



Corporate social responsibility report 2019

Summary



Food that Matters

FOOD GROUP



Ronald Lotgerink: Providing Food that Matters



CEO Vion Food Group
– Ronald Lotgerink

“The purpose of a company is to engage all its stakeholders in shared and sustained value creation”

These words are written in the new Davos Manifesto 2020 from the annual World Economic Forum. Vion’s purpose is to bring people together to build future-proof protein supply chains and provide Food that Matters. This purpose is derived from our new corporate strategy and will help us in providing solutions to the food challenges we are facing as a company in a fast-changing world. Everyone has a right to safe, healthy and sustainable food.

I am aware that Vion and its stakeholders are facing global food challenges. Meat prices are rising all over the world as a result of the global spread of African Swine Fever. Farmers are protesting in many countries, motivated by a feeling of disrespect from several NGOs, governmental bodies and some media. I stand for respectful stakeholder engagement with all parties which trust each other and want to create a sustainable future in a socially coherent society.

The past year showed mixed feelings businesswise. In spring 2019, the pork market developed over a period of a few months into a highly profitable business for pig farmers and Vion. Both have had a tough time over the past five years. In addition, the beef market was difficult as a result of the decreased availability of slaughter animals and low beef prices. The Food Service Business Unit again showed stable and good profitability.

The challenge for future protein consumption

Consumers are making more mindful consumption choices as people become increasingly aware of the environmental and social impact of our agricultural systems. At the brink of a new decade, Vion observed that millennials and Generation Z no longer want to work for, invest in, or buy from companies that lack values such as sustainability, higher animal welfare, fair prices and transparency. I recognize that our long-term success is closely linked to the lifestyles of our (future) customers, employees, and suppliers. It will change our consumption pattern and supply chain.

Foreword of the CEO

In Europe, this awareness is reflected in the slow decline of meat consumption, as people exchange animal proteins for plant-based proteins in their diets. As a result, the European meat market is expected to shrink in the next ten years, whilst meat consumption in Asia and Africa will continue to grow.

To adapt to these changes in society, Vion extended its portfolio with plant-based protein products that serve as meat alternatives. In October 2019, we presented five new plant-based products. The plan is to start selling these products from the beginning of 2020 and to further extend our product range. We will produce these products in our production facility in Leeuwarden, which was rebuilt for this purpose in 2019. This Business Unit is one of our strategic priorities for the coming years.

The challenge for animal welfare

Vion is a trustworthy, reliable supplier of proteins. Effective control of animal welfare in the supply chain is one of society's most relevant issues. Vion has a great responsibility in the control and transparency of animal welfare throughout the entire supply chain. Vion is taking its role through a professional animal welfare dialogue with farmers, NGOs, authorities and customers to realise additional value in the market. Additionally, this dialogue gives farmers and transporters the chance to continuously improve animal welfare. This approach has already resulted in successful supply chain concepts such as De Groene Weg (organic) and Good Farming Star. Our approach also resulted in our moving up one level to Tier 2 in the global Business Benchmark on Farm Animal Welfare (BBFAW). With this classification, the BBFAW recognises that Vion has made animal welfare an integral part of its business strategy.

Building Balanced Chains (BBC)

Sustainability, transparency, integrity, safety, animal welfare and quality will be increasingly important differentiators for success in the market. In the coming years, Vion's answer to these challenges is to build strong relationships with our supply chain partners and other stakeholders to match supply and demand on these topics. We call this strategy: Building Balanced Chains. In past years, we were already actively involved in building balanced supply chains, such as Good Farming Balance, Geprüfte Qualität Bayern, Good Farming Star, De Groene Weg (Organic) and we recently announced the plant-based meat alternatives supply chain.

These BBCs must be based on contemporary ICT systems in which all supply chain partners are connected to one another. Data exchange among feed, farm, animal trader, slaughterhouse, meat processor, retail and consumer should be open and transparent. Vion is in dialogue with its supply chain partners to create new standards for data exchange which is open to society. Within the next years, these data systems should provide reliable information to the consumer concerning food safety, animal welfare, sustainability and product integrity. I believe it is the consumer's right to know how food is produced with regard to topics like animal welfare and sustainability. It is Vion's responsibility, together with its supply chain partners, to provide this information.

Ronald Lotgerink
CEO Vion Food Group

“Vion's purpose is to provide Food that Matters by building future-proof protein supply chains”

Management board and executive committee

The management board of the company is comprised of Ronald Lotgerink (CEO) and John Morssink (CFO). The executive committee further includes John de Jonge (COO Pork), Philippe Thomas (COO Retail), Bernd Stange (COO Beef), Bernd Stark (COO Food Service) and Binne Visser (CHRO).



From left to right: John Morssink, John de Jonge, Bernd Stark, Ronald Lotgerink, Bernd Stange, Philippe Thomas, Binne Visser.

Company profile

Vion is an international food producer with production locations in the Netherlands and Germany and sales support offices in thirteen (at the end of 2019) countries worldwide.

Through its three divisions – Pork, Beef and Food Service – the company provides fresh pork and beef, and by-products for the retail, food service and the meat processing industries.

Vion supplies customers in its home markets of the Netherlands and Germany, and in other countries in Europe and the rest of the world. Vion's headquarters are located in Boxtel (the Netherlands).

Vion Holding N.V. is a public limited liability company under Dutch law. Vion generally complies with the Dutch Corporate Governance Code.

Vion's sole shareholder, Stichting Administratiekantoor SBT, is a trust office that has issued depository receipts for its shares to NCB-Ontwikkeling, which acts as the investment fund of ZLTO. ZLTO is an association for entrepreneurs working in the agricultural sector and has approximately 13,000 members in Noord-Brabant, Zeeland and the southern part of Gelderland.



12,445

Employees (FTEs),
including flex workers



4,544

Own employees



7,901

Flex workers



5.1

Revenue for 2019
in billion euros



Over 100 million

consumers per day enjoy our meat



15

Production locations



12

Production locations



2

Food Service locations

Production sites



International sales support offices



Markets served

Vion supplies the retail, food service and the meat processing industries in its home markets of the Netherlands and Germany, as well as in other countries in Europe and the rest of the world. Vion's operations have market access to all relevant global food markets.

North America



35,000

36,000 2018 42,000 2017

Asia



759,000

507,000 2018 521,000 2017

Other countries

43,000

35,000 2018 60,000 2017

Net turnover per market in thousands of euros

Europe

4,092,000 2018 4,447,000 2017

Germany

1,866,000

1,809,000 2018 2,051,000 2017

United Kingdom

189,000

179,000 2018 205,000 2017

Netherlands

613,000

616,000 2018 654,000 2017

Greece

186,000

160,000 2018 180,000 2017

Italy

437,000

446,000 2018 466,000 2017

Other European countries

933,000

882,000 2018 891,000 2017

Vision, purpose and positioning

Our Vision

In a global marketplace and on a planet that is under pressure from the overuse of resources, we believe in a world where people enjoy safe and healthy food from sustainable sources

Our Purpose

By bringing people together to build future proof protein chains, we provide Food that Matters

Our Positioning

In our view; Food that Matters is tasty and healthy, comes from upgraded demand-driven chains, provides a fair income for farmers and other chain partners, is produced with respect for animals and people and sets standards on reducing environmental impact

Strategic focal point: Building Balanced Chains

We implement Building Balanced Chains to give farmers a future and customers a difference

Our Role: guide, providing clarity and direction in a complex world and serving as a beacon for others in the food chain

Healthy and
tasty food

From upgraded
demand driven food
chains

Providing a fair price
for farmers and other
chain partners

Produced with respect
for animals and
people

Setting the standards
on reducing
environmental impact

Building Balanced Chains

To live up to our purpose of providing Food that Matters, our strategy is to Build Balanced Chains (BBC) to offer safe, healthy, tasty food while creating value across a future-proof ecosystem.

Balanced chains are demand driven food chains with:

- **Farm management optimisation:** making relevant data available to farmers for optimising their management and improving animal welfare, efficiency and environmental effects.
- **Protein valorisation.**
- **Product specialisation:** unique concepts and product innovations that tap into prevailing consumer trends.

The very best products, fresh on your plate, demand supply chains that are as short as possible. This helps to get the best products into shops in the best possible way.

As a trusted market maker at the midpoint of supply chains, we connect a group of farmers to a group of customers. That way, we aim to build tailor-made, customer specific chains, so that our customers can communicate added value such as origin of products, animal welfare, or CO₂ footprint.

We are committed to setting the standard for hygiene measures in the chain. We also intend to set the standard with regard to integrity, transparency and data-sharing, to improve consumer trust in our industry. More cooperation in the chain leads to lower costs, less waste and increased transparency. Strong chains are less dependent on price increases or decreases. Supply chain partners are assured of a fair price and financial security.

It takes time to match supply and demand. We believe there is space for 6 or 7 chains in the Netherlands and up to 10 in Germany, with Vion focusing on optimal valorisation of the meat. The rest, approximately 30% of the offer, remains free market.

Examples of balanced chains we built

De Groene Weg

One of the things that distinguishes De Groene Weg is that – when it comes to pork – the company works on the basis of a demand-driven, closed supply chain. As a central player in the organic pig supply chain, with an integrated approach from pig breeder to end consumer, Vion has been able to develop best practices for supply chain management, pricing models and type of farming. De Groene Weg's integrated approach for the production and marketing of meat ensures an optimal balancing of supply and demand. For that purpose, the company works closely with both organic pig farmers and market parties, such as its own De Groene Weg butcher shops, retail outlets and Vion international sales agencies. The 95 farmers who supply pigs to De Groene Weg are members of a suppliers' association, all certified with the European Organic, EKO, and Beter Leven 3-star label. The processing of organic pigs takes place in Vion's specialised meat processing plant in Groenlo. In addition to this, De Groene Weg also processes organic beef. These are mainly dairy cows mostly from organic dairy farms in the Netherlands, Germany, and Austria. For more information on this concept, see page 16.

Good Farming Star (GFS)

Within our GFS concept certified with Beter Leven 1-star, we developed dedicated supply chains for several Dutch retailers.

Robusto

Selection of ham, originating from trusted and professional pig farmers, with the right fat content and cut to specification, for the top segment of dried premium Parma and Serrano ham on the Italian and Spanish market, and for bellies on the Korean market.

Simmental PUR with Geprüfte Qualität Bayern certificate

A regional beef program, it combines beef from Simmental and Bavarian origin (certified according to GQ-Bayern - "Geprüfte Qualität Bayern"), which Vion developed in cooperation with two farmer organisations and the food retail.

Boerderijvlees (Farm Meat)

Dedicated chain for pork, from the first Dutch farmer certified with Beter Leven 2-star to a specific Dutch retailer. The pigs can choose whether they go outside or stay indoors, have straw, and eat lupins and wheat. The farmer produces most of the feed for the pigs on its own fields and manure from the pigs goes into the biogas plant which generates electricity.

Corporate governance and organisational structure



Ownership

Vion's sole shareholder, Stichting Administratiekantoor SBT, is a trust office that has issued the depositary receipts for its shares to NCB-Ontwikkeling, which acts as the investment fund of ZLTO. ZLTO is an association for entrepreneurs working in the agricultural sector, and has approximately 15,000 members in Noord-Brabant, Zeeland and the southern part of Gelderland.



Legal form and corporate governance

Vion Holding N.V. is a public limited liability company under Dutch law with a two-tier board. Because Vion is not listed on a stock exchange, the Dutch Corporate Governance Code does not apply to Vion. Nevertheless, Vion has chosen to voluntarily apply the principles and best practice provisions of the Dutch Corporate Governance Code.



Organisational structure

There were no significant changes to the organisation's ownership in 2019. The management board of Vion consists of the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO). The management board is supported by an executive committee. The executive committee consists of the CEO, CFO, CHRO, the Chief Operating Officers (COOs) of the Pork, Beef and Food Service Divisions, and the CCO Pork. The executive committee is led by the CEO.

The management board is ultimately responsible for the actions and decisions of the executive committee and the overall management of Vion, including the decisions on all CSR topics. The management board is supervised and advised by a Supervisory Board, including on the CSR topics.

The management board and the Supervisory Board are accountable to Vion's General Meeting of Shareholders.



Our employees

In 2019, Vion had 4,544 own employees and 7,901 third-party labourers working to build on Vion's success. The number of flex workers is quite high and is mainly due to the need for flexibility in the company's operations. Our third-party labour workers mostly work in the production, e.g. slaughtering, deboning, packaging and cleaning processes.

Around a quarter of our employees work part-time. Due to the nature of our production processes, most of the workers are male. Around a quarter of our employees are women.

1 Average total number of employees in FTEs 12,445.

The way we do business

Our code of conduct and whistleblower procedure

We have strict procedures for our employees, including temporary and contract workers.



Code of conduct

Vion's business principles and core values are laid down in a code of conduct. Together with the whistleblower policy, the code of conduct was updated completely in 2016.

In 2017, the code of conduct was reviewed, which led to the introduction of animal welfare and food safety and product integrity as separate sections and a clarified definition of our employees which includes temporary and contract workers.

Early in 2018, we communicated the revised code of conduct together with our whistleblower policy and our approach to information security, data privacy and fraud prevention in a new version of our Good Business Practice Guide which every employee received.



Whistleblower procedure

In 2019, we have received in total eight reports under the whistleblower policy. These reports were related to human resources, quality and health and safety of workers.

In 2019, we again received no notifications of corruption nor bribery. Our policy is that, in a case of proven corruption or bribery, the respective employee will be fired immediately.

The Vion whistleblower policy aims to support compliance with laws, integrity in financial management, a healthier and safer work environment, and effective corporate governance. We want to ensure that any employee of Vion can make a report without the risk of retaliation, and with the assurance that all reports are treated confidentially and are promptly investigated. In addition to reporting directly to management, human resources or the management board, employees can contact the whistleblower line, which is operated by an external service provider. This allows employees to report issues anonymously.



Trends in the market

There are ten trends that drive change in the global food market and that have an impact on Vion.

In 2019, volatility increased as African swine fever in China created a strong demand for pork from Europe, with higher prices as a result. The impact of African swine fever was strongly felt on the global pork market because of the size of the Chinese market. The world market determines the price of pork. After China, African swine fever also occurred closer to our home countries, in Eastern Europe and Belgium.

In May 2019, the Dutch State Council ended the four-year old Nitrogen Approach Program (PAS). The declaration and the subsequent impasse led to a crisis in the agricultural sector. Impactful measures to reduce nitrogen emissions are required. Proposed solutions such as limiting herd sizes in the Netherlands led to large-scale protests by farmers in October who feel mistreated and threatened in their entrepreneurship.

In Germany at the beginning of September there were farmers-protests against the package of measures proposed by Federal Minister of Agriculture Julia Klöckner (CDU) and Minister of Environment Svenja Schulze (SPD). Farmers fear that the agricultural measures will endanger family businesses and the competitive position of German farmers.

In December a new Corona virus (COVID-19) came up. Governments ordered restrictions for travel and limitation of distribution of goods in the Chinese market. The virus has spread to other parts of the world indicating possible restrictions for other markets.

Source: Trends based on the strategy analysis, Bain & Company 2018

Trends	Implications
1 Growing population and prosperity in emerging markets	Demand shift, changing diets, increasing demand for meat in upcoming markets and decreasing demand in saturated markets
2 Health	Fitness & wellness, low-fat/sugar/sodium, pharma convergence
3 Food safety	Regulation, tracking & tracing, vertical integration
4 Volatility	Volume, quality, prices
5 Production shift	Upcoming processing infrastructure in emerging markets
6 Differentiation	Poor versus rich, premiumisation versus smart shopping, customisation
7 Consumer activism, animal welfare	Fair and sustainable products, transparency
8 Sustainability	Increasing pressure on land and water usage, biodiversity, greenhouse gas emissions, public and political discussion
9 Changing diets	Dispersion of diets as a result of globalisation, migration, and alternative sources of protein
10 Technological developments	Genetics, crop yield, extraction, processing possibilities, meat substitutes

● Opportunity
 ● Opportunity and risk
 ● Risk

Relevant CSR topics

With regard to our business, and the effect of the other companies in the supply chain on our business, we have developed a list of the relevant CSR topics for Vion.

Based on frequent contact with our important stakeholders, the key issues of other stakeholders and research among consumers, we defined the relevant CSR topics for each stakeholder group.

The meat industry has been receiving a lot of attention in recent years, especially on matters related to health, product integrity, animal welfare, environmental impact and pricing. These topics are of concern to a lot of our stakeholder groups and are covered in one or more topics.

18 Relevant topics

11 Relevant social topics

1. Food safety
2. Animal welfare
3. Traceability and product integrity
4. Role of protein in a healthy diet
5. Salt, fat and sugar content
6. Additives
7. Working conditions
8. Employment and diversity
9. Training and education of workers
10. Nuisance for neighbours
11. Community involvement

5 Relevant environmental topics

12. Sustainable farming
13. Water usage
14. Carbon footprint of processing
15. (Food) Waste management
16. Sustainable packaging

2 Relevant economic topics

17. Fair pricing
18. Indirect economic impacts

Materiality matrix



Vion's material topics

The nine topics that ended up in the upper right corner of the materiality matrix are the material topics for Vion and its stakeholders.

Social topics



Food safety: the control of supply, processing and storage to produce healthy and wholesome food.



Traceability and product integrity: identification and control of the flow of goods through the supply chain. Additional control of specific attributes, such as organic, in the supply chain. Assurance that what is on the label of a product is in the package.



Animal welfare: control of the wellbeing of each individual animal from farm to slaughter.



Working conditions: the health and safety of all our workers and working conditions with special attention for third-party labour.



Nuisance for neighbours: circumstances causing inconvenience or annoyance for residents around Vion's production locations.

Environmental topics



Sustainable farming: the environmental aspects of livestock farming.



Carbon footprint of processing: the energy used and greenhouse gasses emitted at the Vion locations.



Water usage: all water used at Vion locations.

Economic topics



Fair pricing: a fair distribution of margins throughout the supply chain.

Our strategic priorities within the CSR topics

5 Strategic CSR priorities

Of the nine material topics for which we strive to minimise negative impact or optimise positive impact the following five topics are the most crucial for the day-to-day success of our business.












To stay a successful frontrunner, we use recognised standards and methods on these topics, such as food safety standards, integrity standards, animal welfare standards, and CO₂ footprint calculations.

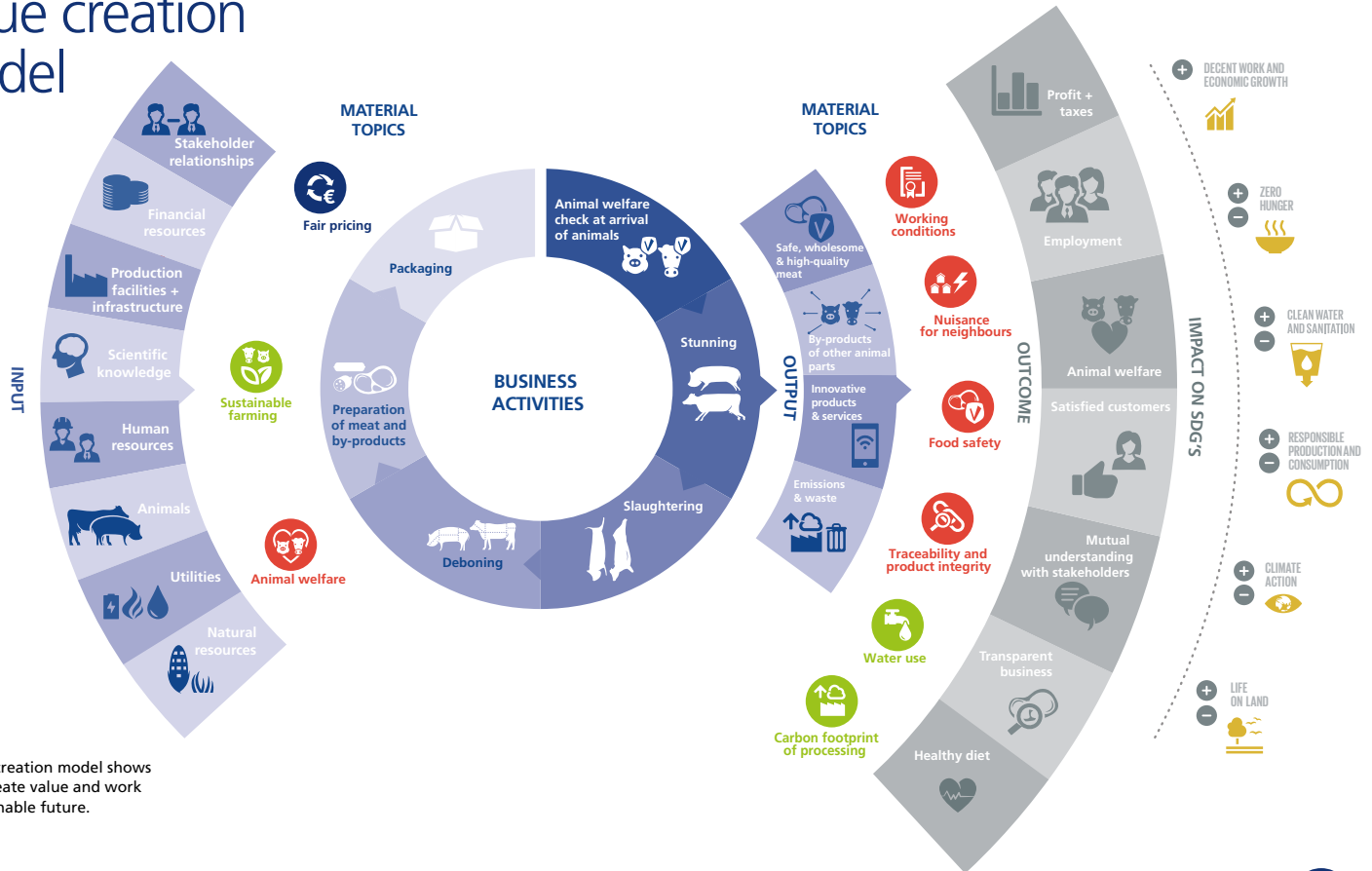
CSR strategy

In executing our strategy of Building Balance Chains, we consider the economic, social and environmental impacts of our decisions. In this way, we create more value, both for our supply chain and for society at large, and we fulfil our

purpose of providing Food that Matters. On all our material topics, we set targets which we want to continuously improve on in the coming years.

Material topic	KPI	Result 2019 Trend versus 2018 ▲ Better performance ▼ Lower performance ● Stable performance	Target for 2020	Contributing to SDG target	External trends	Risk/opportunity for Vion
Social Topics						
 Food safety	% compliance to Vion's internal - beyond legal – microbiological standards for product hygiene	▼ 87.8%	90%	2.1	Growing demand for safe food	- Opportunity: food safety is a key attribute for Vions customers. Food safety is embedded in the codes of practice at all Vion production sites
 Traceability and product integrity	% of the sales volume originated from plants certified according to a specific product integrity standard	● 82%	85%		Growing demand for traceability	- Opportunity as Vion sources locally and is building balanced chains
 Animal welfare	% of the animals for which no restunning was needed. All of the animals were stunned before slaughtering	● 99.8%	99.9%		Growing attention for animal welfare	- Risk for overall meat demand - Opportunity as we are a frontrunner on animal welfare and will also offer plant-based products as alternative
 Working conditions	% absentee rate Vion total	▲ 4.3%	<4.5%	8.8	Shortage of potential workers	- Risk of shortage of operational personnel, potential problems with operational planning
 Nuisance for neighbours	Number of complaints about Vion in the municipality of Boxtel	▼ 211	<180			- Risk: licence to operate in the local community
Environmental topics						
 Sustainable farming	Number of farms on which the GHG emissions are assessed	▲ 5	20	13.3	Growing attention for environmental aspects of livestock farming	- Risk for overall meat demand - Opportunity as GHG emissions of North-Western European livestock farming are relatively low compared to other regions in the world
 Carbon footprint of processing	Non-renewable energy consumption per tonne sold	▼ 803 MJ	<800 MJ	12.2		
 Water usage	Usage of municipal water per tonne sold	▼ 1.62 m ³	<1.55 m ³	1.4		
Economic topics						
 Fair pricing	% of the delivered pigs in the Netherlands from farmers participating in Good Farming Balance	▲ 74%	80%	15.6	Price volatility	- Risk and opportunity for margins
	% of the delivered pigs in Germany from farmers participating in Good Farming Balance	▲ 10%	25%			

Value creation model



Our value creation model shows how we create value and work on a sustainable future.

Our contribution to the Sustainable Development Goals

Our strategy and activities with regard to the material topics contribute to some of the Sustainable Development Goals (SDGs). These 17 goals, to be achieved by 2030, were set by the United Nations to create a better world for everyone.

These goals can only be achieved if governments, companies, NGOs and individuals each take responsibility for their role and work together. We show how Vion's activities contribute to the Sustainable Development Goals. On some of the material topics contributing to the SDGs, we have set ourselves concrete targets.



If you want to know more about Vion's CSR policy, visit our website: www.vionfoodgroup.com/responsibility.

Here you will also find Vion's complete CSR report 2019.

Vion

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