

MINUTES

From: General meeting of members Association HZPC
Date: 16 November 2023
Place: Joure
Reference: EdV/jm
Present: About. 80 certificate holders (incl. abt. 20 participants online)

1. Opening

The chairman opened the meeting and welcomed everyone. Particularly welcomed are Mr. Koops, some certificate holders/growers from Finland and the certificate holders participating in this meeting online.

Financial year 2022-2023 was another special year. This will be explained in the annual report. In the announcements, Mr. Backx will explain some current issues. These concern the cyber attack, outstanding debtors and compliance with laws and regulations within HZPC.

The board welcomed the granting of the *Royal* designation to HZPC and its 125th anniversary. It was also involved in the investments in the Research department in Metslawier and in the Aurora programme for a new ERP system and a different way of working within HZPC. HZPC made an acquisition of TLC in the UK in the last financial year. There were also shortcomings such as comments on non-compliance with laws and regulations. Furthermore, the Aurora programme in the countries Germany and Poland is not yet going according to plan. Board but also Supervisory Board continue to monitor all this closely. The chairman invited certificate holders to secure any questions on this matter.

2. Report of General Members' Meeting Association HZPC on 17 November 2022

The minutes were adopted and approved without change.

3. Announcements

Trading periods were held in October and May this financial year for trading in Certificates HZPC. In May, the weighted average price of the HZPC certificate was set at €76.27 and in October a price at €88.95. It seems that a certain balance has been achieved within the 20% range.

Mr Backx was given the floor. The 2022-2023 annual report has a lot to say about risks, potential risks and compliance topics. These topics required a lot of attention from management and staff in this financial year.

HZPC operates in high-risk countries to provide food to the world's population in line with HZPC's mission. HZPC does not choose to stop supplying these countries. But not all practices are possible even now, where they could be before. HZPC obviously has to adapt to current legislation.

HZPC was hit by a cyber attack involving a significant amount of money after the close of the 2022-2023 financial year. This stolen money is now in an escrow account and is part of a larger forensic investigation. This attack occurred at the time of closing the financial statements with the consequence that this closing process was delayed and the trading period had to be postponed.

The attack was initiated by sending a phishing e-mail to one of the employees which was responded to. System security is up to standard. But no system is fully secure. Meanwhile, with regard to computer systems and especially employees, measures have been taken to better prevent recurrence.

Employees are further trained in recognising suspicious matters. A number of employees have been called to account and the Supervisory Board has also confronted the management board about whether they have all matters sufficiently in order within the company.

Furthermore, the annual report talks about the 'Joko case'. Stet Holland has received payments from this Danish company from harvest 2019 for deliveries to a customer in Syria. A so-called 'third-party payment'. The Joko company was recently declared bankrupt and Stet has been sued by the receiver that the payments were not justified as no goods were delivered. HZPC does not agree with this. From this, a legal dispute has arisen. HZPC is allowed to receive money from sanctioned countries, but banks do not want to cooperate in this because they want to comply with US regulations. Therefore, 'third-party payments' were used in the past.

To be more compliant as HZPC, customers are now pre-vetted; a so-called 'Know Your Customer' process. HZPC also expects to implement a 'Know your supplier' process in some time. Banks indicate that they consider such issues important. HZPC needs funding from these banks and is therefore obliged to cooperate in this.

HZPC also operates in Russia and would like to keep the business there. But the risk profile is high because of changed Russian legislation. EU sanctions do not apply to food products. The question is whether HZPC can continue to supply all countries when HZPC also wants to comply with the more stringent laws and regulations. But that some trade may eventually be lost as a result, that has to be taken into account.

Debtors: the amount of outstanding accounts receivable, including from high-risk countries, is considerable. HZPC delivers a relatively large amount to high-risk countries. Some of these receivables may have to be written off if the money does not come in in 2023/24.

HZPC has tried through political channels and with banks to draw attention to the problems regarding bank transfers from USA sanctions countries, to which we are allowed to deliver from the EU, but cannot receive money from through the banks. All European banks follow US legislation. HZPC will have to adjust its sales planning as a result of this legislation and this may cost sales.

4. Consideration of the proposal to amend the Articles of Association of HZPC

It is proposed that in article 2 ee the name of 'HZPC Holding B.V.' to be changed to 'Royal HZPC Group B.V.' as a result of the name change of HZPC Holding B.V.

The meeting agreed to this proposed change.

5. Consideration of the proposal to amend the Regulations regarding trust conditions.

It is proposed that in Article 2 w the name of 'HZPC Holding B.V.' to be changed to 'Royal HZPC Group B.V.' as a result of the name change of HZPC Holding B.V.

The meeting also agreed to this proposed change.

6. Presentation of annual reports for financial year 2022/2023 by Mr. Van Vilsteren

a. Annual report of Royal HZPC Group B.V. with notes.

Some key items from the annual report:

944,000 tonnes sold as seed potatoes or licensed.

Turnover in tonnes was 423 million.

Net profit €7.1 million affected by a sharp increase in interest. This is the profit before Connecting Growers Programme costs.

From the 5-year chart gross profit margin versus operating costs, it is clear that after a decline in the Corona year and an intervention in costs, gross profit and operating costs versus margin have recovered. Costs have increased slightly this financial year due to investments for the future.

Trade-to-licence ratio: the revenue stream from licence is stable. Licence mainly concerns countries like the US, China and India and South Africa.

The average return on equity is 13%; HZPC targets a rate of 10 - 15% to finance future growth of the business.

A dividend of €6 was paid. HZPC opts for a stable dividend policy despite fluctuating results.

Compliance with laws and regulations received a lot of attention. The environment is changing rapidly and HZPC has to adapt to this. Through risk management, a risk profile is drawn up. In it, impact, likelihood and vulnerability are identified and reviewed every six months. Major risks are seen in the ratio of quantity of production to quantity of sales; the Aurora transformation programme in which more is being done with data and non-compliance with laws and regulations.

The course over the last 10 years is outlined. There now seems to be an opportunity for everyone to buy and sell certificates HZPC. The share of certificates for purchase because of the CG is 15,057 certificates.

A member asked how long HZPC plans to continue with the Connecting Growers Programme.

Mr. Van Vilsteren: As agreed, the programme was evaluated after 3 years. It was decided to continue this programme again for at least 3 years. However, consideration is being given to a possible winding down of the Connecting Growers Programme in due course and what impact this will have on certificate trading.

Another member inquires about the considerations for continuing the Connecting Growers Programme. Has it emerged that growers are also willing to buy certificates themselves afterwards ?

Mr Van Vilsteren: The objective of the programme was to shift certificate ownership from inactive growers to active growers. After all, that is where the future of COMPANY lies and that is why investments are being made in it. While it cannot be directly demonstrated that the shift was the direct effect of the Connecting Growers Programme, the effect has been achieved as envisaged by the board. There are currently significantly more certificates held by active growers than 3 years ago.

Buying certificates HZPC is considered a good investment by the board. The programme has already lowered the^{1st} barrier to purchase itself.

b. Annual report Association HZPC with notes

Last year, there was an increase in costs due to the introduction of MTF. These costs are now part of fixed costs.

O.a. due to the Connecting Growers Programme, the number of certificate holders increased by 212. HZPC membership increased by 11. Certificate holders/members who no longer hold certificates can also no longer be members. The board will start an action to offer membership to more certificate holders.

A member inquires why Captin refunds the money only after 5 days of orders that did not go. This could cost HZPC orders.

Mr. Van Vilsteren will inquire about this. However, one can also submit new orders for that money in those 5 days if the previous order did not go.

7. Explanation of the dividend by the chairman of the executive board

The Supervisory Board decided to make 2/3 of the €7 million result available for a possible dividend distribution. This was in line with the policy previously established. The board subsequently decided to pay this amount in full as dividend to the depositary receipt holders. This resulted in a dividend amount of €6 per depositary receipt.

8a. Approval of Annual Accounts Association for the financial year 2022/2023

The Chairman noted that members had received explanatory notes on the financial statements. He proposed the approval of the annual accounts and enquired whether any of the members present objected to this or needed a written vote on this item. Nemen objected and there was no need for a vote.

With that, the annual accounts Association HZPC for 2022-2023 were approved by the members.

8b. Discharge of the Board

The chairman proposed that the members discharge the board from liability for the policies they had pursued in financial year 2022-2023.

None of the members present objected or felt the need to vote on this in writing. The proposal was thus adopted and the board was granted discharge.

9. Appointment of chartered accountant for Association HZPC for financial year 2023-2024.

The board proposed the appointment of EY Accountants of Groningen as chartered accountant of the Association HZPC. None of the members required a written vote on this agenda item and thus the board's proposal was adopted.

Break

10. Consideration of the proposal of the Board of Association HZPC to reappoint as Board member: Mr MV of Emmeloord.

Mr M. Verhage was retiring by rotation and eligible for re-election. No opposing candidates were submitted so that Mr MV could be reappointed.

11. Opportunity to vote (if applicable)

Not applicable.

12. Review of the past and current financial year by Mr G.F.J. Backx, CEO

HZPC operates in a world that is currently turbulent. There is a lot of political instability in different parts of the world. The fact that HZPC is sometimes unable to deliver as a result, despite it being food, is painful.

HZPC may have to make changes in Russia due to changed legislation regarding foreign owners of companies. HZPC Group is not delivering to Sudan this year. Perhaps calm will return there and deliveries can resume.

HZPC would also like to continue supplying customers in the Gaza Strip. All developments in the world affect HZPC's business.

The objective is still to grow volume and gross margin. Mr Backx outlined developments over the last 20 years, during which the organisation has roughly tripled. HZPC is investing for further growth. Variety development is becoming successful. In 2020, 40% of HZPC varieties in positioning were virus resistant. By 2021, it is already more than 70%. By 2023, it is almost 90% and the goal is to exceed 90%. Several years ago, strong efforts were made to develop virus resistance, with this result. By making intensive use of markers, good progress has been made in variety development. Not only for virus resistance, but also for other traits

HZPC has not lost market share in terms of acreage in Northwest Europe for harvest 2023. The total HZPC acreage in this area did fall about 6.7%, slightly less than the decline in the overall market.

Further key issues were the acquisition of TLC in Scotland and the Aurora programme. It is not possible to export mini-tubers produced in Scotland to the Netherlands and vice versa. Therefore, the mini tubers have to be produced in the UK. Within the Aurora programme, the aim is to have a uniform way of working within the Royal HZPC Group. This means a different way of working for most employees.

In the annual report, the topic of sustainability appears throughout. In time, the sustainability report should become part of the annual report. HZPC will prepare for this. HZPC is working on integrated crop management. But Mr Backx sees the biggest contribution to sustainability in variety development. HZPC will report on carbon emissions. Varieties that require less nitrogen contribute greatly to CO2 reduction in the value chain. Fertiliser production causes particularly high levels of CO2.

In the Netherlands, yields are low this current year, resulting in fewer seed potatoes available for sale, about 70,000 tonnes. Outside the Netherlands, yields are reasonably normal in Europe. HZPC is investigating where to find more seed potato acreage in the future. Growth of the company is also sought outside Europe. In China, good strides are being made through licensed cultivation. There is also growth in the US.

As a result of lower yields, expenses have been reduced. Lower sales have a negative impact on the result. The net result for 2023-2024 is expected to be about €2 million lower than for 2022-2023. A new calculation will follow in January, which will also be communicated to certificate holders.

A member commented that HZPC expected to be ahead with hybridisation. But compared to its competitor in Emmeloord, HZPC should try to realise the highest payout price for the Dutch pool.

Mr Backx: 2021 has shown that a yield of about 80% can be realised from the hybrid material compared to the varieties used in Africa. With this material, HZPC intends to explore markets in Africa. In doing so, it is leading the way.

As for the pay-out price, HZPC's objective is to realise a competitive pay-out price in most major production countries. The percentage sold as seed potatoes in the Netherlands has been too low in the last few years. The payout price has not been competitive in the Netherlands, but it has been competitive in other countries. HZPC calculates the disbursement in the Netherlands purely on the financial proceeds from the sales of seed potatoes from the Netherlands. No money is transferred from abroad to add to the Dutch payout. Working or not working on hybrid varieties does not affect the payment in the Netherlands either. It does affect HZPC's profit.

A member wonders how effective HZPC varieties are for Dutch cultivation in relation to exports.

Mr Backx: It is important to have varieties that do best with our customers and also perform well in seed potato production. In variety development, great strides have been made in varieties that are, for example, more heat-resistant and therefore attractive for overseas markets.

A member is curious what can be expected from the new hybrid varieties in 2030. A lot is being invested in the hybrid project now.

Mr Backx: For growers in e.g. East Africa, it is very important that a variety has a higher yield. For the Dutch seed potato grower, little effect can be expected from the hybrid project; this also applies to certificate holders. For shareholder value in the future, the project does mean a lot.

In terms of positive cash flow, these are relatively small amounts in 2030. And everything is long-term oriented. HZPC has to make the money for the shorter term from conventional breeding. From those earnings will be invested in the hybrid programme.

13. Result of voting (if applicable).

Not applicable.

14. Any other business and answering questions submitted in writing

A member wondered whether dividends could still be paid next year if the HZPC did not succeed in collecting the outstanding receivables.

Mr Backx: the debtor risks are borne by the company. He expects that profits will certainly remain. But also the effect of low revenues, for example, directly affects profits. As such, the shareholder notices this directly. Such things are the shareholder's risk.

A member heard about the problems with sanctioned countries in this meeting. Does this mean growers have to go back in acreage ?

Mr Backx: Should HZPC decide to stop supplying customers in sanctions countries, there will be consequences. Phasing out will certainly not happen all at once. HZPC then hopes to offset these sales elsewhere for which all acreage is needed.

15. Presentation by Mr. Drs. P. lawyer, on meeting laws and regulations (compliance) by HZPC

Peter Ton, director of STET tells something from his experiences as a vendor. He talks about the years when it was possible to deliver a cash payment to the bank as a customer from Iraq. Then came a period with bank transfers through third parties; this became common practice. But these kinds of routes were and are abused. Therefore, it is time for a new way of doing things.

Mr. Koops is a lawyer at Lawyers & Notaries. In compliance practice, the main laws and areas are:

- sanctions law
- anti-money laundering legislation
- anti-bribery and corruption legislation
- forgery (and fraud) law

Mr Koops gives some examples from his practice of how companies can be affected by this. This includes mention of the potato sector.

It is important that entrepreneurs do proper research into the backgrounds of their customers. Is the customer's name perhaps on a sanctions list? Third-party intervention in payments creates money laundering risks. The results of such investigations should be properly recorded.

As an example, Mr Koops mentioned: at HZPC there is sometime

Jan Hendrik van der Tas responsible for sales and logistics within SBA Europe tells how the way of working within the Royal HZPC Group is now. Customers and countries are weighed in the 'Know your Customer' (KYC) process. Information is collected on customers such as UBO information; who is the owner (UBO = ultimate beneficial owner)? A distinction is made between high-risk countries and medium-risk countries. The analysis of the high-risk countries should be ready before 1 January next. For the medium countries, the date ready is set at 1 January 2025.

The more turnover at a customer, the more risk. Political instability also creates risks of e.g. money laundering. The information is analysed for HZPC by an external party. Previously, customers were also screened but it has now become a more intensive process.

A member inquired about possibilities for parallel money flows.

Mr. Van der Tas states that crypto currencies have been explored though.

Mr. Van Vilsteren adds that this currency is seen as the way to launder money. Therefore, HZPC will not use it.

A member wonders to what extent a grower is at risk in such cases.

Mr Koops argues that if a grower has done the necessary checks beforehand and can prove it, the grower's risk is limited. If he grows for a HZPC pool, that risk normally lies with HZPC.

16. Closing

The chairman closed the meeting at about 10.20 pm