	41
	2-25 Processes to remediate negative impacts	<a href="#">Social/ Workers in the value chain / Purchase of raw materials</a> <a href="#">Social / Affected communities / In the chain of our raw materials</a>	41 42
	2-28 Membership associations	<a href="#">General / About Vreugdenhil / Memberships and initiatives</a>	13
	2-29 Approach to stakeholder engagement	<a href="#">General / Stakeholder engagement</a>	10-12
	2-30 Collective bargaining agreements	<a href="#">Social / Own workforce / Indicators for our employees / Employees in paid employment</a>	39
Material topics			
GRI 3: Material Topics 2021	3-1 Process to determine material topics	<a href="#">General / Materiality assessment</a>	18-19
	3-2 List of material topics	<a href="#">General / Materiality assessment / Table</a>	19
	3-3 Management of material topics	<a href="#">General / Materiality assessment</a> <a href="#">Environment/Social/Governance chapters for each topic</a>	18-19
Product Quality & Food Safety			
Own indicator	# product complaints per 1,000 ton product	<a href="#">Social / Customers and end users / Food safety</a>	43
Emissions & Energy Consumption			
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	<a href="#">Environment / Climate change / Greenhouse gas emissions</a>	27
	305-2 Energy indirect (Scope 2) GHG emissions	<a href="#">Environment / Climate change / Greenhouse gas emissions</a>	27
Good Employment Practices			
Own indicator	Sickness absence: % employees who have reported sick	<a href="#">Social / Own workforce / Continued fitness and enjoyment on the job</a>	36-37
Health & Food			
Own indicator	% products on African market enriched with one or more nutrients	<a href="#">Social / Customers and end users / Combating malnutrition</a>	45
Responsible dairy farming			
Own indicator	<b>Climate:</b> CO <sub>2</sub> equivalent per kg of milk	<a href="#">Environment / Climate / Dairy farm</a>	22-23
	<b>Biodiversity:</b> number of dairy farmers taking extra measures to increase biodiversity on their land	<a href="#">Environment / Biodiversity and ecosystems / Preservation of biodiversity</a>	31 31
	<b>Purchasing of animal feed:</b> % of high-risk raw materials with sustainability certification.	<a href="#">Environment / Biodiversity and ecosystems / Sustainable animal feed</a>	
	<b>Animal welfare:</b> % grazing and longevity of dairy cattle	<a href="#">Governance / Animal Welfare</a>	47
Business Ethics & Integrity			
Own indicator	# cases of corruption and/or bribery	<a href="#">Governance / Prevention and detection of corruption and bribery</a>	47-48
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 / Purchase of raw materials</a> <a href="#">Social / Workers in the value chain / Purchase of raw materials</a>	32 41



# ESRS-index ESG-report

Vreugdenhil has consulted the European Sustainability Reporting Standards of 31 July 2023 in preparation for the upcoming CSRD legislation. This ESRS Index shows where the components reported so far for the period January 1, 2023 - December 31, 2023 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
Basis for preparation			
BP-1	General basis for preparation of the sustainability statements	<a href="#">General / Principles of sustainability statements</a>	17
BP-2	Disclosures in relation to specific circumstances	n/a	
Governance			
GOV-1	The role of the administrative, management and supervisory bodies	<a href="#">General / Governance</a>	14-16
GOV-2	Information provided to and sustainability matters addressed by the undertaking's administrative, management and supervisory bodies	<a href="#">General / Governance</a>	14-16
GOV-3	Integration of sustainability-related performance in incentive schemes	<a href="#">General / Remuneration policy</a>	15
GOV-4	Statement on sustainability due diligence	Will follow in the coming years	
GOV-5	Risk management and internal controls over sustainability reporting	<a href="#">Financial / Organisation and risk management</a>	51-53
Strategy			
SBM-1	Market position, strategy, business model(s) and value chains	<a href="#">General / About Vreugdenhil</a>	6-9
SBM-2	Interests and views of stakeholders	<a href="#">General / Stakeholder engagement</a>	10-12
SBM-3	Material impacts, risks and opportunities and their interaction with strategy and business model(s)	<a href="#">General / Materiality assessment</a>	18-19



Impact, risk and opportunity management			
IRO-1	Description of the processes to identify and assess material impacts, risks and opportunities	<u>General / Materiality assessment</u>	18-19
IRO-2	Disclosure Requirements in ESRS covered by the undertaking's sustainability statements	<u>Attachments / ESRS table</u>	58-60
CCR-1	Policies adopted to manage material sustainability matters	Will follow in the coming years	
CCR-2	Actions and resources in relation to material sustainability matters	Will follow in the coming years	
Metrics and targets			
CCR-3	Tracking effectiveness of policies and actions through targets	Will follow in the coming years	

ESRS	Topic	Subtopic	Location	Page number
Environment				
E1	Climate change	Energy GHG emissions Climate-related financial effects	Environment / Climate Change	21-27
E2	Pollution	Pollution of air Pollution of water Pollution of soil Pollution of living organisms and food resources Substances of concern	Environment / Pollution	28-29
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	Environment / Water	30
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	Environment / Biodiversity and ecosystems	31-32

Social



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>	42
S3	Affected communities	Rights of indigenous communities (Free, prior and informed consent • Self-determination)	<a href="#">Social / Affected communities</a>	42
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>	43-45
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 / Customers and end users / Food safety</a>	43
S4	Consumers and end users	Social inclusion of consumers and end-users (Non-discrimination • Access to products and services)	<a href="#">Social / Customers and end users / New Product Development</a> <a href="#">Social / Customers and end users / Plant-based</a> <a href="#">Social / Customers and end users / Combating malnutrition</a>	43-45
Governance				
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>	47-48
G1	Business conduct	Corruption and bribery (Prevention and detection including training • Incidents)	<a href="#">Governance / Prevention and detection of corruption and bribery</a> <a href="#">Governance / Business conduct indicators</a>	47-48



