

Information memorandum 'Connecting Growers'

Why is HZPC starting a programme?

The growers are important stakeholders for HZPC, because production is a very important factor in terms of realising our growth strategy. We want the growers to feel really connected to HZPC as a group or with one of the HZPC companies.

We are striving to become an organisation run for and by the active growers.

This goal is embedded in HZPC's strategy. In HZPC's vision and mission, there are strong references to the importance of the growers in the overall value chain. Our mission also states: "We are proud of our growers in the various countries. They supply high-quality seed potatoes and their companies are inextricably linked to us."

This 'Connecting Growers' programme is being implemented to ensure that more of HZPC's certificates are owned by active growers. For HZPC, it is important that most of the certificates are held by active growers so that a mismatch between the interests of the growers, on the one hand, and the certificate holders, on the other, can be avoided.

At the moment, just half of the certificates are owned by active growers. This has come about over the past 20 years because relatively few certificates have been traded. Active growers buy few certificates and inactive growers retain the certificates they own. This situation is not in line with our goal to create an organisation run for and by active growers.

The movement of certificates from inactive growers to active growers will take not take place by itself. We have therefore chosen to release money so that the original aims of the organisation can be preserved.

How will HZPC achieve this?

Each year, HZPC Holding B.V. will make available a fixed amount from its operating profits for buying certificates on the market. We will give these to the growers from the HZPC group (who wish to receive the certificates) in relation to the acreage of seed potatoes that these growers produce in the EU for one of the HZPC Holding companies.

The amount has been set at 1.5 million euros per year. At the current rate for the certificates and the total surface area of around 20,000 ha in the EU, this translates into roughly half a certificate per year for every hectare of seed potatoes that is produced by an HZPC grower.

Because the rate and the number of certificates that are offered on the market can fluctuate, the number of certificates that can be issued per hectare will vary.

HZPC will buy certificates in the existing market. We will not issue any new shares or certificates within this programme.

The effect of the system is set out in a Regulation called 'Certificates for seed (potato) growers'. The Articles of Association for the Vereniging HZPC and the market regulations will define the implementation.

What does this mean for HZPC's result?

The costs for this programme will be covered by the result for HZPC Holding. As a result, HZPC Holding's profits will decrease. At the moment, 66% of the profit is shared out as dividends each year.

The shareholder would like to see this payment percentage increase in the future, i.e. a dividend payment of 66% of the profit as if this 'Connecting Growers' programme had not been introduced. The dividend payment will not be a fixed percentage of the profit including this programme, but will be set each year after a correction for the programme costs.

This 'Connecting Growers' programme will not therefore detrimentally affect the dividend that the shareholder is used to, but will affect the accumulation of HZPC's equity capital. HZPC is happy that this is a responsible solution as its solvency (i.e. its equity capital as a share of the overall capital) is high enough for the continuity of HZPC.

Who is the programme for?

This programme applies to all seed (potato) growers from HZPC Holding companies within the EU. The certificates will be issued to the growing company that has a contract with one of the HZPC Holding companies.

When?

This programme will start in 2020, for the harvesting year 2021. The seed potato harvest 2021 is the first harvest for which certificates will be issued to the growing companies. This can be carried out once the acreage for harvest 2021, which is offered up for inspection, is known in all production areas. The aim is to ensure that the certificates are held in the name of the growing company by September 2021.

When will this programme have succeeded?

The board of Vereniging HZPC has set itself the target of ensuring that the percentage of certificates held by active growers structurally increases. If an increase can be observed, the programme will have been a success. An initial evaluation will take place after 3 years.