

29/03/2024

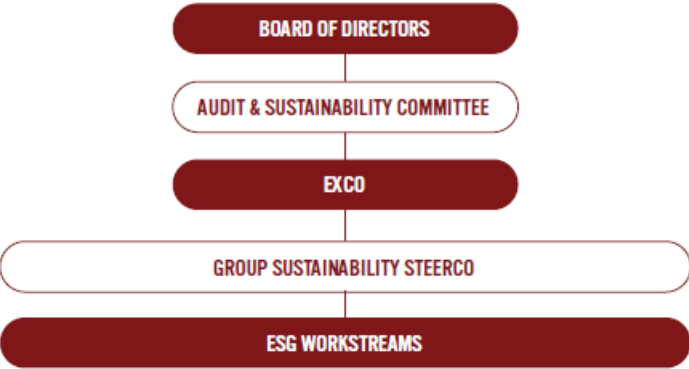


# MATERIALITY ANALYSIS

# ESG GOVERNANCE

The Executive Committee ('EXCO') is responsible for the sustainability strategy and objectives for Lotus Bakeries. In 2023, the EXCO has appointed an ESG Director, corporate director and member of the Leadership Team, reporting to the CFO. The ESG Director has to progressively develop the sustainability strategy and ensure compliance with new sustainability regulations. The integration of the sustainability strategy into the organisation is steered by the ESG Director and implemented by the ESG workstreams, which are owned by the business or relevant corporate departments. The workstream leaders are responsible for the delivery of the sustainability targets. The Group Sustainability Steerco, which meets at least once a month, provides oversight of ESG projects and monitors progress.

The EXCO presents Lotus Bakeries' sustainability strategy to the Audit & Sustainability Committee. The Board of Directors has broadened the mandate of the Audit Committee with ESG matters and renamed it to the Audit & Sustainability Committee by decision of November 24, 2023.

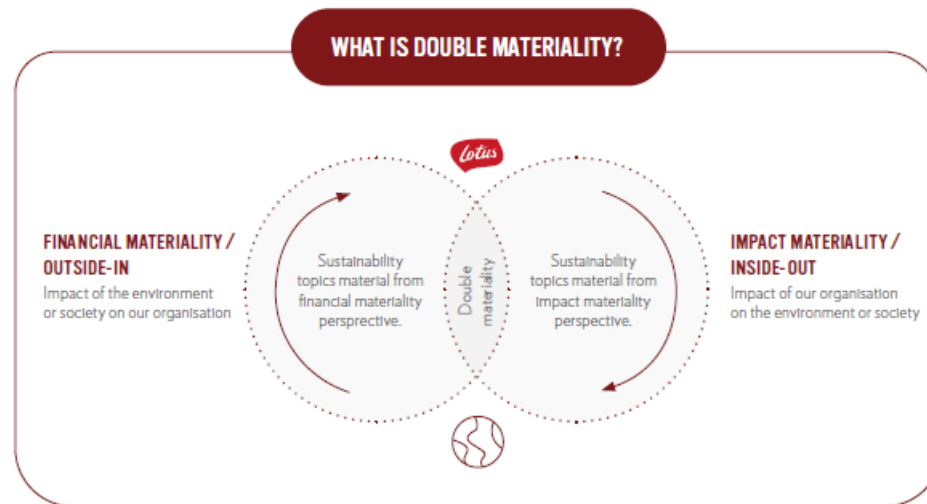


## OUR MATERIALITY

Lotus Bakeries has its sustainability programme 'Care for Today, Respect for Tomorrow' since long. In the past, to determine our sustainability priorities, we regularly conducted a 'single' materiality assessment.

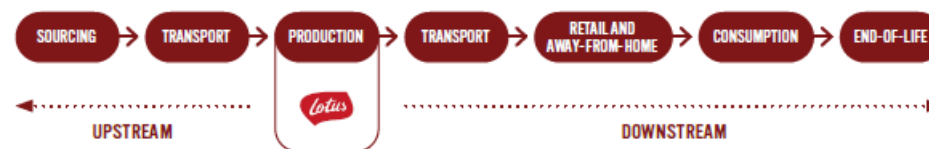
As today's world is changing rapidly, we are faced with a range of new challenges in the business and along the value chain. We interact with many parties, so it is essential to get a full understanding of the impact of our operations and snacks on the world. In order to confirm or reconsider the priorities of our sustainability programme, Lotus Bakeries in 2023 performed a broad and in-depth assessment using the double materiality lens, reviewing a list of topics from both a financial and an impact materiality perspective.

We engaged with a large number of stakeholders on these topics. The outcome will serve as the basis to select our strategic ESG platforms within the 'Care for Today, Respect for Tomorrow' programme, as well as guide us on which ESRS standards to report on for the upcoming CSRD reporting. This assessment will provide strategic guidance on sustainability matters, and how to integrate this with our ambition: offering a versatile range of branded snacks for every consumption occasion to consumers worldwide.



## OUR VALUE CHAIN

We develop, create and offer a versatile range of snacks that meets the needs of consumers for the global market. In order to do so, we strive to cooperate with our partners along the value chain to create our branded snacks in the most sustainable way possible.



**Sourcing:** We source high-quality raw materials such as wheat flour, sugar, palm oil, chocolate and others to create our products and packaging materials to protect them. We source related goods and services such as distribution, logistics, production equipment.

**Transport:** Raw and packaging materials are transported to our production sites. The greater part of our raw materials is sourced on the same continent where we operate as we strive to keep the distance as short as possible.

**Production:** We transform raw materials into unique and great tasting snacks. We do so at our own production site as well as for some of our brands jointly with our co-manufacturers. We take care to use the precious natural resources efficiently in a safe working environment.

**Retail and away-from-home:** We aim to make our range of branded snacks accessible for everyone. Our products are sold by our partners through retail channels (brick&mortar and online) and through away from-home channels.

**Consumption:** We provide snacks for different consumption moments and needs. Everything we launch has to uphold the highest quality and food safety standards. We pack our most popular snacks in different formats fitting different household sizes in order to combat food waste. On top, everything has to taste delicious, because we know that this will keep consumers coming back to our product range.

**End-of-life:** We aim to contribute to a circular economy via our technical recyclable packaging and we encourage consumers to sort correctly by providing clear sorting advice.

More information about our materiality analysis can be found in our Annual Report 2023 available on our Corporate Website: [www.lotusbakeries.com](http://www.lotusbakeries.com)

**THE MATERIALITY ASSESSMENT: A 4-STEPS APPROACH**

Lotus Bakeries performed a double materiality assessment in 2023, which was approached as follows:

Starting point was the sustainability priorities from Lotus Bakeries' existing materiality assessment, enriched with the requirements of the upcoming CSRD, including nearly 100 ESRS topics and sub-topics.

**LOGLIST**

Based on desk research and workshops with stakeholders and experts, 22 relevant topics were identified as most relevant for Lotus Bakeries to engage on with other actors in the value chain.

**SHORTLIST**

This step included engagement through dialogues and interviews to ensure completeness of the selected themes, followed by an online survey to obtain a prioritisation on the 22 key topics from both a financial and impact materiality perspective.

- We engaged with:
- Employees
  - Audit & Sustainability Committee
  - Suppliers of raw material and packaging
  - Retail and away-from-home customers
  - Consumers
  - Representatives of farmers
  - Bankers
  - Investors
  - Research institutions

**STAKEHOLDER ENGAGEMENT**

**ASSESSMENT**

The ranking of the topics was analysed based on the complete set of responses as well as per cluster of stakeholders to identify potential topics that would matter more to a certain stakeholder group. The threshold at which a topic is considered material is locked at 7 or higher on a 9-point scale. The topics with material impact were assessed on their actual or potential impact, the severity (scale, scope and irremediable character) and the likelihood of occurring. The topics with financial materiality were assessed in terms of risk and opportunity and cross-checked with Lotus Bakeries' enterprise risk management process aimed at identifying, assessing and prioritising risks to ensure one comprehensive and integrated approach.

**CARE FOR TODAY, RESPECT FOR TOMORROW**



**DOUBLE MATERIALITY ASSESSMENT AS BASE FOR THE SUSTAINABILITY STRATEGY**

## THE MATERIALITY MATRIX

The double materiality assessment shows which of the 22 topics can have a material financial impact on the Group and which topics we as a company can have a material impact on.

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| <p><b>1 Carbon reduction</b><br/>Reducing direct greenhouse gas emissions in our manufacturing, fleet, transport and our full supply chain to contribute to the race towards net zero and helping to limit global warming to 1.5 degrees Celsius above pre-industrial levels.</p> <p><b>2 Energy usage</b><br/>Reducing the energy consumption or replacing fossil fuel-related energy with renewable energy in our manufacturing sites and across our full supply chain to reduce indirect greenhouse gas emissions coming from energy generation.</p> <p><b>3 Sustainable sourcing</b><br/>Ensuring the sustainable sourcing of key ingredients, such as palm oil, chocolate, sugar, and wheat, and other sensitive ingredients to minimise environmental impact including deforestation or habitat destruction. Addressing ethical practices throughout the supply chain to minimise social impact, including labour conditions, fair trade, and human rights.</p> <p><b>4 Pollution</b><br/>Pollution is the introduction of harmful materials into the environment, often generated by human activities such as the disposal of waste, including plastic waste, or the runoff produced by factories and economic activities, such as the use of pesticides in agriculture. These pollutants can damage the quality of air, water and land.</p> <p><b>5 Water stewardship</b><br/>Addressing water stress by developing means to reduce, reuse and reserve water at our own operations and in engagement with our suppliers.</p> | <p><b>6 Biodiversity</b><br/>Developing measures to protect and preserve biodiversity, including efforts to protect ecosystems at our own sites and ways to promote sustainable agriculture at our suppliers. A reduced pollination could lead to reduced availability of crops.</p> <p><b>7 Circular economy</b><br/>Contributing to a circular economy by continuously improving our manufacturing efficiency with continued efforts on reducing waste and developing further initiatives on water usage, on top of the initiatives to reduce our environmental impact (GHG).</p> <p><b>8 Product packaging</b><br/>Addressing packaging sustainability by reducing what we use, increasing recyclability, and using as much as recycled packaging for packaging not in contact with the food.</p> <p><b>1 Safety and health</b><br/>Promoting a strong safety culture and providing the right working conditions at the workplace to safeguard every employee against health issues related to the workplace.</p> <p><b>2 Employee well-being</b><br/>Promoting a TOP-culture (Transparency, Open Dialogue, Passion) to ensure employees feel good about their job on a mental, physical and emotional level. This includes both, moments of connection and engagement at work as well as finding moments to disconnect.</p> <p><b>3 Talent development</b><br/>Training and upgrading the capabilities, skills and competencies of employees based on the strategic needs of the organisation, employee performance and career development review. Learning and development comes in many shapes and sizes, including on-the-job, online courses or in-person training.</p> | <p><b>4 Diversity and inclusion</b><br/>A diverse and inclusive workplace to make everyone feel equally involved, regardless of who they are or what they do for the business. Diversity can entail amongst other diversity in race, gender, sexual orientation, age, religion, national origin and disability.</p> <p><b>5 Community engagement</b><br/>Prosperity for all by contributing positively to the areas in which Lotus Bakeries operates. This entails initiatives such as The Foundation for Education, as well as local involvement in the communities where we have operations.</p> <p><b>6 Food safety and quality</b><br/>Ensuring the safety and quality of products, including compliance with food safety standards and certifications and traceability.</p> <p><b>7 Responsible marketing practices</b><br/>Providing clear information on product ingredients and nutritional value. Efforts to educate consumers and promote healthy dietary habits. Ensuring responsible and ethical marketing and advertising practices.</p> <p><b>8 Balanced portfolio</b><br/>Providing a balanced portfolio of snacks ranging from delicious Biscoff® cookies over bars fitting the better-for-you platform, on to snacks for babies and toddlers. Accessible for all at every moment.</p> <p><b>9 Taste experience</b><br/>The ability to create snacks that deliver a memorable experience, for all around the globe.</p> | <p><b>1 Corporate governance</b><br/>Conducting business operations in accordance with internationally accepted principles and practices, ensuring a robust risk management system and incorporating sustainability practices.</p> <p><b>2 Long term strategy</b><br/>The Company's ability to deliver sustainable growth, increase the value of the Company's portfolio, in combination with profitability.</p> <p><b>3 Financially sound company</b><br/>Long-term financial stability and the capacity to withstand market-related or financial headwinds.</p> <p><b>4 Cyber security</b><br/>Protecting the data and information assets and implementing security measures to prevent cyber-attacks.</p> <p><b>5 Prevent business interruption</b><br/>Developing plans to prevent and mitigate major and long operational interruptions in our factories caused by fire, floods, tropical storms, or other unusual events.</p> |
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## Double materiality matrix



As such, Lotus Bakeries has identified five topics with double materiality, i.e. the impact of our organisation on the environment or society (“Impact Materiality”) and the impact of society or the environment on our organisation (“Financial Materiality”).



There are three topics with mainly impact materiality (safety & health of employees; product packaging; employee well-being) and six topics with mainly financial materiality (financially sound company; balanced portfolio; long-term strategy; preventing business interruptions, cyber security; taste experience).

The double materiality assessment was performed in the Audit & Sustainability Committee on 24 November 2023 and the outcome thereof, the double materiality matrix, was approved by the Board of Directors on 4 March 2024.

When we analyse the scores of the multiple stakeholder groups, we see a fairly consistent pattern: the same material topics emerge across all these groups. This gives us confidence that we have identified the right material topics for Lotus Bakeries that matter to us and our stakeholders. The qualitative conversations with external stakeholders have moreover indicated that water stewardship is considered important in the wider food and agriculture sector, but there is a recognition that water usage in our operations is more limited. This explains why water stewardship did not come forward as material for Lotus Bakeries. However, we feel it is important to report on our water balance and our water management and refer to page 102 in our [annual report 2023](#) .

The topics identified as a result of the double materiality exercise serve as the basis for selecting the proper ESRS standards from the CSRD regulations. The topics that are material are linked to the following ESRS standards:

- ESRS E1: Climate change (Energy usage, carbon reduction)
- ESRS E5: Resource use and circularity (Product packaging and sustainable sourcing)
- ESRS S1: Own workforce (Safety and health of employees and Employee well-being)
- ESRS S4: End consumer and customer (Food safety and quality, Balanced portfolio and taste experience)
- ESRS G1: Corporate governance (financially sound company, longterm strategy, cybersecurity and preventing business interruptions)

In the course of 2024, Lotus Bakeries will further assess - within each of these ESRS standards - which datapoints are relevant to include in future progress reporting.

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