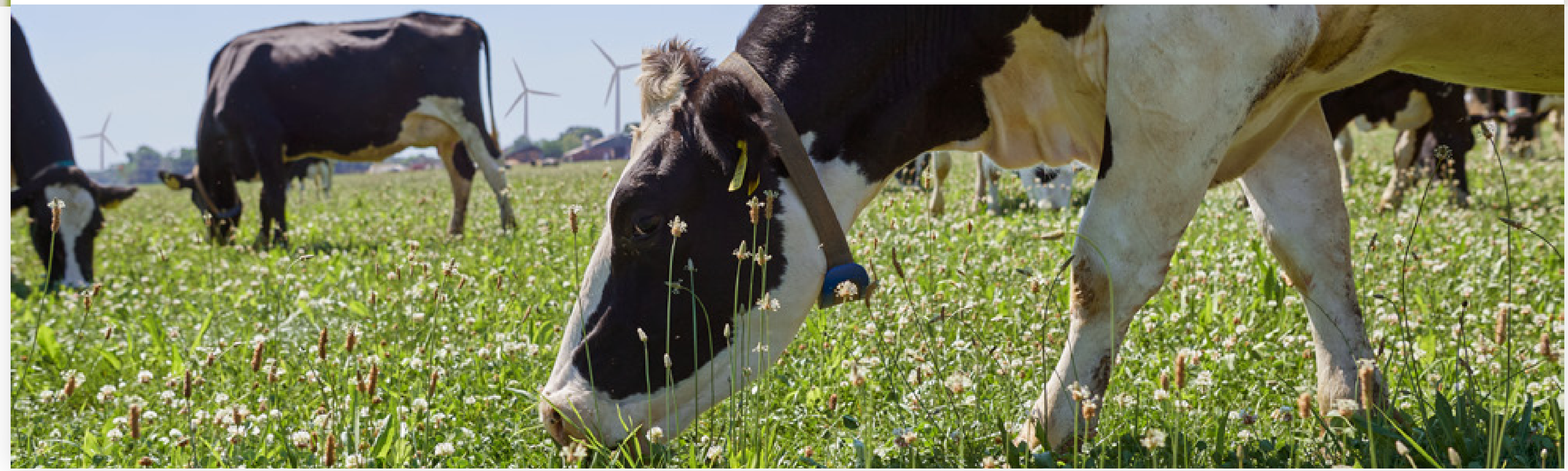
2020 Annual Report

FrieslandCampina
nourishing by nature



Contents

11,100
Member dairy farms

23,783
Employees FrieslandCampina (FTEs)

This is FrieslandCampina

Royal FrieslandCampina N.V provides hundreds of millions of people throughout the world with dairy products and the valuable nutrients from milk each and every day. FrieslandCampina processes the raw milk produced by dairy farms, whose owners are member of Zuivelcoöperatie FrieslandCampina U.A., into dairy products and ingredients. Together with member dairy farmers, FrieslandCampina manages the entire production chain: from grass to glass.

FrieslandCampina provides consumers with dairy products, such as milk, yoghurt, condensed milk, dairy-based beverages, cheese, butter and cream. In addition, the company supplies nutrition to specific consumer groups, such as children, the elderly and sportspeople. It provides professional customers, such as bakers, pastry chefs, chocolate confectioners, chefs and caterers, a broad product range of creams, butters, desserts and fillings. It also supplies high quality healthy and functional ingredients for all stages of life to international producers of foods and it supplies ingredients for pharmaceutical applications.

FrieslandCampina is one of the largest dairy companies in the world with a cooperative tradition going back almost 150 years. In 2020, 11,100 member dairy farms in the Netherlands, Germany and Belgium supplied approximately ten billion kilos of milk for processing into dairy products and ingredients. FrieslandCampina has branches in 38 countries and exports to more than one hundred countries worldwide. At year-end 2020, FrieslandCampina employed 23,783 workers (FTEs).

Four market-oriented business groups

FrieslandCampina Consumer Dairy

provides consumers with dairy products, such as milk, yoghurt, condensed milk, dairy-based beverages, cheese, butter and cream. For professional customers, such as bakers, pastry chefs, chocolate confectioners, chefs and caterers, Consumer Dairy offers a broad product range of creams, butter, desserts and fillings.

FrieslandCampina Specialised Nutrition

supplies nutrition to specific consumer groups, such as children, the elderly and sportspeople.
For young children who are entirely dependent on reliable nutrition with a unique combination of nutrients, for adults in various stages of their lives and for sportspeople who consider sports nutrition a key factor in their performance.

FrieslandCampina Ingredients

supplies high-quality ingredients for all stages of life. With the specialised, international market segments Early Life Nutrition, Adult Nutrition, Pharma, Food & Beverages and Animal Nutrition, FrieslandCampina Ingredients is leading in the food sector as an innovation partner in healthy and functional ingredients and solutions. FrieslandCampina Ingredients operates globally with regional sales offices in the Netherlands, the United States, Singapore, China and Brazil.

FrieslandCampina Dairy Essentials

produces and sells Dutch cheeses, such as Gouda, Edam and Maasdam, and a wide range of foreign cheeses, different types of butter and milk powders for professional and industrial customers. This business group is responsible for the member dairy farmers milk allocation and for valorising bulk volumes of milk on global commodity dairy markets.

FrieslandCampina brands

FrieslandCampina has strong brands throughout the world that have a good reputation in their markets. For consumers, as well as professional users. FrieslandCampina Ingredients supplies natural ingredients derived from milk, cheese whey and plant-based raw materials for specific business-to-business market segments. www.frieslandcampinaingredients.com.

Top 10 consumer brands

by revenue in euros

Friso	Worldwide
Frisian Flag	Indonesia
Dutch Lady	Asia
Peak	Nigeria
Campina	Netherlands and Belgium
Alaska	Philippines
Debic	Worldwide
Foremost	Thailand
Rainbow	Middle East
Landliebe	Germany and Eastern Europe

Top 5 ingredients

by revenue in euros

Excellion

Caseinate

Vivinal GOS

Syrup

Kievit Vana Grasa

Creamers

Pharmatose

DFE

Base powders

IFT GuM

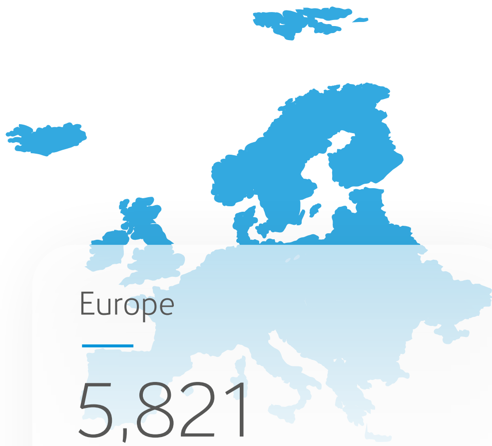
FrieslandCampina worldwide

38
Branches countries

>100 countries
Products

23,877
Employees* worldwide

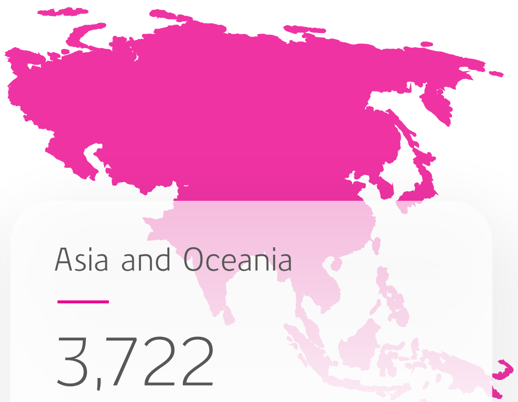
FrieslandCampina has branches in 38 countries. Its products find their way to more than a hundred countries through sales offices, partners and distributors.



Europe

5,821
Revenue*

13,624
Employees*



Asia and Oceania

3,722
Revenue

9,015
Employees

Africa and the Middle East

1,155
Revenue

1,054
Employees

North and South America

442
Revenue

184
Employees

* Millions of euros, and average number of FTEs

2020 Key figures

A good living for our farmers

11,140 ▼ -1.4%
Revenue[1]
2019: 11,297

268 ▼ -38.0%
Operating profit[1]
2019: 432

79 ▼ -71.6%
Profit[1]
2019: 278

2.4
Operating profit
(as a percentage of revenue)
2019: 3.8

57,534 ▼ -26.2%
Number of local farmers participating in a training programme[2]
2019: 77,934
(in DDP countries)

34.46 ▼ -3.4%
Guaranteed price[3]
2019: 35.66

35.72 ▼ -5.9%
Milk price[3]
2019: 37.95

35.72 ▼ -10.7%
Performance price[3]
2019: 40.00

10,064 ▲ 0.4%
Milk supplied by member dairy farmers
2019: 10,020
(millions of kilos)

Better nutrition for the world

75
Product composition
2019: 70
(as a percentage of the total volume of consumer products that comply with the FrieslandCampina Global Nutritional Standards)

Now and for generations to come

720 ▼ -4.4%
Greenhouse gas emission production and transport[4]
2019: 753[5]
(in kton CO_2-equivalent)

12,319 ▼ -0.2%
Greenhouse gas emissions on member dairy farms
2019: 12.344[5]
(in kton CO_2-equivalent)

44
Green electricity consumption from own chain
2019: 25
(percentage; produced by member dairy farmers among others)

87.3
Recyclable packaging
2019: 87.0
(percentage)

1 Results in millions of euros.
2 All figures pertain to countries in which Dairy Devlopment Programme (DDP) operates.
3 In euros per 100 kilos of milk, excluding VAT. For 2020 at 3.57% protein, 4.42% fat and 4.53% lactose and for 2019 at 3.47% protein, 4.41% fat and 4.51% lactose.
4 Excluding purchase of CO_2 rights: 1,198 kt CO_2 equivalents (2019), 1,154 kt CO_2 equivalents (2020).
5 The 2019 figure has been adjusted. The emission factors for milk, milk powder and whey for NL, DE and BE have been adjusted retroactively to account for the adjusted sector model and the addition of ENGRO Pakistan.

The year 2020 in review

January 2020

The **initial impacts of the coronavirus are noticeable** in China. Sale of infant nutrition shifts from retail outlets to e-commerce channel

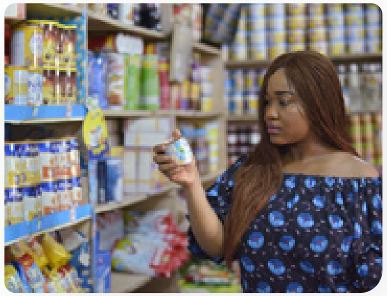
March 2020

FrieslandCampina signs **European Plastics Pact**

May 2020

FrieslandCampina **acquires infant nutrition company Dutch Nutrition**

First lockdowns with impact on foodservice and out-of-home activities



FrieslandCampina WAMCO **acquires Nutricima's dairy operations in Nigeria**

FrieslandCampina Ingredients announces a significant **expansion of the production capacity of lactoferrin**

September 2020

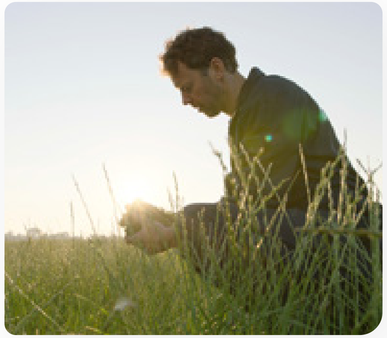
FrieslandCampina issues 300 million euros in **subordinated bonds**, listed on the Euronext Dublin

Members' Council approves construction of a **new plant in Indonesia** and the conversion of the existing production facility into a production centre for infant nutrition for Asia

FrieslandCampina WAMCO opens **dairy center of expertise** in Nigeria for developing the local dairy chain

Minister Schouten receives billionth litre of **'On the way to PlanetProof' milk**

FrieslandCampina launches ***Nourishing a better Planet*** sustainability programme



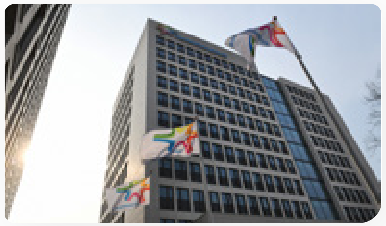
October 2020

November 2020

December 2020

Wageningen University & Research (WUR) publishes study exploring the **future of Dutch dairy farming**

FrieslandCampina **accelerates the strategy** *Our Purpose, Our Plan* and announces restructuring of business operations



FrieslandCampina's Members' Council approves amendments to Cooperative governance designed to further **improve the Cooperative's decision-making speed and agility**

“It proved necessary to accelerate the implementation of our plans

2020 was unlike any other year for FrieslandCampina: business as unusual. The year’s excellent start-up was smothered by the corona pandemic. Virtually everywhere social and economic life came to a standstill with major direct and indirect impacts for FrieslandCampina. This required accelerated intervention. And this is what in fact happened. Hein Schumacher reviews some decisive moments in 2020. About the corona pandemic, the need for restructuring the organisation, the financial results and FrieslandCampina’s people.

View the video interview

The year 2020 started off on a promising note...

"Profit in the first quarter was significantly higher than in 2019; the best result in years. But after this FrieslandCampina faced a series of setbacks primarily caused by the corona pandemic. The border between Hong Kong and China remained closed to prevent the coronavirus from spreading. Hong Kong traditionally has been an important market for us and functions as a gateway to China, particularly for infant nutrition. Branches in Shanghai and Wuhan, and elsewhere, were also faced with transport constraints, but due to the excellent work of our colleagues there, revenues for the entire year rose significantly in China."

The impacts of the corona pandemic became visible in the sales figures at the beginning of the second quarter...

"After China, Europe also had to go into lockdown. Global trade came to a standstill. Export to regions where there continued to be economic activity, such as the Middle East, came under pressure because of a major shortage of sea containers, which were stuck in Chinese ports. In Europe, Italy was first to be hit by the corona wave, followed by Spain, France and our home markets the Netherlands, Germany and Belgium. Governments had no choice but to impose lockdowns. In many countries, social and economic life came to a virtual stillstand. The hospitality sector in particular was severely affected and in turn this adversely affected our foodservice and out-of-home-business. This is an important market for FrieslandCampina, particularly in Southern Europe. These revenues and profits abruptly disappeared. The impact of these developments on the company as a whole in the first half of 2020 resulted in a 17.2 percent decline in operating profit and a 37.2 decline in profit on a comparable basis, in comparison to the first half of 2019."

Message from Wuhan

"Early in the year, roughly by the end of January, we had already been hit hard by the impact of the coronavirus. Our colleagues in our sales office in Wuhan reported how the virus spread there and how the city, and later the province, went into lockdown from one day to the next. We saw brave colleagues on their mopeds and bicycles deliver orders of infant nutrition to families, in front of the door, at the entrance to flats. That made a big impression. What was happening was slowly becoming clear in Europe and we understood that this was going to have a major impact on people, society and the economy. Naturally this meant this was going to have a major impact on FrieslandCampina as well. The team in Wuhan acted proactively by immediately requesting a license from government. As a result, we were one of the few companies able to continue to supply customers with essential nutrition for new-borns and others. What's more they succeeded admirably. With this admirable attitude of 'don't worry, we'll take care of it', they demonstrated mental resilience."

FrieslandCampina was unable to valorise all of its milk supply

"Due to the stagnation of a large part of demand, our stocks increased and we were forced to trade more milk on the commodity dairy market. As a result, prices on this market dropped by more than 30 percent. This had a major financial impact on the company. In Nigeria, economic problems increased due to the loss of oil-related income resulting in a lack of dollars, which led to import restrictions. As a result of all these market developments, directly and indirectly linked to the corona crisis, milk prices of reference farms dropped by 3.4 percent, and therefore the guaranteed price as well."

-3.4%
Guaranteed price

The direct and indirect impacts of the corona pandemic motivated us to accelerate our strategy

"Confronted with the new situation, we immediately took a careful look at our strategy and business plans. What were the implications of the new situation and a global recession for us? We concluded that our strategy *Our Purpose, Our Plan* was the right strategy, even under the new circumstances. Completely changing course therefore was unnecessary. On the other hand, it was necessary to accelerate the implementation of our plans. Furthermore, the uncertainty about the course of the crisis compelled us to take three strict measures: reduce our expenditures, adjust the product portfolio and sales channels, and increase our focus on cash.

By closely reviewing the marketing and overhead budget and our investments, we were able to quickly intervene and reduce costs. However, for the longer term it was impossible to escape the conclusion that restructuring was unavoidable. We freed up financial resources for restructuring costs: approximately 150 to 175 million euros in 2020 and 2021, with the larger portion, over 100 million euros, recognised in 2020. This way we create the prospect that starting in 2022, the restructuring will save us more than 100 million euros gross per year and will better equip us for the future. Restructuring has consequences. Measures that directly contribute to cost reduction unfortunately go hand-in-hand with a loss of jobs and the closure of production facilities. Yet, we had to take these difficult decisions, otherwise we would keep carrying these excessively high costs and they would depress the company's vitality for a longer period of time. It is one of the measures that makes us future-proof and enables us to absorb any new shocks.

Digitalisation
Strengthening e-commerce channels throughout the world

Sustainability
Launch of *Nourishing a better planet*

Retail
Short-term shift to dairy products for at home

Another, measure for the short term, was to shift a portion of our salesforce from foodservice and out-of-home to the retail channel. Forced by circumstances, people consumed more food at home and demand for dairy products in retail outlets increased. Due to our decisive actions we managed to maintain our market positions, and often even strengthen them. In 2020, many of our markets experienced growth in revenue. In addition, we devoted attention to digital and e-commerce channels and as a result our revenue generated through these channels throughout the world rose significantly.

I view this latter development as a structural change, even in a post-COVID-19 world. Digitalisation and sustainability are important pillars of *Our Purpose, Our Plan* strategy. We actively pursued both themes in 2020. I am convinced that this will help us move forward in a rapidly changing world. This also applies to making smart investments. A good example of this is our investment in additional capacity for the production of lactoferrin at our production facility in Veghel, the Netherlands."

It is end-December. Every year this is a festive occasion for family, relatives and friends, but this time there was a predominating chill of loneliness and uncertainty. Because of the coronavirus people were obliged to stay home in lockdown. During that time FrieslandCampina dairy farmers went to Dutch nursing homes in Drunen, Maastricht, Waalwijk, Steenwijk and other locations. They handed out Chocomel beverages and chatted with residents. An action to hearten the elderly who were in dire need of some attention. Schumacher: "What our members and Consumer Dairy Netherlands colleagues did together touched me deeply. They demonstrated direct social involvement, which especially now is so important. Furthermore, this was not just a standalone action. In 2020, there were many initiatives organised by members of the Cooperative and employees throughout the world who rose up under difficult circumstances and supported each other. It is heart-warming to see what they meant to each other and for others through these actions."

The result – somewhat lower revenue, considerably lower operating profit

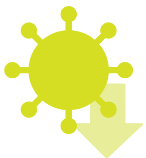
"FrieslandCampina's revenue decreased by more than one percent in 2020. Given the circumstances this is modest, however, this primarily involved revenue from high margin segments and added value products, including foodservice, out-of-home and infant nutrition revenue in Hong Kong, which largely disappeared. These segments make a large contribution to profit and were relatively hard hit by the corona crisis. Instead, we realised increased revenue in the retail sector, where profit margins are lower. As a result the operating profit dropped more sharply than one would expect to see as a result of a one percent decrease in revenue. Furthermore, we were confronted by currency translation setbacks due to the devaluation of the Nigerian naira and dollar-related currencies in Asia. The Nigerian economy was severely affected by low oil prices in the second half of the year and the Nigerian government instituted trade barriers to protect the national economy.

We were able to achieve our objectives for 2020 in some areas, but the direct and indirect impacts of the corona pandemic, such as developments in Hong Kong, had an enormous impact on our results. As mentioned earlier, this made it necessary to structurally reduce costs and we recognised over one hundred million euros in restructuring costs in 2020. Without this provision, the decline in the operating profit would have been 13 percent in comparison to 2019. Looking back, you could say that we were able to absorb the setbacks in the foreign exchange markets, the collapse of the foodservice and out-of-home market, and the drop in the price of commodity dairy through better performance in the retail sector and cost savings, but that it simply was impossible to compensate for the loss of profit in Hong Kong."

> **The 2020 and 2021 restructurings make FrieslandCampina future-proof.**

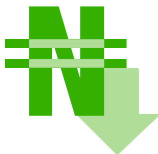
Members – a future-proof FrieslandCampina

"The fact that we had to forego the supplementary cash payment to member dairy farmers over 2020 was truly disappointing to me personally, but we have to abide by the provisions of the milk price regulation. The guaranteed price, which has stayed reasonably stable, provides a solid foundation for the milk price, in spite of the major social and economic crisis. It is unescapable that the world was turned upside down over the last three quarters of 2020. This also impacted FrieslandCampina. A global crisis emerged that no one had foreseen. I realise that we are asking a great deal from our owners, the member dairy farmers. However, we cannot just idly sit by and watch events unfold, we must act quickly. The restructuring we are implementing in 2020 and 2021 will benefit members over time. The fact that this is at the expense of the 2020 profit and a part of the 2021 profit is unavoidable, because cost precedes benefit. However, we are convinced that this is best for the Cooperative and the Company. It makes FrieslandCampina future-proof."



Corona
Direct impacts of the corona pandemic

Hong Kong
Developments here caused a near total loss of revenue



Currency translation effects
Unfavourable foreign exchange markets for Nigerian naira

Employees – in the 'metre-and-a-half' society and during lockdowns we continued to supply 'better nutrition for the world'

'Better nutrition for the world. A good living for our farmers. Now and for generations to come' is our purpose, the reason for our existence. Our member dairy farmers were frontrunners in the corona crisis by continuing to operate their farms with calm and determination. They did not allow themselves to be thrown into confusion by a virus spreading uncertainty and unrest. It was a source of inspiration for me and many of my colleagues. Under difficult circumstances we collectively succeeded in collecting and processing all milk. We owe our employees in the production chain who each and every day were prepared to leave their safe homes to clear this task, an enormous debt of gratitude. But also to our sales staff who, confronted with travel restrictions, organised important contacts with customers in different ways. I am also thinking of the numerous internal meetings, month-end closings and audits that thanks to special inventiveness and effort were continued online. Colleagues who thought up new solutions to perfect their work, as they went along. I am well-aware that this is not something to be taken for granted. Their creativity and perseverance was exceptional. I truly appreciate this and FrieslandCampina is grateful to all of them."

> “Colleagues who thought up new solutions to perfect their work. That is not something to be taken for granted. I am truly appreciative of this.

Nourishing a better planet
the six priorities

Better nutrition, affordable for everyone
Better living for farmers
Better climate, carbon-neutral future
Better nature, improving biodiversity
Better packaging, 100% circular
Better sourcing, 100% responsible

The future

"In 2020 we also put an important dot on the horizon with a refined sustainability strategy: *Nourishing a better planet*. As FrieslandCampina we therefore have a lot offer with a typical integrated FrieslandCampina approach that shows how sustainability for us starts at the farm, is further pursued at our production facilities, in the sourcing of raw materials, in financing, marketing, etc. and of course as a finishing touch in the composition of our products and the positioning of our brands. The motivation for *Nourishing a better planet* is independent of the corona pandemic, but the virus forces us to confront the facts: the balance between nature, animal and humans is fragile. It demonstrates the importance of acting with care in this domain as a dairy company. We have never shied away from this responsibility and we emphasise this with our new strategy.

Nourishing a better planet comprises six priorities (see page 55). No non-binding goals, but clear targets that we aim to achieve within a certain period of time. With 'better planet' we demonstrate that we take a global view. It is a strategy in which we, as company, draw an international line for biodiversity, packaging and, for example, implementing sustainable measures at production sites.

> There is well-founded hope that after the summer of 2021, things will again start moving in a positive direction.

Last year we commissioned Wageningen University & Research to conduct a study of the future of Dutch dairy farming in 2030. One of the findings of the study is that the declining trend in the number of dairy farms will persist and that milk production in the Netherlands will remain virtually the same. That means fewer, on average larger, farms. There are challenges, as well as opportunities here for the sector and also for FrieslandCampina."

Where to from here – about 2021

"Looking ahead to the future involves uncertainties, as 2020 amply demonstrates. What is very clear, however, is that the first half of 2021 will continue to be very challenging globally and also for FrieslandCampina. The borders between Hong Kong and China are still closed. A refined market approach in China, with greater emphasis on e-commerce, innovation and expansion to other cities is promising. Macroeconomic conditions combined with the low dollar exchange rate, continue to make the situation in oil-dependent countries, such as Nigeria uncertain. At the same time, due to lockdowns in a large number of countries, including our home markets, the foodservice and out-of-home market continue to be virtually dormant in the first part of 2021. However, as we demonstrated in 2020, we are working hard to as much as possible compensate for this through other channels, for example by increasingly focusing on digital and online retail channels. I am confident that we will be able to continue along this line, even though we do not expect to be able to fully compensate the setbacks in the first half-year of 2021.

It would appear that large groups of the population will be vaccinated in the second half of 2021 and that the pandemic will slowly lose steam as a result. If so, economically we will then be entering a better phase and I expect growth in the short term once the constraining measures can be lifted. We are then well prepared to once again provide our foodservice customers with dairy products. I foresee stable commodity dairy prices with a slightly rising trend over 2021. In short, there is well-founded hope that after the summer of 2021, things will once again start moving in a positive direction. This hope is also based on the resilience of our people and the company, which I experience daily."

Hein Schumacher
CEO Royal FrieslandCampina N.V.

Nourishing by nature

What does FrieslandCampina stand for? What determines our direction, our actions? FrieslandCampina operates on the basis of the purpose *Nourishing by nature*. This stands for better nutrition for the world, a good living for our farmers, now and for generations to come.

We contribute to food safety and food security for millions of people all over the world by providing them with access to dairy.

We pay an exemplary milk price and this way enable member dairy farmers to maintain healthy farming operations. In addition, we support local dairy farms in Asia, Africa and Eastern Europe.

We assume responsibility for maintaining the natural living environment. This is the basis and the future of the company and the world at large. Furthermore, we encourage member dairy farmers to operate their farm in balance with nature and climate.

Founded on the purpose *Nourishing by nature*, FrieslandCampina has set out its strategic objectives for the coming years in its *Our Purpose, Our Plan 2.0*. The strategy comprises four priorities:

- Win with nutrition
- Serve the 24/7 consumer and customer, anytime and anywhere
- Nourishing a better planet
- Elevate our essentials

The FrieslandCampina dairy company is fully owned by Zuivelcoöperatie FrieslandCampina U.A., and processes the milk of member dairy farms in the Netherlands, Germany and Belgium. The dairy farms are usually owned by successive generations. The farmers treat their cows with respect for animal and nature. FrieslandCampina celebrates its 150th anniversary in 2021 and during that time has grown into a multinational that supplies hundreds of millions of people throughout the world with dairy products each day.

The world population is expected to grow from approximately 7.8 billion people in 2020 to some 10 billion people in 2050*. The need for high quality and affordable nutrition continues to increase as a result. Currently, access to basic nutrition is not a given for millions of people**. At the same time scarcity of natural raw materials is increasing and climate change and social developments are putting pressure on the availability of agricultural land.

To deal with these challenges, FrieslandCampina cooperates with other parties and organisations in the chain to make it sustainable with the objective of safeguarding the quality of life for future generations.

Milk contains an abundance of nutrients that are essential for a healthy life. Proteins are important for everyone for developing and maintaining muscles, and calcium is indispensable for bones. Proteins are important for infants, children, sportspeople and the sick, for growth, sports performance and to regain strength, respectively. Furthermore, the CO_2 footprint of each nutrient is relatively low.

* Estimated growth based on UN report (mid-2019).
** Unicef: Number of hungry people in the world in 2019: 820 million (or 1 in 9 people) (July 2019).

FrieslandCampina's SDG Focus

With the production and sale of dairy products the company makes an important contribution to the continuity of our members' farms. The company aims to pay a leading milk price in Northwest Europe.

All of this comes together in our purpose *Nourishing by nature*, which stands for better nutrition for the world, a good living for our farmers, now and for generations to come.

Our cooperative DNA means that by our very nature we rely on cooperation. We work together with partners and create coalitions with governments, customers and NGOs for the purpose of collectively adding value. We believe that working together increases and accelerates our innovative strength. This way we work on developing new standards for a dairy sector that in the long term offers better nutrition to a wider public throughout the world, in balance with nature.

Sustainable Development Goals

Since 2015, the seventeen Sustainable Development Goals (SDGs) of the United Nations make up the global agenda that is to put an end to poverty, inequality and climate change. Since 2018, we have linked our policy and our business operations to the UN's SDGs (also see the Value Creation Model). Within the SDGs we consider it important to focus on those aspects on which we are able to have a real impact. This is why we have selected eight SDGs to which we can demonstrably contribute with our business operations and strategy.

Value creation

How does FrieslandCampina create value? Our integrated value creation model illustrates how we apply the resources required for our operations. How we create value for member dairy farmers, customers, consumers and society through our goals, efforts, results and the impact we realise.

In 2020, we continued to develop the value creation model. The required sources (input) and our impact in the short-term (output) have been specified. In addition, we clearly identified how our output translates into social impact (outcome) and thus contributes to long-term value creation (expressed in terms of our contribution to the Sustainable Development Goals).

Impact

A good living for our farmers
We pay a leading milk price and this way contribute to enabling member dairy farmers maintain healthy farming operations. We support local dairy farms in Asia, Africa and Eastern Europe.

Now and for generations to come
We assume responsibility for people and nature. This is the basis and the future of the company and the world at large. We encourage member dairy farmers to operate their farm in balance with animal, nature and climate.

Better nutrition for the world
We contribute to food security and food quality for millions of people all over the world by providing them with access to affordable dairy.

Output

35.72€ **Milk price** (per 100 kilos of milk)

57,534 **Local dairy farmers trained (DDP)**

12,319 kt CO_2-eq. **Greenhouse emissions by member dairy farmers**

11.1€ billion **Revenue**

79€ million **Profit**

720 kt CO_2-eq. **Greenhouse gas emissions from production and transport**

75% **Better nutrition for the world**[1]

Input

100% **Sustainable agricultural raw materials**

91% **Traceable to source**

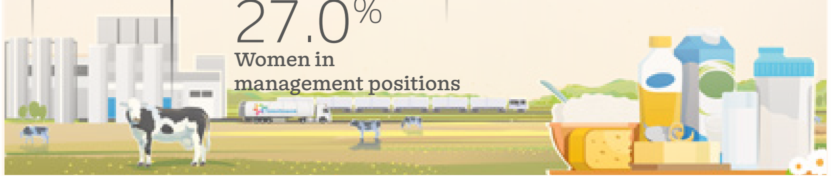
16,995 **Member dairy farmers**

10,064 million kilos **Milk supplied by member dairy farmers**

23,877 **Employees (Average FTEs)**

27.0% **Women in management positions**

2.83 GJ/tonne product **Energy consumption**
Of which 15.2% green energy from member dairy farmers and others



87.3% **Recyclable packaging**

28.2% **Recyclable plastic**

From grass... ... to glass

raw materials and — nutrients — dairy farm → logistics — production — distribution → consumer — society

nourishing by nature

Win with nutrition | Serve the 24/7 consumer and customer, anytime and anywhere | Our Purpose Our Plan 2.0 | Nourishing a better planet | Elevate our essentials

1 Product composition: as a percentage of the total volume of consumer products that comply with the FrieslandCampina Global nutritional standards

In dialogue with stakeholders

FrieslandCampina is in constant and active contact with its business relations (see Appendix Stakeholders dialogue). Through listening, informing and meeting. This enables us to identify the expectations of parties involved regarding FrieslandCampina's actions and stay abreast of relevant, current developments. Where possible we involve our stakeholders in the development of policies, such as biodiversity or healthy nutrition policy. In addition, we consult them about setting the topics on which we report annually (see Material themes).

FrieslandCampina's stakeholders

Member dairy farmers and the Cooperative	**Employees**
Non-governmental organisations and interest groups	**Trade and industrial associations**
Science	**Media relations**
Government bodies and local authorities	**Suppliers**
Nutrition and health experts	**Financiers**
Buyers (customers)	

The specific organisations and bodies, as well as the topics that were discussed, and the actions arising from these contacts are listed in the stakeholder dialogue table (on page 210 to 225).

Material themes

In addition to the continuous dialogue with stakeholders, FrieslandCampina conducts a survey among external business relations and within its own organisation every year on what they consider the most relevant themes. Based on the outcome of the resulting analysis we identify these 'material topics'. They form the basis for FrieslandCampina's integrated strategy and the topics addressed in this report.
The materiality analysis conducted at the end of 2019 shows that the CO_2 footprint is considered to be the most important topic, followed by innovation, the milk price, nature & biodiversity and healthy products with nutritional value. These topics are discussed further on in this report.
A materiality matrix is developed on the basis of the outcome that visualises the prioritisation of the selected topics (see illustration). For background information on the development of the materiality matrix, see the appendix on page 227.

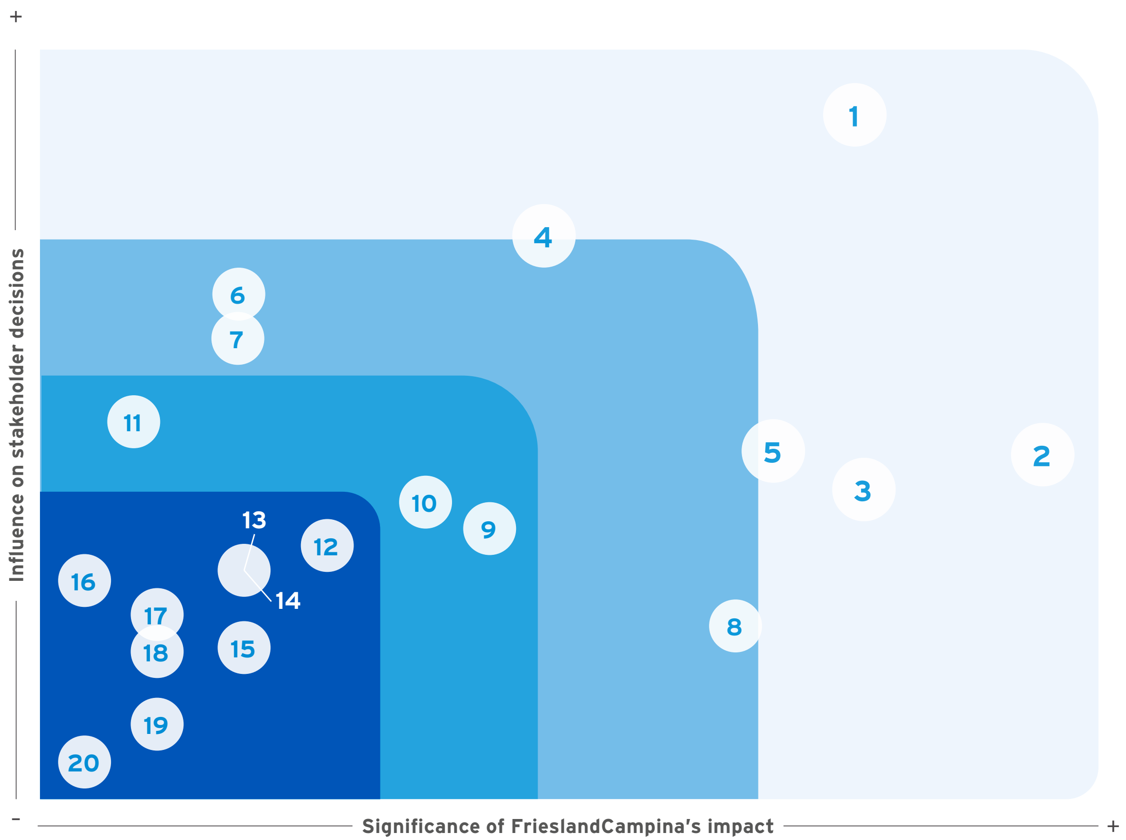
Materal topics

1 CO_2 footprint
2 Innovation
3 Milk price
4 Nature & biodiversity
5 Healthy products with nutritional value

6 Product quality & safety
7 Animal health & animal welfare
8 Attractive employer

9 Packaging
10 Supply chain management
11 Sourcing

12 Energy consumption and efficiency
13 Support for local dairy farms in Asia, Africa and Eastern Europe
14 Wastage
15 Pasture grazing
16 Dairy substitutes
17 Water consumption & efficiency
18 Affordable nutrition
19 Natural & clean label products
20 Diversity & inclusion



Report by the Executive Board

Developments and results

Revenue stable when adjusted for currency translation effects, higher cash flow

Significantly lower profit due to impact of corona pandemic and restructuring costs

- Revenue declined by 1.4 percent to 11.1 billion euros. Revenue virtually stable when adjusted for currency translation effects.

- Higher Ingredients, retail consumption and e-commerce revenue, adjusted for currency translation effects, compensated for lower sales in Hong Kong and out-of-home channel.

- Global e-commerce revenue grew by more than 50 percent.

- Operating profit declined by 38.0 percent to 268 million euros due to lower Hong Kong and out-of-home results, currency translation effects and 106 million euro restructuring cost.

- Excluding restructuring cost and currency translation effects, the operating profit declined by 10.9 percent.

- Profit declined by 71.6 percent to 79 million euros, primarily due to the lower operating profit and higher effective tax burden.

- Operating cash flow rose by 170 million euros to 737 million euros.

- Accelerated implementation of strategy and cost savings must result in structural cost reductions of more than 100 million euros gross per year starting in 2022.

- Milk price for member dairy farmers decreased by 5.9 percent to 35.72 euros per 100 kilos of milk. No supplementary cash payment to members and no issue of member bonds for 2020; interest on member bonds will be paid, however.

- Long-term climate-neutral growth objective realised: greenhouse gas emissions in the period 2010-2020 decreased from 13,108[1] kt to 13,039 kt, while production volume increased by 13.6 percent.

1 The emission factors for milk, milk powder and whey for NL, DE and BE have been adjusted retroactively on the basis of the latest generally accepted, scientific insights.

Accelerated implementation of company strategy

Although, at the beginning of 2020, most operating companies achieved higher revenues and strengthened their market share in key consumer markets such as the Netherlands, the Philippines, Pakistan, Indonesia and China, FrieslandCampina encountered a number of setbacks as a direct and/or indirect consequence of the corona pandemic. The effect of these setbacks proved to be impossible to compensate and had a significant impact on profitability in 2020. FrieslandCampina was confronted with border closure between Hong Kong and China, the worldwide elimination of foodservice and out-of-home-related revenues, the devaluation of local currencies and lower commodity dairy prices. This was further exacerbated by already existing pressure on profit margins in the Netherlands, Belgium and Germany.

The conditions in 2020 reemphasized the relevance of the strategy initiated by FrieslandCampina in 2018 and the need for accelerating the implementation of choices made and the course set. This means more attention for growth, initiating new partnerships and structurally lowering costs. The accelerated implementation makes FrieslandCampina more resilient in a rapidly changing world.

Financial Aspects

To accelerate the company's transformation and in particular optimise the organisation, FrieslandCampina expects to incur restructuring costs in the order of 150 to 175 million euros, charged to the operating profit in 2020 and 2021 (of which 106 million euros in 2020). The intended measures are to contribute to ensuring that effective from the 2022 financial year, FrieslandCampina will have structurally reduced its costs by more than 100 million euros gross per year. These future savings will be used to improve the company's profitability, pay out a leading milk price to member dairy farmers and to invest in the company's growth.

FrieslandCampina expects that as a result of the planned measures approximately 1,000 jobs will be eliminated by the end of 2021, largely in the Netherlands, Belgium and Germany. To contribute to the cost savings, senior management will not be paid a long-term bonus for 2020.

New Business Units

To increase our focus and to structurally lower our overhead and other costs, two new business units will be created in 2021, and the business group FrieslandCampina Dairy Essentials will be abolished.

FrieslandCampina Professional will focus on all high quality foodservice and out-of-home activities. All business-to-business activities, with higher added value for customers and consumers, relating to cheese, butter and milk powder, also form part of this new business unit.

FrieslandCampina Trading, will emerge from FrieslandCampina Dairy Essentials, and will start focusing on the efficient trade of commodity dairy, such as butter, cheese and skimmed milk powder.

+0.6%
Global demand for dairy products

+1.2%
Milk supply in the Netherlands

The dairy sector in 2020

The corona pandemic has had a major impact on the global economy and global dairy markets, and as a result on FrieslandCampina's results. At the beginning of the year, government measures designed to limit the advance of the coronavirus, as well as economic uncertainty resulted in significantly lower commodity dairy prices and a considerable drop in demand for foodservice and out-of-home products. Although butter, skimmed milk powder and cheese prices recovered over the course of the year, prices stayed below 2019 levels in the first months of 2020. Volumes in the retail sector increased due to higher at-home consumption. This was insufficient, however, to compensate for other negative effects.

The year 2020 began with a positive outlook for the dairy market. The global milk supply did not rise rapidly, while global demand was high thanks to strong international economic growth. Furthermore, global milk stocks were limited. But with the coronavirus spreading across the globe, prices dropped significantly. Governments supported the dairy market. At the beginning of May, the European Commission introduced the Private Storage Scheme: butter, skimmed milk powder and cheese could be temporarily stored for three to six months at the cost of the European Commission up until the end of June. This measure temporarily constrained market supply. FrieslandCampina did not make use of this scheme.

The American government stimulated demand by introducing a national food aid programme to provide destitute American citizens with nutrition. At the same time this initiative supported the agricultural sector in the United States. In total, 115 million packages containing dairy and meat products were distributed among the American population. This measure was implemented in five sequential steps and put an end to the strong price decreases. The market initially settled down after which it experienced a strong increase in domestic dairy prices. President Biden recently published a fifth package of measures that remains in effect up until some time in April. The impact of the American measures on the global market is that fewer American dairy products will be available on the global market. As a result price levels on the world market are somewhat higher.

Milk production

The corona pandemic barely affected worldwide milk production and in fact it grew in the most important dairy regions (New Zealand, Australia and the United States).

The Netherlands

In the first half of 2020, milk supply in the Netherlands rose by 1.8 percent in comparison to 2019. Effective from August, milk supply remained virtually stable in comparison to the same months in 2019, as a result of which the overall milk supply for all of 2020 was higher by about 1.2 percent.

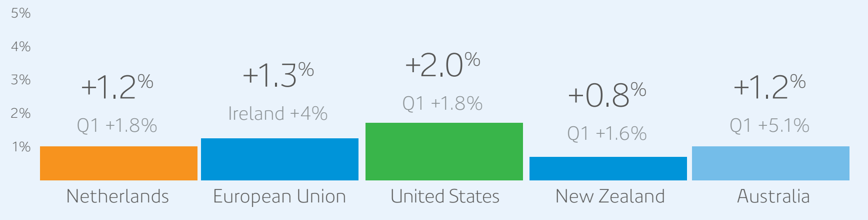
Farmers' protests

There also were farmers' protests in 2020 in the Netherlands. The farmers asked for attention to be focused on their income, regulations and the future prospects of the agricultural sector. The dissatisfaction led to increased blockaded supermarket distribution centres. FrieslandCampina understands this concern and considers a debate on fair pricing relevant, but focuses on a constructive dialogue among all stakeholders to discuss these concerns and look for solutions. Consumers must be able to rely on having foods, such as dairy, available on retail shelves. Especially during the pandemic.

Europe

At the beginning of 2020, milk supply in the European Union rose by 1.6 percent in comparison to 2019. In the months following, growth decreased resulting in a slight increase of 1.3 percent for all of 2020. With a growth of 4 percent, Ireland was primarily responsible for this development. In addition, Italy and Poland also exhibited significant growth rates. In Ireland and Poland this was due to higher efficiency resulting from new investments.

Average milk production growth in major dairy regions in 2020



Rest of the world

In the United States milk supply grew by about 1.8 percent in the first half of 2020, after which growth further increased to about 2 percent. Milk supply in New Zealand declined by 1.6 percent in the first half of the year, but rose by about 0.8 percent in the second half. Following years of declining milk production due to drought and heat, 2020 was a year of recovery for Australian dairy farmers. Milk supply rose by 5.1 percent in the first half of the year, but dropped back down to approximately 1.2 percent in the second half of the year.

Market trends

Globally, the demand for dairy products was 0.6 percent higher than in 2019 in part due to relatively low prices. The greatest increase in demand for dairy products on the world market came from China and Southeast Asia.
Until May, European dairy prices generally dropped. Following this decline, prices recovered in part due to the financial support provided by the European Commission, as a result of which surplus product was removed from the market. As a result, stocks of butter, skimmed milk powder and cheese were temporarily warehoused. During the second corona wave in the autumn, dairy prices remained fairly stable.

Milk prices

At the beginning of 2020, average milk prices in the European Union stood at 35.05 euros per 100 kilos of milk. Due to the corona crisis, prices declined to 32.22 euros in June, after which they once again rose to 33.68 euros in September and 35.06 euros per 100 kilos of milk at the end of the year.

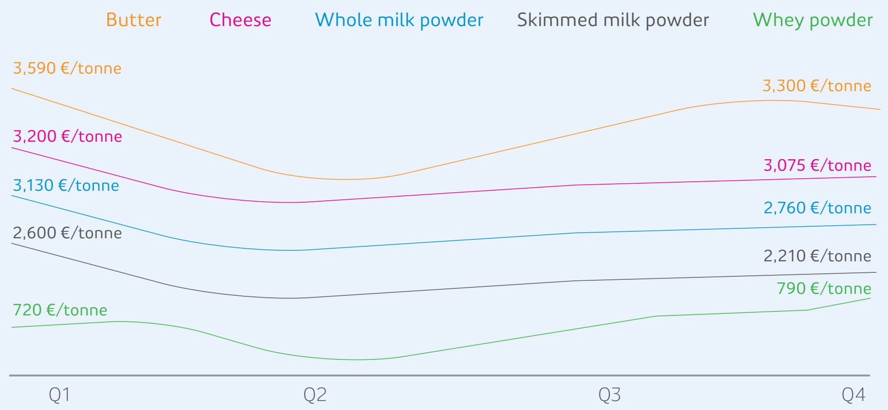
FrieslandCampina guaranteed price

At the outset of 2020, the mood on the dairy market was positive. Corona was something that only existed in China. Based on the reference farms used to determine the guaranteed price, forecasts initially predicted a high level for the average milk price. In January, the initial FrieslandCampina guaranteed price started off at 35.75 euros per 100 kilos of milk, jumped by a small increment to 36.50 euros in February and after that, in line with the coronavirus outbreak, declined to 32.50 euros in June. Thanks to market price increases, in part due to worldwide government market support measures, the guaranteed price subsequently increased to 34.00 euros and after that remained fairly stable until the end of November. In December, the guaranteed price further rose to 35.19 euros. The average guaranteed price in 2020 was 34.46 euros per 100 kilos of milk.

Butter

At the beginning of 2020, the Dutch butter quotation was 3,590 euros per tonne. Immediately after the first lockdown in March, butter prices dropped by almost 30 percent to a level of 2,550 euros per tonne. Thanks to the market supporting measures introduced by the European Commission, 63,500 tonnes of butter were removed from the market and stored pursuant to the Private Storage Scheme. As a result prices recovered to 3,350 euros per tonne in October. At the end of the year butter prices once again declined to 3,300 euros per tonne due to reduced demand and a higher seasonal supply. This was also partly the result of selling off butter from European stocks.

Average dairy prices in 2020



Cheese

Approximately half of the milk produced in the Netherlands is used for cheese production. At the beginning of this year the Hannover cheese quotation was stable at 3,200 euros per tonne. At the time of the first corona wave the price dropped by 20 percent to approximately 2,700 euros per tonne until mid-June. After this, the price once again recovered to a level of 3,075 euros per tonne in October and remained stable until the end of the year.

Skimmed milk powder

Expectations for the skimmed milk powder market were high at the beginning of 2020. Prices were at a level of 2,600 euros per tonne (Netherlands quotation). As a consequence of the first corona pandemic wave, prices quickly dropped by 30 percent to a level of 1,850 euros per tonne by mid-April. Thanks to the market support measures introduced by the European Commission, prices subsequently rose again to approximately 2,200 euros per tonne by the end of June. After this, prices slowly dropped to 2,210 euros per tonne at the end of 2020.

Whole milk powder

In the first half of 2020, there was a high demand for whole milk powder on the global market, in particular from China and Southeast Asia. But this market too was unable to escape the consequences of the corona pandemic. Prices in the Netherlands first dropped by almost 20 percent, from 3,130 euros per tonne at the beginning of the year to 2,550 euros per tonne by mid-April. After this, prices rose again to a level of 2,700 euros per tonne in September. Next, prices remained fairly stable at 2,760 euros per tonne to the end of December.

Whey powder

At the beginning of 2020, whey powder prices in the Netherlands rose from 720 euros per tonne to 830 euros per tonne due to a strong demand from China. However, the sale of European whey powder also was unable to escape the consequences of the corona crisis. Between the end of February and mid-April prices once again declined by 25 percent to 630 euros per tonne. Whey powder prices subsequently rose again in line with skimmed milk powder prices. In China the pig herd experienced steady growth and this resulted in a strong demand for animal feed with whey powder. Prices slowly rose to approximately 720 euros per tonne. In December, whey powder prices jumped by an additional increment to 790 euros per tonne.

Outlook for 2021

The dairy sector

The world population is forecast to grow by three billion people over the next 30 years and the global demand for dairy is expected to grow by two percent per year. FrieslandCampina aims to contribute to feeding the world population, but is aware that the dairy sector also has a role in solving the climate challenge. Generic measures such as halving the dairy herd in the Netherlands are not helpful in achieving global climate targets and moreover cause a great deal of unrest among farmers. This is why FrieslandCampina is focusing on more research, programmes and innovation to accelerate the development of a sustainable dairy farming sector. We are doing this together with producers, dairy farmers, suppliers, scientists, government and NGOs.

Milk production

The growth in milk production globally and in the European Union is expected to be lower in 2021 compared to last year. In the Netherlands, production will probably remain virtually stable due to the nitrogen policy. As a result of the farm buy-out scheme, the livestock herd is expected to contract somewhat. A higher production per animal compensates for this contraction. The trend of dropping numbers of dairy farms in the Netherlands, is expected to continue in the coming year as well.

Dairy Consumption

The global demand for dairy products is expected to increase slightly in 2021. This increase is dependent on the degree and speed with which the coronavirus is successfully suppressed. Sales via the foodservice and out-of-home channels significantly declined last year. Due to worldwide government measures to control the coronavirus introduced at the beginning of 2021, shops and catering establishments were closed and many consumers were forced to stay home. The sale of convenience products in kiosks, at petrol stations and by the hospitality sector consequently dropped significantly. This drop in demand can only be restored once the corona pandemic is under control and lockdowns have become a thing of the past. Following a sharp increase during the past year, at-home consumption is expected to stabilise and may even decline somewhat once normal life resumes.

Recovery in Hong Kong and China over time

It is not realistic to expect a full recovery of the cross-border trade between Hong Kong and China. Hong Kong is expected to remain an important market for FrieslandCampina, albeit at a structurally lower level than before. A lot of effort is currently being devoted to developing a new market approach for Hong Kong, and the expectation for China is that the approach adopted in 2020 can continue to be pursued and that revenue can be further improved. China is a highly competitive market in which FrieslandCampina aims to gradually grow.

Lower costs to increase profitability

In 2020, FrieslandCampina, prompted by the direct and indirect consequences of the corona pandemic, accelerated the implementation of its *Our Purpose, Our Plan* strategy. A number of changes were initiated this past year, that, in addition to increasing the company's agility and making more effective use of working capital and resources, are to provide for increased profitability, thus contributing to optimal value creation for members. The changes go hand-in-hand with job losses. As a result, it is expected that approximately 1,000 jobs will be eliminated by the end of 2021, largely in the Netherlands, Belgium and Germany. In 2021, investments amounting to approximately 450 million euros are foreseen, including investments in growth through new development projects in Malaysia and Indonesia.

FrieslandCampina's financial foundation is solid and provides an excellent starting position for the realisation of our plans in the context of the *Our Purpose, Our Plan* company strategy. FrieslandCampina does not make any pronouncements concerning the development of results in 2021. At year-end 2020, FrieslandCampina had not drawn down 1,565 million euros of the committed credit facilities. It is expected that in 2021, FrieslandCampina will be able to comply with the financial ratios specified by its financiers.

Our Purpose, Our Plan 2.0

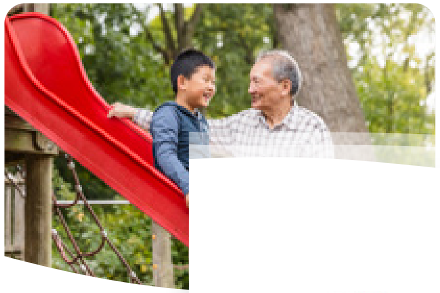
Strategic themes

Win with nutrition

Serve the 24/7 consumer and customer, anytime and anywhere

Nourishing a better planet

Elevate our essentials



Acceleration of the transformation

The direct and indirect consequences of the corona pandemic have made the FrieslandCampina strategy initiated in 2018 even more relevant. The choices made and the course set are effective and due to the new conditions require accelerated implementation with more attention focused on profitable growth, the initiation of new partnerships and structurally lowering costs.

Strategic goals

- **Exemplary performance price for member dairy farmers**
- **To realise our sustainability targets**
- **Organic growth in value-added products**
- **Higher gross profit margin**
- **Increased return on invested capital**

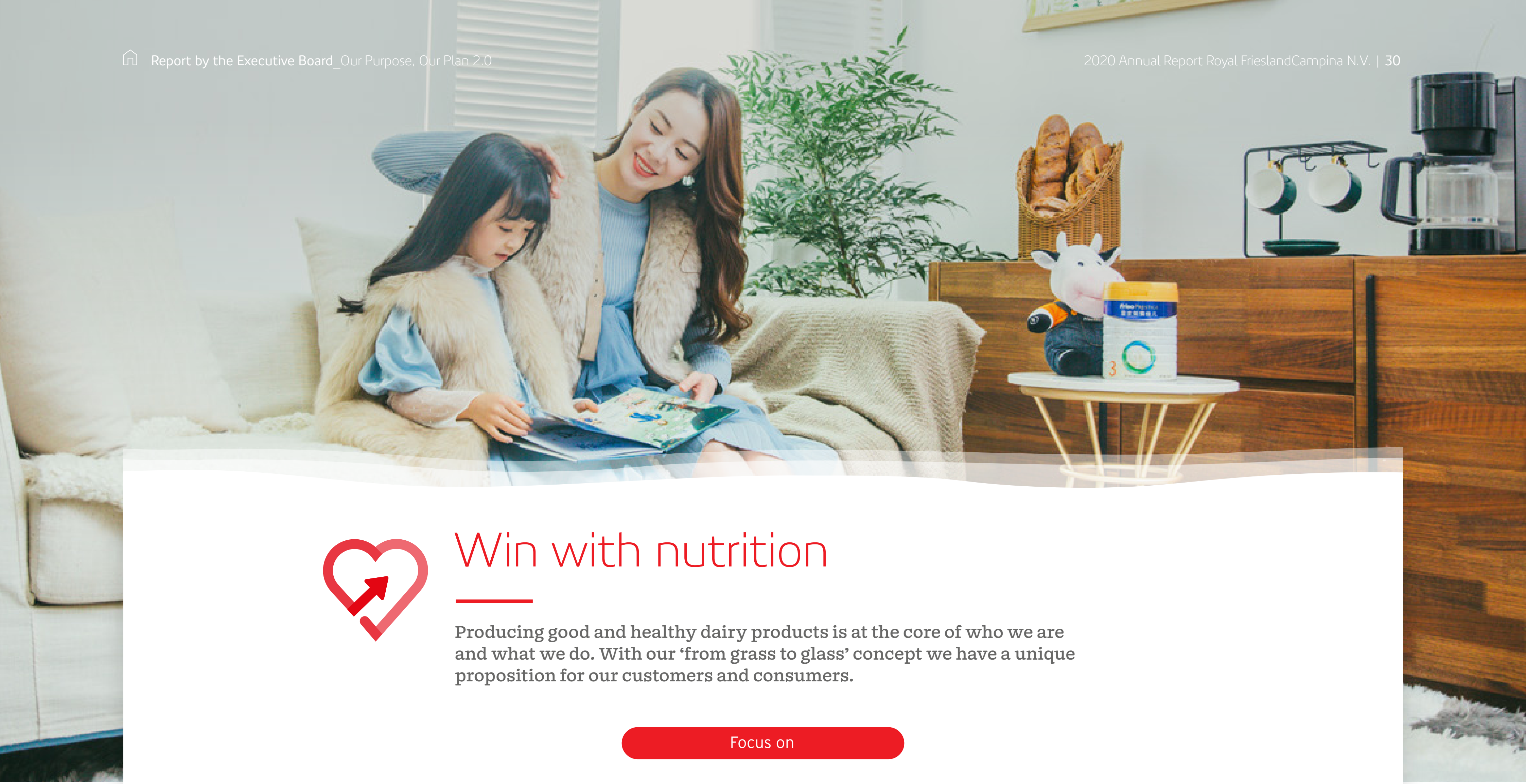
Accelerate innovation | **Optimise** the supply chain | **Develop** talent | **Focus** on spend | **Accelerate** digital | **Invest** in partnerships

Quality, Safety and Compass

Quality, safety and Compass form the basis for our actions. We guarantee that our products and processes comply with strict quality and safety criteria. The safety of our employees and everyone involved in our enterprise also has the highest priority. With our Compass code of good business conduct we provide direction to the way in which we do business: with integrity, respect and transparency.

WIN-WIN mindset and behaviour

To achieve our goals and win in the market, we aim for a culture in which employees are driven by our purpose, are commercially oriented and operate with an owner's mindset. Our WIN-WIN mindset and behaviour form the basis for implementing the strategy and our day-to-day actions.



Win with nutrition

Producing good and healthy dairy products is at the core of who we are and what we do. With our 'from grass to glass' concept we have a unique proposition for our customers and consumers.

Focus on

Infant nutrition in China, Hong Kong and Southeast Asia

Healthy ageing and performance & lifestyle nutrition

Ingredients for early life and adult nutrition

Expansion of Lactoferrin Production

The foundation for a new lactoferrin production facility has been laid in the FrieslandCampina Ingredients branch in Veghel, the Netherlands. This involves an expansion of the current 9 tonnes of production per year to 60 tonnes per year by 2023. "Lactoferrin is naturally present in cow's milk and mother's milk. Scientific studies show that lactoferrin has potential health benefits in relation to the immune system. For example this substance has been observed to display antibacterial, antiviral and anti-infection activity and promotes iron absorption. This makes lactoferrin a valuable ingredient for various products, such as infant nutrition," says Product Manager Eva van den Berg.

"The plan calls for us to start up trial production in 2022, after which it will be scaled up. Lactoferrin is a complex and valuable product with high added value. To extract 1 kilo lactoferrin requires 15,000 litres of milk. It is not only used for infant nutrition, but also for adult nutrition (special nutrition for adults), for example in nutritional supplements. At the present time, with the progressive pandemic, we see that there is more interest in products that promote health."

New brand for FrieslandCampina Ingredients: Biotis™

The FrieslandCampina Ingredients business group last year introduced Biotis. A new brand that focuses on ingredients that support health and welfare: varying from intestinal flora and the brain to immune health. Jouke Veldman, Market Segment Manager Adult Nutrition: "With Biotis we help our industrial customers throughout the world develop attractive nutrition, beverages and nutritional supplements with a health proposition. "A number of health-related domains have been grouped under Biotis: Biotis™ Gut Health, Biotis Brain Health and this past January, Biotis also launched Immune Health. The plan this year is to suggest additional applications and to provide insights that inspire customers with the Biotis brand. Natalie Meijers, Branding & Communication Specialist: "The Biotis line nicely fits in with FrieslandCampina's aims: not only feeding the world, but doing so in the best possible way. With Biotis™ we truly focus on *Nourishing by nature*."

View the full case online

Consumers choose healthy nutrition

Nowadays, consumers more consciously opt for food that contributes to a healthy lifestyle. Milk naturally contains important nutrients, such as protein and calcium, and as such forms part of a healthy nutritional diet. The demand for quark and other protein-rich products is increasing, as is the demand for a different type of dairy product, consistent with new consumer lifestyles.

Serve the 24/7 consumer and customer, anytime and anywhere

We are commited to serving customers and consumers, anywhere and anytime. This means having the right product available at the right time, in the right location at the right price.

Focus on

Commercial rigour and digital agility

Special attention for foodservice activities and global accounts

Adapting to the lives of consumers in Indonesia

Indonesia is hard hit by the coronavirus. With 267 million inhabitants, Indonesia is an important country for FrieslandCampina. Frisian Flag, as it is known to Indonesians, has been on the market since 1922. Marketing Director Felicia Julian: "70 percent of our population works in the informal sector on the street as newspaper sellers or shoeshiners. The lockdown has had an enormous impact on the economic situation of these people. We gave careful thought to what we could do to help consumers and to safeguard our business. We focused on our primary processes, on our product portfolio and on the availability of products in retail outlets. Next, we reviewed the sales channels (better organised, selling from home), set up a campaign for nutrition at home and accelerated investments in e-commerce and digitalisation. We also made extensive use of our ACE programme, which we use to make smart data-driven decisions. We analysed all of the data about customers, markets, consumers, digital information and data provided by research firms to be able to make the right decisions each and every time. In addition, we donated dairy products to healthcare workers and to people in need. Despite all of the challenges we encountered, Frisian Flag Indonesia achieved good results in 2020."

Through an App

Retail outlets that are partially closed, consumers that hesitate going outside: the coronavirus has had a major impact, including on the world of food. Picking up orders in retail outlets became almost impossible. Fortunately, the commercial teams quickly responded. Adewale Arikawe of FrieslandCampina WAMCO in Nigeria: "We made use of e-commerce that made it possible for consumers to directly order a product online. We also created an e-poster to explain to retailers and consumers how to place an order via WhatsApp and SMS. We used mobile shops to bring products to residential districts, where consumers could purchase the products. In addition, two apps were developed, WSO (Wholesale Self-ordering for wholesalers) and RSO (Retail Self-ordering for supermarkets). Wholesalers and supermarkets were able to use this app to place their orders with our distributors, which we then quickly delivered." The RSO app was also used in Indonesia and Malaysia. Efficient and user friendly: the best way to provide our customers and consumers with our dairy products.

24/7 consumer

Increasingly more people live in cities and more people eat on the road and in-between. In addition, traditional sales channels are also changing and the items needed to prepare a meal can now be ordered online and delivered to the home. In Asia, Africa and the Middle East a shift is also taking place in the consumption of traditional dairy products, such as condensed milk and milk powder. These products are being displaced by ready-made milk-based beverages, particularly in countries with strong economic growth. In addition to tea and coffee, condensed milk also is increasingly more often used as an ingredient in meals. There is an increasing demand for cheese for out-of-home consumption or for snacks.

Nourishing a better planet

We aim to provide the growing world population with high quality and affordable nutrition, produced in balance with nature. A good living for farmers is an important underlying principle.

Focus on

- Better nutrition, affordable for everyone
- Better living for farmers
- Better climate, carbon-neutral future
- Better nature, improving biodiversity
- Better packaging, 100% circular
- Better sourcing, 100% responsible

Custom sustainability tool for member dairy farmers

In 2020, employees and member dairy farmers worked closely together on making milk production sustainable. FrieslandCampina uses the 'measure, act, monitor' approach for this purpose. It is only when you effectively measure things that you know what you to need act on. You can then measure your progress. The conditions for making milk sustainable are continuously expanding. On the basis of the findings of the workshops held in the context of the 'Winning with Climate and Nature' programme, FrieslandCampina developed an online 'measures tool' that can be used to assess the simultaneous impact of multiple sustainability aspects. With this tool, dairy farmers can calculate the expected impact of a specific sustainability intervention. This gives member dairy farmers even better insight into the most effective areas for them to focus on. FrieslandCampina is the first dairy company in the Netherlands to introduce this tool for its members.

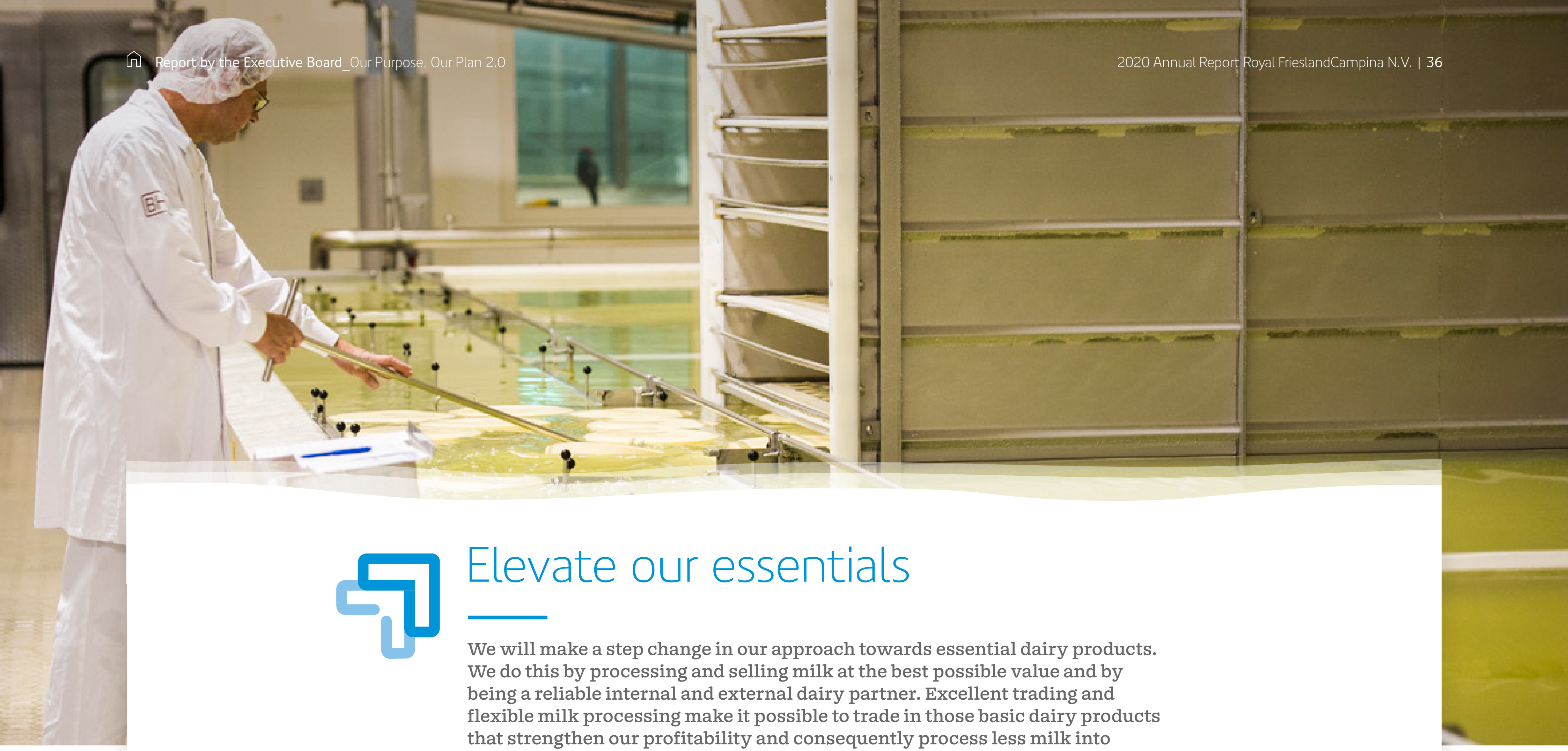
Arnoud Smit, Programme Manager Climate with Corporate Sustainability: "This allows our members to apply the 'measure, act, monitor' approach even more pervasively at their farms. Since developments in the field of animal health and welfare, biodiversity and climate are not standing still, the number of measures in this instrument will be further expanded over the coming years."

Circular Together

FrieslandCampina believes that sound packaging must protect nutrients, as well as nature. This is why one of the objectives of FrieslandCampina's sustainability programme *Nourishing a better planet* is to make the entire packaging portfolio completely circular and carbon-neutral and to limit the quantity of packaging materials to a minimum. We constantly take important steps to enable us to accomplish this. Caroline Zwart, Manager Packaging Development R&D: "To reduce the volume of plastic, we started replacing plastic straws with paper straws in 2020. More than 100 million straws were replaced that year. We are also hard at work on fully recyclable packaging. For example, we further developed the recyclable, resealable cheese packaging we introduced in 2019. In addition, various beverage cartons were improved. These now consist for 85% of renewable materials and have a low CO_2 footprint. Aside from its own objectives and innovations, FrieslandCampina has also committed itself to the objectives of various other organisations such as the European Plastics Pact and the Ellen MacArthur Foundation. The goal here is to contribute to more sustainable packaging across its entire breadth in an international context: from packaging materials producer to waste processor and recycler, because we can only achieve circularity in cooperation with the entire chain.

Increased demand for sustainable products

Globally, the demand for products that are increasingly more sustainable continues to rise. Producing in a sustainable and transparent way is no longer a nice-to-have, but a must-have. Consumers and customers, as well as the political establishment, government and other stakeholders, increasingly consider it natural that companies in our sector not only devote effort to animal welfare and biodiversity, but also that they assume their role in contributing to a better world and achieving international climate targets. In some cases consumers are prepared to pay more for sustainable products, provided the additional compensation directly benefits the farmer. In case of FrieslandCampina, the dairy farmer.



Elevate our essentials

We will make a step change in our approach towards essential dairy products. We do this by processing and selling milk at the best possible value and by being a reliable internal and external dairy partner. Excellent trading and flexible milk processing make it possible to trade in those basic dairy products that strengthen our profitability and consequently process less milk into unprofitable products.

Focus on

Excelling in commodity management

Build a profitable cheese business

Creating robust milk processing flexibility

Elevate our essentials

To increase the value of our basic dairy, the Dairy Essentials business group last year tightened its cost control. In addition, it successfully worked towards accelerating the growth of cheese, improving the product mix with added value products and improving capacities in order to effectively play the global arbitrage game.

Motivated by the impacts of the corona pandemic, the Company opted for further acceleration with respect to cost reduction and value creation. This is why a number of changes are being implemented in Dairy Essentials in line with the previously defined course for consumer activities.

Dairy Essentials' added value business-to-business activities will be merged into a new unit, FrieslandCampina Professional, which will also include Foodservice and FrieslandCampina Ingredients Food & Beverages. The global commercial trading activities will be further developed and will form part of FrieslandCampina Trading. A specialised, flexible and cost-effective dairy trading business that stands for quality with respect to its buyers and provides its member dairy farmers with assurance concerning milk processing.

A difficult year for butter and milk powder

Even under normal circumstances the business-to-business market for butter and milk powder is a difficult market, but it was even more so than normal over the course of 2020. As a result of the corona pandemic, demand largely disappeared in many countries and in market segments, such as the foodservice and out-of-home segment. "By contrast the milk supply did not go down. There even was an increase in the production of butter and milk powder. This put prices under pressure," says Harry Martens, Commercial Director Butter. "Local food producers in Asia increased their own production, which caused our own export opportunities to decline."

"On the other hand, producers of luxurious puff pastries and baked products supplying supermarkets, purchased higher quantities of butter," Product Manager Iris Werther adds. "Consumers forced to stay home ate less outside the home and were more often found in the kitchen baking their own bread. We are optimistic about 2021. We expect our markets to recover as soon as the world starts to open up again."

The business of FrieslandCampina Trading

The newly to be created Trading unit will be involved in the sale of dairy products in large volumes primarily to business-to-business clients. This can be any dairy product: cheese, butter, milk powder and liquid products such as cream, skim milk or milk concentrate. Buyers sometimes repack the products into smaller volumes, use it as an ingredient or sometimes trade in large volumes themselves. Other dairy producers can also be part of the client base.

FrieslandCampina Trading also operates in the buyer's market. In that case, butter and powder are purchased for other FrieslandCampina operating companies, for example in Asia or Africa. This can also include milk, cream or milk concentrate to ensure optimal exploitation of available capacity at production facilities.

A good living for our farmers

millions of euros, unless stated otherwise	2020	2019	Δ%
Results			
Revenue	11,140	11,297	-1.4
Revenue before currency translation effects	11,288	11,297	-0.1
Operating profit	268	432	-38.0
Operating profit before currency translation effects	279	432	-35.4
Profit	79	278	-71.6
Profit before currency translation effects	86	278	-69.1
Operating profit as a percentage of revenue	2.4	3.8	
Balance Sheet			
Balance sheet total	8,716	9,049	-3.7
Equity directly attributable to providers of capital	3,517	3,450	1.9
Equity as a percentage of the balance sheet total	40.4	38.1	
Buffer capital as a percentage of the balance sheet total[1]	15.6	16.7	
Net debt[2]	1,091	1,278	-14.6
Cash flow			
Net cash flow from operating activities	737	567	30.0
Net cash flow used in investment activities	-443	-185	-139.5
Net cash flow used in financing activities	-175	-340	48.5
Investments	377	397	-5.0

	2020	2019	Δ%
Member dairy farmers			
Number of member dairy farms at year-end	11,100	11,476	
Number of member dairy farmers at year-end	16,995	17,413	
Milk supplied by member dairy farmers (millions of kilos)	10,064	10,020	0.4
Total compensation of member dairy farmers	3,610	3,871	-6.7
Value creation for member dairy farmers			
Guaranteed price[3]	34.46	35.66	-3.4
Supplementary cash payment	0.00	1.07	
Meadow milk premium and Foqus planet premium[4]	0.90	0.65	
Special milk streams[5]	0.36	0.26	
Cash price	35.72	37.64	-5.1
Reservation of member bonds	0.00	0.31	
Milk price	35.72	37.95	-5.9
Interest on member bonds	0.46	0.47	
Retained earnings	-0.46	1.58	-129.1
Performance price	35.72	40.00	-10.7
Dairy Development Programme[6]			
Number of local farmers who participate in a training programme	57,534	77,934	-26.2

1 Buffer capital is the equity attributable to the shareholder and non-controlling interests shareholder.
2 The net debt concerns current and non-current interest-bearing borrowings, payables to Zuivelcoöperatie FrieslandCampina U.A. less the cash and cash equivalents at the company's free disposal.
3 In euros per 100 kilos of milk, excluding VAT. For 2020 at 3.57% protein, 4.42% fat and 4.53% lactose and for 2019 at 3.47% protein, 4.41% fat and 4.51% lactose.
4 Dairy farmers applying pasture grazing receive a 1.50 euro meadow milk premium per 100 kilos of milk for 2020. An amount of 1.00 euro per 100 kilos of meadow milk is paid from the operating profit. On average, on all FrieslandCampina member milk, this amounts to 0.66 euro per 100 kilos of milk. Furthermore, another 0.50 euro per 100 kilos of meadow milk is paid out pursuant to cooperative schemes. To finance this amount, 0.35 euro per 100 kilos of milk is withheld from all milk. This also pays for the partial pasture grazing premium. On average, on all FrieslandCampina member milk, the Foqus planet contribution amounted to 0.24 euro per 100 kilos of milk.
5 Special supplements concern the total amount of payments per 100 kilos of milk of Landliebe milk, the VLOG [non-GMO] and On the way to PlanetProof premium of 1.00 euro per 100 kilos of milk, and the difference between the guaranteed price paid for organic milk (46.76 euro) and the guaranteed price paid (34.46 euro). On average, on all FrieslandCampina member milk, this amounts to EUR 0.36 per 100 kilos of milk.
6 All figures pertain to countries in which DDP operates.

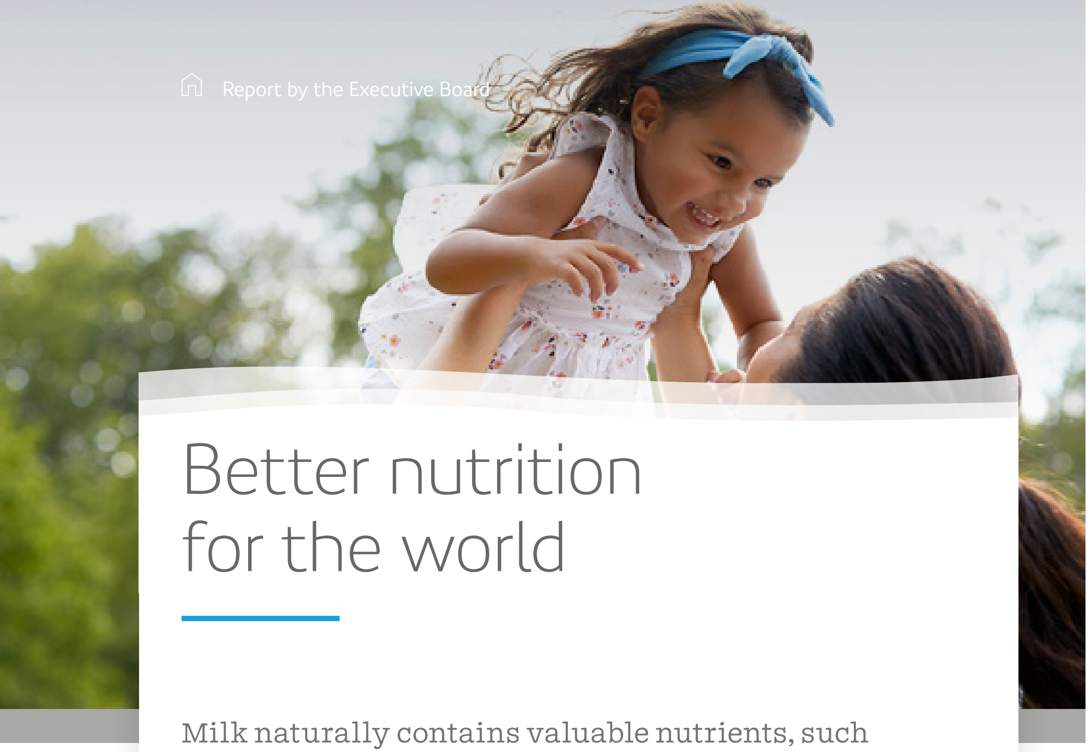
Better nutrition for the world

	2020	2019
Product range		
Product composition (as a percentage of the total volume of consumer products sold that complies with the FrieslandCampina Global Nutritional Standards)	75	70
Balanced product supply (basic food products sold as a percentage of the total volume of consumer products sold)	78	79

Now and for generations to come

	2020	2019	Δ%
Better climate, carbon-neutral future			
Greenhouse emissions on member dairy farms (kt CO_2 equivalent)	12,319	12,344[1]	-0.2
Greenhouse gas emission production and transport (kton CO_2 equivalent)[2]	720	753[1]	-4.4
Use of 'Green Electricity' (percentage of total electricity consumed at production facilities)	100	94	
Green electricity consumption from own chain (percentage produced by member dairy farmers)	44	25	
Energy consumption (GJ/tonne product)	2.83	2.79	1.4
Better nature, improving biodiversity			
Water consumption (m^3/tonne end-product)	4.81	4.96	-3.0
Better packaging, 100% circular			
Recyclable plastic (percentage plastic suitable for sorting and recycling systems)	28.2	33.0	
Better sourcing, 100% responsible			
Sustainable agricultural raw materials (percentage of total volume of raw materials)	100	87	
Traceability to source (palm oil, soy, pulp & paper, cocoa)	91	–	–
Other			
Pasture grazing (percentage of total number of member dairy farms in the Netherlands applying a form of pasture grazing)	83.6	83.0	
Attractive employer			
Percentage of women in management positions	27.0	25.9	
Safety			
Accident ratio (number of accidents per 200,000 hours worked)	0.32	0.35	

1 The 2019 figure has been adjusted. The emission factors for milk, milk powder and whey for NL, DE and BE have been adjusted retroactively to account for the adjusted sector model and the addition of ENGRO Pakistan.
2 Excluding purchase of CO_2 rights: 1,198 kt CO_2 equivalents (2019), 1,154 kt CO_2 equivalents (2020).



Better nutrition for the world

Milk naturally contains valuable nutrients, such as high-quality proteins, vitamins B2 and B12, potassium, phosphorous, magnesium, zinc and folic acid. That naturally makes milk products unique foods that are recommended in nutritional guidelines throughout the world.

Balance and composition of product range

75 percent of FrieslandCampina's products, on the basis of sales volume, comply with the Global Nutritional Standards (2020 target: minimum 70 percent). This percentage has increased by **18** percentage points since 2015. This growth is in part the result of product innovations and product reformulation. The increase realised in 2020 (+5 percent in comparison to 2019), may in small part be due to a shift in consumer habits during the corona pandemic. The FrieslandCampina Global Nutritional Standards are scientific nutritional criteria that our own consumer products are expected to comply with. The criteria for trans-fat, saturated fat, added sugar and salt are derived from Choices International, and were developed by independent scientists.

78 percent of the product supply consists of 'basic nutritional products for daily consumption' and **22** percent consists of 'self-indulgent products for occasional consumption' (on the basis of sales volume). Objective: a proportion of at least 70 percent basic nutrition and a maximum of 30 percent self-indulgent products.

Access to food

FrieslandCampina aims to increase access to healthy food, in particular dairy products, specifically for less privileged consumers for whom this is not self-evident. Shortages of nutrients, such as iodine, vitamin A and iron, are a threat to the health of individuals, especially in these groups. We do this by offering products in our lower disposable income markets (such as Indonesia, Vietnam, the Philippines, Pakistan, Nigeria and the Ivory Coast) with a tailored price and packaging proposition through channels that are specific to reaching these target groups. FrieslandCampina has developed Affordable Nutritional Standards – scientific nutritional criteria that ensure these products contain the right nutrients needed to counter malnutrition. This way

FrieslandCampina contributes to countering malnutrition. FrieslandCampina aims to constantly improve the share and composition of these products. For more information about this programme visit our website.

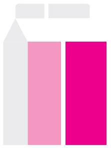
In addition to making nutrition and milk accessible and affordable, FrieslandCampina in 2020 provided food aid by supplying products to food banks in the Netherlands and in other countries, and through school milk programmes in Europe, Asia and Africa.

Innovation

In 2020, FrieslandCampina invested **approximately 76** million euros in research & development. Accelerating innovation is an important condition for the success of *Our Purpose, Our Plan2.0*. More than **600 experts** originating from more than 39 countries are working together at FrieslandCampina in the area of nutrition, milk composition, process technology, products, packaging, sustainability and dairy farming.

21 international patent applications were published in FrieslandCampina's name in 2020. These patents pertained to various domains, such as infant nutrition, ingredients, cheese preparation, foaming appliances and various milk products for consumers, varying from high-protein bars to milk powders used to produce milk foam.

75%
Products complies with the FrieslandCampina Global Nutritional Standards



78/22%
Product range ratio between 'basic food products' versus 'self-indulgent products'

€ 76 million
invested in research & development

Uninterrupted production during corona times: dedication in the supply

At FrieslandCampina we aim to provide the world with good, high quality dairy products. All the more so in these exceptional times. In many countries the corona crisis caused the demand for dairy products to rise. At the same time they were not available to everyone, because many shops, cafeterias and restaurants were closed. Production facilities continued to operate at full capacity.

View the full case online

Research

Digital analyses

Data analysis tools are increasingly used to design more efficient and effective innovation processes. Increasingly more data about our milk, production facilities, recipes and our many years of knowledge is linked together and modelled in smart databases. This creates faster insights that can be used to optimise production processes, accelerate new product launches and support client applications.

Milk Fat

Long term research into milk fat has produced new detailed insights into the chemical structure and into the various milk fractions produced by FrieslandCampina. This enables FrieslandCampina to compose optimal fat mixtures for use in infant nutrition, chocolate and ice cream.

Seanuts
In 2019, as a follow-up to similar previous research, FrieslandCampina initiated its Southeast Asia Nutrition Surveys (SEANUTS II). In this large-scale nutritional survey, approximately twelve thousand children in Thailand, Malaysia, Indonesia and Vietnam, ranging in age from six months to twelve years, were surveyed with regard to nutrition, health and lifestyle. This number will be further expanded in 2021. FrieslandCampina works together with universities and knowledge institutions in the relevant regions for this purpose. This initiative forms part of the strategy designed to develop better nutritional products that comply with the latest scientific insights. In 2021, the data will be analysed and the initial results will be shared.

A few important innovations
- Ingredient for infant nutrition: Vivinal Milk Fat Globule Membrane in support of immunity and brain development
- Infant nutrition: Friso Prestige Organic (Hong Kong)
- Ingredient for adult nutrition. Biotis™ Gut Health portfolio, Biotis™ Sleepwell, Biotis™ Immune Health
- Transparency: Expansion of Friso TrackEasy
- Affordable nutrition: Fristi Milky porridge (Nigeria)
- Cheese snack: Landliebe cheese dippers

Foqus: quality and food safety

FrieslandCampina uses a standard quality system (Foqus) to safeguard safety and quality throughout the entire chain, from livestock farming to distribution. Foqus offers consumers, customers and governments the guarantee that products and production processes comply with strict quality and safety criteria. FrieslandCampina has its own quality inspection teams and also makes use of independent external bodies. Thanks to Foqus, FrieslandCampina complies with all relevant national and international regulations and standards for food quality and safety, such as HACCP, ISO 9001 and FSSC 22000.

Dilemma **The position of dairy in sustainable nutrition**

What should our diet be like if our aim is to have all people on earth live healthy and sustainably by 2050?We can no longer afford to ignore this question. FrieslandCampina aims to make a contribution to healthy and sustainable nutrition for everyone, now and for generations to come. What is the position of dairy in a healthy and sustainable diet?

View the full dilemma online

Responsible marketing

FrieslandCampina is committed to the EU Pledge, a code of conduct for European food companies formulating voluntary agreements about responsible marketing focused on children. The results of the 2020 EU Pledge monitoring of FrieslandCampina's TV commercials and digital marketing are available on our website.

Education about a healthy diet and sufficient exercise

In 2020, FrieslandCampina invested in creating awareness of a healthy lifestyle among consumers by making knowledge and resources available. The company, in cooperation with other stakeholders, initiated and supported various educational programmes. Due to the corona pandemic in 2020, the Gerakan Nusantara programme in Indonesia was adjusted with a focus on training teachers to provide education in the field of nutrition and to support parents in providing home education.
The FrieslandCampina Institute provided nutrition and health professionals information about dairy, nutrition and health on the basis of scientific insights.

Dilemma

"Lactose is an excellent fuel for our body"

Milk contains good nutrients, such as protein, calcium and vitamins. Milk also contains lactose or milk sugar. The question is whether that sugar is good for us or not. What about the people who are lactose intolerant and therefore are not able to tolerate milk sugar. Jan Geurts, Principle Scientist Nutrition & Health at FrieslandCampina's Innovation Centre in Wageningen, explains.

"Lactose has been an ingredient in the milk of any milk-giving being for millions of years: both humans and animals. Lactose has been studied extensively. Lactose provides the body with energy and building materials, and there are strong indications that lactose is more tooth-friendly than other sugars. Lactose therefore is an important ingredient for mothers in producing milk and for the infants they breastfeed."

Important for the immune system and the nervous system

"Lactose is very important especially in the first years of life. Lactose consists of two different sugars: glucose and galactose. Galactose is rare in nature and milk is an important natural source of this substance. There are strong scientific indications that galactose may be important for the development of our immune system and our nervous system."

Delayed Absorption

"From a scientific nutritional perspective, there is no reason to remove milk sugar from milk. It supplies the same number of calories as ordinary table sugar. 100 ml of milk contains 4.6 grams of milk sugar. But current legislation does not count this sugar as part of the sugar reduction in foods when it forms part of a dairy product. Ordinary table sugar is quickly broken down by our body and that can result in blood sugar level peaks. Your body first splits up the lactose into the two sugars mentioned earlier. Lactose has a low glycaemic index. The glycaemic index (GI) is a measure that indicates how fast carbohydrates are digested in the intestines and are absorbed into the blood stream as glucose. It is generally accepted that a food with a low GI somewhat reduces the risk of chronic sicknesses."

Relatively few people with lactose intolerance

"Of course there are also lactose-free dairy products on the market. In Europe and in North America there are relatively few people who are lactose intolerant. The lactase enzyme that splits up the lactose is active for life among these population groups. Many people from Asia and parts of Africa and South America no longer have an effectively operating lactase enzyme after their childhood. This is why lactose intolerance occurs more frequently there. Moreover, the milk sugar is still present in lactose-free products. Lactose is already split into glucose and galactose during the production process."

> "You'll notice yourself whether your body responds well
>
> Principle scientist Jan Geurts:

Small Quantities

"Even if you are lactose intolerant, you can still try to eat or drink dairy products, but then in small measure. Semi-hard cheese, such as Gouda, no longer contains any lactose. And as far as milk is concerned, you'll notice yourself whether your body responds well or not. Miraculously enough, the intestines will adapt themselves. The bacteria in your intestines learn to break down more milk sugar when the lactase enzyme is not active. This way consumers in Asia or Africa – who are avoiding dairy – can teach the body to adapt by consuming small quantities of dairy so that they become increasingly lactose tolerant."

A good living for our farmers

FrieslandCampina creates income for member dairy farmers by using milk to make dairy products. This is how it makes an important contribution to the continuity of their dairy farms. Furthermore, the company supports local dairy farms in Asia, Africa and Eastern Europe in improving farm management, milk quality and productivity.

Revenue

In 2020, FrieslandCampina's operating companies in 28 of their 41 markets realised strategic growth in revenue in comparison to 2019. Global e-commerce revenue grew by more than 50 percent. Despite the corona pandemic, revenue before currency translation effects stayed virtually the same, but foreign exchange rates had a negative impact of -1.3 percent on revenue, due to the devaluation of the Nigerian naira and dollar-related currencies in Asia. The reported revenue in 2020 declined by 1.4 percent to 11.1 billion euros (2019: 11.3 billion euros).

After a strong start in the first quarter, the Consumer Dairy business group's revenue dropped by 3.3 percent to 5,735 million euros (2019: 5,931 million euros) as a result of the corona pandemic. There was strong growth in the sale of consumer brands through retail outlets, while out-of-home activities and negative currency translation effects put revenue under pressure. The continued closure of the border between China and Hong Kong caused Specialised Nutrition's revenue to decline by 7.1 percent to 1,119 million euros (2019: 1,205 million euros). In spite of the fact that Ingredients was affected by a decrease in foodservice and out-of-home revenue, its revenue grew by 5.3 percent to 1,816 million euros (2019: 1,724 million euros), primarily driven by the sale of caseinates and whey proteins in support of sports nutrition for example. The revenue of Dairy Essentials grew by 3.4 percent to 2,467 million euros (2019: 2,385 million euros) primarily due to the sale of cheese to industrial buyers and the retail sector.

Our Purpose, Our Plan 2.0

In January 2020, we saw and heard about the disaster happening in China. "We did not know then that this disaster, now known as corona, would rapidly spread to the rest of the world, and would change everything," says Giacomo Tortora, Corporate Director Strategy at FrieslandCampina, who was closely involved in adjusting the *Our Purpose, Our Plan* strategy.

View the full case online

Operating profit and profit

As a result of the direct and indirect impacts of the corona pandemic and the 106 million euro restructuring cost, the operating profit dropped by 38.0 percent to 268 million euros in 2020 (2019: 432 million euros). Excluding the restructuring cost and currency translation effects, the operating profit declined by 10.9 percent.

The Ingredients business group experienced a slight increase in operating profit, by 0.7 percent to 140 million euros (2019: 139 million euros). There was improvement in Ingredients' underlying result, because of the recognition of a restructuring charge in 2020 for the closure of the milk powder plant in Dronrijp in the Netherlands. The improved result was due to the growth in profits in the commercial segments, in part by solving the lactoferrin shortage, and due to cost savings in the supply chain.

Consumer Dairy's operating profit decreased by 12.1 percent to 255 million euros (2019: 290 million euros) as a result of the corona pandemic, primarily due to the loss of profitable out-of-home revenue, negative currency translation effects in Nigeria and restructuring costs in Germany. The underlying profitability (before restructuring costs and special charges) increased, primarily due to growth in retail and e-commerce, positive sales price developments and mitigating measures.

Specialised Nutrition's operating profit declined by 36.2 percent to 166 million euros (2019: 260 million euros) primarily due to the difficult market conditions in Hong Kong.

Dairy Essentials' operating profit decreased to -202 million euros (2019: -39 million euros, including the proceeds of the disposal of the interest in CSK). Furthermore, due to the corona pandemic, commodity dairy prices declined by more than 30 percent in the second quarter, but subsequently slowly recovered over the course of the year, while foodservice sales and exports decreased. This impact was partially mitigated through cost control and an improved product mix, which in part is evident from the strong growth in cheese sales.

Due to the application of the Statutory Cooperative Tax Regime, effective from 2020, the supplementary cash payment and the issue of member bonds will no longer be recognised in the operating profit and instead will be allocated to members directly from equity. In 2019, 138 million euros was recognised in the cost of goods sold for this purpose.

FrieslandCampina's profit declined by 71.6 percent to 79 million euros in 2020, due to the lower operating profit, including the restructuring cost, and a higher effective tax burden (2019: 278 million euros).

The total compensation paid to member dairy farmers for their supplied milk decreased by 6.7 percent in 2020 to 3,610 million euros (2019: 3,871 million euros). The decrease is the result of a lower milk price.

FrieslandCampina invested 503 million euros in advertising and promotions (2019: 560 million euros). This is 10.2 percent less than in 2019, primarily driven by efficiency on the one hand and reducing investments in order to partly protect profitability on the other hand.

The cost of sales and general administrative costs decreased by 93 million euros to 822 million euros as a result of mitigating measures, currency translation effects, lower personnel costs (in part due to lower bonuses) and because an impairment of customer lists was recognised in 2019 (2019: 915 million euros). Incidental charges relating to the transformation amounted to 106 million euros, while incidental income in the amount of 112 million euros was recognised in the previous financial year as a result of the disposal of business units.

Growth in Nigeria with Dairy Development

A strong agricultural sector contributes to a stable society.It is for good reason that the Nigerian government aims to develop the local dairy sector at a rapid pace as a means of giving the national economy a boost. The Dairy Development Programme in Nigeria gives FrieslandCampina a perfect instrument for making a contribution to this.

View the full case online

Operating cash flow

The cash from operating activities rose by 170 million euros to 737 million euros (2019: 567 million euros). This considerable increase is due to the additional focus on cash flow, particularly working capital, during the corona crisis, as a result of which stocks and outstanding receivables decreased. In 2020, the outbound cash flow for investments and acquisitions amounted to -443 million euros (2019: -185 million euros, including proceeds received in the amount of 168 million euros). 377 million euros were invested in production capacity, and in efficiency and quality improvements (2019: 397 million euros). The cash flow from financing activities amounted to -175 million euros (2019: -340 million euros). This is the balance of the issued perpetual bond loan, dividends paid to non-controlling interests, interest for and the purchase of member bonds, the lease payments made and the repayment of interest-bearing borrowings. The balance of cash and cash equivalents and bank current accounts increased from 278 million euros (year-end 2019) to 339 million euros (year-end 2020).

Financial Position

The net debt amounted to 1,091 million euros as at 31 December 2020. This represents a 187-million-euro decrease in comparison to year-end 2019. The buffer capital (equity attributable to the shareholder and non-controlling interests shareholder) declined primarily due to the negative currency conversions of our foreign operating companies and a drawdown from retained earnings, and amounted to 1,361 million euros. As a percentage of the balance sheet total, the buffer capital decreased from 16.7 percent to 15.6 percent.

The equity directly attributable to providers of capital increased to 3.5 billion euros (2019: 3.4 billion euros). This was primarily due to the issued perpetual bond loan of 300 million euros, offset by the above-referenced decrease in the buffer capital. Solvency, defined as the equity directly attributable to providers of capital as a percentage of the balance sheet total, increased to 40.4 percent (2019: 38.1 percent) due to higher equity combined with the lower balance sheet total.

As at 31 December 2020, the total equity, including non-controlling interests, amounted to 3.8 billion euros (year-end 2019: 3.8 billion euros).
The return on capital employed (operating profit based on the guaranteed price divided by the average capital employed, including goodwill), amounted to 4.8 percent (2019: 10.3 percent). The decrease in comparison to 2019 was due to the lower operating profit.

Financing

FrieslandCampina made use of loans from member dairy farmers, banks, investors and development banks.

On 10 September 2020, FrieslandCampina successfully issued a 300 million euro perpetual hybrid subordinated debenture loan listed on the Euronext Dublin against an effective interest rate of 2.875 percent.

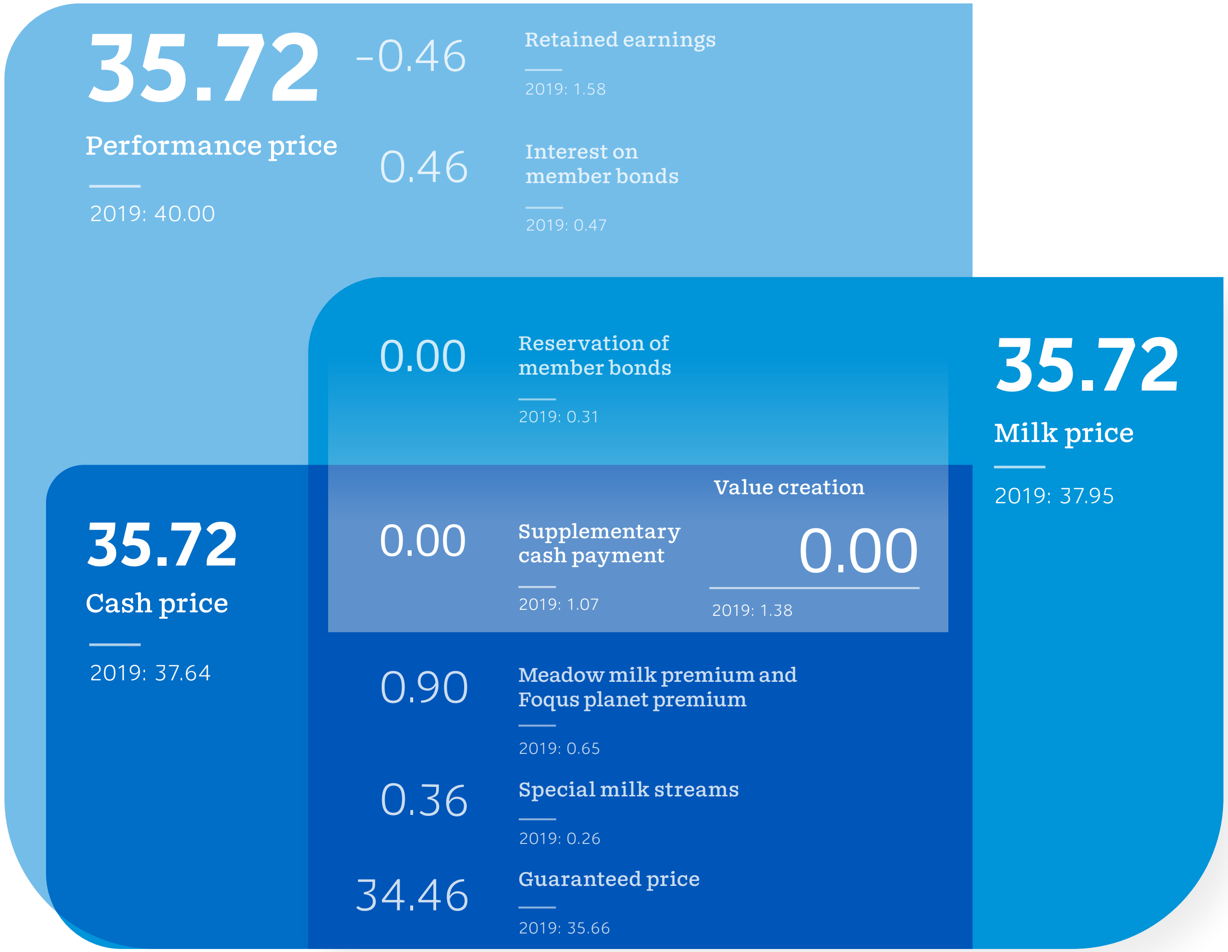
The structure of the member financing system will be reviewed with the Cooperative to ensure the system is future-proof and contributes to a solid and successful FrieslandCampina. During the initial months of 2021, the potential structure and instruments for the future member financing system will be developed in further detail, so that during the spring member meetings a substantiated proposal can be shared with members. Decision-making about the new member financing system is targeted for the Members' Council meeting of June 2021 so that the new system, depending on the outcome of the votes cast by the Members' Council, could be implemented effective from 2022.

Profit appropriation

The 79 million euro consolidated profit in 2020 will be appropriated as follows: 46 million euros for the interest payment to holders of member bonds (2019: 48 million euros), 67 million euros were attributed to non-controlling interests (2019: 64 million euros), 3 million euros for the holders of perpetual bonds and 9 million euros for the provider of the Cooperative loan (2019: 8 million euros). The Executive Board proposes to withdraw 46 million from the retained earnings, including the minority interest directly attributable to the shareholder, Zuivelcoöperatie FrieslandCampina U.A. (2019: 158 million euros were added).

Milk price and performance price

In euros per 100 kilos of milk for 800.000 kilos of milk per year (exclusive of VAT, at 3,57% protein, 4.4% fat and 4,53% lactose)



Value creation for members

As a result of the lower profit, no supplementary cash payment will be issued to member dairy farmers for 2020 (2019: 107 million euros) and no member bonds will be issued (2019: 31 million euros). The interest on member bonds will be paid, however, and amounts to 46 million euros (2019: 48 million euros).The interim payment made in September 2020, representing 75 percent of the pro forma supplementary cash payment for the first half of the year (0.11 euro, excluding VAT, per 100 kilos of milk over the entire year) will be settled with members in 2021 in line with the milk regulations. To limit the negative cash impact of this for members, this settlement will take place with the May 2021 milk price invoice (in June 2021), and will include other Cooperative settlements.

The FrieslandCampina milk price for member dairy farmers over 2020 declined by 5.9 percent to 35.72 euros per 100 kilos of milk (2019: 37.95 euros). The FrieslandCampina guaranteed price over 2020 amounted to 34.46 euros per 100 kilos of milk, a decrease of 3.4 percent in comparison to 2019 (35.66 euros). The decrease was the result of lower milk prices at reference farms, in part caused by the corona crisis. The premium for special supplements was 0.36 euro (2019: 0.26 euro). On average, on all FrieslandCampina member milk, the meadow milk premium amounted to 0.66 euro per 100 kilos of milk (2019: 0.65 euro) and the Foqus planet contribution amounted to 0.24 euro per 100 kilos of milk

FrieslandCampina's organic milk price over 2020 was 48.00 euros per 100 kilos of milk (2019: 49.73 euros). FrieslandCampina's organic milk guaranteed price was 46.76 euros per 100 kilos of milk (2019: 47.35 euros).

The total interest paid on member bonds in 2020 decreased to 46 million euros (2019: 48 million euros). The interest rate over the period 1 January to 31 May 2020, was 2.903 percent. The interest rate over the period 1 June to 30 November 2020 was 3.108 percent, while the interest rate in the month of December 2020 was 2.743 percent (the interest rate on the six-month Euribor for December 2020 was -0.507 percent). The average interest paid per 100 kilos of member milk was 0.46 euro (2019: 0.47 euro).

Slight increase in milk supply

At 10,064 million kilos, milk supplied by member dairy farms in 2020 increased slightly (+0.4 percent) in comparison to 2019 (10,020 million kilos).

Dairy Development Programme

Through the Dairy Development Programme (DDP), FrieslandCampina supports local dairy farmers in improving the quality of their milk, increasing the productivity per cow and securing access to the market in eight countries in Asia, Africa and Eastern Europe. This means that a local dairy farmer can receive more money for his milk and work on generating higher income, thus increasing his/her standard of living. In addition to a constant local higher quality milk supply for the production of dairy products in our local plants, DDP contributes to maintaining and improving the relationship with local governments and other stakeholders.

In the 2020 DDP programme, 57,534 (2019: 77,934) local livestock farmers in Nigeria, Vietnam, Thailand, Malaysia, Indonesia, Pakistan and Romania participated in training programmes. The DDP operates in these countries as FrieslandCampina collects and valorises local milk. 250,000 local dairy farmers are directly or indirectly involved in the DDP. Due to the global outbreak of the coronavirus and the measures taken to bring the virus to a halt, fewer dairy farmers were trained in 2020 than planned. Through online training courses, newsletters and training in smaller groups, as well as radio shows, efforts were made to meet the demand for knowledge and development as much as possible. From the Netherlands, employees, as well as member dairy farmers provided training and/or advice to dairy farmers in focus countries and to customers of our partner Agriterra.
In addition, FrieslandCampina measured the extent to which local dairy farms complied with the Good Dairy Farming Practices of the United Nations Food and Agriculture Organisation (FAO). A select group of 404 dairy farms in Vietnam, Indonesia, Thailand, Malaysia, Pakistan and Romania were closely monitored and 43 percent scored at least 'satisfactory'.

DDP in 2020

- FrieslandCampina Engro Pakistan entered into a partnership with the Bank of Punjab to improve access to financing for dairy farmers.
- On 12 October, the Centre for Nigerian Dutch Dairy Development (CNDDD) was officially opened, online. The CNDDD is the first dairy knowledge centre in Nigeria and is devoted to creating a more productive and sustainable local dairy sector.
- This past year we organised sixteen webinars and six vlogs for FrieslandCampina dairy farmers and teams in countries with an ongoing Dairy Development Programme. In addition, we carried out four offline and two online advisory assignments for our partner Agriterra and thus supported six Asian and African cooperatives.

Dilemma **Investing in sustainability and market benefits**

FrieslandCampina introduced a renewed sustainability strategy in December: *Nourishing a better planet*. An ambitious plan with six priorities. But how do you ensure that the investments associated with sustainable business operations are recovered with our products in the market?

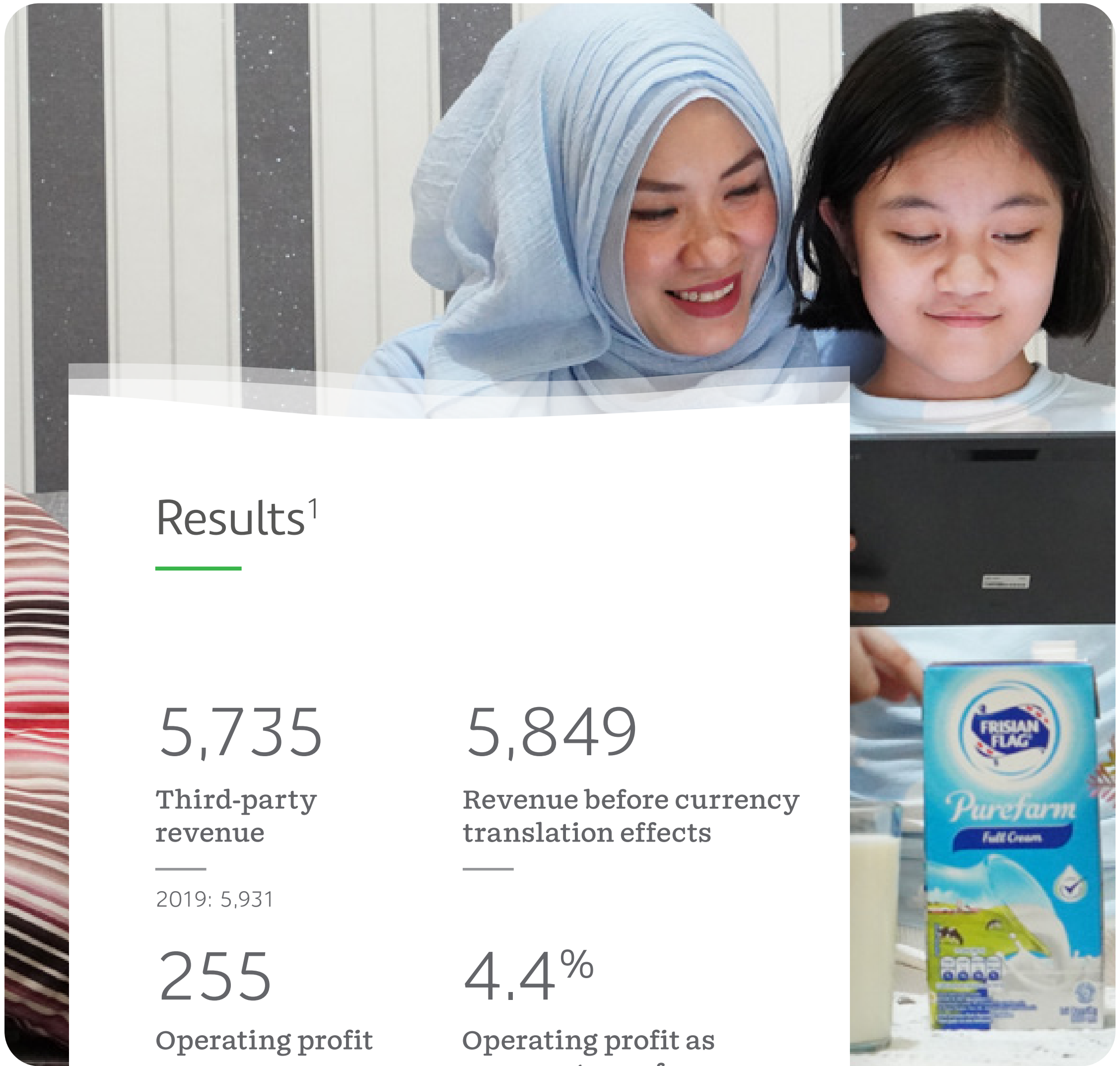
View the full dilemma online

FrieslandCampina

Consumer Dairy

Results and developments in 2020

- Following a strong start in the first quarter of the year, revenue and profitability declined as a result of the corona pandemic.
- Retail displayed strong growth, while out-of-home activities and negative currency translation effects put growth under pressure.
- Total e-commerce revenue grew by more than 50 percent, driven by growth in the Netherlands and Asia.
- The underlying profitability (before restructuring costs and special charges) increased, primarily due to positive sales price developments and lower marketing and general administrative costs.
- The market shares of the majority of consumer brands, including Rainbow (Middle East), Peak (Nigeria), Tarang (Pakistan) and brands in our home markets, such as Chocomel, increased.
- Friesland Campina Germany announced it will further increase its focus on its strong brands and that it will further phase out the production of non-profitable products. As a result of this, provisions for cost savings were charged to the operating profit.
- New production facilities are planned for Malaysia, as well as Indonesia, in part so we can meet the growth in demand in this region.
- The acquisition of Nutricima's operations in Nigeria was completed in the fourth quarter.



Results[1]

5,735
Third-party revenue
2019: 5,931

5,849
Revenue before currency translation effects

255
Operating profit
2019: 290

4.4%
Operating profit as a percentage of third-party revenue

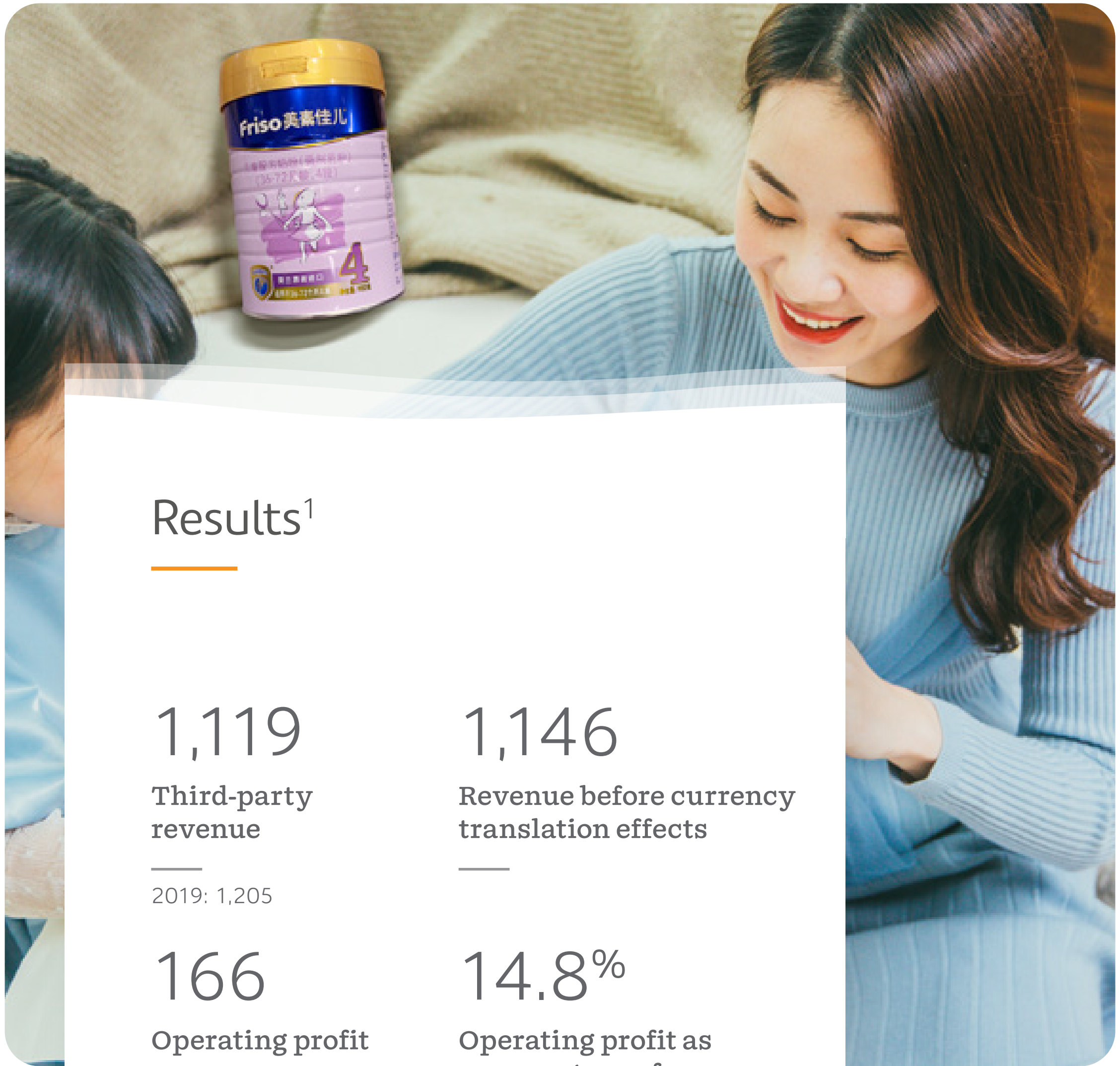
[1] Millions of euros, unless stated otherwise

FrieslandCampina

Specialised Nutrition

Results and developments in 2020

- Total revenue and profitability declined due to disappointing market developments caused by the corona pandemic (especially in Hong Kong). In addition, higher production costs depressed margins.
- In Hong Kong border closures due to the coronavirus had a negative impact on the revenue derived from and the market share of Friso infant nutrition. At year-end 2020, a new market approach was adopted with a greater focus on e-commerce.
- The infant nutrition market in China recovered to pre-corona crisis levels starting in the second quarter. Friso Prestige experienced growth in revenue and by resolving the lactoferrin shortage could significantly improve its market position.
- There were multiple product introductions, including improved Friso Gold, new Friso Prestige and Friso Prestige Bio in Hong Kong.
- Market shares in Indonesia experienced positive development and there was strong growth in sales and results in 'combined growth markets'.
- The Friso TrackEasy concept launched in 2019 was expanded to other markets. This enables consumers to use the QR code to track the origin of their infant nutrition.
- Dutch Nutrition, a Dutch company active in mixing, packaging and business-to-business sales of specialised infant nutrition products, was acquired.



Results[1]

1,119
Third-party revenue
2019: 1,205

1,146
Revenue before currency translation effects

166
Operating profit
2019: 260

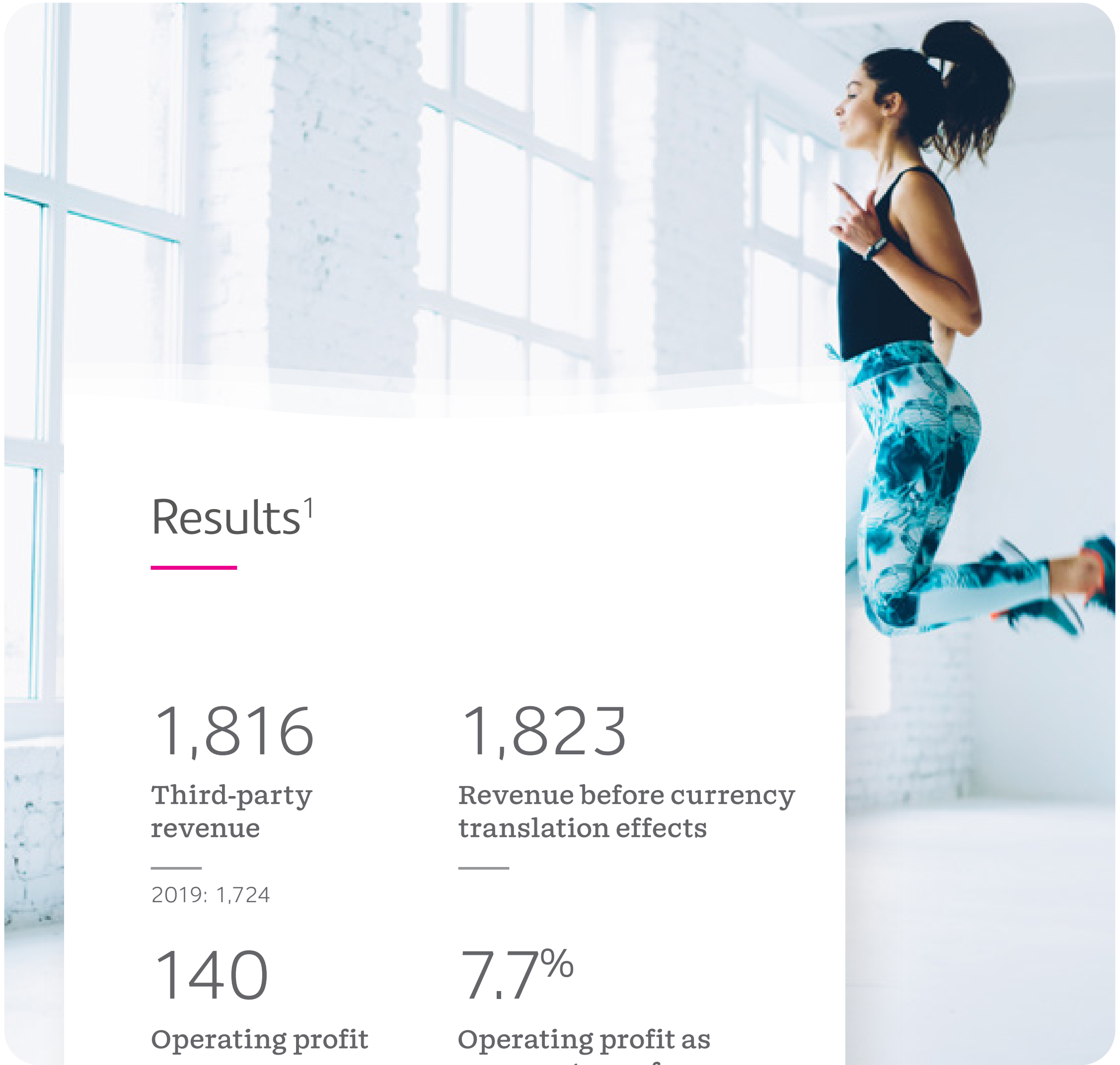
14.8%
Operating profit as a percentage of third-party revenue

[1] Millions of euros, unless stated otherwise

FrieslandCampina
Ingredients

Results and developments in 2020

- Substantial improvement in results in commercial segments, as well as the underlying supply chain and the resolution of the lactoferrin shortage.
- Slight increase in result, despite headwinds in the Food & Beverages segment due to the corona pandemic and the impact of developments in the infant nutrition segment in Hong Kong (see Specialised Nutrition).
- Strong recovery of the animal feed segment following the African swine fever in 2019 and the corona impact in the first quarter in China: 18 percent growth in volume
- In the medical, seniors and sports nutrition segments, volume growth and price increases resulted in a 24 percent growth in market value.
- Strong and robust recovery of the supply chain with lower costs.
- The operating profit includes a provision for the announced restructurings.



Results[1]

1,816
Third-party revenue
2019: 1,724

1,823
Revenue before currency translation effects

140
Operating profit
2019: 139

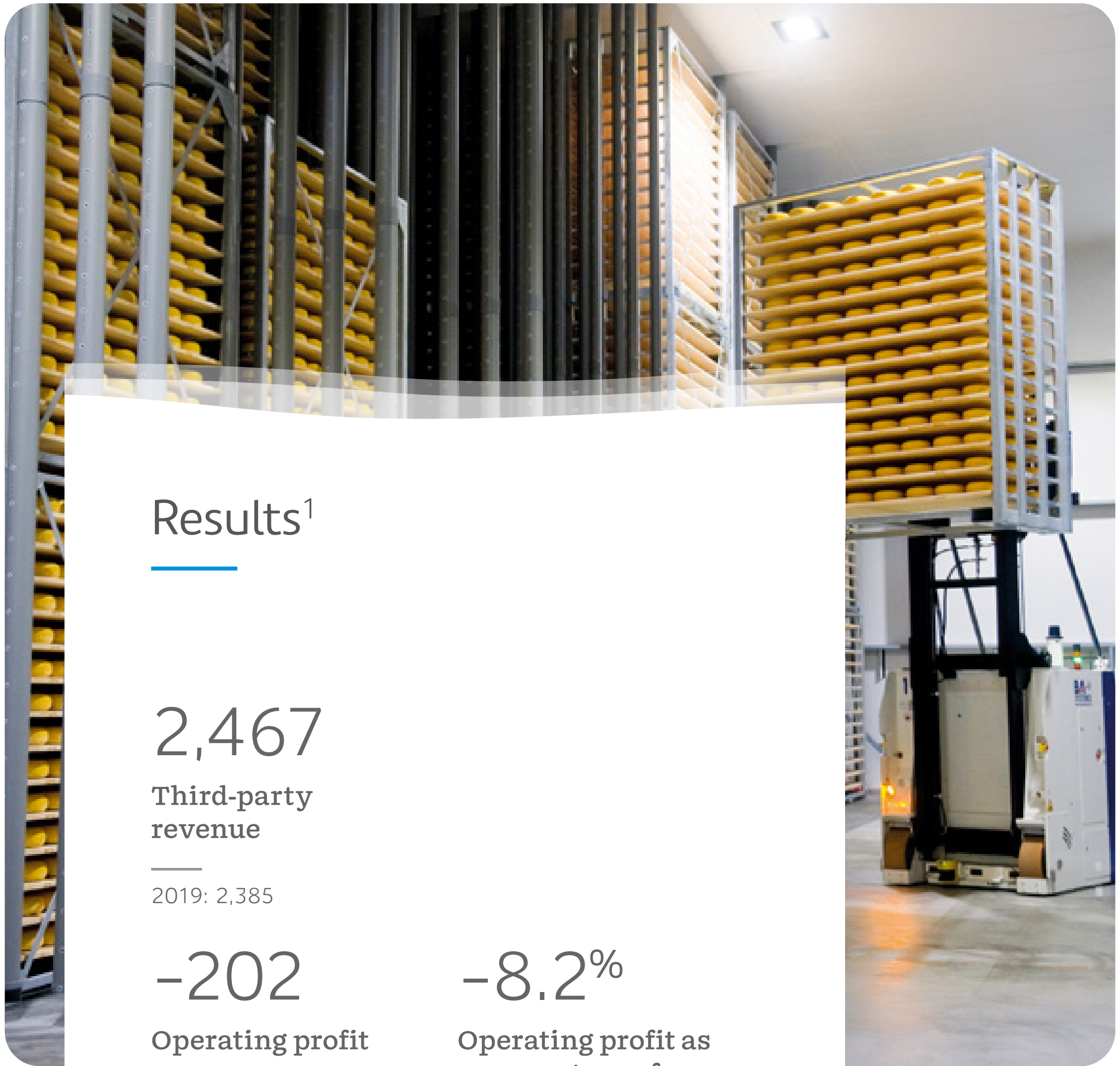
7.7%
Operating profit as a percentage of third-party revenue

[1] Millions of euros, unless stated otherwise

FrieslandCampina
Dairy Essentials

Results and developments in 2020

- Following a strong start in the first quarter, the results were hard hit by the direct and indirect impacts of the corona pandemic.
- Commodity prices dropped by more than 30 percent in the second quarter, which, combined with a relatively more stable milk price, had a major impact on Dairy Essentials' profitability.
- By rapidly responding to market developments and cost management, the direct impact of the corona crisis was to a large extent mitigated. The operating profit includes a provision for the announced restructurings and the further acceleration of the strategy.
- Cheese sales grew significantly, in part due of mozzarella and Noord-Hollandse cheese. This contributes to a structurally improved product mix and value creation. Cooperation with a number of partners was further intensified. The implemented differentiation between milk powder and milk fat resulted in a structurally improvement in this segment.
- Supply Chain Performance improved with respect to costs, safety and sustainability with a CO_2 reduction, improved wastewater management and the rollout of recyclable packaging.
- Further optimisation of the milk processing network with the closure of facilities in Rijkevoort and the whey and milk powder tower in Gerkesklooster in the Netherlands. An announcement was made concerning the closure and disposal, respectively, of the facilities in Genk and the milk powder facilities in Aalter.



Results[1]

2,467
Third-party revenue
2019: 2,385

-202
Operating profit
2019: -39[2]

-8.2%
Operating profit as a percentage of third-party revenue

[1] Millions of euros, unless stated otherwise
[2] Including a one-off gain due to the disposal of CSK

Now and for generations to come

FrieslandCampina aims to provide the growing world population with high quality, affordable nutrition, with due consideration to climate and nature. This is why the company has been working together for years with member dairy farmers on reducing its ecological footprint.

Zuivelcoöperatie FrieslandCampina virtually manages the entire value chain: from grass to glass. Due to the increasing focus of customers and consumers on climate and quality of life, this unique position is becoming increasingly more relevant for FrieslandCampina. We actively make a contribution to a sustainable society by anchoring this theme even more firmly in our brands and products.

Refined Sustainability Strategy

At the end of 2020 FrieslandCampina presented a refreshed sustainability strategy: *Nourishing a better planet*. The motivation for this was the acceleration of the implementation of the *Our Purpose, Our Plan* business strategy in which sustainability plays a prominent role, as do various global developments, such as climate change, the scarcity of food and raw materials, and the environmental burden. With *Nourishing a better planet*, FrieslandCampina aims to make a positive contribution for farmers, society and the planet. The aim is to feed the growing world population with high quality and affordable nutrition, to produce in balance with nature and to give dairy farmers a sustainable basis for generating a good living. We are focused on six themes, see page 55.

Value through sustainability creates added value

Over the past few years, FrieslandCampina has built a robust, measurable foundation for quality and sustainability. The impact adds value for farmers, society and the planet. It enriches our production and products. By 'making the difference' this way, we strengthen the earning capacity of our member dairy farmers. This also enables them to continue to produce valuable foods and invest in further sustainability of their farm.

Cooperation with customers

Cooperative sustainability also means close cooperation with customers. FrieslandCampina works together with these partners to make products sustainable and on sustainability 'at the farm'. This way we invest together and ensure that initiatives are converted into value for the chain.
In 2020, together with Danone, among others, we invested in accelerating the reduction of greenhouse gas emissions and in promoting sustainable development at the farms of our member dairy farmers. In addition, together with Barry Callebaut, we initiated a pilot project for a food additive that potentially reduces the emission of greenhouse gases.

153 FrieslandCampina fresh dairy and cheese products with the independent sustainability quality label 'On the way to PlanetProof' were available in 2020. The related volumes represent a growth of 11.7 percent in comparison to 2019. The milk is supplied by member dairy farmers who perform well in relation to multiple themes, such as animal welfare, biodiversity and climate.

Six themes Nourishing a better planet

Better nutrition, affordable for everyone

Our aim is to always comply with the FrieslandCampina Global Nutritional Standards and to expand access to nutrition for lower income groups/countries.

Better living for farmers

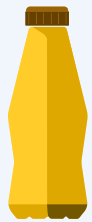
Our objective is to always have the highest possible performance price for member dairy farmers and to train 75,000 local dairy farmers in 2025 through means of the Dairy Development Programme.

Better climate, carbon-neutral future

By 2030 we aim to reduce CO_2-equivalent emissions at production facilities and in transport to production facilities by 40% and by 33% at member dairy farms, in comparison to 2015.

Better nature improving biodiversity

In 2022, we aim to have a single integrated score for biodiversity and by 2025 we aim to have set targets for farms.



Better packaging, 100% circular

By 2025, 100% of our packaging must be recyclable/reusable and more than 99% of our waste materials must be reused.

Better sourcing, 100% responsible

Our aim is for 100% sustainable procurement of agricultural raw materials by 2025, and for 95% of raw materials to be traceable back to source.

Better climate, carbon-neutral future

FrieslandCampina is focused on creating a CO_2-neutral chain: from grass to glass. This starts off with the step-by-step reduction of CO_2 emissions on farms and in the production and transport chain. In addition, FrieslandCampina aims to substantially increase the use of renewable energy, for example by increasing the share of renewable energy generated on farms. It is also considering carbon capture.

Corona pandemic

The measures introduced as a result of the corona pandemic affect FrieslandCampina's ability to achieve its sustainability objectives. The demand for various product categories (such as hospitality) decreased considerably, while the demand for other products increased by contrast. This had an unfavourable impact on the proportion of recyclable versus non-recyclable packaging used. It also had a unfavourable effect on the energy efficiency of production facilities due to the unpredictable fluctuations in production volumes.

Pricing

To stimulate CO_2 reduction, FrieslandCampina has been using a system of shadow pricing since 2019. Fifty euros per tonne of avoided CO_2 emissions annually is included as a potential return in making investment decisions. This has, for example, resulted in the inclusion of CO_2-reducing measures in investment decisions for new development projects in Malaysia, the Netherlands and Indonesia.

Climate Agreement

FrieslandCampina endorses the targets of the Paris Climate Agreement. In the context of the Climate Agreement, the Dutch dairy sector has agreed to make a significant contribution to reducing nitrogen, carbon dioxide (CO_2) and methane. In total, the dairy sector has agreed to reduce its emissions by 0.8 CO_2 equivalent mega-tonnes up until 2030. In addition, the sector will devote efforts to reducing another 0.8 CO_2 equivalent mega-tonnes, for example, by generating renewable energy. FrieslandCampina also aims to actively contribute to reducing emissions. This is why a 'better climate' is one of the six priorities of the sustainability programme *Nourishing a better planet*.

"We believe in four times zero"

Adam Czap, Director Manufacturing, responsible for all of the Consumer Dairy busines group's production facilities, nevertheless looks back on a difficult 2020 with satisfaction. The employees in 'his' production facilities did not lose a single day of production and delivering dairy products. Furthermore, their performance was far superior.

View the full case online

Climate-neutral Growth 2010-2020

One of the sustainability targets formulated by FrieslandCampina in 2010 was 'Climate-neutral Growth 2010-2020'. This relates to the total greenhouse gas emissions of the Company and the Cooperative combined, including acquisitions and growth in milk production. In spite of many acquisitions, strong growth in milk production and the impact of changed regulations during this period, FrieslandCampina succeeded in achieving climate-neutral growth over the last decade. This is the result of various actions, including a strong focus on energy efficiency and the use of renewable energy generated by our member dairy farmers In addition, through a wide range of measures, the emission per kilo milk decreased by 8 percent between 2010 and 2020. The total greenhouse gas emissions in 2020 amounted to 13,039 kt (2010: 13,108* kt). Combined with other measures, the greenhouse gas emissions per kilo milk dropped by 8 percent to 1.22 CO_2 equivalents per kilo milk.

The emissions of the Cooperative itself still remain 545 kt above 2010 emission levels. This is explained by the slight increase in the livestock herd in 2016 and 2017. Due to the introduction of the phosphate rights, the livestock herd decreased in 2018. This has resulted in virtually stable emissions in comparison to 2019.

* The emission factors for milk, milk powder and whey for NL, DE and BE have been adjusted retroactively on the basis of the latest generally accepted, scientific insights.

The developments outlined here provide an excellent starting point for our goal of producing climate-neutral dairy and achieving the interim 2030 reduction target, whereby FrieslandCampina aims to limit its emissions to a maximum of 9 Mt (-33% for the Cooperative and -40% for the Company in comparison to 2015). Visit our website for additional information on this topic.

- **0.2** percent reduction in CO_2 equivalent emissions at dairy farms. The emission of greenhouse gases was **12,319** kt CO_2 equivalent in 2020 (2019: 12,344, 2020 target: 11,744).
  FrieslandCampina calculates emissions at a detailed level for individual dairy farmers. This is a first, important step in introducing effective – fact-based – measures designed to reduce emissions. We are primarily focusing on dairy farms since this is where the majority of the total emission of greenhouse gases in the dairy chain takes place and where the largest reductions can be achieved.

- **4.4** percent less CO_2 equivalent emissions by worldwide production and transport. The emission of greenhouse gases was **720** kt CO_2 equivalent (2019: 753 kt). The inclusion of companies in Pakistan in the reporting and the commissioning of own (energy efficient) cogeneration plants for the production of electricity had a negative effect on the emission of greenhouse gases. The use of green electricity in production rose to **100** percent throughout the world.

- **830** member dairy farmers took part in the Winning with Climate and Nature workshops. These workshops provided insight into which sustainability measures are the most effective at dairy farms. Due to the corona measures, the workshops could no longer take place physically. 45 member dairy farmers took part in an online workshop in the autumn of 2020.

- An online measures tool was developed in 2020. This tool enables member dairy farmers to simulate the effect of sustainability measures on their farm. This provides member dairy farmers with insight into which measures best fit their specific operating conditions.

- In the autumn of 2020, a number of try-outs were held involving online simulation sessions during which 78 member dairy farmers, under the guidance of a farm consultant, performed calculations using the measures tool.

- **3.2** percent more use of green energy from own sustainable sources in comparison to 2019 (2020 target: 15 percent). In 2020, a step forward was taken in valorising green energy from our own chain. For example, almost 400,000 MWh in green electricity certificates were purchased from member dairy farmers by the Company and more than one hundred new electricity contracts were signed for individual dairy farms. In addition, almost one million cubic metres of green gas was produced by the Jumpstart mono-manure digesters. This way we are 'greening' our own energy consumption.

–0.2%
CO_2 emissions on dairy farms

+3.2%-pt
Use of green energy generated by member dairy farmers

519
Member dairy farmers supplied solar power

830
Member dairy farmers participated in Winning with Climate and Nature workshops

- Approximately 3,000 member dairy farmers produced green electricity, enough to supply more than 200,000 households with electricity. Visit www.frieslandcampinaopwek.nl to check out electricity generation by member dairy farmers in real time.
  - 519 member dairy farmers supplied green solar power as part of the solar programme at year-end 2020. Collectively this is enough for approximately 63,000 MWh green solar power. This represents a significant increase in comparison to 2019 (approximately 7,000 MWh).
  - 26 member dairy farmers acquired a mono-manure digester. As such the Jumpstart programme now includes 45 participants. A mono-manure digester supplies green energy and reduces the emission of methane by approximately 80 percent and nitrogen by about 50 percent.
  - 36 new small windmills were installed at dairy farms in 2020. Today a total of 48 such windmills are operating as part of this wind project.

- 2,83 GJ of energy consumed per tonne product in 2020, approximately the same relative energy consumption in comparison to 2019. This is partly due to lower production volumes resulting from the global economic stagnation caused by the corona pandemic and the inclusion of (energy-intensive) powder production in Pakistan in the reporting. Total energy consumption in 2020 amounted to 15,752 GJ. The drop in comparison to 2019 (15,939 GJ) is due to a number of energy reduction-oriented sustainability projects in the Netherlands, such as the new evaporated milk production facility in Leeuwarden, and projects in Gerkesklooster and Borculo, the closure of the facility in Rijkevoort, and lower production volumes.

- 4.81 m^3 water consumption per tonne product – as a result consumption decreased by 3.0 percent and is in line with our 3 percent reduction target. The increased periods of drought, salinisation and the impact of water consumption on energy management, make reducing water consumption a priority for FrieslandCampina. The goal is to achieve a reduction of 25 percent by 2030 in comparison to 2018. An extensive set of recommendations for effective water reduction at production facilities has been prepared for this purpose.

Dilemma **Cooperative enterprise: future-proof financing system**

In a cooperative, the members collectively are in control. At FrieslandCampina, almost 17,000 member dairy farmers collectively own the FrieslandCampina company. As co-owners they collectively produce the financial resources required to finance the Company. But is this tenable?
Are members able to produce sufficient financial resources and is this what they want to do?

View the full dilemma online

Dilemma

Carbon capture

FrieslandCampina is highly committed to the sustainable production of dairy. Member dairy farmers play a meaningful role in this respect. For example, their farms can make a contribution to reducing CO_2 emissions. They do this in various ways, including by capturing carbon in grasslands. However, to date, FrieslandCampina has not yet included this carbon capture into its environmental performance. Why not and does this not short-change our member dairy farmers?

Greenhouse gases are emitted by almost all human and economic activity. This includes dairy farming. These greenhouse gases not only include carbon dioxide (CO_2), but methane and nitrous oxide (laughing gas) as well. The emission of CO_2 on a dairy farm is partially offset, for example by generating renewable energy, but also by capturing carbon in soil, plants and crops. This is happening in many places, especially in mature grasslands. Generally this is sufficient to close the CO_2 cycle in the dairy farming sector.

Another step

However, CO_2 is not the only greenhouse gas. Cows, as well as manure emit methane and laughing gas. It is FrieslandCampina's aim to reduce these emissions as a means of reducing total greenhouse gas emissions. The ability to include the carbon captured by grasslands in the calculations would be another step in reducing greenhouse gas emissions, although this would still not bring total emissions in balance. To be able to claim a reduction in emissions, for example carbon dioxide emissions, requires clear agreements on the correct way of calculating and reporting them.

Figures

The Climate Agreement stipulates that each country must keep track of and report on its own greenhouse gas emissions. The Dutch government had not yet fully included carbon capture in soil in its reporting, because of the estimated net zero emission associated with land use. In addition, a sound method for determining carbon capture was lacking. The Netherlands has now turned its attention to developing a sound carbon capture calculation method. But as long as it is not possible to provide these figures for the country as a whole, it is not to be expected that we would be able to do so ourselves at the dairy farm level.

Reputation

Many dairy farmers have been working for years on improving soil quality. Furthermore, a lot of research is being conducted into measures that promote carbon capture. But as far as claiming the carbon capture achieved and the associated contribution to reducing total emissions is concerned, this can only be done on the basis of a sound rationale. Every claim made relating to sustainability and environmental aspects is being assessed by people and organisations that very critically monitor our business sector. This is why we, as FrieslandCampina, depend on the speed with which government and the scientific community provide the means we can use to include carbon capture in FrieslandCampina's total greenhouse emission figures. Making claims without solid evidence severely damages our reputation.

> Many dairy farmers have been working for years on improving soil quality

Better nature, improving biodiversity

Nature is the engine of every dairy farm. Growth of crops and milk production are dependent on the natural ecosystem, and consequently on biodiversity. FrieslandCampina, the World Wildlife Fund (WWF) and the Rabobank have developed a methodology to measure the impact of dairy farms on biodiversity: the Biodiversity Monitor. FrieslandCampina rewards members on the basis of the result of the Biodiversity Monitor. The goal is to have a positive biodiversity impact by 2050. By 2022, FrieslandCampina aims to have produced a scientifically developed integrated score for biodiversity on dairy farms.

- The Biodiversity Monitor is used to measure the impact of dairy farms on their natural living environment, with indicators that measure the impact on the environment, land use, and nature and landscape management. 99.7 percent of dairy farms had insight into their contribution to environmental quality and land use. Effective follow-on steps can be taken on the basis of these insights.
- 67.1 percent of dairy farms registered active nature and landscape management with FrieslandCampina. This percentage is lower than in 2019. FrieslandCampina is working together with BoerenNatuur, an organisation of Dutch national farmer collectives, on a country-wide system to register and safeguard all of the nature and landscape management areas on dairy farms.
- Practical experience was gained about new forms of productive herb-rich grasslands in a pilot project involving nine dairy farmers. The experiences are used to inspire and motivate other dairy farmers to make use of herb-rich grasslands on their farm.
- The Foundation for Strengthening Meadow Bird Habitats supported dairy farmers in specific regions to keep the diversity of meadow birds up to par. FrieslandCampina is working together with Vogelbescherming Nederland (Protection of Birds in the Netherlands) and BoerenNatuur on this initiative.

Foqus planet

The Foqus planet programme safeguards a high level of quality and sustainability, stimulates member dairy farmers to make their dairy farm even more sustainable and makes the performance of member dairy farmers visible in terms of quality and sustainability. Dairy farms that score high on sustainability receive a bonus that is funded from a cooperative scheme and a contribution from the company.

-4.4%
CO_2 emissions during transport and production

28.2%
Recyclable plastic packaging

91%
Palm oil, soy, pulp & paper and cocoa traceable to source

Dilemma

Preserving biodiversity: who will foot the bill?

No milk without nature. Dairy farmers are dependent on a strong and diverse nature for their milk production. Unfortunately, the diversity of flora and fauna in the Netherlands is deteriorating. Given that farmers manage approximately a quarter of the Netherlands' cultural landscape, member dairy farmers can greatly influence biodiversity. But improving biodiversity requires investments. And in the end what have they gained from all of their extra efforts?

"In my estimation, more than three quarters of our members are actively and consciously involved in managing the nature and landscape on and around their farm, including beyond their own lands," says Guus van Laarhoven, Biodiversity Programme Leader. "This may involve meadow bird management, herb-rich grasslands or managing hedgerows."

Positive Impact

Together with member dairy farmers FrieslandCampina is working towards having a positive impact on biodiversity. Member dairy farmers who actively devote their efforts to reducing environmental pressure and improving nature and landscape are compensated through the Foqus planet sustainability programme. However, often there are more opportunities for making nature management a larger part of dairy farming operations.

"And there's the rub," Van Laarhoven continues. "The financial perspective needed to really invest in biodiversity and make a real difference is still mostly lacking. We have to stop taking it for granted that this is something farmers can simply do on the side. Improving biodiversity costs money and we all are responsible for this cost, all of society."

Financial Compensation

Depending on market demand dairy farmers receive a higher price for their sustainably produced milk. "At the present time we valorise the sustainability efforts for approximately 15 percent of our total milk supply. Organic dairy and dairy with the 'On the way to PlanetProof' label are good examples of this. Many of our member dairy farmers can and want to make their farm sustainable. Market demand and the readiness to pay for this today is simply still insufficient to be able to compensate the efforts of all farmers."

Monitoring at the individual farm level helps in marketing biodiversity. "We have developed a biodiversity monitor together with the WWF and the Rabobank. This management tool makes it possible to obtain insight into individual biodiversity performance and to compensate dairy farmers for their efforts. In turn, dairy farmers can compare and improve their own results.

> "The financial perspective needed to really invest in biodiversity and make a real difference is still mostly lacking
>
> Guus van Laarhoven, Biodiversity Programme Leader

New Earnings Models

Everything depends on the farmers' ability to earn back their investments. "First, we work together with customers and buyers in the chain on increased earnings from sustainable dairy products. The biodiversity monitor gives us a unique advantage in this respect. In addition, we are working on new earnings models in which we are trying to have governments, social organisations and banks jointly invest in the sustainable performance of our dairy farmers. Only when we collectively embrace the importance of biodiversity, will all member dairy farmers be able to improve biodiversity on and around their farm."

Better packaging, 100% circular

The goal is for all FrieslandCampina packaging to be completely circular by 2050, with a carbon-neutral footprint. The first step in this direction is the goal that by 2025, all packaging worldwide will be fully recyclable. This path is complex as quality and food safety clearly have priority with foods and packaging having to meet strict requirements. Together with partners we look for innovative material solutions and recycling options.

— 87,3 percent of the total packaging portfolio was recyclable in 2020. This year we invested in our recyclable portfolio by developing recyclable cheese packaging, increasing the percentage of renewable materials and replacing plastic straws with paper straws.

— 28.2 percent of plastic packaging was recyclable in 2020 (2020 target: 40 percent). This is 4.8 percentage points less than in 2019. This downward trend is largely attributable to a shift in sales volumes due to the corona pandemic towards non-recyclable packaging and new insights provided by the recycling industry. In addition, the scope of the reported recyclable packaging was further expanded in 2020 as planned (see Appendix Glossary). To achieve future targets requires cooperation with partners to make circular food-to-food recycling possible.

Better sourcing, 100% responsible

By 2025, FrieslandCampina aims to only purchase agricultural raw materials and paper packaging acquired from fully sustainably managed sources. Furthermore, FrieslandCampina aims to have 92 percent of all materials traceable to source. Agricultural raw materials that in 2020 were already purchased from sustainably managed sources include products such as cocoa, soy oil, palm oil, cane sugar, beet sugar and starch. These are products with globally recognised certificates, products that comply with sustainable guidelines and products for which a plan for sustainable development has been developed in cooperation with suppliers.

— 91 percent of palm oil, soy, pulp & paper, cocoa was traceable to source (2020 target: 80 percent). As supply chains in the agricultural sector are dynamic, we strive for better insight into the origin of these raw materials to be able to address deforestation and forced labour. In 2020, we started working on tracing materials back to source.

— 100 percent of procurement comes from sustainably managed sources, achieving the 2020 target. In its Palm Oil Score Card (2019) FrieslandCampina was listed as the highest ranked Dutch company by the World Wide Fund for Nature and in the top ten of the worldwide Consumer Goods Forum.

Animal health and welfare

Member dairy farmers monitor the welfare and health of their cows on a daily basis. Animals that are well taken care of live longer and require less medicine. The WelfareMonitor in CowCompass is aligned with the EU standard for animal health and welfare: Welfare Quality®. Monitoring and safeguarding animal welfare is based on tens of requirements embedded in the quality and sustainability programme.

— The use of antibiotics has significantly declined in recent years. In its annual report, the Netherlands Veterinary Medicines Authority (SDa) reports that its use has almost halved since 2009. This is a clear reduction and the use of antibiotics for dairy cattle has since followed a relatively stable pattern over the past four years. Its use in the dairy industry has reached such low levels, that the SDa now refers to it as acceptable use.

— 59 days on average is how much longer the cows of our member dairy farmers lived in 2020 compared to 2019 or 5 years, 10 months and 21 days. As such the objective for member dairy farmers to extend the lifespan of their cows by six months by 2020 in comparison to 2011 has not been met. In 2011, the average lifespan of a cow in the Netherlands was 5 years, 8 months and 11 days. This is in part due to the introduction of the phosphate regulation as a result of which some animals had to be removed prematurely.

- 99 percent of member dairy farmers participates in KalfOK. This gives them insight into the quality of the rearing process of their young livestock. Dairy farms with a high KalfOK score receive a premium.

On the road to climate-neutral dairy

FrieslandCampina believes that dairy must be produced sustainably and that it must pay off. Developing sustainable dairy is a complex and long-term process. We do this together with various parties, including our member dairy farmers. Many of them can and want to make their dairy farm more sustainable. However, farmers hesitate to take this step, because the future prospects are not always entirely clear, the nitrogen and phosphate issues come to mind for example. The financial prospects too are insufficient: clients and consumers are not always prepared to pay extra for sustainable nutrition. Sustainable dairy can only be achieved if all parties are prepared to contribute. This is why FrieslandCampina is working together with producers, dairy farmers, suppliers, scientists, government and NGOs on making the dairy farming sector more sustainable.

Study of the dairy farming sector in 2030

At the beginning of 2020, Wageningen University & Research (WUR) carried out a study under contract to FrieslandCampina. The key question addressed by the study was: what will the Dutch dairy farming sector be like in 2030? The outcome does not reflect what FrieslandCampina would like to see, but rather consists of a scientific projection of what the sector might be like in the future. There is a major opportunity here for all parties associated with this sector.

View the full case online

Pasture grazing

- 83,6 percent of member dairy farmers in the Netherlands practised pasture grazing (2019: 83.0 percent). To encourage dairy farmers to allow their cows to graze outdoors more frequently, they receive a premium on their milk price.

Sustainability in dialogue

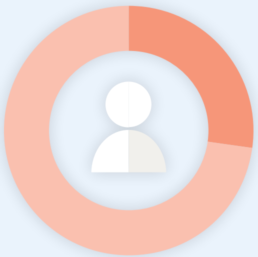
FrieslandCampina understands that many sustainable development goals can only be achieved by working together with partners. This is why it is working together with parties at home and abroad. This is an important aspect of 'cooperative sustainability'.

- International sustainable dairy sector
  Dairy producers, including FrieslandCampina, and their customers have joined forces for the purpose of developing a global Sustainable Dairy Partnership standard for business-to-business relationships.

- Sustainable Dairy Chain
  Within the Sustainable Dairy Chain, FrieslandCampina works together with other dairy companies and dairy farmers on a dairy sector that is future-proof and responsible. The Sustainable Dairy Chain has formulated several themes for 2030 for this purpose: earnings models, climate and energy, animal health and welfare, pasture grazing, biodiversity, dairy farming tied to available land and safety at the farm.

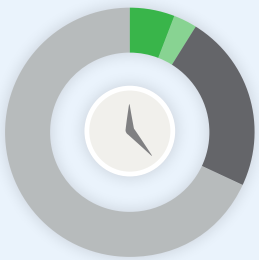
Our employees

Senior management diversity



Female 27%
Male 73%

Employment

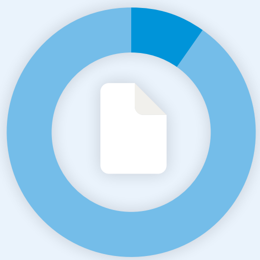


Part-time 8.7%
Fulltime 91.3%

5,6% female
3.1% male

23.1% female
68.2% male

Type of contract



Temporary 9.9%
Permanent 90.1%

Number of employees

FTEs as at year-end

13,284
Consumer Dairy
2019: 13,383

2,368
Specialised Nutrition
2019: 2,377

3,337
Ingredients
2019: 3,297

2,822
Dairy Essentials
2019: 2,800

1,972
Corporate, Shared Services and other
2019: 1,994

23,783
Total
2019: 23,851

As at 31 December 2020, the number of FTEs dropped in comparison to 2019, although temporary contracts were converted due to the Balanced Labour Market Act (WAB)* and approximately 100 additional FTEs are included in the consolidation due to acquisitions. However, on average, the number of FTEs increased slightly in 2020. In 2020, the number of temporary contracts, average number as well absolute number at year-end, dropped significantly (by more than 500) in comparison to 2019. Including temporary contracts, the total number of FTEs at year-end therefore dropped by about 600.

* WAB regulations: Effective from 2020, Dutch employers must call up on-call workers at least four days in advance of their work. If the employer cancels a call-up within these four days, the on-call worker is entitled to wages for the hours for which he/she was called up. After twelve months, employers must offer their on-call workers a permanent employment contract.

Number of employees

Average number of FTEs	2020	2019
Consumer Dairy	13,338	13,449
Specialised Nutrition	2,379	2,387
Ingredients	3,320	3,253
Dairy Essentials	2,851	2,727
Corporate, Shared Services and other	1,989	2,000
Total	**23,877**	**23,816**

By and for people

FrieslandCampina aims for a company culture in which sustainable success is key. The 'Winning in the market' programme stands for purpose-driven, customer-oriented, commercially oriented and with an owner's mindset.

In the annual employee survey, Over2You, employees were asked to let their voice be heard about the company, the working culture, leadership and commitment, and about potential improvements in this respect. The results show a positive development in commitment in a year in which *business as unusual* was the norm. The following points stood out:

- More employees are of the opinion that the changes being realised are necessary to be successful in the future.
- More employees indicate that they feel better enabled to do their work.
- Employees are more positive about the speed of decision making.

As in past years, these results will be used to engage in discussion and to realise continuous improvements relating to company culture, leadership and commitment for all employees.

Corona pandemic

The corona pandemic had major consequences for FrieslandCampina's employees. For colleagues at production facilities, the emphasis was on protection against the virus, thus enabling them to work safely and to keep the production process and deliveries to customers going. Other employees as much as possible worked from home. FrieslandCampina supported them by reimbursing them for their work-at-home facilities. In addition, regular discussions were held about the physical and emotional wellbeing of colleagues and where necessary attention was devoted to a specific theme, such as retaining energy levels across the working from home day. From these forced changes in working arrangements, lessons learned were extracted. This has resulted in the 'Our way of working' programme with a vision of our way of working after the corona pandemic, i.e. a combination of working from home and at the office. A toolbox has been created to support this initiative.

Good Business Behaviour

In 2020, FrieslandCampina once again focused employee attention on Compass, its Code of Conduct for good business behaviour, and on the Speak Up procedure.

- In 2020, 7,145 employees worldwide completed the mandatory Compass and Speak Up e-learnings.

- A new Compass e-learning has been developed that in 2021 will be added to the mandatory training plan for all employees.
- Employees completed mandatory e-learnings and online training modules about various Compass topics, such as honest business practices, fair competition practices, protecting personal information, trade sanctions and human rights.
- The number of Speak Up reports totalled 155, virtually the same number as last year (2019: 156). Most of the reports concerned behaviour in the workplace. Reports of fraud ranked second.
- In 2020, the telephone and webservice available for submitting Speak Up reports were opened up to parties outside FrieslandCampina. 64 reports were received via this channel, of which only a small portion pertained to Compass.
- In 2020, a worldwide campaign was conducted to refocus attention on Speak Up by having managers discuss dilemmas with their team members.

Compass covers fourteen topics, such as sustainability, food and people safety, honest business practices and human rights. The last two themes are set out below.

Honest Business Practices

FrieslandCampina adheres to honest business practices and distinctly rejects any form of bribery, fraud and corruption. In 2020, a significant portion of FrieslandCampina's revenue was once again generated in countries where, in view of their low score on the Corruption Perception Index of Transparency International, honest business practices are at risk.

- FrieslandCampina took further measures to limit these risks, for example by training employees. 5,078 employees completed the Doing Honest Business e-learning. In addition, the Doing Honest Business policy was refined. Another measure concerns the use of an automated system to screen parties with whom FrieslandCampina does business.
- One of the risks concerns working with agents. Senior management and employees who are in contact with these agents have been made aware of this risk, for example by training them to recognise compliance risks ('red flags') in working together with agents.
- At the beginning of 2020, interactive workshops for senior managers and employees about relevant local dilemmas pertaining to honest business practices and fair competition practices were once again held in a number of countries. With the travel ban imposed in March 2020, workshops were suspended. As soon as travel is considered safe, they will be resumed.
- Work is underway on developing new, interactive training courses about honest business practices that can be held remotely.
- The plan is to start investigating integrity risks in the organisation in 2021, through means of specific risk assessments.

Human Rights

FrieslandCampina respects and supports internationally recognized human rights, such as the right of employees to join recognized trade unions. The starting point for these rights are the OECD Guidelines for International Businesses, the ILO Declaration on Fundamental Principles and Rights at Work and the Universal Declaration of Human Rights.

FrieslandCampina is aware that the agricultural sector worldwide has a relatively high risk of human rights violations. Child and forced labor will not be tolerated. FrieslandCampina is contributing to the elimination of child labor and forced labor. Each employee is expected to make any form of discrimination or harassment directly negotiable in the context of his employment. We expect the same from our business partners.

In 2019 FrieslandCampina adopted a Human Rights Policy. This sets out FrieslandCampina's expectations in the areas of, for example, child labor, forced labor, freedom of association and access to water and sanitation. In 2020, the Human Rights Policy was further embedded and rolled out within the organization. FrieslandCampina started by conducting human rights risk assessments. As part of these risk assessments, the management teams of 9 participating countries (a total of 112 "key employees") were trained in the field of human rights. In 2020, human rights risk assessments were carried out in 9 countries: the Netherlands, Germany, Russia, Romania, Indonesia, Malaysia, Thailand, Pakistan and Nigeria.

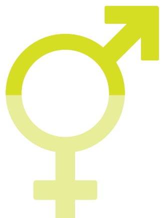
A number of potential risks surfaced in these risk assessments. Those risks that occur in multiple countries deserve special attention. For example, there is a greater risk of human rights violations among farmers in low-wage countries who supply milk to FrieslandCampina and who may or may not participate in the Dairy Development Program. In addition, contract workers deserve special attention; their position is not well regulated in all countries where FrieslandCampina is active, which increases the risk that their right to trade union freedom may not be respected or that they work excessive hours. We discovered that more attention should also be paid to human rights training for employees. Another point of attention is fair wages and working hours. FrieslandCampina pays at least the legal minimum wage in all countries (and usually more than that), but that is not always enough to be considered to provide for a livelihood, which means that employees are inclined to work (voluntarily) overtime. Finally, there are two countries that deserve special attention: Pakistan, due to the amount of Pakistani farmers who supply milk to FrieslandCampina, the amount of contract workers, and risks associated with fair wages and overtime, and Nigeria, due to the fact that FrieslandCampina is also active in a conflict area and that the risk of child labor is high there. In 2020 FrieslandCampina 4 Speak Up received complaints about possible serious human rights violations, specifically about the position of employees versus contract workers and freedom of association / working hours.

In 2021, measures will be taken to reduce these human rights risks. A policy will be developed with regard to the position and deployment of contract workers and with regard to the working hours of those contract workers. In addition, in line with Partner Africa's previous recommendations, additional research will be conducted in Nigeria into factors contributing to child labor. Moreover, employees and managers of FrieslandCampina in countries where the risk of human rights violations is high, will be trained in recognizing human rights risks. The right to fair wages and working hours will also be a point of attention in the coming years.

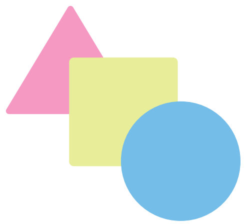
Diversity and inclusion

FrieslandCampina aims for a diverse composition of its workforce and for an inclusive organisation. There is a need for a diversity of views. Varying perspectives, backgrounds and insights enhance the company's thinking power.

- 27,0 percent of FrieslandCampina's senior management team was female in 2020 (2019: 25.9 percent). The target was 30 percent. In 2020, the ratio of men and women worldwide was 28.7 percent women and 71.3 percent men (2019: 28.4 and 71.6 percent). On average 33 percent of the Executive Leadership Team was female (2019: 40 percent) and it consisted of nine (2019: ten) persons with three (2019: five) different nationalities.
- In 2020, a Diversity & Inclusion Committee (D&I) was created with seventeen members representing nine different nationalities. The committee's task is to increase awareness of diversity and inclusivity and contribute to a healthy and inspiring working climate and better performance. It particularly focuses on the themes women (in management positions), cultures and religion, mental and physical handicaps, and sexual orientation.



28.7/71.3%
Female-male ratio worldwide



17/9
Diversity & Inclusion Committee (D&I) with 17 members representing 9 different nationalities

Talent Management

We select and hire new colleagues who enable us to match FrieslandCampina's needs with the (potential) talents of every individual. This is consistent with the goals of *Our Purpose, Our Plan 2.0*. We have translated this into a talent and leadership vision: 'When you grow, we grow'. In 2020 particular focus was on diversity in a culture in which employees 'exhibit the best they have to offer' (growth mindset).

- FrieslandCampina developed leadership qualities through means of the 'Lead to Win' programme. A custom programme was developed for Senior Management (approximately 400 managers) in cooperation with the London Business School.
- Improving the quality of to be recruited senior managers was given extra attention through a new central Executive Recruitment Team.
- In 2020, 1,139,824 persons visited the Global Career Website (42.3 percent more than in 2019). The user friendliness of this website has been enhanced, and now also provides better access from mobile telephones. This resulted in a 46.6 percent increase in the number of job applications. Of these, 36.1% were submitted from a mobile device. In addition, all vacancies became visible to all employees thus purposefully creating an 'open labour market'.
- The implementation of a new performance management process stimulates a continuous dialogue between manager and employees about their performance and personal development.

Safety

'An ounce of prevention is worth a pound of cure'. This is why FrieslandCampina has developed Vision Zero, a long-term plan designed to reduce the number of incidents. As always, priority will be given to complying with all legislation pertaining to health, safety and the environment, and to reducing risks to the lowest acceptable level possible.

In 2020, the total number of accidents[1] decreased to 119 (2019: 134). The total number of accidents per 200,000 hours worked was 0.32 and in spite of the exceptional circumstances stayed within the 0.33 target. This favourable performance is the result of constant attention for safety. Most accidents in 2020 were due to falling and tripping (25 percent) and cuts (16 percent).

The corona pandemic has impacted safety: we observed an increase in the number of accidents in the second half of 2020. Working under more difficult circumstances and distraction can result in an unsafe action at an unguarded moment. All accidents were analysed and specific, associated improvement actions were implemented.

1 Total number of accidents = 'number of accidents resulting in sick leave' plus 'number of accidents resulting in work adjustment' plus 'number of accidents requiring medical treatment'.

Risk management

FrieslandCampina operates in a dynamic global environment full of opportunities, risks and uncertainties. As a company FrieslandCampina wants to control and manage these risks to be able to successfully execute its long-term strategy *'Our Purpose, Our Plan 2.0'*.

2020 was a particular challenging year with a compounded manifestation of multiple risks. The coronavirus obviously has had a big impact, not only on consumers and customers, it also had a substantial economic and geopolitical impact. This clearly affected FrieslandCampina's businesses and results.

Risk events 2020 & trends

Global developments resulting from the corona pandemic and the related impact on markets were unprecedented. Related economic and financial instability, protectionism, volatility of energy and raw material prices, updated laws & regulations, political instability, and the increasing importance of digitisation, increased the Company's risk profile.

As a result of these developments, management is confronted with an unpredictable 'business as unusual' climate and was faced with difficult and complex choices. With these choices four principles were taken as a starting point: safety of staff, retaining focus on the primary processes, staying connected and acting with the long term in mind. During 2020 all factories remained open, logistical challenges were resolved and business processes continued whilst working from home, ultimately resulting in continued services to all customers throughout the world.
The lockdown measures across the globe impacted consumer's ability to purchase FrieslandCampina's products, most noticeably in its major markets i.e. IFT in Hong Kong and China and also the Out of Home businesses (i.e. hospitality) suffered particularly in Europe. In general commodity dairy prices were volatile and under pressure.

On a geopolitical level the economic and financial situation was affected by the pandemic, most markedly in Nigeria where the downturn in oil prices limited the foreign currency (US dollar) available for food imports resulting in import restrictions. This also resulted in a larger than usual volatility of the naira, which devaluated substantially in 2020 with limited opportunities for hedging due to the regulatory framework.

As a result of the pandemic and specifically the increase in homeworking and digitalisation of activities, a global spike in cybercrime was noticeable with a substantial rise in phishing, data theft and ransomware attempts. FrieslandCampina recently established its Security Operations Centre to actively prevent, detect and respond to such cyber threats.

Third Line

Ensures that the structure and the operational effectiveness of the internal management measures, including risk management activities carried out by first and second line functions, are objectively evaluated.

Corporate Internal Audit

Second Line

Supports management in developing, maintaining and monitoring the effectiveness of risk management processes and systems. Furthermore, the second line defines the risk management framework, policies and procedures.

Corporate departments, including Corporate Risk and Internal Control, Compliance and Legal Affairs.

First Line

Management carries primary responsibility for establishing and managing risks on a daily basis. In addition, management maintains a system of effective internal management measures designed to limit these risks.

Individual managers and the management teams of business groups and/or operating companies.

2020 has also been a year of farmer's protests (in NL) putting pressure on the alignment between strategic objectives of FrieslandCampina as a Company, the Cooperative and its Board and the individual member farmers. This is an area of continuous attention as the strength of the cooperative model lies in cooperation, taking a long term view and supporting required short and long term decisions accordingly.

The coronavirus has had a severe impact on FrieslandCampina's financials (results and cash flow) and, with ongoing unpredictability and changing goalposts, drove acceleration of the implementation of FrieslandCampina's strategy *'Our Purpose, Our Plan 2.0'*. This strategy addresses risk mitigating measures to strengthen:

- the company – by optimising the Supply Chain footprint, seeking partnerships where opportunities to add value or share risks are evident, enhancing the congruence of businesses across Business Groups to release trapped value and increase speed whilst preserving and strengthening the distinctive FrieslandCampina culture;
- its results – through continued focus on cost, FTEs, cash and allocation of CAPEX;
- and its financial foundation to be able to fund the strategy, i.e. its equity position and financing structure – through divestments of non-core businesses, access to external financing by issuing a hybrid bond, the intended implementation of future proof member financing and a stricter focus on cash planning and generation.

The totality of these planned measures in itself comes with risk, i.e. risk of too much internal focus, risk of difficulty in managing and delivering the required changes due to too many moving parts with mutual impact and the effectiveness of change management to embed these changes. These topics will be of particular focus for the Enterprise Risk Assessments in 2021 and will be monitored closely by the Transformation Office.

Global FrieslandCampina experts identify emerging trends that could potentially be most impactful for the Company in future. These emerging trends relate to for example:

- shifts in food preferences & trends – the health conscious consumer demanding natural products with less additives and less sugar and consumers substituting dairy products for plant-based products;
- the need for affordable nutrition in emerging markets;
- the need for shorter and more flexible product cycles to meet changing customers demand;
- the impact of climate change on FrieslandCampina's environmental footprint;
- tightening of regulatory regimes with more restrictive product laws and regulations.

These trend insights are incorporated in the Enterprise Risk Assessments that are conducted throughout the Company and monitored by FrieslandCampina's global trend owners.

Risk Management Framework

FrieslandCampina operates a structured Risk Management Framework to ensure strategic, tactical and operational risks are identified and mitigated appropriately throughout its businesses in line with the Company's risk appetite; driving risk awareness throughout the organisation.

FrieslandCampina complies with the conditions of the Dutch Corporate Governance Code as the Risk Management Framework, used by the Company and its consolidated subsidiaries, is based on internationally recognised COSO standards. The framework is updated on an annual basis and describes the risk appetite, risk management measures, responsibilities and governance.

Risk awareness and culture

Employees must abide by the applicable general code of conduct 'Compass' and comply with the applicable laws, regulations and policies. Driving employee risk awareness is continuously addressed through targeted communication and periodic (mandatory) training. The responsibility for implementing control measures is delegated to the respective business risk and control owners. Control and risk awareness is monitored through specific Dashboards and KPIs. FrieslandCampina stimulates a culture in which weak areas in its risk management programmes or control measures can be transparently reported and effectively dealt with, for example through the Company's Speak Up process.

Governance

The Executive Board of the Company is accountable for effectively managing the Company's risks with responsibilities for risk management delegated. Risk assessments and mitigating actions are the responsibility of line management (the 'first line'[1]: individual managers and the management teams of Business Groups and/or operating companies). Management is supported by corporate departments[2]. They serve as the 'second line'; responsible for the design and effectiveness of the risk management framework, its processes and systems including the policies and procedures. The 'second line' informs the Executive Board about the progress and outcomes of the various risk management programmes.
Corporate Internal Audit, as a 'third line', objectively evaluates the structure and the operational effectiveness of the internal risk management measures (including those carried out by the 'first' and 'second line'). Corporate Internal Audit independently reports to the Executive Board and Audit Committee on the effectiveness of the risk management framework, policies and procedures.

The Audit Committee informs the Supervisory Board of the Company. The role of the Audit Committee is described in the 'Corporate Governance' section.

Risk management improvements

The risk management activities as performed by the three lines did not indicate any material failings in the design and effectiveness of the framework, nevertheless the risk management framework is subject to continuous improvement.

In 2020 further dashboarding was introduced to increase management's risk awareness and action orientation on a more holistic basis bringing together internal control, compliance, business conduct, fraud and audit observations. This enables management to more easily identify areas of concern and take action to implement corrective measures.
Due to COVID-19, several Enterprise Risk and Fraud Assessments were conducted virtually and deemed effective.

For a more detailed description of specific risks and trends – see appendix Key risks & emerging trends

1 According to the 2020 updated IIA's three lines model.
2 Including Corporate Risk and Internal Control, Compliance and Legal Affairs.

Management Statement

The Executive Board of the Company has final responsibility for controlling the risks associated with corporate goals and the reliability of external (financial) reporting. The Executive Board is also responsible for assessing the effectiveness of the controls aimed at preventing or mitigating such risks.
The Executive Board has assessed the performance of the internal management and control measures. Based on this assessment, the Executive Board concludes that:

- The report provides sufficient insight into the shortcomings and functioning of the internal risk management and control systems;
- The above-referenced systems provide a reasonable degree of certainty that the financial reporting does not contain any material misstatements as at the end of the financial year 2020;
- In accordance with the current state of affairs, the financial reporting has been prepared on a going concern basis; and
- The report includes a statement of the material risks and uncertainties that are relevant to the expected continuity of the Company for a period of twelve months following the preparation of the report.

The system of tasks for the internal risk management and control systems and the ensuing findings, recommendations and measures are discussed with the Audit Committee, the Supervisory Board and the external auditor.

Statement of Executive Responsibility

In accordance with Section 5:25c paragraph 2 under c of the Dutch Financial Supervision Act (Wft), the members of Royal FrieslandCampina N.V.'s Executive Board herewith state that, insofar as they are aware, the Company's financial statements provide a true and fair view of the assets, liabilities and financial position of Royal FrieslandCampina N.V. and the companies jointly consolidated; and that the Annual Report provides an accurate overview of the situation as on 31 December 2020, and progress and operations during the financial year of Royal FrieslandCampina N.V. and the consolidated companies; and that the essential risks that Royal FrieslandCampina N.V. is confronted with are set out in the Annual Report.

Executive board

Hein (H.M.A.) Schumacher
Chief Executive Officer

Jaska (J.M.) de Bakker
Chief Financial Officer

Amersfoort, 19 February 2021

Corporate Governance

Corporate governance at a glance

Corporate governance principles
Royal FrieslandCampina N.V. (the 'Company') applies the principles of the Dutch Corporate Governance Code (the 'Code') on a voluntary basis. The way in which the Code's principles will be applied is described in this section. This includes an indication and motivation of the points in which the Code is not applied by the Company.

Shareholder Structure
All the shares in the Company's capital are held by the Zuivelcoöperatie FrieslandCampina U.A. (the Cooperative), whose members are involved in dairy farming. The Cooperative's geographical area of operations is divided into districts, each of which has a District Board. The Cooperative's members appoint the members of the District Boards, which collectively make up the Cooperative's Members' Council. The Members' Council appoints the nine members of the Board of the Cooperative on the binding recommendation of the Cooperative's Chairman's consultation process. The Cooperative is the sole shareholder of the Company.
The Board of the Cooperative exercises the Cooperative's shareholders' rights and in this capacity functions as the General Meeting of Shareholders of the Company. There are a number of decisions regarding which, on the grounds of the Company's Articles of Association, the Company's Executive Board must obtain the approval of the General Meeting of Shareholders. For a number of important decisions for which the Board of the Cooperative votes on behalf of the Cooperative as the Company's shareholder, the Board of the Cooperative must obtain the approval of the Members' Council before casting its vote. The Cooperative's governance structure is described in the Cooperative's Annual Report.

Board Structure
The Company has a so-called 'two-tier structure' with an Executive Board and a Supervisory Board. The Executive Board comprises two members, a Chief Executive Officer (CEO) and a Chief Financial Officer (CFO). The Executive Board's composition and division of tasks is explained on page 202.
The Supervisory Board comprises the nine members of the Board of the Cooperative plus four 'external' members. The composition of the Supervisory Board is reported on page 199.

Supervisory Board committees
The Supervisory Board has formed two committees: the Audit Committee, which comprises four Supervisory Board members, and the Remuneration & Appointment Committee, which comprises three Supervisory Board members. The composition of the Supervisory Board's Committees can be found on page 201.

The corporate governance principles followed by Royal FrieslandCampina N.V. are laid down in the Articles of Association and the Regulations of the Company's various bodies. This information is published on FrieslandCampina's website. Although the Code is not applicable to the Company, because according to the law only companies whose shares or depositary receipts for shares are listed on the stock exchange are governed by the Code, the Company applies the principles and best practices provisions of the Code that are compatible with its control structure and the nature of the Cooperative. The provisions that are not applied are highlighted in this overview, along with the reasons why they are deemed inappropriate and the extent to which they are not applied. There was no change to the governance structure in 2020.

Executive board

Composition, tasks and responsibilities

The Executive Board is supported by the Executive Leadership Team in its day-to-day affairs. The Executive Leadership Team consists of the members of the Executive Board, the presidents of the four business groups and the functional managers of Human Resources, Research & Development and Corporate Supply Chain. The task of the Executive Leadership Team is to implement the strategy, transform objectives into specific plans and manage operating companies within their area of responsibility.

Appointment of Executive Leadership Team members

The members of the Executive Leadership Team are appointed by the CEO following approval by the Supervisory Board and after consultation with the Remuneration and Appointment Committee.

Remuneration policy for the members of the Executive Board and the Executive Leadership Team

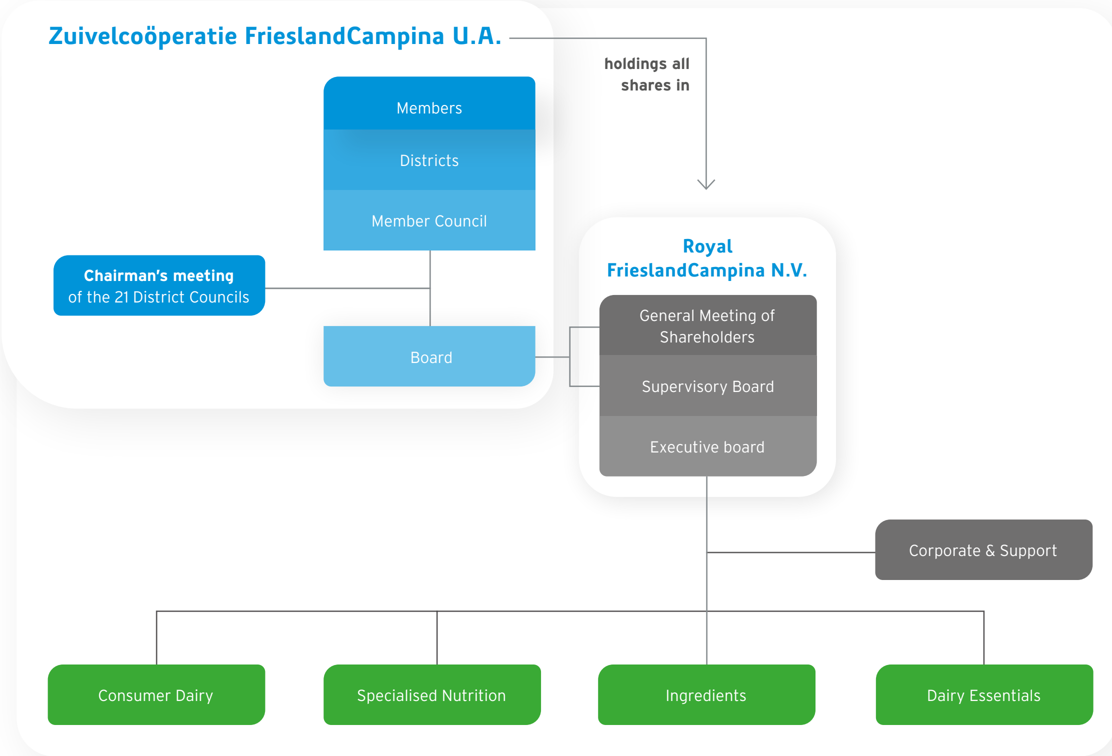
Almost all relevant recommendations of the Code are applied in the remuneration policy. The remuneration policy is not made public as the Company is legally exempt from publication. The remuneration policy is proposed by the Supervisory Board and approved by the General Meeting of Shareholders. This policy is accounted for every year in the meeting of the Cooperative's Members' Council. Changes in the remuneration policy are put before the General Meeting of Shareholders for approval. On this subject FrieslandCampina is also accountable to the Cooperative's Members' Council.

Supervisory Board

Tasks and responsibilities

The Supervisory Board supervises the policy set by the Executive Board and the general course of events in the Company and its businesses, and the associated companies. The Supervisory Board also advises the Executive Board. The Supervisory Board discusses the strategy and the Company's main risks with the Executive Board. In addition, the Supervisory Board discusses the structure, and functioning of and any significant changes to the risk management and control systems with the Executive Board. The Supervisory Board also has the authorities specified in the provisions of Book 2 of the Dutch Civil Code in respect of companies with a tow-tier management structure. This in particular concerns the appointment of Executive Board members, the determination of the number of members of the Executive Board and the approval of a number of other decisions of the Executive Board as specified in legislation. Under the Articles of Association, certain decisions of the Executive Board require the approval of the Supervisory Board.
In the performance of its duties, the Supervisory Board is led by the interests of the Company and its associated companies. The Supervisory Board also considers the relevant interests of the parties involved in the Company and the aspects of corporate social responsibility that are relevant to the Company.

Several times each year, the Executive Leadership Team attends a meeting of the Supervisory Board, or a part thereof. On this occasion various topics, including the Company's strategy and budget, are discussed.
In addition, the members of the Executive Leadership Team are invited to attend the meetings of the Supervisory Board when topics relevant to them are discussed. The Remuneration & Appointment Committee regularly holds progress meetings with the members of the Executive Leadership Team.



Governance structure

Composition, independence and appointment

A covenant has been signed with the Central Works Council (CWC). The covenant includes agreements regarding the composition of the Supervisory Board, the required profile of the members of the Supervisory Board, the strengthened rights of recommendation of the CWC in respect of the appointment of Supervisory Board members and the way in which the CWC exercises these rights. The profile sketch has been published on the Company's website as an appendix to the Supervisory Board Regulations. On the basis of the covenant the Supervisory Board is composed

properly when two-thirds of its members are members of the Board of the Cooperative ('internal members') and one-third of its members are recruited from outside ('external members').
The chosen composition reflects the two-thirds dominance of internal members in a Supervisory Board permitted by the law for large cooperatives. This dominance by internal members is carried through to the Company level. This regulation deviates from the best-practice provisions for the independence of supervisory board members.

The four external Supervisory Board members are independent in the sense of the Code. The external Supervisory Board members are selected on the basis of the criteria laid down in the profile sketch. At least one Supervisory Board member is a so-called financial expert. The Company is subject to the structure regime as set out in Book 2 of the Dutch Civil Code. Supervisory Board members are appointed by the Supervisory Board, on the basis of a co-optation system. The external Supervisory Board members are appointed for a four-year term and can subsequently be reappointed for another four-year term. After this, the external Supervisory Board members can be reappointed for another two-year term, which can subsequently be extended for a maximum of two years. Reappointment after a period of eight years must be substantiated in the Report of the Supervisory Board.
For the internal Supervisory Board members, the appointment and reappointment terms as members of the Board of the Cooperative apply. In principle they are appointed for a term of four years at most and may be reappointed twice (maximum). An exception to the above-referenced appointment and reappointment terms of internal Supervisory Board members applies to the incumbent Chairman, who may be appointed for a fourth term when the Company wants to appoint a Supervisory Board member for this position who has a lot of experience with the day-to-day operations of the Company and the Cooperative. The term of internal Supervisory Board members in any event terminates upon termination of membership in the Board of the Cooperative.

On 15 December 2020, the Members' Council decided to amend the articles of association of Zuivelcoöperatie FrieslandCampina U.A., effective 17 June 2021. Part of this amendment is a change to the terms of office of the members of the Cooperative's Board and consequently the internal members of the Supervisory Board, whereby a member of the Board upon the expiry of his/her first term is eligible for reappointment for a second term of four (4) years, and following this for a third term of two (2) years whereby this third term, following an evaluation by the Cooperative's Board, can be extended once more by two (2) years. The rule that applies to the chairman, is that a chairman whose term has expired can also be reappointed twice, on the understanding that if he/she functioned as chairman in his/her third term, then he/she is eligible for reappointment for a fourth term of two years whereby this fourth term, following an evaluation by the Cooperative's Board, can be extended by two years. This change to the terms of office for internal supervisory board members will also be carried over into the regulations of the Supervisory Board.

Remuneration

The General Meeting of Shareholders adopts the remuneration of Supervisory Board members as proposed by the Supervisory Board and is annually held accountable by the Cooperative's Members' Council. The remuneration is not dependent on the Company's results.

Supervisory Board committees

The Supervisory Board has a Remuneration & Appointment Committee and an Audit Committee. The task of these committees is to prepare the decision-making of the Supervisory Board; they have no independent decision-making authority. The regulations of the committees are posted on FrieslandCampina's website. Both committees report regularly to the Supervisory Board regarding their deliberations and findings. Nine of the thirteen Supervisory Board members are not independent in the sense of the Code as described above. This means that the composition of the Committees of the Supervisory Board deviate from the best-practice provisions of the Code which stipulate that more than half of the members of the Committees of the Supervisory Board should be independent as defined in the Code.

Audit Committee

The Audit Committee comprises the financial expert and one other external Supervisory Board member plus two Supervisory Board members who are also members of the Board of the Cooperative. The duties of the Audit Committee are of a preparatory nature and relate to:

- the integrity and quality of the financial reporting and the effectiveness of the Company's internal risk management and control systems;
- the Company's financing;
- the application of information and communication technology by the Company, including cyber security-related risks;
- the Company's tax policy;
- the relationship with the internal auditor and the external auditor (including monitoring the independence of the external auditor), compliance with recommendations and follow-up on observations;
- recommendation of candidates for appointment as internal auditor;
- the annual evaluation of the internal audit function;
- providing advice concerning the nomination for appointment or reappointment or dismissal of the external auditor and making preparations for selecting the external auditor;
- proposing the assignment of the audit of the financial statements by the external auditor;
- annually discussing the draft audit plan with the external auditor;
- compliance with legislation and regulations.

The Chairman of the Audit Committee is the first point of contact for the external auditor should the auditor reveal irregularities in the Company's financial reporting.

Remuneration & Appointment Committee

The Remuneration & Appointment Committee comprises the Supervisory Board member with the 'social profile', who is also the Chairman of the Remuneration & Appointment Committee, plus the Supervisory Board's Chairman and Vice-chairman.

The duties of the Remuneration & Appointment Committee include:

- preparing proposals for the remuneration policy for the Executive Board and Executive Leadership Team, and the remuneration of the individual Executive Board members;
- compiling the remuneration report;
- selecting and preparing proposals for the appointment of the members (including drawing up appointment criteria and procedures) of the Executive Board and the external Supervisory Board members;
- regularly evaluating the size and composition of the Supervisory Board, the Supervisory Board's committees and the Executive Board, and proposing a profile;
- advising the Supervisory Board on proposals by the CEO for the appointment of members to the Executive Leadership Team;
- regularly evaluating the functioning of the Executive Board, the Supervisory Board, the individual members of both these boards, and the Supervisory Board's committees;
- preparing a succession plan for the members of the Executive Board and the Supervisory Board;
- supervising the Executive Board's succession policy, selection criteria and appointment procedures for members of senior management.

Conflict of interests

FrieslandCampina has drawn up strict rules to prevent every form and appearance of a conflict of interest between the Company on the one hand and members of the Executive Board, the other members of the Executive Leadership Team and the members of the Supervisory Board on the other hand. In accordance with these rules, decisions to enter into transactions involving conflicting interests of Executive Leadership Team or Supervisory Board members of a material significance for the Company and/or the relevant individual must be approved by the Supervisory Board. During the year under review no conflicts of interests were reported.

The General Meeting of Shareholders

The Company's General Meeting of Shareholders has the authority to approve certain Executive Board decisions as specified in the articles of association. These decisions, which are stipulated in the Articles of Association, are major decisions relating to the operations, legal structure and financial structure of the Company (and the companies in which it holds shares) and decisions relating to major investments.

The other most important authorities of the General Meeting of Shareholders are as follows:

- adopting the Company's financial statements and profit appropriation;
- discharging the members of the Executive Board for their management and the members of the Supervisory Board for their supervision of the Executive Board;
- adopting the profit distribution;
- adopting the remuneration policy for the Executive Board and the Executive Leadership Team, and approving the remuneration of the Supervisory Board members;
- appointing and dismissing the external auditor;
- amending the Articles of Association;
- issuing shares, excluding the pre-emptive right, authorising the repurchase of the Company's own shares, reducing the paid-up capital, dissolution and applying for bankruptcy.

During the Company's General Meeting of Shareholders the Board of the Cooperative exercises its voting rights on behalf of the Cooperative. In respect of a number of major shareholders' decisions, stipulated in the Cooperative's Articles of Association, the Board in exercising its voting rights in the Company requires the prior approval of the Cooperative's Members' Council.

Company, share capital and Articles of Association

Royal FrieslandCampina N.V. is a public limited liability company with its registered office in Amersfoort, the Netherlands, and its Central Office at Stationsplein 4, Amersfoort. The Company's Articles of Association were most recently amended effective 26 January 2018 and are published on the Company's website. The latter amendments included the provisions concerning the appointment and reappointment terms of Supervisory Board members, and the incorporation of new legislation in the Articles of Association.

The Company is registered in the Trade Register of the Chamber of Commerce under number 11057544. On 31 December 2020, the Company's authorised capital amounted to one billion euros divided into 10,000,000 (ten million) shares with a nominal value of 100 euros each.

The shares are registered. On the same date, 3,702,777 shares were issued, which are all paid up and are held by the Cooperative. For the sake of brevity, for the stipulations regarding the issuing of shares, pre-emptive right, acquisition of own shares and capital reduction please refer to the Company's Articles of Association.

Audit of the financial reporting and the roles of the internal and external auditors

Financial reporting

The Executive Board is responsible for the quality and completeness of the published financial announcements. The Supervisory Board ensures that the Executive Board fulfils this responsibility.

External auditor

The external auditor is appointed by the General Meeting of Shareholders.

The Supervisory Board nominates a candidate for this purpose. Both the Audit Committee and the Executive Board issue a recommendation to the Supervisory Board in this respect. The remuneration of the external auditor and assignments of the external auditor are approved by the Supervisory Board on the recommendation of the Audit Committee and after consultation with the Executive Board. The external auditor is in any event present during the Supervisory Board meeting in which the decision to approve the financial statements is taken. The external auditor discusses the draft audit plan with the Executive Board before submitting it to the Audit Committee.

Internal audit function

The internal auditor operates under the responsibility of the Executive Board. The Supervisory Board supervises the internal audit function and maintains regular contact with the internal auditor. The Executive Board, the Audit Committee and the external auditor are involved in the work plan of the internal audit function and are notified of its findings. The internal auditor has direct access to the Audit Committee and the external auditor.

Best-practice provisions of the Code not applied by FrieslandCampina

The Company fully endorses the Code by applying the principles and best-practice provisions or by explaining why the Company deviates from the Code. The provisions listed below are not applied for the reasons set out above and/or below:

2.1, 2.1.7-2.1.9	**Independence of the Supervisory Board:** see motivation under 'Supervisory Board – Composition, independence and appointment'.
2.2.2	**Appointment and reappointment terms of Supervisory Board members:** deviation concerning internal members: see motivation under 'Supervisory Board – Composition, independence and appointment'.
2.3.2	**Institution of committees:** the Remuneration Committee and the Selection & Appointment Committee, for practical reasons, have been combined into the Remuneration & Appointment Committee.
2.3.4	**Composition of committees:** the composition of the Remuneration & Appointment Committee and the composition of the Audit Committee deviate from the best-practice provisions of the Code, which stipulate that more than half of the members of the committees should be independent: see motivation under 'Supervisory Board Committees'.
2.8.1-2.8.3	**Takeover bids:** the best-practice provisions in respect of takeover bids are not applicable in view of the fact that the Company is not a listed company and all shares in its capital are held by the Cooperative.
3.2.3, 3.4 and 3.4.2	**Publishing of remuneration report, most important components of employment conditions or severance payment of Executive Board member:** the Company applies the statutory exception as defined in Article 2:383b of the Dutch Civil Code for so-called 'private public liability companies'.
4.1-4.4.8	**General Meeting of Shareholders:** the best-practice provision in respect of the general meeting of shareholders, information provision and briefings, voting and the issue of depositary receipts for shares are not applicable in view of the fact that the Company is not a listed company and all shares in its capital are held by the Cooperative.

Taxes

FrieslandCampina takes its tax payment obligations seriously.

Tax legislation and regulations

FrieslandCampina aims for timely, correct and full compliance with tax legislation in all jurisdictions in which the Company operates. FrieslandCampina not only follows the letter, but also the spirit of the tax legislation and regulations that apply to all of its activities. This is in line with the standards and values set out in Compass: our guide for good business conduct.

Application of statutory cooperative tax regime as at 1 January 2020

FrieslandCampina implemented a legal group restructuring effective 1 January 2020 in order to comply with the statutory cooperative tax regime. This enables FrieslandCampina to make use of the statutory regulation to prevent double taxation on profit for members of the cooperative and the company. A limited partnership (C.V.) structure was created as part of the restructuring. Except for the production and invoicing activities, effective 1 January 2020 all of the company's activities in the Netherlands were brought into this C.V. The C.V.'s activities are managed by a direct subsidiary of the Company as the managing partner. The restructuring for the purpose of applying the cooperative tax regime does not have any impact on the Cooperative's and the Company's decision-making and approval rights.

Tax position in the financial statements

FrieslandCampina provides its stakeholders with reliable information. Financial as well as non-financial figures are transparent, correct, complete and up-to-date. Furthermore, financial reporting complies with local laws and regulations and Group accounting policies.

Tax planning

FrieslandCampina pays taxes in the countries in which it operates in accordance with the activities of its companies (tax follows the companies). FrieslandCampina operates in accordance with the single tax principle and tries to avoid situations involving double taxation and double non-taxation. The Company does not implement any artificial tax structures without commercial and economic reality. FrieslandCampina adopts fiscally defensible positions.

Transfer pricing

Intercompany transactions are subject to internal transfer pricing guidelines. These internal guidelines are in accordance with the at arm's length principles set out in the OECD transfer pricing guidelines. It is FrieslandCampina's goal to document the at arm's length conduct of relevant transactions by signing bilateral or unilateral transfer pricing agreements with tax authorities. FrieslandCampina has embraced the Base Erosion and Profit Shifting (BEPS) initiative and has elaborated on this in its transfer pricing documentation to ensure compliance with published guidelines, including the Country Report.

Tax management and risk management

FrieslandCampina's tax policy and tax control framework promote a culture of consistent, coherent and compliant tax conduct that is in accordance with laws and regulations and with the objective of creating a sustainable and predictable tax position. FrieslandCampina is convinced that building professional relationships with tax authorities based on mutual respect, transparency and trust contributes to this predictability. If possible, this is confirmed in a cooperative compliance regulation. In the Netherlands, FrieslandCampina's homeland, FrieslandCampina is a participant in the Horizontal Monitoring programme of the Netherlands Tax and Customs Authority. FrieslandCampina's Corporate Tax Department reports at least twice a year to the Audit Committee.

Report by the Supervisory Board

The Supervisory Board is an independent body of the Company responsible for supervising and advising the Executive Board. In addition, the Supervisory Board oversees the general business progress, the strategy and the operational performance of the company. In this respect, the Board also focuses on the effectiveness of the company's internal risk management and control systems and the integrity and quality of the financial reporting. In the performance of its duties, the Supervisory Board is led by the interests of the Company and its associated companies, and takes the relevant interests of all parties involved in the company into consideration in this respect. During the year under review, the Supervisory Board (the 'Board') carried out its tasks in accordance with the applicable laws and regulations and the Articles of Association of Royal FrieslandCampina N.V. (the 'Company').

Composition, independence and diversity

Composition of the Supervisory Board and its committees; independence

The Supervisory Board of the Company comprises thirteen members. At any time, nine members are also member of the Executive Board of Zuivelcoöperatie FrieslandCampina U.A., while the other members are external Supervisory Board members. All external Board members (being members who are not also a member of the Board of the Cooperative) are independent in the sense of the Corporate Governance Code (the 'Code') and the Supervisory Board's regulations. The composition of the Supervisory Board and its committees as at 19 February 2021 is shown on page 199 to 201.

Gjalt Mulder, following completion of his first term in office, stepped down as a member of the Board on 15 December 2020, having indicated that he would not be available for a second term. The Board respects his decision and also thanks him for his efforts and contribution to the meetings.
Frans van den Hurk was appointed for a four-year term as his successor, effective 15 December 2019.
Hans Hettinga and Wout Dekker were reappointed for a second term of four years.

Diversity

The aim is to achieve a balanced composition of the Supervisory Board, with a combination of different experiences, backgrounds, skills and independence of its members best enabling the Supervisory Board to discharge its various obligations in relation to the Company and its stakeholders. The aim is also to achieve a balanced ratio of men and women on the Supervisory Board. The target is to have at least 30 percent of the seats on the Supervisory Board occupied by women and at least 30 percent by men. With four female members, the Supervisory Board's composition is in line with the diversity policy.

Meetings of the Supervisory Board

The Supervisory Board met fourteen times during the year under review. Apart from the regular meetings there was also contact among members of the Supervisory Board, as well as with members of the Executive Board and the Executive Leadership Team. To prepare for the meetings, the Chairman and Vice-chairman regularly spoke with the CEO, among others. During the year, the Board also met twice outside the regular meeting cycle to discuss the strategy and transformation. These topics were also discussed on several occasions by Supervisory Board members at times in smaller groups in which members of the Executive Board and the Executive Leadership Team also participated. In the period March through July the Board was regularly, initially weekly, kept informed of the state of affairs within the Company, in relation to the corona pandemic.

The year was strongly influenced by the impact of the corona pandemic. The Company was forced to respond to the difficult market conditions this created, i.e. in the out-of-home (hospitality) sector and in the market for basic dairy products, in countries such as Nigeria where the local currency was under severe pressure and in Hong Kong where the sale of baby and infant nutrition significantly declined as a result of the border closure with China. During the year there were frequent, regular meetings to discuss the state of affairs within the Company, in particular the development of the results and the measures needed to counter the impact of the corona pandemic, with management's attention first and foremost focused on the health and safety of employees. In connection with this, multiple discussions were held with management on the need for transforming the Company, accelerating the implementation of the strategy and the associated ongoing change of the organisation. This created the necessity of implementing a wide range of measures that were extensively discussed with and approved by the Board. A key series of measures concerns the optimisation of the network of plants, in part through the closure of production facilities on the one hand and investments in growth, for example in Indonesia and Malaysia, on the other hand. For FrieslandCampina Germany a refined focus on growth segments and structural cost reductions were decided on. In addition, the desired future financing of the Company was elaborately discussed. The decision was to issue a hybrid bond and the Board communicated its views about the necessary changes to the member financing system, a topic that is being discussed with the members of the Cooperative. Finally, the need for changing the business structure in line with the Company's transformation was discussed and it was decided to create two new business units, FrieslandCampina Professional and FrieslandCampina Trading.

The strategy of several business groups was presented and discussed during the year and attention was focused on progress relating to innovation, the new sustainability strategy and plans for improving the valorisation of milk through our cheese activities.

The more regular topics were also discussed during the meetings. The financial position, the annual budget, acquisitions, major investment proposals, the progress of major investment projects, and internal risk management also received due attention. The Board was informed of and approved the internal auditor's Audit Plan and activities. In February of the year under review, the 2019 financial statements and the text of the Annual Report were discussed with the Executive Board and the external auditor, and approved by the Board. The report concerning the findings for the first half-year was set out by the external auditor and the auditor's management letter was discussed with management. The report did not contain any material points of attention.

In 2020, special attention was furthermore devoted to the following topics:

- The proposals concerning the amendment of the milk price regulation, which among other things addressed the subordination of the milk price, were approved.
- The Board was furthermore regularly informed of the progress made in the area of sustainability and safety.
- The Board was informed about how management monitors the effective execution of investment projects.
- The progress of the improvement plan for the Beilen site in the Netherlands was presented.
- Activities in the area of potential acquisitions and partnerships were regularly discussed.
- Activities in the area of talent management were set out.
- A flexible business structure was created to enable the company to even faster and more effectively anticipate the opportunities in and the demands of its most important markets, for example, by entering into strategic partnerships.

Topics such as the remuneration and composition of the Executive Board and Executive Leadership Team, and the evaluation of the performance of the Executive Board and the composition of the Supervisory Board, were discussed in the absence of the members of the Executive Board. Special attention was devoted to expanding the Executive Board, and to the composition of the Executive Board and the Executive Leadership Team, whereby changes – in part due to changes to the organisation structure – were discussed and approved. In addition, some minor changes to the governance rules pertaining to the Executive Board and the Executive Leadership Team were approved. During these closed meetings, the effectiveness of the Supervisory Board's own meetings was also evaluated and certain topics were subject of further reflection.
Because it was virtually impossible to hold any physical meetings, the evaluation of the Supervisory Board's own performance and that of its members and committees was not discussed in plenary; ample attention will once again be devoted to this in the coming year. From the evaluations completed after every meeting it is clear that in general, the Board functions as it should, in harmony and with mutual respect, transparency and a very open relationship with management.

Supervisory Board committees

The Supervisory Board has established two committees that provide advice to the Board on specific tasks and that prepare specific decisions. These are the Audit Committee and the Remuneration & Appointment Committee. The tasks of these committees follow from the committee's regulations, which form part of the Supervisory Board's regulations and are posted on the company's website. These tasks are summarised in the section on Corporate Governance on page 79.

Audit Committee

During the year under review, the Audit Committee met five times in the presence of management, including the CFO and the officers responsible for the relevant corporate services departments. The CEO was also present at several meetings.
The external accountant was present at all meetings. There also was contact among the members of the Committee and with management, outside the meetings. After each meeting, the Chairman reported to the Supervisory Board on the findings of the Audit Committee. In addition, the Audit Committee met twice a year with the external auditor in the absence of the Executive Board.

The 2019 Annual Report and financial statements were discussed, as was the external auditor's report concerning the financial statements and the Executive Board's statement of executive responsibility included in the Annual Report. During discussions of the company's results, the annual and semi-annual reports, the Audit Committee in particular devoted attention to the more technical reporting aspects, such as the outcome of the goodwill impairment test, the recognition of acquisitions and disposals, the tax position, material legal claims and the valuation of tangible and intangible fixed assets.

The planned activities of the external auditor were discussed on the basis of the external auditor's Audit Plan, which was approved by the Supervisory Board on the recommendation of the Audit Committee. The 2020 Half-year report, the 2020 interim report of the external auditor and in particular its interim audit findings were extensively covered during the year under review. The list of assignments provided to the external auditor by the company was approved by the Audit Committee on four occasions during the year under review. The Audit Committee was of the view that the external auditor maintained its independence.

Each year the Audit Committee discusses and approves the internal auditor's Audit Plan and activities and advises the Supervisory Board on this. In addition, during each meeting the internal auditor reports to the Committee on the activities carried out, and the audit findings and the progress on the follow-up actions arising from earlier findings are discussed. Many activities could not be performed onsite during the year under review due to the corona measures and as a result the audit plan was adjusted as time passed. Furthermore, the Audit Committee was informed about the operation of the internal control framework and the analysis concerning the segregation of duties. The Audit Committee observed that the effectiveness of the internal control assessments has progressively increased over the past three years.
The Audit Committee was regularly informed by a number of managers (Accounting, Treasury, IT, Tax and Legal Affairs) about their activities.
The outcome of the analysis of the key business risks and the activities being carried out to mitigate these risks were also reported. Compliance with the FrieslandCampina Compass Code of Conduct and the performance indicators that are monitored in this respect, such as the degree to which employees are aware of the underlying programme, were also discussed. The activities of the 2020 programme for good entrepreneurship were set out. The Committee also elaborately

discussed management's intention to consolidate operational financial activities for the EMEA region in Budapest.

The issue of the hybrid bond and the implications for the organisation pertaining to the relevant regulations related to this, such as the timely publication of price-sensitive information, were discussed. The Committee supported the issue and emphasised the importance of effective communication to members on this subject. The facility supporting the trade in member bonds and enhancing the Company's ability to buy up member bonds was also discussed. The review of the financing strategy was an item on the agenda of multiple meetings. The topics that were discussed in this respect included the requirements to be met by the Company's capital structure to ensure it is robust and future-proof, and provides sufficient flexibility to respond to any opportunities, such as acquisitions, as they arise. The Audit Committee emphasised that here too sufficient attention must be devoted to performance indicators to be able to monitor cash flow developments.

The 2020 Annual Report and financial statements were discussed in February 2021, as was the external auditor's report concerning the financial statements and the Executive Board's statement of executive responsibility included in the Annual Report.

Remuneration & Appointment Committee

The Remuneration & Appointment Committee met six times during the year under review and reported to the Supervisory Board on its deliberations. However, in addition there was frequent mutual consultation and there was regular contact with management, in particular with the CEO and the Global Director HR. The latter two were furthermore invited to attend various meetings of the Committee and attended these meetings. Furthermore, members of the Committee met several times with the Central Works Council.
The activities of the Remuneration and Appointment Committee in the area of remuneration included the usual preparation for the Board's decision-making process concerning the achievement by Executive Board members of the objectives for the variable remuneration for the previous year and the formulation of proposals for the structure and objectives for Executive Board members for the year under review. In addition, several minor adjustments to the remuneration policy for the Executive Board and the Executive Leadership Team were discussed. In March 2020, the details concerning the remuneration of the members of the Executive Board and the Supervisory Board for 2019 were reported to the Members' Council of Zuivelcoöperatie FrieslandCampina U.A.

The Committee was informed of the senior management talent development policy and discussed the succession plans for Executive Board members and other Executive Leadership Team members.
As a result of the transformation of the organisation, the Committee also evaluated the composition of the Executive Board and the Executive Leadership Team, and a proposal to expand the Executive Board to four members, including a Chief People Officer and a President Food & Beverage, was prepared. In addition, the profile for a new CFO was developed and the recruitment process was prepared and implemented, always in consultation with the CEO and the full Board. The proposal for adjusting the roles, and as such the increase in the number of members of the Executive Leadership Team, was discussed.

The corporate governance structure was also reviewed during the year under review. In this context, the Committee prepared several minor changes to the governance rules pertaining to the Executive Board and the Executive Leadership Team [The Executive Board and Executive Leadership Team Rules] and a proposal to this effect was submitted to the Board for approval.

Attendance during meetings

Supervisory Board Members	Meetings of the Supervisory Board (14)	Meetings of the Audit Committee (5)	Meetings of the Remuneration & Appointment Committee (6)
J.W. Addink-Berendsen	14/14	5/5	
W. Dekker	13/14		6/6
H.T.J. Hettinga	14/14		
D.R. Hooft Graafland	13/14	5/5	
C.C.H. Hoogeveen	13/14		
A.A.M. Huijben-Pijnenburg	14/14	5/5	
E. Jellema	14/14		
A.G.Z. Kemna	14/14	5/5	
F.A.M. Keurentjes	14/14		6/6
G. Mulder	14/14		
H. W-J. Schipper	10/14		
H. Stöcker	14/14		
W.M. Wunnekink	12/14		6/6

Composition of the Executive Board and diversity

The composition of the Executive Board as at 19 February 2021, is reported on page 202 for the year under the review.
Effective 1 March 2021, the Executive Board will be increased to four members, with the accession of Roel van Neerbos as President Food & Beverage and Geraldine Fraser as Chief People Officer. Effective 1 May 2021, Hans Janssen will join as Chief Financial Officer. He succeeds Jaska de Bakker, who has decided to leave the Company. The Board would like to thank Jaska de Bakker for her tremendous efforts, the major impact she has had on the Company and the key role she has played in determining the strategy and the transformation to making the Company even more future-proof. Strengthening the disciplines that reported to her and creating a culture of transparency and fact-based decision-making are also to her credit. The Board wishes De Bakker every success in the future outside FrieslandCampina.
All appointments to the Executive Board are for a term of four years.

Diversity

The aim of achieving a balanced composition also applies to the Executive Board and the Executive Leadership Team, where the combination of different experiences, backgrounds, skills and independence of members best enables the Executive Board and the Executive Leadership Team to function optimally. In addition, the aim is to achieve a balanced ratio of men and women on the Executive Board, as well as the Executive Leadership Team, with the objective of achieving a representation of at least 30 percent men and at least 30 percent women. With the composition of the Executive Board and the Executive Leadership Team as at 19 February 2021, this objective has been met.
Effective 1 May 2021, the percentage women on the Executive Board, as well as the Executive Leadership Team is 25 percent.
Because, in general, the preference is to recruit internal candidates for both bodies, it is important that the ranks below the Executive Board also include sufficient women candidates. With the composition of the Executive Leadership Team as at 19 February 2021, this objective has been met.
FrieslandCampina pursues a diversity policy focused on increasing the number of women in these ranks.

Financial statements and profit appropriation

In the meeting of the Supervisory Board of 19 February 2021, the Supervisory Board discussed the 2020 financial statements with the Executive Board, and approved the financial statements, after obtaining the advice of the Audit Committee, which had earlier discussed the financial statements in February. The financial statements were audited by PricewaterhouseCoopers Accountants N.V., which provided an unqualified auditor's opinion on them.
The 79 million euro consolidated profit in 2020 will be appropriated as follows: 67 million euros is attributed to non-controlling interests and -253 million euros is allocated to the minority interest held by Zuivelcoöperatie FrieslandCampina U.A. Of the remaining 265 million euros in profit, the following interest payments are reserved: 46 million euros for the holders of member bonds, 3 million euros for the holders of perpetual bonds and 9 million euros for the provider of the Cooperative loan. An amount of 207 million euros will be added to the retained earnings.
The General Meeting of Shareholders will be asked to discharge the members of the Executive Board for their management during the 2020 financial year. Furthermore, the General Meeting of Shareholders will be asked to discharge the members of the Supervisory Board for their supervision of the Executive Board during the 2020 financial year.

On 30 March 2021, the Members' Council of Zuivelcoöperatie FrieslandCampina U.A. (the 'Cooperative') will be asked to grant approval of the decision to adopt the 2020 financial statements of Royal FrieslandCampina N.V., including the profit appropriation. This decision is taken by the Board of the Cooperative, which exercises the Cooperative's shareholders' rights and in this capacity functions as the General Meeting of Shareholders of the company.

In conclusion

The Supervisory Board is very grateful to the Executive Board, the Executive Leadership Team and all employees of FrieslandCampina, for their tremendous efforts and dedication in 2020, and has respect for the perseverance demonstrated by so many during these difficult conditions caused by the corona pandemic.

Supervisory Board

Amersfoort, 19 February 2021

Roster of appointments and retirements of the Supervisory Board (as at 15 December 2020)

	Start date of initial term	Reappointed for new term in December	Expiry of current term: in December
J.W. Addink-Berendsen	16 December 2014	2018	2022
W. Dekker #	1 July 2017	2020	2024
H.T.J. Hettinga	20 December 2016	2020	2024
D.R. Hooft Graafland #	1 May 2015	2018	2022
C.C.H. Hoogeveen	19 December 2017		2021
A.A.M. Huijben-Pijnenburg	15 December 2010	2014, 2018	2022
F.A.M. van den Hurk	15 December 2020		2024
E. Jellema	17 December 2019		2023
A.G.Z. Kemna #	17 December 2019		2023
F.A.M. Keurentjes*	31 December 2008	2010, 2014, 2018	2022
H.W.J. Schipper #	17 December 2019		2023
H. Stöcker	14 December 2011	2015, 2019	2023
W.M. Wunnekink	16 December 2009	2013, 2017	2021

Supervisory Board members who are not also members of the Board of the Cooperative, are appointed for a maximum of two four-year terms, followed by a third two-year term that can be extended by another two years. The condition that applies until 17 June 2021, is that other members of the Supervisory Board can be reappointed for a maximum of two four-year terms, with the exception of the Chairman (see the footnote below for this exception).
Effective 17 June 2021, the terms of office for the other members of the Supervisory Board will change, with the same exception for the Chairman as set out below, due to an amendment of the Articles of Association of Zuivelcoöperatie FrieslandCampina U.A.

* The Chairman is eligible for reappointment for an additional (fourth) term.

Financial Statements

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Consolidated income statement

In millions of euros

	Note	2020	2019
Revenue	(3)	11.140	11.297
Cost of goods sold	(4)	–9.429	–9.477
Gross profit		**1.711**	**1.820**
Advertising and promotion costs	(4)	–503	–560
Selling and general administrative costs	(4)	–822	–915
Other operating costs	(5)	–125	–36
Other operating income	(5)	7	123
Operating profit		**268**	**432**
Finance income	(6)	10	17
Finance costs	(6)	–57	–44
Share of profit of joint ventures and associates, net of tax	(11)	17	21
Profit before tax		**238**	**426**
Income tax	(7)	–159	–148
Profit for the year		**79**	**278**
Profit attributable to:			
– holders of member bonds		46	48
– holders of perpetual bonds		3	
– provider of Cooperative loan		9	8
– shareholder		207	158
Shareholder and other providers of capital		**265**	**214**
Shareholder as holder of non-controlling interests		–253	
Shareholder and other providers of capital (incl. non-controlling interests shareholder)		**12**	**214**
Other holders of non-controlling interests		67	64
		79	**278**

Consolidated statement of comprehensive income

In millions of euros

		2020		2019
Profit for the year		**79**		**278**
Items that will or may be reclassified to the income statement (net of tax):				
– Effective portion of cash flow hedges	12		11	
– Currency translation differences	–128		10	
– Share in other comprehensive income of joint ventures and associates	–3		3	
		–119		**24**
Items that will never be reclassified to the income statement (net of tax):				
– Value changes in the fair value of securities			–1	
– Remeasurement of liabilities (assets) under defined benefit plans	–10		–42	
		–10		**–43**
Other comprehensive income, net of tax		**–129**		**–19**
Total comprehensive income for the year		**–50**		**259**
Total comprehensive income attributable to:				
– shareholder and other providers of capital	157		202	
– shareholder as holder of non-controlling interests	–255			
Shareholder and other providers of capital (incl. non-controlling interests shareholder)		**–98**		**202**
– other holders of non-controlling interests		48		57
		–50		**259**

Consolidated statement of financial position

At 31 December, in millions of euros

	Note	2020	2019
Assets			
Property, plant and equipment	(8)	3,412	3,509
Intangible assets	(9)	1,563	1,638
Biological assets	(10)	7	6
Deferred tax assets	(19)	208	202
Joint ventures and associates	(11)	113	114
Employee benefits	(18)	5	7
Other financial assets	(12)	29	34
Non-current assets		**5,337**	**5,510**
Inventories	(13)	1,407	1,529
Trade and other receivables	(14)	1,445	1,603
Income tax receivables		19	26
Other financial assets	(12)	26	32
Cash and cash equivalents	(15)	466	342
Assets held for sale	(16)	16	7
Current assets		**3,379**	**3,539**
Total assets		**8,716**	**9,049**

	Note	2020	2019
Equity			
Issued capital	(17)	370	370
Share premium	(17)	114	114
Other reserves	(17)	–352	–252
Retained earnings	(17)	1,441	1,231
Equity attributable to shareholder		**1,573**	**1,463**
Member bonds	(17)	1,560	1,641
Perpetual bonds	(17)	301	
Cooperative loan	(17)	295	295
Equity attributable to other providers of capital		**2,156**	**1,936**
Equity attributable to providers of capital		**3,729**	**3,399**
Non-controlling interests shareholder	(17)	–212	51
Equity directly attributable to providers of capital		**3,517**	**3,450**
Other non-controlling interests	(17)	300	306
Total equity		**3,817**	**3,756**
Liabilities			
Employee benefits	(18)	452	465
Deferred tax liabilities	(19)	101	106
Provisions	(20)	18	14
Interest-bearing borrowings	(21)	927	1,038
Other financial liabilities	(22)	67	62
Non-current liabilities		**1,565**	**1,685**
Interest-bearing borrowings	(21)	476	579
Trade and other payables	(23)	2,658	2,878
Income tax payables		124	112
Provisions	(20)	71	32
Other financial liabilities	(22)	5	7
Current liabilities		**3,334**	**3,608**
Total liabilities		**4,899**	**5,293**
Total equity and liabilities		**8,716**	**9,049**

Consolidated statement of cash flows

In millions of euros

	Note	2020		2019	
Operating activities					
Profit before tax			238		426
Adjustments for:					
– interest	(6)	30		29	
– depreciation of property, plant and equipment and amortisation of intangible assets	(8) (9)	456		441	
– impairments of non-current assets and reversals of impairments	(8) (9)	62		43	
– share of profit of joint ventures and associates	(11)	–17		–21	
– other finance income and costs		16		–2	
– issue of member bonds				31	
– gain on divestments		–6		–115	
Total adjustments			541		406
Movements in:					
– inventories		88		–152	
– receivables		137		51	
– liabilities		–134		59	
– employee benefits		–26		–21	
– provisions	(20)	43		–54	
Total movements			108		–117
Cash flows from operating activities			887		715
Dividends received			14		23
Income tax paid			–131		–145
Interest paid			–47		–43
Interest received			14		17
Net cash flows from operating activities			737		567

	Note	2020		2019	
Net cash flows from operating activities			737		567
Investing activities					
Investments in property, plant and equipment and intangible assets		–391		–372	
Disposals of property, plant and equipment, intangible assets and assets held for sale		13		15	
Divestments of businesses, net of cash and cash equivalents				168	
Received repayments of loans issued				27	
Loans issued		–30		–1	
Acquisitions, net of acquired cash and cash equivalents	(2) (11)	–35		–22	
Net cash flows used in investing activities			–443		–185
Financing activities					
Dividend paid to holders of non-controlling interests		–62		–43	
Interest paid to holders of member bonds		–43		–43	
Interest paid to holders of perpetual bonds		–3			
Repayment of member bonds		–80			
Interest-bearing borrowings drawn		2,542		1,742	
Repayment of interest-bearing borrowings		–2,490		–1,924	
Repayment of lease liabilities		–62		–70	
Payment of contingent consideration	(27)	–2		–2	
Settlement of derivatives and other		25			
Net cash flows used in financing activities			–175		–340
Net cash flow			119		42
Cash and cash equivalents at 1 January[1]			278		224
Net cash flow			119		42
Currency translation differences on cash and cash equivalents			–58		12
Cash and cash equivalents at 31 December[1]			339		278

1 Cash and cash equivalents also includes overdrafts that are repayable on demand and form an integral part of the cash management of FrieslandCampina.

Consolidated statement of changes in equity

In millions of euros

													2020
						Other reserves							
	Issued capital	Share premium	Member bonds	Perpetual bonds	Coopera-tive loan	Cash flow hedge reserve	Currency translation reserve	Retained earnings	**Equity attribu-table to providers of capital**	Non-controlling interests sharehol-der	**Equity directly attribu-table to providers of capital**	Other non-controlling interests	**Total equity**
At 1 January	370	114	1,641		295	–14	–238	1,231	**3,399**	51	**3,450**	306	**3,756**
Comprehensive income:													
– profit for the year			46	3	9			207	**265**	–253	**12**	67	**79**
– other comprehensive income						12	–112	–8	**–108**	–2	**–110**	–19	**–129**
Total comprehensive income for the year			**46**	**3**	**9**	**12**	**–112**	**199**	**157**	**–255**	**–98**	**48**	**–50**
Transactions with providers of capital recognised directly in equity:													
– dividends paid										–8	**–8**	–54	**–62**
– interest paid			–47	–2	–9			14	**–44**		**–44**		**–44**
– issue of bonds				300				–3	**297**		**297**		**297**
– repayment bonds			–80						**–80**		**–80**		**–80**
Total transactions with providers of capital			**–127**	**298**	**–9**			**11**	**173**	**–8**	**165**	**–54**	**111**
At 31 December	**370**	**114**	**1,560**	**301**	**295**	**–2**	**–350**	**1,441**	**3,729**	**–212**	**3,517**	**300**	**3,817**

					Other reserves							2019
	Issued capital	Share premium	Member bonds	Cooperative loan	Cash flow hedge reserve	Currency translation reserve	Retained earnings	**Equity attributable to providers of capital**	Non-controlling interests shareholder	**Equity directly attributable to providers of capital**	Other non-controlling interests	**Total equity**
At 1 January	370	114	1,610	295	–25	–257	1,102	**3,209**	51	**3,260**	292	**3,552**
Comprehensive income:												
– profit for the year			48	8			158	**214**		**214**	64	**278**
– other comprehensive income					11	19	–42	**–12**		**–12**	–7	**–19**
Total comprehensive income for the year			**48**	**8**	**11**	**19**	**116**	**202**		**202**	**57**	**259**
Transactions with providers of capital recognised directly in equity:												
– dividends paid											–43	**–43**
– interest paid			–48	–8			13	**–43**		**–43**		**–43**
– issue of bonds			31					**31**		**31**		**31**
Total transactions with providers of capital			**–17**	**–8**			**13**	**–12**		**–12**	**–43**	**–55**
At 31 December	**370**	**114**	**1,641**	**295**	**–14**	**–238**	**1,231**	**3,399**	**51**	**3,450**	**306**	**3,756**

Notes to the consolidated financial statements

In millions of euros, unless stated otherwise

General

Royal FrieslandCampina N.V. has its registered office in Amersfoort, the Netherlands. The address is: Stationsplein 4, 3818 LE, Amersfoort, the Netherlands. The Company is registered in the Chamber of Commerce's Trade Register, No. 11057544. The consolidated financial statements for the year ended 31 December 2020 comprise the financial statements of Royal FrieslandCampina N.V. and its subsidiaries (jointly referred to as FrieslandCampina).

Zuivelcoöperatie FrieslandCampina U.A. ('Cooperative') is the sole shareholder of Royal FrieslandCampina N.V.

FrieslandCampina processes over 10 billion kilograms of member milk per year into a very varied range of dairy products containing valuable nutrients for consumers. In the professional market, FrieslandCampina is a key producer and supplier of dairy products to bakeries, restaurants, bars and fast-food chains. FrieslandCampina also produces and supplies high quality ingredients for manufacturers in the food industry and pharmaceutical sector.

The consolidated financial statements have been prepared on a going concern basis.

Basis of preparation

The key accounting policies for financial reporting are included in Note 30.

Changes in accounting policies

New and revised standards, changes and interpretations as applied by FrieslandCampina

The changes in IFRS 16, and the changes in IFRS 3, IAS1 and IAS 8 apply for the first time in 2020, but do not have a significant impact on the consolidated financial statements of FrieslandCampina.

New and revised standards, amendments and interpretations effective for the financial year starting on 1 January 2020 with early adoption.

Amendments to IFRS 7, IFRS 9 and IAS 39

FrieslandCampina has elected to early adopt the 'Amendments to IFRS 9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform' issued in September 2019, as of 1 January 2019.

The amendments provide temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by IBOR reform.

The reliefs have the effect that IBOR reform should not generally cause hedge accounting to terminate.

FrieslandCampina in close cooperation with the involved credit institutions is currently developing a transition plan to ensure that the IBOR reform is fully implemented prior to the end of 2021.

As at 31 December 2020 the size of the contracts to which hedge accounting is expected to apply at the end of 2021 amounts to EUR 309 million.

New and revised standards, amendments and interpretations issued but effective for the financial year starting on 1 January 2021 without early adoption

FrieslandCampina will apply the 'Amendments to IFRS 9 and IFRS 7 interest rate benchmark reform - Phase 2' from its effective date. These amendments relate to the accounting impact of the IBOR-reforms which is expected to take place in 2021.

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as endorsed by the European Union (EU-IFRS). Where applicable, these also comply with the financial reporting requirements included in Part 9 of Book 2 of the Dutch Civil Code.

The Company income statement is presented in accordance with the exemption of article 2:402 of the Dutch Civil Code.

After authorisation for issue by the Executive Board and the Supervisory Board on 19 February 2021 the financial statements of Royal FrieslandCampina N.V. as at 31 December 2020 will be made available for publication by the Executive Board on 2 March 2021. On 30 March 2021 the financial statements will be submitted for approval to the General Meeting of Shareholders of Royal FrieslandCampina N.V. being Zuivelcoöperatie FrieslandCampina U.A., represented by its Board.

Basis of measurement

The financial statements have been prepared on a historical cost basis, except for the following material items in the statement of financial position:

- derivatives measured at fair value with changes in value recognised in the income statement or in equity via the other comprehensive income;
- net pension liability (asset) under the defined benefit pension plan, measured at the fair value of the plan assets less the present value of the accrued pension entitlements.

Functional and presentation currency

The consolidated financial statements are presented in euros, which is also the functional currency of the Company. All financial information presented in euros has been rounded off to the nearest million, unless stated otherwise.

Judgements, estimates and assumptions

The preparation of the consolidated financial statements in accordance with EU-IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The actual results may differ from management's estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis taking into account the opinion and advice of (external) experts. These estimates and assumptions provide for the potential impact of Covid-19.

Gains or losses following changes in estimates are recognised in the period in which the estimates are revised and in any future periods affected. The estimates and assumptions considered most critical are:

- impairments (Notes 8 and 9);
- useful life of property, plant and equipment and intangible assets (Notes 8 and 9);
- lease instalments and the projected use of right of use assets (Note 8);
- utilisation of tax losses and uncertain tax positions (Notes 7, 19 and 24);
- provision for doubtful debt (Note 14);
- measurement of defined benefit obligations (Note 18);
- valuation of put option liabilities (Note 27)
- provisions and contingencies (Notes 20 and 24);
- key assumptions used to determine the fair value of business combinations and financial instruments (Notes 2 and 27).

Implementation of fiscal cooperative regime

FrieslandCampina has implemented a legal restructuring of its group structure effective 1 January 2020 in order to comply with the fiscal cooperative regime. This enables FrieslandCampina to make use of the statutory regulation as a means of preventing double taxation on profit for members of the Cooperative and the Company. A limited partnership (C.V.) structure was created as part of the restructuring. All of the company's activities in the Netherlands were brought into this C.V. effective 1 January 2020, except for the production and invoicing activities. The managing partner is FrieslandCampina B.V., a subsidiary of Royal FrieslandCampina N.V, and the limited partner is Zuivelcoöperatie FrieslandCampina U.A.

As a result of the restructuring, effective from 2020 99% of the result achieved by FC C.V. will be directly attributed to the Cooperative. FC C.V. is fully consolidated by the managing partner, inclusive of a non-controlling interest that is directly attributable to the shareholder. The value of the transferred assets as at 1 January 2020 equals the value of the transferred liabilities. These transfers do not have any impact on the Company's equity.

Consolidation of entities

On 12 May 2020, FrieslandCampina acquired 100% of the shares in Dutch Nutrition Operations B.V. and Dutch Nutrition B.V. as part of the acquisition of Dutch Nutrition. The above-referenced entities are fully consolidated as of this date.

FrieslandCampina has a direct interest of 50% in DFE Pharma GmbH & Co. KG. In addition, FrieslandCampina has an interest of 51% in FrieslandCampina Engro Pakistan Ltd. FrieslandCampina has control over these entities, among others due to a majority in the management board and the entity's dependence on the know-how, brands and supply of goods made available by FrieslandCampina. These entities are therefore fully consolidated with the recognition of a non-controlling interest.

FrieslandCampina holds a 74.53% interest in Het Kaasmerk B.V. and a 60% interest in United Dutch Arizona Dairy Inc. FrieslandCampina holds more than 50% of the shares in these entities, however, FrieslandCampina has no control over these entities based on the agreements. These interests are accounted for using the equity method.

FrieslandCampina has an 89,56% interest in CMG Grundstücksverwaltungs- und Beteiligungs- GmbH and is entitled to 100% of the results of this company based on an agreement. This entity is fully consolidated with the recognition of a minority interest.

FrieslandCampina is the managing partner of FC C.V., an entity that comprises all of the business activities of FrieslandCampina (in the Netherlands), except for the production and invoicing activities. Zuivelcoöperatie FrieslandCampina U.A. is the limited partner and is entitled to 99% of the results. FC C.V. is fully consolidated by the managing partner, inclusive of a non-controlling interest that is directly attributable to the shareholder.

For more detailed information regarding the above see Notes 2, 11 and 17 of the financial statements.

1. Segmentation

FrieslandCampina distinguishes four segments, consisting of the four market-oriented business groups:

- Consumer Dairy provides consumers with dairy products such as milk, yogurt, condensed milk, dairy drinks, cheese, butter and cream. For professional customers such as bakers, pastry chefs, chocolatiers, chefs and caterers, Consumer Dairy offers a wide range of cream, butter, desserts and fillings.
- Specialised Nutrition supplies food to specific consumer groups, such as the elderly, children and athletes. For young children who are completely dependent on reliable food with a unique combination of nutrients, for adults in different stages of life and for athletes who see sports nutrition as an important factor for their performance.
- Ingredients supplies dairy-based ingredients. These offer added value – with application-oriented innovations – to producers of infant food, pharmaceutical industry and to producers of animal feed. The business group works closely with customers and focuses on markets for children, the elderly and medical nutrition.
- Dairy Essentials produces and sells Dutch cheeses such as Gouda, Edam, Maasdam and a wide range of foreign cheeses and various types of butters and milk powders for professional and industrial buyers. The business group takes care of distributing all incoming milk and valorising large volumes of milk at the lowest possible costs with the highest possible return.

Corporate activities, discontinued operations and Global Shared Services are recognised as other, since these activities cannot be classified under the market-oriented business groups.

The identified operational segments concern the separate segments within FrieslandCampina for which financial information is available that is frequently evaluated by the Executive Board in order to take decisions concerning the allocation of available resources to the segment and to assess the segment's performance.

Segmentation by business group

							2020
	Consumer Dairy	Specialised Nutrition	Ingredients	Dairy Essentials	Other	Elimina-tion	**Total**
Revenue third parties	5,735	1,119	1,816	2,467	3		**11,140**
Internal deliveries[1]	293	67	416	1,480		–2,256	
Total revenue	**6,028**	**1,186**	**2,232**	**3,947**	**3**	**–2,256**	**11,140**
Operating result	255	166	140	–202	–91		**268**
Result from joint ventures and associates			3		14		**17**
Financing income and -expenses							**–47**
Profit before tax							**238**
Operating result as % net revenue from third parties	4,4	14,8	7,7	–8,2			**2,4**
Carrying amount of assets employed in operating activities[2]	3,391	543	2,270	1,508	491	–418	**7,785**
Carrying amount of other assets							**931**
Total assets							**8,716**
Liabilities resulting from operational activities[3]	1,584	316	350	589	789	–418	**3,211**
Other liabilities							**1,688**
Total liabilities							**4,899**
Investments in property, plant and equipment and intangible assets[4]	152	26	110	64	25		**377**
Depreciation of property, plant and equipment and amortisation of intangible assets	–172	–14	–132	–64	–74		**–456**
Impairment of non-current assets	–7		–27	–21	–7		**–62**
Carrying amount of share in joint ventures and associates			31		82		**113**

1 Internal deliveries are accounted for in a similar way as transactions with third parties.
2 Relates to carrying amount of assets excluding deferred tax assets, joint ventures and associates, loans granted, securities, long-term receivables, corporate income tax receivables, receivables from Zuivelcoöperatie FrieslandCampina U.A., cash and assets held for sale.
3 Relates to employee benefits, provisions, derivative payables, trade payables and other payables, excluding payables to Zuivelcoöperatie FrieslandCampina U.A.
4 Relates to investments in property, plant and equipment and intangible assets, excluding investments related to right of use assets.

Segmentation by business group

2019	Consumer Dairy	Specialised Nutrition	Ingredients	Dairy Essentials	Other	Elimina-tion	Total
Revenue third parties	5,931	1,205	1,724	2,385	52		**11,297**
Internal deliveries[1]	324	91	567	1,541	10	–2,533	
Total revenue	**6,255**	**1,296**	**2,291**	**3,926**	**62**	**–2,533**	**11,297**
Operating result	290	260	139	–39	–218		**432**
Result from joint ventures and associates			5	5	11		**21**
Financing income and -expenses							**–27**
Profit before tax							**426**
Operating result as % net revenue from third parties	4,9	21,6	8,1	–1,6			**3,8**
Carrying amount of assets employed in operating activities[2]	3,660	567	2,433	1,567	912	–846	**8,293**
Carrying amount of other assets							**756**
Total assets							**9,049**
Liabilities resulting from operational activities[3]	1,719	296	451	667	1,110	–846	**3,397**
Other liabilities							**1,896**
Total liabilities							**5,293**
Investments in property, plant and equipment and intangible assets[4]	153	8	137	55	44		**397**
Depreciation of property, plant and equipment and amortisation of intangible assets	–176	–14	–115	–64	–72		**–441**
Impairment of non-current assets	–1	–20	–16	–8	–5		**–50**
Reversal of impairment of non-current assets	7						**7**
Carrying amount of share in joint ventures and associates			32	4	78		**114**

1 Internal deliveries are accounted for in a similar way as transactions with third parties.
2 Relates to carrying amount of assets excluding deferred tax assets, joint ventures and associates, loans granted, securities, long-term receivables, corporate income tax receivables, receivables from Zuivelcoöperatie FrieslandCampina U.A., cash and assets held for sale.
3 Relates to employee benefits, provisions, derivative payables, trade payables and other payables, excluding payables to Zuivelcoöperatie FrieslandCampina U.A.
4 Relates to investments in property, plant and equipment and intangible assets, excluding investments related to right of use assets.

Geographical information	2020		2019	
	Revenue third parties	Carrying amount of operating non-current assets	Revenue third parties	Carrying amount of operating non-current assets
The Netherlands	4,689	3,335	4,688	3,455
Germany	990	371	944	385
Rest of Europe[1]	1,382	346	1,507	365
Asia and Oceania[2]	3,048	758	3,194	783
Africa and the Middle East	849	117	788	106
North and South America	182	47	176	54
	11,140	**4,974**	**11,297**	**5,148**

1 This primarily includes the countries of establishment France, Belgium and Greece.
2 This primarily includes the countries of establishment Indonesia, China, Philippines, Thailand and Hong Kong.

The revenue is separated according to the country in which the operating company is located. See Note 3 for the split-up of revenue by the geographical location of the buyers. The carrying amount of operating non-current assets relates to property, plant and equipment and intangible assets.

2. Acquisitions

On 12 May 2020, FrieslandCampina obtained control over the operations of Dutch Nutrition through means of the purchase of a 100% interest in Dutch Nutrition B.V. and Dutch Nutrition Operations B.V. and the acquisition of the assets of Dutch Nutrition Holding B.V. Dutch Nutrition operates in the blending, packaging and selling of specialised infant nutrition products segment and is settled in Zwolle (the Netherlands). The activities of Dutch Nutrition are incorporated in business group Specialised Nutrition.

On 28 September 2020, FrieslandCampina acquired the dairy operations of Nutricima in Nigeria from PZ Cussons. Nutricima's operations are incorporated in business group Consumer Dairy.

The total fair value of the assets acquired and liabilities assumed, with respect to the above acquisitions recognised on the acquisition date, amounts to:

Property, plant and equipment	25
Intangible assets	6
Inventories	3
Trade receivables and other assets	1
Deferred tax liabilities	–1
Other payables	–5
Net identifiable assets and liabilities	**29**

The fair value of the net identifiable assets acquired and liabilities assumed is determined on the basis of the provisional purchase price allocations. FrieslandCampina will finalise the purchase price allocations within one year following the acquisitions.

Goodwill from the acquisitions is recognized as follows:

Considerations paid	34
Fair value of net identifiable assets and liabilities	–29
Goodwill	**5**

The goodwill is primarily attributable to the synergy benefits expected to be realised during the integration of the activities in FrieslandCampina. Since the purchase price allocations have not yet been finalised, the goodwill is provisionally recognised. The goodwill recognised is fiscally non-deductible.

The total acquisition-related costs amount to EUR 1 million. These costs in part relate to consulting services, external legal services and due diligence activities.

From the date of acquisition, these activities contributed EUR 9 million to revenue and EUR 3 million negative to the profit for the year. Management estimates that if the acquisitions would have been completed as per 1 January 2020, the consolidated revenue and profit for the year of FrieslandCampina over 2020 would have amounted to EUR 11,150 million and EUR 76 million, respectively.

3. Revenue

Revenue by geographical location of customers	2020		2019	
		%		%
The Netherlands	2,365	21	2,273	20
Germany	1,040	9	991	9
Rest of Europe	2,416	22	2,666	24
Asia and Oceania	3,722	33	3,834	34
Africa and the Middle East	1,155	11	1,078	9
North and South America	442	4	455	4
	11,140	**100**	**11,297**	**100**

Revenue primarily consists of the sale of goods with settlement of the performance obligation by FrieslandCampina at a point in time and not over time.

4. Operating expenses

	2020	2019
Milk from member dairy farmers	–3,610	–3,871
Cost of other raw materials, consumables and commodities	–3,359	–3,151
Employee benefit expenses	–1,168	–1,180
Depreciation of property, plant and equipment and amortisation of intangible assets	–456	–441
Impairments of property, plant and equipment, intangible assets and assets held for sale	–19	–48
Advertising and promotion costs	–503	–560
Transportation costs	–513	–521
Service costs from third parties and agency staff costs	–259	–324
Energy costs	–190	–180
Other	–677	–676
Total of the cost of goods sold, advertising and promotion costs and selling, general and administrative costs	**–10,754**	**–10,952**

The depreciation of property, plant and equipment and amortisation of intangible assets includes EUR 61 million (2019: EUR 61 million) depreciation for right-of-use assets, see Note 8.

Part of other operating expenses are lease expenses of in total EUR 18 million (2019: EUR 18 million). These costs are primarily related to the short-term leases of forklift trucks, variable expenses for storage locations and the lease of low-value assets, such as pallets, industrial clothing and office supplies.

The other operating expenses further mainly relate to other personnel expenses, office costs and costs for repairs and maintenance.

In 2020 research and development expenses amounts to EUR 76 million (2019: EUR 82 million), of which EUR 54 million relates to employee benefit expenses (2019: EUR 55 million).

For an explanation of the impairments, see Note 8 and 9.

Employee benefit expenses	2020		2019	
		%		%
Wages and salaries	–956	82	–966	82
Social security charges	–107	9	–111	9
Expenses under long-term employee benefits	–105	9	–103	9
	–1,168	**100**	**–1,180**	**100**

Employees by business group (average number of FTEs)	2020		2019	
		%		%
Consumer Dairy	13,338	56	13,449	57
Specialised Nutrition	2,379	10	2,387	10
Ingredients	3,320	14	3,253	14
Dairy Essentials	2,851	12	2,727	11
Corporate, Global Shared Services and other	1,989	8	2,000	8
	23,877	**100**	**23,816**	**100**

Employees by geographical region (average number of FTEs)	2020		2019	
		%		%
The Netherlands	8,179	34	7,948	33
Germany	1,434	6	1,481	6
Rest of Europe	4,011	17	3,997	17
Asia and Oceania	9,015	38	9,183	39
Africa and the Middle East	1,054	4	1,025	4
North and South America	184	1	182	1
	23,877	**100**	**23,816**	**100**

5. Other operating costs and income

Other operating costs	2020	2019
Costs of implementing the ICT standardisation programme	-6	-15
Restructuring costs and release of restructuring provisions	-63	-15
Impairments of non-current assets (and reversals thereof) due to restructuring	-43	5
Other operating costs	-13	-11
	-125	**-36**

Other operating income	2020	2019
Income from the sale of property, plant and equipment	4	3
Insurance compensation		2
Gain on divestment of business units	2	112
Other operating income	1	6
	7	**123**

Restructurings

As part of the accelerated implementation of its strategy, FrieslandCampina announced a number of restructurings in 2020 to optimise the milk powder production and cheese packaging network, to discontinue the production of loss-making products in Germany, and to merge the activities of the financial shared services centre in Wolvega (the Netherlands) with the financial shared services centre in Budapest (Hungary).

As a consequence of this, restructuring provisions were recognised, in particular for the restructuring of the Heilbronn and Cologne production facilities in Germany, and the closure of the production facilities in Genk in Belgium and Dronrijp and Rijkevoort in the Netherlands. In addition, a restructuring provision was recognised due to the transfer of the operations of the financial shared services centre in Wolvega to Budapest in Hungary.

See Note 8 for the impairments recognised as a result of these restructurings.

Gain on divestment of business units

The gain on divestment of business units relates to the divestment of the Creamy Creation operations in Rijkevoort (the Netherlands) in 2019.

6. Finance income and costs

Finance income	2020	2019
Interest income	10	8
Foreign exchange gains on receivables and payables		5
Other finance income		4
	10	**17**
Finance costs		
Interest expenses	-40	-37
Foreign exchange losses on receivables and payables	-9	
Other finance costs	-8	-7
	-57	**-44**

The finance costs include the net result of the interest accrued and the remeasurement of the put option liability; also see Note 27.

Interest expenses, among other things, relate to accretion of lease liabilities of EUR 3 million (2019: EUR 4 million).

Other finance costs comprise the amortisation of transaction costs and commitment fees for non-current borrowings of EUR 6 million (2019: EUR 3 million) and the result from hedging derivatives in the amount of EUR 2 million (2019: gain of EUR 4 million).

Foreign exchange results related to operational activities are included in the cost of goods sold or in the appropriate component of operating expenses. In 2020, FrieslandCampina included a negative foreign exchange result in operating profit of EUR 16 million (2019: EUR 2 million positive).

7. Income tax expense

Breakdown of tax expense	2020	2019
Current tax expense, current year	-150	-121
Adjustment for prior years		1
Current tax expense	**-150**	**-120**
Deferred tax expense, current year	79	-2
Adjustments to deferred taxes, attributable to changes in tax rates	9	-4
Write-down of deferred tax assets	-98	-22
Adjustment for prior years	1	
Deferred tax expense	**-9**	**-28**
Income tax expense	**-159**	**-148**

Effective tax rate	2020	2020 %	2019	2019 %
Profit before tax	238		426	
Tax payable on the basis of the Dutch tax rate	–59	25.0	–106	25.0
Effect of different tax rates outside The Netherlands	11	–4.6	6	–1.4
Effect change in tax rates	9	–3.8	–4	0.9
Share of result of joint ventures and associates	4	–1.7	4	–0.9
Withholding tax on dividends	–14	5.8	–13	3.0
Non-deductible expenses	–14	5.8	–13	3.0
Tax-exempt income	1	–0.4	–1	0.2
Write-down of deferred tax assets	–98	41.1	–22	5.1
Adjustments to estimates relating to prior years	1	–0.4	1	–0.2
Effective tax rate	**–159**	**66.8**	**–148**	**34.7**

The effect change in tax rates are mainly related to the Netherlands.
The write-down of the deferred tax assets is mainly due to insufficient forecasted taxable results in the Netherlands and China to offset the deferred tax assets.

Income tax recognised directly in equity	2020 Before tax	2020 Tax expense/ income	2020 Net of tax
Interest Cooperative loan	–9	2	–7
Interest perpetual bonds	–3	1	–2
Interest member bonds	–46	11	–35
	–58	14	–44
Income tax recognised in other comprehensive income			
Movement cash flow hedge reserve	16	–4	12
Movement currency translation reserve	–125	–3	–128
Movement joint ventures and associates accounted for using the equity method	–3		–3
Remeasurement of liabilities (assets) under defined benefit plans	–18	8	–10
	–130	**1**	**–129**

Income tax recognised directly in equity		2019	
	Before tax	Tax expense/ income	Net of tax
Interest Cooperative loan	–8	2	–6
Interest member bonds	–48	11	–37
	–56	**13**	**–43**
Income tax recognised in other comprehensive income			
Movement cash flow hedge reserve	14	–3	11
Movement currency translation reserve	13	–3	10
Movement joint ventures and associates accounted for using the equity method	3		3
Remeasurement of liabilities (assets) under defined benefit plans	–55	13	–42
	–25	**7**	**–18**

8. Property, plant and equipment

						2020
	Land and buildings	Plant and equipment	Other operating assets	Right-of-use assets	Assets under construction	**Total**
Cost	1,749	4,247	501	276	438	**7,211**
Accumulated depreciation and impairments	–872	–2,443	–322	–61	–4	**–3,702**
Carrying amount at 1 January	**877**	**1,804**	**179**	**215**	**434**	**3,509**
Acquired through acquisition	15	9	1			**25**
Additions	2	4	3	53	335	**397**
Disposals	–1	–2	–1			**–4**
Currency translation differences	-17	-38	-5	-2	-7	**-69**
Remeasurement				13		**13**
Transfers	90	263	48		-404	**-3**
Transfer to assets held for sale	–5	–9	–1			**–15**
Depreciation	–67	–207	–45	-61		**–380**
Impairments	–7	–28	–7	–4	–15	**–61**
Carrying amount at 31 December	**887**	**1,796**	**172**	**214**	**343**	**3,412**
Cost	1,788	4,380	537	313	345	**7,363**
Accumulated depreciation and impairments	–901	–2,584	–365	–99	–2	**–3,951**
Carrying amount at 31 December	**887**	**1,796**	**172**	**214**	**343**	**3,412**

2019	Land and buildings	Plant and equipment	Other operating assets	Right-of-use assets	Assets under construction	Total
Cost	1,691	4,131	472		445	**6,739**
Accumulated depreciation and impairments	–814	–2,339	–304			**–3,457**
Carrying amount at 1 January	**877**	**1,792**	**168**		**445**	**3,282**
Effect of change in accounting policies	–2	–1	–2	220		**215**
Adjusted carrying amount at 1 January	**875**	**1,791**	**166**	**220**	**445**	**3,497**
Acquired through acquisition	2			1		**3**
Additions	3	12	5	48	345	**413**
Disposals	–2	–5	–2			**–9**
Currency translation differences	7	11	2		2	**22**
Revaluation				8		**8**
Transfers	65	217	59		–351	**–10**
Transfer to assets held for sale	–8	–10	–1	–1	–1	**–21**
Depreciation	–66	–199	–45	–61		**–371**
Impairments	–3	–15	–6		–6	**–30**
Reversal of impairments	4	2	1			**7**
Carrying amount at 31 December	**877**	**1,804**	**179**	**215**	**434**	**3,509**
Cost	1,749	4,247	501	276	438	**7,211**
Accumulated depreciation and impairments	–872	–2,443	–322	–61	–4	**–3,702**
Carrying amount at 31 December	**877**	**1,804**	**179**	**215**	**434**	**3,509**

For explanation of the movement 'Acquired through acquisition', see Note 2.

The additions of EUR 397 million (2019: Eur 413 million) relates for EUR 221 million (2019: EUR 251 million) to production capacity expansions and replacement investments in the Netherlands.

Primarily due to the restructurings announced in 2020, see Note 5, fixed asset impairments totalling EUR 21 million were recognised within the business group Dairy Essentials, particularly due to the closure of the production facilities in Rijkevoort (the Netherlands) and Genk (Belgium), the closure of the milk powder operations in Gerkesklooster (Netherlands) and the planned disposal of the milk powder operations in Aalter (Belgium). Impairments totalling EUR 27 million were recognised within the business group Ingredients, primarily due to the closure of the production facility in Dronrijp in the Netherlands. The impairments within the business group Consumer Dairy, totalling EUR 7 million, are primarily related to the restructuring of the production facilities in Heilbronn and Cologne (Germany).

The investments include capitalised borrowing costs amounting to EUR 2 million (2019: EUR 2 million). The applicable average interest rate is 1.3 % (2019: 1.3%).

Right-of-use assets

The table below gives the book value and depreciation costs per category of the right-of-use assets. Leases in the land and buildings category mainly relate to office buildings and storage locations. Leases in the plant and equipment category mainly relate to production lines, trucks and forklifts. Other operating assets mainly concern car leases.

	2020		2019	
	Carrying amount at 31 December	Depreciation current year	Carrying amount at 31 December	Depreciation current year
Land and buildings	135	30	132	28
Plant and equipment	51	15	50	16
Other operating assets	28	16	33	17
	214	**61**	**215**	**61**

9. Intangible assets

	2020				
	Goodwill	Trademarks, customer relations and patents	Software	Intangible assets under construction	**Total**
Cost	1,307	408	457	44	**2,216**
Accumulated amortisation and impairments	–204	–105	–268	–1	**–578**
Carrying amount at 1 January	**1,103**	**303**	**189**	**43**	**1,638**
Acquired through acquisition	5	6			**11**
Additions				33	**33**
Currency translation differences	–24	–21			**–45**
Transfers			45	–42	**3**
Amortisation		–22	–54		**–76**
Impairments				–1	**–1**
Carrying amount at 31 December	**1,084**	**266**	**180**	**33**	**1,563**
Cost	1,288	387	501	34	**2,210**
Accumulated amortisation and impairments	–204	–121	–321	–1	**–647**
Carrying amount at 31 December	**1,084**	**266**	**180**	**33**	**1,563**

					2019
	Goodwill	Trademarks, customer relations and patents	Software	Intangible assets under construction	**Total**
Cost	1,322	468	422	47	**2,259**
Accumulated amortisation and impairments	–204	–113	–232		**–549**
Carrying amount at 1 January	**1,118**	**355**	**190**	**47**	**1,710**
Acquired through acquisition	3				**3**
Additions				32	**32**
Currency translation differences	–8	–9			**–17**
Transfers			45	–35	**10**
Transfers to assets held for sale	–10				**–10**
Amortisation		–24	–46		**–70**
Impairments		–19		–1	**–20**
Carrying amount at 31 December	**1,103**	**303**	**189**	**43**	**1,638**
Cost	1,307	408	457	44	**2,216**
Accumulated amortisation and impairments	–204	–105	–268	–1	**–578**
Carrying amount at 31 December	**1,103**	**303**	**189**	**43**	**1,638**

In 2010, FrieslandCampina launched a global ICT standardisation programme. During 2020, an amount of EUR 5 million was capitalised (2019: EUR 13 million). The portion that is still under construction at year-end 2020 is recognised in the movements schedule in the category 'Intangible assets under construction'. The amortisation on the ICT standardisation programme in 2020 amounted to EUR 28 million (2019: EUR 26 million).

In 2012, the system was implemented in the first operating companies and subsequently rolled out to a number of other operating companies. The rollout to the final operating company will be completed in 2021.

Amortisation costs of intangible assets were allocated to the items in the income statement on the basis of their function.

Goodwill impairment test

As of 2020, FrieslandCampina carries out the goodwill impairment test during the fourth quarter of each year and whenever there is a trigger for impairment. Goodwill is monitored and tested at business group level. The goodwill impairment test calculates the recoverable amount, which is the value in use, per business group.

The table below indicates how the goodwill is allocated to the cash flow generating units. In addition, the key assumptions used in calculating the value in use per business group are shown:

	31 december 2020		Assumptions	
	Goodwill	% Growth rate terminal value	% Average growth rate gross profit	% Pre-tax discount rate
Consumer Dairy	687	2.5	10	8
Specialised Nutrition	229	2.0	15	7
Ingredients	151	1.5	15	8
Dairy Essentials	17	0.0	-8	5
	1,084			

	31 december 2019		Assumptions	
	Goodwill	% Growth rate terminal value	% Average growth rate gross profit	% Pre-tax discount rate
Consumer Dairy	703	2.5	7	9
Specialised Nutrition	232	2.5	6	7
Ingredients	151	1.5	5	7
Dairy Essentials	17	0.0	-3	5
	1,103			

The average growth rate of the gross profit for each business group in the long-term plans to 2023 is based on past experience, specific expectations for the near future and market-based growth percentages. The increases were mainly related to the forecasted increase in revenue and efficiency improvements. Aside from this, the average growth rate is affected by the expected recovery of the Covid-19 virus in the course of 2021. The discount rate for each business group is based on information that can be verified in the market and is before tax.

The values in use of the business groups were determined on the basis of the 2021 outlook and the long-term plans until 2023. A compensation is also taken into account for the role that mainly the business group Dairy Essentials plays in processing member milk. This compensation by the other business groups serves to cover the loss on processing member dairy farmers' milk in basic dairy products, mainly realised by the business group Dairy Essentials, as FrieslandCampina is required to process all milk supplied by the member dairy farmers. For the period after 2023, a growth rate equal to the forecasted long-term inflation rates was applied, as is best practice in the market, which is capped at 0% for the Eurozone.

Sensitivity to changes in assumptions
The outcome of the goodwill impairment test of all business groups shows that the values in use exceed the carrying amounts.

For the Dairy Essentials business group, the outcome is primarily dependent on the long-term plans for the value-added activities, since the losses on basic dairy products are compensated by other business groups. The test is performed using a forecasted average growth rate of the gross profit of value-added activities of 13% and a pre-tax discount rate of 5%. With a decrease of 4% in the forecasted average growth rate of the gross profit of these value-added activities, or with an increase of 1% in the pre-tax discount rate, the value in use of the Dairy Essentials business group would be equal to the carrying value.

A reasonable possible change of the other assumptions does not result in values in use below the carrying amounts of the business groups.

10. Biological assets

The biological assets relates to dairy livestock in Pakistan and Nigeria.
On 31 December 2020, FrieslandCampina has 3,151 mature cows, which are able to produce milk (2019: 3,391) and 2,212 immature cows that are being raised to produce milk in the future (2019: 2,076).

11. Joint ventures and associates

FrieslandCampina holds interests in a number of joint ventures and associates that individually are not considered to be material. The following table shows, in aggregate, the carrying amount and the share of these joint ventures and associates in the total comprehensive income.

			2020			2019
	Joint ventu-res	Associ-ates	**Total**	Joint ven-tures	Associ-ates	**Total**
Carrying amount	98	15	**113**	101	13	**114**
Share of:						
– Profit or loss, net of tax	15	2	**17**	17	4	**21**
– Other comprehensive income	-3		**-3**	3		**3**
Total comprehensive income	**12**	**2**	**14**	**20**	**4**	**24**

The interests in joint ventures and associates specified in the table above are not material for FrieslandCampina in the context of the disclosure requirements of IFRS 12 'Disclosure of interests in other entities'.

The largest joint venture concerns the 50% interest in Betagen Holding Ltd. and this interest is accounted for using the equity method. FrieslandCampina's interest in Betagen Holding Ltd. amounts to EUR 65 million (2019: EUR 65 million), of which EUR 30 million goodwill (2019: EUR 30 million) and the share in the 2020 profit amounts to EUR 11 million (2019: EUR 11 million).

For a summary of the most important joint ventures and associates, refer to page 169.

12. Other financial assets

Non-current other financial assets	2020	2019
Loans issued	20	11
Derivatives	4	17
Other	5	6
	29	**34**

Current other financial assets		
Loans issued	11	1
Derivatives	6	30
Other	9	1
	26	**32**

The average interest rate on the loans issued at the end of 2020 was 3.7% (2019: 5.2%). For EUR 15 million of the loans issued, the maturity date is after 2024.

The provision for expected credit losses relating to other financial assets was not significant at the end of 2020.

For information regarding derivatives, see Note 22. The determination of the fair value of the securities and derivatives is included in Note 27.

13. Inventories

	2020	2019
Raw materials and consumables	465	500
Finished goods and commodities	989	1.066
Write-down to net realisable value	–47	–37
	1,407	**1,529**

EUR 186 million (2019: EUR 129 million) of the inventories is valued at net realisable value. The write-down to net realisable value is recognised in the cost of goods sold.

No inventories are pledged as collateral for liabilities.

14. Trade and other receivables

	2020	2019
Trade receivables	1,064	1,225
Provision for doubtful debts	–20	–20
Receivables from Zuivelcoöperatie FrieslandCampina U.A.	63	49
Other receivables	33	75
	1,140	**1,329**
Receivables related to tax (excluding income tax) and social security contributions	163	144
Prepayments	142	130
	1,445	**1,603**

Provision for doubtful debts	2020	2019
At 1 January	–20	–20
Currency translation differences	1	
Charged to the income statement	–6	–5
Released to the income statement	4	4
Trade receivables written off	1	1
At 31 December	**–20**	**–20**

Maturity schedule trade and other receivables	2020			2019		
	Gross	Write-down	Net	Gross	Write-down	Net
Within payment term	1,012	–6	1,006	1,174	–9	1,165
Overdue by less than 3 months	118	–3	115	151	–2	149
Overdue by 3 - 6 months	12	–1	11	16	–1	15
Overdue by more than 6 months	18	–10	8	8	–8	
	1,160	**–20**	**1,140**	**1,349**	**–20**	**1,329**

The additions and releases of the provision for doubtful debts have been included in the cost of goods sold. Receivables are written off and charged to the provision when they are not expected to be collected.

Trade and other receivables are non-interest-bearing and are generally due between 10 and 90 days.

In various countries, FrieslandCampina has mitigated the credit risk related to trade debtors by a.o. taking out credit insurance and bank guarantees. At the end of 2020, this secured position amounted to EUR 109 million (2019: EUR 134 million). No trade receivables have been pledged.

15. Cash and cash equivalents

	2020	2019
Deposits	134	107
Other cash and cash equivalents	332	235
	466	**342**

Funds of EUR 34 million (2019: EUR 52 million) are not freely available and mainly designated for intercompany supplies in Nigeria. These funds are released once the goods are supplied.

Pursuant to IAS7, the remaining portion of the cash and cash equivalents in Nigeria in the amount of EUR 183 million is restricted for use by the group due to currency restrictions, including the very limited availability of USD, although the cash and cash equivalents are available for use in the relevant subsidiary's daily business operations.

16. Assets and liabilities held for sale

Assets held for sale	2020	2019
At 1 January	7	2
Transfer from property, plant and equipment	15	21
Transfer from intangible assets		10
Transfer from current assets		15
Disposals	–6	–41
At 31 December	**16**	**7**
Liabilities held for sale		
At 1 January		
Transfer from employee benefits		3
Transfer from current and non-current liabilities		5
Disposals		–8
At 31 December		

Assets held for sale at the end of 2020 mainly relate to property, plant and equipment of closed production facilities in Bree (Belgium) and Rijkevoort (the Netherlands) and equipment in Heilbronn and Cologne (Germany). In 2019, assets and liabilities held for sale are mainly related to the Creamy Creation activities in Rijkevoort that were sold in 2019.

The total gain on disposal of assets held for sale amounts to EUR 2 million in 2020 (2019: 21 million) and is recognised in other operating income.

17. Equity

Issued capital

The number of issued shares at both the beginning and end of the financial year was 3,702,777 shares. EUR 370 million has been paid up on these shares.
The authorised capital amounts to EUR 1 billion, divided into 10,000,000 shares with a nominal value of EUR 100. The shares are held by Zuivelcoöperatie FrieslandCampina U.A.

Share premium

The share premium comprises primarily a capital contribution of EUR 110 million by Zuivelcoöperatie FrieslandCampina U.A. in 2009.

Member bonds

The member bonds comprise member bonds-fixed and member bonds-free. Member bonds-fixed cannot be traded. On the termination of business activities and termination of the membership, the member bonds-fixed are automatically converted into member bonds-free. Legal bodies that are members of FrieslandCampina can also convert member bonds-fixed into member bonds-free on the transfer of business between members. Member bonds-free can be held interest-bearing and traded between member bond holders. FrieslandCampina has the right to annually redeem a maximum of 10% of member bonds.

Member bonds have been issued to Zuivelcoöperatie FrieslandCampina U.A. and its members. The member bonds are perpetual and have no maturity date. The interest charge for the member bonds is the six-month Euribor as at 1 June and 1 December of the relevant year plus 3.25%. The bonds are subordinated to the claims of all other existing and future creditors to the extent that these are not subordinated. Member dairy farmers receive a portion of their compensation for the supply of milk during the financial year in the form of member bonds-fixed or in certain cases partly as member bonds-free. Interest payments may be deferred, provided that Royal FrieslandCampina N.V. has not determined or distributed any supplementary cash payment in the 12 months prior to the annual coupon date. Deferred interest becomes payable on the date on which a supplementary cash payment is determined or next distributed.

From the profit over the 2020 financial year, EUR 46 million (2019: EUR 48 million) is attributed to the holders of the member bonds as an interest payment. There was no issue of member bonds-fixed or member bonds-free as compensation for the milk supplied in 2020 (2019: EUR 31 million).

Perpetual Bonds

On 10 September 2020, FrieslandCampina issued EUR 300 million in perpetual bonds with an effective interest rate of 2.875%. FrieslandCampina has the right to redeem the bonds at the end of 2025. These perpetual bonds are listed on the Euronext Dublin (multilateral trading facility). Costs of EUR 3 million for issuing these perpetual bonds have been charged to equity.

The perpetual bonds are subordinated to the receivables of all existing and future creditors insofar as these are not subordinated. Interest payment may be deferred, provided that Royal FrieslandCampina N.V. has not determined or distributed any supplementary cash payment, based on the reserve policy, in the 12 months preceding the annual interest payment date. Deferred interest becomes payable on the date on which a supplementary cash payment is established or distributed.

In the 2020 financial year, EUR 3 million is attributed from profit as interest on the perpetual bonds.

Cooperative loan

The EUR 290 million perpetual subordinated loan advanced to Royal FrieslandCampina by Zuivelcoöperatie FrieslandCampina U.A. is continuous and has no maturity date. The interest rate applicable for the perpetual subordinated loan is the six months Euribor as at 1 June and 1 December of the relevant year plus 3.25%. The loan from the Cooperative is subordinated by the claims from all other existing and future creditors to the extent that these are not subordinated. Interest payments may be deferred, provided that Royal FrieslandCampina N.V. has not determined or distributed any supplementary cash payment in the 12 months prior to the annual interest payment date. Deferred interest becomes payable on the date on which a supplementary cash payment is determined or next distributed. The perpetual subordinated loan from the Cooperative is classified as equity.

EUR 9 million of the profit over the 2020 financial year (2019: EUR 8 million) is attributed to the provider of the Cooperative loan as an interest payment.

Other reserves

The item 'Other reserves' comprises the cash flow hedge reserve and the currency translation reserve.

The cash flow hedge reserve concerns changes in the fair value of cross currency swaps and f and commodity swaps to the extent that they classify as highly effective cash flow hedges. The cashflow hedge reserve also contains EUR 2 million related to terminated hedged relations.

Retained earnings

Retained earnings comprise the balance of accumulated profits that have not been distributed to the shareholder and the revaluation of the net pension liability. Pursuant to the Articles of Association, a decision to distribute dividends may be taken if and to the extent that equity exceeds the issued share capital plus the statutory reserves and in accordance with the other legal stipulations.

Reserve policy

The 2020-2022 reserve policy stipulates that 55% of the Company's profit based on the guaranteed price, as far as it attributes to the shareholder of the Company, will be added to the retained earnings . As part of the milk supply allowances in 2020, 35% of this profit can be paid out in cash to member dairy farmers as a supplementary cash payment and 10% will be distributed to member dairy farmers in the form of member bonds-fixed or in certain cases partly as member bonds-free. In the event of a goodwill impairment greater than EUR 100 million, it may be decided to add the entire amount to the Company's equity via the profit appropriation. The reserve policy is laid down in the milk price regulation and is revised every three years. After the General Meeting of Shareholders' adoption of the financial statements, any subsequent cash payments are made and the member bonds are issued.

Non-controlling interests shareholder

In order to comply with the fiscal cooperative regime, FrieslandCampina created as per 1 January 2020 a limited partnership structure (FC C.V.). In FC C.V. all of the company's activities in the Netherlands, except for production and invoicing activities, were brought into this C.V. In this structure, 99% of the result realised by FC C.V. and 99% of the equity of FC C.V. are directly attributed to the Cooperative, the limited partner in FC C.V.

The non-controlling interests directly attributable to the shareholder pertain to the Cooperative's share in equity that is not attributable to FrieslandCampina. This share is not limited to the interest in the above-referenced C.V. ,this concerns several other subsidiaries in which the Cooperative holds the minority interest.

Other non-controlling interests

Other non-controlling interests concerns the share in equity that is not attributed to FrieslandCampina or the Cooperative.

The next table summarises the financial information of each of the subsidiaries in which FrieslandCampina has a material non-controlling interest, based on FrieslandCampina's accounting policy, before any intra-group eliminations and on the basis of the latest publicly available information.

The percentages stated in the next table indicate the direct non-controlling interest held by third parties in these entities. For all the entities included in the table, the indirect non-controlling interest is the same as the direct non-controlling interest, with the exception of DFE Pharma GmbH & Co. KG (DFE). FrieslandCampina's indirect interest in DFE is lower than the direct interest as a result of intermediate holding companies in which FrieslandCampina does not hold a 100% interest. The carrying amounts, total comprehensive income and dividends allocated to non-controlling interests are based on the indirect non-controlling interest.

	2020						2019					
	FrieslandCampina WAMCO Nigeria PLC[1]	FrieslandCampina Engro Pakistan Ltd.	DFE Pharma GmbH & Co KG[1]	Dutch Lady Milk Industries Berhad[1]	Other	**Total**	FrieslandCampina WAMCO Nigeria PLC	FrieslandCampina Engro Pakistan Ltd.	DFE Pharma GmbH & Co KG[1]	Dutch Lady Milk Industries Berhad[1]	Other	**Total**
Non-controlling interest percentage	**32.19**	**49.00**	**50.00**	**49.04**			**32.19**	**49.00**	**50.00**	**49.04**		
Non-current assets	86	207	97	28			86	244	97	28		
Current assets	173	52	81	65			173	61	81	65		
Non-current liabilities	–15	–67	–21	–2			–15	–75	–21	–2		
Current liabilities	–187	–49	–21	–60			–187	–61	–21	–60		
Net assets	**57**	**143**	**136**	**31**			**57**	**169**	**136**	**31**		
Carrying amount of non-controlling interest	18	70	167	15	30	**300**	18	83	167	15	23	**306**
Revenue	401	239		226			401	232		226		
Profit for the year	28	–7	56	22			28	–21	56	22		
Other comprehensive income	1	–19		1			1	–17		1		
Total comprehensive income	**29**	**–26**	**56**	**23**			**29**	**–38**	**56**	**23**		
Profit allocated to non-controlling interest	9	–3	30	11	20	**67**	9	–10	30	11	24	**64**
Other comprehensive income allocated to non-controlling interest		–9			–10	**–19**		–8			1	**–7**
Dividends paid out to non-controlling interest	–7		–13	–7	–27	**–54**	–7		–13	–7	–16	**–43**
Net cash from operating activities	45	12		21			45	9		21		
Net cash used in investing activities	–11	–9		–1			–11	–6		–1		
Net cash from/used in financing activities	–29	4		–14			–29	–2		–14		
Net cash flows	**5**	**7**		**6**			**5**	**1**		**6**		

1 As the 2020 results of FrieslandCampina WAMCO Nigeria PLC, DFE Phrma GmbH & Co. KG and Dutch Lady Industries Berhad are not yet publicly available, the 2019 figures have been disclosed. Furthermore, the revenue and cash flows of DFE Pharma GmbH & Co. KG are not publicly available.

18. Employee benefits

Obligations under long-term employee benefits	2020	2019
Net pension liability	426	438
Other long-term employee benefits	21	20
	447	**458**

Effective 1 January 2020, all employees in the Netherlands, with the exception of employees involved in production operations and invoicing activities, have joined FC C.V. All other employees continue to be employed by FrieslandCampina Nederland B.V. The expenses under long-term employee benefits recognised in the income statement, as well as the remeasurement of the net pension liability, are distributed pro rata between the employees involved in production operations and invoicing activities and the other employees.

Other long-term employee benefits
The other long-term employee benefits mainly consist of jubilee provisions.

Net pension liability

Pension situation Dutch employees covered by the Collective Labour Agreement for the dairy sector

As of 1 January 2015, all Dutch employees who are covered by the Collective Labour Agreement for the dairy sector accrue their pension benefits in a defined contribution plan as specified below.

Annual pensionable salary	Pension plans for Dutch employees covered by the Collective Labour Agreement for the dairy sector as of 1 January 2015
Up to EUR 68,066	Collective defined contribution plan based on a fixed contribution and executed by the industry wide pension fund for the dairy sector ('Bedrijfstakpensioenfonds voor de Zuivel')
Between EUR 68,066 and EUR 110,111	Individual defined contribution plan, administered by a premium pension institution
Above EUR 110,111	Net pension savings plan, administered by the same premium pension institution

In connection with the pension situation since 1 January 2015, the accrual of pension benefits in the pension plan for former Campina employees, administered in a company pension fund, and the pension plan for former Friesland Foods employees and FrieslandCampina employees hired in the period between 1 January 2009 up to and including 31 December 2014, administered by an insurance company in a segregated investment fund, has ceased. Relating to the plan for former Campina employees, FrieslandCampina currently only has an obligation to settle a number of smaller guarantee contracts pursuant to the execution agreement. Upon reaching agreement on this issue with the pension fund, FrieslandCampina will have a 'settlement of the full plan'. At that moment the present value of the gross obligation pursuant to the pension benefits ('gross pension liability') and the fair value of the plan assets (at the end of 2020 both: EUR 1,614 million) will be released from the net pension liability in the statement of financial position because FrieslandCampina will no longer be exposed to risks. This will not affect the income statement because the current, and at the moment of settlement expected net pension liability (the gross pension liability minus the fair value of plan assets) amounts to nil.

Pension plan entitlements accrued until 2015 by former Friesland Foods employees and FrieslandCampina employees

The pension plan entitlements accrued until 2015 by former Friesland Foods employees and FrieslandCampina employees concern a defined benefit plan. At the end of 2020, this plan accounted for 52% of the total gross pension liability (2019: 53%) and is disclosed in more detail below.

Plan characteristics	From 2015 the regular pension accrual has been terminated. Accrued benefits until 2015 for active participants are increased annually in accordance with the provisions of the Collective Labour Agreement (last negotiated Collective Labour Agreement is valid until 2021) by a fixed rate for as long as employment has been continued. For the years 2015 to 2020 this indexation rate is 1.75%. Conditional indexation is applicable for non-active participants.
Pension administrator	An insurance company, in a segregated investment fund via a guarantee contract.
Funding agreements	Each year FrieslandCampina pays a premium, calculated based on market value, for the indexation of the pensions of active participants. In the four years from 2015 to 2018 FrieslandCampina pays a fixed amount of EUR 16 million per annum into the segregated fund for the indexation of the pensions of non-active participants. From 2019, FrieslandCampina is no longer liable for any further contributions. Finally, in respect of the segregated investment fund, if the coverage ratio remains lower than the contractually agreed 110% for longer than 18 consecutive months from the end of the calendar year, FrieslandCampina has the obligation to pay a supplementary premium in order to restore the coverage ratio to 110%. At the end of 2020 the coverage ratio was 121.6% determined on the basis of the principles specified in the insurance contract (2019: 119.4%).
Supervision and governance	The insurer is responsible for holding sufficient resources to pay out all accrued benefits. This is supervised by DNB (Dutch Central Bank). The investment policy for the insurance contract is determined by the insurer in consultation with FrieslandCampina.
Participants	Approximately 44% of the participants are active employees of FrieslandCampina, 35% are former employees and 21% are pensioners. The duration of the pension liabilities is around 19 years.

Most significant risks	The most significant risk is that the coverage ratio at the end of the calendar year drops below 110%. If this situation continues for more than 18 consecutive months, FrieslandCampina has the obligation to pay a supplementary premium in order to restore the coverage ratio to 110%. As the pension liabilities in the contract are calculated on the basis of a fixed interest rate, the movements in the value of plan assets have a significant impact on the coverage ratio.

Pension plan entitlements accrued until 2015 by former Campina employees

The pension plan entitlements accrued until 2015 by former Campina employees concern a defined benefit plan. At the end of 2020, this plan accounted for 40% (2019: 39%) of the total gross pension liability. Accrued benefits until 2015 for active participants are increased annually in accordance with the provisions of the Collective Labour Agreement (last negotiated Collective Labour Agreement is valid until 2021) by a fixed rate for as long as employment has been continued. For the years 2015 to 2020 the indexation rate is 1.75%. This indexation, which has been insured with an insurance company in a guarantee contract without profit sharing, will be increased with a fixed percentage to cover post-retirement indexation.

Other plans for Dutch employees covered by the Collective Labour Agreement for the dairy sector

In addition to the plans disclosed above, the Dutch employees who were employed at the end of 2005 are possibly entitled to a supplementary lump-sum payment, determined on an individual basis, upon retirement from active employment. This conditional lump-sum amount will be awarded on 1 January 2021, or on retirement if this is earlier. At the beginning of 2021 FrieslandCampina will purchase pension benefits for the remaining lump-sum amounts. Social partners in the dairy sector agreed in 2020 that payment via the employee's salary is also possible. At the end of 2020, this plan accounted for 2% (2019: 2%) of the total gross pension liability.

Dutch employees covered by the Collective Labour Agreement for 'Het Partikulier Kaaspakhuisbedrijf'

FrieslandCampina employees who are covered by the Collective Labour Agreement for 'Het Partikulier Kaaspakhuisbedrijf' participate in the industry wide pension plan for the 'Agrarische en Voedselvoorzieningshandel' (AVH). This plan qualifies as a defined contribution plan. Effective 1 January 2021, this plan will be transferred to 'Pensioenfonds PGB'. The latter also qualifies as a defined contribution plan.

Foreign employees

In respect of FrieslandCampina's foreign activities, both defined contribution and defined benefit plans are applicable. The most important defined benefit pension plans are the plans in Germany. These are primarily unfunded pension plans based on salary, length of service and fixed amounts that, at the end of 2020, accounted for 3% (2019: 3%) of FrieslandCampina's total gross pension liability. The accrued benefits are increased each year with a maximum of the price inflation. This is a conditional entitlement depending on the financial position of the relevant company.

For a defined benefit plan of FrieslandCampina in North America, administered by an industry wide pension fund, there may be future risks in case of a mass withdrawal of contributing employers.

Assumptions

Due to the large amounts, the table below indicates the assumptions applied in performing the calculations of (movements in) the gross pension liability, the fair value of plan assets and the relevant components of the pension costs for FrieslandCampina's Dutch pension plans as recognised in the consolidated statement of financial position and income statement. For the majority of the foreign pension plans, the same method is applied for deriving the discount rate and inflation parameter.

Assumptions[1]	2020	2019
	%	%
Discount rate	0.7	0.9 - 1.1
Wage inflation	n.a.	n.a.
Price inflation	2.0	2.0
Indexation		
– active employees	1.8	1.8
– former employees and pensioners	1.8	1.7
Life expectancy	in years	in years
– man / woman age 65 at end of year	20.0 / 22.9	20.4 / 23.2
– man / woman age 65 in 20 years' time	22.1 / 24.8	22.8 / 25.4

1 The percentages shown concern the above-referenced schemes for the pension entitlements of employees in the Netherlands, which represent 92% (2019: 92%) of the gross pension liability and 98% (2019: 98%) of the fair value of plan assets.

The discount rate is based on the yield on high quality corporate bonds and takes into account the term of the defined benefit obligation for each plan individually.

Movement in and specification of net pension liability

	Gross pension liability		Fair value of plan assets		Net pension liability	
	2020	2019	2020	2019	2020	2019
At 1 January	**4,184**	**3,637**	**–3,746**	**–3,231**	**438**	**406**
Included in the income statement						
Operating expenses:						
– Current service cost	14	13			14	13
– Interest expense or income	44	65	–39	–57	5	8
– Administration costs			1	1	1	1
Total	**58**	**78**	**–38**	**–56**	**20**	**22**
Recognised in equity						
Remeasurement of the net pension liability by:						
– Return on plan assets, excluding the interest income and adjusted guaranteed value			–49	–525	–49	–525
– Changes in financial assumptions	220	573			220	573
– Changes in demographic assumptions	–96	–9			–96	–9
– Experience adjustments	–57	16			–57	16
Total remeasurement gain or loss	**67**	**580**	**–49**	**–525**	**18**	**55**
Currency translation differences	–5	3	1	–1	–4	2
Total	**62**	**583**	**–48**	**–526**	**14**	**57**
Other						
Contributions paid by the employer to the plan			–46	–44	–46	–44
Benefits paid	–111	–110	111	110		
Transfer to liabilities held for sale		–4		1		–3
Total	**–111**	**–114**	**65**	**67**	**–46**	**–47**
At 31 December	**4,193**	**4,184**	**–3,767**	**–3,746**	**426**	**438**
Classification						
– Non-current assets					5	7
– Non-current liabilities					431	445

At year-end 2020, EUR 241 million of the EUR 4,193 million gross pension liability has not yet been funded (2019: EUR 240 million of the EUR 4,184 million was not yet funded). The contributions to the plans of EUR 46 million are the premiums paid by FrieslandCampina in 2020, of which EUR 15 million relates to 2019.

Income and expenses under long-term employee benefits recognised in the income statement	2020	2019
Current service cost	–14	–13
Interest expense or income	–5	–8
Administration costs	–1	–1
Defined benefit cost recognised in the income statement	**–20**	**–22**
Pension costs for defined contribution plans	–94	–89
Employees' share in pension costs	10	10
Pension costs recognised in the income statement	**–104**	**–101**
Expenses under other long-term employee benefits	–1	–2
Expenses under long-term employee benefits recognised in the income statement	**–105**	**–103**

FrieslandCampina expects to contribute EUR 125 million into its defined benefit plans in 2021, of which EUR 14 million relates to 2020. Furthermore, this includes an amount of EUR 88 million concerning the settlement of the supplementary lump-sum payment for employees in the Netherlands who were in employment at the end of 2005 up to and including 2020. In 2021, FrieslandCampina expects to contribute EUR 96 million into its defined contribution plans, primarily related to the collective and individual defined contribution plans for Dutch employees.

Disaggregation of the fair value of plan assets into asset categories:			2020			2019
			%			%
	Company pension fund	Insurance contract	Foreign pension schemes	Company pension fund	Insurance contract	Foreign pension schemes
Equities						
– North America	10			10		
– Europe	3			4		
– Japan	2			2		
– Emerging Markets	2			2		
– Other	1			1		
Fixed income						
– Investment grade (BBB- rating or higher)	22			20		
– Non-investment grade (rating below BBB-)	4			3		
Other investments			2			2
Guaranteed value of insurance contract		54			56	
Total	**44**	**54**	**2**	**42**	**56**	**2**

At year-end 2020, the plan assets in the company pension fund and the guaranteed value of the insurance contract amount to 44% and 54% of the total plan assets respectively (2019: 42% and 56%). Of the plan assets in the company pension fund approximately EUR 15 million is invested in subordinated bonds of Zuivelcoöperatie FrieslandCampina U.A. At the end of 2020, the interest rate risk relating to the liabilities of the company pension fund is hedged for 65% of which governments bonds (currency risk is largely hedged) contribute for 25% and interest rate swaps for 75%. The collateral of the swap portfolio is invested in a well-diversified AAA-rated cash fund. The currency risk of both the remaining fixed income portfolio and the equities portfolio is hedged for 70% to 100%. The value of the plan assets in the insurance contract is based on the guaranteed value of the contract. However, the profit sharing in this contract is based on the investments in the segregated investment fund. At year-end 2020 approximately 64% of the investment portfolio consists of fixed-income securities, 26% of equities and 10% of other investments. Because the insurer calculates the pension liabilities at a fixed interest rate, the interest rate hedge is limited.
The investments in the foreign pension plans comprise 2% of the total amount (2019: 2%) and are largely related to insurance contracts.

Sensitivity analysis

The table below shows the impact of a change in key actuarial assumptions on the gross pension liability in respect of the Dutch pension plans.

Effect on the gross pension liability at 31 December	2020		2019	
	Increase	Decrease	Increase	Decrease
Change of 0.25% in discount rate	–169	180	–171	183
Change of 0.25% in indexation of former participants	143	–135	149	–141
Change of 1 year in life expectancy	179	–175	176	–173

As a result of cross effects, changes in multiple assumptions could lead to other effects than the sum of the individual effects. In addition, the impact on the net pension liability is usually less because the effect shown in the sensitivity analyses is partly offset by a change in the guaranteed value of the insurance contract or a change in the indexation rate assumption for the company pension fund.

19. Deferred tax assets and liabilities

						2020
	Property, plant and equipment	Intangible assets	Employee benefits	Inventories, trade receivables, derivatives, trade payables, liabilities and provisions	Unused tax losses and facilities	**Total**
At 1 January	–115	–15	63	139	24	**96**
Acquired through acquisition		-1				**-1**
Recognised through the income statement	21	22	–10	-22	-20	**-9**
Recognised in equity			8	–7	14	**15**
Currency translation differences	5	6	–1	–3	–1	**6**
At 31 December	**–89**	**12**	**60**	**107**	**17**	**107**

Deferred tax assets and liabilities relate to the following items of the statement of financial position:

	Assets	Liabilities	**Net**
Property, plant and equipment	1	90	**–89**
Intangible assets	96	84	**12**
Employee benefits	63	3	**60**
Inventories, trade receivables, derivatives, accounts payable, liabilities and provisions	123	16	**107**
Unused tax losses and facilities	17		**17**
Netting	–92	–92	
Net deferred tax asset	**208**	**101**	**107**

Deferred tax assets and liabilities

2019	Property, plant and equipment	Intangible assets	Employee benefits	Inventories, trade receivables, derivatives, trades payables and provisions	Unused tax losses and facilities	**Total**
At 1 January	–59	–9	53	87	28	**100**
Effect of change in accounting policies	–55			55		
Adjusted position at 1 January	–114	–9	53	142	28	**100**
Recognised through the income statement	–1	–8	–3	1	–17	**–28**
Recognised in equity			13	–6	13	**20**
Currency translation differences		2		2		**4**
At 31 December	**–115**	**–15**	**63**	**139**	**24**	**96**

Deferred tax assets and liabilities relate to the following items of the statement of financial position:

	Assets	Liabilities	**Net**
Property, plant and equipment	1	116	**–115**
Intangible assets	77	92	**–15**
Employee benefits	66	3	**63**
Inventories, trade receivables, derivatives, accounts payable and provisions	146	7	**139**
Unused tax losses and facilities	24		**24**
Netting	–112	–112	
Net deferred tax asset	**202**	**106**	**96**

At the end of the financial year, the unused tax losses and facilities amounted to EUR 17 million (2019: EUR 24 million) of which EUR 12 million (2019: EUR 16 million) concerned unused tax losses and EUR 5 million (2019: EUR 8 million) concerned unused facilities.

Deferred tax assets are recognised if it is probable that there will be future taxable profits within the entities against which the losses can be utilised. The expectation is that the deferred tax assets can be offset against future profits. Our expectation is based on long-term planning.

No deferred tax assets have been recognised for subsequent losses (including deferred tax-deductible items) and facilities:

	2020	2019
Unrecognised tax losses (including deferred tax-deductible items)	204	121
Unrecognised facilities	100	86
	304	**207**

At the end of the financial year, the nominal value of the unrecognised tax losses and deferred tax-deductible items amounts to EUR 795 million (2019: EUR 473 million). Of these unrecognised tax losses and deferred tax-deductible items, EUR 485 million expire within 10 years (2019: EUR 174 million). The remaining unrecognised tax losses and facilities will not elapse under the current fiscal rules.

20. Provisions

	2020			2019		
	Re-structuring	Other provisions	**Total**	Re-structuring	Other provisions	**Total**
At 1 January	26	20	**46**	58	42	**100**
Additions charged to the income statement	67	6	**73**	16	9	**25**
Release to the income statement	–3	–1	**–4**	–4	–29	**–33**
Utilisations	–18	–8	**–26**	–44	–2	**–46**
At 31 December	**72**	**17**	**89**	**26**	**20**	**46**
Non-current provisions	10	8	**18**	7	7	**14**
Current provisions	62	9	**71**	19	13	**32**
	72	**17**	**89**	**26**	**20**	**46**

Restructuring provisions
In 2020, restructuring provisions were recognised pursuant to the announced restructurings. See Note 5 for a further explanation. Utilisation from these provisions will primarily occur over a one-year period.

The utilisations in 2020 are primarily related to provisions for the closed production facilities in Senas (France) and in Gütersloh (Germany) and to the provisions for FrieslandCampina's organisational transformation programme.

The restructuring provisions will result in future cash outflows. The provisions are recognised at nominal value, because their present value is not materially different.

Other provisions
Other provisions primarily relate to provisions for legal and arbitration proceedings and provisions for long-term illness. From time to time, FrieslandCampina is involved in legal and arbitration proceedings arising in the ordinary course of business. When specific problems occur, provisions are made as necessary. Due to the nature of the legal proceedings the timing of making use of these provisions is uncertain.

21. Interest-bearing borrowings

The terms and conditions of outstanding borrowings are as follows:

	Year of maturity	% Nominal interest rate	2020 Carrying amount		2019 Carrying amount	
Syndicate (variable interest)	2020-2021	0.4	10		10	
European Investment Bank (fixed interest)	2020-2026	0.8	142		146	
International Finance Corporation (variable interest)	2020-2026	1.4	60		77	
Other borrowings from credit institutions			58		52	
Borrowings from credit institutions				**270**		**285**
Private Placement (fixed interest)	2020	5.7			118	
Private Placement (fixed interest)	2022	4.0	65		71	
Private Placement (fixed interest)	2024	4.2	120		130	
Private Placement (fixed interest)	2020-2027	4.0	117		146	
Borrowings from institutional investors				**302**		**465**
Green bonds (fixed interest)	2021-2026	1.4	300		300	
Borrowings from holders of green bonds				**300**		**300**
Euro commercial paper (variable interest)	2020-2021	-0.3	135		275	
Other uncommitted facilities (variable interest)	2020-2021	0.2	40			
Uncommitted facilities				**175**		**275**
Borrowings from member dairy farmers (variable interest)	2020-2021	0.3	16		18	
Bank overdrafts (variable interest)	2020-2021	0.6	127		64	
Lease liabilities (fixed interest)	2020-2039	1.3	215		211	
Capitalised issue costs	2020-2027		-2		-3	
Other interest-bearing borrowings					2	
Other				**356**		**292**
Interest-bearing borrowings				**1,403**		**1,617**
Recognised under non-current interest-bearing borrowings				927		1,038
Recognised under current interest-bearing borrowings				476		579

The nominal value of the interest-bearing borrowings does not deviate from the carrying value. The average interest paid on the interest-bearing borrowings, including the effect of the cross currency swaps at year-end 2020, is 1.7% (2019: 2.0%).

Of the lease liabilities, EUR 162 million (2019: EUR 157 million) is classified as non-current and EUR 53 million (2019: EUR 54 million) is classified as current.

No guarantees were provided for the short-term and long-term loans.

Borrowings from credit institutions
In the second half of 2017, FrieslandCampina adjusted the credit facility, negotiated with a syndicate of credit institutions, on the basis of more favourable conditions due to the issue of a public credit rating, whereby the facility was reduced to EUR 1 billion with a 5-year term. As the extension options were exercised in 2018 and 2019 this facility is available until October 2024. At 31 December 2020, EUR 10 million of the credit facility is utilised (2019: EUR 10 million) and is entirely classified as current.

In 2016 FrieslandCampina agreed a loan facility at EUR 150 million with the European Investment Bank (EIB). This loan is being used for research into and development of new products. After repayments during this financial year, the outstanding amount at the end of 2020 is EUR 142 million (2019: EUR 146 million). The loan consists of three parts with fixed interest rates. The terms range from 3 to 10 years. An amount of EUR 4 million of the loans is recorded as current interest bearing borrowings. The issue costs of the loans are capitalised and are amortised over the term of the loans.

In 2016 FrieslandCampina has negotiated a loan with International Finance Corporation (IFC) for USD 100 million in support of the acquisition of a 51% interest in Engro Foods. After repayments made in the current financial year (USD 13 million), the amount outstanding at year-end 2020 was EUR 60 million (2019: EUR 77 million). An amount of EUR 11 million of the IFC loan was classified as current at year-end 2020.

The USD repayments and interest payment obligations to IFC have been converted to EUR borrowings with a fixed interest rate (also see Note 22). The gain resulting from the revaluation of the loan to euro of EUR 5 million in 2020 (2019: EUR 3 million expense) has been fully offset by the hedge.

In April 2020, FrieslandCampina withdrew an amount of EUR 875 million from committed facilities with a one-year term at a number of credit institutions. The commitment was made for a period of 364 days. At the request of FrieslandCampina, the facility was lowered to EUR 575 million during the financial year. The EUR 1 million cost of taking out this committed facility is charged to the income statement over the duration of the facility. As at 31 December there was no drawdown from this credit facility.

Borrowings from institutional investors
FrieslandCampina has taken out privately placed loans with institutional investors in the United States to a total of USD 369 million (2019: USD 522 million). In 2020, EUR 136 million was repaid (2019: EUR 16 million).

On 31 December 2020, the total amount of borrowings from institutional investors (private placements) classified as non-current amounts to EUR 286 million (2019: EUR 329 million) and an amount of EUR 17 million (2019: EUR 136 million) is classified as current.

The USD repayments and interest payment obligations associated with the private placement obligations were converted into EUR obligations with a fixed interest rate through means of cross-currency swaps, see Note 22. The gain resulting from the revaluation of the loan to euro of EUR 27 million in 2020 (2019: EUR 9 million expense) has been fully offset by the hedge.

Borrowings from holders of green bonds
FrieslandCampina issued green bonds (Green Schuldschein) amounting to EUR 300 million (2019: EUR 300 million), consisting of four tranches at fixed interest rates. The terms vary between 5 and 10 years. These bonds are recognised in the non-current interest-bearing borrowings; issue costs are capitalised and amortised over the duration of the bonds.

Uncommitted facilities

In 2017, FrieslandCampina established a Euro Commercial Paper (ECP). The maximum term of the paper issued is 12 months. At year-end 2020, the drawings under the ECP Programme amounted to EUR 135 million (2019: EUR 275 million).

Borrowings from member dairy farmers

The borrowings from member dairy farmers amounting to EUR 16 million (2019: EUR 18 million) concern three year deposit loans held by member dairy farmers. These loans are repayable on demand by the member dairy farmers against the payment of a 0.25% interest penalty.

22. Other financial liabilities

Non-current other financial liabilities	2020	2019
Derivatives	9	3
Contingent considerations	1	2
Put option liabilities	54	54
Other	3	3
	67	**62**
Current other financial liabilities		
Derivatives	3	4
Contingent considerations	2	3
	5	**7**

The long-term put option liability relates to the co-financing of the acquisition of a 51% interest in FrieslandCampina Engro Pakistan Ltd. For a further explanation, see Note 27.

Derivatives

In the statement of financial position the hedging derivatives are recognised in current and non-current other financial assets and other financial liabilities.
An explanation of FrieslandCampina's goal, course of action and policy regarding the use of derivatives and other financial instruments is included in Note 27.

Hedging activities

	2020			
	Maturity date	Assets	Liabilities	Contract volume at year-end
Cross currency swaps	2021		2	29
Cross currency swaps	after 2021	4	7	331
Commodity swaps	2021			8
Commodity swaps	after 2021		1	17
Total cash flow hedges subject to hedge accounting		**4**	**10**	
Interest rate swaps	2021-2024		1	250
Forward exchange contracts	2021	3	1	431
Commodity swaps	2021-2023	3		53
Derivatives not subject to hedge accounting		**6**	**2**	
Total derivatives		**10**	**12**	
Classified as current		6	3	
Classified as non-current		4	9	

Hedging activities

	2019			
	Maturity date	Assets	Liabilities	Contract volume at year-end
Cross currency swaps	2020	26	1	122
Cross currency swaps	after 2020	16	3	360
Total cash flow hedges subject to hedge accounting		**42**	**4**	
Interest rate swaps	2020-2023	1		400
Forward exchange contracts	2020	4	3	590
Derivatives not subject to hedge accounting		**5**	**3**	
Total derivatives		**47**	**7**	
Classified as current		30	4	
Classified as non-current		17	3	

Cash flow hedges

Cross currency swaps

The USD repayments and interest payment obligations associated with the private placement obligations and the IFC obligations totalling USD 369 million (2019: USD 522 million) and USD 73 million (2019: USD 87 million) were converted into EUR obligations with a fixed interest rate through means of cross-currency swaps. The cross currency swaps were negotiated to hedge the cash flows and are subject to cash flow hedge accounting. The cross currency swaps are measured at fair value. The portion of the profit or loss realised on these hedge instruments that qualifies as an effective hedge is recognised directly in equity. The private placement obligations were fixed at EUR 291 million and the IFC obligations were fixed at EUR 69 million on the basis of the above-referenced swaps.

For the above-referenced hedges, to which hedge accounting is applied, the hedge accounting documentation requirements are met in accordance with IFRS 9 and effectiveness tests are conducted in advance and on every reporting date to confirm that there is an economic relationship between the derivative and the hedged item. The characteristics of the cross currency swap, such as instalments, interest rates and maturity date are matched with the loan at the start of the hedging relationship.

No significant ineffectiveness in the cashflow hedges occurred in 2020. As of year-end 2020 a cash flow hedge-reserve of EUR 0 million (2019: EUR -11 million) was recognised as part of equity for active hedge relations.

The effects of the cashflow hedges on FrieslandCampina's financial position are as follows:

Cross currency swaps	2020	2019
Carrying amount	-5	38
Contractual amount	360	482
Maturity date	2021-2027	2021-2027
Hedge ratio	1:1	1:1
Changes in value of outstanding hedging instruments for the purpose of determining the hedge effectiveness	2	-12
Changes in value of hedged items for the purpose of determining the hedge effectiveness	2	16
Weighted average interest	3.4%	3.7%

Commodity Swaps

In the first half of 2020, FrieslandCampina started to hedge part of the price risk on fuel costs for road transport in the Benelux over the period 2021-2023, to which hedge accounting is applied. For these hedges, the hedge accounting documentation requirements are met in accordance with IFRS 9 and effectiveness tests are conducted in advance and on every reporting date to confirm that there is an economic relationship between the derivative and the hedged item.

Derivatives not subject to hedge accounting

Derivatives not subject to hedge accounting have been contracted primarily to hedge currency risks related to anticipated sales and purchases, loans and outstanding receivables and payables. The movements in the value of the receivables and payables are largely being offset with movements in the value of derivatives.

The interest rate swaps are entered into to convert the variable interest-bearing borrowings of EUR 250 million (2019: EUR 400 million) into fixed interest-bearing borrowings.

Also, derivatives were entered into to hedge part of the price risk on future purchases and sales of milk powder and butter. Furthermore, derivatives were concluded to hedge part of the price risk on fuel costs for sea transport for the years 2020 - mid-2023. For a further explanation, see Note 27.

FrieslandCampina's policy is and was throughout the financial year, that no trading takes place for speculative purposes.

23. Trade and other payables

	2020	2019
Borrowings from member dairy farmers	407	493
Trade payables	1,421	1,508
Payables related to tax (excluding income tax) and social security contributions	121	98
Other payables	709	779
	2,658	**2,878**

As part of other payables, contract liabilities of EUR 6 million (2019: EUR 4 million) are primarily related to deferred income.

24. Commitments and contingencies

Purchase commitments fixed assets
At the end of the financial year, purchase commitments amounting to EUR 78 million (2019: EUR 83 million) were reported, with regard to property, plant and equipment. Of this, EUR 66 million (2019: EUR 74 million) relates to commitments for the next year.

Tax risks

Transfer pricing uncertainties
FrieslandCampina has issued internal guidelines regarding transfer pricing policies which are in accordance with the OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations. Transfer pricing has a cross-border effect and, as a consequence, local tax authorities often focus on the impact of transfer pricing on the local result. To reduce transfer pricing risks FrieslandCampina has implemented monitoring procedures to safeguard the correct application of the transfer pricing policies. In certain countries, FrieslandCampina has proactively approached the tax authorities with the aim of seeking alignment of the applied transfer pricing policies.

Acquisitions, partnering & divestments
FrieslandCampina is involved in mergers and acquisitions ('M&A' transactions) whereby shares or assets are acquired or divested, or whereby partnerships are entered into. Such transactions may result in different tax risks and uncertain tax positions. Examples are the transfer of historical tax liabilities to FrieslandCampina upon an acquisition, non-deductibility of acquisition related costs and tax risks arising from the integration of the acquired activities.
Within FrieslandCampina, M&A transactions are managed by M&A teams comprising representatives from all the relevant disciplines, including tax specialists. Uncertainties regarding the tax position resulting from M&A transactions are therefore investigated and risks are mitigated if required and to the extent possible.

Contingent liabilities

Commitments related to the merger
Zuivelcoöperatie FrieslandCampina U.A. is required to pay member dairy farmers who terminate their membership a lump-sum leave fee of EUR 5.00 per 100 kilograms of milk delivered in the year prior to the year in which the application for eligibility for the lump-sum leave fee is made. The eligibility requirement for the lump-sum leave fee is that the member dairy farmer must become a supplier to another purchaser of raw milk in the Netherlands. The commitment will remain in force until member dairy farmers with a total milk volume of 1.2 billion kilograms have left FrieslandCampina (year-end 2020: 0.5 billion).

Bank guarantees
At 31 December 2020, FrieslandCampina has provided bank guarantees to third parties amounting to a total of EUR 14 million (2019: EUR 17 million).

Contingent tax liabilities
FrieslandCampina is involved in various tax proceedings that have emerged during normal operations. In many countries, there is a high degree of complexity concerning local tax regimes. FrieslandCampina regularly carefully evaluates the probability that a tax proceeding will result in a tax liability in the form of a cash outflow, and/or whether it is necessary to recognise a provision. However, it is difficult to predict the outcome of tax proceedings with any certainty and the outcome from a tax proceeding may differ from FrieslandCampina's estimate.

FrieslandCampina estimates the contingent tax liabilities as at 31 December 2020, that are being investigated by tax authorities, at a total of EUR 12 million (2019: EUR 54 million), of which the largest part relates to the treatment of sales tax in Pakistan.

Legal claims
Various claims were submitted to FrieslandCampina relating to the Company's ordinary operations. A provision is made for claims for which payment is considered probable and for which a reliable estimate can be made, see Note 20. FrieslandCampina does not expect the other claims to result in liabilities that have a material impact on its financial position.

Contingent assets
As part of the sale of the fruit juices and fruit drinks activities in the Netherlands and Belgium, FrieslandCampina has agreed on a contingent asset from the buyer. This contingent asset is in part dependent on the future developments in the results of the divested activities. In view of the uncertainty concerning the amount and the timing of any payment, currently no value has been assigned to this contingent asset.

25. Transactions with related parties

See Note 26 for the remuneration of the Supervisory Board and the Executive Board.

Zuivelcoöperatie FrieslandCampina U.A.
Zuivelcoöperatie FrieslandCampina U.A., the shareholder of the Company, and FrieslandCampina Nederland B.V., a subsidiary of the Company, have agreed that the latter will purchase the milk supplied by the Cooperative's members.
In 2020, this was 10 billion kilograms (2019: 10 billion kilograms). The price to be paid for this milk is based on the weighted average milk price in Germany, the Netherlands, Denmark and Belgium, which represents 56 billion kilograms (2019: 56 billion kilograms) of milk in total.

Pursuant to the reserve policy, an interim payment was made on the basis of the Company's results for the first half of the year and the quantity of milk supplied. The interim payout amounts to 75% of the pro forma supplementary cash payment for the value of the quantity of milk supplied during the first half of the year. Based on the results of the company the interim payout will be settled in 2021. See Note 17 for a description of the reserve policy.

As disclosed in detail in Note 17, to finance the assets of Royal FrieslandCampina N.V. Zuivelcoöperatie FrieslandCampina U.A. has provided a perpetual subordinated loan of EUR 290 million at arm's length.

The relations are specified in the table below:

	2020	2019
Interest on the Cooperative loan	9	8
Interest on member bonds	4	5
Other income	8	8
Receivables from Zuivelcoöperatie FrieslandCampina U.A.	63	49
Cooperative loan	295	295
Member bonds	145	160

Joint ventures and associates
FrieslandCampina regularly purchases and sells goods from and/or to joint ventures and associates in which FrieslandCampina has no control. The conditions under which these transactions take place are the same as for transactions with third parties. The relations are specified in the tables below:

	2020	2019
Joint ventures		
– Purchase of raw materials, consumables and commodities	29	38
– Sale of raw materials, consumables and commodities	2	3
– Payables to joint ventures	2	2
Associates		
– Purchase of raw materials, consumables and commodities	31	46
– Sale of raw materials, consumables and commodities	88	85
– Receivables from associates	9	7
– Payables to associates	2	3

Member dairy farmers

FrieslandCampina regularly purchases goods from member dairy farmers. The conditions under which these transactions take place are the same as for transactions with third parties. The relations are specified in the table below:

	2020	2019
Purchase of raw materials	3,610	3,871
Interest on member bonds	42	43
Member bonds	1,415	1,481
Borrowings from member dairy farmers	423	511

Supervisory Board and Executive Board

The members of the Supervisory Board who are also a member of the Cooperative's Board enter into transactions with FrieslandCampina in their capacity as dairy farmers, including the supply of milk. This results in a liability as at 31 December pursuant to milk supply allowances. These Supervisory Board members are also holders of member bonds. The table below sets out the transactions of the member dairy farmers who were a Supervisory Board member during 2020 and the balance sheet positions with the members who were a Supervisory Board member as at 31 December 2020:

	2020	2019
Purchase of raw materials	4	5
Member bonds	3	3

There were no transactions in 2020 between FrieslandCampina and the Executive Board, other than remuneration. See Note 26 for the remuneration of the Supervisory Board and the Executive Board.

26. Remuneration of the Supervisory Board and the Executive Board

The remuneration of the Supervisory Board and the Executive Board consists of the remuneration of members during the reporting year.

	2020	2019
Supervisory Board		
Short-term remuneration	1.1	1.1
	1.1	**1.1**
Executive board		
Short-term remuneration	1.4	2.1
Long-term remuneration		0.7
Termination benefits	1.1	
Special wage taxes[1]	0.7	
Pension plans	0.2	0.2
	3.4	**3.0**

1 The special wage taxes concern a provision in 2020 of EUR 0.7 million for special wage taxes on termination benefits (Article 32bb of the 'Wet op de loonbelasting 1964'), payable in 2021.

27. Financial risk management and financial instruments

Capital management

FrieslandCampina strives to achieve a balance between a prudent financing and reserve policy, investment in the Company and payments to the member dairy farmers. The relationship between the reserves and the payments to member dairy farmers is reviewed every three years and approved by the Members' Council. When reviewing the policy, expected future circumstances are taken into consideration. Potential risks over which FrieslandCampina has no influence are also taken into account.

The Executive Board, under the supervision of the Supervisory Board, is responsible and formulates the policy for FrieslandCampina's risk management and internal control measures. This policy is revised on a regular basis to ensure that it reflects changes in market conditions or activities. The internal control framework within FrieslandCampina supports the Executive Board in its monitoring tasks.

Please refer to the paragraph 'Covenant Guidelines' for the quantitative notes with respect to the financial ratios that are monitored.

Active risk management
The increased volatility of foreign exchange markets, the significant decline in economic growth in emerging markets and problems in the Eurozone (e.g. the consequences of Brexit) can have a material impact on the future results of FrieslandCampina in various ways.

FrieslandCampina pursues an active risk management policy. This includes scenario planning and measures to address any issues. Based on a continuous business process of monitoring and risk analyses, the business plans of all FrieslandCampina operating companies are adjusted where necessary and maintained on the basis of a focused package of risk-mitigating measures. The impact of the Covid-19 virus did not have impact on the way of risks being managed.

In April 2020, FrieslandCampina withdrew an amount of EUR 875 million from committed facilities due to increased uncertainties, partially arising from the impact of the Covid-19 virus, and reduced this facility to EUR 575 million during the financial year. See Note 21 for a further explanation.

Financial risk management
FrieslandCampina is a multinational concern with many operating companies in various countries. This makes FrieslandCampina sensitive to various financial risks, such as credit risks, interest rate risks, liquidity risks, commodity price risk and currency translation risks. The general risk policy is aimed at identifying and analysing risks and, if necessary, mitigating these risks in such a way that possible negative financial results are prevented. Corporate Treasury has been given the mandate to implement these mitigating measures. These measures are laid-down in a clearly formulated policy. Corporate Treasury reports the exposure to financial risks, including the liquidity risk, currency translation risk, interest rate risk, commodity price risk and credit risk related to financial services providers to the Treasury Committee.

FrieslandCampina's principal financial instruments are borrowings from credit institutions and institutional investors, members bonds and cash and cash equivalents. The main purpose of this mix of financial instruments is to raise funds for FrieslandCampina's operations from a variety of markets and investors. FrieslandCampina has various other financial instruments, such as trade receivables and trade payables, which arise directly from its operations. FrieslandCampina closely monitors the market risks relative to all financial instruments, mainly currency risks and interest rate risks.

FrieslandCampina also enters into derivative transactions, primarily forward exchange contracts and interest rate swaps, in order to manage the currency risks and interest rate risks arising from FrieslandCampina's operations and the financing of its operations. FrieslandCampina's policy is, and was throughout the year under review, that no trading in financial instruments takes place for speculative purposes. The main risks arising from FrieslandCampina's financial instruments are currency risks, interest rate risks, liquidity risks and credit risks.

Netting of financial instruments

FrieslandCampina has various financial assets and financial liabilities that are subject to offsetting or netting agreements.

FrieslandCampina has implemented multiple cash pool systems that facilitate a more efficient management of the daily working capital requirements of the participating entities. The netting mechanisms of these cash pools are managed by an external financial institution, whereby daily clearance was implemented partially in 2018, as a result of which no difference exists anymore between the gross outstanding amount and the net outstanding amount at the financial institution. At year-end 2020, EUR 223 million (2019: EUR 196 million) of the gross outstanding amount was still reported on a net basis in the financial statements.

Derivative transaction are carried out by FrieslandCampina on the basis of standard agreements according to the International Swaps and Derivatives Association (ISDA). In general, the amounts outstanding on a daily basis can be aggregated in the same currency, resulting in a net amount. In certain circumstances, for example when an event such as a default occurs, all outstanding transactions under the agreement may be terminated, the termination value is assessed and a net amount must be paid upon settlement of the transactions. At year-end FrieslandCampina has netted a not significant amount based on ISDA settlement agreements.

Currency risks

As FrieslandCampina operates worldwide, a considerable portion of its assets, liabilities and results is sensitive to currency fluctuations. The purpose of the policy for managing transaction risks is to limit the effect of currency fluctuations on financial performance. In principle, transaction risks are hedged. The amount of hedged positions may vary due to specific product and market conditions.

Currency risks resulting from investments in foreign subsidiaries, joint ventures and associates are, in principle, not hedged. The currency risk arising from dividend receivables from foreign subsidiaries is also not hedged. The currency translation risks arising from loans to foreign subsidiaries are, in principle, hedged. By financing foreign subsidiaries in the local currency wherever possible, the risk arising from a currency mismatch between assets and liabilities is restricted. The economic situation in Nigeria has created currency restrictions in 2020, resulting in an increased USD liability. The currency risk is partially hedged by non-deliverable forwards and is consequently covered for a specific term. The solvency requirements that FrieslandCampina imposes on its foreign subsidiaries do, however, result in a degree of currency translation risk.

Exposure to currency risk

The summary of quantitative data about FrieslandCampina's exposure to foreign currency risk provided to management based on its risk management policy was as follows (positions stated in EUR):

					2020
	EUR/USD	EUR/CNY	NGN/USD	IDR/USD	EUR/HKD
Receivables	409	66		58	
Cash and cash equivalents	23	22	34		58
Liabilities	310		281	14	133
Net statement of financial position	**122**	**88**	**-247**	**44**	**-75**
Forward exchange contracts	107	68	-116	-8	-6
Net exposure 31 December	**15**	**20**	**-131**	**52**	**-69**
Sensitivity analysis					
Impact on profit before tax	1	1	-7	3	-3

					2019
	EUR/USD	EUR/CNY	NGN/USD	IDR/USD	EUR/HKD
Receivables	252	86	16	29	8
Cash and cash equivalents	3		5	2	
Liabilities	142	42	2	44	3
Net statement of financial position	**113**	**44**	**19**	**-13**	**5**
Forward exchange contracts	44	93	-31		33
Net exposure 31 December	**69**	**-49**	**50**	**-13**	**-28**
Sensitivity analysis					
Impact on profit before tax	3	-2	3	-1	-1

Sensitivity analysis

FrieslandCampina is primarily sensitive to fluctuations in the US dollar exchange rate due to its sales and purchases in dollars. The largest currency pairs are EUR/USD, EUR/CNY, NGN/USD, IDR/USD and EUR/HKD. As far as the euro is concerned, this relates mainly to sales in US dollars and Chinese yuan. For the other currencies this mainly relates to the purchase of raw materials on the world market.

The table above illustrates the impact of a 5% change in the specified currency (USD, CNY and HKD) in relation to the local currency (EUR, NGN and IDR) on the profit before tax. A 5% change in exchange rate is considered a realistic possibility. This analysis is based on foreign currency exchange rate variances that FrieslandCampina considered to be reasonably possible at the reporting date. The analysis assumes that all other variables, in particular interest rates, remain constant.

Currently a 5% exchange rate movement would not lead to a material impact on the cash flow hedge reserve, which is therefore not disclosed.

Commodity Price Risk

FrieslandCampina is sensitive to price risks on future purchases and/or sales of raw materials, such as milk, milk-related positions (for example, milk powder and butter) and ingredients (for example, sugar). In addition it is also sensitive to price risks on the fuel component of transport by road and sea.

The treasury policy sets out that a part of the forecast consumption of fuel and ingredients for limited graduated quantities at a maximum can be hedged over the coming years. The price risks on raw materials are primarily hedged by taking out financial derivatives, independent of the contracts with the physical suppliers. The total portfolio of financial derivatives that hedges these price risks is relatively limited in comparison to FrieslandCampina's total positions.

Interest rate risk

The objective of interest rate risk management is to limit the effect of interest rate fluctuations on profit and to reduce interest expense where possible. Interest rate derivatives are used to match the effective interest in borrowings to the intended interest rate risk profile. The treasury policy specifies that the percentage characterised by a fixed interest rate, or that is fixed by means of a hedge, varies with a bandwidth of 40%-80% with a minimum time horizon of at least three full calendar years.

The percentage which is characterised by a fixed interest percentage or is fixed by means of a hedge is at 31 December 2020 92% (2019: 100%). The overview below shows the situation at the end of the year:

Interest on borrowings

	2020		2019	
	Carrying amount ex-cluding hedging	Carrying amount in-cluding hedging	Carrying amount ex-cluding hedging	Carrying amount in-cluding hedging
Fixed rate	977	1,287	1,142	1,617
Variable rate	426	116	475	
	1,403	**1,403**	**1,617**	**1,617**

FrieslandCampina carried out a sensitivity analysis based on the impact of interest rates on derivatives and other financial instruments at the end of the year. The analysis of cash and cash equivalents and liabilities with variable interest rates was carried out based on the assumption that the outstanding amount at the end of the year had been outstanding throughout the year. This sensitivity analysis indicates that, if interest had risen or fallen by 0.5%, the cumulative interest charges for the current year would not have been significantly higher or lower.

Liquidity risk

FrieslandCampina's objective is to maintain a balance between the continuity and flexibility of its funding by using a range of financial instruments. Total net debt should be covered mainly by long-term borrowings and committed credit facilities, which is also maintained as a backup for short-term debt securities. FrieslandCampina manages its liquidity mainly by keeping available a significant amount of headroom under the committed credit facilities totaling EUR 2,398 million, including the additional EUR 575 million credit facility negotiated in 2020 (2019: EUR 2,009 million). Of these facilities EUR 1.565 million (2019: EUR 990 million) was unused at the end of 2020, which is substantially more than the minimum credit headroom of EUR 350 million required according to FrieslandCampina's financial policy.

Cash flows on financial liabilities

The table below gives an overview of the maturity dates of the financial liabilities of contractual nominal payments including related interest liabilities. This table does not show derivatives recognised under the current and non-current other financial assets. For derivatives recognised under the other financial liabilities the table shows both the incoming and outgoing contractuel cash flows.

Non-derivative financial liabilities

	2020				
	Carrying amount	**Contrac-tual cash flows**	2021	2022 - 2025	After 2025
Interest-bearing borrowings	1,188	**–1,248**	–478	–707	–63
Lease liabilities	215	**–229**	–57	–129	–43
Trade and other payables	2,658	**–2,658**	–2,658		
Put option liabilities	54	**–54**		–44	–10
Contingent considerations	3	**–3**	–2	–1	
Derivates					
Cross currency swaps - inflow	9	**61**	12	49	
Cross currency swaps - outflow		**–69**	–13	–56	
Interest rate swaps - inflow	1				
Interest rate swaps - outflow		**–2**	–1	–1	
Forward exchange - inflow	1	**148**	148		
Forward exchange - outflow		**–150**	–150		
Commodity swaps - inflow	1				
Commodity swaps - outflow		**–1**		–1	
	4,130	**–4,205**	**–3,199**	**–890**	**–116**

Non-derivative financial liabilities

					2019
	Carrying amount	**Contractual cash flows**	2020	2021 - 2024	After 2024
Interest-bearing borrowings	1,406	**–1,499**	–588	–696	–215
Lease liabilities	211	**–221**	–55	–123	–43
Trade and other payables	2,878	**–2,878**	–2,878		
Put option liabilities	54	**–54**			–54
Contingent considerations	5	**–5**	–3	–2	
Derivates					
Cross currency swaps - inflow	4	**79**	14	65	
Cross currency swaps - outflow		**–82**	–13	–69	
Forward exchange - inflow	3	**378**	378		
Forward exchange - outflow		**–382**	–382		
	4,561	**–4,664**	**–3,527**	**–825**	**–312**

Credit Risk

financial instruments. FrieslandCampina manages credit risk by systematically monitoring the credit rating of its customers at a decentralised level and financial counterparties at a central level. The strategy focuses a.o. on the strengthening of cash flows. Through continuous focus on creditworthiness and payment arrears of customers (a.o. due to the impact of the Covid-19 virus), credit risk is being managed.

FrieslandCampina generally trades with reputable third parties with whom it maintains long-standing trading relationships. In accordance with FrieslandCampina's credit management policy, customers are categorised, and depending on their credit profile, the following risk mitigating measures have been taken:

- prepayment, paid cash on delivery or collateralisation;
- coverage by letter of credit or bank guarantee;
- credit insurance.

Thanks to the spread of geographical areas and product groups, there is no significant concentration of credit risk in FrieslandCampina's trade receivables (no single customer accounts for more than 2% (2019: 2%) of revenue). The total write-offs of trade receivables amount to less than 0,1% of annual revenue. For further information regarding trade receivables, see Note 14.

Whenever possible, cash and cash equivalents have been deposited with first class international banks, in example those with at least a 'single A' credit rating. Over recent years, the credit rating of banks has declined across the board. Cash and cash equivalents held by subsidiaries in relatively unstable political climates are, however, subject to local country risks. To minimise these risks, FrieslandCampina follows an active dividend policy in relation to these subsidiaries. Many countries in which FrieslandCampina operates, in particular emerging markets, have a credit rating far lower than 'single A'. As a result, local banks in these countries have a correspondingly low credit rating, or no credit rating. For example, FrieslandCampina has substantial cash positions in Nigeria and to mitigate this higher credit risk, not only has an active dividend policy but also a stringent bank policy with maximum limits per bank.
Derivatives are in principle traded with financial institutions with good credit ratings, i.e. at least 'investment grade' (credit rating BBB or higher). Whenever possible, FrieslandCampina strives for offsetting in accordance with the ISDA agreements. FrieslandCampina's maximum credit risk exposure on financial assets is equal to the current carrying amount.

The overview below shows the credit ratings of outstanding cash and cash equivalents and derivative financial instruments as at 31 December:

Credit rating financial institution	2020		2019	
	Cash positi-ons	Contract volume deriva-tives	Cash posi-tions	Contract volume deriva-tives
AA	3		5	78
A	217	1,034	236	1,163
BBB	12	50	16	201
< BBB	148	2	26	22
No rating	86	33	59	8
	466	**1,119**	**342**	**1,472**

Covenant guidelines

Existing guidelines for financial ratios:	
– Net Debt / EBITDA	< 3,5
– EBITDA / Net Interest	> 3,5

The conditions of all facilities were met. If the conditions are not met, the amounts stated under the credit facility, green bonds, the European Investment Bank, International Finance Corporation and the Private Placements are callable.

The table below sets out the specification of the net debt at year-end, in accordance with the covenant guidelines the impact of lease liabilities are disregarded:

	2020	2019
Non-current interest-bearing borrowings	765	881
Current interest-bearing borrowings	423	525
Receivables from Zuivelcoöperatie FrieslandCampina U.A.	–63	–49
Cash and cash equivalents	–466	–342
Cash and cash equivalents not freely available	217	52
Net debt	**876**	**1,067**

Derivatives designated as cash flow hedges with the application of hedge accounting

The following table indicates the periods in which the cash flows associated with cash flow hedges are expected to occur and the fair values of the related hedging instruments.

	2020				
	Fair value	**Expected cash flows**	2021	2022 – 2025	After 2025
Cross Currency swaps					
Assets	4	**3**	1	3	–1
Liabilities	–9	**–9**	–1	–7	–1
Commodity swaps					
Assets					
Liabilities	–1	**–1**		–1	

	2019				
	Fair value	**Expected cash flows**	2020	2021 - 2024	After 2024
Cross Currency swaps					
Assets	42	**43**	29	15	–1
Liabilities	–4	**–4**	1	–5	

Accounting classifications and fair values

The carrying value of the financial assets and liabilities recorded in the consolidated balance sheet are stated below, as are the financial instruments measured at fair value, or with carrying amount that differ from the fair value, shown by valuation method. The fair value is the amount that would be received or paid if the receivables and/or liabilities were settled on the reporting date, without further liabilities. The different levels of input data for the determination of the fair value are defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2: input other than quoted market prices that come under Level 1 that is observable for the asset or liability, either directly (as prices) or indirectly (derived from prices);
Level 3: input related to the asset or liability that is not based on observable market data (unobservable input) whereby this input has a significant impact on the outcome.

										2020
	Note	Fair value – hedge accounting instruments	Mandatorily at FVTPL	Financial assets at amortised cost	Other financial liabilities	**Total carrying amount**	Level 1	Level 2	Level 3	**Total fair value**
Financial assets not measured at fair value										
Loans issued – fixed rate	(12)			11		**11**		10		**10**
Loans issued – variable rate	(12)			20		**20**				
Other financial assets	(12)			14		**14**				
Trade and other receivables	(14)			1,445		**1,445**				
Cash and cash equivalents	(15)			466		**466**				
				1,956		**1,956**				
Financial assets measured at fair value										
Hedging derivatives	(22)	4	6			**10**		10		**10**
		4	**6**			**10**				
Financial liabilities not measured at fair value										
Interest-bearing borrowings – fixed rate	(21)				977	**977**		1,035		**1,035**
Interest-bearing borrowings – variable rate	(21)				426	**426**		427		**427**
Other non-current financial liabilities	(22)				3	**3**				
Trade and other payables	(23)				2,658	**2,658**				
					4,064	**4,064**				
Financial liabilities measured at fair value										
Hedging derivatives	(22)	9	3			**12**		12		**12**
Put option liabilities	(22)		54			**54**			54	**54**
Contingent considerations	(22)		3			**3**			3	**3**
		9	**60**			**69**				

	Note	Fair value – hedge accounting instruments	Mandatorily at FVTPL	Financial assets at amortised cost	Other financial liabilities	**Total carrying amount**	Level 1	Level 2	Level 3	**Total fair value**
										2019
Financial assets not measured at fair value										
Loans issued – fixed rate	(12)			11		**11**		11		**11**
Loans issued – variable rate	(12)			2		**2**				
Other financial assets	(12)			6		**6**				
Trade and other receivables	(14)			1,603		**1,603**				
Cash and cash equivalents	(15)			342		**342**				
				1,964		**1,964**				
Financial assets measured at fair value										
Hedging derivatives	(22)	42	5			**47**		47		**47**
		42	**5**			**47**				
Financial liabilities not measured at fair value										
Interest-bearing borrowings – fixed rate	(21)				1,142	**1,142**		1,193		**1,193**
Interest-bearing borrowings – variable rate	(21)				475	**475**		477		**477**
Other non-current financial liabilities	(22)				3	**3**				
Trade and other payables	(23)				2,878	**2,878**				
					4,498	**4,498**				
Financial liabilities measured at fair value										
Hedging derivatives	(22)	4	3			**7**		7		**7**
Put option liabilities	(22)		54			**54**			54	**54**
Contingent considerations	(22)		5			**5**			5	**5**
		4	**62**			**66**				

To calculate the fair value of the interest-bearing borrowings with a fixed interest rate an average weighted interest rate of 0.2% (2019: 1.2%) is used. The fair value of the loans provided with a fixed interest rate is determined using an average interest rate of 2.3% (2019: 2.5%).

Securities

FrieslandCampina holds some interests in non-listed companies. These interests are classified as other financial assets. The fair value of these interests is derived from the equity value of the third parties. This measurement method is classified as Level 3.

Hedging derivatives

The hedging derivatives are classified as Level 2 valuation method. The fair value of the forward exchange contracts is calculated by comparison with the current forward prices of contracts for comparable remaining terms. The fair value of interest rate swaps is determined on the basis of the present value based on current market data provided by Bloomberg. The fair value of the commodity swaps is based on the statement of the market-to-market valuations of the relevant counterparties based on the EEX quotations.

Put option liabilities

FrieslandCampina issued a put option to IFC and the Netherlands Development Finance Company (FMO) with respect to the shares held in the Dutch legal entity holding 51% of the shares in FrieslandCampina Engro Pakistan Ltd. The fair value of the put option is determined based on the present value of the expected exercise price on the expected exercise date. The exercise price is primarily dependent on the profit of FrieslandCampina Engro Pakistan Ltd. before interest, taxes, depreciation and amortisation. The shares are subdivided into type A and type B shares, whereby a cap and floor has been agreed upon in relation to the return of type A shares. The put option on type A shares can first be exercised at the beginning of 2022, the put option on type B shares first at the beginning of 2024. Due to the sensitivity to the results of FrieslandCampina Engro Pakistan Ltd., the measurement method for this liability has been classified as Level 3.

At year-end 2020, a remeasurement of the put option liability was performed resulting in a release of EUR 2 million (2019: dotation of EUR 2 million). This release is recognised under other finance income.

If the forecasted profit before interest, taxes, depreciation and amortisation of FrieslandCampina Engro Pakistan Ltd. would have been 10% higher, then FrieslandCampina's profit over 2020 would have been EUR 1 million lower due to the remeasurement of the put option liability.

Movements and transfers

During 2020, movements of the financial instruments classified as Level 3 were as follows:

	2020	
	Contingent considerations	Put option liabilities
Carrying amount at 1 January	5	54
Redemptions	–2	
Finance costs		2
Fair value adjustment		–2
Carrying amount at 31 December	**3**	**54**

	2019		
	Contingent considerations	Put option liabilities	Securities
Carrying amount at 1 January	7	50	1
Repayments	–2		
Finance costs		2	
Fair value adjustment		2	–1
Carrying amount at 31 December	**5**	**54**	

There were no transfers from or to levels 1, 2 or 3 during 2020.

28. Specification of external auditor's fees

			2020
	PricewaterhouseCoopers Accountants N.V.	Other PwC network	**Total PwC network**
Audit of the financial statements	1.3	2.0	3.3
Other audit engagements	0.6	0.1	0.7
	1.9	**2.1**	**4.0**

			2019
	PricewaterhouseCoopers Accountants N.V.	Other PwC network	**Total PwC network**
Audit of the financial statements	1.5	1.4	**2.9**
Other audit engagements	0.2	0.1	**0.3**
	1.7	**1.5**	**3.2**

29. Subsequent events

There were no subsequent events with a significant impact on the 2020 financial statements.

30. Significant accounting policies

The accounting policies as set out below have been applied consistently to all periods presented in these consolidated financial statements and have also been applied consistently by all FrieslandCampina's entities.

Basis of Consolidation

Business combinations

Business combinations are accounted for by using the acquisition method as at the acquisition date, which is the date on which control is transferred to FrieslandCampina. FrieslandCampina is deemed to have control if, on the basis of its involvement with the entity, it is exposed to or is entitled to variable returns and has the power to influence the variable returns on the basis of its control of the entity.

FrieslandCampina measures goodwill at the acquisition date as:
- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

If the excess is negative, a bargain purchase gain is recognised immediately in the income statement. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in the income statement. Transaction costs incurred by FrieslandCampina in connection with a business combination, which are not costs in connection with the issue of shares or bonds, are recognised in the income statement when they are incurred.

Any contingent consideration is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Subsequent changes in the fair value of the contingent consideration are recognised in the income statement. The interest accrued on and the adjustments made to the fair value as a result of changes to the interest accrual period are reported under finance income and costs. Adjustments to the fair value as a result of other changes are reported under other operating costs and income.

The put option liabilities relating to non-controlling interests are classified as a liability, rather than a non-controlling interest, in both the balance sheet and the income statement. The interest accrued on the put option liabilities, any dividends paid to holders of the put option and adjustments to the fair value are recorded under finance income and costs. The put option liabilities are recognised under other financial liabilities.

For each business combination, FrieslandCampina elects to measure any non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets, which are generally at fair value.

Acquisition of non-controlling interests

Changes in FrieslandCampina's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (transactions with owners in their capacity as owners). Adjustments to non-controlling interests whereby control is retained are based on a proportionate amount of the net assets of the subsidiary. No adjustments are made to goodwill and no gain or loss is recognised in the income statement.

Subsidiaries

Subsidiaries are entities over which FrieslandCampina has control. Subsidiaries are fully consolidated from the date that control commences until the date that control ceases.

Loss of control

At the moment of loss of control, FrieslandCampina derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in the income statement. If FrieslandCampina retains any interest in the previous subsidiary, such interest is measured at fair value at the date control ceases. Subsequently the interest is accounted for as an equity accounted investee or as an available-for-sale financial asset, depending on the level of influence retained.

Associates and joint ventures

Associates are those entities in which FrieslandCampina has significant influence, but no control, over the financial and operating policies. Joint ventures are the entities in which FrieslandCampina has joint control and to which FrieslandCampina is entitled to a portion of the net assets rather than the assets and liabilities of the entity. A joint venture is a contractual arrangement whereby FrieslandCampina and other parties undertake an economic activity through a jointly controlled entity.
Joint control exists when strategic, financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control.

Investments in associates and joint ventures are accounted for using the equity method and are recognised initially at cost. The cost of the investment includes transaction costs.

After initial recognition, the consolidated financial statements include FrieslandCampina's share of the results and the other comprehensive income of the participations from the date on which FrieslandCampina first has significant influence up to the date on which it last has significant influence or joint control. Dividends received or receivable from associates and joint ventures are recognized as a reduction in the carrying amount of the investment.

When FrieslandCampina's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of the investment, including any long-term interest that forms a part thereof, is reduced to zero and the recognition of further losses is discontinued except to the extent that FrieslandCampina has an obligation or has made payments on behalf of the investee.

Elimination of intercompany transactions

Intra-group balances and transactions and any unrealised gains arising from intra-group transactions are eliminated when preparing the consolidated financial statements. Unrealised gains arising from transactions with associates and joint ventures are eliminated to the extent of FrieslandCampina's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

A list of the principal subsidiaries, joint ventures and associates is included on page 169.

Foreign currency translation

Foreign currency transactions

Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates on the reporting date. Transactions denominated in foreign currencies are translated at the exchange rate on the date of the transaction.

Non-monetary balance sheet items valued at historical cost in foreign currencies are translated at the exchange rates on the date of the initial transaction. Non-monetary items valued at fair value in foreign currencies are translated using the exchange rates on the date on which the fair value was determined.

Foreign currency differences arising on translation are recognised in the income statement, except for the following differences, which are recognised in other comprehensive income arising on the translation of:

- available-for-sale equity investments;
- a financial liability designated as a hedge of the net investment in a foreign operation;
- qualifying cash flow hedges to the extent the criteria for hedge accounting are met.

These differences are recognised in equity via other comprehensive income.

Foreign operations

Assets and liabilities of foreign subsidiaries are translated at the exchange rates on the reporting date; their income and expenses are translated at the exchange rates on the date of the transaction. Foreign currency translation differences are recognised in other comprehensive income and presented in the currency translation reserve in equity. If however, the foreign operation is a subsidiary that is not owned by FrieslandCampina for 100%, the relevant proportion of the translation difference is allocated to non-controlling interests.

When control, significant influence or joint control in a foreign operation is lost due to a (partial) disposal, the cumulative amount in the translation reserve related to that foreign operation is reclassified to the income statement as part of the gain or loss on disposal. When FrieslandCampina disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is classified as a non-controlling interest. When FrieslandCampina disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to the income statement.

If the settlement of a monetary receivable from or obligation to a foreign activity is neither planned nor likely in the foreseeable future, this is considered as a net investment in the foreign activity. Currency translation differences arising through the translation of a receivable or liability that is classified as a net investment in a foreign activity are recognised in other comprehensive income and accounted for in the currency translation differences reserve in equity. When this receivable or liability is repaid, the portion of the currency translation differences reserve related to this net investment is transferred to the income statement.

The following exchange rates have been used in the preparation of the consolidated financial statements:

	2020		2019	
	At year-end	Average	At year-end	Average
US dollar	1.22	1.14	1.12	1.12
Chinese yuan	8.00	7.87	7.81	7.73
Philippine peso	59.04	56.60	56.81	58.00
Hong Kong dollar	9.47	8.86	8.73	8.77
Indonesian rupiah (1,000)	17.28	16.60	15.54	15.83
Malaysian ringgit	4.95	4.80	4.59	4.64
Nigerian naira	485.95	435.56	408.86	404.82
Pakistan rupee	195.91	184.97	173.69	167.74
Russian rouble	90.64	82.66	69.54	72.42
Singapore dollar	1.61	1.57	1.51	1.53
Thai baht	36.69	35.71	33.35	34.76
Vietnamese dong (1,000)	28.47	26.54	25.98	26.02

Financial instruments

Non-derivative financial assets

FrieslandCampina initially recognises loans and receivables on the date that they are originated. All other financial assets (including assets designated as at fair value through profit or loss) are recognised initially on the trade date, which is the date that FrieslandCampina becomes a party to the contractual provision of the instrument.

FrieslandCampina derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position if, and only if, FrieslandCampina has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and the liability simultaneously.

The classification of loans, receivables and deposits is dependent on the business model for managing the assets and the contractually cash flows. When the contractual cash flows represent solely payments of principal and interest on the principal amount outstanding, and when in the business model the assets are held to collect, the loans, receivables and deposits are classified at amortised cost. Otherwise, loans, receivables and deposits are classified as fair value through other comprehensive income or as fair value through profit or loss.

The classification of securities is dependent on an irrevocable decision by FrieslandCampina to classify the instrument on initial recognition as a fair value instrument with value changes recognised in total comprehensive income or as a fair value instrument with value changes recognised in the income statement.

Fair values for disclosure purposes, are calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Financial assets measured at fair value through other comprehensive income
On initial recognition these assets are stated at fair value plus any directly attributable transaction costs. After initial recognition, the assets are stated at fair value with changes in fair value through other comprehensive income and accumulated in the fair value reserve. Any dividends are recognised in the income statement as finance income. If these assets are no longer recognised, the profits and losses accumulated in the fair value reserve are transferred to retained earnings.

The fair value of securities, for a non-listed entity, is determined by making use of data that is not based on observable market data.

Financial assets measured at fair value through profit or loss
A financial asset is classified as stated at fair value with any changes in fair value recognised in the income statement if it is classified as such on initial recognition or if the financial asset is reclassified as a financial asset held for sale. Directly attributable transaction costs are recognised as an expense in the income statement when they are incurred. Financial assets measured at fair value through profit or loss are measured at fair value and any changes in that fair value are recognised in the income statement.

Financial assets at amortised cost
Loans granted, long-term receivables, trade receivables and other receivables and deposits are financial instruments with fixed or determinable payments that are not listed on an active market.

On initial recognition such assets are stated at fair value plus any directly attributable transaction costs.

After initial recognition, the loans and receivables are stated at amortised cost in accordance with the effective interest method, less any impairments.

Cash and cash equivalents
Cash and cash equivalents comprise cash at banks and in hand and short-term deposits ordinarily with original maturities of three months or less from the acquisition date.

Non-derivative financial liabilities
The initial recognition of financial liabilities (including liabilities designated as fair value through profit and loss) is stated at transaction date. The transaction date is the date on which FrieslandCampina commits to the contractual provisions of the instrument.

The fair value, determined for the purpose of the notes, of the liabilities is determined on the basis of the discounted cash flows.

FrieslandCampina no longer recognises a financial liability in the balance sheet as soon as the performance pursuant to the relevant liability was completed, expired or released.

Financial liabilities other than derivatives consist of interest-bearing borrowings, other financial liabilities, trade payables and other liabilities. On initial recognition, such financial liabilities are stated at fair value less any directly attributable transaction costs. After initial recognition, these financial liabilities are stated at amortised cost in accordance with the effective interest method.

Lease liabilities

The interest-bearing borrowings include lease liabilities. At initial recognition, lease liabilities are measured at the present value of future lease payments. Lease payments consist of:

- fixed payments, including in substance fixed payments, minus contractual lease incentives;
- the exercise price of a purchase option when it is reasonably certain that FrieslandCampina will exercise this option;
- the payment of a penalty when it is reasonably certain that FrieslandCampina will terminate the lease early;
- payments that fall within the period of an extension option when it is reasonably certain that FrieslandCampina will exercise this option;
- payments that fall within the period of which it is reasonably certain that FrieslandCampina will make use of the asset, for contracts for which a contractual end-date has not been agreed upon.

When an estimate in respect of the lease payments changes, including changes in remaining lease payments based on an index or rate, the lease liability is remeasured taking into account these changes, whereby the right-of-use asset is also remeasured.

Lease payments are discounted on the basis of the implicit interest rate of the lease. When the implicit interest rate cannot be derived, the lease payments are discounted on the basis of the incremental borrowing rate that reflects the interest rate at which FrieslandCampina could have obtained a loan to finance a similar asset in the same economic environment for the same duration and with the same collateral.

The lease liability is reduced by the lease payments, and the interest accrued on the lease liabilities is recognised as part of finance costs in the income statement.

Derivatives (including derivatives for which hedge accounting is applied)

FrieslandCampina holds derivatives to hedge its exposure on foreign currency risk, cash flow risks interest rate risk and price risk on commodities.

Derivatives are recognised initially at fair value where direct attributable transaction costs are recognised in the income statement as incurred. Subsequent to initial recognition, derivatives are measured at fair value and changes are accounted for as described below, depending on whether hedge accounting has been applied. When measuring derivatives, the credit risk arising from adjustments to the fair value for the credit risk of the counterparty (Credit Valuation Adjustment (CVA)) and the Company's credit risk (Debit Valuation Adjustment (DVA)) are taken into account.

The fair value of forward exchange contracts is generally determined by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract. The fair value of interest rate swaps and cross currency swaps is determined by discounting the cash flows resulting from the contractual interest rates of both sides of the transaction. The fair value takes into account the current interest rates, current foreign currency rates and the current creditworthiness of both the counterparties and FrieslandCampina itself.

The fair value of the commodity swaps is generally based on the market values issued by the brokers.

Derivatives for which hedge accounting is applied

FrieslandCampina applies cash flow hedge accounting on a portion of its foreign currency, interest rate and commodity derivatives.

Assessment of the hedging relationship's effectiveness

On initial designation of the derivative as a hedging instrument, FrieslandCampina formally documents the relationship between the hedging instrument(s) and the hedged item(s), including its risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship. At the start of the hedging relationship and on each subsequent reporting date, FrieslandCampina assesses whether the hedging instruments during the period for which the hedge was designated are expected to meet the hedge accounting criteria.

The hedging relationship can result in ineffectiveness when:

- Changes in value of the hedging instrument do not match the changes in value of the hedged item due to for example the credit risk of the counterparty (CVA), the Company's credit risk (DVA) or the currency spread basis in the derivative;
- Deviations between the characteristics of the hedging instrument and the hedged item.

Applying for a cash flow hedge for an anticipated transaction requires that it is highly probable that the transaction will take place and that this transaction would result in an exposure to the fluctuation of cash flows of such significance that these ultimately could affect the reported profit or loss.

Cash flow hedges

When a derivative is designated as the hedging instrument for the variability in cash flows resulting from a particular risk associated with a recognised asset, liability, or highly probable anticipated transaction that could affect the income statement, then the effective portion of changes in the fair value of the derivative is included in the consolidated statement of other comprehensive income and presented in the hedging reserve in equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in the income statement.

If the hedged item is a non-financial asset, the amount accumulated in equity is included in the carrying amount of the asset when the asset is recognised. In other cases, the amount accumulated in equity is reclassified to the income statement in the same period that the hedged item affects the income statement. If the hedging instrument no longer meets the criteria for hedge accounting, expires, is sold, terminated or exercised, then hedge accounting is terminated from the date of the most recent assessment of effectiveness. If the forecasted transaction is no longer expected to occur, the balance in equity is reclassified to the income statement.

Derivatives without application of hedge accounting

When a derivative is not designated as a hedge relationship that qualifies for hedge accounting, all changes in its fair value are recognised immediately in the income statement.

Equity

Share capital

The shares are classified as equity. Costs directly attributable to the extension of the share capital are deducted from equity after taxation. The share capital comprises paid-up capital and the remaining portion concerns share premium reserve.

Other financial instruments

Other financial instruments are classified as equity if the instruments do not have a maturity date and FrieslandCampina can defer the interest payments.

Dividends

Dividends are recognised as a liability in the period in which they are declared.

Property, plant and equipment

Recognition and measurement

Property, plant and equipment are measured at cost less accumulated depreciation, accumulated impairment losses and remeasurement of lease liabilities. The cost price includes any costs directly attributable to the acquisition of the asset.

The cost price of self-constructed assets comprises:
- costs of materials and direct labour costs;
- any other costs directly attributable to making the asset ready for use;
- costs directly attributable in obtaining right-of-use assets;
- if FrieslandCampina has an obligation to remove the asset, an estimate of the cost of dismantling and removing the items;
- capitalised borrowing costs.

Property, plant and equipment also include right-of-use assets. At the commencement date of the lease, the leased asset is measured at the present value of the lease liability, except for short-term leases or low-value leases.

If parts of property, plant and equipment have different useful lives, the parts are accounted for as separate components of property, plant and equipment. Any gain or loss on the disposal of property, plant and equipment is determined on the basis of a comparison of the proceeds from the sale and the carrying amount of the property, plant or equipment and is recognised in the income statement.

Acquisition of property, plant and equipment resulting from a business combination

The fair value of property, plant and equipment recognised as a result of a business combination is the estimated amount for which property could be exchanged on the acquisition date between a willing buyer and a willing seller in an arm's length transaction based on negotiations wherein the parties had each acted knowledgeably. The fair value of land, buildings and equipment is based on the market approach and cost approaches using quoted market prices for similar items when available and depreciated replacement costs when appropriate. Depreciated replacement costs reflect adjustments for physical deterioration as well as functional and economic obsolescence.

Costs after initial recognition

Costs after initial recognition are capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to FrieslandCampina. Ongoing repair and maintenance costs are expensed as incurred.

Depreciation

Property, plant and equipment are depreciated on a straight-line basis in the income statement over the estimated useful life of each component. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that FrieslandCampina will obtain ownership at the end of the lease term.

Property, plant and equipment are depreciated from the date that they are installed and are ready for use.

Right-of-Use assets are depreciated from the commencement date of the lease agreement.

The estimated useful lives for the current year of significant property, plant and equipment and other operational assets are as follows:

Land	not depreciated
Buildings	10-25 years
Plant and equipment	5-33 years
Other operational assets	3-20 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and if appropriate, adjusted.

Intangible assets and goodwill

Goodwill

Goodwill that arises on the acquisition of subsidiaries is presented as an intangible asset. For the measurement of goodwill at initial recognition, see the basis of consolidation for business combinations. Goodwill is measured at cost less accumulated impairment losses. In respect of investees that are not being consolidated, the carrying amount of goodwill is included in the carrying amount of the joint venture or associate and any impairment loss is allocated to the carrying amount of the joint venture or associate as a whole.

Research and development
Expenditure on research activities undertaken with the prospect of gaining new technical knowledge and understanding is recognised in the income statement as incurred. Development activities include the drawing-up of a plan or design for the production of new or significantly improved products or processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and FrieslandCampina intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour, overhead costs directly attributable to preparing the asset for its intended use and capitalised borrowing costs. Other development expenditure is recognised in the income statement as incurred. Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

Other intangible assets
Other intangible assets which are acquired by FrieslandCampina and which have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

Acquisition of intangible assets resulting from a business combination
The fair value of patents and trademark names acquired in a business combination is based on the discounted estimated royalty payments that are expected to be avoided as a result of the patents or trademarks being owned. The fair value of customer relationships acquired in a business combination is determined using the multi-period excess earnings method. The fair value of other intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

Costs after initial recognition
Costs after initial recognition are capitalised only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in the income statement as incurred.

Amortisation
Intangible assets other than goodwill are amortised on a straight-line basis in the income statement over their estimated useful lives calculated from the date that they are available for use.

The estimated useful life for the current year for the main categories of intangible assets is as follows:

Trademarks and patents	10-40 years
Customer relations	5-20 years
Software	5-7 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Biological assets
The dairy livestock is valued at fair value less the cost to sell. The fair value of the livestock is determined by an independent valuer based on the best available estimates for livestock with similar characteristics.

Profit or loss resulting from changes to the fair value less the cost to sell is recognised in the income statement.

Inventories
Inventories are measured at the lower of cost and market value. The cost of inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories, cost includes an appropriate share of production overheads based on normal operating capacity. The net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and selling expenses.

Acquisition of inventories resulting from a business combination
The fair value of inventories acquired in a business combination is determined based on the estimated selling price in the ordinary course of business less the estimated cost of completion and sale plus a reasonable profit margin based on the effort required to complete and sell the inventories.

Impairments
Non-derivative financial
Impairment of financial assets
The impairment of financial assets is based on the estimated risk of non-payment and the expected loss ratios. To be able to determine these values, FrieslandCampina makes use of projections that are based on past history, existing market conditions and future conditions. These values are determined each year at the end of the financial year.
The following assets fall under the 'Expected Credit Loss Model':
- Loans granted at amortised cost;
- Trade receivables and other receivables;
- Non-current receivables.

Loans granted at amortised cost and non-current receivables
In case of a low credit risk, a provision is made on the basis of the expected credit losses over the coming 12 months. In case of a significant increase in credit risk, a provision is made on the basis of the life time expected credit losses. FrieslandCampina determines the impairment of loans granted at amortised cost on an annual basis. A low credit risk is assumed in case there were no defaults of payment in the past and the counterparty has sufficient funds at its disposal to meet the contractual payment obligations.

Trade receivables and other receivables
In determining the provision for bad debts and other receivables, FrieslandCampina uses the simplified method for applying the 'Expected Credit Loss Model'. The 'expected credit loss' on trade receivables and other receivables is determined at origination of the financial asset for the total expected lifetime of the receivable. The trade receivables and other receivables are grouped on the basis of credit risk and aging. The amount of the provision is determined for each group on the basis of historical payment behaviour information. In addition, due consideration is given to current developments that could affect the credit risk of an individual position, such as significant payment difficulties of a debtor or group of debtors, indications that a debtor may be unable to meet his payment obligations or may file for bankruptcy, the disappearance of an active market that may bring about, or observable data indicating, a decline in the expected cash flows of a group of financial assets.

Financial assets measured at amortised cost
FrieslandCampina measures financial assets at amortised cost at both a specific asset and collective level. An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. If an event occurring after the balance sheet date causes the amount of impairment loss to decrease, this decrease is reversed through the income statement.

Non-financial assets
The carrying amounts of FrieslandCampina's non-financial assets, other than biological assets, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any trigger for impairment. If such a trigger exists, the asset's recoverable amount is estimated. Goodwill and intangible assets with an indefinite life are tested annually for impairment. An impairment loss is recognised if the carrying amount of an asset or cash generating unit exceeds its recoverable amount.

The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs of disposal. When assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the asset or cash generating unit.

The value in use is determined on the basis of the budget, the long-term plans and the subsequent use, with due consideration to the role of the asset or the division in the milk processing. For the goodwill impairment test, compensation is made between the business group Dairy Essentials and the other business groups for the role which the business group Dairy Essentials fulfills in the milk processing.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units. Cash generating units to which goodwill is allocated are aggregated for the purpose of impairment testing so that the level at which impairment testing is performed reflects the lowest level within FrieslandCampina at which goodwill is monitored for the purpose of internal reporting. Goodwill acquired in a business combination is allocated to the FrieslandCampina cash generating units expected to benefit from the synergies of that combination.

Impairment losses are recognised in the income statement. Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash generating units, and then to reduce the carrying amounts of the other assets in the entity on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. An impairment loss on other assets is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Assets held for sale

Non current assets (or groups of assets and liabilities that will be disposed of), whose carrying amount is expected to be recovered primarily via a sale transaction rather than through continuing use, are classified as held for sale or distribution. Immediately before being classified as such, the assets (or the components of a group of assets that will be disposed of) are remeasured in accordance with FrieslandCampina's accounting policies. Thereafter, the assets (or a group of assets and liabilities that will be disposed of) are generally measured at their carrying amount, or if this is lower, their fair value less selling costs. An impairment on a disposal group is first allocated to goodwill and then on a pro rata basis to the remaining assets and liabilities, except that no impairment is allocated to biological assets, inventories, financial assets, deferred tax assets or employee related provisions, which continue to be measured in accordance with FrieslandCampina's accounting policies. Impairment losses arising from the initial classification as held for sale or distribution and gains or losses from subsequent remeasurement are recognised through the income statement. If the gain from subsequent remeasurement exceeds the cumulative impairment loss, this difference is not included.

Once they have been classified as held for sale or distribution, intangible assets and property, plant and equipment are not amortised or depreciated.

In addition, for investments recognised in accordance with the equity method, this measurement method is no longer applied once these investments are classified as held for sale or distribution.

Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligations to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in the income statement in the periods during which the related services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

The part of the pension obligation placed by FrieslandCampina with an industry-wide pension plan in the Netherlands can be qualified as a defined contribution plan.

Defined benefit plans
A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The net pension liability (or asset) in respect of defined benefit plans is calculated annually for each plan on the basis of expected future developments in discount rates, salaries and life expectancy, less the fair value of the fund investments related to the plan. The present value of the obligations is calculated actuarially using the projected unit credit method. The discount rate used is the return at the balance sheet date on high-quality corporate bonds with at least a AA credit rating and with maturity dates similar to the term of the pension obligations.

The net present value per pension plan is recognised in the balance sheet as a pension liability, or as a pension asset, under employee benefits.

Remeasurement of the net pension liability (asset), comprising actuarial gains and losses resulting from changes in the assumptions for calculating the pension obligation, the return on plan assets (excluding interest) and the impact of the effect of the asset ceiling (if applicable) is carried out for each individual plan and recognised in the other comprehensive income.

If the calculation of the net pension liability per pension plan results in a positive balance, the asset recognised is limited to the sum of the present value of any future repayments by the fund or lower future pension contributions.

FrieslandCampina determines the net interest expenses (or gains) resulting from the defined benefit plan by multiplying the net pension liability (or asset) with the discount rate used to measure the defined pension plan at the start of the year. Changes in the net pension liability (or asset) during the year as a result of benefits being paid out are taken into account. The net interest expenses (or gains) and other costs related to the defined benefit plan are recognised in the income statement.

FrieslandCampina recognises results due to the adjustment (plan amendment, curtailment and settlement) of pension plans through the income statement at the time an adjustment occurs or at the moment a restructuring provision is formed.

Other long-term employee benefits
Frieslandcampina's other long-term employee benefits liability concerns the present value of the benefits accrued by employees during the periods in which related services are provided by employees. Remeasurements are recognised in the income statement in the period in which they occur.

Short-term employee benefits
Short-term employee benefit obligations are measured on an undiscounted basis and are expensed at the time the related service is provided. A liability is recognised for the amount expected to be paid as a short-term employee benefit if FrieslandCampina has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Provisions
A provision is recognised in the statement of financial position when, as a result of a past event, FrieslandCampina has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect of the time value of money is material, provisions are discounted using a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance costs.

Restructuring provision
Provisions for restructuring are formed when FrieslandCampina has formalised a detailed and formal restructuring plan and has either started implementing the restructuring plan or has announced the main aspects of the restructuring in such a way that the affected employees have a valid expectation the restructuring will take place.

Provision for onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by FrieslandCampina from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, FrieslandCampina recognises an impairment loss on the assets associated with the contract.

Revenue

Revenue from the sale of goods is recognised based on the transaction price of the received or receivable payment. The transaction price is determined taking into account returns, trade discounts and volume rebates. Revenue is recognised in the income statement when settlement of the contractual performance obligation by transfer of the goods to the customer took place. Settlement of the performance obligation has occurred when control over the goods has been transferred to the customer, associated costs and possible return of goods can then be estimated reliably and there is no continuing control over or involvement with the goods.

Discounts are recognised as a reduction of revenues when they will probably be granted and the discount amount can be measured reliable. When discounts will granted over past performance obligations, a provision is recognised in the balance sheet. In case a discount will be granted over future performance obligations, a contract liability will be recognised.

Cost of goods sold

Cost of goods sold primarily comprises the purchase of goods (including milk from the member dairy farmers and other raw materials and consumables), production costs (including personnel costs, depreciation and impairments of production facilities) and related transport and logistics costs.

Cost of raw materials, consumables and commodities that are a component of cost of goods sold are determined according to the first-in-first-out principle. The costs include the currency translation differences on trade receivables and payables as well as differences in the measurement of related derivatives.

Advertising and promotion costs

Advertising and promotion costs mainly comprise expenditure for marketing and consumer campaigns.

Selling, general and administrative costs

Selling, general and administrative costs comprise mainly the costs of the sales organisation, outbound transport costs, research and development costs, general costs and administrative costs.

Other operating costs and income

Other operating costs and income consist of costs and income that, according to the management, are not the direct result of normal business operations and/or that are so significant in terms of nature and size that they must be considered separately for a proper analysis of the underlying result.

Government grants

Government grants are recognised at fair value when there is reasonable assurance that the grants will be received and all related conditions will be complied with. When a grant relates to an expense item it is systematically deducted from the costs incurred over the period that are necessary to match the grant to the costs that it is intended to compensate. By reducing the depreciation expense this grant is accounted for in the income statement as income over the period of the expected useful life of the asset to which the grant relates.

Leases

Lease costs for short-term leases, leases of low-value assets and the variable portion of lease payments are recognised in the income statement in the period to which the cost pertains. Short-term leases have a term of less than 12 months. The variable portion of the lease payments is dependent on the use of the asset.

Finance income and costs

Finance income comprises interest received on loans and receivables from third parties, dividend income, positive changes to the fair value of financial assets valued at fair value after incorporating changes in value in the income statement, gains on hedging instruments that are recognised in the income statement and reclassifications of amounts previously recognised in other comprehensive income. Interest income is recognised in the income statement as it accrues, using the effective interest method, with due consideration to impairments.

Finance costs comprises interest expenses on borrowings and other obligations to third parties, fair value losses on financial assets at fair value through profit or loss, unwinding the discount on provisions, impairment losses recognised on financial assets (other than trade receivables), losses on hedging instruments that are recognised in the income statement and reclassifications of amounts previously recognised in other comprehensive income. Interest expenses are recognised in the consolidated income statement as they accrue by means of the effective interest method.

Foreign currency gains and losses from trade debtors and creditors are recognised as a component of operating profit. All other foreign currency gains and losses are reported on a net basis as either finance income or finance costs, depending on whether foreign currency movements are in a net gain or net loss position.

Taxes

Tax expense comprises current and deferred tax. Current and deferred tax is recognised in the income statement except to the extent that it relates to a business combination, or items recognised directly in equity, or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustments to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that on the transaction date does not affect accounting or taxable profit or loss;
- temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not be settled in the foreseeable future;
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

In determining the amount of current and deferred tax, FrieslandCampina takes into account the effect of uncertain tax positions and whether additional taxes and interest may be due. FrieslandCampina operates in several different tax jurisdictions. This leads to complex tax issues. The ultimate decision regarding these complex tax issues is often outside the control of FrieslandCampina and depends on the efficiency of the legal processes in the relevant tax jurisdiction. FrieslandCampina believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions about future events. New information may become available that causes FrieslandCampina to change its judgement regarding the adequacy of existing tax liabilities. Such changes to tax liabilities will affect tax expense in the period that such a determination is made.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and if the assets and liabilities relate to taxes levied by the same tax authority, on the same taxable entity or on different tax entities, but they intend either to settle current tax liabilities and assets on a net basis or realise their tax assets and liabilities simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Cash flows
The cash flow statement is prepared using the indirect method. Cash flows in foreign currencies have been translated into euros at the exchange rates prevailing on the transaction date.

Segmentation
The identified operational segments concern the separate segments within FrieslandCampina for which financial information is available that is frequently evaluated by the Executive Board, as the chief operating decision maker, in order to take decisions concerning the allocation of available resources to the segment and to assess the segment's performance.

FrieslandCampina has subdivided the operating segments by business group: Consumer Dairy, Specialised Nutrition, Ingredients and Dairy Essentials. Pricing within a segment is determined on a business-like, objective basis. The segmented results, assets and liabilities comprise items that are directly attributable to a segment and that can also be attributed on a reasonable basis. Unallocated items primarily consist of jointly used assets and liabilities and joint costs.

Subsidiaries, joint ventures and associates[1]

Principal subsidiaries

The Netherlands
FrieslandCampina B.V., Amersfoort
FC C.V., Amersfoort
FrieslandCampina DMV B.V., Amersfoort
FrieslandCampina Domo B.V., Amersfoort
FrieslandCampina International Holding B.V., Amersfoort
FrieslandCampina Kievit B.V., Meppel
FrieslandCampina Nederland B.V., Amersfoort
FrieslandCampina Nutrifeed B.V., Amersfoort
FrieslandCampina Pakistan Holding B.V., Amersfoort (81.69%)
Zijerveld en Veldhuyzen B.V., Bodegraven
FrieslandCampina Dutch Nutrition B.V., Amersfoort
FrieslandCampina International Specialised Nutrition B.V., Amersfoort

Belgium
FrieslandCampina Belgium N.V., Aalter
FrieslandCampina Belgium Cheese N.V., Aalter
FrieslandCampina B.V., Aalter (99.84%)
Yoko Cheese N.V., Genk (99.89%)

Germany
CMG Grundstücksverwaltungs- und Beteiligungs GmbH, Heilbronn (89.56%)
DFE Pharma GmbH & CO KG, Goch (50%)[2]
FKS Frischkonzept Service GmbH, Viersen
FrieslandCampina Cheese GmbH, Essen
FrieslandCampina Germany GmbH, Heilbronn (94.90%)
FrieslandCampina Kievit GmbH, Lippstadt
Milchverwaltung FrieslandCampina Germany GmbH, Cologne

France
FrieslandCampina Cheese France S.A.S., Salon-de-Provence
FrieslandCampina France S.A.S., Saint-Paul-en-Jarez

Greece
FrieslandCampina Hellas S.A., Athens

Hungary
FrieslandCampina Hungária zRt, Budapest (99.99%)

Italy
FrieslandCampina Italy Srl, Verona

Romania
FrieslandCampina Romania S.A., Satu Mare (97.58%)

Russia
Campina LLC, Moscow
FrieslandCampina RU LLC, Moscow

Spain
FrieslandCampina Canarias S.A., Las Palmas
FrieslandCampina Iberia S.L., Barcelona
Millán Vicente S.L., Zaragoza

United Kingdom
FrieslandCampina UK Ltd., Horsham

China
FrieslandCampina Dairy Co. Ltd., Shenyang
FrieslandCampina Branding Management (Shanghai) Co. Ltd., Shanghai
FrieslandCampina Ingredients (Beijing) Co. Ltd., Beijing
FrieslandCampina Ingredients (Shanghai) Co. Ltd., Shanghai
FrieslandCampina Trading (Shanghai) Co. Ltd., Shanghai

Hong Kong
FrieslandCampina (Hong Kong) Ltd., Hong Kong

Philippines
Alaska Milk Corporation, Makati City (99.86%)

Indonesia
PT Frisian Flag Indonesia, Jakarta (95%)
PT Kievit Indonesia, Jakarta

Malaysia
Dutch Lady Milk Industries Berhad, Petaling Jaya (50.96%)

Pakistan
FrieslandCampina Engro Pakistan Ltd., Karachi (51%)

Singapore
FrieslandCampina (Singapore) Pte. Ltd., Singapore
FrieslandCampina AMEA Pte. Ltd., Singapore

Thailand
FrieslandCampina Fresh (Thailand) Co. Ltd., Bangkok
FrieslandCampina (Thailand) PCL, Bangkok (99.71%)

Vietnam
FrieslandCampina Ha Nam Co. Ltd., Phu Ly
FrieslandCampina Vietnam Co. Ltd., Binh Duong province (70%)

Saudi Arabia
FrieslandCampina Saudi Arabia Ltd., Jeddah (75%)

United Arab Emirates
FrieslandCampina Middle East DMCC, Dubai

Egypt
FrieslandCampina Egypt Consulting and Trading S.A.E., Cairo

Ghana
FrieslandCampina West Africa Ltd., Accra

Ivory Coast
FrieslandCampina Ivory Coast S.A., Abidjan

Nigeria
FrieslandCampina WAMCO Nigeria PLC, Ikeja (67.81%)

United States
FrieslandCampina Ingredients North America Inc., Paramus, New Jersey
Jana Foods LLC., Iselin, New Jersey
Best Cheese Corporation, Purchase, New York

Joint ventures and associates [3]

Betagen Holding Ltd., Hong Kong, China (50%)
Coöperatieve Zuivelinvesteerders U.A., Oudenhoorn, Netherlands (49.90%)
Great Ocean Ingredients Pty. Ltd., Allansford, Victoria, Australia (50%)
United Dutch Arizona Dairy Inc., Tempe, State: Arizona, United States (60%)

1 Unless where stated otherwise, it concerns a 100% interest. If the percentage is below 100%, the direct interest of the parent company in the relevant subsidiary is stated.
2 Due to local requirements this footnote is in German. In diesen Gesellschaften hat FrieslandCampina einen beherrschenden Einfluss. Durch die Einbeziehung in den Konzernabschluss der Royal FrieslandCampina N.V. hat die DFE Pharma GmbH & Co. KG als vollkonsolidiertes verbundenes Unternehmen von den Erleichterungen des § 264b HGB Gebrauch gemacht.
3 FrieslandCampina does not have control over these joint ventures and associates. This consideration was based on an analysis of both the shares and the voting rights held by FrieslandCampina for the relevant joint venture or associate.

Company statement of financial position

As at 31 December, before profit appropriation, in millions of euros

	Note	2020	2019
Assets			
Investments in subsidiaries	(2)	3,519	3,244
Loans to subsidiaries	(3)	1,421	1,302
Deferred tax assets		1	4
Other financial assets	(8)	14	17
Non-current assets		**4,955**	**4,567**
Other receivables	(4)	414	516
Other financial assets	(8)	4	29
Current assets		**418**	**545**
Total assets		**5,373**	**5,112**

	Note	2020	2019
Equity			
Issued capital	(5)	370	370
Share premium	(5)	114	114
Statutory cash flow hedge reserve	(5)	–2	–14
Statutory currency translation reserve	(5)	–350	–238
Statutory reserve for investments in participations	(5)	226	251
Profit for the year attributable to the shareholder	(5)	207	158
Retained earnings		1,008	822
Equity attributable to shareholder		**1,573**	**1,463**
Member bonds	(5)	1,560	1,641
Perpetual bonds	(5)	301	
Cooperative loan	(5)	295	295
Equity attributable to other providers of capital		**2,156**	**1,936**
Equity attributable to providers of capital		**3,729**	**3,399**
Liabilities			
Interest-bearing borrowings	(6)	724	835
Other financial liabilities	(8)	9	3
Non-current liabilities		**733**	**838**
Interest-bearing borrowings	(6)	403	511
Trade and other payables		7	10
Current liabilities	(7)	497	351
Other financial liabilities	(8)	4	3
Current liabilities		**911**	**875**
Total liabilities		**1,644**	**1,713**
Total equity and liabilities		**5,373**	**5,112**

Company income statement

In millions of euros

	2020	2019
Share of profit of subsidiaries, net of tax	252	204
Other results, net of tax	13	10
Profit for the year	**265**	**214**

Notes to the consolidated financial statements

in millions of euros, unless stated otherwise

1. General

Accounting policies and notes
The Company financial statements are prepared in accordance with the legal requirements of Part 9, Book 2 of the Dutch Civil Code, making use of the option of article 2:362, paragraph 8 of the Dutch Civil Code regarding the application of the accounting policies for the measurement of assets and liabilities and determination of result (measurement principles) applied in the consolidated financial statements. The consolidated financial statements were prepared in accordance with the International Financial Reporting Standards as endorsed by the European Union (EU-IFRS). The company income statement is presented in accordance with the exemption of article 2:402 of the Dutch Civil Code.

See the notes to the consolidated financial statements for items not included in the notes to the company financial statements. Investments in subsidiaries are measured using the net asset value.

As a result of the implementation of the statutory cooperative tax regime, certain company activities were brought into a limited partnership (C.V.). For additional information see the notes in the consolidated financial statements.

A statutory reserve has been formed for the retained earnings of subsidiaries where distribution is subject to restrictions.

A list of subsidiaries and other companies in which the Company participates directly or indirectly, is available for inspection at FrieslandCampina's offices and has been filed with the trade register.

2. Investments in subsidiaries

	2020	2019
At 1 January	3,244	3,036
Profit for the year	252	204
Other comprehensive income for the year	-120	-23
Other equity movements for the year	139	27
Reclassification of loans from subsidiaries	4	
At 31 December	**3,519**	**3,244**

Other equity movements mainly relate to capital contributions and dividends received due to restructuring of subsidiaries.

3. Loans to subsidiaries

	2020	2019
At 1 January	1,302	656
Reclassification other receivables	110	670
Loans issued	22	5
Repaid loans	-9	-29
Reclassification of loans from subsidiaries	-4	
At 31 December	**1,421**	**1,302**

Maturity schedule	2020		2019		
	2022 - 2025	**Total repay-ment**	2021 - 2024	After 2024	**Total repay-ment**
Loans to subsidiaries	1,421	**1,421**	1,275	27	**1,302**

The loans issued serve to finance subsidiaries. The current portion of these issued loans is recognised under other receivables. The average interest rate on the total of financing of subsidiaries at the end of 2020 was 1.7% (2019: 1.3%).

4. Other receivables

EUR 15 million (2019: EUR 10 million) of the other receivables relates to a temporary current account with subsidiaries resulting from the sweep of bank positions within FrieslandCampina and EUR 336 million (2019: EUR 457 million) relates to the current receivables from subsidiaries and the current portion of loans to subsidiaries. In addition, a receivable from Zuivelcoöperatie FrieslandCampina U.A. for an amount of EUR 63 million (2019: EUR 49 million) has been recognized.

5. Equity attributable to providers of capital

The number of issued shares at both the beginning and end of the financial year was 3,702,777 shares. EUR 370 million has been paid-up on these shares. The authorised capital amounts to EUR 1 billion, divided into 10,000,000 shares with a nominal value of EUR 100. The shares are being held by Zuivelcoöperatie FrieslandCampina U.A.

The cash flow hedge reserve and the currency translation reserve are statutory reserves and as such cannot be distributed. Furthermore EUR 226 million (2019: EUR 251 million) has been classified as a statutory reserve for investments in participations. This statutory reserve concerns, among other items, the implementation costs of the ICT standardisation programme (see Note 9 in the consolidated financial statements) and as such cannot be distributed.

The equity that is attributable to the providers of capital and that is included in the company financial statements is equal to the equity attributable to the providers of capital that is included in the consolidated financial statements. See Note 17 in the consolidated financial statements for more details regarding equity.

6. Interest-bearing borrowings

The terms and conditions of outstanding borrowings are as follows:

			2020		2019	
	Year of maturity	% Nominal interest rate	Carrying amount		Carrying amount	
Syndicate (variable interest)	2020-2021	0.4	10		10	
European Investment Bank (fixed interest)	2020-2026	0.8	142		146	
International Finance Corporation (variable interest)	2020-2026	1.4	60			
Committed facilities (variable interest)	2020-2021				77	
Borrowings from credit institutions				**212**		**233**
Private Placement (fixed interest)	2020	5.7			118	
Private Placement (fixed interest)	2022	4.0	65		71	
Private Placement (fixed interest)	2024	4.2	120		130	
Private Placement (fixed interest)	2020-2027	4.0	117		146	
Borrowings from institutional investors				**302**		**465**
Green bonds (fixed interest)	2021-2026	1.4	300		300	
Borrowings from holders of green bonds				**300**		**300**
Euro commercial paper (variable interest)	2020-2021	-0.3	135		275	
Other uncommitted facilities (variable interest)	2020-2021	0.2	40			
Uncommitted facilities				**175**		**275**
Borrowings from member dairy farmers (variable interest)	2020-2021	0.3	16		18	
Bank overdrafts (variable interest)	2020-2021	0.6	123		56	
Capitalised issue costs	2020-2027		-2		-3	
Other interest-bearing borrowings			1		2	
Other				**138**		**73**
Interest-bearing borrowings				**1,127**		**1,346**
Recognised under non-current interest-bearing borrowings				724		835
Recognised under current interest-bearing borrowings				403		511

See Note 21 of the consolidated financial statements for an explanation of the commitments made to credit institutions, institutional investors, green bondholders, uncommitted facilities and member dairy farmers.

The borrowings from member dairy farmers concern three-year deposit loans held by member dairy farmers. These loans are immediately repayable on demand by the member dairy farmers against payment of a penalty interest of 0.25%.

7. Current liabilities

EUR 489 million (2019: EUR 351 million) of the current liabilities concerns a temporary current account with subsidiaries as a result of the sweep of bank positions within FrieslandCampina.

8. Other financial assets and liabilities

	2020	2019
Other financial assets and liabilities		
Cross currency swaps	4	42
Interest rate swaps		1
Commodity swaps	3	
Forward exchange contracts	1	2
Loans issued	10	
Interest receivable		1
	18	**46**
Other financial liabilities		
Cross currency swaps	9	4
Interest rate swaps	1	
Commodity swaps	1	
Forward exchange contracts	2	2
	13	**6**

The cross currency swaps and interest rate swaps are equal to the consolidated financial statements (see Note 22 of the consolidated financial statements). As a result of derivatives arranged with subsidiaries, more forward exchange contracts are recognised in other financial assets or financial liabilities in the company financial statements than in the consolidated financial statements. The contract volumes for the forward exchange contracts are EUR 461 million (2019: EUR 747 million). The granted loan concerns a variable loan with a term to the end of 2030.

9. Financial instruments

FrieslandCampina is sensitive to various financial risks, such as credit risks, interest rate risks, liquidity risks, commodity price risks and currency risks. The notes to the consolidated financial statements contain information regarding FrieslandCampina's exposure to each of these risks and FrieslandCampina's objectives, principles and procedures for managing and measuring these risks, see Note 27 of the consolidated financial statements.

These risks, objectives, principles and procedures for the management and measurement of these risks are correspondingly applicable for the Company financial statements of FrieslandCampina. The following quantitative disclosure is also included.

Fair value

The carrying amounts and the fair value of financial assets and liabilities are stated in the table below. The fair value is the amount that would be received or paid if the receivables and/or liabilities were settled on the reporting date, without further liabilities. The fair value of most of the financial instruments recognised in the statement of financial position is virtually the same as the carrying amount.

	2020		2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets not measured at fair value				
Loans to subsidiaries	1,421	1,421	1,302	1,302
Other receivables	414	414	516	516
Other financial assets (excluding hedging derivatives)	10	10	1	1
	1,845	**1,845**	**1,819**	**1,819**
Financial assets measured at fair value				
Hedging derivatives	8	8	45	45
	8	**8**	**45**	**45**
Financial liabilities not measured at fair value				
Interest-bearing borrowings – fixed rate	744	802	911	962
Interest-bearing borrowings – variable rate	383	384	435	437
Current liabilities to subsidiaries	497	497	351	351
Trade and other payables	7	7	10	10
	1,631	**1,690**	**1,707**	**1,760**
Financial liabilities measured at fair value				
Hedging derivatives	13	13	6	6
	13	**13**	**6**	**6**

10. Commitments and contingencies

Royal FrieslandCampina N.V. has issued statements of liability in conformance with Article 2:403 of the Dutch Civil Code in respect of liabilities resulting from legal acts of FrieslandCampina B.V., FrieslandCampina International Holding B.V. and FrieslandCampina Specialised Nutrition B.V. These entities have a statement of joint and several liability in accordance with Article 2:403 of the Dutch Civil Code, issued to the majority of Dutch subsidiaries.

Royal FrieslandCampina N.V together with the majority of Dutch operating companies forms the Royal FrieslandCampina N.V fiscal unity for corporate income tax purposes. The fiscal unity for value-added tax consists of Zuivelcoöperatie FrieslandCampina U.A., Royal FrieslandCampina N.V, FC C.V. and the active Dutch operating companies. On these grounds the Company is severally liable for the tax liability of the fiscal unity as a whole.

11. Remuneration of the Supervisory Board and the Statutory Directors

The remuneration of members of the Supervisory Board and the Statutory Directors is equal to the remuneration of members of the Supervisory Board and the Executive Board as disclosed in Note 26 of the consolidated financial statements. During the year under review, the two members of the Executive board were employed by the Company.

12. Subsequent events

For information regarding subsequent events, see Note 29 of the consolidated financial statements.

13. Proposed appropriation of profit attributable to the shareholder

The Supervisory Board gave its approval to the Executive Board's proposal to reserve the following amounts of the EUR 265 million profit: EUR 9 million as interest on the Cooperative's loan, EUR 46 million as interest payment to holders of member bonds, EUR 3 million as interest payment for holders of perpetual bonds and to add EUR 207 million to the retained earnings.

Amersfoort, the Netherlands, 19 February 2021

Executive Board
Royal FrieslandCampina N.V.
H.M.A. Schumacher, CEO
J.M. de Bakker, CFO

Supervisory Board
Royal FrieslandCampina N.V.
F.A.M. Keurentjes, Chairman
W.M. Wunnekink, Vice-Chairman
J.W. Addink-Berendsen
W. Dekker
H.T.J. Hettinga
D.R. Hooft Graafland
C.C.H. Hoogeveen
A.A.M. Huijben-Pijnenburg
F. van den Hurk
E. Jellema
A.G.Z. Kemna
H. Schipper
H. Stöcker

Other information

Provisions of the Articles of Association governing profit appropriation

The provisions regarding the appropriation of profit are included in Article 28 of the Articles of Association. These can be summarised as follows: profit will be distributed after adoption of the financial statements showing such distribution to be legitimate. The profit will be at the disposal of the General Meeting of Shareholders. The General Meeting will adopt the Company's reserve policy, as included in Article 27 of the Articles of Association, on a proposal from the Executive Board approved by the Supervisory Board. Distributions chargeable to a reserve may be made on a proposal from the Executive Board, which will be subject to the approval of the Supervisory Board, pursuant to a resolution passed by the General Meeting. Unretained profit will be distributed.

Auditor's assurance report

Independent auditor's report

To: the general meeting and the supervisory board of Royal FrieslandCampina N.V.

Report on the financial statements 2020

Our opinion

In our opinion:
- the consolidated financial statements of Royal FrieslandCampina N.V. together with its subsidiaries ('the Group') give a true and fair view of the financial position of the Group as at 31 December 2020 and of its result and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code;
- the company financial statements of Royal FrieslandCampina N.V. ('the Company') give a true and fair view of the financial position of the Company as at 31 December 2020 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the accompanying financial statements 2020 of Royal FrieslandCampina N.V., Amersfoort. The financial statements include the consolidated financial statements of the Group and the company financial statements.

The consolidated financial statements comprise:
- the consolidated statement of financial position as at 31 December 2020;
- the following statements for 2020: the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows; and
- the notes, comprising significant accounting policies and other explanatory information.

The company financial statements comprise:
- the company statement of financial position as at 31 December 2020;
- the company income statement for 2020; and
- the notes, comprising the accounting policies applied and other explanatory information.

The financial reporting framework applied in the preparation of the financial statements is EU-IFRS and the relevant provisions of Part 9 of Book 2 of the Dutch Civil Code for the consolidated financial statements and Part 9 of Book 2 of the Dutch Civil Code for the company financial statements.

The basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. We have further described our responsibilities under those standards in the section 'Our responsibilities for the audit of the financial statements' of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of Royal FrieslandCampina N.V. in accordance with the 'Wet toezicht accountantsorganisaties' (Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

This report is a translation of the official independent auditor's report in Dutch, signed by J.E.M. Brinkman on 19 February 2021.

Our audit approach

Overview and context

Royal FrieslandCampina N.V. is a dairy company and is through Zuivelcoöperatie FrieslandCampina U.A. owned by the member dairy farmers. The member dairy farmers supply milk and are represented in the supervisory board of FrieslandCampina. These members are important stakeholders of FrieslandCampina and therefore also influenced the materiality setting as included in the paragraph 'Materiality' in this auditor's report. The organisational structure is further explained in the 'Corporate Governance' chapter of the annual report. This structure also has its influence on the management and reporting of the group, and it has its influence on the annual report and our audit approach, for example regarding to purchases of milk and cooperative activities (further explained in the 'This is FrieslandCampina' chapter of the annual report). The Group comprises several components and therefore we considered our group audit scope and approach as set out in the section 'The scope of our group audit'.

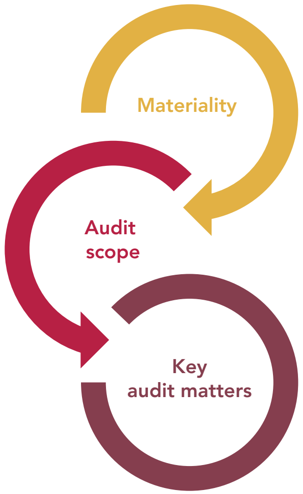
The financial year 2020 was characterised by the announcement of the accelerated execution of the already implemented strategy 'Our purpose, Our plan' and the impact of the strategic restructuring on the financial statements and the audit. The impact on our audit approach is explained below and further described in a key audit matter within the 'Key audit matters' section.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the executive board made important judgements, for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. In the section 'judgements, estimates and assumptions', part of paragraph 'basis of preparation' of the financial statements the executive board describes the key areas of judgement and assumptions. We have identified the strategic restructuring as a key audit matter, because of management's estimates regarding the restructuring provisions and the impairment of the assets. Further, we deem the estimates related to the valuation of goodwill and intangible assets and the valuation of tax positions to be the most significant, and therefore they had the most significant impact on our audit approach. Given the significant estimation uncertainty and the related higher inherent risks of material misstatement and the recoverability of deferred tax liabilities, we considered these matters as key audit matters as set out in the section 'Key audit matters' of this report.

An area of focus in our audit, which was not identified as a key audit matter, was the impact of the corona pandemic. The direct and indirect consequences of the corona pandemic had an impact on economic activities and market conditions and therefore also had an impact on the accelerated execution of the strategic restructuring, for which we have identified a key audit matter. The impact of the corona pandemic on our audit process has been limited. The measures related to the corona pandemic have resulted in our audit being carried out mainly through digital collaboration. We have been able to perform the necessary on-site observations (such as inventory counts) and therefore the measures related to the corona pandemic did not significantly affect our audit. As in all of our audits, we also addressed the risk of management override of controls, including evaluating whether there was evidence of bias by the executive board that may represent a risk of material misstatement due to fraud.

We ensured that the audit teams at both group and component level included the appropriate skills and competences which are needed for the audit of a global dairy company. We therefore included experts and specialists in the areas of IT systems, valuation of goodwill and other fixed assets, (international) taxes, financial instruments and long-term employee benefits in our team.

The outline of our audit approach was as follows:



Materiality
- Overall materiality: €45 million.

Audit scope
- We conducted audit work in nineteen components in fifteen locations.
- Due to travel restrictions as result of the corona pandemic, we did not visit any countries in relation to our 2020 audit. Alternatively, we have held video conference calls with the component auditors, management of both shared service centers in Hungary and Malaysia and management of the components in Russia, Nigeria, Germany, China, Hong Kong, Pakistan and Indonesia.
- Audit coverage: 83% of consolidated revenue, 89% of consolidated total assets and 90% of consolidated profit before tax.

Key audit matters
- Impact strategic restructuring.
- Valuation of goodwill and intangible assets.
- Valuation of tax positions.

Materiality

The scope of our audit is influenced by the application of materiality, which is further explained in the section 'Our responsibilities for the audit of the financial statements'.

Based on our professional judgement we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below.

These, together with qualitative considerations, helped us to determine the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and to evaluate the effect of identified misstatements, both individually and in aggregate, on the financial statements as a whole and on our opinion.

Overall group materiality	€45 million (2019: €45 million).
Basis for determining materiality	We used our professional judgement to determine overall materiality. As a basis for our judgement we used 1.5% of the compensation to the member dairy farmers for milk supply. The materiality benchmark is consistent with prior year, based on our professional judgement and the common information need of the users, the materiality is maximised at €45 million.
Rationale for benchmark applied	The benchmark is based on our analysis of the common information needs of users of the financial statements. On this basis, we believe that the compensation to the members for milk supply is an important metric for the financial performance of the company.
Component materiality	To each component in our audit scope, we, based on our judgement, allocate materiality that is less than our overall group materiality. Certain components were audited with a local statutory audit materiality that was also lower than our overall group materiality.

We also take misstatements and/or possible misstatements into account that, in our judgement, are material for qualitative reasons.

We agreed with the supervisory board that we would report to them misstatements identified during our audit above €1 million (2019: €1 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

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The scope of our group audit

Royal FrieslandCampina N.V. is the parent company of a group of entities. The financial information of this group is included in the consolidated financial statements of Royal FrieslandCampina N.V. The activities of the group have been divided into four business groups: Consumer Dairy, Specialised Nutrition, Ingredients and Dairy Essentials. The execution and coordination of the group audit has been performed along the lines of these four business groups.

We tailored the scope of our audit to ensure that we, in aggregate, provide sufficient coverage of the financial statements for us to be able to give an opinion on the financial statements as a whole, taking into account the management structure of the Group, the nature of operations of its components, the business processes and internal controls and the markets in which the components of the group operate. In establishing the overall group audit strategy and plan, we determined the type of work required to be performed at component level by the group engagement team and by each component auditor.

In determining the scope of our group audit, we have considered the following important elements of the internal control environment of the Group:

- Internal Control Framework: during the coordination of our group audit we instructed the component teams to, where relevant for the audit, make use of the Internal Control Framework and to report to us their observations regarding the design and effectiveness thereof. In circumstances where it was not deemed effective or efficient to rely on the internal control framework of the group, additional substantive procedures have been performed to obtain sufficient and appropriate audit evidence.
- Central IT systems: FrieslandCampina implements one global ERP-system in most of the countries. The majority of the IT-systems of the group are operated centrally. With support of our IT-specialists we have tested the IT General Controls (ITGCs) and IT-dependencies of the central ERP-system. During this audit some non-significant findings were identified, which have been addressed by additional substantive procedures. We have shared the results of our audit procedures with the component teams.
- Shared Service Centers: FrieslandCampina has multiple Shared Service Centers worldwide. In 2020 the majority of the administration for the Dutch subsidiaries was performed in the Dutch Shared Service Center and this Shared Service Center was therefore audited by the group team. The Shared Service Centers in Malaysia and Hungary are audited by component teams and they report the results of their work to the various component audit teams.
- To give direction to our audit we took notice of the results of the work performed and the reports of Corporate Internal Audit. We do not rely on their work, but where relevant we used their results for our risk assessment.

In determining the scope of the group audit, we have considered, apart from the above-mentioned elements, the relative share of the individual components and the risk profile of these components. We marked the Dutch component as significant, none of the other components have been marked as significant based on their size or risk profile. Next to the significant component, we subjected seventeen components to audits of their complete financial information to gain sufficient coverage over the financial statements line items. Additionally, for one component we performed specific audit procedures to achieve appropriate coverage over individual financial statements line items. In total we performed audit procedures at nineteen components in fifteen countries.

In total, in performing these procedures, we achieved the following coverage on the financial line items:

Revenue	83%
Total assets	89%
Profit before tax	90%

None of the remaining components represented more than 2% of total group revenue or total group assets. For those remaining components we performed, among other things, analytical procedures to corroborate our assessment that there were no significant risks of material misstatements within those components.

The group engagement team performed the audit work for the Dutch activities. In addition, the group team performed the audit procedures with respect to the consolidation, the restructuring provisions, the valuation of goodwill and intangible assets and significant estimates with respect to uncertain tax positions as well as the disclosures in the financial statements.

We have engaged component auditors to audit foreign components.

Where component auditors performed the work, we determined the level of involvement we needed to have in their audit work to be able to conclude whether we had obtained sufficient and appropriate audit evidence as a basis for our opinion on the consolidated financial statements as a whole.

We issued instructions to the component audit teams that were in our audit scope. We held regular conversations with the component audit teams to discuss the risks, the audit approach, the progress of the audit and, based on the reports, the findings and conclusions received from the component audit teams. Where we deemed necessary, we have expanded this by including file reviews to evaluate the quality of the work performed. Closing meetings were held with the financial directors and auditors of the business groups about the financial results, the (important) estimates used and the findings from the audit.

Due to the international travel restrictions related to the corona pandemic, unlike previous years, we did not visit components of group entities for the 2020 audit, but instead held video conference calls. For the 2020 financial year, we held at least two video conference calls with the component audit teams that were part of our group audit. We also attended video conference calls with local management for the shared service centers in Hungary and Malaysia and the components in Russia, Nigeria, Germany, China, Hong Kong, Pakistan and Indonesia. Based on our experience with the component audit teams from previous years, the increased frequency of contacts and additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence on the group's financial information, as a whole, to provide a basis for our opinion on the financial statements.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements. We have communicated the key audit matters to the supervisory board. The key audit matters are not a comprehensive reflection of all matters identified by our audit and that we discussed. In this section, we described the key audit matters and included a summary of the audit procedures we performed on those matters.

In line with 2019, the valuation of goodwill and intangible assets and the valuation of tax positions have been identified as key audit matters in 2020. In addition, the impact of the strategic restructuring has been added to the key audit matters in 2020.

We addressed the key audit matters in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide separate opinions on these matters or on specific elements of the financial statements. Any comment or observation we made on the results of our procedures should be read in this context.

Key audit matter	Our audit work and observations
Impact strategic restructuring	Impact strategic restructuring
See notes 5, 8 and 20 of the financial statements	
FrieslandCampina decided during 2020 to accelerate the execution of their strategy 'Our purpose, Our plan' that was started in 2018. As part of this, a number of divestments and reorganisations are in progress or announced.	As a group team, we discussed the restructuring programs with management and took note of the plans and forecasts and performed analysis on these plans and forecasts.
Restructuring provisions Partly due to the restructuring, €67 million of reorganisation costs was recognised by FrieslandCampina in 2020. The most significant restructuring provisions are related to: • the restructuring of the Heilbronn and Cologne production facilities (Germany); • the transfer of the operations of the financial shared service center in Wolvega (the Netherlands) to Budapest (Hungary); • the closure of the production facilities in Genk (Belgium). The restructuring provisions result in future cash outflows and are included for the most likely outcome and determined on the basis of social plans and source data. Management considered assumptions such as the number of employees, expected reassignments, natural attrition and the moment of the outgoing cash flows. The calculations of the restructuring provisions are based on available employee data (such as employment history and salary data).	**Restructuring provisions** We tested the calculations prepared by management for the most significant restructuring provisions, the restructuring in Heilbronn and Cologne, the transfer of the financial shared service center in Wolvega to Budapest and the closure of the production facilities in Genk. Regarding reorganisation programs, our work consisted of testing the accuracy and completeness of the calculations and reconcile and test the underlying data (including employment history and salary data). We have tested the assumptions (such as number of employees, redeployment factors, natural attrition and moment of outgoing cash flows) for the provisions based on the reorganisation plans and our knowledge of the organisation and activities. We also determined that the recognised restructuring provisions meet the criteria for recognition of IFRS (IAS 37) based on the underlying social plans, the announcements and the internal communication with which a justified expectation about the restructuring has been created. We have determined that the required disclosures regarding this provision and transactions are sufficiently included in the 2020 financial statements. Our audit procedures did not lead to significant findings.

Key audit matter	Our audit work and observations
Impairment of assets With regard to tangible fixed assets, management assesses whether there are circumstances that warrant the performance of impairment tests. The restructuring led to impairment tests and ultimately to €43 million in impairments of property, plant and equipment, of which the most significant concerned the restructuring of the Heilbronn and Cologne production facilities in Germany and the intended closures of the production sites in Dronrijp and Rijkevoort. Management has determined the recoverable amount for these impairment tests. For an asset, the recoverable amount is the higher of its value in use and its fair value less costs to sell. The value in use is determined on the basis of the assumptions in the budget and the multi-year plans, taking into account the remaining role of the assets or the business unit in milk processing. Fair value is determined on the basis of the assumed proceeds from sale less costs to sell. Based on further analysis for impairment, management concluded that no further impairment charges needed to be recognised. The impact of the restructuring and announcements is explained, among other things, in the report of the executive board. We have identified this as a key audit matter because important estimates by management underlie the restructuring provisions and the valuation of the assets.	**Impairment of assets** We have reviewed management's process and analysis of indications that give rise to impairment and discussed with management. We have obtained the calculations of the recoverable amount for the impairment losses with regard to the production facilities in Heilbronn and Cologne, Dronrijp and Rijkevoort and tested the assumptions (such as the fair value or remaining value in use based on the budget and the multi-year plans) with the plans of management. We also tested the residual value of the assets based on the available valuation reports and/or the underlying budgets, plans and reports of management. To test management's ability to make accurate estimates, we also compared estimates of previous closures and restructuring to the realised value and found no material differences. We have established the reconciliation with the asset registers with regard to the remaining book value of assets. We also went through the minutes of meetings of the executive board, the audit committee and the supervisory board and questioned management about the existence of other possible circumstances that give rise to impairment tests. We also tested management's analyses based on underlying budgets, plans and management's internal reports. Our audit procedures did not lead to significant findings.

This report is a translation of the official independent auditor's report in Dutch, signed by J.E.M. Brinkman on 19 February 2021.

Key audit matter	Our audit work and observations
Valuation of goodwill and intangible assets	Valuation of goodwill and intangible assets

Refer to note 9 of the financial statements

Valuation of goodwill

The group recorded €1,084 million of goodwill related to historical acquisitions. The goodwill is subject to an annual impairment test at the level of individual business groups. The valuation of goodwill is complex and involves management's estimates, which are inherently uncertain. Given the material impact of goodwill, any change in the assumptions, based on their sensitivity, could have a significant effect on the financial statements. Based on this we consider the valuation of goodwill to be a key audit matter.

The valuation of goodwill is tested based on the value in the use, which is based on the discounted cash flows. The most important assumptions for testing the valuation are the discount rate, the long-term growth rate, the gross margin growth rate and the developments in results.

Within the model, compensation for the role that mainly Dairy Essentials has in processing the members' milk ('cooperative role') is considered. The compensation from other business groups is to cover the losses on mainly basic dairy products as a result of the fact that all milk supplied by the member farmers has to be processed. This allocation is subject to management estimates. Financial results from those activities that have a cooperative role are being allocated to the other business groups based on the volume of milk from member farmers that they process.

Valuation of goodwill

We have tested the valuation methodology, the assumptions applied in the goodwill impairment model and we have tested the underlying calculations. Together with the valuation specialists, we have tested the discount rate and long-term growth rate with available market information (such as market interest rate and inflation) as well as our own independent assessment. We noted no significant findings. The gross margin growth rate and result developments are reconciled to the budget and management forecasts (budget 2021 and the long-term plans until 2023). The decrease of FrieslandCampina's results did not lead to an impairment, however, led to a decrease of the headroom compared to 2019.

We assessed the outcome of prior year estimates in order to identify potential risks. In addition, we verified the process regarding budgeting and forecasting. We have tested management's budget and forecasts by comparing them to historical results, external information and market outlooks. The estimations as made by management are consistent and in line with our expectations.

We inquired with management regarding the allocation method of the compensation between the business groups, we verified this with underlying supporting evidence. We paid specific attention to confirm that losses are allocated to other business groups based on an accurate and consistent manner and reflect the economic reality. We did not find exceptions.

Based on our procedures we conclude that the disclosures include the required information regarding estimates, assumptions and sensitivities.

Key audit matter	Our audit work and observations
Valuation of intangible assets The intangible assets other than goodwill are tested by management for triggering events that might result in an impairment. We paid specific attention to the valuation given the dynamics within this international group and the declining operational results.	**Valuation of intangible assets** For the valuation of intangible assets other than goodwill, we have tested management's assessment based on underlying budgets, plans and reports and verified the consistency of the assumptions with those used in the goodwill impairment model. Our procedures confirmed that the disclosures include the required information regarding the assumptions and estimations.

Key audit matter	Our audit work and observations
Valuation of tax positions	Valuation of tax positions
Valuation of tax positions **Refer to note 7, 19 and 24 of the financial statements** The group has subsidiaries in several countries and is therefore subject to local tax legislation. In the paragraph 'Taxes' of the annual report FrieslandCampina's approach towards tax positions is described. Because of the complexity of multiple local tax regimes, the determination and local acceptance of internal transfer pricing is difficult. The determination can have an impact on the local fiscal results and taxes payable. The recognition and valuation of tax positions is subject to judgement as it involves interpretation of local tax legislation (including the local acceptance of the internal transfer prices as applied by FrieslandCampina). The outcome of legal cases in the relevant tax jurisdictions is difficult to predict and can therefore deviate from the estimation. The assumptions of the budgets used are also important for the recognised tax positions. Given that the tax positions are material and are inherently uncertain, a significant risk of inaccurate internal transfer prices and inaccurate valuation of tax positions exists. Based on this we consider this a key audit matter for our audit.	**Valuation of tax positions** We conducted the audit together with international tax specialists. Our procedures consisted of, amongst other, a risk assessment, including the evaluation of the outcome of estimations that were made by management in prior years. We tested the accuracy of the internal transfer prices by evaluation of the correspondence from the tax authorities, evaluation of internal transfer pricing documentation and tax legislation combined with our own independent analysis. Our procedures were focused on determining whether the legal processes in the relevant tax jurisdictions will lead to a tax liability or provision in the financial statements. For this purpose, we assessed correspondence with the tax authorities, and we prepared our own independent analysis, with support of our international tax specialists, to assess the status and treatment of the procedures. We compared management's calculation with our calculation and determined that management's assessment is acceptable. For the valuation, we have tested the underlying assumptions by reconciling these with budgets and forecasts. We determined the accuracy of the information related to local tax regimes such as tax rates and the length of the period in which historical tax losses can be settled. We verified the consistency of the budgets and forecasts used with those that were used as a basis for the valuation of goodwill and other intangible assets. We did not identify issues from our audit procedures. In addition to this, we have verified whether the required disclosures for the tax positions are adequately disclosed in the financial statements in notes 19 and 24 of the financial statements.

This report is a translation of the official independent auditor's report in Dutch, signed by J.E.M. Brinkman on 19 February 2021.

Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- this is FrieslandCampina;
- report of the Executive Board;
- corporate governance;
- the other information;
- overviews; and
- appendices.

Based on the procedures performed as set out below, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains the information that is required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained in our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing our procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of such procedures was substantially less than the scope of those performed in our audit of the financial statements.

The executive board is responsible for the preparation of the other information, including the directors' report and the other information in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Our appointment

On 30 April 2015, we were, based on nomination of the supervisory board, appointed as auditors of Royal FrieslandCampina N.V. by the general meeting. This appointment is reconfirmed on an annual basis by the general meeting. We have been auditors of the company for a total period of uninterrupted engagement of five years.

Responsibilities for the financial statements and the audit

Responsibilities of the executive board and the supervisory board for the financial statements

The executive board is responsible for:

- the preparation and fair presentation of the financial statements in accordance with EU-IFRS and with Part 9 of Book 2 of the Dutch Civil Code; and for
- such internal control as the executive board determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the executive board is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the executive board should prepare the financial statements using the going-concern basis of accounting unless the executive board either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. The executive board should disclose events and circumstances that may cast significant doubt on the Company's ability to continue as a going concern in the financial statements.

The supervisory board is responsible for overseeing the Company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high but not absolute level of assurance, which makes it possible that we may not detect all material misstatements.

Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A more detailed description of our responsibilities is set out in the appendix to our report.

Amsterdam, 19 February 2021

PricewaterhouseCoopers Accountants N.V.

Original Dutch version signed by J.E.M. Brinkman RA

This report is a translation of the official independent auditor's report in Dutch, signed by J.E.M. Brinkman on 19 February 2021.

Appendix to our auditor's report on the financial statements 2020 of Royal FrieslandCampina N.V.

In addition to what is included in our auditor's report, we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

The auditor's responsibilities for the audit of the financial statements

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit consisted, among other things of the following:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the intentional override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the executive board.
- Concluding on the appropriateness of the executive board's use of the going-concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Considering our ultimate responsibility for the opinion on the consolidated financial statements, we are responsible for the direction, supervision and performance of the group audit. In this context, we have determined the nature and extent of the audit procedures for components of the Group to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole. Determining factors are the geographic structure of the Group, the significance and/or risk profile of group entities or activities, the accounting processes and controls, and the industry in which the Group operates. On this basis, we selected group entities for which an audit or review of financial information or specific balances was considered necessary.

We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. From the matters communicated with the supervisory board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

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Assurance report of the independent auditor

To: the executive board and supervisory board of Royal FrieslandCampina N.V.

Assurance report on the sustainability information 2020

Our conclusion

Based on our procedures performed nothing has come to our attention that causes us to believe that the sustainability information included in the annual report 2020 of Royal FrieslandCampina N.V. does not present, in all material respects, a reliable and adequate view of:

- the policy and business operations with regard to corporate social responsibility; and
- the thereto related events and achievements for the year ended 31 December 2020

in accordance with the Sustainability Reporting Standards of the Global Reporting Initiative (GRI) and the applied supplemental reporting criteria as included in the section 'reporting criteria'.

What we have reviewed

We have reviewed the sustainability information included in the the annual report for the year ended 31 December 2020, as included in the following sections in the annual report (hereafter: "the sustainability information"):

- This is FrieslandCampina
- 2020 Key Figures
- A word from the CEO
- Nourishing by nature
- Creating value
- In dialogue with our stakeholders
- Report of the Executive Board, with exception of paragraphs 'Outlook 2021', 'Risk Management', 'Management Statement' and 'Statement of Executive Responsibility';
- Appendices 'HR Data'.

The sustainability information comprises a representation of the policy and business operations of Royal FrieslandCampina N.V., Amersfoort (hereafter: "FrieslandCampina") with regard to corporate social responsibility and the thereto related business operations, events and achievements for the year ended 31 December 2020.

The basis for our conclusion

We have performed our review in accordance with Dutch law, which includes the Dutch Standard 3810N 'Assuranceopdrachten inzake maatschappelijke verslagen' ('Assurance engagements on corporate social responsibility reports'), which is a specified Dutch Standard that is based on the International Standard on Assurance Engagements (ISAE) 3000 'Assurance Engagements other than Audits or Reviews of Historical Financial Information'. This review is aimed at obtaining a limited level of assurance. Our responsibilities under this standard are further described in the section 'Our responsibilities for the review of the sustainability information' of this assurance report.

We believe that the assurance evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Independence and quality control

We are independent of FrieslandCampina in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO – Code of Ethics for Professional Accountants, a regulation with respect to independence) and other for the engagement relevant independence requirements in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA – Dutch Code of Ethics).

We apply the 'Nadere voorschriften kwaliteitssystemen' (NVKS – Regulations for quality systems) and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with

Please note: this review report is an unofficial translation of the official review report in Dutch, signed by J.E.M. Brinkman on 19 February 2021.

ethical requirements, professional standards and other relevant legal and regulatory requirements.

Reporting criteria

The sustainability information needs to be read and understood in conjunction with the reporting criteria. The executive board of FrieslandCampina is solely responsible for selecting and applying these reporting criteria, taking into account applicable law and regulations related to reporting.

The reporting criteria used for the preparation of the sustainability information are the Sustainability Reporting Standards of the Global Reporting Initiative (GRI) and the applied supplemental reporting criteria, as disclosed in appendices 'Glossary' and 'Disclosure' of the annual report. The absence of an established practice on which to draw, to evaluate and measure non-financial information allows for different, but acceptable, measurement techniques and can affect comparability between entities and over time.

Limitations to the scope of our review

The sustainability information includes prospective information such as expectations on ambitions, strategy, plans and estimates and risk assessments. Inherently, the actual results are likely to differ from these expectations. These differences may be material. We do not provide any assurance on the assumptions and the achievability of prospective information in the sustainability information.

The links to external sources or websites in the sustainability information are not part of the sustainability information reviewed by us. We do not provide assurance over information outside of this annual report.

Responsibilities for the sustainability information and the review

Responsibilities of the executive board and the supervisory board

The executive board of FrieslandCampina is responsible for the preparation of reliable and adequate sustainability information in accordance with the reporting criteria as included in section 'reporting criteria', including the identification of stakeholders and the definition of material matters. The choices made by the executive board regarding the scope of the sustainability information and the reporting policy are summarized in appendices 'Glossary' and 'Disclosure' of the annual report. The executive board is responsible for determining that the applicable reporting criteria are acceptable in the circumstances.

The executive board is also responsible for such internal control as the executive board determines is necessary to enable the preparation of the sustainability information that is free from material misstatement, whether due to fraud or errors.

The supervisory board is responsible for overseeing the company's reporting process on the sustainability information.

Our responsibilities for the review of the sustainability information

Our responsibility is to plan and perform the review engagement in a manner that allows us to obtain sufficient and appropriate assurance evidence to provide a basis for our conclusion.

Procedures performed to obtain a limited level of assurance are aimed to determine the plausibility of information and vary in nature and timing from, and are less in extent, than for a reasonable assurance engagement. The level of assurance obtained in review engagements is therefore substantially less than the assurance obtained in audit engagements.

Procedures performed

We have exercised professional judgement and have maintained professional scepticism throughout the review, in accordance with the Dutch Standard 3810N, ethical requirements and independence requirements.

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Our procedures included amongst others:

- Performing an analysis of the external environment and obtaining insight into relevant social themes and issues and the characteristics of the company.
- Evaluating the appropriateness of the reporting criteria used, their consistent application and related disclosures in the sustainability information. This includes the evaluation of the results of the stakeholders' dialogue and the reasonableness of estimates made by the executive board.
- Obtaining an understanding of the reporting processes for the sustainability information, including obtaining a general understanding of internal control relevant to our review.
- Identifying areas of the sustainability information with a higher risk of misleading or unbalanced information or material misstatement, whether due to fraud or errors. Designing and performing further assurance procedures aimed at determining the plausibility of the sustainability information responsive to this risk analysis. These procedures consisted amongst others of:
  - Interviewing management (and/or relevant staff) at corporate (and business/division/cluster/local) level responsible for the sustainability strategy, policy and results;
  - Interviewing relevant staff responsible for providing the information for, carrying out internal control procedures on, and consolidating the data in the sustainability information.
  - Visiting locations aimed at, on a local level, validating source data and evaluating the design and implementation of internal controls and validation procedures. We have performed (digital) site visits to a member-dairy farm and a production location in The Netherlands.
  - Obtaining assurance evidence that the sustainability information reconciles with underlying records of the company;
  - Reviewing, on a limited test basis, relevant internal and external documentation;
  - Performing an analytical review of the data and trends in the information submitted for consolidation at corporate level.
- Reconciling the relevant financial information with the financial statements.
- Evaluating the consistency of the sustainability information with the information in the annual report, which is not included in the scope of our review.
- Evaluating the presentation, structure and content of the sustainability information;
- To consider whether the sustainability information as a whole, including the disclosures, reflects the purpose of the reporting criteria used.

We communicate with the supervisory board on the planned scope and timing of the engagement and on the significant findings that result from our engagement.

Amsterdam, 19 February 2021

PricewaterhouseCoopers Accountants N.V.

Original Dutch version signed by J.E.M. Brinkman RA

Please note: this review report is an unofficial translation of the official review report in Dutch, signed by J.E.M. Brinkman on 19 February 2021.

Overviews

Financial history

In millions of euros, unless stated otherwise

	2020	2019[4]	2018	2017	2016
Key figures					
Income statement					
Revenue	11,140	11,297	11,553	12,110	11,001
Operating profit	268	432	342	444	563
Profit for the year	79	278	203	227	362
Milkprice[1]					
Guaranteed price[2]	34.46	35.66	36.05	37.96	28.38
Supplementary cash payment[3]		1.07	0.46	1.03	2.19
Issue of member bonds		0.31	0.13	0.30	1.25
Meadow milk premium	0.66	0.65	0.63	0.60	0.29
Company contribution to Foqus Planet	0.24				
Special supplements	0.36	0.26	0.16	0.12	0.15
Milk price	35.72	37.95	37.43	40.01	32.26
Financial position					
Balance sheet total	8,716	9,049	8,823	9,046	9,318
Equity attributable to shareholder	1,573	1,463	1,304	1,287	1,309
Equity attributable to providers of capital	3,517	3,450	3,260	3,229	3,221
Net debt	1,091	1,278	1,287	1,400	1,225
Cash flows					
Net cash flows from operating activities	737	567	619	418	850
Net cash flows used in investing activities	–443	–185	–490	–414	–955
Depreciation of plant and equipment and amortisation of intangible assets	456	441	362	368	307
Additional information					
Equity as a % of total assets	40.4	38.1	36.9	35.7	34.6
Employees (average number of FTEs)	23,877	23,816	23,769	23,675	21,927
Milk supplied by members (in millions of kg)	10,064	10,020	10,375	10,716	10,774

1 In Euros per 100 kgs of milk.
2 Excluding VAT for 2020 at 3.57% protein, 4.42% fat and 4.53% lactose. For prior years at 3.47% protein, 4.41% fat and 4.51% lactose.
3 As a result of changes to the legal structure, the performance premium was changed into a supplementary cash payment effective from 1 January 2020.
4 IFRS16 – Leases has been applied effective from 2019, as a result of which the net debt and the balance sheet total, among others, have increased.

Milk price overview

In euros per 100 kilos of milk

	2020	2019
Fat price	12.22	12.84
Protein price	19.74	20.20
Lactose price	2.50	2.62
Guaranteed price[1]	**34.46**	**35.66**
Supplementary cash payment[2]		1.07
Meadow milk premium[3]	0.66	0.65
Company contribution to Foqus planet[4]	0.24	
Special supplements[5]	0.36	0.26
Cash price	**35.72**	**37.64**
Issue of member bonds		0.31
Milk price	**35.72**	**37.95**
Interest member bonds	0.46	0.47
Retained earnings[6]	–0.46	1.58
Performance price	**35.72**	**40.00**

1 Excluding VAT in 2020 at 3.57% protein, 4.42% fat and 4.53% lactose and in 2019 at 3.47% protein, 4.41% fat and 4.51% lactose.
2 As a result of changes to the legal structure, the performance premium was changed into a supplementary cash payment effective from 1 January 2020.
3 Member dairy farmers applying pasture grazing receive a 1.50-euro meadow milk premium per 100 kilos of milk for 2020. An amount of 1.00 euro per 100 kilos of meadow milk is paid from the operating profit. On average, on all FrieslandCampina member milk, this amounts to 0.66 euro per 100 kilos of milk.
4 Member dairy farmers will receive a Foqus planet contribution of EUR 24 million for 2020 through means of a generic allowance of EUR 0.125 per 100 kilos of milk and an amount for sustainable development. On average, on all FrieslandCampina member milk, this amounts to EUR 0.24 per 100 kilos of milk.
5 Special supplements concern the total amount of payments per 100 kilos of milk of Landliebe milk, the VLOG premium and On the Way to PlanetProof, and the difference between the guaranteed price paid for organic milk and the guaranteed price paid.
On average, on all FrieslandCampina member milk, this amounts to EUR 0.36 per 100 kilos of milk.
6 Inclusive of equity from non-controlling interests that is directly attributable to the shareholder.

Supervisory Board

Frans (F.A.M.) Keurentjes (1957)

Position Chairman of the Supervisory Board of Royal FrieslandCampina N.V., Chairman of the Board of Zuivelcoöperatie FrieslandCampina U.A.
Nationality Dutch
Profession Dairy Farmer
Other positions Member of the Executive Board of Top Agri & Food Sector, Chairman of Noordelijk Landbouw Beraad [Northern Agricultural Consultation Board], Member of the Agricultural Tenancies Authority North, Member of the Board of NCR (National Cooperative Council)

Sandra (J.W.) Addink-Berendsen (1973)

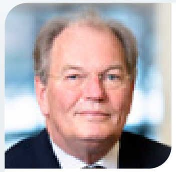
Position Member of the Supervisory Board of Royal FrieslandCampina N.V., Member of the Board of Zuivelcoöperatie FrieslandCampina U.A.
Nationality Dutch
Profession Dairy Farmer
Other positions Member of the Supervisory Board of ForFarmers N.V., Member of the Supervisory Board of Alfa Top-Holding B.V.

Hans (H.T.J.) Hettinga (1959)

Position Member of the Supervisory Board of Royal FrieslandCampina N.V., Member of the Board of Zuivelcoöperatie FrieslandCampina U.A.
Nationality Dutch
Profession Dairy Farmer
Other positions CDA Chairman Súdwest-Fryslân Municipal Council

Erwin (W.M.) Wunnekink (1970)

Position Vice-chairman of the Supervisory Board of Royal FrieslandCampina N.V., Vice-chairman of the Board of Zuivelcoöperatie FrieslandCampina U.A
Nationality Dutch
Profession Dairy Farmer
Other positions Member of the Supervisory Board of ForFarmers N.V.



Wout (W.) Dekker (1956)

Position Member of the Supervisory Board of Royal FrieslandCampina N.V.
Nationality Dutch
Other positions Chairman of the Supervisory Board of Randstad N.V., Member of the Supervisory Board of SHV Holdings N.V., Member of the Supervisory Board of Pon Holdings B.V., Managing Director of Women on Wings

René (D.R.) Hooft Graafland (1955)

Position Member of the Supervisory Board of Royal FrieslandCampina N.V.
Nationality Dutch
Other positions Member of the Supervisory Board of Royal Ahold Delhaize N.V., Chairman of the Supervisory Board Lucas Bols N.V., Chairman of the Board of the African Parks Foundation, Chairman of the Board of the Carré Fonds, Member of the Corporate Governance Code Monitoring Committee

Cor (C.C.H.) Hoogeveen (1962)

Position Member of the Supervisory Board of Royal FrieslandCampina N.V., Member of the Board of Zuivelcoöperatie FrieslandCampina U.A.
Nationality Dutch
Profession Dairy Farmer
Other positions None

Frans (F.A.M.) van den Hurk (1967)

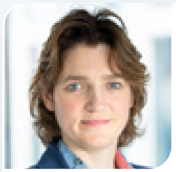
Position Member of the Supervisory Board of Royal FrieslandCampina N.V., Member of the Board of Zuivelcoöperatie FrieslandCampina U.A.
Nationality Dutch
Profession Dairy Farmer
Other positions None

Angelien (A.G.Z.) Kemna (1957)

Position Member of the Supervisory Board of Royal FrieslandCampina N.V.
Nationality Dutch
Other Positions Non-Executive Director AXA Group S.A., Senior Independent Director AXA Investment Management S.A., Vice-chairman of the Supervisory Board of NIBC N.V., Chairman of the Advisory Council of Ownership Capital B.V., Member of the Future of Finance Advisory Group, CFA Institute

Angelique (A.A.M.) Huijben-Pijnenburg (1968)

Position Member of the Supervisory Board of Royal FrieslandCampina N.V., Member of the Board of Zuivelcoöperatie FrieslandCampina U.A.
Nationality Dutch
Profession Dairy Farmer
Other positions None



Elze (E.) Jellema (1979)

Position Member of the Supervisory Board of Royal FrieslandCampina N.V., Member of the Board of Zuivelcoöperatie FrieslandCampina U.A.
Nationality Dutch
Profession Dairy Farmer
Other positions None

Heiko (H.W.J.) Schipper (1969)

Position Member of the Supervisory Board of Royal FrieslandCampina N.V.
Nationality Dutch
Profession Member of the Board of Management Bayer AG, President of the Consumer Health Division
Other Positions Chairman of the Executive Committee and Board of GSCF

Hans (H.) Stöcker (1964)

Position Member of the Supervisory Board of Royal FrieslandCampina N.V., Member of the Board of Zuivelcoöperatie FrieslandCampina U.A.
Nationality German
Profession Dairy Farmer
Other positions Chairman of the Landesvereinigung Milch NRW, Chairman of the Supervisory Board of Milchverwertungsgesellschaft NRW, Member of the Landschaftsbeirat Oberbergischer Kreis, Member of the Supervisory Board of Raiffeisen Warengenossenschaft Rheinland eG, Chairman of the 'Milch und Kultur Rheinland und Westfalen' association

Audit Committee

Angelien Kemna, Chairman
René Hooft Graafland
Sandra Addink-Berendsen
Angelique Huijben-Pijnenburg

Remuneration & Appointment Committee

Wout Dekker, Chairman
Frans Keurentjes
Erwin Wunnekink

Executive Leadership Team

Executive Board

Hein (H.M.A.) Schumacher (1971)

Position Chief Executive Officer
Appointment 1 January 2018
Nationality Dutch
Responsible for:
Business groups
Cooperative Affairs
Corporate Affairs
Corporate Human Resources
Corporate Internal Audit
Corporate Legal & Company Secretariat
Corporate Research & Development
Corporate Strategy & Transformation
Corporate Supply Chain

Other Positions Chairman of the Dutch Dairy Association (NZO), Member of the Board of AgriNL, Member of the Supervisory Board of The Royal Music Hall, Member of the Supervisory Board of C&A A.G. (effective 25 January 2021)

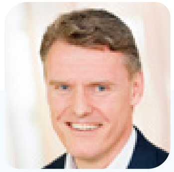
Jaska (J.M.) de Bakker (1970)

Position Chief Financial Officer
Appointment 1 January 2018
Nationality Dutch
Responsible for:
Corporate Finance & Reporting
Corporate Tax
Corporate Treasury
Global Finance Processes & Shared Services, Enterprise Risk Management
Corporate Real Estate and Corporate Internal Control
Corporate Mergers & Acquisitions
Corporate IT, Summit, ERP & PTO

Other positions Member of the Supervisory Board of Ocean Cleanup

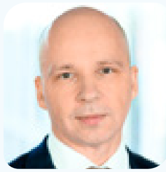
Other ELT members

Roel van Neerbos
President FrieslandCampina Consumer Dairy

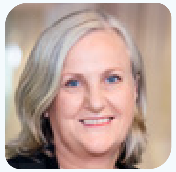


Berndt Kodden
President FrieslandCampina Specialised Nutrition

Hans Meeuwis
President FrieslandCampina Dairy Essentials

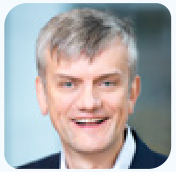


Herman Ermens
President FrieslandCampina Ingredients



Geraldine Fraser
Global Director FrieslandCampina Human Resources

Margrethe Jonkman
Global Director FrieslandCampina Research & Development



Roman Scieszka
Global Director FrieslandCampina Supply Chain

APPENDICES

Key risks & emerging trends

FrieslandCampina is active in a significant number of countries and product-market combinations. As a result, the Company is potentially exposed to a large number of risks and trends. The Executive Board has identified risks that can be considered to be the largest risks on the basis of probability of occurrence and/or impact. The following is an overview of the key risks and trends, including the mitigating measures. These risks are also related to the stakeholder materiality matrix, see page 227.

Key Risks & Emerging Trends	Risk Acceptance	Mitigating Measures
Cyber Security	**Low to none**	
Technologies and processes designed to protect IT networks (computers, programs and data) may not be adequate to protect FrieslandCampina from attacks, damage or unauthorized access. This may result in the disruption of business processes, loss of confidential information, and financial losses and reputational damage. As a result of the coronavirus, cyberactivity in general has increased. The lockdown in many countries have forced staff to work from home (a situation that is likely to be part of the future way of working) while at the same time organised crime has increased the frequency of phishing/malware and fraud attempts using ever smarter, advanced technology. The increased digitalisation (such as *the Internet of Things*) opens up new risks due to the evolving ability of attackers to find holes in the security of ICT system and infrastructure.	The Company accepts minor risks of operational malfunction, provided this does not adversely affect customers or business continuity. FrieslandCampina aims to at all times comply with applicable laws and regulations.	The cyber security plan follows a continuous development and improvement path. A new Security Operations Centre was implemented to prevent, detect and respond to cyber threats. Regular ICT systems maintenance, vulnerability testing, business continuity procedures, e-Learning and awareness campaigns, access management and programmes to reduce conflicts pertaining to separation of duties are in place to increase the security of ICT systems and infrastructure. An extensive ICT network security programme is rolled out to 'ring fence' factories and increase the digital security of the supply chain.

Key Risks & Emerging Trends	Risk Acceptance	Mitigating Measures
Balanced Business Portfolio	**Balanced**	
An unbalanced business portfolio (products, brands, markets, geography, distribution channels) could leave the Company open to substantial fluctuation in business results (e.g. due to economic developments impacting local demand, but also the severe impact of regulatory changes). This can affect (long-term) revenue and profit growth potential. The business portfolio risk is increasing due to the impact of the coronavirus and other geopolitical events in emerging markets and specific product/market segments (i.e. IFT in Hong Kong and China).	The Company is prepared to accept a moderate risk level, as long as the strategic long-term goals are not jeopardised as a result.	The accelerated implementation of the *'Our Purpose, Our Plan 2.0'* strategy focuses on the continuous development of the business portfolio to meet the nutritional demands and emerging customer trends. These initiatives are closely linked with the Company's Innovation roadmap. Furthermore, the expansion of the portfolio has enhanced coverage of certain geographical areas and distribution channels. Partnerships, acquisitions and divestments form an integral part of the portfolio's continuous development.
Financial	**Balanced**	
Various financial risks exist that might impact the financial position of FrieslandCampina leading to an overall excess or shortage of cash and capital, such as exposure to interest rates, currency fluctuations, commodity pricing risks and credit risks. which requires stability of funding (equity vs debt). Execution of the Company's strategy relies on availability of funding like member funding and external financing. External economic circumstances affect the financial position due to a pressure on profits that may lead to an unfavourable development of the financial position of the Company, investment opportunities and growth.	The Company is prepared to accept a moderate impact of external developments on its financial position (indicator: 5%-10% of total EBIT).	Strict procedures for setting targets, preparing budgets and monitoring performance are set to manage working capital, EBIT and cash flows. Covenants have been put in place and are monitored closely. As part of the accelerated *'Our Purpose, Our Plan 2.0'* strategy further initiatives were taken to divest non-core businesses, future proof the member financing and arrange access to external financing, creating a more robust financing structure. This is combined with a strict focus on cash generation and planning. In 2019 FrieslandCampina acquired an external credit rating to secure access to external funding at favourable rates. In 2020 FrieslandCampina floated a hybrid bond on the Dublin stock exchange, thus securing more stable financing. Continuous monitoring of economic developments and scenario analysis are embedded in the financial management process as well as established programmes to hedge the forex and credit risks.

Key Risks & Emerging Trends	Risk Acceptance	Mitigating Measures
Geopolitics and Politics Geopolitical events affecting the Company's ability to operate in certain countries or that have a significant influence on local demand, credit risk and currency volatility. Examples of this include political and social instability, uncertainty due to approaching elections, terrorism, protectionism and import/trade restrictions. A fluid regulatory landscape creates additional challenges. The coronavirus has had a substantial geopolitical impact, ranging from increasing protectionism to closure of borders and lockdowns. In Nigeria the lapse of oil prices has resulted in import restrictions of agricultural products. Furthermore, Brexit also impacted this risk to a certain extent.	**Balanced** The Company is prepared to accept a moderate risk level, as long as the strategic long-term goals are not jeopardised as a result.	Geopolitical events and challenges are managed by further improving FrieslandCampina's External Affairs. It is important to further emphasize FrieslandCampina's values to the local markets and ensure FrieslandCampina has access to relevant local, governmental stakeholders. Business continuity plans (BCP) for the markets with the highest geopolitical risks are being developed, supported by the continuous monitoring of events that can affect the achievement of strategic long-term objectives. For the markets with increased protectionist developments, actions are being implemented to establish alternative routes to market and/or increase regional and local production.
Coordination with Member Dairy Farmers Alignment between the Company, the Cooperative and member dairy farmers is paramount to making and implementing timely decisions and operating decisively in order to be able to compete effectively. In 2020 farmer's protests (across the NL agricultural industry) became more prominent. Specifically issues around sustainability (CO_2, nitrogen, Natura2000 etc.) have raised issues that need to be addressed.	**Balanced** The Company is prepared to accept a moderate risk level, as long as the strategic long-term goals are not jeopardised as a result.	The Company and the Cooperative have established projects and communication programmes to promote a continuous dialogue with each other and with member dairy farmers. In light of the 2020 developments alternative ways of engaging on main topics impacting the industry are being reviewed. A new governance set-up with the Members' Council has been agreed, which enhances the dialogue with specific delegations of member dairy farmers on specific topics.

Key Risks & Emerging Trends	Risk Acceptance	Mitigating Measures
Product quality and food safety Poor product quality or product contamination that constitutes a health hazard to consumers or even a change in the perception of quality by consumers or government organisations can have serious consequences for the Company's reputation and market position. Despite all quality measures taken, this remains a critical inherent risk as a severe food safety incident could have a material impact on the Company.	**None** The Company maintains the highest food quality and food safety standards with a *zero* tolerance policy relating to risk. Consumers' health must not be endangered under any circumstances.	FrieslandCampina's Golden Quality Rules are implemented throughout the world and continuous investments are made in quality at production locations and in campaigns to further reinforce quality awareness. The quality programmes introduced at the Company's own sites, at member dairy farmers and at suppliers are being regularly audited by both internal and external parties. In addition, all programmes are supported by transparent management reporting on quality trends and incidents with ongoing knowledge and leading practice sharing between production sites.
Reputation Reputational damage to the Company or the Dairy sector (as perceived by stakeholder groups) could result in a loss of consumers/customers, loss of market share and revenue in key markets as well as the ability to effectively regain trust. The constant pressure on the dairy sector e.g. by regulatory issues around nitrogen and CO_2 levels in the Netherlands and the reaction of more radicalised farmers impact the reputation of the sector negatively.	**Low to none** The Company is prepared to accept a moderate risk level, as long as the strategic long-term goals are not jeopardised as a result.	The Company is continuously working on global and local sustainability programmes. External affairs teams are proactively involved in communication with stakeholders as well as media tracking and crisis management activities. Initiatives are in place to encourage local and global associations to further develop the dairy agenda, including but not limited to areas such as sustainability, affordable nutrition, heathy diets, specialised nutrition, doing honest business and responsible marketing.

Key Risks & Emerging Trends	Risk Acceptance	Mitigating Measures
Operating Risks As a result of a dependency on the supply chain a breakdown could have major impact. Deficiencies in infrastructure and (price) fluctuations in the supply and availability of raw materials can cause inefficiencies, delays, defective quality and/or increased cost levels.	**Balanced** The Company aims to develop its supply chain capabilities and minimize the impact of any unforeseen breakdowns on its business operations.	The Supply Chain Unlock Programme is significantly improving cost/performance ratios as well as increasing the robustness of FrieslandCampina's supply chain. Most importantly issues in the IFT (i.e. Beilen) supply chain were addressed in 2019 and as a result performance markedly improved in 2020. Investments in Operational Technology improvements (local ICT in the supply chain) are having an impact with stable operating performance and continuity as a result. Long-term sourcing strategies are being put in place for critical raw materials. Development of extensive back-up suppliers and several improvements in the network ensures agility and reliability of the supply chain.
Disasters Natural or man-made disasters, impact of climate change as well as pandemics, animal diseases or other events that are beyond the control of the Company could have a severe impact on the economic situation and customer demand as well as production continuity over a potentially sustained period of time. The coronavirus has had a substantial, unprecedented impact. The impact on the continuity of Company operations has been a learning journey. Some of the Asian locations were affected by natural disasters, such as typhoons and flooding.	**Balanced** The Company is prepared to accept a moderate risk level, as long as the strategic long-term goals are not jeopardised as a result.	FrieslandCampina aims to limit the impact of unforeseen breakdowns on its business operations. The risk of natural disasters, however will always be present, in spite of continuous efforts designed to limit the impact of such events. The contingency and business continuity plans are set up for different sorts of scenarios to minimise disruptions of the supply chain and other operations (e.g. flooding, earthquakes, pandemics, animal diseases). The lessons learned from the corona pandemic are being incorporated into contingency plans. Crisis teams have been established, response plans have been developed and remotely operating the business has been made possible. Lessons learned are extracted to ensure agility of Company operations in the future.

Key Risks & Emerging Trends	Risk Acceptance	Mitigating Measures
Economic Situation	**Balanced**	
Deteriorating economic conditions (e.g. economic slowdown, recessions, high inflation, currency devaluation, higher unemployment rates) that threaten the purchasing power of consumers (who switch to private labels as a result) and affect the business health of customers/B2B counterparts and partners. Negative economic developments can have a direct impact on the Company's profitability and financial position. The coronavirus has had and will continue to have an economic impact for the next 2-3 years. In particular the impact was already experienced in Nigeria (drop in demand of oil, impacting US Dollars flow into Nigeria, further impacting consumer spending power) and in the hospitality sector.	The Company is prepared to accept a moderate risk level, as long as the strategic long-term goals are not jeopardised as a result.	As a result of the corona crisis, credit management activities increased, and the organisation worked with customers globally to address credit and payment issues with a long term view in mind. The Dairy Development Program was extended with the establishment of a local dairy farm in Nigeria. Thus supporting Nigeria's wish to be able to limit import of agricultural products in the long term. The accelerated implementation of the *Our Purpose, Our Plan 2.0* strategy addresses several areas to make FrieslandCampina more robust in the long term.

Stakeholder dialogue

FrieslandCampina is continuously in dialogue with a wide range of stakeholders with diverging interests. These discussions take place by employees at all levels within the organisation and often form part of their daily work. The table below provides an overview of the stakeholders with which FrieslandCampina maintained contact in 2020, the subjects of discussion and the actions that arose from this.

Stakeholders	Topics of Discussion	Actions and Outcomes
Non-governmental organisations (NGOs) and interest groups		
Netherlands Dairy Organisation (NZO)	As board member, discussed a wide range of topics affecting the sector, ranging from the CLA to sustainability, quality matters, and nutrition and health.	Communication on various topics, including the power of dairy, cooperation with chain parties, such as the interest group ZuivelNL.
Duurzame Zuivelketen (Sustainable Dairy Chain (DZK))	Discussed matters relating to climate and energy, animal health and animal welfare, pasture grazing, biodiversity and the environment.	Implementation of goals set by the Sustainable Dairy Chain for 2030. Incl. implementation of climate agreement, life cycle management-based agriculture, continuous improvement of animal health and welfare, etc.
BoerenNatuur	Collaboration (via DZK) on the development of a registration system for nature and landscape management by dairy farmers.	Securing nature and landscape criteria for the 'On the way to PlanetProof' market concept. Development of the recognition of herb-rich grasslands using remote sensing technology in cooperation with Wageningen University & Research (WUR).
Global Dairy Platform (GDP)	Cooperation with other dairy companies, associations and academia to demonstrate and communicate the role of dairy in sustainable agriculture – in relation to the SDGs.	Plan prepared to realise this within the partnership.
World Wide Fund for Nature (WWF)	Consultation concerning the Biodiversity Monitor Foundation and consultation on the Biodiversity Recovery Delta Plan.	The Biodiversity Monitor is used in various areas of the Netherlands as a basis for compensating dairy farmers (in cooperation with WWF, Vogelbescherming and Nature Reserves).
Nature Reserves	Development of earnings models for dairy farmers for agricultural nature and landscape management.	Further strengthened commercial cooperation with Nature Reserves. In a number of small areas a group of dairy farmers is actually working together with Nature Reserves as partner for the 'On the way to PlanetProof' market concept.
Fertile Achterhoek and Liemers region circular life cycle (VKA)	Improvement of environmental quality, water management and soil fertility at dairy farms. Discussion of the development of the Market Model – a new regional control model for improving the earnings of dairy farmers.	Partnership with VKA for making the dairy sector sustainable and future-proof.

Stakeholders	Topics of Discussion	Actions and Outcomes
Vogelbescherming (Protection of Birds)	Initiatives to enable land managers and NGOs to support dairy farmers in actively managing the bird population in certain areas of the Netherlands.	Cooperation with the Strengthening Meadow Bird Management Fund in cooperation with BoerenNatuur. The Biodiversity Monitor is used in various areas of the Netherlands as a basis for compensating dairy farmers (in cooperation with WWF, Vogelbescherming and Nature Reserves).
Stichting Natuur & Milieu (Nature & Environment Foundation)	On behalf of NZO, consultation about the contents of the final agreement of the Climate Round Table for Agriculture and Land Use, and consultation in the context of the scenario study concerning the future of agriculture in the Netherlands.	The Climate Agreement. Scenario study.
Greenpeace	On behalf of NZO, consultation about the contents of the final agreement of the Climate Round Table for Agriculture and Land Use. From FrieslandCampina's perspective, consultation on the policy concerning the purchase of palm oil.	The Climate Agreement. Made elaborate information available on website about the purchase and suppliers of palm oil.
Animal Protection	In the context of the Sustainable Dairy Chain's new goals (see Sustainable Dairy Chain (DZK)) discussion of the continuous improvement in animal health and welfare of dairy cows and calves.	Implementation of the new goals of the Sustainable Dairy Chain (DZK).
Agriterra	Deployment of FrieslandCampina employees for the purpose of professionalising customers of Agriterra/dairy and other farming cooperatives in various parts of the world.	Deployment of 6 employees and 1 member dairy farmer of FrieslandCampina during 2 expert missions and 5 online consulting assignments for cooperatives in Africa and Asia.
Dutch Sustainable Growth Coalition	How do we create sustainable growth and how do we continue to be a frontrunner internationally? Expert meetings concerning responsible sourcing in the supply chain, investor relations & reporting.	New earnings models are being created and scaled up. Generated infographics concerning the Circular Economy for Plastics.
Dutch Biorefinery Cluster (DBC)	Refined DBC's mission, strategy and activities. Participation in the development of bio-raw materials roadmap.	Developed Water position paper. Developed visuals for circular agriculture for affiliated chain companies.
JOGG	Support for lifestyle education programmes.	Implementation of the Everyone Fit at School platform (to the end of June).
Platform Sterke Botten (Strong Bones Platform)	Focusing attention on the importance of strong bones.	FrieslandCampina is a partner of the Strong Bones Platform; support of educational item on healthy bones, nutrition and exercise in Corpus.
Access to Nutrition Foundation	Policy, management system, implementation and publication relating to nutrition and the marketing of breast milk substitutes (BMS).	Provided input in support of the Global Index 2021.

Stakeholders	Topics of Discussion	Actions and Outcomes
Trade and Industrial Associations		
Dutch Food Industry Federation (FNLI)	Development of web files for the Netherlands Food and Consumer Product Safety Authority (NVWA) concerning labelling, additives, nutrition and health claims, new foods, and nutrition for specific groups.	Input was provided via membership in the FNLI.
International Dairy Federation (IDF)	Discussions within Codex (CCFL / CCNFSDU / CCFA) about various topics such as labelling, additives, nutrient profiles and front-of-pack labelling.	Input was provided via national membership in the IDF.
European Dairy Association (EDA)	Discussions in Europe relating to various topics, such as commercial opportunities, market management, labelling, claims, sustainability, hygiene, additives and contaminants.	Input was provided via national membership in the IDF.
Netherlands Dairy Organisation (NZO)	Discussions relating to dairy legislation: labelling, nutrition, contaminants, hygiene, quality and commercial policy matters.	Contribution to discussions with the objective of improving Dutch dairy products in the broadest sense.
International Special Dietary Foods Industries (ISDI)	Developments within Codex (CCNFSDU/CCFL/CCFA) relating to various topics such as the review of the Codex standard for follow-on formula, labelling, additives, reference intake (NRVs).	Input was provided via national membership in the ISDI.
Specialised Nutrition Europe (SNE)	Discussions pertaining to EU legislation for infant nutrition, including organic products, hydrolysate-based infant nutrition and statements of origin.	Input concerning the assessment of the feasibility and applicability of the proposed new requirements.
Association of Dutch Infant and Dietetic Foods Industries (VNFKD)	Developments with respect to infant nutrition in the Netherlands, including the draft Toddler Milk (Commodities Act) Decree, self-regulation (infant nutrition advertising code of conduct).	Input was provided via membership in the VNFKD.
EU Pledge	Code of conduct pertaining to agreements formulated by European food companies about responsible marketing focused on children.	Contributed to discussions about the EU Pledge strategy and the EU Pledge nutritional criteria.
Sustainable Agricultural Initiative (SAI) dairy working group		Implemented Self-Assessment Sustainable Soy pilot in cooperation with the WWF.

Stakeholders	Topics of Discussion	Actions and Outcomes
Dairy Sustainability Framework	Cooperation with global players in the dairy industry for a universal approach to making the sector and dairy products sustainable, for example through means of the SAI platform.	Launch of a global B2B approach designed to facilitate the efficient procurement of sustainable dairy products and to demonstrate measurable progress in the area of sustainability priorities.
Science and Knowledge		
University of Kebangsaan, Malaysia	Nutritional status and lifestyle habits of children. Implementation and data analysis of SEANUTS survey.	Data collection completed and provides a basis for acquiring insight into how we can improve the nutritional status of children.
University of Mahidol, Thailand	Nutritional status and lifestyle habits of children. Implementation and data analysis of SEANUTS survey.	Data collection completed and provides a basis for acquiring insight into how we can improve the nutritional status of children.
University of Indonesia	Nutritional status and lifestyle habits of children. Implementation and data analysis of SEANUTS survey.	Data collection completed and provides a basis for acquiring insight into how we can improve the nutritional status of children.
National Institute of Nutrition, Vietnam	Nutritional status and lifestyle habits of children. Implementation and data analysis of SEANUTS survey.	Started with data collection as a basis for acquiring insight into how we can improve the nutritional status of children.
University of Harokopio, Greece	Milk fat for infant nutrition.	Conducted nutritional research, the results of which were published in a scientific journal.
Cincinnati Children's Hospital Medical Centre	Humane milk sugars for infant nutrition.	Started with data collection; delayed due to COVID-19.
Mahidol University	Quality protein for infant nutrition.	Started with data collection; delayed due to COVID-19.
National Paediatrics Association Vietnam	Survey of intestinal complaints among infants and young children.	Conducted nutritional research, the results of which are to be published in a scientific journal.
Surrey University, UK	Relationship between nutrition and stress-related findings.	Started with data collection; delayed due to COVID-19.
Lagos State University, Nigeria	Effect of dietary improvements among children.	Conducted nutritional research, the results of which are to be published in a scientific journal.
Wageningen University	Fundamental effects of milk components on human cell lines.	Started with data collection.
University Medical Centre Amsterdam	Treatment of intestinal complaints among young children.	Started with data collection; delayed due to COVID-19.

Stakeholders	Topics of Discussion	Actions and Outcomes
Wageningen University & Research (WUR).	Improving the reliability of sustainability data, for example in the KringloopWijzer [livestock life cycle management guide]. Via Sustainable Dairy Chain (DZK), various PPPs, such as Lactatie op Maat [Tailored Lactation], biomarkers for measuring the welfare of dairy cattle, etc. Research into lowering the ecological footprint through means of soil carbon sequestration, into the effect of manure digestion on manure emissions, optimising rearing programmes and into feed strategies. Research into lowering the sugar content of products	Improved calculations concerning the KringloopWijzer [livestock life cycle management guide], enabling dairy farmers to better manage the mineral recycling loop. Focused innovation agenda on lowering ecological footprint. Via Sustainable Dairy Chain (DZK), completed a survey for the purpose of calculating an integrated biodiversity indicator. Wageningen University & Research tool for calculating no added value sugar substitutes for specific product demands. Project Horizon; exploration of future scenarios for the dairy farming sector towards 2030.
Utrecht University	Research into the role of grassland composition in biodiversity. Via Sustainable Dairy Chain (DZK), development and application of udder health diagnostics PPP.	Initiation of partnership. Completion and delivery of development and application of udder health diagnostics PPP.
Louis Bolk Institute (LBI)	Via DZK, PPP about the impact of herb-rich grasslands on biodiversity on and around the dairy farm.	Implementation of herb-rich grasslands PPP project
University of Applied Sciences (HBO) and university (WO) education	Use of students in projects and research.	Internship and graduation projects.
Top Institute for Food & Nutrition	Progress of Regenerative Farming project.	Focused innovation agenda on lowering ecological footprint.
Knowledge institutes, government and and companies in the Top Sector Agriculture & Food	Exploration of innovations designed to lower the ecological footprint on farms and making the dairy farming sector more sustainable. Obtaining international agreement on carbon capture calculations.	Focused innovation agenda on lowering ecological footprint and making the dairy farming sector more sustainable. C-sequ project: Partnership with other international multinationals is underway and steps have been taken to agree on a single method.

Stakeholders	Topics of Discussion	Actions and Outcomes
Institute for Sustainable Process Technology (ISPT), Twente University, Université Catholique de Louvain, Netherlands Organization for Applied Scientific Research (TNO)/Energy Research Centre of the Netherlands (ECN)	Design of a new type of dryer with lower energy consumption.	100 kg/h pilot plant has been built and is ready for studies into energy consumption and product quality.
ISPT, Eindhoven University of Technology	Fundamental research into the atomisation of dairy products in spray dryers.	Research into atomisation at a higher concentration in nutrition in order to achieve energy savings.
ISPT, Wageningen University & Research (WUR)	Energy efficient processing of milk and whey.	Research into membrane cascades in order to specifically achieve lower energy consumption.
ISPT, Eindhoven University of Technology Radboud University	Process optimisation by applying new data science strategies, sensor technology and statistical/mechanical models.	Savings in energy and raw materials through better through better process control and first-time-right production.
Flanders' FOOD	Development of 'water barometer' for production companies in support of activities and projects relating to the reuse of water.	Research topics: risk analysis, regulations, technology, techno-economic feasibility, monitoring.
Agricultural consulting firms	Implementation of the Winning with Climate and Nature project.	Education of consultants and training of member dairy farmers to take the next step in sustainability.
Netherlands Next Level Manure Valorisation	Four-year programme.	How manure valorisation can contribute to life cycle management-based agriculture, reducing nitrogen, CO_2 and methane, while maintaining a sustainable livestock farm at the lowest possible costs for the livestock farmer.

Stakeholders	Topics of Discussion	Actions and Outcomes
Employees		
	Employee satisfaction.	Conducted Over2You survey among all employees. Conducted pulse surveys about specific themes (e.g. COVID-19 & Future of Work).
	Employee health and safety.	Ongoing communications programme on work safety.
	Compass and Speak-Up – good business conduct and an open culture in which employees feel free to express themselves.	E-learnings and a campaign to focus attention on Speak-Up. Subject is also part of the global onboarding programme
	Increase speed and sharpness (winner's mindset) in the company.	Further rollout and monitoring of WIN-WIN programme. Presentation of global WIN-WIN award.
	Employer Value Proposition.	An Employee Value Proposition was developed on the basis of a major internal survey and data, which will be further rolled out globally in 2021.
	Internal mobility policy.	During JAM sessions employee wishes and needs relating to internal mobility were identified and new policy was formulated on this basis.
	Diversity & inclusion	Established global committee for Diversion & Inclusion with members from various countries. The Committee discusses and initiates initiatives. Established 'Local Champions' network. Monthly JAM sessions open to all employees to provide input into D&I-related themes.

Stakeholders	Topics of Discussion	Actions and Outcomes
Zuivelcoöperatie FrieslandCampina U.A.		
	Evaluation of Cooperative's governance with the objective of creating a more decisive, agile and well-supported Cooperative.	In various meetings at different times, members engaged in dialogue about governance and how to improve it. In December the Members' Council approved the amendments to the Articles of Association, the adoption of the standing rules and the adjustment to the district boundaries.
	Making the member financing system future-proof.	In 2019, work was started on making the Company's LT financing robust and responsive. In 2019, the Members' Council approved the issue of a hybrid bond that was successfully placed in 2020. In 2020, an intensive members' dialogue was initiated about the dilemmas and basic assumptions underlying future-proof member financing. The decision-making is scheduled for 2021.
	Continued development of special supplements.	Expansion of the 'On the way to PlanetProof' milk stream and the VLOG (non-GMO) milk stream.
	Adjustment of the Foqus Planet quality and sustainability programme.	Focus groups were held with district board members about the proposed changes to the Rules of Practice, incl. Foqus planet. Deep dives were also held with members on topics such as KalfOK and KoeMonitor (CowMonitor). In December, the Board approved the proposed changes.
	Continuous improvement of the results achieved at the farm in relation to Climate and Biodiversity.	In workshops and simulation sessions supported members and enabled them in making their sustainability management choices (Winning with Climate and Nature project).
	Current developments and trends relating to FrieslandCampina.	Two semi-annual meetings (one digital) in which stakeholders from the dairy sector who also maintain direct contact with members, were informed about current developments concerning FrieslandCampina.
Government bodies and local authorities		
The Clean and Economic Agricultural Sectors Covenant, and the Sustainable Livestock Farming Implementation Agenda	Progress of goals adopted from the Clean and Economic Agricultural Sectors Covenant, and the Sustainable Livestock Farming Implementation Agenda.	FrieslandCampina complies with the objectives agreed upon in accordance with the long-term agreements on energy efficiency (MJA3 agreement).
Permit issuing bodies	Progress of the individual environmental permits. Prevention education programmes.	Issue of permits. If necessary, adjust procedures.

Stakeholders	Topics of Discussion	Actions and Outcomes
Regulatory bodies	Consultation concerning quality-related opportunities for member dairy farms, production facilities and export.	If necessary, improve procedures. Resolve export-related issues.
Ministry of Health, Welfare and Sport (VWS)	Prevention Agreement and FrieslandCampina's role in addressing diseases of affluence, malnutrition and food security: labelling, reformulation (sugar, salt and fat reduction).	Input was provided via membership in FNLI, NZO about the reformulation, labelling and nutrition logos in the Netherlands relating to the Prevention Agreement.
Ministry of Agriculture, Nature and Food Quality (LNV)	School milk. Via Sustainable Dairy Chain (DZK), implementation agenda in support of the livestock acceleration agenda in the context of the life cycle management-based agriculture vision and proper care of young animals.	Discussions were held with the LNV via the NZO, concerning the current results of the school milk regulation. Progress of new Sustainable Dairy Chain objectives (see Sustainable Dairy Chain (DZK)).
Ministry of Industry, Ministry of Agriculture, Ministry of Cooperatives & Small Medium Enterprise Indonesia	Public Private Partnership – DDP : The Importance of Public Private Partnership on the upstream to safeguard domestic raw material sufficiency.	Ministry of Industry together with Ministry of Agriculture and Ministry of Cooperatives & Small Medium Enterprise has highly recognized one of DDP key program, Dairy Village as best practice of public private partnership that involving upstream until downstream within dairy industry supply chain. Dairy Village recognizes as great partnership model to improve the welfare of small holder dairy farmers as well as the productivity and quality of local fresh milk sourcing. This initiatives has been proposed to be replicated further by Government of Indonesia.
Indonesia Investment Coordinating Board (BKPM)	Provide Better Nutrition - New Investment in Indonesia.	*Memorandum of Understanding* between Indonesia Investment Coordinating Board (BKPM) with FrieslandCampina on New Investment in Indonesia witnessed by King Willem Alexander, Queen Maxima, and Ministers from both Indonesia and The Netherlands. The MOU signing marked the first step of mutual cooperation between the parties to realize the ambition of Frisian Flag Indonesia in providing better nutrition by expand its production facilities in Indonesia.

Stakeholders	Topics of Discussion	Actions and Outcomes
Ministry of International Trade and Industry (MITI), Malaysia Malaysian Investment Development Authority (MIDA), Malaysia	*Nourishing the Nation* – New investment in Malaysia and Investment Tax Allowance.	Engagements and round table discussions with MITI and MIDA, positioned Dutch Lady Milk Industries Berhad as a key investor in Malaysia to help revitalise the nation's dairy industry and overall economy due to COVID-19 impact.
Ministry of Health (MOH), Malaysia Ministry of Education (MOE), Malaysia	Proposal to include milk products in Healthy Breakfast & Milk in School Programme.	Engagements and presentation sessions to the MOH, positioned Dutch Lady Milk Industries Berhad as partner in the programme, proposed the inclusion of milk products into the programme to ensure a healthy and balance diet while aiding the intake of required nutrients by school children to address the dual burden issues amongst children in the country such as obesity and stunting.
Ministry of Agriculture and Food Industry (MAFI), Malaysia Department of Veterinary Services (DVS), Malaysia	Dairy Development Programme & Partner in developing Sustainable Dairy Industry.	Engagements and presentation to MAFI and DVS, positioned Dutch Lady Milk Industries Berhad as the key partner in developing sustainable dairy farming practices in the country towards achieving the goal of Self-Sufficiency Level of 67 million litres by 2025. Partnered DVS to further assist farmers under Dutch Lady Milk Industries Berhad's Farmer-to-Farmer programme – approvals to operate within Movement Control Order nationwide during COVID-19 pandemic and infrastructure support.
Ministry of Finance, Malaysia Royal Malaysian Customs Department (RMCD), Malaysia	Fiscal policies such as Sales and Services Tax (SST) and Sugar Sweetened Beverage (SSB) Excise.	Engagements with MOF and RMCD enabled the views of Dutch Lady Milk Industries Berhad to be included in the formulation of fiscal policies that impact the business such as SSB excise. Further discussions with MOF and RMCD was to enable alignment in tax treatments to ensure milk products continue to enjoy zero/minimal tax due to its nutrition and benefit to Malaysian citizens.

Stakeholders	Topics of Discussion	Actions and Outcomes
Ministers – Minister of International Trade and Industry (MITI), Malaysia Minister of Health (MOH), Malaysia Minister of Agriculture and Food Industry (MAFI) Director General of the Department of Veterinary Services (DVS), Malaysia Executive Director of Malaysian Investment Development Authority (MIDA), Malaysia Chief Minister of Negeri Sembilan state Dutch Ambassador to Malaysia The Dutch Chamber of Commerce	Courtesy Visit – DLMI Purpose (*Nourishing the Nation)* and Building Partnership to Address National Agenda (Nutrition/ Health and Food Security).	Engagement to update stakeholders on our new investment to grow milk consumption in the country and develop sustainable dairy industry for the nation. Hence, offer our hand as long-term partner to the Government.
Federal Parliamentary Task Force on SDGs, Pakistan	Sustainable Development Goals.	MoU signed as Frieslandcampina Engro Pakistan being official partner of the Federal Government to work on projects to achieve development goals.
Federal Govt (Ministers of Science, Food), Pakistan	Harmonization of Food Standards.	Rigorous engagements at all levels at Federal level for harmonizing food standards across the country.
Tax Authorities (Ministers of Finance, Commerce and Food), Pakistan	Removal of GST and reduction in import duty on SMP.	Engagements with high level officials for restoration of zero rating for dairy industry and reduction in SMP import duty.

Stakeholders	Topics of Discussion	Actions and Outcomes
Department of Education (DepEd), Philippines	Addressing the problems of malnutrition in school children through education and nutrition.	Alaska Milk Corporation and the DepEd adjusted plans that led to the continuation of the School Milk Feeding Programme despite the COVID-19 pandemic. We were able to successfully adopt 30,368 malnourished children in more than 900 public schools in the Philippines in 2020.
National Dairy Authority (NDA), Philippines	Dairy Development Programme.	Presentation of the background and best practices of Dairy Development Programme to the NDA, thus positioning Alaska Milk Corporation as a partner of choice in improving the Philippine dairy industry. Initial visits to dairy farms and cooperatives were conducted jointly with the NDA to plan the DDP interventions for 2021.
Department of Trade and Industry (DTI), Philippines	Price adjustments.	Lobbying through the Philippine Chamber of Food Manufacturers, Inc. urging the DTI to release an updated Suggested Retail Price (SRP) Bulletin for 2021. Decision to release the SRP Bulletin is still pending.
Food & Drug Administration (FDA), Philippines	Compliance to the provisions of the Ease of Doing Business Law	Significant improvement to the FDA's lead time in responding to our request for CPR approval (from five months down to two months).
Local Governments Units of Manila, San Pedro, and Taytay, Philippines	Environmental sustainability and Nutrition.	Partnerships were formed in the aforementioned local governments that led to almost 70,000 kilograms of flexible plastics collected. The redeemed plastics were replaced with PHP 1.7 million (EUR 30,000) worth of milk products to our partner cities and municipalities
Health Promotion Board, Singapore	Nutrition, Labelling.	Ongoing engagement with regards to nutrigrade labelling on Sugar-Sweetened Beverages.
National Environment Agency	Sustainability.	Consultations for upcoming Deposit Refund Scheme and Extended Producer Responsibility system together with the industry.
Singapore Food Agency	Food safety and regulatory matters.	GConsultations on draft changes to Food Regulations regarding microbiological standards (finalized and issued), food additives and definitions for some food categories (finalized and issued), as well as general labelling requirements (ongoing)
Environmental Protection Department, HKSAR (Hong Kong)	Single-Use Beverage Packaging.	FrieslandCampina HK as one of the members of Hong Kong Beverage Association participated in a dialogue with EPD to build an effective Producer Responsibility Scheme for single-use beverage packaging that minimises system costs while maximising environmental outcomes.
The Centre for Food Safety, The Food and Environmental Hygiene Department, HKSAR	Proposed Amendment on Harmful Substances in Food Regulations.	Attended meetings as a member of HKIYCNA to discuss about the approach and assess the possible impact of amendment. Proposed amendment was published in Dec 2020 for public consultation.

Stakeholders	Topics of Discussion	Actions and Outcomes
The Food and Health Bureau, HKSAR	Supply of powdered formula.	Met the Authority with other members of the HKIYCNA and agreed to maintain a safety net reservation.
Ministry of climate change and environment (MOCCAE) UAE	FC to support MOCCAE achieving its sustainability plan.	DDP Delegation to Wageningen RND center
The Netherlands business council, UAE	To form Dutch Sustainability Group, a group of Dutch companies with Sustainability at the core of their business such as: Unilever, KLM, ING Bank, etc. The objective is to promote Dutch businesses and bring Dutch Sustainability knowledge to the middle east.	Signed MOU with MOCCAE to support UAE sustainability agenda. Planning to have a series of webinars to bring Dutch sustainability knowledge to UAE.
Ministry of Health & Prevention – UAE	4.1 million annual deaths globally have been attributed to excess sodium/ salt intake. In the UAE NCDs take 7-11% of healthcare spending. In the UAE lack of exercise and poor eating habits of the younger generation are key factors.	Our role is to support the education of the new generation on health & nutrition, using world milk day as a platform for yearly awareness campaign.
Ministry of economy – Consumer protection - UAE	Strict price control by Governments, mainly in UAE and Oman, where we are leaders with high market share on EVAP for Rainbow and Omela.	Always in open dialogue for updates and to support their internal initiatives such as their GCC yearly conference.
Dubai Municipality – UAE	DM has a great role in the past year during the pandemic, their role increased on many levels including sanitization programme for the whole city.	We strengthen our relation with DM through supporting couple of their main initiatives: - Sanitization programme - 10 million meals
Dubai Chamber of Commerce and Industry	Communicating the voice of the business community to decision-makers, as well as the participation of the private sector in the plans and procedures that the government is studying for a better future.	Through our membership in the Food and Beverage Group, we are constantly working to communicate from the Dubai Chamber to convey the voice of companies operating in the food and beverage sector
Ministerie van Natuurlijke Bronnen en Milieu (MoNRE), Vietnam	Cooperation in addressing the fundamental problems of solid waste in general, and plastic waste in particular.	FrieslandCampina Vietnam aims to create an efficient and sustainable production chain through means of activities carried out in the context of environmental protection. FCV is one of the founders of the Packaging Recycling Organization with the objective of promoting a circular economy in Vietnam, particularly in the field of recycling packaging materials for a Green, Clean and Beautiful Vietnam.

Stakeholders	Topics of Discussion	Actions and Outcomes
Ministry of Health, Vietnam (MOH)	Attention for key FCV matters pertaining to Nutrition, Food Safety, SEANUTS2 and Sugar excise duty.	MOH is one of the most important influencers in providing neutral comments about sugar excise duty legislation in relation to health effects to support a different excise duty structure for healthy products versus drinks. Before products are introduced to the market, they must be approved by the Food Hygiene and Safety department of the Ministry of Health. Promotion of interests: MOH plays an important role in managing/leading and implementing all matters with respect to health/monitoring of food quality and food safety (Codex/guidelines relating to health). We are considering signing a partnership agreement with MOH in support of the SEANUTS II programme for media publicity in the field of health and healthy living (communication agent under MOH).
Ministry of Education and Formation, Vietnam (MOEF)	Nutrition and physical improvement for primary school students.	FCV has launched the operating mission **'For Vietnam to leap forward and reach higher'**. This mission focuses on creating shared value by making a significant contribution to the development and improvement of Vietnam's living standard on the basis of three important pillars. In this context, we entered into a strategic partnership with the Ministry of Education and Formation through means of our Dutch Lady brand in 2020. The objective was to implement three key activities for Vietnamese school children in the field of education about nutrition and physical development; food corners and playgrounds (with involvement spread over five years), that benefit more than 1.5 million school children at 1,500 primary schools in Vietnam. This is expected to be even further increased over the next four years.

Stakeholders	Topics of Discussion	Actions and Outcomes
Ministry of Agriculture and Rural Development (MARD) and its department (DARD)	DDP, FDOV, China Export.	FCV is a progressive dairy company that, with the support of MARD, has developed a sustainable Dairy Development Programme (DDP) involving almost 2,500 farmers. The evaluation shows this to be a successful programme, focused on improving the living standard of our farmers in Vietnam.
		The public-private partnership (FDOV12VN03) to support the development of a sustainable dairy farming sector in Vietnam. MARD/DARD is one of the most important partners in this project.
		MARD has signed a protocol with China GACC concerning veterinarian and health requirements for dairy products exported by Vietnam to China. This protocol went into effect on 26 April 2019 (with a five-year term). To accelerate this process we closely worked together with MARD to complete all of the required documentation and to complete the inspection of our plants for the evaluation and assessment. These are submitted to the Chinese counterpart (China's General Customs Service – GACC) for approval and licensing.
MOF	Excise duty on sugar.	Our general approach: from the very moment the government brought up the topic of excise duty on sugars in drinks, we lobbied government, in particular MOF, to make a distinction between beverages and liquid nutritional products (which is what our products are). In other words, liquid nutritional products must be excluded from the ultimate list of beverages to which the new tax law is to be applied and therefore must be exempt from these excise duties.
Government	Excise duty on sugar and laws/decrees concerning health claims.	Gatekeeper prior to submission to NA's Committee of Experts for approval.
Ministry of Science and Technology (MOST)	Excise duty on sugar.	Thanks to our pleas in cooperation with the dairy industry, the Ministry of Science and Technology, with immediate effect, decided to EXCLUDE liquid nutritional products from the list of products to which national standards concerning water-based drinks apply. MOST has already issued a Decree for this purpose that went into effect on 31 December 2019. This means, that collectively with the dairy industry, we have a strong legal basis for our discussions with MOF in this context.

Stakeholders	Topics of Discussion	Actions and Outcomes
Partnership (VBCSD/VDA/ AmCham and EuroCham) and Media	Excise duty on sugar and all related health/dairy matters.	Plea for the dairy industry. Informed to make a distinction between healthy products and drinks (excise duty on sugar). Stimulate the role of nutritional products for population health.
Suppliers		
	Criteria for sustainable agricultural raw materials – in line with FrieslandCampina's aim to only purchase agricultural raw materials and paper packaging acquired from fully sustainably	FrieslandCampina cooperates with its suppliers in developing plans for sustainability in the procurement of agricultural raw materials.
	Purchase and generation of green electricity and green gas.	FrieslandCampina has frequent contact with significant suppliers.
	Marketing focused on children.	Through membership in the WWF and the EU Pledge, solutions were explored in consultation with Google and YouTube in order to comply with the rules of the EU Pledge.
Nutrition and health experts (through the FrieslandCampina Institute)		
British Dietetic Association (BDA)	Development of accredited educational materials for Dieticians.	FrieslandCampina Institute UK e-learnings accredited by the BDA.
Singapore Nutrition and Dietetics Association (SNDA)	Development of accredited educational materials for Dieticians.	1) Accreditation of multiple FrieslandCampina Institute Asia e-learnings and webinars by the SNDA. 2) Development and organisation of FrieslandCampina Institute & SNDA webinar 'From ICU survivors to victors'.
Nutrition Society Nigeria (NSN)	Development of accredited educational materials for Dieticians.	FrieslandCampina Institute's e-learning 'Child development in first 5 years' specifically adjusted for Nigeria and accredited by NSN.
Malaysia Dietetic Association (MDA)	Development of accredited educational materials for dieticians.	Development of FrieslandCampina Institute e-learning 'Child development in first 5 years' in cooperation with MDA.
Chinese Institute of Food Science and Technology (CIFST)	Development of Future Scientific Leadership Program (FSLP) in cooperation with Wageningen University & Research and the FrieslandCampina Institute.	FSLP was to take place in July 2020, but due to COVID-19 was deferred to mid-2021.
FrieslandCampina Institute Independent External Expert Board	Panel of international multidisciplinary experts in the area of nutrition and undernourishment, population health and behaviour, that critically monitors the FrieslandCampina Institute's strategy and activities.	Second meeting of the FrieslandCampina Institute Independent External Board (digital: September 2020).

2020 Sustainability targets

KPI	2020 Objectives	2020 Performance
ProductsamProduct composition (percentage of the total volume of consumer products that complies with the FrieslandCampina Global Nutritional Standards)	70%	75%
Number of dairy farmers trained through training programmes in DDP countries	65,077	57,534
Greenhouse gas emissions by member dairy farms (kt CO_2 equivalent)	11,744	12,319
Reduction in greenhouse gas emissions from transport and production per tonne of end-product (kt CO_2 equivalent)	-12%[1]	-7.5%[1]
Water consumption per tonne of produced product	-4.84%	4.81%
Recyclable plastic packaging (percentage of plastic suitable for sorting and recycling systems)	40%	28.2%
Traceability to source (palm oil, soy, pulp & paper, cocoa)	80%	91%
Green energy consumption from own chain (percentage produced by member dairy farmers)	15%	15.2%
Growth of "Our nourishing by nature purpose" in brands	5%	5.7%
Number of accidents per 200,000 hours worked	0.33	0.32

[1] Compared to reference year 2018

Explanation of the materiality matrix

The materiality analysis consists of the following steps:

Step 1 – recalibration of relevant themes

A materiality test is performed by a third party every two years to define the social and environmental subjects that matter most to FrieslandCampina and its stakeholders. This is based on Global Reporting Initiative (GRI) Standards. First, a short list of subjects was established based on previous materiality analyses. Various new subjects were added to this list, and other less relevant subjects were removed. To check whether all relevant issues are covered, a sector and environmental analysis as well as a media analysis were performed. The sector and environmental analyses focused on, among other things, the reporting of peer companies and sustainability and other trends within the sector. whereas the media analysis identified issues that received a lot of media coverage. This resulted in a list of twenty important topics for FrieslandCampina. A theme is relevant when FrieslandCampina has or can have influence on it. This applies within the company, as well as in the value chain.

Step 2 – prioritising the themes

The priority of the issues is determined through an online survey which is filled in by a broad representation of internal and external stakeholders. Stakeholders were asked to prioritise the five topics they found most relevant from one to five. Moreover, the stakeholders were also asked to indicate which five topics they considered to be least relevant for FrieslandCampina. In addition to the stakeholders' perspective, Members of the Executive Leadership Team were asked to prioritise the five topics on which they considered FrieslandCampina to have, or could have, the greatest impact. Finally, the Executive Leadership Team members were asked to indicate the five topics that, based on their knowledge, FrieslandCampina has the least impact on.

Step 3 – impact on policy and reporting

The outcome of the analysis was included in determining the themes on which FrieslandCampina will be focusing. The material issues form the basis of FrieslandCampina's sustainability strategy and therefore of the content of this report. The Executive Board was involved in developing and approving the sustainability strategy. The Executive Board is informed about the progress of the strategy and material issues on a monthly basis so that adjustments can be made as necessary. The Materiality Matrix identifies the material issues, and shows how these are linked to the sustainability strategy. The 2019 materiality analysis shows that the carbon footprint is the most important topic, followed by innovation, the milk price, nature & biodiversity and healthy products with nutritional value.

Definitions and measuring methods

The Corporate Sustainability department and the Sustainability Council are responsible for the collection and verification of the reported information. The information is submitted by the various operating companies, the supply chain organisations of the business groups and the relevant corporate and support departments. Environmental and HR data is retrieved by the central financial data system on a monthly basis. No material uncertainties or inherent limitations were detected in the data due to measurements, estimates or calculations. Any changes in the data definitions and measuring methods compared to previous years are indicated accordingly with the data. For the definition of the terms in this report, see page 236 to 238: Glossary

Sustainability Governance

FrieslandCampina's Executive Board has final responsibility for FrieslandCampina's sustainability policy. The development and coordination of this policy are the responsibility of the Corporate Sustainability department. Furthermore, there are two governance structures: the Sustainability Review meeting, which includes representatives from corporate and the business groups, during which assessments and consultation takes place. The Sustainability Review meets each month to discuss the progress of the goals set out in our purpose nourishing by nature. In addition, there is a Sustainability Council, which consists of the Executive Board, the Executive Leadership Team and the Cooperative's Board. The Council meets once every two months to make strategic decisions.

Corporate Sustainability has various responsibilities, including:
- developing and updating the sustainability policy;
- the dialogue with stakeholders;
- coordinating and facilitating the implementation of the sustainability policy;
- involving external stakeholders in the sustainability policy;
- demonstrating sustainability efforts to both internal and external stakeholders;
- supporting the business groups and operating companies in translating the corporate sustainability policy to brand policy and other policies.

The business groups and operating companies are primarily responsible for implementing the sustainability policy within the company.

GRI table

Indicator	Description	Reference
GRI 102: General Indicators		
Organisation Profile		
102-1	Name of the organisation	AR: cover sheet This is FrieslandCampina p.4
102-2	Key brands, products and/or services	AR: This is FrieslandCampina p.4; This is FrieslandCampina – FrieslandCampina brands p.5
102-3	Location of the organisation's head office	AR: Colophon
102-4	Number of countries where the organisation is active	AR: This is FrieslandCampina – p.4; This is FrieslandCampina – Worldwide p.7
102-5	Ownership structure and legal form	AR: This is FrieslandCampina p.4; Corporate Governance p.74-78; Company, share capital and Articles of Association p.80
102-6	Sales markets	AR: This is FrieslandCampina – Worldwide p.7
102-7	Size of the reporting organisation	AR: 2020 Key figures p.8; This is FrieslandCampina p.4; This is FrieslandCampina – Worldwide p7 Value creation p.19; Report by the Executive Board – 2020 Results p.38-39; Report by the Executive Board – By and for people – Our employees p.64
102-8	Composition of workforce	AR: Report by the Executive Board – By and for people – Our employees p.64; Report by the Executive Board – By and for people – Diversity and inclusion p.67; Appendices – HR Data p.235
102-9	Description of the organisation's supply chain	AR: This is FrieslandCampina p.4; Value creation p.19

Indicator	Description	Reference
102-10	Significant changes during the reporting period	AR: 2020 Key figures p.8; A word from the CEO – p.11-16; Report by the Executive Board – Developments and results p.23-24; Report by the Executive Board – The Dairy Sector in 2020 p.25-27; Report by the Executive Board – Our Purpose, Our Plan 2.0 – p.29; Report by the Executive Board – Better nutrition for the world p.40-43; Report by the Executive Board – A good living for our farmers p.44-49; Report by the Executive Board– Business groups – Results and developments in 2020 p.50-53; Report by the Executive Board – Now and for generations to come p.54-63; Appendices – Key Risks and Emerging Trends p.206-211
102-11	Explanation of the application of the precautionary principle by the reporting organisation	AR: Report by the Executive Board – Risk management p.69-72; Appendices – Key Risks and Emerging Trends p.204-209
102-12	Externally developed economic, environmental and social charters, principles that the organisation is committed to	AR: Report by the Executive Board – Better nutrition for the world – Foqus: quality and food safety p.42; Report by the Executive Board – By and for people – Good business behaviour p.65-67
102-13	Memberships of associations (including sector boards) and national and international special interest groups	AR: Report by the Executive Board – Nourishing a better planet – Circular Together p.35; Report by the Executive Board – A good living for our farmers – Dairy Development Program p.48-49; Report by the Executive Board – Now and for generations to come – Better nature, improving biodiversity p.60

Strategy

102-14	Statement of the highest decision-maker	AR: A word from the CEO p.11-16

Ethics and integrity

102-16	Standards, values, principles, standards and codes of conduct applied	AR: Report by the Executive Board – By and for people p.65-68

Management structure

102-18	The management structure of the highest decision-making body and the committees that are responsible for decision-making relating to social, environmental and economic impacts	AR: Corporate Governance p.74-83; AR: Appendices – Explanation of the Materiality Matrix p.227-228

Indicator	Description	Reference
Consultation with stakeholders		
102-40	List of stakeholders involved	AR: Appendices – Stakeholder Dialogue p.210-225
102-41	Employees subject to a CLA	AR: Appendices - HR Data p.235
102-42	Starting points for identification/selection of stakeholders	AR: Appendices – Stakeholder Dialogue p.210-225
102-43	How stakeholders are involved	AR: Appendices – Stakeholder Dialogue p.210-225
102-44	Key topics and issues that resulted from consultation with stakeholders	AR: Appendices – Stakeholder Dialogue p.210-225
Reporting profile		
102-45	Companies in the annual financial statements that are not subject to this report	AR: Financial Statements – Consolidated Financial Statements p.93
102-46	Process for determining reporting content and specific demarcation	AR: Appendices – Explanation of the Materiality Matrix p.227-228
102-47	Material issues identified	AR: In dialogue with stakeholders – Material themes p.21 Appendices – Explanation of the Materiality Matrix p.227-228
102-48	Consequences of a possible redefinition of information	AR: None of the information was reformulated other than the 2019 greenhouse gas emissions of member dairy farms for which the emission factors for milk, milk powder and whey for NL, DE and BE have been adjusted retroactively to account for the adjusted sector model and the addition of ENGRO Pakistan.
102-49	Significant changes compared to previous reporting periods	AR: No significant changes were made to the scope and demarcation relating to the previous reporting period.
102-50	Reporting period that the information provided relates to	1 January through to 31 December 2020.
102-51	Date of the most recent previous report	The previous integrated annual report was published in March 2019
102-52	Reporting cycle	Annual.
102-53	Contact for questions regarding the report	If you have any questions or comments, please send an e-mail to: corporate.communication@frieslandcampina.com
102-54	GRI application level and GRI table	AR: Core application level

Indicator	Description	Reference
102-56	Policy with respect to assurance	AR: Independent Auditor's Report p.180-192; Assurance Report of the Independent Auditor p.193-195; Corporate Governance – Audit of the financial reporting and the roles of the internal and external auditors p.80-81

Specific indicators

Carbon footprint (Standards aspect: Greenhouse gases, Energy) – GRI Standard 305 (2016)

103-1 (2016)	Management approach: Why is this topic material?	AR: A word from the CEO – The future – Nourishing a better planet p.15-16; In dialogue with stakeholders – Material themes p.21; Report by the Executive Board – Now and for generations to come p.54-63; Appendices: Explanation of the Materiality Matrix p.227-228
103-2 (2016)	Management approach: How is this material topic managed?	AR: Value creation p.19; Report by the Executive Board – Nourishing a better planet p.34-35 Report by the Executive Board – Now and for generations to come p.54-63; Appendices: Explanation of the Materiality Matrix p.227-228
103-3 (2016)	Management approach: How is this material topic evaluated?	AR: Report by the Executive Board – Nourishing a better planet p.34-35; Report by the Executive Board – 2020 Results – Now and for generations to come p.39; Report by the Executive Board – Now and for generations to come p.54-63; Appendices: Explanation of the Materiality Matrix p.227-228
305-1	Direct greenhouse gas emissions (Scope 1)	AR: 2020 Key figures p.8; Report by the Executive Board – 2020 Results – Now and for generations to come p.39; Report by the Executive Board – Now and for generations to come – Better climate, carbon-neutral future p.56-58; Appendices: 2020 Sustainability targets p.226
305-2	Indirect greenhouse gas emissions (Scope 2)	AR: 2020 Key Figures p.8; Report by the Executive Board – 2020 Results – Now and for generations to come p.39; Report by the Executive Board – Now and for generations to come – Better climate, carbon-neutral future p.56-58; Appendices: 2020 Sustainability targets p.226

Indicator	Description	Reference
Innovation		
103-1 (2016)	Management approach: Why is this topic material?	AR: In dialogue with stakeholders – Material themes p.21; Report by the Executive Board – Better nutrition for the world – Innovation p.41; Appendices: Explanation of the Materiality Matrix p.227-228
103-2 (2016)	Management approach: How is this material topic managed?	AR: In dialogue with stakeholders – Material themes p.21; Report by the Executive Board – Better nutrition for the world – Innovation p.41; Appendices: Explanation of the Materiality Matrix p.227-228
103-3 (2016)	Management approach: How is this material topic evaluated?	In dialogue with stakeholders – Material themes p.21; Report by the Executive Board – Better nutrition for the world – Innovation p.41; Appendices: Explanation of the Materiality Matrix p.227-228
Internal indicator	Investments in Research & Development activities	AR: Report by the Executive Board – Better nutrition for the world – Innovation p.41
Milk price		
103-1 (2016)	Management approach: Why is this topic material?	AR: Value creation p.19; In dialogue with stakeholders – Material themes p.21; Report by the Executive Board – A good living for our farmers p.44-49; Overviews – Milk Price Overview p.198; Appendices: Explanation of the Materiality Matrix p.227-228
103-2 (2016)	Management approach: How is this material topic managed?	AR: Report by the Executive Board – A good living for our farmers p.44-49; Overviews – Milk Price Overview p.198; Appendices: Explanation of the Materiality Matrix p.227-228
103-3 (2016)	Management approach: How is this material topic evaluated?	AR: In dialogue with stakeholders – Material themes p.21; Report by the Executive Board – A good living for our farmers p.44-49; Overviews – Milk Price Overview p.198; Appendices: Explanation of the Materiality Matrix p.227-228
Internal indicator	Milk price	AR: Report by the Executive Board – A good living for our farmers p.44-49
Nature & biodiversity (Standards aspect: Biodiversity) – GRI Standard 304 (2016)		
103-1 (2016)	Management approach: Why is this topic material?	AR: Value creation p.19; In dialogue with stakeholders – Material themes p.21; Report by the Executive Board – Nourishing a better planet p.34-35; Report by the Executive Board – Now and for generations to come p.54-63; Appendices: Explanation of the Materiality Matrix p.227-228

Indicator	Description	Reference
103-2 (2016)	Management approach: How is this material topic managed?	AR: Value creation p.19; Report by the Executive Board – Nourishing a better planet p.34-35; Report by the Executive Board – Now and for generations to come p.54-63; Report by the Executive Board – Now and for generations to come – Better nature, improving biodiversity p.60; Report by the Executive Board – Now and for generations to come – Sustainability in dialogue p.63; Appendices: Explanation of the Materiality Matrix p.227-228
103-3 (2016)	Management approach: How is this material topic evaluated?	AR: Report by the Executive Board – 2020 Results – Now and for generations to come p.39; Report by the Executive Board – Now and for generations to come – Sustainability in dialogue p.63; Appendices: Explanation of the Materiality Matrix p.227-228
Internal indicator	Percentage of agricultural raw materials and paper packaging originating from renewable sources	AR: 2020 Key Figures p.8; Value creation p.19; Report by the Executive Board – 2020 Results – Now and for generations to come p.39;

Healthy products with nutritional value (Standards, aspect: Healthy users)

Indicator	Description	Reference
103-1 (2016)	Management approach: Why is this topic material?	AR: In dialogue with stakeholders – Material themes p.21; Report by the Executive Board – 2021 Outlook – Win with nutrition p.30-31; Report by the Executive Board – Better nutrition for the world p.40-43; Appendices: Explanation of the Materiality Matrix p.227-228
103-2 (2016)	Management approach: How is this material topic managed?	AR: Value creation p.19; In dialogue with stakeholders – Material themes p.21; Report by the Executive Board – 2021 Outlook – Win with nutrition p.30-31; Report by the Executive Board – Better nutrition for the world p.40-43; Appendices: Explanation of the Materiality Matrix p.227-228
103-3 (2016)	Management approach: How is this material topic evaluated?	AR: In dialogue with stakeholders – Material themes p.21; Report by the Executive Board – 2020 Results – Now and for generations to come p.39; Report by the Executive Board – Better nutrition for the world p.40-43; Appendices: Explanation of the Materiality Matrix p.227-228
Internal indicator	Product composition	AR: 2020 Key Figures p.8; Report by the Executive Board – 2020 Results – Now and for generations to come p.39; Appendices: 2020 Sustainability targets p.226

2020 HR data

Senior management diversity

Female	27.0%
Male	73.0%
Total	100.0%

Employment

Part-time	8.7%
Fulltime	91.3%
Total	100.0%

Type of contract

Temporary	9.9%
Permanent	90.1%
Total	100.0%

Part-time versus Permanent subdivided by GENDER

Part-time	Female	5.6%
	Male	3.1%
Fulltime	Female	23.1%
	Male	68.2%
Total		100.0%

Employees covered by collective labour agreement (CLA)

Not covered by CLA	35.3%
Covered by CLA	64.7%
Total	100.0%

Temporary versus Permanent subdivided by gender and region

Temporary	Female	Africa and Middle East	0.0%
		Asia and Oceania	2.8%
		Germany	0.1%
		North and South America	0.0%
		Remainder of Europe	0.4%
		Netherlands	0.9%
	Male	Africa and Middle East	0.1%
		Asia and Oceania	3.3%
		Germany	0.3%
		North and South America	0.0%
		Remainder of Europe	0.4%
		Netherlands	1.6%
Permanent	Female	Africa and Middle East	0.6%
		Asia and Oceania	7.2%
		Germany	1.6%
		North and South America	0.3%
		Remainder of Europe	6.6%
		Netherlands	8.2%
	Male	Africa and Middle East	3.8%
		Asia and Oceania	23.5%
		Germany	4.2%
		North and South America	0.6%
		Remainder of Europe	10.1%
		Netherlands	23.5%
Total			100.0%

Glossary

Balanced product range
The subdivision of the product groups is determined on the basis of the product type (for example, milk product, cheese, butter or meat substitute) and its place in daily nutrition (basic food products for daily consumption, self-indulgent products for occasional consumption or products for a specific target group). Each year, the balance in FrieslandCampina's consumer product range is expressed in terms of basic nutritional products for daily consumption and self-indulgent products meant for occasional consumption as a percentage of the total volume of consumer products sold. Also see FrieslandCampina's website.

Dairy Development Programme (DDP) countries
FrieslandCampina has almost 150 years of experience in the dairy farming sector and applies the knowledge gained to help dairy farms in Asia, Africa and Eastern Europe to further develop their farms through the Dairy Development Programme (DDP). The DDP supports local dairy farmers (particularly small farmers), primarily in Nigeria, Vietnam, Thailand, Malaysia, Indonesia, Pakistan and Romania, to improve the quality of their milk, increase the productivity per cow and gain access to the market.

Partial pasture grazing
Allowing a minimum of 25 percent of all cows (not only lactating cows, but also all other cattle) on a dairy farm can graze in a pasture with adequate grass supply for at least 120 days per calendar year, such that the animals can maintain their natural grazing behaviour.

Sustainable agricultural raw materials
Raw materials with globally recognized sustainability certificates or products for which a plan for sustainable development is created in cooperation with suppliers.

Energy consumption
Total net energy consumption in Giga Joule per total production volume in tonnes. External registration of gas, oil, etc. usage with calibrated equipment is the basis for the amounts consumed. If steam, gas, electricity is bought but sold to other parties, this amount is subtracted from the total amount bought. If steam is delivered to third parties the energy content (1 ton of steam = 2.5 GJ) is administered as a negative consumption. If a process requires less energy to achieve the same goal, it is judged to be more efficient. Acquisitions are included in the reported energy consumption figures after a full calendar year.

Guarantees of Origin/Green Certificates
Guarantees of Origin or Green Certificates are certificates issued for each mWh of electricity from renewable energy sources: wind, solar, co-fermentation of biomass, and manure fermentation. FrieslandCampina buys such certificates to guarantee that the electricity used in FrieslandCampina production facilities is generated from renewable sources.

Good Dairy Farming Practices
The percentage of dairy farms that at a minimum scores 'good' in terms of the Good Dairy Farming Practices in Dairy Development Programme countries (see above). The Good Dairy Farming Practices are based on the guidelines developed by the Food and Agricultural Organization (FAO). Each year, a questionnaire is used to conduct a survey among a research group of approximately 200 farmers in Indonesia, Vietnam, Thailand and Malaysia to determine the percentage of farmers that scores 'good' in relation to the Good Dairy Farming Practices. This questionnaire differs by country depending on the maturity level of the local dairy sector.

Green electricity
Electricity generated from renewable energy sources, such as wind, solar energy, co-fermentation of biomass, manure fermentation, etc.

Green energy from own chain
Renewable energy generated at member dairy farms or produced at production facilities. Included are gas and electricity produced out of manure, solar and wind energy.

Climate-neutral growth-related greenhouse gas emissions

The net greenhouse gas emissions of FrieslandCampina minus the compensation by purchasing Guarantees of Origin. The net greenhouse gas emissions concern the emissions at dairy farms, the transport of milk from farms to production facilities, and transport between production facilities and customers, based on the Greenhouse Gas protocol. The greenhouse gas emissions are administratively compensated. The reported greenhouse gas emissions do not include the greenhouse gas emissions from subsidiaries acquired after 2010.

Local farmers participating in training in DDP countries

The number of dairy farmers that participated in a training programme, focused on improving knowledge and skills in the DDP countries: Malaysia, Indonesia, Thailand, Nigeria Pakistan, Romania and Vietnam. The number of dairy farmers trained by FrieslandCampina China and FrieslandCampina Russia are not yet included, because these programmes are not yet fully integrated into the system used to record performance in terms of the Key Performance Indicators.

Accident ratio

The ratio of the total number of accidents resulting in absence (at least one calendar day of lost time, excluding the day of the accident), substitute work or medical treatment by an emergency service or family doctor per 200,000 hours worked. This concerns work-related accidents. The accident ratio is calculated as follows: total number of accidents / total number of hours worked x 200,000. All FrieslandCampina employees and subcontractors working under FrieslandCampina's supervision for entities in which FrieslandCampina has a controlling interest for at least twelve months fall within the scope of this indicator.

Product composition

The share of FrieslandCampina's product range that complies with the criteria for elements such as protein, calories, sugar, salt and fat, as described in the FrieslandCampina Global Nutritional Standards, expressed as a percentage of the total volume of consumer products sold that complies with the FrieslandCampina Global Nutritional Standards. Also see FrieslandCampina's website.

Recyclable packaging

To define recyclability, FrieslandCampina builds on the definition of the Ellen MacArthur Foundation in the context of the New Plastics Economy Global Commitment (signed by FrieslandCampina). Recyclable indicates that packaging can be recycled into materials that replace virgin materials. As such, the design of the packaging cannot be a barrier for recycling. Hence, materials without further use cycles (plastic-to-road), waste to energy and waste to fuel are excluded. Moreover, in line with the Ellen MacArthur Foundation (EMF), recyclability means that a system for recycling exists in practice and at scale. Packaging was reviewed at the component level for the purpose of this KPI. In 2020, the EMF definition was refined and packaging that consist for more than 95% of recyclable components and that do not contain any components that impede recycling, can be classified as recyclable. When applicable, the local recycling situation indicated by EMF is also used to specify recyclability in further detail. In other words this goes beyond the approach used in 2019. As planned, the scope of the reported recyclable packaging for 2020 was expanded to include the FrieslandCampina Ingredients business group, the FrieslandCampina Growth Markets & Global Accounts and FrieslandCampina China operating companies, and the cheese production facilities. This means that the scope now covers the entire organisation.

Traceability to source

The volume of purchased palm oil, soy, pulp & paper and cocoa that is traceable to source. The source is defined as follows: for palm oil the local palm oil press; for cocoa the cooperative's local warehouse; for soy the country of origin, and for pulp & paper the forest, plantation or region of origin. For administrative reasons, the traceability of palm oil relates to the volumes of the previous year under review and is reported in the current year under review.

Water consumption

Water withdrawal from well/ground water and tab water/city grid. The water consumption is measured per tonne of processed product, i.e. the total net water consumption in cubic meters per total production volume in tonnes.

Pasture grazing

All eligible lactating cows on a dairy farm can graze in a pasture with adequate grass supply, such that the animals can maintain their natural grazing behaviour, for at least 120 days per calendar year, at least 6 hours per day (or at least 720 hours per calendar year).

Explanatory note

This integrated Annual Report of Royal FrieslandCampina N.V sets out the financial results and the developments and results relating to value creation and sustainability over 2020. The Annual Report is drawn up as at 31 December 2020. The consolidated financial statements are prepared in accordance with the International Financial Reporting Standards as adopted in the European Union (EU-IFRS) and, where applicable, in accordance with Part 9 Book 2 of the Dutch Civil Code. This report is prepared in compliance with the Global Reporting Initiative (GRI) Standards, Core application level, and the internally used criteria for non-financial KPIs as summarised in the glossary (see page 236 to 238).

The 2020 milk price that the members of Zuivelcoöperatie FrieslandCampina U.A. received for the milk they supplied was determined by the FrieslandCampina 2020-2022 milk price regulation.
All amounts in this Annual Report are in euros unless stated otherwise.

In addition to the Annual Report, Royal FrieslandCampina N.V. also publishes a supporting reporting website with background information and interviews: annualreport.frieslandcampina.com/en/2020

For more information about FrieslandCampina's developments and results, visit www.frieslandcampina.com.

This Annual Report is a translation of the Dutch version. In case of discrepancies between versions, the Dutch text prevails. The Annual Report of Royal FrieslandCampina N.V. is also available on its website www.frieslandcampina.com.

The following terms, among others, are used in this Annual Report:

- Royal FrieslandCampina N.V. (the 'Company' or 'FrieslandCampina');
- Zuivelcoöperatie FrieslandCampina U.A. (the 'Cooperative');
- Supervisory Board of the Company (the 'Supervisory Board');
- Executive Board of the Company (the 'Executive Board').

Colophon

Publisher
Royal FrieslandCampina N.V.
Stationsplein 4
3818 LE Amersfoort, The Netherlands
T +31 33 713 3333

Design & realisation
CF Report

Text contributions
Frank van der Vorst

Sustainability
Sustainalize

English translation
Vertaalbureau Bothof