FrieslandCampina
nourishing by nature

A New Day

2022 Annual Report

Better nutrition for the world

> "It is very satisfying to be able to produce food that is sorely needed elsewhere in the world where the circumstances necessary to produce it are not favourable"
>
> Annemiek Koekoek,
> Dairy farmer

Together with dairy farmers such as Annemiek, FrieslandCampina provides people in more than 100 countries with dairy products. When she was very young, Annemiek's grandfather told her that the Netherlands has optimal conditions for producing milk and that in many other countries this is not the case. For her, producing milk for families living in countries where this is not as easy is the most beautiful thing she could do. This way, Annemiek, together with thousands of other FrieslandCampina dairy farmers, provides the growing world population with high-quality nutrition.

View the video A New Day

Circular farming for a sustainable society

"The dairy sector in the Netherlands has the knowledge and motivation to always find a solution. Take biogas, for example, we use it to provide our village with sustainable energy that otherwise would simply disappear into the atmosphere"

Arjan Stokman,
Dairy farmer

Circular farming, with a closed cycle, is Arjan's ultimate goal. This is why, together with his father, he is always working on sustainability. FrieslandCampina supports them with knowledge and resources. For example, by means of the Jumpstart programme for generating biogas by fermenting manure. With this gas, Arjan heats many houses in the immediate vicinity of his farm. In the future, he would like to stop using fertilisers and instead reuse the residual manure. This way, his dairy farm becomes increasingly circular.

View the video A New Day

Continuity for the next generation

“We are not only taking over a dairy farm from my parents but are also managing a small piece of the Netherlands. You need to do this responsibly for the next generation”

Sandra Stuijk,
Dairy farmer and member of the Board of Zuivelcoöperatie FrieslandCampina U.A.

In addition to taking proper care of the cows and producing nutritious milk, landscape management is an inextricable part of a dairy farm. Sandra knows that society expects this from her and, in the future, she wants to pass on a beautiful farm to her daughter. Together with members such as Sandra, FrieslandCampina shapes the future, with full attention to available opportunities and challenges. Together, we work on a healthy, future-proof dairy farming sector in a sustainable society.

View the video A New Day

Contents

Foqus planet: higher remuneration for sustainability

15,137
Member dairy farmers

21,715
Employees (FTEs)

FrieslandCampina is one of the largest dairy companies in the world with a cooperative tradition going back to 1871. The company has been processing milk from dairy farms into a wide range of dairy products and ingredients for over 150 years. Every day, it provides hundreds of millions of people throughout the world with valuable nutrients from milk.

Royal FrieslandCampina N.V. is fully owned by Zuivelcoöperatie FrieslandCampina U.A., with 15,137 dairy farmers in the Netherlands, Belgium and Germany as members. Through the cooperative, these member dairy farmers own the company. Together with its member dairy farmers, FrieslandCampina manages the entire production chain: from grass to glass.

Dairy from grass to glass

From grass ...

... to glass

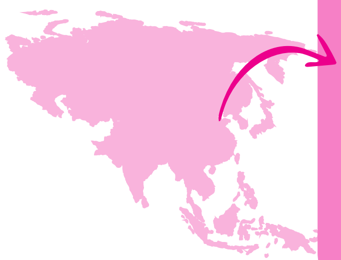
FrieslandCampina worldwide

31 Countries of operation **>100 countries** Products in the market **21,715** Employees

Strong local brands

Europe

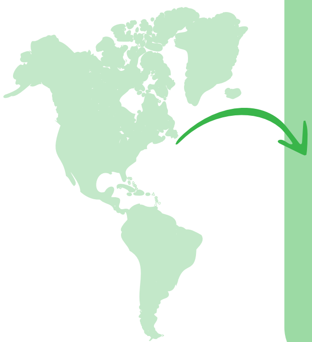
7,752 Revenue **12,154** Employees



Growing market for high-quality dairy

Asia and Oceania

4,194 Revenue **8,344** Employees



Growing market for high-quality Dutch cheeses

North and South America

596 Revenue **171** Employees

Increasing demand for affordable dairy products

Africa and the Middle East

1,534 Revenue **1,046** Employees

In millions of euros and average number of FTEs

Top 10 consumer brands

By revenue in euros

1. Friso – International
2. Frisian Flag – Indonesia
3. Peak – Nigeria
4. Debic – International
5. Dutch Lady – Asia
6. Campina – The Netherlands, Belgium and France
7. Landliebe – Germany and Eastern Europe
8. Rainbow – Middle East
9. Alaska – The Philippines
10. Olper's – Pakistan

Top 5-ingredients

By revenue in euros

Excellion
caseinate

Pharmatose
pharmaceutical lactose

Vivinal GOS
galacto-oligosaccharides

Infant nutrition base powders

Hyvital
hydrolysate

FrieslandCampina in 2022

We nourish growth and change

14,076 ▲ 22.4%
Revenue
2021: 11.501

471 ▲ 32.7%
Operating profit
2021: 355

292 ▲ 69.8%
Profit
2021: 172

(in millions of euros)

55.21 ▲ 45.9%
Guaranteed price
2021: 37.84

57.35 ▲ 46.2%
Milk price
2021: 39.23

58.69 ▲ 47.2%
Performance price
2021: 39.88

(in euros per 100 kilos of milk, exclusive VAT, at 3.57% protein, 4.42% fat and 4.53% lactose)

We nourish a better planet

649 ▼ -6.1%
Greenhouse gas emissions
from production and transport (scope 1 and scope 2) - kt CO_2 equivalent
2021: 691

10,823 ▼ -2.5%
Greenhouse gas emissions
on member dairy farms (scope 3 – member milk) - kt CO_2 equivalent
2021: 11,099

91%
Recyclable packaging
2021: 90%

94%
Responsible sourcing of traceable raw materials
2021: 94%

We nourish millions of people

72%
Product composition - percentage
Percentage total volume of consumer products sold that complies with the FrieslandCampina Global Nutritional Standards Next Level
2021: 71%

74%
Balanced product range
Basic food products versus 'self-indulgent products'
2021: 73%

For all figures and explanations, see 'Key figures 2022'

"Dairy is 'the gold standard' from the perspective of nutritional value and affordability."

Hein Schumacher,
CEO Royal FrieslandCampina N.V.

View the CEO video

A word from the CEO: Hein Schumacher

2022 was an extraordinary year in many respects. The elimination of the corona measures, the nitrogen debate, the war in Ukraine, the energy crisis and especially the mounting inflation that has impacted everyone within the chain, including producers, retailers, as well as consumers, all come to mind. Owing to the inflation, the results of our consumer activities in the Food & Beverage business group were under pressure, primarily because we were unable to fully pass on the tremendous increase in costs to our customers in the domestic markets. However, this was more than offset by the excellent results achieved by the Specialised Nutrition, Ingredients and Trading business groups, and the outstanding performance of the new Professional food service business.

Profit in 2022 amounted to 292 million euros. That should be very satisfying.
Yes, but with an important caveat. The 2022 figures include a considerable one-off 260-million-euro expenditure due to the closure of production facilities and offices, and for the organisational restructuring, among other things. This significantly reduces profit. However, these costs were unavoidable to remain competitive in the long term.

In 2022, we were faced with a considerable increase in commodity dairy prices. Viewed in isolation this was favourable, because it meant that we received more money per kilo of milk. However, the flip side of the coin was that the costs of our dairy products and other raw materials went up significantly as well. In 2022, we were forced to increase our prices on several occasions in order to retain a healthy margin. We were not fully able to do this for the consumer activities in our domestic markets and could not fully pass on the tremendous cost increases to our customers. And due to the implemented price increases, volumes came under pressure, especially as of the fourth quarter of 2022. However, the excellent results achieved by the Specialised Nutrition, Ingredients and Trading business groups, and the outstanding performance of the new Professional food service business, more than offset the lower result of the Food & Beverage business group.

Could you outline what has happened over the past five years?
In 2018, we initiated our transformation with the objective of increasing our focus on brands and added value, creating a more efficient, market-oriented structure and reducing costs, as a means of clearing the path for growth in revenue and volume, with sustainability as one of the pillars. The number of production facilities has been reduced from 65 to 48 and on the basis of a regional management structure, we have switched to four global business groups. We have laid a solid foundation for a new, global Professional business focused on the food service segment. Since 2021, the Ingredients and Specialised Nutrition business groups have produced very good growth thanks to their new market strategy. Finally, we have increased our investments in innovation and marketing to further strengthen our brands in the market. This gives you an overview of what we have accomplished, but this list is anything but complete. In the meantime, the world and competition have of course also moved on, think of the booming eCommerce channels, the closed borders between China and Hong Kong, the corona pandemic and the enormous inflation in 2022, all of which had an impact on the business.

> “As always, we need to be cognisant of the fact that global market conditions will put up new challenges for us”

FrieslandCampina is now entering a new phase and must demonstrate that the transformation is paying for itself.
A healthy foundation for growth and renewal has been laid. As always, we need to be cognisant of the fact that global market conditions will put up new challenges for us. We cannot assume that the company will continue to be healthy and profitable, and we, therefore, cannot and will not operate on auto pilot. At the beginning of 2023 for example, we see that commodity dairy quotations are falling worldwide, while the milk price is still relatively high. This will have an impact on our results, particularly in the first half of 2023.

FrieslandCampina presents itself as a *nourishing company*: a company that supplies high-quality and affordable nutritional value. In its vision this is subdivided into three pillars: *nourishing people*, *nourishing a better planet* and *nourishing growth and change*. On the basis of these concepts, can you review developments in 2022 for us?
With *nourishing people* we demonstrate that each day we provide millions of people with access to safe, high-quality nutrition. We are unwilling to compromise the quality and nutritional value of our products. The four priorities that support the *nourishing people* pillar are: 'family nutrition', 'affordable nutrition' (for those that really need it), 'ingredients' and, finally, 'special nutrition', which includes nutrition for children, adults and people who are sick. This covers the larger share of the world's nutritional needs.

***Nourishing a better planet* is the second pillar, with all of its sustainability challenges. No doubt, this represents a significant challenge for a dairy company during the present times.**
That is certainly true, and this is why we are happy that, in 2022, we made progress on all sustainability themes, including greenhouse gas emissions and recyclable packaging, inclusive of water and energy consumption. We have published our climate plan with our targets for 2030. Furthermore, it is of major importance that the Science Based Targets initiative (SBTi) has classified our climate targets in line with the climate goals of the Paris Agreement. An important milestone, even though I consider this the minimum we must contribute to combating climate change. In 2022, we decided to tackle reducing greenhouse gas emissions, including CO_2, as our priority sustainability objective. Part of this approach is to increase the remuneration paid to those member dairy farmers who lower their greenhouse gas footprint.
We also specifically stimulate the use of recyclable packaging and, together with our members, we keep working on improving biodiversity at and around the farm.
Last year, we invested more in sustainability than we did in 2021. We will continue to do this over the coming years. But we definitely are not there yet, and we are expecting to make an additional investment of approximately 1.5 billion euros in sustainability until 2030.

> "Together with our members, we keep working on improving biodiversity at and around the farm"

To limit or prevent the impact on the planet of processing and valorising dairy, external expertise and cooperation is essential.
We like to, and often do, involve partners in innovative projects. To be able to further reduce greenhouse gases in the future, we started various pilots together with member dairy farmers and strategic partners in 2022; for example, relating to livestock feed additives to reduce

methane emissions, circular stabling systems to reduce nitrogen deposition and deforestation-free soy for livestock feed. At the same time, we are in conversation with social organisations, such as Friends of the Earth Netherlands and Nature Reserves. Although we do not always agree on everything, I believe that we must continue to meet and learn from one another's perspective. Last year, I regularly spoke with representatives of these organisations, and I found these meetings to be highly enlightening and constructive.

It is striking that FrieslandCampina not only commits itself to its sustainability objectives in its marketing communications, sales or procurement, but also in financing the company.
In October, FrieslandCampina negotiated a new continuous credit facility for 1.25 billion euros for a period of five years. The interest we pay is linked to four performance indicators related to FrieslandCampina's existing climate, sustainability and nutritional objectives. When we achieve the targets set, we pay a somewhat reduced interest rate. In 2016, we were one of the first companies to take this initiative in cooperation with our financiers. With the refinancing negotiated this past year, we are doing this once again, with greater ambitions concerning climate and biodiversity. I believe that we are fulfilling a leading role in this respect in our sector and this is consistent with who we are.

Is this what you are aiming for, being at the cutting edge of sustainability?
I would nuance that somewhat. A liveable planet exceeds commercial goals and market-oriented thinking. It is not an area in which we should be competing against each other. Simply put, there is too much at risk. We will all need to change, the agricultural sector and society as a whole, until there is a new, long-lived normal. This will happen at different speeds, but ultimately we will all end up in the same place.

For many Dutch member dairy farmers, 2022 will be a year to remember due to the intense nitrogen debate. No doubt this has not left the company untouched either?
It is sad for me to see that the government's approach to the need for reducing nitrogen emissions has caused a great deal of uncertainty among our member dairy farmers. Recently I spoke with a member who had just transferred his farm, located in the proximity of a vulnerable nature reserve, to his son. The family is experiencing sleepless nights, caused by this uncertainty. It is very painful to listen to all this. And to be honest, the actions of the political establishment in 2022 and the years prior to that have contributed to this situation and that is highly unfortunate.
At the same time, I see that member dairy farmers want to make a contribution to lowering nitrogen deposition. Many times, there was more interest in a pilot project with the Lely Sphere, a circular stabling system that separates manure from urine and reduces nitrogen deposition, than we were able to accommodate.
Last year, intermediary Johan Remkes published his report with proposals that provide a good basis for FrieslandCampina to be able to develop solutions. In these proposals, livestock farms are given the opportunity to reduce their nitrogen emissions themselves; for example, by innovating or investing, relocating their farms, stopping at a natural point in time over the coming years, or by farming differently. Buyouts would then be the last resort to be put on the table. His report is nuanced and I hope that the Cabinet will also opt for this approach.

> “A cow will never give climate-neutral milk, while this is possible to do for the dairy chain as a whole”

The sector is not only confronted with nitrogen measures. You often hear that the succession of laws and regulations make dairy farming less attractive for new generations of dairy farmers.
There is often a lack of clarity as to what the use or effectiveness of certain measures is. This is not only how dairy farmers perceive it, but the broader agricultural sector as well. We are

engaged in discussions in order to collectively move from a 'measures-driven agricultural policy' to a 'results-driven agricultural policy'. You then have a greater focus on the effect and provide more custom work. To effect a turnaround like this requires time, but I view this as a development that offers opportunities.
Regenerative agriculture, which is receiving a great deal of oral and written attention nowadays, fits into this. You can use it to offset the negative climate impact of your milk production at your dairy farm or within the chain. A cow will never give climate-neutral milk, while this is possible to do for the dairy chain as a whole. That way you would produce in balance with the planet and, at the same time, it is a viable farming model for dairy farmers. It provides prospects for continuity, leaves control with the farmer and thus brings calm. However, I realise that there is a long way to go before things will have progressed.

The last of the three pillars is *nourishing growth and change*. What does this mean?
It means that adding value to dairy for the owners of FrieslandCampina, the member dairy farmers, is more important than anything else. We are doing this now by implementing a well-thought-out strategy with motivated employees, of which marketing, research, finance and sustainability are an integral part. And we are also responsibly managing the company with due consideration for issues such as human rights, safety and diversity.

In 2022, after the corona pandemic, many employees immediately had to put in significant effort again to deal with inflation.
And this put a lot of demand on our people. For every price increase, they had to undertake difficult discussions with suppliers and customers. The work pressure on colleagues responsible for the administrative and logistics process also increased. Although we were unable to fully pass on the tremendous increase in costs to our customers, especially in our consumer business in our home markets, we still succeeded in improving the result because of the offsetting performance of our other business groups. I am highly appreciative of the performance, effort and flexibility of our people.
In addition, like many other companies this past year, we had more difficulty staffing job openings than usual. As the corona pandemic fizzled out, many people started to view their work in a different light: what is best for me? More people than before changed jobs. As a consequence, the work had to be temporarily divided among the remaining colleagues. This required extra effort from many of us and I would like to thank everyone for this. In the meantime, most job vacancies have since been staffed again and the job vacancy rate is almost back to pre-corona pandemic levels.
Finally, I would like to emphasise that after years of having to keep a distance, it was a relief for me to once again be able to meet colleagues in person in Africa, Asia, North America and Europe. Nothing tops interpersonal contact.

FrieslandCampina provides high-quality nutrition, with excellent nutritional value and dairy as the core. The company is healthy, innovates and is becoming increasingly more sustainable; would that be a good way to sum things up?
Yes, I can relate to that. Dairy, provided it is produced sustainably, will always make a tremendous contribution to the necessary, affordable nutrients for a growing world population. As far as we are concerned, dairy is 'the gold standard' from the perspective of nutritional value and affordability. With nutritional value as the basis, we see that dairy alternatives, such as plant-based nutrition, can also contribute to that objective. Together with our partners, we found out how best to develop this, consistent with our existing brands and products. This way, we provide our consumers and customers choices they deserve.

“The demand for dairy will be growing globally over the coming years and there are plenty of opportunities for innovation”

Sybren Attema
Chairman of the Supervisory Board of Royal FrieslandCampina N.V.

Interview with Sybren Attema, Chairman of the Supervisory Board

As Chairman of the Supervisory Board, as well as Chairman of the Board of the Cooperative, Sybren Attema is well-positioned as a bridge builder between the company and member dairy farmers, who own the company through the cooperative. According to Attema, “As a supervisory body, the Board looks after the interests of members, employees and other stakeholders. There is an increase in the company’s affinity with the cooperative and increased recognition of the member dairy farmers’ position. That strengthens mutual trust, which is necessary if we are to achieve our collective goals.”

In 2022, the cooperative established its new strategy with Towards 2030. What do these plans entail?
Towards 2030, with its 10 core areas, sets out the direction we wish to pursue with the cooperative over the coming years. This is a strategy with tangible actions. Among other things, it concerns the importance of maintaining the milk supply at a certain magnitude. This helps us retain the company’s valuable achievements, such as our global production network or our research and marketing capacity, while, at the same time, we continue to pay a leading milk price to members. With our milk price, we would then be able to maintain a position among the top three companies with a comparable, broad product portfolio. It is also important that our company continues to be an attractive employer for talented employees.

The size of the cooperative and a leading milk price are two sides of the same coin, so to speak.
Indeed, that is how it is. For FrieslandCampina to be and continue to be a player on the world market, the Executive Board has stated that existing member dairy farms can grow their volume and that new members are allowed to join the dairy cooperative. This applies to dairy farmers in our three domestic markets: Belgium, Germany and the Netherlands. We recently formulated effective agreements on this with our members. With our ‘eight guarantees’ as our key message, we are now presenting ourselves at trade fairs and have started a recruitment campaign in Belgium. A nice side effect is that current members are increasingly appreciating their dairy cooperative.

> “Current member dairy farms can grow their volume and new members are allowed to join the dairy cooperative”

***Towards 2030* and the company strategy, Our Purpose, Our Plan, are mutually aligned in many areas. This is evident from the sustainability agenda, for example. Do the two strategies reinforce each other?**
You can see that in the area of sustainability, the cooperative and the company are working better together than ever before. An example of this is the updated remuneration system, Foqus planet Sustainable development, for sustainability measures. We set this up together in 2022, and members consider it an improvement. Foqus planet is based on market and societal demands and on what members want: namely, adding value to their milk. It gives them more clarity; when you implement these measures or make these investments and it produces the desired result, it is remunerated with a predefined amount.

Establishing a Sustainability Committee within the Supervisory Board has given sustainability extra weight there as well.
Pursuant to our responsibility, we develop special expertise this way and it also ensures that we are better able to supervise progress on sustainability.

How do members view the market's and society's expectations and what are the measures that FrieslandCampina has developed to anticipate these expectations?
From resistance to change, this switched to a demand for practical support in a relatively short period of time this past year. This movement appears to be definitive. Our members want to adjust, but could use some help with how best to approach this. This help would be in the form of expertise and money. The turnaround is, in part, due to the changed demand by consumers and customers, the sustainable requirements imposed by the Dutch government and the European Commission and the overall social debate. Our members clearly understand what is expected from them.

FrieslandCampina refers to itself as a modern food company, with dairy as a solid core. Do the products produced using plant-based raw materials fit into this definition?
Thanks to our knowledge of proteins and the global supply chain, among other things, we are capable of supplying alternatives to supplement the diet, such as products produced using plant-based ingredients. Society at large, ranging from politicians, retail to consumers, is demanding such products. Due to the positive margins of these products, this offers commercial opportunities. I can imagine that we will gradually expand our plant-based product portfolio, although FrieslandCampina will always be a dairy company at its core. The demand for dairy will be growing globally over the coming years and there are plenty of opportunities for innovation. The company now is making considerable investments in this.

In the Netherlands, the year 2022 was characterised by the intensive nitrogen debate. What do you think of this, in retrospect?
I view this with mixed feelings. The company and the cooperative work together on this dossier. but we leave defending the individual interests of member dairy farmers to themselves and to their representatives. This separation between the individual and the collective is desired and supported by a majority of the members. But let me say this: Remkes has done some great work with his report. There is enough support among dairy farmers to cooperate on an integrated approach to the problem, to which nitrogen emissions, climate and biodiversity, among other things, are linked. A government that listens will see that it is surrounded by dairy farmers who contribute constructive ideas.
It cannot be said often enough: farmers are, first and foremost, stewards of their lands. They aim for continuity, and on this basis, manage their farm and nature. The way farmers treat nature can be improved and this is something they are aware of. By adapting gradually, they have an opportunity to incorporate this into their ways of working and into their livelihood. By invoking sudden measures that are too rigorous, you put them in an untenable position.'

"It cannot be said often enough: farmers are, first and foremost, stewards of their lands"

In 2022, the milk price reached a historically high level. Members must be very satisfied with this.
This applies to only a part of the members and the overall picture is mixed. Not everyone was able to benefit from the rising prices, because costs also increased significantly. At the same time, the high milk price represented a significant challenge for the company. We have every reason to be proud that the company managed to pass on the higher milk price in 2022 to part of our

> **The film, *A New Day*, gives young dairy farmers a voice and that has inspired many people, within the sector and beyond, to give this some positive thought"**

customers. That this can cause margins to come under pressure and that as a member of the cooperative you may not receive the supplementary cash payment that you had expected, is generally understood.

On 30 September, Dutch national TV ran the premiere of the film, *A New Day*, a tribute to the dairy farmers that have made FrieslandCampina what it is today.
The film, in a probing way, shows how a new generation of dairy farmers with passion and resolve works on a sustainable future and adjusts itself to a rapidly changing world. It demonstrates that dairy farmers are aware of the situation in which we currently find ourselves and what is needed to provide this planet and, therefore, their children with a future. They aim to pass on a healthy, strong, sustainable and modern farm to the next generation. *A New Day* gives young dairy farmers a voice and that has inspired many people, within the sector and beyond, to give this some positive thought. It struck a chord among members during the meetings in which we showed the film.

In closing, I would like to thank all member dairy farmers and company employees for their collective efforts in 2022. They give me confidence for a successful future for the FrieslandCampina cooperative and company.

Report of the Executive Board

From left to right:

David Cutter
Chief Supply Chain Officer

Hein Schumacher
Chief Executive Officer

Hans Janssen
Chief Financial Officer

Geraldine Fraser
Chief People Officer

Roel van Neerbos
President FrieslandCampina Food & Beverage

Developments and results 2022

Solid results for FrieslandCampina in a dynamic year

Historically high performance price for member farmers and positive progress on sustainability agenda

- Revenue rose by 22.4 percent to 14.1 billion euros, primarily driven by price increases due to higher commodity dairy quotations and other cost increases. The consumer dairy business was unable to fully pass on the high cost increases to customers.
- Operating profit rose by 32.7 percent to 471 million euros. Adjusted for currency translation effects and other operating expenses and income, operating profit rose by 94.5 percent to 712 million euros.
- Profit increased by 69.8 percent to 292 million euros.
- At 293 million euros, the operating cash flow was at a low level due to higher stock and accounts receivable positions resulting from high milk prices and inflation.
- Other operating expenses and income amounted to -260 million euros, primarily for restructurings, disposals and the increased costs for converting foreign currencies in Nigeria.
- Performance price for member dairy farmers increased by 47.2 percent to 58.69 euros per 100 kilos of supplied milk, including a supplementary cash payment of 0.90 euro per 100 kilos of milk.
- Climate plan published with SBTi validated 2030 targets that are in line with the Paris climate goals.
- Total reported greenhouse gas emissions from the milk production on member dairy farms and from milk processing and transporting, decreased by 2.7 percent to 11,472 kt CO_2 equivalents.
- Various pilots were initiated, including on livestock feed and circular barn systems, to enable further greenhouse gas reduction in the future.

Key figures 2022

We nourish millions of people

	2022	2021
Product composition (percentage of the total volume of consumer products sold that complies with the FrieslandCampina Global Nutritional Standards Next Level)	72[1]	71
Balanced product range (basic food products sold as a percentage of the total volume of consumer products sold)	74	73
Product composition: Affordable Nutrition (percentage of the total volume of Affordable Nutrition consumer products sold in Indonesia, Vietnam, the Philippines, Pakistan, Nigeria and Ivory Coast that complies with the FrieslandCampina Affordable Nutritional Standards)	6	5
Share of Affordable Nutrition (total volume of Affordable Nutrition consumer products sold as a percentage of the total volume of consumer products sold in Indonesia, Vietnam, the Philippines, Pakistan, Nigeria and Ivory Coast)	11	12

We nourish a better planet

	2022	2021	Δ%
Greenhouse gas emissions on member dairy farms (in kton CO_2-equivalent)	10,823	11,099[2]	-2.5
Greenhouse gas emissions from production and transport (in kton CO_2-equivalent)	649	691	-6.1
Use of green electricity (percentage of total electricity consumed at production facilities)	100	100	
Green electricity consumption from own chain (percentage; produced by member dairy farmers and others)	53	50	
Energy consumption (GJ/tonne product)	2.72	2.79	-2.5
Water consumption (m^3/tonne end-product)	4.72	4.85	-2.7
Pasture grazing (percentage of total number of member dairy farms in the Netherlands applying a form of pasture grazing)	83.8	83.9	
Recyclable packaging[3] (percentage)	91[4]	90	
Sustainable sourcing agricultural raw materials (percentage of total volume of raw materials)	100	100	
Traceability to source (palm oil, pulp and paper, and cocoa)	94[5]	94	

1 A change in the sales volume of products that comply with the FrieslandCampina Global Nutritional Standards Next Level, had a positive effect on the 2022 percentage.
2 Starting in 2022, we are in principle calculating the greenhouse gases emitted at member dairy farms on the basis of all Dutch member dairy farms, instead of calculating these emissions on the basis of an analysis of a representative group of member dairy farms. The reported 2021 greenhouse emissions were recalculated on this basis.
3 Some of the range (20%) is out of scope. This includes items without packaging and bulk, co-packers, joint ventures and packaging with a sales volume <1000 kg.
4 An increase in the sales volume of packaging ready for recycling compared to packaging not ready for recycling and the sale of Russian subsidiary Campina LLC had a positive effect on the 2022 percentage.
5 In 2022, the traceability of soy was removed from the scope, due to the sale of FrieslandCampina's Nutrifeed animal feed operations in July 2021.
6 Buffer capital is the equity and non-controlling interests attributable to the shareholder.
7 The net debt shown here is in accordance with the covenant's guidelines and concerns current and non-current interest-bearing borrowings (excluding lease commitments), receivables from and payables to Zuivelcoöperatie FrieslandCampina U.A. less the cash and cash equivalents at the company's free disposal.
8 Dairy farmers applying pasture grazing receive a 1.50 euro meadow milk premium per 100 kilos of milk for 2022. Of this an amount of 1.00 euro per 100 kilos of meadow milk is paid from the company's 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 0.25 euro per 100 kilos of milk.
9 Special supplements concern the total amount of payments per 100 kilos of milk of Landliebe, VLOG and the 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 0.33 euro per 100 kilos of milk.
10 This figure is expected to decrease in 2023, due to a decline in the number of supplying dairy farmers in Vietnam and the termination of the Women Empowerment programme in Indonesia.

We nourish growth and change

Millions of euros, unless stated otherwise

	2022	2021	Δ%
Results			
Revenue	14,076	11,501	22.4
Revenue before currency translation effects	13,810	11,501	20.1
Operating profit	471	355	32.7
Operating profit before currency translation effects	452	355	27.3
Net profit	292	172	69.8
Profit before currency translation effects	280	172	62.8
Operating profit as a percentage of revenue	3.3	3.1	
Balance sheet			
Balance sheet total	10,037	9,056	10.8
Equity directly attributable to capital providers	3,841	3,635	5.7
Equity as a percentage of balance sheet total	38.3	40.1	
Buffer capital as a percentage of balance sheet total[6]	23.2	17.0	
Net debt[7]	888	700	26.9
Cash flow			
Net cash flow from operating activities	293	594	-50.7
Net cash flow used in investment activities	-570	-302	-88.7
Net cash flow from financing activities	174	-152	214.5
Investments	474	376	26.1

	2022	2021	Δ%
Value creation for member dairy farmers (in euros per 100 kilos of milk, exclusive of VAT, at 3.57% protein, 4.42% fat and 4.53% lactose)			
Guaranteed price	55.21	37.84	45.9
Supplementary cash payment	0.90	0.14	
Meadow milk premium and Foqus planet premium[8]	0.91	0.91	
Special supplements[9]	0.33	0.34	
Milk price	57.35	39.23	46.2
Interest on member bonds	0.31	0.44	
Addition to retained earnings	1.03	0.21	
Performance price	58.69	39.88	47.2
Member dairy farmers			
Number of member dairy farms at year-end	9,927	10,564	-6.0
Number of member dairy farmers at year-end	15,137	15,703	-3.6
Milk supplied by member dairy farmers (millions of kilos)	9,502	9,745	-2.5
Total compensation paid to member dairy farmers (millions of euros)	5,423	3,835	41.4

People

	2022	2021	Δ%
Dairy Development (Number of local dairy farmers in Dairy Development countries participating in a training programme[10])	70,101	70,385	-0.4
Percentage of women in management positions	27.9	25.6	
Accident ratio (number of accidents per 200,000 hours worked)	0.38	0.39	

How we create value

FrieslandCampina is aiming for long-term value creation. Our member dairy farmers and employees create value for consumers and clients. This way, they provide for excellent, affordable nutrition and a sustainable liveable planet.

Businessmodel

Input

- Human
- Intellectual
- Natural
- Financial
- Products

Nourishing
millions of people

Nourishing
a better planet

Nourishing
growth and change

Our Plan on a Can

FrieslandCampina supplies:

Safe and high-quality nutrition to millions of people
balanced, accessible and affordable

... whereby we reduce climate impact,
set out in the climate plan for the reduction of greenhouse gases

... limit impact within the chain,
sustainable from grass to glass

... reinforce the earning capacity of member dairy farmers,
training, Foqus planet, Dairy Development

... continue to invest and innovate,
research & development, sustainability pilots, monitoring

... with care for nature
biodiversity, sustainable sourcing, preventing deforestation, less wastage and responsible water management

... and for our employees,
diverse and inclusive, personal (talent) development, work/personal life balance

... through means of responsible governance.
code of conduct, human rights, risk and crisis management

Output 2022

Human

- ▲ Women in management positions
- ▲ Diversity and inclusion
- ► Employee commitment
- ▼ Local dairy farmers trained (Dairy Development)

Intellectual

- ▲ Investment in R&D
- ▲ New patents
- ▲ Scientific publications
- ▲ Sustainability pilots

Natural

- ▼ Greenhouse gas emissions – Scope 1 and Scope 2
- ▼ Greenhouse gas emissions – Scope 3 – member milk
- ▼ Water consumption
- ▲ Active nature management by member dairy farmers
- ▲ Recyclable packaging
- ► Traceability to source

Financial

- ▲ Milk price
- ▲ Revenue
- ▲ Profit

Products

- ▲ Product composition
- ▲ Product composition of Affordable Nutrition

This is how FrieslandCampina has impacted lives

Nourishing…

… millions of people

1 NO POVERTY
2 ZERO HUNGER
3 GOOD HEALTH AND WELL-BEING
17 PARTNERSHIPS FOR THE GOALS

We contribute to providing healthy and affordable nutrition for everyone: from infants to seniors. By increasing the availability and affordability of nutritious food, we aim to have a positive impact on the lives of consumers who have less access to essential food.

… a better planet

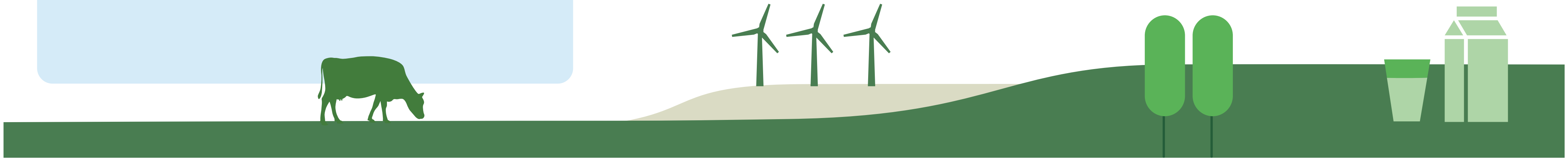
12 RESPONSIBLE CONSUMPTION AND PRODUCTION
13 CLIMATE ACTION
15 LIFE ON LAND
17 PARTNERSHIPS FOR THE GOALS

The growing world population demands increasingly more high-quality nutrition. In the meantime, current production methods are putting heavy pressure on soil and nature. We believe that supplying excellent nutrition can and must go hand-in-hand with the best possible care for the planet.

… growth and change

2 ZERO HUNGER
8 DECENT WORK AND ECONOMIC GROWTH
12 RESPONSIBLE CONSUMPTION AND PRODUCTION
17 PARTNERSHIPS FOR THE GOALS

We pay a leading milk price and thus contribute to the income of member dairy farmers and the continuity of their dairy farms. With our Dairy Development activities, we support tens of thousands of local farmers throughout the world each year and, together, work on building sustainable dairy chains to enable them to improve their living standard.



In dialogue with stakeholders

As a cooperative, FrieslandCampina knows that success begins with cooperation. We maintain active contact with many parties within and beyond the dairy chain (see 'Appendix: Stakeholders' Dialogue') and believe in listening, informing and meeting each other. This enables us to identify the expectations of stakeholders regarding FrieslandCampina's actions and to stay abreast of relevant, current developments.

Whenever possible, we involve our stakeholders in the development of policies, for example on sustainability, biodiversity and healthy nutrition, and consult them on establishing the topics we need to report on annually (see 'Material themes'). These stakeholders are identified on the basis of their influence on FrieslandCampina and, in reverse, the degree to which FrieslandCampina influences them.

Most important stakeholders

- Member dairy farmers and the cooperative
- Employees
- Buyers (consumers and customers)
- Suppliers
- Financiers
- Government bodies and local authorities
- Non-governmental organisations (NGOs) and interest groups
- Nutrition and health experts

The specific organisations, the topics that were discussed, and the actions arising from these contacts are listed in the Stakeholder Dialogue Table (Appendix stakeholder dialogue on pages 230 to 256).

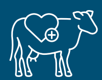
Top 5 material themes


Greenhouse gas emissions at farms


Nature and biodiversity

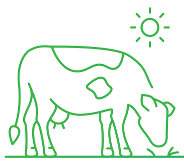

Healthy products with nutritional value


Sustainable innovation


Animal health and welfare

Material themes

To give direction to our strategy and areas of focus, FrieslandCampina conducts an assessment every two years to determine the relevant topics for action. These are the 'material topics'.
In 2022, the materiality analysis (2021) was updated, with due consideration to external developments, such as the increased focus on emissions and biodiversity. From the update it is clear that the relevant and significant themes have not changed in comparison to 2021. For example, greenhouse gas emissions on farms continues to be the most important theme, followed by nature and biodiversity, healthy products with nutritional value, sustainable innovation, and animal health and welfare (see Appendix on page 258 for the complete set of priorities). These material topics form the basis of FrieslandCampina's integrated strategy and the topics addressed in this Annual Report. In 2023, we will once again carry out an elaborate materiality analysis in accordance with the CSRD and GRI standards.



From grass ...

... to glass

Our Plan on a Can

FrieslandCampina provides millions of people all over the world with dairy products that are rich in valuable nutrients from milk. Our strategic framework, Our Plan on a Can, demonstrates what FrieslandCampina stands for, what we do and how we work together on this.

On the basis of this common starting point, the business groups and operating companies develop their own action plans, while our employees subsequently formulate their personal objectives. This way, all elements fit together effectively.

Our Plan on a Can.

Compass, Safety, Quality and Cybersecurity

Our Purpose, Our Plan

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

WIN-WIN

- Purpose-driven
- Commercially obsessed
- Owner's mindset

FrieslandCampina: a nourishing company

FrieslandCampina is a leading, future-proof nutrition company with a strong core in dairy, that nourishes the world and ensures a good living for farmers.

nourishing by nature

- Better nutrition for the world
- A good living for our farmers
- Now and for generations to come

We nourish millions of people

We feed people in many parts of the world with nutritious and affordable dairy products.

We nourish millions of people

FrieslandCampina contributes to healthy and affordable nutrition for everyone: from infants to seniors. By improving the availability and affordability of nutritious food, we aim to have a positive impact on the lives of consumers who have less access to essential food.

“It feels great to be working for a company that goes that extra mile to provide affordable and good quality nutrition to people across the world”

Petra Dekker,
Corporate Manager Nutrition & Health

Key figures 2022

72%
Product composition
2021: 71%

74/26%
Balanced product range
2021: 73/27%

6%
Product composition of Affordable Nutrition
2021: 5%

11%
Share of Affordable Nutrition
2021: 12%

Better nutrition

Product composition
72 percent of consumer products (of the total volume sold) complied with the FrieslandCampina Global Nutritional Standards (GNS) Next Level (2025 target: 74 percent). These are nutritional criteria for maintaining the natural ingredients in milk and reducing calories, fat, sugar and salt in all our products. The criteria for trans-fat, saturated fat, added sugar and salt are derived from Choices International, and were developed by independent scientists.

Balanced product range
74 percent (2021: 73) of the product range consists of 'basic nutritional products for daily consumption' and 26 percent (2021: 27) consists of 'self-indulgent products for occasional consumption' (on the basis of sales volume). The objective is a proportion of at least 70 percent basic nutrition and a maximum of 30 percent self-indulgent products.

Affordable and available
Eleven percent of consumer products (of the total volume sold) was affordable for population groups with low incomes (2025 target: 15 percent). FrieslandCampina ensures that by providing the right quality and quantity of proteins, minerals and vitamins, these products contain the ingredients necessary to combat malnutrition. The company aims to have half of the volume of affordable food products sold in low-income countries meet the Affordable Nutrition Standards by 2025. In 2022, this was six percent. We offer affordable nutritional food products in low-income countries, such as Indonesia, Vietnam, the Philippines, Pakistan, Nigeria and Ivory Coast.

Appreciation for responsible nutrition

ACCESS TO NUTRITION INDEX™

Thanks to nutrition initiatives in different countries, FrieslandCampina is one of the top performing companies worldwide in terms of supplying responsible nutrition. In 2021, the company was in third place on the global Access to Nutrition Index (ATNI). This index is prepared every two years by ATNI, an independent, non-profit organisation.

OUR STRONG BRANDS

Olper's

OLPER'S

- Pakistan
- Milk for a nutritious start of the day

> "Every great day needs a nutritious start

Milk is widely consumed in Pakistan, mainly for breakfast. Since 2006, Olper's has been providing families in Pakistan with high quality products such as full cream milk, low fat milk, full cream milk powder and dairy cream.

In 2022, Olper's cheese was launched, in three variants: cheddar slices, cheddar blocks and mozzarella blocks. Now Pakistani families can enjoy the quality and taste of Olper's in the morning in even more ways.

Large-scale nutrition and health survey in Southeast Asia

In 2022, FrieslandCampina completed a large-scale survey on nutrition in Southeast Asia: the Southeast Asian Nutrition Survey II (SEANUTS II). Data was collected on the nutrition, health and lifestyle of almost 14,000 children in Thailand, Malaysia, Indonesia and Vietnam, ranging in age from six months up to and including 12 years.

Proper nutrition plays a crucial role in supporting the growth and development of children. This research project provides FrieslandCampina with insight into the (local) need for nutritional ingredients. We work together with leading universities and knowledge institutes in the region for this purpose. The results were announced in June 2022 (see below).

Read more about 'Better nutrition':

Responsible marketing

Information about nutrition and exercise

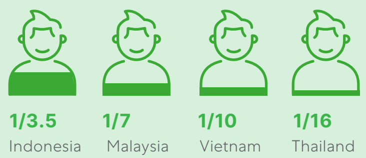
Our Global Nutritional Standards

Seanuts

Stunting[1]

In children younger than five years of age

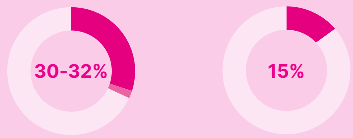
Stunting (impairment of growth) is a primary manifestation of malnutrition and is especially prevalent in young children. Children with stunting are at risk of poor development, poor school performance and reduced intellectual capacity.



Overweight and obesity[1]

In children 7-12 years old

Childhood obesity is associated with higher chances of obesity in later life. Being overweight or obese is a risk factor for developing non-communicable diseases, such as cardiovascular diseases and diabetes.



Percentage of children aged 7-12 years being overweight or obese in Malaysia, Thailand and Vietnam

Percentage of children aged 7-12 years being overweight or obese in Indonesia.

Calcium and vitamin D[1,2]

In children aged 0.5-12 years

The majority of all children in the four countries did not meet the Estimated Average Requirement for calcium and vitamin D. Calcium and vitamin D are important for the growth and development of bones. In addition, vitamin D is an important nutrient for supporting the functioning of the immune system.

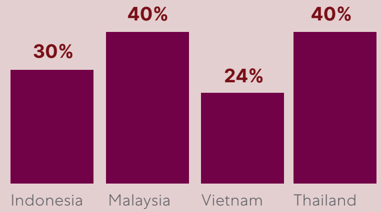
Percentage of children aged 0.5-12 years not meeting the average needs for calcium.

Percentage of children aged 0.5-12 years not meeting the average needs for vitamin D.

Anaemia[1]

In children younger than four years of age

Study results show that >24% of children younger than four years have anaemia. Anaemia is a condition where the blood has reduced ability to carry oxygen within the body. Anaemia can impact children's cognitive development, physical growth and immunity.



1 Results are representative for Peninsular Malaysia and for Indonesia for Java and Sumatra. 2 Results are based on 24-hour recall.

Innovation

It is because of innovation that we are able to optimally exploit the nutritional value of milk, continuously anticipate the needs of customers and consumers, keep improving our products and make them more sustainable.

In 2022, to continue to be able to innovate, FrieslandCampina invested approximately 93 million euros in research & development. That year, FrieslandCampina published 142 scientific publications and 23 international patent applications were submitted in its name.

Key product innovations:

Vana-Sana™ DHA & ARA

Ingredient for infant nutrition with high-quality fatty acid ingredients

Friso Natura

New infant nutrition line in the super premium segment

Friso goat

First goat milk-based infant nutrition under the Friso brand

Debic Vegan-top

A perfect plant-based whipped cream alternative

Debic cream cheese

High-quality cream cheese for professionals in the food service market

Biotis® GOS-OP High Purity

Prebiotic with a high galacto-oligosaccharide concentration

Friesche Vlag Barista Haver

Plant-based oatmeal beverage

Valess

Crispy chicken style burger meat substitute

Olper's kaas

First cheese to be introduced in Pakistan under the Olper's brand

Chocomel plant-based

Plant-based (cashew and pea-based) Chocomel

We nourish a better planet

Together with our member dairy farmers,
we take good care of nature and the environment
in the value chain from grass to glass.

We nourish a better planet

The growing world population demands increasingly more high-quality nutrition. FrieslandCampina provides essential nutrients to millions of people. In the meantime, current production methods are putting pressure on soil and nature. Supplying excellent nutrition can and must be in balance with the best possible care for the planet. This constantly requires a balance to be struck between long-term sustainability objectives and short-term income.

Key Figures 2022

649 ▼ -6.1%
Greenhouse gas emissions from production and transport
(scope 1 and 2)
kt CO_2 equivalent
2021: 691

10,823 ▼ -2.5%
Greenhouse gas emissions on member dairy farms
(scope 3-member milk)
kt CO_2 equivalent
2021: 11,099

91%
Recyclable packaging
2021: 90%

94%
Responsible sourcing of traceable raw materials
2021: 94%

Reduction targets validated in accordance with SBTi

The Science Based Targets initiative (SBTi) classifies whether the measures adopted by companies meet emission reduction targets in accordance with the applicable climate science. In June 2022, FrieslandCampina's targets were validated by SBTi. The report states:

SBTi's Target Validation Team has classified the Scope 1 and 2 targets of your company and has found them to be in line with a 1.5°C course of action. Royal FrieslandCampina is committed to reducing the absolute emission of Scope 1 and 2 greenhouse gases by 63 percent by 2030, in comparison to the 2015 baseline year*. Royal FrieslandCampina also commits to reducing the absolute emission of Scope 3 greenhouse gases by 37.5 percent within the same period.*

* The target limit comprises land-based emissions and the removal of raw materials for bio-energy.

“FrieslandCampina is future focused and this is reflected in how plans and priorities are set. We aim to improve the lives of coming generations”

**Sanne Griffioen,
Director Farm Sustainability**

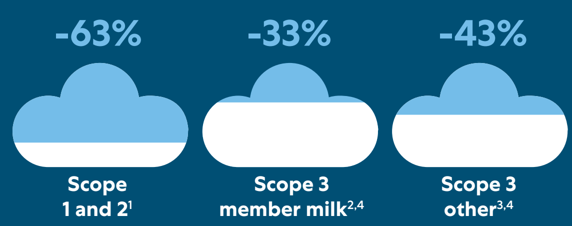
Climate plan FrieslandCampina

‘On the way to climate-neutral dairy’

The Paris Agreement includes agreements about taking global measures to limit the planet’s warming to less than 2 degrees Celsius and preferably to less than 1.5 degree Celsius. FrieslandCampina is committed to this goal and has developed a reduction pathway, validated by SBTi, for 2030.

Our climate targets

Greenhouse gas emissions 2015-2030



This reduction pathway is set out in our climate plan 'On the way to climate-neutral dairy' which was published in 2022: an elaboration of the climate objectives of our sustainability programme *Nourishing a better planet*. Thus we have a clear roadmap for realising a significant reduction in the emission of greenhouse gases throughout the entire chain by 2030 and achieving net-climate-neutral dairy by 2050.

Read the climate plan

How do we aim to achieve our climate objectives?

Net-climate-neutral production for FrieslandCampina means that we:
— Reduce the fossil CO_2 emissions for all scopes to zero by reducing energy consumption and switching to renewable sources;
— Whenever possible, reduce other non-fossil emissions, such as methane from cows, and compensate whatever we cannot reduce through means of carbon capture and storage in soil and biomass, for example.

Reducing and, where necessary, compensating emissions within our own chain is a priority for us. Part of this approach is to increase the remuneration paid to those member dairy farmers who reduce their greenhouse gas footprint.

1 Greenhouse gas emissions from our global milk production facilities and our milk transport in the Netherlands, Belgium and Germany.
2 Greenhouse gas emissions from milk production at member dairy farms.
3 Greenhouse gas emissions from purchased milk products and commodity dairy, packaging, selected raw materials and external production.
4 Reduction targets are currently set at >70% of Scope 3 emissions.

Reduced greenhouse gas emissions

In 2022, greenhouse emissions from production and transport (Scope 1 and Scope 2) decreased by 6.1 percent in comparison to 2021, to 649 kt CO_2 equivalent (2021: 691 kt). The reduced emission of greenhouse gases is a result of various initiatives, such as investments in new CO_2-reducing processes, a new reverse osmosis installation in Lutjewinkel, the closure of powder dryers in Dronrijp (2021) and Leeuwarden (2022), the Netherlands, and the sale of powder installations in Aalter, Belgium (2021).

Decreased production volumes and the lower production of CO_2 intensive products, such as milk powder, also contributed to a reduction in greenhouse gas emissions. Further reductions in emissions were hampered by the limited availability of biofuels for production due to the energy crisis.

The lower 'Scope 3 – member milk' emissions in 2022 are primarily due to lower milk volumes and fewer changes in land use for cultivating protein-rich animal feed (for example, soy). In addition, there are ongoing pilots on a number of member dairy farms with respect to feed additives that are expected to contribute to reducing emissions (see below). After certification, the achieved reductions from these pilots will be included in the reported KPI. For emission reductions on scope 3 targets - validated by SBTi - other than reported scope 3 emissions from member milk, we are preparing to obtain limited assurance in the first half of the year 2023 on 2022.

Innovative feed additive

In March 2022, FrieslandCampina, in cooperation with DSM and Agrifirm, initiated a large practical pilot to acquire practical experience at the farm level with the livestock feed additive, Bovaer, which significantly lowers the methane emitted by cows; 158 member dairy farms are participating in this project. This additive is fed to approximately 20,000 cows. The challenge remains that feed additives must be in line with practices at dairy farms and that they are valorised in the market. After certification, the achieved reductions from this pilot (7,634 tonnes CO_2 equivalent) will be included in the reported KPI.

Improved monitoring

With effect from 2022, FrieslandCampina will make use of the KringloopWijzer livestock life-cycle calculation model developed and managed by Wageningen University & Research, supported by the Central Database KringloopWijzer, to report greenhouse gas emissions from milk production on member dairy farms in its Annual Report. Instead of analysing the emissions of a representative group of member dairy farms, effective from 2022, we are in principle basing our calculations on monitoring all Dutch member dairy farms. This enables us to better monitor the impact of implemented measures on the dairy farming sector. The result of this adjustment is that emissions in 2021 are actually nine percent lower than reported in 2021. The key difference is that the central database now includes the calculated, actual footprint of the purchased livestock feed for each dairy farm and that the footprint of this purchased feed has been reduced significantly because livestock feed companies are switching to ingredients that do not involve deforestation or for which deforestation was halted a long time ago. For more information about this methodology, including statistical tests to check acceptability, and an elaboration of the variances in results, see 'Methodology and Results Report'.

Boost for mono-manure fermentation

Due to the combination of rising energy prices and member dairy farmers who would like to make a contribution to lowering the environmental burden, interest in manure fermentation rose in 2022. A mono-manure digester supplies green energy and reduces methane emissions from manure by approximately 80 percent. In combination with manure stripping, the nitrogen emitted by the overall farming operation (stable, manure storage and application of fertilisers) is approximately cut in half. FrieslandCampina encourages member dairy farmers to make use of mono-manure fermentation by informing them about the available options and by paying them a respectable price for energy and greenhouse gas reduction.
In 2022, approximately 500 dairy farmers attended an open house on mono-manure digesters. Member dairy farmers with specific plans for mono-manure fermentation received 1,000 euros in support for completing a feasibility study. This enabled 68 farms to apply for a permit and grant. At the end of 2022, 41 member dairy farms were operating a mono-manure digester and they collectively produced over 10 million m3 biogas (2021: 8 million m^3).

Lower energy consumption

The relative energy consumption per tonne of product by production facilities was 2.72 GJ/tonne in 2022. As a result, relative energy consumption dropped in comparison to 2021 (2.79 GJ/tonne). This drop is explained by the introduction of energy efficiency measures and a change in the volume mix. The total energy consumption in 2022 amounted to 14,098 GJ (2021: 15,118 GJ). The closure/sale of multiple production facilities/departments (Thailand, the Netherlands [Leeuwarden], China [Xiushui] and Belgium [Aalter]) contributed to a structural reduction in energy consumption. Eighty nine percent of the purchased electricity of our production facilities in the Netherlands is covered by electricity generated by our own members; globally this corresponds to 53 percent. In 2022, another step was taken in valorising green energy from our own chain. For example, the company purchased almost 486,000 MWh in green electricity certificates (2021: 475,000) from 1,194 member dairy farms (2021: 1,002).

Approximately 3,708 member dairy farmers generated green electricity (2021: 3,400). Visit www.frieslandcampinaopwek.nl to check out current electricity generation figures for member dairy farmers. In 2023, member dairy farmers will also assess other renewable energy initiatives, such as energy storage, smart electricity use and efficiency, and the use of hydrogen.

Read more about energy consumption and greenhouse gas emissions:

OUR STRONG BRANDS

Campina

- One of the biggest dairy brands in the Benelux countries
- Wide range of dairy products

"Dairy icon in the Netherlands

Over the years, Campina has grown into one of the biggest dairy brands in the Benelux. The brand is a dairy icon in the Netherlands and proud partner of sports organisation NOC*NSF. Campina's milk, dairy drinks, yoghurt and quark contribute to a strong start of the day. Many of those products carry the On the way to PlanetProof label. These products are produced more sustainably with extra attention to the cow, nature and climate.

Reduced water consumption

FrieslandCampina aims to reduce water consumption at its production facilities each year. In addition, discharging treated residual water at these facilities is a constant area of focus and part of the monitoring process within FrieslandCampina. Over the coming years, government standards for discharging nitrogen, phosphates and sulphates, for example, will be refined. FrieslandCampina is implementing measures to ensure that it continues to meet statutory requirements in the future as well. To identify the risks with respect to water consumption in the chain, a water hotspot analysis was conducted in 2022, which will be used as a basis for determining the (chain) water strategy. The environmental water risks of the locations where we are situated have been analysed using the water hotspot analysis. On this basis, mitigating actions will be developed and rolled out for each location over the coming years.

4.72
(m^3/ton end product))
Result 2022
2021: 4.85
Δ% -2,7

Read more about water consumption and wastewater

"To identify the risks with respect to water consumption in the chain, a water hotspot analysis was conducted in 2022

Increased biodiversity

FrieslandCampina helps member dairy farmers cultivate biodiversity on and around their dairy farms. A few years ago, together with the World Wide Fund for Nature (WWF Netherlands) and Rabobank, we developed a Dairy Farm Biodiversity Monitor that uses clear indicators to provide insight into the impact of dairy farms on biodiversity.

In 2022, FrieslandCampina, together with the Sustainable Dairy Chain and external experts, worked on developing an integrated biodiversity impact score. The integrated score helps us to define objectives in 2023 and to map out the route towards achieving a net-positive effect by 2050. In 2023, to translate the integrated score into objectives and to determine the route towards achieving a net-positive effect, we will investigate whether the integrated score meets our quality standards and what we need to do to optimise the score. In addition we are working together with BoerenNatuur on a system to better safeguard nature and landscape management on dairy farms. In 2022, 83.7 percent of member dairy farms registered active nature and landscape management with FrieslandCampina (2021: 81.1 percent). 1,995 member dairy farmers were compensated for their biodiversity-related efforts (2021: 1,018).

From pasture to herb-rich grassland

In 2022, 43 Dutch member dairy farmers, together with the Aldi supermarket chain, initiated the Herb-rich Grassland project. As part of this project, approximately 80 hectares of pasture were sown with a mix of various types of grass and herbs (80 hectares corresponds to the total area of all Aldi branches and distribution centres in the Netherlands combined). Dairy farmers receive compensation from Aldi for a period of five years to maintain the herb-rich grassland. The compensation equals one and a half times the costs incurred.

Combating deforestation

Aside from promoting biodiversity on and around member dairy farms, we also promote nature preservation and development in the production chain. This includes the fight against deforestation. In July 2022, we adopted a zero deforestation and conversion policy.
At the end of 2021, FrieslandCampina, together with Agrifirm, initiated a pilot project that provides increased guarantees that the soy used in animal feed comes from deforestation-free regions. A framework was developed for an independent, controlled and physically closed deforestation-free soy chain that can also be used by other parties. In 2022, the first deforestation-free soy shipments were delivered and the sourcing protocol was published. Since the beginning of the summer of 2022, Agrifirm has supplied over 20,000 tonnes guaranteed deforestation-free soy to FrieslandCampina members.

Nitrogen

FrieslandCampina is aware that the Netherlands is running up against its ecological limits, and that all sectors, including agriculture, must contribute to solving this problem. It is important to quickly arrive at a fair allocation among sectors and develop an integrated approach for the agricultural sector with future prospects and an earnings model for farmers. Innovation must be a key component of the solution, together with investments in a sustainable future and sufficient land and development room for farms. In addition, research must be conducted to determine to what extent regenerative agriculture can be used on dairy farms, by understanding which regenerative practices contribute to greenhouse gas reduction and biodiversity enhancement and to what extent, and how they affect the business model for dairy farms. Fair margins must be introduced throughout the entire chain that make sustainability affordable. This requires commitments from the entire value chain. We are convinced that there is a future for dairy farming in the Netherlands and believe in the crucial role of farmers in the production of our food supply.

Innovations, among other things concern adjustments to shed floors and changes to the composition of animal feeds. As a participant in the Coalition for Future-proof Dairy Farming, FrieslandCampina, in the context of the Dutch Dairy Association (NZO), devotes efforts in support of these changes. In 2021, the coalition presented a plan which would make it possible to achieve a 28 percent reduction in nitrogen emissions by 2030. An amount of 1.3 billion euros has been requested for the sector for this purpose to enable it to carry non-productive investments.

In 2022

- FrieslandCampina initiated a pilot with Lely and Rabobank for the installation of 90 Lely Sphere stabling systems at the member dairy farms. The objective is to reduce nitrogen emissions from the stables of these dairy farmers by up to 70 percent.
- We took part in discussions with intermediary Johan Remkes in which we explained the market prospects for sustainable development in the dairy sector.
- In a sector context, FrieslandCampina constantly supported the plan of the Coalition for Future-proof Dairy Farming.

It did this in close cooperation with Zuivelcoöperatie FrieslandCampina U.A. and various sector representatives.

Pollutant Release and Transfer Register (PRTR) – nitrogen emissions by NEC sector in Ktonnes

Substance by NEC sector	1990	1995	2000	2005	2010	2015	2020	2021*	EU Ceiling 2020-2029
Ammonia (NH_3)									
Industry, energy and refineries	4.6	4.4	3.1	3.0	2.3	2.0	2.3	2.4	
Traffic	1.0	2.4	4.3	5.3	4.9	4.1	3.9	4.0	
Consumers	3.8	3.9	4.0	4.0	4.1	4.1	4.2	6.6	
Trade/services/ government and construction	0.6	0.6	0.5	0.6	0.6	0.6	0.6	3.0	
Agriculture	334.6	206.3	160.7	139.9	121.5	118.2	113.4	105.2	
Total	**344.5**	**217.7**	**172.6**	**152.7**	**133.4**	**128.9**	**124.4**	**121.1**	**132.9**
Nitrogen oxides (NO_x)									
Industry, energy and refineries	188.4	142.7	101.6	92.3	65.9	55.5	42.0	42.6	
Traffic	387.4	332.3	299.2	266.8	220.4	169.9	119.8	121.1	
Consumers	21.8	23.4	19.7	16.1	14.0	8.1	6.0	6.7	
Trade/services/ government and construction	12.2	12.1	11.8	7.6	7.3	4.6	3.4	3.6	
Agriculture	8.7	10.3	9.5	11.4	14.2	10.8	5.4	5.9	
Totaal	**618.5**	**520.8**	**441.8**	**394.2**	**321.7**	**249.0**	**176.7**	**179.8**	**216.9**

* The provisional figures for 2021 were added in September 2022.
Source: Central government, www.emissieregistratie.nl/data/overzichtstabellen-lucht/national-emission-ceilings-nec

Nitrogen measures and future prospects for member dairy farmers

FrieslandCampina believes that innovation can make an important contribution to solving the nitrogen issue. Technical measures, combined with management measures, provide for a substantially lower environmental burden at the farm level. This is consistent with FrieslandCampina's vision: a robust, future-proof dairy sector that operates within Dutch environmental guidelines. FrieslandCampina also views this from a global perspective. Relatively speaking, the environmental impact of the Dutch dairy sector is many times lower than it is in other countries. Furthermore, research shows that the Dutch dairy sector has made a significant contribution to reducing greenhouse gases emissions at the farm level. Assuming the same global level of milk production, decontaminating the dairy sector in the Netherlands would result in an increase in global emissions. However, this does not take away the fact that we can and must realise a significant reduction in emissions in the Netherlands.

Technical innovations require considerable investments at the farm level that do not always generate payback via the market. Besides, the outcome of innovations can vary. An innovation may yield better results in one operating situation versus another. In addition, some innovations are only effective in reducing nitrogen, while there are more environmental challenges that demand farmers to invest resources. All this causes FrieslandCampina to be confronted with two dilemmas.

The first is the issue of who should carry what portion of the required investments. While the producer has a certain level of responsibility, nitrogen is also a social issue to which public resources could be allocated. This raises the question as to whether farmers can be required to make such large investments themselves, while we know that these investments will not be offset by extra income from the market or society. Is the farmer capable of carrying these extra costs? And is the farmer responsible for this?
Second, we see that farms are confronted with various challenges. In addition to nitrogen, there also are CO_2 reduction-related challenges, for example. A specific example of an investment that results in a significant reduction in nitrogen emissions is the installation of a Lely Sphere system, a circular stabling system that separates solid manure and urine, and reduces nitrogen emissions. However, this system does not reduce CO_2 at the same time. That would require a further investment by the farmer.

FrieslandCampina aims to continue to provide excellent nutrition produced with the lowest possible environmental impact for the growing world population. A key condition in this respect is the prospects for our member dairy farmers.

Do nature and climate go hand-in-hand?
There are multiple forms of sustainable agriculture focused on improving the interconnection between agriculture, environmental quality and nature, including life-cycle management-based agriculture, nature-inclusive agriculture and organic agriculture. These forms of agriculture are especially characterised by the fact that they focus on a

> “
> **FrieslandCampina's vision: a robust, dairy sector that operates within Dutch environmental guidelines**

specific component, such as closing cycles, strengthening nature management or reducing inputs (purchased products, such as feed, energy and fertiliser). Furthermore, they are also generally focused on the field or farm level, regional level or global level. Regenerative agriculture unites all of these elements and levels of scale. This requires an integrated and more holistic approach that ensures that creating a sustainable climate also benefits biodiversity, and animal health and animal welfare. A Focus on carbon reduction, for example, is not enough to achieve our integrated sustainability targets. An increase in carbon sequestration at the farm level without limiting methane emissions would not be sufficient to tackle the impact on climate change. Similarly, increased nature management at the farm level, without deforestation-free livestock feed, will not counteract the loss of biodiversity. This is why it is of importance that a results-oriented methodology, such as Foqus planet Sustainable development, contains indicators that measure all system levels. This way, FrieslandCampina develops a framework for monitoring regenerative results to be able to contribute on a global scale to solving global challenges, such as climate change and the loss of biodiversity.

More recyclable packaging

FrieslandCampina is developing a circular and climate-neutral packaging portfolio. In a circular packaging chain, new packaging is made of recycled and/or renewable materials.

The aim is that by 2025, at least 95 percent of our packaging is designed such that it is suitable for recycling or reuse. This also applies to plastic packaging, 55 percent of which is suitable for recycling or reuse. In addition, we are aiming for a reduction in greenhouse gas emissions in production, transport and processing after use. Over the coming years, the greenhouse gas emissions associated with packaging will also be included in the Scope 3 reporting. In 2022, we started to identify these emissions, to be able to start implementing the right measures. In this respect, due consideration must be given to finding a balance between recyclability and greenhouse gas emissions. In addition, we encouraged better recycling chains and the responsible use of materials in the production of packaging. Since improved recycling does not always go hand-in-hand with lower greenhouse gas emissions and consumer acceptance, complex choices had to be made.

Responsible use of materials

In 2022, we invested in a new PET line for the Aalter production facility in Belgium. Up until now, PET is one of the few plastics that can be recycled into new food packaging on a large scale. In addition, in 2022, we introduced more sustainable beverage cartons. For example, for Dutch Lady in Vietnam, we use unbleached cardboard and plant-based plastics for these cartons.

Read more about recycling (plastic) packaging

View the video

Towards better recycling chains with partners

In cooperation with partners, we invested in improving packaging chains (collection, separation and processing). Following a call by PlasticPact NL to come up with alternatives to plastic, we developed better recyclable plastic trays (PET Tray). This makes the use of rPET material in new food packaging possible.
The quality of recycling chains differs by country. We work together with local partners to increase quality. In countries where there is pollution, because the recycling chains are not yet up to par, we contribute to the collection of plastic waste and help set up new recycling chains. For example, our Alaska brand in the Philippines earlier set up a buyback system in which plastic waste can be exchanged for milk powder. In 2022, the construction of a new recycling plant was started there, which will recycle the plastic collected by us into building materials.

Responsible use of materials

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91%
Recyclable packaging
2021: 90%

Sustainable sourcing

Milk is the main component in most of the products we produce within our dairy company. Since the milk processed by FrieslandCampina mainly originates from the members of the cooperative, it falls within our chain responsibility.

The sustainability standards we establish at the same time are the rules we must abide by. For the non-milk-related part of our supply chain, we aim for the sustainable and traceable sourcing of agricultural raw materials.

100%
Sustainable sourcing of agricultural raw materials
2021: 100%

94%
Raw materials traceable to source
2021: 94%

The Coconut Alliance

FrieslandCampina, GiZ, Barry Callebaut, Cargill, JDE Peet's, Nestlé, Procter & Gamble and Unilever are collaborating to create a sustainable supply and improved traceability of coconuts from the Philippines. In this context, approximately 10,000 local farmers are trained to produce sustainable coconuts and coconut oil.

Read more

OUR STRONG BRANDS

Frisian Flag Indonesia

- Since 1922
- Milk products for every stage of life: ready-to-drink, powdered, evaporated and sweetened-condensed milk

"Enjoying all the good things milk has to offer

Frisian Flag has been available in Indonesia since 1922. The sweet condensed milk is better known as Susu Bendera, meaning 'milk flag'.

Even after 100 years, Frisian Flag continues to innovate for better nutrition in Indonesian families. It is also expanding into the foodservice market. The new product launch of Omela Foaming Milk Professional in 2022 is a great example. The product supports small and medium enterprises in the coffee industry and responds to the affordability and better taste and texture needs.

Solely certified raw materials
In developing products, we make use of various raw materials, such as cocoa, palm oil, and cane and beet sugar. In 2022, these raw materials were all procured from sustainably managed sources, with globally recognised certificates that comply with sustainability standards or for which a plan for sustainable development has been prepared in cooperation with suppliers.

Since 2020, we have been tracing various materials, such as palm oil, pulp, paper and cocoa, back to source. In 2022, the traceability of soy was removed from the scope, due to the sale of FrieslandCampina's Nutrifeed animal feed operations in July 2021. As the supply chains in the agricultural sector are dynamic, we must acquire better insight into the origin of these raw materials in order to be able to combat deforestation and forced labour, for example. To this end, we have partnered with Agrifirm in the area of deforestation-free soy, which is purchased by member dairy farmers for cattle feed.

Certificering

In many cases, we adhere to the guidelines of the following institutes/quality labels:

Read more about Palm oil, RSPO

Read more about Soy, RTRS

Read more about Cardboard, FSC/PEFC

Read more about Cocoa, Rainforest Alliance

Better insight into the sourcing chain
We must continue to assume our responsibility in the supply chain. In October 2022, critical questions by an NGO about human rights violations by a palm oil producer motivated us to conduct further investigation. On the basis of the findings, we asked our supplier to no longer source materials from this producer.

Read more about sustainable sourcing

Dutch Initiative on Sustainable Cocoa

FrieslandCampina participates in the Dutch Initiative on Sustainable Cocoa. This is a public-private partnership focused on improving the living conditions of current and future cocoa farmers and their families, for example by combating deforestation and by supporting them in earning a liveable income.

OUR STRONG BRANDS

Friso

- Since the 1970s
- A leading global infant nutrition brand

"Premium quality from grass to glass

Since the 70s, Friso has been a trusted brand of infant nutrition for many families with young children. It's with premium quality and therefore very popular among parents in Asia. With more than 150 years of Dutch dairy expertise, Friso has the knowledge to determine what is important for young children.

Insight into the health and welfare of cows

Animal health and welfare is monitored and safeguarded by means of the quality and sustainability programme for member dairy farmers: Foqus planet (see page 57).

With the help of various means, such as monitoring systems, member dairy farmers are able to continuously improve the health and welfare of their cows. CowCompass, which is part of CowMonitor, enables certified veterinarians to identify potential risks to the health and welfare of cows. This is consistent with Welfare Quality®, the EU standard for animal health and welfare. Antibiotics are only used when this is essential. For years, the independent Netherlands Veterinary Medicines Authority (SDa) has observed a strong decrease in the use of antibiotics on our member dairy farms. The use of antibiotics currently is at a stable, low and acceptable level.

Pasture grazing high and stable

In 2022, 83.8 percent (2021: 83.9 percent) of member dairy farms in the Netherlands practised pasture grazing. This is once again higher than the 81 percent sector target and is virtually stable in comparison to 2021. Effective from 2023, FrieslandCampina will be adjusting the remuneration: more funds will be made available for sustainability on the farm. This will be partly financed by a somewhat lower remuneration for pasture grazing.

83.8%
Pasture grazing
2021: 83.9

Read more about animal welfare:

Sustainability on the farm – Pasture grazing
Foqus planet

99%
Participation of member dairy farmers in KalfOK

Cows live longer and improved calf rearing process
On average, 48 days is how much longer the cows of our member dairy farmers lived in 2022, as compared to 2021 or six years, two months and three days. In 2022, the cows at 81 percent of member dairy farms had an average lifespan in excess of the 2018 average. In 2022, 99 percent (2021: 99 percent) of member dairy farmers participated in KalfOK. This provides them with insight into the quality of their young livestock rearing process. Dairy farms with a high KalfOK score receive a premium.

OUR STRONG BRANDS

Debic

- Since 1920
- Available in Europe, China and several countries in Asia

> “Made for professional hands

Dairy is one of the fundamental components of culinary masterpieces and therefore a key factor in the success of chefs and bakers. Since 1920, Debic has become a trusted partner in dairy for professionals in the foodservice market. With cream, butter, cream cheese, desserts and fillings from Debic, professionals across Europe and beyond make delicious creations of outstanding quality.

As a sponsor of the Pastry World Cup for almost 25 years, Debic gets inspired by top performances to optimise its products and portfolio to the needs of the professional.

Sustainability in dialogue

FrieslandCampina understands that many social sustainable development goals can only be achieved by working together with partners. This is why we are collaborating with parties at home and abroad. This is an important aspect of what we refer to as 'cooperative sustainability'.

Several examples of partnerships:

Sustainable Agriculture Initiative

FrieslandCampina believes in the power of cooperation in the area of sustainability. This is why the company, together with Unilever, is co-chair of the Sustainable Agriculture Initiative (SAI) Dairy Working Group. This Group consists of leading buyers and processors that collectively represent 30 to 40 percent of the dairy sector. The working group launched the Sustainable Dairy Partnership (SDP) standard in business-to-business relationships, which, among other things, standardises the evaluation of company efforts in the area of sustainability.

In 2022, FrieslandCampina published an update to the certified SDP report and attained one of the highest sector scores. The company was also closely involved in a number of key strategic projects of the SAI Dairy Working Group, such as the initiative to harmonise the methods used to calculate the dairy sector's carbon footprint, finding ways of implementing deforestation and conversion-free soy within the dairy chain, as well as in a project concerning the sector-wide harmonisation of standards for regenerative agriculture. At the initiative of FrieslandCampina, the Dairy Working Group visited a farm that employs regenerative farming methods. Insights into the transition of this farm to a nature inclusive/regenerative form of agriculture were shared with the rest of the sector.

Sustainable Dairy Chain

Within the Sustainable Dairy Chain, FrieslandCampina works together with other dairy companies and dairy farmers on making the Dutch dairy sector sustainable. The Sustainable Dairy Chain has formulated a number of 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. The targets within these themes were established in consultation with an advisory council with representation from social and government organisations, and other parties that frequently work together with the dairy sector. The Sustainable Dairy Chain undertakes proactive initiatives to respond to different sustainability themes, in which a balanced and integrated approach to goals and measures is key. This way, the involved parties collaborate on a future-proof dairy chain that produces high-quality nutrition with respect for humans, animals and the environment. In short, a sector that is valued.

> “Collaborating on a future-proof dairy chain

Read more about sustainable cooperation:

Sustainable Dairy Chain

SAI Dairy Working Group

Sustainable Dairy Partnership standard

We nourish growth and change

Everything we do is focused on creating a better, future-proof and successful FrieslandCampina.

We nourish growth and change

FrieslandCampina pays a leading milk price and thus contributes to the livelihood of member dairy farmers and the continuity of their dairy farms. With our Dairy Development activities, we support tens of thousands of local farmers throughout the world each year and, together with them, work on building sustainable dairy chains to enable them to improve their living standard.

“Progress and transformation, together, are the two guiding principles that ensure that we at FrieslandCampina are geared to meet the future”

Martijn Truin,
Manager Corporate Finance

Key figures 2022

14,076 ▲22.4%
Revenue
2021: 11,501
(in million euros)

471 ▲32.7%
Operating profit
2021: 355
(in million euros)

58.69 ▲47.2%
Performance price
2021: 39.88
(in euros per 100 kilos of milk, exclusive VAT, at 3.57% protein, 4.42% fat and 4.53% lactose)

21,715 -5.4%
Number of employees
2021: 22,961
(average number of FTEs)

15,137 -3.6%
Number of members
2021: 15,703

The dairy market in 2022

The global dairy market was rather turbulent in 2022. In the first eight months of the year, milk supply in the five most important export regions (Europe, the United States, New Zealand, Australia and Argentina) trailed the 2021 milk supply, in part due to the cold weather and the high cost of feed and fertilisers. At the same time, the demand for dairy products considerably increased, particularly in Europe and the United States, due to the elimination of corona lockdowns. This resulted in prices rising to unprecedented heights.

Milk supply started to increase somewhat again in September and international demand dropped due to reduced consumer purchasing power caused by very high inflation. This gradually resulted in a surplus of milk that, in turn, caused prices to decline.

Milk supply stable

Milk production lagged expectations due to various factors. The Russian invasion of Ukraine resulted in high price increases at dairy farms in Europe due to rising prices for feed concentrates, energy and fertilisers. Furthermore, the ongoing debate about nitrogen and CO_2 reduction and environmental measures created a great deal of uncertainty among dairy farmers. Combined with droughts in Europe and the United States, this caused milk production to come under pressure. From September, milk production picked up somewhat. However, over 2022 as a whole, milk supply in Europe barely rose.

Rising feed prices caused milk production in the United States to drop in the first half of 2022. Starting in July, there was a slight increase that continued into the remainder of the year. In the southern hemisphere, including New Zealand, Australia and Argentina, dairy farmers were confronted with extreme weather in the second half of the year. There was too much precipitation in New Zealand and Australia and extreme drought in Argentina. Combined with higher production costs this caused the annualised milk supply to decline in New Zealand and Australia and offset Argentina's strong growth in the first half of 2022, resulting in a stable annual production volume. In Argentina, the milk supply stabilised after strong growth in the first half of 2022.

China aims to become self-sufficient and is devoting efforts to expanding its livestock herd. Local milk production rose by about eight percent in 2022. Accounting for approximately 13 percent (2021: 13 percent) of the world trade in dairy products, the country plays a decisive role in the dairy market.

Demand for dairy products

The demand for dairy products was exceptionally high in the first nine months of 2022 due to the lifting of corona lockdowns in the West and the consequential revival of the economy. Demand declined at a rapid pace in the last quarter due to high inflation. This was also the case in a number of Southeast Asian countries where the demand for imports significantly increased in the first half of the year, but decreased once again after the summer due to mounting inflation.

In China, the local demand for dairy products barely increased due to lockdowns and disappointing economic growth. Chinese import decreased by an average of 26 percent in 2022. As a result of these developments, a considerable surplus of dairy products emerged on the world market.

Price trends

The lagging milk supply and the strong increase in demand in the first half of 2022 in Europe and on the world market resulted in significant increases in the price of virtually all commodity dairy products. Due to a decrease in the demand for commodity dairy products in the third quarter, prices once again decreased at a rapid pace, as a result of which they largely ended up below the levels experienced at the beginning of January 2022.

Fluctuating butter prices

As a result of the lagging milk supply in Europe and poorly covered buyers, the price of butter increased from 6,070 euros in January to 7,220 euros per tonne in September. Consequently, demand decreased. Butter prices declined over the course of the year to a level of 5,050 euros per tonne in December.

Milk powder prices at a high level for a long period of time

As a result of the faltering milk supply in Europe and the high demand for skimmed milk powder, prices rose from 3,450 euros per tonne in January to 4,020 euros in June 2022. Starting in June, the lagging demand caused prices to decline to approximately 2,780 euros per tonne by December. Global market prices for skimmed milk powder exhibited the same trend.

The market price per tonne of whole milk powder also rose at the beginning of 2022, from 4,350 euros to 5,230 euros. After this, prices remained stable for several months. Prices started to drop at the end of June here as well, reaching a level of 3,970 euros per tonne by the end of 2022.

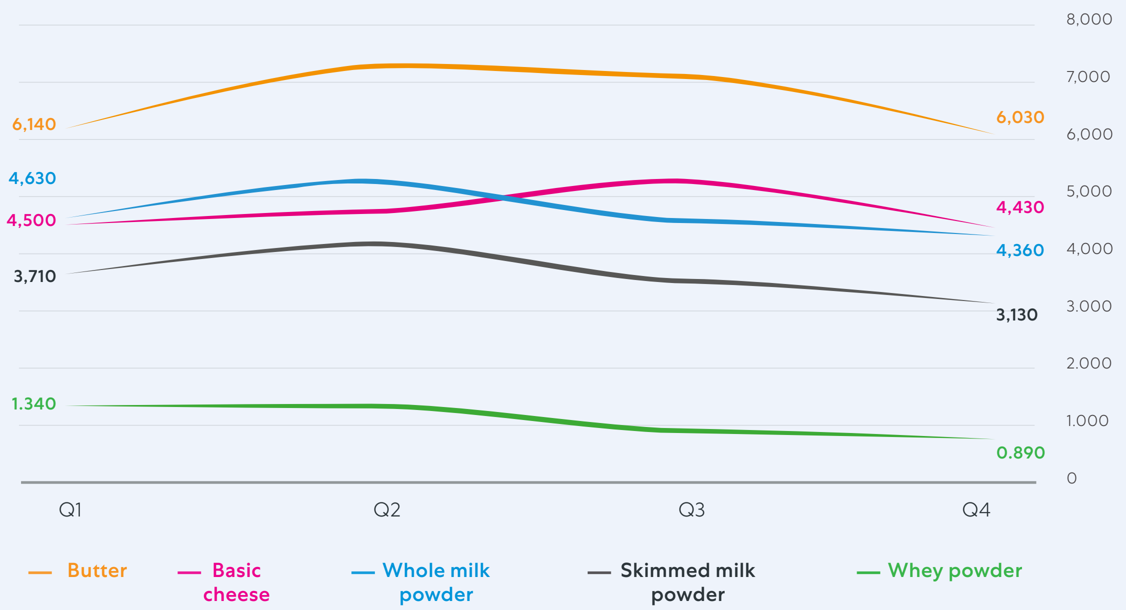
Other dairy prices also at a high level for a long period of time

Approximately half of the milk produced in the Netherlands is used for the production of cheese. Due to a high demand and the wait-and-see approach adopted by buyers, the price for basic cheese also rose, increasing by 18 percent from 4,355 euros per tonne in January to 5,140 euros in October. This was followed by a decline to 3,900 euros per tonne at the end of December.

Naturally matured Dutch Gouda cheese rose from 4,200 euros per tonne in January to 5,380 euros in October, a price increase of 28 percent. After this, prices only dropped slightly, to approximately 5,260 euros per tonne.

In contrast to 2021, the Chinese import of whey powder decreased significantly by approximately 35 percent in the first seven months of 2022. In spite of this, whey powder prices rose from 1,220 euros per tonne in January to 1,465 euros in April due to a strong increase in the production of whey-based protein concentrates in the first few months of the year. After this, whey powder prices decreased to 820 euros per tonne in December due to increased cheese production and a lower demand for concentrates.

Average dairy prices in 2022



Results by business group

FrieslandCampina Food & Beverage

Over the course of 2022, mounting inflation and high commodity dairy prices caused Consumer Dairy volumes at Food & Beverage to be under pressure. The consumer organisation failed to fully pass on the high cost increases to customers in its home markets. Despite major challenges caused by floods in Pakistan, there was solid growth in volume, revenue and profit. The share of private labels in the Food & Beverage portfolio was further reduced, which caused volumes to decrease and profitability to increase. Professional achieved volume growth and a considerably improved financial result due to higher commodity dairy prices, innovation and the expansion of its distribution network for the Debic brand, as well as due to the increased sale of Lattiz milk foam machines. Food & Beverage's revenue increased by 21.1 percent to 9,608 million euros (2021: 7,935 million euros). The result, before one-off costs, rose slightly. However, as a consequence of exceptional items, primarily due to restructurings and the planned sale of part of the German consumer activities, the operating profit decreased by 56.0 percent to 113 million euros (2021: 257 million euros).

FrieslandCampina Specialised Nutrition

Specialised Nutrition produces and sells various types of infant nutrition. This business group operates in various countries in Asia, Europe, Africa and South America. Revenue increased by 17.8 percent to 1,279 million euros (2021: 1,086 million euros) and growth was primarily realised in China and Mexico due to volume development, positive currency translation effects and an improved mix resulting from an increase in the sale of premium infant nutrition products. By expanding distribution to smaller Chinese cities, Friso Prestige increased its market share. The operating profit rose by 134.6 percent to 190 million euros (2021: 81 million euros). Restructurings and the sale of the production facility in Xiushui (China) resulted in one-off charges. Effective from 2023, the business group focuses on the Friso infant nutrition brand in five key markets: China, Vietnam, Malaysia, Greece and Mexico.

Food & Beverage

9,608 ▲21.1%

Revenue

2021: 7,935

113 ▼-56.0%

Operating profit

2021: 257

Specialised Nutrition

1,279 ▲17.8%

Revenue

2021: 1,086

190 ▲134.6%

Operating profit

2021: 81

In millions of euros

FrieslandCampina Ingredients

Ingredients benefited from the recovery of the infant and adult nutrition markets. In addition to an increase in the sale of whey-based protein isolates, prebiotics and lactoferrin, new products were also launched, including BiotisTM GOS-OP Purity, a high-quality prebiotic ingredient with a high galacto-oligosaccharide concentration that supports intestinal health. For the infant nutrition market, the Vana-SanaTM product range was expanded to include three new DHA and ARA ingredients (omega-3 fatty acid and omega-6 polyunsaturated fatty acid, respectively), encased by the lactose naturally occurring in milk. Revenue increased by 31.9 percent to 1,647 million euros (2021: 1,249 million euros) and the operating profit rose by 93.6 percent to 182 million euros (2021: 94 million euros). Restructurings of the production network resulted in one-off expenses.

FrieslandCampina Trading

The Trading business group fully focuses on optimally valorising FrieslandCampina's supply-driven products (cheese, butter, milk powder, liquid flows) in the market and hedging the price risk of these products in a volatile dairy market. Commodity dairy prices were historically high in 2022, peaking in the third quarter. Trading was able to significantly increase profit margins on commodity dairy products by acting fast and effectively on these market developments: price increases, adjusting milk allocations to target products with the best valorisation, arbitration in the sourcing of milk powder, and the use of financial instruments on the EEX and international dairy exchanges. Revenue rose by 35.9 percent to 1,542 million euros in 2022 (2021: 1,135 million euros) and the operating profit rose to 109 million euros (2021: -31 million euros).

Ingredients

1,647 ▲31.9%
Revenue
2021: 1,249

182 ▲93.6%
Operating profit
2021: 94

Trading

1,542 ▲35.9%
Revenue
2021: 1,135

109 ▲451.6%
Operating profit
2021: -31

In millions of euros

Financial notes

Strong increase in revenue, operating profit and profit

The business groups largely offset the significantly higher costs of raw materials, packaging and energy by means of price increases. As a result, all business groups showed significant revenue growth. However, high inflation caused consumer dairy volumes and margins to be under pressure, because it proved impossible to fully pass on the tremendous cost increases to customers.

As a result of lower profit margins and restructuring costs, the operating profit of the Food & Beverage business group decreased in comparison to 2021. The Food & Beverage Professional business improved its operating profit considerably in 2022 due to the revival of the market following the corona pandemic, higher commodity dairy quotations, innovation, and the expansion of its distribution network. In 2022, the other business groups also benefited from market recovery following the corona pandemic. The operating profit of the Ingredients business group increased due to the recovery of the infant and adult nutrition markets. Specialised Nutrition realised a good operating profit, primarily driven by improved sales in China. Finally, Trading benefited from historically high commodity dairy quotations by quickly responding to changing market developments.

FrieslandCampina's revenue rose by 22.4 percent to 14.1 billion euros in 2022 (2021: 11.5 billion euros); adjusted for currency translation effects, revenue rose by 20.1 percent to 13.8 billion euros. The operating profit rose by 32.7 percent to 471 million euros (2021: 355 million euros). Without currency translation effects and adjusted for restructuring costs and other operating expenses and income, the operating profit rose by 94.5 percent to 712 million euros (2021: 366 million euros). Profit increased by 69.8 percent to 292 million euros (2021: 172 million euros).

FrieslandCampina invested 601 million euros in advertising and promotions (2021: 504 million euros). Sales and general administrative costs increased by 71 million euros to 922 million euros (2021: 851 million euros), primarily due to inflation and currency translation effects.

Other operating expenses and income amounted to -260 million euros (2021: -11 million euros) and primarily covered adjustments to the production network amounting to 176 million euros and a 63 million euro commitment relating to the increased costs for converting foreign currencies in Nigeria.

Optimisation of the organisation

Several production facilities in the Netherlands, Germany and Thailand were entirely or partially closed down in order to further optimise the production network. Significant investments were, however, made in new sustainable production facilities: new packing lines for recyclable PET bottles were installed in Aalter (Belgium); and in the Netherlands, fresh daily dairy production was expanded in Maasdam and investments were made in lactoferrin production capacity in Veghel. Furthermore, new production facilities will be constructed in Indonesia and Malaysia. These facilities are expected to become operational over the coming years. The average number of employees in 2022 declined to 21,715 (2021: 22,961), among other things, due to restructurings.

Low operating cash flow

In 2022, high milk prices and inflation resulted in higher stock valuations and account receivable positions; mainly as a result of this, the operating cash flow was significantly lower than in 2021. The cash flow from operating activities amounted to 293 million euros (2021: 594 million euros).

The outbound cashflow for investments and acquisitions increased in 2022, primarily due to investments in Indonesia and Malaysia, among others. The outbound cash flow amounted to -570 million euros (2021: -302 million euros), including proceeds received from the disposal of the production facility in Xiushui (China).

The cash flow from financing activities amounted to 174 million euros (2021: -152 million euros). This is the balance of interest-bearing borrowings drawn, dividends paid to member dairy farmers and non-controlling interests, interest on member bonds and the repayment of lease commitments. The balance of cash and cash equivalents and bank current accounts decreased from 505 million euros (year-end 2021) to 404 million euros (year-end 2022).

Financial position

The net debt amounted to 888 million euros as of 31 December 2022. This represents a 188 million euro increase in comparison to year-end 2021 (2021: 700 million euros). Buffer capital (equity and non-controlling interests attributable to the shareholder) rose due to the increased result and a capital contribution of 617 million euros as of January 2022 due to the issue of milk certificates to member dairy farmers by the cooperative. The buffer capital amounted to 2,332 million euros (2021: 1,537 million euros) and, as a percentage of the balance sheet total, increased from 17.0 percent to 23.2 percent.

The equity directly attributable to capital providers increased by 5.7 percent to over 3.8 billion euros (2021: 3.6 billion euros). This was primarily due to the increased result. Solvency, defined as the equity directly attributable to capital providers as a percentage of the balance sheet total, decreased to 38.3 percent (2021: 40.1 percent) due to a higher balance sheet total.

As of 31 December 2022, total equity, including non-controlling interests, amounted to 4.2 billion euros (year-end 2021: 4.0 billion euros). The return on invested capital (operating profit divided by the average invested capital, including goodwill) amounted to 8.7 percent (2021: 6.7 percent).

Financing

On 1 January 2022, the renewed member financing went into effect through the issue of milk certificates by Zuivelcoöperatie FrieslandCampina U.A. The core of the renewed member financing consists of coupling an important part of the members' capital to the milk supplied by members and a cooperative solution for the future tradability of member bonds. This reduces the skewed growth of contributed capital – in part caused by the greying population – and strengthens the company's equity.

Linking sustainability and financing

In oktober 2022 sloot FrieslandCampina In October 2022, FrieslandCampina negotiated a new continuous credit facility for 1.25 billion euros for a period of five years (plus two extension options of 364 days). This replaced the current one billion euro credit facility.

The new facility is made available by a group of 13 national and international banks. The credit facility is linked to four performance indicators relating to sustainability in accordance with FrieslandCampina's existing climate, sustainability and nutritional objectives. As such, the continuous credit facility includes an adjustment to the interest rates linked to achieving sustainable results. Two performance indicators focus on reducing Scope 1, 2 and 3 greenhouse gas emissions. The other two focus on making packaging recyclable and improving the composition of FrieslandCampina's products in accordance with the FrieslandCampina Global Nutritional Standards. With this new continuous credit facility, FrieslandCampina links its sustainability objectives even more tightly to the company's financing.

Milk price and performance price

58.69
Performance price
2021: 39.88

- 1.03 Addition to retained earnings, 2021: 0.21
- 0.31 Interest on member bonds, 2021: 0.44

57.35
Milk price
2021: 39.23

- 0.90 Supplementary cash payment, 2021: 0.14
- 0.91 Meadow milk premium and Foqus planet premium, 2021: 0.91
- 0.33 Special supplements, 2021: 0.34
- 55.21 Guaranteed price, 2021: 37.84

In euros per 100 kilos of milk for 850,000 kilos of milk per year (exclusive of VAT, at 3.57 percent protein, 4.42 percent fat and 4.53 percent lactose).

Profit appropriation

The 292 million euro consolidated profit in 2022 will be appropriated as follows: 29 million euros for the interest payment to holders of member bonds (2021: 42 million euros); 62 million euros to non-controlling interests (2021: 78 million euros); 9 million euros for the holders of perpetual bonds (2021: 9 million euros) and 9 million euros for the provider of the cooperative loan (2021: 8 million euros). The remaining profit, in the amount of 183 million euros (including the non-controlling interests directly attributable to the shareholder, Zuivelcoöperatie FrieslandCampina U.A.), will be added to the retained earnings (2021: 35 million euros were added). The Executive Board proposes to pay out 85 million euros in the form of a supplementary cash payment.

Value creation for member dairy farmers*

FrieslandCampina realised a performance price of 58.69 euros per 100 kilogrammes of milk for its member dairy farmers, an increase of 47.2 percent compared to last year (2021: 39.88 euros). The FrieslandCampina performance price consist of the FrieslandCampina milk price plus interest on member bonds and retained earnings.

The FrieslandCampina milk price rose by 46.2 percent, from 39.23 euros to 57.35 euros per 100 kilogrammes of milk (2021). This includes the FrieslandCampina guaranteed price, as well as supplements for special milk flows, meadow milk, and Foqus planet with on top a supplementary cash payment of 0.90 euro per 100 kilos of milk (2021: 0.14 euro) due to higher operating profit.

The FrieslandCampina guaranteed price, which corresponds to the average yearly prices for raw milk of reference farms in North-western Europe rose by 45.9 percent to 55.21 euros (2021: 37.84 euros) per 100 kilos of supplied milk. The high prices for raw milk resulted from the lower supply of raw milk and the high demand for dairy products following the corona pandemic.

* All amounts stated in this section are exclusive of VAT

OUR STRONG BRANDS

Peak

- Focus on Nigeria
- Emerging in Ghana, Benin, Togo, Cameroon and Gambia

“Nourishing Nigeria with quality dairy nutrition

For over 60 years, Nigerians have been enjoying breakfast with Peak's quality dairy products, which taste as good as they are nutritious.

The evaporated milk, powdered milk and chocolate milk powder of Peak contain 28 vitamins and minerals, including vitamin B1, B12 and iodine. In 2022, drinking yoghurt was added to the product range and it fits perfectly among other nutritious Peak products.

The guaranteed organic raw milk price was 59.69 euros per 100 kilos of milk (2021: 49.17 euros). The organic milk price increased by 22.3 percent to 61.84 euros per 100 kilos of milk (2021: 50.56 euros).

The supply of member milk decreased by 2.5 percent from 9,745 million kilogrammes in 2021 to 9,502 million kilogrammes in 2022, mainly caused by the decline in the number of member dairy farms from 10,564 to 9,927. In spite of this, the total compensation paid to member dairy farmers for their supplied raw milk increased by 41.4 percent to 5,423 million euros (2021: 3,835 million euros).

The total allocated interest on member bonds in 2022 decreased to 29 million euros (2021: 42 million euros), primarily due to the lower number of outstanding member bonds as a result of the conversion to milk certificates. The interest rate over the period 1 January to 31 May 2022 was 2.714 percent. The interest rate over the period 1 June to 30 November 2022 was 3.182 percent, while the interest rate in the month of December 2022 was 5.692 percent (the interest rate on the six-month Euribor for December 2022 was 2.442 percent). The average interest paid on member bonds per 100 kilos of member milk was 0.31 euro (2021: 0.44 euro).

Foqus planet: higher remuneration for sustainability

Foqus planet is FrieslandCampina's quality and sustainability programme for its member dairy farmers. The 'Sustainable Development' component consists of the translation of FrieslandCampina's sustainability strategy to the farm level.

Under the Foqus planet Sustainable development programme, member dairy farmers receive financial premiums on the basis of their results in the areas of climate, biodiversity, pasture grazing, animal health and animal welfare. Members are thus encouraged to make their farms more sustainable in their own way.
In 2022, a new methodology for Foqus planet Sustainable development was devised with members that went into effect as of 2023. This methodology makes more money available for sustainability at the farm. In addition, members will be provided with prior insight into what certain sustainability results at the farm could specifically yield financially. The new methodology also makes it possible to emphasise certain aspects of the sustainability approach for a specific period. For example, attention currently focuses on combating climate change (see FrieslandCampina's climate plan). This is why, starting in 2023, member dairy farmers will receive higher compensation for sustainability results achieved in the area of climate.

Read more about Foqus planet

OUR STRONG BRANDS

Dutch Lady

- Started in 1963 in Malaysia
- Also available in Vietnam, Singapore, Brunei, Hong Kong and Maldives

"Dairy that appeals to the taste buds

Since the start in 1963, Dutch Lady developed into a strong brand that offers an extensive range of quality and delicious dairy products. From milk powder and yoghurt drinks to fresh milk and UHT. With such a tasty range of dairy products for the whole family, Dutch Lady has won the hearts of many.

Quality, safety and cybersecurity

Quality and food safety with Foqus
FrieslandCampina uses its quality system Foqus to guarantee safety and quality throughout the entire chain, from livestock farming to distribution. Thanks to Foqus, the company complies with all relevant national and international regulations and standards for food quality and safety, such as FSSC 22000. This also gave us direction in 2022 for strengthening our food safety culture.

An ounce of prevention is worth a pound of cure
With 'Vision Zero', FrieslandCampina attempts to reduce the number of safety-related accidents. The long-term plan contains three key priorities:
- Reduce risks to the lowest possible acceptable level
- Comply with all legislation pertaining to health, safety and the environment
- Improve safe behaviour in all areas of our organisation

Starting in mid-2020, the number of accidents rose. This trend persisted in 2022 and the total number of accidents* rose to 133 (2021: 122). The total number of accidents per 200,000 hours worked dropped slightly, from 0.39 to 0.38, in 2022. As a result, the 0.35 target was not achieved.

* Total number of accidents = 'number of accidents resulting in sick leave' + 'number of accidents resulting in work adjustment' + 'number of accidents requiring medical treatment'

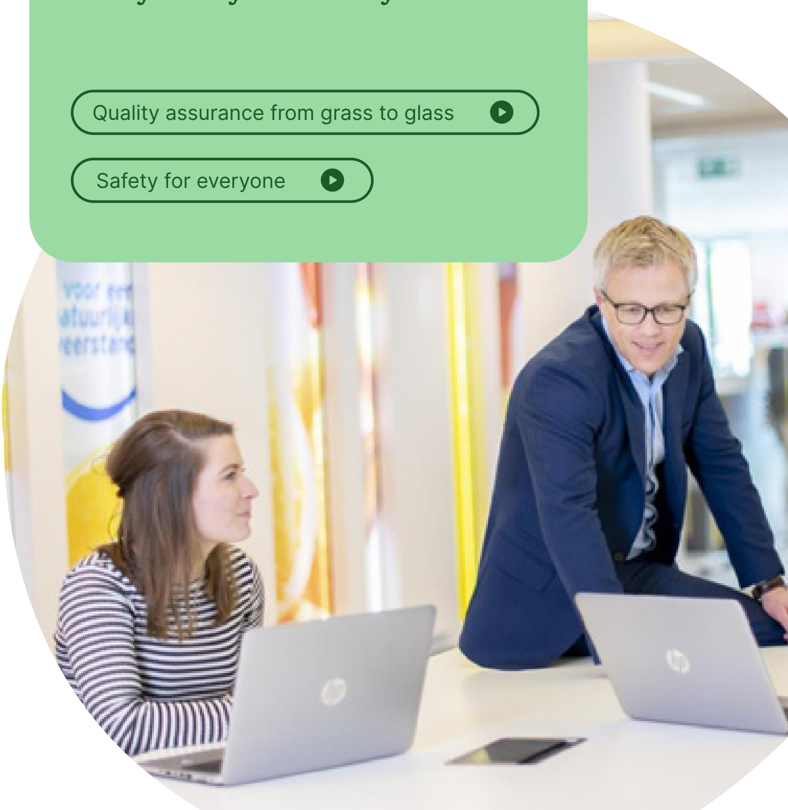
Safety and safe behaviour also received much attention in 2022. Management at 33 locations was trained to effectively stimulate safe behaviour at the workplace. In addition, a culture scan has been completed at 23 locations to determine how the safety culture can be improved. Safety objectives were translated into specific action plans, and the results were closely monitored and adjusted, where necessary. This approach will be further reinforced in the coming year.

Awareness of the importance of cybersecurity
Information technology is crucial for the business operations of dairy farmers, as well as the company. This is why it is important to ensure that the security of our computer systems is in order and to make investments to protect them against digital threats. In addition, it is of major importance that employees are aware of potential digital threats. In 2022, we launched a renewed Cybersecurity Awareness Programme focused on:
- Creating employee awareness and training
- Securing our digital infrastructure
- Protecting the reputation of our brands
- Developing security guidelines
- Cooperating with partners in the area of cybersecurity

We encourage employees to take responsibility for their role in keeping FrieslandCampina secure. Aside from e-learnings, cyber hero awards and phishing tests, we invited an ethical hacker to explain how he would attack a company such as FrieslandCampina. It is our aim to robustly and permanently anchor cybersecurity into the company's DNA.

Read more about quality, safety and cybersecurity

Quality assurance from grass to glass
Safety for everyone

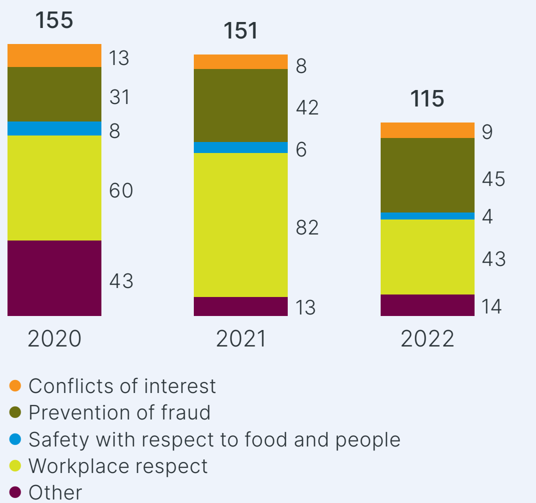


Integrity, respectful and transparent

Everyone may be faced with difficult choices and difficult situations during their work at some point.

At times like this, our code of conduct, Compass, provides guidelines for proper business behaviour; this primarily concerns integrity, and respectful and transparent actions. When a FrieslandCampina employee, or a third party that represents us, does not act in line with Compass, Business Practices for Business Partners or laws and regulations, everyone can report his/her concern about this via the Speak Up procedure.

Number of reported Speak Up incidents



We encourage everyone to Speak Up when they have questions or concerns about a possible violation of Compass. This should ideally be part of regular work dialogue and should begin with a conversation with their (HR) manager. In case this does not, or cannot resolve the issue, multiple channels are available for employees to Speak Up in confidence and without fear of retaliation.

The Speak Up channels include (local) Management, Global Business Conduct and an external Speak Up webservice, run by an independent service provider. The Speak Up webservice allows employees and other stakeholders, to report their concerns anonymously.

Responsibility for the implementation of Compass and the Speak Up procedure lies with management. Implementation is monitored by the Integrity Committee. This committee consists amongst others, of members of the Executive Board and the Global Director Internal Audit. The Integrity committee is informed bi-monthly on high-impact Speak Up reports. The Director Business Conduct facilitates and supports FrieslandCampina management and employees to embed responsible business conduct in their daily work.

Policy commitments that derive from Compass and underlying policy documents have been implemented into the Internal Control Framework. Compass-related risks are assessed by means of various risk assessments, like the Business Conduct Risk Dialogue which is an integral part of the Enterprise Risk Assessment.

FrieslandCampina wants to establish and maintain fair and jointly challenging relationships with reliable business partners who apply our standards. To achieve this, we require our business partners to comply with the provisions of our Business Partner Code of Conduct. FrieslandCampina monitors compliance in several ways, including through automated sanction screening.

Responsible promotion of interests

In 2022, FrieslandCampina set out its commitments about the responsible promotion of interests in the FrieslandCampina Policy on Responsible Advocacy. For us, lobbying is a legitimate part of the political process, provided it is carried out responsibly. It contributes to better legislation, regulations and standards, increases the commitment of stakeholders and serves the general interest.

Artificial intelligence and ethical use of personal information

In 2023, we will be developing guidelines concerning the ethical use of personal information and the use of personal information in combination with artificial intelligence. This way, we aim to prepare the organisation for a future in which these topics will be playing an increasingly bigger role.

2022 Objective	2022 Result
Increased involvement (ownership) of managers in good business conduct and increased general awareness	— In 2022, 1,325 new employees worldwide completed the mandatory Compass e-learnings — 7,007 employees completed a training course in recognising the risk of human rights violations — A new integrity workshop was developed for the management teams of the four Business Groups — Launch of a new version of the Compass workshop in two foreign branches — TuesdayChooseday campaign in which employees were presented with dilemmas about good business behaviour to improve their awareness of behaviours and choices
Development of a training course about honest business practices (without bribery and corruption) for business partners	An e-learning about honest business practices for business partners
Better awareness and use of the revised Speak Up procedure	Introduction of Speak Up Academy with training courses for case owners and confidential advisors

Read more about good business behaviour:

Compass for good business behaviour

Social sustainability

At FrieslandCampina, we devote attention to social sustainability by contributing to society locally (where we operate) and by providing a sustainable work environment.

Training, knowledge and financing for 250,000 local dairy farmers

With its Dairy Development activities, FrieslandCampina contributes to the development of the dairy sector and the food supply globally. FrieslandCampina, together with thousands of dairy farmers, works in China, Indonesia, Malaysia, Nigeria, Pakistan, Romania, Thailand, Vietnam, the Philippines and Ivory Coast on more and safer nutrition, better, more stable living conditions and income for local dairy farmers, and on lowering environmental impact. In seven of these countries, FrieslandCampina also collects milk and processes it into products destined for local markets. In 2022, this involved over 650 million kilos of milk. The development of local dairy value chains confronts us with a dilemma with respect to the potential negative impact on the global carbon footprint.

In total, we reach thousands of local dairy farmers in all these countries each year with training courses, knowledge transfer, access to better products and better financing. In 2022, our attention focused on creating more stable value chains and reducing environmental impact.

A number of specific examples:

- Insemination of 600 cows in Nigeria with a better heat-resistant breed
- Support of 55 cooperatives in Indonesia with knowledge of international experts about the impact of and how to deal with hoof and mouth disease, a disease that has had a tremendous impact on the dairy farming sector in Indonesia
- Training of >2,500 female farmers in Indonesia as part of the Women Empowerment programme
- Installation of solar panels in Pakistan and Nigeria at livestock farms and milk collections centres

70,101 ▼ -0.4%

Number of local dairy farmers trained in Dairy Development countries

(Eastern Europe, Asia and Africa)
2021: 70,385

Knowledge transfer

In 2022, FrieslandCampina established two centres, in Pakistan and the Philippines, to further develop the dairy farming sector through means of knowledge transfer between Dutch and local parties. This brings the total of such centres to five. Previously, centres were established in China, Nigeria and Ivory Coast.

Mobile yoghurt plant for Nigeria

In 2022, a mobile yoghurt plant was put into operation in Nigeria. The plant, conceived and delivered by FrieslandCampina, enables local dairy farmers in remote areas to process their milk into yoghurt with a long shelf life. This provides local communities with access to safe nutrition and enlarges the farmers' sales market.

Read more about Dairy Development:

Support for local farmers throughout the world

Volunteer work

Every employee within FrieslandCampina is given one day off each year to do volunteer work. As part of sustainability week, many employees throughout the world did volunteer work relating to good nutrition or a clean living environment, such as cleaning walkways or planting trees.

Inclusion and diversity

FrieslandCampina believes in the value of a diverse workforce and a work environment in which all employees can authentically develop themselves, so as to achieve better and more sustainable performance as a result. As employees grow, the organisation grows. Attention for inclusive diversity (ID) helps employees negate negative stereotypes and personal prejudgements about groups, and recognise and respect different 'ways of being'. Diversity among our workforce provides for new skills, ways of thinking, knowledge and perspectives. Combined, this results in sustainable growth by:

- Building better performing teams
- Promoting creativity
- Helping attract and retain top talent
- Making informed decisions

Pillars and progress of inclusive diversity

Our inclusive diversity strategy is based on four pillars that are linked to our People & Organisation strategy:

- Achieving gender equality
- Being open to different cultures and religions
- Paying attention to mental health and physical limitations
- Supporting our LGBTIQ+ community

Gender equality

We started to implement the Gender Equity Plan in February 2022. The plan, in part, is to ensure that by the end of 2024 at least 30 percent of women are employed in senior management positions. One of the activities organised by FrieslandCampina was a live event held at the Royal Concert Hall in Amsterdam on the occasion of International Women's Day in March 2022. The event was attended by more than 800 people. Testimonials from members of the orchestra were used to illustrate the power of gender diversity in achieving team performance.

Read more about diversity and inclusion:

Diversity & Inclusion Committee

27.9
Women in senior management
2021: 25.6%

28.8/71.2%
Female-male ratio (worldwide)
2021: 28.6/71.4%

28.6/71.4%
Female-male ratio (Executive Leadership Team)
2021: 23.1/76.9%

Human rights

FrieslandCampina respects and supports internationally recognised human rights. The basic principles include the UN Guiding Principles on Business and Human Rights, the OECD Guidelines for Multinational Enterprises, the Universal Declaration of Human Rights and the ILO Declaration on Fundamental Principles and Rights at Work. The following activities, among others, were developed in 2022:

— Governance relating to human rights was adjusted and a committee was initiated consisting of the following departments: Sustainability, Finance, Procurement, Legal Affairs and Human Resources. The committee meets every two months to discuss the progress of the human rights programme.
— The guidelines for operating companies have been expanded with special attention for vulnerable groups (women, children, migrants, and the like) and we developed specific human rights standards for nine topics, including modern slavery.
— Adherence to standards by operating companies was monitored in countries with an elevated risk of human rights violations.
— Seven thousand employees completed an e-learning on human rights, in which the contents of the human rights policy were explained.
— In Nigeria, Partner Africa conducted an assessment that showed that FrieslandCampina should provide better insight into the supply chain with a focus on the risk of child labour. The implementation of improvement initiatives will start in 2023.
— In Pakistan, initiatives were up and running to eliminate the most serious and salient problems, including fair wages and overtime by vulnerable groups, such as contract workers, by hiring these workers at FrieslandCampina on the one hand, and by negotiating clear agreements with the contractor about the maximum number of working hours, for example, on the other hand.
— A risk assessment of human rights was conducted in seven countries (Belgium, Greece, the Philippines, Egypt, Morocco, Saudi Arabia and the United Arab Emirates). The assessment showed that special attention should be devoted to contract workers, overtime and business relations in the value chain.

Support for refugees

We used the Refugee Support Programme to coach refugees to enable them to be better prepared before they start working at FrieslandCampina. The ultimate goal is to staff approximately two percent of all job openings in the Netherlands with people who were a refugee at some point in their lives.
In 2022, 31 refugees were coached. A third mentor programme for talented individuals was initiated in October to support 11 female refugees. In 2023, the programme will be expanded to include Belgium and the United Kingdom.

OUR STRONG BRANDS

Rainbow

RAINBOW

- Mainly consumed in the United Arab Emirates and Qatar
- Evaporated milk widely used in tea, coffee and desserts

“Adding magic to moments since 1955

Rainbow has been part of Middle Eastern culinary traditions for generations. It evolved into a brand adding magic to moments of togetherness with its rich and creamy flavour.

In 2022, Rainbow's focus included several sustainable innovations. It partnered with Veolia and set up a pilot to collect and recycle Rainbow milk tin cans. Additionally, it launched and scaled up a reclosable PET bottle.

Our employees

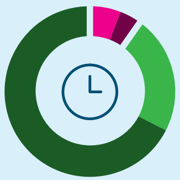
Company culture

Sustainable success is a key component of FrieslandCampina's company culture. A continuous dialogue, the development of talent and the creation of a working environment in which all employees can be themselves are an integral part of this. In 2022, FrieslandCampina's workforce comprised 113 different nationalities of which 66.2 percent is of Dutch origin. The Executive Leadership Team consisted of 15 (2021: 13) persons with six (2021: four) different nationalities.

Fewer FTEs

In 2022, the average number of FTEs declined by 1,246 to 21,715 in comparison to 2021. The decrease in the number of FTEs is the result of efficiency programmes and not getting vacancies filled as a consequence of shortages on the labour market.

Key figures 2022



Employment*

Part-time: 9.7% 2021: 9.0%
Female: 5.9% 2021: 5.7%
Male: 3.8% 2021: 3.3%

Fulltime: 90.3% 2021: 91.0%
Female: 22.9 % 2021: 22.9%
Male: 67.4 % 2021: 68.1%

Type of contract

Temporary: 10.8% 2021: 10.3%
Permanent: 89.2% 2021: 89.7%

* Aside from reporting on the male/female category within FrieslandCampina, we also include a third category 'other' in our reporting; these are employees who do not identify themselves as male or female. Rounded, this category ends up at 0.0 percent.

Number of employees*

21,715 ▼ -5.4%
Total
2021: 22,961

15,604 ▼ -2.9%
Food & Beverage
2021: 16,066

2,273 ▼ -8.8%
Specialised Nutrition
2021: 2,493

1,837 ▼ -5.2%
Ingredients
2021: 1,937

54 ▼ -23.9%
Trading
2021: 71

1,947 ▼ -18.7%
Corporate, Shared Services and other
2021: 2,394

* Average number of FTEs in 2022

Over2You: the voice of employees

In 2022, 81 percent of employees participated in the employee satisfaction survey (2021: 77 percent). The following are a few striking results:

- 81 percent (2021: 81 percent) of employees feel committed to the company
- 79 percent (2021: 77 percent) of employees feel free to take decisions with respect to their work and to express themselves when something can be improved upon
- 30 percent of employees indicates that communication with them could be improved

Labour market under pressure

Trends, such as the growing world population, integrated value chains and climate change, are creating an unprecedented dynamic. This was reinforced in 2022 through current challenges, such as the coronavirus and mounting inflation. This resulted in a highly volatile talent and labour market characterised by scarcity, high recruiting costs and job vacancies open for longer periods of time. In addition, the number of job openings in 2022 was higher than in previous years. The combination of these factors elevated work pressures in some areas of the organisation.

Market/labour market trends	FrieslandCampina's response
Higher turnover among colleagues, specifically among the group of employees working at production facilities and recently hired employees	Lead in recruiting talent by means of attractive and focused recruitment campaigns
Pressure on employer appeal due to prospects within the dairy sector	Develop a strong Employer Value Proposition (EVP). We have won various awards for our EVP
Urgency of schooling employees consistent with required future skills and creating a learning culture	Focus on continuous learning and integrating acquired knowledge and skills into the daily work
People expect our offer in the area of talent and remuneration to match their changing needs	Provide an attractive remuneration strategy. In addition, we track employee perception through means of our global Over2You employee satisfaction survey (see below)
Further develop inspiring leaders able to find the right balance between delivering results and developing their people and teams to achieve sustainable business performance	In 2022, we offered employees various training courses concerning hybrid ways of working. We aim to distinguish ourselves as employer in the current tight labour market, with our purpose as the core. We do this in various ways, such as an increased focus on sustainability in the broad sense of this word (Environmental, Social & Governance [ESG])
Create the right conditions for a hybrid way of working. For example, by providing flexibility in where and when people can work with a better work/personal life balance as the targeted result and by supporting mental, physical and emotional well-being	Continue to build on experiences and lessons learned during the corona pandemic, for example by implementing Our Way of Working – hybrid way of working. All employees whose work allows them to adopt a hybrid way of working were offered a training programme. 568 people started the capability journey in HoRizon and 289 have already completed it in 2022. In addition, we encouraged teams to formulate agreements about where and when they work

Attracting talent

Talent is scarce. In 2022, we developed various activities designed to attract new talented colleagues to FrieslandCampina.

- In 2022, we also investigated how to improve our talent recruitment and selection process in the countries in which FrieslandCampina operates.
- We conducted several Global Employer Branding campaigns on the basis of our Employer Value Proposition (EVP). Campaigns were conducted on social media channels (Facebook, LinkedIn, Instagram) that resulted in an increase in the number of applications (4.8 percent of website visitors applied). Fifty seven percent of all new colleagues indicated they had been influenced by these campaigns.
- We won an award for Best Employer Brand in Europe during the Tiara Talent Acquisition awards.
- To improve the recruitment and selection process, we plan to train 45 trainers who, from the end of 2022 to the end of 2023, will be using a programme ('License to Recruit') developed in-house to train all managers responsible for recruiting talent.

Read more about working at FrieslandCampina:

Working at FrieslandCampina

OUR STRONG BRANDS

Lattiz

- 15,000 Lattiz coffee machines in Europe
- Smart milk solution for professional use

"Perfect milk foam for coffee professionals

Lattiz was launched in 2015 as the smart milk solution for the perfect milk foam, intended for professional use. The concept was developed over seven years in collaboration with baristas, hospitality professionals, coffee roasters and coffee machine manufacturers. Today, thousands of happy professionals in Europe serve high-quality Lattiz milk coffees to their guests every day.

Attracting the best talent in a challenging dairy sector

> In our company, everyone has the opportunity of playing a distinctive role and exerting influence in the area of sustainability

The dairy sector is under tremendous pressure due to the unstable global situation, increasing market pressure and pressure exerted by NGOs, rising consumer expectations and the impact on greenhouse gas emissions and hence climate change.

This results in the following dilemma: how can an industry which is often criticised for its contribution to global warming, and which is often seen as part of the problem, become a distinctive part of the solution, and consequently attract the best talent?

The dairy sector continues to be an appealing sector for attracting a wide range of talent. As a company, we have won various awards (for example, Graduates Choice Award Malaysia; 2022 Best European Employer Brand), driven by our purpose, *nourishing by nature*. However, we are seeing that the situation for employees is changing. Our 2022 employee satisfaction survey shows that at least 81 percent of our employees has a tremendous feeling of belonging to the organisation, but, at the same time, one in three indicates that they are increasingly worried about the dairy sector's prospects. This is why we need to look for and retain talent that not only embraces our purpose, but the ambitions and challenges associated with this as well.

In our Employer Value Proposition, we focus on different pillars. One of these pillars is 'Contributing to society'. This refers to the fact that we are a caring company and that we concentrate on the long-term needs of our customers, our employees, our dairy farmers and our planet. This resonates well among our people and we want future talent to realise this as well. In our company, everyone has the opportunity of playing a distinctive role and exerting influence in the area of sustainability. At FrieslandCampina everyone can be part of the solution and achieve market success by offering health-conscious products across all generations, while simultaneously working on structurally reducing our carbon footprint, thus making a net positive contribution to the environment.

OUR STRONG BRANDS

Alaska Milk

- Philippines
- In 2022 certified as a 'Net-Zero Plastic Waste Brand'

> Passionate about accessible nutrition for everyone

Alaska Milk Corporation has been providing affordable nutrition in the Philippines for 50 years now. The brand carries a wide range of products, from powdered milk to read-to-drink milk. The products are widely chosen when it comes to cooking flavourful dishes at home. They have been a staple in the Filipino kitchen.

Risk Management

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

Risk events 2022 & trends

During 2022, 'unprecedented' seemed to have become the new normal. Whilst the world saw a glimmer of a positive rebound post-pandemic at the start of 2022, the risk profile rapidly changed throughout the year.

In 2022, the lingering effect of corona with substantial supply chain issues, the invasion of Ukraine, the related economic landscape and inflation were the most noticeable topics impacting the risk profile globally. Most importantly, the Ukraine war has a profound impact on the people directly involved, yet indirectly, the effects are also noticeable across the globe in terms of rising costs for life's essentials due to impacted availability and prices of (raw) materials, energy and most importantly food. Obviously, these macro-economic trends affected the Company's risk profile during 2022 and will continue to have an impact in 2023 as long as current geopolitical tensions remain. 2023 will be yet another year with uncertainties, requiring risk management to provide adequate insights in 'what's there to come' to build the Company's resilience vis a vis the 'unlikely' risks that could manifest themselves.

The corona-omicron variant exacerbated the global supply chain disruptions with the closure of the Shanghai port early 2022. Commodity availability and prices were impacted, affecting our margins and lead times to get raw materials to our production locations. It affected the demand in all our consumer markets as well as the affordability of our products in developing countries. The recent changes to the 'zero-covid' policy in China will probably bring its own challenges.

The European and Asian geopolitical developments induced more protectionism with regard to natural resources inciting a further drive for 'self-sufficiency' in some of our important markets in Asia and Africa. Further economic impact was felt in the availability of foreign currencies in countries such as Nigeria, Pakistan and Egypt, accelerated tightening of national Tax measures in Asia, and local consumers switching to alternative (local or cheaper) products. The related risks and hedges w.r.t. such countries in our portfolio are carefully monitored by our experts. Due to the Ukraine war, gas and energy prices skyrocketed globally in 2022, but specifically in Europe. This remains an area of concern for our factories in 2023 (and beyond) and is being addressed by our teams to effectively mitigate price volatility risks.

On a positive note, this accelerated the push for more operational efficiencies aimed to structurally reduce energy consumption in our factory network.

In 2022, as financial markets became more cautious and paired with increasing interest rates to tame inflation, it increased the Company's financial risks. More specifically, despite the positive effect of the new member financing structure on our financing, FX rates (translation of local currency from our local operations to EUR/ USD) and unavailability of foreign currency (i.e. Nigeria, Pakistan and Egypt) negatively impacted our financials and resulted in extra monitoring which in specific cases resulted in targeted actions. As a result of rising prices and interest rates we foresee a continued pressure on working capital and cashflow in 2023. Refer to page 101 for more information on our financials.

We have been successful in offsetting part of the impact of these risks in 2022 by carefully looking at our cost base and managing our revenue growth in the various market(s). Moreover, the Company managed to benefit from the commodity price developments through our 'Trading' business group.

For 2023 we expect circumstances to become more challenging as the risks mentioned (such as interest rates, FX availability, and protectionism) might further impact the Company. The volatility of our milk supply and related commodity prices can have a significant influence on the results. Such developments may lead to increased costs and resulting product price increases, putting pressure on volumes in many markets depending on the development of the consumer's purchasing power. In turn, this may impact our factory network, supply chain and ultimately our bottom line. Various scenario-based initiatives to forecast the demand for our products, related (milk) sourcing requirements and supply chain footprint in general have been initiated as a result. Increased focus and effort will be applied to drive product and brand innovation to keep up with consumer and/or customer demands and expectations; and ensuring that our products remain affordable and competitive.

During 2022, the effects of human-caused global warming were clearly visible in droughts, wildfires, and extreme rainfall severely impacting our consumers and our supply chain (network) globally. For example, Pakistan saw extreme flooding impacting lives and livelihoods of millions. Europe suffered a prolonged period of drought, directly impacting the available crops (and feed) for our farmers, but also the sourcing of the Company's raw materials, for example by reduced availability of sugar.

The Company is committed to *Nourishing a better planet* - our sustainability strategy. The increasing Environmental, Social & Governance (ESG) reporting requirements (related to for example the Corporate Sustainability Reporting Directive, Corporate Sustainability Due Diligence Directive or the Global Reporting Initiative) require a solid data foundation and efficient processes. This is even more complex since ESG reporting regulations are still in development and are not unambiguous in terms of requirements. In Europe, and specifically the Netherlands, the envisioned nitrogen regulations will have a profound impact on our farmers, and consequently the Company's milk supply. It is not yet clear what the magnitude or timing of a potential reduction in milk supply will be, as this will also be dependent on the churn of existing and the attraction of new member farmers (considering the cooperative opened-up to new members mid-2022).

During 2022, no major external quality incidents were reported; our processes and systems ensured that internal quality deviations were detected timely to initiate corrective actions. An important challenge that manifested itself in 2021 and continued to be of concern in 2022, related to our resource availability as attrition and time to hire affected the available resource capacity. Also in 2023, our focus remains on the well-being and sustainable engagement of our people, ensuring a safe work environment.

Besides risks, the future also brings opportunities, such as a growing demand for healthy products, affordable nutrition and a demand for premium dairy products. For 2023, the Company's priorities encompass People, Planet and Profit. Foremost, our people are our main assets; employee engagement, diversity and a step up in data-driven behaviour are core areas of focus. On planet, the Company commits significant investments to meet our ESG ambitions and ensuring robust ESG reporting. By driving the strategy to *Our Purpose, Our Plan* as mentioned in other sections of this Annual Report, we are committed to make a good profit for our member farmers and other stakeholders. This will require focus on restoring margins in certain areas, innovation and continuation of our ongoing Supply Chain transformation into a Global Supply Chain organisation.

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

Fraud & Compliance

From a compliance and security point of view our cybersecurity programme and fraud awareness measures remained important. No major cyber incidents occurred in 2022, and although we saw an uptick in the number of (reported) fraud cases, the financial impact was limited. With continued global digitalisation, data security and privacy continue to be critical areas of attention for 2023. As part of our fraud prevention measures, we conduct an annual fraud risk assessment to determine developments and areas of attention in order to initiate mitigating actions if required. In general, we see the fraud risk increasing due to deteriorating economic and financial circumstances and we see that more opportunities arise because of digitisation and complexity of systems. More specifically, we observe an increasing trend in 3rd party fraud in the area of disposal of goods and vendor fraud schemes. Besides, the risks related to malware and phishing remains high.

Several initiatives were launched to continue strengthening the fraud attention and awareness culture within the Company. For the specific trends mentioned, new control measures and monitoring mechanisms have been implemented. Refer to the specific cybersecurity and code of conduct 'Compass' sections on pages 58 and 59 for related information.

Governance

The Executive Board of the Company is accountable for effectively managing the Company's risks with delegated responsibilities for risk management. Risk assessments and mitigating actions are the responsibility of line management (the 'first line'); individual managers and management teams of Business Groups and/or operating companies. Management is supported by corporate departments. They serve as the 'second line'; responsible for the design and effectiveness of the risk management framework, its processes and systems including 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 & Risk Committee on the effectiveness of the risk management framework, policies and procedures.

The Audit & Risk Committee informs the Supervisory Board of the Company. The role of the Audit & Risk Committee is described in the 'Corporate Governance' section, refer to 79.

Risk Management Framework

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

Risk awareness and culture

Employees must abide by the Company's applicable general code of conduct 'Compass' and comply with the applicable laws, regulations and policies. 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. For more information on our Compass programme, refer to 59.

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. Also, the Enterprise Risk, Thematic Risk and Fraud Assessments were conducted according to plan and deemed effective.

The overall FrieslandCampina risk profile and trends were discussed during our bi-annual Risk Committee sessions in order to identify interrelations between risks, areas of concern and take action to implement corrective measures. In addition, a distinct number of risk themes, such as reduced milk supply or increased energy prices, were formulated and assessed to highlight the development of such correlated risks, the mitigating measures taken, leading to further actions where needed.

For a more detailed description of specific risks and trends, see page 224 to 229.

Outlook for 2023

In the fourth quarter of 2022, market conditions deteriorated, resulting in a significant decrease in commodity dairy prices. The negative impact of this on the fourth quarter result is expected to persist in 2023. The impact of this will be significant in the first half of the year. Aside from the negative impact of these commodity dairy prices on profitability, it is expected that market conditions will become more difficult because reduced consumer purchasing power will put volumes further under pressure in many markets.

Clear priorities have been established for 2023. There will be more focus on product and brand innovation to continue to meet consumer and customer demands and expectations. Plans, therefore, provide for investments in research and development (R&D), primarily focused on better nutrition and more sustainable production and packaging. In addition, FrieslandCampina will continue to invest in the marketing of its brands and in the Professional business, to achieve growth there.

Sustainability will continue to be one of the pillars of FrieslandCampina's strategy and business operations, with the main focus in 2023 on greenhouse gas reduction, by implementing our climate plan, and on sustainable packaging. Increasing biodiversity will be part of the sustainability priorities for 2023. FrieslandCampina will also continue to invest in its production network, for example in new, more sustainable production facilities in Indonesia and Malaysia.

FrieslandCampina's liquidity position is sufficient to be able to realise the above-mentioned plans. A number of interest-bearing borrowings is due to expire in 2023. FrieslandCampina expects to refinance these borrowings.

The dairy sector

The United Nations forecasts that the world population will have grown to almost 10 billion people by 2050 and that the global demand for dairy will increase 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 to play 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 also create a lot 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 dairy farmers, producers, suppliers, scientists, government organisations and NGOs.

Currently, at the beginning of 2023, the market is imbalanced due to an excessively high milk supply in comparison to lagging demand. Market developments in the coming months will primarily be determined by the issue of how long the high milk supply in Northwest Europe will persist and how long demand will lag in comparison to last year due to high inflation and its effect on disposable income.

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 systems. 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 2022
- In accordance with the current state of affairs, the financial reporting has been prepared on an ongoing concern basis
- 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 12 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 and Risk Committee, the Supervisory Board and the external auditor.

Statement of executive responsibility

The members of the Executive Board of Royal FrieslandCampina N.V. herewith state that, in accordance with Section 5:25c subsection 2 under c of the Dutch Financial Supervision Act (Wft), insofar as they are aware, the 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 of 31 December 2022, the state of affairs during the financial year of Royal FrieslandCampina N.V. and of the consolidated companies. The Annual Report sets out the essential risks that Royal FrieslandCampina N.V. is confronted with.

Executive board

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

Hans (J.G.) Janssen
Chief Financial Officer

David (D.A.) Cutter
Chief Supply Chain Officer

Geraldine (G.M.) Fraser
Chief People Officer

Roel (R.F.) van Neerbos
President, FrieslandCampina Food & Beverage

Amersfoort, 17 February 2023

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 shares in the Company's capital are held by 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 members of the Board of the Cooperative on the binding recommendation of the Cooperative's Chair'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 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 approval of the Members' Council. 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. Up until 3 October 2022 of the reporting year, the Executive Board consisted of the Chief Executive Officer (CEO), the Chief Financial Officer (CFO), the President, Food & Beverage and the Chief People Officer. Effective 3 October 2022, the Executive Board was expanded to five members with the inclusion of a Chief Supply Chain Officer. The Executive Board's composition and division of tasks are set out on page 221. Up until 13 December 2022, the Supervisory Board consisted of all members of the Board of the Cooperative and four external members. Effective 13 December 2022, the Supervisory Board consists of five internal members (members of the Board of the Cooperative) and four external members. The composition of the Supervisory Board is reported on page 219.

Supervisory Board committees

The Supervisory Board has established three committees:

— Audit and Risk Committee, comprising four Supervisory Board members
— Remuneration, Nomination and Governance Committee, consisting of four Supervisory Board members
— Sustainability Committee, comprising three Supervisory Board members. This third committee was established effective 11 April 2022

The composition of the Supervisory Board's committees is reported on page 220.

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 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-practice 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.

Executive board

Composition, tasks and responsibilities

Up until 3 October 2022, the Executive Board consisted of the CEO, the CFO, the President, Food & Beverage and the Chief People Officer. Effective 3 October 2022, the Executive Board was expanded to include the Chief Supply Chain Officer and now comprises five members. The Executive Board is supported by the Executive Leadership Team in its day-to-day affairs. Up until 3 October 2022, the Executive Leadership Team consisted of all members of the Executive Board, the presidents of the business groups Ingredients, Specialised Nutrition and Trading and the vice-president of the Professional business unit, as well as the functional managers of Corporate Supply Chain, Research & Development, Corporate Affairs, Corporate Development and the Chief Information Officer. Effective 3 October 2022, the Corporate Supply Chain Officer was replaced by an Executive Board member, the Chief Supply Chain Officer. Effective 1 November 2022, a Chief Sustainability Officer was appointed as a member of the Executive Leadership Team. All business units and strategic functions come together in the Executive Leadership Team, which results in fewer management layers, provides for better decision-making and accelerates the implementation of the strategy. The task of the Executive Leadership Team is to implement the strategy, transform objectives into specific plans and manage operating companies and departments within their respective areas of responsibility.

Appointment of the members of the Executive Board and other members of the Executive Leadership Team

At the recommendation of the Remuneration, Nomination and Governance Committee, the Supervisory Board appoints, suspends and dismisses the members of the Executive Board. The CEO appoints, suspends and dismisses the other members of the Executive Leadership Team, following approval by the Supervisory Board and after consultation with the Remuneration, Nomination and Governance Committee.

Remuneration policy and remuneration of the members of the Executive Board and the remaining members of the Executive Leadership Team

The remuneration policy applies to almost all relevant recommendations of the Code. The Company is legally exempt from publishing its remuneration policy, since the Company is a so-called 'private limited liability company'. The remuneration report, on page 91, indicates that the Company will provide more details about the remuneration paid to the members of the Executive Board and the Supervisory Board over time. The principles underlying the remuneration policy for the Executive Board and the Supervisory Board will also be set out in the remuneration report. The remuneration policy is adopted on the recommendation of the Supervisory Board and can be changed by the Annual General Meeting of Shareholders, following consultation with the Remuneration, Nomination and Governance Committee. FrieslandCampina is also accountable to the Cooperative's Members' Council on this topic. Each year, the CEO and the Chief People Officer discuss the remuneration of the members of the Executive Leadership Team with the Supervisory Board during the internal deliberations of the Supervisory Board, in the absence of the other members of the Executive Board. Pursuant to the rules of the Executive Board and the Executive Leadership Team the Supervisory Board has the power to recover variable remuneration that has been awarded to an Executive Board member on the basis of incorrect (financial) data. The CEO has the power to recover variable remuneration that has been awarded to a member of the Executive Leadership Team on the basis of incorrect (financial) data.

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 relating 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 subject to the structure regime. These include, in particular, 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, such as sustainability, human rights and so on.

Several times each year, members of the Executive Leadership Team attend a meeting of the Supervisory Board, or a part thereof. On this occasion, various topics, including the Company's strategy, 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, Nomination and Governance Committee regularly holds progress meetings with the members of the Executive Leadership Team.

Composition, independence and appointment

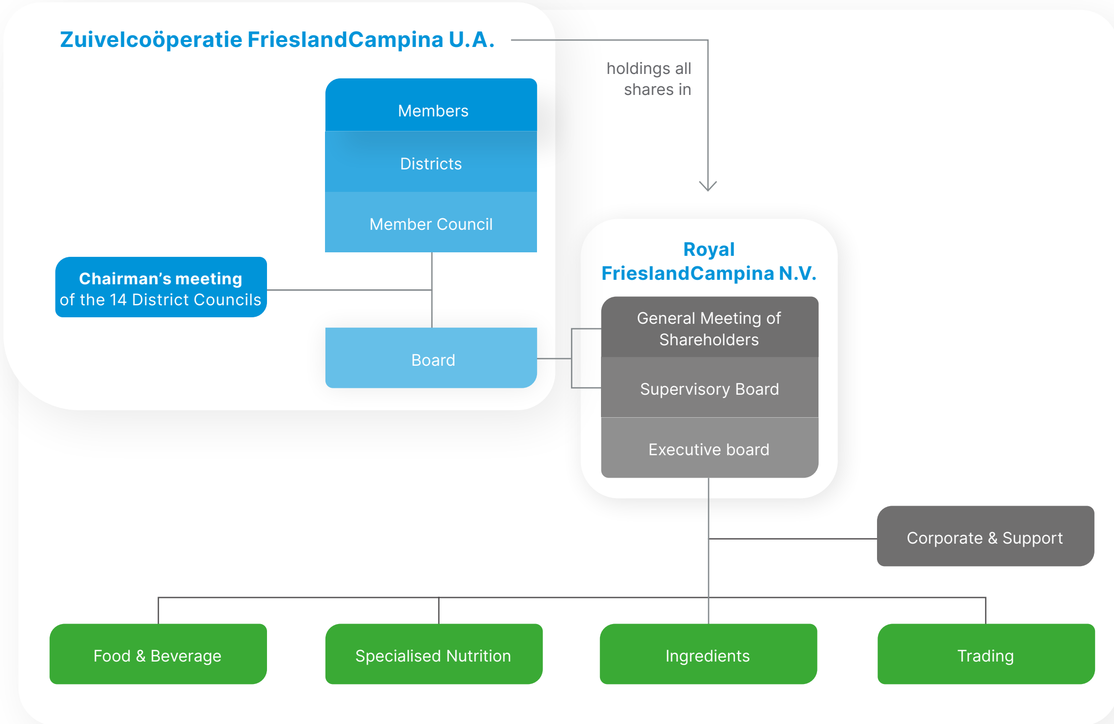
A covenant has been signed with the Central Works Council (CWC). The covenant includes agreements regarding the composition of the Supervisory Board, the required profile of the members of the Supervisory Board, the strengthened rights of recommendation of the CWC in respect of the appointment of Supervisory 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. Pursuant to the profile sketch in effect until 13 December 2022, the Supervisory Board was considered justly composed when two-thirds of its members were members of the Board of the Cooperative ('internal members') and one-third of its members were recruited from outside ('external members').

The chosen composition reflected the two-thirds dominance of internal members in a Supervisory Board permitted by law for large cooperatives. This dominance by internal members was carried through to the Company level. This regulation deviated from the best-practice provisions for the independence of Supervisory Board members.

The Supervisory Board evaluates annually its own and the Supervisory Board members' individual performance. The performance of the committees of the Supervisory Board are evaluated as well. The Supervisory Board pays attention in this evaluation to among others substantive aspects of the performance, the interaction with the committees and the Executive Board, possible changes to its composition and education and training. Such an evaluation can be performed with an independent expert.

Pursuant to its self-assessment, in 2022, performed together with an independent expert, the Supervisory Board decided to change the composition of the Supervisory Board to promote the effectiveness of the Supervisory Board and to reduce its members from 13 to nine members, effective 13 December 2022. Following consultation with the CWC and the General Meeting of Shareholders, this change was set out in the profile sketch that went into effect on 13 December 2022. Pursuant to the changed profile sketch, the Supervisory Board is considered justly composed when it consists of five internal members and four external members. The five internal members must consist of at least three and, at most, five members of the Board of the Cooperative, including the Chairman, and a maximum of two members of the Cooperative who are not members of the Board of the Cooperative. The internal Board members are not independent in the sense of the Code. This is a conscious choice to continue to reflect member dominance within the composition of the Supervisory Board.

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 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. Members are appointed for a four-year term and can subsequently be reappointed for another four-year term. After this, 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.
The rule that applies to the Chairman is that if the Chairman completes his/her third term as Chairman, he/she is eligible for reappointment for a two-year (2-year) term, which can subsequently be extended once for two (2) years. In deviation of the aforementioned has Sybren Attema on 12 November 2021 been appointed for a term of four (4) years. Two (2) years after his appointment his appointment will be evaluated.



Governance structure as at 31 December 2022

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. The remuneration policy and the remuneration of Supervisory Board members are set out on page 220.

Supervisory Board committees
The Supervisory Board has a Remuneration, Nomination and Governance Committee, an Audit and Risk Committee and, since 11 April 2022, a Sustainability Committee. The task of these committees is to prepare the decision-making for the Supervisory Board; they have no independent decision-making authority. The regulations of the committees are posted on FrieslandCampina's website. The committees report regularly to the Supervisory Board regarding their deliberations and findings. Five of the nine Supervisory Board members (nine of the 13 up until 13 December

2022) are not independent as defined by the Code as described above. This means that the composition of the committees of the Supervisory Board deviates from the relevant best-practice provision of the Code which stipulates that more than half of the members of the committees of the Supervisory Board should be independent as defined by the Code.

The rule that applies to the Audit and Risk Committee is that half of the members of this committee must consist of external members that are independent, as defined by the Code. As

Preparing for CSRD

The European Commission aims to streamline company ESG reporting in line with the financial reporting. This enables interest groups to assess the economic activities of companies on an equal basis and to better assess the extent to which they create sustainable financial and non-financial value.

The increasing need of interest groups for relevant, reliable, comparable and available Environmental, Social and Governance (ESG) information is currently resulting in the accelerated introduction of laws and regulations. In November 2022, the European Commission adopted the Corporate Sustainability Reporting Directive (CSRD), which requires all large companies to include elaborate ESG information in their management reporting, starting with the 2025 reporting year. A company qualifies as large when it meets two of the following three criteria:
— >250 employees
— >40 million euros in revenue
— >20 million euros in total assets

An external auditor will issue an auditor's report with a 'limited degree of certainty' on this basis. The reporting includes sustainability targets, the risks and opportunities flowing from the ESG factors, the business model's resilience in this area and the company's strategy, for example for tackling the effects of climate change in the short, medium and long term.

FrieslandCampina

Although transparency about efforts and progress in the area of sustainability is currently voluntary, since 2015 FrieslandCampina has been producing an integrated annual report on strategy, policy, objectives and performance relating to sustainability. Since 2018, an external auditor has been issuing an auditor's report with a 'limited degree of certainty' on this.

Changes

FrieslandCampina is presently investigating the impact of CSRD and the associated reporting obligations and has started a number of initiatives to be prepared for this on time. In 2023, a materiality analysis will be performed in line with CSRD requirements, to determine which ESG themes are most relevant for FrieslandCampina. It will then assess which reporting requirements FrieslandCampina needs to comply with and where initiatives are needed to be prepared on time. This analysis will be performed on the basis of the currently applicable CSRD standards, whereby developments relating to new (sector-specific) CSRD standards will be closely adhered to. Although CSRD for FrieslandCampina will only become mandatory for the 2025 reporting year, FrieslandCampina is already improving its annual reporting on environment, society and governance. For example, over the course of 2022, several structural changes were introduced in terms of policy, implementation and managing sustainability goals. A Chief Sustainability Officer has been appointed as a member of the Executive Leadership Team, which has further reinforced governance relating to ESG issues. In addition, a Sustainability Committee has been established as part of the Supervisory Board, which strengthens the supervision of the company's sustainability strategy. With these changes to the organisation structure, FrieslandCampina has created the necessary conditions for expeditiously addressing policy and implementation, and responsibilities are more firmly embedded within the company.

such, the composition of this committee does not comply with the Code, which stipulates that more than half of the members of committees must be independent. Up until 13 December 2022, the Remuneration, Nomination and Governance Committee consisted of two external, and therefore independent, members of the Supervisory Board and one member of the Supervisory Board who is not independent, and as such the committee’s composition was in line with the Code. Effective 13 December 2022, an extra member, who is not independent, was added to the Remuneration, Nomination and Governance Committee, which means that the composition of this committee is not in line with the Code. The Sustainability Committee consists of two internal members and one external member, and as such its composition is also not in line with the Code.

Audit and Risk Committee

The Audit and Risk Committee comprises the financial expert and one other external Supervisory Board member and two internal Supervisory Board members. In addition, effective 13 December 2022, Sandra Berendsen was appointed Advisor to the Audit and Risk Committee for a period of one year. On that date, Sandra Berendsen stepped down as Supervisory Board member, but in view of the number of changes within the committee, her broad experience with FrieslandCampina, her financial background and experience with Audit and Risk Committee-related matters, the Supervisory Board appointed her External Advisor. The fee for this advice is equal to the remuneration for the membership of this committee.

The duties of the Audit and Risk Committee are of a preparatory nature with respect to:
- The integrity and quality of the financial and non-financial reporting and the effectiveness of the Company's internal risk management and control systems
- The increasing role relating to aspects such as the integrity and quality of ESG reporting, the effectiveness of the internal risk management and control systems relating to ESG and assurance by an external auditor
- 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
- Recommending 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 Chair of the Audit and Risk Committee is the first point of contact for the external auditor should the auditor reveal irregularities in the Company's financial and non-financial reporting. The Audit and Risk Committee also discusses material Speak Up issues and the measures implemented in this regard. The Chair of the Audit and Risk Committee reports the deliberations and findings on this to the Supervisory Board.

Remuneration, Nomination and Governance Committee

The Remuneration, Appointment and Governance Committee comprises the Supervisory Board member with the ‘social profile’, who also chairs the Committee, plus the Supervisory Board’s Chair and Vice-chair. As indicated above, as of the balance sheet date, the Remuneration, Nomination and Governance Committee consisted of two external, and therefore independent, members and two members who are not independent as defined by the Code.
The duties of the Remuneration, Nomination and Governance Committee include:
- Preparing proposals for the remuneration policy for the Executive Leadership Team, and the remuneration of individual Executive Board members
- Compiling the remuneration report
- Selecting and preparing proposals for the appointment of members (including drawing up appointment criteria and procedures) of Executive Board and 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 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

Sustainability Committee
The Sustainability Committee was instituted on 11 April 2022 and consists of at least three members; two internal members, who are not independent, and one external member. The duties of the Sustainability Committee include:
- Discussing and providing advice on the long-term sustainability vision, strategy and setting sustainability targets
- Monitoring the realisation of sustainability targets and giving advice on possible ways of using innovation to achieve these sustainability targets
- Monitoring talent, leadership and culture development relating to sustainability

The Chairperson of the Sustainability Committee reports the deliberations and findings of the Sustainability Committee to the Supervisory Board after each meeting which results in the increase of knowledge, skills and experience of the Supervisory Board on sustainable development. The Sustainability Committee supports the Supervisory Board in maintaining oversight of the risks related to sustainability. The Audit and Risk Committee is responsible for supporting the Supervisory Board in relation to sustainability reporting and the Chairperson of the Sustainability Committee ensures alignment on the sustainability target-setting and assessment of the sustainability targets with the Audit and Risk Committee. The Supervisory Board is responsible for the approval of the reporting on sustainability targets in the Company’s annual accounts.

Conflict of interest
FrieslandCampina has drawn up strict rules to prevent every form and appearance of conflict of interest between the Company on the one hand and the members of the Executive Board, the other members of the Executive Leadership Team and the members of the Supervisory Board on the other. 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 interest 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. This concerns major decisions relating to the operations, legal structure and financial structure of the Company (and the companies in which it holds shares) and decisions on major investments.
The other important authorities of the General Meeting of Shareholders are:
- 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 remuneration policy for the Executive Board and the Executive Leadership Team, and approving the remuneration of 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 the 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 its website.
The Company is registered in the Trade Register of the Chamber of Commerce under number 11057544. On 31 December 2022, the Company's authorised capital amounted to 1,000,000,000 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 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. The Audit and Risk Committee and the Executive Board both issue a recommendation to the Supervisory Board in this respect. The remuneration of the external auditor and the assignments of the external auditor are approved by the Supervisory Board on the recommendation of the Audit and Risk Committee and after consultation with the Executive Board. The external auditor is 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 and Risk 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 and Risk 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 and Risk Committee and the external auditor.

Best-practice provisions of the Code not applied by FrieslandCampina as of 31 December 2022

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, unless these reasons are set out below:

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 the Chairman of the Supervisory Board: see motivation under 'Supervisory Board – Composition, independence and appointment'

2.3.2
Institution of committees: the Remuneration Committee and the Selection and Appointment Committee, for practical reasons, have been combined into the Remuneration, Nomination and Governance Committee

2.3.4
Composition of committees: the composition of the Audit and Risk Committee, the Remuneration, Nomination and Governance Committee and Sustainability Committee deviates 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 all shares in the Company's capital are held by the Cooperative and are not listed

3.1.3, 3.4
Discussion of the Executive Board's remuneration, publication of remuneration report, most important components of employment conditions for the Executive Board: the Company applies the statutory exception as defined in Article 2:383b of the Dutch Civil Code for so-called 'private public liability companies' For a more detailed explanation of the remuneration policy and the increased transparency to be provided over time about the remuneration paid to members of the Executive Board and the Supervisory Board, see the remuneration report on page 91

4.1-4.4.8
General Meeting of Shareholders: best-practice provisions 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 all shares in the Company's capital are held by the Cooperative and are not listed

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 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 and non-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

During the year under review, the Supervisory Board of the Company consisted of internal members, being those members who are also members of the Board of Zuivelcoöperatie FrieslandCampina U.A., and external members. All external Board members 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 of 17 February 2023 is shown on page 219.

Pursuant to an internal self-assessment started in November 2021, the Supervisory Board, to promote its effectiveness, decided to change the composition of the Board and to reduce its members from 13 to nine, effective 13 December 2022. Following consultation with the CWC and the General Meeting of Shareholders, this change was set out in the profile sketch that went into effect on 13 December 2022. Pursuant to the changed profile sketch, the Supervisory Board is considered justly composed when it consists of five internal members and four external members. The five internal members must consist of at least three and, at most, five members of the Board of the Cooperative, including the Chairperson, and a maximum of two members of the Cooperative who are not members of the Board of the Cooperative. The selected composition reflects the dominance of internal members within the Supervisory Board. Effective 13 December 2022, René Hooft Graafland (external member of the Supervisory Board), and Sandra Berendsen and Angelique Huijben-Pijnenburg (both internal members of the Supervisory Board) stepped down due to the expiry of their term. Effective 13 December 2022, Cor Hoogeveen (also an internal member of the Supervisory Board) stepped down as member of the Board in connection with the aforementioned changed composition of the Supervisory Board, whereby the entire Board of the Cooperative is no longer a member of the Supervisory Board.
The Board is very grateful to René Hooft Graafland, Sandra Berendsen, Angelique Huijben-Pijnenburg and Cor Hoogeveen for their valuable contributions to the its deliberations; their knowledge and experience was highly valued. Effective 13 December 2022, Sandra Berendsen was appointed Advisor to the Audit and Risk Committee for a period of one year. In view of the number of changes within this committee, her broad experience with FrieslandCampina, her financial background and experience with Audit and Risk Committee-related matters, the Supervisory Board appointed her External Advisor.

Effective 13 December 2022, the Supervisory Board appointed Marleen Vaesen and Baptiest Coopmans as external members of the Supervisory Board, as a result of which the Board consists of four external members and five internal members effective from 13 December 2022. Pursuant to its self-assessment, the Supervisory Board decided that the Vice-chairman of the Board of the Cooperative will no longer be Vice-chairman of the Supervisory Board at the same time and effective 13 December 2022, the Board appointed Baptiest Coopmans as Vice-chairman of the Supervisory Board.

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. This would best enable 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 in this respect is to have at least one-third of the seats on the Supervisory Board occupied by women and at least one-third by men. With four female members out of a total of 12 positions up until 13 December 2022 and three female members out of a total of nine positions effective from 13 December 2022, the Supervisory Board's composition is in line with the objectives of the diversity policy.

Roster of appointments and retirements of the Supervisory Board

(as of 17 February 2023)

	Start date of initial term	Reappointed for new term in December	Expiry of current term in December
S.S.U. Attema*	12 November 2021		12 November 2025
N. den Besten**	7 October 2021		7 October 2025
H.T.J. Hettinga	20 December 2016	2020	2024
E. Jellema	17 December 2019		2023
G.Z. Kemna#	17 December 2019		2023
H.W.J. Schipper#	17 December 2019		2023
H. Stöcker	14 December 2011	2015, 2019	2023
M. Vaesen#	13 December 2022		2026
J.B.P. Coopmans#	13 December 2022		2026

External Supervisory Board member, not being a member of the Board of Zuivelcoöperatie FrieslandCampina U.A.
* S.S.U. Attema was appointed on 12 November 2021 for a four-year term that expires on 12 November 2025
** N. den Besten was originally appointed effective 14 December 2021, but the Members' Council on 7 October 2021 decided to advance the effective date to 7 October 2021

Supervisory Board members are appointed for a maximum of two four-year terms, followed by a third two-year term that can be extended once by another two years (4+4+2+2). A Supervisory Board member, who in his/her third term is Chairman of the Board, is eligible for reappointment for another two-year term that can be extended once by another two years (4+4+2+2+2+2).

Meetings of the Supervisory Board

The Supervisory Board met 11 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, Vice-chairman and René Hooft Graafland regularly spoke with the CEO and CFO, among others. During the year, the Board also met several times outside the regular meeting cycle to discuss strategic M&A projects, which were also discussed several times in smaller sub-committees of the Supervisory Board, which at times were also attended by members of the Executive Board and the Executive Leadership Team.

2022 was very much characterised by unprecedented high inflation and this was extensively discussed during all regular meetings. This resulted in significantly increased production costs for raw materials, transportation and energy, among other things. Where possible, the Company introduced necessary price increases, which caused volumes in consumer markets to be under pressure. The Trading business group and the Professional business benefited from high commodity dairy prices and the Ingredients business group's volume also increased.

The Supervisory Board, in part during its visit to Ghana and Ivory Coast, extensively discussed the risks relating to economic developments and exchange rates in the Sub-Saharan Africa region that had a material, negative impact on the 2022 FrieslandCampina group results. In addition, discussions were held and decisions were made about adjustments to the production network that are expected to have a positive impact over the long term, but will also result in the devaluation of assets and restructuring provisions over the short term.

In multiple Board sessions, the update on and the acceleration of the strategy in various business groups in the context of the need for a company transformation was extensively discussed with the Executive Board and other members of the Executive Leadership Team. Attention was focused on various aspects such as improved milk valorisation, progress in the area of innovation, the sustainability strategy and the various milk scenarios. In addition, the specific implementation of the strategy and the associated potential risks were also discussed.

During the year under review, the Board extensively discussed the integrated *Nourishing a better planet* sustainability programme and the 'On the road to climate-neutral dairy' climate plan published in April. FrieslandCampina aims to produce dairy net climate-neutral by 2050 at the latest. The objectives and actions required to achieve reduced emissions by 2030 were discussed in this context. Furthermore, in April 2022, an additional sub-committee of the Supervisory Board, the Sustainability Committee, was established. It will discuss the long-term sustainability vision and strategy, set sustainability targets and advise the Supervisory Board. This committee also monitors the realisation of sustainability targets and provides advice concerning possible ways of using innovation to achieve these targets. In addition, the committee monitors talent, leadership and culture development relating to sustainability. The institution of this committee emphasises the importance of sustainability for FrieslandCampina. During the meetings, discussions were also held and decisions were made concerning adjustments to the Foqus planet Sustainable development sustainability programme. Effective 1 January 2023, member dairy farmers will have better insight in advance into what certain sustainability efforts will yield in euros. More money will be made available for sustainability with a focus on climate; member dairy farmers will receive higher remuneration for reducing greenhouse gas emissions.

In addition, the sale of part of the consumer business in Germany was discussed with the Board, which subsequently approved it. Following a strategic reconsideration, it was decided that the Friso infant nutrition activities will continue to be an important part of FrieslandCampina's business portfolio.

The desired future financing of the Company was also elaborately discussed. A new ongoing credit facility was approved with performance indicators relating to sustainability that are fully in line with FrieslandCampina's existing climate, sustainability and nutritional targets. The renewed member financing, where members must hold a milk certificate for every kilo of supplied milk, went into effect on 1 January 2022. This couples an important part of the members' capital to the milk supplied by members and a Cooperative solution for the future tradability of member bonds. It also reduces the skewed growth of contributed capital due to the greying population. The issue of milk certificates improves the quality of the Company's equity. Furthermore, the Board approved a mandate to refinance loans that are due to expire in 2023 and 2024.

The more regular topics were also discussed during the meetings. The financial position, the annual budget, partnerships, major investment proposals, the progress of major investment projects and internal risk management 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 2021 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 2022, special attention was devoted to the following topics:

— The proposal concerning the adjustment to the reserve policy as set out in the milk price regulation was discussed as part of the new member financing and approved by the Board, whereby, over the 2023-2025 financial years, 40 percent of the profit will be paid as a supplementary cash payment and 60 percent will be added to the retained earnings
— The Board was regularly informed of the progress made in the area of sustainability, safety and digital security
— The Board was informed about how management monitors the effective execution of investment projects
— Activities in the area of potential acquisitions and partnerships were regularly discussed
— The flexibility of the business structure was further increased to enable the Company to anticipate, even faster and more effectively, the opportunities in and the demands of its most important markets, for example, by entering into strategic partnerships
— The Board proposed a change to the remuneration of the members of the Supervisory Board effective 1 January 2023, and to bring it in line with the remuneration policy The Annual General Meeting of Shareholders adopted the revised remuneration
— Talent development and retention within the Company and succession planning were elaborately discussed

Supervisory Board committees

The Supervisory Board has established three committees that provide advice to the Board on specific tasks and that prepare specific decisions. These are the Audit and Risk Committee, the Remuneration, Nomination and Governance Committee and, effective from 11 April 2022, the Sustainability Committee. The tasks of these committees follow from the committee 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 and Risk Committee

During the year under review, the Audit and Risk Committee met five times in the presence of management, including the CFO and the officers responsible for the relevant corporate services departments. In four meetings, the external auditor was present during the discussion of a number of agenda items. There was also contact among the members of the Committee and with management, outside the meetings. In addition, in November, an extra meeting took place to discuss the 2023 budget. After each meeting, the Chairman of the Audit and Risk Committee reported to the Supervisory Board on the Committee's findings. The Audit and Risk Committee met twice a year with the external auditor in the absence of the Executive Board.

The 2021 Annual Report and financial statements were discussed during the year under review, as was the external auditor's report concerning the financial statements and the Executive Board's statement of executive responsibility included in the 2021 Annual Report. During discussions of the Company's results, the annual and semi-annual reports, the Audit and Risk Committee, in particular, devoted attention to the more technical reporting aspects, such as the outcome of the goodwill impairment test, the recognition of disposals, the tax position, including the deferred tax assets, mitigating currency risks, particularly in Nigeria, the closure of production facilities in the Netherlands and Thailand, 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. The 2022 half-year report, the 2022 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 and Risk Committee on four occasions during the year under review. The Audit and Risk Committee was of the view that the external auditor maintained its independence.

Each year, the Audit and Risk 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. Furthermore, the Audit and Risk Committee was informed about the functioning of the internal control framework, the privacy-related findings, the outcome of large CAPEX project reviews and the outstanding vacancies within internal audit, which put the execution of audits under pressure during the year under review. The Audit and Risk Committee concluded that the effectiveness of the internal control assessments is up to par.

The Audit and Risk Committee was regularly informed by a number of managers (Accounting, Treasury, IT, Tax, Legal Affairs, Privacy and HR) 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. In addition, the Committee discussed the non-financial reporting and preparing for existing and expected laws and regulations relating to non-financial reporting and reporting on sustainability, as well as the organisation structure required to effectively anchor all this within the Company. 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 2022 programme for good business behaviour were highlighted, as well as the material Speak Up issues and the measures implemented in this regard.

The long-term financing strategy was on the agenda of multiple meetings and in this respect the Committee provided positive feedback to the Supervisory Board that, in the context of the sustainability strategy, green financing with a link to sustainability objectives has been attracted. For example, a new ongoing credit facility was approved with performance indicators relating to sustainability that are fully in line with FrieslandCampina’s existing climate, sustainability and nutritional targets. In addition, the financing plan was approved, including a mandate for negotiating a loan with sustainability aspects and the refinancing of loans.

In February 2023, the 2022 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.

Remuneration, Nomination and Governance Committee
The Remuneration, Nomination and Governance Committee met seven times during the year under review and reported to the Supervisory Board on its deliberations. In addition, there was frequent mutual consultation and there was regular contact with management, in particular with the CEO, the Chief People Officer and various Human Resources employees. The CEO and the Chief People Officer were invited to be present for a number of agenda items during various meetings of the Committee and they attended these meetings. Members of the Committee also met several times with the Central Works Council.

The activities of the Remuneration, Nomination and Governance Committee in the area of remuneration included the usual preparation for the Board's decision-making process concerning achievement by Executive Board members of the objectives for the variable remuneration for the previous year. Proposed objectives for Executive Board members for the year under review were discussed as well as the performance of Board members. Feedback about the conclusions was provided to the relevant individual Executive Board members. Furthermore, pursuant to the internal evaluation, there was a great deal of discussion during the financial year, and much advice was given concerning the new composition of the Supervisory Board, as mentioned earlier. The Remuneration, Nomination and Governance Committee was intensively involved in the recruitment and selection of the new Supervisory Board members appointed effective 13 December 2022.

During the year under review, the Remuneration, Nomination and Governance Committee evaluated the remuneration and remuneration policy for the members of the Supervisory Board. In part pursuant to the external consulting firm's observation that the remuneration of the members of the Supervisory Board was below the applicable benchmark, the Committee extensively discussed the remuneration for the members of the Supervisory Board during multiple meetings. It issued a positive recommendation to adjust the remuneration of the members of the Supervisory Board.

During the Members' Council meeting of February 2022, the details concerning the remuneration of the members of the Executive Board and the Supervisory Board for 2021 were reported to the Members' Council. In December 2022, the details concerning the remuneration of the members of the Supervisory Board effective 14 December 2022 were reported to the Members' Council of the Cooperative.

The Committee discussed the renewed composition of the Executive Board and the Executive Leadership Team, as described on page 79, during multiple meetings.

Sustainability Committee
As mentioned earlier, a Sustainability Committee was established effective 11 April 2022. It met five times during the year under review and reported to the Supervisory Board on its deliberations. This Committee discussed the Climate Plan, the plan to valorise sustainability initiatives and adjustments to the Foqus planet Sustainable development sustainability programme in detail. In addition, it discussed various sustainability ratings and the interaction, cooperation and communication with various representatives. The new structure of the sustainability department was also discussed to ensure it is, as effectively as possible, integrated into the rest of the organisation.

Attendance during meetings

The table below shows the presence of Supervisory Board members at various meetings in the year under review. Active Supervisory Board members who were unable to attend a meeting always provided input to the chairman of the relevant meeting in advance. Observers of the Supervisory Board were also present during several meetings of the committees. The table below only reflects when a member of the relevant committee was present during a meeting in the year under review.

Supervisory Board Members	Meetings of the Supervisory Board (11)	Meetings of the Audit and Risk Committee (5)	Meetings of the Remuneration, Nomination and Governance Committee (7)	Meetings of the Sustainability Committee (5)
S.S.U. Attema	11/11		7/7	5/5
J.W. Berendsen	11/11	5/5		
N. den Besten	11/11			5/5
H.T.J. Hettinga	11/11			
D.R. Hooft Graafland	11/11	5/5	7/7	4/5
C.C.H. Hoogeveen	11/11	4/4		
A.A.M. Huijben-Pijnenburg	11/11	1/1		
E. Jellema	11/11			
A.G.Z. Kemna	11/11	5/5		
H.W.J. Schipper	6/11		6/7	
H. Stöcker	11/11			

Composition of the Executive Board and diversity

The composition of the Executive Board, as of 17 February 2023, is reported on page 221.
Up until 3 October 2022, the Executive Board consisted of the Chief Executive Officer (CEO), the Chief Finance Officer (CFO), the President, Food & Beverage and the Chief People Officer. Effective 3 October 2022, the Supervisory Board appointed a fifth member, a Chief Supply Chain Officer, to the Executive Board.

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 them to function optimally. In addition, the aim is to have 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 on both bodies.
During the year under review, the percentage of women on the Executive Board was 25 percent (up until 3 October 2022). Following the appointment of the Chief Supply Chain Officer, this percentage dropped to 20 percent.
The percentage of women on the Executive Leadership Team during the year under review was 23.1 percent up until 1 November 2022 and 28.6 percent after 1 November 2022.
As, 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. In future appointments/reappointments, the balanced participation of men and women will be considered as an additional selection criteria. See the overview on page 221 for the composition of the Executive Leadership Team as of 17 February 2023. 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 17 February 2023, the Board discussed the 2022 financial statements with the Executive Board and approved the financial statements, after obtaining the advice of the Audit and Risk 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 292 million euro consolidated profit in 2022 will be appropriated as follows: 62 million euros is attributed to non-controlling interests and 96 million euros to the non-controlling interest held by Zuivelcoöperatie FrieslandCampina U.A. Of the remaining 134 million euro profit, the following interest payments are reserved: 29 million euros for the holders of member bonds, 9 million euros for the holders of perpetual bonds and 9 million euros for the provider of the Cooperative loan. An amount of 87 million euros is attributed to the shareholder. The proposal is to pay out an amount of 85 million euros in the form of a supplementary cash payment from the retained earnings and the amount attributed to the non-controlling interests held by Zuivelcoöperatie FrieslandCampina U.A.

The General Meeting of Shareholders will be asked to discharge the members of the Executive Board for their management during the 2022 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 2022 financial year.

On 14 March 2022, the Members' Council of Zuivelcoöperatie FrieslandCampina U.A. (the ‘Cooperative') will be asked to grant approval of the decision to adopt the 2023 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 2022. The Board acknowledges the perseverance demonstrated by so many during a year of challenging conditions caused by unprecedented high inflation.

Supervisory Board
Amersfoort, 17 February 2023

Remuneration

On behalf of the Remuneration, Nomination and Governance Committee of the Supervisory Board (RNGCo), FrieslandCampina's 2022 Remuneration Report is presented below.

The Landscape

The dairy industry, as discussed in other sections of the Annual Report, is under increasing scrutiny from governments and society particularly with respect to sustainability impacts and efforts. The industry is therefore transitioning rapidly, and FrieslandCampina intends to be at the forefront of these changes.

As a multinational company present in 31 countries, FrieslandCampina competes for talent on the international stage. Critical to us is that our executive remuneration policies reflect both the purpose of the company, and the ambitions and requirements of a global enterprise requiring talent to innovate and perform, to lead the next generation of growth.

We are confident we have a policy that drives performance and can support the recruitment, engagement and retention of qualified and experienced Executive Board members and Supervisory Board members.

Transparency

In 2021, we started our stepped plan to provide more detailed information on our remuneration principles, policies and the actual remuneration of our Executive Board and Supervisory Board. We also communicated in the 2021 Annual Report that we would adopt a three-year plan to increase transparency.

As such, in the 2021 Annual Report we shared the on-target remuneration of the Executive Board for 2022 by individual.
The additional steps taken in this year's 2022 Annual Report is to include the CEO pay ratio section (page 95) and the disclosure of the actual remuneration paid to the Executive Board members over 2022 (page 95).

The last phase of the transparency plan is that in the 2023 Annual Report, the (actually paid-out) remuneration of the Executive Board and Supervisory Board will be reported on individual level, including the historical comparison of the last two years (2022 vs 2023).

Remuneration Review

In accordance with our remuneration policy, the biennial review of the remuneration of the Executive Board and the Supervisory Board was due end of 2022, and the outcome of the approved remuneration changes as per 1 January 2023 can be found in section 3 (page 95) and section 4 (page 59) for the Executive Board and Supervisory Board respectively.

Executive Board Change

During 2022 we also expanded the Executive Board with a Chief Supply Chain Officer as per 3 October 2022. Given the importance of the supply chain function in the present and future success of the company, we are pleased we bring this experience and add this dimension to the Executive Board.

1. Remuneration at a glance

The Executive Board Remuneration Policy has been designed to drive performance and support the recruitment, engagement, and retention of qualified and experienced board members. The short and long-term interests of FrieslandCampina are captured in five underpinning remuneration principles.

Remuneration principles of the Executive Board Remuneration Policy

The remuneration principles have been established in consultation with the Supervisory Board and several stakeholders during 2021. The main objective is to serve as a foundation for the remuneration design and the application of it in policies and practices.

Connected to the business strategy

The design of the incentives aims to reward the successful implementation of the company strategy. This is done by having underlying objectives in the incentive plans that are linked to our business strategy *Our Purpose, Our Pla*n and to the sustainable long-term value creation of FrieslandCampina. The mixture of long and short-term incentives enables attention on near term performance balanced with longer term interests.

Competitiveness

An annual base salary that is positioned at market median, with a moderate variable remuneration level to reflect the cooperative context, that leads to an overall total direct compensation level around the 25th percentile of the relevant market reference groups.
This results in relatively modest compensation levels that corresponds with our cooperative structure while still allowing FrieslandCampina to compete for executive talent in an international talent market.

Linked to individual and company performance

The short-term variable compensation is tied to both individual performance and annual financial performance.
The long-term variable compensation is linked to the interest of our owners and financial long-term performance.

Focus on sustainability

The long-term variable compensation is linked to three-year goals comprising financial and non-financial targets, with a strong weighting on sustainability objectives. The target levels of the sustainability objectives are tied to *Nourishing a better planet* and set at the beginning of each long-term incentive plan.

Internal consistency and equity

The RNGCo of the Supervisory Board continuously monitors and evaluates the performance and incentives to be awarded to the Executive Board.
The short-term and long-term incentive frameworks, and the standards for assessing performance, are internally consistent with those that are applicable to other eligible employees.
The Supervisory Board reviews, at least annually, the executive remuneration policy. Practices comply with all relevant and applicable laws, regulations, and standards of business ethics.

Overview of key remuneration elements of the Executive Board

The remuneration principle described above translate into the following key remuneration elements of the executive remuneration policy:

Annual base salary

It rewards the main responsibilities of the role and aims to pay at the median of the relevant market reference group. This fixed compensation element in paid monthly in cash.

Short-term incentive plan (STIP)

This incentive plan is tied in a set of financial objectives (70% weighting) derived from FrieslandCampina' s annual strategic plan and personal objectives (30% weighting). The payout relates to the achievement of the objectives after the end of the performance year and upon a sound financial performance assessment.

- Financial objectives: include financial performance measures such as earnings, strategic sales and cash flow that are key drivers of short-term and long-term interest of FrieslandCampina.
- Personal performance: It is a set of 5 to 7 personal objectives that are relevant for each role, and they are assessed at the end of the performance year by the Supervisory Board. All Executive Board members have a sustainability target in their personal objectives.

This variable incentive is paid out once a year in cash.

Long-term incentive plan (LTIP)

This incentive plan is tied to FrieslandCampina' s purpose with focus on *A good living for our farmers now and for generations to come.*
The LTIP is based on the performance of three objectives:

1. Milk performance price paid to our farmers, with 40% weight.
2. A set of sustainability objectives, with 40% weight.
3. Return on capital employed, with 20% weight.

The LTIP consists of a three-year performance period and pays out upon a sound qualitative and quantitative performance assessment of the objectives by the RNGCo.
This variable cash incentive is paid out at the end of the three-year performance period.

Pensions and other benefits

The purpose is to provide income protection and support for retirement, reimbursement of costs related to the execution of the role as well as providing a company car or a mobility scheme instead.

Variable remuneration target levels and performance bandwidth

Variable remuneration target levels

	Short-term incentive plan (STIP) as percentage of base salary	Long-term incentive plan (LTIP) as percentage of base salary
Executive board		
Chief Executive Officer	60%	75%
President Food & Beverage	50%	65%
Chief Financial Officer	50%	65%
Chief Supply Chain Officer	50%	65%
Chief People Officer	50%	40%

There is a performance bandwidth in both variable remuneration schemes: minimum, at target and maximum performance. The bandwidth determines the payout as a percentage of target level as follows:

- A minimum performance is achieved when the outcome of the financial and personal objectives is below target but above the minimum level of the plan. If the performance is assessed and considered to be below the minimum level, it leads to 'zero' variable remuneration payout.
- At target performance is achieved when the outcome of the financial and personal objectives is in line with the plan.
- A maximum performance is achieved when the outcome of the financial and personal objectives is above the target level. Performance above the maximum level is capped, so there is no remuneration payout above the maximum.

The performance outcomes achieved between minimum, target and maximum performance will result in intermediate pay-out, following a linear scale.

Performance bandwidth, as percentage of target level

Variable remuneration scheme	Minimum	At target	Maximum
STIP	50%	100%	150%
LTIP	75%	100%	125%

2. Relevant market reference group for remuneration of the Executive Board

The remuneration package of the Executive Board is assessed against a reference market group to offer a competitive remuneration package. This market comparison is carried out every other year using a Dutch labor-market reference group and an international sector-specific group.

Dutch labor-market benchmark group	International sector-specific benchmark group
AkzoNobel	Agropur
ASML	Arla Foods
DSM	DMK
Heineken	Fonterra
Jacobs Douwe Egberts	Groupe Danone
KPN	Jacobs Douwe Egberts
Nutreco	Kerry Group
Randstad	Lactalis
Refresco	Nestlé (EU)
Unilever (EU)	Refresco
VION Food Group	Sodiaal
WoltersKluwer	Unilever

3. Remuneration of the Executive Board related to 2022 performance year

The table below shows the remuneration of the Executive Board members (for the period they were part of the Executive Board) related to 2022 performance year.

In thousand euros

Executive board	H.M.A. Schumacher	R.F. van Neerbos	J.G. Janssen	D.A. Cutter[2]	G.M. Fraser	Total[3] (2022)
Annual base salary	930.0	710.0	590.0	142.5	387.5	**2,760.0**
short-term incentive plan (STIP) 2022	488.3	352.5	309.8	74.8	203.4	**1,428.8**
Long-term incentive plan (LTIP) 2020-2022[1]	240.2	120.1	90.1	13.6	40.1	**504.2**
Pensions	173.8	186.0	109.1	26.4	85.9	**581.3**
Other benefits	32.5	33.1	43.7	57.1	110.9	**277.3**
Total remuneration pay out[3]	**1,864.8**	**1,401.8**	**1,142.7**	**314.4**	**827.9**	**5,551.5**

1 Actual LTIP payout from the 2020-2022 plan that ended in 2022 and pays out in 2023. The LTIP award has been adjusted to pro-rata participation as Executive Board member during the plan 2020-2022. For disclosure of LTIP cost in line with IFRS reporting requirements, which are 'accrual-based', see note 26 (page 157).
2 D.A. Cutter joined FrieslandCampina in October 2022, therefore the STIP and LTIP payout levels have been adjusted based on the pro-rata participation in 2022.
3 Due to rounding, this table will not always add to totals.

4. CEO Pay ratio

FrieslandCampina follows the calculation guidance on pay ratio as described in the Dutch Corporate Governance Code applicable for 2022. This is understood as the ratio between (i) the total annual remuneration of the CEO and (ii) the average annual remuneration of the employees of the company and group companies whose financial data is consolidated by the company.
The concept of CEO pay ratio is specific to the company's industry, geographical footprint and organisational model. FrieslandCampina has a diverse employee population with a significant presence of its business and employees in emerging markets with different pay levels and structures compared, for instance, to the Netherlands.
In addition, the company performance has a direct impact on the variable remuneration component of the CEO as the relative and absolute level is higher compared to that of most of the employees and hence subject to more variations. And lastly, the volatility of exchange rate fluctuations every year can have an impact on the ratio.
Because of the reasons mentioned above, the Remuneration, Nomination and Governance Committee (the Committee) does not have a specified preference for CEO pay ratio.
The remuneration of the CEO, and the rest of the employees at FrieslandCampina should be in line with the relevant internal and external market references, the responsibilities and experience that are reflected in the relative weight of positions.

FrieslandCampina's internal 'global' pay ratio in 2022 is 37.5 based on the remuneration of the CEO in 2022. The internal pay ratio comparing only FrieslandCampina employees in The Netherlands in 2022 is 24.5.

Remuneration in thousand euros	2022 CEO[1]	2022 Average remuneration of employees[2]	2022 Pay ratio	2021 CEO[1]	2021 Average remuneration of employees[2]	2021 Pay ratio
Worldwide	2,035.6	54.2	37.5	1,474.0	50.4	29.3
The Netherlands	2,035.6	83.1	24.5	1,474.0	81.4	18.1

1 Fixed remuneration and variable remuneration (actual STIP and LTIP cost in line with IFRS reporting requirements, which are 'accrual-based'), social contributions, pension, expense allowance, etc.) as included in the consolidated annual accounts on an IFRS basis. The Long-term remuneration does not reflect that Mr. Schumacher will step down as CEO of FrieslandCampina as per 30 April 2023, and therefore two Long-term Incentive plans will forfeit in 2023.
2 Total wage costs in the financial year globally and in The Netherlands respectively (after subtracting the expense for the CEO) and divide this by the average number of FTEs globally and in the Netherlands respectively (minus CEO) during the financial year.

The RNGCo recognized that the higher (short-term) variable remuneration pay out in 2022 has influenced the increased CEO pay ratio in 2022, compared to 2021.

In 2022, Mr. Schumacher received a higher STIP (short-term incentive plan) compared to 2021, in line with the increased performance of the company and consequently higher pay out level of the Global STIP (short-term incentive plan).

5. At target remuneration of the Executive Board at the beginning of 2023

This table shows the remuneration levels of Annual base salary, STIP and LTIP at target per individual Executive Board member as per the start of 2023.

In thousand euros Executive board	2023 H.M.A. Schumacher[1]	R.F. van Neerbos	J.G. Janssen	D.A. Cutter	G.M. Fraser
Annual base salary	967.2	738.4	613.6	592.8	403.0
Variable remuneration					
Short-term incentive plan at target (STIP)[1] 2023	580.3	369.2	306.8	296.4	201.5
Long-term incentive plan at target (LTIP)[1] 2023-2025	725.4	480.0	398.8	385.3	161.2

1 The Annual base salary, STIP and LTIP at target of Mr. Schumacher reflect the at target remuneration for the entire year (2023) and does not take into account that Mr. Schumacher will step down as CEO of FrieslandCampina as per 30 April 2023, as announced on 30 January 2023.

6. Remuneration of the Supervisory Board related to 2022 performance year

The table below shows the actual paid remuneration per individual Supervisory Board member related to 2022 performance year.

In thousand euros	Annual base remuneration	Membership committee fees	Representational and mobility costs	Total remuneration	Comments
	2022				
D.R. Hooft Graafland	52.3	21.9		**74.2**	Stepped down per 13-12-2022
H.W.J. Schipper	55.7	6.3		**62.0**	
A.G.Z. Kemna	55.7	12.9		**68.6**	
M. Vaesen	3.4	0.5		**3.8**	Appointed per 13-12-2022
J.B.P. Coopmans	4.1	1.6		**5.7**	Appointed per 13-12-2022
A.A.M. Huijben-Pijnenburg	52.3	1.6		**54.0**	Stepped down per 13-12-2022
H.T.J. Hettinga	55.5			**55.5**	
E. Jellema	55.5			**55.5**	
C.C.H. Hoogeveen	52.3	6.0		**58.3**	Stepped down per 13-12-2022
J.W. Berendsen[1]	148.0		20.9	**168.4**	Stepped down per 13-12-2022
H. Stöcker	55.5			**55.5**	
N. den Besten	55.5	6.1		**61.5**	
S.S.U. Attema[1]	222.2		26.4	**248.6**	
Totaal[2]	**868.1**	**56.8**	**47.4**	**971.8**	

1 The chairperson and vice-chairperson do not receive additional remuneration for their membership of committees of the Supervisory Board and the annual base remuneration includes their position as chairman respectively vice-chairman of the board of the cooperative.
2 Due to rounding, this table will not always add to totals.

7. Key remuneration elements of the Supervisory Board

The remuneration of the Supervisory Board aims to attract and retain individuals with the relevant skills and experience to monitor and guide the execution of the company strategy to ensure long-term value creation.

Remuneration review of annual fees and membership committee fees

Following the decision to change the structure to create more synergies between the Cooperative Board and the Supervisory Board of FrieslandCampina, the remuneration policies of both bodies were reviewed in 2022. The outcome of this remuneration review led to an updated annual base fees and membership fees of both the Supervisory Board and the Cooperative Board to bring the remuneration levels to align with the 25th percentile of the reference market.

The remuneration changes were adopted by the General Meeting as per 14 December 2022.

In thousand euros

Supervisory Board	Chair[1]	Vice-chair[2]	Supervisory Board Member[3]
			2023
Annual base remuneration	265.0	85.0	70.0
Representational and mobility costs	24.0		
Membership Committee fees			
Audit and Risk Committee	20.5		12.5
Remuneration. Nomination and Governance Committee	20.5		12.5
Sustainability Committee	15.5		9.5

1 The Chair of the Supervisory Board does not receive additional remuneration (Membership Committee fees) for the committee work of the Supervisory Board. The annual base remuneration includes an ‘all-in’ fee for the position as chair of the Supervisory Board and of the Cooperative Board.
2 The Vice-Chair of the Supervisory Board as well as other Supervisory Board members do not receive an ‘all-in’ remuneration and may receive additional remuneration for membership of committees of the Supervisory Board.
3 Supervisory Board members who are also member of the Cooperative Board receive an ‘all-in’ remuneration which includes the committee work of 145,000 euro for their (dual) role at the Supervisory and Cooperative Board. The annual base fee of 70,000 euro represents the remuneration related to the Supervisory role.

The remuneration levels of the Supervisory Board and respective compensation for special committees is benchmarked by an external party every other year against a specified reference group to ensure equity with peer group companies.
A group of 9 companies from the 25 largest Dutch listed organisations (AEX index) was defined in accordance with comparable revenue to FrieslandCampina. having a “two-tier board” structure and excluding financial services companies.

Dutch market benchmark group
AkzoNobel
ASML
DSM
Heineken
KPN
Philips
Randstad
WoltersKluwer
Signify

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 aspires to follow 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 behaviour.

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) and does not make use of so-called tax havens for tax avoidance. 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 ambition 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 Dutch Tax and Customs Authority. FrieslandCampina's Corporate Tax Department reports at least twice a year to the Audit and Risk Committee.

Tax Governance Code

The Confederation of Netherlands Industry and Employers (VNO-NCW) presented a Tax Governance Code in May 2022. The purpose of this Code is to create greater transparency about the fiscal position of Dutch listed and unlisted companies and has since been embraced by approximately forty large Dutch multinationals. FrieslandCampina also endorses the Code and will publish its first report pursuant to the Tax Governance Code on the 2023 financial year.

Financial statements

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Consolidated income statement

In millions of euros

	Note	2022	2021
Revenue	(3)	14,076	11,501
Cost of goods sold	(4)	–11,822	–9,780
Gross profit		**2,254**	**1,721**
Advertising and promotion costs	(4)	–601	–504
Selling and general administrative costs	(4)	–922	–851
Other operating costs	(5)	–279	–95
Other operating income	(5)	19	84
Operating profit		**471**	**355**
Finance income	(6)	20	16
Finance costs	(6)	–63	–63
Share of profit of joint ventures and associates, net of tax	(11)	15	14
Profit before tax		**443**	**322**
Income tax	(7)	–151	–150
Profit for the year		**292**	**172**
Profit attributable to:			
– holders of member bonds		29	42
– holders of perpetual bonds		9	9
– provider of Cooperative loan		9	8
– shareholder		87	203
Shareholder and other providers of capital		**134**	**262**
Shareholder as holder of non-controlling interests		96	–168
Shareholder and other providers of capital (incl. non-controlling interests shareholder)		**230**	**94**
Other holders of non-controlling interests		62	78
		292	**172**

Consolidated statement of comprehensive income

In millions of euros

	Note	2022	2022	2021	2021
Profit for the year			**292**		**172**
Items that will or may be reclassified to the income statement (net of tax):					
– Effective portion of cash flow hedges		8		8	
– Currency translation differences		–46		44	
– Currency translation differences reclassified to the income statement	(5)	12		29	
			–26		**81**
Items that will never be reclassified to the income statement (net of tax):					
– Remeasurement of liabilities (assets) under defined benefit plans		11		36	
			11		**36**
Other comprehensive income, net of tax			**–15**		**117**
Total comprehensive income for the year			**277**		**289**
Total comprehensive income attributable to:					
– shareholder and other providers of capital		134		365	
– shareholder as holder of non-controlling interests		93		–162	
Shareholder and other providers of capital (incl. non-controlling interests shareholder)			**227**		**203**
– other holders of non-controlling interests			50		86
			277		**289**

Consolidated statement of financial position

At 31 December, in millions of euros

	Note	2022	2021
Assets			
Property, plant and equipment	(8)	3,239	3,402
Intangible assets	(9)	1,403	1,503
Biological assets	(10)	9	8
Deferred tax assets	(19)	130	187
Joint ventures and associates	(11)	116	113
Employee benefits	(18)	9	8
Other financial assets	(12)	70	48
Non-current assets		**4,976**	**5,269**
Inventories	(13)	2,064	1,493
Trade and other receivables	(14)	2,149	1,605
Income tax receivables		19	24
Other financial assets	(12)	320	151
Cash and cash equivalents	(15)	421	507
Assets held for sale	(16)	88	7
Current assets		**5,061**	**3,787**
Total Assets		**10,037**	**9,056**

	Note	2022	2021
Equity			
Issued capital	(17)	370	370
Share premium	(17)	731	114
Other reserves	(17)	–289	–276
Retained earnings	(17)	1,804	1,706
Equity attributable to shareholder		**2,616**	**1,914**
Member bonds	(17)	913	1,502
Perpetual bonds	(17)	301	301
Cooperative loan	(17)	295	295
Equity attributable to other providers of capital		**1,509**	**2,098**
Equity attributable to providers of capital		**4,125**	**4,012**
Non-controlling interests shareholder	(17)	–284	–377
Equity directly attributable to providers of capital		**3,841**	**3,635**
Other non-controlling interests	(17)	330	326
Total equity		**4,171**	**3,961**
Liabilities			
Employee benefits	(18)	202	250
Deferred tax liabilities	(19)	53	91
Provisions	(20)	78	73
Interest-bearing borrowings	(21)	993	1,156
Other financial liabilities	(22)	21	17
Non-current liabilities		**1,347**	**1,587**
Interest-bearing borrowings	(21)	638	189
Trade and other payables	(23)	3,658	3,091
Income tax payables		111	134
Provisions	(20)	47	30
Other financial liabilities	(22)	59	64
Liabilities held for sale	(16)	6	
Current liabilities		**4,519**	**3,508**
Total liabilities		**5,866**	**5,095**
Total equity and liabilities		**10,037**	**9,056**

Consolidated statement of cash flows

In millions of euros

	Note	2022		2021	
Operating activities					
Profit before tax			**443**		**322**
Adjustments for:					
– interest	(6)	23		21	
– depreciation of property, plant and equipment and amortisation of intangible assets	(8) (9)	448		465	
– impairments of non-current assets and reversals thereof	(8) (9)	140		14	
– share of profit of joint ventures and associates	(11)	–15		–14	
– other finance income and costs		–1		16	
– result on divestments		5		–22	
Total adjustments			**600**		**480**
Movements in:					
– inventories		–624		–88	
– receivables		–508		–154	
– liabilities		550		315	
– employee benefits		–11		–160	
– provisions	(20)	21		14	
Total movements			**–572**		**–73**
Cash flows from operating activities			**471**		**729**
Dividend received			13		17
Income tax paid			–169		–132
Interest paid			–35		–35
Interest received			13		15
Net cash flows from operating activities			**293**		**594**

	Note	2022		2021	
Investing activities					
Investments in property, plant and equipment and intangible assets		–458		–326	
Disposals of property, plant and equipment, intangible assets and assets held for sale		15		44	
Divestments of businesses, net of cash and cash equivalents	(5)	48		90	
Loans issued		–174		–108	
Acquisitions, net of acquired cash and cash equivalents		–1		–2	
Net cash flows used in investing activities			**–570**		**–302**
Financing activities					
Dividend paid		–60		–42	
Interest paid to holders of member bonds		–22		–42	
Interest paid to holders of perpetual bonds		–9		–9	
Repayment of member bonds				–54	
Conversion of member bonds and capital contributions		23			
Interest-bearing borrowings drawn		1,535		1,610	
Repayment of interest-bearing borrowings		–1,221		–1,553	
Repayment of lease liabilities		–67		–61	
Payment of contingent consideration	(27)	–3		–2	
Settlement of derivatives and other		–2		1	
Net cash flows from/used in financing activities			**174**		**–152**
Net cash flow			**–103**		**140**
Cash and cash equivalents at 1 January[1]			505		339
Net cash flow			–103		140
Currency translation differences on cash and cash equivalents			2		26
Cash and cash equivalents at 31 December[1]			**404**		**505**

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

													2022
						Other reserves							
	Issued capital	Share premium	Member bonds	Perpetual bonds	Coopera-tive loan	Cash flow hedge reserve	Currency trans-lation reserve	Retained earnings	**Equity attribu-table to providers of capital**	Non-controlling interests share-holder	**Equity directly attribu-table to providers of capital**	Other non-controlling interests	**Total equity**
At 1 January	370	114	1,502	301	295	6	–282	1,706	**4,012**	–377	**3,635**	326	**3,961**
Comprehensive income:													
– profit for the year			29	9	9			87	**134**	96	**230**	62	**292**
– other comprehensive income						8	–21	13		–3	**–3**	–12	**–15**
Total comprehensive income for the year			**29**	**9**	**9**	**8**	**–21**	**100**	**134**	**93**	**227**	**50**	**277**
Transactions with providers of capital recognised directly in equity:													
– dividends paid								–14	**–14**		**–14**	–46	**–60**
– interest paid			–24	–9	–9			12	**–30**		**–30**		**–30**
– conversion of member bonds and capital contributions		617	–594						**23**		**23**		**23**
Total transactions with providers of capital		**617**	**–618**	**–9**	**–9**			**–2**	**–21**		**–21**	**–46**	**–67**
At 31 December	**370**	**731**	**913**	**301**	**295**	**14**	**–303**	**1,804**	**4,125**	**–284**	**3,841**	**330**	**4,171**

						Other reserves							**2021**
	Issued capital	Share premium	Member bonds	Perpetual bonds	Coopera-tive loan	Cash flow hedge reserve	Currency trans-lation reserve	Retained earnings	**Equity attribu-table to providers of capital**	Non-controlling interests share-holder	**Equity directly attribu-table to providers of capital**	Other non-controlling interests	**Total equity**
At 1 January	370	114	1,560	301	295	–2	–350	1,441	**3,729**	–212	**3,517**	300	**3,817**
Comprehensive income:													
– profit for the year			42	9	8			203	**262**	–168	**94**	78	**172**
– other comprehensive income						8	68	27	**103**	6	**109**	8	**117**
Total comprehensive income for the year			**42**	**9**	**8**	**8**	**68**	**230**	**365**	**–162**	**203**	**86**	**289**
Transactions with providers of capital recognised directly in equity:													
– dividends paid												–42	**–42**
– interest paid			–46	–9	–8			14	**–49**		**–49**		**–49**
– repayment member bonds			–54						**–54**		**–54**		**–54**
– reallocation of goodwill due to changes in segments								21	**21**	–3	**18**	–18	
Total transactions with providers of capital			**–100**	**–9**	**–8**			**35**	**–82**	**–3**	**–85**	**–60**	**–145**
At 31 December	**370**	**114**	**1,502**	**301**	**295**	**6**	**–282**	**1,706**	**4,012**	**–377**	**3,635**	**326**	**3,961**

Notes to the consolidated financial statements

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 2022 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 approximately 10 billion kilograms of member milk annually into a wide 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 measurement and valuation of results

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

Changes in accounting policies

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

The changes in IFRS 3 Business Combinations, IAS 16 Property, Plant and Equipment and IAS 37 Provisions, Contingent Liabilities and Contingent Assets have been applied for the first time in 2022, but do not have a significant impact on the consolidated financial statements of FrieslandCampina.

Other revisions or amendments in Standards or IFRIC interpretations do not have an impact on the consolidated financial statements of FrieslandCampina.

New and revised standards, amendments and interpretations issued but effective for the financial year starting on 1 January 2023 without early adoption

Multiple amendments to standards and interpretations that are effective for annual periods starting after 1 January 2023, have not been early adopted in these consolidated financial statements. These are not expected to have any significant impact on the consolidated financial statements of FrieslandCampina.

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 17 February 2023 the financial statements of Royal FrieslandCampina N.V. as at 31 December 2022 will be made available for publication by the Executive Board on 21 February 2023. On 7 March 2023 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 Consolidated 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 through profit or loss or at fair value through 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 include the sustainability-related developments.

Climate change
In preparing the Consolidated Financial Statements management has considered the impact of climate change on the financial position, amongst others in the measurement of non-current assets. In addition, the impact of climate change is considered in the context of the disclosures included in the Board Report this year and the stated ambition to produce net climate neutral by 2050. Management has set intermediate goals for 2030, reducing the greenhouse gas emissions for the Company's worldwide operations and logistics (so-called scope 1 and 2), for emissions at the farms of the member dairy farmers (so-called scope 3) and the emissions produced in relation to sourced dairy products, basic dairy products, packaging, raw materials and external production (scope 3 - other).

The following specific points were considered:
- Uncertainties in global milk supply, with the decline exacerbated by recent cost increases and deteriorating weather conditions driven by drought. Increasing volatility of the milk price and unpredictability of the size of the milk supply make it more difficult to match supply and demand. Despite all the measures taken, this remains an inherent risk for FrieslandCampina. In addition, there is additional pressure due to increased government measures, which could potentially result in a decrease in milk supply in the coming years. Specifically in the context of possible reductions in livestock in the Netherlands due to the nitrogen crisis. If the current government plans regarding a 30% nitrogen reduction are implemented, in the most worst case scenario this will lead to a reduction of the milk supply to less than 8 billion kilogram on an annual basis. This will lead to lower growth, adjustments in the production network and changes to partnerships, while the cost base will also have to be structurally reduced and significantly less can be invested in the supply chain. Lower milk supply will also have an impact on member financing through milk certificates and thus the financing of the Company.
- FrieslandCampina continues to invest in renewable energy generation solutions for her facilities and scenario's for a sustainable footprint of her supply chain have been developed. Reduction of greenhouse gas emission is an integral factor in the global supply chain and footprint strategy. FrieslandCampina has developed greenhouse gas reduction plans for her supply chain facilities. Investments are needed to meet the 2030 target reduction of 63% (versus base year 2015) greenhouse gas emissions (scope 1 and 2) from worldwide operations and logistics. Management expects that the required investments will not result in lower net results in the future, as higher costs should be compensated by increased efficiency, cost reductions and higher sales prices of our products.

- FrieslandCampina is conducting both short- and long term water risk assessments for its supply chain facilities. Management expects that the required investments will not result in lower net results in the future.
- Management acknowledges that managing climate change risk effectively implies developing robust mitigation plans and the agility to anticipate any possible regulatory and legal change. The impact of climate change on, for example drought and floods, is uncertain. This is also the case for the impact of more strict environmental rules and regulations. As governments consider various measures, such as carbon taxations, this could have an impact on The Company's financial performance. Management continues to build its understanding of the impacts of climate change and, through OECD guidelines, will continue to extend its assessment of climate change impacts on its operations, transport, farms of member dairy farmers and sourced products.
- Management has considered the impact of climate change scenarios, as mentioned above, on the estimates of future cash flows used in impairment assessments of the carrying value of non-current assets. In relation to the capex decisions, the climate impact of specific production lines and factories are considered to ensure that the sustainability targets are met and the facilities meet the regulatory requirements. Management has assumed the milk supply development to slightly reduce in the forecasts. In the cash flow projections no cash outflows for restructuring programs of site closures are included, as no restructuring plans have been committed to, nor have site closures been decided yet. Should management decide on a site closure and restructuring, this would result in an impairment of the asset value and restructuring costs at the time of decision and will result in a reduction of costs in the future. Management expects that the impact on the cash flow projection is minimal, as necessary investments and adjustments will be earned back in the market.

Most critic estimates and assumptions

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 terms and the projected use of right of use assets (Note 8);
- utilisation of tax losses and deferred tax assets and valuation of uncertain tax positions (Notes 7, 19 and 24);
- provision for doubtful debts (Note 14);
- measurement of defined benefit obligations (Note 18);
- valuation of put option liabilities (Note 27);
- provisions and contingent liabilities (Note 20 and 24);
- liability for costs of exchanging currencies in Nigeria (Naira) to USD (Note 5);
- key assumptions applied to determine the fair value of business combinations and financial instruments (Note 2 and 27).

Consolidation of entities

During 2022 FrieslandCampina divested its interest in FrieslandCampina HongKong Holding II B.V., which included the interest in the Xiushui production location. For further information see Note 5.

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 both entities, among others due to a majority in the management board and the entities 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. Although FrieslandCampina holds more than 50% of the shares in these entities, it 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. Assets and liabilities of this entity are fully consolidated with the recognition of a non-controlling interest.

FrieslandCampina is the managing partner of FC C.V., an entity that comprises of 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 99.9% of the results in case of a profit and 100% in case of a loss. 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 11 and 17 of the financial statements.

1. Segmentation

In 2022, FrieslandCampina has processed changes in the management structure in which mainly the supply chain of business group Trading and parts of the supply chain of business group Ingredients and business group Specialised Nutrition have moved to business group Food & Beverage. This impacts the internal deliveries in total revenue. Comparative figures have been adjusted for this purpose. The segment changes did not result in re-allocation of goodwill.
FrieslandCampina distinguishes the following four market-orientated business groups, which are the operating segments disclosed in more detail:

- Food & Beverage produces and provides consumers throughout the world with dairy products, such as milk, yoghurt, condensed milk, dairy-based beverages, cheese, quark, butter, cream and as of 2023 other infant nutrition. The business group Food & Beverage focuses on the consumer and professional channels.
- Specialised Nutrition produces and sells various types of infant nutrition. This business group operates in various countries in Asia, Europe, Africa and South America. As of 2023, business group Specialised Nutrition will focus on the infant nutrition brand Friso in five important markets: China, Vietnam, Malaysia, Greece and Mexico.
- Ingredients is a partner for brands and producers wishing to differentiate themselves on the basis of healthy nutrition and wellbeing for consumers in all stages of life. This business group focuses on ingredients for infant nutrition and offers specific innovations and applications for adults relating to medical and sports nutrition.
- Trading is involved in selling and procuring commodity dairy products for internal customers and external business-to-business customers. Its product portfolio comprises cheese, butter, milk powder and liquid products, such as raw milk, cream, skimmed milk and milk concentrate. FrieslandCampina Trading also limits the risk of rising or declining raw material prices for dairy by hedging the Company’s fat and protein positions.

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. The Executive Board consists of the chief operating decision makers in deciding how to allocate resources to the segment and in assessing the segment’s performance.

Segmentation by business group

							2022
	Food & Beverage	Specialised Nutrition	Ingredients	Trading	Other	Elimination	Total
Revenue third parties	9,608	1,279	1,647	1,542			**14,076**
Internal deliveries[1]	750	183	483	1,472		–2,888	
Total revenue	**10,358**	**1,462**	**2,130**	**3,014**		**–2,888**	**14,076**
Operating result	113	190	182	109	–123		**471**
Financing income and -expenses							**–43**
Result from joint ventures and associates			1		14		**15**
Profit before tax							**443**
Operating result as % net revenue from third parties	1.2	14.9	11.1	7.1			**3.3**
Carrying amount of assets employed in operating activities[2]	5,610	946	1,686	588	456	–514	**8,772**
Carrying amount of other assets							**1,265**
Total assets							**10,037**
Liabilities resulting from operational activities[3]	2,903	490	321	106	688	–514	**3,994**
Other liabilities							**1,872**
Total liabilities							**5,866**
Investments in property, plant and equipment and intangible assets[4]	312	64	69		29		**474**
Depreciation of property, plant and equipment and amortisation of intangible assets	–245	–41	–93		–69		**–448**
Impairment of non-current assets	–101	–6	–17		–17		**–141**
Reversal of impairment of non-current assets					1		**1**
Carrying amount of share in joint ventures and associates			33		83		**116**

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 liabilities, excluding liabilities 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

	Food & Beverage	Specialised Nutrition	Ingredients	Trading	Other	Elimination	2021 Total
Revenue third parties	7,935	1,086	1,249	1,135	96		**11,501**
Internal deliveries[1]	1,246	200	426	1,091	72	–3,035	
Total revenue	**9,181**	**1,286**	**1,675**	**2,226**	**168**	**–3,035**	**11,501**
Operating result	257	81	94	–31	–46		**355**
Financing income and -expenses							**–47**
Result from joint ventures and associates			3		11		**14**
Profit before tax							**322**
Operating result as % net revenue from third parties	3,2	7,5	7,5	–2,7			**3,1**
Carrying amount of assets employed in operating activities[2]	5,030	850	1,661	405	482	–467	**7,961**
Carrying amount of other assets							**1,095**
Total assets							**9,056**
Liabilities resulting from operational activities[3]	2,413	392	242	193	678	–467	**3,451**
Other liabilities							**1,644**
Total liabilities							**5,095**
Investments in property, plant and equipment and intangible assets[4]	241	41	67		27		**376**
Depreciation of property, plant and equipment and amortization of intangible assets	–252	–43	–93	–1	–76		**–465**
Impairment of non-current assets	–7	–1	–6		–2		**–16**
Reversal of impairment of non-current assets	2						**2**
Carrying amount of share in joint ventures and associates			32		81		**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 liabilities, excluding liabilities 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	2022 Revenue third parties	2022 Carrying amount of operating non-current assets	2021 Revenue third parties	2021 Carrying amount of operating non-current assets
The Netherlands	6,124	3,080	4,910	3,251
Germany	1,153	265	930	370
Rest of Europe[1]	1,819	331	1,511	323
Asia and Oceania[2]	3,544	785	3,050	778
Africa and the Middle East	1,182	125	911	125
North and South America	254	57	189	58
	14,076	**4,643**	**11,501**	**4,905**

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 Pakistan.

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

2. Acquisitions

During 2022 no significant acquisitions took place.

3. Revenue

Revenue by geographical location of customers	2022	%	2021	%
The Netherlands	3,237	23	2,524	22
Germany	1,157	8	981	8
Rest of Europe	3,358	24	2,629	23
Asia and Oceania	4,194	30	3,643	32
Africa and the Middle East	1,534	11	1,255	11
North and South America	596	4	469	4
	14,076	**100**	**11,501**	**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

	2022	2021
Milk from member dairy farmers	–5,338	–3,821
Cost of other raw materials, consumables and commodities	–3,878	–3,510
Employee benefit expenses	–1,179	–1,158
Depreciation of property, plant and equipment and amortisation of intangible assets	–448	–465
Impairments of property, plant and equipment, intangible assets and assets held for sale	–18	–16
Advertising and promotion costs	–601	–504
Transportation costs	–641	–539
Service costs from third parties and agency staff costs	–273	–250
Energy costs	–251	–195
Other	–718	–677
Total of the cost of goods sold, advertising and promotion costs and selling, general and administrative costs	**–13,345**	**–11,135**

The costs of depreciation of property, plant and equipment and amortization of intangible assets include EUR 59 million (2021: EUR 60 million) depreciation for right-of-use assets, see Note 8.

Part of other operating expenses are lease expenses of in total EUR 27 million (2021: EUR 24 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 mainly relate to other personnel expenses, office costs and costs for repairs and maintenance.

In 2022 research and development expenses amounts to EUR 93 million (2021: EUR 85 million), of which EUR 65 million relates to employee benefit expenses (2021: EUR 58 million).

For an explanation of impairments, see Note 8 and 9. Impairments are recognized in the cost of goods sold or in the selling, general and administrative costs, unless related to restructuring or changes in accounting of cloud computing agreements. For these impairments, see note 5.

Employee benefit expenses	2022		2021	
		%		%
Wages and salaries	–976	83	–957	83
Social security charges	–106	9	–106	9
Pensions and other long-term employee benefits	–97	8	–95	8
Employee benefit expenses reported in operating expenses	**–1,179**	**100**	**–1,158**	**100**
Release pension provision reported in other operating income			51	
	–1,179		**–1,107**	

Employees by business group (average number of FTEs)	2022		2021	
		%		%
Food & Beverage	15,604	72	16,066	71
Specialised Nutrition	2,273	10	2,493	11
Ingredients	1,837	9	1,937	8
Trading	54		71	
Corporate, Global Shared Services and other	1,947	9	2,394	10
	21,715	**100**	**22,961**	**100**

Employees by geographical region (average number of FTEs)	2022		2021	
		%		%
The Netherlands	7,717	35	7,911	34
Germany	1,242	6	1,380	6
Rest of Europe	3,195	15	3,737	16
Asia and Oceania	8,344	38	8,693	38
Africa and the Middle East	1,046	5	1,070	5
North and South America	171	1	170	1
	21,715	**100**	**22,961**	**100**

5. Other operating costs and income

Other operating costs	2022	2021
Costs for exchanging foreign currencies in Nigeria	–63	
Restructuring costs and release of restructuring provisions	–47	4
Provision for legal proceeding Thailand	–2	–58
Impairments of non-current assets (and reversals thereof) due to restructuring	–106	2
Result on divestment of businesses	–23	–13
Other operating costs	–38	–30
	–279	**–95**

Other operating income	2022	2021
Release of pension provision		51
Income from the sale of property, plant and equipment	7	1
Settlement contingent asset	11	
Gain on sale-and-leaseback transaction		31
Other operating income	1	1
	19	**84**

Costs for exchanging foreign currencies in Nigeria
There is currently very limited availability of US dollars in Nigeria to meet international payment obligations. As a result of this limited availability, the necessary costs (exchange rate losses) to obtain US dollars have increased sharply during 2022. The company has a liability to exchange Naira's to US dollars in the local market. This liability is entered into to meet international payment obligations. For this, higher costs are incurred compared to the official exchange rates in Nigeria. For this liability, costs of EUR 63 million have been recognized under other operating costs, and EUR 10 million under finance costs.

Restructurings
The restructuring costs and impairments of non-current assets as a result of restructurings mainly relate to the decision to close or partially close some production locations in the Netherlands, Germany and Thailand.

In the Netherlands, FrieslandCampina decided in 2022 to merge the production activities of daily-fresh dairy in Rotterdam with the production activities in Maasdam. On May 1, 2022, FrieslandCampina closed two powder towers in Leeuwarden and on 1 December 2022 the closure of a powder tower in Bedum was announced. In February 2023 FrieslandCampina announced to concentrate all butter production in Lochem. As a result of this, the production location in 's-Hertogenbosch will be closed medio 2025 and the production location in Lochem will be expanded.

In Germany, FrieslandCampina announced the intended sale of German consumer brands and activities to Unternehmensgruppe Theo Müller on June 15, 2022. The sale consists of the production sites and distribution centers in Cologne, Heilbronn and Schefflenz, as well as some brands, including Landliebe. As at December 31, 2022, the sale is subject to approval from the German competition authority.
In addition, FrieslandCampina decided to early terminate a production agreement with a large customer as per 1 March 2023, resulting in a restructuring at the production location in Lippstadt.

In Thailand, FrieslandCampina closed the production facility in Lak Si on June 30, 2022.

As a result of the 2022 restructurings, impairments of property, plant and equipment (EUR 106 million) and restructuring provisions (EUR 47 million) were recognised as Other operating costs.

Provision for legal proceeding Thailand
On 31 May 2021, a court in Thailand issued a ruling in a business dispute between FrieslandCampina Thailand and a business-to-business client. The court, on the basis of its interpretation of the contract between both parties, concluded that FrieslandCampina has charged its client too much over a period of 10 years. Pursuant to this ruling, FrieslandCampina is required to compensate its client for an amount of EUR 53 million. FrieslandCampina disagrees with this ruling and has filed an appeal against it. The outcome of the appeal is uncertain and therefore a provision is recognised in accordance with the verdict, including interests and costs.

Other operating costs
The other operating costs mainly relate to strategic projects and impairments related to cloud computing agreements, of which the capitalization of costs is limited based on the recently published interpretation of IFRS (IAS 38: Configuration or Customisation Costs in a Cloud Computing Arrangement).

Result on divestment of businesses

Divestment of production facility Xiushui (China)
On 1 September 2022 FrieslandCampina completed the sale of her production facility for infant nutrition in Xiushui, through the sale of the shares in FrieslandCampina HongKong Holding II B.V. to Yili. The production facility was part of business group Specialised Nutrition.
The results up to the date of the divestment were recognised in the income statement. As of 1 September 2022 the activities are no longer being consolidated. As a result of the divestment, the negative balance of currency translation differences amounting to EUR 12 million, that was processed in equity, was reclassified to the income statement. An accrual is recorded for an expected compensation to the acquirer due to subsequent costs. The divestment resulted in a loss of EUR 21 million and is reported under other operating costs.

Fair value of the consideration received	**51**
Provision for compensation of costs incurred and claim for final settlement	–3
Assets transferred	–67
Liabilities transferred	14
Costs related to divestment	–4
Result on divestment of business	**–9**
Reclassification currency translation differences to the income statement	–12
Result on divestment of business, including currency translation reserve	**–21**

Additional restructuring costs and impairments have been processed by other business units as a result of the divestment of the production facility in Xiushui. An amount of EUR 2 million is reported as other operating costs.

In addition to the fair value of the consideration received, as disclosed above, an amount of EUR 4 million is placed in an escrow-account. This amount may be released in 2024 to the income statement when certain conditions are met.

Settlement contingent asset
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. As per January 2022, both parties have agreed to largely settle the contingent asset for a total amount of EUR 11 million. The income as a result of the settlement is recognised in 2022 as other operating income.

6. Finance income and costs

Finance income	2022	2021
Interest income	13	16
Other finance income	7	
	20	**16**

Finance costs	2022	2021
Interest expenses	–36	–37
Foreign exchange losses on receivables and payables	–22	–5
Other finance costs	–5	–21
	–63	**–63**

Other finance income comprise the positive result from hedging derivatives in the amount of EUR 7 million (2021: EUR 7 million negative).

Interest expenses, among other things, relate to accretion of lease liabilities of EUR 3 million (2021: EUR 3 million).

Higher costs for exchanging foreign currencies related to dividend payments in Nigeria are recorded as part of the foreign exchange losses on receivables and payables, see note 5.

The other finance costs include the interest accrued and the remeasurement of the put option liability; also see Note 27. Other finance costs also comprise the amortisation of transaction costs and commitment fees for non-current borrowings of EUR 2 million (2021: 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 2022, FrieslandCampina included a negative foreign exchange result in operating profit of EUR 186 million (2021: EUR 60 million negative).

7. Income tax expense

Breakdown of tax expense	2022	2021
Current tax expense, current year	–142	–134
Adjustment for prior years	–1	–1
Current tax expense	**–143**	**–135**
Deferred tax expense, current year	50	43
Adjustments to deferred taxes, attributable to changes in tax rates		7
Write-down of deferred tax assets	–56	–69
Adjustment for prior years	–2	4
Deferred tax expense	**–8**	**–15**
Income tax expense	**–151**	**–150**

Effective tax rate	2022		2021	
		%		%
Profit before tax	**443**		**322**	
Tax payable on the basis of the Dutch tax rate	–114	25.8	–80	25.0
Effect of different tax rates outside the Netherlands	14	–3.3	9	–2.8
Effect change in tax rates			7	–2.2
Share of result of joint ventures and associates	4	–0.8	4	–1.2
Withholding tax on dividends	–11	2.5	–13	4.0
Non-deductible expenses	–9	2.0	–15	4.7
Tax-exempt income and allowances	23	–5.2	8	–2.5
Write-down of deferred tax assets	–56	12.7	–69	21.4
Divestment of subsidiaries	–5	1.1	–4	1.2
Adjustments to estimates relating to prior years	3	–0.7	3	–1.0
Effective tax rate	**–151**	**34.1**	**–150**	**46.6**

The effective tax rate decreased to 34.1% (2021: 46.6%). In 2021, the write-down of deferred tax assets was mainly due to losses in the Netherlands, Germany and China, for which no deferred tax asset has been recognised, due to insufficient expected taxable results in these countries. In 2022, other deferred tax assets in the Netherlands were written down as a result of the completion in 2022 of the strategic reorientation and insufficient expected taxable results in the Netherlands to effectuate the deferred tax asset in the future. This write-off has been partially offset by offsetting taxable profit of the year in the Netherlands against recognised losses of previous years.

Due to the expectation of the possible loss carry forward after the sale of parts of the German consumer activities, and the loss recognised in 2022, the net write-down of deferred tax assets in Germany is limited.

The tax-exempt income and allowances mainly relates to the application of the Dutch fiscal cooperative regime.

Income tax recognised directly in equity	2022		
	Before tax	Tax expense/ income	Net of tax
Interest Cooperative loan	–9	3	–6
Interest perpetual bonds	–9	2	–7
Interest member bonds	–29	7	–22
	–47	**12**	**–35**

Income tax recognised in other comprehensive income			
Movement cash flow hedge reserve	11	–3	8
Movement currency translation reserve	–34		–34
Remeasurement of liabilities (assets) under defined benefit plans	35	–24	11
	12	**–27**	**–15**

The tax effect of the remeasurement of liabilities (assets) under defined benefit plans is impacted by derecognition of deferred tax asset in the Netherlands.

Income tax recognised directly in equity	2021		
	Before tax	Tax expense/ income	Net of tax
Interest Cooperative loan	–8	2	–6
Interest perpetual bonds	–9	2	–7
Interest member bonds	–42	10	–32
	–59	14	–45
Income tax recognised in other comprehensive income			
Movement cash flow hedge reserve	11	–3	8
Movement currency translation reserve	73		73
Remeasurement of liabilities (assets) under defined benefit plans	44	–8	36
	128	**–11**	**117**

8. Property, plant and equipment

	Land and buildings	Plant and equipment	Other operating assets	Right-of-use assets	Assets under construction	Total
						2022
Cost	1,849	4,400	555	329	420	**7,553**
Accumulated depreciation and impairments	–947	–2,693	–383	–128		**–4,151**
Carrying amount at 1 January	**902**	**1,707**	**172**	**201**	**420**	**3,402**
Disposed through divestments of businesses	–33	–15			–2	**–50**
Additions	2	14	1	32	419	**468**
Disposals		–3	–1			**–4**
Currency translation differences	–4	–8	–1		–7	**–20**
Remeasurements				2		**2**
Transfers	52	165	38		–255	
Transfers to assets held for sale	–22	–14	–13	–4	–15	**–68**
Depreciation	–69	–200	–42	–59	–2	**–372**
Impairments	–17	–83	–10		–10	**–120**
Reversal of impairments				1		**1**
Carrying amount at 31 December	**811**	**1,563**	**144**	**173**	**548**	**3,239**
Cost	1,706	4,183	461	327	550	**7,227**
Accumulated depreciation and impairments	–895	–2,620	–317	–154	–2	**–3,988**
Carrying amount at 31 December	**811**	**1,563**	**144**	**173**	**548**	**3,239**

						2021
	Land and buildings	Plant and equipment	Other operating assets	Right-of-use assets	Assets under construction	Total
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 1 January	**887**	**1,796**	**172**	**214**	**343**	**3,412**
Disposal due to divestment of businesses	–2	–3		–1		**–6**
Additions	1	4	2	51	343	**401**
Disposals		–5	–1			**–6**
Currency translation differences	8	11	2	1	4	**26**
Revaluation				–3		**–3**
Transfers	87	132	47		–264	**2**
Transfer to assets held for sale	–8	–12	–5	–1	–1	**–27**
Depreciation	–70	–210	–45	–60		**–385**
Impairments	–1	–8			–5	**–14**
Reversal of impairments		2				**2**
Carrying amount at 31 December	**902**	**1,707**	**172**	**201**	**420**	**3,402**
Cost	1,849	4,400	555	329	420	**7,553**
Accumulated depreciation and impairments	–947	–2,693	–383	–128		**–4,151**
Carrying amount at 31 December	**902**	**1,707**	**172**	**201**	**420**	**3,402**

For explanation of the movement 'disposed through divestment of businesses', see Note 5.

The additions of EUR 468 million (2021: EUR 401 million) relate to production capacity expansions and replacement investments in the Netherlands and in Belgium and to new factory locations in Indonesia and Malaysia.

The impairments mainly relate to restructuring, see note 5.

The investments include capitalised borrowing costs amounting to EUR 2 million (2021: EUR 2 million). The applicable average interest rate is 1.8% (2021: 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.

	2022		2021	
	Carrying amount at 31 December	Depreciation current year	Carrying amount at 31 December	Depreciation current year
Land and buildings	110	32	124	30
Plant and equipment	42	14	51	15
Other operating assets	21	13	26	15
	173	**59**	**201**	**60**

9. Intangible assets

					2022
	Goodwill	Trademarks, customer relations and patents	Software	Intangible assets under construction	Total
Cost	1,284	391	533	22	**2,230**
Accumulated amortisation and impairments	–204	–147	–376		**–727**
Carrying amount at 1 January	**1,080**	**244**	**157**	**22**	**1,503**
Additions				38	**38**
Disposals		–1			**–1**
Currency translation differences	–23	–20			**–43**
Transfers			24	–24	
Amortisation		–22	–54		**–76**
Impairments			–13	–5	**–18**
Carrying amount at 31 December	**1,057**	**201**	**114**	**31**	**1,403**
Cost	1,261	370	538	31	**2,200**
Accumulated amortisation and impairments	–204	–169	–424		**–797**
Carrying amount at 31 December	**1,057**	**201**	**114**	**31**	**1,403**

					2021
	Goodwill	Trademarks, customer relations and patents	Software	Intangible assets under construction	**Total**
Cost	1,288	388	501	34	**2,211**
Accumulated amortisation and impairments	–204	–121	–321	–1	**–647**
Carrying amount at 1 January	**1,084**	**267**	**180**	**33**	**1,564**
Additions			1	25	**26**
Desinvestments	–2				**–2**
Currency translation differences	7		1		**8**
Transfers			33	–35	**–2**
Transfers to assets held for sale	–9				**–9**
Amortisation		–23	–57		**–80**
Impairments			–1	–1	**–2**
Carrying amount at 31 December	**1,080**	**244**	**157**	**22**	**1,503**
Cost	1,284	391	533	22	**2,230**
Accumulated amortisation and impairments	–204	–147	–376		**–727**
Carrying amount at 31 December	**1,080**	**244**	**157**	**22**	**1,503**

Impairments in 2022 mainly relate to cloud computing agreements, of which the capitalization of costs has been limited based on the recently published interpretation of IFRS, and the advanced replacement of a software project. Amortisation costs of intangible assets were allocated to the items in the income statement on the basis of their function.

Goodwill impairment test

FrieslandCampina carries out the goodwill impairment test during the fourth quarter of each year and also whenever there is a trigger for impairment of goodwill. Goodwill is monitored and tested at business group level, as the group of cash-generating-units. The goodwill impairment test calculates per business group the recoverable amount, which is the value in use, and compares it with the carrying amount.

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

	31 December 2022	Assumptions		
	Goodwill	% Growth rate terminal value	% Average growth rate gross profit	% Pre-tax discount rate
Food & Beverage	707	3.5	4	10
Specialised Nutrition	237	2.0	–1	8
Ingredients	113	2.0	–3	9
	1,057			

	31 December 2021	Assumptions		
	Goodwill	% Growth rate terminal value	% Average growth rate gross profit	% Pre-tax discount rate
Food & Beverage	730	2.5	8	8
Specialised Nutrition	237	1.5	8	7
Ingredients	113	1.5	10	7
	1,080			

Due to the changes in segments and the reallocation of goodwill among segments, as at 31 December 2021 no goodwill is allocated to business group Trading and there is no disclosure for this business group concerning the assumptions used in the goodwill impairment test.

The values in use of the business groups are defined based on the budget 2023 and the long-term plans up and until 2025. When determining the value in use, corporate costs are allocated to the business groups. In addition, a compensation is taken into account for the role that business group Trading and specific parts of business group Food & Beverage fulfill when processing member milk. This compensation is allocated to the other business groups and serves to cover the loss in processing member milk into commodity dairy products, as all milk supplied by member dairy farmers must be purchased. The compensation for this so-called cooperative role is determined on the basis of the relative quantity and value of member milk processed by the respective business group. The allocation of corporate costs is determined on the basis of the relative revenue realised by the respective business group.

The average growth rate of the gross profit for each business group in the long-term plans to 2025 is based on past experience, specific expectations for the near future and market-based growth percentages. The decrease in the average growth rate of the gross margin of business group Food & Beverage compared to 2022 and the negative average growth rate of the gross margin business groups Specialized Nutrition and Ingredients, are mainly related to the relative higher result 2022, mainly driven by high dairy commodity prices in 2022 and the lower compensation for the cooperative role allocated to the business groups following the positive results of business group Trading, which is not expected to continue beyond 2022. The discount rate for each business group is based on information that can be verified in the market and is pre-tax.

For the period after 2025, a growth rate equal to the forecasted long-term inflation rates was applied, as is best practice in the market.

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 of the business groups.

For business group Ingredients, the estimated value in use exceeds the carrying value by EUR 207 million. This outcome is primarily dependent on the long-term plans until the end of 2025 and the pre-tax discount rate. The test was performed using a pre-tax discount rate of 9%, and the long-term plans show a projected average growth rate of the gross margin of a decrease of 3%. The forecast average growth rate of the gross margin is based on experience in recent years and is negative as a result of the relatively high gross margin in 2022 due to the successful increase of sales prices for inventories that were partly still produced at lower cost prices. An opposite effect is expected for the period 2023 to 2025. The negative effect of this normalization of the gross margin is only partly offset by expected growth, mainly from innovations, optimization of the supply chain and the successful increase of sales prices in selected markets. In addition, the forecasted average growth rate depends on the size of the compensation for the so-called cooperative role of business group Trading and specific parts of business group Food & Beverage. The compensation for the cooperative role allocated to the business group was limited in 2022 due to positive results of business group Trading, due to the high dairy commodity prices in 2022, which is not expected to continue beyond 2022. An increase in this compensation allocated to business group Ingredients results in a decrease of the forecasted average growth rate and consequently the value in use of business group Ingredients.
The compensation allocated to business group Ingredients can increase when this business group processes relatively more member milk or is able to better valorise it, or when the forecasted losses of business group Trading are adjusted negatively, or when another business group processes relatively less member milk or is less able to effectively valorise it and consequently is allocated a lower compensation.

If the forecasted average growth rate of the gross margin decreases by 1% to a decrease of 4%, or if the pre-tax discount rate increases by 1.1%, the value in use of business group Ingredients would be equal to its carrying value.

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

10. Biological assets

The biological assets relate to dairy livestock in Pakistan for an amount of EUR 9 million (2021: EUR 7 million). On 31 December 2022, FrieslandCampina has 3,365 mature cows, which can produce milk (2021: 3,446) and 3,161 immature cows that are being raised to produce milk in the future (2021: 2,925).

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 total comprehensive income.

	2022			2021		
	Joint ventures	Associ-ates	Total	Joint ventures	Associ-ates	Total
Carrying amount	99	17	**116**	97	16	**113**
Share of:						
– Profit or loss, net of tax	13	2	**15**	13	1	**14**
Total comprehensive income	**13**	**2**	**15**	**13**	**1**	**14**

The largest joint venture concerns the 50% interest in Betagen Holding Ltd. FrieslandCampina's interest in Betagen Holding Ltd. amounts to EUR 64 million (2021: EUR 64 million), of which EUR 30 million relates to goodwill (2021: EUR 30 million) and the share in the 2022 profit amounts to EUR 11 million (2021: EUR 10 million).

For a summary of the most important joint ventures and associates, refer to page 185.

12. Other financial assets

Non-current other financial assets	2022	2021
Loans issued	24	20
Derivatives	40	24
Other	6	4
	70	**48**

Current other financial assets	2022	2021
Loans issued	18	14
Derivatives	38	20
Other	264	117
	320	**151**

Other current other financial assets mainly relate to prepayments to banks and distributors in Nigeria to obtain US Dollars over time. The economic situation in Nigeria results in limited availability of US Dollars, needed to pay international trade creditors. As far as these US Dollars become available within three months, the prepayments are classified as (restricted) cash. When these US Dollars become available after three months, the prepayments are classified as other current other financial assets.

The average interest rate on loans issued at the end of 2022 was 3.0% (2021: 2.2%). For EUR 20 million of the loans issued, the maturity date is after 2027.

The provision for expected credit losses relating to other financial assets was not significant at the end of 2022.

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

13. Inventories

	2022	2021
Raw materials and consumables	687	514
Finished goods and commodities	1,377	979
	2,064	**1,493**

During 2022 inventories were written down for in total EUR 97 million (2021: EUR 77 million). The write-down of inventories is recognised in cost of goods sold.

No inventories are pledged as collateral for liabilities.

14. Trade and other receivables

	2022	2021
Trade receivables	1,581	1,172
Provision for doubtful debts and other receivables	–23	–20
Receivables from Zuivelcoöperatie FrieslandCampina U.A.	179	102
Other receivables	75	82
	1,812	**1,336**
Receivables related to tax (excluding income tax) and social security contributions	99	107
Prepayments	238	162
	2,149	**1,605**

Provision for doubtful debts and other receivables	2022	2021
At 1 January	–20	–20
Charged to the income statement	–4	–5
Released to the income statement	1	4
Trade receivables written off		1
At 31 December	**–23**	**–20**

Maturity schedule trade and other receivables	2022 Gross	2022 Write-down	2022 Net	2021 Gross	2021 Write-down	2021 Net
Within payment term	1,615	–2	1,613	1,190	–5	1,185
Overdue by less than 3 months	188	–5	183	120	–4	116
Overdue by 3 - 6 months	10	–7	3	23	–2	21
Overdue by more than 6 months	22	–9	13	23	–9	14
	1,835	**–23**	**1,812**	**1,356**	**–20**	**1,336**

The additions and releases of the provision for doubtful debts and other receivables 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 taking out credit insurance and bank guarantees. At the end of 2022, this secured position amounted to EUR 55 million (2021: EUR 30 million). No trade receivables have been pledged.

15. Cash and cash equivalents

	2022	2021
Deposits	234	267
Other cash and cash equivalents	187	240
	421	**507**

Funds of EUR 29 million (2021: EUR 47 million) are not freely available and mainly designated for intercompany transactions to Nigeria. These funds are released once the goods have been supplied.
Pursuant to IAS7, the remaining portion of the cash and cash equivalents in Nigeria in the amount of EUR 4 million (2021: EUR 122 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 subsidiary's daily business operations.

16. Assets and liabilities held for sale

Assets held for sale	2022	2021
At 1 January	7	16
Transfer from property, plant and equipment	68	27
Transfer from intangible assets		9
Transfer from current assets	20	28
Disposals	–4	–73
Impairments	–3	
At 31 December	**88**	**7**

Liabilities held for sale	2022	2021
At 1 January		
Transfer from employee benefits	3	
Transfer from current and non-current liabilities	3	38
Disposals		–38
At 31 December	**6**	

On June 15, 2022, FrieslandCampina announced the intended sale of a part of the German consumer brands and activities, part of business group Food & Beverage, to Unternehmensgruppe Theo Müller. For more information, refer to other operating income and costs. The sale is expected to be finalised at the beginning of 2023. As a result of this intended disposal, related assets and liabilities are reclassed to Assets and liabilities held for sale.
Packaging lines in Germany that were classified as assets held for sale at the end of 2021 have been fully impaired during 2022. Land and buildings in Genk (Belgium) and Rijkevoort (the Netherlands) were sold in 2022, resulting in a positive result of EUR 6 million, which is recognized under other operating income.

17. Equity

Changes in equity as a result of issuance of milk certificates by the Cooperative to its member dairy farmers

Effective 1 January 2022, the Cooperative has issued milk certificates valued at 8.00 euros per 100 kilos of supplied milk to its member dairy farmers. On the basis of the volume of milk supplied during the period 1 October 2020 through to the end of 30 September 2021, the number of milk certificates was set at 9,405 million, with a nominal value of EUR 752 million. The milk certificates were paid up by members by handing in member bonds (including accrued interest: EUR 544 million), member certificates of the Cooperative (including accrued interest: EUR 50 million), the current account or cash(EUR 23 million). The Cooperative has provided members a loan for the remaining amount (EUR 135 million). The Cooperative has made a capital contribution to FrieslandCampina's equity in the amount of EUR 617 million to offset the handing in of member bonds and member certificates, as well as for the milk certificates that were paid up by the current account or cash.

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 capital contributions by Zuivelcoöperatie FrieslandCampina U.A. of EUR 110 million in 2009 and of EUR 617 million in 2022 as a result of issuance of milk certificates by the Cooperative to its member dairy farmers.

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 entities 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 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. Until 2021, member dairy farmers received 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 2022 financial year, EUR 29 million (2021: EUR 42 million) is attributed to the holders of the member bonds as an interest payment.

As a result of issuance of milk certificates by the Cooperative to its member dairy farmers in 2022 member bonds were handed in for the amount of EUR 594 million, including accrued interest.

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).

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 2022 financial year, EUR 9 million (2021: EUR 9 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. has no maturity date. The interest rate of 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.

EUR 9 million of the profit over the 2022 financial year (2021: EUR 8 million) is attributed to the provider of the Cooperative loan as 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 commodity swaps to the extent that they classify as highly effective cash flow hedges. The cashflow hedge reserve also contains EUR 0 million (2021: EUR 1 million negative) related to terminated hedged relations.

The currency translation reserve relates to the cumulative currency translation differences of subsidiaries, as well as currency translation differences from loans granted to subsidiaries with a permanent nature. As a consequence of the sale of the production facility in Xiushui, by means of the divestment of shares in FrieslandCampina HongKong Holding II B.V., the related cumulative currency translation reserve of EUR 12 million is reclassified to the income statement. See Note 5 for further disclosure.

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 2021-2022 reserve policy stipulates that 60% of the Company's profit based on the guaranteed price, as far as it attributes directly or indirectly to the shareholder of the Company, will be added to the retained earnings. As part of the payment for milk supply, 40% of this profit can be paid out to member dairy farmers as a supplementary cash payment. In the event of a goodwill impairment greater than EUR 100 million, it may be decided to deduct the entire amount from retained earnings via the profit appropriation. In case a book profit of at least EUR 100 million is realized relating to divestments of businesses, it may be decided to add the entire amount or part of the amount to retained earnings via the profit appropriation. The reserve policy is described in the milk price regulation and is being revised every three years. After the General Meeting of Shareholders' adoption of the financial statements, the supplementary cash payments are made, if any. In 2022, EUR 14 million has been paid to member dairy farmers as supplementary payment related to milk supplied in 2021.

Related to milk supplied in 2022 it is proposed to pay EUR 85 million as supplementary payment in 2023.

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.). All of the Company's activities in the Netherlands, except for production and invoicing activities, were brought into this C.V. In this structure, 99.9% of a profit and 100% of a loss realised by FC C.V. and equal percentages 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 relates 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 a 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 following 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.

	2022						2021					
	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	Other	Total
Non-controlling interest percentage	**32.19%**	**49%**	**50%**	**49.04%**			**32.19%**	**49%**	**50%**	**49.04%**		
Non-current assets	107	150	95	46			107	186	95	46		
Current assets	415	90	82	102			415	76	82	102		
Non-current liabilities	–29	–35	–14	–3			–29	–50	–14	–3		
Current liabilities	–438	–84	–11	–64			–438	–70	–11	–64		
Net assets	**55**	**121**	**152**	**81**			**55**	**142**	**152**	**81**		
Carrying amount of non-controlling interest	18	59	142	40	71	**330**	18	69	142	40	57	**326**
Revenue	556	342		227			556	270		227		
Profit for the year	16	5	54	51			16	2	54	51		
Other comprehensive income	1	–25		3			1	–3		3		
Total comprehensive income	**17**	**–20**	**54**	**54**			**17**	**–1**	**54**	**54**		
Profit allocated to non-controlling interest	5	2	27	25	3	**62**	5	1	27	25	20	**78**
Other comprehensive income allocated to non-controlling interest		–12		2	1	**–12**		–2		2	8	**8**
Dividends paid out to non-controlling interest	–5		–19	–3	–19	**–46**	–5		–19	–3	–15	**–42**
Net cash from/used in operating activities	96	33		–2			96	20		–2		
Net cash from/used in investing activities	–121	–11		24			–121	–6		24		
Net cash used in financing activities	–27	–13		–6			–27	–7		–6		
Net cash flows	**–52**	**9**		**16**			**–52**	**7**		**16**		

1 As the 2022 results of FrieslandCampina WAMCO Nigeria PLC, DFE Pharma GmbH & Co. KG and Dutch Lady Milk Industries Berhad are not yet publicly available, the 2021 figures have been disclosed. Furthermore, the revenue and cash flows of DFE Pharma GmbH & Co. KG are not publicly available.

The percentages stated in the table on the previous page 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.

18. Employee benefits

Obligations under long-term employee benefits	2022	2021
Net pension liability	170	219
Other long-term employee benefits	23	23
	193	**242**

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 long-term bonuses for senior management and 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 (CLA) for the dairy sector accrue their pension benefits in defined contribution plans as specified below.

Annual pensionable salary	Pension plans for Dutch employees covered by the CLA for the dairy sector as of 1 January 2015
Up to EUR 70,465	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' (BPZ))
Between EUR 70,465 and EUR 114,866	Individual defined contribution plan, administered by a premium pension institution
Above EUR 114,866	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. On 16 September 2022, the Dutch Supreme Court (Hoge Raad) ruled in the legal proceedings between Stichting Pensioenfonds Campina and FrieslandCampina with regards to the pension scheme of the former Campina employees.
Based on this ruling, FrieslandCampina has increased the present value of the gross pension obligation by an estimated amount to cover the loss. The definitive amount to be paid by FrieslandCampina has yet to be determined.

In addition, FrieslandCampina has an obligation to settle a number of smaller guarantee schemes pursuant to the execution agreement. Upon reaching agreement 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 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 expected net pension liability (the gross pension liability minus the fair value of plan assets) at the moment of settlement amounts to nil.

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

The pension plan entitlements accrued until 2015 for former Friesland Foods employees and FrieslandCampina employees concern a defined benefit plan. At the end of 2022, this plan accounted for 54% (2021: 53%) of the total gross pension liability and is disclosed in more detail hereafter.

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 CLA (a new 5-year Pension CLA has been agreed in 2021 for the period 1 January 2021 to 31 December 2025) by a fixed rate for as long as employment has been continued (until 1 January 2035 at the latest). For the years 2015 to 2020 this indexation rate was 1.75%. As from 1 January 2021, the annual fixed indexation for active participants has been reduced to 1.25%. 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. Also, 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 2022 the coverage ratio was 108.3% determined on the basis of the principles specified in the insurance contract (2021: 126.8%). Based on the expected return on assets, the funding ratio is expected to rise above 110% within 1.5 years. Therefore no additional payment is expected to be needed.
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 38% of the participants are active employees of FrieslandCampina, 38% are former employees and 24% are pensioners. The duration of the pension liabilities is approximately 16 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 for former Campina employees

The pension plan entitlements accrued until 2015 for former Campina employees concern a defined benefit plan. At the end of 2022, this plan accounted for 41% (2021: 42%) of the total gross pension liability. Accrued benefits until 2015 for active participants are increased annually in accordance with the provisions of the CLA (the current CLA is valid up to and including 2025) by a fixed rate for as long as employment has been continued (until 1 January 2035 at the latest). For the years 2015 up to and including 2020 this indexation rate was 1.75%. As from 1 January 2021, the annual fixed indexation for active participants has been reduced to 1.25%. 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 CLA for the dairy sector

As of September 1 2022, Dutch employees who perform heavy duties are able to retire earlier, under certain conditions. This early retirement scheme only applies to employees who have been employed by FrieslandCampina for at least 45 years, who work in shifts and/or perform consignment shifts structurally and in a fixed rhythm. It is possible to stop working up to 36 months before the state pensionable age. The employee will then receive a so-called ‘RVU benefit’ (early benefit scheme, ‘regeling voor vervroegde uitkering’). The scheme will end on 31 December 2025. In 2022 FrieslandCampina formed a provision for the RVU-scheme which has been charged to the income statement. At year-end 2022, the RVU-scheme contains 0% rounded of the total gross pension liability.

Dutch employees covered by the CLA for ‘Het Partikulier Kaaspakhuisbedrijf’

Effective 1 January 2021, the accrual of pension benefits for FrieslandCampina employees who are covered by the CLA for ‘Het Partikulier Kaaspakhuisbedrijf’ is administered by ‘Pensioenfonds PGB’. This plan 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 2022, accounted for 2% (2021: 2%) 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. At the end of 2022, the plans in the other countries contributed 3% (2021: 3%) of the total gross pension liability.

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 with the largest share in the industry pension fund, like FrieslandCampina.

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]	2022	2021
	%	%
Discount rate	3.7	1.1-1.2
Wage inflation	n.a.	n.a.
Price inflation	2.0	2.0
Indexation		
– active employees	1.3	1.3
– former employees and pensioners	3.8	2.6
Life expectancy	in years	in years
– man / woman age 65 at end of year	20.4/23.3	20.1/23.0
– man / woman age 65 in 20 years' time	22.6/25.4	22.3/24.9

1 The percentages shown concern the above-referenced schemes for the pension entitlements of employees in the Netherlands, which represent 95% (2021: 95%) of the gross pension liability and 98% (2021: 98%) of the fair value of plan assets.

The discount rate is based on the yield of 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	
	2022	2021	2022	2021	2022	2021
At 1 January	**4,031**	**4,193**	**–3,812**	**–3,767**	**219**	**426**
Included in the income statement						
Operating expenses:						
– Current service cost	12	–42			12	–42
– Interest expense or income	48	34	–45	–30	3	4
– Administration costs			1	1	1	1
Total	**60**	**–8**	**–44**	**–29**	**16**	**–37**
Recognised in equity:						
Remeasurement of the net pension liability by:						
– Return on plan assets, excluding the interest income and adjusted guaranteed value			772	–86	772	–86
– Changes in financial assumptions	–846	87			–846	87
– Changes in demographic assumptions	27	–2			27	–2
– Experience adjustments	12	–43			12	–43
Total remeasurement gain or loss	**–807**	**42**	**772**	**–86**	**–35**	**–44**
Currency translation differences	–1	1	1	–1		
Total	**–808**	**43**	**773**	**–87**	**–35**	**–44**
Other						
Contributions paid by the employer to the plan			–27	–125	–27	–125
Benefits paid	–116	–195	116	195		
Transferred through sale of business unit		–2		1		–1
Transfer to liabilities held for sale	–3				–3	
Total	**–119**	**–197**	**89**	**71**	**–30**	**–126**
At 31 December	**3,164**	**4,031**	**–2,994**	**–3,812**	**170**	**219**
Classification						
– Non-current assets					9	8
– Non-current liabilities					179	227

At the end of financial year 2022, EUR 105 million of the EUR 3,164 million gross pension liability has not been funded (2021: EUR 130 million of EUR 4,031 million). The contributions to the plans of EUR 27 million are the premiums paid by FrieslandCampina in 2022, of which EUR 10 million relates to the 2021 financial year.

Income and expenses under long-term employee benefits recognised in the income statement	2022	2021
Current service cost	–12	–9
Benefit from indexation scheme adjustment		51
Interest expense or income	–3	–4
Administration costs	–1	–1
Defined benefit cost recognised in the income statement	**–16**	**37**
Pension costs for defined contribution plans	–95	–92
Employees' share in pension costs	11	10
Pension costs recognised in the income statement	**–100**	**–45**
Expenses under other long-term employee benefits	–1	–1
Expenses under long-term employee benefits recognised in the income statement	**–101**	**–46**

The adjustment to the indexation scheme concerns a reduction, as of 1 January 2021, of the indexation percentage on the accrued pension benefits up to 1 January 2015. This has resulted in a non-recurring release of the provision for this indexation commitment of EUR 51 million in 2021.

FrieslandCampina expects to contribute EUR 29 million into its defined benefit plans in 2023, of which EUR 11 million relates to the year 2022. In 2023, 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:			2022			2021
			%			%
	Company pension fund	Insurance contract	Foreign pension schemes	Company pension fund	Insurance contract	Foreign pension schemes
Equities						
– North America	8			9		
– Europe	2			2		
– Japan	1			1		
– Emerging Markets	1			1		
– Other	1			2		
Fixed income						
– Investment grade (BBB- rating or higher)	26			26		
– Non-investment grade (rating below BBB-)	3			3		
Other investments			2			2
Guaranteed value of insurance contract		56			54	
Total	**42**	**56**	**2**	**44**	**54**	**2**

At year-end 2022, the plan assets in the company pension fund and the guaranteed value of the insurance contract amount to 42% and 56% of the total plan assets respectively (2021: 44% and 54%). At the end of 2022, the interest rate risk relating to the liabilities of the company pension fund is hedged for 68% of which governments bonds (currency risk is largely hedged) contribute for 41% and interest rate swaps for 59%. 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%. 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 2022 approximately 65% of the investment portfolio consists of fixed-income securities, 26% of equities and 9% 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 (2021: 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	**2022**		**2021**	
	Increase	Decrease	Increase	Decrease
Change of 0.25% in discount rate	–109	116	-163	174
Change of 0.25% in indexation of former participants	98	–95	144	-136
Change of 1 year in life expectancy	131	–129	179	-176

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

	Property, plant and equipment	Intangible assets	Employee benefits	Inventories, trade receivables, derivatives, trade payables, liabilities and provisions	Unused tax losses and facilities	Total
						2022
At 1 January	–76	13	34	106	19	**96**
Recognised through the income statement	20	–70	–5	19	28	**–8**
Recognised in equity			–24	9		**–15**
Currency translation differences	1	6		–1	–2	**4**
At 31 December	**–55**	**–51**	**5**	**133**	**45**	**77**

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

	Assets	Liabilities	Net
Property, plant and equipment	1	56	**–55**
Intangible assets	4	55	**–51**
Employee benefits	9	4	**5**
Inventories, trade receivables, derivatives, accounts payable, liabilities and provisions	197	64	**133**
Unused tax losses and facilities	45		**45**
Netting	–126	–126	
Net deferred tax asset	**130**	**53**	**77**

Deferred tax assets and liabilities

	Property, plant and equipment	Intangible assets	Employee benefits	Inventories, trade receiva-bles, derivati-ves, trade payables, liabilities and provisions	Unused tax losses and facilities	**Total**
						2021
At 1 January	–89	12	60	107	17	**107**
Mutation due to divestment of business	1			–2		**–1**
Recognised through the income statement	13	1	–18	1	–12	**–15**
Recognised in equity			–8	–3	14	**3**
Currency translation differences	–1			3		**2**
At 31 December	**–76**	**13**	**34**	**106**	**19**	**96**

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

	Assets	Liabilities	**Net**
Property, plant and equipment	4	80	**–76**
Intangible assets	82	69	**13**
Employee benefits	37	3	**34**
Inventories, trade receivables, derivatives, accounts payable and provisions	118	12	**106**
Unused tax losses and facilities	19		**19**
Netting	–73	–73	
Net deferred tax asset	**187**	**91**	**96**

At the end of the financial year, the unused tax losses amounted to EUR 45 million (2021: EUR 19 million). The increase in 2022 compared to previous year mainly relates to the expected increase of future results in Germany upon realization of the sale of parts of the German consumer business to Unternehmensgruppe Theo Müller.

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 to offset the deferred tax assets is based on long-term planning. Based on the expectations of the taxable profits in the Netherlands, the deferred tax asset for temporary differences of EUR 92 million, mainly relating to intangible assets and employee benefits, has been de-recognized.

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

	2022	2021
Unrecognised tax losses (including deferred tax-deductible items)	199	264
Unrecognised facilities	110	108
Unrecognised temporary differences	93	3
	402	**375**

At the end of the financial year, the nominal value of the unrecognised tax losses and deferred tax-deductible items amounts to EUR 772 million (2021: EUR 991 million). Of these unrecognised tax losses and deferred tax-deductible items, EUR 49 million expire within 10 years (2021: EUR 149 million). The remaining unrecognised tax losses and facilities will not elapse under the current fiscal rules. From 1 January 2022 tax losses in the Netherlands can be carried forward indefinitely.

20. Provisions

	2022			2021		
	Restructuring	Other provisions	Total	Restructuring	Other provisions	Total
At 1 January	28	75	**103**	72	17	**89**
Additions charged to the income statement	45	8	**53**	9	63	**72**
Release to the income statement	–7	–1	**–8**	–13	–3	**–16**
Currency translation differences		1	**1**			
Utilisations	–23	–1	**–24**	–40	–2	**–42**
At 31 December	**43**	**82**	**125**	**28**	**75**	**103**
Non-current provisions	8	70	**78**	8	65	**73**
Current provisions	35	12	**47**	20	10	**30**
	43	**82**	**125**	**28**	**75**	**103**

Restructuring provisions
In 2022, restructuring provisions are recorded following announced restructurings for an amount of EUR 45 million. In addition, an amount of EUR 7 million was released from the restructuring provisions as a result of changed assumptions, mainly because more employees than expected could be redeployed internally or found a new job outside FrieslandCampina. Withdrawals in 2022 mainly relate to restructuring provisions for locations Cologne and Heilbronn (Germany) and Wolvega (the Netherlands). For more information regarding additions during the year, see note 5.

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.

Provisions for legal and arbitration proceedings mainly relate to the provision for a business dispute between FrieslandCampina Thailand and a business-to-business client. The court, on the basis of its interpretation of the contract between both parties, concluded that FrieslandCampina has charged its client too much over a period of 10 years. Pursuant to this ruling, FrieslandCampina is required to compensate its client. FrieslandCampina disagrees with this ruling and has filed an appeal against it. The outcome of the appeal is uncertain and therefore a provision is recognised in accordance with the verdict, including interests and costs.

The addition in 2022 primarily relates to interests and costs related to the proceeding in Thailand. In addition, a provision is recorded for the buy-off of a service agreement. The provision amounts EUR 2 million and consists of the present value of the expected payment over 40 years. The expected payment is estimated based on the current amount of the service agreement, the expected growth and inflation.

Lastly, provisions are recorded for onerous contracts.

21. Interest-bearing borrowings

The terms and conditions of outstanding borrowings are as follows:

	Year of maturity	% Nominal interest rate	2022 Carrying amount		2021 Carrying amount	
European Investment Bank (fixed interest)	2022-2026	0.8	135		139	
European Investment Bank (variable interest)	2026-2029	2.4	150			
International Finance Corporation (variable interest)	2022-2026	5.9	44		53	
TLTRO borrowings (variable interest)	2023-2024	1.9	325		325	
Short term facility Nigeria (fixed interest)	2023	19.5	81			
Other borrowings from credit institutions			30		49	
Borrowings from credit institutions				**765**		**566**
Private Placement (fixed interest)	2022				70	
Private Placement (fixed interest)	2024	4.2	136		129	
Private Placement (fixed interest)	2022-2027	4.0	96		108	
Borrowings from institutional investors				**232**		**307**
Green bonds (fixed interest)	2023-2026	1.5	252		252	
Borrowings from holders of green bonds				**252**		**252**
Euro commercial paper (variable interest)	2023	2.1	175			
Uncommitted facilities				**175**		
Borrowings from member dairy farmers (variable interest)	2022-2023	0.6	15		14	
Bank overdrafts (variable interest)	2022-2023	2.3	17		2	
Lease liabilities (fixed interest)	2022-2037	2.0	176		205	
Capitalised issue costs	2022-2027		–1		–1	
Other				**207**		**220**
Interest-bearing borrowings				**1,631**		**1,345**
Recognised under non-current interest-bearing borrowings				993		1,156
Recognised under current interest-bearing borrowings				638		189

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 2022, is 3.2% (2021: 1.7%).

Of the lease liabilities, EUR 125 million (2021: EUR 149 million) is classified as non-current and EUR 51 million (2021: EUR 56 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 2022, Royal FrieslandCampina N.V. successfully raised a new EUR 1.25 billion revolving credit facility ("RCF"). This new facility replaces a EUR 1.0 billion facility that was available until October 2024. The new facility is linked to 4 sustainability performance indicators, impacting the interest of the facility. Issue costs related to the part of the credit facility that is not expected to be used, are capitalized as a prepayment and are amortized over the term of the facility. At 31 December 2022, the credit facility is not utilized (2021: EUR 0 million).

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 2022 is EUR 135 million (2021: EUR 139 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.
By the end of 2021 a credit facility was negotiated with the EIB for an amount of EUR 150 million, which was fully utilised in 2022. Repayments will take place in the period 2026 until 2029. 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 2022 was EUR 44 million (2021: EUR 53 million). An amount of EUR 12 million was classified as current interest bearing borrowing at year-end 2022.

During 2021 FrieslandCampina negotiated a (TLTRO) loan of EUR 300 million with ING Bank. The loan, made up of four installments with terms ranging from 6 months to 3 years, has a variable interest based on Euribor and an interest discount if sustainability targets are met. The loan is used for refinancing the current facilities and in 2021 two tranches were repaid. During 2022 no repayments have been done. Of the outstanding amount of EUR 225 million, EUR 75 million is classified as current.

Also in 2021, FrieslandCampina negotiated a new (TLTRO) loan of EUR 100 million with ABN AMRO Bank. The loan is maturing by the end of June 2024, has a variable interest based on Euribor and an interest discount if sustainability targets are met. The loan was used for refinancing the current facilities.

In the second half of 2022 FrieslandCampina in Nigeria fully used the short term facility of NGN 40 billion to finance the purchase of USD for the fulfilment of matured letter of credit ("LC") obligations.

Borrowings from institutional investors
FrieslandCampina has taken out privately placed loans with institutional investors in the United States to a total of USD 249 million (2021: USD 349 million). In 2022, EUR 88 million was repaid (2021: EUR 17 million).

On 31 December 2022, the total amount of borrowings from institutional investors (private placements) classified as non-current amounts to EUR 213 million (2021: EUR 218 million) and an amount of EUR 19 million (2021: EUR 88 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 loss resulting from the revaluation of the loan to euro of EUR 4 million in 2022 (2021: EUR 21 million loss) has been fully offset by the hedge.

Borrowings from holders of green bonds
FrieslandCampina issued green bonds (Green Schuldschein) amounting to EUR 252 million (2021: EUR 252 million). These bonds are recognised in both non-current interest-bearing borrowings (EUR 75 million) and current interest-bearing borrowings (EUR 177 million); issue costs are capitalised and amortised over the duration of the bonds.

Uncommitted facilities
The maximum term of the Euro Commercial Paper (ECP) issued debt securities is 12 months. At year-end 2022, there were drawings for an amount of EUR 175 million under the ECP Programme (2021: none).

Borrowings from member dairy farmers
The borrowings from member dairy farmers amounting to EUR 15 million (2021: EUR 14 million) concern three year deposit loans held by member dairy farmers. These loans have a variable interest rate based on 6-months Euribor and 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	2022	2021
Derivatives	1	
Put option liabilities	17	14
Other	3	3
	21	**17**
Current other financial liabilities		
Derivatives	7	9
Contingent considerations	1	4
Put option liabilities	51	51
	59	**64**

The put option liabilities relate 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				2022
	Maturity date	Assets	Liabilities	Contract volume at year-end
Cross currency swaps	2023	2		16
Cross currency swaps	after 2023	28		180
Interest rate swaps	after 2023	10		500
Commodity swaps	2023	10		19
Commodity swaps	after 2023	2	1	25
Total cash flow hedges subject to hedge accounting		**52**	**1**	
Interest rate swaps	2023	8		500
Forward exchange contracts	2023	7	7	953
Commodity swaps	2023	11		72
Commodity swaps	after 2023			2
Derivatives not subject to hedge accounting		**26**	**7**	
Total derivatives		**78**	**8**	
Classified as current		38	7	
Classified as non-current		40	1	

Hedging activities				2021
	Maturity date	Assets	Liabilities	Contract volume at year-end
Cross currency swaps	2022	8	4	136
Cross currency swaps	after 2022	17		195
Commodity swaps	2022	5		8
Commodity swaps	after 2022	5		13
Total cash flow hedges subject to hedge accounting		**35**	**4**	
Interest rate swaps	after 2022			250
Forward exchange contracts	2022	1	4	683
Commodity swaps	2022	6	1	28
Commodity swaps	after 2022	2		5
Derivatives not subject to hedge accounting		**9**	**5**	
Total derivatives		**44**	**9**	
Classified as current		20	9	
Classified as non-current		24		

Cash flow hedges

Cross currency swaps

By means of cross currency swaps, the USD obligations of repayment and interest payment, of the private placement obligations totalling USD 249 million (2021: USD 349 million), have been converted into EUR obligations, with a fixed interest rate. The cross currency swaps have been concluded to hedge the cash flows and cash flow hedge accounting is applied to them. The cross currency swaps are valued at fair value. The portion of the gain or loss realized on these hedging instruments, that is designated as an effective hedge, is recognized in comprehensive income. The private placement obligations have been fixed at EUR 196 million (2021: EUR 275 million) by means of the aforementioned 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 2022. As of year-end 2022 a negative cash flow hedge-reserve of EUR 1 million (2021: EUR 0 million) is 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	2022	2021
Carrying amount	30	21
Contractual amount	196	331
Maturity date	2023-2027	2022-2027
Hedge ratio	1:1	1:1
Changes in value of outstanding hedging instruments for the purpose of determining the hedge effectiveness	3	4
Changes in value of hedged items for the purpose of determining the hedge effectiveness	1	1
Weighted average interest	4.0%	3.4%

Commodity swaps

In 2022, FrieslandCampina has continued to partially hedge the price risk on fuel costs (diesel oil) for road transport in the Benelux region for the period 2024-2025, to which hedge accounting is applied. FrieslandCampina continued to hedge the price risk on fuel costs (bunker oil) for sea transport partially, and as of the second half of 2022 applied hedge accounting for the period mid-2023-2025. For the aforementioned hedges in accordance with IFRS 9, the documentation requirements of hedge accounting are met, and effectiveness tests are performed in advance and at reporting date, to determine whether there is an economic relationship between the derivative and the hedge instrument. For further information, reference is made to note 27.

At year-end 2022, EUR 8 million positive (2021: EUR 7 million) has been recognized in equity as cash flow hedge reserves for active hedge relationships.

The effect of the hedges entered into on FrieslandCampina's financial position is shown in the table below:

Commodity swaps	2022		2021	
	Bunker oil	Diesel oil	Bunker oil	Diesel oil
Carrying amount	-1	12		10
Contractual amount	24	20		21
Maturity date	2023-2025	2023-2025		2022-2024
Hedge ratio	1:1	1:1		1:1
Weighted average contractprice	824	475		380

Interest rate swaps

In 2022, FrieslandCampina entered into interest rate swaps to convert variable interest into fixed interest obligations, related to interest-bearing borrowings of EUR 300 million for the period 2024-2025 and EUR 200 million for the period 2025.
For these hedges, to which hedge accounting is applied, in accordance with IFRS 9 the documentation requirements of hedge accounting are met and effectiveness tests are carried out in advance and on the reporting date, to determine whether there is an economic relationship between the derivative and the hedged instrument.
At year-end 2022, EUR 7 million positive has been recognized in equity as cash flow hedge reserve for active hedge relationships.

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.

In addition, 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 (bunker oil) for the period up to mid-2023. For a further explanation, see Note 27.
The interest rate swaps are entered into to convert the variable interest-bearing borrowings of EUR 250 million (2021: EUR 250 million) into fixed interest-bearing borrowings until November 2023.

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

23. Trade and other payables

	2022	2021
Payables to member dairy farmers	627	468
Trade payables	1,915	1,676
Payables related to tax (excluding income tax) and social security contributions	70	67
Other payables	1,046	880
	3,658	**3,091**

The trade payables are non-interest bearing and generally have a payment term of 30 to 90 days. As part of other payables, contract liabilities of EUR 6 million (2021: EUR 8 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 265 million (2021: EUR 208 million) were reported, with regard to property, plant and equipment. Of this, EUR 131 million (2021: EUR 193 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 regular 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. The status is that per 31 December 2022 member dairy farmers with a total milk volume of 988 million kilograms have left under the exit scheme.

Bank guarantees

At 31 December 2022, FrieslandCampina has provided bank guarantees to third parties amounting to a total of EUR 75 million (2021: EUR 74 million). Of the provided bank guarantees, EUR 60 million relates to the legal proceeding in Thailand for which a provision is recorded. Refer to note 5.

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 2022, that are being investigated by tax authorities, at a total of EUR 13 million (2021: EUR 14 million).

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 divestment of the production location in Xiushui, part of the sales price is placed on an escrow-account. This amount may be released in 2024 to the income statement when certain conditions are met. For more information, refer to note 5.

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 FC C.V., represented by the managing partner FrieslandCampina B.V., have agreed that the latter will purchase the milk supplied by the Cooperative's members.
In 2022, this was 10 billion kilograms (2021: 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 (2021: 55 billion kilograms) of milk in total.

To finance the assets of Royal FrieslandCampina N.V. Zuivelcoöperatie FrieslandCampina U.A. has provided a perpetual subordinated loan (at arm's length), of which its nominal value is EUR 290 million. In 2022, the Cooperative has made a capital contribution to FrieslandCampina's equity in the amount of EUR 617 million, as disclosed in detail in Note 17.

The relations are specified in the table below:

	2022	2021
Interest on the Cooperative loan	9	8
Interest on member bonds	1	4
Other income	9	8
Receivables from Zuivelcoöperatie FrieslandCampina U.A.	179	102
Cooperative loan	295	295
Member bonds	65	127

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 similar to transactions with third parties. The relations are specified in the tables below:

	2022	2021
Joint ventures		
Purchase of raw materials, consumables and commodities	32	34
Sale of raw materials, consumables and commodities	2	1
Receivables from joint ventures	1	
Payables to joint ventures	1	2
Associates		
Purchase of raw materials, consumables and commodities	16	28
Sale of raw materials, consumables and commodities	117	100
Receivables from associates	16	10
Payables to associates	3	3

Member dairy farmers

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

	2022	2021
Purchase of raw materials	5,338	3,821
Interest on member bonds	28	38
Member bonds	848	1,375
Liabilities to member dairy farmers	642	482

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 the reporting period and the balance sheet positions with the members who were a Supervisory Board member as at 31 December of the reporting period:

	2022	2021
Purchase of raw materials	6	5
Member bonds	3	3

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

Pension funds

For transactions and outstanding positions with the company pension fund and the industry wide pension fund for the dairy sector ('Bedrijfstakpensioenfonds voor de Zuivel'), refer to Note 18.

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.

	2022	2021
Executive Board	6.2	4.1
Supervisory Board	1.0	1.1
Total	**7.2**	**5.2**

Executive board

The remuneration of members of the Executive Board consists of a fixed component and a variable component. The variable component consists of a short-term incentive and a long-term incentive. The short-term incentive is based on a company part and an individual part as determined by the Supervisory Board at the beginning of the year. For further explanation with regard to the fixed and variable component, reference is made to the Remuneration report (page 91).

J.M. de Bakker was Executive Board member until 1 March 2021. G.M. Fraser and R.F. van Neerbos became Executive Board member from 1 March 2021, and J.G. Janssen became Executive Board member from 1 May 2021, increasing the number of Executive Board members from two to four. In 2022, the number of Executive Board members was increased to five, after accession by D.A. Cutter from 3 October 2022.

Executive board	2022	2021
Short-term remuneration	4.4	3.2
Long-term remuneration[1]	1.2	0.5
Pension plans	0.6	0.4
	6.2	**4.1**

1 The long-term remuneration relates to the costs in relation to the performance of the reporting year across three long-term incentive plans. The long-term remuneration does not reflect that H.M.A. Schumacher will step down as CEO of FrieslandCampina as per 30 April 2023, and therefore two long-term incentive plans will forfeit in 2023. The cost accounted for the two plans that will forfeit is EUR 0.4 million.

Supervisory Board

The members of the Supervisory Board received the following remuneration:

Supervisory Board	2022	2021
Short-term remuneration	1.0	1.0
Termination benefits[1]		0.1
	1.0	**1.1**

1 This round-off amount of EUR 0.1 million concerns a cost compensation of EUR 66 thousand for settlement of costs committed by E. Wunnekink in relation to the termination of his position as Supervisory Board member and member of the board of the Cooperative.

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 for 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, including for example currency restrictions in Nigeria, the significant decline in economic growth in emerging markets and problems in the Eurozone 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.

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 financial year, 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, mainly via daily clearance. As a result no difference exists between the gross outstanding amount and the net outstanding amount at the financial institution.
At year-end 2022, EUR 3 million (2021: EUR 181 million) of the gross outstanding amount was reported on a net basis in the financial statements.

Derivative transactions 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.

Financing programmes

FrieslandCampina makes use of various financing programmes for trade receivables and account payables as part of its liquidity and credit risk management processes:

- A number of FrieslandCampina suppliers participates in financing programmes, whereby banks function as financing partners for these suppliers. When suppliers participate in these programmes, the supplier, at its own discretion and flexibility, has the option of receiving early payment from the financing partner on the basis of invoices sent to FrieslandCampina. The condition here is that FrieslandCampina must recognise and approve the receipt of goods or services, and irrevocably accept the obligation of paying the invoice to the financing partner on the due date. By participating in this financing programme, suppliers benefit from FrieslandCampina's creditworthiness, while FrieslandCampina is able to improve its payment term.
- In addition, FrieslandCampina makes use of trade receivable sales programmes, whereby the trade receivables are sold to banks before the payment term expires. The risks and rewards pertaining to these trade receivables, including credit risk, are fully transferred in this respect.

FrieslandCampina itself also makes use of financing programmes provided by its customers. Under these programmes, FrieslandCampina has the option of receiving early payments.

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 since 2020, resulting in an increased USD liability. The currency risk is partially hedged by non-deliverable forwards and is consequently hedged only for a specific term (2022: EUR 98 million, 2021: EUR 35 million). In addition currency risk is partially hedged with prepayments in local currency to obtain US Dollars in the future.

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):

					2022
	EUR/USD	EUR/CNY	NGN/USD	IDR/USD	EUR/HKD
Receivables	563	217	226	6	9
Cash and cash equivalents	193		3		2
Liabilities	476	94	327	13	34
Net statement of financial position	**280**	**123**	**–98**	**–7**	**–23**
Forward exchange contracts	167	134	–155	–35	
Net exposure 31 December	**113**	**–11**	**57**	**28**	**–23**
Sensitivity analysis					
Impact on profit before tax	6	–1	3	1	–1

					2021
	EUR/USD	EUR/CNY	NGN/USD	IDR/USD	EUR/HKD
Receivables	455	63	108	45	5
Cash and cash equivalents	73		45		9
Liabilities	483	3	325	9	63
Net statement of financial position	**45**	**60**	**–172**	**36**	**–49**
Forward exchange contracts	38	83	–35		–8
Net exposure 31 December	**7**	**–23**	**–137**	**36**	**–41**
Sensitivity analysis					
Impact on profit before tax		–1	–7	2	–2

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.
In addition, from time-to-time US Dollars are sourced in Nigeria at a higher exchange rate than the official exchange rate, because of the currency restrictions. The difference is recognised in costs of goods sold. At the end of 2022, this exchange rate is 66% higher. In addition, a liability is recorded for higher costs to exchange local currencies to USD, see note 5.

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 2022 70% (2021: 91%). The overview below shows the situation at the end of the year:

Interest on borrowings	2022		2021	
	Carrying amount excluding hedging	Carrying amount including hedging	Carrying amount excluding hedging	Carrying amount including hedging
Fixed rate	884	1,134	915	1,218
Variable rate	747	497	430	127
	1,631	**1,631**	**1,345**	**1,345**

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 2,497 million, (2021: EUR 2,274 million). Of these facilities EUR 1,250 million (2021: EUR 1,150 million) was unused at the end of 2022, 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 contractual cash flows.

					2022
	Carrying amount	**Contractual cash flows**	2023	2024 - 2027	After 2027
Non-derivative financial liabilities					
Interest-bearing borrowings	1,455	**–1,524**	–660	–775	–89
Lease liabilities	176	**–191**	–55	–106	–30
Trade and other payables	3,658	**–3,658**	–3,658		
Put option liabilities	68	**–68**	–51		–17
Contingent considerations	1	**–1**	–1		
Derivates					
Forward exchange - inflow	7	**419**	419		
Forward exchange - outflow		**–426**	–426		
Commodity swaps - outflow	1	**–2**	–1	–1	
	5,366	**–5,451**	**–4,433**	**–882**	**–136**

					2021
	Carrying amount	Contractual cash flows	2022	2023 - 2026	After 2026
Non-derivative financial liabilities					
Interest-bearing borrowings	1,140	**–1,188**	–191	–994	–3
Lease liabilities	205	**–219**	–59	–120	–40
Trade and other payables	3,091	**–3,091**	–3,091		
Put option liabilities	65	**–65**	–51		–14
Contingent considerations	4	**–4**	–4		
Derivates					
Cross currency swaps - inflow	1	**53**	53		
Cross currency swaps - outflow		**–56**	–56		
Forward exchange - inflow	4	**321**	321		
Forward exchange - outflow	–1	**–324**	–324		
Commodity swaps - outflow	1	**–1**	–1		
	4,510	**–4,574**	**–3,403**	**–1,114**	**–57**

Credit Risk

FrieslandCampina is exposed to credit risk in respect of its trade receivables, cash and cash equivalents, financial assets, and derivative 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 among others on the strengthening of cash flows. Through continuous focus on creditworthiness and payment arrears of customers 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 2.1% (2021: 2.1%) 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, FrieslandCampina, in addition to an active dividend policy and a strict banking policy with limits for each bank, also made use of financial instruments. As part of Other financial assets, prepayments to banks and distributors in Nigeria are recorded, refer to note 12. The credit rating of these counterparties generally is <BBB.

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	2022		2021	
	Cash positions	Contract volume derivatives	Cash positions	Contract volume derivatives
AA	8	127	4	29
A	325	1,846	294	1,218
BBB	11	227	13	50
< BBB	38	1	129	
No rating	39	66	67	21
	421	**2,267**	**507**	**1,318**

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 facilities, 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:

	2022	2021
Non-current interest-bearing borrowings	868	1.006
Current interest-bearing borrowings	587	134
Receivables from Zuivelcoöperatie FrieslandCampina U.A.	–179	–102
Cash and cash equivalents	–421	–507
Cash and cash equivalents not freely available	33	169
Net debt	**888**	**700**

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.

					2022
	Fair value	Expected cash flows	2023	2024 - 2027	After 2027
Cross currency swaps					
Assets	30	**33**	4	28	1
Interest Rate swaps					
Assets	10	**10**		10	
Fuel Commodity swaps					
Assets	12		2	10	
Liabilities	-1		-1	-1	

					2021
	Fair value	Expected cash flows	2022	2023 - 2026	After 2026
Cross currency swaps					
Assets	25	**25**	10	14	1
Liabilities	-4	**-3**	-3		
Commodity swaps					
Assets	10	**10**	6	4	

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.

										2022
	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 - variable rate	(12)			42		**42**				
Other financial assets	(12)			270		**270**				
Trade and other receivables	(14)			2,149		**2,149**				
Cash and cash equivalents	(15)			421		**421**				
				2,882		**2,882**				
Financial assets measured at fair value										
Hedging derivatives	(22)	52	26			**78**		78		**78**
Financial liabilities not measured at fair value										
Interest-bearing borrowings – fixed rate	(21)				884	**884**		873		**873**
Interest-bearing borrowings – variable rate	(21)				747	**747**				
Other non-current financial liabilities	(22)				3	**3**				
Trade and other payables	(23)				3,658	**3,658**				
					5,292	**5,292**				
Financial liabilities measured at fair value										
Hedging derivatives	(22)	1	7			**8**		8		**8**
Put option liabilities	(22)		68			**68**			68	**68**
Contingent considerations	(22)		1			**1**			1	**1**
		1	**76**			**77**				

	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**
										2021
Financial assets not measured at fair value										
Loans issued - fixed rate	(12)			10		**10**		10		**10**
Loans issued - variable rate	(12)			24		**24**				
Other financial assets	(12)			121		**121**				
Trade and other receivables	(14)			1,605		**1,605**				
Cash and cash equivalents	(15)			507		**507**				
				2,267		**2,267**				
Financial assets measured at fair value										
Hedging derivatives	(22)	35	9			**44**		44		**44**
Financial liabilities not measured at fair value										
Interest-bearing borrowings – fixed rate	(21)				915	**915**		955		**955**
Interest-bearing borrowings – variable rate	(21)				430	**430**				
Other non-current financial liabilities	(22)				3	**3**				
Trade and other payables	(23)				3,091	**3,091**				
					4,439	**4,439**				
Financial liabilities measured at fair value										
Hedging derivatives	(22)	4	5			**9**		9		**9**
Put option liabilities	(22)		65			**65**			65	**65**
Contingent considerations	(22)		4			**4**			4	**4**
		4	**74**			**78**				

The fair value is determined by discounting cash flows based on market interest rates. To calculate the fair value of the interest-bearing borrowings with a fixed interest rate an average weighted interest rate of 6.2% (2021: 0.5%) is used.

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 2021, a remeasurement of the put option liability was performed. This resulted in a dotation of EUR 2 million (2021: dotation of EUR 8 million). This dotation is recognised under other finance cost.

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 2022 would have been EUR 1 million lower due to the remeasurement of the put option liability.

Movements and transfers

During 2022, movements of the financial instruments classified as Level 3 were as follows:

	2022	
	Contingent considerations	Put option liabilities
Carrying amount at 1 January	4	65
Redemptions	–3	
Finance costs		1
Fair value adjustment		2
Carrying amount at 31 December	**1**	**68**

There were no transfers from or to levels 1, 2 or 3 during 2022.

	2021	
	Contingent considerations	Put option liabilities
Carrying amount at 1 January	3	54
Redemptions	–2	
Recognised following sale of businesses	3	
Finance costs		3
Fair value adjustment		8
Carrying amount at 31 December	**4**	**65**

28. Specification of external auditor's fee

			2022
	PricewaterhouseCoopers Accountants N.V.	Other PwC network	**Total PwC network**
Audit of the financial statements	1.4	1.8	3.2
Other audit engagements	1.0	0.1	1.1
	2.4	**1.9**	**4.3**

			2021
	PricewaterhouseCoopers Accountants N.V.	Other PwC network	**Total PwC network**
Audit of the financial statements	1.3	1.8	3.1
Other audit engagements	0.3	0.1	0.4
	1.6	**1.9**	**3.5**

29. Subsequent events

There were no subsequent events with a significant impact on the 2022 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 recognised in the consolidated financial statements 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 associate (accounted for according to the equity method) 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 recognised 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 and losses 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 185.

Foreign currency translation

Foreign currency transactions

Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates on the reporting date, derived from the market in which transactions are expected to be settled. 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, 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:

	2022		2021	
	At year-end	Average	At year-end	Average
US dollar	1.07	1.05	1.14	1.18
Chinese yuan	7.36	7.08	7.22	7.63
Philippine peso	59.36	57.33	57.65	58.28
Hong Kong dollar	8.35	8.25	8.86	9.19
Indonesian rupiah (1,000)	16.61	15.64	16.14	16.91
Malaysian ringgit	4.69	4.63	4.72	4.90
Nigerian naira	493.27	449.01	476.11	481.97
Pakistan roupee	242.03	214.96	200.72	192.69
Russian rouble			85.47	87.18
Singapore dollar	1.43	1.45	1.53	1.59
Thai baht	37.06	36.85	37.76	37.82
Vietnamese dong (1,000)	25.24	24.64	25.89	27.13

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 through other comprehensive income or as fair value through profit or loss.

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 profit or loss

A financial asset is classified as stated at fair value through profit or loss 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 (including lease liabilities), 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 using the interest rate implicit in the lease. When the interest rate implicit in the lease cannot be derived, the lease payments are discounted using 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. 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. 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.

Costs related to equity instruments
Costs directly attributable to the issue of equity instruments are deducted from equity, net of tax.

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 on a straight-line basis 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. Then the leased asset is depreciated over the useful life of the asset.

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.

Expenses related to cloud computing agreements, such as expenses for configuration and customization the software, are only capitalized when and insofar FrieslandCampina has control over the underlying asset or when the contract contains a lease.

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 assets

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, each year at the same date, for impairment. An impairment loss is recognised if the carrying amount of an asset or cash generating unit where the asset is part of, 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 Trading and specific parts of the business group Food & Beverage on the one hand and the other business groups on the other hand for the role which they fulfill in the milk processing.

For the purpose of impairment testing, assets that cannot be tested individually 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. 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 an 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 benefit 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 to the employee 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, often via a executed sales agreement, 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 and the amount of revenue can be measured reliably.

Discounts are recognised as a reduction of revenues, if it is probable that the discount will be granted and the discount amount can be measured reliably. When sales discounts will be granted over past performance obligations, a provision is recognised in the balance sheet. In case of a discount yet to be paid related to a future performance obligation, a contractual obligation is recognized for this discount.

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. Government grants that reimburse the costs of an asset are deducted from the carrying amount of the asset. 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 through profit or loss 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, including lease liabilities, fair value losses on financial assets at fair value through profit or loss, unwinding the discount on provisions, impairment losses recognised on financial assets, 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: Food & Beverage, Specialised Nutrition, Ingredients and Dairy Trading. 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 (0.1 %)
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 Ingredients 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%)

Germany
CMG Grundstücksverwaltungs- und Beteiligungs - GmbH, Heilbronn (89.56%)
DFE Pharma GmbH & Co. KG, Goch (50%)[3]
FKS Frischkonzept Service GmbH, Viersen
FrieslandCampina Germany GmbH, Heilbronn (94.90%)
FrieslandCampina Kievit GmbH, Lippstadt
Milchverwaltung FrieslandCampina Germany GmbH, Cologne

France
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%)

Spain
FrieslandCampina Canarias S.A., Las Palmas
FrieslandCampina Iberia S.L., Barcelona

United Kingdom
FrieslandCampina UK Ltd., Horsham

China
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, State: New Jersey
Jana Foods LLC., Iselin, State: New Jersey
Best Cheese Corporation, Purchase, State: New York

Joint ventures and associates[2]

Betagen Holding Ltd., Hong Kong, China (50%)
Coöperatieve Zuivelinvesteerders U.A., Oudenhoorn, the 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 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.
3 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.

Company statement of financial position

As at 31 December, before profit appropriation, in millions of euros

	Note	2022	2021
Assets			
Investments in subsidiaries	(2)	4,092	3,860
Loans to subsidiaries	(3)	796	906
Other financial assets	(8)	53	33
Non-current assets		**4,941**	**4,799**
Other receivables	(4)	853	440
Other financial assets	(8)	33	21
Cash and cash equivalents		4	48
Current assets		**890**	**509**
Total Assets		**5,831**	**5,308**

	Note	2022	2021
Equity			
Issued capital	(5)	370	370
Share premium	(5)	731	114
Legal cash flow hedge reserve	(5)	14	6
Legal currency translation reserve	(5)	–303	–282
Legal reserve for investments in participations	(5)	165	192
Profit for the year attributable to the shareholder	(5)	87	203
Retained earnings		1,552	1,311
Equity attributable to shareholder		**2,616**	**1,914**
Member bonds	(5)	913	1,502
Perpetual bonds	(5)	301	301
Cooperative loan	(5)	295	295
Equity attributable to other providers of capital		**1,509**	**2,098**
Equity attributable to providers of capital		**4,125**	**4,012**
Liabilities			
Interest-bearing borrowings	(6)	850	971
Deferred tax liabilities		5	1
Other financial liabilities	(8)	1	
Non-current liabilities		**856**	**972**
Interest-bearing borrowings	(6)	485	118
Trade and other payables		7	8
Current liabilities	(7)	352	193
Other financial liabilities	(8)	6	5
Current liabilities		**850**	**324**
Total liabilities		**1,706**	**1,296**
Total equity and liabilities		**5,831**	**5,308**

Company income statement

In millions of euros

	2022	2021
Share of profit of subsidiaries, net of tax	82	225
Other results, net of tax	52	37
Profit for the year	**134**	**262**

Notes to the Company 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.

Investments in subsidiaries are measured using the equity method.

A legal reserve has been formed for the retained earnings of participations 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

	2022	2021
At 1 January	3,860	3,519
Profit for the year	82	225
Other comprehensive income for the year	–8	95
Other equity movements for the year	158	21
At 31 December	**4,092**	**3,860**

Other equity movements in 2022 relate to required capital contributions prior to the disposal of the interest in FrieslandCampina HongKong Holding II B.V., which included the interest in the production location in Xiushui. For more information, refer to note 5 of the consolidated financial statements.

3. Loans to subsidiaries

	2022	2021
At 1 January	906	1,421
Reclassification to other receivables	–110	–15
Loans issued		2
Repaid loans		–502
At 31 December	**796**	**906**

Maturity schedule			2022			2021
	2024 - 2027	After 2027	Total repayment	2023 - 2026	After 2026	Total repayment
Loans to subsidiaries	795	1	**796**	905	1	**906**

The current portion of these issued loans is recognised under other receivables. The average interest rate of the loans to subsidiaries at the end of 2022 was 4.5% (2021: 1.9%).

4. Other receivables

EUR 343 million (2021: EUR 12 million) of the other receivables relates to receivable with subsidiaries resulting from sweeping of cash and cash equivalents positions within FrieslandCampina and EUR 331 million (2021: EUR 326 million) mainly relates to 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 179 million (2021: EUR 102 million) has been recognised.

5. Equity attributable to the 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 legal reserves and as such cannot be distributed. Furthermore EUR 165 million (2021: EUR 192 million) has been classified as a legal reserve for investments in participations. This legal reserve concerns, among other items, the implementation costs of the ICT standardisation programme and undistributed profits of participating interests over which distribution cannot be enforced by FrieslandCampina.

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:

	Year of maturity	% Nominal interest rate	2022 Carrying amount	2022	2021 Carrying amount	2021
European Investment Bank (fixed interest)	2022-2026	0.8	135		139	
European Investment Bank (variable interest)	2026-2029	2.4	150			
International Finance Corporation (variable interest)	2022-2026	5.9	44		53	
TLTRO borrowings (variable interest)	2023-2024	1.9	325		325	
Borrowings from credit institutions				**654**		**517**
Private Placement (fixed interest)	2022				70	
Private Placement (fixed interest)	2024	4.2	136		129	
Private Placement (fixed interest)	2022-2027	4.0	96		108	
Borrowings from institutional investors				**232**		**307**
Green bonds (fixed interest)	2023-2026	1.5	252		252	
Borrowings from holders of green bonds				**252**		**252**
Euro commercial paper (variable interest)	2023	2.1	175			
Uncommitted facilities				**175**		
Borrowings from member dairy farmers (variable interest)	2022-2023	0.6	15		14	
Bank overdrafts (variable interest)	2023	2.3	8			
Capitalised issue costs	2022-2027		–1		–1	
Other				**22**		**13**
Interest-bearing borrowings				**1,335**		**1,089**
Recognised under non-current interest-bearing borrowings				850		971
Recognised under current interest-bearing borrowings				485		118

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 345 million (2021: EUR 193 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

Other financial assets	2022	2021
Cross currency swaps	30	25
Interest rate swaps	18	
Commodity swaps	18	17
Forward exchange contracts	5	2
Loans issued	14	10
Interest receivable	1	
	86	**54**

Other financial liabilities	2022	2021
Cross currency swaps		4
Commodity swaps	2	
Forward exchange contracts	5	1
	7	**5**

The cross currency swaps and interest rate swaps are equal to the consolidated financial statements (see Note 22 of the consolidated financial statements). In the consolidated financial statements more commodity swaps are recognized in other financial assets than in the Company financial statements as a result of derivatives arranged by subsidiaries. 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 657 million (2021: EUR 664 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 obligations. The fair value of most of the financial instruments recognised in the statement of financial position is virtually the same as the carrying amount.

	2022		2021	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets not measured at fair value				
Loans to subsidiaries	796	796	906	906
Loans issued	14	14	10	10
Other receivables	853	853	440	440
Other financial assets (excluding hedging derivatives)	1	1		
Cash and cash equivalents	4	4	48	48
	1,668	**1,668**	**1,404**	**1,404**
Financial assets measured at fair value				
Hedging derivatives	71	71	44	44
	71	**71**	**44**	**44**
Financial liabilities not measured at fair value				
Interest-bearing borrowings – fixed rate	619	608	697	737
Interest-bearing borrowings – variable rate	716	716	392	392
Current liabilities to subsidiaries	352	352	193	193
Trade and other payables	7	7	8	8
	1,694	**1,683**	**1,290**	**1,330**
Financial liabilities measured at fair value				
Hedging derivatives	7	7	5	5
	7	**7**	**5**	**5**

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 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 allocate the following amounts of the EUR 134 million profit: EUR 9 million as interest on the Cooperative's loan, EUR 29 million as interest payment to holders of member bonds and EUR 9 million as interest payment for holders of perpetual bonds. An amount of EUR 87 million is attributable to the shareholder and will be proposed to be added to retained earnings.

Amersfoort, the Netherlands, 17 February 2023

Executive Board
Royal FrieslandCampina N.V.

H.M.A. Schumacher, CEO
J.G. Janssen, CFO
D.A. Cutter
G.M. Fraser
R.F. van Neerbos

Supervisory Board
Royal FrieslandCampina N.V.

S.S.U. Attema, Chairman
J.B.P. Coopmans, Vice-Chairman
N. den Besten
H.T.J. Hettinga
E. Jellema
A.G.Z. Kemna
H.W.J. Schipper
H. Stöcker
M. Vaesen

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 2022

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 2022 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 2022 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 2022 of Royal FrieslandCampina N.V., Amersfoort. The financial statements comprise 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 2022;
- the following statements for 2022: the consolidated income statement, the consolidated statements of comprehensive income, changes in equity and cash flows; and
- the notes, comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:

- the company balance sheet as at 31 December 2022;
- the company profit and loss account for the year then ended; and
- the notes, comprising a summary of 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 assuranceopdrachten' (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).

Our audit approach

We designed our audit procedures with respect to the key audit matters, fraud and going concern, and the matters resulting from that, in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The information in support of our opinion, such as our findings and observations related to individual key audit matters, the audit approach fraud risk, and the audit approach going concern was addressed in this context. We do not provide a separate opinion or conclusion on these matters.

Overview and context

Royal FrieslandCampina N.V. is a dairy company that is owned by the member dairy farmers through Zuivelcoöperatie FireslandCampina U.A. These member dairy farmers supply milk. Through representation in the supervisory board, they are also supervisors of Royal FrieslandCampina N.V. and also as directors of the cooperation representative as shareholders. 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 Group is comprised of several components. We therefore considered our group audit scope and approach as set out in the section ‘The scope of our group audit’.

The financial year 2022 was characterised by higher commodity dairy prices and price increases that resulted in a higher result compared to 2021. The result was negatively impacted by the one-time charges related to the restructuring of and changes to the production network and the negative impact of the liability for the costs of the exchange of the Nigerian currency (Naira) to USD.

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’, which is part of paragraph ‘basis of preparation’ of the financial statements, the executive board describes the key areas of judgement and assumptions. Given the significant estimation uncertainty and the related higher inherent risk associated with the impact of the restructurings, the valuation of goodwill and the recoverability of deferred tax positions, we have identified these as key audit matters as set out in the section ‘Key audit matters’.

We ensured that the audit teams at both group and component level included the appropriate skills and competences that are needed for the audit of a dairy company that operates internationally.
We therefore included experts and specialists in the areas of, amongst others, IT systems, valuation of goodwill, (international) tax positions, financial instruments, and pensions in our team.

Impact of climate change

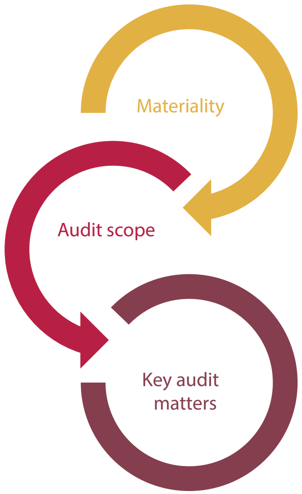
FrieslandCampina has committed itself to net climate targets for 2050 and 2030, as explained in the section ‘On the way to climate-neutral dairy’ in the annual report. The company submitted concrete targets for the ‘well below 2 degrees’ scenario to the Science Based Target initiative (SBTi). The company commits to the ‘well below 1.5 degree’ scenario for scope 1 and 2 emissions. In 2022, SBTi has confirmed that FrieslandCampina’s 2030 climate targets for scope 1 and 2 emissions is in line with the goal of a global warming maximum of 1.5 degrees Celsius as agreed upon in the Paris Climate Accords. For scope 3 emissions, FrieslandCampina has also promised to reduce their absolute emission with 37.5 per cent by 2030 compared with the base year of 2015. The long-term impact of committing to these targets by the company as well as the required investments, the current costs, and the future cash flows are currently being further elaborated.

In the risk section of the report, FrieslandCampina has elaborated on the uncertainties arising from climate change as well as the actions already taken and still to be taken. In the explanation of the materiality matrix, FrieslandCampina also discusses actions that have already been taken and analyses that have yet to be performed to determine the financial impact of the different subjects from the materiality analysis on the company. A key uncertainty relates to the future size of the milk supply as a result of drought and the possible reduction of livestock in the Netherlands in order to reduce carbon emissions.

The executive board has taken into account the potential impact of climate change when determining the assumptions and estimates in the financial statements as far as that is currently possible and elaborated on this in the section 'climate change' in the report.

Together with our climate specialists, we have held discussions with management of FrieslandCampina about the impact of climate change and the climate targets on the company. In our audit, we did not identify climate change as a separate key audit matter but included it in the key audit matters already identified. During our audit, we have considered the potential impact of the net climate targets committed to on the financial position, including the underlying assumptions and estimates, for example regarding the future cash flows in the goodwill impairment model and the related disclosures in the financial statements.

The outline of our audit approach was as follows:



Materiality
- Overall materiality: €55 million.

Audit scope
- We conducted audit work in seventeen components in fourteen locations.
- We visited the shared-service centre in Hungary and a group component in Germany and we held virtual meetings with management in Indonesia, Hong Kong, Nigeria and Malaysia. Furthermore, we also held videoconferences with the accountants of the group components that were part of the group audit.
- Audit coverage: 83% of the consolidated revenue, 84% of the consolidated total assets and 85% of the consolidated profit before tax

Key audit matters
- Impact of restructurings
- Valuation of goodwill
- Valuation of tax position

Materiality

The scope of our audit was 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	€55 million (2021: €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 paid to the members for supplying milk. On the basis of professional judgment and the common information needs of the users, we have maximised the materiality at €55 million.
Rationale for benchmark applied	We used the compensation for supplying milk as the primary benchmark, based on our analysis of the common information needs of the users of the financial statements, in particular the member dairy farmers. The compensation for milk supplies is an important metric for the financial performance of the company.
Component materiality	Based on our judgement, we allocate materiality to each component in our audit scope that is less than our overall group materiality. The range of materiality allocated across components was between €3 million and €44 million.

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 any misstatement identified during our audit above €1 million (2021: €1 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

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 this group are split into four business groups:
Food & Beverage, Specialised Nutrition, Ingredients, and Trading. The execution and management of the group audit is executed along the lines of these 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 accounting processes and 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 specifically considered the following key elements of the internal control of the Group:

- *Internal Control Framework:* During the coordination of our group audit, we instructed the component teams to make use of the Internal Control Framework and to report to us their observations regarding the design and effectiveness thereof whenever relevant for the audit. 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 implemented 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 two shared-service centers worldwide. The shared-service centers in Malaysia and Hungary are audited by local audit teams who report the results of their work for the Dutch operations to us and to the various local 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 we have used their results for our risk assessment where relevant.

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. Apart from the significant component, we subjected fifteen 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 seventeen components in fourteen countries.

In total, we have achieved the following coverage on the financial line items in performing these procedures:

Revenue	83%
Total assets	84%
Profit before tax	85%

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 on a group level 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 it 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.

For the audit of 2022, we visited the shared-service center in Hungary as well as a group component in Germany. In addition, we have held video conferences with the accountants of group components that were part of the group audit. We have also attended video conferences with local management in Indonesia, Hong Kong, Nigeria, and Malaysia. Based on our experience with the component audit teams from previous years, the 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.

Audit approach fraud risks
We identified and assessed the risks of material misstatements of the financial statements due to fraud. During our audit, we obtained an understanding of Royal FrieslandCampina N.V. and its environment and the components of the internal control system. This included the executive board’s risk assessment process, the executive board’s process for responding to the risks of fraud, and monitoring the internal control system and how the supervisory board exercised oversight, as well as the outcomes. Please refer to section ‘Fraude & Compliance’ of the report by the Executive Board for the Executive Boards fraud risk assessment and section ‘Report by the Supervisory Board’ in which the supervisory board reflects on this fraud risk assessment.

We evaluated the design and relevant aspects of the internal control system with respect to the risks of material misstatements due to fraud and in particular the fraud risk assessment, as well as the code of conduct (Compass), whistleblower procedures (Speak-Up Procedure), incident registration (Case Management System), and investigation protocols. We also evaluated the follow-up that management performed of de incidents registered.

We asked members of the executive board, executive leadership team, internal audit department, compliance department, and the supervisory board whether they are aware of any actual or suspected fraud. This did not result in signals of actual or suspected fraud that may lead to a material misstatement.

As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets, and bribery and corruption. We evaluated whether these factors indicate that a risk of material misstatement due to fraud is present.
We identified the following fraud risks and performed the following specific procedures:

Identified fraud risks	Our audit work and observations
The risk of management override of internal control Management has a unique position to commit fraud, because it is able to manipulate administrative documentation and formulate fraudulent financial overviews by overriding internal control that seems to work effectively in other situations. It is for this reason we pay extra attention to the risk of management override of internal control with regard to – journal entries and other adjustments that were made when formulating the annual accounts; – estimates; – significant transactions made outside of usual business practice. We paid special attention to the cut-off of expenses and possible unusual transactions. We also paid special attention to the assessment of possible impairments of intangible fixed assets and the deferred tax positions. The fact that the estimates of these items are generally inherently subject to uncertainty, could lead to an opportunity for management not recognising a possible impairment.	Where relevant to our audit, we evaluated the design of the internal controls that are intended to mitigate the risk of management override of controls and assessed the effectiveness of the measures in the processes of generating and processing journal entries and making estimates. We also paid special attention to the access safeguards in the IT-system and the possibility that these may lead to breaches of the segregation of duties. We did not find any significant deficiencies in the internal control. We have performed an audit that is a mix of substantive testing procedures and internal controls testing. We have selected journal entries based on risk criteria and conducted specific audit activities for these entries. These activities consist of, among other things, the inspection of information from source documents. We have paid special attention to consolidation entries and elimination entries. We mainly focused on testing the entries that impact the revenue and the result of the financial year. We did not find any significant transactions made outside of usual business practice. Additionally, we performed specific procedures in relation to important estimates made by management, including the analysis and prognoses from management of the valuation of intangible assets and the impact of the restructurings. We also refer to the key audit matters for our work performed regarding these points. We paid particular attention to the inherent risk of management bias relating to estimates. Our audit procedures did not lead to specific indications of fraud or suspicions of fraud with respect to management override of internal controls.

Identified fraud risks	Our audit work and observations
The risk of fraudulent financial reporting due to overstating the revenue As part of our risk assessment and assuming that risks of fraud exist for revenue recognition, we have evaluated which kinds of revenue could lead to a risk of material misstatements as a result of fraud. The member dairy farmers have assigned a clear task to the executive board to achieve the financial targets, including a revenue growth target. The targets are also linked to a result-related bonus for management. As a result, there is a risk of pressure being put on the executive board to achieve the growth target for the financial year 2022 and there is a risk of a deliberate increase in revenue in the financial year.	Where relevant to our audit, we assessed the design and effectiveness of the internal control measures related to revenue reporting and in the processes for generating and processing journal entries related to the revenue. We concluded that we, in the context of our audit, could rely on the internal control procedures relevant to this risk. Using data analysis, we identified potential notable revenue entries in the financial year and performed substantive audit procedures on these entries by determining whether these entries are based on deliveries that actually took place in the financial year. In addition, we performed substantive audit procedures related to the accuracy of the revenue entries in the financial year. We performed substantive procedures on outstanding receivables at year-end, whereby we asked debtors to confirm the balance. At year-end we performed specific procedures on revenue bookings in order to identify possible shifts in revenue of delivered products from the next financial year to the revenue recognition of the current financial year. Finally, we examined whether credit notes were posted in the next financial year that could be an indication of incorrect or incorrectly booked revenue in the current financial year. Our audit procedures did not identify any material misstatements in the information provided by management in the financial statements and the board report compared to the financial statements. Our audit procedures did not lead to specific indications of fraud or suspicions of fraud with respect to the accuracy of the revenue reporting.

We incorporated an element of unpredictability in our audit. We reviewed lawyer’s letters and correspondence with regulators. During the audit, we remained alert to indications of fraud. We also considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or non-compliance of laws and regulations. Whenever we identify any indications of fraud, we re-evaluate our fraud risk assessment and its impact on our audit procedures.

Audit approach going concern

The executive board prepared the financial statements on the assumption that the entity is a going concern and that it will continue all its operations for at least twelve months from the date of preparation of the financial statements. Our procedures to evaluate the executive board’s going-concern assessment included, amongst others:

- considering whether the executive board’s going-concern assessment includes all relevant information of which we are aware as a result of our audit and inquiring with the executive board regarding the executive board’s most important assumptions underlying its going-concern assessment;
- considering whether the executive board identified events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern (hereafter: going-concern risks);
- evaluating the executive board’s current budget including cash flows for at least twelve months from the date of preparation of the financial statements taken into account current developments in the industry such as and all relevant information of which we are aware as a result of our audit;
- analysing whether the current and the required financing has been secured to enable the continuation of the entirety of the entity’s operations, including compliance with relevant covenants;
- performing inquiries of the executive board as to its knowledge of going-concern risks beyond the period of the executive board’s assessment.

Our procedures did not result in outcomes contrary to the executive board’s assumptions and judgments used in the application of the going-concern assumption.

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 2022, we have added the impact of the restructurings as a key audit matter. In this section, we describe the key audit matters and include a summary of the audit procedures we performed on those matters.

Key audit matter	Our audit work and observations
Impact of restructurings	
Refer to note 5, 8, and 20 of the financial statements FrieslandCampina has announced a number of restructurings during 2022. As a result of this, a restructuring provision has been recognised and assets have (partly) been written off. The most significant restructuring concerns the closure of the locations Rotterdam and Den Bosch, the closure of powder towers in Leeuwarden and Bedum, and the intended sale of its German consumer brands and activities. We have identified this as a key audit matter, because important estimates from management form the basis of the restructuring provision and the valuation of assets. **Restructuring provision** The restructurings resulted to €47 million of reorganisation costs in 2022. The restructuring provision results in future outgoing cash flows. The most likely outcomes have been recorded. These have been determined using social plans and source data. Management has taken into account certain assumptions such as the number of employees, expected relocations, natural wastage, and the moment of the outgoing cash flows. The calculations of the restructuring provisions are based on the available employee data (such as employment history and salary).	As group audit team, we have discussed the restructuring programmes with management and taken notice of the plans and prognoses. We have analysed these. **Restructuring provisions** We have tested the calculations relating to the most significant restructuring provisions management has recognised. Our work consisted of determining whether the recognised restructuring provisions met the criteria for recognition of IFRS (IAS 37) using the underlying social plans, the announcements, and the internal communication that has created a justified expectation about the restructuring. Additionally, our work also consisted of checking the accuracy and completeness of the calculations and connecting and checking the underlying data (employment history and salary, among other things). We have tested the assumptions (such as the number of employees, relocation factors, natural wastage, and the timing of outgoing cash flows) for these provisions using the restructuring plans and our knowledge of the organisation and its activities. Furthermore, we have determined that the necessary disclosures relating to these provisions and transactions have been sufficiently incorporated in the financial statements of 2022.

Key audit matter	Our audit work and observations
Impairment of assets In relation to fixed assets, management will judge whether there are circumstances (triggers) that could give cause to carry out an impairment test. The restructurings led to such impairment test and, eventually, to €106 million worth of impairment costs of fixed assets. Management has calculated the recoverable amount for the impairment test. For an asset, the recoverable amount is the greater of its value in use and its fair value less costs of disposal. The value in use is determined on the basis of the budget and the long-term plans, taking into account the residual useful life. The fair value is determined on the basis of the assumed proceeds when sold less cost of disposal.	**Impairment of assets** We have obtained the calculations of the recoverable amount of the impairment test and we have tested the assumptions (e.g. the determined fair value less cost costs of disposal or remaining value in use based on the budget and the multi-year plans) with the plans of management. Additionally, we have tested the recoverable amount using the available taxation reports and/or management’s underlying budgets, plans, and reports. Regarding the carrying value of the assets, we have reconciled these to the asset registers. We have also gone through the minutes of the meetings of the executive board, the audit & risk committee, and the supervisory board and asked management about the existence of other possible triggers that could lead to the execution of an impairment test. Our procedures have not led to any significant findings.

Key audit matter	Our audit work and observations
Impact of restructurings	
Refer to note 9 of the financial statements The group recorded €1,057 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 business group Trading 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.	We have tested the valuation methodology, the assumptions applied in the goodwill impairment model and 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 2023 and the long-term plans until 2025). The increase of the pre-tax discount rate, which is based on data that can be perceived within the market, leads to a decrease of headroom. The decrease of headroom compared to the previous period has been partly compensated by an increased long-term growth rate. The headroom for business group Ingredients is the most sensitive to changes and presumptions, as included in note 9 of the financial statements. We have evaluated the outcome of management's estimates in prior years by comparing actual results with forecasts for prior years to test whether, in retrospect, the assumptions were balanced. In addition, we have tested the process underlying the preparation of these budgets and forecasts. In our audit procedures, we have compared actual results in 2022 with the projections in impairment analysis from last year. We also inquired management about the assumptions regarding climate change as explained in the section 'climate change' and the way in which these assumptions have been taken into consideration by management in the testing of the valuation of goodwill and the sensitivity analyses.

Key audit matter	Our audit work and observations
	We have tested management’s budget and forecasts by comparing them to historical results, external information, and market outlooks. 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 identify any material findings based on the audit work performed and the audit evidence obtained. 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
Impact of restructurings	
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 estimates. Important data for determining the deferred tax positions are the local tax percentages and settlement periods. The assumptions of the budgets used are also important for the recognised tax positions. Deferred tax assets are capitalised for unused tax losses and deductible temporary differences to the extent that it is probable that future taxable profits will be available for which the losses can be utilised. FrieslandCampina also has unrecognised tax losses for which no asset is recognised in the financial statements. Given that the tax positions are material and inherently uncertain, a significant risk of inaccurate internal transfer prices and inaccurate valuation of tax positions exists. Thus, we consider this a key audit matter for our audit.	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. Regarding the valuation, we test assumptions underlying the valuation of deferred tax assets by reconciling the underlying budgets and forecasts to substantiate the valuation of deferred tax assets. We did not identify any material findings based on the audit work performed and the audit evidence obtained. In addition, we checked whether the disclosures about the recognised tax positions and the recoverability of the deferred tax assets contain the required information. We did not find any material findings in this regard.

Report on the other information included in the annual report

The annual report contains other information. This includes all information in the annual report in addition to the financial statements and our auditor's report thereon.

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; and
- contains all the information regarding the directors' report and the other 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 the 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 procedures 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

We were appointed as auditors of Royal FrieslandCampina N.V. on 30 April 2015 by the supervisory board. This followed the passing of a resolution by the shareholders at the annual general meeting. Our appointment has been renewed annually by shareholders and now represents a total period of uninterrupted engagement of seven 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 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 in the financial statements any event and circumstances that may cast significant doubt on the Company's ability to continue as a going concern.

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 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, 17 February 2023

PricewaterhouseCoopers Accountants N.V.

Original Dutch version signed by B.A.A. Verhoeven RA

Appendix to our auditor’s report on the financial statements 2022 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.

We provide the supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related actions taken to eliminate threats or safeguards applied.
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.

Limited assurance report of the independent auditor

To: The general meeting and the supervisory board of Royal FrieslandCampina N.V.

Assurance report on the non-financial information 2022

Our conclusion

Based on our review, nothing has come to our attention that causes us to believe that the non-financial information included in the annual report 2022 of Royal FrieslandCampina N.V. (hereafter: FrieslandCampina) does not present, in all material respects, a reliable and adequate view of:

- the policy and business operations with regard to sustainability; and
- the thereto related events and achievements for the year ended 31 December 2022 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' of our report.

What we have reviewed

We have reviewed the non-financial information included in the following sections of the annual report for 2022 (hereafter: the non-financial information):

- 'This is FrieslandCampina', excluding the sections 'Brands', 'Top 10 consumer brands and top 5 ingredients' and 'FrieslandCampina worldwide';
- 'Report of the Executive Board', excluding the sections 'Outlook for 2023', 'Risk management', 'Management statement & statement of executive responsibility';
- appendix 'HR Data'.

A review is aimed at obtaining a limited level of assurance.

The basis for our conclusion

We conducted our review in accordance with Dutch law, including Dutch Standard 3810N 'Assuranceopdrachten inzake maatschappelijke verslagen' (assurance engagements relating to sustainability reports), which is a specific 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'. Our responsibilities under this standard are further described in the section 'Our responsibilities for the review of the non-financial information' of our 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). Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA – Code of ethics for professional accountants, a regulation with respect to rules of professional conduct).

PwC applies the 'Nadere voorschriften kwaliteitssystemen' (NVKS – Regulations for quality systems) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and other relevant legal and regulatory requirements.

Reporting criteria

The reporting criteria used for the preparation of the non-financial information are the Sustainability Reporting Standards of the Global Reporting Initiative (GRI) and the applied supplemental reporting criteria, as disclosed in the appendices 'Glossary' and 'Explanatory notes' 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.

Consequently, the non-financial information needs to be read and understood together with the reporting criteria used.

Limitations to the scope of our review

The non-financial information includes prospective information such as expectations on ambitions, strategy, plans and estimates and risk assessments. Inherent to this prospective information, the actual future results are uncertain, and are likely to differ from these expectations. These differences may be material. We do not provide any assurance on the assumptions and achievability of prospective information.

In the non-financial information references are made to external sources or websites. The information on these external sources or websites is not part of the non-financial information reviewed by us. We therefore do not provide assurance on this information.

Our conclusion is not modified in respect to these matters.

Responsibilities for the non-financial information and the review thereon

Responsibilities of the executive board and the supervisory board for the non-financial information

The executive board of FrieslandCampina is responsible for the preparation of reliable and adequate non-financial information in accordance with the reporting criteria as included in the section 'Reporting criteria', including selecting the reporting criteria, the identification of stakeholders, and determining the material matters. The executive board is also responsible for selecting and applying the reporting criteria and for determining that these reporting criteria are suitable for the legitimate information needs of stakeholders, taking into account applicable law and regulations related to reporting. The choices made by the executive board regarding the scope of the non-financial information and the reporting policy are summarised in the appendices 'Glossary' and 'Explanatory notes' of the annual report.

Furthermore, the executive board is responsible for such internal control as the executive board determines is necessary to enable the preparation of the non-financial information that is free from material misstatement, whether due to fraud or error.

The supervisory board is responsible for overseeing the company's reporting process on the non-financial information.

Our responsibilities for the review of the non-financial 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.

Our objectives are to obtain a limited level of assurance to determine the plausibility of the non-financial information. The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially less than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Procedures performed

We have exercised professional judgement and have maintained professional scepticism throughout the review, in accordance with Dutch Standard 3810N, ethical requirements and independence requirements. Our procedures included, amongst other things, the following:

- Performing an analysis of the external environment and obtaining an understanding of relevant sustainability 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 non-financial information. This includes the evaluation of the results of the stakeholders' dialogue and the reasonableness of estimates made by the executive board.
- Through inquiries, obtaining a general understanding of the control environment, processes and information relevant to the preparation of the non-financial information, but not for the purpose of obtaining assurance evidence about their implementation or testing their operating effectiveness.
- Identifying areas of the non-financial information with a higher risk of misleading or unbalanced information or material misstatement, whether due to fraud or error. Designing and performing further assurance procedures aimed at determining the plausibility of the non-financial information responsive to this risk analysis. Those other procedures consisted amongst others of:
    - Interviewing management (and/or relevant staff) at corporate (and 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 non-financial information.
    - Obtaining assurance evidence that the non-financial information reconciles to 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 to the financial statements.
- Evaluating the consistency of the non-financial information with the information in the annual report, which is not included in the scope of our review.
- Evaluating the overall presentation, structure and content of the non-financial information.
- Considering whether the non-financial information as a whole, including the disclosures, reflects the purpose of the reporting criteria used.

We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the review and significant findings that we identify during our review.

Amsterdam, 17 February 2023

PricewaterhouseCoopers Accountants N.V.

Original Dutch version signed by B.A.A. Verhoeven RA

Overviews

Financial history

In millions of euros, unless stated otherwise

	2022	2021	2020	2019[5]	2018
Key figures					
Income statement					
Revenue	14,076	11,501	11,140	11,297	11,553
Operating profit	471	355	268	432	342
Profit for the year	292	172	79	278	203
Milkprice[1]					
Guaranteed price[2]	55.21	37.84	34.46	35.66	36.05
Supplementary cash payment[3]	0.90	0.14		1.07	0.46
Issue of member bonds[4]				0.31	0.13
Meadow milk premium	0.66	0.66	0.66	0.65	0.63
Company contribution to Foqus Planet	0.25	0.25	0.24		
Special supplements	0.33	0.34	0.36	0.26	0.16
Milk price	57.35	39.23	35.72	37.95	37.43
Financial position					
Balance sheet total	10,037	9,056	8,716	9,049	8,823
Equity attributable to shareholder	2,616	1,914	1,573	1,463	1,304
Equity attributable to providers of capital	3,841	3,635	3,517	3,450	3,260
Net debt (excluding lease liabilities)	888	700	876	1,067	1,287
Cash flows					
Net cash flows from operating activities	293	594	737	567	619
Net cash flows used in investing activities	-570	–302	–443	–185	–490
Depreciation of plant and equipment and amortisation of intangible assets	448	465	456	441	362
Additional information					
Equity as a % of total assets	38.3	40.1	40.4	38.1	36.9
Employees (average number of FTEs)	21,715	22,961	23,877	23,816	23,769
Milk supplied by members (in millions of kg)	9,502	9,745	10,064	10,020	10,375

1 In Euros per 100 kgs of milk.
2 Excluding VAT for 2020, 2021 and 2022 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 Proposed payment from the profit for the year attributable to the shareholder. 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 Due to changes in the milk price regulations, effective from the 2021 financial year member bonds will no longer be issued as part of the compensation for member milk.
5 IFRS16 – Leases has been applied effective from 2019, as a result of which the balance sheet total, among others, has increased.

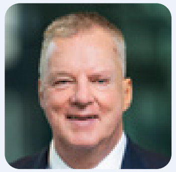
Milk price overview

In euros per 100 kilos of milk

	2022	2021
Fat price	19.58	13.42
Protein price	31.62	21.67
Lactose price	4.01	2.75
Guaranteed price[1]	**55.21**	**37.84**
Supplementary cash payment2	0.90	0.14
Meadow milk[3]	0.66	0.66
Company contribution to Foqus planet[4]	0.25	0.25
Special supplements[5]	0.33	0.34
Milk price	**57.35**	**39.23**
Interest member bonds	0.31	0.44
Retained earnings[6]	1.03	0.21
Performance price	**58.69**	**39.88**

1 Excluding VAT at at 3.57% protein, 4.42% fat and 4.53% lactose.
2 Proposed payment from the profit for the year attributable to the shareholder.
3 Member dairy farmers applying pasture grazing receive a EUR 1.50 meadow milk premium per 100 kilos of milk for 2022. An amount of EUR 1.00 per 100 kilos of meadow milk is paid from the operating profit. On average, on all FrieslandCampina member milk, this amounts to EUR 0.66 per 100 kilos of milk.
4 Member dairy farmers will receive a Foqus planet contribution of EUR 24 million for 2022 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 0.25 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 0.33 per 100 kilos of milk.
6 Inclusive of equity from non-controlling interests that is directly attributable to the shareholder.

Supervisory Board



Sybren (S.S.U.) Attema
(1960)

Position Chairman of the Supervisory Board of Royal FrieslandCampina N.V., Chair of the Board of Zuivelcoöperatie FrieslandCampina U.A.
Nationality Dutch
Other positions Advisory Council Anders Invest – Food and Agri Fund

Elze (E.) Jellema
(1979)

Position Member of the Supervisory Board of Royal FrieslandCampina N.V., Vice-Chairwoman of the Board of Zuivelcoöperatie FrieslandCampina U.A.
Nationality Dutch
Profession Dairy farmer
Other positions None

Nils (N.) den Besten
(1982)

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 Chairman of the Supervisory Board of AB Midden-Nederland

Baptiest (J.B.P.) Coopmans
(1965)

Position Vice-chairman of the Supervisory Board of Royal FrieslandCampina N.V.
Nationality Dutch
Profession SVP bij LibertyGlobal
Other positions Member of the Supervisory Board of VodafoneZiggo, member of the Supervisory Board of TNO, member of the Supervisory Board of De Burg Group

Hans (H.T.J.) Hettinga
(1959)

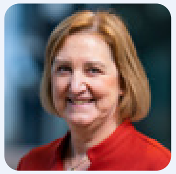
Position Member of the Supervisory Board of Royal FrieslandCampina N.V., Member of the Board of Zuivelcoöperatie FrieslandCampina U.A.
Nationality Dutch
Profession Dairy farmer
Other positions CDA Chair Súdwest-Fryslân Municipal Council

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-Chairwoman of the Supervisory Board of NIBC N.V., Chairwoman of265 Advisory Council Ownership Capital B.V., Non-Executive Director at Naspers Ltd/Prosus N.V.

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, Global Self Care Federation



Marleen (M.) Vaesen
(1959)

Position Member of the Supervisory Board of Royal FrieslandCampina N.V.
Nationality Belgian
Profession Company Executive Director
Other positions Executive Director at Kinepolis, Executive Director at De Eik, Executive Director at MRBB, Executive Director at Arvesta, Executive Director at Van de Velde

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 Milchverwertungs-gesellschaft NRW, member of Landschaftsbeirat Oberbergischer Kreis, member of the Supervisory Board of Raiffeisen Warengenossenschaft Rheinland eG, Chairman of the 'Milch und Kultur Rheinland und Westfalen' association

Audit and Risk Committee

Angelien Kemna, Chair
Baptiest Coopmans
Elze Jellema
Nils den Besten
Sandra Berendsen, Advisor

Remuneration, Nomination and Governance Committee

Baptiest Coopmans, Chair
Sybren Attema
Heiko Schipper
Hans Hettinga

Sustainability Committee

Nils den Besten, Chair
Sybren Attema
Marleen Vaesen

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, Communication and Public Affairs, Corporate Legal and Business & Company Secretariat, Corporate Research and Development, Corporate Mergers and Acquisitions, Corporate Strategy and Transformation
Other Positions Chair of the Dutch Dairy Association (NZO), Chair Global Dairy Platform (GDP), Member of the Supervisory Board of the Royal Music Hall NV, Member of the Supervisory Board of Unilever PLC, Member of the Board of AgriNL

Hans (J.G.) Janssen
(1967)

Position Chief Financial Officer
Appointment 1 May 2021
Nationality Dutch
Responsible for
Corporate Finance and Reporting, Corporate Tax, Corporate Treasury, Corporate Internal Audit, Global Finance Processes and Shared Services, Enterprise Risk Management, Corporate Real Estate and Corporate Internal Control, Corporate IT, Summit, ERP and PTO
Other Positions Member of the Supervisory Board of the TIAS School for Business and Society

David (D.A.) Cutter
(1968)

Position Chief Supply Chain Officer
Appointment 3 October 2022
Nationality Australian
Responsible for
Corporate Supply Chain
Other Positions None

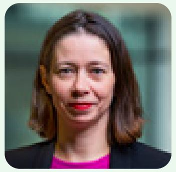
Roel (R.F.) van Neerbos
(1959)

Position President, Food & Beverage
Appointment 1 March 2021
Nationality Dutch
Responsible for
Food & Beverage Business Group
Other Positions Chair of the Supervisory Board of Spadel

Geraldine (G.M.) Fraser
(1966)

Position Chief People Officer
Appointment 1 March 2021
Nationality New Zealander
Responsible for
Corporate Human Resources
Other Positions None

Other ELT Members

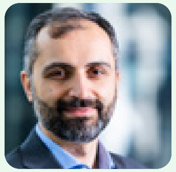


Mireille Einwachter
Senior Vice-President,
FrieslandCampina Trading

Herman Ermens
President, FrieslandCampina
Ingredients

Harvey Uong
President, FrieslandCampina
Specialised Nutrition

Roger Loo
Vice-President,
FrieslandCampina Professional



Kemal Cetin
Chief Information Officer

Berndt Kodden
Chief Sustainability Officer

Simone Boitelle
Global Director,
Corporate Affairs

Margrethe Jonkman
Global Director,
Research & Development

Edward Holtzer
Global Head,
Mergers & Acquisitions

Appendices

Key risks, trends and mitigations

FrieslandCampina is active in a significant number of countries and product-market combinations. As a consequence, the Company is exposed to risks and trends of a varying nature, such as: strategic, operational, financial and compliance risks. Using a more detailed risk taxonomy, the Executive Board, facilitated by our Enterprise Risk Management team, identifies and monitors risks that are ranked on the basis of probability of occurrence and/or impact; risk responses are formulated based on the risk appetite in which the Company distinguishes three categories: ‘none’, ‘low to none’ and ‘moderate’.

The following is a high-level overview per risk category, including key risks with their generic description, the 2022 developments & 2023 outlook, as well as the mitigating measures. Note that these risks are also related to the stakeholder materiality matrix as included in appendix on page 258.

Strategic

These risks might impair the achievement of our strategic objectives; in general the Company is prepared to accept a 'moderate' risk level, as long as the long-term (strategic) goals are not jeopardised as a result.

ESG

Generic Risk Description: Risk that the vision and programme for major Environmental, Social and Governance (ESG) related initiatives, might not sufficiently support the successful achievement of the Company's long-term sustainability objectives.

Failure to achieve, comply with or report on ESG objectives, regulations or agreements, could expose the Company to a loss of reputation and/or result in financial losses.

Development 2022 & outlook 2023	Mitigations
During 2022, the strategic importance of ESG, including sustainability and human-rights topics, increased even further vs last year with the rapidly changing regulatory landscape and constant pressure on the dairy sector (e.g. by regulatory developments around nitrogen emissions for our farmers in the Netherlands). For 2023 (and beyond), the increasing ESG reporting requirements (related to, for example the Corporate Sustainability Reporting Directive, Corporate Sustainability Due Diligence Directive or the Global Reporting Initiative) necessitate that our Company and our suppliers ensure transparency by correct, and complete reporting (internal and external). The risk is further exacerbated by complexity in the ESG reporting requirements and essential prerequisites w.r.t. the governance, data foundation, processes and reporting quality of ESG KPIs.	The Company is continuously working on global and local sustainability programmes and has published a climate plan with a clear roadmap towards 2030. The sustainability targets w.r.t the reduction of greenhouse gas emissions were established and externally validated by the Science Based Targets initiative (SBTi) in 2022. In addition, the climate plan was published in 2022. ESG has solid roots in our strategy – *Nourishing a better planet* – and recently the roll-out of our new Foqus planet Sustainable development programme, stipulates the importance of sustainability in the quality programme of our member farmers. Additionally, the Company is strengthening the governance around ESG with the appointment of our new Chief Sustainability Officer along with a further reinforcement of our internal sustainability organisation with dedicated KPI owners for each relevant business function such as supply chain, R&D and finance. External (reporting) requirements are closely monitored by our ESG team(s) in our road towards expanding our limited and ultimately reasonable assurance for specific KPIs.

Talent & people management

Generic Risk Description: Risk that limited possibility of attracting and retaining talent and building up crucial capacity/capabilities for the future, impacts the ability to guarantee sustainable business performance and continuity.

Development 2022 & outlook 2023	Mitigations
The ability to successfully compete in today's talent market (in terms of retention and attraction) was an important risk driver in 2022 and is likely to stay important for the middle-long term. Although the overall turnover across the Company remained stable in 2022, certain regions or pockets of expertise are under higher pressure than others, which is triggered by an overall talent shortage in the market(s). As such, the risk related to retaining our talent increased and remains high in 2023. From a global perspective, salary inflation reached an all-time high level in 2022, which made it harder for employers (including our Company) to attract and retain skilled employees. In future, changing skill requirements (e.g. more digital/data-driven) are also impacting the necessity to further develop our (aging) workforce in certain areas in our company.	The Company actively manages its employer branding and performs ongoing measurement of our talent brand. Talent attraction and retention is enhanced via proactive media communication about the Company's strategy, goals and values. In 2022, FrieslandCampina was awarded the 'Best Employer Brand in Europe' during the TIARA Talent Acquisition Awards. Managers conduct continuous dialogues with their teams, supported by frequent employee engagement surveys, toolkits and programmes, to improve the sustainable engagement and wellbeing of our people. Such dedicated programmes (including Learning & Development programs and 'Duurzame Inzetbaarheid' initiatives) continue to improve talent development and retention as well as developing the right skills and capabilities for the Company. New data insights & dashboards were developed to provide management with better (fact-based) information on topics such as attrition, time to hire, etc. This enables management to take concrete actions where needed. Additionally, specific deep dives are performed on our talent pipelines to ensure long-term talent strategies and programmes remain competitive.

(Geo)political

Generic Risk Description: Risk of 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. Events could include political and social instability, uncertainty due to approaching elections, terrorism, protectionism and import/trade restrictions. A fluid regulatory landscape creates additional challenges.

The combined effects might impact the (local) financial position of FrieslandCampina, i.e. an exposure to interest rates, currency fluctuations, commodity pricing risks, credit risks, and failure to effectively manage cash flows.

Development 2022 & outlook 2023	Mitigations
During 2022, the geopolitical situation globally drove numerous correlated risk developments w.r.t. the economic and financial situation, supply chains, availability and pricing of certain raw materials (e.g. leading to commodity price swings w.r.t. natural gas, sunflower oils, grains) and trade terms regulations, which are likely to continue in 2023. Increasing protectionism and import restrictions impact our supply chain and routes to market in certain countries (mainly in Asia, Africa and Middle East). In some cases, long lead times to (re)register products can impact the timeliness to meet trending customer demands. The mid-longer-term effects of monetary and fiscal policy measures from governments and central bodies (to fight inflation but avoiding a recession) remain to be seen but are likely to exacerbate the related risk profile. For example, reduced consumer purchasing power will put further pressure on volumes. In particular, the development of the Naira and availability of USD significantly impacted our 2022 results in Nigeria. The 2023 elections and related FX developments will remain important risk drivers.	Political events and related challenges are effectively managed through ongoing alignment within the dairy sector worldwide, by adequate reactions to (local) political volatility and further stakeholder management in general e.g. w.r.t the EDA (European Dairy Association) in developing and maintaining trade agreements. Continuous monitoring of the changing political landscape and agility in our supply chain / sourcing enhance our ability to find the most optimal (alternative) routes to market in countries with increased protectionism. The operating model and stand-alone Trading unit ensures focused commodity price risk management and further simplifies the planning processes for the other businesses. Financial measures were taken w.r.t the FX development of the Naira as can be found in other sections of this Annual Report. Developments are closely monitored by local management and our financial experts. FX exposures around the globe and across our portfolio are managed by the Corporate Treasury department where appropriate in conjunction with our local businesses.

Specifically in the Netherlands, the envisioned nitrogen regulations have a profound impact on our farmers, and consequently the Company's milk supply. It is not yet clear what the magnitude or timing of a potential reduction in milk supply will be.

Scenario-based initiatives to forecast the demand for our products, related (milk) sourcing requirements and supply chain footprint in general help mitigate the risks related to the changing economic landscape and our consumer's purchasing power in particular.

The unpredictability of our milk supply is being mitigated through continuous trend and scenario analyses, while the established partnerships further cover the risk of milk supply volatility.

Operational & financial

These risks have a more operational or financial nature and might impact the more short-term achievement of our objectives; In general the Company is prepared to accept a 'moderate' risk level, if the business continuity or short and mid-term objectives are not jeopardised as a result.

Cybersecurity

Generic Risk Description: Risk that technologies, processes and practices designed to protect networks (computers, programmes and data) might not be adequate to protect FrieslandCampina from attacks, damage or unauthorised access resulting in the disruption of business processes, loss of confidential information, financial and/or reputation loss.

Development 2022 & outlook 2023

In recent years cyber activity continued to increase globally as a result of further digitisation and lately as more people work remotely due to corona. Moreover, organised crime keeps accelerating the frequency of phishing/malware and fraud attempts, and potential impact by ever smarter, advanced technology. This, combined with ongoing geopolitical instability (and nation-state cyber-attacks) has further increased the risk profile in 2022.

Even though no major cyber incidents took place in the Company over 2022, we see an increasing trend of cyber attack attempts and threats globally. As such we anticipate an increase of the risk profile.

Mitigations

Our Security Operations Centre continuously improves its capability to prevent, detect and respond to cyber threats. The effectiveness, as part of the cybersecurity function in the Company, is periodically verified by in- and external (maturity) assessments. These external benchmarks are used to define future actions w.r.t to our cybersecurity programme.

As the success of cyberattacks largely thrives on human (inter)action, our extensive cybersecurity programme aims to continuously improve awareness amongst our network of security ambassadors and our people globally. This is further aided by clear communication on the importance of cyber savviness across the company through all disciplines and embedding of cybersecurity as an important cornerstone of our strategy.

Finally, cybersecurity awareness simulations and training sessions are regularly executed across the Company to improve our adequacy in response to cyber-attacks.

Compliance

Regarding compliance risks, the Company accepts a 'low to none' risk level, provided this does not adversely affect the customers, business continuity, reputation and/or lead to any non-compliance with applicable regulations. There is 'zero tolerance' for risks that adversely affect food quality and food safety standards thereby endangering consumers' health.

Product quality and food safety

Generic Risk Description: Risk of poor product quality or product contamination that constitutes a health hazard to consumers or a breach of regulations. This might result in a change in the perception of quality by consumers or government organisations, that can have serious consequences for the Company's reputation and market position.

Despite all quality measures taken, this is a critical inherent risk the Company has zero tolerance for, as a severe food safety incident could have an impact on our consumers and have a significant material and reputational impact on the Company itself.

Development 2022 & outlook 2023

In recent years it has been noticeable that local food authorities focus increasingly on the quality aspects of products in general, leading to frequent regulatory changes. Moreover, there is a tendency of 'zero-tolerance' amongst authorities in Europe and the Netherlands that might lead to measures that are not necessarily risk based.

Food safety regulations and interpretations are still increasingly diverging across authorities in different countries in which RFC operates. This could lead to inconsistent levels of required food safety compliance and ambiguity in quality and recall decisions between countries in the future.

New developments, such as the necessity to introduce sustainable (partially) recyclable packaging, strong focus on biodiversity, the European 'chemical strategy' (e.g. less herbicides with potential concomitant increase in for instance mycotoxins), further increase the risk profile.

Mitigations

FrieslandCampina's Golden Quality Rules are implemented throughout the world and continuous investments are made in quality assurance at production facilities and in campaigns to further reinforce quality awareness for all disciplines/levels in the organisation.

In response to developing, imminent regulations, our food quality/safety governance mechanism was enhanced to improve proactiveness w.r.t. food quality risk management (e.g. a new food safety team has been installed).

Various quality improvement programmes are continuously executed throughout the supply chain at the Company's own sites, at member dairy farmers and at suppliers to address potential food quality risks (e.g. new pathogenic micro-organisms, potential contamination from recyclable packaging, etc.). These programmes and measures are regularly being audited by both internal and external parties.

In addition, all programmes are supported by structural transparent management reporting on quality trends and incidents with ongoing knowledge and leading practice sharing between the production locations.

Stakeholders 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 2022, the subjects of discussion and the actions that arose from this interaction.

Stakeholders	Topics of discussion	Actions and outcomes
Non-governmental organisations (NGOs) and interest groups		
Duurzame Zuivelketen (Sustainable Dairy Chain [DZK])	Discussed matters with respect to climate and energy, animal health and welfare, pasture grazing, biodiversity and the environment.	Implementation of goals set by the Sustainable Dairy Chain for 2030. Includes implementation of climate agreement, life-cycle management-based agriculture, continuous improvement of animal health and welfare, etc.
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	Regenerative agriculture	Developing and adopting an industry standard for regenerative agriculture.
	Deforestation-free soy in the dairy chain.	Exploring ways of realising deforestation and conversion-free soy within the dairy chain.
	Promote coordination of sustainability within the international dairy chain with the objective of acknowledging and strengthening each other.	Sustainable Dairy Partnership (SDP) based on the Dairy Sustainability Framework (DSF).
One Planet Business for Biodiversity (OP2B)	Biodiversity and regenerative agriculture interests and communication.	Workshops with diverse participating companies and government organisations, including the European Commission, to develop a regenerative agricultural standard.
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 and reporting.
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.	Formulation of our goal relating to net-climate neutral dairy: P2DNZ (Pathways to Dairy Net Zero).

Stakeholders	Topics of discussion	Actions and outcomes
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 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 working together with Nature Reserves as partner for the On the way to PlanetProof market concept.
Friends of the Earth Netherlands	Integrity of FrieslandCampina Climate Plan.	Detailed the Climate Plan with a roadmap for 2030 and 2050.
Achterhoek and Liemers region Fertile Circular Life Cycle (VKA)	Improvement of environmental quality, water management and soil fertility at dairy farms.	Partnership with VKA for making the dairy sector sustainable and future-proof.
Markemodel	The Markemodel is an approach in which farmers and managing parties together develop a regional, integrated set of quality targets and the associated remuneration for future-proof agriculture.	A regional deal in which agreements are reached between farmers and (regional) parties about sustainability objectives and remuneration.
Animal Protection	In the context of the Sustainable Dairy Chain's new goals (see Sustainable Dairy Chain [DZK]) discussion on the continuous improvement in animal health and welfare of dairy cows and calves.	Implementation of the new goals of the Sustainable Dairy Chain.
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 three FrieslandCampina employees and two member dairy farmers during five missions for cooperatives in Africa with the objective of sharing expertise relating to sustainable services and female leadership.
Dutch Biorefinery Cluster	Cooperation with companies in the agricultural food sector and paper industry that together process a large part of Dutch biomass flows. Knowledge exchange about sustainably valorising biomass.	Analysis of legislation that affects the ability to reuse/upcycle waste flows (process water).
Access to Nutrition Foundation	Evaluation and stimulation of efforts on the part of the food industry to tackle global malnutrition, obesity and nutrition-related chronic diseases, and marketing substitutes for mother’s milk.	Analysis of continuous improvement of internal processes and results.

Stakeholders	Topics of discussion	Actions and outcomes
Trade and industrial associations		
Dutch Food Industry Federation (FNLI)	Development of Netherlands Food and Consumer Product Safety Authority (NVWA) web files 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 NZO's national membership in the EDA.
Dutch Dairy Association (NZO)	FrieslandCampina is a member of the Board and its employees are active in various committees.	This past year, NZO, on various occasions, disseminated the sector's positions. In addition, various dairy and sector-related campaigns were conducted.
	The Dutch Dairy Association (NZO) is the sector association for the Dutch dairy industry and looks after the interests of thirteen members. NZO aims to strengthen the position of its members in the production and sale of dairy products. NZO's activities can be subdivided into four themes: Sustainability, Nutrition, Quality and Market. NZO has identified the collective viewpoints within these themes, which we disseminate to various stakeholders. In addition, we are visible in The Hague and Brussels and involve ourselves in the social debate.	
	NZO devotes its efforts to promoting dairy and the dairy sector at various levels. The best known examples of this are Frau Antje and the quality label 'Protected Geographical Indication' (PGI) for Gouda Holland and Edam Holland cheese.	
	In addition, NZO is involved in food education in the primary and secondary education segments and in providing information about the role of dairy in our diet.	
	NZO also conducts the CLA negotiations on behalf of the sector. NZO works together with different parties at home and abroad, within the dairy sector.	

Stakeholders	Topics of discussion	Actions and outcomes
International Special Dietary Foods Industries (ISDI)	Developments within Codex (CCNFSDU/CCFL/CCFA) with respect 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 with respect to EU legislation for infant nutrition, including hydrolysate-based infant nutrition, 'front of pack' labelling (for example, Nutriscore), draft Dutch Decree on young child formula and young child beverages, code of conduct on HCP interaction.	Input with respect to 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 Dutch Decree on young child formula and young child beverages, self-regulation (code of conduct on advertising of infant and follow-on formulas).	Input with respect to the assessment of the feasibility and applicability of the proposed new requirements.
Imagine Food Collective	Implementation of future-proof milk production in Northwest Europe.	Implementation of the industrial standard (see SAI) for regenerative agriculture in actual practice, in collaboration with a number of chain partners.
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.	Discussion of the diversity of sustainability standards with the objective of increasing unambiguity and clarity for customers and consumers, where possible, through means of standardisation.
ZuivelNL	Dairy sector chain organisation. FrieslandCampina is represented on the Board via NZO.	
Science		
University of Kebangsaan, Malaysia	SEANUTS II research into the nutritional status and lifestyle habits of children in Southeast Asia.	Completed data collection and presented the results, which gave FrieslandCampina insight into how it can improve the nutritional status and lifestyle of children.
University of Mahidol, Thailand	SEANUTS II research into the nutritional status and lifestyle habits of children in Southeast Asia.	Completed data collection and presented the results, which gave FrieslandCampina insight into how it can improve the nutritional status and lifestyle of children.
University of Indonesia	SEANUTS II research into the nutritional status and lifestyle habits of children in Southeast Asia.	Completed data collection and presented the results, which gave FrieslandCampina insight into how it can improve the nutritional status and lifestyle of children.
National Institute of Nutrition, Vietnam	SEANUTS II research into the nutritional status and lifestyle habits of children in Southeast Asia.	Completed data collection and presented the results, which gave FrieslandCampina insight into how it can improve the nutritional status and lifestyle of children.

Stakeholders	Topics of discussion	Actions and outcomes
University of Harokopio, Greece	Innovations in infant nutrition and research into the impact on healthy growth in infants.	Conducted nutritional research, the results of which are to be published in a scientific journal.
Cincinnati Children's Hospital Medical Centre	Humane milk sugars for infant nutrition.	Data collection is ongoing and the results will be published in a scientific journal.
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 its effect on mental health.	Started with data collection with the expectation that results will be available in 2023.
Societe Ivoirienne de Nutrition, Ivory Coast	Research into the food intake and nutritional status of schoolchildren and women in Ivory Coast.	Conducted nutritional research, the results of which are to be published in a scientific journal.
University of Ibadan, Nigeria	Role of dairy in improving the nutritional status of schoolchildren.	Research into nutrition is at a preparatory stage.
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 by means of prebiotics.	Data collection is ongoing.
Wageningen University & Research	Continuously improving the reliability of sustainability data, for example in the KringloopWijzer (livestock life-cycle management guide).	Improved calculations concerning the KringloopWijzer (livestock life-cycle management guide), enabling dairy farmers to better manage the mineral recycling loop.
	Via Sustainable Dairy Chain (DZK), various PPPs, such as Lactatie op Maat (Tailored Lactation), biomarkers for measuring the welfare of dairy cattle, etc.	Innovation agenda focused on lowering carbon footprint.
		Via Sustainable Dairy Chain (DZK), completed a survey for the purpose of calculating an integrated biodiversity indicator.
	Research into lowering the carbon footprint through means of carbon sequestration in the soil, the effect of manure digestion on manure emissions, optimising rearing programmes and feed strategies.	Wageningen University & Research tool for calculating no added value sugar substitutes for specific product demands.
		Start of Netherlands Organization for Scientific Research (NWO) SoilProS proposal: stimulating biodiversity in NL soil.
	Research into soil health and stimulating biodiversity.	Project Horizon, exploration of future scenarios for the dairy farming sector towards 2030.
	Research into lowering the sugar content of products.	
Utrecht University	Via Sustainable Dairy Chain (DZK), development and application of udder health diagnostics PPP.	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 Education (WO)	Use of students in projects and research.	Internship and graduation projects.

Stakeholders	Topics of discussion	Actions and outcomes
Top Institute for Food & Nutrition	Progress of regenerative farming project.	Exploring regenerative agricultural practices and how they can contribute to a future-proof dairy farming sector.
Knowledge institutes, government and companies in the Top Sector Agriculture & Food	Exploration of innovations designed to lower the carbon footprint on farms and making the dairy farming sector more sustainable.	Innovation agenda focused on lowering the carbon footprint and making the dairy farming sector more sustainable.
	Obtaining international agreement on carbon capture calculations.	C-sequ project: Partnership with other international multinationals is underway and steps have been taken to agree on a single method.
Fascinating	Circular agriculture: sustainable with space for nature, with healthy nutrition and healthy yields as a result.	Start-up of various projects in Groningen that stimulate making agriculture sustainable across a broad front.
Employees		
All employees	Employee satisfaction.	Employee satisfaction is measured twice a year through means of a survey (Over2You). An action plan is developed on the basis of the findings to further increase employee satisfaction.
	Business strategy and operating results.	We organise at least four digital meetings for all employees each year in which they are informed about the business strategy and operating results. In addition, a weekly newsletter is sent out with news items about the Company.
	Organisational changes.	Employees are informed on a timely basis and in relevant ways about (planned) changes to the organisation. When relevant this is coordinated with the works council and the trade organisations.
	Good business concuct (Compass), safety, quality, cybersecurity, diversity and inclusion, human rights, well-being, nutrition and sustainability.	Various programmes, campaigns and information platforms are available to inform and activate employees about these themes that are at the basis of a successful organisation and business operations.
	Personal development.	A large number of online and offline training courses and information platforms are available to promote personal development. Employees are informed about training opportunities through means of campaigns.
	Performance and remuneration.	During the year employees (Hay 13+) are informed about their performance and personal objectives are recorded. At least four times a year employees have a discussion with their manager (continuous dialogue) to discuss their personal development and performance.

Stakeholders	Topics of discussion	Actions and outcomes
	Mindset and behaviour.	Through means of online and offline information resources and campaigns, current and future employees are informed about the added value of working in the Company. Topics that are addressed in this respect include compensation, employment conditions, career perspectives, work environment and culture.
	Employer value proposition.	Through means of online and offline information resources and campaigns, current and future employees are informed about the added value of working in the Company. Topics that are addressed in this respect include compensation, employment conditions, career perspectives, work environment and culture.
Zuivelcoöperatie FrieslandCampina U.A.		
	Cooperative strategy: 'Towards 2030'	The Cooperative strategy, 'Towards 2030', was presented to members in January 2022. The strategy was subsequently discussed with members in theme meetings in which the member acceptance policy and the renewed Foqus planet Sustainable development programme were key topics.
	Evaluation of basic principles of the policy for accepting new members.	In various meetings, members, District Board members and the Members' Council engaged in a dialogue about the member acceptance policy and how to adjust it with the objective of retaining the Cooperative's size, while providing room for new members. In June 2022, the Members' Council approved the changes to the member acceptance policy.
	Evaluation of Foqus planet Sustainable development sustainability programme.	In various meetings, members, District Board members, the Members' Council and the Members' Council Care for Animal and Nature cluster engaged in a dialogue about the evaluation and adjustment of the Rules of Practice and the Foqus planet Sustainable development sustainability programme as part of this. Six meetings were held with the Members' Council Care for Animal and Nature cluster about the proposed changes to the Rules of Practice, including Foqus planet Sustainable development. This was discussed with members in theme and member meetings. In December 2022, the Board decided to implement the proposed adjustments.

Stakeholders	Topics of discussion	Actions and outcomes
	Evaluation of milk price regulation.	The Milk Price Regulation is evaluated at least once every three years. This regulation was discussed in multiple meetings with the Members' Council Value for Us cluster. In addition, the proposals were discussed with members during the member meetings. In December 2022, the Members' Council approved the changes to the Milk Price Regulation.
	Adjustment of cooperative’s area of operations.	As part of the Cooperative’s strategy, ‘Towards 2030’, the expansion of the Cooperative’s area of operations was discussed in various meetings with District Board members and the Members' Council. In addition, the proposal was discussed with members during the member meetings. In December 2022, the Members' Council approved the changes.
	Evaluation of the first year of working with the new governance structure, implementation of identified areas for improvement and adjustment of standing rules.	In various meetings, District Board members and Board members engaged in dialogue about the evaluation of the first year of working with the new governance model and the standing rules adopted in 2021. In December 2022, the Members' Council approved the changes to the standing rules pursuant to this evaluation and due to the expansion of the Cooperative’s area of operations.
	150 years of FrieslandCampina.	Various activities involving members took place in the context of FrieslandCampina’s 150th anniversary celebrations. This was discussed in various meetings with district boards, and the District Board’s Cooperative cluster of committed owners served as a sounding board.
	Continued development of special supplements.	Expansion of the organic On the way to PlanetProof milk stream.
	Current developments and trends relating to FrieslandCampina.	Two meetings in which stakeholders from the dairy sector, who also maintain direct contact with members, are informed about current developments concerning FrieslandCampina. In addition, field consultants held discussions with stakeholders (such as veterinarians) about developments at FrieslandCampina.

Stakeholders	Topics of discussion	Actions and outcomes
Government bodies and local authorities		
Ministry of Health, Welfare and Sport (VWS)	The role of dairy in a healthy and sustainable diet, the National Prevention Agreement (NPA), Nutriscore and the National Approach to Product Improvement (NAPV)	Input was provided to align the Nutriscore with the Five Themes Chart and on the progress of product reformulations and audits.
Ministry of Agriculture, Nature and Food Quality (LNV)	The role of dairy in a healthy and sustainable diet, the Climate Agreement.	Input was provided for the methodology of measuring the footprint of foods using LCAs and communicating this methodology so that consumers are able to assess the comparative impact of foods.
Coordinating Ministry of Maritime & Investment, Ministry of Agriculture, National Agency for Disaster Countermeasures (BNPB), Dairy Cooperatives Indonesia, Dairy Industry Association and academicians/ experts.	Foot & Mouth Disease (FMD) countermeasures and recovery initiatives.	Public Private Partnership and coordination to expedite FMD vaccination for dairy cattle, medicine and/or vitamin distribution, manage dairy products import and export restriction or trade barrier, cattle mobility restriction, share best practices, knowledge sharing on dealing with FMD, fresh milk production recovery plan, and other farmers' support. The initiatives successfully contained and decreased the spread of FMD in Indonesia, and minimised its negative impact on the industry (for example, fresh milk supply and finished goods distribution). Frisian Flag Indonesia, in coordination with FrieslandCampina and the Dairy Industry Association, played an integral role in driving this initiative.
Indonesia FDA (BPOM), Local Health Expert, Indonesia Small Medium Enterprises (SMEs)	Empowerment of women SMEs .	Frisian Flag Indonesia collaborated with BPOM to support the National Government Initiative to empower SMEs in Indonesia. This programme aims to educate women SMEs on how to produce a good processed consumer food product. BPOM share the best practices and related licencing required, Frisian Flag Indonesia (FFI) share the industry best practices, and also invite a health expert to explain how to produce healthy and hygienic food. This FFI initiative is appreciated by the Indonesian government.

Stakeholders	Topics of discussion	Actions and outcomes
Ministry of Health, Regional Government and related agencies (Health), Ministry of Education, related school boards.	Stunting Prevention & Eradication Programme: 'Nourishing Act' (‘AksiBergizi’) Movement.	To accelerate take-up and limit the stunting rate to 14% in 2024, the MOH initiated the ‘AksiBergizi’ Movement in selected schools, worked with related stakeholders and sought collaboration with the sector. Frisian Flag Indonesia took this opportunity and collaborated with the MOH in the available programmes modules, such as ‘Breakfast Together at School’ with milk (animal protein). The programme is ongoing, and FFI plans to continue working with the MOH on the Stunting Prevention & Eradication Programme.
Ministry of Education, Ministry of Environment & Forestry, Academicians of University of Indonesia and other related school boards.	School education programme via FFI’s ‘Gerakan Nusantara’ programme: healthy, active and sustainable lifestyle campaign.	Using FFI’s ‘Gerakan Nusantara’ school education programme, FFI collaborates with the Ministry of Education, Ministry of Environment & Forestry and Academicians of the University of Indonesia to instil health and nutrition messages, along with sustainability action, in elementary schools. The programme includes in-class and outdoor activities that promote a healthy active lifestyle. It also introduces a practical approach on waste management and tree planting within the school premises.
Malaysian Investment Development Authority (MIDA), Malaysia	Revised conditions for Investment Tax Allowance.	Engagements and round-table discussions though out the first half of 2022 with MIDA to shape the conditions attached to Investment Tax Allowance to enable better attainment of the allowance by Dutch Lady Milk Industries Berhad (DLMI). MIDA issued a revised Investment Tax Allowance approval letter in July 2022 with more favourable conditions for DLMI.
Ministry of Education (MOE), Malaysia	School Milk Programme 2022 by the MOE.	As the appointed supplier by the MOE, had several engagements and round-table discussions with the MOE to ensure an effective supply of milk products to schools in the four states that were allocated to Dutch Lady Milk Industries Berhad (DLMI). In addition the activation requirements stipulated under the School Milk Programme 2022 contract had to be met. DLMI partnered with the MOE to ensure timely delivery of milk to more than 1,600 schools from April 2022 onwards. It also co-organised the World School Milk Day celebration in October 2022 that involved more than 500 participants from schools and key MOE officials across four states.
Ministry of Agriculture and Food Industry (MAFI), Malaysia & Department of Veterinary Services (DVS), Malaysia	Develop sustainable local dairy farming through partnership and the dairy development programme.	Engagements and presentation to MAFS and DVS positioned Dutch Lady Milk Industries Berhad as the key partner in developing sustainable dairy farming practices in the country towards realising the goal of achieving a Self-Sufficiency Level of 67 million litres by 2025. Partnered with DVS to further assist farmers under DLMI’s Farmer2Farmer programme. Create impact on food security, socioeconomic stability and environmental sustainability

Stakeholders	Topics of discussion	Actions and outcomes
Ministry of Finance, Malaysia & Royal Malaysian Customs Department (RMCD), Malaysia	Fiscal policies such as Sales and Services Tax (SST) and Sugar Sweetened Beverage (SSB) Premix.	Engagements and round-table discussions with the 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 Premix excise. Multiple discussions throughout 2022 with the MOF and RMCD enabled alignment in tax treatments to ensure milk products continue to enjoy zero/ minimal excise tax because of their nutritional benefit to Malaysian citizens. Facilitated compliance with the Ministry of Health's Healthier Choice Logo initiative. The implementation of SSB Premix excise in January 2023 has been postponed due to the need to review the latest industry feedback and views.
Department of Community Progress (KEMAS), Malaysia & Department of National Unity and Integration (JPNIN), Malaysia	Proposal to include milk products in pre-school establishments.	Engagements and round-table discussions with KEMAS and JPNIN to share Dutch Lady Milk Industries Berhad's intention to partner them in increasing the awareness of goodness of milk among pre-schools children as part of a nutritious and balanced diet. DLMI partnered with KEMAS to supply milk products for their national and state-level events that involved around 2,000 pre-school children. For JPNIN, the inclusion of milk products and awareness of the goodness of milk in their pre-school establishments may be considered for inclusion in their 2023 activities.
Malaysian Green Technology and Climate Change Corporation (MGTC), Malaysia	Dutch Lady Milk Industries Berhad's (DLMI) carbon and climate-aligned roadmap.	Engagement with MGTC to explore partnership and to obtain support on the development of DLMI's carbon roadmap. Discussions were also held to explore MGTC's Low Carbon Operating System (LCOS) to manage Dutch Lady Milk Industries Berhad's carbon reporting. LCOS will enable DLMI to streamline data collection in line with Bursa Malaysia's (Malaysian Stock Exchange) disclosure requirements, benchmark DLMI performance against other local entities, and national and international sustainability performance (where the key metrics are collected).
Ministry of Health (MOH) Food Quality Safety Division (FSQD), Malaysia	Courtesy visit in October 2022 to highlight Dutch Lady Milk Industries Berhad's purpose (Nourishing the Nation) and building partnership to address the national agenda (nutrition/ health and food security). Area of collaboration in 2023 between MOH FSQD and DLMI. Food Standards update.	Engagements and presentation sessions to the MOH, as courtesy visit to affirm Dutch Lady Milk Industries Berhad's commitment to nation building and investing in the nation. Explored partnership with MOH FSQD in areas of the national agenda to address nutrition and food security. Regulation status draft updates to ensure compliance with latest food regulation.

Stakeholders	Topics of discussion	Actions and outcomes
Ministry of Health (MOH), Nutrition Division, Malaysia	Meeting between the Federation of Malaysian Manufacturer's Infant Formula Ethics Committee (FIFEC) and the Ministry of Health (MOH) in May 2022.	Engagement to seek clarification on additional requirements on MOH Vetting Guidelines (Code of Ethics). Updates on the Sugar Sweetened Beverage (SSB) excise exemption on dairy products, specially formulated powder milk. To restart regular engagement sessions to obtain feedback on regulatory policies.
Ministry of Health (MOH), Nutrition Division, Malaysia	National Agenda (Nutrition/Health and Food Security) by promoting access to healthier food in the market. Problem of Non-communicable Diseases (NCD).	Meeting between the Federation of Malaysian Manufacturers and MOH to discuss proposals on incentives for F&B products to encourage healthy food production by manufacturers and increase access to healthy food for consumers. Review of Malaysian National Plan of Action for Nutrition (NPANM) III, 2016-2025 and National Food Security Policy Action Plan 2021-2025.
Negeri Sembilan Islamic Religion Department (JHEAINS), Malaysia	Building partnership with the new state Halal authority.	The Dutch Lady Milk Industries Berhad (DLMI) factory is being relocated from Petaling Jaya, Selangor to Bandar Enstek, Negeri Sembilan. All products locally produced by DLMI that are Halal compliant, will be processed by JHEAINS in the near future. This engagement and the round-table discussion with JHEAINS, enabled DLMI to understand the JHEAINS requirements with respect to Halal applications. It also received advice from JHEAINS officers to ease the transition process.
Halal Development Corporation Berhad (HDC), Malaysia	Development of DLMI Halal Hub roadmap.	HDC had made the arrangements for the engagement with JHEAINS to introduce DLMI to the authority The engagement and round-table discussion with JHEAINS happened in December 2022. HDC has started Phase A – deliverables as below: – Introduction to the project – Project set up – Project kick-off – Submission of inception report
Department of Islamic Development Malaysia (JAKIM), Malaysia	Appeal to extend the usage of the old Halal logo on DLMI product labels.	This engagement and meeting led to a positive outcome whereby DLMI has been granted approval to extend its usage of the old Halal logo until 31 December 2023.
President of Pakistan	Dairy development in Pakistan.	The Global Leadership Team and the Pakistan leadership met with the President of Pakistan to discuss on-going and upcoming projects in the dairy sector.

Stakeholders	Topics of discussion	Actions and outcomes
Federal Government (Minister, Science & Technology, Minister, National Food Security & Research), Pakistan	Harmonisation of food standards.	Rigorous engagements at all levels and the federal level to harmonise food standards across the country.
Federal Parliamentary Task Force on SDGs, Pakistan	Sustainable Development Goals.	MoU signed. FrieslandCampina Engro Pakistan is an official partner of the Federal Government to work on projects targeted to achieve development goals.
Tax authorities (Ministers of Finance, Commerce and Food), Pakistan	Removal of GST and reduction in import duty on SMP (skim milk powder).	Engagements (multiple meetings) with high-level officials for the restoration of the zero rating for the dairy industry and a reduction in SMP import duty.
Vice-Chancellor - University of Veterinary & Animal Science (UVAS), Pakistan	Pakistan-Netherlands Dairy Development Centre (PNDDC), DDP, raw milk study, school milk programme.	FrieslandCampina Engro Pakistan joined hands with UVAS to establish the 'Pakistan–Netherlands Dairy Development Centre (PNDDC)'. PNDDC, along with its partners, will undertake a variety of activities which include, but are not limited to research and innovation; support in strategy and policy development; farmer-to-farmer exchange programme; talent cultivation and exchange programmes; training programmes at expert and farm level; organising seminars/conferences; and publishing a white paper on the Pakistan dairy sector; getting support for the minimum pasteurisation (safe milk) law and collaborating in research projects (raw milk study, school milk programme). UVAS is a leading institute in the livestock and agriculture sector and is involved in policy formulation and regulations.
Vice Chancellors, University of Education, Pakistan	School milk programme.	FrieslandCampina Engro Pakistan and the University of Education launched a school milk programme in government schools, which has been successfully completed. Various ministers, legislators, media persons and bureaucrats/ government officials participated in both the launch and dissemination ceremonies.
Vice-Chancellors, BZ University, Multan, Pakistan	DDP, research & innovation, food safety.	Signed an MoU with BZ University, where both parties agree to undertake various activities including research projects, dairy research scholarships, externship/internship programmes, publishing position papers, etc.
Pakistan Standards and Quality Control Authority (PSQCA), Federal Food Authority, Pakistan	Harmonisation of standards.	Engagements with officials at various levels; supported PSQCA in the formulation harmonised standards.

Stakeholders	Topics of discussion	Actions and outcomes
Punjab Food Authority (PFA), Provincial Food Authority, Pakistan	Safe milk law, health champions programme, raw milk testing (evidence generation), product registration.	Rigorous engagements with DG and other officials at various levels. Supported PFA in evidence generation for safety and quality issues in raw milk, implementation of the safe milk law (minimal pasteurisation law), packaged milk model for tradeable milk in Punjab province. In addition, successfully executed the health champions programme in schools to create awareness of the benefits of packaged milk (safe and traceable option). Punjab Food Authority officials also visited the FrieslandCampina facilities in the Netherlands. Consensus with PFA, whereby PFA will be included as part of the founding members of the Pakistan Netherlands Dairy Development Centre (PNDDC).
KP Food Safety & Halal Authority (KP FS&HA), Provincial Food Authority, Pakistan	Harmonisation of standards, safe milk law.	Multiple meetings with DG, KPFS&HA, who also visited the Sahiwal Plant with his team. He conferred full support and endorsed the FCEPL's agenda on safe milk and also agreed to join hands in creating awareness and to debunk myths about packaged milk, especially UHT milk, based on scientific grounds.
Sindh Food Authority (SFA), Provincial Food Authority, Pakistan	Harmonisation of standards, safe milk law, business registrations.	Multiple meetings with the management of Sindh Food Authority were conducted to strengthen cordial relationships; get the manufacturing plant licensed, obtain support in the harmonisation of the regulatory framework agenda and develop grounds for the legal framework for formal value chain development in the province.
Pakistan Council of Scientific and Industrial Research (PCSIR), Pakistan	Endorsement, research, testing.	PCSIR is a government-owned science and industrialisation research organisation. FCEPL signed an MoU with PCISR for the use of its logo and name of PCSIR on FCEPL's products, research support, product testing, system certifications, accreditations, lab equipment and glassware calibrations, etc.
Pakistan Dairy Association (PDA), Pakistan	DDP, taxation, harmonisation of food laws.	Jointly held certain engagements both at federal and provincial levels. Aligned on all critical issues, including harmonisation of standards and taxation issues. FCEPL also aligned all dairy industries to drive our common agenda.
Board of Investment (BoI), Pakistan	Ease of doing business, one window solution.	FCEPL initiated the framework for a 'one window solution' prototype for food businesses and product registration; also aligned the business community. Currently, all provincial food authorities are registering businesses and products separately.
Chief Nutrition / SUN Focal Point, Pakistan, M/o PD&R	Nutrition, school milk programme.	Aligned on various issues, including harmonisation of standards, school milk and other farmers' and dairy development programmes. Chief Nutrition is involved in policy formulation regarding the scaling up of nutrition in Pakistan with the Planning & Development Department and development partners (United Nations and funding agencies).

Stakeholders	Topics of discussion	Actions and outcomes
[2022] UN-World Food Program, Pakistan	Nutrition, school milk programme.	Alignment regarding collaboration in school milk programme and other dairy development programmes is underway.
Livestock & Dairy Development Department, Baluchistan (Provincial Government), Pakistan	Dairy development programme.	Meeting with Secretary, Livestock & Dairy Development Department, Government of Baluchistan. Discussed opportunities for public-private partnerships for dairy development in Baluchistan.
Minister and Director General, Livestock & Dairy Development Department, Sindh (Provincial Government), Pakistan	Dairy development programme and farmers' improvements.	Multiple meetings with Minister, Secretary, and Director General for Livestock & Dairy Development Department; creation of Farmer Advisory Council to support the provincial government in the development of the Sindh Dairy Sector Development Strategy.
Deputy Speaker and Chair of Women's Caucus of Provincial Assembly, Sindh, Pakistan	Dairy development programme and women empowerment.	Successful engagement with Deputy Speaker of the Provincial Assembly and parliamentarians aimed at sensitising lawmakers on food safety legislation (safe milk law); invited parliamentarians to visit FCEPL Sukkur Plants to witness the processing of safe milk. Also engaged in opportunities for joint interventions for SDGs, dairy development, farmers' improvements and women empowerment in collaboration with the Sindh Government.
Provincial government (districts and divisional administration), Sindh, Pakistan	Flood relief.	Organised flood relief camps for affected farmers; provided food supplies, shelter, and animal healthcare activities.
Parliamentarians and Ministers of Provincial Government of Punjab – Minister for Food Minister for School Education Minister for Livestock & Dairy Development. Deputy Speaker Punjab Assembly	Safe milk law, category development (packaged milk endorsement), dairy development programme, women empowerment.	'Seeing is Believing' is our star campaign in which we organise the visits of legislators to processing plants and the agricultural industry. – The initiative provides first-hand knowledge about the stringent quality standards we maintain, from grass to glass. This helps break the myth about packaged milk, which is a big challenge in Pakistan. – This is also an opportunity to showcase how the capacity building of livestock farmers (male and female) is embedded into the business DNA of FCEPL. – They get to witness the on-the-ground success stories of successful female livestock entrepreneurs, who are financially stable and have earned their livelihood with the technical support of FCEPL, hence addressing poverty alleviation. Convincing/advocacy for effective legislation to promote packaged milk and accountability for food adulteration.

Stakeholders	Topics of discussion	Actions and outcomes
Director General, Islamabad Food Authority (a newly-established authority at the federal level)	ICT safe milk law.	Lobbying to declare the federal capital, Islamabad, 'Safe Milk City', thus promoting safe (packaged) milk.
Key media persons/journalists/ print, electronic and social media anchors, bureaucrats and legislators	Category development, need for school milk programme.	We successfully launched a campaign, 'Friends of FCEPL', two years ago with the objective of creating a positive buzz among stakeholders. This involved dairy sector promotion; effective legislation to promote safe milk; showcasing our high-quality standards, from grass to glass; among others. We have addressed many important issues under this campaign, resulting in positive media space in both the print and electronic media, and legislator-initiated debates in assemblies. Submitted resolutions about the safe milk act and the ban on the sale of raw milk.
Department of Labour and Employment (DOLE), the Philippines	The topics we discuss with DOLE include the following: – AMC's commitment to inclusive business growth and employment. – Support needed by businesses such as AMC to be a better employer; – Labour issues/policies such as wage hikes and working with unions. AMC is a strong partner of government, particularly of DOLE, in nation-building through collaboration on our 'AlasKabuhayan' (wordplay on Alaska and Kabuhayan or livelihood) Livelihood and Nutrition Programme. Another point of discussion is that returning Overseas Filipino Workers (OFWs) who wish to do so, can go into dairy farming and get training under our Dairy development programme.	Department of Labour and Employment (DOLE), the Philippines

Stakeholders	Topics of discussion	Actions and outcomes
Department of Education (DepEd), the Philippines	Just like DTI and DOLE, AMC has also been a strong and constant partner of government in nation-building. The main beneficiaries of one of our CSR programmes called AlasKalusugan (a wordplay on Alaska and Kalusugan or health) are the schools under DepEd. The two flagship and well-recognised initiatives under AlasKalusugan are the School Milk Feeding and Adopt-a-School programmes. Our Marketing Department at AMC also conducts activation events called 'Barangayan' in schools to promote our healthy and nutritious products. A highlight of this event is a talk conducted by our in-house nutritionist.	We have regular consultation and drumbeat meetings with DepEd in our AlasKalusugan CSR programmes. In particular, we work with the Office of the Undersecretary for External Affairs. For specific programmes, we sign a Memorandum of Agreement (MoA) to seal the partnership. We conduct regular meetings to provide updates on the progress of the programmes and discuss their sustainability.
Department of Agriculture (DA) and the National Dairy Authority (NDA), the Philippines	AMC works closely with the Department of Agriculture and the National Dairy Authority (NDA) on our dairy development programme. With their support, we were able to train around 350 local dairy farmers, 50 of which are local dairy cooperative members. Among the areas in which we work closely with the DA and NDA is how local dairy development can contribute to overall food security as part of the eight-point Agenda of the current administration.	Last September, we had a courtesy meeting with the head of the Department of Agriculture, Senior Undersecretary Domingo F. Panganiban. Since then we have been keeping them in the loop in our dairy development program. The NDA has been one of the co-founders of this programme since it started in 2020. In November 2022, to emulate the best practices of other FrieslandCampina OpCos and to institutionalise our dairy development, we established the Philippine-Netherlands Dairy Excellence Centre (PNDEC), with NDA as one of its co-founders. We have regular meetings and engagements with them and the other partners.
Sugar Regulatory Authority (SRA), the Philippines	We have a close working relationship with the SRA as sugar is one of the major raw materials used to produce our products.	In 2022, AMC applied for a sugar import license. This license was granted. Our Regulatory Affairs and Procurement Teams have been having regular meetings and engagements with them to make sure that we have a steady supply of sugar.
Department of Health (DOH), the Philippine	As a strong partner of government in nation-building, AMC works closely with the DOH to advocate for the importance of nurturing Filipinos through our healthy and nutritious products. We also interact with the DOH for the implementation and expansion of our AlasKalusugan CSR programmes.	We have regular engagements and consultation meetings with the DOH to discuss the expansion and implementation of our AlasKalusugan CSR programmes. As DOH is the authority on health, we also explore with them how we can align our programmes with theirs.

Stakeholders	Topics of discussion	Actions and outcomes
Food and Drug Administration (FDA), the Philippines	The Food and Drug Administration (FDA) is the regulatory authority under the DOH that implements the FDA Law. Consumer product quality and standards are primarily governed by the Consumer Act, which is a general law on consumer products. In addition, the FDA Act of 2009 (RA No. 9711), which amends the Foods, Drugs and Devices and Cosmetics Act (RA No. 3720, FDA Act), specifically regulates 'health products', which include food and other consumer products that may influence health. To ensure that product quality standards are complied with, the FDA, among other things, requires entities that manufacture, import, export, sell and distribute food products, to have a License to Operate (LTO) issued by the FDA for their intended activities. Because of this, our Regulatory Affairs Team works closely and collaboratively with the FDA to obtain a Certificate of Product Registration (CPR) for each of the products that we manufacture, import, export and market in the Philippines.	Our Regulatory Affairs team has a close working relationship with the FDA. Consultation meetings have also been conducted to harmonise issues related to food classification, which impacts how it will be taxed.

Stakeholders	Topics of discussion	Actions and outcomes
Department of Science and Technology – Food Nutrition and Research Institute (DOST-FNRI), the Philippines	The main mission of the DOST-FNRI is to fight malnutrition through accurate data, correct information and innovative technologies. It is mandated by the Philippine government to undertake research related to addressing malnutrition problems, recommend solutions to address this and diffuse knowledge and technologies in food and nutrition. We anchor our AlasKalusugan CSR Programme on the flagship program of the agency, which is called 'Pinggang Pinoy or healthy food plate for Filipino adults. Pinggang Pinoy is a new, easy to understand food guide that uses familiar food plate models to convey the right food group proportions on a per-meal basis, to meet the body's energy and nutrient needs of Filipino adults. According to this guide, each meal needs to have a glass of milk. Our AlasKabuhayan (a wordplay on Alaska and Kabuhayan or livelihood) livelihood and nutrition CSR programme also uses this guide to promote healthy eating habits. We also use the National Nutrition Survey (NNS), a comprehensive survey conducted every five years since 1978, as a basis for improving our products.	AMC has regular engagements and consultation meetings with the DOST-FNRI as we use the Pinggang Pinoy Food Guide and the National Nutrition Survey to promote and improve our products.
National Nutrition Council (NNC), the Philippines	The NNC is the country's highest policymaking and coordinating body on nutrition. It is mainly tasked to formulate national food and nutrition policies and strategies. We regularly seek NNC's guidance to improve our products.	We have regular consultations and meetings with the NNC with the aim of improving our products.
Senate and House Committee on Ways and Means House Committees on Trade & Industry and Ecology	As the committees responsible for legislating laws related to revenue in general, taxes and fees, tariffs, loans and other sources and forms of revenue, AMC, through the PH Food Chamber, is being consulted on laws relevant to the business.	In 2022, AMC, through the Food Chamber, has actively interacted with the Senate Committee on ways and means to advocate for our position on laws relevant to the business. In 2022, we have actively engaged these committees, particularly on the single-use plastics ban, the Extended Producer's Responsibility Act, Sugar Sweetened Beverages Tax and the Price Act Amendments.
Local Governments Units of Manila, San Pedro and Taytay, the Philippines	Environmental sustainability and nutrition.	Partnerships were formed with the aforementioned local governments that led to the collection of almost 900 metric tons of plastic waste, which helped AMC become a net-zero plastic waste brand for 2021. We will be adding this to our packaging in the form of a badge.

Stakeholders	Topics of discussion	Actions and outcomes
Business Chambers, the Philippines: 1. European Chamber of Commerce in the Philippines (ECCP) 2. Dutch Chamber of Commerce in the Philippines (DCCP) 3. American Chamber of Commerce in the Philippines (AmCham) 4. Laguna Chamber of Commerce in the Philippines (LCCP) 5. San Pedro Chamber of Commerce and Industry, Inc (SPCCII)	AMC has been an active member and contributor of the different chambers mentioned. Through these chambers we get support and advocate for the interest of our business. Is also through these chambers that we promote and get partners for our CSR Programs.	We have regular engagements and attend regular meetings called for by the business chambers. In 2022, our memberships in these chambers have helped us: 1. Acquire partners for the Dairy Development and Philippine-Netherlands Dairy Excellence Centre (PNDEC) 2. Advocate for our position on: a. Single-use plastics ban; b. Extended producers' responsibility act; c. Sugar sweetened beverages tax; Price Act Amendments.
Environmental Protection Department (EPD), HKSAR (Hong Kong)	Producer responsibility scheme on plastic beverage containers.	FrieslandCampina HK, as one of the members of the Hong Kong Beverage Association, participated in a dialogue with EPD to build an effective producer responsibility scheme for plastic beverage containers that minimises the impact on the commercial segment and system costs, while maximising environmental outcomes. The Authority expects to implement this in 2025.
Ministry of Climate Change and Environment (MOCCAE), UAE	FC to support the UAE achieve its sustainability plan.	We are seeking MOCCAE endorsement of our consumer sustainability awareness campaign, and support in closing the loop on the tin can recycling project.
Netherlands Business Council, UAE and KSA	A group of Dutch companies with Sustainability at the core of their business, including Unilever, KLM, ING Bank etc., joined to form the Dutch Sustainability Group. The objective of this group is to promote Dutch businesses and transfer Dutch sustainability knowledge to the Middle East.	Signed MoU with MOCCAE to support the UAE sustainability agenda. Planning to conduct a series of webinars to transfer Dutch sustainability knowledge to UAE.

Stakeholders	Topics of discussion	Actions and outcomes
Ministry of Health & Prevention, UAE	Globally, 4.1 million annual deaths have been attributed to excess sodium/salt intake. In the UAE, NCDs consume 7-11% of healthcare spending. Lack of exercise and poor eating habits of the younger generation are key factors in the region.	Our role is to support the education of the new generation on health and nutrition, using World Milk Day as a platform for a yearly awareness campaign. As we shift our focus towards sustainability, the plan is to maintain our relationship with MoH on the basis of needs. RA is collaborating with MOH in drafting the UAE National Nutrition Strategy 2020-2030.
UAE Ministry of Economy – Consumer Protection Department, Middle East	Strict price control by governments, mainly in UAE, Qatar, Bahrain, and Oman, where we are leaders with a high market share on EVAP for Rainbow and Omela.	Always in close contact with CPD to strengthen our relationship in order to better respond to business requirements, when needed
Dubai Municipality – UAE	DM has a key role in providing community services and awareness programmes on health related challenges, food waste, waste management, etc.	Wij ondersteunen enkele van de belangrijkste initiatieven van DM om onze relatie te versterken: – The sanitisation programme and the 10 million meals Food Bank – UAE.
Dubai Chamber of Commerce and Industry -UAE	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.
Saudi Foods and Drugs Authority (SFDA), Saudi Arabia	– Foods standards and guidelines – Halal legislation, accreditation and certifications – Customs inspection and auditing Nutritional studies and strategies, pledges	RAFCME collaborated with FBMG to advocate F&B sector's position against the 'SFDA Traffic Light' project and succeeded in stopping the implementation mandate.
Oman Tax Authority	VAT, food tax and classification excise tax.	RA succeeded in exempting our 'Rainbow Coffee Creamer' from the excise tax imposed on us by the Omani Tax Authority.
ISEG Halal Egypt	Halal audit and certification.	RA, in collaboration with QANA, succeeded in registering the majority of Egypt's cheese and milk factories under ISEG: Leerdam, Wolvega, Leeuwarden.
Ministry of Natural Resources & Environment (MONRE), Vietnam	Key stakeholder for our initiatives: a. Better Planet agenda b. Better Packaging c. EPR.	Directly and closely worked with MONRE on EPR regulations, together with other businesses and NGOs to minimise the negative impacts of the new law on our operation and profitability.
Ministry of Health (MOH), Vietnam	Relevant for key FCV matters pertaining to: a. Nutrition b. Food Safety c. SEANUTS II d. Sugar excise duty	Collaborated with NIN (National Institute of Nutrition) under MOH to conduct and promote SEANUTS results for furthering our leading position in nutrition Direct dialogue and engagement where required for product registration, and other relevant nutrition requirements.

Stakeholders	Topics of discussion	Actions and outcomes
Ministry of Education and Training (MOET), Vietnam	In charge of the overall education system in Vietnam, including the physical development of school children and nutrition and physical improvement for primary school students.	FCV has entered into a long-term strategic partnership with MOET (five years) to provide education on nutrition to all elementary schools in Vietnam. Currently co-developing an online curriculum on nutrition (to support our Morning Nutrition agenda with the Dutch Lady brand)
Ministry of Agriculture and Rural Development (MARD) and its department (DARD), Vietnam	Relevant to our: – DDP – Better livelihood for farmers – China export licensing (animal health and quarantine, product quality and safety).	Closely work with MARD to promote our leading role in DDP and our positive impact on the lives of local farmers. Direct contact and engagement for our export license to China.
Ministry of Finance (MOF), Vietnam	Key stakeholder on: – General tax issues – Excise duty on sugar	Direct and indirect (via Euro Cham and other chambers of commerce) engagement and dialogue on changes in regulations relating to tax and other financial topics.
Office of the Government (GO), Vietnam	Key stakeholder for high impact issues due to unsuitable changes in laws and regulations that require top intervention.	Direct and indirect engagement and dialogue via Dutch Embassy, Euro Cham and other institutions to generate desired results.
Other Stakeholders, Vietnam: VBCSD/VDA/AmCham and Euro Cham	Key partners for all business-related topics that we want to raise with relevant government agencies as key industry issues, rather than our individual issue, for greater collective impact.	Direct and constant dialogue and engagement via meetings, seminars, white papers, joint petitions as an active member of these organisations.
Department of Internal Trade (DIT), Thailand Thai Chamber of Commerce (TCC), Thailand Federation of Thai Industry (FTI), Thailand Thai Dairy Industry Association (TDIA) Dairy and Food Industry Association (DFIA) Office of Agricultural Economics (OAE), Thailand Milk Board	Price issue – to increase the RSP of milk products.	Engage and share information about dairy business including increased cost and impact of price freezing policy, with many alliances (TCC, FTI, TDIA and DFIA, OAE) to help negotiate with the Minister of Commerce and Director General of DIT to unlock price freezing. FFCT convinced the Milk Board of the impact of price freezing. Ultimately, the Milk Board and cabinet approved increasing the RSP for milk products. However, DIT limited the price increase to only cover the increased cost of raw milk. It has not yet approved an increase that would compensate for the total increase in costs.

Stakeholders	Topics of discussion	Actions and outcomes
Commissioner for Economic Development, Thailand	Price control – remove flavoured milk and other milk products from control list.	FCT engaged and shared information about the dairy business with the Commissioner for Economic Development to amend the law that controls the price of goods. Currently the milk market in Thailand is fully competitive (there are many producers and the state participates as a producer as well). The Commissionerfor Economic Development agreed to our proposal. However, need to continue to make our case with the Commissioner.
Federation of Thai Industry (FTI) Department of Health (DOH) Food and Drug Administration (FDA)	Sugar tax Marketing control to children FDA process	FCT engages FTI (Foods) as a working group to ensure milk will not be within the scope of the sugar tax in the future. FCT shares information and raises concern on marketing control to children, highlighting that since milk is a healthy product, it should not be in the scope of marketing control, to which FTI agreed. FTI (Food) engaged with DOH and finally got invited to be part of the committee responsible for drafting the regulation. FCT engages FTI (RA), the new director of the FDA's Food Control division, in discussions about how to minimise the lead time of the FDA process and how to expand the Health claims approval list, which the FDA director will support and facilitate for the business sector.
Ministry of Agriculture and Cooperatives (MOAC), Thailand Department of Livestock Development (DLD)	Raw milk shortage.	FCT engage MOAC and DLD to reconsider the principle of the school milk quota allocation system and help support Thai dairy farmers in achieving cost reductions, especially feed costs, which is the main cost of farming, in order to balance the supply-demand of raw milk.
Thai Dairy Industry Association (TDIA) Dairy and Food Industry Association (DFIA)	Milk importation. Milk Board Committee. Promoting milk consumption.	FCT takes on the role of association secretary and leads agendas which are beneficial to FCT and improve business opportunities: – Convince the Milk Board to approve the import of milk in accordance with the FTA – FCT received nominations from TDIA and DFIA to be part of the Milk Board Committee. This can help us have more voices on the Board – Collaborate with the dairy industry to stimulate the milk market. Create a milk campaign to increase milk consumption – Push DFIA to be part of the Whole Dairy System Sub-committee to get insight into the milk situation and MoU criteria. – Push DFIA to be member of TCC in order to have a powerful voice to drive our agendas and issues

Stakeholders	Topics of discussion	Actions and outcomes
Thai Chamber of Commerce (TCC), Thailand	TH-EU FTA.	Engage Chairman of TCC (International Trade Agreement Negotiation Sub-Committee) on behalf of DFIA. Involve DFIA representative to be committee member in the next round of elections and to drive the signing of the-TH-EU FTA.
Thailand Institute of Packaging and Recycling Management for Sustainable Environment (TIPMSE)	Sustainable packaging.	FCT engages with TIPMSE as working group to drive the EPR system for packaging waste management and advocacy on the packaging tax in order to avoid/delay the packaging tax.
		FCT joins ProPak Asia 2022 to announce its commitment to packaging waste reduction/management for CSR.
Ministry of Labour, Thailand Commissioner for Labour Employers' confederations (ECON and ECOT)	Labour issues.	FCT engages with the Permanent Secretary of the Ministry of Labour and the Labour Commissioner to provide information in order to help solve the labour issue.
		Also engage Employers' confederations (ECON and ECOT) to join as a member of both Employers' confederations in order to connect with government agencies for consulting on labour cases and solve the company's labour problems. This can help FCT become familiar with shifts and requests by employees' side in order to prepare ourselves for successful negotiations.
Academics Nutritionists Paediatricians FDA Department of Health	Current nutritional status of Thai children and how to improve the situation.	FCT to leverage the result of SEANUTS II by providing the initial result to target stakeholders to find a practical solution to reduce malnutrition among Thai children.
		At the same time, this project allows FCT to promote the FC Institute as another trustworthy organisation for knowledge and innovation related to nutrition.
Strategic media focusing on CSR-Quality of life and health sections	Announcement of SEANUTS II results and Media group interview (in-depth information and interview with spokesperson).	FCT to leverage the result of SEANUTS II by providing the initial result to target stakeholders to find a practical solution to reduce malnutrition among Thai children.
		At the same time, this project allows FCT to promote the FC Institute as another trustworthy organisation for knowledge and innovation related to nutrition.

Stakeholders	Topics of discussion	Actions and outcomes
Strategic business and marketing media	Afternoon tea session with executives to officially introduce the ‘FrieslandCampina Professional’ business unit in Thailand.	FCT to engage with strategic media on new movement update, which will help expand the visibility of FC Professional unit in Thailand.
		Apart from promoting the new units and FC Professional workforce (in-house chef and barista), this helps us to create a good relationship with the strategic business and marketing media that share the same target group such as people in the industry, buyers for cafés and patisseries.
Federal Ministry of Agriculture, and Rural Development (FMARD), Nigeria	Core partner on DDP, currently FCW has a running MoU with the Ministry. Aim is to promote and address the challenges of building a successful dairy development programme in Nigeria.	FMARD in conjunction with other Ministries drafted and reviewed a Dairy Policy. The policy seeks to address issues along the dairy value chain, drive local dairy production, consumption and growth of dairy businesses.
		The Ministry appreciates FCW’s sustainable Dairy Valley initiatives in southwest to improve the welfare of small holder dairy farmers as well as the productivity and quality of local fresh milk sourcing. Hence, the expansion plan of 164 hectares at the National Veterinary Research Institute (NVRI) in Vom, Plateau State, was granted.
Federal Ministry of Industry Trade and Investment (FMITI), Nigeria	Promote trade and investment by formulating and implementing policies and programmes that will attract and boost industrialisation, increase trade and export and develop the business community.	Implemented a Backward Integration Certification (with related incentives) to encourage manufacturers to deploy local capacity enhancement programmes with respect to agriculture. The certification process requires a familiarisation tour of both manufacturing and backward integration sites to verify policy compliance. This was successfully done.
Federal Ministry of Finance, Budget and National Planning (FMFBNP), Nigeria	Value Added Tax modification order implementation.	Engagement with FMFBNP on critical omissions of some FCW milk raw materials in the Harmonised System (HS) Code.
		The HS Code was updated and harmonised with other relevant regulatory bodies.
Nigeria Customs Service (NCS)	Erroneous classification of Infant Food under HS Code: 1904.1000.00 with description 'Prepared food obtained by puffing or roasting cereals or cereal products' at 20% duty, 0% VAT.	Engagement with NCS and FMFBNP to reclassify the HSCode to HSCODE 1901.1000.00 at 5% duty, 0% VAT, with description Preparations for Infant use, put up for retail sales. This was successfully achieved.

Stakeholders	Topics of discussion	Actions and outcomes
Centre for Nigerian Dutch Dairy Development (CNDDD) CNDDD is an initiative that focuses on improving dairy productivity and sustainability in Nigeria's dairy value chain. It brings together Dutch dairy experts and key government dairy operators	Continuous support for sustainable dairy value chain development in Nigeria.	Embarked on a successful dairy mission to the Netherlands with key stakeholders Strengthened our relationship with key stakeholders in policy making, the academia and other government dairy value chain operators.
Federal Competition and Consumer Protection Commission (FCCPC), Nigeria	Resolved consumer complaints.	Engaged effectively to ensure issue resolution.
Nutrition Council of Nigeria	Public- private partnership on the reduction of incidences of malnutrition in Nigeria.	Key deliverables agreed upon include the following: – Adding Nutrition to the school curriculum – Support for the National School Home-grown Feeding Programme Add nutrition desk in all federal ministries in Nigeria.

Suppliers

	Criteria for sustainable agricultural raw materials – in line with FrieslandCampina's aim to only purchase agricultural raw materials and paper packaging from fully sustainably managed sources.	FrieslandCampina cooperates with its suppliers in developing plans for sustainability in the sourcing 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.

Stakeholders	Topics of discussion	Actions and outcomes
Nutrition and health experts		
Indonesia's Medical Doctor Association (IDI), Medical Nutrition Doctor Association (PDGMI), Obstetrician and Gynaecologist Association (POGI), Pediatrician Association (IDAI)	Practical handbook for health and nutrition professionals in Indonesia	Coauthored a handbook on managing malnutrition in children and mothers
Wageningen Academy (WA)	Summer School 2022	Collaborate to organise a 10-day course on dairy nutrition and health
Nigerian Society of Neonatal Medicine (NISONM)	Accredit an e-learning for neonatologists	E-learning on Feeding preterm infants
Nigerian Society of Pediatric Gastroenterology, Hepatology and Nutrition (NISPHGAN)	Co-host a hybrid conference, accredit an e-learning and practical tool	Collaborate on a hybrid conference with the title Evidence-based strategies to optimize child growth and development: Spotlight on nutrition
FrieslandCampina Institute Independent External Expert Board	This group of multidisciplinary experts reviews the FrieslandCampina Institute's method of working and its strategy in terms of topics such as nutrition, malnutrition, nutritional policy, health, access to nutrition, security of nutrients, and (lifestyle) education.	Members participated in a virtual meeting on one occasion in 2022.

Sustainability targets 2022

KPI	2022 Objective	2022 Actual
Product composition (as a percentage of the total volume of consumer products that comply with the FrieslandCampina Global Nutritional Standards Next Level)	71	72
Greenhouse gas emissions on member dairy farms (kt CO_2 equivalent)	10,866	10,823
Greenhouse gas emissions from production and transport (kt CO_2 equivalent)	663	649
Water consumption (m^3/tonne end-product)	4.74	4.72
Biodiversity (number of member dairy farmers remunerated for improvements)	1,350	1,995
Recyclable packaging (percentage suitable for sorting and recycling systems)	90	91
Dairy Development (number of local dairy farmers participating in a training programme)	64,200	70,101
Traceability to source (palm oil, pulp and paper, and cocoa purchased by the company)	94	94

Explanation of Materiality Matrix

FrieslandCampina carries out a materiality analysis every two years to determine the social and environmental topics that are most relevant to stakeholders and on which the company has an impact. This analysis was carried out for the last time in 2021. In 2022, FrieslandCampina completed an update analysis, which showed that there were no changes to the material themes. An independent party supported FrieslandCampina in completing this analysis, which is based on the guidelines of the Global Reporting Initiative (GRI). The following steps were completed in 2021 to arrive at a prioritisation of the most relevant topics for the company.

Step 1 – recalibration of relevant topics

The list of relevant topics was reanalysed. This included a review of internal developments at FrieslandCampina and developments in the environment on the basis of sector and media analyses. These analyses also incorporate the 11 criteria (greenhouse gas emissions, soil nutrients, soil quality and retention of soil quality, availability and quality of water, biodiversity, working conditions, animal care, waste, market development, countryside economy and product safety and quality) and the four basic elements of the Dairy Sustainability Framework (comply with applicable statutory directives, human rights, animal welfare and deforestation). On the basis of these analyses, the list with material topics was adjusted. The table below contains the relevant topics for FrieslandCampina, together with specific definitions developed for this purpose.

Table 1: List with relevant topics and definitions

#	Topic	Definition
1	Sustainable innovation	Working on technological solutions and innovations to increase efficiency and sustainable practices.
2	Nature and biodiversity	Taking measures to preserve, restore and improve the diversity of animal species, nature and landscaping elements.
3	Animal health and welfare	Treating dairy animals with care so as to ensure animals' health and welfare, including the responsible use of antibiotics and the five freedoms (freedom from hunger and thirst, from discomfort, from pain, injury, and disease, to express normal and natural behaviour, from fear and distress).
4	Pasture grazing	Encouraging pasture grazing to increase the quality of products, the sector's visibility and animal well-being.
5	Attractive employer	Offering attractive working conditions and growth opportunities to increase employee well-being and to be able to recruit and maintain a skilful workforce.
6	Diversity and inclusion	Providing equal opportunities and combat discrimination to increase employee wellbeing and reduce inequalities
7	Milk price	Setting a fair milk price for farmers to guarantee a good living for our farmers for now and in the future.
8	Supporting local dairy farms in countries where we collect and process local milk (dairy development).	Offering trainings, consultancy services, access to suppliers, hardware and infrastructure to local farmers in Asia, Africa and Eastern Europe to increase Farmers' resilience, economic viability and access to markets and rural communities.
9	Contributing to affordable nutrition	Offering affordable dairy products to make dairy nutrition available to all income groups.
10	Plant-based proteins	Offering plant-based proteins to diversify the product portfolio towards dairy alternatives.

#	Topic	Definition
11	Nutritional and healthy products	Offering nutrient-rich and healthy products to positively influence the world's food and nutrient security.
12	Product quality and product safety	Offering products of high quality to provide consumer satisfaction and safety.
13	Waste	Minimising waste generation on farm level and processor level to reduce scarcity of resources and waste pollution.
14	Greenhouse gas emissions and energy use by production and transport	Minimising greenhouse gas emissions by optimising energy use during the production and transport of our products to reduce the environmental impact.
15	Sustainable packaging	Developing and using sustainable packaging (reduce, reuse, recycle) to reduce raw material input and waste pollution.
16	Supply chain management	Managing the supply chain responsibly and source sustainable materials to improve the impact on communities and the environment.
17	Local sourcing	Promoting local sourcing of dairy products to increase avai-ability of fresh products, reduce transport distance and support local economies in valorising products from own soil.
18	Water usage and efficiency	Minimising freshwater intake and increasing the water efficiency of our operations.

#	Topic	Definition
19	Carbon-neutral products	Offering products with low and compensated greenhouse gas impact to reduce the environmental impact.
20	Human rights	Aligning the approach to international human rights standards in order to prohibit the use of child labour, forced/bonded labour and harsh or inhumane treatment of workers, and freedom of association, both in operations and the wider supply chain.
21	Employee health and safety	Implementing health and safety measures to respect and promote working safety and a healthy work environment.
22	Responsible taxation	Paying taxes to the appropriate levels in operating countries to comply with local regulations.
23	Greenhouse gas emissions by farms	Minimising greenhouse gas emissions from member dairy farms to reduce the environmental impact, including carbon sequestration on farms.
24	Soil nutrients and fertiliser use	Stimulating proactive management and minimisation of fertiliser use and nutrient losses to enhance soil quality and retention, and to reduce water, air and land pollution.
25	Digitalisation	The use of digital technologies to optimise and change the business model by increasing speed/flexibility, generating new income and offering value-added opportunities (for example, e-commerce, digital marketing, insight-driven decision-making), while at the same time guaranteeing data security.

* Greenhouse gas emissions, among others, include methane, carbon dioxide and nitrogen oxide

Step 2 – Prioritising the topics

After the new list with relevant topics for FrieslandCampina was established, internal and external stakeholders were approached to prioritise the topics. FrieslandCampina values the expectations of its stakeholders. An online survey was developed to give them an opportunity to provide their inputs in an accessible manner. In this survey, the stakeholders were invited to identify which topics they consider most relevant for FrieslandCampina to act on. See Table 2 with the stakeholder groups involved in the materiality analysis. In addition to this stakeholders' perspective, members of the Executive Leadership Team were asked to identify five of the 25 topics on which they think FrieslandCampina can have the greatest impact (positive and negative).

Materiality analysis

1. **Greenhouse gas emissions at farms**
2. **Nature and biodiversity**
3. **Healthy products with nutritional value**
4. **Sustainable innovation**
5. **Animal health and welfare**

6. Milk price
7. Product quality and product safety
8. Carbon-neutral products
9. Greenhouse gas emissions and energy use by production and transport
10. Sustainable packaging
11. Supply chain management

12. Soil nutrients and fertiliser use
13. Supporting local dairy farms in countries where we collect and process local milk (dairy development).
14. Employee health and safety
15. Water usage and efficiency
16. Contributing to affordable nutrition
17. Digitalisation
18. Waste

19. Pasture grazing
20. Human rights
21. Plant-based proteins
22. Attractive employer
23. Local sourcing
24. Diversity and inclusion
25. Responsible taxation

Materiality matrix

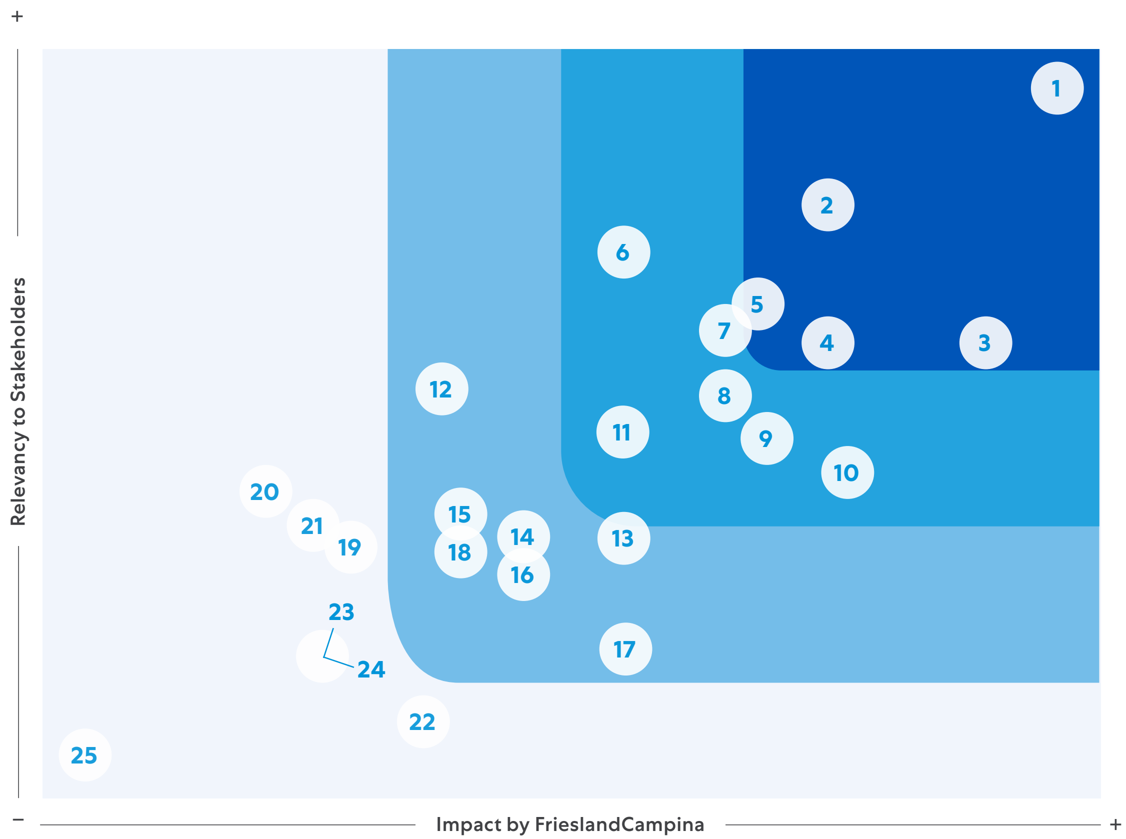


Table 2: Stakeholder groups involved in the materiality analysis

Stakeholder group
Competitors
Customers
Employees
Industrial associations
Member dairy farmers
Regulatory/supervisory bodies
Scientific organisations
Social organisations
Strategic partners
Suppliers

On the basis of the contribution made by all stakeholders and the Executive Leadership Team, the list of 25 topics was prioritised. This was first submitted to the Board of the Cooperative after which it was validated by them. On the basis of these findings, a materiality matrix was developed that visualises the prioritisation of the topics (see Figure 1). The most relevant topics shown in the top right corner are discussed in this Annual Report.

Stap 3 – Double materiality

Double materiality not only considers the organisation's impact on social and environment-related topics (as described above), but also the financial impact of these topics on the organisation (in a positive or negative sense). For example, FrieslandCampina has an impact on the environment because of the greenhouse gas emissions at farms, but, at the same time, these emissions and climate change may also have an impact on FrieslandCampina's financial position.

Double materiality is a key theme within the new mandatory European reporting guidelines: the Corporate Sustainability Reporting Directive (CSRD), which will come into effect in 2025 (see 'Preparing for CSRD', page 78). As a first step towards these new regulations, FrieslandCampina has asked an external independent party to carry out an interview-based analysis of the potential financial impact of the 25 topics on FrieslandCampina. During these interviews, a distinction was made between potential positive financial impact (opportunities) and potential negative impact (risks). The findings of this analysis show that there is a correlation between the topics that are found to be material on the basis of the materiality matrix and the topics that, according to respondents, have a financial impact on FrieslandCampina. For example, this applies to the topics such as greenhouse emissions at farms, milk price, and nutritional and healthy products. In 2023, the findings of this analysis will be included in the risk analysis and will be discussed with internal risk management departments. This way, we will promote the integration of social, environment-related and financial elements.

Stap 4 – Impact on policy and reporting

The outcome of the analysis was included in determining the themes on which FrieslandCampina will be focusing. The material topics form the basis for FrieslandCampina's sustainability strategy. The Executive Board and the Cooperative Board were involved in developing and approving the sustainability strategy. The Sustainability Committee of the Supervisory Board discusses with and advises the Company on the sustainability strategy and the sustainability targets connected to that strategy. Executive Board and the Cooperative Board will be informed about the progress of the strategy and the material topics on a quarterly basis so that adjustments can be made, as necessary.

The 2021 materiality analysis shows that greenhouse gas emissions at farms is the most important topic for stakeholders and for FrieslandCampina on the basis of the impact it has on this according to the Executive Leadership Team. This is followed by nature and biodiversity, nutritional and healthy products, sustainable innovation and animal health and welfare. The topics that are not part of the top five are also relevant to FrieslandCampina and are addressed in the Annual Report. It mainly relates to topics which are also part of our strategy *Nourishing a better planet* consisting of six pillars (better nutrition, better living for farmers, better climate, better nature, better packaging and better sourcing). These topics are also disclosed in the annual report.

GRI table

Disclosure	Location	Omission		
		Requirement(s) omitted	Reason	Explanation
GENERAL DISCLOSURES				
GRI 2: General Disclosures 2021				
2-1 Organizational details	Annual report (AR): Front page; This is FrieslandCampina - Dairy from grass to glass p6 This is FrieslandCampina - FrieslandCampina worldwide p7 Financial statements (FS): Notes to the consolidated financial statements - General Colofon p280			
2-2 Entities included in the organization's sustainability reporting	FS: Basis of measurement and valuation of results p109 Subsidiaries, joint ventures and associates p185 Consolidatie van entiteiten p122 All entities in the financial reporting are also included in our sustainability reporting.			
2-3 Reporting period, frequency and contact point	January 1, 2022 to December 31, 2022. Annually FS: Notes to the consolidated financial statements - General p109 Publication date is 17 February 2023 corporate.communication@frieslandcampina.com			
2-4 Restatements of information	AR: Key figures p21 Changes in scope and delineation with respect to the previous reporting period: - The calculation baseline for 2021 GHG emissions from member dairy farms has been adjusted for a better insight.			
2-5 External assurance	AR: Auditor's reports – Independent auditor's report p196; Auditor's reports – Independent auditor's assurance report p213; Corporate Governance – Audit of the financial reporting and the roles of the internal and external auditors p81			

Disclosure	Location	Omission		
		Requirement(s) omitted	Reason	Explanation
2-6 Activities, value chain and other business relationships	AR: This is FrieslandCampina - Dairy from grass to glass p6; Report of the Executive Board - How we create value p23 For the value chain, please refer to page 14 of our Climate Plan, figure 3.			
2-7 Employees	AR: This is FrieslandCampina - FrieslandCampina worldwide p7 We nourish growth and change - Our employees p64 Appendices - HR-data p274	b. report the total number of: iii. non-guaranteed hours employees, and a breakdown by gender and by region;	Information unavailable/ incomplete	Data is unavailable, however step up in data availability is scheduled for 2023.
2-8 Workers who are not employees	Not applicable	Full requirement	Information unavailable/ incomplete	Outside of RFC span of control. In 2023 deep dive will be done to investigate specific data.
2-9 Governance structure and composition	AR: Corporate Governance - Corporate governance at a glance pX74Report of the Supervisory Board - Roster of appointments and retirement of the Supervisory Board p84 Overviews - Supervisory Board p219 Report of the Supervisory Board - Diversity p84			
2-10 Nomination and selection of the highest governance body	AR: Corporate Governance - Supervisory Board - Composition, independence and appointment p76 Corporate Governance - Supervisory Board Committees p77 Report of the Supervisory Board - Composition, independence and diversity p83			
2-11 Chair of the highest governance body	Not applicable; the chairman of the Supervisory Board is not a senior executive in the organization.			

Disclosure	Location	Omission		
		Requirement(s) omitted	Reason	Explanation
2-12 Role of the highest governance body in overseeing the management of impacts	AR: Corporate Governance - Supervisory Board - Sustainability Committee p88 Report of the Supervisory Board - Meetings of the Supervisory Board p85 Report of the Supervisory Board - Supervisory Board committees - Sustainability Committee p86 Report of the Executive Board - We nourish a better planet p32			
2-13 Delegation of responsibility for managing impacts	AR: Corporate Governance - Supervisory Board - Sustainability Committee (p88), Report of the Supervisory Board - Meetings of the Supervisory Board (p85), Report of the Supervisory Board - Supervisory Board committees - Sustainability Committee (p86)			
2-14 Role of the highest governance body in sustainability reporting	AR: Corporate Governance - Supervisory Board committees p74 Report of the Supervisory Board - Supervisory Board committees - Sustainability Committee p88 Appendices - Explanation of Materiality Matrix p258			
2-15 Conflicts of interest	AR: Corporate governance - Conflict of interest p80. No conflicts of interest were reported in the financial year 2022.			
2-16 Communication of critical concerns	AR: Good business conduct - Integrity, respectful and transparent p59 Report of the Supervisory Board - Meetings of the Supervisory Board p85.			
2-17 Collective knowledge of the highest governance body	AR: Corporate Governance - Supervisory Board committees p74 Report of the Supervisory Board - Meetings of the Supervisory Board p85, Report of the Supervisory Board - Sustainability Committee p86			
2-18 Evaluation of the performance of the highest governance body	AR: Corporate Governance - Supervisory Board p76 Report of the Supervisory Board - Composition, independence and diversity p83			

Disclosure	Location	Omission		
		Requirement(s) omitted	Reason	Explanation
2-19 Remuneration policies	AR: Corporate governance - Executive Board p75 Corporate governance - Executive Board - Remuneration policy and remuneration of members of the Executive Board and remaining members of the Executive Leadership Team p57 Remuneration - Remuneration at a glance - Remuneration principles of the Executive Board Remuneration Policy p92 Remuneration - Remuneration at a glance - Overview of key remuneration elements of the Executive Board p92 Remuneration - Remuneration of the Executive Board and Supervisory Board at year-end 2022 p95-98 Remuneration - Key elements of the Supervisory Board p97 All relevant policies have been reported in the Annual Report.			
2-20 Process to determine remuneration	AR: Corporate Governance - Supervisory Board - Remuneration, nomination and governance committee p97 Corporate Governance - Report of the Supervisory Board - Supervisory board committees - remuneration-, nomination- and governance committee p83 Remuneration, Transparency p91, Remuneration- Relevant market reference group for remuneration of the Executive Board (p.74), Remuneration - Remuneration - Key remuneration elements of the Supervisory Board p97 Remuneration - Remuneration at a glance p92			
2-21 Annual total compensation ratio	AR: Remuneration - CEO Pay ratio p95	Full requirement	Information unavailable/ incomplete	We are reporting following the Corporate Governance Code. Data on the median annual compensation for all employees is not reported. We will proceed in adjusting the reporting process to have this information available.

Disclosure	Location	Omission		
		Requirement(s) omitted	Reason	Explanation
2-22 Statement on sustainable development strategy	AR: a word from the CEO: Hein Schumacher p10 Report of the executive board - how we create value & in dialogue with stakeholders 23 We nourish millions of people p27 We nourish a better planet p32 We nourish growth and change - Foqus planet: higher remuneration for sustainability p57 Report by the Supervisory Board - Meetings of the Supervisory Board p85			
2-23 Policy commitments	AR: Good business conduct - Integrity, respectful and transparent p59 Social sustainability - Human Rights p63			
2-24 Embedding policy commitments	AR: Good business conduct - Integrity, respectful and transparent p59			
2-25 Processes to remediate negative impacts	AR: Good business conduct - Integrity, respectful and transparent p59			
2-26 Mechanisms for seeking advice and raising concerns	Risk awareness and culture p70 Good business conduct - Integrity, respectful and transparent p59			
2-27 Compliance with laws and regulations	Not applicable	Full requirement	Information unavailable/ incomplete	Information is not (yet) available on this detailed level. In 2023 we will start obtaining & reporting on this data requirement.
2-28 Membership associations	AR: Appendices - Stakeholder Dialogue - Non-governmental organisations (NGOs) and interest groups & Trade and industrial associations p230			

Disclosure	Location	Omission		
		Requirement(s) omitted	Reason	Explanation
2-29 Approach to stakeholder engagement	AR: Report of the Executive Board - In dialogue with stakeholders p25 Appendix - Stakeholders Dialogue p230 Appendix - Explanation of materiality matrix p258			
2-30 Collective bargaining agreements	AR: HR Data - Percentage of Employees covered by Collective Bargaining Agreement p274	2-30 b.	Information unavailable/ incomplete	Deep dive will be performed in 2023 to follow up on these reporting requirements. Aim is to start reporting on this standard in 2023.

MATERIAL TOPICS

GRI 3: Material Topics 2021				
3-1 Process to determine material topics	AR: Report of the Executive Board - In dialogue with stakeholders p.25 Appendix - Explanation of materiality matrix p.258			
3-2 List of material topics	AR: Report of the Executive Board - In dialoque with stakeholders p.25 Appendix - Explanation of materiality matrix p.258			

Nature & Biodiversity (standards: Biodiversity)

GRI 3: Material Topics 2021				
3-3 Management of material topics	AR: This is FrieslandCampina - Foreword: CEO Hein Schumacher p10 Report of the executive board - In dialogue with stakeholders p25 Report of the executive board - increased biodiversity p38 Report of the executive board - Nitrogen measures and future prospects for member dairy farmers p40 Report of the executive board - Foqus planet: higher remuneration for sustainability p57 Appendix - Sustainability targets 2022 p258 Appendix - Explanation of materiality matrix p258			

Disclosure	Location	Omission		
		Requirement(s) omitted	Reason	Explanation
GRI 304: Biodiversity 2016				
304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas		Full requirement	Information unavailable/ incomplete	No overview of the presence of protective areas or areas of high biodiversity in the immediate vicinity of production sites is available (yet). Note: dairy farms are not owned by the company. Process is ongoing to report this information.
304-2 Significant impacts of activities, products and services on biodiversity		Full requirement	Information unavailable/ incomplete	We are in the proces of developing the new biodiversity KPI for which we aim to start reporting in 2023. Together with internal and external experts an approach has been determined. However, still lot of work to be performed before the implementation phase can start.
304-3 Habitats protected or restored		Full requirement	Information unavailable/ incomplete	Refer to 404-2
304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations		Full requirement	Information unavailable/ incomplete	No surveys have been conducted to determine the presence of these species in the vicinity of production sites. Note: dairy farms are not owned by the company. Process is ongoing to report this information.

Disclosure	Location	Omission		
		Requirement(s) omitted	Reason	Explanation
Emissions				
GRI 3: Material Topics 2021				
3-3 Management of material topics	AR: Report of the executive board - In dialogue with stakeholders p25 Report of the executive board - We nourish a better planet p32 Report of the executive board - Reduced greenhouse gas emissions p35 Report of the executive board - Foqus planet: higher remuneration for sustainability p57 Appendix - Sustainability targets 2022 p257 Appendix - Explanation of materiality matrix p258			
GRI 305: Emissions 2016				
305-1/305-2 Direct (Scope 1) GHG emissions and energy indirect (Scope 2) emissions		Not applicable from a material assessment point of view.		
305-3 Other indirect (Scope 3) GHG emissions	AR: FrieslandCampina in 2022 p9 Report of the Executive Board - Reduced greenhouse gas emissions p35	Full requirement	Information unavailable/ incomplete	The main emission source which is emissions from milk production from member farmers is part of our AR. Remaining other indirect scope 3 is not in our annual report. We are preparing for reporting our scope 3 GHG emissions in 2023. Please refer to the explanation for own indicator.

Disclosure	Location	Omission		
		Requirement(s) omitted	Reason	Explanation
305-4 GHG emissions intensity		Full requirement	Information unavailable/ incomplete	GHG emissions intensity is calculated per unit of activity or product however not individually reported in the Annual Report. We will start the proces of including this information in our external reporting in 2023.
305-5 Reduction of GHG emissions		Full requirement	Information unavailable/ incomplete	Pilots have started to reduce our emissions. In 2023 we will start reporting reductions for scope 3. Process is ongoing to report this information.
305-6 Emissions of ozone-depleting substances (ODS)		Not applicable from a material assessment point of view.	Information unavailable/ incomplete	Not reported for 2022, however we will investigate in 2023 whether it is material.
305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions		Not applicable from a material assessment point of view.	Information unavailable/ incomplete	Not reported for 2022, however we will investigate in 2023 whether it is material.

Disclosure	Location	Omission		
		Requirement(s) omitted	Reason	Explanation
Own indicator				
Greenhouse gas emissions members - dairy farms	AR: FrieslandCampina in 2022 p9 Key figures p21 Report of the Executive Board - Reduced greenhouse gas emissions p35			The indicators in GRI standard 305 are inadequate for reporting the impact of FrieslandCampina and its members with regard to greenhouse gas emissions. FrieslandCampina has opted to develop its own indicators to provide insight into the greenhouse gas emissions for the production (processing) and transport of milk, and the greenhouse gas emissions of member dairy companies, see below.
Healthy products with nutritional value				
GRI 3: Material Topics 2021				
3-3 Management of material topics	AR: Report of the executive board - In dialogue with stakeholders p25 Report of the executive board - We nourish millions of people p28 Report of the executive board - better nutrition p29 Appendix - Sustainability targets 2022 p257 Appendix - Explanation of materiality matrix p258			
Own indicator				
Product composition	AR: AR: FrieslandCampina in 2022 p9 This is FrieslandCampina - Foreword: CEO Hein Schumacher p10 Report of the Executive Board - Key figures p21 Report of the Executive Board - How we create value p23 Report of the Executive Board - Better nutrition p29 Appendix - Sustainability targets 2022 p257			

Disclosure	Location	Omission		
		Requirement(s) omitted	Reason	Explanation
Balance of product range	AR: Report of the Executive Board - Key figures p21 Report of the Executive Board - How we create value p23 Report of the Executive Board - Better nutrition p29			
Sustainable innovation				
GRI 3: Material Topics 2021				
3-3 Management of material topics	This is FrieslandCampina - Foreword: CEO Hein Schumacher p10 - Report of the executive board - In dialogue with stakeholders p25 - Report of the executive board - Better Nutrition - Innovation p31 - Appendix - Sustainability targets 2022 (p. 258) - Appendix - Explanation of materiality matrix (p.259)			
Own indicator				
Investments in research & development activities	AR: Report of the Executive Board - Better nutrition - Innovation p31			

Disclosure	Location	Omission		
		Requirement(s) omitted	Reason	Explanation
Animal health & welfare				
GRI 3: Material Topics 2021				
3-3 Management of material topics	AR: Report of the executive board - In dialogue with stakeholders p25 Report of the executive board - Insight into health and well-being cows p44 Report of the executive board - Foqus planet: higher remuneration for sustainability p57 Appendix - Sustainability targets 2022 p257 Appendix - Explanation of materiality matrix p258			
Own indicator				
Percentage of dairy farms with grazing and partial grazing	AR: Report of the Executive Board - Key figures p21 Report of the Executive Board - Sustainability in dialogue p46 Report of the Executive Board - Financial notes p53 Overviews - Multi-year overview p216 Overviews - Milk price overview p218 Appendix - Stakeholder dialogue p230 Appendix - Sustainability targets 2022 p257			

HR-data 2022

Staff Diversity Senior Management

Female	27.9%
Male	72.1%
Other	0.0%
Total	100.0%

Percentage of Employees by Employment Contract

Definte vs. Indefinite

Definite	10.8%
Indefinite	89.2%
Total	100.0%

Definte vs. Indefinite and Gender Split

Definite	Female	4.4%
	Male	6.4%
	Other	0.0%
Indefinite	Female	24.4%
	Male	64.7%
	Other	0.0%
Total		100.0%

Definte vs. Indefinite and Region Split

Definite	Africa and Middle East	0.1%
	Asia and Oceania	6.4%
	Germany	0.2%
	North and South America	0.0%
	Rest of Europe	1.1%
	The Netherlands	2.9%
Indefinite	Africa and Middle East	4.7%
	Asia and Oceania	30.6%
	Germany	5.2%
	North and South America	0.8%
	Rest of Europe	14.7%
	The Netherlands	33.1%
Total		100.0%

Definte vs. Indefinite and Gender Split and Region Split

Definite	Female	Africa and Middle East	0.0%
		Asia and Oceania	2.8%
		Germany	0.1%
		North and South America	0.0%
		Rest of Europe	0.4%
		The Netherlands	1.1%
	Male	Africa and Middle East	0.1%
		Asia and Oceania	3.6%
		Germany	0.2%
		North and South America	0.0%
		Rest of Europe	0.7%
		The Netherlands	1.8%
	Other	Africa and Middle East	0.0%
		Asia and Oceania	0.0%
		Germany	0.0%
		North and South America	0.0%
		Rest of Europe	0.0%
		The Netherlands	0.0%
Indefinite	Female	Africa and Middle East	0.7%
		Asia and Oceania	7.4%
		Germany	1.4%
		North and South America	0.3%
		Rest of Europe	6.0%
		The Netherlands	8.7%
	Male	Africa and Middle East	4.0%
		Asia and Oceania	23.2%
		Germany	3.8%
		North and South America	0.5%
		Rest of Europe	8.7%
		The Netherlands	24.4%
	Other	Africa and Middle East	0.0%
		Asia and Oceania	0.0%
		Germany	0.0%
		North and South America	0.0%
		Rest of Europe	0.0%
		The Netherlands	0.0%
Total			100.0%

Percentage of Employees by Employment Type

Part-time vs. Full-time

Part-time	9.7%
Full-time	90.3%
Total	100.0%

Part-time vs. Full-time and Gender Split

Part-time	Female	5.9%
	Male	3.8%
	Other	0.0%
Full-time	Female	22.9%
	Male	67.4%
	Other	0.0%
Total		100.0%

Percentage of Employees covered by Collective Bargaining Agreement

Not covered by CBA	30.0%
Covered by CBA	70.0%
Total	100.0%

Glossary

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 the company has a controlling interest for at least 12 months fall within the scope of this indicator.

Affordable Nutrition
The purpose of Affordable Nutrition products is to increase access to affordable, healthy and/or enriched nutrition in our lower income markets (Indonesia, Vietnam, the Philippines, Pakistan, Sub-Saharan Africa [for example, Nigeria and Ivory Coast]). These are products that in these countries focus on consumers with low or medium incomes, offer an attractive price and come in small package sizes. Also see FrieslandCampina's website.

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
FrieslandCampina has 150 years of experience in the dairy farming sector and applies the knowledge gained to further develop comprehensive value chains (from grass to glass) in Asia, Africa and Eastern Europe through dairy development activities focused on three strategic pillars: 1. Self-sufficiency 2. Income level 3. Sustainability level (CO2 eq./kilos milk). This way, FrieslandCampina – for example, by deploying experts of Dutch knowledge partners, sharing knowledge through training programmes and tracking data and progress – supports local dairy farmers in Nigeria, Vietnam, Thailand, Malaysia, Indonesia, Pakistan and Romania in improving the quality of their milk, increasing the productivity per cow, and thus achieving a lower carbon footprint per animal (sustainability), increasing the efficiency of farming practices and securing access to the market.

Energy consumption
Total net energy consumption in giga-joule per total production volume in tonnes. External registration of the usage of gas, oil, etc. with calibrated equipment is the basis for measuring the amounts consumed. 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 and/or gas 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.

Green electricity from own chain
Amount of renewable electricity generated by our members, whose Supply Chain (production locations) have purchased a GvO (Guarantees of Origin).

Green energy from own chain
Renewable energy generated at member dairy farms or produced at production facilities or specifically for production facilities. Included are gas

and electricity produced from manure, solar and wind energy, steam produced from certified biomass, such as rice husks, pruning waste and waste wood, and electricity specifically produced for FrieslandCampina in accordance with a Power Purchase Agreement.

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.

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 six hours per day (or at least 720 hours per calendar year).

Pasture grazing contributes to reducing ammonia emissions. First, the cows are not inside the stable for a period of time as result of which there is less manure in the stable, which reduces emissions there. Second, in pasture grazing, urine ends up on the soil separate from the manure. Only when urine and manure are mixed is urea converted into ammonia. The focus on increasing the number of hours spent in the pasture as an ammonia-reducing measure can increase the number of farms with (complete) pasture grazing.

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 Next Level, expressed as a percentage of the total volume of consumer products sold. Also see FrieslandCampina's website.

Product composition: Affordable Nutrition
The share of Affordable Nutrition consumer products (also see definition of Affordable Nutrition) sold by FrieslandCampina entities in Indonesia, Vietnam, the Philippines, Pakistan, Nigeria and Sub-Saharan Africa (e.g. Nigeria and Ivory Coast) that complies with the FrieslandCampina Affordable Nutritional Standards, part of the FrieslandCampina Global Nutritional Standards Next Level. This figure is expressed as a percentage of the total volume of Affordable Nutrition consumer products sold in these countries. Also see FrieslandCampina's website.

Recyclable packaging
We define recyclable packaging as packaging that is designed to be able to effectively sorted and recycled within a waste processing system, so that these materials can serve as a substitute for new raw materials. FrieslandCampina uses the European RecyClass guidelines of plastic for the design of packaging as the starting point in the definition of recyclable packaging. With regard to metal, paper and glass, the same design guidelines apply as for plastics. The only difference is that in principle metal, paper and glass can always be recycled, unless there are disruptors in the material that prevent it from being properly sorted in the waste treatment system or change the material in such a way that it can no longer be recycled as metal, glass or paper. The company gives priority to redesigning packaging to make it suitable for recycling or reuse. At the same time, the company is working together with various parties in the chain to make recycling in actual practice and at scale possible.

Share of Affordable Nutrition
Total volume of Affordable Nutrition consumer products sold as a percentage of the total volume of consumer products sold by FrieslandCampina entities in Indonesia, Vietnam, the Philippines, Pakistan and Sub-Saharan Africa (for example, Nigeria and Ivory Coast). Also see FrieslandCampina's website.

Sustainable sourcing agricultural raw materials

Agricultural raw materials and paper packaging purchased with globally recognised sustainability certificates or products for which a plan for sustainable development is created in cooperation with suppliers.

Traceability to source

The volume of palm oil, pulp and paper, and cocoa purchased by the company that is traceable to source. The source for palm oil is defined as the local palm oil press; for cocoa, the cooperative's local warehouse and for pulp and 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 tap water/city grid. The water consumption is measured per tonne of processed product, that is, the total net water consumption in cubic metres per total production volume in tonnes.

Explanatory Notes

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 2022. This Annual Report is drawn up as of 31 December 2022. 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. The report is prepared in accordance with the Global Reporting Initiative (GRI) Standards (2021) and the internally used criteria for non-financial KPIs as summarised in the glossary (see pages 276 to 278).

The 2022 milk price that the members of Zuivelcoöperatie FrieslandCampina U.A. received for the milk they supplied was determined on the basis of 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 key figures, videos and anniversary stories.

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

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