



FrieslandCampina 
nourishing by nature

Sustainability-Linked Financing Framework

February 2023



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Introduction

About FrieslandCampina

Royal FrieslandCampina N.V. (FrieslandCampina or the Company) is a Dutch multinational dairy cooperative which is based in Amersfoort, Netherlands. The cooperative of dairy farmers dating back to 1871, is now one of the world's largest dairy companies with almost 16,000 member farmers. This means that, via the cooperative, the member dairy farmers are the joint owners and supervisors of the company.

FrieslandCampina has branches in 32 countries and exports to over 100 countries worldwide. At year-end 2021, the Company employed 22,038 workers.

FrieslandCampina is divided into four market-orientated business groups:

- **FrieslandCampina Food & Beverage**
 - Provides consumers around the world with dairy products, such as milk, yogurt, condensed milk, dairy-based beverages, cheese, quark, butter and cream. The business group Food & Beverage focuses on the consumer (B2C) and professional (B2B) channels. The business group has brands such as Campina, Lattiz, Olper's and Peak in its portfolio.
- **FrieslandCampina Trading**
 - Involved in selling and sourcing of basic dairy products for internal as well as business-to-business customers. Its product scope covers cheese, butter, milk powder and liquid products such as raw milk, cream, skimmed milk or milk concentrate. FrieslandCampina Trading also mitigates the dairy raw material price risk for FrieslandCampina by hedging the company's fat and protein positions.
- **FrieslandCampina Ingredients**
 - A partner for brands and producers wishing to differentiate themselves on the basis of nutrition, health and wellbeing for consumers in all stages of life. Primary focus is ingredients for infant nutrition and offers specific innovations and applications for adults relating to medical and sports nutrition.
- **FrieslandCampina Specialised Nutrition**
 - The Specialised Nutrition business group provides premium nutrition for children and toddlers. Its high-quality products under the Friso brand are targeted at China, as the world's largest market for infant nutrition as well as four other key markets: Malaysia, Vietnam, Mexico and Greece.



Families and individual consumers across the globe

Trading

High quality, cost efficient, basic dairy essentials

- Cheese
- Butter
- Milk powder

Food & Beverage Consumer

Branded dairy products for the daily nutrition of end-consumers

- Milk, butter, cream & yogurt
- Dutch & foreign cheese
- Condensed, fortified milk

Bakers, chefs, caterers & confectioners

Food & Beverage Professional

High quality products to serve end-consumers through out-of-home channels

- Creams, butters for chefs and bakeries
- Coffee supplements

Individuals with special nutritional needs at all stages of life

Ingredients

Specialty nutrition ingredients for all human life stages and pharma applications

- Early life nutrition
- Active and performance
- Pharma applications

Specialised Nutrition

Premium nutrition for children and toddlers

- Infants and toddlers
- Friso brand

Vision and Purpose: FrieslandCampina

The world population is growing rapidly, and hence there is an increased need for nutritious and affordable foods, including dairy products. Digitalisation is rapidly changing our way of living and working. Furthermore, dealing with climate change is one of the biggest challenges the world has ever faced.

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

- We provide millions of people throughout the world with nutritious and affordable dairy products. We innovate and aim to have our brands grow in both consumer and professional markets.
- We aim to reduce our greenhouse gas emissions as far as possible and if necessary compensate the remaining emissions to 'net zero' by 2050.
- We take good care of our animals, nature and the environment throughout the entire value chain: from grass to glass.
- We encourage growth and change. We are curious and persevering, facilitate debate, and act fast and decisively. Everything we do is focused on creating a better, future-proof and successful FrieslandCampina.
- We encourage cooperation and ownership. We take the initiative and assume responsibility and keep things simple. In the true spirit of the founders of our cooperative, we believe that working together makes very many things possible

FrieslandCampina's strategy is guided by our purpose: nourishing by nature. Our purpose is built around three key components:

nourishing by nature



Better nutrition for the world



A good living for our farmers



Now and for generations to come

Better nutrition for the world – FrieslandCampina's aim is to contribute to food safety and food security for millions of people all over the world by providing them with healthy and sustainable nutrition. How we define healthy nutrition is captured in the companies' Global Nutritional Standards, to which all our consumer products are measured. Through the introduction of our Broadening Access to Nutrition Programme in 2020,¹ FrieslandCampina have devoted significant focus to the provision of nourishing, affordable foods as a cornerstone of our purpose. The programme consists of two initiatives, which cover non-commercial activities such as food aid (schools, milk feeding programs, food banks), a dairy development programme,² and commercial activities in lower income countries where FrieslandCampina's affordable nutrition business model is applied in order to ensure nutritious products successfully reach lower income groups.

FrieslandCampina's work towards securing better nutrition for the world has been recognized the Access to Nutrition Index³, ranked 1st in their category 'Accessibility'.

A good living for our farmers – to pay an exemplary milk price and therefore 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 – by assuming responsibility for maintaining the natural living environment, FrieslandCampina encourages dairy farmers to operate their farm in balance with nature and climate. Our **long-term ambition to reach net zero by 2050**, with immediate targets that have achieved SBTi validation in place for 2030, demonstrate FrieslandCampina's commitment to achieving a better climate for future generations.

¹ FrieslandCampina Access to Nutrition Programme: <https://www.frieslandcampina.com/uploads/2020/09/FrieslandCampina-Broadening-Access-to-Nutrition-v2.0.pdf>

² FrieslandCampina Dairy Development Programme: (<https://www.frieslandcampina.com/sustainability/society/dairy-development-programme/>)

³ Access to Nutrition Index: (<https://accesstonutrition.org/index/global-index-2021/>)

FrieslandCampina's Approach to Sustainability: Nourishing a Better Planet

For FrieslandCampina, a sustainable future revolves around having a positive impact on farmers, society and the planet. We provide the growing world population with high quality and affordable nutrition, produced in balance with nature, with a good living for our farmers. The priorities and goals within our **sustainability programme** *Nourishing a Better Planet* address these objectives and are also importantly aligned with 7 of the Sustainable Development Goals (SDGs) of the United Nations.

Better nutrition affordable for everyone

- 74% of products compliant to our nutritional standards

Better living for farmers

- # farmers trained in Dairy Development countries
- 2023: new impact Kpi

Better climate carbon neutral future

- 2015-2030 CO₂-eq. reduction
Scope 1+2
Scope 3 member
Scope 3 other

Better nature improving biodiversity

- # farmers rewarded for biodiversity
- 2023: integral score for net positive impact on biodiversity

Better packaging 100% circular

- 95 % recyclable / reusable packaging

Better sourcing 100% responsible

- % raw materials traceable to source

FrieslandCampina's Social and Environmental Materiality Matrix

FrieslandCampina carries out a materiality analysis every two years to determine the social and environmental topics, on which FrieslandCampina has an impact, that are most relevant to stakeholders. An independent party supported FrieslandCampina completes the analysis, which is based on the guidelines of the Global Reporting Initiative (GRI).

The 2021 materiality analysis shows that greenhouse gas emissions at farms is the most important topic considering its relevance for stakeholders and the impact FrieslandCampina has on it according to the Executive Leadership Team. This is followed by nature and biodiversity, nutritional and healthy products, sustainable innovation and animal health and welfare.

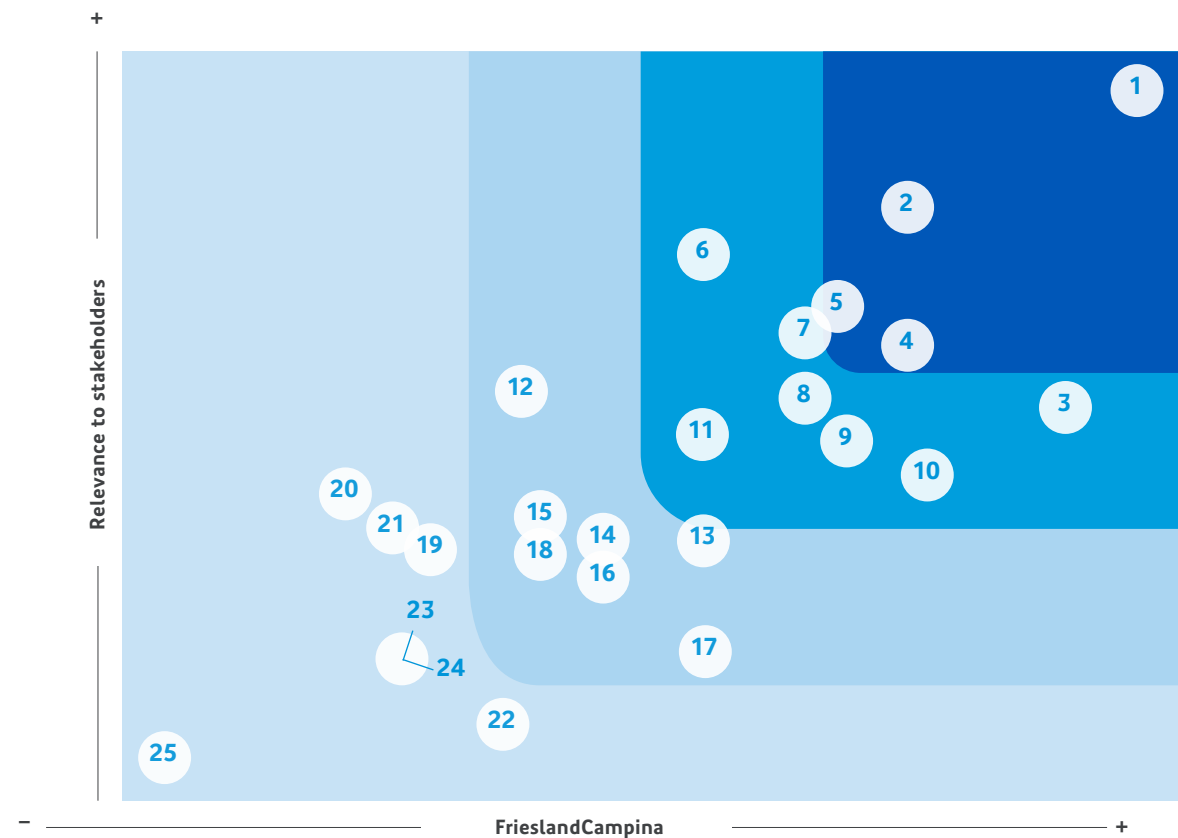
Material topics

1. Greenhouse gas emissions at farms
2. Nature and biodiversity
3. Healthy products with nutritional value
4. Sustainable innovation
5. Animal health and welfare

6. Milk price
7. Product quality and product safety
8. Carbon-neutral products
9. Greenhouse gas emissions and energy use by production and transport
10. Sustainable packaging
11. Supply chain management

12. Soil nutrients and fertiliser use
13. Support local dairy farms in countries where we collect and process local milk (Dairy Development).
14. Employee health and safety
15. Water usage & efficiency
16. Contribute to affordable nutrition
17. Digitalisation
18. Waste

19. Pasture grazing
20. Human Rights
21. Plant-based proteins
22. Attractive employer
23. Local sourcing
24. Diversity and inclusion
25. Responsible taxation



Sustainability Governance

FrieslandCampina is of the strong view that successful integration of sustainability within an organisation requires having committed leadership and clear direction through a robust governance structure, detailed below.



Supervisory Board – responsible for supervising the management of FrieslandCampina by the Executive Board and advising the Executive Board on company-wide policies, including those pertaining to sustainability. In carrying out its duties, the Supervisory Board acts in the interest of FrieslandCampina and all its associated businesses, including broader social and sustainability aspects that are relevant for the company.

Executive Board – has final oversight for the group's sustainability policies and is the formal decision making body of the company. Given the exponential growth of the sustainability agenda for FrieslandCampina over recent years, the Executive Board appointed a new dedicated role of Chief Sustainability Officer as a member the Executive Leadership Team, which performs the day-to-day management of the company and reports to the Executive Board.

Executive Board and Senior Executive Remuneration – the company's Long-Term Incentive Plan ('LTIP') is tied to the performance against three core objectives:

- I. milk performance price paid to farmers
- II. return on capital employed, and
- III. a set of sustainability objectives.

The LTIP consists of a three-year performance period and pays out upon a sound performance assessment of the objectives. Furthermore, in the Short-Term Incentive Plan ('STIP') 2023 for the Executive Board and the senior executives, personal sustainability objectives are included.

Sustainability Committee – is a special committee within the Supervisory Board that advises the Supervisory Board and prepares the Supervisory Board's decision making in relation to sustainability. It supports the Supervisory Board in fulfilling its oversight responsibilities for risks related to sustainability. This committee consists of at least 3 members of the Supervisory Board and performs the following duties:

- The discussion of and advisory work on the company's long-term vision, strategy and target setting.
- The monitoring of the company's performance against sustainability targets, and advising on ways to apply innovation which accelerate the achievement of such targets.
- The monitoring of the company's talent, leadership and culture development in the field of sustainability.

Chief Sustainability Officer – the Executive Board appointed (with effect from 1 November 2022) a new dedicated role of Chief Sustainability Officer (CSO) as member of the Executive Leadership Team, reporting to the CEO. CSO is heading the Extended Sustainability Leadership team capturing the full Environment, Social and Governance (ESG) scope and - agenda.

FrieslandCampina's Sustainability-Linked Financing Framework

Aligned with its corporate purpose, FrieslandCampina is committed to integrating sustainability in its everyday operations, as well as in its investment and financing strategy. To reflect this engagement, FrieslandCampina intends to become an active player of sustainable finance by creating a dedicated Framework. The sustainability-linked financing structure encompasses the overall sustainability performance of FrieslandCampina as a company, beyond its assets and operations, including the holistic and dynamic dimension of sustainability throughout the corporate value chain.

FrieslandCampina has chosen four Key Performance Indicators (KPIs) that are relevant, core and material to its overall business and of high strategic significance to our current and/or future operations. The company believes they are aligned with its strategy and the main sustainability issues in the dairy sector. For each of these KPIs, FrieslandCampina has set innovative and ambitious Sustainability Performance Targets (SPTs), setting new standards and driving the social and environmental transition across the industry.

FrieslandCampina's Sustainability-Linked Financing Framework (the "Framework") is aligned to ICMA's Sustainability-Linked Bond Principles (SLBP) 2020⁴ and to the LMA's Sustainability-Linked Loan Principles (SLLP) 2021⁵.

The following five components form the basis of FrieslandCampina's Framework:

1. Selection of key performance indicators (KPIs)
2. Calibration of sustainability performance targets (SPTs)
3. Characteristics of Sustainability-Linked Instruments
4. Reporting
5. Verification

This Framework covers the following financing instruments:

- Sustainability-Linked Bonds
- Sustainability-Linked Loans

⁴ SLBP 2020: <https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/June-2020/Sustainability-Linked-Bond-PrinciplesJune-2020-100620.pdf>

⁵ SLLP 2021: <https://www.lsta.org/content/sustainability-linked-loan-principles-sllp/>

1. Selection of Key Performance Indicators (KPIs)

FrieslandCampina has identified 4 KPIs to be used in potential sustainable financings. One or more KPIs identified will be selected for any sustainable financing, and this will be specified in the relevant instrument's specific documentation as applicable.

Environmental KPIs:



- **KPI 1:** Absolute Scope 1 & 2 GHG Emissions in kt CO₂
- **KPI 2:** Absolute Scope 3 Emissions in Mton CO₂e
- Mapped to Climate Change Mitigation & Adaptation environmental objective



- **KPI 3:** Increase the percentage of packaging materials that are designed to be recycled
- Mapped to Transition to a Circular Economy environmental objective

Social KPI:



- **KPI 4:** Increase the percentage of consumer products on the market compliant with the FrieslandCampina Global Nutritional Standards

1.1. KPI 1: Absolute Scope 1 & 2 GHG emissions

Definition and Scope

KPI 1: Reduce absolute Scope 1 & 2 GHG Emissions, related to the use of fossil fuels in factory and transport in kt CO₂

Scope 1 includes emissions from fuel combustion in production facilities and processes and the use of diesel for FrieslandCampina's member milk transport in the Netherlands, Belgium and Germany.

Scope 2 emissions are the emissions associated with purchased electricity, steam or heat from external sources used for FrieslandCampina's own use.

Main processes where scope 1 and 2 emissions occur are:

- Processing of milk into: fresh milk products (including yoghurts etc.), cheese, whey and milk and whey powder products (including infant food)
- Milk collection and transport between production facilities

Scope 1 and 2 emissions combined represent 4% of FrieslandCampina's total GHG emissions. This KPI is intended to be used in conjunction with KPI 2 in order to capture 82% of total GHG emissions.

Methodology

Following the Greenhouse Gas Protocol, FrieslandCampina's scope 1 emissions are direct GHG emissions that occur from sources that are owned or controlled by the company. FrieslandCampina uses the operational control approach to consolidate greenhouse gas emissions. This means subsidiaries or other operations in which FrieslandCampina has the full authority to introduce and implement operational policies are included.

GHG emissions are measured using the carbon dioxide equivalent (CO₂e) to include relevant GHGs according to Greenhouse Gas Accounting standards issued by the Greenhouse Gas Protocol.

FrieslandCampina has a combined target for scope 1 and 2 emissions where a market-based method for scope 2 emissions is used. A market-based method reflects emissions from electricity that companies have purposefully chosen.

Rationale for the KPI

The reduction of scope 1 and 2 emissions is a material KPI for FrieslandCampina's Climate Plan and wider sustainability strategy, 'Nourishing a better planet,' and is aligned with our commitment to achieve net climate neutrality by 2050. This KPI speaks to our third pillar among its sustainability priorities: 'Better Climate and a Carbon-Neutral Future.' It also reflects a higher level ambition following FrieslandCampina's latest strategy refresh.

This KPI demonstrates FrieslandCampina's strong commitment to playing our part in keeping global warming within the 1.5°C limit* above pre-industrial levels in conformity with the preferable scenario of the Paris Agreement in 2015, and aligning with UN SDG 13, and the EU Taxonomy objective regarding Climate Change Mitigation and Adaptation.

The figure below highlights this distinction:



1.2. KPI 2: Absolute Scope 3 GHG Emissions

Definition and Scope

KPI 2: Reduce absolute Scope 3 GHG emissions, from milk production at member dairy farms and assigned other Scope 3 categories. This includes procured dairy, selected raw materials, external manufacturing and packaging (Units: Mton CO₂e).

FrieslandCampina follows the Greenhouse Gas Protocol and SBTi when it comes to scope 3 emission categories. For target setting purposes, two types of Scope 3 emissions have been distinguished.

1. Member Milk – GHG emission from the production of milk on member dairy farms (cradle to farm gate).
2. Other upstream – GHG emissions in purchased dairy products and basic dairy, packaging, selected raw materials and external manufacturing.

Member Milk: All member dairy farms (located in Belgium, Netherlands and Germany)

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

Other upstream: categories with the highest upstream emissions:

- Procured dairy products: similar to emissions from production of milk at member dairy farms and processing of dairy products (procured dairy products), cradle to farm gate (procured milk) and including processing emissions for procured dairy products.
- Packaging: the emissions from packaging production, calculated 'cradle to grave'. This includes extraction (ore, oil, bio-source etc.), refinery, transport, processing and end-of-life
- External manufacturing: the emissions of dairy production (cradle to farm gate) for non-member milk and emissions from processing and transport
- Selected raw materials: emissions from cultivation and land use (cradle to farm gate) and processing

This KPI consists of scope 3 upstream emissions for the categories as mentioned above. These are all emissions originating from processes from the primary production through processing until 'factory gate'. For the avoidance of doubt, all Scope 3 downstream emissions (emissions after the products have left FrieslandCampina's production facilities) have been omitted from this target, so the KPI therefore covers 78% of FrieslandCampina's scope 3 emissions.

Methodology

GHG emissions are measured using the carbon dioxide equivalent (CO₂e), to include relevant GHGs according to Greenhouse Gas accounting standards issue by the Greenhouse Gas Protocol. For GWPs (Global Warming Potential) FrieslandCampina uses GWP100 AR5 and will be changing to GWP 100 AR6 per reporting year 2023.

Member Milk:

- Emission factor:
 - Emission per kg 'Fat and Protein Corrected Milk'
 - Calculation based on WEcR⁶ for Dutch Dairy sector – the average carbon footprint of raw milk produced in the Netherlands multiplied by the mass of milk sourced by FrieslandCampina⁷
 - Cradle to farm gate in accordance with IDF⁸ and PEF CR⁹ protocol.

Other (Upstream):

All other scope 3 emissions have been estimated for FrieslandCampina's SBTi target validation submission in 2021, which requires a 'scope 3 screening'. This estimation was done using the Greenhouse Gas Protocol tool 'scope 3 evaluator'. Following the SBTi guidance and criteria, a distinction is made between upstream emissions (all emissions originating from processes from primary production through processing until our 'factory gate') and downstream emissions (all emissions after the products have left our production facilities).

As mentioned above, FrieslandCampina continues to improve its methodology to measure scope 3 GHG emissions as relevant, adapting accordingly when there is the possibility of measuring and disclosing a more comprehensive set of data.

Rationale for the KPI

The total scope 3 emissions make up the largest portion (c.96% in 2020) of FrieslandCampina's GHG emissions and are challenging to monitor and address, particularly downstream. In addition, our materiality analysis shows that according to key stakeholders, GHG emissions at farms constitute the most material theme for the FrieslandCampina in 2021. This KPI therefore centres on an incredibly material area of focus for our target of achieving net climate-neutrality by 2050.

⁶ Wageningen Economic Research: social-economic research institute. Amongst others involved in annual sector report on average carbon footprint of Dutch raw milk - <https://www.wur.nl/en/Research-Results/Research-Institutes/Economic-Research.htm>

⁷ FrieslandCampina is planning to change external reporting from the WEcR average to ANCA data in order to report greenhouse gas emissions of milk production at FrieslandCampina member dairy farms based on farm specific carbon footprints rather than on a sector average

⁸ International Dairy Federation: IDF is the leading source of scientific and technical expertise for all stakeholders of the dairy chain. Since 1903, IDF's network of dairy experts has provided a mechanism for the dairy sector to reach global consensus on how to help feed the world with safe and sustainable dairy products - <https://ifl-idf.org/>

⁹ Product Environmental Footprint Category Rules: definition of the rules and requirements for LCA-based environmental product declarations of a certain product category - <https://www.agindustries.org.uk/resource/product-environment-footprint-category-rules-pefcr.html>

The reduction of scope 3 emissions is a material KPI to FrieslandCampina's Climate Plan and wider sustainability strategy, 'Nourishing a better planet.' In accordance with our purpose, FrieslandCampina invests in a sustainable future for the company and the cooperative. Therefore, we aim to provide dairy and nutrition whilst reducing its impact on the climate, and this KPI addresses that commitment. With the current sustainability strategy, we have substantially increased the ambition level of reduction targets and included further emission categories.

The selection of this KPI supports our alignment with the Paris Agreement in 2015, validated by SBTi and speaks to both UN SDG 13, and the EU Taxonomy objective regarding Climate Change Mitigation and Adaptation.

1.3. KPI 3: Increase the percentage of packaging materials that are designed to be recycled

Definition and Scope

KPI 3: Increase the percentage of all packaging materials that can be recycled into materials which replace virgin materials

This KPI looks at FrieslandCampina's packaging and the percentage of packaging materials that are designed to be recycled and/or reused.

Definition of 'recyclable': A package is considered recyclable if its main packaging components, together representing >95% of the entire packaging weight, are recyclable into materials that replace virgin materials. As such, the design of the packaging cannot be a barrier for recycling. Hence, materials without further use cycles, waste to energy and waste to fuel are excluded.

Across products, the recycling standard at FrieslandCampina remains the same. Currently, the material components in FrieslandCampina's packages are:

- Plastics
- Glass
- Metal
- Paper or cardboard

FrieslandCampina adopts the globally recognised definitions and standards of RecyClass.

Methodology

Percentage of sales volume of all packaging components of FrieslandCampina's products which are recyclable according to the definition (measured on the basis of kg).

FrieslandCampina developed the software tool Respackt to provide this insight. With this tool the environmental pressure and the recyclability of packaging can be analyzed enabling the selection of the most sustainable options. Respackt is being globally used by FrieslandCampina to make packaging more sustainable in all future projects. Based on these data-driven insights, the company knows where the challenges in the packaging portfolio lie.

Rationale for the KPI

Packaging constitutes a material area of focus covering the entire FrieslandCampina portfolio (100% of sales inscope*). The vast majority of packaging is centred within the business group Food & Beverage (89% of packaging volume). Packaging material is a key element of the Climate Plan from both an emissions and circularity perspective, and good packaging protects both good nutrition as well as nature and is an integral part of FrieslandCampina's business.

This KPI speaks to our sustainability strategy, under point 5 of FrieslandCampina's Nourishing a Better Planet Programme: 'Better Packaging – Fully Circular with a Carbon-Neutral Footprint'. The aim of this goal, to protect both good nutrition and

* Inscope are packaging materials where RFC has operational control, i.e. where RFC has direct influence on the used packaging materials. Therefore, out-of-scope is tertiary packaging (for transportation, for instance pallets), products produced at external production locations, and joint venture products (of which the packaging specification is not owned by FrieslandCampina).

nature, ensures that this KPI aligns with the EU Taxonomy objective regarding the transition to a Circular Economy and UN SDG 12 – Responsible Consumption and Production.

In addition, this KPI contributes to UN SDG 13– Climate Action, as next to procured dairy, packaging material is a relevant source of greenhouse gas emissions – an item that FrieslandCampina has devoted focus to within this framework. We believe that packaging should be circular in order to contribute to emission reduction, with the stated goal in our sustainability strategy outlining this: “to have our packaging circular and carbon neutral by 2050.” Considering the fact that packaging covers the entire FrieslandCampina portfolio, across 100% of sales inscope, this ensures that KPI 3 is highly material, relevant and core to FrieslandCampina’s business.

1.4. KPI 4: Increase the percentage of consumer products on the market compliant with the FrieslandCampina Global Nutritional Standards

Definition and Scope

KPI 4: Increase the percentage of all consumer products on the market that are compliant with the FrieslandCampina Global Nutritional Standards ('GNS')

The FrieslandCampina Global Nutritional Standards (GNS) are scientific nutritional criteria that FrieslandCampina’s own consumer products are expected to comply with. The criteria include ensuring the nutritional value of the dairy (protein, calcium) and reducing energy, trans-fat, saturated fat, added sugar and salt.

The FrieslandCampina GNS were first developed in 2016 with nutritional criteria guiding the development and reformulation of products.¹⁰ The GNS are derived from Choices International and were developed by independent scientists, underpinned by the World Health Organisation Global Action Plan methodology.¹¹ The standards were

evaluated in 2021 and refined on the basis of the update provided by Choices International 2019 to create the new FrieslandCampina Global Nutritional Standards 'Next Level'. The Choices International Foundation guidelines constitute a global standard, which indicate the levels of required nutrients. FrieslandCampina has based the GNS as closely as possible on this standard, with only minimal deviation to allow for the nuances of the business.

The scope of this KPI will apply to FrieslandCampina consumer products on the market where¹²:

- FrieslandCampina is the brand owner (with either the FrieslandCampina logo or name on the pack).
- Out of Home portion-sized products and products of which the main portion is sold via retail channels.
- Retail products (private labels) of which the nutritional composition is highly regulated (e.g. no added sugar and a regulated fat level): plain milk/butter, plain yoghurt, plain quark, plain cream, evaporated milk, butter and hard/semi-hard cheese.

Products are defined as:

- **Tailored Nutrition Products:** Products positioned or marketed as specific nutrition (and/or) for specific user groups (nutrition for the elderly, sports nutrition, weight conscious users).
 - For all childrens' products a subgroup of Tailored Nutrition is defined:
 - Tailored Nutrition Kids products
 - Products intended and/or targeted primarily at children < 12 years.
- Regardless of whether a product is a treat or considered as daily nutrition product: All kids' products have the positioning 'Tailored Nutrition Kids'.
- **Daily Nutrition Products:** Are positioned or marketed as a significant contribution to people's diet and are generally consumed daily (on average minimal 3–4 times a week) or are a replacement for a daily nutrition product. These are products like semi-skimmed milk and yoghurt that bring basic/mainstream nutrition for mainstream users.

¹⁰ FrieslandCampina Global Nutritional Standards can be found at: <https://www.frieslandcampina.com/sustainability/better-nutrition/better-products/>

¹¹ WHO Global Action Plan, <https://www.who.int/initiatives/sdg3-global-action-plan>

¹² Out of scope products include: All other retail products (private labels) of which the nutritional composition is not highly regulated and the retailer itself is the owner of these products and has final responsibility for product formulations and nutritional composition, all other FrieslandCampina Out of Home products, joint venture products of which the recipe is not owned by FrieslandCampina, ingredient products, animal feed products and business to business products

- **Affordable Nutrition Products:** Products aimed at consumers who have a higher risk of undernutrition or micronutrient deficiencies, as a result of reduced access to healthy food, e.g. lower income groups. Six of FrieslandCampina OpCo's (Africa, Indonesia, Nigeria, Pakistan, Philippines and Vietnam) have these products in their portfolio.
- **Treats & Taste Enhancer Products:** Are consumed or considered as a treat (indulgence, pleasure), and generally consumed on a non-daily basis and /or have a limited contribution to people's diet, such as a Mona desert. The Tailored Nutrition products and Daily Nutrition products are classified as nutritional purpose or are valued for their nutritional contribution.

Methodology

This KPI will divide the sales volumes (kg) of FrieslandCampina consumer products that are in compliance with the FrieslandCampina Global Nutritional Standards¹ by the total sales volume (kg) of FrieslandCampina consumer products to arrive at the percentage.

Rationale for the KPI

According to the latest calculations of the United Nations, the global population is expected to grow from approximately 7.7 billion people in 2019 to some 10 billion in 2050 – this means there will be an increased need for high quality, nutritious and affordable food, thus ensuring that the production of nutritionally compliant products will remain at the heart of FrieslandCampina's sustainability priorities. FrieslandCampina's purpose is "better nutrition to the world, affordable for everyone," which is captured in this KPI.

FrieslandCampina has long been concerned with ways to access healthy and affordable foods. Our Broadening Access to Nutrition Programme, first introduced in 2020, is testament to this – as discussed in the introduction to this framework. FrieslandCampina has made commitments specific to lower income markets (defined as countries where c.30% of the population has 'low income'), to include Nigeria, Pakistan, the Ivory Coast, Indonesia, Vietnam and the Philippines, to ensure there is a strong social impact behind the Group's nutritional aims.

We tailor our targets for these markets, with strategies including adaptations to product formulation to combat malnutrition, such as optimising the protein quality and quantity in our affordable products, in addition to ensuring they contain the correct vitamin and mineral formulation.

The commitments made by FrieslandCampina to ensure a strong social impact in lower income markets are discussed in the vision and purpose section of the introduction to this document.

This KPI is core to the business since it is based on the percentage of all consumer products (which in 2021 accounted for 63% of sales), whilst also addressing UN Sustainable Development Goals 2, 'Zero Hunger,' and 3, 'Good Health and Well-Being.' KPI 4's focus on nutrition is therefore a natural choice for FrieslandCampina in the development of our 'Better Nutrition' Group strategic pillar, and both complements and reinforces our existing commitment to enabling access to nutrition.

2. Calibration of Sustainability Performance Targets (SPTs)

All Sustainability Performance Targets are fully aligned to FrieslandCampina's sustainability strategy published in our Annual Report. The targets reflect FrieslandCampina's high level of ambition and long-term aim to contribute to relevant global sustainable development goals.

For each Sustainability-Linked Instrument issued under this Framework, the applicable SPTs and the dates at which compliance with the SPT will be assessed (the Target Observation Date(s)) will be detailed in the relevant instrument's specific documentation (e.g., Final Terms of any Sustainability Linked Bond or Facility Agreement of any Sustainability-Linked Loan).

2.1. Reduce absolute Scope 1 and 2 GHG Emissions

SPT 1: Reduce absolute Scope 1 and 2 GHG Emissions 63% by 2030 from a 2015 base year, related to the use of fossil fuels in factory & transport (Units: kt CO₂)

Calibration of the target

In June 2022, FrieslandCampina's targets were validated by Science Based Target Initiative (SBTi). The report states: SBTi's Target Validation Team has classified the Scope 1 and 2 targets of FrieslandCampina and has found them to be in line with a 1.5°C course of action. Royal FrieslandCampina is committed to reducing the absolute emission of Scope 1 and 2 greenhouse gases by 63 percent by 2030, in comparison to the 2015 baseline year*. Royal FrieslandCampina also commits to reducing the absolute emission of Scope 3 greenhouse gases by 37.5 percent within the same period.*

Historical Performance

FrieslandCampina have reported on GHG emissions annually since 2009 in our CSR Report, and these figures have been included in our integrated annual report since

2018. From 2015 onwards, scope 1 and 2 and scope 3 member milk emissions have had limited assurance.

The table below outlines FrieslandCampina's historic performance with regard to scope 1 and 2 emissions over the last 3 years, and including 2015 as a base year:

In kt CO ₂	2015 baseline	2019	2020	2021	2030
GHG emissions from fuel combustion in production facilities/processes and transport	987	742	743	691	365
% change vs. 2015	-	24.8%	24.7%	-30.0%	-63.0%

Strategies to achieve the SPTs

FrieslandCampina has a solid reduction strategy in place for scope 1 & 2 emissions, having been a focus point for some time. The reduction strategy includes factory investments to reduce energy consumption and use of renewable electricity from projects initiated at member dairy farms.

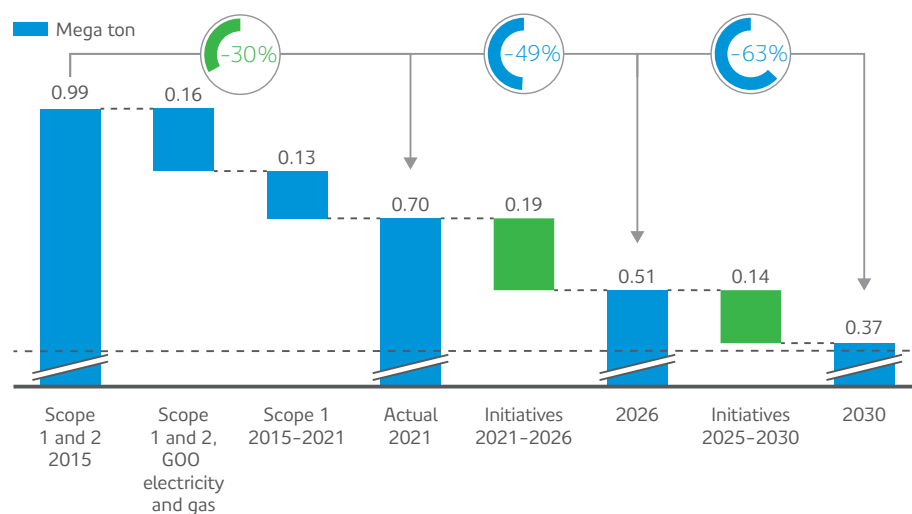
FrieslandCampina's reduction plan for 2020-2030 aims to reduce emissions through:

- Reducing energy consumption by improving energy efficiency through the use of energy management systems
- Improvements in insulating, lighting and cooling
- Replacing outdated production processes by more efficient technology
- Electrification of outdated fuel consuming processes through new
- Technologies like filtration, mechanical vapour recompression and absorption processes
- Supply chain footprint optimisation worldwide
- Fossil energy substitution with renewable energy such as biogas, pruning wood, rice husks
- Renewable electricity consumption from electricity produced at FrieslandCampina facilities and member dairy farms
- Subsidy schemes for greenhouse gas reductions in the Netherlands and Belgium

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

The figure below outlines FrieslandCampina's planned reduction pathway across the period 2020-30:

Expected and Planned Reduction Pathway for Scope 1 and 2 Emissions in Mton CO₂ equivalents:



FrieslandCampina's reduction strategy for the planning period up 2026 is based on a reduction of approximately 49%, reducing emissions to approximately 0.5 Mton CO₂ equivalents, with investment plans across this period having already attained approval.

Potential barriers

The following external factors may represent hurdles in achieving the SPTs:

- Macroeconomic risks driven by the transition to a low-carbon economy, including increased regulation and legislation, may cause changes in market conditions.
- Geopolitical risks

- The direct impact of climate change in the form of, for example, long-term droughts, heatwaves and excessive rainfall, as well as uncertainties concerning potential stricter environmental requirements arising from laws and regulations over the long-term, are impossible to clearly foresee over the long-term
- Grid congestion in the Netherlands can prevent swift transition to electrification

2.2. Reduce absolute Scope 3 GHG emissions

SPT 2: Reduce absolute Scope 3 GHG emissions 37.5% by 2030 from a 2015 base year, from milk production at member dairy farms and assigned other scope 3 categories, with targets validated by SBTi. This includes procured dairy, selected raw materials, external manufacturing and packaging (Units: Mton CO₂e).

Calibration of the target

FrieslandCampina committed in 2020 to the Science Based Target Initiative (SBTi) for its scope 3 target, a commitment which was validated in June 2022. FrieslandCampina believes the goal to reduce scope 3 emissions by 37.5% by 2030 against a 2015 baseline is ambitious based on analysis of historic performance and the commitment of resources needed to meet this goal.

Historical Performance

Scope 3 Emissions: milk production at member dairy farms and assigned upstream scope 3 categories

Data quality is high and limited assurance on FrieslandCampina scope 3 – member milk reporting has been given since 2015.

The table below outlines FrieslandCampina's historic performance with regard to scope 3 emissions from milk production at member dairy farms and replaced upstream scope 3 categories over the last 3 years, and including 2015 as a base year:

In kt CO ₂	2015 baseline	2019	2020	2021	2030
Scope 3 emissions	20,016	18,568	18,278	17,989	12,517
% change vs. 2015	-	-7.2%	-8.7%	-10.1%	-37.5%

Strategies to achieve the SPTs

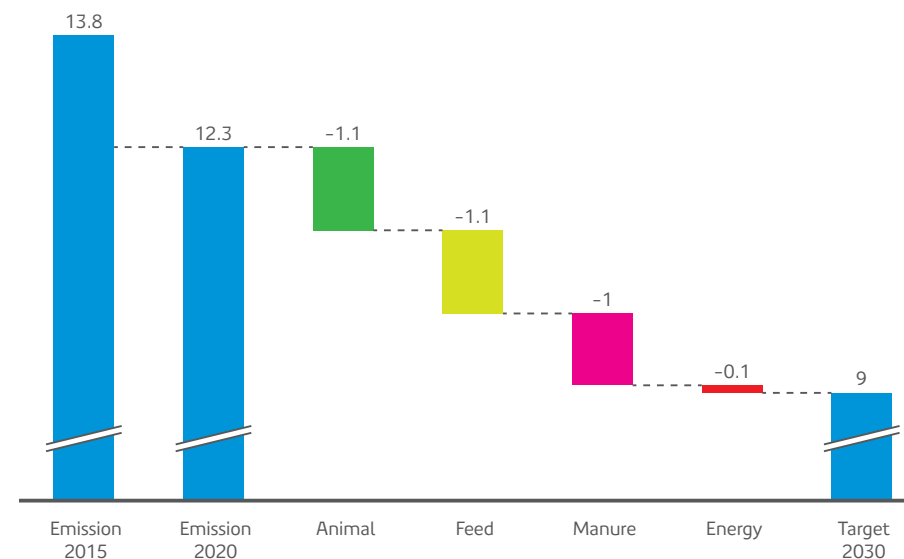
As the emissions for milk production at member dairy farms have been monitored for quite some time, FrieslandCampina has been able to set a reduction path that is clear and ambitious. Mitigation options are available, and it is possible to assess the impact that these will have. FrieslandCampina has an incentive system in place ('Foqus planet') and is partnering to further incentivise members to take action. FrieslandCampina will focus on the following areas to achieve this ambitious reduction:

- Feed: land-use-conversion-free feed, less dependency on compound feed, better digestibility of feed, lower emissions in cultivation
- Animal: breeding programmes (not all cows on the same feed ration emit the same amount of methane, the trait is hereditary) & feed supplements (inhibiting methane production in the rumen)
- Housing systems and manure management: anaerobic digestion, methanogen inhibition, methane oxidation
- Energy use: renewable energy production on farm, use of surplus renewable energy in FrieslandCampina's supply chain
- Incentives: Focus planet quality system, sustainability fund to help farmers invest in reduction is being created

The potential for reduction is shown in the figure below:

Reduction path options: scope 3, member milk, in Mton CO₂ equivalents

The potential for reduction is shown in the figure below:



Where investments on farms are concerned, several mitigation options need additional funding to create a decent business model for farmers. FrieslandCampina will make use of the existing Foqus planet system to reimburse farmers who implement mitigation options. The reimbursement in part will come from market valorisation through the sales of low carbon products. FrieslandCampina anticipates that governmental support through subsidies (fiscal, exploration, investment or divestments) could also speed up the implementation process.

Regarding scope 3 emissions from sources other than member milk, the reduction strategy for this category is currently being developed, and FrieslandCampina is still improving benchmarks to assess which suppliers to engage with first in order to be most effective in reducing emissions. FrieslandCampina has identified our largest suppliers, who have also committed to SBTi, such as several packaging companies.

Potential barriers

The following external factors may represent hurdles in achieving the SPTs:

- There is an underlying risk that key suppliers may not put decarbonisation strategies in place, which will have a negative impact on FrieslandCampina's scope 3 emissions.
- Coordination with Member Dairy Farmers Balanced Alignment between FrieslandCampina, the Cooperative and member dairy farmers is paramount to be able to make and implement timely decisions and to be able to operate decisively and stay competitive. With the operating results under pressure, a continuously changing regulatory landscape, pressure on the overall dairy sector (e.g. Nitrogen) and changes in the Cooperative Board in 2021, the alignment between the Company, the Cooperative and the member dairy farmers on strategy, programs and their implications has become more complex and could be challenge we may need to overcome
- Governmental policy, both in the Netherlands and EU, may direct dairy farms to less efficient ways of producing, using more land and lower quality feed, which could lead to higher emissions per cow
- Climate change already taking place can increase occurrence of droughts and extreme weather events. This can impact availability and quality of feed, heat stress for cows etc. leading to more emissions and less milk.

2.3. Increase the percentage of packaging materials that are designed to be recycled

SPT 3: Increase the percentage of packaging materials that are designed to be recycled to 95% by 2025 from a 2021 base year

Calibration of the target

FrieslandCampina believes the goal to increase the percentage of packaging materials designed to be recycled to 95% by 2025 against a 2021 baseline is ambitious based on analysis of historic performance and the commitment of resources needed to meet this goal. It will be maintained at this level in 2026 rather than increased. This is due to the current technological limitations across different geographies preventing

certain items in the portfolio from being recycled. The target is 95% as there will always be items in the portfolio which can't be recycled, for example:

- Sleeves around the bottles (the bottle can be recycled but the sleeve not)
- Plastic on aerosols (plastic is integrated with pouch and therefore can't be separated and will be burned together with aluminum)
- Foil based sachets
- 100% recyclable is therefore not considered a realistic target for FrieslandCampina.

FrieslandCampina also has a broader aim to have 100% of packaging as recyclable and/or reusable by 2025 and by 2050 it must be circular and climate-neutral. FrieslandCampina have selected SPT 3, as it is a more ambitious, market leading target as it goes much deeper and addresses the most difficult element of recycling which is the recyclability portion.

Historical Performance

Currently FrieslandCampina products are packed in a range of different packaging formats such as beverage cartons, bags, cans (tin, aluminium), plastic bottles, pouches (plastic and aluminium foils) and glass. In weight percentage, the most volume is in the first three packaging types. To improve the sustainability of FrieslandCampina packaging, the Group is focusing on improving recyclability, sourcing sustainably (e.g. lowering the use of virgin plastics) and limiting waste and pollution.

The table below outlines FrieslandCampina's historic performance with regard to circular packaging over the last 3 years, using 2021 as a base year:

% circularity	2019	2020	2021 (baseline)	2025
Recyclable packaging	NA	87	90	95
% change	-	-	+3%	+5%

This KPI is being measured from 2020 onwards, therefore no comparative data for 2019 available. Before 2020 the KPI FrieslandCampina used has been focussing on recyclability of plastic packaging which was in 2020 broadened to total packaging.

Strategies to achieve the SPT

FrieslandCampina will focus on the following areas between 2023–2025 to achieve this ambitious reduction:

- Recyclable PET (Romania, UK, Germany)
- Cheese portfolio (cost price increase EUR 500k-1 M)
- HDPE bottle transfer to PET (PET 3)
- Bag in Box portfolio Professional Business
- Easy Lid Specialized Nutrition (cost price increase EUR 500k-1 M)

FrieslandCampina are currently in the exploration stage with partners and suppliers to determine bio-based materials which would enable the company to achieve a circular and carbon neutral portfolio. FrieslandCampina is committed to achieving these goals, and will seek to finance a proportion of this through pricing for sustainably produced dairy, and through general means such as current government subsidies and financial support from government funds.

Potential barriers

The following external factors may represent hurdles in achieving the SPTs:

- Growth in consumer portfolio leading to an absolute increase in packaging resulting in additional challenge to meet targets
- Lack of collection and recycling infrastructure
- Cost of alternative packaging materials could significantly increase in the foreseeable future

2.4. Increase the percentage of consumer products on the market compliant with the FrieslandCampina Global Nutritional Standards

SPT 4: Increase the percentage of consumer products on the market compliant with the FrieslandCampina Global Nutritional Standards from 70% in a 2021 base year to 74% by 2025.

Calibration of the target

FrieslandCampina believes the goal to increase the percentage of consumer products on that market compliant with the FrieslandCampina Global Nutritional Standards ('GNS') from 70% to 74% against a 2021 baseline is ambitious based on analysis of historic performance and the commitment of resources needed to meet this goal.

The maximum proportion of FC's portfolio that will meet the SPT is 74%, as the overall portfolio also covers other consumer products including: Sweetened condensed milk (legislation requires 50% sugar), and treats like Chocomel and Mona deserts, which are not able to meet the GNS standards by nature of the products

Historic Performance¹³

There is limited historic data for this particular target, as comparable data is only available from the 2021, the baseline year, outlined in the table below:

	2020 (baseline)	2021	2025
% of consumer products on the market compliant with FrieslandCampina GNS	70%	71%	74%
% change		-	+4%

Previous data on historic performance, from 2015 – 2020, is not comparable as the data is based on an older iteration of the Global Nutrition Standards (2015–2020). The 2020 baseline therefore reflects FrieslandCampina's refreshed GNS.

¹³ Historic performance data is only available in a comparable form from 2021.

The rationale behind the GNS refresh stems from the revisions made to the International Choices Nutrition Criteria¹⁴ (an external set of criteria which sets the international and scientifically substantiated definition of healthy foods) in 2019, becoming more stringent. As a result, these new criteria were integrated into the FrieslandCampina GNS in 2020, to ensure alignment. This therefore necessitated the re-baselining of historic data to 2020.

Strategies to achieve the SPTs

- We will look to improve the GNS compliance rate with piece-meal steps, while balancing negative commercial impacts of the changes, as drastic recipe changes can drive customers away, to products with similar salt/sugar levels to the previous formulations, and may result in an overall negative net health impact on consumers.
- A strong emphasis will be placed on recipe change to ensure Affordable Nutrition for the listed countries.¹⁵ This further contributes to FrieslandCampina's commitment to increase compliance to nutritional standards to 50% in 2025 (from 5% in 2021) for affordable nutrition categories
- FrieslandCampina will also take into account product sales to these lower income countries and have developed a distinct, differentiated business model specifically for supporting product sales- the 'floating class', for whom milk/milk products are typically less affordable.¹⁶
- FrieslandCampina will also continue to innovate to support the achievement of this target. Recent innovations launched on affordable nutrition are:
 - Family breakfast porridge in Nigeria – PEAK Milky pap which combines the nutritional value of milk with cereals
 - Breakfast beverage in Vietnam which links the nutritional value of milk to that of cereals
- The key challenge is to remain relevant in the key countries in Sub-Saharan taking into account unprecedented cost increases (>60%) which needs to be absorbed by our key brands Peak and Three Crowns in these markets, while recipe enhancements will drive further cost increases on top of inflation which puts affordability at risk.
- FrieslandCampina will continue to direct additional investment to enriching recipes with vitamins and minerals. According to current estimates, the step up of 4% (from 70% to 74%) requires additional investments

FrieslandCampina is planning to refresh and re-evaluate these standards in 2025, and set a new, ambitious trajectory towards 2030, hence why the target setting does not currently extend past 2025.

Two 'maintain' periods are necessary as the shelf life of these Affordable Nutrition products are more than 1 year. As a consequence, the R&D team needs time to ensure the vitamins and minerals of the enriched products are still present at the amount indicated on the packaging and bio-available for humans.

Potential barriers

The following external factors may represent hurdles in achieving the SPTs:

- economic circumstances in lower income countries (cost price increases, inflation, conflicts)
- geopolitical tensions that could disturb global economic stability, with the potential to push cost price increases and spur inflation, resulting in market share decline and negative commercial impact as customers move to competitor products with higher sugar and salt content

¹⁴ The International Scientific Committee is the custodian of International Choices Nutrition Criteria and is responsible for the regular revision, every four years, to cater for new developments in consumer habits, food science and product reformulation. The International Scientific Committee is formed by a group of leading independent scientists in nutrition, food science and consumer behaviour. The revised criteria is available in greater detail here: <https://www.choicesprogramme.org/downloads/international-choices-criteria-2019-version-4/>

¹⁵ Indonesia, Pakistan, Philippines, Sub-Saharan Africa (Nigeria, Ivory Coast) and Vietnam.

¹⁶ The World Bank classifies the world's economies on basis of Gross National Income (GNI) per capita (current US\$) calculated using the Atlas method. Lower income economies (low and lower-middle income economies) are those with a GNI per capita, below \$3,995. (year 2019/2020).

3. Characteristics of the Sustainability-Linked Instruments

Unless otherwise stated, the proceeds of FrieslandCampina's Sustainability-Linked instruments (i.e. bonds or loans, as the case may be) will be used for general corporate purposes.

The financial characteristics of the instrument will be impacted as step-up coupon or margin adjustment depending on the nature of the instrument according to the achievement or non-achievement of the selected KPIs and applicable SPTs at the Target Observation Dates, as specified in the relevant instrument specific documentation as applicable. Although this Framework defines several KPIs and SPTs, the choice of KPI(s) and SPT(s) for a given transaction will be specified in the relevant documentation of the specific transaction.

FrieslandCampina will notify the relevant stakeholders of the achievement or not of the SPT(s) as soon as possible in any event by the deadline specified in the relevant financing instrument documentation.

The relevant transaction documentation may include provisions allowing for the redetermination (also on a pro forma basis, if any) of the SPT(s) and/or related baselines based on specific circumstances, such as changes in the calculation methodology or major events having a material impact on the Group's structure.

Furthermore, such documentation will detail any applicable fallback mechanisms in case the KPI(s)/SPT(s) cannot be calculated, observed or reported in a timely and satisfactory manner and will take into consideration potential exceptional events including but limited to significant change in perimeters or extreme events.

4. Reporting

FrieslandCampina will integrate reporting on Sustainability-Linked Financing instruments into FrieslandCampina's Annual Report, which will be readily available and easily accessible on its external website. Reporting will continue until FrieslandCampina has reported on the performance of the SPTs on the stated Target Observation Date. The reporting will include:

- Information on the performance and monitoring of the selected KPI;
- Verification assurance report relative to the SPT outlining the performance against the SPT and the related impact, and timing of such impact, on an instrument's financial performance; and
- Any relevant information enabling investors to monitor the progress of the SPT.

Information may also include when feasible and possible:

- Illustration of the positive sustainability impacts of the performance improvement; and/or
- Any re-assessments of KPIs and/or restatement of the SPT and/or pro-forma adjustments of baselines or KPI scope.

5. Verification

i) Pre-issuance

FrieslandCampina's Sustainability-Linked Financing Framework has been reviewed by Moody's Investor Service who provided a Second Party Opinion (SPO), confirming the alignment with the Sustainability-Linked Bond Principles 2020 (SLBP) administered by the ICMA, and Sustainability-Linked Loan Principles 2022 (SLLP), administered by LMA. The SPO will be available on FrieslandCampina's website.

ii) Post-issuance

Annually, and in any case for any date / period relevant for assessing the KPI performance against the SPT leading to a potential financial adjustment, such as a step-up coupon or a premium payment on the Sustainability-Linked Financing, until after the KPI trigger event of a financing has been reached, FrieslandCampina will seek independent and external verification of the performance level for the stated KPIs against their respective SPTs by an independent Assurance Provider/External Verifier.

The Assurance Provider/External Verifier means FrieslandCampina's external auditor, or any such other qualified provider of third party assurance or attestation services appointed by FrieslandCampina, who will provide a verification assurance report in the form of a "Limited Assurance".

The verification of the performance

6. Amendments to this Framework

FrieslandCampina will review this Framework from time to time, including its alignment to updated versions of the relevant principles as and when they are released, with the aim of adhering to best practices in the market. Over time, additional KPIs/SPTs may be added and new SPTs for the KPIs may be proposed, or significant or structural changes to the business model of the Group may occur. Such review may result in this Framework being updated and amended. The updates, if not minor in nature, will be subject to the prior approval of a qualified provider of Second Party Opinions. Any future updated version of this Framework that may exist will either keep or improve the current levels of transparency and reporting disclosures, including the corresponding review by an External Verifier.

The updated Framework, if any, will be published on FrieslandCampina's website and will replace this Framework.

