

Our strategy 2025

In 2020 ForFarmers launched its strategy for the next five years. Since then, circumstances in the agricultural sector have changed drastically, prompting us to take a fresh look at the basic principles of the strategy. This resulted in a revised version of our strategy for 2025.

ForFarmers strategic principles



Some trends developed more rapidly during the past year or have proved to be more significant than expected. The EU Green Deal has led to an increased and accelerated focus on making the agricultural sector more sustainable. We are faced with a volatile raw materials market and sharp increases in raw material, energy and fuel prices, exacerbated by the war in Ukraine. This has made it more difficult to pass on raw material price fluctuations. In addition the market circumstances are leading to consolidation of farming businesses, more intensive cooperation in the chain and overcapacity among feed producers. This resulted in pressure on our financial results.

First we identified the trends that had to be taken into account when revising the strategy. Next we determined which elements were still relevant and which needed to be replaced or adapted. We consulted intensively with customers, shareholders and other stakeholders, and gathered input from across the organisation. We have done this to create even more support for the strategy within and outside the company.

Five strategic principles

ForFarmers is adhering to its mission, For the Future of Farming. Our aim is a strong farming business, and we contribute to making the sector more sustainable. In order to strengthen our position we follow five strategic principles.

Local ownership

Firstly, emphasis is placed on local ownership. We see that different sectors in the various countries require their own approach. We also want to be even closer to the customer. Our local teams are leading, are supported by the ForFarmers central departments and can draw on the knowledge, expertise and resources that are present within the group.

Differentiation

Secondly we distinguish ourselves through tailoring our offering to the market, to the segment and to the local situation. With such a differentiated offering, we make the

difference. We can offer total solutions aimed at achieving optimum returns as well as supplying specific products which best meet the livestock farmer's needs in certain circumstances.

Sustainability drive

Thirdly we are giving fresh impetus to our Going Circular sustainability agenda. We will set up a new organization, including the activities of Reudink (organic feed) and the co-products, to develop and market concepts with which we make a positive contribution to making the sector more sustainable. We will start with this in the Netherlands. Examples include concepts which make use of alternative

raw materials or which contain more moist co-products and residual flows from the food industry. These are concepts that will allow us to contribute to the fight against climate change and the prevention of food waste.

Cooperation with chain parties

Fourthly we will strive towards more active cooperation with parties in the chain, partly in order to realise our sustainability ambitions. The sustainable concepts we develop are essential to establishing collaborative partnerships in the chain as well as being crucial to livestock farmers and other stakeholders as we work towards a climate-neutral sector.

Trends in the chain



These developments have led to **overcapacity** in feed production and **pressure on ForFarmers' results**.

Good feed at a competitive price

Fifthly we will continue to supply good feed at competitive prices, enabling our customers and ourselves to achieve optimum returns. That is what we excel at, how we can add value for our customers and how we can distinguish ourselves from the competition. To this end, we continue to focus on optimally efficient and effective business processes.

#proudtobeforfarmers





In the course of the strategy review we replaced our former core values with values that are more in keeping with our business culture: passionate, responsible, open-minded, united and delivering. The initials of these core values together spell the word PROUD. We will take a closer look at this in the chapter on our mission.

Financial objective

With this revised strategy ForFarmers is aiming for a consolidated return on average capital employed (ROACE) of at least 10% in 2025, barring unforeseen circumstances. This objective is at the level of underlying operating profit (EBIT).

The dividend policy will continue to be aimed at distributing a cash dividend of between 40% and 60% of underlying net profit.

Our integrated objectives for 2025:

 <p>Developing talent For the Future of Farming</p>	<ul style="list-style-type: none"> • Lost Time Incidents frequency rate <0.5% per 100 employees (in FTE) • More diversity in (senior) management positions • Better score employee engagement survey
 <p>Sharing knowledge For the Future of Farming</p>	<ul style="list-style-type: none"> • Better feed conversion ratio each year • Bespoke solutions for specific chains • Focus on good feed at competitive price
 <p>Going Circular For the Future of Farming</p>	<ul style="list-style-type: none"> • Leadership position in reducing CO₂ emissions of feed materials (scope 3) • Energy and fuel reduction per tonne of feed: 10% compared to 2020 • Leadership position on percentage non-human edible feed materials in diets • 100% responsibly sourced soy and palm oil • Deliver feed concepts that address societal requirements
 <p>Creating value For the Future of Farming</p>	<ul style="list-style-type: none"> • M&A: enhance and broaden in selective segments, both in and outside of home markets • Dividend distribution: 40%-60% of underlying net profit • Consolidated ROACE (on underlying EBIT) of at least 10% by 2025, barring unforeseen circumstances

Long-term value creation

The primary objective of our strategy is to create long-term value for all ForFarmers stakeholders.

Our value creation model outlines our input and output on a social, economic and sustainability level.

Social

Social value comprises human capital (labour), intellectual capital and social capital (network and partnerships).

Human capital

We aim to attract, train and retain talented people. We use a range of training courses and resources to help our employees become more effective and to work on their personal development. We also make investments in providing a safe and inspiring working environment. Not only do we attach great importance to the interests of our own people, but also to acting ethically towards employees throughout the value chain. We have recorded this in our supplier code of conduct.

Intellectual capital

Our intellectual capital comprises the knowledge and experience we gain through doing business, with reference to our own processes as well as onsite at the farm and in the chain. We employ this capital to make further improvements in the livestock sector and to make the sector more sustainable. The ForFarmers Nutrition Innovation Centre (NIC) plays a key role in this.

Social capital

We focus on what we are good at whilst cooperating with others. This value is expressed in our various existing partnerships and those we will enter into in the future.

Sustainability

Corporate social responsibility is at the heart of our business operations. We maintain a constant dialogue with our stakeholders and our local environment in order to make the best possible contribution to a sustainable world. The natural capital we use consists mainly of raw materials for our feeds. As well as supplying good feed we provide advice supported by monitoring tools, thus helping livestock farmers achieve optimum returns whilst reducing their carbon footprint.

Our Going Circular sustainability agenda follows the trend of social developments. We have set targets for our own activities (scope 1 and 2) as well as targets specifically focused on our supply chain and the impact on-farm (scope 3). A detailed discussion of these targets can be found in the chapter on our sustainability agenda.

Economic

Our total feed portfolio is largely produced in 35 mills we operate in five countries and is delivered by bulk trucks to around 26,000 customers. Some of these trucks are operated by us and others by partner companies.

We employ our financial capital to invest each year in maintaining and innovating our production capital. We aim to use our financial resources in such a way as to create maximum value for all stakeholders.



Long-term value creation model



SWOT analysis of ForFarmers and its markets

Our strategy is aimed at long-term value creation for customers, shareholders, employees and other stakeholders. To ensure that we are able to respond to market developments in a timely and effective manner we maintain a constant dialogue with stakeholders and conduct a SWOT analysis. This allows us to identify the strengths and weaknesses of our own organisation and spot the opportunities and threats in the market. Based on this we perform regular checks to ascertain whether the strategy remains adequate for achieving the set objectives.

Internal	<h3>Strengths</h3> <ul style="list-style-type: none"> • Unique position on-farm: strong relationships and expertise; Total Feed solutions • Substantial business (approx. 9mT volume, €3.3 billion revenue) with economies of scale • Farm focused business model with strong position in multiple countries • Technical expertise and know how to support transition to sustainable farming (both ecological and economic) • Well positioned in specific growing segments: organic, horse feed, Poland and co-products 	<h3>Weaknesses</h3> <ul style="list-style-type: none"> • Imbalance in portfolio between mature markets and growth markets • Position not yet strong enough in all markets to leverage scale • Full-service model (and relating costs) not commercially valued in all markets • Narrow product offering / scope (complete feed) • Not always possible to pass on rising raw material, gas and electricity prices
	<h3>Opportunities</h3> <ul style="list-style-type: none"> • Support farmers in transition to sustainable farming (both ecological and economic) • Growing consumer interest in quality and provenance of food • Acquisition opportunities to strengthen positions in specific market segment • Need for feed concepts and advice arising from environmental legislation and societal concerns • Chain partnerships to provide security of supply 	<h3>Threats</h3> <ul style="list-style-type: none"> • Increasing pressure on animal numbers in Western Europe • Growing interest in, and presence of, alternatives for animal proteins for human consumption • Labour shortages and price of labour impacting both ForFarmers and our customers • Volatility and price of raw materials and utilities in relation to transparency of feed prices • Animal diseases
External		