FrieslandCampina
nourishing by nature

# Annual Report 2023

Royal FrieslandCampina N.V.

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# Dairy from grass to glass

**14,634**
Member dairy farmers

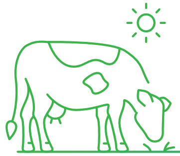
**20,928**
Employees (FTEs)

### It all starts with the cow

The cow's health and welfare are the basis for high-quality milk. Day after day, FrieslandCampina's member dairy farmers look after their cows and young livestock and work on sustainable farming operations.

### A leading dairy company

FrieslandCampina is a large international dairy company with a cooperative history dating back more than 150 years. The company processes milk into a wide range of dairy products and ingredients. Royal FrieslandCampina N.V. is fully owned by Zuivelcoöperatie FrieslandCampina U.A., with 14,634 dairy farmers in the Netherlands, Belgium and Germany as members. Through the cooperative, these member dairy farmers jointly own the company.



From grass ...

... to glass

# FrieslandCampina worldwide

**29**
Countries of operation

**>100 countries**
Products in the market

**20,928**
Employees (FTEs)

### Growing market for high-quality Dutch cheeses

North and South America

| 531 | 170 |
| --- | --- |
| Revenue | Employees |



### Strong local brands

Europe

| 7,149 | 11,851 |
| --- | --- |
| Revenue | Employees |



### Increasing demand for affordable dairy products

Africa and the Middle East

| 1,273 | 1,007 |
| --- | --- |
| Revenue | Employees |



### Growing market for high-quality dairy products

Asia and Oceania

| 4,119 | 7,900 |
| --- | --- |
| Revenue | Employees |



In millions of euros and average number of FTEs

# Our worldwide dairy


## Top 10 consumer brands

Based on revenue in euros

**Friso** International
**Frisian Flag** Indonesia
**Debic** International
**Dutch Lady** Asia
**Peak** Nigeria
**Campina** Netherlands and Belgium
**Alaska** The Philippines
**Rainbow** Middle East
**Foremost** Thailand
**Olper's** Pakistan

## Top 5 ingredients

Based on revenue in euros

**Excellion** (caseinate)
**Pharmatose** (pharmaceutical lactose)
**Vivinal GOS** (galacto-oligosaccharides)
**Hyvital** (hydrolysate)
**Infant nutrition base powders**

# FrieslandCampina in 2023

## Financial results

**13,072** ▼ -7.1%
Revenue[1]
2022: 14,076

**75** ▼ -84.1%
Operating profit[1]
2022: 471

**-149** ▼ -151.0%
Net result[1]
2022: 292

**46.26** ▼ -16.2%
Guaranteed price[2]
2022: 55.21

**48.08** ▼ -16.2%
Milk price[3]
2022: 57.35

**45.49** ▼ -22.5%
Performance price[3]
2022: 58.69

For all figures and explanations, see Key figures 2023 and ESG Report.

## Sustainability results

**588** ▼ -9.4%
Greenhouse gas emissions[4]
from production and milk transport (Scope 1 & 2)
2022: 649

**10,359** ▼ -4.3%
Greenhouse gas emissions[4]
on member dairy farms (Scope 3 – member milk)
2022: 10,823

**91%**
Recyclable packaging
2022: 91%

**96%**
Responsible sourcing of traceable raw materials
2022: 94%

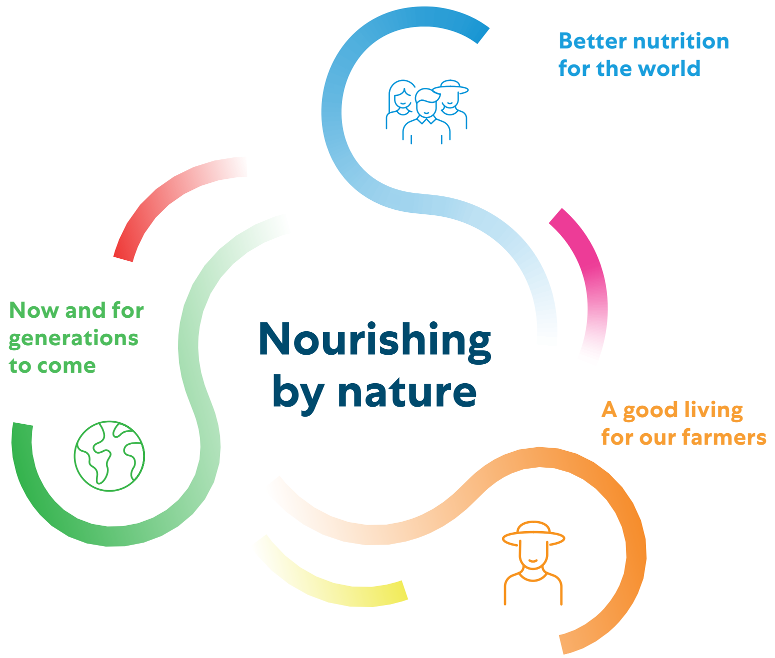
**75%**
Product composition[5]
2022: 72%

**29%**
Percentage of women in senior management positions
2022: 28%

1 In millions of euros.
2 In euros per 100 kilogrammes of milk exclusive of VAT, at 3.58% protein and 4.45% fat in 2023 and at 3.57% protein, 4.42% fat and 4.53% lactose in 2022. In recent years, FrieslandCampina has invested heavily in valorising fat. As a result, the need for milk fat has increased. Therefore, fat is valued more and lactose is no longer valued as a milk component.
3 In euros per 100 kilogrammes of milk exclusive of VAT.
4 In kt $CO_2$ equivalent.
5 Percentage total volume of consumer products sold that complies with the FrieslandCampina Global Nutritional Standards Next Level.

# Expedition 2030

In 2023, FrieslandCampina initiated Expedition 2030, a comprehensive strategic programme with the objective of remaking the company into a leading dairy company for its member dairy farmers, employees, consumers, customers and other stakeholders, now and for generations to come. The strategy, focusing on specific customers, products, brands and markets for each business group, combined with a competitive supply chain and lower overhead costs, will reinforce our position as a leading, innovative and sustainable player in the dairy industry.




> "We are in a good starting position with a strong reputation, relevant purpose and much experience with dairy"

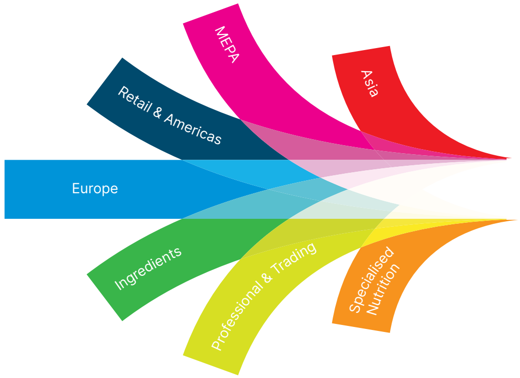
**Jan Derck van Karnebeek**
CEO, Royal FrieslandCampina N.V.

## Our purpose *Nourishing by nature* is leading

For more than 150 years, FrieslandCampina has been making a difference in the lives of farmers and consumers. Our purpose, *Nourishing by nature*, stands for better nutrition for the world, a good living for our farmers, now and for generations to come, and is the force behind all our choices. We provide nutrition of the highest quality, aim for a positive impact on people and the planet and find the best usage for the milk of our member dairy farmers.

# A single ambition, a single goal

Expedition 2030




To provide the world with **high quality nutrition**

To have a **positive impact** on the planet

To find the **best usage** for member milk

## Leading as a company with a focus on dairy

nourishing by nature

## Leading milk price for member dairy farmers

Our strategy is focused on optimally valorising the milk of our member dairy farmers to enable us to pay a leading milk price. In other words: to make top quality dairy products from the milk of member dairy farmers so that we can generate maximum value for them. Our members need this income to invest in the sustainable future of their farms. Our strategy is characterised by a specific focus for each business group together with an appropriate cost structure and is oriented towards improving profitability and stimulating sustainable future growth.

# New business groups (as of 1 January 2024)

Expedition 2030

## Seven distinct business groups with a strong foundation

Our strength lies in the diversity of our seven business groups. Each group has a focus on specific customers, products, brands and markets.
Together we determine the best way of distributing the member milk we receive, in order to maximise its value. We fully exploit the strength of our global supply chain in this respect. As we operate in different markets with our products, we can seize market opportunities and spread our risks. Sustainability continues to be a high priority on our common agenda. We are convinced that responsibility for Environmental, Social and Governance (ESG) goals gives us our license to operate and is an engine for value creation.

### Europe

Focuses on a broad portfolio of consumer brands in Europe, with strong domestic market positions in the Netherlands and Belgium, as well as in other countries, such as Greece, Hungary, Romania and the United Kingdom.

### Retail and Americas

On the basis of cheese and white dairy sold under in-house brands and private labels, focuses on strategic cooperation with retailers and discounters in markets in Germany, France, Italy, Spain and North and South America.

### Middle East, Pakistan and Africa (MEPA)

In part, on the basis of locally produced dairy products and solidly established brands, focuses on consumer markets in the Middle East, Pakistan and Africa.

### Asia

On the basis of a broad product range of often locally produced brand name products, focuses on consumer markets in various countries, including Indonesia, Malaysia and Vietnam.

### Ingredients

Focuses on the production of nutritional and functional ingredients for use in infant, sports, active lifestyle and medical nutrition. Concentrates on food producers and the pharmaceutical industry.

### Professional & Trading

On the basis of products and solutions, Professional focuses on professionals in the food industry, such as restaurants, fast-food restaurants, bakers, confectioners and pastry chefs. The Trading business unit is involved in procuring and selling commodity dairy products for internal customers and business-to-business customers.

### Specialised Nutrition

On the basis of infant nutrition under the brand name Friso, focuses on consumer markets in China, Vietnam, Malaysia, Greece and Mexico.

### A strong foundation

- Teamwork and flexibility to optimally valorise member milk
- Global production chain as a competitive advantage
- Sustainability as a license to operate and for value creation
- Suitable functional support

# A leading dairy chain

**An efficient production network is crucial for our competitive capacity. We aim to offer the best possible performance at low costs and by making optimal use of our resources.**

**Increased competitive capacity**
Currently, our supply chain is too complex and production costs have further increased in recent years. Performance+ was initiated to improve our ability to compete. This programme focuses on improving and changing our way of working in the supply chain in order to achieve the best possible performance.

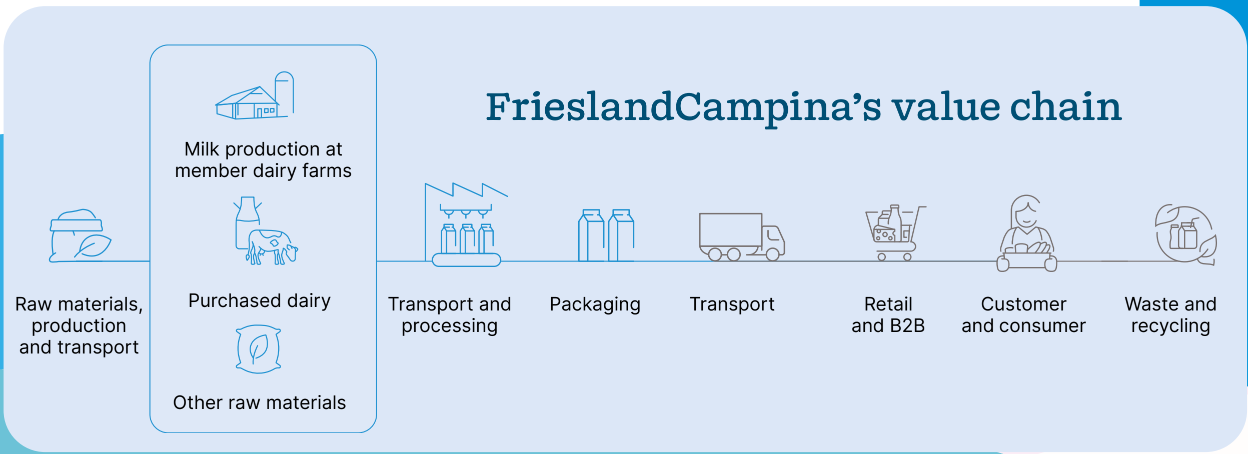

Expedition 2030

## Performance+

**Improved performance**
Accurate forecasts, custom-made processes and increased operational efficiency.

**Cost reductions**
Optimal product portfolio with simplified product specifications and improved negotiating skills.

**New ways of working**
Standardised way of working at different sites with clear roles, responsibilities and leadership.



"As a company we have to earn money, so that the member dairy farmers can invest in their future"

**Jan Derck van Karnebeek,**
CEO Royal FrieslandCampina N.V.

# A word from the CEO, Jan Derck van Karnebeek

**“2023 was a difficult year for FrieslandCampina. We realised a disappointing operating profit and furthermore, we recognised a number of considerable one-off costs. As a result, we are closing the year with a loss. This is not what the member dairy farmers and employees deserve.”**

### Why was 2023 such a difficult year?

“Our result to a large extent depends on commodity dairy prices. In the case of cheese and butter, a large part of our member milk is processed into these products. In a year with high milk purchase costs and low market selling prices, you are, by definition, facing a headwind. We were forced to sell cheese stocks produced at high costs in a market of low prices this year.
In addition, we are dependent on consumer spending. Inflation increased throughout the world, while wages did not sufficiently keep pace and this affected people financially.
They changed their spending patterns. In the western world, consumers spent less on branded products. They increasingly opted for cheaper private labels, which meant lower margins for us. In countries such as Pakistan, Indonesia and Nigeria, consumers had to carefully assess whether they could still afford quality dairy products. Dairy is not a luxury in these countries, but a basic necessity. Too many households are not able to afford even basic products. This affects us directly, and not only from a financial perspective.”

### Were there any positive highlights?

“Yes, there were also some things that went very well. The Friso brand did extremely well in China. In a country with 1.4 billion inhabitants, Friso took fourth place in the infant nutrition market, simply by doing things well. This is quite extraordinary and produced concrete financial results.
The Professional and Ingredients markets were also positive. Professional targets professional customers requiring specific quality, for example with respect to cream or butter. At Ingredients, we profited from the added value of whey products. From the figures you can see that both these strategies are working.
We also achieved results in the area of sustainability in 2023. We further reduced the greenhouse gas emissions associated with our production processes and milk transport. Greenhouse gas emissions were also reduced on member dairy farms.”

### You also mentioned there were incidental costs

“I would like to mention three one-off cost items that put profit under pressure in 2023. The first is our organisational restructuring. In December we presented plans designed to make our company healthy and leading again. Part of this is the elimination of 1,800 jobs. To provide these employees with a good severance scheme we withdrew an amount of 136 million euros.

A second cost item is the buyout of a long-term contract. We registered a one-off charge of 58 million euros for this purpose, which will enable

> “This result is far below our company’s potential. We can and must do better”

us to realise savings in subsequent years. This is favourable for us over time, but happened at the expense of our net result in 2023.

The third cost item concerns the higher foreign currency exchange costs relating to a loan in Nigeria, which resulted in a loss of 30 million euros.”

### All this together led to the 2023 result

“Three considerable cost items, combined with a low operating profit, resulted in a loss of 149 million euros over 2023. This means that members will not receive a supplementary cash payment this year. This result is far below our company’s potential. We can and must do better.

We aim to become a leading dairy company again. Last year, with a major effort on the part of many employees, we determined how we are going to do this. We refined and adopted our strategy. The plans were presented in the context of the Expedition 2030 strategy and the executive structure was established. We will continue to implement these plans in the coming year.

The current plan was developed on the basis of the commitment, knowledge and wisdom of many people in our company. What is ultimately at stake, is that we, as a company, earn money, so that the member dairy farmers, who own the company through their cooperative, can invest in the future of their farms. As always this is the key theme."

**What needs to be changed to accomplish this?**
"FrieslandCampina makes many different products from dairy. Ranging from brand names and innovations with a very high added value up to and including commodities, that is the commodity dairy products, where we have to compete sharply on price and cost. We have to recognise that commodities are a very important part of the business for FrieslandCampina.
The core of Expedition 2030 is to establish seven powerful business groups. These groups have their own strategy for their specific market with the required people, competencies and costs. FrieslandCampina's strength lies in this diversity.
However, this also requires a support model that keeps costs low. This is the other core component of Expedition 2030; cooperating, with a single joint approach for Supply Chain, Finance, HR and IT and other support functions. This way we keep our costs low.

We are doing all this to be able to pay a leading milk price. This provides for income at the farm that can be invested in the future and in sustainability. This way we can become a leading company again together in the beautiful world of dairy."

**How are you going to do this?**
"The implementation of Expedition 2030 started last October. This concerns three simultaneous actions. We are putting our business model and costs in order and are making our value chain more sustainable.

In October 2023, we further adjusted our organisation to match the markets in which we operate. We acknowledge the differences between these markets and give the seven business groups the space they need to be able to compete in their respective markets.
This requires a significant cost reduction.
The plans for this purpose were presented in December 2023. Among other things this means that hundreds of jobs will be eliminated worldwide. Naturally this is a very drastic measure for the persons affected, but unfortunately it also is a necessary measure.
In addition, we will be making more focused investments, by investing in those areas where the opportunity for profit is highest for the collective as a whole. This is not about the best opportunity in a specific market, but about the best opportunity for the organisation as a whole. In this respect, the company's interest exceeds the interest of an individual business group.

> "FrieslandCampina operates in many different markets. This is our strength and our biggest opportunity"

Finally, we use a positive financial result to increase sustainability. Sustainability is important, for us, for the member dairy farmers and for our customers. However, to invest in further sustainability, you must first earn money. This applies to our company and to the member dairy farms.

Three actions focused on a single goal.
This demonstrates that we are not just saving costs for the sake of saving costs. What matters is the success we aim to achieve.
FrieslandCampina operates in many different markets. This is our strength and our biggest opportunity. We can spread our opportunities and risks. This is only possible when you cooperate as a team."

**You mentioned the word 'team'. How important is this to you?**
"What always matters is the whole. Giving seven business groups the space they need to become more entrepreneurial is just half the story.
You only start creating value when you operate as a team. A team achieves results when it is both diverse and works together. It is just like football or hockey; here the striker really isn't like the forward or the goalkeeper. And the team only wins if its members work together.

A good team also has a common operating basis. It is supported by a single operating model.
For us this means a single Supply Chain, a single Finance system, a single HR policy, a single IT structure and a single R&D approach. Without this, everything becomes much too expensive.

# “A team achieves results when it is both diverse and works together”

Valorising milk simply is teamwork. Our basic product, milk, is converted into multiple products. You therefore always need to work together to determine how to do this in the smartest way possible.”

**How will customers, members and employees be affected by these changes in 2024?**
“We now have seven business groups; we are building a single operating model and we are extracting costs from the organisation. This year we will also be making more focused choices as to where we will allocate our resources. Which matches provide the highest scoring opportunities?
We will continue to actively maintain contact with our customers in different markets. Where necessary we will expand on this. This is the basis of our success. However, our marketing will see increased expenditures compared to 2023, reduced fragmentation and increased focus.
In the Supply Chain we are going to combine and simplify things. We do not want to develop a custom specification, packaging, logistics and inventory for every customer. Instead, we will work together with them to determine where we can combine things. This way we keep the product more affordable for the customer.
We are also going to more efficiently set up our production facilities; in other words we will produce fewer products with different specifications in each production facility.”

**Will this be reflected in our 2024 result?**
“I am not going to make any big promises at this point. I prefer to let the results speak for themselves. Each step requires time to produce results.

It requires time before the more specific market approach, the focused organisation and the new investment choices are reflected in the results. What the figures will quickly reflect, however, is the impact of the lower personnel costs.
The largest cost savings will be in the Supply Chain. Consider optimisation of the product portfolio, simplification of product specifications and process standardisation. This requires more time. The projected 400-500-million-euro annual cost savings required to offset inflation and improve the result must be realised by 2026.”

**That brings us to the market perspective**
“This external perspective is crucial. We assume that pressure on the disposable income of consumers will persist, at least in the first half of 2024. There is also reason for hope here.
The market for professional, sports and medical nutrition continues to grow. Furthermore, many children continue to be born in Nigeria and in parts of Asia; we hope to continue to provide them with good nutrition.

I also see that increasingly more customers are looking for sustainably and transparently produced dairy. This is a growth market. This is a continuing trend. There is a demand for increasingly nicer and better products for brand name, as well as private label products. This is why, in addition to investing in our brand name products, we must also invest in a close relationship with our customers and consumers. Moreover, we will continue to invest in sustainability and in innovations that are of direct value to consumers.”

**So, are you optimistic about the future?**
“Yes, I am. And this is because of FrieslandCampina’s great strength as a company. We produce excellent and important nutrition. Northwestern Europe is the best place to produce dairy. The grass grows well and cows feel at home here. A cow that feels well, produces optimally.

I am convinced that our member dairy farms can have a net positive impact on nature in the future. Thanks to the data available from our quality and sustainability programme Foqus planet we know that more than a hundred member dairy farms achieve outstanding results in both climate and biodiversity. This makes them an example for other dairy farmers in terms of integral sustainability. Our company and the cooperative are well positioned to be able to take this step. Owing to our knowledge of the entire chain, from grass to glass, we can significantly reduce our impact. We call this ‘doing dairy right’.

**Jan Derck van Karnebeek**
CEO, Royal FrieslandCampina N.V.

> “It is up to us to demonstrate that FrieslandCampina provides its members with the highest degree of security for the future”

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

# Interview with Sybren Attema, Chairman of the Supervisory Board

## Realistically forward

**The Supervisory Board supervises the company's policy and advises the Executive Board with respect to strategy and risks. As Chairman, Sybren Attema naturally also considers the interests of the shareholder: the FrieslandCampina cooperative with its member dairy farmers. Sybren elaborates on the 2023 results and starts with the pride he feels for the members and employees.**

"I am proud of our members. Our dairy farmers are faced with major uncertainties, such as the nitrogen, manure and water related issues. Clear government policy is lacking in these areas. The agricultural agreement that was to provide a clear vision for the future has not materialised. Under these uncertain conditions, our members had to keep their family farms running and make difficult decisions. FrieslandCampina's interim results were unable to alleviate these uncertain conditions. Yet, many members continued to critically and constructively think about the future with us. Together, in member meetings and in the Members' Council we engaged in realistic and risk-based discussions on what had to be done. The Cooperative Board and the Supervisory Board were firmly questioned about their role in this respect. This was always done in a constructive manner and with a view to the future. We are working together on moving forward.

I am also proud of our employees. 2023 was a difficult year within and beyond the company. The market was restless. High inflation and rising costs had to be recovered in the market. Consumers increasingly spent less money on brand name products. The company started off the year by announcing a change in CEO, there were tough negotiations about the Collective Labour Agreement (CLA) and the ongoing strategy had to be refined. I am grateful for the way in which employees kept the business going in these turbulent times. I marvel at the commitment with which everyone is constantly working on developing and implementing plans that are good for the collective as a whole, even when they sometimes affect someone's own department or position."

> "We must recognise that much of our member milk is processed into commodities"

### But now the 2023 result

"This result is bad. The combination of a very slight operating profit and heavy incidental cost items together produced a negative net result of 149 million euros. I have never experienced this since the implementation of the guaranteed price and it is very painful. This is also because we are unable to issue a supplementary cash payment to our members as a result.

The explanation of this result in part is due to market movements. Jan Derck has elaborated on this. But when we look at ourselves critically, we are forced to conclude that we did not adapt ourselves fast enough to changing market conditions. This goes further back than just last year alone. The long-term figures show that we are struggling with a structural decline in profit. Our consumer market share is dropping, the cheese sales profit margins are low and our costs are too high for us to be able to compete, particularly in the commodity product segment.

The realistic conclusion is that currently we are not the leading dairy company we wish to be and that our members expect us to be. We absolutely have strong brand names, but we also have to admit that much of our member milk is processed into commodity products. This requires a competitive cost structure.

This means that firm action is being taken now. This hard reset is necessary to become competitive again in the markets where our member milk goes to. This requires firm decisions that will affect everyone to at least some extent. But ultimately this is in the interest of the company, the cooperative and our members.

Costs must drop considerably. This also has serious consequences for our employees. 1,800 jobs will be eliminated. This is very drastic for those employees who will be losing their job. We are very much aware of this and naturally are dealing with it with due care."

**It is a drastic intervention. What are the major interests for the cooperative and its members?**
"Our strength lies in FrieslandCampina's broad portfolio. But that also means that the company needs to be competitive in every market for which we valorise our members' milk. Our markets are different and every business group must be able to compete in its own specific market. This demands a cost level that is competitive. In the cheese market this is very different from the infant nutrition market. This is why we need to intervene.

At the same time we maintain a strong focus on a single collective goal: optimally valorising all member milk. Being profitable within one's own business group alone is not enough. The collective result is what it's all about.

How do you maximise the value of all member milk together? This is where the interest of members and the cooperative lies. And this requires excellent teamwork."

**What does this restructuring require from the Supervisory Board?**
"The role of our Supervisory Board is to maintain sharp and critical oversight over the company. In 2023, we started off with a smaller, partly renovated Board composition. We noted that we needed to more clearly separate the roles of the Supervisory Board, the cooperative as shareholder and the Executive Board. To achieve the desired results together, you must respect one another's roles and boundaries. The Supervisory Board supports the Executive Board with respect to its adopted Expedition 2030 strategy. At the same time, we continue to query the Executive Board about its plans and results. We really hold them accountable for that. Everyone on the basis of his/her own role."

**What do you expect from this change in 2024?**
"The change is already underway. I see that people are approaching the game differently. The business group leaders met face to face with farmers. They presented their plans to the members and I can see that there is a pervasive awareness of the collective goal. I can also see that the urgency of improving the results is dawning on everyone. The members' attitude is that seeing is believing, even though everyone realises that the result will not change from one day to the next.

> "Being profitable within one's own business group is not enough. The collective result is what it's all about"

I can also see that members appreciate the realism and transparency of the plans and figures. As our new CEO, Jan Derck plays an important role in this respect. He is clear, realistic and transparent. He does not make any big promises, but stays focused on the result. He is a real team leader. He gives the business groups the room they need to take on their own role and holds them accountable for their responsibility for the company as a whole. This promotes confidence.

But it also remains suspenseful. Expedition 2030 provides us with a huge task to once again make our company a leader. The real proof will be in the implementation. The company must continue to operate in a time of major changes. I have every confidence in the employees who, together, assume responsibility for this."

**In your view are there any other developments that affect this?**

"We cannot, of course, ignore developments in the sector. Dairy farmers must make every effort to keep their farms operational right now. At the same time they must make choices to ensure a healthy future. Specific government policy will affect the number of dairy farms and the quantity of milk. This affects our cooperative and our company. The competition for milk among buyers will increase. As company and cooperative we aim to maintain our scale and market share. It is crucial for us to retain existing members and to recruit new members.
The cooperative and the company are jointly responsible for this. The cooperative's strategy, Towards 2030, and the company's strategy, Expedition 2030, both are aligned with this. This way the cooperative and the company can reinforce each other.

> "Expedition 2030 provides us with a huge task to once again make our company a leader"

It is up to us to demonstrate that FrieslandCampina provides its members with the highest degree of security for the future. This security starts with a leading milk price and the certainty that the milk will be bought. Our security also lies in the value of our portfolio and our focus on the future. Sustainability is part of that future. But dairy farmers must be reimbursed for this sustainability.

With the renovated Foqus planet programme we remunerate members directly for the steps they are taking with respect to sustainable development. They receive coins for points; specific amounts for specific results.
This remuneration is increasingly coming directly from the market. You can see that the need for sustainability is also growing among our buyers. FrieslandCampina is a frontrunner. We have the resources and the market needed to enhance its value. Providing our members with perspective for the future is the foundation of the cooperative and the company."

**Are you able to provide this perspective for the future?**

"FrieslandCampina is a great company with a strong portfolio. We produce valuable nutrition. We are present in markets that are growing. To become more competitive in all of these markets is a major challenge. The strategy we have initiated will help us in this respect.

Working together to optimally valorise all our member milk is our challenge, and also our mission. The commitment and involvement of our members and employees make me confident that we will succeed in this. Together we can create this perspective, everyone on the basis of his/her own role."

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

# Report of the Executive Board

The executive team from left to right:

**David Cutter***
Chief Supply Chain and Research & Development Officer

**Corine Tap**
President Asia

**Ali Khan**
President Middle East, Pakistan & Africa

**Hans Janssen***
Chief Financial Officer

**Jan Derck van Karnebeek***
Chief Executive Officer

**Dustin Woodward**
President Europe

**Tuncay Özgüner**
President Retail & Americas

**Mireille Einwachter***
Chief Sustainability Officer

**Patricia Snel**
Chief People Officer

**Harvey Uong**
President Specialised Nutrition

**Herman Ermens**
President Ingredients

**Roger Loo**
President Professional & Trading

* Member of the Executive Board

# 2023 Developments and results

## Difficult market conditions and one-off restructuring costs negatively affect FrieslandCampina's 2023 results

### Financial results

- Revenue 13.1 billion euros (-7.1%).
- Operating profit negatively affected by the difference between the guaranteed price and commodity dairy prices, the sale of expensive stocks in a market of low prices and currency translation effects.
- One-off restructuring costs of 136 million euros for the implementation of the Expedition 2030 strategy, including planned cost savings and job reductions.
- Net result -149 million euros (-151%).
- Positive operating cash flow of 831 million euros (+183.6%).
- Milk price for member dairy farmers 48.08 euros per 100 kilogrammes (-16.2%).
- No supplementary cash payment for member dairy farmers.

### Progress on the sustainability agenda

- Greenhouse gas emissions from production facilities and milk transport: 588 kt $CO_2$ equivalent (-9.4%).
- Greenhouse gas emissions on member dairy farms: 10,359 kt $CO_2$ equivalent (-4.3%).

**In 2023, FrieslandCampina was confronted with challenging market conditions. The 75-million-euro operating profit was negatively affected by the difference between the guaranteed price of member milk and market prices for commodity dairy products, the sale of expensive stocks in a market of low prices, and unfavourable currency translation effects. In addition, loss of consumer purchasing power due to high inflation resulted in decreased volumes and lower profit margins for branded products. As a result of these developments, volumes and results of the consumer activities were under pressure, and the results of the Trading business group and the Professional business were negatively affected.**

In 2023, Professional managed to strengthen its market position as a supplier of quality products to professional buyers. The Specialised Nutrition business group was successful with the Friso brand on the Chinese infant nutrition market and currently ranks fourth in this market, compared to seventh a few years ago. In 2023, the Ingredients business group was successful in the sale of high-quality proteins for adult nutrition, as well as the sale of ingredients and semi-finished products for use in pharmaceuticals and functional nutrition by DFE Pharma. In 2023, it was decided to significantly expand the whey protein isolate and Milk Fat Globule Membrane (MFGM) production capacity at the Borculo production facility in the Netherlands.

Higher interest rates and unfavourable currency translation effects negatively affected the net result. In part due to one-off restructuring costs of 136 million euros for the implementation of the Expedition 2030 strategy, a one-off charge of 58 million euros for terminating a long-term contract and an additional cost item of 30 million euros with respect to higher foreign currency exchange costs in Nigeria, the year closed with a negative net result of 149 million euros.

## Profitability increasingly under pressure

FrieslandCampina's profitability has increasingly come under pressure in recent years. We are reporting a negative net result for 2023.
The reasons for the reduced profitability are the loss of market share, particularly in consumer markets, and the low profit margins associated with the sale of cheese. Cheese is an important product for FrieslandCampina; however, the profit margin is relatively low due to the complexity of the production chain and the way in which it is marketed. Unfortunately, the investments in brands did not produce the desired result everywhere. In addition, the loss of volume, for example in white dairy, combined with a relatively high milk supply resulted in high cheese volumes that were sold in bulk at low margins. Total operating and production costs rose over the past four years, in particular due to higher milk prices and inflation.

## New executive structure, refined strategy and cost savings

The Expedition 2030 strategy and the new executive structure with seven focused business groups ensures that FrieslandCampina's profitability improves and stimulates sustainable, future growth. The strategy with a specific focus on customers, products, brands and markets for each business group will significantly improve the method of working and competing. We will make clear choices as a company to further expand our market positions with a specific focus.

To be able to successfully grow now and in the future, and to be more competitive in every business group, requires a reset of our cost structure. This is why, effective from 2024, FrieslandCampina announced a cost savings programme as part of its strategy. Of the total cost reductions, 180 to 200 million euros comes from a reduction of 1,800 jobs, the first 1,200 of which will be eliminated in 2024. The remaining cost savings will come from the optimisation of the product portfolio, simplification of product specifications and process standardisation. Starting in 2026, FrieslandCampina will be realising cost savings of a total of 400 to 500 million euros per year.

By refining our strategy, reducing costs and improving how we work together in valorising milk, we aim to further expand our leading, innovative and sustainable role in the dairy sector.

## Production network developments in 2023

**Sale of part of German consumer activities completed**
In February 2023, the German Bundeskartellamt (Federal Cartel Office) conditionally approved the sale of part of our German consumer activities to the Theo Müller Group.
The transaction was completed on 1 April 2023. The brand names Landliebe, Tuffi and Gastro, as well as the production facilities in Heilbronn, Keulen and Schefflenz, were part of this sale.

**Network strikes**
In the spring of 2023, in the context of the CLA negotiations, there were strikes at various production facilities in the Netherlands. Despite this, the milk was collected, processed and sold.

**Fire at production facility**
On 12 June 2023, there was a fire at the production facility in Lochem (Netherlands) that produces butter, butter oil, milk powder and milk filtration products. All employees were able to safely leave the building. The fire caused production to be halted. Over the course of the year, production was largely resumed. The last two milk powder silos were put back into operation at the beginning of January 2024. These incidents did not affect the milk intake from member dairy farmers.

**Expansion of lactoferrin production**
In March 2023, Ingredients significantly expanded its lactoferrin production capacity in Veghel (Netherlands). Lactoferrin is a protein used in infant and adult nutrition.

**Significant expansion of whey protein isolate and milk fat globule membrane production**
In October 2023, Ingredients announced it was going to make a significant investment in expanding the production capacity of whey protein isolate and MFGM. The expansion is expected to be completed at the beginning of 2026.

**Cooperation in precision fermentation**
In January 2023, Ingredients entered into a strategic partnership with the specialised biotechnology company Triplebar Bio Inc. to further expand the development and upscaling of protein production, based on precision fermentation. By providing a comprehensive product portfolio of proteins, FrieslandCampina aims to give people access to nutritional products that they need now, as well as in the future.

**Consolidation of butter production**
In February 2023, FrieslandCampina announced that it would be consolidating all butter production in Lochem (Netherlands). In this respect, the production facility in Lochem will be expanded and the branch in ‘s-Hertogenbosch (Netherlands) will be closed by the middle of 2025. The fire in June did not cause a delay in expanding butter production in Lochem.

**Milk exchange**
In November 2023, the German Hochwald cooperative and FrieslandCampina began exchanging raw milk between Germany and the Netherlands. This considerably reduces the distance between dairy farms and processing facilities. This cooperative arrangement not only reduces costs, it also reduces $CO_2$ emissions.

## Wageningen Innovation Centre 10-year anniversary

In October 2023, the Wageningen Innovation Centre (Netherlands) celebrated its tenth anniversary. A few examples of successful innovations include: The Lattiz milk foam system for the hospitality sector, Friso Prestige premium infant nutrition, Chocomel plant-based, and the Measures Tool that provides individual dairy farmers with insight into the best opportunities for making their farms more sustainable.
The Development Centre in Singapore, which is working on the development of dairy-based beverages and infant nutrition, specifically aimed at Asian consumers, also celebrated its tenth anniversary.

# The dairy market in 2023

**The global dairy market was volatile in 2023. Due to the persistently high inflation, the consumption of dairy products was under pressure globally. A slight increase in milk production in the northern hemisphere, that lasted into the third quarter, contributed to a surplus of milk in the market. As a result of these developments, most commodity dairy prices declined in the first half of 2023, after which the demand for dairy products picked up again somewhat. Due to the lagging milk supply in Europe and a growing demand for commodity dairy products, prices once again increased, starting in September. This increase continued up to the end of the year, particularly for butter and cheese.**

## Stable global milk production

Total global milk production for all of 2023 stayed stable. In the first half of the year milk production increased, primarily driven by high milk prices. However, growth decreased later in the year due to lower yields and unfavourable weather conditions. The milk supply in Europe initially also experienced strong growth.
This started to decline later in the year due to unfavourable weather conditions, low margins for farmers and the loss of derogation in some member states. Furthermore, the outbreak of the bluetongue virus caused milk production to decline on the affected dairy farms. The milk supply in the United States stayed virtually stable throughout the entire year. This also was the case in Australia and Argentina. In New Zealand, milk production initially grew as a result of favourable weather conditions. However, milk production here also decreased in the second half of the year due to a deterioration of weather conditions and low milk prices owing to reduced exports to China. In China, at 3.5 percent, the milk supply increased at a significantly lower rate than in previous years, when growth rates were in the order of 8 percent. The decline was the result of disappointing economic growth.

## Demand for dairy products under pressure

The persistently high inflation caused the global demand for dairy to drop. Owing to increased consumer prices and high inflation, the demand for dairy products in Europe decreased at the end of 2022 and the beginning of 2023.
When dairy prices started to drop, demand increased again. In the United States, consumer prices also increased significantly, which resulted in a decrease in market demand in the retail, as well as the food service sector.
This resulted in decreased market prices for dairy products. Against all expectations, the elimination of the lockdowns in China did not have a positive effect on the demand for dairy products. China, which accounts for approximately one quarter of the global trade in dairy, imported significantly less as a result of disappointing economic growth in combination with sufficient domestic milk supply. In Africa and Southeast Asia there was a significant loss of purchasing power, as a result of which the demand for dairy products dropped considerably.

## Dairy products price trends

**Butter**
In 2023, the butter market was characterised by sharp fluctuations in prices, primarily affected by developments in the European market. In the first half of 2023, prices fluctuated between 4,300 and 4,950 euros per tonne. In January 2023, the price was 4,950 euros per tonne, but by June it had declined to 4,750 euros per tonne. In the second half of 2023, prices fluctuated between 4,750 and 5,800 euros per tonne, reaching a peak of 5,800 euros per tonne at year-end. This steep increase at the end of the year was due to an unexpected decrease in milk production and a high demand for butter, which could not be met.

**Milk powder**
The global market has a major impact on the price of skimmed milk powder, which experienced strong fluctuations in the first half of 2023. In January 2023, the price was 2,780 euros per tonne, but in April it declined to 2,250 euros per tonne. Although there was a slight increase to 2,370 euros per tonne at the end of June, prices dropped to 2,120 euros per tonne in September. Prices subsequently recovered and increased to 2,540 euros per tonne in December. The price of whole milk powder did not fluctuate as much and was affected by the price for butter and skimmed milk powder. This price started off the year at 3,850 euros per tonne, rose slightly in June and decreased to 3,180 euros per tonne in September. At the end of December, prices recovered to 3,800 euros per tonne.

**Basic cheese**
In 2023, basic cheese prices rose steadily: from 3,100 euros per tonne at the beginning of 2023, to 3,500 euros per tonne in July. After a minor decline in July, prices continued to increase to 4,200 euros per tonne in July. This considerable price increase was due to a sudden drop in milk production and a high demand for cheese.

**Average dairy prices in 2023 (euros per tonne product)**

| Euros/tonne | Q1-2023 | Q2-2023 | Q3-2023 | Q4-2023 | 2023 |
|---|---|---|---|---|---|
| Butter | 4,680 | 4,680 | 4,440 | 5,522 | **4,763** |
| Basic cheese | 3,110 | 3,350 | 3,460 | 4,000 | **3,480** |
| Skimmed milk powder | 2,550 | 2,390 | 2,210 | 2,530 | **2,420** |
| Whole milk powder | 3,490 | 3,380 | 3,300 | 3,580 | **3,438** |
| Whey powder | 700 | 650 | 570 | 800 | **680** |

# Dairy farming trends

**The dairy farming sector is facing major challenges in these turbulent times. The increasing requirements relating to the environment and sustainability in the Netherlands demand an active and innovative approach on the part of the sector.**

It is essential that the dairy farming sector starts looking for more sustainable solutions and new technologies to meet these requirements. Unfortunately, it is still missing the clear guidelines for this transition. This is causing many dairy farmers to hesitate. FrieslandCampina regrets the fact that an agricultural agreement has not been reached. An agreement of this nature could reduce uncertainty and ambiguity and help the dairy sector pursue the right path. This is why we are calling on all parties to work together.

Furthermore, dairy farmers are confronted with an uncertain financial situation due to fluctuating milk prices and increased costs. This makes it more difficult for them to invest and make well-considered long-term decisions.

In these uncertain times, FrieslandCampina is an important partner for member dairy farmers. By understanding market and societal trends and translating these into specific requirements, we are able to optimally valorise the raw milk together with the member dairy farmers. To be able to continue fulfilling this role, it is essential for dairy farmers to have the necessary economic resources and policy scope to continue to anticipate these requirements.

## The importance of innovation

FrieslandCampina is convinced of the importance of a strong dairy sector that operates within Dutch environmental laws and regulations. To achieve this, it is essential to reduce greenhouse gases. Innovation plays a key role in this respect. By combining technical measures with management measures and integrating them into farming operations, greenhouse gas emissions can be substantially reduced.

## Derogation

Derogation is a measure that gives farmers more room to make use of animal manure, provided this does not harm the environment. The European Union (EU) aims to reduce water pollution by means of the Nitrates Directive. This is why there is a limit of 170 kilogrammes of nitrogen per hectare per year from animal manure. Some countries are permitted to deviate from this (derogation) provided they can prove that they respect the Nitrates Directive. The Netherlands is losing its derogation, because the EU finds that water quality is not improving sufficiently. This measure has far-reaching economic consequences for dairy farmers. Lowering the derogation would seem to be an environmentally friendly measure; after all it reduces the nitrogen standard for grassland from 250 or 230 to 170 kilogrammes per hectare per year, but researchers at Wageningen University & Research (WUR) point out that this measure can also have undesirable consequences that do not benefit the environment. When farmers start using more agricultural land rather than grassland, this might deteriorates water quality because of the higher risk of runoff. When farmers start using fertilisers to offset the lower nitrogen standard, this is counter to climate targets and life-cycle management-based agriculture. Only the ammonium emissions might be reduced somewhat. ‘Lowering derogation’, therefore, creates an additional burden (manure processing) for farmers.

# Financial notes

## Revenue

FrieslandCampina's revenue in 2023 dropped by 7.1 percent to 13.1 billion euros compared to 14.1 billion euros in 2022. This decrease primarily was due to unfavourable currency translation effects, sale of part German consumer activities and declining volumes in consumer markets, in particular due to high inflation. Before currency translation effects, revenue decreased by 3.2 percent.

## Operating profit and net result

The operating profit in 2023 amounted to 75 million euros, a decrease of 84.1 percent compared to 471 million euros in 2022. Unfavourable currency translation effects negatively affected the operating profit. Furthermore, increased interest rates and high foreign currency exchange costs in Nigeria resulted in additional financing costs. As a result of the abovementioned one-off restructuring costs and higher financing costs, the net result over 2023 was -149 million euros, compared to a net result of 292 million euros in 2022.

FrieslandCampina invested 568 million euros in advertising and promotions compared to 601 million euros in 2022. Selling and general administrative costs increased by 1.4 percent from 922 million euros in 2022 to 935 million euros in 2023.

## Operating cash flow

In 2023, the cash flow from operating activities was 831 million euros, significantly higher compared to 293 million euros in 2022. This increase was primarily due to substantial improvements in working capital.

In 2023, the outbound cash flow for investments and acquisitions decreased to -309 million euros (2022: -570 million euros). This was due to proceeds from the sale of German consumer activities and due to movements in bank accounts concerning advance payments to banks and distributors in Nigeria.

The cash flow from financing activities amounted to -357 million euros compared to 174 million euros a year earlier. This is the balance of interest-bearing borrowings drawn and repaid, the supplementary cash payment issued for the 2022 financial year, the interest on member bonds paid to member dairy farmers, the dividends paid to non-controlling interests, the repayment of lease commitments and the redemption of put option obligations associated with FrieslandCampina Engro Pakistan Ltd.

The balance of cash and cash equivalents and bank current accounts increased from 404 million euros at year-end 2022 to 538 million euros at year-end 2023.

## Financial position

As of 31 December 2023, the net debt amounted to 635 million euros. This represents a 253-million-euro decrease in comparison to year-end 2022.

## Issue of ESG-linked Schuldschein

In the spring of 2023, FrieslandCampina successfully issued a 300 million euro Schuldschein linked to ESG goals. For every year that FrieslandCampina meets the predefined sustainable Key Performance Indicators (KPIs), it will receive a reduced interest rate margin.

## Private loan

In November 2023, FrieslandCampina signed an agreement for the issue of private loans in support of long-term financing, valued at 400 million euros and 100 million dollars (totalling 496 million euros equivalent). The issue in the form of ESG-linked notes took place on the US Private Placement (USPP) market. The final transaction was completed on 1 February 2024. The proceeds are used to repay debts due in 2024. The loans consist of four tranches with due dates in 2032, 2034 and 2036.

Due to the negative result, the supplementary cash payment issued for the 2022 financial year and the negative currency translation differences in the valuation of foreign subsidiaries, the buffer capital (equity and non-controlling interests attributable to the shareholder) decreased and amounted to 1,840 million euros compared to 2,332 million euros in 2022. As a percentage of the balance sheet total, the buffer capital decreased from 23.2 percent in 2022 to 20.2 percent in 2023.

The equity directly attributable to capital providers was approximately 3.4 billion euros. This was 12.2 percent lower than the 3.8 billion euros in 2022. This was primarily due to the lower buffer capital. Solvency, defined as the equity directly attributable to the capital providers as a percentage of the balance sheet total, decreased from 38.3 percent in 2022 to 37.0 percent in 2023.

As at 31 December 2023, total equity, including non-controlling interests, amounted to 3.7 billion euros. At the end of December 2022, this was 4.2 billion euros. The return on invested capital (operating profit divided by the average invested capital, including goodwill) amounted to 1.5 percent compared to 8.7 percent in the previous year.

### Profit appropriation

For 2023, 58 million euros is reserved as the interest payment for the holders of member bonds (2022: 29 million euros), 19 million euros will be paid to the provider of the cooperative loan (2022: 9 million euros); 9 million euros will be paid to the holders of perpetual bonds (2022: 9 million euros); and 67 million euros is allocated to non-controlling interests (2022: 62 million euros). Combined with the consolidated net result of -149 million euros, this means that 302 million euros will be withdrawn from the retained earnings, including the non-controlling interest that is directly attributable to the shareholder, Zuivelcoöperatie FrieslandCampina U.A. (2022: 183 million euros).

### Financial ratios

Equity as a percentage of the balance sheet total has decreased in 2023, but remains within the internal target for this ratio. The covenant guidelines for all credit facilities are met. Due to the higher interest charges in combination with the lower operating result, the interest coverage ratio has deteriorated, but it remains within the guidelines. The net debt ratio remains well within the guidelines due to the good cash flow development.

### Supply of member milk

In 2023, the total volume of supplied member milk decreased by 1.4 percent in comparison to 2022; from 9,502 million kilogrammes to 9,369 million kilogrammes. This drop is primarily attributable to a decrease in the number of member dairy farms, from 9,927 to 9,417. Although there also were dairy farms that experienced a decline in production due to the bluetongue virus, its impact on overall milk production is difficult to ascertain. The total compensation paid to member dairy farmers for their supplied raw milk decreased by 16.6 percent from 5,423 million euros in 2022 to 4,521 million euros in 2023.

## Termination of severance scheme

On 9 November 2023, the Dutch Milk Foundation (DMF) announced the termination of the Severance Scheme. In 2008, the European Commission approved the merger of Friesland Foods and Campina subject to the condition that a total of 1.2 billion kilogrammes of raw milk would be made available to third parties. The Severance and Milk Availability schemes were created to comply with this condition. DMF, as an independent party, was charged with the administration. The objective of the Severance Scheme was to stimulate member dairy farmers to transfer from FrieslandCampina to another Dutch buyer of raw milk. Migrating farmers were able to avail themselves of a severance payment of 5.00 euros per 100 kilogrammes of milk. In total, 1,032 dairy farms made use of the Severance Scheme.

# Results by business group

FrieslandCampina

## Food & Beverage

Food & Beverage's revenue in 2023 decreased by 8.2 percent to 9,106 million euros, compared to 9,918 million euros a year earlier. While consumer activities over the course of the year improved somewhat, the production chain was underutilised due to a lower demand caused by the earlier mentioned loss in purchasing power and a shift in consumer spending to private labels. Professional, which strengthened its position in the professional buyer's market, saw its volume decline over the course of the year. The considerable decrease in commodity dairy prices had a substantial impact on the result here.
The operating profit of Food & Beverage as a whole, in part due to one-off effects, decreased by 93.5 percent to 9 million euros. In 2022, the operating profit was 139 million euros.

**9,106** ▼ -8.2%
Revenue
2022: 9,918

**9** ▼ -93.5%
Operating profit
2022: 113

In millions of euros

**1,155** ▲ 8.9%
Revenue
2022: 1,061

**207** ▲ 3.5%
Operating profit
2022: 200

FrieslandCampina

## Specialised Nutrition

Although the market for infant nutrition in China was under pressure in 2023, Specialised Nutrition reported an increase in revenue and a higher operating profit, thanks to growth in the sale of products under the Friso Prestige brand name in the ultra-premium segment in the Chinese market. Revenue in 2023 increased by 8.9 percent to 1,155 million euros, compared to 1,061 million euros a year earlier. The operating profit increased by 3.5 percent and amounted to 207 million euros.
In 2022, the operating profit was 200 million euros.

# Results by business group

**1,447** ▼ -10.9%
Revenue
2022: 1,624

**218** ▲ 19.8%
Operating profit
2022: 182

FrieslandCampina
## Ingredients

The operating profit of Ingredients increased by 19.8 percent from 182 million euros in 2022 to 218 million euros in 2023. This positive development was due to the strong performance of the sale of ingredients for adult nutrition and the successful sale of products for use in pharmaceutical products and functional nutrition by DFE Pharma. Revenue decreased from 1,624 million euros in 2022 to 1,447 million euros in 2023. This represents a decrease of 10.9 percent.

FrieslandCampina
## Trading

In spite of higher volumes, Trading's revenue decreased by 5.9 percent, from 1,449 million euros in 2022 to 1,364 million euros in 2023. The lower consumer product volumes in Food & Beverage and the virtually stable supply of milk meant that Trading had to trade more commodity dairy products. Trading's result was negatively affected by the significant decrease in commodity dairy prices. As a result, commodity dairy products produced at a higher cost had to be sold at a considerably lower market value. The operating profit declined substantially to -155 million euros compared to approximately 99 million euros in 2022.

**1,364** ▼ -5.9%
Revenue
2022: 1,449

**-155** ▼ -256.6%
Operating profit
2022: 99

In millions of euros

# Value creation for member dairy farmers

## Milk price and performance price

**45.49**
Performance price
2022: 58.69

-3.22 Addition to retained earnings
2022: 1.03

0.63 Interest on member bonds
2022: 0.31

**48.08**
Milk price
2022: 57.35

0.00 Supplementary cash payment
2022: 0.90

1.21 Meadow milk premium and Foqus planet premium
2022: 0.91

0.61 Special supplements
2022: 0.33

46.26 Guaranteed price
2022: 55.21

In euros per 100 kilogrammes of milk for 925,000 kilogrammes of milk per year (exclusive of VAT, at 3.58% protein and 4.45% fat in 2023 and at 3.57% protein, 4.42% fat and 4.53% lactose in 2022).

All amounts stated in this section are exclusive of VAT.

### Guaranteed price

FrieslandCampina's guaranteed price corresponds to the average yearly raw milk prices of reference farms in Northwest Europe. Due to the significant decrease in commodity dairy prices in the first five months, followed by a stable price in the remaining part of the year, the reference prices for raw milk were significantly lower than the year before. In 2023, the guaranteed price was 46.26 euros per 100 kilogrammes of milk; a decrease of 16.2 percent compared to the historically high milk price of 55.21 euros per 100 kilogrammes in 2022, but above the five-year average of 43.67 euros per 100 kilogrammes of milk.

In 2023, as a result of a decrease in market demand, the guaranteed price for organic milk decreased by 3.1 percent to 57.81 euros per 100 kilogrammes of milk. In 2022, this price was 59.69 euros per 100 kilogrammes of organic milk.

### Milk price

In 2023, the milk price received by FrieslandCampina's member dairy farmers was 48.08 euros per 100 kilogrammes of milk. This is 16.2 percent less than the year before, when 57.35 euros per 100 kilogrammes of milk was paid. The milk price consists of the guaranteed price and extra premiums for special supplements and the meadow milk premium, the Foqus planet premium and the supplementary cash payment. Owing to the disappointing result, there will be no supplementary cash payment for 2023.

### Performance price

In 2023, FrieslandCampina's performance price decreased by 22.5 percent from 58.69 euros in 2022 to 45.49 euros per 100 kilogrammes of milk. The performance price consists of the milk price, the interest on member bonds, and additions to and/or withdrawals from the retained earnings.

### Interest on member bonds

The total allocated interest on member bonds increased to 58 million euros in 2023, compared to 29 million euros in 2022. The interest rate over the period 1 January to 31 May 2023, was 5.692 percent. The interest rate over the period 1 June to 30 November 2023 was 7.020 percent, while the interest rate in the month of December 2023 was 7.300 percent based on the interest rate on the six-month Euribor for December 2023 that was 4.050 percent. In 2023, the average interest paid on member bonds per 100 kilogrammes of member milk was 0.63 euro compared to 0.31 euro in 2022.

# 2023 Key figures

| Millions of euros, unless stated otherwise | 2023 | 2022 | Δ% |
|---|---|---|---|
| **Results** | | | |
| Revenue | 13,072 | 14,076 | -7.1 |
| Revenue before currency translation effects | 13,620 | 14,076 | -3.2 |
| Operating profit | 75 | 471 | -84.1 |
| Operating profit before currency translation effects | 93 | 471 | -80.3 |
| Operating profit before currency translation effects and one-off costs | 297 | 731 | -59.4 |
| Net result | -149 | 292 | -151.0 |
| Net result before currency translation effects | -143 | 292 | -149.0 |
| Operating profit as a percentage of revenue | 0.6 | 3.3 | |
| **Balance sheet** | | | |
| Balance sheet total | 9,119 | 10,037 | -9.1 |
| Equity directly attributable to capital providers | 3,374 | 3,841 | -12.2 |
| Equity (percentage of balance sheet total) | 37.0 | 38.3 | |
| Buffer capital[1] (percentage of balance sheet total) | 20.2 | 23.2 | |
| Net debt[2] | 635 | 888 | -28.5 |
| **Cash flow** | | | |
| Net cash flow from operating activities | 831 | 293 | |
| Net cash flow from investment activities | -309 | -570 | |
| Net cash flow from financing activities | -357 | 174 | |
| **Investments** | 482 | 474 | 1.7 |

| Millions of euros, unless stated otherwise | 2023 | 2022 | Δ% |
|---|---|---|---|
| **Value creation for member dairy farmers[3]** | | | |
| Guaranteed price | 46.26 | 55.21 | -16.2 |
| Supplementary cash payment | 0.00 | 0.90 | |
| Meadow milk premium and Foqus planet premium[4] | 1.21 | 0.91 | |
| Special supplements[5] | 0.61 | 0.33 | |
| Milk price | 48.08 | 57.35 | -16.2 |
| Interest on member bonds | 0.63 | 0.31 | |
| Addition to retained earnings | -3.22 | 1.03 | |
| Performance price | 45.49 | 58.69 | -22.5 |
| **Member dairy farmers** | | | |
| Number of member dairy farms at year-end | 9,417 | 9,927 | -5.1 |
| Number of member dairy farmers at year-end | 14,634 | 15,137 | -3.3 |
| Milk supplied by member dairy farmers (millions of kilogrammes) | 9,369 | 9,502 | -1.4 |
| Total compensation of member dairy farmers | 4,521 | 5,423 | -16.6 |

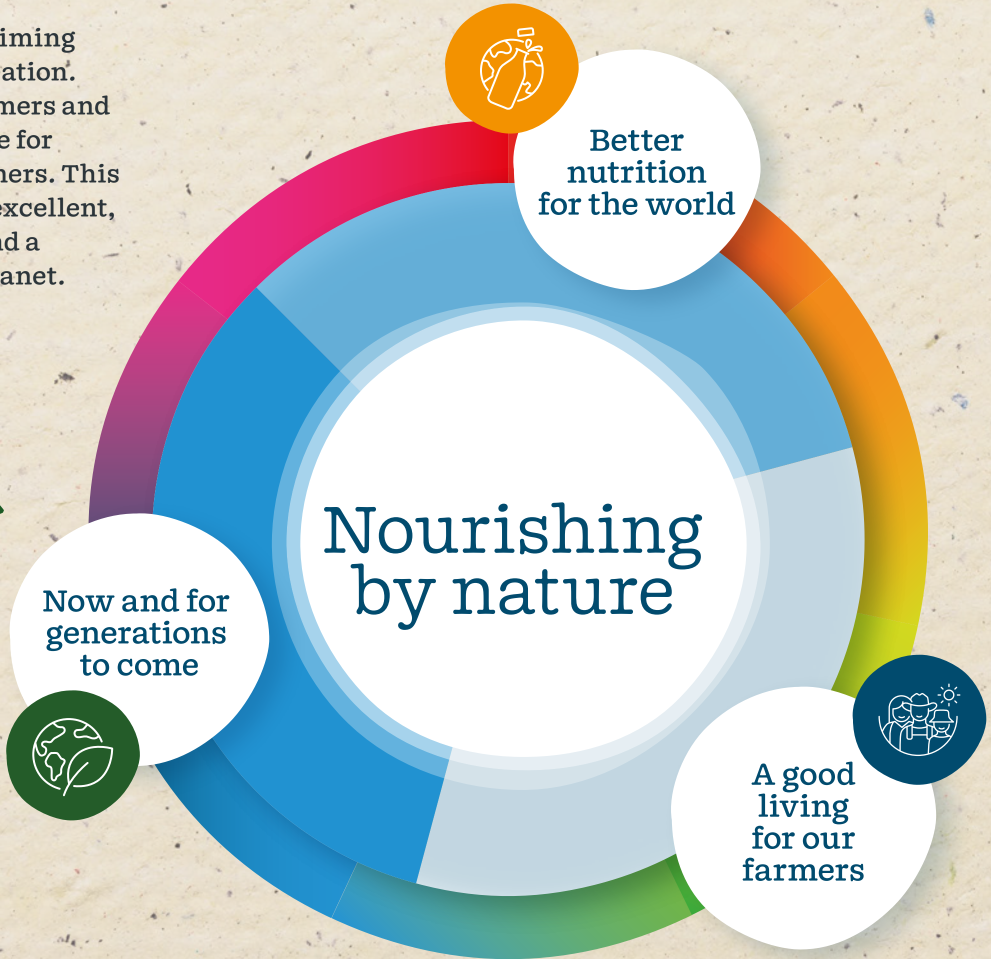
1 Buffer capital is the equity and non-controlling interests attributable to the shareholder.
2 The net debt shown here is in accordance with the covenant's guidelines and concerns current and non-current interest-bearing borrowings (excluding lease commitments), receivables from and payables to Zuivelcoöperatie FrieslandCampina U.A. less the cash and cash equivalents at the company's free disposal.
3 In euros per 100 kilogrammes of milk (exclusive of VAT, at 3.58% protein and 4.45% fat in 2023 and at 3.57% protein, 4.42% fat and 4.53% lactose in 2022). In recent years, FrieslandCampina has invested heavily in valorising fat. As a result, the need for milk fat has increased. Therefore, fat is valued more and lactose is no longer valued as a milk component.
4 Effective from 2023, member dairy farmers receive a variable Foqus planet premium for Sustainable Development, including pasture grazing, of a maximum of 3.50 euros per 100 kilogrammes of milk. The average premium is 1.81 euros per 100 kilogrammes of milk. Dairy farms supplying On the way to PlanetProof milk do not receive a variable Foqus planet premium. The cooperative for 2023 withholds 0.60 euro per 100 kilogrammes of milk from all members for sustainability.
5 Special supplements concern the total amount of payments per 100 kilogrammes of milk for VLOG [non-GMO] and the On the way to PlanetProof of 0.52 euro per 100 kilogrammes of milk, and the difference between the guaranteed price paid for organic milk (57.81 euros) and regular milk (46.26 euros). On average, on all FrieslandCampina member milk, this amounts to 0.09 euro per 100 kilogrammes of milk.

# How we create value

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

## Input

- Human
- Intellectual
- Natural
- Financial
- Products




## Output 2023

**Human**

- ▲ Women in management positions
- ▲ Diversity & 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 & 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
- ▼ Net result

**Products**

- ▲ Product composition
- ▲ Product composition of Affordable Nutrition

## FrieslandCampina supplies...

Safe and high-quality nutrition to millions of people, with which we strengthen the earning capacity of member dairy farmers,

so that we can reduce the impact on climate and strengthen nature, and

continue to take good care of our employees,

through means of responsible governance.

## This is how FrieslandCampina makes impact*

### Better nutrition for the world

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

We contribute to healthy and affordable nutrition for everyone: from young children to seniors.

### A good living for our farmers

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

We aim for a leading milk price and thus contribute to the income of member dairy farmers and the continuity of their dairy farms.

### Now and for generations to come

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

We believe that supplying excellent nutrition can and must go hand-in-hand with the best possible care for the planet.

* FrieslandCampina contributes to eight Sustainable Development Goals (SDGs) of the United Nations.

# Nourishing millions of people

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

# Nutritious and affordable nutrition

FrieslandCampina contributes to nutritious and affordable nutrition for everyone: from young children to seniors. By improving the availability and affordability of food with high-quality ingredients from milk, we have a positive impact on people's lives.


## Access to nutrition

In 2023, 16 percent of the total volume of consumer products sold was affordable for population groups with a low income. FrieslandCampina supplies dairy in small packages to various countries, including the Philippines, Indonesia, Nigeria and Pakistan. This way we are responding to the financial challenges experienced by many households and are making good nutrition accessible. In 2023, evaporated milk in new small packages was brought to market in Nigeria under the brand names Peak and Three Crowns.

**75%**
Product composition
2022: 72%

**74/26%**
Balanced product range
2022: 74/26

**60%**
Product composition of affordable nutrition
2022: 55%

**16%**
Share of affordable nutrition
2022: 12%

READ MORE ABOUT THIS IN THE ESG REPORT

# Building sustainable dairy chains together

**Our goal is to ensure that member dairy farmers receive a leading milk price. Together with member dairy farmers, FrieslandCampina has more than 150 years of experience in the dairy farming sector. We use this expertise to support farmers in emerging countries.**

**71,120**

**Number of local dairy farmers trained in Dairy Development countries**
2022: 70,101

### Dairy Development

With our Dairy Development activities, we support tens of thousands of local farmers throughout the world each year. Together, we work on building sustainable dairy chains to enable them to improve their living standard. Our goal is to improve the quality of milk, increase the productivity per cow and to help farmers gain access to the market. Through the regionalisation of dairy we furthermore secure our license to operate in the different countries in which we work on Dairy Development.

## Value4Dairy

The Value4Dairy consortium contributes to the growth and development of the Nigerian dairy sector. The consortium, consisting of FrieslandCampina WAMCO, URUS, Agrifirm and Barenbrug, developed a model that levels the path to a self-sufficient, competitive, climate-friendly and locally managed dairy sector. Dairy zones are being set up in three Nigerian sates, run by farmers' cooperatives. The milk will be processed by FrieslandCampina WAMCO into dairy products that will feed over five million Nigerian households. In 2023, the Value4Dairy consortium received a five-million US dollar grant from the Bill & Melinda Gates Foundation, with which it will be able to finance part of the project.

READ MORE

READ MORE ABOUT THIS IN THE ESG REPORT


# Nourishing a better planet

We believe that supplying excellent nutrition can and must go hand-in-hand with the best possible care for the planet

# Net climate-neutral dairy in 2050

FrieslandCampina aims to produce net climate-neutral dairy by 2050. We are working on reducing our footprint throughout the world. In our Climate Plan we show our climate targets, how we will go about achieving these targets and how we measure and monitor the results. A Climate Plan progress report was published at the beginning of 2023.


## Our climate targets

**Greenhouse gas emissions 2015-2030**

| -63% | -33% | -43% |
|---|---|---|
| **Scope 1 & 2** | **Scope 3 member milk** | **Scope 3 other** |
| Production and milk transport | Production of milk at member dairy farms | Purchased products such as raw materials and packaging |

**588** ▼ -9.4%

**Greenhouse gas emissions** from production and milk transport (Scope 1 & 2 in kt $CO_2$ equivalent)

2022: 649

**10,359** ▼ -4.3%

**Greenhouse gas emissions** on member dairy farms (Scope 3 – member milk in kt $CO_2$ equivalent).

2022: 10,823

### Cooperation with buyers and chain partners

FrieslandCampina's history clearly shows that you can achieve more together than alone. Cooperation is anchored in our DNA. We believe in combining forces, sharing knowledge and learning from others who can help us progress; within the dairy sector, with member dairy farmers and suppliers, as well as with customers, NGOs, scientific organisations and governments.

READ MORE ABOUT THIS IN THE ESG REPORT

# Supporting dairy farmers

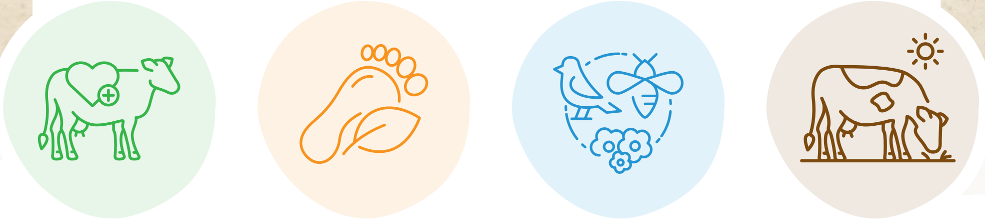
**FrieslandCampina, together with the member dairy farmers, aims to reduce greenhouse gas emissions on member dairy farms by 33 percent by 2030 in comparison to 2015.**

### Foqus planet: rewarding performance

Foqus planet is FrieslandCampina's quality and sustainability programme for its member dairy farmers. Foqus planet provides us with all of the data needed to identify the ecological impact of every individual farm affiliated with our cooperative. Member dairy farmers receive premiums on the basis of the sustainability results they achieve in the area of climate, biodiversity, pasture grazing, animal health and animal welfare. This way we encourage members to make their farms more sustainable, step by step, in their own way. In 2023, an innovative remuneration methodology went into effect, whereby member dairy farmers receive a higher premium of up to 1.50 euros per 100 kilogrammes of milk for reducing greenhouse gas emissions on the farm.

In addition, we develop various tools and resources to support members. In 2023, together with external consulting firms and chain partners, we organised various climate workshops in which 1,288 member dairy farmers participated.

## **Foqus planet:** integrated approach to sustainable development



Animal health & animal welfare

Climate

Biodiversity

Pasture grazing

"Our dairy farm is becoming increasingly sustainable. With our 700 solar panels we generate more electricity than we consume at our farm. In addition, we have herb-rich grasslands to strengthen biodiversity and whenever possible we let our cows graze in the pasture. Properly remunerating the result is indispensable. This enables us to continue to invest in measures designed to further reduce our emissions and strengthen biodiversity."

Geert Stevens,
FrieslandCampina member dairy farmer

READ MORE ABOUT THIS IN THE ESG REPORT

# Accelerating climate actions with customers

**Together with large international customers we support and remunerate dairy farmers for the reduction of greenhouse gas emissions from the production of milk.**

### Cooperating on a smaller footprint

In 2023, FrieslandCampina entered into agreements with key international buyers, such as Mars, McDonald's and Mondelēz International about the accelerated reduction of greenhouse gases during the production of milk for the dairy products supplied to these customers. This enables us to remunerate member dairy farmers for their efforts in reducing the emission of greenhouse gases by 14 percent by 2025 in comparison to 2019. At the same time, this enables FrieslandCampina to invest in programmes for members that enable them to further improve sustainability on their dairy farms.

## Partnering with customers to reduce greenhouse gas emissions


## McDonald's and FrieslandCampina combine forces

FrieslandCampina has been a key supplier to McDonald's and supplies essential ingredients, for example, for McFlurry, milkshakes and meat substitutes, such as Valess.
The partnership with McDonald's Netherlands and Belgium has evolved into a broader mission with an emphasis on reducing the footprint of dairy production.

READ MORE

READ MORE ABOUT THIS IN THE ESG REPORT

# Unlocking innovations

**FrieslandCampina works together with various parties to unlock innovations that have the potential of lowering the impact on climate and nature. In 2023, various pilots, involving innovations with the potential of contributing to reducing emissions, were carried out on member dairy farms.**

The objective of these pilots in part was to investigate the extent to which these innovations can be integrated into the farming operations of member dairy farmers. In addition, the pilots included an assessment of costs, the actual reductions achieved and the impact on animal health and milk quality. Following a pilot project in the Province of Friesland (Netherlands), FrieslandCampina at the end of 2022 initiated a 10-year, national project focussed on carbon sequestration using permanent grassland. In addition, in 2023 a small-scale trial involving Hydrotreated Vegetable Oil (HVO) diesel, and a trial with methane oxidation, whereby various techniques for converting methane into carbon dioxide were tested, were initiated. Finally, last year pilots were carried out involving the feed additive Bovaer and the livestock feed product SilVair, both of which can contribute to reducing greenhouse gas emissions on dairy farms.

## Bovaer

FrieslandCampina, DSM and Agrifirm successfully completed a largescale pilot with Bovaer, a methane-reducing feed additive for cows. A total of 158 member dairy farms, with a total of approximately 20,000 cows, participated in this pilot, which lasted eighteen months. In 2023, cow emissions in the Netherlands were reduced by approximately 15 kt $CO_2$-eq. as a result of the use of this feed additive. After certification, the reduction realised will be included in the reported emissions.

## Progress on sustainability

We aim to have a positive impact on farmers, communities and our planet. On the previous pages we have presented a number of sustainability highlights with respect to nutrition, people and climate on the farm. In our ESG report, we share additional details about our sustainability strategy and our results with respect to Environmental, Social and Governance aspects.

READ MORE ABOUT THIS IN THE ESG REPORT

# Environmental, Social and Governance

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# Environmental, Social and Governance

***Nourishing by nature*, FrieslandCampina's purpose, provides direction to what we do. We have identified three pillars in this respect:**

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

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

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

In this report, we set out our results with respect to sustainability in the areas of environment, social and governance. We use the integral Environmental, Social & Governance (ESG) framework for this purpose.

In this way, we assume responsibility for transparent and fair reporting. We also show the steps we are taking with respect to sustainable enterprise with which we hope to make a contribution to a better world.

Starting with the 2025 reporting year, FrieslandCampina is legally obliged to comply with the Corporate Sustainability Reporting Directive (CSRD). With this ESG report, we prepare for this reporting requirement and take the next step towards a more complete annual sustainability reporting.

## Strategy

We are fully aware of our responsibility and the need to increasingly anchor sustainability more deeply in the way we invest and do business.

FrieslandCampina supplies safe and high-quality nutrition to millions of people. For us, sustainability means exerting a positive influence on farmers, communities and our planet. In this respect we reduce the impact on climate, reinforce the earning capacity of member dairy farmers, and continue to invest and innovate, with care for nature and our employees, through means of responsible governance.

ESG has a solid base in our integrated sustainability programme, *Nourishing a better planet*, which has six priorities.

## 6 priorities

**Better nutrition**
affordable for everyone

**Better living for farmers**

**Better climate**
climate-neutral future

**Better nature**
improving biodiversity

**Better packaging**
100 percent circular

**Better sourcing**
100 percent responsible agricultural raw materials

## Reporting framework

FrieslandCampina has voluntarily applied the framework of the Global Reporting Initiative (GRI) in reporting on ESG themes in its Report of the Executive Board.

The organisation reports at a consolidated level, where the scope in principle is equal to the scope of the financial reporting in the financial statements. For a few ESG topics, the scope has been expanded to include FrieslandCampina's value chain (from suppliers to customers) if the materiality analysis shows that FrieslandCampina has a material impact on these topics within the value chain, or that these have a material impact on FrieslandCampina.

### Changes in EU regulations: CSRD

The European Commission aims to streamline company ESG reporting in line with financial reporting. This enables stakeholders 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 stakeholders for relevant, reliable, comparable and available ESG information is currently resulting in the accelerated introduction of laws and regulations. In 2022, the European Commission adopted CSRD and in July 2023, it adopted the detailed ESG reporting standards of CSRD (European Sustainability Reporting Standards, ESRS), through means of a delegated act.

CSRD requires all large companies, including FrieslandCampina, to include extensive ESG information in their management reporting, starting with the 2025 reporting year.

### Changes in EU regulations: EU Taxonomy

As FrieslandCampina must comply with CSRD, it falls under the scope of EU Taxonomy, starting from the 2025 reporting year. EU Taxonomy is a classification system where capital expenditures, operating expenditures and revenue are classified as potentially sustainable (Eligible) and sustainable (Aligned) on the basis of detailed criteria. The objective is to increase the comparability of companies in terms of these criteria and to stimulate the financing of more sustainable companies.

### Impact on FrieslandCampina

FrieslandCampina assessed the impact of CSRD and the associated reporting requirements on the basis of the outcome of a materiality analysis. CSRD reporting requirements FrieslandCampina needs to comply with, and where initiatives are needed to be prepared on time, have been determined on this basis. This analysis has been performed on the basis of the current available CSRD standards, where developments relating to potentially additional (sector-specific) CSRD standards are being closely monitored. An analysis of the impact of EU Taxonomy has also been initiated.

CSRD requires that an external auditor will issue an auditor's report with, at a minimum, 'limited assurance' about ESG reporting on the basis of CSRD and EU Taxonomy. The reporting includes sustainability targets, risks and opportunities flowing from ESG factors, the business model's resilience in this area and the company's strategy, for example for anticipating on the effects of climate change in the short, medium and long term.

FrieslandCampina has already begun improving its annual reporting on ESG. For example, new explanatory notes have been included in the annual report this year, particularly with respect to employees and governance. In addition, the structure of the ESG explanatory notes in the annual report was brought in line with CSRD requirements.

## Materiality analysis

FrieslandCampina carries out a materiality analysis every two years to determine the ESG topics that are deemed most relevant by stakeholders and on which the company has an impact. In 2023, FrieslandCampina conducted a new materiality analysis. The analysis is based on the guidelines of GRI, whilst guidelines of CSRD also are taken into account.

**Double materiality**
Double materiality is a key theme within CSRD. It does not only considers the impact of FrieslandCampina's activities on people and the environment (impact materiality), but also the financial impact of these topics on FrieslandCampina (either positive or negative; financial materiality).

The 2023 materiality analysis assessed both aspects of double materiality to provide a solid starting point in preparation for CSRD.

The following steps were completed to arrive at a prioritisation of the most relevant topics for FrieslandCampina.

### Step 1 – Recalibration of relevant topics

The list of relevant ESG topics was reanalysed. This included a review of internal and external developments based on sector and media analyses. The analyses also incorporated the 11 criteria of the Dairy Sustainability Framework (see Criteria – Dairy Sustainability Framework,) and the 17 UN Sustainable Development Goals (SDGs, see UN SDGs).

### Step 2 – Prioritising the topics with internal and external stakeholders

Approximately 40 employees with responsibility for various business units and functional departments were approached to prioritise the topics. With a survey, input was requested for each relevant topic in terms of its impact materiality (scale, size, irremediable character, and likelihood), as well as its financial materiality (financial impact and likelihood). Based on predefined thresholds, the topics that are of material importance to FrieslandCampina were determined. Through means of work sessions, the findings of this survey were subsequently validated and an assessment was conducted to determine whether the material topics match the topics in our strategy.

In selecting internal stakeholders, it was ensured that different business activities (in terms of their nature, as well as geographical distribution) and different relevant departments were represented.

Next, the findings were validated with external stakeholders. During the work sessions with external stakeholders, it was ensured that all relevant groups of the stakeholders were represented to incorporate the various interests and insights. See the 'In dialogue with stakeholders' section for the external stakeholder groups involved.

Based on the contribution made by all stakeholders the list of topics was prioritised. It was first presented to the Executive Board for validation and then to the Sustainability Committee and the Supervisory Board.

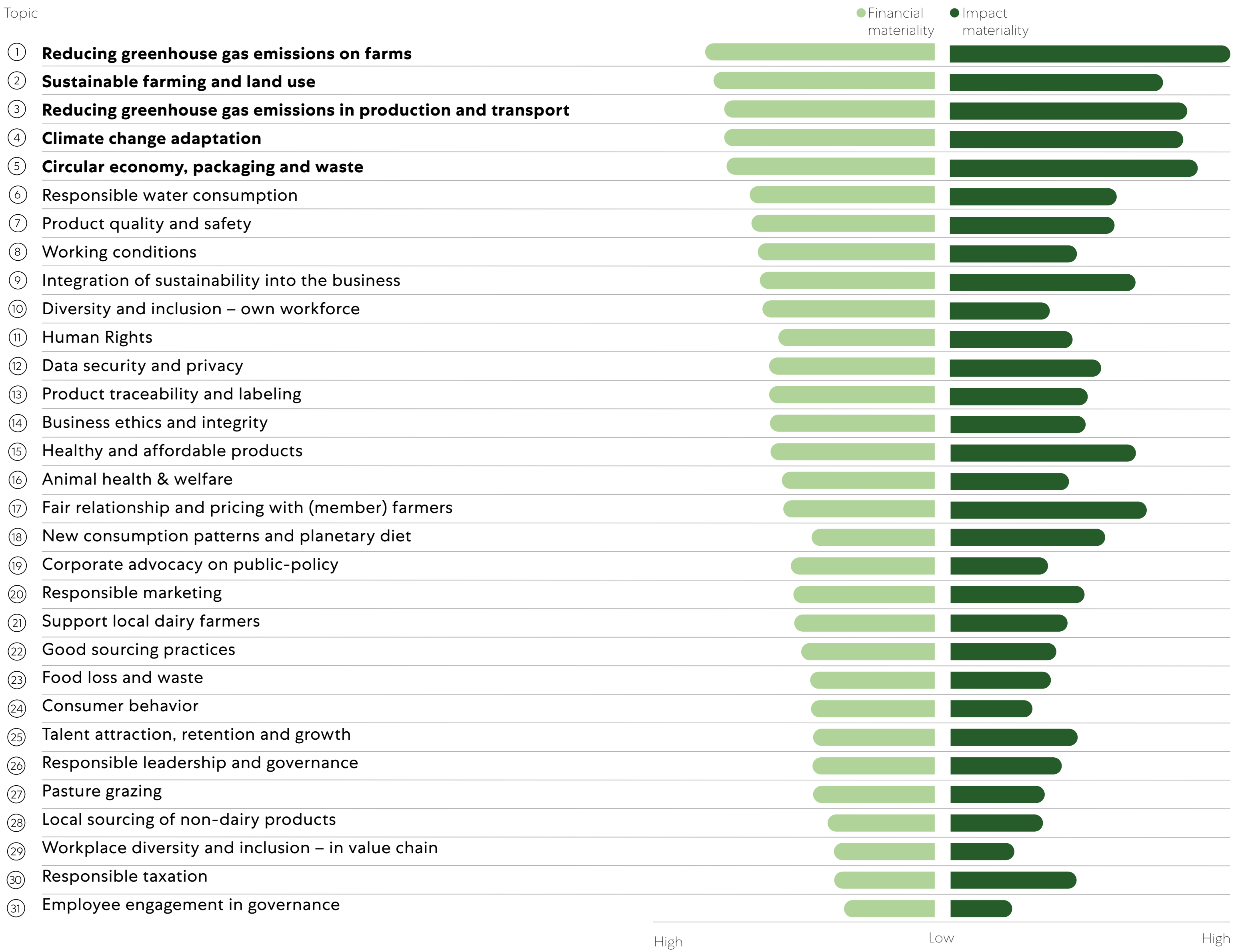
## 5 material topics

- #1 Reducing greenhouse gas emissions on farms
- #2 Sustainable farming and land use
- #3 Reducing greenhouse gas emissions in production and transport
- #4 Climate change adaptation
- #5 Circular packaging and waste

**Material topics**
Based on the results, a materiality matrix was developed that visualises the prioritisation of the topics (see Figure 1, page 48).

According to the 2021 materiality analysis, 'reducing greenhouse gas emissions on farms' is the most material topic, followed by 'sustainable farming and land use' (including biodiversity). These topics were assessed to be more material compared to 'nutritious and affordable products' and 'animal health and welfare', which were

# Results materiality analysis



considered material in the previous 2021 materiality analysis. As a result, we have included explanatory notes for these three additional topics in this annual report in accordance with GRI's guidelines, to the extent possible. Where this is not possible, for example due to missing data, this has been disclosed in the GRI table in the appendix.

The materiality of topics was determined based on GRI guidelines, where only the impact materiality is relevant. These material topics form the basis of FrieslandCampina's integrated strategy and the topics addressed in this annual report.

## FrieslandCampina's most important stakeholders are:

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

**Figure 1: Materiality matrix**


The materiality analysis shows that the topics presented in the top-right corner are most relevant to FrieslandCampina. Refer to the previous page for a description of the topics.

**In dialogue with stakeholders**
FrieslandCampina's history as a cooperative shows how to achieve more together than alone. We maintain active contact with many parties within and beyond the dairy chain. Whenever possible, we involve our stakeholders in the development of policies, for example on sustainability and nutritious and affordable nutrition, and consult them on establishing the topics we need to report on annually (see Material topics). These stakeholders are identified based on their influence on FrieslandCampina and, in reverse, the degree to which FrieslandCampina impacts them.

### Step 3 – Impact on policy and reporting

The outcome of the materiality analysis was included in determining the topics on which FrieslandCampina will be focusing and forms the basis of our sustainability strategy.
The Executive Board is involved in developing and approving this strategy. The Supervisory Board's Sustainability Committee discusses the sustainability strategy and the connected sustainability objectives with the company.

The topics that are not part of the top five are also relevant to FrieslandCampina and are addressed in the annual report. This primarily concerns topics that also form part of our sustainability programme *Nourishing a better planet*.

# Connectivity

The materiality analysis shows that the following topics are most relevant to FrieslandCampina.

| Topic | Description of material impacts | Indicators | Section in this annual report |
|---|---|---|---|
| **Reducing greenhouse gas emissions on farms** | Scope 3-emissions at member dairy farms have a negative impact on climate | Greenhouse gas emissions member dairy farms (Scope 3-membermilk) | Greenhouse gas emissions |
| **Sustainable farming and land use** | Farming and land use by member dairy farmers can decrease biodiversity and negatively impact water and soil quality | Additional rewards for member-dairy farmers for measures to improve biodiversity | Biodiversity |
| **Reducing greenhouse gas emissions in production and transport** | Energy consumption and Scope 1 and 2-emissions at production and transport have a negative impact on climate | Greenhouse gas emissions production and transport (Scope 1 & 2) | Greenhouse gas emissions |
| | | Energy consumption | Energy consumption |
| **Climate change adaptation** | Climate change brings a risk for continuity of our production facilities and potentially impacts global milk production | Scenario-analyses | Climate change adaptation |
| **Circular packaging and waste** | Packaging of our products can have a negative impact on the environment | Recyclable packaging | Recyclable packaging |

# Environmental

**FrieslandCampina provides good nutrition for millions of people all over the world. In this respect we are responsible for taking care of our planet to the maximum extent possible. Therefore we reduce our impact on climate, aim for a net-positive impact on nature and we take steps towards a fully circular packaging portfolio. This constantly requires considerations between sustainability objectives and income on the short- and long-term.**

### Climate plan: '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 roadmap for 2030, validated by the Science Based Targets initiative (SBTi).
This reduction roadmap has been included in our Climate Plan On the way to climate-neutral dairy published in 2022. It is an elaboration of the climate objectives of our sustainability programme *Nourishing a better planet*. With this we have a clear roadmap for realising a significant reduction in the emission of greenhouse gases throughout the entire chain by 2030. And an ambition for achieving net-climate-neutral dairy by 2050.

## Greenhouse gas emissions 2015-2030

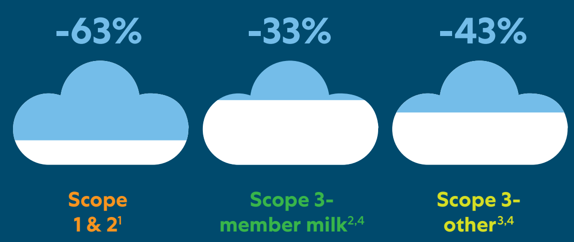
| | Reduction target | In line with scenario |
|---|---|---|
| Scope 1&2[1] | -63% | <1.5° C (SBTi validated) |
| Scope 3-member milk[2,4] | -33% | <2.0° C |
| Scope 3-other[3,4] | -43% | <2.0° C |

1 Greenhouse gas emissions from our global 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.

**Our climate targets**
Currently, FrieslandCampina is working hard to comply with SBTi standards, and in accordance with SBTi requirements one of the steps is to subdivide our targets into Forest Land-use and Agriculture (FLAG) and other emissions. In 2024, new individual targets for both categories will be submitted to SBTi for validation, replacing the current combined targets. These new targets will bring the targets for reducing Scope 3 emissions in line with the 1.5 degree Celsius scenario.

## Our climate targets

**Greenhouse gas emissions 2015-2030**




Read the Climate Plan

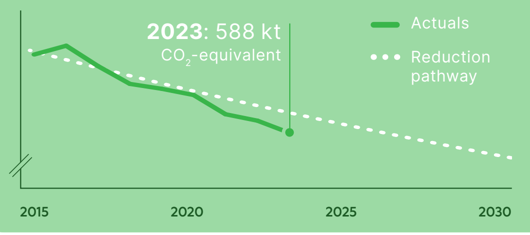
**How do we aim to achieve our climate objectives?**
Net-climate-neutral production for FrieslandCampina means that we:

- Reduce greenhouse gas emissions for all scopes to zero by reducing energy consumption and switching to renewable sources;
- Whenever possible, reduce other non-fossil emissions to the maximum possible extent, such as methane emissions from cows. And compensate whatever we cannot reduce through means of carbon capture and storage in soil and biomass, for example. In this respect we also look at available possibilities to permanently remove greenhouse gases from the atmosphere. At this moment, FrieslandCampina is not actively involved in this.

Reducing and, where necessary, compensating or removing emissions within our own chain has our preference.

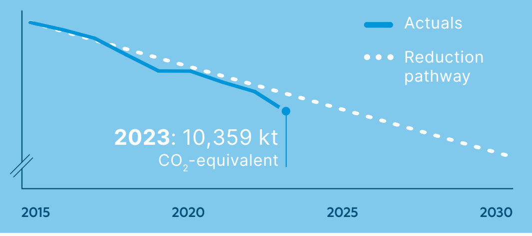
## Scope 1 & 2-Production and Transport

Greenhouse gas emissions in production and milk transport over the years




## Scope 3-member milk

Greenhouse gas emissions from milk production on member dairy farms over the years




## Greenhouse gas emissions

### GHG-emissions compared to our commitments

| (kt $CO_2$-equivalent) | 2023 | 2022 | % compared to 2022 | Base year 2015 | Target 2030 |
|---|---|---|---|---|---|
| Scope 1 and 2-Production & Transport (market based) | 588 | 649 | -9.4% | 957 | 354 |
| Scope 3-member milk [1] | 10,359 | 10,823 | -4.3% | 13,358 | 8,950 |
| Scope 3-other [2 3 4] | 7,077 | 7,567 | -6.5% | | |

### Totals of scope 1 and 2 GHG-emissions

| (kt $CO_2$ -equivalent) | 2023 | 2022 | % compared to 2022 |
|---|---|---|---|
| **Scope 1** | 639 | 697 | -8.3% |
| – Production & Transport | 588 | 649 | -9.4% |
| – Dairy farms | 51 | 48 | 6.3% |
| **Scope 2 (market based)** | - | - | - |
| – Market based | - | - | - |
| – Location based | 313 | 338 | -7.4% |

1 Scope 3 greenhouse gas emissions are determined annually based on farm-specific data from member dairy farmers. This information becomes available after publication of the annual report. Therefore, emissions as disclosed above are based on milk volumes for the respective year and previous year's emission factors.

2 Greenhouse gas emissions from purchased milk products and dairy commodities, packaging, selected raw materials and external production.

3 For Scope 3-other, the base year 2015 and the target for 2030 is not disclosed due to limited availability of reliable data for the year 2015. For Scope 1 and 2–Production & Transport and Scope 3-membermilk, data as of 2015 is audited externally and an audit opinion with limited assurance has been issued. FrieslandCampina currently investigates to update the base year to 2020 in 2024. This will also enable us to base the base year for Scope 3-other on more reliable data.

4 Biogenic emissions related to dairy farms in Pakistan were reported as part of Scope 3-other in 2022, but are disclosed as Scope 1 as of 2023. The comparative figures are adjusted accordingly (impact 48kton).

In 2023, greenhouse emissions from production and transport (Scope 1 and 2, market based) decreased by 9.4 percent in comparison to 2022, to 588 kton $CO_2$-equivalent (2022: 649 kton).

The reduction in Scope 1 and 2 greenhouse gas emissions compared to 2022 is mainly the result of:

- lower production volume, energy efficient and $CO_2$ reducing measures in production locations and milk transport. Examples are the use and development of heat pumps and the use of residual heat;
- the sale of some production facilities in Germany in 2023 and the (partial) closure of production facilities in the Netherlands in 2022.

The reduction in Scope 3-membermilk greenhouse gas emissions of 4.3% is, among other things, the result of:

- sourcing of animal feed with a lower $CO_2$ footprint and manure fermentation (-2%);
- lower milkvolume (-2%).

For developments in $CO_2$ footprint per kilogram membermilk we refer to the methodology document.
In addition, the Bovaer pilot contributed to a reduction of greenhouse gas emissions. After certification, the achieved reduction from this pilot (15 kton in 2023) will be included in the reported emissions.

## Sustainability webinars for our global supply chain

To improve the involvement of employees, several sustainability webinars for employees of production locations were organised in 2023. Different topics were discussed, such as the sustainability vision for production locations, compliance, how we can meet our targets and plans for the future.

The reduction in Scope 3-other greenhouse gas emissions is mainly the result of a decline in volume.

**Initiatives and action plans**
In 2023, the new methodology for Foqus planet Sustainable development went into effect. Member dairy farmers receive a higher allowance than before for reducing greenhouse gas emissions on the farm. The allowance can be as high as 1.50 euros per 100 kilos of milk.
The activation programme 'Accelerating climate actions' focuses on increasing member knowledge of greenhouse gas reduction.
It provides insights and tools that support members in choosing climate mitigating measures and implementing them.

In 2023, projects and pilots were initiated together with member dairy farmers involving the oxidation of methane, $CO_2$-storage and Hydrotreated Vegetable Oil (HVO) diesel, which is expected to result in a reduction of greenhouse gas emissions in 2024.

FrieslandCampina also purchases local milk through the Dairy Development programme (refer to page 63). In 2023, action plans were developed in various Dairy Development countries to reduce greenhouse gas emissions. Improving data quality is part of reporting reductions in emissions of procured dairy. FrieslandCampina works on calculating the specific carbon footprint of the supplied milk per country for this purpose. This enables taking specific actions and monitoring the effects.

The FOA data that applies to the various regions is currently being used in this respect; see methodology document.

In addition, in Pakistan a pilot has been initiated for collecting farm-specific data, so that a more accurate carbon footprint can be calculated at farm level. The objective is to be able to better focus on those emissions that can best and fastest be reduced, and to better track the resulting reductions.

Comparable steps are being taken for other emission categories. The principle that applies in all instances is that the more accurate and specific the emissions can be calculated the better we are able to manage the reduction of these emissions. Cooperation with dairy farmers and other suppliers is crucial in this respect.

In part for this reason, we are working together with suppliers of various raw materials, such as packaging materials, starch, cocoa and sugar.

**Greenhouse gas emissions methodology and assumptions**
The principle that applies to all emission sources is that the base year or other recalculations are based on the Greenhouse Gas Protocol's guidelines. This applies for example for changes in methodology and changes resulting from the acquisition or sale of business units.

Operational control is the basis used for establishing FrieslandCampina's operational boundaries for determining greenhouse gas emissions. Emissions from associates and joint ventures are included on the basis of *equity share*.

The factors for global warming potential are based on Intergovernmental Panel on Climate Change (IPCC) 2013. We will apply IPCC 2022 factors from 2024.

### Scope 1 and 2
For Scope 1 and 2, the base year has been set as 2015, since this is the first year in which FrieslandCampina externally reported these emissions, and this report was audited by an external auditor (with limited assurance).

Under Scope 1 and 2 $CO_2$ is reported. The impact of other greenhouse gases, like CH4 and $N_2O$, is not significant. Biogenic emissions, primarily related to dairy farms owned by a subsidiary of FrieslandCampina in Pakistan, are included as Scope 1 (2023: 51kton, 2022: 48kton). Biogenic emissions from the combustion or biodegradation of biomass are limited and not included in Scope 1 or Scope 2 as these $CO_2$-emissions are almost equal to the $CO_2$-capture.

Emissions under Scope 2–market based are calculated based on the emission factors for purchased electricity. The renewability is for 100 percent guaranteed using Certificates of Origin and, to a small extent, international Renewable Energy Certificates. Emissions under Scope 2–location-based are calculated based on electricity used and local emission factors.

### Scope 3
For Scope 3-other, the emission factors have not been updated in comparison to 2015. FrieslandCampina is working on improving this data and emissions are expected to be updated in 2024.

The dairy emission factors for Scope 3-member milk and Scope 3-other were determined as described in the methodology document.
The emissions are determined on the basis of purchased volumes. The emissions of the other Scope 3 categories are calculated based on volumes, and, where these are missing, on the basis of economic intensity. In 2023, the data quality of these emissions and emission factors was improved.

The FrieslandCampina emissions for which a 2030 target has not yet been set are reported annually to CDP (Carbon Disclosure Project).

See the relevant methodology document for the methodology used to calculate the emissions. The EU Product Environmental Footprint Category Rules for Dairy and the IDF protocol IDF Carbon Footprint standard for the dairy sector are used to calculate the carbon footprint for raw milk.

**Climate change adaptation**

In addition to our measures to mitigate impact on climate change, we also identify and monitor as part of our risk management the impact of climate change on FrieslandCampina and how we can adjust our operations accordingly.

To identify these risks, an analysis, among other things, is being conducted to determine the extent to which the regions in which our production facilities are located are susceptible to extreme weather conditions, such as floods and drought. By conducting scenario analyses, potential impact of climate change on energy prices or expected milk volumes are considered. The results of these scenario analyses potentially may affect our long-term plans.

This analysis is being conducted with external expertise and will be completed in 2024.

In addition, FrieslandCampina participates in a public private cooperation to investigate how dairy farms could adapt to climate change (KLIMEA, *Op weg naar een klimaatbestendige melkveehouderij in de Achterhoek*).

**91%**

**of the electricity purchased by our production facilities in the Netherlands was covered by electricity generated by member dairy farmers**

2022: 89%

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## Energy consumption and breakdown

| (in TJ) | 2023 | % of total | 2022 | % of total |
|---|---|---|---|---|
| Gas | 8,557 | 63% | 9,292 | 63% |
| Oil | 1,426 | 11% | 1,673 | 11% |
| Other | 11 | 0% | 21 | 0% |
| **Total fossil energy consumption** | **9,994** | **74%** | **10,986** | **74%** |
| Fuel consumption from renewable sources (including biomass) | 562 | 4% | 691 | 5% |
| Purchased or acquired electricity, heat, steam, and cooling from renewable sources | 2,943 | 22% | 3,146 | 21% |
| **Total renewable energy consumption** | **3,505** | **26%** | **3,837** | **26%** |
| **Total energy consumption (in TJ)** | **13,499** | **100%** | **14,823** | **100%** |
| **Energy consumption in GJ per ton finished product** | **2.71** | | **2.72** | |
| **Energy intensity** (consumption in TJ per net revenue in million) | **1.03** | | **1.05** | |

### Energy consumption

The total energy consumption in 2023 amounted to 13,499 TJ (2022: 14,823 TJ). The sale of some production facilities in Germany in 2023 and the (partial) closure of production facilities in the Netherlands in 2022 contributed to a structural lower energy consumption.
91 percent of the electricity purchased by our production facilities in the Netherlands was covered by electricity generated by member dairy farmers (2022: 89 percent); on a global basis this corresponds to 58 percent (2022: 53 percent). In 2023, another step forward was taken in valorising green energy from our own chain. For example, the company purchased 500,352 MWh (2022: 486,000 MWh) in green electricity certificates from 1,285 member dairy farms (2022: 1,194).

Energy consumption per ton finished product is calculated based on energy consumption during production. The decline is explained by the introduction of energy efficiency measures and a change in the volume mix. Energy consumption is measured as the total net energy consumption in giga-joules per total production volume in tonnes. External registration of the usage of among others gas and oil with calibrated equipment is the basis for measuring the amounts consumed. Acquisitions are included in the reported energy consumption figures after a full calendar year.

**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, there was much interest in manure fermentation in 2023. Over 150 member dairy farmers applied for a license this year and started the application for SDE++ subsidy for mono-manure fermentation.
A mono-manure digester supplies green energy and reduces methane emissions from manure by approximately 80 percent. In combination with manure stripping, the ammonia 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 fair price for the energy generated and the reduction in greenhouse gas emissions.

## Water consumption

| | 2023 | 2022 | % 2023 compared to 2022 | Target 2030 |
|---|---|---|---|---|
| Water consumption ($m^3$/ton finished products) | 4.77 | 4.72 | 1.1% | 3.88 |
| Water consumption (million $m^3$) | 22.6 | 24.5 | -7.8% | |

**Water consumption**
The absolute water consumption decreased in 2023 with 7.8% compared to 2022. Water consumption per ton finished product however increased with 1.1%. This is mainly due to increased production of lactoferrin with a relatively high water consumption, and a lower production volume resulting in less efficient water consumption.

FrieslandCampina aims to reduce water consumption in production processes.
In addition, discharging treated residual water by production locations is a constant area of focus and part of the monitoring process. Over the coming years, government standards for discharging nitrogen, phosphates and sulphates, for example, will be refined. We are implementing measures to ensure that we continue to meet statutory requirements in the future as well.

In 2022, an analysis was conducted to improve insights in risks related to water consumption in the value chain. The upcoming years, based on the results of this analysis, mitigating actions will be determined and implemented on every location.

We calculate water consumption based on water withdrawal from well (ground water) and from tap water (city grid). 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.

## Retention of green gas certificates

Many large energy players are looking for opportunities to make their production sustainable. As a result, the green gas market is highly dynamic and dairy farmers with a green gas mono-manure digester are often approached to trade their green gas certificates. We believe it is extremely important to keep the $CO_2$ reductions we achieve within our own chain. This is why FrieslandCampina negotiates agreements with member dairy farmers who have a green gas mono-manure digester, thus ensuring that the green gas certificates, together with the associated $CO_2$ reduction, remain in FrieslandCampina's dairy chain and contribute to the realisation of our climate targets.

## Biodiversity

Our natural capital is our most important production resource. It is crucial for having productive soil, vital cows and healthy products. For FrieslandCampina, the necessity to retain biodiversity is abundantly clear. Fortunately this awareness is growing globally. For example from the increasing attention devoted to this topic by stakeholders and the development of the Science-Based Targets for nature (SBTn) framework.

FrieslandCampina supports member dairy farmers in cultivating 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 the Dairy Farm Biodiversity Monitor that uses clear indicators to provide insight into the impact of dairy farms on biodiversity. Since 2018, the impact for all dairy farms is being identified. To reduce the impact on biodiversity, FrieslandCampina works together with various partners and dairy farmers on initiatives that improve the net impact.

As part of sustainability programme Foqus planet, member dairy farmers can receive a reward for biodiversity measures. This allowance can be as high as 0.50 per 100 kilogram milk based on five indicators.

In addition, member dairy farmers are rewarded additionally in 1,623 cases (2022: 1,196 cases) for efforts to improve biodiversity. Because of the new Foqus planet methodology as of 2023, the comparative figure is adjusted accordingly.

In 2023, various initiatives were implemented to increase the acreage of herb-rich grasslands and to construct and maintain landscape elements. Many dairy farmers are already devoting effort to reduce the negative impact of ammonia emissions. The percentage of member dairy farms in the Netherlands, Belgium and Germany with registered nature and landscape management was 81.3 percent in 2023 (2022: 83.7 percent). Furthermore, a program was initiated to increase knowledge and nature management among dairy farmers.

On farms of member dairy farmers FrieslandCampina has the ambition to have a net-positive impact on nature by 2050.
To measure the net-impact, a methodology has been developed with the sector that translates the data from seven indicators into a single integrated score. This methodology is an initial attempt to measure the net-effect, but limitations are found in the calculations and the underlying data. For this reason, FrieslandCampina has concluded that this methodology as yet cannot be used for reporting purposes and for setting goals. However, FrieslandCampina is committed to continue to develop this methodology. This will require cooperation with other parties, such as universities and knowledge institutes, however, and it is therefore expected that this may take several years.

## First results project Herb-rich grassland positive

More biodiversity, less fertilizer and manure and a resilient soil

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We are convinced of our ability to achieve our ambition of having a net-positive impact on nature with the farms of our member dairy farmers by 2050. This is based on the insights we have acquired from our data. The data shows that more than one hundred member dairy farms are succeeding to contribute with the net-impact of their farm to our ambition of a net-positive impact on nature.

Over the coming years, FrieslandCampina will continue to be involved in the development of these monitoring methodologies. In addition, a more detailed assessment will be conducted to determine how to set interim goals designed to strengthen biodiversity throughout the entire chain. We will define these goals next year. With that, we align with the timeline for CSRD reporting and aim to first report externally over 2025.

**Regenerative agriculture**
Regenerative agriculture is emerging. It concerns a way of farming where climate and biodiversity targets come together and where the soil is central. FrieslandCampina responds to these developments around regenerative agriculture and is involved in the development of an international industry standard via its membership of the Sustainable Agriculture Initiative Platform (SAI).

For this purpose, a programme is initiated to develop an approach based on facts and data to quantify performance around regenerative agriculture.

In 2024, first practical pilots with farmers will be started. This will be done in cooperation with among others the national growth fund project Re-Ge-NL.

**Combating deforestation and conversion**
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 and conversion.

In 2023, FrieslandCampina developed and adopted a Responsible Supplier Policy. This policy also concerns zero-deforestation and -conversion in the chain. Also refer to Sustainable sourcing (page 61).

Part of this zero deforestation policy is a transparent deforestation-free and conversion-free chain of soy in animal feed. To achieve this, FrieslandCampina has entered into a partnership with Agrifirm. One of the results of this cooperation is the publication and implementation of a new protocol for 100 percent physical deforestation- and conversion-free soy meal flow for cattle feed.

## Health and welfare of cows

For monitoring and safeguarding animal health and welfare FrieslandCampina uses the quality and sustainability programme for member dairy farmers: Foqus planet. 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 welfare.

**83.1%**
of member dairy farmers in the Netherlands apply (partial) pasture grazing
2022: 83.8%

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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 and has indicated that its current use is at a low and acceptable level.

**Cows live longer and improved calf rearing**
On average, the cows of our member dairy farmers lived 10 days longer in 2023 than in 2022, namely 6 years, 2 months and 13 days.

In 2018, this was 5 years, 6 months and 20 days for the sector average. In 2023, the cows at 81 percent of member dairy farms had an average lifespan in excess of the 2018 average (2018: 50 percent). In 2023, 99 percent (2022: 99 percent) of member dairy farmers participated in CalfOK. This provides them with insight into the quality of their young livestock rearing process. Dairy farms with a high CalfOK score receive a premium.

Furthermore, in workshops, we offer dairy farmers practical tools for obtaining more insight into responsibly extending the lifespan of cows and the measures they can take.

Responsibly extending the lifespan of cows means that less young livestock is required as replacement and needs to be raised. This also reduces greenhouse gas emissions. Improving the quality of raising young livestock also contributes to the lifespan of dairy cows.

**Pasture grazing**
In 2023, 83,1 percent (2022: 83.8 percent) of member dairy farms in the Netherlands practised pasture grazing. This is higher than the 81 percent sector target, but declined slightly in comparison to 2022. The slight decrease has various causes, such as stopping and departing farmers with (partial) pasture grazing, weather influences and probably pasture grazing has received less priority amid all the (sustainability) challenges the dairy sector is facing. Effective from 2023, FrieslandCampina adjusted the remuneration: more funds were made available for sustainability on the farm. This will be partly financed by a somewhat lower remuneration for pasture grazing.

Pasture grazing is understood to mean that 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

| | 2023 | 2022 | Target |
|---|---|---|---|
| Pasture grazing | 83.1% | 83.8% | 81.0% |

Pasture grazing contributes to reducing ammonia emissions. As the cows are not inside the stable for a period of time this results in less manure and lower emissions in the stable. Additionally, pasture grazing results in urine ending up on the soil separate from the manure. Only when mixing urine and manure urea is converted into ammonia. The focus on increasing the number of hours spent in the pasture as a reducing measure for ammonia emissions can increase the number of farms with (full) pasture grazing.

### Recyclable packaging
Aside from energy, raw materials and ingredients, during production we also makes use of packaging materials to ensure our nutritious products are protected and safe as they are transported to customers and consumers for direct and convenient use.

We work towards 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 and/or reuse. This also applies to plastic packaging, for which the aim is to have 75 percent suitable for recycling or reuse in 2025.

## Recyclable packaging

| | 2023 | 2022 | 2025 Target |
|---|---|---|---|
| Recyclable packaging (total), suitable for sorting and recycling systems[1] | 91% | 91% | 95% |
| Recyclable plastic packaging, suitable for sorting and recycling systems[1] | 55% | 55% | 75% |

1 Part of the product range is out of scope. This includes items without packaging and bulk, co-packers, joint ventures and packaging with a sales volume <1,000 kilogram.


**95%**

The target for 2025 is that at least 95 percent of our packaging is suitable for recycling and/or reuse

In addition, we encourage better recycling chains and the responsible use of materials in the production of packaging. Because some forms of packaging are more recyclable but go hand in hand with higher greenhouse gas emissions, we have to weigh the consequences and have to make choices. Consumer acceptance also plays a role in this respect. For example, when we introduce less recyclable plastic packaging to replace aluminium packaging, as the plastic packaging may have certain sustainability benefits, such as lower greenhouse gas emissions.

We define recyclable packaging as packaging that is designed to be able to be effectively sorted and recycled by a waste processing system. To determine what recyclable packaging is, we use the design guidelines of recognised organisations such as RecyClass as the starting point. If there is no clarity for a new technology or material we have tests conducted so that are sure that the packaging ultimately can be effectively recycled. Often it is not possible to recycle materials, such as plastic, into food-safe quality. This is why we are working with other parties in the chain to improve sorting and recycling processes to increase the availability of recycled materials.

This year, next to investing in the continuation and extension of existing formats, such as our recyclable cheese packaging and PET bottles with recycled materials, we have also implemented improvements in our business-to-business channel. For example, the butter packaging for the hospitality sector now is also suitable for recycling.

For Valess, our vegetarian meat substitutes, the small trays today are fully recyclable and are made or recycled PET. This ensures that the paper sleeve, as well as the tray can be effectively recycled due to the ease with which both materials can be separated.

In areas where pollution remains a big issue because of underdeveloped recycling chains, we contribute to the collection of plastic waste and setting up new recycling chains.
For example, in the Middle East we have initiated a partnership for collecting and recycling metal cans. In 2023, more than 1.76 million cans were collected that otherwise would have ended up in landfills.

### Sustainable sourcing

Milk is the main component in most of the products we produce as dairy company. Also for the non-milk-related part of our supply chain, we aim for sustainable and traceable sourcing of agricultural raw materials and paper packaging.

We identify and manage the current and potential new dependencies and opportunities of materials on biodiversity and ecosystems through traceable sourcing.

**Sustainable sourcing of agricultural raw materials**
This percentage is determined based on the volume of 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.

## Sustainable sourcing

| | 2023 | 2022 | 2025 Target |
|---|---|---|---|
| Sustainable sourcing of agricultural raw materials | 100% | 100% | 100% |
| Raw materials traceable to source | 96% | 94% | 95% |

## Recycling facility opened in Southeast Asia

A multilayer plastic recycling facility was opened in the Philippines. Multilayered plastic keeps food fresh longer, but also is more difficult to recycle. Alaska Milk Corporation, together with D&G Pacific Corporation, has created an innovative recycling facility in Antipolo City, Rizal, where, with the help of new technology, the used packaging material can be used to make plastic plates that can be processed into furniture or used in the construction industry. This is an important step in reducing plastics pollution.

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**Raw materials traceable to source**

The traceability to source is determined as 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. As the data becomes available later, the traceability of palm oil is calculated based on the volumes of the previous reporting year.

**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 2023, these raw materials all were procured from sustainable sources traceable to source. The materials were sourced with globally recognised certificates (see below) that comply with sustainability standards or for which a plan for sustainable development has been prepared in cooperation with suppliers.

During 2023, we have been tracing various materials, such as palm oil, pulp, paper and cocoa, back to source. Traceability permits us to further monitor the social and environmental impact, for example to prevent deforestation and forced labour. We will conduct a social and environmental risk assessment in countries where we procure selected raw materials.

In 2023, FrieslandCampina adopted a Responsible Supplier Policy. This policy describes among other things that FrieslandCampina is committed to responsible sourcing, including zero deforestation and -conversion but also human rights in our value chain. With the adoption of this Responsible Supplier Policy, we show and we will monitor that we expect our suppliers to apply the same ESG standards as FrieslandCampina. With this we are also committed to a positive impact on people and the environment with our sourcing activities.

FrieslandCampina believes it is of great importance that NGOs and media keep a close eye on developments around sustainable production of raw materials and notify us in case of incidents in the value chain. As this can contribute to a better execution of our policy. It supports us to adjust our policies and practices where needed. In 2023, as a result of critical questions from an NGO about deforestation by a producer of palm oil, we started investigations with our suppliers to identify the impact of this producer and requested them to respond to questions of the specific NGO. A case complaint has already been filed in Roundtable on Sustainable Palm Oil (RSPO) in 2021 and we are actively following up on this outcome. As an action, in 2024 we have suspended the producer pending the RSPO conclusion.

**Certification**

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

| Raw material | Certification |
|---|---|
| Palm oil | RSPO |
| Soy | RTRS |
| Cardboard | FSC/PEFC |
| Cocoa | Rainforest Alliance |

**The coconut alliance**

Over the past three years, FrieslandCampina, GiZ, Barry Callebaut, Cargill, JDE Peet's, Nestlé, Procter & Gamble and Unilever have collaborated on sustainable coconut production and the improved traceability of coconuts from the Philippines. This is a four-year programme with a focus on training approximately 10,000 local farmers in land use, increasing yields and sustainable agricultural practices. We expect this programme to produce the first traceable and sustainable coconut volumes in 2025.

**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. The EU deforestation Regulation (EUDR) expected to be introduced at the end of 2024 will stimulate the import of deforestation-free cocoa and this will further improve our traceability of cocoa to cocoa-cooperatives and farms. This will make it possible to implement additional improvements in the cocoa sector.

### Dairy Development

With its Dairy Development activities, FrieslandCampina contributes to the development of the dairy sector and food supply in emerging countries. Among others, we focus on economic, ecological and social sustainability by contributing to the local community and providing an (economically) sustainable future.

**Training, knowledge and financing for dairy farmers in Africa, Asia, Middle East and Eastern Europe**

| | 2023 | 2022 |
|---|---|---|
| Number of local dairy farmers trained in Dairy Development countries | 71,120 | 70,101 |

We work together with more than one hundred thousand dairy farmers in Greece, Hungary, Indonesia, Ivory Coast, Malaysia, Nigeria, Pakistan, Philippines, Romania, Thailand and Vietnam. The objective is to develop the local dairy value chain with high quality milk, increase the income of local dairy farmers and reduce the environmental impact. This creates more stable living conditions for farmers and gives Friesland-Campina the chance to continue to operate in fast-growing markets. In nine of these countries, FrieslandCampina collects milk and processes it into products for local markets. In 2023, this involved over 780 million kilogrammes of milk (2022: 650 million kilogrammes 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, as these local dairy value chains in most cases have a higher carbon footprint compared to our average footprint. This is why Dairy Development focuses on increasing milk production on the farms in a sustainable manner.

We support tens of thousands of local dairy farmers each year with training courses, knowledge transfer, access to (agricultural) experts and better financing.

In 2023, attention was primarily focused on creating and increasing added value throughout the entire chain in order to reduce the environmental impact per kg product. A number of specific examples:

- Boost in productivity and sustainability of the dairy sector in Nigeria through long-term grant for a project in Nigeria, refer to page 36 and on the right.
- Started with the import of heat-resistant cow breeds and insemination of 600 cows with this strain in Nigeria. Fifty calves have since been born.
- Import and seeding of tropical grasses with expected high yields at farms in Nigeria.
- Development of local dairy value chain in Malaysia to grow in sourcing local produced milk with a focus on commercial company size. New milk factory is under construction.
- Installation of bio-digesters at 25 farms in Indonesia to supply households with gas.
- Development of a framework to be able to calculate the footprint in countries with limited data availability.
- Deploying agricultural internships and member dairy farmers to Romania, Malaysia and Nigeria.
- Receiving (government) delegations to stimulate the network, promote FrieslandCampina and the Dutch agricultural sector.

## Boost for sustainable and productive dairy sector in Nigeria

To support the development of the Nigerian dairy sector, the Value4Dairy consortium, led by FrieslandCampina, received a grant of 5 million USD from the Bill & Melinda Gates Foundation. This gives a boost to the productivity and sustainability of the Nigerian dairy sector. The Value4Dairy consortium is a cooperation of FrieslandCampina WAMCO, URUS, Barenbrug and Agrifirm; four strategic partners with experience in different agricultural-related value chains.

# Social

**FrieslandCampina contributes to nutritious and affordable nutrition for everyone. 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.**
**We also look after our employees by providing a working condition where everyone can be themselves and by paying attention to personal (talent) development.**
**We take responsibility for respecting human rights. Not only within FrieslandCampina, but also in the value chain.**

## Nutritious and affordable nutrition

FrieslandCampina contributes to nutritious and affordable nutrition for everyone, from young children to seniors.

### Consumer products

#### Product composition

75 percent of consumer products (of the total volume sold) complied with the FrieslandCampina Global Nutritional Standards (GNS) Next Level (2025 target: 74 percent).
The increase versus 2022 (72 percent) is mainly due to fluctuations in sales volume.
The standards are nutritional criteria for securing the natural ingredients in milk and limiting the quantity of 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. These criteria are developed by independent scientists.

#### Balanced product range

74 percent (2022: 74 percent) of the product range consists of 'basic nutritious products for daily consumption' and 26 percent (2022: 26 percent) consists of 'indulgent products for occasional consumption'. This is based on sales volume and with that we meet the objective of selling at least 70 percent basic nutritious products and a maximum of 30 percent indulgent products.

The subdivision of the products is determined based on the product type (for example, milk product, cheese, butter or meat substitute) and its place in the daily diet (basic nutritious product for daily consumption and for specific target groups or indulgent product for occasional consumption). Also see FrieslandCampina's website.

## Nutritious and affordable nutrition

| | % 2023 | % 2022 | Target 2025 |
|---|---|---|---|
| Product composition of consumer products | 75 | 72 | 74 |
| Balanced product range of consumer products | 74/26 | 74/26 | 70/30 |
| Product composition of Affordable Nutrition[1] | 60 | 55 | 50 |
| Share of Affordable Nutrition[1] | 16 | 16 | 15 |

1 The Broadening Access to Nutrition (BATN-) policy of FrieslandCampina was updated in July 2023. The scope of the program is enlarged and the target group further specified. This resulted in among other things in the addition of Thailand and Malaysia to the commercial BATN approach (affordable nutrition). Next to this, the nutritional criteria for nutritious and accessible products are aligned with the latest insights of the SEANUT II study. As a result of this scope change, comparative figures for 2022 have been adjusted (impact for product composition is 49 percent and for the share 5 percent). We will reassess whether the targets need to be adjusted in 2024.

**Affordable Nutrition**

### Product composition of Affordable Nutrition

The aim is that half of the volume of nutritious and affordable products sold in low-income countries meet the Affordable Nutrition Standards by 2025. In 2023, this was 60 percent. These are products for consumers with a higher risk of malnutrition, obesity and/or vitamin and mineral deficiency. Often this concerns lower income groups. The criteria are based on national and international data about micronutrient deficiencies and the results of the food consumption studies in South East Asia (SEANUTS II) and Africa (AfricaNutrition).

The products are sold in low-income countries, such as Ghana, Indonesia, Ivory Coast, Malaysia, Nigeria, Pakistan, Philippines, Thailand and Vietnam. The Affordable Nutrition product composition is measured as the share of consumer products in FrieslandCampina's product range in these countries that complies with the affordable nutrition criteria for nutrients such as protein, calories, sugar, salt, fat, and vitamins and minerals, as described in the GNS Next Level. The share is expressed as a percentage of the total volume of Affordable Nutrition consumer products sold.

### Share of Affordable Nutrition

16 percent of consumer products of FrieslandCampina (of the total consumer product volume sold) was affordable for population groups with low incomes (2025 target: 15 percent). We ensure that by providing the right quality and quantity of proteins, minerals and vitamins, these products contain the ingredients necessary to combat malnutrition.

The purpose of Affordable Nutrition products is to increase access to affordable, nutritious and/or enriched nutrition in our lower income markets. These are products for consumers with low or medium incomes in previously mentioned countries, offered at an attractive price and in small package sizes. The share is calculated as the percentage of the total volume of Affordable Nutrition consumer products sold as part of the total volume of consumer products sold in these countries.

**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 2023 for strengthening our food safety culture.

## Small packages



In 2023, evaporated milk in small packages was brought to market in Nigeria under the brand names Peak and Three Crowns. This makes the goodness of milk more accessible to Nigerian households.

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### Employees

Our people strategy supports the creation of a high-performance and inclusive environment, where talents and skills of our employees are developed.
Following the release of the half-year results in 2023, we took the decision to adjust our cost structure. We have redesigned our organisation structure and we had to make the difficult decision to reduce our global workforce by 1,800 positions. The people will become redundant in 2024 and 2025. During the execution of this decision, we are committed to moving with speed, care, and transparency. Additionally, we respect our impacted employees and are focused on providing them with support in finding new employment opportunities.
In 2023, the average number of FTEs declined to 20,928 (2022: 21,715). The decrease in the average number of FTEs is, among other things, the result of the divestment of German consumer brands and activities, including some production locations.

The following disclosures are not based on the number of FTEs but based on headcount.

**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.
End of 2023, FrieslandCampina's workforce comprised 116 different nationalities of which 64 percent was of non-Dutch origin.
The Executive Team consisted of 12 (2022: 15) persons with 5 different nationalities (2022: 6 nationalities).

## Number of employees per employment contract type and gender[1]

| | | | | end of 2023 | | | | end of 2022 |
|---|---|---|---|---|---|---|---|---|
| | Men | Women | Total | % | Men | Women | Total | % |
| Indefinite | 13,650 | 5,436 | 19,086 | 89.6% | 14,410 | 5,446 | 19,856 | 89.2% |
| Definite | 1,308 | 914 | 2,222 | 10.4% | 1,436 | 976 | 2,412 | 10.8% |
| **Total** | **14,958** | **6,350** | **21,308** | **100%** | **15,846** | **6,422** | **22,268** | **100%** |
| Fulltime | 14,112 | 5,050 | 19,162 | 89.9% | 15,003 | 5,109 | 20,112 | 90.3% |
| Parttime | 846 | 1,300 | 2,146 | 10.1% | 843 | 1,313 | 2,156 | 9.7% |
| **Total** | **14,958** | **6,350** | **21,308** | **100%** | **15,846** | **6,422** | **22,268** | **100%** |

## Percentage of employees covered by collective bargaining agreements

| | 2023 | 2022 |
|---|---|---|
| Collective bargaining agreement | 75% | 70% |
| No collective bargaining agreement | 25% | 30% |
| **Total** | **100%** | **100%** |

1 Aside from reporting on the men/women category within FrieslandCampina, we also include a third category 'other' in our reporting; these are employees who do not identify themselves as man or woman. Rounded, this category is 0.0 percent. Due to privacy considerations this category is included in the least represented group.

## Number of employees by country

The number of employees by gender by country is shown below for countries with a minimum of 10 percent of the total number of employees of FrieslandCampina.

| | end of 2023 | | | | end of 2022 | | | |
|---|---|---|---|---|---|---|---|---|
| | Men | Women | Total | % | Men | Women | Total | % |
| Netherlands | 5,953 | 2,338 | 8,291 | 38.9% | 5,843 | 2,168 | 8,011 | 36.0% |
| Indonesia | 1,990 | 323 | 2,313 | 10.9% | 1,938 | 316 | 2,254 | 10.1% |
| Other | 7,015 | 3,689 | 10,704 | 50.2% | 8,065 | 3,938 | 12,003 | 53.9% |
| **Total** | **14,958** | **6,350** | **21,308** | **100%** | **15,846** | **6,422** | **22,268** | **100%** |

## Number of employees by age category

| | 2023 | % | 2022 | % |
|---|---|---|---|---|
| < 30 years | 2,835 | 13% | 2,936 | 13% |
| 30 – 50 years | 13,136 | 62% | 13,564 | 61% |
| > 50 years | 5,337 | 25% | 5,768 | 26% |
| **Total** | **21,308** | **100%** | **22,268** | **100%** |

The number of employees by age category is determined at the end of the year.

## Employee turnover

| | % 2023 | % 2022 |
|---|---|---|
| Employee turnover[1] | 14.5% | 15.0% |

1 Employees who transferred to the acquirer in 2023 as part of the sale of part of the German consumer brands and activities, are not included in the calculation of the employee turnover.

The calculation of employee turnover includes the total of voluntary leavers, retirements, forced leavers and deaths. The percentage is calculated based on the average number of employees during the reporting year.

**Labour market under pressure**
After talent scarcity in 2022 the labour market cooled somewhat with the number of job vacancies decreasing. However, there continued to be a shortage of talent due to changes in preferences and emerging new skills. This put additional pressure on existing job vacancies. FrieslandCampina focused on the following activities to support the recruitment of talent:

- Internal mobility campaign to promote internal mobility and career development as a means of staffing job vacancies. As a result, internal mobility was 50.8 percent in 2023 (2022: 46.5 percent).
- The definition of critical talent segments and the creation of propositions for specific target groups with emphasis on key themes for global employer branding campaigns on social media channels (Facebook, LinkedIn, Instagram). This resulted in an increase in the number of applications, with a conversion rate (applications divided by viewed vacancies) of 6.6 percent (2022: 5.5 percent).

- The increased use of data resulted in winning the LinkedIn *Talent Insights Pioneer* award, which recognises making informed talent decisions with the help of data and insights.
- A new pool of certified trainers was added to the *License to Recruit* programme to further develop employee recruitment skills and to start up an initiative to optimise the onboarding of new employees.
- Focus on Future Skills in the 2023 September Learning Month.

**Over2You: the voice of employees**
Employee listening is done twice a year to understand how our employees experience working at FrieslandCampina. Through our interactive platform (GLINT), every manager has access to the results of their team to have focused conversations.

In November 2023, 74 percent of our employees participated in the global engagement survey (2022: 81 percent). Despite the turbulent times we are currently facing, which has brought uncertainty to many of our employees, our employee engagement levels remain at benchmark, albeit slightly lower than they were a year ago (score 75 versus 78 in 2022).

### Diversity, equity and inclusion
FrieslandCampina believes in the value of a diverse workforce and a work environment in which all employees can be themselves resulting in an improved and more sustainable performance. Diversity, equity and inclusion among our workforce provides for new skills, ways of thinking, knowledge and perspectives.

We have a Diversity, Equity and Inclusion (DE&I) programme, founded on three pillars:
- Diverse workforce: built on mutual differences.
- Inclusivity: everyone belongs and has fair opportunities.
- Growing together: our culture reflects the best of every individual.

The following activities, among others, were performed in 2023:
- At FrieslandCampina we aim to promote equality by embracing diversity when we recruit new employees, offering equal opportunities for professional development and promotion and by eliminating any biases or barriers. This is reinforced by endorsing the UN Women’s Empowerment Principles (WEPs) during International Women’s Day.
- During International Women’s Day we investiged the health of women in our organisation with our partner Cycle Care. The results lead to the offer of webinars, articles and e-books that enable employees to increase their knowledge of women’s health.
- In 2023, FrieslandCampina adopted the DE&I policy. In this policy, five goals concerning the representation of women on the Supervisory Board, Executive Board, Executive Team and senior management are included for 2030.
  It also concerns the representation of various nationalities.

In 2024, we will increase our attention on more diversity in gender and nationalities in the management teams. We focus on training for employees in topics such as unconscious bias, inclusive language and culture. Further, we will implement DE&I in talent management processes.

**Composition of the Executive Board and diversity**
The composition of the Executive Board, as of 16 February 2024, is reported on page 19.

### Diversity

FrieslandCampina aims for a balanced composition of the Executive Board and the Executive Team. By a combination of different experiences, backgrounds, skills and independence of members, both bodies are best enabled to function optimally. In addition, we aim for a balanced ratio of men and women on the Executive Board, as well as the Executive Team. For both bodies, the objective is a representation of at least 30 percent men and at least 30 percent women.

As, in general, the preference is to recruit internal candidates for both bodies, it is important that the levels below the Executive Board also include sufficient women candidates. In future appointments/reappointments, we consider the balanced participation of men and women as an additional selection criteria. See the overview on page 19 for the composition of the Executive Team as per 16 February 2024.

## Representation of women and nationalities in Frieslandcampina

| | 2023 | 2022 | Target |
|---|---|---|---|
| Women in senior management | 29% | 28% | 30% |
| Women at FrieslandCampina (worldwide) | 30% | 29% | |
| Women in Executive Team | 25% | 29% | 30% |
| Women on Executive Board | 25% | 20% | 30% |
| Women on Supervisory Board | 44% | 33% | 33% |
| Proportion of nationalities in senior management (% non Dutch) | 41% | 41% | 50% (2030) |

### Health and safety

With the programme We aim for zero, FrieslandCampina tries to reduce the number of safety-related accidents. We aim for a workplace where physical and (psycho) social safety is an integral part of our identity and values.
A workplace where employees feel valued and involved. And where employees are motivated to do their very best, while maintaining their well-being.

This is set out in a Safety First culture, where every employee contributes to a safe and healthy work environment. We want to go beyond compliance alone and become the benchmark for outstanding safety, where the well-being of our employees and the protection of company assets is a priority. Through continuous improvement, innovation and cooperation, we create a workplace where safety is embedded in our activities.

The number of accidents has remained virtually the same for many years. In 2023, the total number of accidents was 134 including contractors (2022: 133) and 100) excluding contractors (2022: 106). The accident ratio per 200,000 hours worked dropped, from 0.38 to 0.37, in 2023. As a result, the 0.36 target was not achieved.

The accident ratio is defined as 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.

In 2023, nobody died due to work-related illnesses.

In April 2023, during the construction of a new production location in Malaysia, a contractor died following a tragic accident. This accident was thoroughly investigated in close cooperation with the Malaysian government. The investigation showed that all necessary measures and procedures had been complied with.

On 4 January 2024, an accident occurred at the production site in Gerkesklooster in which an employee lost his life. As a company we emphasize that safety always is our top priority. We continue to do everything possible to prevent such tragic accidents. Safety of our employees remains of the utmost importance to us.

We improved the safety culture with action plans and monitoring. We also improved the employability and the ability to work with pleasure with a holistic approach. In this respect we focused on five pillars: mental, emotional, physical, financial and meaning. Various programmes were offered to support on these areas.

We constantly measure the impact we have on the well-being of our employees through our employee satisfaction survey.

**Human rights**

In 2019, the Executive Board adopted FrieslandCampina's global human rights policy. With this policy, FrieslandCampina respects internationally recognised human rights throughout the value chain, in line with the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises.

## Strengthening the Pakistani dairy sector

In June, FrieslandCampina Engro Pakistan Limited (FCEPL) and NEDAP, a leading technology company domiciled in the Netherlands, announced that they were going to combine forces in order to strengthen the Pakistani dairy sector. The objective of this partnership is to increase the efficiency of dairy farms and the income of farmers, and at the same time to improve access to high-quality and affordable dairy products for the Pakistani consumer. This partnership makes it possible to better utilise the sector's potential and creates new opportunities for growth in the most sustainable way possible.

READ MORE

The Policy includes nine areas of focus, based on the International Bill of Human Rights and the ILO Declaration on Fundamental Principles and Rights at Work.
- Access to water and sanitation facilities
- Right to life and safety
- Freedom of association and collective bargaining
- Child labour
- Forced labour
- Non-discrimination and equality
- Right to privacy
- Environmental impact of activities
- Access to remedy

Our internal guidelines further define our principles of application, including with special attention to vulnerable groups (such as children, women, and migrants).

FrieslandCampina's Chief People Officer (CPO) is responsible for executing the policy for respecting human rights globally. The Managing Director in each country of operation has local responsibility.

In 2023, the Human Rights Committee of FrieslandCampina was transformed into a Social Sustainability Committee, chaired by the CPO. The committee monitors implementation of the policy and takes key decisions on social sustainability topics, including human rights. The committee meets every two months.

Human rights key figures:
- Increase of 14 percent in assigned employees completing the Human Rights e-learning. 89 percent of total assigned employees completed the e-learning.
- 80 percent of production facilities offer human rights training courses (started in 2023).
- 3 Speak Up cases related to human rights (2022: 0).

FrieslandCampina adopted a Responsible Supplier Policy in 2023. This policy includes expectations for all of our suppliers with respect to human rights. Also see Sustainable Sourcing.

In 2020, FrieslandCampina initiated a human rights due diligence process based on the UN Guiding Principles on Business and Human Rights and the OECD Due Diligence Guidance for Responsible Business Conduct. In 2023, we further structured our human rights due diligence methodology.

Following the 2020 human rights risk assessment, mitigation projects have been ongoing in Nigeria and Pakistan since 2021.
- In Nigeria, a cooperation is initiated between FrieslandCampina, FrieslandCampina WAMCO, and the NGO Partner Africa. From 2021 to 2022, a research was conducted by Partner Africa focusing on child labour risks in eight Nigerian dairy producing communities. The research shows that the root cause of child labour risk is complex, and includes socio-cultural, economic, and institutional factors. As a next step of the project, the implementation of mitigating initiatives started in August 2023. These require collaboration among different actors as the consortium, local government, local communities, and ngo's. The project is expected to conclude in 2026. The project is co-funded by the Netherlands Enterprise Agency (*Rijksdienst voor Ondernemend Nederland*), referring to the Fund against Child Labour (*Fonds Bestrijding Kinderarbeid*).
- In Pakistan there are ongoing initiatives to address risks, such as payment of wages and working hours of temporary agency workers.

Following the 2022 human rights risk assessment, local measures were developed and their effectiveness is assessed. For example, FrieslandCampina Philippines initiated an Overtime Tracking digital platform, enabling overtime reports per department. As part of weekly local operations review, this report shows which department most contributes to and must explain overtime. This way, overtime is systematically controlled and respecting workers is further anchored in awareness of local management.

In 2024 and 2025 FrieslandCampina will expand the application of human rights due diligence to all operating countries.

**Partnership with the Red Cross**
To provide structural support to communities, we entered into a five-year partnership with the Red Cross in 2023. This way we contribute to humanitarian assistance and support communities with the most pressing needs all over the world.

Firstly, the partnership focuses on emergency aid during disasters. Secondly, we cooperate on disaster prevention and preparedness.

In 2023, FrieslandCampina, established the foundation Stichting FrieslandCampina Donations with the objective of contributing to the coordination of structural financial support during disasters. This includes providing structural support to the Red Cross and everything directly and indirectly related to this, in the broadest sense of the word.

FrieslandCampina will contribute annually with a donation. The foundation is non-profitable but may engage in commercial activities in order to finance its objectives on the condition that the income that flows from this is entirely or virtually entirely spent on these objectives within a reasonable period of time.

# Governance

## ESG governance

ESG topics are integrated in the governance structure of FrieslandCampina. The Chief Sustainability Officer (CSO) joined the Executive Board on 1 October 2023. In 2022, a Sustainability Committee was set up, as a commission of the Supervisory Board.

We refer to the chapter Corporate Governance in this annual report, where the main elements of our corporate governance structure are disclosed.

## Cybersecurity

Effectively protecting computer systems and data as well as investing in protection against digital threats are essential for the sustainable business operation of member dairy farmers and FrieslandCampina. In 2023, the cybersecurity strategy and roadmap were determined by the Executive Board. Furthermore, we have reinforced our technical security capabilities by implementing a global Security Operations Centre. In addition, we further refined the ‘golden rules’ for working safely in an awareness creation programme.

In 2024, we will focus with the cybersecurity programme on:

- Employee awareness and training;
- Securing digital infrastructure and applications;
- Protecting privacy of member farmers, employees and customers;
- Protecting sensitive company information;
- Protecting the reputation of our brands;
- Developing security guidelines.

We continue to cooperate with leading partners in the area of cybersecurity. We also encourage employees to take responsibility for their role in keeping FrieslandCampina secure. Aside from e-learnings and phishing tests we share practical information, for example by reinviting an ethical hacker to demonstrate how a company such as FrieslandCampina could potentially be attacked.

Our aim is to robustly and permanently anchor cybersecurity into the company’s DNA.

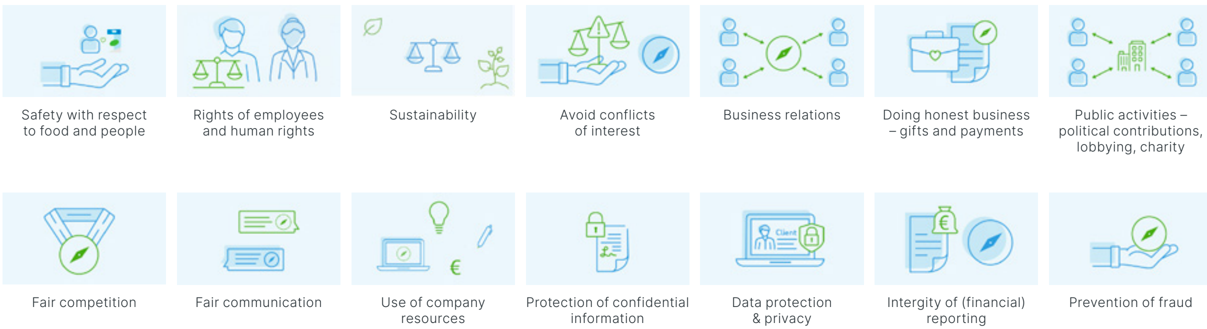
## Integrity, respect and transparency

At some point, everyone may be faced with tough choices and difficult situations during work. We are committed to act with integrity, respect and transparency to underpin good business conduct.

### Compass

At FrieslandCampina we promote integrity and respect for all. We ensure that our goals, processes and way of working are transparent, simple and globally aligned. Our success and reputation depend on the behaviour of every individual FrieslandCampina employee and employees in the value chain. This way of working is described in our code of conduct: *Compass*.

### *Compass* contains fourteen topics



*Compass* contains 14 topics. These describe the desired behaviours and standards from our employees, suppliers, distributors and other third parties we work with.

Management is responsible for ensuring that all employees abide by this way of working. Implementation is monitored by the Integrity Committee that meets every eight weeks. Implementation is further safeguarded through means of the annual statement of conduct, which is completed by management. This helps to determine the effectiveness of our processes, communication and training. It also helps to identify improvements to further develop our approach to good business conduct.

We constantly review our policy for good business conduct and adjust it where necessary. This way we ensure that it continues to be relevant to our current business operations and that it reflects the most recent laws and regulations. Every global policy is reviewed and approved by the Executive Board. We maintain a zero tolerance policy concerning fraud and bribery. We also provide training to our employees to increase awareness and understanding of, and commitment to, our rules of conduct.

We have updated our data security impact assessment and developed principles for the use of generative AI. A global governance structure supports the implementation of our Data Protection & Privacy policy (DDP).

**Speak Up**

We encourage all employees to express themselves when they have questions or concerns relating to a possible violation of *Compass*. Preferably, this is part of the regular work-related dialogue with the manager or HR manager. However, there are multiple alternative channels including (local) management, Global Business Conduct and an external Speak Up web service that is managed by an independent service provider. These channels give employees the opportunity to express themselves anonymously.

During 2023, 254 (2022: 220) reports were received through the various Speak Up channels, 107 (2022: 115) of these were related to our Code of Conduct ‘Compass’. More than half of the investigated cases were resolved within three months, of which 51 percent (2022: 75 percent) were confirmed to be violations. Of the confirmed cases, 43 percent (2022: 32 percent) resulted in the dismissal of employees involved. Speak Up reports and investigations provide insights into the problems that have occurred, or could potentially occur, and help us in preparing mitigating actions to prevent the behaviour that led to these violations.

The Integrity Committee reviews investigations into high impact (or ‘Tier 1’) Speak Up reports. The committee decides on discipline and improvement actions, as well as monitoring and responding to any trends identified in investigations. We have adjusted our policy on disciplinary measures to ensure transparency and consistency of disciplinary actions throughout the organization. This is currently being tested by the Integrity Committee in ongoing investigations. The intent is for the new policy to replace all local policies relating to this topic. For more information refer to our website.

**Business relations**

We identify and mitigate current and emerging risks with respect to good business conduct in different ways, including internal risk assessments and evaluations and training of external suppliers. With targets and action plans we respond to ESG risks and we monitor our progress with respect to these targets, considering upcoming regulations.

FrieslandCampina wants to contribute to good business conduct in our value chain, which is why we aim to maintain strong working relationships with suppliers, customers and other parties in our business partners-programme. This consists of providing online training courses and monitoring adherence to our Code of Conduct for business partners through automated screening of sanctions.

# 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.**

## Governance

The Executive Board of FrieslandCampina is accountable for effectively managing the company's risks. Risk assessments and mitigating actions are the responsibility of line management (the 'first line'); these are the 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 and Audit and Risk Committee of the Supervisory 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 and Risk Committee on the effectiveness of the risk management framework, policies and procedures.

The Audit and Risk Committee informs the Supervisory Board of the company. The role of the Audit and Risk Committee is described in the 'Corporate Governance' section (refer to page 92).

## 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 page 73.

## Quality of risk management

The risk management activities performed did not indicate any material omissions in the design and effectiveness of the framework. To support this evaluation, 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 sessions with various risk owners to identify interrelations between risks and areas of concern to take action to implement corrective measures. In addition, risk deep dives were performed in some countries incorporating country-specific risks, developments and mitigating measures taken, leading to further actions where needed.

## 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 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 based on probability of occurrence and/or impact; Next, risk responses are formulated based on the risk appetite in which the company distinguishes three categories: 'none', 'low to none' and 'moderate'.

## Risk taxonomy

### Strategic:

These risks might impair the achievement of our strategic objectives; The Company in principle is prepared to accept a moderate risk level, as long as the strategic long-term goals are not jeopardised as a result.

### Operational & Financial:

These risks are of a more operational or financial nature and might impact the more short-term achievement of our objectives. The Company in principle is prepared to accept a moderate risk level, as long as the business continuity or short and long-term goals are not jeopardised as a result.

### 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.

The following is a high-level overview per risk category, including key risks with their generic description, the 2023 developments & 2024 outlook, as well as the most important mitigating measures. As risk have multiple interrelations and correlations, the risk profile could be further exacerbated when a combination of these risks manifest. Note that these risks are also related to the stakeholder materiality matrix (see page 48)

No risk appetite
Low to no risk appetite
Moderate risk appetite

## Geopolitical & Political

Risk appetite

**What could happen?**
Geopolitical events affecting the company's ability to operate in certain countries or that have a significant impact on (local) demand, the supply chain, credit risk and currency volatility. Events could include political and social instability, uncertainty due to approaching elections, terrorism, protectionism, import/trade restrictions and a fluid regulatory landscape.

The combined effects might impact the (local) financial position of FrieslandCampina, i.e. exposure to interest rates, currency fluctuations, commodity pricing risks, credit risks, and failure to effectively manage cash flows, but also its ability to competitively sell its products in local markets. As such, it may increase the risk that certain important product market combinations in our portfolio become less profitable.

**Recent developments & Outlook 2024**
Throughout 2023, the global geopolitical situation deteriorated marked by tensions across various regions, posing challenges to economic stability, trade relations, and resource availability. Increasing protectionism and import restrictions impacted our supply chain and routes to market in certain countries (mainly in Asia, Africa and the Middle East).

In the regulatory area, the envisioned nitrogen regulations and the loss of derogation (specifically in the Netherlands), will have a profound impact on our farmers and consequently on the company's milk supply. It is not yet clear what the developments will be and the magnitude or timing of this impact on the supply.

The uncertainty around the geopolitical situation in 2024 might cause additional upside pressure on prices in the future and could also impact our supply chain, for example when sea routes are blocked.

**How do we mitigate the risk?**
Political events and related challenges are continuously monitored through ongoing alignment with organisations like the European Dairy Association, emphasising the importance of stakeholder management and adaptive responses to local political volatility. The supply chain's flexibility and continuous monitoring of political changes enable the identification of optimal market routes and supply alternatives. As such we will always be looking at a good mix of products and geographies.

Scenario-based initiatives are deployed to forecast product demand, milk sourcing and supply chain needs, mitigating risks associated with economic changes and consumer purchasing power. Continuous trend and scenario analysis, along with established partnerships, increase our insights and ability to respond in case of the unpredictability and volatility of milk supply.

## Economic Situation

Risk appetite

**What could happen?**
Deteriorating economic conditions (including inflation and foreign exchange issues), including slowdowns in emerging markets and recessions, pose a threat to the purchasing power of consumers and the financial stability of retailers and Business to Business counterparts, impacting overall demand for dairy products and creating increased competition within the industry.

**Recent developments & Outlook 2024**
Due to geopolitical and political developments, 2023 was characterised by an inflationary environment (a.o. due to shortages of raw materials and adverse FX developments) which led to a decline in consumer purchasing power and a potential shift towards cheaper products, such as private labels. A high dependency on China with its economic situation and lower birth rates presents uncertainties for the upcoming year.

The continued inability to secure desired amounts of US dollars in countries like Nigeria and Pakistan, coupled with the growing inflation in these countries, elevates the overall company risk. This underscores the complex risk-reward dynamics in unstable regions.

Looking ahead, it is expected that global economic growth will continue to be constrained in 2024 and that inflation will continue to ease/ stabilise with possible hyperinflation in emerging markets and deflationary pressure in western economies.

**How do we mitigate the risk?**
To mitigate these economic risks, it is key to safeguard a diversified portfolio across our global markets to reduce dependency on specific regions and/or products.

The risk related to exchange rate volatility is managed through proactive currency risk management strategies in high-risk markets. In Nigeria our operational agenda is based on the availability of US dollars to pay for imports.

By fostering strategic partnerships with suppliers in politically instable regions the supply chain resilience is further strengthened.

## Milk Supply

Risk appetite

**What could happen?**
Negative impact on business results due to milk price volatility or unpredictable quantities of milk delivered. Oversupply – not matched or substantiated by clear market demand, e.g. excess milk supply resulting in sharp price fall or large investments in processing capacity not delivering adequate return on invested capital. Undersupply – existing factories running under capacity and as such the asset base being too large.

**Recent developments & Outlook 2024**
The dairy industry in Northwestern Europe is expected to be poised for a long-term reduction in milk supply. Factors such as climate change, increasing production costs, and environmental concerns are influencing farming practices, contributing to challenges in sustaining current levels of milk production. Moreover, the sector is navigating a complex regulatory landscape, with changing policies impacting operational processes and adding pressures that may hinder the overall supply chain.

In the Netherlands, the risk of supply disruption is intensified by potential legislative changes, introducing compliance challenges and increasing operational costs. These factors collectively increase uncertainty around the continuity of dairy farming and our member farmers in the country directly impacting our milk supply.

**How do we mitigate the risk?**
FrieslandCampina closely monitors legislative developments and regularly updates various milk supply scenarios and their effects, using expert studies. By proactively adapting to new requirements, it ensures the Supply Chain network utilisation is or can be adjusted in line with these developments.

To manage future milk supply in line with the cooperative objectives, the number of member dairy farmers in Germany and Belgium will be increased.

## Alignment Cooperative and Company Strategy

Risk appetite

**What could happen?**
Decisions on key topics are not taken (or delayed) due to misalignment between the company and cooperative strategy leading to the inability to effectively compete, less execution power and missed opportunities in general. Areas of importance are scale (available milk), sustainability requirements, ownership and control.

**Recent developments & Outlook 2024**
Strategic alignment between the Cooperative Board and Executive Board of FrieslandCampina is always high on the agenda. With the execution of the Expedition 2030 transformation this alignment is now even more important than before.

The pressure on operational results (in particular in 2023) impacts the financial return for our farmers. Continuous pressure from the Dutch Government and NGOs on the dairy sector such as the changing regulatory landscape, uncertainty regarding sustainability regulations, unclarity around the Dutch government's approach to nitrogen, have an impact on farm (cost) level. Our ability to translate higher costs to the market and the related future company results have a potential impact on the pay out to our farmers. A related challenge is the financing of the required transition on the farms (e.g. in terms of future derogation requirements).

**How do we mitigate the risk?**
Active engagement, ongoing communication and collaboration between the Cooperative Board and Executive Board is in place to ensure a seamless execution of Expedition 2030 and Koers op 2030 whilst addressing economic pressure on operational results. Additionally, proactive monitoring and adapting to changing governmental regulations and uncertainties regarding sustainability regulations is key, while developing a strategic plan to navigate potential challenges arising from the unclear impact of the Dutch Government's nitrogen plan, particularly regarding farm transition financing and derogation. Aligning the sustainability strategy between the company and the cooperative including solutions for potential member financing challenges enhances a good cooperation.

## Sourcing

Risk appetite

**What could happen?**
Scarcity or price fluctuations of (non-dairy) raw materials, key ingredients, utilities, transportation and spare parts, threatening our ability to stay competitive. This includes scarcity caused by external threats to critical suppliers such as natural disasters, fire, explosion, cyber-attacks and terrorism.

Operational disruption due to a dependency on a small/concentrated supply base with limited backup (own sites, systems, utilities, suppliers, etc.), causing inefficiencies, lack of speed, shortage of key raw materials, quality and/or increased cost levels.

**Recent developments & Outlook 2024**
The global supply situation has improved, with less disruption and returning to pre-Covid levels. The ongoing geopolitical tensions pose a potential risk. Positive developments are noted in the energy market, marked by reduced uncertainty and volatility. Although the overall inflationary pressure is decreasing, persistently high labour inflation continues to impact sourcing prices.

ESG considerations within sourcing pose a significant risk, necessitating the proactive integration of sustainability, ethical practices, and governance criteria to reach the company's ESG objectives.

Towards 2024, sourcing is anticipated to see a heightened focus on sustainability in raw material procurement, emphasising ethical practices and reducing environmental impact. Additionally, digital technologies play a crucial role in enhancing supply chain visibility, ensuring product quality, and navigating regulatory complexities across diverse regions, while strategic partnerships with local suppliers could enhance resilience and adaptability in the global supply chain.

**How do we mitigate the risk?**
A comprehensive supplier risk management system is in place, incorporating sustainability criteria and ethical standards into supplier selection and evaluations. Strategic partnerships are fostered with diverse and geographically dispersed suppliers to enhance supply chain resilience and reduce dependency on specific regions. Continuous monitoring and data analytics are applied to proactively identify and address potential disruptions, ensuring compliance with evolving regulations and sustainability goals.

## Disasters (natural/man-made)

Risk appetite

**What could happen?**
Natural or man-made disasters (e.g. fire, flooding, earthquakes, volcanic eruptions, hurricanes, windstorms, etc.), impact of climate change (e.g., extreme weather conditions, major biodiversity loss and ecosystem collapse, water shortages, deforestation and desertification).

Pandemics or animal diseases with a severe impact to production continuity and/or customer demand.

**Recent developments & Outlook 2024**
Environmental challenges, such as droughts and extreme weather events, pose risks to production locations and farms. Moreover, the climate change agenda is ushering in new regulatory requirements. Also, the effects of global warming are contributing to the proliferation of new mould types, potentially affecting animal feed and milk quality.

The persistence of diseases (e.g. animal diseases) influences the risk profile of the global supply chains.

In anticipating challenges for the dairy industry in 2024 and beyond, it is essential to address the changing weather conditions, potential outbreaks of plant and animal diseases, and the decreasing availability of water at production sites.

**How do we mitigate the risk?**
FrieslandCampina mitigates the risk of disasters, such as animal diseases, by implementing quality protocols across all production facilities. Additionally, based on risk assessments using external expertise, developing contingency plans, fostering collaboration with relevant health authorities, and diversifying sourcing strategies for raw materials enhances the company's resilience in the face of potential disruptions, also in case of extreme weather events. In this respect we make use of external expertise to produce the required risk assessments.

In addition, the company is building on policies to reduce water consumption and reuse process water at our sites.
Regular staff training on emergency response procedures is also essential to ensure a swift and effective response in the event of a disaster.

## Product Quality and Food Safety

Risk appetite

**What could happen?**
Risk of poor quality or contamination of products resulting in health hazards, reputational damage, financial liabilities, disruption of the supply chain and product recalls.

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 the health of our consumers as well as reputational damage on the company itself.

**Recent developments & Outlook 2024**
Advancements in product quality and food safety have been notable with stricter regulatory measures. Besides the tendency of zero-tolerance amongst authorities that was already noticeable in previous years the grace period for enforcing new regulations from governments is also getting shorter.

Food safety regulations and interpretations are still increasingly diverging across authorities in different countries in which the company operates. This brings an additional challenge in adapting to these new rules.

Implementing changes like sustainable packaging, feed for cows to reduce methane emissions and developing new biotechnologies, can increase the risk of contamination from packaging and potentially impact the quality of milk, thereby contributing to associated food safety risks.

In addition, the transparency provided by social media has elevated consumer expectations concerning food quality.

**How do we mitigate the risk?**
FrieslandCampina globally maintains its Golden Quality Rules, investing in quality assurance and awareness campaigns. Clear rules have been set out for our suppliers; for example in the area of responsible supply. The company enhances its food quality governance to address regulatory changes, conducting continuous quality improvement programmes audited by internal and external entities, supported by transparent management reporting and knowledge sharing.

## Talent and People

Risk appetite

**What could happen?**
The risk that limited possibility of attracting/retaining talent and building up crucial capacity/capabilities for the future impacts the ability to guarantee sustainable business performance and continuity.

**Recent developments & Outlook 2024**
Although the overall turnover across the company remained stable in 2023, certain areas of expertise are still under pressure, triggered by an overall talent shortage in the market(s).

Attracting and retaining the right talent remains a persistent challenge in the current marketplace. Moreover, the recent organisational announcement tied to Expedition 2030, aimed at reshaping our organisation and associated job profiles, further compounds this challenge, presenting an ongoing risk for the year ahead in 2024. As such it is a key priority to keep the right focus on people engagement during the upcoming period.

**How do we mitigate the risk?**
FrieslandCampina actively monitors employer branding, utilising ongoing talent brand measurement and proactive media communication about the company's strategy, goals and values, resulting in a top-three reputation in the Netherlands in 2023.
The company fosters talent attraction and retention through continuous manager-employee dialogues, engagement surveys. There are several Learning & Development Programmes for different target groups and a programme called 'Duurzame Inzetbaarheid' [sustainable deployment] to ensure we keep the capabilities of our people relevant. This all is supported by clear management reporting and knowledge sharing.

## Organisational Agility & Focus

Risk appetite

**What could happen?**
Lack of agility, quality and decisiveness in the execution of (end-to-end) business processes due to organisational complexity and strained resources, resulting in lack of focus (internal and external), mismatch in capabilities and insufficient speed to change – resulting in missed business opportunities and potentially high-cost levels.

**Recent developments & Outlook 2024**
Organisational agility is crucial for adapting to increased volatility in the global market, fostering innovation and remaining competitive. Challenges involve navigating complex supply chains, staying abreast of dynamic market trends and adjusting to a changing regulatory landscape.

Recent strategic decisions contributed to strategic agility and focus for the future. The company is and will remain fostering a culture of innovation and integrating new technologies to meet changing consumer demands swiftly and adapting strategies to diverse global market dynamics.

Anticipated changes include streamlined business processes, reduced organisational complexity and an increased emphasis on adaptability to ensure swift responses to changing conditions and seize emerging opportunities. This is a crucial element of the execution of Expedition 2030 for the upcoming years to keep up with the changing environment.

**How do we mitigate the risk?**
For FrieslandCampina to keep up with the fast-changing environment (e.g. digital transformation, speed of innovation and go-to-market strategy) it is crucial to have an organisational set-up that is fit for purpose. An organisational restructuring has been initiated combined with optimising processes and systems. This is executed as part of the Expedition 2030 programme.

## Environmental, Social and Governance (ESG)

Risk appetite

**What could happen?**
Failure to achieve, comply with or report on ESG objectives, regulations or commitments, exposes the company to business risk, reputation risk and/or result in financial losses.

**Recent developments & Outlook 2024**
The ESG landscape is witnessing a deeper integration of sustainable practices into business strategies, with a focus on long-term value creation. Anticipated regulatory changes drive enhanced ESG reporting standards, while stakeholders, including investors and consumers, are increasingly prioritising engagement with companies demonstrating robust environmental, social and governance commitments.

Our company faces growing expectations regarding ESG requirements of customers, NGOs, the government and the public as they gain expertise and intensify scrutiny. Consumer demand for product traceability is rising, prompting an increase in the necessity of available sustainability data across the entire value chain.

Given the rising ESG reporting requirements, such as the Corporate Sustainability Reporting Directive, Corporate Sustainability Due Diligence Directive, or the Global Reporting Initiative, it is imperative for our company and suppliers to prioritise transparency through accurate and comprehensive reporting, both internally and externally.

**How do we mitigate the risk?**
FrieslandCampina is actively engaged in global and local sustainability programmes, including a published climate plan validated by the Science Based Targets initiative (SBTi) in 2022, with greenhouse gas reduction targets for 2030. Sustainability, deeply rooted in the company's purpose and strategy, is – on farm-based aspects – emphasised through the Foqus planet Sustainable development programme.
ESG governance is strengthened through the position of a Chief Sustainability Officer with a seat in the Executive Board of the company and dedicated sustainability KPI owners for various business functions. The company closely monitors reporting requirements and implements these to expand assurance for specific key performance indicators (KPIs) in its sustainability efforts.

## Innovation

Risk appetite

**What could happen?**
Ineffective product or brand innovations or developments, not meeting consumer and/or customer expectations, structurally impacting market share and sustained business results.

Inability to build a robust pipeline, impeding the ability to continuously develop new products at the right time resulting in a too narrow product range to satisfy customer demands and be competitive.

**Recent developments & Outlook 2024**
There is an emphasis on creating functional and health-focused dairy products, such as those fortified with probiotics, vitamins, and other nutritional enhancements, aligning with the growing consumer desire for a healthier lifestyle. Additionally, there is a notable shift toward developing dairy alternatives, including plant-based beverages, and plant-based alternatives to cheeses and yoghurts, to cater to the rising demand for plant-centric diets.

The integration of sustainable packaging solutions and a commitment to environmentally friendly practices further contribute to staying relevant by appealing to eco-conscious consumers and complying with the evolving regulatory landscape that is changing rapidly.

Our Business Groups have specific innovation needs to stay at the forefront of industry trends. For 2024 a clear prioritisation of initiatives will be set as part of the Expedition 2030 agenda.

**How do we mitigate the risk?**
To mitigate these risks and capitalise on opportunities, it is key to have a clear focus on dedicated R&D efforts and forming strategic collaborations to stay innovative and responsive to changing consumer preferences. New product market combinations will further help balance the business portfolio.
Integrating sustainable practices throughout the supply chain and continuous regulatory compliance monitoring will enhance the company's resilience and alignment with evolving legislation.

## Digital & Technology

Risk appetite

**What could happen?**
Fast-paced technological developments overtaking our business model due to e.g. lack of digital capabilities (e.g., e-commerce, 3D printing, artificial intelligence, robotics in factories or farming, increasing speed of information exchange and IT) resulting in a loss of consumers and customers, talented staff and reduced effectiveness.

**Recent developments & Outlook 2024**
Embracing new technologies, such as artificial intelligence, can enhance operational efficiency, customer engagement and innovation. However, it also introduces risks related to the pace of technological change, the need for skill upgrades among employees and potential disruptions in traditional business models.

Additionally, the increased reliance on digital platforms may expose data privacy concerns, necessitating a careful approach to handling and protecting sensitive information.

FrieslandCampina has addressed the key focus areas and is making good progress in the development of digital capabilities. The average maturity level is increasing and catching up with the rest of the sector.

For 2024 and onwards, proactive adaptation, strategic planning and keeping up with the innovations are crucial to navigate these developments effectively and stay competitive in a rapidly evolving digital landscape.

**How do we mitigate the risk?**
To mitigate the risk of technological developments overtaking the business model, investments have been made in ongoing digital upskilling programmes to enhance the workforce's capabilities. A culture of innovation and agility within the organisation is fostered to encourage continuous learning and adaptation to emerging technologies.

## Cybersecurity

Risk appetite

**What could happen?**
Technologies, processes and practices designed to protect networks, computers, programmes and data, not being adequate to protect FrieslandCampina from attacks, damage or unauthorised access resulting in the significant disruption of business processes, loss of confidential information, financial and/or reputation loss.

**Recent developments & Outlook 2024**
Cyber risks continue to increase as well as the costs related to prevention and security. Organised crime keeps accelerating the frequency of phishing/malware and fraud attempts, and the potential impact of ever smarter, advanced technology.

Like other large organisations, we are under attack every day. Even though there were no major cyber incidents leading to production interruption in the company over 2023, more personalised attacks took place that have led to minor data leaks. Keeping and raising the awareness and knowledge of our employees therefore remains important.

The pace of implementing mitigating measures related to cybersecurity at FrieslandCampina is increasing with several initiatives, investments and focus on fundamental processes being implemented. As a result of our programme on cybersecurity, we have seen an improvement in the maturity and overall awareness throughout the organisation.

**How do we mitigate the risk?**
The Security Operations Centre monitors our environments 24/7. It consistently enhances its cybersecurity capabilities through prevention, detection and response measures, with a clear focus on speed of recovery in case of an attack, considering the high probability. Furthermore, the company places a strong emphasis on human factors in cybersecurity, fostering awareness among security ambassadors and global staff, integrating cybersecurity as a cornerstone of its strategy and conducting regular awareness simulations and training sessions to improve responses to cyber threats. In addition, external benchmarks guide future actions in refining the cybersecurity programme.

# 2024 Outlook

### Market trends

In 2024, milk production is expected to continue to be under pressure in key dairy exporting regions. The projected worldwide demand for dairy is expected to grow slightly. Owing to persisting conflicts and geopolitical instability in various parts of the world, the costs for raw materials, packaging materials and transportation are expected to increase.

### Expedition 2030

FrieslandCampina's focus is on optimally valorising member milk to enable it to pay a leading milk price. To achieve this objective, the emphasis in 2024 is on implementing the Expedition 2030 strategy and a new organisational structure with seven specialised business groups. These are supported by an effective production organisation and efficient support functions.

The success of the Expedition 2030 strategy is measured in terms of three dimensions: 'winning in the market', 'increasing the margin' and 'improving our cash position'. Success in terms of these dimensions is expected to result in the optimal valorisation of member milk. Expedition 2030 and the announced annual savings are expected to offset inflation, as well as are expected to have a positive effect on the result. Owing to the uncertain market conditions, we are not providing any specific revenue and result forecasts for 2024.

### Investments

With a view to future sustainable growth, FrieslandCampina in 2024 will continue to invest in strengthening and improving its production equipment and in development and innovation.
In January 2024, FrieslandCampina opened a new production and distribution centre in Cikarang, Indonesia, for the production of sweetened condensed milk for Indonesia and other Southeast Asian countries. A new production facility is also under construction in Bandar Enstek in Malaysia. This site is expected to be operational by 2024 and will not only have a larger capacity but also produce a wider range of products for export to neighbouring countries. Both investments contribute to FrieslandCampina's growth in the region.

### Sustainability

With the Climate Plan's implementation, further steps will also be realised in the area of sustainability in 2024. In addition, full efforts will be devoted to cooperating with business-to-business partners, among others, to realise sustainability targets in our value chain.

# Management statement

**The Executive Board of the company has final responsibility for controlling the risks associated with corporate goals and the reliability of external (financial) reporting. The Executive Board is also responsible for assessing the effectiveness of the controls aimed at preventing or mitigating such risks.**

The Executive Board has assessed the performance of the internal management and control measures. Based on this assessment, the Executive Board concludes that:
- The report provides sufficient insight into the shortcomings and functioning of the internal risk management and control systems;
- The above-referenced systems provide a reasonable degree of certainty that the financial reporting does not contain any material misstatements as at the end of the financial year 2023;
- In accordance with the current state of affairs, the financial reporting has been prepared on a going concern basis; and
- The report includes a statement of the material risks and uncertainties that are relevant to the expected continuity of the company for a period of 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

**In accordance with Section 5:25c subsection 2 under c of the Dutch Financial Supervision Act (Wft), the members of Royal FrieslandCampina N.V.'s Executive Board herewith state that, insofar as they are aware, the company's financial statements provide a true and fair view of the assets, liabilities and financial position of Royal FrieslandCampina N.V. and the companies jointly consolidated; and that the Annual Report provides an accurate overview of the situation as at 31 December 2023, and progress and operations during the financial year of Royal FrieslandCampina N.V. and the consolidated companies; and that the essential risks that Royal FrieslandCampina N.V. is confronted with are set out in the Annual Report.**

**Executive Board**
Jan Derck (J.D.) van Karnebeek
Chief Executive Officer

Hans (J.G.) Janssen
Chief Financial Officer

David (D.A.) Cutter
Chief Supply Chain and Research & Development Officer

Mireille (M.) Einwachter
Chief Sustainability Officer

Amersfoort, 16 February 2024


# Corporate governance

# Corporate governance

## Corporate governance principles

Royal FrieslandCampina N.V. (the 'Company') applies the principles of the Dutch Corporate Governance Code (the 'Code'), which was updated in 2022, on a voluntary basis. The way in which the Code's principles will be applied is described in this section. This includes an indication and motivation of the points in which the Code is not applied by the Company.

## Shareholder structure

All the shares in the Company's capital are held by the Zuivelcoöperatie FrieslandCampina U.A. (the Cooperative), whose members are involved in dairy farming. The Cooperative's geographical area of operations is divided into districts, each of which has a District Board. The Cooperative's members appoint the members of the District Boards, which collectively make up the Cooperative's Members' Council. The Members' Council appoints the 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. Between 1 January to 1 July 2023 of the reporting year, the Executive Board consisted of the Chief Executive Officer (CEO), the Chief Financial Officer (CFO), the President Food & Beverage, the Chief People Officer (CPO) and the Chief Supply Chain Officer. Effective 1 July 2023, the CPO stepped down from the Executive Board and effective 1 October 2023, the Chief Sustainability Officer (CSO) joined the Executive Board. Furthermore, on 1 November 2023, the President Food & Beverage stepped down from the Executive Board as a result of which the Executive Board now consists of four members: the CEO, CFO, CSO, and the Chief Supply Chain and Research & Development Officer.
The Executive Board's composition and division of tasks are set out on page 89. Up until 12 December 2023, the Supervisory Board consisted of five members of the Board of the Cooperative and four external members. Effective 12 December 2023, the Supervisory Board consists of four internal members (members of the Board of the Cooperative), one member of the cooperative who is not a member of the Board of the Cooperative and four external members.
The composition of the Supervisory Board is reported on page 232 and 233.

## Supervisory Board committees

The Supervisory Board has established three committees:

- Audit and Risk Committee, consisting of five Supervisory Board members;
- Remuneration, Nomination and Governance Committee, consisting of four Supervisory Board members;
- Sustainability Committee, comprising four Supervisory Board members.

The composition of the Supervisory Board's committees is reported on page 233.

**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 1 July 2023, the Executive Board consisted of the CEO, CFO, President Food & Beverage, CPO and the Chief Supply Chain Officer. Effective from 1 July 2023, the CPO stepped down from the Executive Board. Effective 1 October 2023, the Executive Board was expanded to include the CSO, and the title of the Chief Supply Chain Officer was changed to Chief Supply Chain and Research & Development Officer to reflect his expanded responsibilities. On 1 November 2023, the President Food & Beverage stepped down from the Executive Board, meaning that since 1 November 2023, the Executive Board consists of four members. The Executive Board in its day-to-day affairs is supported by the Executive Leadership Team, which as of 1 October 2023, was renamed 'Executive Team'. Up until 1 October 2023, 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 Research & Development, Corporate Affairs, Corporate Development, the Chief Information Officer (CIO) and the CPO. Effective 1 October 2023, the name of the Executive Leadership Team was changed to Executive Team and its composition was changed at the same time.
As of 1 October 2023, the Executive Team consists of all members of the Executive Board, the CPO, the President Europe, the President Middle East, Africa & Pakistan, the President Retail & Americas, the President Asia, the President Specialised Nutrition, the President Ingredients and the President Professional & Trading. All business units and a number of strategic functions come together in the Executive Team, which results in fewer management layers, provides for better decision-making and accelerates the strategy's implementation. The task of the Executive Team is to determine and implement the strategy, allocate resources, manage integrated milk valorisation, transform objectives into specific plans, and manage operating companies and departments within their respective areas of responsibility. The Executive Team makes decisions with an absolute majority, whereby this majority comprises the majority of the votes of the members of the Executive Board. In case of a tied vote, the CEO decides.

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

At the recommendation of the Remuneration, Nomination and Governance Committee (RNGCo), the Supervisory Board appoints, suspends and dismisses the members of the Executive Board. Following approval by the Supervisory Board and after consultation with the RNGCo, the CEO appoints, suspends and dismisses the other members of the Executive Team.

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

The remuneration policy applies 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 (starting on page 104) 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 RNGCo. FrieslandCampina is also accountable to the Cooperative's Members' Council on this topic. Each year, the CEO and the CPO discuss the remuneration of the members of the Executive 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 Supervisory Board's regulations, the Supervisory Board is authorised to reclaim the variable remuneration from a member of the Executive Board when it is allocated on the basis of incorrect (financial) data. The CEO is authorised to reclaim the variable remuneration from members of the Executive Team when it is allocated 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 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 relation to the long-term sustainable value creation and the most important risks associated with the Company. 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 relevant aspects of long-term value creation and corporate social responsibility that are relevant to the Company, such as sustainability, human rights and so on.

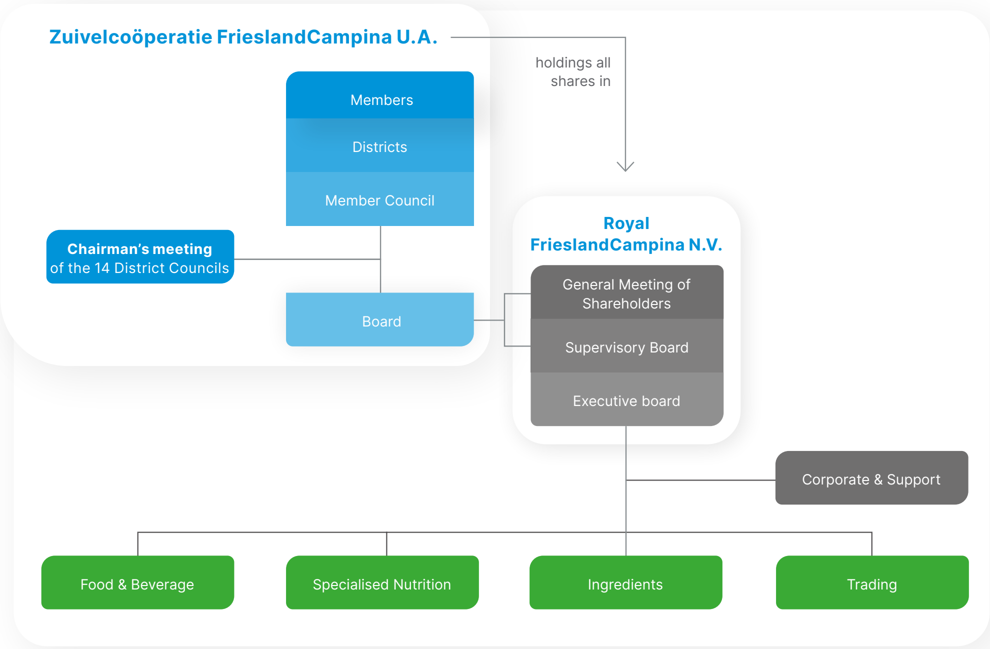
Several times each year, members of the Executive Team attend a meeting of the Supervisory Board, or a part thereof. On this occasion, various topics, including the Company's strategy, are discussed. In addition, the members of the Executive Team are invited to attend the meetings of the Supervisory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

The Supervisory Board each year conducts a self-evaluation of its activities and that of individual Supervisory Board members. The activities of the Supervisory Board's committees are included in this. The evaluation looks at various aspects, such as the material

characteristics of the activities, interaction between the committees and the Executive Board, potential changes to the composition, and training and skills. These evaluations are regularly carried out together with an independent expert. As an elaborate self-evaluation of the Supervisory Board facilitated by independent experts took place in 2022, which resulted in a changed composition of the Supervisory Board as of 13 December 2022, the Supervisory Board conducted an internal self-evaluation over 2022 facilitated by an internal talent development expert. The composition of the Supervisory Board was set out in the profile sketch that went into effect on 13 December 2022 following consultation with the CWC. 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 Chair, 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 once 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 by the Supervisory Board. The rule that applies to the Chair is that if the Chair completes his/her third term as Chair, 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 from the above, on 12 November 2021, Sybren Attema was appointed Chair for a four (4) year term.
His performance was to be evaluated after two (2) years and this evaluation took place at the beginning of 2024.




Governance structure as at 31 December 2023

**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 is set out on page 111.

## Supervisory Board committees

The Supervisory Board has a Remuneration, Nomination and Governance Committee, an Audit and Risk Committee and 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 are not independent as defined by the Code. This means that the composition of the Committees of the Supervisory Board deviate from the best-practice provisions of the Code which stipulate that more than half of the members of the Committees of the Supervisory Board should be independent as defined by the Code. With regard to the audit and risk committee, until 12 December 2023, half of the members of the committee and after 12 December less than half of the committee consists of external members who are independent within the meaning of the code. As 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. In the year under review, the RNGCo consisted of two external and, therefore, independent members of the Supervisory Board, and two members of the Supervisory Board who are not independent, and as such the committee's composition was not in line with the Code. Up until 12 December 2023, the Sustainability Committee consisted of two internal members and one external member, and as such its composition was not in line with the Code. Effective 12 December 2023, an extra external member was added to the Sustainability Committee, which means that the composition of this committee is still not in line with the Code.

**Audit and Risk Committee**
Up until 12 December 2023, the Audit and Risk Committee consisted of the financial expert and one other external Supervisory Board member and two internal Supervisory Board members. In addition, effective 13 December 2022 up until 12 December 2023, Sandra Berendsen was appointed Advisor to the Audit and Risk Committee for a period of one year. The remuneration of this advisory position was equal to that of the remuneration provided to members of the committee. Effective 13 December 2022, 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. Effective 12 December 2023, Sandra Berendsen was appointed for a third term as a member of the Supervisory Board and as of that same date was also appointed member of the Audit and Risk Committee. As a result, as of that date the Audit and Risk Committee consists of three internal and two external members. 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/ESG 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 preparing for the selection of 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 Committee is the first point of contact for the external auditor should the auditor reveal irregularities in the financial and non-financial reporting of the Company. 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 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 another member of the Supervisory Board. During the year under review, as well as on the balance sheet date, the RNGCo consisted of two external and, therefore, independent, members and two members who are not independent as defined by the Code. The duties of the RNGCo include:

- Preparing proposals for the remuneration policy for the Executive Team, and the remuneration of individual Executive Board members;
- Compiling the remuneration report;
- Selecting and preparing proposals (including drawing up appointment criteria and procedures) for the appointment of Executive Board and external Supervisory Board members and the internal Supervisory Board member who is not also a member of the Cooperative Board;
- 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 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 consists of at least three members; two internal members, who are not independent, and at least one external member. Up until 12 December 2023, the Sustainability Committee consisted of two internal members, who are not independent, and one external member. As of 12 December 2023, a second external member of the Supervisory Board was appointed member of the Sustainability Committee. 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.

After each meeting, the Chair of the Sustainability Committee reports to the Supervisory Board, which enhances the knowledge, skills and experience of the Supervisory Board pertaining to 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 Chair of the Sustainability Committee coordinates the sustainability targets and the monitoring of these targets with the Audit and Risk Committee.
The Supervisory Board is responsible for approving the reporting on sustainability targets.

### 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 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 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 (as well as 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 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 head 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 2023, 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 and sustainability reporting.
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 made. 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 2023**
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, 2.1.7-2.1.9
*Independence of the supervisory board:* see rationale under ‘Supervisory Board – Composition, independence and appointment’.

2.2.2.
*Appointment and reappointment terms of Supervisory Board members:* deviation concerning the Chair of the Supervisory Board: see rationale 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 RNGCo.

2.3.4.
*Composition of committees:* the composition of the Audit and Risk Committee, the RNGCo 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 rationale 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:* For a more detailed explanation of the remuneration policy and the increased transparency about the remuneration of the Executive Board and the Supervisory Board over time, see the remuneration report on page 104.

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 of 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 long-term sustainable value creation 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. Effective 12 December 2023, an internal member of Zuivelcoöperatie FrieslandCampina U.A. (the Cooperative) who is not a member of the Board of the Cooperative was appointed to the Supervisory Board. 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 16 February 2024 is shown on page 232 and 233.

Pursuant to its 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 Chair, 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 12 December 2023, Angelien Kemna (external member of the Supervisory Board and financial expert) and Hans Stöcker (internal member of the Supervisory Board, as well as member of the Board of the Cooperative) stepped down due to the expiry of their term. The Board is very grateful to Angelien Kemna and Hans Stöcker for their valuable contributions to its deliberations, whereby their knowledge and experience were of great value. Effective 12 December 2023, Petri Hofsté was appointed to the Supervisory Board as an external member and, as financial expert, she succeeded Angelien Kemna as Chair of the Audit and Risk Committee of the Supervisory Board. On this date, she was also appointed member of the Sustainability Committee.
Effective 12 December 2023, Sandra Berendsen was appointed internal member of the Supervisory Board. She was member of the Supervisory Board, as well as of the Board of the Cooperative up until 13 December 2022. After she stepped down, the Supervisory Board, in view of the number of changes within the Audit and Risk Committee, her broad experience with FrieslandCampina, her financial background and experience with Audit and Risk Committee-related matters, appointed her External Advisor. Effective 12 December 2023, she was appointed for a third two-year term as a member of the Supervisory Board and as of that same date was also appointed member of the Audit and Risk Committee. Effective 12 December 2023, Heiko Schipper was appointed as an external Supervisory Board member for a second four-year term.

## Roster of appointments and retirements of the Supervisory Board (as at 16 February 2024)

| | Start date of initial term | Reappointed for new term in December | Expiry of current term: in December |
|---|---|---|---|
| J.W. Berendsen* | 16 December 2014 | 2018, 2023 | 2025 |
| 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 | 2027 |
| H.W.J. Schipper# | 17 December 2019 | 2023 | 2027 |
| J.B.P. Coopmans# | 13 December 2022 | | 2026 |
| M. Vaesen# | 13 December 2022 | | 2026 |
| P.H.M. Hofsté# | 12 December 2023 | | 2027 |

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 Chair 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).

# External Supervisory Board member, not being a member of the Board of Zuivelcoöperatie FrieslandCampina U.A.
* J.W. Berendsen's second term Expired in December 2022. J.W. Berendsen was reappointed for a two-year term as of 12 December 2023.
** 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.

**Diversity, equity and inclusion**
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 intent in this respect is to achieve a diverse, inclusive composition whereby there is equal treatment and equality. The objective is 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 three female members out of a total of nine positions up until 12 December 2023 and four female members out of a total of nine positions effective from 12 December 2023, the Supervisory Board's composition is in line with the objectives of having a balanced participation of men and women as set out in the Policy for Diversity, Equity and Inclusion.

## Meetings of the Supervisory Board

The Supervisory Board met eleven 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, which as of 1 October 2023 was renamed Executive Team. To prepare for the meetings, the Chair and Vice-chair of the Supervisory Board, and Elze Jellema, Vice-chair of the Board of the Cooperative, regularly spoke with the CEO and CFO, among others. During the year, the Board also met a number of times outside the regular meeting cycle to discuss strategy updates. Following the 30 January 2023 announcement of Hein Schumacher's departure as CEO, multiple meetings were held at times with a reduced composition of the Supervisory Board, and various matters were prepared by the RNGCo. On 17 March 2023, following an intensive recruitment and selection process, it was announced that Jan Derck van Karnebeek would be succeeding Hein Schumacher as CEO of FrieslandCampina effective 1 June 2023. On 19 September 2023, it was announced that FrieslandCampina was planning to change the executive structure of the Executive Board and the Executive Team in order to improve business performance. This topic was extensively discussed on multiple occasions with the Supervisory Board.

Like 2022, 2023 was very much characterised by unprecedented high inflation and the subsequent loss of consumer purchasing power. In the first half of the year in particular, the milk price paid to the cooperative's member dairy farmers on the basis of FrieslandCampina's milk pricing methodology was significantly higher than the considerably declined market prices for commodity dairy products, such as cheese and butter. This meant that stocks had to be sold in a declining dairy market. Furthermore, volumes declined as a result of declining markets due to the loss of purchasing power and a shift in consumer spending towards private labels. The results of the Food & Beverage and Trading business groups were hit hardest by this, particularly in the first half of 2023. The Supervisory Board at every meeting was updated on these developments and challenges, as well as the mitigating measures that were taken, such as the implemented price increases.

The Supervisory Board, for example during its visit to various production facilities and other locations in Belgium, elaborately discussed the improvements and standardisation that must be implemented in the supply chain as part of the Performance+ programme, in order to reduce costs. In addition, on multiple occasions, the Board extensively discussed updates of the Expedition 2030 strategy, as well as the new structure of the business groups, staff departments and research and development that went into effect on 1 January 2024. The specific strategies for each business group and the cost structure that best fit the respective business groups and supporting staff departments was discussed at the same time. There were extensive discussions with the Executive Board and other members of the Executive Team about the need to integrally improve milk valorisation, the specific implementation of the milk valorisation strategy and the associated potential risks. On 12 December 2023, FrieslandCampina announced that it intended to reduce costs by eliminating over 1,800 jobs worldwide over the next two years, of which approximately 1,200 in 2024. These cost savings were extensively discussed with the Board and are meant to enable FrieslandCampina to once again pay a leading milk price to the Cooperative's member dairy farmers. The impact on employees caused by this loss in jobs and how employees must be informed and counselled as effectively as possible, was also discussed with the Supervisory Board. In view of the major impact on employees and employment, the Central Works Council was also consulted. The Board recognises this impact, but has supported the Executive Board in this intervention in order to better compete in the market, which ultimately is in the interest of the Cooperative's employees and member dairy farmers.

During the year under review, the Sustainability Committee provided feedback about the integrated Nourishing a better planet sustainability programme, as well as the On the road to climate-neutral dairy climate plan, in a number of Board meetings. FrieslandCampina aims to produce net climate-neutral dairy by 2050 at the latest. In April 2023, the Climate Plan was evaluated and progress made on reducing greenhouse gas emissions was reported.

The Company's financing was also elaborately discussed. In December 2022, the Board had approved a mandate to refinance loans that are due to expire in 2023 and 2024. In April 2023, FrieslandCampina successfully issued a 300 million euro Schuldschein linked to ESG goals. In November 2023, FrieslandCampina signed an agreement for the issue of private loans in support of long-term financing valued at 400 million euros and USD 100 million in the form of issued ESG-linked notes on the US Private Placement market. These USPP notes were issued in February 2024. As such there is a clear link between the Company's financing and the achievement of climate targets.

The more regular topics were also discussed during the meetings. The financial position, the objectives for the coming year, partnerships, a major investment proposal, the progress of major investment projects, such as the plants being built in Indonesia and Malaysia, 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 2022 financial statements and the text of the Annual Report were discussed with the Executive Board and the external auditor, and approved by the Supervisory 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.

In 2023, special attention was furthermore devoted to the following topics:

- 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;
- The Board approved an investment in the production facility in Borculo, the Netherlands, to double the production of whey protein isolate and MFGM, thus making it possible to meet the increasing global demand for high-quality, specialised ingredients;
- Activities in the area of potential acquisitions and partnerships were regularly discussed;
- An elaborate risk management analysis was discussed;
- The objectives of members of the Executive Board and other Executive Leadership Team/ Executive Team members were approved;
- A diversity, equality and inclusivity policy for the Executive Board, the Executive Team, the Supervisory Board and senior management was approved;
- The flexibility of the business structure was further increased to enable the Company to even faster and more effectively anticipate the opportunities in and the demands of its most important markets, for example, by entering into strategic partnerships;
- 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 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 87.

### Audit and Risk Committee

During the year under review, the Audit and Risk Committee met six times in the presence of management, including the CFO and the officers responsible for the relevant corporate service 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 December, an extra meeting took place to discuss the objectives and plan for 2024. After each meeting, the Chair of the Audit and Risk Committee reported to the Supervisory Board on the committee's findings. The Audit and Risk Committee met twice in the year with the external auditor in the absence of the Executive Board.

The 2022 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 2022 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 provision associated with an appellate case won in Thailand, the termination of a long-term contract and the valuation of tangible and intangible fixed assets. In addition, a regular update was provided on the CSRD preparations and implementation, the governance and data collection processes established for this purpose and the progress of the CSRD implementation towards the 2025 financial year. The committee also discussed the segmentation resulting from the new business group structure effective 1 January 2024.

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 2023 half-year report, the 2023 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. 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, sustainability reporting and the due diligence relating to sustainability and other ESG topics, 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 2023 programme for good business behaviour were highlighted, as well as the material Speak Up issues and the measures implemented in this regard.

In February 2024, the 2023 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 RNGCo met four times during the year under review and reported to the Supervisory Board on its deliberations after each meeting. In addition, there was frequent mutual consultation and there was regular contact with management, in particular with the CEO, the CPO and various Human Resources employees. The CEO and the CPO 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. On 30 January 2023, when Hein Schumacher announced his resignation as CEO of FrieslandCampina, effective 1 May 2023, the RNGCo initiated an accelerated recruitment and selection process to appoint his successor, as indicated above. Furthermore, on 17 April 2023, it was announced that the CPO, Geraldine Fraser, would be pursuing her career outside FrieslandCampina effective 1 July 2023. The committee, together with the CEO, subsequently also initiated a recruitment and selection process for this position, which resulted in the appointment of Patricia Snel as CPO and member of the Executive Team effective 1 September 2023. The Supervisory Board has decided and announced on 1 October 2023 that Roel van Neerbos would leave the company per 1 November 2023, since the business group Food & Beverage was to be divided up into five different business groups effective 1 January 2024. The Supervisory Board is grateful to Hein Schumacher, Roel van Neerbos and Geraldine Fraser for their highly valuable contributions to the Executive Board, whereby their knowledge and experience were greatly appreciated. The Board also decided to appoint Mireille Einwachter as Chief Sustainability Officer (CSO) and member of the Executive Board effective 1 October 2023. This emphasises the importance of sustainability to FrieslandCampina's integrated strategy.

The activities of the RNGCo in the area of remuneration included the usual preparation for the Board's decision-making process relating to the Executive Board members' 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 on the conclusions was provided to the relevant individual Executive Board members. The new structure, method of working and composition of the Executive Team was also discussed with the Board.

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, and the General Meeting of Shareholders' method of operation. Various combined meetings of the Supervisory Board and the General Meeting of Shareholders took place, in which major investment proposals, the financial situation and Expedition 2030 updates were discussed. The Remuneration, Nomination and Governance Committee was intensively involved in the recruitment and selection of the new Supervisory Board members appointed effective 12 December 2023.

During the year under review, the RNGCo evaluated the remuneration and remuneration policy for the members of the Executive Board and the Executive Team, and this policy was adopted by the General Meeting of Shareholders on the proposal of the Supervisory Board, following consultation with the RNGCo. The remuneration of the Supervisory Board was not adjusted in the year under review, since it had already been extensively evaluated and adjusted in 2022.

At the Members' Council meeting at 21 February 2024, the details concerning the remuneration of the members of the Executive Board and the Supervisory Board for 2023 will be reported to the Members' Council.

**Sustainability Committee**

The Sustainability Committee met four times during the year under review and reported after each meeting to the Supervisory Board on its deliberations. On multiple occasions the committee reviewed the sustainability strategy and the specific targets in detail. In addition, it monitored whether these targets were being achieved and regular updates were provided about the valorisation of sustainability initiatives by various business groups. The trade in carbon credits and the price and other trends were also discussed on a number of occasions. The dealings with and the response to various action groups and representatives, for example, Friends of the Earth, were regularly discussed with the committee. Developments in the area of regenerative agriculture and the potential consequences for FrieslandCampina as cooperative were highlighted by experts from the perspective of the company, the cooperative, and member dairy farmers. In addition, Finance regularly provided an update about developments concerning sustainability reporting and the steps that are being taken to implement CSRD and CSDDD within the organisation. The outcome of the double materiality test and the KPIs used for reporting purposes were also reviewed in detail in this respect. The new structure of the sustainability department managed by the new CSO 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 Chair of the relevant meeting in advance. Observers of the Supervisory Board were also present during several meetings of the committees. The table only reflects when a member of the relevant committee was present during a meeting in the year under review. Next to these formal meetings, there were many informal meetings during the year under review, including on the recruitment and selection of the new CEO and CPO.

## Composition of the Executive Board and diversity

The composition of the Executive Board as of 16 February 2024 is reported on page 234.
Up until 1 July 2023, the Executive Board consisted of the CEO, the CFO, the President Food & Beverage, the CPO and the Chief Supply Chain Officer. As of 1 July 2023, the CPO left FrieslandCampina and the CPO appointed as of 1 October 2023 is part of the Executive Team, but is not appointed as a member of the Executive Board. Given the importance of sustainability, a CSO was appointed by the Supervisory Board as a member of the Executive Board effective 1 October 2023. As of this date the Chief Supply Chain Officer's title was changed to Chief Supply Chain and Research & Development Officer, since the responsibility for the Research and Development department was added to this function. Effective 1 November 2023, the President Food & Beverage stepped down in anticipation of the new business group structure to go into effect on 1 January 2024.
As of 16 February 2024, the Executive Board consists of four members: the CEO, the CFO, the Chief Supply Chain and Research & Development Officer and the CSO. All members of the Executive Board are also members of the Executive Team. The composition of the Executive Team is reported on page 234 and 235.

| Members of the Supervisory Board | Meetings Supervisory Board (11) | Meetings Audit and Risk Committee (6) | Meetings Remuneration, Nomination and Governance Committee (4) | Meetings Sustainability Committee (4) |
|---|---|---|---|---|
| S.S.U. Attema | 11/11 | | 4/4 | 4/4 |
| N. den Besten | 11/11 | 6/6 | | 4/4 |
| H.T.J. Hettinga | 11/11 | | 4/4 | |
| E. Jellema | 10/11 | 5/6 | | |
| A.G.Z. Kemna | 10/11 | 6/6 | | |
| H.W.J. Schipper | 7/11 | | 3/4 | |
| H. Stöcker | 11/11 | | | |
| M. Vaesen | 9/11 | | | 4/4 |
| J.B.P. Coopmans | 11/11 | 6/6 | 4/4 | |

**Diversity**
The aim of achieving a balanced composition also applies to the Executive Board and the Executive Team, where the combination of different experiences, backgrounds, skills and independence of members enable both bodies 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 Team, with the objective of achieving a representation of at least 30 percent men and at least 30 percent women on both bodies. Up until 1 July 2023 of the year under review, the percentage of women on the Executive Board was 20 percent. Between 1 July 2023 and 1 October 2023, the Executive Board only consisted of men. With the appointment of the CSO effective 1 October 2023, the Executive Board consisted of 25 percent women and after the President Food and Beverage stepped down on 1 November 2023, the Executive Board consisted of 25 percent women. The percentage of women on the Executive Leadership Team was 25 percent as of 31 December 2023.
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 criterion. See the overview on page 234 and 235 for the composition of the Executive Team. 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 16 February 2024, the Board discussed the 2023 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 consolidated result of -149 million euros will be appropriated as follows: 58 million euros is reserved as the interest payment for the holders of member bonds (2022: 29 million euros) and 19 million euros will be paid to the provider of the cooperative loan (2022: 9 million euros); 9 million euros will be paid to the holders of perpetual bonds (2022: 9 million euros); 67 million euros is allocated to non-controlling interests (2022: 62 million euros) and -302 million euros will be withdrawn from the retained earnings, including the non-controlling interest that is directly attributable to the shareholder, Zuivelcoöperatie FrieslandCampina U.A. (2022: addition of 183 million euros). No supplementary cash payment over 2023 was made to member dairy farmers. The General Meeting of Shareholders will be asked to discharge the members of the Executive Board for their management during the 2023 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 2023 financial year.

On 12 March 2024, 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. 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 Team and all employees of FrieslandCampina for their tremendous efforts and dedication in 2023. The Board acknowledges the perseverance demonstrated by so many during a year of challenging conditions caused by unprecedented high inflation.

**Supervisory Board**
Amersfoort, 16 February 2024

# Remuneration

**On behalf of the Remuneration, Nomination and Governance Committee of the Supervisory Board (RNGCo), FrieslandCampina's 2023 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 29 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

We continue the 3-year transparency plan we started in 2021, to provide more detailed information on our remuneration principles, policies and the actual remuneration of our Executive Board and Supervisory Board.
The last phase of the transparency plan is reflected in the 2023 Annual Report. This means that we disclose the (actually paid-out) remuneration of the Executive Board and Supervisory Board 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 108) and section 7 (page 112) for the Executive Board and Supervisory Board respectively.

## Executive Board changes

During 2023 the Executive Board experienced a few changes as described extensively in the Governance chapter (page 88). In summary, the changes related to the Executive Board in 2023 include:

- New CEO as per 1 June 2023.
- Expansion of the Executive Board with a Chief Sustainability Officer as per 1 October 2023, given the present and future relevance of sustainability in the company.
- The step down from the Executive Board of the Chief People Officer as per 1 July 2023, and the President of Food & Beverage as per 1 November 2023.

## 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 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 Supervisory Board determines on the proposal of the RNGCo the incentives to be granted 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.

**Policy changes in 2023**
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.

In 2023, it was decided to increase the weight of one of the three KPIs of the Long-Term Incentive Plan to strengthen the alignment between the focus value creation of FrieslandCampina and the interest of member farmers. The weight of the milk performance price paid to our member farmers, increased from 40 percent to 50 percent weight.

**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 percent weighting) derived from FrieslandCampina' s annual strategic plan and personal objectives (30 percent weighting).
The pay-out 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 50 percent weight;
2. A set of sustainability objectives, with 30 percent weight;
3. Return on capital employed, with 20 percent 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.

### Termination of employment

Executive Board members are entitled to a severance payment in case of termination of employment at the initiative of the company when the reason for termination is other than due to an urgent reason as referred to in Section 7:678 of the Dutch Civil Code. The severance payment shall amount to one all-in gross annual base salary.

**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% |
| Chief Financial Officer | 50% | 65% |
| Chief Supply Chain and Research & Development Officer | 50% | 65% |
| Chief Sustainability Officer[1] | 50% | 50% |
| President Food & Beverage[2] | 50% | 65% |
| Chief People Officer[3] | 50% | 40% |

1 The role of Chief Sustainability Officer is part of the Executive Board as per 1 October 2023.
2 The role of President Food & Beverage is no longer part of the Executive Board as per 1 November 2023.
3 The role of Chief People Officer is no longer part of the Executive Board as per 1 July 2023.

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

| | Minimum | At target | Maximum |
|---|---|---|---|
| Variable remuneration scheme | | | |
| 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. These two market reference groups will be reviewed in 2024 as part of the biennial review of the remuneration of the Executive Board and the Supervisory Board due end of 2024.

| 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 |
| Wolters Kluwer | Unilever |

### 3. Remuneration of the Executive Board related to 2023 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 2023 performance year.

Overall, the Executive Board demonstrated a good performance over 2023 in a challenging year.

- STIP: This would have been translated into a STIP pay-out, however the due to a threshold clause in the STIP policy applicable to the Executive Board, the Executive Board has not received any pay-out of STIP over 2023. The threshold is applied in alignment with not distributing supplementary cash payments to farmers in 2023.
- LTIP: The Executive Board has received LTIP pay-out based on eligibility and pro-rata participation in 2023 as Executive Board members. LTIP is multi-year performance scheme and based on a multi-factor scorecard.

| **Executive Board**<br>In thousand euros | J.D. van Karnebeek[2] | J.G. Janssen | D.A. Cutter | M. Einwachter[2] | H.M.A. Schumacher | R.F. van Neerbos[3] | G.M. Fraser | Total 2023 | Total 2022 |
|---|---|---|---|---|---|---|---|---|---|
| Period as Executive Board member in 2023 | June-December | Entire year | Entire year | October-December | January-April | January-October | January-June | | |
| Annual base salary | 564.2 | 675.0 | 592.8 | 102.5 | 322.4 | 615.3 | 201.5 | **3,073.7** | 2,760.0 |
| short-term incentive plan (STIP) 2023 | - | - | - | - | - | - | - | **-** | 1,428.8 |
| Long-term incentive plan (LTIP) 2021-2023[1] | - | 114.5 | 41.1 | 3.3 | - | 130.0 | - | **288.9** | 504.2 |
| Pensions | 123.0 | 134.4 | 110.6 | 8.5 | 60.1 | 161.3 | 44.7 | **642.7** | 581.3 |
| Other benefits | 29.6 | 45.2 | 34.7 | 8.5 | 10.5 | 768.7 | 51.4 | **948.6** | 277.3 |
| **Total remuneration pay out[4]** | **716.8** | **969.1** | **779.2** | **122.8** | **393.0** | **1,675.4** | **297.6** | **4,954.0** | **5,551.5** |

1 Actual LTIP payout from the 2021-2023 plan that ended in 2023 and pays out in 2024. The LTIP award has been adjusted to pro-rata participation as Executive Board member during the plan 2021-2023. For disclosure of LTIP cost in line with IFRS reporting requirements, which are 'accrual-based', see note 13.4 (page 199).
2 J.D. van Karnebeek joined FrieslandCampina in June 2023 and M. Einwachter joined the Executive Board member as per 1 October 2023, therefore the STIP and LTIP payout levels have been adjusted based on the pro-rata participation in 2023.
3 R.F. van Neerbos received a severance pay as part of the termination of employment in line with the Executive Remuneration Policy of FrieslandCampina. The settlement amounts to €738,400 and equals one-year annual base salary and it is included under 'Other benefits'.
4 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 2023. 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 2023 is 20.9 based on the remuneration of the CEO in 2023. The internal pay ratio comparing only FrieslandCampina employees in The Netherlands in 2023 is 13.2.

The CEO pay ratio is calculated including the combined tenure of Mr. Schumacher (4 months) and Mr. Van Karnebeek (7 months) as CEOs during 2023 to present a comparison based on actual remuneration of the CEO in line with the information stated in the financial statements.

The RNGCo recognised that the absence of Short-term variable remuneration paid out in 2023 of all Executive Board members and the forfeiture of Long-term incentive entitlements of Mr. Schumacher due to his departure, have influenced the decrease of CEO pay ratio in 2023 compared to 2020 and 2021. Also, the CEO tenure of 11 months in 2023 has been considered, therefore this 1 month less of CEO remuneration in the calculation has also led to a lower pay ratio in 2023.

### Remuneration

| In thousand euros | 2023 | | | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|---|---|---|
| | CEO[1] | Average remuneration of employees[2] | Pay ratio | CEO[1] | Average remuneration of employees[2] | Pay ratio | CEO[1] | Average remuneration of employees[2] | Pay ratio |
| Worldwide | **1,204** | **57.6** | **20.9** | 2,035.6 | 54.2 | 37.5 | 1,474.0 | 50.4 | 29.3 |
| The Netherlands | **1,204** | **91.3** | **13.2** | 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.

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.

### 5. At target remuneration of the Executive Board at the beginning of 2024

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 2024.

**Executive Board**

| In thousand euros | J.D. van Karnebeek | J.G. Janssen | D.A. Cutter | M. Einwachter |
|---|---|---|---|---|
| Annual base salary | 967.2 | 705.7 | 592.8 | 410.0 |
| Variable remuneration | | | | |
| Short-term incentive plan at target (STIP) 2024 | 580.3 | 352.9 | 296.4 | 205.0 |
| Long-term incentive plan at target (LTIP) 2024-2026 | 725.4 | 458.7 | 385.3 | 205.0 |

### 6. Remuneration of the Supervisory Board related to 2023 performance year

The table below shows the actual paid remuneration per individual Supervisory Board member related to 2023 performance year.

| In thousand euros | Annual base remuneration | Membership committee fees | Representational and mobility costs | Total Remuneration 2023 | Total Remuneration 2022 | Comments |
|---|---|---|---|---|---|---|
| **Supervisory Board member – External member** | | | | | | |
| D.R. Hooft Graafland | - | - | | **-** | 74.2 | Stepped down per 13-12-2022 |
| H.W.J. Schipper | 70.0 | 12.5 | | **82.5** | 62.0 | |
| A.G.Z. Kemna | 66.2 | 19.4 | | **85.6** | 68.6 | Stepped down per 12-12-2023 |
| M. Vaesen | 70.0 | 9.5 | | **79.5** | 3.8 | |
| J.B.P. Coopmans | 85.0 | 33.0 | | **118.0** | 5.7 | |
| P.H.M. Hofsté | 3.8 | 1.6 | | **5.4** | - | Appointed per 12-12-2023 |
| Subtotal | 295.0 | 76.0 | | **371.0** | 214.3 | |
| **Supervisory Board and Cooperative Board member** | | | | | | |
| S.S.U. Attema[1] | 265.0 | | 24.0 | **289.0** | 248.6 | |
| E. Jellema[2] | 70.0 | - | | **70.0** | 55.5 | |
| H.T.J. Hettinga[3] | 70.0 | - | | **70.0** | 55.5 | |
| N. den Besten[3] | 70.0 | - | | **70.0** | 61.5 | |
| H. Stöcker[3] | 66.2 | - | | **66.2** | 55.5 | Stepped down per 12-12-2023 |
| Subtotal | 541.2 | - | 24.0 | **565.2** | 476.6 | |
| **Supervisory Board member – Internal member not part of the Cooperative Board** | | | | | | |
| J.W. Berendsen | 3.8 | 0.7 | | **4.4** | 168.4 | Stepped down per 13-12-2022 and appointed per 12-12-2023 |
| Subtotal | 3.8 | 0.7 | | **4.4** | 169.0 | |
| **Other Supervisory Board member – Internal member** | | | | | | |
| A.A.M. Huijben-Pijnenburg | - | - | | **-** | 54.0 | Stepped down per 13-12-2022 |
| C.C.H. Hoogeveen | - | - | | **-** | 58.3 | Stepped down per 13-12-2022 |
| Subtotal | - | - | | **-** | 112.3 | |
| **Grand total[4]** | **840.0** | **76.7** | **24.0** | **940.7** | **972.4** | |

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 Cooperative Board is also member of the Supervisory Board and receives an 'all-in' remuneration fee of 175,000 euro which includes the committee work for the role at the Supervisory and Cooperative Board. The annual base fee of 70,000 euro represents the remuneration related to the Supervisory role. The other 105.000 euro represents the remuneration related to the Vice Chair role of the Cooperative Board.

3 Supervisory Board members who are also member of the Cooperative Board (dual role) receive an 'all-in' remuneration fee of 145,000 euro which includes the committee work 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 Board role. The other 75,000 euro represents the remuneration related to the Cooperative Board role.

4 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 | | | | **2023** |
|---|---|---|---|---|
| | Chair[1] | Vice-Chair[2] | Supervisory Board Member[2] | Supervisory Board and Cooperative Board Member (dual role)[3] |
| **Supervisory Board** | | | | |
| Annual base remuneration | 265.0 | 85.0 | 70.0 | 145.0 |
| 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 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 (dual role) receive an 'all-in' remuneration fee of 145,000 euro which includes the committee work 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 Board role. The other 75,000 euro represents the remuneration related to the Cooperative Board 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.
The market reference group will be reviewed in 2024 as part of the biennial review of the remuneration of the Executive Board and the Supervisory Board due end of 2024.

| Dutch market benchmark group |
| --- |
| AkzoNobel |
| ASML |
| DSM |
| Heineken |
| KPN |
| Philips |
| Randstad |
| Wolters Kluwer |
| Signify |

### End of appointment

If the appointment of a Supervisory Board member is terminated for whatever reason, no form of severance is payable.

# 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 it operates. The company not only aspires to follow the letter, but also the spirit of the tax legislation and regulations that apply to all 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. Financial reporting also 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. The tax incentives claimed by FrieslandCampina are in line with business operations and goals and are generally available.

## Transfer pricing

Intercompany transactions are subject to internal transfer pricing guidelines. These internal guidelines are in accordance with the arm's length principles set out in the Organisation for Economic Co-operation and Development (OECD) transfer pricing guidelines. FrieslandCampina aims 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. The company 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, the company 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 multi-nationals. FrieslandCampina also endorses the Code and has published 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 | 2023 | 2022 |
|---|---|---|---|
| Revenue | (6.2) | 13,072 | 14,076 |
| Cost of goods sold | (6.4) | -11,290 | -11,822 |
| **Gross profit** | | **1,782** | **2,254** |
| | | | |
| Advertising and promotion costs | (6.4) | -568 | -601 |
| Selling and general administrative costs | (6.4) | -935 | -922 |
| Other operating costs | (6.6) | -208 | -279 |
| Other operating income | (6.3) | 4 | 19 |
| **Operating profit** | | **75** | **471** |
| | | | |
| Finance income | (11.1) | 17 | 20 |
| Finance costs | (11.1) | -143 | -63 |
| Share of profit of joint ventures and associates, net of tax | (10.3) | 14 | 15 |
| **Result before tax** | | **-37** | **443** |
| | | | |
| Income tax | (12.1) | -112 | -151 |
| **Result for the year** | | **-149** | **292** |
| | | | |
| Result attributable to: | | | |
| – holders of member bonds | | 58 | 29 |
| – holders of perpetual bonds | | 9 | 9 |
| – provider of Cooperative loan | | 19 | 9 |
| – shareholder | | 222 | 87 |
| **Shareholder and other providers of capital** | | **308** | **134** |
| Shareholder as holder of non-controlling interests | | -524 | 96 |
| **Shareholder and other providers of capital (incl. non-controlling interests shareholder)** | | **-216** | **230** |
| Other holders of non-controlling interests | | 67 | 62 |
| | | **-149** | **292** |

# Consolidated statement of comprehensive income

| In millions of euros | | 2023 | | 2022 |
|---|---|---|---|---|
| **Result for the year** | | **-149** | | **292** |
| Items that will or may be reclassified to the income statement (net of tax): | | | | |
| – effective portion of cash flow hedges | -15 | | 8 | |
| – currency translation differences | -107 | | -46 | |
| – currency translation differences reclassified to the income statement | | | 12 | |
| – share in other comprehensive income of joint ventures and associates | -2 | | | |
| | | **-124** | | **-26** |
| Items that will never be reclassified to the income statement (net of tax): | | | | |
| – remeasurement of liabilities (assets) under defined benefit plans | -1 | | 11 | |
| | | **-1** | | **11** |
| **Other comprehensive income, net of tax** | | **-125** | | **-15** |
| **Total comprehensive income for the year** | | **-274** | | **277** |
| Total comprehensive income attributable to: | | | | |
| – shareholder and other providers of capital | 203 | | 134 | |
| – shareholder as holder of non-controlling interests | -524 | | 93 | |
| **Shareholder and other providers of capital (incl. non-controlling interests shareholder)** | | **-321** | | **227** |
| – other holders of non-controlling interests | | 47 | | 50 |
| | | **-274** | | **277** |

# Consolidated statement of financial position

| At 31 December, in millions of euros | Note | 2023 | 2022 |
|---|---|---|---|
| **Assets** | | | |
| Property, plant and equipment | (8.1) | 3,263 | 3,239 |
| Intangible assets | (8.2) | 1,302 | 1,403 |
| Biological assets | (8.3) | 10 | 9 |
| Deferred tax assets | (12.2) | 150 | 130 |
| Joint ventures and associates | (10.3) | 113 | 116 |
| Employee benefits | (9.1) | 8 | 9 |
| Other financial assets | (8.4) | 45 | 70 |
| **Non-current assets** | | **4,891** | **4,976** |
| | | | |
| Inventories | (7.1) | 1,626 | 2,064 |
| Trade and other receivables | (7.2) | 1,737 | 2,149 |
| Income tax receivables | | 28 | 19 |
| Other financial assets | (8.4) | 268 | 320 |
| Cash and cash equivalents | (11.2) | 569 | 421 |
| Assets held for sale | (10.2) | | 88 |
| **Current assets** | | **4,228** | **5,061** |
| | | | |
| **Total assets** | | **9,119** | **10,037** |

| | Note | 2023 | 2022 |
|---|---|---|---|
| **Equity** | | | |
| Issued capital | (11.5) | 370 | 370 |
| Share premium | (11.5) | 731 | 731 |
| Other reserves | (11.5) | -393 | -289 |
| Retained earnings | (11.5) | 1,125 | 1,804 |
| **Equity attributable to shareholder** | | **1,833** | **2,616** |
| Member bonds | (11.5) | 931 | 913 |
| Perpetual bonds | (11.5) | 301 | 301 |
| Cooperative loan | (11.5) | 302 | 295 |
| **Equity attributable to other providers of capital** | | **1,534** | **1,509** |
| **Equity attributable to providers of capital** | | **3,367** | **4,125** |
| Non-controlling interests shareholder | (11.5) | 7 | -284 |
| **Equity directly attributable to providers of capital** | | **3,374** | **3,841** |
| Other non-controlling interests | (11.5) | 296 | 330 |
| **Total equity** | | **3,670** | **4,171** |
| | | | |
| **Liabilities** | | | |
| Employee benefits | (9.1) | 194 | 202 |
| Deferred tax liabilities | (12.2) | 36 | 53 |
| Provisions | (9.2) | 75 | 78 |
| Interest-bearing borrowings | (11.3) | 870 | 993 |
| Other financial liabilities | (11.4) | 18 | 21 |
| **Non-current liabilities** | | **1,193** | **1,347** |
| | | | |
| Interest-bearing borrowings | (11.3) | 658 | 638 |
| Trade and other payables | (7.3) | 3,273 | 3,658 |
| Income tax payables | | 155 | 111 |
| Provisions | (9.2) | 154 | 47 |
| Other financial liabilities | (11.4) | 16 | 59 |
| Liabilities held for sale | (10.2) | | 6 |
| **Current liabilities** | | **4,256** | **4,519** |
| | | | |
| **Total liabilities** | | **5,449** | **5,866** |
| **Total equity and liabilities** | | **9,119** | **10,037** |

# Consolidated statement of cash flows

| In millions of euros | Note | 2023 | | 2022 | |
|---|---|---|---|---|---|
| **Operating activities** | | | | | |
| **Result before tax** | | | **-37** | | **443** |
| Adjustments for: | | | | | |
| – interest | (11.1) | 67 | | 23 | |
| – depreciation of property, plant and equipment and amortisation of intangible assets | (8.1) (8.2) | 428 | | 448 | |
| – impairments of non-current assets and reversals thereof | (8.1) (8.2) | 25 | | 140 | |
| – share of profit of joint ventures and associates | (10.3) | -14 | | -15 | |
| – other finance income and costs | | -79 | | -1 | |
| – result on divestments | | -3 | | 5 | |
| **Total adjustments** | | | **424** | | **600** |
| Movements in: | | | | | |
| – inventories | | 339 | | -624 | |
| – receivables | | 398 | | -508 | |
| – liabilities | | -242 | | 550 | |
| – employee benefits | | -6 | | -11 | |
| – provisions | (9.2) | 107 | | 21 | |
| **Total movements** | | | **596** | | **-572** |
| **Cash flows from operating activities** | | | **983** | | **471** |
| Dividend received | | | 17 | | 13 |
| Income tax paid | | | -111 | | -169 |
| Interest paid | | | -71 | | -35 |
| Interest received | | | 13 | | 13 |
| **Net cash flows from operating activities** | | | **831** | | **293** |

| | Note | 2023 | | 2022 | |
|---|---|---|---|---|---|
| **Investing activities** | | | | | |
| Investments in property, plant and equipment and intangible assets | | -471 | | -458 | |
| Disposals of property, plant and equipment, intangible assets and assets held for sale | | 5 | | 15 | |
| Divestments of businesses, net of cash and cash equivalents | (6.6) | 76 | | 48 | |
| Loans issued | | 83 | | -174 | |
| Investments in associates | | -2 | | -1 | |
| **Net cash flows used in investing activities** | | | **-309** | | **-570** |
| **Financing activities** | | | | | |
| Dividend paid | | -166 | | -60 | |
| Interest paid to holders of member bonds | | -40 | | -22 | |
| Interest paid to holders of perpetual bonds | | -9 | | -9 | |
| Conversion of member bonds and capital contributions | | | | 23 | |
| Interest-bearing borrowings drawn | | 1,156 | | 1,535 | |
| Repayment of interest-bearing borrowings | | -1,171 | | -1,221 | |
| Repayment of lease liabilities | | -63 | | -67 | |
| Payment of contingent consideration and put option liabilities | (11.4) | -51 | | -3 | |
| Settlement of derivatives and other | | -13 | | -2 | |
| **Net cash flows from/used in financing activities** | | | **-357** | | **174** |
| **Net cash flow** | | | **165** | | **-103** |
| Cash and cash equivalents at 1 January[1] | | | 404 | | 505 |
| Net cash flow | | | 165 | | -103 |
| Currency translation differences on cash and cash equivalents | | | -31 | | 2 |
| **Cash and cash equivalents at 31 December[1]** | | | **538** | | **404** |

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 | | | | | | | | | | | | | 2023 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Other reserves | | | | | | | |
| | Issued capital | Share premium | Member bonds | Perpetual bonds | Coopera-tive loan | Cash flow hedge reserve | Currency translation reserve | Retained earnings | **Equity attribu-table to providers of capital** | Non-controlling interests share-holder | **Equity directly attribu-table to providers of capital** | Other non-controlling interests | **Total equity** |
| **At 1 January** | **370** | **731** | **913** | **301** | **295** | **14** | **-303** | **1,804** | **4,125** | **-284** | **3,841** | **330** | **4,171** |
| Comprehensive income: | | | | | | | | | | | | | |
| – result for the year | | | 58 | 9 | 19 | | | 222 | **308** | -524 | **-216** | 67 | **-149** |
| – other comprehensive income | | | | | | -15 | -89 | -1 | **-105** | | **-105** | -20 | **-125** |
| **Total comprehensive income for the year** | | | **58** | **9** | **19** | **-15** | **-89** | **221** | **203** | **-524** | **-321** | **47** | **-274** |
| Transactions with providers of capital recognised directly in equity: | | | | | | | | | | | | | |
| – dividends paid | | | | | | | | | | -85 | **-85** | -81 | **-166** |
| – interest paid | | | -40 | -9 | -12 | | | | **-61** | | **-61** | | -61 |
| – capital adjustment | | | | | | | | -900 | **-900** | 900 | | | |
| **Total transactions with providers of capital** | | | **-40** | **-9** | **-12** | | | | **-961** | **815** | **-146** | **-81** | **-227** |
| **At 31 December** | **370** | **731** | **931** | **301** | **302** | **-1** | **-392** | **1,125** | **3,367** | **7** | **3,374** | **296** | **3,670** |

| In millions of euros | | | | | | | | | | | | | 2022 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Other reserves | | | | | | | |
| | Issued capital | Share premium | Member bonds | Perpetual bonds | Coopera-tive loan | Cash flow hedge reserve | Currency translation reserve | Retained earnings | **Equity attribu-table to providers of capital** | Non-controlling interests 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: | | | | | | | | | | | | | |
| – result 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** |

# Notes to the consolidated financial statements

## 1. Reporting entity

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 2023 comprise the financial statements of Royal FrieslandCampina N.V. and its subsidiaries (jointly referred to as FrieslandCampina).

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

FrieslandCampina processes over 9 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.

## 2. Basis of preparation

The Consolidated financial statements are:

- 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;
- prepared by the Executive Board of the Company and authorised for issue by the Executive Board and the Supervisory Board on 16 February 2024 the financial statements of Royal FrieslandCampina N.V. as at 31 December 2023 will be made available for publication by the Executive Board on 20 February 2024. On 5 March 2024 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;
- prepared on a historical cost basis, except for the following material items in the statement of financial position:
  - derivatives measured at fair value;
  - 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;
- prepared on a going concern basis;
- presented in Euro. This is the functional currency of the Company;
- rounded to the nearest million, unless stated otherwise.

## 3. Significant accounting estimates and judgements

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.

The following notes contain the most significant estimates and judgements:

| Notes | Significant accounting estimates and judgements | Judgement | Estimate |
|---|---|---|---|
| 8.1 and 8.2 | Impairment | ✓ | ✓ |
| 8.1 and 8.2 | Useful life of property, plant and equipment and intangible assets | | ✓ |
| 8.1 | Lease terms and the projected use of right-of- use assets | ✓ | ✓ |
| 12.2 | Utilisation of taxs losses and deferred tax assets and valuation of uncertain tax positions | ✓ | ✓ |
| 9.1 | Measurement of defined benefit obligations | ✓ | ✓ |
| 9.2 and 13.3 | Provisions and contingent liabilities | ✓ | ✓ |
| 6.6 and 11.1 | Liability for costs of exchanging currencies in Nigeria (Naira) to US dollar | | ✓ |
| 10.1, 11.4 and 11.7 | Key assumptions applied to determine the fair value of business combinations and financial instruments | ✓ | ✓ |

**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 under Environmental, Social and Governance. 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 – member milk) and the emissions produced in relation to suppliers of specific categories such as 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:
  - 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.
  - 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 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 its production locations and scenarios for a sustainable footprint of its 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 the supply chain production locations. Investments are needed to meet the 2030 target reduction of 63% (versus base year 2015) greenhouse gas emissions (scope 1 and 2) from worldwide production 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 consumption risk assessments for its supply chain production locations. A climate risk assessment was also carried out to provide insight into sensitivities at production sites to climate change, such as

drought or flooding. 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. Because of these inherent uncertainties, FrieslandCampina has started to develop climate scenario analyses in which the scenarios with the highest impact potential are included.
- 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 production locations 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.

## 4. Changes in accounting policies

### a) New and revised standards, amendments and interpretations as applied by FrieslandCampina

The amendments that came into effect for periods beginning on or after 1 January 2023, so far as applicable, have been applied for the first time in 2023, but do not have a significant impact on the consolidated financial statements of FrieslandCampina. These include amendments to: IAS 1 Disclosure of accounting policies and classification of liabilities, IAS 8 Accounting estimates, IAS 12 Deferred Tax.

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

### b) New and revised standards, amendments and interpretations issued but effective for the financial year starting on 1 January 2024 without early adoption

Multiple amendments to standards and interpretations that are effective for annual periods starting after 1 January 2024, 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.

## 5. General accounting policies

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

### a) Basis of consolidation

The consolidated financial statements are prepared as a consolidation of the financial statements of the Company and its 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.

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 (refer to note 10.3). Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

#### Accounting judgements

Whether an entity controls another entity sometimes requires judgement, in particular for entities where the direct interest is not decisive:

- 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 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, inclusive of a non-controlling interest that is directly attributable to the shareholder.
- For the following entity, the direct interest differs from the attribution to the shareholder and non-controlling interests:
  - 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.

### b) 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 100% owned by FrieslandCampina, 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:

| | 2023 | |
|---|---|---|
| | At year-end | Average |
| US dollar | 1.10 | 1.08 |
| Chinese yuan | 7.84 | 7.66 |
| Philippine peso | 61.16 | 60.17 |
| Hong Kong dollar | 8.62 | 8.47 |
| Indonesian rupiah (1,000) | 17.00 | 16.48 |
| Malaysian ringgit | 5.08 | 4.93 |
| Nigerian naira | 975.63 | 691.55 |
| Pakistan rupee | 311.73 | 302.72 |
| Singapore dollar | 1.46 | 1.45 |
| Thai baht | 37.97 | 37.63 |
| Vietnamese dong (1,000) | 26.80 | 25.77 |

| | 2022 | |
|---|---|---|
| | At year-end | Average |
| US dollar | 1.07 | 1.05 |
| Chinese yuan | 7.36 | 7.08 |
| Philippine peso | 59.36 | 57.33 |
| Hong Kong dollar | 8.35 | 8.25 |
| Indonesian rupiah (1,000) | 16.61 | 15.64 |
| Malaysian ringgit | 4.69 | 4.63 |
| Nigerian naira | 493.27 | 449.01 |
| Pakistan rupee | 242.03 | 214.96 |
| Singapore dollar | 1.43 | 1.45 |
| Thai baht | 37.06 | 36.85 |
| Vietnamese dong (1,000) | 25.24 | 24.64 |

**c) Cash flow statement**

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.

# 6. Operating activities

## 6.1 Segmentation

In 2023, FrieslandCampina made changes in the management structure, mainly related to the infant nutrition business not related to the brand Friso which have moved from Specialised Nutrition to Food & Beverage. 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 other infant nutrition. Food & Beverage focuses on the consumer and professional channels.

- Specialised Nutrition | produces and sells the infant nutrition brand Friso in mainly five markets: China, Vietnam, Malaysia, Greece and Mexico.

- Ingredients | is a business partner for brands and producers wishing to differentiate themselves on the basis of healthy nutrition and wellbeing for consumers in all stages of life. The focus is 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. 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.

### Changes in segmentation 2024

As of 2024, the business will be divided in seven business groups, led by the executive team. The current Food & Beverage will be split into five separate business groups and Supply Chain. The activities of Trading will be combined with the activities of Professional into Professional and Trading.

This leads to the following seven business groups:
- Europe
- Retail & Americas
- Middle East, Pakistan & Africa
- Asia
- Ingredients
- Professional and Trading
- Specialised Nutrition

The business groups are also the operating segments, where Professional and Trading are separate operating segments, that are combined as one reportable segment based on comparable customers and product portfolio. In addition to the seven business groups and the Other activities mentioned above, Supply Chain will be reported as a segment.

## Segmentation by business group

| | | | | | | | 2023 |
|---|---|---|---|---|---|---|---|
| | Food & Beverage | Specialised Nutrition | Ingredients | Trading | Other | Elimination | **Total** |
| **Revenue third parties** | 9,106 | 1,155 | 1,447 | 1,364 | | | **13,072** |
| Internal deliveries[1] | 384 | 107 | 469 | 1,244 | | -2,204 | |
| **Total revenue** | **9,490** | **1,262** | **1,916** | **2,608** | | **-2,204** | 13,072 |
| | | | | | | | |
| **Operating result** | 9 | 207 | 218 | -155 | -204 | | **75** |
| Finance income and costs | | | | | | | **-126** |
| Result from joint ventures and associates | | | 2 | | 12 | | **14** |
| **Profit before tax** | | | | | | | **-37** |
| Operating result as % net revenue from third parties | 0.1 | 17.9 | 15.1 | -11.4 | | | **0.6** |
| Carrying amount of assets employed in operating activities[2] | 5,038 | 802 | 1,624 | 358 | 391 | -337 | **7,876** |
| Carrying amount of other assets | | | | | | | **1,243** |
| **Total assets** | | | | | | | **9,119** |
| | | | | | | | |
| Liabilities resulting from operational activities[3] | 2,636 | 378 | 248 | 100 | 682 | -337 | **3,707** |
| Other liabilities | | | | | | | **1,742** |
| **Total liabilities** | | | | | | | **5,449** |
| | | | | | | | |
| Investments in property, plant and equipment and intangible assets[4] | 324 | 54 | 75 | | 29 | | **482** |
| Depreciation of property, plant and equipment and amortisation of intangible assets | -232 | -36 | -96 | | -64 | | **-428** |
| Impairment of non-current assets | -22 | -1 | -1 | | -1 | | **-25** |
| Carrying amount of share in joint ventures and associates | | | 27 | | 86 | | **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.

| | | | | | | | 2022 |
|---|---|---|---|---|---|---|---|
| | Food & Beverage | Specialised Nutrition | Ingredients | Trading | Other | Elimination | **Total** |
| **Revenue third parties** | 9,918 | 1,061 | 1,624 | 1,449 | 24 | | **14,076** |
| Internal deliveries[1] | 755 | 128 | 483 | 1,472 | 37 | -2,875 | |
| **Total revenue** | **10,673** | **1,189** | **2,107** | **2,921** | **61** | **-2,875** | **14,076** |
| | | | | | | | |
| **Operating result** | 139 | 200 | 182 | 99 | -149 | | **471** |
| Finance income and costs | | | | | | | **-43** |
| Result from joint ventures and associates | | | 1 | | 14 | | **15** |
| **Profit before tax** | | | | | | | **443** |
| Operating result as % net revenue from third parties | 1.4 | 18.9 | 11.2 | 6.8 | | | **3.3** |
| Carrying amount of assets employed in operating activities[2] | 5,623 | 937 | 1,686 | 581 | 456 | -511 | **8,772** |
| Carrying amount of other assets | | | | | | | **1,265** |
| **Total assets** | | | | | | | **10,037** |
| | | | | | | | |
| Liabilities resulting from operational activities[3] | 2,913 | 477 | 321 | 106 | 688 | -511 | **3,994** |
| Other liabilities | | | | | | | **1,872** |
| **Total liabilities** | | | | | | | **5,866** |
| | | | | | | | |
| Investments in property, plant and equipment and intangible assets[4] | 312 | 62 | 69 | | 31 | | **474** |
| Depreciation of property, plant and equipment and amortisation of intangible assets | -245 | -38 | -93 | | -72 | | **-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.

## Geographic information

| | 2023 | | 2022 | |
|---|---|---|---|---|
| | Revenue third parties | Carrying amount of non-current operating assets | Revenue third parties | Carrying amount of non-current operating assets |
| The Netherlands | 5,737 | 2,975 | 6,124 | 3,080 |
| Germany | 817 | 258 | 1,153 | 265 |
| Rest of Europe[1] | 1,879 | 367 | 1,819 | 331 |
| Asia and Oceania[2] | 3,536 | 838 | 3,544 | 785 |
| Africa and the Middle East | 907 | 72 | 1,182 | 125 |
| North and South America | 196 | 55 | 254 | 57 |
| | **13,072** | **4,565** | **14,076** | **4,643** |

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. The carrying amount of non-current operating assets relates to property, plant and equipment and intangible assets.

### Accounting policies

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.

## 6.2 Revenue

### Revenue by geographical location of customers

| | 2023 | | 2022 | |
|---|---|---|---|---|
| | | % | | % |
| The Netherlands | 3,087 | 24 | 3,237 | 23 |
| Germany | 809 | 5 | 1,157 | 8 |
| Rest of Europe | 3,253 | 25 | 3,358 | 24 |
| Asia and Oceania | 4,119 | 32 | 4,194 | 30 |
| Africa and the Middle East | 1,273 | 10 | 1,534 | 11 |
| North and South America | 531 | 4 | 596 | 4 |
| | **13,072** | **100** | **14,076** | **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.

### Accounting estimates and judgements

FrieslandCampina makes estimates when determining discount accruals in revenue at year-end, specifically for conditional discounts. Refer to note 7.3 for more explanation on how discount accruals are estimated.

### Accounting policies

**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

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 recognised for this discount.

## 6.3 Other operating income

| | 2023 | 2022 |
|---|---|---|
| Income from the sale of property, plant and equipment | 1 | 7 |
| Settlement contingent asset | | 11 |
| Other operating income | 3 | 1 |
| | **4** | **19** |

### Settlement contingent asset

As part of the sale of the fruit juices and fruit drinks activities in the Netherlands and Belgium, FrieslandCampina agreed on a contingent asset from the buyer. In 2022, both parties agreed to largely settle the contingent asset for a total amount of EUR 11 million.

### Accounting policies

Other income consists of income that, according to the management, is not the direct result of normal business operations and/or that is so significant in terms of nature and size that it must be considered separately for a proper analysis of the underlying result.

Other income regarding sale of property, plant and equipment is recognised in profit or loss when control over the sold asset is transferred to the buyer. The amount recognised as other income equals the proceeds obtained from the buyer minus the carrying value of the sold asset. Other income contingent asset is recognised in profit or loss when the amount received has become virtually certain.

## 6.4 Operating expenses

| | 2023 | 2022 |
|---|---|---|
| Milk from member dairy farmers | -4,521 | -5,338 |
| Cost of other raw materials, consumables and commodities | -4,138 | -3,878 |
| Employee benefit expenses | -1,207 | -1,179 |
| Depreciation of property, plant and equipment and amortisation of intangible assets | -428 | -448 |
| Impairments of property, plant and equipment, intangible assets and assets held for sale | -19 | -18 |
| Advertising and promotion costs | -568 | -601 |
| Transportation costs | -615 | -641 |
| Service costs from third parties and agency staff costs | -302 | -273 |
| Energy costs | -245 | -251 |
| Other | -750 | -718 |
| **Total of the cost of goods sold, advertising and promotion costs and selling, general and administrative costs** | **-12,793** | **-13,345** |

For Employee benefit expenses refer to note 6.5.

Foreign exchange results related to operational activities are included in the cost of goods sold or in the appropriate component of operating expenses. In 2023, FrieslandCampina included a negative foreign exchange result in operating profit of EUR 40 million (2022: EUR 186 million negative).

The costs of depreciation of property, plant and equipment and amortisation of intangible assets include EUR 55 million (2022: EUR 59 million) depreciation for right-of-use assets, refer to note 8.1.1.

Part of other operating expenses are lease expenses of EUR 30 million (2022: EUR 27 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 consists of other expenses related to employees, office costs and costs for repairs and maintenance.

In 2023 research and development expenses amounts to EUR 101 million (2022: EUR 93 million), of which EUR 68 million relates to employee benefit expenses (2022: EUR 65 million).

For an explanation of impairments, refer to notes 8.1, 8.2 and 10.2. Impairments are recognised 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, refer to note 6.6.

### Accounting policies

Expenses are recognised based on accrual accounting. This means that expenses are recognised when the product is received or the service is provided, regardless of when cash outflow takes place.

#### 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.

#### 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.

### Lease agreements

Lease payments on short-term lease contracts, lease contracts on low-value assets and the variable portion of lease payments are recognised in the profit and loss account in the period to which the payment relates. These are not capitalised as right-of-use assets or lease liabilities within the requirements of IFRS 16. Short-term lease contracts have a term of less than 12 months. The variable portion of lease payments depends on the use of the asset.

## 6.5 Employee benefit expenses

| | 2023 | | 2022 | |
|---|---|---|---|---|
| | | % | | % |
| Wages and salaries | -987 | 82 | -976 | 83 |
| Social security charges | -109 | 9 | -106 | 9 |
| Pensions and other long-term employee benefits | -111 | 9 | -97 | 8 |
| **Employee benefit expenses** | **-1,207** | **100** | **-1,179** | **100** |

Personnel costs as a result of restructurings are included in Other operating costs, refer to note 6.6.

### Employees by business group (average number of FTEs)

| | 2023 | | 2022 | |
|---|---|---|---|---|
| | | % | | % |
| Food & Beverage | 15,320 | 73 | 15,913 | 73 |
| Specialised Nutrition | 1,675 | 8 | 1,776 | 8 |
| Ingredients | 1,875 | 9 | 1,837 | 9 |
| Trading | 45 | 0 | 54 | 0 |
| Corporate, Global Shared Services and other | 2,013 | 10 | 2,135 | 10 |
| | **20,928** | **100** | **21,715** | **100** |

### Employees by geographical region (average number of FTEs)

| | 2023 | | 2022 | |
|---|---|---|---|---|
| | | % | | % |
| The Netherlands | 7,961 | 38 | 7,717 | 35 |
| Germany | 708 | 3 | 1,242 | 6 |
| Rest of Europe | 3,182 | 15 | 3,195 | 15 |
| Asia and Oceania | 7,900 | 38 | 8,344 | 38 |
| Africa and the Middle East | 1,007 | 5 | 1,046 | 5 |
| North and South America | 170 | 1 | 171 | 1 |
| | **20,928** | **100** | **21,715** | **100** |

### Accounting policies

Personnel expenses are recognised when the related service is provided. For more details on accounting policies related to Pensions and other long-term employee benefits refer to note 9.1.

## 6.6 Other operating costs

| | 2023 | 2022 |
|---|---|---|
| Costs for exchanging foreign currencies in Nigeria | 2 | -63 |
| Restructuring costs and release of restructuring provisions | -131 | -47 |
| Impairments of non-current assets (and reversals thereof) due to restructuring | -3 | -106 |
| Result on divestment of businesses | -2 | -23 |
| Settlement service contract | -58 | |
| Other operating costs | -16 | -40 |
| | **-208** | **-279** |

### 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 compared to the official exchange rates in Nigeria.
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. In 2022, expenses for this liability of EUR 63 million have been recognised under Other operating costs, relating to liabilities prior to 2021. In addition, EUR 10 million has been recognised under Finance costs. In 2023, a release of EUR 2 million was recognised in Other operating costs. In Finance costs EUR 50 million was recognised in 2023 relating to dividend receivables and principal payments of US dollar financing from Nigeria. Refer to note 11.1 for exchange rate losses in relation to financing elements.

### Restructurings

FrieslandCampina decided in 2023 to implement transformation programme Expedition 2030. For this restructuring provisions of EUR 136 million were recognised as Other operating costs.
In 2022, impairments on non-current assets (EUR 106 million) and restructuring costs (EUR 47 million) were recognised as part of restructurings.

### Result on divestment of businesses

#### Divestment part of German consumer brands and activities

As per April 1, 2023 FrieslandCampina legally finalised the sale of a part of its German consumer brands and activities, part of Food & Beverage, to Unternehmensgruppe Theo Müller. The sale consists of the production sites and distribution centers in Cologne, Heilbronn and Schefflenz, as well as some brands, including Landliebe.The results up to the date of the divestment were recognised in the income statement. As of 1 April 2023, the activities are no longer being consolidated. The divestment resulted in financial year 2023 in a loss of EUR 3 million and is reported under Other operating costs.

| | |
|---|---|
| **Fair value of the consideration received** | **76** |
| | |
| Assets transferred | -74 |
| Impairments | -1 |
| Costs related to redemption of contract | -2 |
| Costs related to divestment | -2 |
| **Result on divestment of business** | **-3** |

On 1 September 2022 FrieslandCampina completed the sale of its production facility for infant nutrition in Xiushui. The divestment resulted in a loss of EUR 23 million. In 2023 the final settlement resulted in a gain of EUR 1 million.

### Settlement service contract

By terminating a service contract, a termination clause was triggered.
In 2022, a provision of EUR 2 million has been recognised for the present value of the expected settlement amount in 40 years from now.
The settlement amount, net of the provision, resulted in an expense in 2023 of EUR 58 million.

### Other operating costs

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

### Accounting estimates and judgements

For a large restructuring, management assesses the timing of the costs to be incurred. Based on timing, an estimate of costs is made.
In considering the nature of an item, management's assessment includes, both individually and collectively, whether the item is outside the ordinary activities of the business, specific circumstances surrounding the item, whether there is probability of recurrence and whether the item is unusual due to its size.

To determine currency losses on receivables and liabilities relating to Nigeria, FrieslandCampina has made estimates of the future availability of US dollars, the expected volume of US dollars to be exchanged and the development of the local market exchange rate in relation to the official exchange rate in Nigeria.

### Accounting policies

Other operating costs are those where, in management's opinion, their separate reporting provides a better understanding of the underlying business performance, and which are significant by virtue of their size and nature.

## 7. Working capital

### 7.1 Inventories

| | 2023 | 2022 |
|---|---|---|
| Raw materials and consumables | 468 | 687 |
| Finished goods and commodities | 1,158 | 1,377 |
| | **1,626** | **2,064** |

During 2023 inventories were written down for in total EUR 118 million (2022: EUR 97 million). The write-down of inventories is recognised in cost of goods sold.

No inventories are pledged as collateral for liabilities.

### Accounting estimates

The main accounting estimate relating to the valuation of inventories is determining the estimated net realizable value.

### Accounting policies

Inventories are measured at the lower of cost and estimated net realizable 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 realizable value is the estimated selling price 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.

## 7.2 Trade and other receivables

| | 2023 | 2022 |
|---|---|---|
| Trade receivables | 1,190 | 1,581 |
| Provision for doubtful debts and other receivables | -28 | -23 |
| Receivables from Zuivelcoöperatie FrieslandCampina U.A. | 185 | 179 |
| Other receivables | 40 | 75 |
| | **1,387** | **1,812** |
| Receivables related to tax (excluding income tax) and social security contributions | 143 | 99 |
| Prepayments | 207 | 238 |
| | **1,737** | **2,149** |

### Provision for doubtful debts and other receivables

| | 2023 | 2022 |
|---|---|---|
| At 1 January | -23 | -20 |
| Charged to the income statement | -6 | -4 |
| Released to the income statement | 1 | 1 |
| **At 31 December** | **-28** | **-23** |

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 2023, this secured position amounted to EUR 33 million (2022: EUR 55 million). No trade receivables have been pledged.

### Maturity schedule trade and other receivables

| | | | 2023 | | | 2022 |
|---|---|---|---|---|---|---|
| | Gross | Write-down | Net | Gross | Write-down | Net |
| Within payment term | 1,246 | -2 | 1,244 | 1,615 | -2 | 1,613 |
| Overdue by less than 3 months | 125 | -4 | 121 | 188 | -5 | 183 |
| Overdue by 3 - 6 months | 20 | -9 | 11 | 10 | -7 | 3 |
| Overdue by more than 6 months | 24 | -13 | 11 | 22 | -9 | 13 |
| | **1,415** | **-28** | **1,387** | **1,835** | **-23** | **1,812** |

### Accounting judgement

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.

### Accounting policies

Trade and other receivables are held by FrieslandCampina to collect the related cash flows. These receivables are measured at fair value and subsequently at amortised cost minus any impairment losses. Trade and other receivables are derecognised by FrieslandCampina when substantially all risks and rewards are transferred or if FrieslandCampina does not retain control over the receivables.

## 7.3 Trade and other payables

| | 2023 | 2022 |
|---|---|---|
| Payables to member dairy farmers | 489 | 627 |
| Trade payables | 1,696 | 1,915 |
| Payables related to tax (excluding income tax) and social security contributions | 68 | 70 |
| Other payables | 1,020 | 1,046 |
| | **3,273** | **3,658** |

The trade payables are non-interest bearing and generally have a payment term of 30 to 90 days.

Other liabilities include the settlement amount of EUR 61 million for the termination of a service contract, refer to note 6.6.
As part of other payables, contract liabilities of EUR 16 million (2022: EUR 6 million) are primarily related to deferred income.

### Accounting estimates

FrieslandCampina makes estimates in the determination of discount accruals. When discounts are provided to customers, these reduce the transaction price and consequently the revenue. The conditional discounts in revenue are estimated based on accumulated experience supported by historical and current sales information. Expected sales volumes are determined taking into account (historical) sales patterns and other relevant information. A discount accrual is recognised for expected volume and discounts due to customers in relation to sales, made until the end of the reporting period.

### Accounting policies
Trade and other payables are initially measured at fair value and subsequently at amortised cost. Trade payables are derecognised when the contractual obligation is either discharged, cancelled or expired.

## 8. Non-current assets
### 8.1 Property, plant and equipment
Property, plant and equipment are fixed assets that are owned by FrieslandCampina, as well as right-of-use (RoU) assets under a lease agreement. Owned and RoU assets are held for use in FrieslandCampina's operating activities. The table below details the historical cost per asset class and the movements during the year.

| | | | | | | 2023 |
|---|---|---|---|---|---|---|
| | Land and buildings | Plant and equipment | Other operating assets | Right-of-use assets | Assets under construction | Total |
| 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 1 January** | **811** | **1,563** | **144** | **173** | **548** | **3,239** |
| Additions | 2 | 16 | 1 | 39 | 438 | **496** |
| Disposals | | -3 | | | | **-3** |
| Currency translation differences | -20 | -40 | -6 | -1 | -16 | **-83** |
| Remeasurements | | | | -2 | | **-2** |
| Transfers | 60 | 292 | 38 | -1 | -388 | **1** |
| Depreciation | -67 | -203 | -39 | -55 | | **-364** |
| Impairments | -2 | -15 | -3 | | -1 | **-21** |
| **Carrying amount at 31 December** | **784** | **1,610** | **135** | **153** | **581** | **3,263** |
| | | | | | | |
| Cost | 1,718 | 4,321 | 473 | 316 | 581 | **7,409** |
| Accumulated depreciation and impairments | -934 | -2,711 | -338 | -163 | | **-4,146** |
| **Carrying amount at 31 December** | **784** | **1,610** | **135** | **153** | **581** | **3,263** |

| | | | | | | **2022** |
|---|---|---|---|---|---|---|
| | Land and buildings | Plant and equipment | Other operating assets | Right-of-use assets | Assets under construction | **Total** |
| 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 disposal 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** |

For explanation of the movement 'disposed through divestment of businesses', refer to note 6.6.

The additions of EUR 496 million (2022: EUR 468 million) relate to production capacity expansions and replacement investments in the Netherlands and in Belgium and to new production locations in Indonesia and Malaysia.

The impairments mainly relate to movement of operations to the new production location within Asia, closure of production lines in Germany and obsolete assets.

The investments include capitalised borrowing costs amounting to EUR 3 million (2022: EUR 2 million). The applicable average interest rate is 3.3% (2022: 1.8%).

## Accounting estimates and judgements

Estimates are required to determine the (remaining) useful lives of fixed assets. Useful lives are determined based on an asset's age, the frequency of its use, repair and maintenance policy, technology changes in production, redundancies or changes due to climate risks and expected restructuring.FrieslandCampina estimates the expected residual value per asset item. The residual value is the higher of the expected sales price (based on recent market transactions of similar sold items) and its material scrap value.
Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives. FrieslandCampina believes that straight-line depreciation most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

## Accounting policies

### 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.

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. Property, plant and equipment are depreciated from the date that they are installed and are ready for use.

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.

### 8.1.1 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.

| | 2023 | | 2022 | |
|---|---|---|---|---|
| | Carrying amount at 31 December | Depreciation current year | Carrying amount at 31 December | Depreciation current year |
| Land and buildings | 95 | -31 | 110 | -32 |
| Plant and equipment | 38 | -13 | 42 | -14 |
| Other operating assets | 20 | -11 | 21 | -13 |
| | **153** | **-55** | **173** | **-59** |

#### Accounting estimates and judgements

FrieslandCampina has applied estimates and judgements with an impact on the recognition and measurement of right-of-use assets and lease liabilities. This includes an assessment of the incremental borrowing rate, service components and facts and circumstances that could create an economic incentive to utilise the extension options of lease arrangements. The assessment of whether FrieslandCampina is reasonably certain to exercise such options, impacts the lease term, which as a result could affect the amount of lease liabilities and ROU assets recognised.
Where the Company is the lessee, management is required to make judgements about whether an arrangement contains a lease.

#### Accounting policies

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group. 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 and leases with a variable amount, which are recognised as lease expenses directly in the income statement.

**Depreciation**

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, in which case the leased asset is depreciated over the useful life of the asset.

Right-of-Use assets are depreciated from the commencement date of the lease agreement.

### 8.2 Intangible assets

Intangible assets within FrieslandCampina are mainly goodwill, brands and customer related intangibles such as customer lists. The majority of intangible assets have been recognised by FrieslandCampina as part of acquisitions. Refer to the table below for the historical cost per asset class and the movements during the year including amortisation.

| | | | | | 2023 |
|---|---|---|---|---|---|
| | Goodwill | Trademarks, customer relations and patents | Software | Intangible assets under construction | **Total** |
| Cost | 1,261 | 370 | 538 | 31 | **2,200** |
| Accumulated amortisation and impairments | -204 | -169 | -424 | | **-797** |
| **Carrying amount at 1 January** | **1,057** | **201** | **114** | **31** | **1,403** |
| Additions | | | | 25 | **25** |
| Currency translation differences | -37 | -24 | | 3 | **-58** |
| Transfers | | | 37 | -38 | **-1** |
| Amortisation | | -17 | -47 | | **-64** |
| Impairments | | -1 | | -2 | **-3** |
| **Carrying amount at 31 December** | **1,020** | **159** | **104** | **19** | **1,302** |
| | | | | | |
| Cost | 1,224 | 324 | 557 | 21 | **2,126** |
| Accumulated amortisation and impairments | -204 | -165 | -453 | -2 | **-824** |
| **Carrying amount at 31 December** | **1,020** | **159** | **104** | **19** | **1,302** |

| | | | | | 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** |

Impairments in both 2022 and 2023 mainly relate to cloud computing, of which the capitalization of costs has been limited based on the published interpretation of IFRS. Amortisation costs of intangible assets were allocated to the items in the income statement on the basis of their function.

### Accounting estimates and judgements

Estimates are needed to determine the (remaining) useful life of intangible fixed assets. Intangible assets other than goodwill are amortised on a straight-line basis in the income statement over their estimated useful lives.

### Accounting policies

**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 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, such as expenses for configuration and customisation the software, are only capitalised when and insofar as 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, 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.

**Impairment of 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 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 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 business groups and the key assumptions used in calculating the value in use per business group:

| | 31 December 2023 | Assump-tions | | 2023 |
|---|---|---|---|---|
| | Goodwill | % Growth rate terminal value | % Average growth rate gross profit | % Pre-tax discount rate |
| Food & Beverage | 676 | 3.1 | 17 | 9 |
| Specialised Nutrition | 231 | 2.3 | 12 | 7 |
| Ingredients | 113 | 2.4 | 1 | 9 |
| | **1,020** | | | |

| | 31 December 2022 | Assump-tions | | 2022 |
|---|---|---|---|---|
| | 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** | | | |

Since no goodwill is allocated to Trading, there is no disclosure for this business group concerning the assumptions used in the goodwill impairment test.

When determining the value in use, corporate costs are allocated to the business groups. Compensation is taken into account for the role that Trading and specific parts of 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 processed. 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 2026 is based on past experience, specific expectations for the near future and market-based growth percentages.

The relatively high average gross profit growth rate for Food & Beverage and Specialised Nutrition is mainly related to the relatively lower 2023 result, primarily due to lower dairy commodity prices and sale of stocks produced at higher costs. It is expected that this effect will not continue after 2023.
The negative average gross profit growth rates in 2022 at Specialised Nutrition and Ingredients were mainly related to the relatively higher 2022 result, primarily due to high dairy commodity prices in 2022. Further, there was a lower compensation for the cooperative role allocated to the business groups due to positive results from Trading. As expected in 2022, this would not be continued in 2023.

The discount rate for each business group is based on observable data in the market and is determined before tax.

For the period after 2026, a growth rate has been used that is equal to the expected long-term inflation rates, as is common market practice.

**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.

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

### Accounting estimates and judgements

The cash flow projections used in the value in use calculations for goodwill impairment testing contain various judgements and estimations as described in the key assumptions for the value in use calculations. Such judgements and estimates are subject to change because of changing economic conditions and climate impact and actual cash flows may differ from forecasts. The below additional considerations have been applied by FrieslandCampina regarding the potential financial impact of the macroeconomic environment and uncertainties including increasing inflationary pressures worldwide:

- Changes in the interest rate environment are taken into consideration when determining the discount rates.
- Terminal growth rates do not exceed the long-term annual inflation rate of the country or region, thus excluding any increased inflation growth experiences in the short-term.
- Sensitivity scenarios are applied to the key assumptions used in the impairment testing.

The impact of climate change risk on future cash flows has also been considered at a cash generating unit and asset level, including committed capex and expenditure. No material financial impacts to the current year impairment assessment were identified.

### Accounting policies

Goodwill that arises on the acquisition of subsidiaries is presented as an intangible asset. For the measurement of goodwill at initial recognition, refer to the basis of consolidation for business combinations. Goodwill is measured at cost less accumulated impairment losses. In respect of investments 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.
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 the 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 Trading and specific parts of 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 unit, 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.

## 8.3 Biological assets

The biological assets relate to dairy livestock in Pakistan for an amount of EUR 10 million (2022: EUR 9 million). On 31 December 2023, FrieslandCampina has 3,653 mature cows, which can produce milk (2022: 3,365) and 3,256 immature cows that are being raised to produce milk in the future (2022: 3,161).

### Accounting estimates

The fair value of the livestock is determined by an independent valuer based on the best available estimates for livestock with similar characteristics.

### Accounting policies

The dairy livestock is valued at fair value less the cost to sell. Profit or loss resulting from changes to the fair value less the cost to sell is recognised in the income statement.

## 8.4 Other financial assets

| | 2023 | 2022 |
|---|---|---|
| **Non-current other financial assets** | | |
| Loans issued | 23 | 24 |
| Derivatives | 13 | 40 |
| Other | 9 | 6 |
| | **45** | **70** |
| **Current other financial assets** | | |
| Loans issued | 19 | 18 |
| Derivatives | 101 | 38 |
| Other | 148 | 264 |
| | **268** | **320** |

Other current other financial assets mainly relate to deposits with banks due 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 2023 was 5.9% (2022: 3.0%). For EUR 20 million of the loans issued, the maturity date is after 2027.

For information regarding derivatives, refer to note 11.7.

### Accounting estimates and judgements

The provision for expected credit losses relating to other financial assets was not significant at the end of 2023.

### Accounting policies

**Non-derivative financial assets**

#### Recognition and derecognition

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.

#### Right to offset

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.

#### Classification

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.

**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.

**Impairments**
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.

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.

## 9. Obligations under long-term employee benefits and provisions

### 9.1 Obligations under long-term employee benefits

| | 2023 | 2022 |
|---|---|---|
| Net pension liability | 160 | 170 |
| Other long-term employee benefits | 26 | 23 |
| | **186** | **193** |

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 (FC C.V.) and the other employees (FrieslandCampina Nederland B.V.).

## 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 72,227 | Collective defined contribution plan based on a fixed contribution and executed by the industry wide pension fund for the dairy sector ('Bedrijfs-takpensioenfonds voor de Zuivel' (BPZ)) |
| Between EUR 72,227 and EUR 128,810 | Individual defined contribution plan, adminstered by a premium pension institution (Aegon Cappital PPI) |
| Above EUR 128,810 | Net pension savings plan, administered by the same premium pension institution (Aegon Cappital PPI) |

As of 1 January 2015, the accrual of pension benefits in the pension plan for former Campina employees, administered in a company pension fund (Stichting Pensioenfonds Campina), and the accrual of pension benefits in 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 (Avéro Achmea) in a segregated investment fund, has ceased.

In September 2022, the Dutch Supreme Court (Hoge Raad) ruled in the legal proceedings between Stichting Pensioenfonds Campina (SPC) and FrieslandCampina with regards to the pension plan of the former Campina employees. Based on this ruling, FrieslandCampina increased the gross pension obligation at year-end 2022 by an estimated provision amount to cover the loss.

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 balance sheet 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 (Avéro)

The pension plan entitlements accrued until 2015 for former Friesland Foods employees and FrieslandCampina employees concern a defined benefit plan. At the end of 2023, this plan accounted for 50% (2022: 54%) 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 of 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 (Avéro Achmea), 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.<br><br>As per 1 December 2023, the insurance contract has changed from a contract based on fixed interest rate to a contract based on market interest rate. If the coverage ratio becomes lower than the contractually agreed 100% for longer than 18 consecutive months from the end of a calendar year, FrieslandCampina has the obligation to pay a supplementary premium in order to restore the coverage ratio to 100% (in the previous contract based on fixed interest rate this threshold was 110%). At the end of 2023 the coverage ratio based on market interest rate was 103.5% determined on the basis of the principles specified in the insurance contract (2022: 102.4%). |
| Supervision and governance | The insurer is responsible for holding sufficient resources to pay out all accrued benefits. This is supervised by DNB (Dutch Central Bank). The investment policy for the insurance contract is determined by the insurer in consultation with FrieslandCampina. |
| Partcipants | Approximately 35% of the participants are active employees of FrieslandCampina, 39% are former employees and 26% are pensioners. The average duration of the pension liabilities is approximately 15 years. |
| Most significant risks | The most significant risk is that the coverage ratio at the end of a calendar year drops below 100%. If that 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 100%. |

### Pension plan entitlements accrued until 2015 for former Campina employees (SPC)

The pension plan entitlements accrued until 2015 for former Campina employees concern a defined benefit plan. At the end of 2023, this plan accounted for 45% (2022: 41%) 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 (Aegon) 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 (RVU)

As of 1 September 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 uittreding’). The RVU-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. In 2023 the RVU-scheme was expanded and an additional provision was charged to the income statement at year-end 2023. At year-end 2023, the RVU-scheme contains 0% (2022: 0%) 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 2023, accounted for 2% (2022: 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 2023, the plans in the other countries accounted for 3% (2022: 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 a mass withdrawal of contributing employers with the largest share in the industry pension fund, like FrieslandCampina, occurs. At year-end 2023 the risk is considered to be negligible.

### 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.

| **Assumptions**[1] | **2023** | **2022** |
|---|---|---|
| | % | % |
| Discount rate | 3.6 | 3.7 |
| Wage inflation | n.a. | n.a. |
| Price inflation | 2.0 | 2.0 |
| Indexation | | |
| – active employees | 1.3 | 1.3 |
| – former employees and pensioners | 2.9 | 3.8 |
| | | |
| **Life expectancy** | in years | in years |
| – man / woman age 65 at end of year | 20.5 / 23.4 | 20.4 / 23.3 |
| – man / woman age 65 in 20 years’ time | 22.7 / 25.5 | 22.6 / 25.4 |

1 The percentages shown concern the above-referenced defined benefit schemes for the pension entitlements of employees in the Netherlands, which represent 95% (2022: 95%) of the gross pension liability and 98% (2022: 98%) of the fair value of plan assets.

The applied 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. As of 2023, the methodology for setting the discount rate for the pension plans in the Netherlands, Germany and Greece has been updated (from RATE:Link to Mercer Yield Curve).
The impact of the change in methodology is included in the net pension liability under 'remeasurement due to changes in financial assumptions'. As a result of the change in methodology the net pension liability decreased by approximately EUR 7 million (calculated per 1 January 2023).

## Movement in and specification of net pension liability

| | Gross pension liability | | Fair value of plan assets | | Net pension liability | |
|---|---|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| **At 1 January** | **3,164** | **4,031** | **-2,994** | **-3,812** | **170** | **219** |
| **Included in the income statement** | | | | | | |
| Operating expenses: | | | | | | |
| – Current service cost | 8 | 12 | | | 8 | 12 |
| – Pension plan adjustment | 3 | | | | 3 | |
| – Interest expense or income | 115 | 48 | -110 | -45 | 5 | 3 |
| – Administration costs | | | 1 | 1 | 1 | 1 |
| **Total** | **126** | **60** | **-109** | **-44** | **17** | **16** |
| **Recognised in equity** | | | | | | |
| Remeasurement of the net pension liability by: | | | | | | |
| – Return on plan assets, excluding the interest income and adjusted guaranteed value | | | 157 | 772 | 157 | 772 |
| – Changes in financial assumptions | -229 | -846 | | | -229 | -846 |
| – Changes in demographic assumptions | 1 | 27 | | | 1 | 27 |
| – Experience adjustments | 74 | 12 | | | 74 | 12 |
| **Total remeasurement gain or loss** | **-154** | **-807** | **157** | **772** | **3** | **-35** |
| Currency translation differences | -2 | -1 | 1 | 1 | -1 | |
| **Total** | **-156** | **-808** | **158** | **773** | **2** | **-35** |
| **Other** | | | | | | |
| Contributions paid by the employer to the plan | | | -30 | -27 | -30 | -27 |
| Benefits paid | -121 | -116 | 121 | 116 | | |
| Transfer to liabilities held for sale | 1 | -3 | | | 1 | -3 |
| **Total** | **-120** | **-119** | **91** | **89** | **-29** | **-30** |
| **At 31 December** | **3,014** | **3,164** | **-2,854** | **-2,994** | **160** | **170** |
| Classification | | | | | | |
| Non-current assets | | | | | 8 | 9 |
| Non-current liabilities | | | | | 168 | 179 |

At the end of financial year 2023, EUR 100 million of the EUR 3,014 million gross pension liability has not been funded (2022: EUR 105 million of EUR 3,164 million). The contributions to the plans of EUR 30 million are the premiums paid by FrieslandCampina in 2023, of which EUR 11 million relates to the 2022 financial year.

### Income and expenses under long-term employee benefits recognised in the income statement

| | 2023 | 2022 |
|---|---|---|
| Current service cost | -8 | -12 |
| Expansion RVU-scheme | -3 | |
| Interest expense or income | -5 | -3 |
| Administration costs | -1 | -1 |
| **Defined benefit cost recognised in the income statement** | **-17** | **-16** |
| Pension costs for defined contribution plans | -100 | -95 |
| Employees' share in pension costs | 11 | 11 |
| **Pension costs recognised in the income statement** | **-106** | **-100** |
| Expenses under other long-term employee benefits | -5 | -1 |
| **Expenses under long-term employee benefits recognised in the income statement** | **-111** | **-101** |

FrieslandCampina expects to contribute EUR 25 million into its defined benefit plans in 2024, of which EUR 6 million relates to the year 2023. In 2024, FrieslandCampina expects to contribute EUR 100 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

| | 2023 | | | 2022 | | |
|---|---|---|---|---|---|---|
| | % | % | % | % | % | % |
| | Company pension fund | Insurance-contract | Foreign pension schemes | Company pension fund | Insurance-contract | Foreign pension schemes |
| Equities | | | | | | |
| – North America | 9 | | | 8 | | |
| – Europe | 1 | | | 2 | | |
| – Japan | 1 | | | 1 | | |
| – Emerging Markets | | | | 1 | | |
| – Other | 1 | | | 1 | | |
| Fixed income | | | | | | |
| – Investment grade (BBB- rating or higher) | 24 | | | 26 | | |
| – Non-investment grade (rating below BBB-) | 6 | | | 3 | | |
| Other investments | 4 | | 2 | | | 2 |
| Guaranteed value of insurance contract | | 52 | | | 56 | |
| **Total** | **46** | **52** | **2** | **42** | **56** | **2** |

At year-end 2023, the plan assets in the company pension fund and the guaranteed value of the insurance contract amount to 46% and 52% of the total plan assets respectively (2022: 42% and 56%). At the end of 2023, the interest rate risk relating to the liabilities of the company pension fund is hedged for 80% of which governments bonds (currency risk is largely hedged) contribute for 33% and interest rate swaps for 67%. 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 80%.

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 actual investments in the segregated investment account. At year-end 2023 approximately 91% of the investment portfolio consists of fixed-income securities and cash, 3% of equities and 6% of other investments. The insurance contract has changed to a market rate contract in 2023, so the pension liabilities for local funding purposes are now based on market interest rates instead of on a fixed interest rate. After the switch to the new insurance contract the pension liabilities are hedged, the interest rate hedge is now approximately 100% of the liabilities.

The investments in the foreign pension plans comprise 2% of the total amount (2022: 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

| | 2023 | | 2022 | |
|---|---|---|---|---|
| | Increase | Decrease | Increase | Decrease |
| Change of 0.25% in discount rate | -95 | 101 | -109 | 116 |
| Change of 0.25% in indexation of former participants | 89 | -85 | 98 | -95 |
| Change of 1 year in life expectancy | 117 | -116 | 131 | -129 |

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.

### Accounting estimates

To make the actuarial calculations for the defined benefit plans, FrieslandCampina needs to make use of assumptions for discount rates, future pension increases and life expectancy as described in this note. The actuarial calculations are made by external actuaries based on inputs from observable market data, such as corporate bond returns and yield curves to determine the discount rates used, mortality tables to determine life expectancy and inflation numbers to determine future salary and pension growth assumptions.

As a result of the Expedition 2030 transformation programme, the outflow of employees will be greater than included in the calculation of the pension obligation at year-end 2023. The impact of the change in this assumption will be reflected in 2024.

### Accounting policies

#### 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.

## 9.2 Provisions

| | 2023 | | | 2022 | | |
|---|---|---|---|---|---|---|
| | Restructuring | Other provisions | **Total** | Restructuring | Other provisions | **Total** |
| At 1 January | 43 | 82 | **125** | 28 | 75 | **103** |
| Additions charged to the income statement | 138 | 11 | **149** | 45 | 8 | **53** |
| Release to the income statement | -7 | -4 | **-11** | -7 | -1 | **-8** |
| Currency translation differences | -1 | -2 | **-3** | 0 | 1 | **1** |
| Utilisations | -23 | -8 | **-31** | -23 | -1 | **-24** |
| **At 31 December** | **150** | **79** | **229** | **43** | **82** | **125** |
| | | | | | | |
| Non-current provisions | 10 | 65 | **75** | 8 | 70 | **78** |
| Current provisions | 140 | 14 | **154** | 35 | 12 | **47** |
| | **150** | **79** | **229** | **43** | **82** | **125** |

### Restructuring provisions

In 2023, restructuring provisions are recorded following announced restructurings for an amount of EUR 138 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.

The withdrawals in 2023 mainly relate to provisions for the locations in Germany.

For more information regarding additions during the year, refer to note 6.6.

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

In 2022 a provision is recorded for the buy-off of a service contract. The provision of EUR 2 million consisted of the present value of the expected payment over 40 years. In 2023 the service contract is terminated, triggering the termination clause. The settlement amount is included in other liabilities, refer to note 7.3.

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.
On 3 October 2023, the Bangkok Commercial Court of Appeal overruled the judgment of the Court of First Instance in the business dispute between FrieslandCampina Thailand and a business-to-business client. The Court of Appeal ruled that FrieslandCampina is not liable to pay 58 million euros in damages alleged by this client. In May 2021 the Court of First Instance had ruled that, based on its interpretation of the commercial contract between FrieslandCampina and this client, FrieslandCampina had overcharged its client over a period of ten years (2009-2019). In 2021 FrieslandCampina made a provision following the judgement. Since parties can still file an appeal before the Supreme Court of Thailand, the provision has not been released yet.

The addition in 2023 primarily relates to interests and costs related to the proceeding in Thailand. Furthermore, provisions are recorded for onerous contracts.

### Accounting estimates

In determining the likelihood and timing of potential cash outflows, FrieslandCampina needs to make estimates. For legal and arbitration proceedings FrieslandCampina bases its assessment on internal and external legal assistance and established precedents. Contingent liabilities are disclosed in note 13.2.

### Accounting policies

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.

# 10. Acquisitions, disposals and associates

## 10.1 Acquisitions and disposals of subsidiaries and non-controlling interests

### Disposal of part of German consumer activities

As per 1 April 2023, FrieslandCampina legally finalised the sale of a part of its German consumer brands and activities. For more information refer to note 6.6

### Accounting policies

#### 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.

#### 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.

#### 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. If the contingent consideration is classified as liability, it is remeasured. 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.

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.

## 10.2 Assets and liabilities held for sale

| | 2023 | 2022 |
|---|---|---|
| **Assets held for sale** | | |
| At 1 January | 88 | 7 |
| Transfer from property, plant and equipment | | 68 |
| Transfer from current assets | | 20 |
| Disposals | -87 | -4 |
| Impairments | -1 | -3 |
| **At 31 December** | | **88** |
| **Liabilities held for sale** | | |
| At 1 January | 6 | |
| Transfer from employee benefits | | 3 |
| Transfer from current and non-current liabilities | | 3 |
| Disposals | -6 | |
| **At 31 December** | | **6** |

Packaging lines and other assets, including Land and Buildings in Germany that were classified as assets held for sale at the end of 2022 have been sold during 2023. For more information refer to note 6.6

### Accounting estimates and judgements

FrieslandCampina exercises judgement regarding whether assets or groups of assets are expected to be sold within 1 year, and the sale is highly probable. These judgements are difficult to demonstrate in practice.

### Accounting policies

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.

## 10.3 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.

| | 2023 | | | 2022 | | |
|---|---|---|---|---|---|---|
| | Joint ventures | Associates | Total | Joint ventures | Associates | Total |
| Carrying amount | 95 | 18 | **113** | 99 | 17 | **116** |
| Share of: | | | | | | |
| – profit or loss, net of tax | 15 | -1 | **14** | 13 | 2 | **15** |
| – other comprehensive income | -2 | | **-2** | | | |
| **Total comprehensive income** | **13** | **-1** | **12** | **13** | **2** | **15** |

The largest joint venture concerns the 50% interest in Betagen Holding Ltd. FrieslandCampina's interest in Betagen Holding Ltd. amounts to EUR 65 million (2022: EUR 64 million), of which EUR 30 million relates to goodwill (2022: EUR 30 million) and the share in the 2023 profit amounts to EUR 11 million (2022: EUR 11 million).

For a summary of the transactions with joint ventures and associates, refer to Note 13.3.

### Accounting policies

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.

## 11. Financing and capital structure

### 11.1 Finance income and costs

| | 2023 | 2022 |
|---|---|---|
| **Finance income** | | |
| Interest income | 12 | 13 |
| Other finance income | 5 | 7 |
| | **17** | **20** |
| **Finance costs** | | |
| Interest expenses | -79 | -36 |
| Foreign exchange losses on receivables and payables | -60 | -22 |
| Other finance costs | -4 | -5 |
| | **-143** | **-63** |

Interest expenses, among other things, relate to unwinding of lease liabilities of EUR 5 million (2022: EUR 3 million).

Increased costs for exchanging foreign currencies related to dividend and financing liabilities in Nigeria amount to EUR 50 million (2022: EUR 10 million) and are recorded as part of the foreign exchange losses on receivables and payables. Refer to note 6.6 for information relating to costs for exchanging foreign currencies in Nigeria.

The other finance income (2022: other finance costs) include the interest accrued and the remeasurement of the put option liability; also refer to note 11.4.

Other finance costs also comprise the amortisation of transaction costs and commitment fees for non-current borrowings of EUR 3 million (2022: EUR 2 million).

#### Accounting estimates and judgements

For the estimates and judgements in relation to the remeasurement of the put option liability, refer to note 11.4.

#### Accounting policies

Finance income comprises interest received on loans and receivables from third parties, 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, unwinding the discount on provisions, fair value losses on financial assets at fair value through profit or loss, 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.

## 11.2 Cash and cash equivalents

| | 2023 | 2022 |
|---|---|---|
| Deposits | 327 | 234 |
| Other cash and cash equivalents | 242 | 187 |
| | **569** | **421** |

Funds of EUR 12 million (2022: EUR 29 million) are not freely available and mainly designated for intercompany transactions to Nigeria. These funds are released once the goods have been supplied.

### Accounting policies

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.

## 11.3 Interest-bearing borrowings

The terms and conditions of outstanding borrowings are as follows:

| | 2023 | | 2022 | |
|---|---|---|---|---|
| | | Boekwaarde | | Boekwaarde |
| Borrowings from credit institutions | | 749 | | 765 |
| Borrowings from institutional investors | | 206 | | 232 |
| Borrowings from holders of green bonds | | 375 | | 252 |
| Uncommitted facilities | | | | 175 |
| Borrowings from member dairy farmers (variable interest) | 16 | | 15 | |
| Bank overdrafts (variable interest) | 31 | | 17 | |
| Lease liabilities (fixed interest) | 152 | | 176 | |
| Capitalised issue costs | -1 | | -1 | |
| **Other** | | **198** | | **207** |
| **Interest-bearing borrowings** | | **1,528** | | **1,631** |
| Recognised under non-current interest-bearing borrowings | | 870 | | 993 |
| Recognised under current interest-bearing borrowings | | 658 | | 638 |

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 interest rate and cross currency swaps at year-end 2023, is 4.2% (2022:3.2%). Of the lease liabilities, EUR 106 million (2022: EUR 125 million) is classified as non-current and EUR 46 million (2022: EUR 51 million) is classified as current.

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

### Borrowings from credit institutions

In 2016 FrieslandCampina agreed a loan facility at EUR 150 million with the European Investment Bank (EIB). The outstanding amount at the end of 2023 is EUR 131 million (2022: EUR 135 million). The loan consists of three parts with fixed interest rates. The terms range from 3 to 10 years. An amount of EUR 74 million of the loans is recorded as current interest-bearing borrowings.

During 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.

In 2016 FrieslandCampina negotiated a loan with International Finance Corporation (IFC) for USD 100 million in support of the acquisition of a 51% interest in Engro Foods. In the first half of 2023 the outstanding balance of USD 47 million was fully repaid. At the same moment FrieslandCampina and IFC agreed a new loan for an amount of EUR 75 million. Repayments will take place in the period 2026-2028.

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. During 2023 total repayments made were EUR 75 million. The outstanding amount of EUR 150 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.

In the second half of 2022, Royal FrieslandCampina N.V. successfully raised a new EUR 1.25 billion revolving credit facility (“RCF”). The facility is linked to four 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 capitalised as a prepayment and are amortised over the term of the facility. In the second half of 2023, Royal FrieslandCampina made a successful extension request to the lenders of the facility with one year to October 2028. At the same time, Royal FrieslandCampina cancelled voluntary the available revolving facility commitments with an amount of EUR 250 million to a level of EUR 1,0 billion. At 31 December 2023, the credit facility is not utilised (2022: EUR 0 million).

In the first half of 2023, FrieslandCampina negotiated a new loan of EUR 75 million with Kreditanstalt für Wiederaufbau-Ipex Bank for a period of 5 years.

### Borrowings from institutional investors

In 2012 FrieslandCampina took out privately placed loans with institutional investors in the United States to a total of USD 228 million (2022: USD 249 million). In 2023, EUR 19 million was repaid (2022: EUR 88 million). On 31 December 2023, the total amount of borrowings from institutional investors (private placements) classified as non-current amounts to EUR 56 million (2022: EUR 213 million) and an amount of EUR 151 million (2022: EUR 19 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, refer to note 11.4. The gain resulting from the revaluation of the loan to euro of EUR 10 million in 2023 (2022: EUR 4 million loss) has been fully offset by the hedge.

In the second half of 2023 FrieslandCampina successfully issued US Private Placement Notes for an aggregate amount of EUR 494 million with maturity terms of 8, 10 and 12 years. The average maturity of the transaction is 10 years. The (USD and EUR) notes are linked to two of FrieslandCampina’s sustainability performance indicators and the funding will take place in February 2024. The USD repayments and interest payment obligations associated with the private placement obligations are converted into EUR obligations with a fixed interest rate through means of cross-currency swaps.

### Borrowings from holders of green bonds

The outstanding green bonds (Green Schuldschein) issued by FrieslandCampina amounted to EUR 75 million (2022: EUR 252 million). These bonds are recognised in both non-current interest-bearing borrowings (EUR 45 million) and current interest-bearing borrowings (EUR 30 million).

In the first half of 2023 FrieslandCampina has successfully issued a new EUR 300 million Schuldschein linked to two sustainability performance indicators. The transaction consists of three tranches which will mature after 3, 5 and 7 years. The average maturity of the transaction is slightly over five years.

### Uncommitted facilities

The maximum term of the Euro Commercial Paper (ECP) issued debt securities is 12 months. At year-end 2023, there were no drawings under the ECP Programme (2022: EUR 175 million).

### Borrowings from member dairy farmers

The borrowings from member dairy farmers amounting to EUR 16 million (2022: EUR 15 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.

### Accounting estimates and judgements

Please refer to Note 8.1.1 in relation to right-of-use assets and lease liabilities.

### Accounting policy

#### 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.

## 11.4 Other financial liabilities

| | 2023 | 2022 |
|---|---|---|
| **Non-current other financial liabilities** | | |
| Derivatives | 9 | 1 |
| Put option liabilities | | 17 |
| Other | 9 | 3 |
| | **18** | **21** |
| **Current other financial liabilities** | | |
| Derivatives | 3 | 7 |
| Contingent considerations | 1 | 1 |
| Put option liabilities | 12 | 51 |
| | **16** | **59** |

The put option liabilities relate to the co-financing of the acquisition of a 51% interest in FrieslandCampina Engro Pakistan Ltd in 2016. FrieslandCampina issued a put option to International Finance Corporation (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 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 has been in exercised in 2023, the put option on type B shares can first be exercised at the beginning of 2024.

The put option liabilities amount to EUR 12 million as at 31 December 2023 (2022: EUR 68 million). In 2023, EUR 51 million was exercised and a revaluation of the put option liability was carried out. This resulted in a release of EUR 6 million recognised under Finance income.

For information regarding derivatives, accounting policies, estimates and judgements, and the determination of the fair value of derivatives, refer to note 11.7.

### Accounting estimates and judgements

**Non-derivative financial liabilities**

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.

### Accounting policies

For the accounting policies for Non-derivative financial liabilities, refer to note 11.3.

**Put option liabilities**

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.

## 11.5 Equity

### Issued capital

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

### Share premium

The share premium comprises primarily 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 6 months 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. 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 2023 financial year, EUR 58 million (2022: EUR 29 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 2023 financial year, EUR 9 million (2022: EUR 9 million) is attributed from the result as interest on the perpetual bonds.

### Cooperative loan

The EUR 290 million perpetual subordinated loan advanced to FrieslandCampina by Zuivelcoöperatie FrieslandCampina U.A. has no maturity date. The interest rate of the perpetual subordinated loan is the 6 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 19 million of the profit over the 2023 financial year (2022: EUR 9 million) is attributed to the provider of the Cooperative loan as interest payment.

In January 2024, FrieslandCampina used their right to repay part of the Cooperative loan for an amount of EUR 150 million.

### 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 rounded EUR 0 million (2022: EUR 0 million) 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 in 2022, 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 of 2022.

### 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.

In 2023, FrieslandCampina N.V made a distribution of EUR 900 million to Zuivelcoöperatie FrieslandCampina U.A.

### Reserve policy

The 2023-2025 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 realised 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 2023, EUR 85 million has been paid to member dairy farmers as supplementary payment related to milk supplied in 2022.

### Non-controlling interests shareholder

Since 2020 FrieslandCampina has 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. In 2023, FrieslandCampina N.V made a distribution of EUR 900 million to Zuivelcoöperatie FrieslandCampina U.A. which reduced the negative equity of 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.

| | 2023 | | | | | | 2022 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 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 | 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 | 125 | 120 | 107 | 77 | | | 125 | 150 | 107 | 77 | | |
| Current assets | 415 | 83 | 119 | 102 | | | 415 | 90 | 119 | 102 | | |
| Non-current liabilities | -34 | -24 | -3 | -4 | | | -34 | -35 | -3 | -4 | | |
| Current liabilities | -471 | -85 | -50 | -90 | | | -471 | -84 | -50 | -90 | | |
| **Net assets** | **35** | **94** | **173** | **85** | | | **35** | **121** | **173** | **85** | | |
| Carrying amount of non-controlling interest | 12 | 46 | 153 | 42 | 43 | **296** | 12 | 59 | 153 | 42 | 64 | **330** |
| Revenue | 723 | 331 | | 289 | | | 723 | 342 | | 289 | | |
| Profit for the year | -11 | | 74 | 9 | | | -11 | 5 | 74 | 9 | | |
| Other comprehensive income | 1 | -27 | | | | | 1 | -25 | | | | |
| **Total comprehensive income** | **-10** | **-27** | **74** | **9** | | | **-10** | **-20** | **74** | **9** | | |
| Profit allocated to non-controlling interest | -4 | | 37 | 4 | 30 | **67** | -4 | 2 | 37 | 4 | 23 | **62** |
| Other comprehensive income allocated to non-controlling interest | | -13 | | | -7 | **-20** | | -12 | | | | **-12** |
| Dividends paid out to non-controlling interest | -3 | | -26 | -3 | -49 | **-81** | -3 | | -26 | -3 | -14 | **-46** |
| Net cash from/used in operating activities | -45 | 17 | | 34 | | | -45 | 33 | | 34 | | |
| Net cash from/used in investing activities | -181 | -12 | | -27 | | | -181 | -11 | | -27 | | |
| Net cash used in financing activities | 85 | -7 | | -9 | | | 85 | -13 | | -9 | | |
| **Net cash flows** | **-141** | **-2** | | **-2** | | | **-141** | **9** | | **-2** | | |

1 As the 2023 results of FrieslandCampina WAMCO Nigeria PLC, DFE Pharma GmbH & Co. KG and. Dutch Lady Milk Industries Berhad are not yet publicly available, the 2022 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.

### Accounting policies

**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.

## 11.6 Financial risk management

### 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 2023, EUR 250 million (2022: EUR 3 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. These non-deliverable forwards will be settled in the first half of 2024. 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):

| | | | | | 2023 |
|---|---|---|---|---|---|
| | EUR/USD | EUR/CNY | NGN/USD | IDR/USD | EUR/HKD |
| Receivables | 382 | 154 | 143 | 17 | 4 |
| Cash and cash equivalents | -49 | 27 | | 3 | -4 |
| Liabilities | 160 | 173 | 261 | 22 | 23 |
| **Net statement of financial position** | **173** | **8** | **-118** | **-2** | **-23** |
| Forward exchange contracts | 66 | 71 | -121 | | 2 |
| **Net exposure 31 December** | **107** | **-63** | **3** | **-2** | **-25** |
| Sensitivity analysis | | | | | |
| Impact on profit before tax | 5 | -3 | | | -1 |

| | | | | | 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 |

### 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, except for the exchange rate NGN/USD which is set to 15%. 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, 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 2023, this exchange rate is 40% higher. In addition, a liability is recorded for higher costs to exchange local currencies to US dollars, refer to note 6.6.

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 following the current year. After that the bandwidth goes down gradually in year 4 and 5 to 10%-40%.

The percentage which is characterised by a fixed interest percentage or is fixed by means of a hedge is at 31 December 2023 60% (2022: 70%). The overview below shows the situation at the end of the year:

| | 2023 | | 2022 | |
|---|---|---|---|---|
| | Carrying amount excluding hedging | Carrying amount including hedging | Carrying amount excluding hedging | Carrying amount including hedging |
| Fixed rate | 618 | 918 | 884 | 1,134 |
| Variable rate | 910 | 610 | 747 | 497 |
| | **1,528** | **1,528** | **1,631** | **1,631** |

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 2,953 million, (2022: EUR 2,497million). Of these facilities EUR 1,624 million (2022: EUR 1,250 million) was unused at the end of 2023, 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.

| | Carrying amount | Contractual cash flows | 2024 | 2025 - 2028 | After 2028 |
|---|---|---|---|---|---|
| | | | | | **2023** |
| **Non-derivative financial liabilities** | | | | | |
| Interest-bearing borrowings | 1,376 | **-1,530** | -672 | -703 | -155 |
| Lease liabilities | 152 | **-176** | -52 | -101 | -23 |
| Trade and other payables | 3,428 | **-3,428** | -3,428 | | |
| Put option liabilities | 12 | **-12** | | -12 | |
| Contingent considerations | 1 | -1 | -1 | | |
| **Derivates** | | | | | |
| Cross currency swaps - inflow | | **9** | -22 | 6 | 25 |
| Cross currency swaps - outflow | | **-9** | 23 | -5 | -27 |
| Interest rate swaps - outflow | 7 | **-7** | 1 | -8 | |
| Forward exchange - inflow | | **207** | 207 | | |
| Forward exchange - outflow | 1 | **-208** | -208 | | |
| Commodity swaps - outflow | 4 | **-4** | -2 | -2 | |
| | **4,981** | **-5,159** | **-4,154** | **-825** | **-180** |

| | Carrying amount | Contractual cash flows | 2023 | 2024 - 2027 | After 2027 |
|---|---|---|---|---|---|
| | | | | | **2022** |
| **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** |

## 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 2.8% (2022: 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, refer to note 7.2.

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 11.3. 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:

| | 2023 | | 2022 | |
|---|---|---|---|---|
| | Cash positions | Contract volume derivatives | Cash positions | Contract volume derivatives |
| AA | 195 | 543 | 8 | 127 |
| A | 306 | 1,170 | 325 | 1,846 |
| BBB | 13 | 173 | 11 | 227 |
| < BBB | 7 | | 38 | 1 |
| No rating | 48 | 30 | 39 | 66 |
| | **569** | **1,916** | **421** | **2,267** |

## Covenant guidelines

**Excisting 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 is disregarded:

| | 2023 | 2022 |
|---|---|---|
| Non-current interest-bearing borrowings | 764 | 868 |
| Current interest-bearing borrowings | 613 | 587 |
| Receivables from Zuivelcoöperatie FrieslandCampina U.A. | -185 | -179 |
| Cash and cash equivalents | -569 | -421 |
| Cash and cash equivalents not freely available | 12 | 33 |
| **Net debt** | **635** | **888** |

## 11.7 Derivatives

In the statement of financial position the hedging derivatives are recognised in current and non-current other financial assets and other financial liabilities.

| Hedging activities | 2023 | | |
|---|---|---|---|
| | Assets | Liabilities | Contract volume at year-end |
| Cross currency swaps | 25 | | 274 |
| Interest rate swaps | 6 | 7 | 855 |
| Commodity swaps | 1 | 4 | 65 |
| **Total cash flow hedges subject to hedge accounting** | **32** | **11** | |
| Forward exchange contracts | 82 | 1 | 692 |
| Commodity swaps | | | 30 |
| **Derivatives not subject to hedge accounting** | **82** | **1** | |
| **Total derivatives** | **114** | **12** | |
| Classified as current | 101 | 3 | |
| Classified as non-current | 13 | 9 | |

| | 2022 | | |
|---|---|---|---|
| | Assets | Liabilities | Contract volume at year-end |
| Cross currency swaps | 30 | | 196 |
| Interest rate swaps | 10 | | 500 |
| Commodity swaps | 12 | 1 | 44 |
| **Total cash flow hedges subject to hedge accounting** | **52** | **1** | |
| Interest rate swaps | 8 | | 500 |
| Forward exchange contracts | 7 | 7 | 953 |
| Commodity swaps | 11 | | 74 |
| **Derivatives not subject to hedge accounting** | **26** | **7** | |
| **Total derivatives** | **78** | **8** | |
| | | | |
| Classified as current | 38 | 7 | |
| Classified as non-current | 40 | 1 | |

## 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 228 million (2022: USD 249 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 realised on these hedging instruments, that is designated as an effective hedge, is recognised in comprehensive income. The private placement obligations have been fixed at EUR 180 million (2022: EUR 196 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 2023. As of year-end 2023 a positive cash flow hedge-reserve of EUR 1 million (2022: EUR 1 million negative) is recognised as part of equity for active hedge relations.

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

| | 2023 | 2022 |
|---|---|---|
| **Cross currency swaps** | | |
| Carrying amount | 25 | 30 |
| Contractual amount | 180 | 196 |
| Maturity date | 2024-2027 | 2023-2027 |
| Hedge ratio | 1:1 | 1:1 |
| Changes in value of outstanding hedging instruments for the purpose of determining the hedge effectiveness | -6 | 3 |
| Changes in value of hedged items for the purpose of determining the hedge effectiveness | | 1 |
| Weighted average interest | 4.0% | 4.0% |

In the above overview the forward starting cross currency swaps (USD 100 million- EUR 94 million, maturity February 2032) concluded in 2023 to hedge the USD repayments and interest payment obligations associated with the private placement obligations starting February 2024, are not included.

### Commodity swaps

In 2023, FrieslandCampina has continued to partially hedge the price risk on fuel costs (diesel oil) for road transport in the Benelux region for the period 2024-2026 and continued to partially hedge the price risk on fuel costs (bunker oil) for sea transport for the period 2024-2026, to which hedge accounting is applied. For the aforementioned hedges in accordance with IFRS 9, the 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.

At year-end 2023, EUR 1 million negative (2022: EUR 8 million positive) has been recognised 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:

| | 2023 | | 2022 | |
|---|---|---|---|---|
| **Commodity swaps** | Bunker oil | Diesel oil | Bunker oil | Diesel oil |
| Carrying amount | -2 | 0 | -1 | 12 |
| Contractual amount | 36 | 29 | 24 | 20 |
| Maturity date | 2024-2026 | 2024-2026 | 2023-2025 | 2023-2025 |
| Hedge ratio | 1:1 | 1:1 | 1:1 | 1:1 |
| Weighted average contract price | 746 | 629 | 824 | 475 |

### Interest rate swaps

In 2023, 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. By the end of 2023 the swaps covering the period 2025 (EUR 200 million) have been sold and the hedge accounting for these contracts is terminated (EUR 1 million released to income).

In 2023, FrieslandCampina entered into new interest rate swaps to convert variable interest into fixed interest obligations, related to interest-bearing borrowings of EUR 300 million for the period 2025-2028 and EUR 255 million for the period 2024-2030.

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 2023, EUR 1 million negative has been recognised 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.

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

### Accounting estimates

For a description of the accounting estimates of Derivative financial instruments, refer to note 13.1.

## Accounting policies

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.

### 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.

| | 2023 | | | | |
|---|---|---|---|---|---|
| | Fair value | **Expected cash flows** | 2024 | 2025 - 2028 | After 2028 |
| **Cross currency swaps** | | | | | |
| Assets | 25 | **25** | 23 | 9 | -7 |
| Liabilities | | | 1 | 1 | -2 |
| **Interest Rate swaps** | | | | | |
| Assets | 6 | **6** | 5 | 1 | |
| Liabilities | -7 | **-7** | 1 | -8 | |
| **Commodity swaps** | | | | | |
| Assets | 1 | | 1 | | |
| Liabilities | -4 | | -2 | -2 | |

| | 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 | |
| **Commodity swaps** | | | | | |
| Assets | 12 | | 2 | 10 | |
| Liabilities | -1 | | -1 | -1 | |

## 12. Tax

### 12.1 Income tax expense

**Breakdown of tax expense**

| | 2023 | 2022 |
|---|---|---|
| Current tax expense, current year | -144 | -142 |
| Adjustment for prior years | 2 | -1 |
| **Current tax expense** | **-142** | **-143** |
| Deferred tax expense, current year | 124 | 50 |
| Write-down of deferred tax assets | -91 | -56 |
| Adjustment for prior years | -3 | -2 |
| Deferred tax expense | 30 | -8 |
| Income tax expense | -112 | -151 |
| **Deferred tax expense** | **30** | **-8** |
| **Income tax expense** | **-112** | **-151** |

**Effective tax rate**

| | 2023 | | 2022 | |
|---|---|---|---|---|
| | | % | | % |
| **Profit before tax** | **-37** | | **443** | |
| Tax payable on the basis of the Dutch tax rate | 10 | 25.8 | -114 | 25.8 |
| Effect of different tax rates outside the Netherlands | 15 | 40.5 | 14 | -3.3 |
| Share of result of joint ventures and associates | 4 | 10.8 | 4 | -0.8 |
| Withholding tax on dividends | -4 | -10.8 | -11 | 2.5 |
| Non-deductible expenses | -47 | -127.0 | -9 | 2.0 |
| Tax-exempt income and allowances | 2 | 5.4 | 23 | -5.2 |
| Write-down of deferred tax assets | -91 | -244.7 | -56 | 12.7 |
| Divestment of subsidiaries | | | -5 | 1.1 |
| Adjustments to estimates relating to prior years | -1 | -2.7 | 3 | -0.7 |
| **Effective tax rate** | **-112** | **-302.7** | **-151** | **34.1** |

The income tax expense amounted to EUR 112 million (2022: EUR 151 million). The effective tax rate in 2023 is -303.9% (2022: 34.1%). The decrease is partly due to lower profit before tax and a higher write-down of the deferred tax asset in the Netherlands compared to 2022.

| | 2023 | | |
|---|---|---|---|
| | Before tax | Tax expense/ income | Net of tax |
| **Income tax recognised directly in equity** | | | |
| Interest Cooperative loan | -19 | | -19 |
| Interest perpetual bonds | -9 | | -9 |
| Interest member bonds | -58 | | -58 |
| | **-86** | | **-86** |
| **Income tax recognised in other comprehensive income** | | | |
| Movement cash flow hedge reserve | -20 | 5 | -15 |
| Movement currency translation reserve | -89 | | -89 |
| Remeasurement of liabilities (assets) under defined benefit plans | -1 | | -1 |
| | **-110** | **5** | **-105** |

No tax effect has been recorded on the interest recognised in equity and remeasurement of liabilities (assets) under defined benefit plans as no deferred tax asset is recognised in the Netherlands.

| | 2022 | | |
|---|---|---|---|
| | Before tax | Tax expense/ income | Net of tax |
| **Income tax recognised directly in equity** | | | |
| 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** |

## 12.2 Deferred tax assets and liabilities

| | | | | | | 2023 |
|---|---|---|---|---|---|---|
| | Property, plant and equipment | Intangible assets | Employee benefits | Inventories, trade receivables, derivatives, trade payables, liabilities and provisions | Unused tax losses and facilities | **Total** |
| At 1 January | -55 | -51 | 5 | 133 | 45 | **77** |
| Recognised through the income statement | | 3 | 5 | -20 | 42 | **30** |
| Recognised in equity | | | | 5 | | **5** |
| Currency translation differences | 9 | 7 | | -4 | -10 | **2** |
| **At 31 December** | **-46** | **-41** | **10** | **114** | **77** | **114** |

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

| | Assets | Liabilities | **Net** |
|---|---|---|---|
| Property, plant and equipment | 3 | 49 | **-46** |
| Intangible assets | 6 | 47 | **-41** |
| Employee benefits | 10 | | **10** |
| Inventories, trade receivables, derivatives, accounts payable, liabilities and provisions | 134 | 20 | **114** |
| Unused tax losses and facilities | 77 | | **77** |
| Netting | -80 | -80 | |
| **Net deferred tax asset** | **150** | **36** | **114** |

| | | | | | | 2022 |
|---|---|---|---|---|---|---|
| | Property, plant and equipment | Intangible assets | Employee benefits | Inventories, trade receivables, derivatives, trade payables, liabilities and provisions | Unused tax losses and facilities | **Total** |
| At 1 January | -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** |

At the end of the financial year, the unused tax losses amounted to EUR 77 million (2022: EUR 45 million). The increase in 2023 compared to previous year mainly relates to the losses in Nigeria.
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.

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

| | 2023 | 2022 |
|---|---|---|
| Unrecognised tax losses (including deferred tax-deductible items) | 265 | 199 |
| Unrecognised facilities | 126 | 110 |
| Unrecognised temporary differences | 129 | 93 |
| | **520** | **402** |

At the end of the financial year, the nominal value of the unrecognised tax losses and deferred tax-deductible items amounts to EUR 989 million (2022: EUR 772 million). Of these unrecognised tax losses and deferred tax-deductible items, EUR 64 million expire within 10 years (2022: EUR 49 million). The remaining unrecognised tax losses and facilities will not elapse under the current fiscal rules.

### Accounting estimates and judgements

FrieslandCampina operates in a high number of jurisdictions and is subject to a wide variety of taxes per jurisdiction. Tax legislation can be highly complex and subject to interpretation. As a result, FrieslandCampina is required to exercise significant judgement in the recognition of taxes payable and determination of tax contingencies.

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, mainly relating to intangible assets and employee benefits, has been de-recognised in 2022.

### Accounting policies

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.

**OECD Pillar II model rules**
FrieslandCampina is within the scope of the OECD Pillar Two model rules. Pillar Two legislation was enacted in the Netherlands, the jurisdiction in which FrieslandCampina is incorporated, and came into effect from 31 December 2023. FrieslandCampina applies the exception to recognizing and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to IAS 12 issued in May 2023.

Under the legislation, FrieslandCampina is liable to pay a top-up tax for the difference between their GloBE effective tax rate per jurisdiction and the 15% minimum rate. FrieslandCampina performed an assessment of its potential exposure to Pillar Two income taxes. The assessment of the potential exposure to Pillar Two income taxes is based on the most recent country-by-country reporting and financial statements. For 2023, the average effective tax rate (calculated in accordance with paragraph 86 of IAS 12) of most of the jurisdictions FrieslandCampina is operating in exceeds 15%. Also, in most of the jurisdictions in which FrieslandCampina operates the transitional safe harbour relief applies. There are a limited number of jurisdictions where the transitional safe harbour relief does not apply. However, FrieslandCampina does not expect a material exposure to Pillar Two income taxes in those jurisdictions.

## 13. Other

### 13.1 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.

| | Note | Fair value - hedge accounting instruments | Manda-torily at FVTPL | FVOCI - equity instru-ments | Financial assets at amortised cost | Other financial liabilities | **Total carrying amount** | Level 1 | Level 2 | Level 3 | **Total fair value** |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | **2023** |
| **Financial assets not measured at fair value** | | | | | | | | | | | |
| Loans issued - variable rate | (8.4) | | | | 42 | | **42** | | | | |
| Other financial assets | (8.4) | | | | 157 | | **157** | | | | |
| Trade and other receivables | (7.2) | | | | 1,737 | | **1,737** | | | | |
| Cash and cash equivalents | (11.2) | | | | 569 | | **569** | | | | |
| | | | | | **2,505** | | **2,505** | | | | |
| **Financial assets measured at fair value** | | | | | | | | | | | |
| Hedging derivatives | (11.7) | 32 | 82 | | | | **114** | | 114 | | **114** |
| **Financial liabilities not measured at fair value** | | | | | | | | | | | |
| Interest-bearing borrowings – fixed rate | (11.3) | | | | | 613 | **613** | | 613 | | **613** |
| Interest-bearing borrowings – variable rate | (11.3) | | | | | 915 | **915** | | | | |
| Other non-current financial liabilities | (11.4) | | | | | 9 | **9** | | | | |
| Trade and other payables | (7.4) | | | | | 3,428 | **3,428** | | | | |
| | | | | | | **4,965** | **4,965** | | | | |
| **Financial liabilities measured at fair value** | | | | | | | | | | | |
| Hedging derivatives | (11.7) | 9 | 3 | | | | **12** | | 12 | | **12** |
| Put option liabilities | (11.4) | | 12 | | | | **12** | | | 12 | **12** |
| Contingent considerations | (11.4) | | 1 | | | | **1** | | | **1** | **1** |
| | | **9** | **16** | | | | **25** | | | | |

| | | | | | | | | | | | 2022 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Note | Fair value - hedge accounting instruments | Manda-torily at FVTPL | FVOCI - equity instru-ments | 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 | (8.4) | | | | 42 | | **42** | | | | |
| Other financial assets | (8.4) | | | | 270 | | **270** | | | | |
| Trade and other receivables | (7.2) | | | | 2,149 | | **2,149** | | | | |
| Cash and cash equivalents | (11.2) | | | | 421 | | **421** | | | | |
| | | | | | **2,882** | | **2,882** | | | | |
| **Financial assets measured at fair value** | | | | | | | | | | | |
| Hedging derivatives | (11.7) | 52 | 26 | | | | **78** | | 78 | | **78** |
| **Financial liabilities not measured at fair value** | | | | | | | | | | | |
| Interest-bearing borrowings – fixed rate | (11.3) | | | | | 884 | **884** | | 873 | | **873** |
| Interest-bearing borrowings – variable rate | (11.3) | | | | | 747 | **747** | | | | |
| Other non-current financial liabilities | (11.4) | | | | | 3 | **3** | | | | |
| Trade and other payables | (7.4) | | | | | 3,658 | **3,658** | | | | |
| | | | | | | **5,292** | **5,292** | | | | |
| **Financial liabilities measured at fair value** | | | | | | | | | | | |
| Hedging derivatives | (11.7) | 1 | 7 | | | | **8** | | 8 | | **8** |
| Put option liabilities | (11.4) | | 68 | | | | **68** | | | 68 | **68** |
| Contingent considerations | (11.4) | | 1 | | | | **1** | | | 1 | **1** |
| | | **1** | **76** | | | | **77** | | | | |

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 4.1% (2022: 4.5%) 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

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 2023, a remeasurement of the put option liability was performed. This resulted in a release of EUR 6 million (2022: dotation of EUR 2 million). This remeasurement is recognised under other finance income and 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 2023 would have been EUR 1 million lower due to the remeasurement of the put option liability.

### Mutations and transfers

During 2023, movements of the financial instruments classified as Level 3 were as follows:

| | 2023 | |
|---|---|---|
| | Contingent considerations | Put option liabilities |
| Carrying amount at 1 January | 1 | 68 |
| Redemptions | | -51 |
| Finance gains and costs | | 1 |
| Fair value adjustment | | -6 |
| **Carrying amount at 31 December** | **1** | **12** |

There were no transfers from or to levels 1, 2 or 3 during 2023.

| | 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** |

### Accounting estimates

The different methods applied by FrieslandCampina to determine the fair value require the use of estimates.
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.

### Derivative financial instruments

The fair value of derivative financial instruments is based on their listed market price, if available. If a listed market price is not available, fair value is in general estimated by discounting the difference between the cash flows based on contractual price and the cash flows based on the current price for the residual maturity of the contract using observable interest yield curves, basis spread and foreign exchange rates. These calculations are tested for reasonableness by comparing the outcome of the internal valuation with the valuation received from the counterparty. Fair values include the instrument's credit risk and adjustments to take account of the credit risk of the FrieslandCampina entity and counterparty when appropriate.

### Non-derivative financial instruments

Fair value, which is determined for disclosure purposes or when fair value hedge accounting is applied, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. Fair values include the instrument's credit risk and adjustments to take account of the credit risk of the FrieslandCampina entity and counterparty when appropriate.

## 13.2 Contingent assets and liabilities

### Contingent assets

As part of the divestment of the production location in Xiushui, part of the sales price is placed on an escrow-account (EUR 4 million).
This amount may be released in 2024 to the income statement when certain conditions are met.

### Contingent 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 2023, that are being investigated by tax authorities, at a total of EUR 22 million (2022: EUR 13 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, refer to note 9.2. FrieslandCampina does not expect the other claims to result in liabilities that have a material impact on its financial position.

### Purchase commitments fixed assets

At the end of the financial year, purchase commitments amounting to EUR 170 million (2022: EUR 265 million) were reported, with regard to property, plant and equipment. Of this, EUR 103 million (2022: EUR 131 million) relates to commitments for the next year.

### Commitments related to the merger

Zuivelcoöperatie FrieslandCampina U.A. was 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 was that the member dairy farmer had to become a supplier to another purchaser of regular raw milk in the Netherlands. The commitment remained in force until member dairy farmers with a total milk volume of 1.2 billion kilograms left FrieslandCampina.
The Dutch Milk Foundation (DMF) has informed FrieslandCampina that the total available volume has been reached as of 9 November 2023, putting an end to the severance scheme.

### Bank guarantees

At 31 December 2023, FrieslandCampina has provided bank guarantees to third parties amounting to a total of EUR 16 million (2022: EUR 75 million). The decrease mainly relates to the bank guarantees provided for legal proceeding in Thailand. Refer to note 9.2.

### 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.

### Accounting estimates and judgements

FrieslandCampina is required to make an assessment of the contingent liabilities, to determine whether the risk of loss is possible but unlikely. Unforeseen circumstances create inherent uncertainties, including, but not limited to, court rulings, negotiations between parties involved, and government action.

In order to determine the likelihood and timing of a possible outflow of funds, FrieslandCampina must make estimates. FrieslandCampina also makes use of external advisors for this purpose.

### Accounting policies

Contingent liabilities are not recognised in the balance sheet because their existence can only be confirmed by the occurrence or non-occurrence of one or more uncertain future events that FrieslandCampina cannot fully control, or because the risk of loss is assessed to be not likely (<50%) or because the amount cannot be reliably determined.

Contingent assets are not included in the balance sheet because their existence is not virtually certain.

## 13.3 Transactions with related parties

Refer to note 13.4 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 2023, this was more than 9 billion kilograms (2022: 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 (2022: 56 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 2023, the Cooperative has made a capital contribution to FrieslandCampina's equity in the amount of EUR 617 million, as disclosed in detail in note 11.5. In 2023, FrieslandCampina N.V. made a distribution of EUR 900 million from retained earnings to the Cooperative, which cleared the negative equity of FC C.V.

The relations are specified in the table below:

| | 2023 | 2022 |
|---|---|---|
| Interest on the Cooperative loan | 19 | 9 |
| Interest on member bonds | 4 | 1 |
| Other income | 21 | 9 |
| Receivables from Zuivelcoöperatie FrieslandCampina U.A. | 185 | 179 |
| Cooperative loan | 302 | 295 |
| Member bonds | 60 | 65 |

### 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:

| | 2023 | 2022 |
|---|---|---|
| **Joint ventures** | | |
| Purchase of raw materials, consumables and commodities | 34 | 32 |
| Sale of raw materials, consumables and commodities | 2 | 2 |
| Receivables from joint ventures | | 1 |
| Payables to joint ventures | 2 | 1 |
| **Associates** | | |
| Purchase of raw materials, consumables and commodities | 11 | 16 |
| Sale of raw materials, consumables and commodities | 108 | 117 |
| Receivables from associates | 10 | 16 |
| Payables to associates | 7 | 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:

| | 2023 | 2022 |
|---|---|---|
| Purchase of raw materials | 4,521 | 5,338 |
| Interest on member bonds | 54 | 28 |
| Member bonds | 871 | 848 |
| Liabilities to member dairy farmers | 505 | 642 |

### Supervisory Board, Cooperative's Board and Executive Board

The internal members of the Supervisory Board and the members 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 and Cooperative's 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 or Cooperative's Board member during the reporting period and the balance sheet positions with the members who were a Supervisory Board or Cooperative's Board member as at 31 December of the reporting period:

| | 2023 | 2022 |
|---|---|---|
| Purchase of raw materials | 8 | 6 |
| Member bonds | 1 | 3 |

There were no transactions between FrieslandCampina and the Executive Board, other than remuneration. Refer to note 13.4 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 9.1.

### Accounting Policies

A related party is a person or entity that is related to the reporting entity, being Royal FrieslandCampina N.V.

A related party transaction is a transfer of resources, services or obligations between Royal FrieslandCampina N.V. and a related party, regardless of whether a price is charged.

## 13.4 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.

| | 2023 | 2022 |
|---|---|---|
| Executive Board | 5.6 | 6.2 |
| Supervisory Board | 0.9 | 1.0 |
| **Total** | **6.5** | **7.2** |

### 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 104).

H.M.A. Schumacher was an Executive Board member until 30 April 2023 and R.F. van Neerbos until 31 October 2023. J.D. van Karnebeek became an Executive Board member from 1 June 2023 and M. Einwachter from 1 October 2023. The number of Executive Board members became four after 31 October 2023.

| | 2023 | 2022 |
|---|---|---|
| **Executive Board** | | |
| Short-term remuneration | 3.3 | 4.4 |
| Long-term remuneration[1] | 0.7 | 1.2 |
| Termination benefits | 0.7 | |
| Special wage taxes[2] | 0.3 | |
| Pension plans | 0.6 | 0.6 |
| | **5.6** | **6.2** |

1 The long-term remuneration relates to the costs in relation to the performance of the reporting year across three long-term incentive plans.
2 The special wage taxes concerns a provision in 2023 for special wage taxes on termination benefits (Article 32bb of the 'Wet op de loonbelasting 1964'), payable in 2024.

### Supervisory Board

The members of the Supervisory Board received the following remuneration:

| | 2023 | 2022 |
|---|---|---|
| **Supervisory Board** | | |
| Short-term remuneration | 0.9 | 1.0 |

## 13.5 Specification of external auditor's fee

| 2023 | PricewaterhouseCoopers Accountants N.V. | Other PwC network | Total PwC network |
|---|---|---|---|
| Audit of the financial statements | 1.4 | 2.1 | 3.5 |
| Other audit engagements | 0.5 | 0.1 | 0.6 |
| | **1.9** | **2.2** | **4.1** |

| 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** |

## 13.6 Subsequent events

In January 2024, FrieslandCampina used their right to repay part of the Cooperative loan, which is classified as equity, for an amount of EUR 150 million.

## 13.7 FrieslandCampina entities

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

### 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 (94.28%)
Zijerveld en Veldhuyzen B.V., Bodegraven

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.

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%)[2]
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%)

### Poland
FrieslandCampina Poland sp. z o.o.

### 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 (99.37%)

### 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

2 Due to local requirements this footnote is in German. In diesen Gesellschaften hat FrieslandCampina einen beherrschenden Einfluss. Durch die Einbeziehung in den Konzernabschluss der Royal FrieslandCampina N.V. hat die DFE Pharma GmbH & Co. KG als vollkonsolidiertes verbundenes Unternehmen von den Erleichterungen des § 264b HGB Gebrauch gemacht.

### 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.,w 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[3]
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%)

3 FrieslandCampina does not have control over these joint ventures and associates. This consideration was based on an analysis of both the shares and the voting rights held by FrieslandCampina for the relevant joint venture or associate.

# Company statement of financial position

| At 31 December, in millions of euros | Note | 2023 | 2022 |
|---|---|---|---|
| **Assets** | | | |
| Investments in subsidiaries | (2) | 4,244 | 4,092 |
| Loans to subsidiaries | (3) | 796 | 796 |
| Other financial assets | (8) | 25 | 53 |
| **Non-current assets** | | **5,065** | **4,941** |
| | | | |
| Other receivables | (4) | 445 | 853 |
| Other financial assets | (8) | 22 | 33 |
| Cash and cash equivalents | | 253 | 4 |
| **Current assets** | | **720** | **890** |
| | | | |
| **Total assets** | | **5,785** | **5,831** |

| | Note | 2023 | 2022 |
|---|---|---|---|
| **Equity** | | | |
| Issued capital | (5) | 370 | 370 |
| Share premium | (5) | 731 | 731 |
| Legal cash flow hedge reserve | (5) | -1 | 14 |
| Legal currency translation reserve | (5) | -392 | -303 |
| Legal reserve for investments in participations | (5) | 123 | 165 |
| Profit for the year attributable to the shareholder | (5) | 222 | 87 |
| Retained earnings | | 780 | 1,552 |
| **Equity attributable to shareholder** | | **1,833** | **2,616** |
| Member bonds | (5) | 931 | 913 |
| Perpetual bonds | (5) | 301 | 301 |
| Cooperative loan | (5) | 302 | 295 |
| **Equity attributable to other providers of capital** | | **1,534** | **1,509** |
| **Equity attributable to providers of capital** | | **3,367** | **4,125** |
| | | | |
| **Liabilities** | | | |
| Interest-bearing borrowings | (6) | 759 | 850 |
| Deferred tax liabilities | | | 5 |
| Other financial liabilities | (8) | 9 | 1 |
| **Non-current liabilities** | | **768** | **856** |
| | | | |
| Interest-bearing borrowings | (6) | 540 | 485 |
| Trade and other payables | | 10 | 7 |
| Current liabilities | (7) | 1,095 | 352 |
| Other financial liabilities | (8) | 5 | 6 |
| **Current liabilities** | | **1,650** | **850** |
| **Total liabilities** | | **2,418** | **1,706** |
| | | | |
| **Total equity and liabilities** | | **5,785** | **5,831** |

# Company income statement

| | 2023 | 2022 |
|---|---|---|
| Share of profit of subsidiaries, net of tax | 242 | 82 |
| Other results, net of tax | 66 | 52 |
| **Profit for the year** | **308** | **134** |

# Notes to the Company financial statements

## 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

| | 2023 | 2022 |
|---|---|---|
| At 1 January | 4,092 | 3,860 |
| Profit for the year | 242 | 82 |
| Other comprehensive income for the year | -90 | -8 |
| Other equity movements for the year | | 158 |
| **At 31 December** | **4,244** | **4,092** |

## 3. Loans to subsidiaries

| | 2023 | 2022 |
|---|---|---|
| At 1 January | 796 | 906 |
| Reclassification to other receivables | | -110 |
| **At 31 December** | **796** | **796** |

### Maturity schedule

| | 2023 | | | 2022 | | |
|---|---|---|---|---|---|---|
| | 2025 - 2028 | After 2028 | Total repay-ment | 2024 - 2027 | After 2027 | Total repay-ment |
| Loans to subsidiaries | 796 | | **796** | 795 | 1 | **796** |

The current portion of these issued loans is recognised under other receivables. The average interest rate of the loans to subsidiaries (both current and non-current) at the end of 2023 was 6.6% (2022: 4.5%).

## 4. Other receivables

EUR 80 million (2022: EUR 343 million) of the other receivables relates to receivable with subsidiaries resulting from sweeping of cash and cash equivalents positions within FrieslandCampina and EUR 181 million (2022: EUR 331 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 185 million (2022: EUR 179 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 123 million (2022: EUR 165 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. Refer to note 11.5 in the consolidated financial statements for more details regarding equity.

## 6. Interest-bearing borrowings

The terms and conditions of outstanding borrowings are as follows:

| | 2023 | | 2022 | |
|---|---|---|---|---|
| | | Boekwaarde | | Boekwaarde |
| Borrowings from credit institutions | | 683 | | 654 |
| Borrowings from institutional investors | | 206 | | 232 |
| Borrowings from holders of green bonds | | 375 | | 252 |
| Uncommitted facilities | | | | 175 |
| Borrowings from member dairy farmers (variable interest) | 16 | | 15 | |
| Bank overdrafts (variable interest) | 20 | | 8 | |
| Capitalised issue costs | -1 | | -1 | |
| **Other** | | **35** | | **22** |
| **Interest-bearing borrowings** | | **1,299** | | **1,335** |
| | | | | |
| Recognised under non-current interest-bearing borrowings | | 759 | | 850 |
| Recognised under current interest-bearing borrowings | | 540 | | 485 |

Refer to note 11.3 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 331 million (2022: EUR 345 million) of the current liabilities concerns a temporary current account with subsidiaries as a result of the sweep of bank positions within FrieslandCampina. EUR 764 million (2022: EUR 7 million) is related to short term loans from subsidiaries.

## 8. Other financial assets and liabilities

| | 2023 | 2022 |
|---|---|---|
| **Other financial assets** | | |
| Cross currency swaps | 25 | 30 |
| Interest rate swaps | 6 | 18 |
| Commodity swaps | 1 | 18 |
| Forward exchange contracts | 2 | 5 |
| Loans issued | 13 | 14 |
| Interest receivable | | 1 |
| | **47** | **86** |
| | | |
| **Other financial liabilities** | | |
| Interest rate swaps | 7 | |
| Commodity swaps | 4 | 2 |
| Forward exchange contracts | 3 | 5 |
| | **14** | **7** |

The cross currency swaps and interest rate swaps are equal to the consolidated financial statements (refer to note 11.4 of the consolidated financial statements). In the consolidated financial statements more commodity swaps are recognised 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 590 million (2022: EUR 657 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, refer to note 11.7 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.

| | 2023 | | 2022 | |
|---|---|---|---|---|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| **Financial assets not measured at fair value** | | | | |
| Loans to subsidiaries | 796 | 796 | 796 | 796 |
| Loans issued | 13 | 13 | 14 | 14 |
| Other receivables | 445 | 445 | 853 | 853 |
| Other financial assets (excluding hedging derivatives) | -1 | -1 | 1 | 1 |
| Cash and cash equivalents | 253 | 253 | 4 | 4 |
| | **1,506** | **1,506** | **1,668** | **1,668** |
| **Financial assets measured at fair value** | | | | |
| Hedging derivatives | 34 | 34 | 71 | 71 |
| | **34** | **34** | **71** | **71** |
| **Financial liabilities not measured at fair value** | | | | |
| Interest-bearing borrowings – fixed rate | 458 | 458 | 619 | 608 |
| Interest-bearing borrowings – variable rate | 841 | 841 | 716 | 716 |
| Current liabilities | 1,095 | 1,095 | 352 | 352 |
| Trade and other payables | 10 | 10 | 7 | 7 |
| | **2,404** | **2,404** | **1,694** | **1,683** |
| **Financial liabilities measured at fair value** | | | | |
| Hedging derivatives | 14 | 14 | 7 | 7 |
| | **14** | **14** | **7** | **7** |

## 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 13.4 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, refer to note 13.6 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 308 million profit: EUR 19 million as interest on the Cooperative's loan, EUR 58 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 222 million is attributable to the shareholder and will be proposed to be added to retained earnings.

Amersfoort, the Netherlands, 16 February 2024

*Executive board*
*Royal FrieslandCampina N.V.*

J.D. van Karnebeek, CEO
J.G. Janssen, CFO
D.A. Cutter
M. Einwachter

*Supervisory Board*
*Royal FrieslandCampina N.V.*

S.S.U. Attema, Chairman
J.B.P. Coopmans, Vice-Chairman
J.W. Berendsen
N. den Besten
H.T.J. Hettinga
P.H.M. Hofsté
E. Jellema
H.W.J. Schipper
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.

# Independent auditor's report

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

## Report on the financial statements 2023

### 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 2023 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 2023 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 2023 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 2023;
- the following statements for 2023: the consolidated profit and loss account, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of 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 2023;
- 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 FrieslandCampina U.A. These member dairy farmers supply milk. Through representation in the supervisory board, they are also supervisors of Royal FrieslandCampina N.V. and, as directors of the cooperative, they are also representatives as shareholders. These members are important stakeholders of FrieslandCampina and therefore also influenced how we determined materiality, as included in the paragraph 'Materiality' in this auditor's report.

The Group comprises 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 2023 was characterised by a decrease of the net revenue and result due to a shift in the volume mix of and a decrease in the milk price. Additionally, the net revenue has been negatively impacted by the sale of a part of the German business  and the effects of currency. Furthermore, the result has also been negatively impacted by one-off costs related to the restructuring caused by the tightened strategy 'Expedition 2030'.

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, among other matters, IT systems, valuation of goodwill, (international) tax positions, financial instruments, and pensions in our team.

### Impact of climate change

FrieslandCampina has committed itself to intermediate net climate targets for 2030, as explained in the section 'On the way to climate-neutral dairy' in the annual report. By 2030, the company has set as a concrete target the reduction the emissions of greenhouse gasses by 63% for scope 1 and scope 2 emissions when compared to the base year of 2025. In 2022, Science Based Target initiative (SBTi)  has confirmed that FrieslandCampina's 2030 climate targets for scope 1 and 2 emissions are in line with the goal of a global warming maximum of 1.5 degrees Celsius as agreed upon in the Paris Climate Accords. FrieslandCampina has also promised to reduce their absolute emission with 33 per cent by 2030 for scope 3-member milk and with 43 per cent for all other scope 3 emissions compared with the base year of 2015. At the moment, FrieslandCampina is working on setting new targets, split into targets for Forest Land-use and Agriculture (FLAG) and targets for other emissions; this will replace the targets that are currently combined. The company is currently investigating the long-term impact of committing to these targets as well as the required investments, the current costs, and the future cash flows.

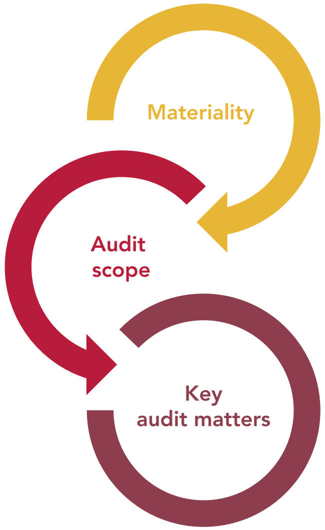
In the risk section of the report, FrieslandCampina has elaborated on the uncertainties arising from climate change as well as the actions already taken and still to be taken. In the explanation of the materiality matrix, FrieslandCampina also discusses actions that have already been taken and analyses 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:




**Materialiteit voor de groepy**
- Overall materiality: €55 million.

**Audit scope**
- We conducted audit work in twelve components in eleven locations.
- We paid special attention to the restructurings.
- We visited the group component in Indonesia and the shared-service centre and group component in Malaysia. Furthermore, we also held videoconferences with the accountants of the group components that were part of the group audit.
- Audit coverage: 78% of the consolidated revenue, 82% of the consolidated total assets and 85% of the consolidated profit before tax.

**Key audit matters**
- Impact of the 'Expedition 2030' restructurings
- Valuation of goodwill
- Valuation of tax position

**Materiality**

The scope of our audit was influenced by the application of materialit y, 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 (2022: €55 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 €5 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 (2022: €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 Hungary and Malaysia 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 | 78% |
| Total assets | 82% |
| Profit before tax | 85% |

None of the remaining components represented more than 5% 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 2023, we visited the group component in Indonesia as well as the shared-service center and group component in Malaysia. 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 the accountants from the group components that have been part of our group audit. 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 the section 'Fraude & Compliance' of the report by the Executive Board for the Executive Board's fraud risk assessment and the 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), anti-corruption procedures (Doing honest business), whistleblower procedures (Speak-Up Procedure), incident registration (Case Management System), and investigation procedures. We also evaluated the follow-up that management performed of de incidents registered.

We asked members of the executive board, management of the Business Groups, the internal audit department, the 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.

FrieslandCampina has business all around the world and makes use of sales agents. Apart from this, the risk exists of unwanted involvement in money laundering schemes when clients pay using a middleman, especially when a regulated banking system is not present. Management has performed analyses to judge whether transactions had higher-risk characteristics and, if necessary, has performed more procedures. We have evaluated the follow-up of identified risks.

As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets, negative reports in the media, 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*<br>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.<br><br>It is for this reason we pay extra attention to the risk of management override of internal control with regard to<br>– journal entries and other adjustments that were made when formulating the annual accounts;<br>– estimates;<br>– significant transactions made outside of usual business practice.<br><br>We paid special attention to tendencies caused by disappointing results and the announced restructuring ‘Expedition 2030’.<br><br>In this, we differentiated between transactions that are part of normal activities (for which we assume that they want to show a result as high as possible, because this is related to bank covenants and bonuses) and special income (for which we assume that management will want to justify as many costs in the current financial year in order to have a better starting point for the coming financial year). | 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.<br><br>We have performed an audit that is a mix of substantive testing procedures and internal controls testing.<br><br>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.<br><br>We did not find any significant transactions made outside of the normal course of business.<br><br>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.<br><br>We paid particular attention to the inherent risk of management bias relating to estimates.<br><br>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*<br>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.<br><br>The Zuivelcoöperatie, and with it Koninklijke FrieslandCampina N.V. has as its target to create as much value as possible for member dairy farmers. 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 2023 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.<br><br>We concluded that we, in the context of our audit, could rely on the internal control procedures relevant to this risk.<br><br>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.<br><br>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 identified any indications of fraud, we re-evaluated 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, among 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 2023, we have added the impact of the restructurings due to 'Expedition 2030' 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 notes 6.6 and 9.2 of the financial statements*<br><br>FrieslandCampina has announced a plan for restructuring during 2023 ('Expedition 2030'). As a result of this, a restructuring provision has been recognised.<br><br>We have identified this as a key audit matter, because important estimates from management form the basis for justifying and determining the size of the restructuring provision.<br><br>**Restructuring provision**<br>During 2023 provisions for restructuring cost have been made as a result of announced restructuring programs for an amount of  The restructurings resulted €138 million. This is primarily related to Expedition 2030. 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.<br><br>The calculations of the restructuring provisions are based on the available employee data (such as employment history, age, and salary). | As group audit team, we have discussed the restructuring programme ('Expedition 2030') with management and taken notice of the plans, the impact on the company and the calculations of the restructuring provision.<br><br>**Restructuring provisions**<br>We have tested the calculations made by management relating to the most significant components. 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 have 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 employee data. We have tested the assumptions (such as the number of employees and relocation factors) for these provisions using the restructuring plans.<br><br>Furthermore, we have determined that the necessary disclosures relating to these provisions and transactions have been sufficiently incorporated in the financial statements of 2023.<br><br>We did not identify any material findings based on the audit work performed and the audit evidence obtained. |

| Key audit matter | Our audit work and observations |
|---|---|
| Valuation of goodwill | |
| *Refer to note 8.2 of the financial statements*<br><br>The group recorded €1,020 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. Because of this, we consider the valuation of goodwill to be a key audit matter.<br><br>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.<br><br>Within the model, compensation for the role that mainly business group Trading plays 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 have been reconciled to the budget and management forecasts (the long-term plans until 2026). The pre-tax discount rate, which is based on data that can be perceived within the market, has decreased slightly compared to 2022. The estimated business value for all business groups is higher than the book value of the assets.<br><br>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.<br>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 2023 with the projections in impairment analysis from last year.<br><br>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.<br><br>We have tested management's budget and forecasts by comparing them to historical results, external information, and market outlooks.<br><br>We inquired 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.<br><br>We did not identify any material findings based on the audit work performed and the audit evidence obtained |

| Key audit matter | Our audit work and observations |
|---|---|
| Valuation of tax position | |
| *Refer to note 12 and 13.2 of the financial statements*<br><br>The group has subsidiaries in several countries and is therefore subject to local tax legislation. The paragraph 'Taxes' of the annual report describes FrieslandCampina's approach towards tax positions.<br><br>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.<br><br>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.<br><br>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.<br><br>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, among 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.<br><br>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.<br><br>Regarding the valuation, we tested assumptions underlying the valuation of deferred tax assets by reconciling the underlying budgets and forecasts to substantiate the valuation of deferred tax assets.<br><br>In addition, we checked whether the disclosures about the recognised tax positions and the recoverability of the deferred tax assets contain the required information.<br>We did not identify any material findings based on the audit work performed and the audit evidence obtained. |

## 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 eight 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, 16 February 2024

PricewaterhouseCoopers Accountants N.V.

Original (Dutch version) has been signed by B.A.A. Verhoeven RA

## Appendix to our auditor's report on the financial statements 2023 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 with limited assurance on the non-financial information 2023

### Our conclusion
Based on our procedures performed and the assurance information obtained, nothing has come to our attention that causes us to believe that the non-financial information included in the annual report 2023 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 2023 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 2023 (hereafter: the non-financial information):
- 'This is FrieslandCampina', excluding the sections 'FrieslandCampina worldwide' and 'Our worldwide dairy';
- 'Report of the Executive Board', excluding the sections 'Risk management', '2024 Outlook', 'Management statement' and 'Statement of executive responsibility';

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

### The basis for our conclusion
We conducted our review on the non-financial information in accordance with Dutch law, including Dutch Standard 3810N 'Assuranceopdrachten inzake maatschappelijke verslagen' (assurance engagements relating to sustainability reporting), 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 ‘Explanatory notes’ of the annual report.

The non-financial information is prepared in accordance with the GRI Standards. The GRI Standards applied are listed in the GRI Content Index

as disclosed in the GRI table included in the annual report.
The absence of an established practice on which to draw, to evaluate and measure the 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 applied.

## 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 responsible for the preparation and fair presentation of the non-financial information in accordance with the reporting criteria as included in the section ‘Reporting criteria’, including applying the reporting criteria, the identification of stakeholders, and determining the material matters. The executive boardis 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, considering 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 ‘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, as appropriate, about whether the non-financial information is free from material misstatements and to issue a limited assurance conclusion in our report. 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 obtained in an audit (reasonable assurance) in relation to both the risk assessment

procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

### 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 insight into relevant social themes and issues and the characteristics of the company.
- Evaluating the appropriateness of the reporting criteria used, their consistent application and related disclosures in the 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, the reporting processes, and the information systems and the entity's risk assessment process relevant to the preparation of the non-financial information, without obtaining assurance evidence about the implementation or testing the operating effectiveness of controls.
- Identifying areas of the non-financial information with a higher risk of misleading or unbalanced information or material misstatement, whether due to fraud or errors. Designing and performing further assurance procedures aimed at determining the plausibility of the non-financial information responsive to this risk analysis. These procedures consisted among others of:
  - Interviewing management (and/or relevant staff) at corporate (and business/division/cluster/local) level responsible for the sustainability strategy, policy and results.
  - Interviewing relevant staff responsible for providing the information for, carrying out internal control procedures on, and consolidating the data in the 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.
  - Considering the data and trends in the information submitted for consolidation at group level.
- Evaluating the presentation, structure, and content of the non-financial information.
- To consider whether the non-financial information as a whole, including the disclosures, reflects the purpose of the reporting criteria used.
- Considering the overall presentation, structure and balanced content of the non-financial information.
- Considering whether the non-financial information as a whole, including the sustainability matters and disclosures, is clearly and adequately disclosed in accordance with the applicable reporting criteria.

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, 16 February 2024
**PricewaterhouseCoopers Accountants N.V.**

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

# Overviews

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# Financial history

| In millions of euros, unless stated otherwise | 2023 | 2022 | 2021 | 2020 | 2019 |
|---|---|---|---|---|---|
| **Key figures** | | | | | |
| **Income statement** | | | | | |
| Revenue | 13,072 | 14,076 | 11,501 | 11,140 | 11,297 |
| Operating profit | 75 | 471 | 355 | 268 | 432 |
| Result for the year | -149 | 292 | 172 | 79 | 278 |
| | | | | | |
| **Milkprice**[1] | | | | | |
| Guaranteed price[2] | 46.26 | 55.21 | 37.84 | 34.46 | 35.66 |
| Supplementary cash payment | 0.00 | 0.90 | 0.14 | 0.00 | 1.07 |
| Issue of member bonds[3] | | | | 0.00 | 0.31 |
| Meadow milk premium and Foqus Planet premium | 1.21 | 0.91 | 0.91 | 0.90 | 0.65 |
| Special supplements | 0.61 | 0.33 | 0.34 | 0.36 | 0.26 |
| Milk price | 48.08 | 57.35 | 39.23 | 35.72 | 37.95 |
| | | | | | |
| **Financial position** | | | | | |
| Balance sheet total | 9,119 | 10,037 | 9,056 | 8,716 | 9,049 |
| Equity attributable to shareholder | 1,833 | 2,616 | 1,914 | 1,573 | 1,463 |
| Equity attributable to providers of capital | 3,374 | 3,841 | 3,635 | 3,517 | 3,450 |
| Net debt (excluding lease liabilities) | 635 | 888 | 700 | 876 | 1,067 |
| | | | | | |
| **Cash flows** | | | | | |
| Net cash flows from operating activities | 831 | 293 | 594 | 737 | 567 |
| Net cash flows used in investing activities | -309 | -570 | -302 | -443 | -185 |
| Depreciation of plant and equipment and amortisation of intangible assets | 428 | 448 | 465 | 456 | 441 |
| | | | | | |
| **Additional information** | | | | | |
| Equity as a % of total assets | 37.0 | 38.3 | 40.1 | 40.4 | 38.1 |
| Employees (average number of FTEs) | 20,929 | 21,715 | 22,961 | 23,877 | 23,816 |
| Milk supplied by members (in millions of kg) | 9,369 | 9,502 | 9,745 | 10,064 | 10,020 |

1 In euros per 100 kgs of milk
2 Excluding VAT for 2023 at 3.58 protein and 4.45% fat, for 2020, 2021 and 2022 at 3.57% protein, 4.42% fat and 4.53% lactose and for 2019 at 3.47% protein, 4.41% fat and 4.51% lactose.
3 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.

# Milk price overview

| In euros per 100 kilos of milk | 2023 | 2022 |
|---|---|---|
| Fat price | 20.96 | 19.58 |
| Protein price | 25.30 | 31.62 |
| Lactose price | | 4.01 |
| **Guaranteed price**[1] | **46.26** | 55.21 |
| Supplementary cash payment[2] | 0.00 | 0.90 |
| Meadow milk premium and Foqus planet premium[3] | 1.21 | 0.91 |
| Special supplements[4] | 0.61 | 0.33 |
| **Milk price** | **48.08** | **57.35** |
| Interest member bonds | 0.63 | 0.31 |
| Retained earnings[5] | -3.22 | 1.03 |
| **Performance price** | **45.49** | **58.69** |

1 Excluding VAT at 3.58% protein and 4.45% fat for 2023.
2 Proposed payment from the profit for the year attributable to the shareholder.
3 Effective from 2023, member dairy farmers receive a variable Foqus planet premium for Sustainable Development, including pasture grazing, of a maximum of 3.50 euros per 100 kilogrammes of milk. The average premium is 1.81 euros per 100 kilogrammes of milk. Dairy farms supplying On the way to PlanetProof milk do not receive a Focus planet premium. The cooperative for 2023 withholds 0.60 euro per 100 kilogrammes of milk from all members for sustainability.
4 Special supplements concern the total amount of payments per 100 kilogrammes of milk for VLOG [non-GMO] and the On the way to PlanetProof of 0.52 euro per 100 kilogrammes of milk, and the difference between the guaranteed price paid for organic milk (57.81 euros) and regular milk (46.26 euros). On average, on all FrieslandCampina member milk, this amounts to 0.09 euro per 100 kilogrammes of milk.
5 Inclusive of equity from non-controlling interests that is directly attributable to the shareholder.

# Composition of the Supervisory Board

## Sybren (S.S.U.) Attema
(1960)

**Position** Chair 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

## Sandra (J.W.) Berendsen
(1973)

**Position** Member of the Supervisory Board of Royal FrieslandCampina N.V.
**Nationality** Dutch
**Profession** Dairy farmer
**Position** Member of the Supervisory Board of KPMG NL

## 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

## Baptiest (J.B.P.) Coopmans
(1965)

**Position** Vice-chair of the Supervisory Board of Royal FrieslandCampina N.V.
**Nationality** Dutch
**Profession** SVP at 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

## 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** None

## Elze (E.) Jellema
(1979)

**Position** Member of the Supervisory Board of Royal FrieslandCampina N.V., Vice-chair of the Board of Zuivelcoöperatie FrieslandCampina U.A.
**Nationality** Dutch
**Profession** Dairy farmer
**Other positions** None

## Petri (P.H.M) Hofsté
(1961)

**Position** Member of the Supervisory Board of Royal FrieslandCampina N.V.
**Nationality** Dutch
**Profession** Company Executive Director and Supervisory Board member
**Other positions** Member of the Supervisory Board of Rabobank Nederland, Achmea B.V. (and various subsidiaries) and Pon Holding B.V., Chair of the Executive Board of Stichting Nyenrode, Vereniging Hendrick de Keyser and Stichting Capital, member of the Executive Board of the Impact Economy Foundation, member of the AFM Financial Reporting and Accountancy commission, member of the Advisory Board of SER Topvrouwen.nl, member of the Advisory Board of WIFS

## 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** None

## 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

## Audit and Risk Committee

Petri Hofsté, Chair
Sandra Berendsen
Nils den Besten
Baptiest Coopmans
Elze Jellema

## Remuneration, Nomination and Governance Committee

Baptiest Coopmans, Chair
Sybren Attema
Hans Hettinga
Heiko Schipper

## Sustainability Committee

Nils den Besten, Chair
Sybren Attema
Petri Hofsté
Marleen Vaesen

# Composition of the Executive Team

## Executive Board

**Jan Derck (J.D.) van Karnebeek**
(1967)

**Position** Chief Executive Officer
**Appointment** 1 June 2023
**Nationality** Dutch
**Responsible for**
Business groups
Communication
Company Secretariat and Group Legal
Corporate Strategy and Mergers & Acquisitions
**Other positions** Non-Executive Director N.S.W. BV De Eese, Board advisor Ocean Beer

**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, Corporate Legal and Business Conduct
**Other positions** Member of the Supervisory Board of the TIAS School for Business and Society

**David (D.A.) Cutter**
(1968)

**Position** Chief Supply Chain and Research & Development Officer
**Appointment** 3 October 2022
**Nationality** Dutch
**Responsible for**
Corporate Supply Chain
Corporate Research and Development
**Other positions** None

**Mireille (M.) Einwachter**
(1979)

**Position** Chief Sustainability Officer
**Appointment** 1 August 2023
**Nationality** Dutch
**Responsible for** Corporate Sustainability, Cooperative Affairs and Public Affairs
**Other positions** None

# Other ET Members

**Patricia Snel**

**Position** Chief People Officer
**Nationality** Dutch

**Dustin Woodward**

**Position** President Europe
**Nationality** Dutch

**Tuncay Özgüner**

**Position** President Retail & Americas
**Nationality** Dutch and Turkish

**Ali Khan**

**Position** President Middle East, Pakistan & Africa
**Nationality** Pakistani

**Corine Tap**

**Position** President Asia
**Nationality** Dutch

**Herman Ermens**

**Position** President Ingredients
**Nationality** Dutch

**Roger Loo**

**Position** President Professional & Trading
**Nationality** Dutch

**Harvey Uong**

**Position** President Specialised Nutrition
**Nationality** Philippine

# Appendices

# GRI Table

| Gri standard/ other source | Disclosure | Location | Omission | | |
|---|---|---|---|---|---|
| | | | *Requirement(s) omitted* | *Reason* | *Explanation* |
| **General disclosures** | | | | | |
| **GRI 2: General Disclosures 2021** | 2-1 Organizational details | AR: Frontpage<br>This is FrieslandCampina – Dairy from grass to glass p3<br>This is FrieslandCampina – FrieslandCampina worldwide p4<br>FS: Notes to the consolidated financial statements – Reporting entity<br>Subsidiaries, joint ventures and associates p200<br>Colophon | | | *A gray cell indicates that reasons for omission are not permitted for the disclosure or that a ce number is not available* |
| | 2-2 Entities included in the organization's sustainability reporting | JR:  Basis of preparation p123<br>Basis of consolidation p126<br>Subsidiaries, joint ventures and associates p200<br>All entities in the financial reporting are also included in our sustainability reporting. | | | |
| | 2-3 Reporting period, frequency and contact point | 1 January, 2023 - 31 December, 2023<br>Annually<br>JR: Notes to the consolidated financial statements p123<br>Publication date is 16 February 2024<br>corporate.communication@frieslandcampina.com | | | |
| | 2-4 Restatements of information | JV: Changes in scope and boundaries with respect to the previous reporting period: The changes in greenhouse gas emissions are shown in the greenhouse gas emissions section (see also the footnotes to the reported figures) p51. The changes at Affordable Nutrition are shown in the table "Nutritious and affordable nutrition" p64. | | | |
| | 2-5 External assurance | JV: Auditor's reports- Independent auditor's report p213<br>Auditor's reports- Independent auditor's assurance report p228<br>Corporate Governance – Audit of the financial reporting and the roles of the internal and external auditors p94 | | | |
| | 2-6 Activities, value chain and other business relationships | JV: This is FrieslandCampina – Dairy from grass to glass p3<br>Our worldwide dairy p5<br>A leading dairy chain p10<br>For the value chain, we would like to refer to page 15 of the Climate Plan, figure 3. | | | |
| | 2-7 Employees | JV: This is FrieslandCampina – FrieslandCampina worldwide p4<br>Environmental, Social and Governance - Social - Our employees p66 | b. Report the total number of:<br>i. Permanent employees per region;<br>ii. Temporary workers per region;<br>iii. Non-guaranteed employee hours, and a breakdown by gender and by region;<br>iv. FTE per region;<br>v. Part-time by region. | Information unavailable/ incomplete | Data is currently unavailable. As part of the CSRD preparations, this information will be reported from 2025 onwards. |

| Gri standard/ other source | Disclosure | Location | Omission | | |
|---|---|---|---|---|---|
| | | | *Requirement(s) omitted* | *Reason* | *Explanation* |
| | 2-8 Workers who are not employees | Not applicable | Full requirement | Information unavailable/ incomplete | Outside of RFC span of control. |
| | 2-9 Governance structure and composition | JV: Corporate Governance - Corporate governance at a glance p88<br>Report of the Supervisory Board - Roster of appointments and retirements of the Supervisory Board p97<br>Report of the Supervisory Board - Diversity, equity and inclusion p97<br>Overviews - Supervisory Board p235 | | | |
| | 2-10 Nomination and selection of the highest governance body | JV: Corporate Governance - Supervisory Board - Composition, independence and appointment p90<br>Corporate Governance - Supervisory Board Committees p92<br>Report of the Supervisory Board - Composition, independence and diversity p96 | | | |
| | 2-11 Chair of the highest governance body | Not applicable; the chairman of the Supervisory Board is not a senior executive in the organization. | | | |
| | 2-12 Role of the highest governance body in overseeing the management of impacts | JV: Corporate Governance - Supervisory Board - Sustainability committee p93<br>Report of the Supervisory Board - Meetings of the Supervisory Board p97<br>Report of the Supervisory Board - Supervisory Board committees - Sustainability Committee p101 | | | |
| | 2-13 Delegation of responsibility for managing impacts | JV: Corporate Governance - Supervisory Board - Sustainability Committee p93<br>Report of the Supervisory Board - Meetings of the Supervisory Board p97<br>Report of the Supervisory Board - Supervisory Board committees - Sustainability Committee p101 | | | |
| | 2-14 Role of the highest governance body in sustainability reporting | JV: Corporate Governance - Supervisory Board committees p92<br>Report of the Supervisory Board - Supervisory Board committees - Sustainability Committee p101<br>Environmental, Governance and Social - General - Materiality analysis p45 | | | |
| | 2-15 -Conflicts of interest | JV: Corporate governance - Conflict of interest p94<br>No conflicts of interest were reported in the financial year 2023. | | | |
| | 2-16 Communication of critical concerns | JV: Environmental , Social and Governance - Governance - Integrity, respectful and transparent p73<br>Report of the Supervisory Board - Meetings of the Supervisory Board p97 | | | |
| | 2-17 Collective knowledge of the highest governance body | JV: Corporate Governance - Supervisory Board committees p92<br>Report of the Supervisory Board - Meetings of the Supervisory Board p97<br>Report of the Supervisory Board - Sustainability Committee p101 | | | |

| **Gri standard/ other source** | **Disclosure** | **Location** | **Omission** | | |
|---|---|---|---|---|---|
| | | | *Requirement(s) omitted* | *Reason* | *Explanation* |
| | 2-18 Evaluation of the performance of the highest governance body | JV: Corporate Governance - Supervisory Board p90<br>Report of the Supervisory Board - Composition, independence and diversity p96 | | | |
| | 2-19 Remuneration policies | JV: Corporate governance - Executive board p89<br>Corporate governance - Executive board - Remuneration policy and remuneration of the members of the Executive Board and the remaining members of the Executive Team p89<br>Remuneration - Remuneration at a glance - Remuneration principles of the Executive Board Remuneration Policy p104<br>Remuneration - Remuneration at a glance - Overview of key remuneration elements of the Executive Board p105<br>Remuneration - Remuneration of the Executive Board / Remuneration of the Supervisory Board related to 2023 performance year p108/p111<br>Remuneration - Key remuneration elements of the Supervisory Board p112<br>All relevant policies have been reported in the Annual Report. | | | |
| | 2-20 Process to determine remuneration | JV: Corporate Governance - Supervisory Board - Remuneration p92<br>Corporate Governance - Report of the Supervisory Board - Supervisory board committees - Remuneration, Nomination and Governance Committee p100<br>Remuneration - The Landscape p104<br>Remuneration - Transparency p104<br>Remuneration - Relevant market reference group for remuneration of the Executive Board p107<br>Remuneration - Key remuneration elements of the Supervisory Board p112 | | | |
| | 2-21 Annual total compensation ratio | JV: Remuneration - CEO Pay ratio p109 | 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. Focus will be put on this reporting requirement. |
| | 2-22 Statement on sustainable development strategy | JV: A word from the CEO, Jan Derck van Karnebeek p12<br>Report of the executive board - How we create value p32<br>Nourishing millions of people p34<br>Nourishing a better planet p37<br>Accelerating climate actions with customers p40<br>Environmental, Social and Governance - General - Strategy p44<br>Report by the Supervisory Board - Meetings of the Supervisory Board p97 | | | |
| | 2-23 Policy commitments | JV: Environmental , Social and Governance - Social - Human rights p70<br>Environmental , Social and Governance - Governance - Integrity, respectful and transparent p73 | | | |
| | 2-24 Embedding policy commitments | JV: Environmental , Social and Governance - Governance - Integrity, respectful and transparent p73 | | | |

| Gri standard/ other source | Disclosure | Location | Omission | | |
|---|---|---|---|---|---|
| | | | *Requirement(s) omitted* | *Reason* | *Explanation* |
| | 2-25 Processes to remediate negative impacts | JV: Environmental , Social and Governance - Governance - Integrity, respectful and transparent p73 | | | |
| | 2-26 Mechanisms for seeking advice and raising concerns | Environmental , Social and Governance - Governance - Integrity, respectful and transparent p73<br>Risk management - Risk awareness and culture p75 | | | |
| | 2-27 Compliance with laws and regulations | Not applicable | Full requirement | Information unavailable/ incomplete | Information is not (yet) available on this detailed level. We are in the process of putting internal processes in place to have this data readily available. |
| | 2-28 Membership associations | JV: Nourishing a better planet - Cooperation with buyers and chain partners p38<br>Materiality analysis - In dialogue with stakeholders p48<br>Biodiversity - Cooperation with WWF Netherlands & Rabobank p57 | | | |
| | 2-29 Approach to stakeholder engagement | JV: Environmental , Social and Governance - General - Materiality analysis p45<br>Materiality analysis - In dialogue with stakeholders p48 | | | |
| | 2-30 Collective bargaining agreements | JV: Environmental, Social and Governance - Social - HR Data - Percentage of Employees covered by Collective Bargaining Agreement p66 | 2-30 b. | Information unavailable/ incomplete | Deep dive has been performed in 2023, for CSRD purposes we may disclose this information (not mandatory). In 2024 the proces to obtain this information will be imbedded in the HR organisation. |
| **Material topics** | | | | | |
| **GRI 3: Material Topics 2021** | 3-1 Process to determine material topics | JV: Environmental, Social and Governance - Materiality analysis p45<br>Materiality analysis - In dialogue with stakeholders p48 | | | *A gray cell indicates that reasons for omission are not permitted for the disclosure or that a ce number is not available* |
| | 3-2 List of material topics | JV: Environmental, Social and Governance - Materiality analysis p45<br>Materiality analysis - Material topics p46<br>Materiality analysis - In dialogue with stakeholders p48 | | | |
| **Emissions: Climate change mitigation - member dairy farms & production and transport** | | | | | |
| **GRI 3: Material Topics 2021** | 3-3 Management of material topics | JV: Report of the Executive Board - Nourishing millions of people p34<br>Report of the Executive Board - Nourishing a better planet p37<br>Environmental, Social and Governance - Materiality analysis p45<br>Materiality analysis - Material topics p46<br>Materiality analysis - In dialogue with stakeholders p48 | | | |

| Gri standard/ other source | Disclosure | Location | Omission | | |
|---|---|---|---|---|---|
| | | | *Requirement(s) omitted* | *Reason* | *Explanation* |
| **GRI 305: Emissions 2016** | 305-1/305-2 Direct (Scope 1) GHG emissions and energy indirect (Scope 2) emissions | JV: FrieslandCampina in 2023 p6<br>Environmental, Social and Governance - Environmental - greenhouse gas emissions p51<br>Greenhouse gas emissions methodology and assumptions p53 | | | |
| | 305-3 Other indirect (Scope 3) GHG emissions | JV: FrieslandCampina in 2023 p6<br>Environmental, Social and Governance - Environmental - greenhouse gas emissions p51<br>Greenhouse gas emissions methodology and assumptions p53 | | | |
| | 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. Will be disclosed in 2024 as part of CSRD preparations. |
| | 305-5 Reduction of GHG emissions | JV: Environmental, Social and Governance - Environmental - greenhouse gas emissions -Initiatives and action plans p52 | Full requirement | Information unavailable/ incomplete | Pilots and projects are progressing to reduce our emissions. |
| | 305-6 Emissions of ozone-depleting substances (ODS) | | Full requirement | Information unavailable/ incomplete | Will be disclosed in 2025 as part of CSRD. |
| | 305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions | | Full requirement | Information unavailable/ incomplete | Will be disclosed in 2025 as part of CSRD. |
| **Own indicator** | Greenhouse gas emissions - member dairy farms | FrieslandCampina in 2023 p6<br>Key figures 2023 p31<br>Environmental, Social and Governance - Environmental - greenhouse gas emissions p51<br>Greenhouse gas emissions methodology and assumptions p53 | | | 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)andof milk, and the greenhouse gas emissions of member dairy companies. |

| Gri standard/ other source | Disclosure | Location | Omission | | |
|---|---|---|---|---|---|
| | | | *Requirement(s) omitted* | *Reason* | *Explanation* |
| **Own indicator** | Greenhouse gas emissions - production & transport | FrieslandCampina in 2023 p6<br>Key figures 2023 p31<br>Environmental, Social and Governance - Environmental - greenhouse gas emissions p51<br>Greenhouse gas emissions methodology and assumptions p53 | | | The indicators in GRI standard 305 are inadequate for reporting the impact of and its members with regard to greenhouse gas emissions. FrieslandCampina has opted to develop its ows to provide insight into the greenhouse gas emissions for thon (processandof milk, and the greenhouse gas emissions of member dairy companies. |
| **GRI 302: Energy** | 302-1 Energy consumption within the organization | Environmental, Social and Governance - Energy consumption and breakdown p55<br>Energy consumption p55 | g) Source of used conversion factors | Information unavailable/ incomplete | The conversion factors come from many different sources. Due to the amount of information, we have not included this in the annual report. |
| | 302-2 Energy consumption outside of the organization | | Full requirement | Information unavailable/ incomplete | There is currently no information to report fully on this. This process has been started as part of our scope 3 other processes. |
| | 302-3 Energy intensity | Environmental, Social and Governance - Energy consumption and breakdown p55 | | | |
| | 302-4 Reduction of energy consumption | | Full requirement | Information unavailable/ incomplete | In the annual report we explain the impact at a total level. Impact analyzes at detailed level are integrated into the reporting process. |
| | 302-5 Reductions in energy requirements of products and services | Not applicable from a materiality analysis perspective. | | | |
| **Eigen indicator** | Energieverbruik | Environmental, Social and Governance - Energy consumption and breakdown p55<br>Energy consumption p55 | | | |
| **Sustainable farming and land use (standards: Biodiversity)** | | | | | |
| **GRI 3: Material Topics 2021** | 3-3 Management of material topics | JV: This is FrieslandCampina - A word from the CEO, Jan Derck van Karnebeek p12<br>Report of the executive board - Nourishing millions of people p34<br>Report of the executive board - Nourishing a better planet - Supporting dairy farmers - Foqus planet: rewarding performance p39<br>Environmental, Social and Governance - Materiality analysis p45<br>Materiality analysis - Material topics p46<br>Materiality analysis - In dialogue with stakeholders p48<br>Environmental - Biodiversity p57 | | | |

| Gri standard/ other source | 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 bio-diversity value outside protected areas | | Full requirement | Information unavailable/ incomplete | No overview of the presence of protective areas or areas of high bio-diversity 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 acti-vities, products and services on bio-diversity | | Full requirement | Information unavailable/ incomplete | We are in the proces of developing the new biodiversity KPI. 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. Therefore, reporting over this KPI has been postponed. |
| | 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. |
| **Climate change adaptation** | | | | | |
| **GRI 3: Material Topics 2021** | 3-3 Management of material topics | JV: This is FrieslandCampina - A word from the CEO, Jan Derck van Karnebeek p12<br>Environmental, Social and Governance - Materiality analysis p45<br>Materiality analysis - Material topics p46<br>Materiality analysis - In dialogue with stakeholders p48 | | | |
| **Own indicator** | | | Full requirement | Information unavailable/ incomplete | There is currently no own indicator to report on. The process to report on this has been initiated. |
| **Circular packaging and waste** | | | | | |
| **GRI 3: Material Topics 2021** | 3-3 Management of material topics | JV: Environmental, Social and Governance - Materiality analysis p45<br>Materiality analysis - Material topics p46<br>Materiality analysis - In dialogue with stakeholders p48 | | | |
| **Own indicator** | Packaging all materials & recyclable plastics | JV: Environmental, Social and Governance - Environmental - Recyclable packaging - p60 | | | |

# Explanatory Notes

This Annual Report of Royal FrieslandCampina N.V. sets out the financial results and the developments and results relating to value creation and ESG over 2023. This Annual Report is drawn up as of 31 December 2023.
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 set out in the ESG Report (see page 42 to 72).

The 2023 milk price that the members of Zuivelcoöperatie FrieslandCampina U.A. received for the milk they supplied was determined on the basis of the FrieslandCampina 2023-2025 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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