Water for today and the future

Vitens

2021 Annual Report

Every drop sustainable

Contents

Foreword

2021: good progress, but the water transition must speed up

2021 was another year shaped by COVID-19. Our operational performance remained stable, despite the effects on our people and organisation after nearly two years of working under coronavirus containment measures. Customer satisfaction also remained high. On the financial front, the WACC lobby group[1] succeeded in obtaining more favourable conditions for the investments we need to make in the next three years. The task now is to continue to lobby effectively for positive changes in the medium and long term. There were (and still are) major concerns about the excessively slow and complex permit procedures for drinking water extraction operations, which also threaten the security of the drinking water supply in the short term. Urgent action is needed here, and Vitens focused strongly on bringing this urgency to the forefront of everyone's minds in 2021.

Resilient organisation, despite COVID-19

Two years of COVID-19 and the associated measures have had repercussions on everyone, including our people. Physical distancing reduces energy levels, inspiration and connection. Fortunately, we managed to work (together) effectively and safely under this remote working regime, and employee commitment remains high. However, we do now pay extra attention to the impact of the COVID-19 measures on our teams and at individual level. We strongly believe that employees should enjoy their work.

We have smoothly adopted hybrid working and digital meetings, demonstrating our resilience as an organisation. Tightness in the labour market is still a major challenge, but we managed to attract over 200 new employees thanks to a targeted recruitment approach.

Customer satisfaction remains high

We measured satisfaction with the service customers experienced when they interacted with Vitens during the entire year. Vitens once again achieved a more than satisfactory score in the customer satisfaction surveys this year. We also feel a societal obligation to keep water affordable and available to vulnerable customers. A doubling in the number of early-detection covenants with municipalities helps us here.

Investments and the WACC

Ensuring the feasibility of our investment programme is a challenge. Conflicting legislation and lack of capacity in the contracting industry, among other factors, are currently restricting us. On a positive note however, nitrogen emissions legislation is no longer an obstacle due to the exemption that applies to drinking water infrastructure in view of our vital importance as a sector.

We believe that a different regulatory system, which allows investments to be soundly financed and offers the prospect of dividends for shareholders, is essential for the long term. In the short term, shareholders helped make the investments possible by foregoing dividend. In addition, joint lobbying by shareholders and the drinking water sector resulted in a higher WACC for the short term. This too can help us finance investments in the short term.

1 *WACC stands for 'weighted average cost of capital'.*

First steps in the new strategy: *Every drop sustainable*

2021 was also the first year of our new *Every drop sustainable in 2030* strategy. This strategy, aimed at creating a sustainable water system with a positive impact on people and nature, has been received with great enthusiasm by our employees and partners.

We have set up collaborative agendas for making our water resources more sustainable with several provincial authorities and water boards. We also joined forces with industry association Vewin to increase awareness of the need for and urgency of a sustainable water transition among stakeholders.

Relatively high rainfall in 2021, but radical adjustments to the water system remain necessary

In contrast to recent years, 2021 was relatively wet. The absence of prolonged dry periods reduced the pressure on our operational activities. Nevertheless, our message remains the same: a sustainable water system requires radical changes. A wet year must not be allowed to divert attention away from the challenges we face. Moreover, extreme rainfall and prolonged periods of drought are two sides of the same coin: climate change.

To secure the drinking water supply, we seek opportunities for sustainable water extraction, for maintaining a robust water system and are committed to sustainable water usage for the long term. In addition, in 2021 it became even clearer that we and our partners need to find solutions in the short term to ensure the security of supply of our drinking water. For example, we have had to turn down a number of requests for drinking water connections from business customers. Rapid expansion of our capacity and permits is necessary to meet the rapidly increasing demand for drinking water. Expansion in response to climate change, economic growth and demographic growth.

At the same time, we continue to emphasise the importance of sustainable water consumption among our customers, because the less we consume (unnecessarily), the less pressure is put on the water system. Vitens also wants to actively contribute and reduce its impact on climate change by reducing energy consumption, generating renewable energy (for its own use) and capturing the methane released in our production process. And in 2021, we introduced CO_2 pricing, which is a method for measuring the climate impact of investments.

Good progress, but the transition must speed up

In short, this year we have made good progress towards *Every drop sustainable*, both within our organisation and with our partners. Nevertheless, we have to conclude that the water transition (a new water system, in which we supply and use fresh water in a sustainable and circular manner) is moving too slowly, because administrative decision-making delays projects due to conflicting interests, such as the housing challenge, the energy transition, the climate crisis and the nitrogen crisis. We cannot separate the challenge of the water transition from these other challenges. In fact, (drinking) water must be leading in spatial planning in the Netherlands.

So we call on our partners to assign the water transition greater urgency, with a controlling role for the government. A successful transition requires faster decisions, clear choices and new paths. Only with a collaborative, integrated and radically different approach will we ensure, by 2030, that every drop is sustainable and secure our drinking water supply now and in the future.

Jelle Hannema and Marike Bonhof

Who we are and what we do

Profile

Vitens supplies drinking water to 5.8 million customers in the provinces of Flevoland, Friesland, Gelderland, Utrecht and Overijssel and some municipalities in Drenthe and North Holland. The company supplies drinking water of reliable high quality, with 24-hour availability. Both now and in the future. All shares in Vitens are owned by local and provincial authorities.

Our key task and mission

Vitens' primary task and mission is to supply drinking water. High-quality, affordable drinking water that is available twenty-four hours a day and seven days a week to everyone in the service area. Reliable and available drinking water. Now and in the future. That is our reason for being, our raison d'être.

2021

Key figures and results of Vitens

93 active production facilities

105 water extraction areas

Vitens service area

Approx. **50,000** km of water pipes

369 million m³ drinking water produced

Service satisfaction index score **8.3**

5.8 million customers

351 million m³ drinking water delivered to customers

High supply reliability **18:22** below-target delivery minutes

1,527 employees

97 share-holders

148 kilotons CO_2 emissions

Employee commitment score **7.7**

5.4 GWH/y sustainably generated energy

6.1% not invoiced (NI)

Drinking water revenues **€ 356.7** million

Solvency **30.2%**

Result after tax **€ 19.4** million

The world around us

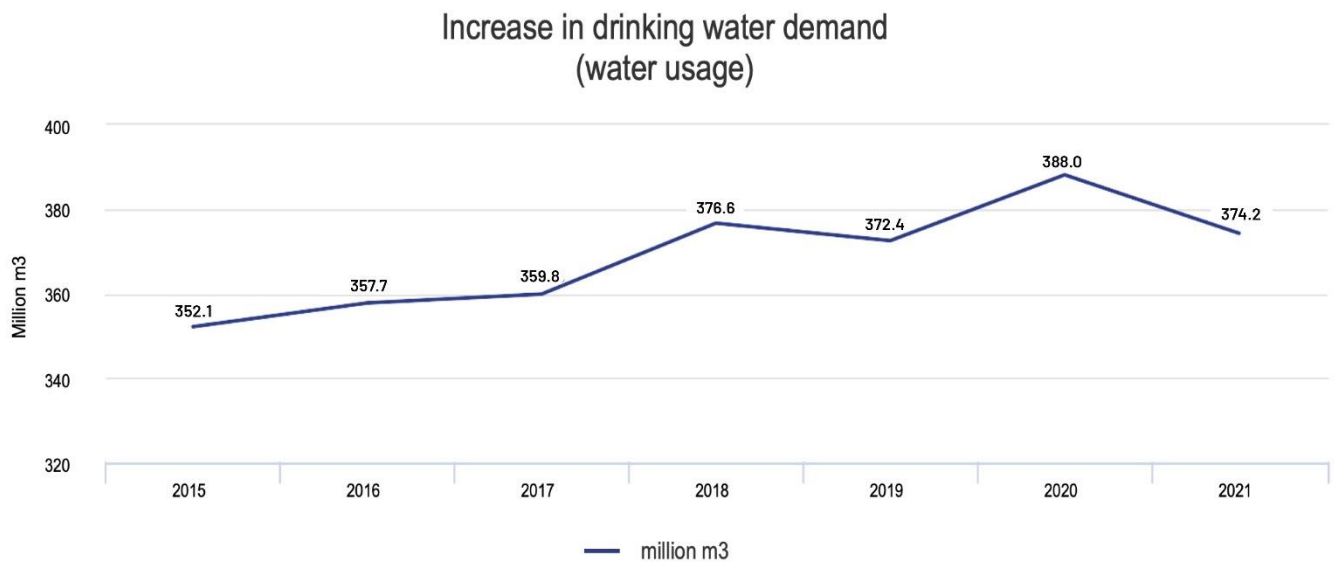
Climate change, crowding in the subsurface domain and pollution of our water sources are putting pressure on our drinking water supply. At the same time, drinking water demand is increasing, due in part to population growth and periods of extreme heat and drought. Securing drinking water for the future requires a water transition. The goal: a new water system, in which we as a society use fresh water in a sustainable and circular way.

The demand for drinking water continues to rise

In the Netherlands, we face steadily increasing demand for drinking water. According to forecasts (Global Economy scenario, RIVM), the Netherlands as a whole is expected to use up to 30 percent more drinking water by 2040. In its 2015 report, the RIVM (Dutch National Institute for Public Health and the Environment) predicts strong growth in water use. Drinking water demand is also increasing in Vitens' service area; 6.3 percent in the period from 2015 to 2021. The RIVM is currently working on a national overview of security of supply for the period from 2022 to 2030 on behalf of the Ministry of Infrastructure and Water Management. A draft version of this report was made available in 2021. Based on this initial information, drinking water demand is expected to increase even faster.

A number of factors are driving rising drinking water demand:

- Climate change
- Population growth
- Economic growth



Climate change

Due to climate change, according to the KNMI, the Royal Netherlands Meteorological Institute, we can expect more dry spring and summer periods and more extreme summer rainfall in the Netherlands. This has implications for drinking water demand, groundwater availability and the quality of fresh water sources.

Rescue plan for the Utrechtse Heuvelrug

Groundwater depletion and flooding are severely affecting the Utrechtse Heuvelrug nature area. Partners in the area, including Vitens, are acting jointly to retain water in the area longer, improve infiltration and prevent flooding. The Chief Steward of Het Utrechts Landschap foundation, Saskia van Dockum, explains the approach.

When the temperature in the Netherlands rises, so does our water consumption. People water their gardens more often, take an extra shower or fill up their garden swimming pool. This does not lead to an immediate water shortage, but we all consume many tens of litres extra per day during these peak periods. The increased temperature also causes greater water evaporation, which in turn affects the water system.

Overall, 2021 was a relatively wet year for the Netherlands. The precipitation was higher than average, particularly in the summer months, This resulted in less drinking water consumption and shorter peak periods than in previous years. As a result, we were able to easily meet water demand and there was a very limited overrun relative to our permit quantities [1]. There was only a brief spike in water consumption in June, with water demand 40 percent above normal. That was caused by a warm, sunny and dry first half of the month.

Population growth

Drinking water demand is also increasing due to the growing population in the Netherlands. According to Statistics Netherlands, the population increased by an estimated 118 thousand inhabitants in 2021. That is double the growth experienced in 2020. The number of households also continues to increase, largely because more elderly people in particular will live alone for longer in the future, and more single-person households will be added.

This population growth is also visible within Vitens' service area. Cities like Utrecht and Almere are growing strongly. The number of households is also increasing in almost every region. As a result, drinking water demand is rising.

Economic growth

Economic growth also affects water demand. According to Statistics Netherlands, the Dutch economy expanded by almost 5 percent in 2021. Businesses are using more and more drinking water.

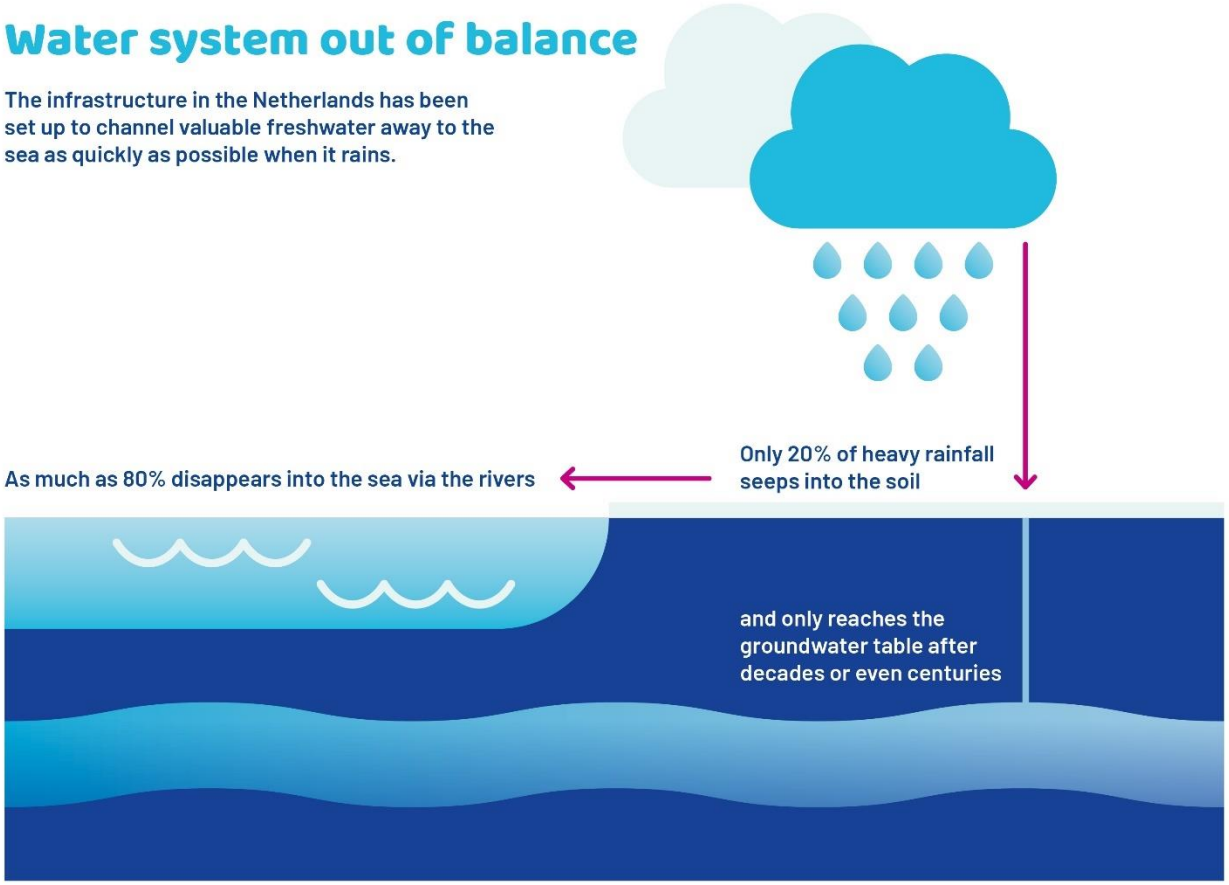
Reliable drinking water is under pressure

To meet the rising demand for drinking water, we must expand our water extraction sites and infrastructure and increase water reserves. However, several factors are adding complexity to our task of supplying reliable drinking water:

- A decrease in the amount of fresh water available
- Crowding in the subsurface domain
- Increased pollution

The decrease in the amount of fresh water available

A relatively wet year, with fewer dry periods, allowed nature to recover better. In addition, the groundwater level has risen again. A relatively 'wet year' does not however alter the fact that increasing aridity, rapid rainwater run-off, and salinisation are all reducing the amount of fresh water available to us. Extreme rainfall does help compensate for short-term drought, but it does nothing to solve structural groundwater depletion. This is because it takes a long time for this rainwater to reach Vitens' groundwater sources, deep in the soil. In addition, most of this water is diverted directly away to rivers and the sea. So, Vitens advocates a sustainable water ecosystem in which water is retained more effectively. The Panorama Waterland concept developed by Vitens as a long-term solution is attracting increasing interest. It is important to further develop this concept with our external partners through pilot schemes and living labs.



Source of the visual material: BN De Stem

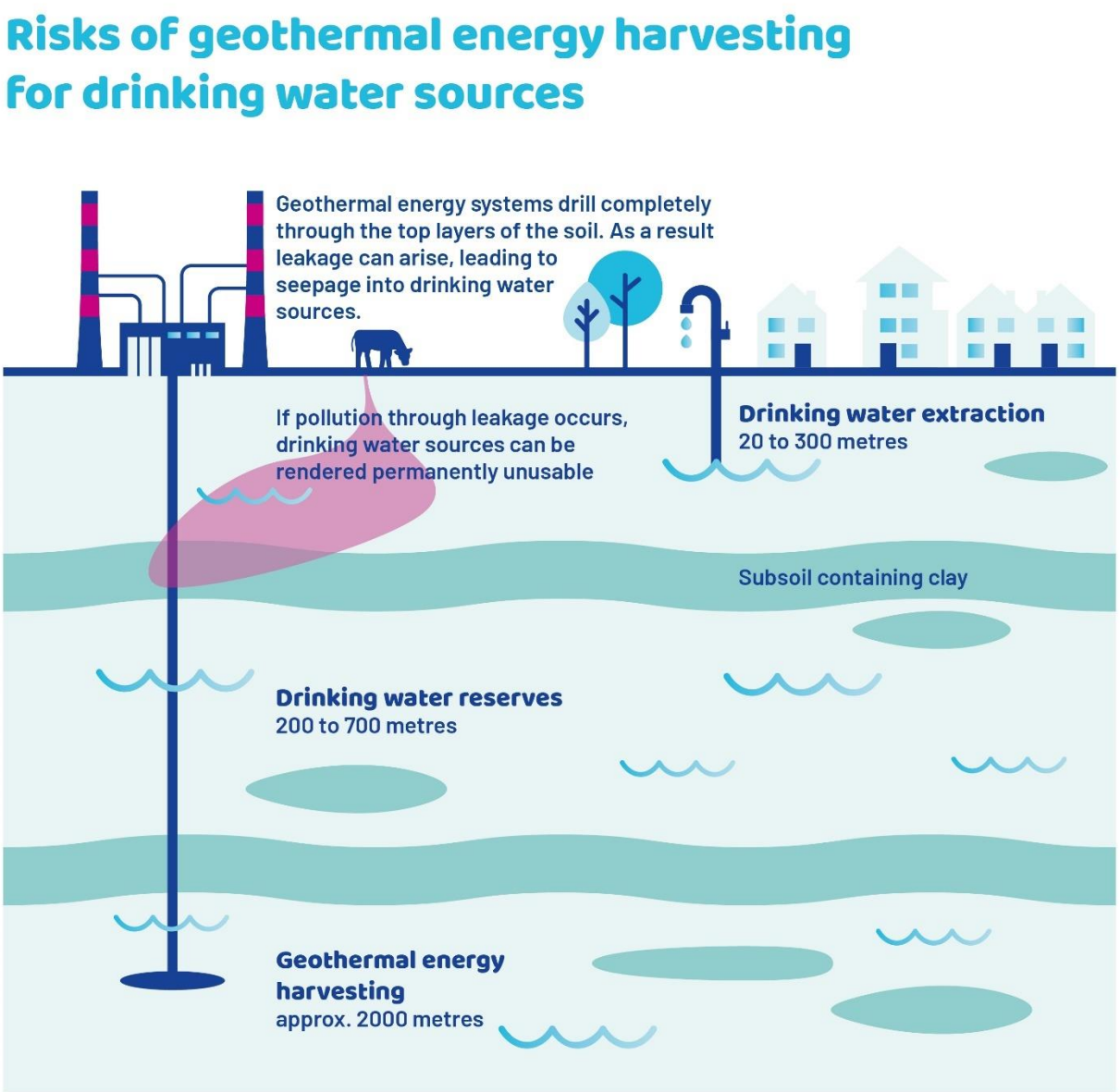
A wet summer provides some relief, but the problem is still urgent

'We shouldn't let ourselves be lulled into a false sense of complacency by a wet year', *says Jelle Hannema, Vitens' Managing Director. Drought and extreme rainfall are two sides of the same coin, with climate change as the root cause. Read the interview with Hannema on the subject of the wet summer.*

Increasing exploitation of land and resources

Vitens produces drinking water from groundwater, but finding and protecting these sources is becoming increasingly difficult. This is partly due to increased crowding in the subsurface domain in the Netherlands, caused by growing cities, the search for renewable energy sources, such as geothermal heat, and the construction of heat networks.

Drinking water is an intrinsically sustainable product. We obviously endorse the importance of the energy transition. At the same time though, we see that alternatives to natural gas, such as geothermal energy and thermal energy storage (TES), require drilling deep into the ground. The Algemene Rekenkamer (Dutch Court of Audit) has indicated that these activities could contaminate groundwater sources. Because of the risks to groundwater, these types of subsurface activities are prohibited in groundwater extraction areas or groundwater protection areas. Securing drinking water sources requires a clear separation of functions. This allows geothermal energy exploitation and drinking water extraction to take place side by side in harmony.



Source: Algemene Rekenkamer. Bescherming drinkwater bij het boren naar aardwarmte. Stille wateren in diepe gronden. *2021 (English: Protecting drinking water sources when drilling for geothermal energy. Silent waters deep under the ground.)*

Despite the need for this separation of functions, we increasingly see loopholes for abandoning this clear separation in (political) policymaking. This opens a door to risks, such as groundwater pollution, which can lead to contaminated drinking water sources. Vitens advocates maintaining this strict separation of functions.

Our guiding principle is that the water system and the drinking water system are part of the physical living environment, which we also use for (recreational) nature, agriculture, housing and the energy transition. Efforts must often be made to find the right balance. If we want to retain more water, other users of the water system, such as agriculture and nature, will also be affected.

We are keen to work towards a sustainable Netherlands where all societal functions can coexist harmoniously. So we adopt an integrated approach in which we work with other users to find solutions and develop a climate-resilient water system.

Contamination of water sources

Finally, the quality of our drinking water is also under pressure. By 2027, all EU member states must comply with the Water Framework Directive (WFD). This is a directive that sets quality standards for the cleanliness of surface water and groundwater (our drinking water sources) in European countries. However, unless we step up our efforts, the Netherlands will most likely not achieve the targets set in the WFD. So we ask for the greatest possible commitment to guaranteeing achievement of the WFD goals by 2027.

Although contaminants are found primarily in surface water, the risk of groundwater pollution is also increasing. This causes us concern. Industry and agriculture are rapidly releasing (new) pollutants into the groundwater. Industrial chemicals, for example, or nitrates. As a result, the raw water requires extra treatment in order to produce drinking water.

PFAS: once it gets into the environment, it's there to stay

The drinking water industry is calling for a total ban on PFAS. According to Lara Peters, an expert at the Milieu Centraal knowledge centre, we need to prevent PFAS from getting into the environment. 'The presence of these pollutants makes soil remediation very complex.'

Our strategy

Climate change, population growth, economic growth. The world around us is constantly changing, which creates challenges. There is only one option for securing the drinking water supply: a complete change of course. The aim of our strategy, which we call 'Every drop sustainable by 2030', is to create a 100 percent sustainable drinking water system that has a positive impact for people and nature.

In view of future climate scenarios and increasing water demand, we must rethink our water system design and our approach to managing it. Vitens advocates a revolution in terms of the concept and operations. 'Every drop sustainable by 2030' is ambitious, but not impossible. However, a great deal must still be done to succeed in achieving this objective.

Every Drop Sustainable by 2030

In the past period, we have jointly developed a new vision of the future. The changing climate, crowding in the subsurface domain, and the changing relationship with our stakeholders have made it clear that a fundamentally different approach is needed. That is why we adopted the new 'Every drop sustainable by 2030' strategy in 2020. In 2021, we started implementing the new strategy together with our stakeholders.

Sustainable water system

By 2030, Vitens aims to be the driving force behind, and proactive partner in, realising a sustainable drinking water system. A system in which all the links in the chain focus on extracting water with a minimal environmental footprint, and, where possible, deliver a positive impact on the environment. A key solution here is to retain water better in wet times, rather than draining it away as quickly as possible. In addition, as a society we must adapt the functions we give to an area in the Netherlands, such as agriculture or nature, to the available amount of water.

We are investigating the best approaches for this together with provincial authorities, water boards and farmers, among others. One example is the Panorama Waterland project on the 'Sallandse Heuvelrug'. We are developing a land use concept for this area in which water is leading and where, in addition to water extraction, there is enough room for other functions, such as agriculture, nature and recreation.

Extraction sites with a positive impact on the environment

To meet the rising demand for drinking water, we must expand our water extraction sites and infrastructure and increase water reserves. We do this with the least possible adverse impact on the environment by, for example, improving biodiversity in water catchment areas.

Our aim is to improve water retention in vulnerable areas to reduce the impact on nature and the environment, and to make the extraction sites more robust. In some cases, as a last resort, aridity will force us to close or relocate existing extraction sites in sensitive areas. Locations for future extractions sites are carefully chosen to minimise their negative impact on other functions, such as nature and agriculture.

Furthermore, a sustainable water source will be chosen for future extraction sites. With that in mind, we are actively investigating whether surface water and river bank filtrate can serve as a future source. The basic principle is that the water system must be in balance so that drinking water can be produced as sustainably as possible.

Target structure

We do not know exactly how the demand for drinking water in the Netherlands and the various regions will develop as a result of, for example, the housing challenge and the impact of climate change on our drinking water resources. To respond to possible scenarios, Vitens is focusing on systemic change for the long term. By building in greater resilience, for example. One way to increase our resilience is to enhance flexibility with connections between supply and demand points and by moving small, non-future-ready extractions to locations where sustainable water can be extracted. We refer to this as our target structure.

Vitens' target structure outlines how the future drinking water supply will be organised. In that structure, we position large extraction sites in strategic heartlands and expand the extraction facilities in areas where a relatively large amount of water is available for extraction. The exact details will be discussed and agreed with our stakeholders. By focusing on these issues together at an early stage, we are better prepared for climate change and other uncertain future situations.

Minimum emissions, maximum sustainable energy

We are also looking critically at energy usage and greenhouse gas emissions in our operations. Our goal is to reduce our CO_2 emissions in 2030 by half and to be fully CO_2-neutral in 2050. Where possible, we use sustainable energy or generate our own energy with solar panels and other systems. At some production facilities, we capture methane and use it as an energy source.

Sustainable water usage by our customers

Sustainable use of drinking water and water conservation are important factors in slowing or reversing the increasing demand for drinking water. Vitens is therefore committed to encouraging responsible water usage. We discuss drinking water usage with large business customers, based on consumption information. That dialogue results in concrete advice on how to exploit the potential approaches for saving drinking water in the production processes. Private customers receive tips and advice on how to use water more responsibly at home. This activity is supported by (social media) campaigns on awareness and behavioural communication. Raising awareness of exactly how drinking water is used has been shown to work well in reducing water consumption. For example, we have developed a water comparison tool for customers and are preparing to roll out smart water meters that give customers exact information about their water consumption. After all, how we use water is inextricably linked to the mindset of acting responsibly in our homes and in daily life. Water-friendly design and construction of homes also contributes to sustainable drinking water use.

Knowledge, talent and agility

To meet these challenges, it is important that we continue to develop the knowledge and skills of our current workforce and new recruits. We want to be an incubator for knowledge and talent and ensure that we attract ambitious employees and give our people every opportunity to grow and develop. ‘Open’, ‘involved’ and ‘innovative’ are the core values behind our work and strategy. As an organisation, we are fundamentally innovative: inquisitive, investigative and creative. We are willing to experiment and learn.

To move in tune with the outside world and achieve a positive impact on people and nature, we as an organisation increasingly work in continuous short cycles; phased operational activity, followed by review. This ensures that we can quickly make adjustments when needed. So we respond better to unexpected developments, opportunities and threats, and set priorities effectively.

'No one can ignore the need for a water transition any more'

Delta Commissioner Peter Glas expects far-reaching measures to maintain groundwater levels in the coming years. 'Our current activities are severely depleting the supply of groundwater in some parts of the Netherlands. The water transition requires a clear administrative vision and the courage to see it through.' Read the interview with the Delta Commissioner here.

Transformation into an impact-driven organisation

Society is undergoing a transition in which it is becoming increasingly future-proof, sustainable and socially concerned. This is a transition that Vitens feels partly responsible for. It requires a shift in orientation: from economic growth to social impact. This has prompted the launch of the 'Verbond van Brede Welvaart' initiative, an alliance for broad community health, well-being and prosperity, in which we participate together with 10 other infrastructure companies (including Alliander, Tennet and ProRail). In the alliance, the participating infrastructure companies publicly state a number of commitments, including making their impact on the environment and people measurable in order to optimally contribute to a future-proof, sustainable and socially concerned society.

So the 'Verbond van Brede Welvaart' fits perfectly with our 'Every Drop Sustainable' strategy. In that strategy, we set ourselves the target of making the transition to a sustainable drinking water utility, as part of a sustainable water system, by 2030. A positive impact on people and nature is central to this. If we are to accurately assess our impact on people and nature, we need to know where we (can) have an impact. To clarify where we stand, Vitens started its *impact journey* in 2020. This is a multi-year process in which we will develop an 'infrastructure' to measure, report and manage our social impact.

In doing so, we are working to develop an integrated view of our impact, looking not only at the financial aspects but also at the impact on the 5 other capitals as defined in the framework of the International Integrated Reporting Council (IIRC):

- economic impact: financial, manufactured and intellectual capital
- impact on people: social and human capital
- impact on nature: natural capital

In 2021, we took a further step in this direction by quantifying the impact for 'Well-being through having work,' 'Work-related sickness absence and accidents', and 'Contribution to climate change'. In contrast to the more traditional output indicators, such as employee commitment and CO_2 emissions, we look specifically at the social value and costs that are generated.

Internal discussion and knowledge are key to guaranteeing meaningful impact measurement and reporting. There were useful initial exchanges in 2021, but the challenge for the coming year is to keep the organisation updated and gain its full support. In future years, we will expand the set of indicators and increasingly integrate impact measurement, reporting and management in our working method. With an impact-driven organisation as our ultimate goal.

Our value creation model

Comparative figures for the value creation model	2021	2020
Shareholders: municipalities and provincial authorities (number)	92 and 5	92 and 5
Number of clusters with a positive 'operational discrepancy'	2	2
Number of clusters with sufficient 'total reserves'	2	1
CO_2 emissions (kilotons)	148	153
Distribution network (in kilometres) approx.	50,000	50,000
Treated groundwater (millions of m^3)	378.1	391.3
Drinking water production (millions of m^3)	369.0	382.4
Drinking water purchases (millions of m^3)	5.2	5.6
Tap water supplied to customers (millions of m^3)	351.3	362.4
Drinking water revenue (€ millions)	356.7	353.7
Sustainably generated energy (GWh)	5.4	5.6
Energy consumption (GWh)	171	174
Households (millions)	2.7	2.6
Investments, surface and subsurface * (gross**, in € millions)	155.2	143.3
Customers in the supply area (millions)	5.8	5.8
Employees (number)	1,527	1,443
Below-target delivery minutes (OLM)	18:22	21:40
Production facilities (number)	93	93
Telephone contact service level (%)	80%	74%
Service Satisfaction Index (score)	8.3	8.3
Solvency (%)	30.2%	29.4%
Safety, Lost Time Injury Frequency (LTIF)	1.0	2.2
Source Pollution Index, short-term, long-term	VI-KT 90 , VI-LT 407	VI-KT 78, VI-LT 377
Water quality index (WQI)	0.017	0.017
Water extraction areas (hectares)	2,636	2,638
Sickness absence (%)	4.2	4.0

** The surface and subsurface investments amount to 155.2 million euros gross. Including the other investments of 25.2 million euros gross, this brings the total to 180.4 million euros gross. The investments recognised in the financial statements under intangible assets and property, plant and equipment amount to 177.1 million euros. The difference of 3.3 million euros is attributable to the 'Contributions for reconstruction works and main pipes' and 'Other contributions'.*

*** Gross investments are investments excluding contributions.*

value creation model vitens 2021

input

We trust in valuable resources

financial capital

The shareholders of Vitens are 92 municipalities and five provincial authorities. Our financial position, revenues, investments, capital/loan liabilities are described in the financial statements. €155.2 million invested in subsurface and surface activities.

manufactured capital

With our 93 production facilities, we produced 369 million m^3 of drinking water in 2021. We also purchased 5.2 million m^3 of drinking water. We have a distribution network of approx. 50,000 km of pipes.

intellectual capital

In 2021, Vitens invested in Innovation, circular business practices, and a robust link between data and digitalisation of the service provision.

human capital

With 1527 employees, we have a diverse organisation in which flexible and safe working is a leading priority. Because we manage by results, employees have greater responsibility.

social and relationship capital

We are socially involved through our international activities and education programmes. We work together and seek dialogue with our stakeholders in order to jointly act to protect our groundwater resources.

natural capital

We need 171 GWh of energy to power our business operations. This energy is provided by European wind turbines. We manage roughly 2636 ha of extraction areas in a sustainable manner.

business model

in order, via our business model,

Every drop sustainable in 2030

primary task

Our primary task is to produce, distribute and deliver top-quality drinking water to our customers. We supply to **5.8** million customers and **2.7** million households. We offer perfect service when doing so. Safe and ethical working has our highest priority at all times.

output

to manage by results

water for today and the future

351.3 million m^3 of tap water delivered
Service satisfaction index: **8.3**
2 clusters with a positive 'Operational discrepancy'
2 clusters with adequate 'Operational reserves'
Water quality index: **0.017**
Below-target delivery minutes: **18:22**

SAP & Transition

0 ICT priority 1 cyber security incidents

attractive employer

LTIF: **1.0**
Sickness absence: **4.2**
Employee commitment: **7.7**

financial health & predictability

Solvency: **30.2%**
Drinking water revenues: **€ 356.7 million**

intelligent water supply system

6 developments ensuing from the Innovation process implemented within our operations

sustainable water system, drinking water utility and drinking water usage

Pollution index, short-term: : **90**
Pollution index, long-term: **407**
5.4 GWh of sustainably generated energy

impact

That is how we create value for our stakeholders and environment

customers

By delivering affordable and reliable tap water to customers 24/7

- We contribute to their health
- We make their lives more comfortable

By providing good information and bespoke service

- We make arranging everything to do with water as easy as possible
- We help customers lead more sustainable lives

environment

Supplying water has a high societal value, but also has an adverse effect on people and nature. We are working to make the water cycle more sustainable and minimise the impact of our operations by:

- Generating sustainable energy
- Managing our sites sustainably
- Reducing the nuisance of our works
- Applying sustainable procurement, reusing residual and by-product flows and collaborating within the circular economy

employees

We contribute to employee well-being by:

- Offering self-development opportunities
- Paying a good income
- Ensuring a good work life balance

shareholders

Shareholders can rely on us to:

- Act as a constructive partner in spatial planning matters
- Contribute to the well-being of their residents
- Help them with their groundwater protection tasks
- Pay dividend whenever possible

and contribute to global objectives

sustainable development goals

Clean drinking water and good sanitation are our primary focus. *(6.1, 6.3, 6.4, 6.5 and 6.6.)*

We invest in Innovation and a sustainable infrastructure. *(9.1 and 9.4.)*

We ensure sustainable management and efficient use of natural resources. *(12.2.)*

We take urgent action to combat climate change and its impact. *(13.2.)*

How we create value

Value for our customer

Objectives and results - customer

Customers are unable to choose their drinking water supplier. So we feel even more responsible for ensuring that they can count on reliable and affordable water 24/7, both now and in the future. In addition, we strongly believe that customers need to be able to manage their water affairs as smoothly and simply as possible.

Stakeholders

24/7 top-quality drinking water from the tap with excellent service is hugely important to the health, satisfaction and trust of the 5.8 million customers in our supply area.

Contribution to SDGs

When it comes to creating value for customers, we contribute to one of the global sustainable development goals set by the members of the United Nations - Sustainable Development Goal (SDG) 6, i.e. 'clean drinking water and good sanitation facilities'.

With regard to value for customers, we have identified two focus themes - material topics - for 2021, together with our stakeholders. A KPI has been set for each material topic. They are:

Material topics

- Security of the drinking water supply; and
- Drinking water quality

Security of the drinking water supply

Objective and result

Everybody can rely on drinking water from the tap 24/7

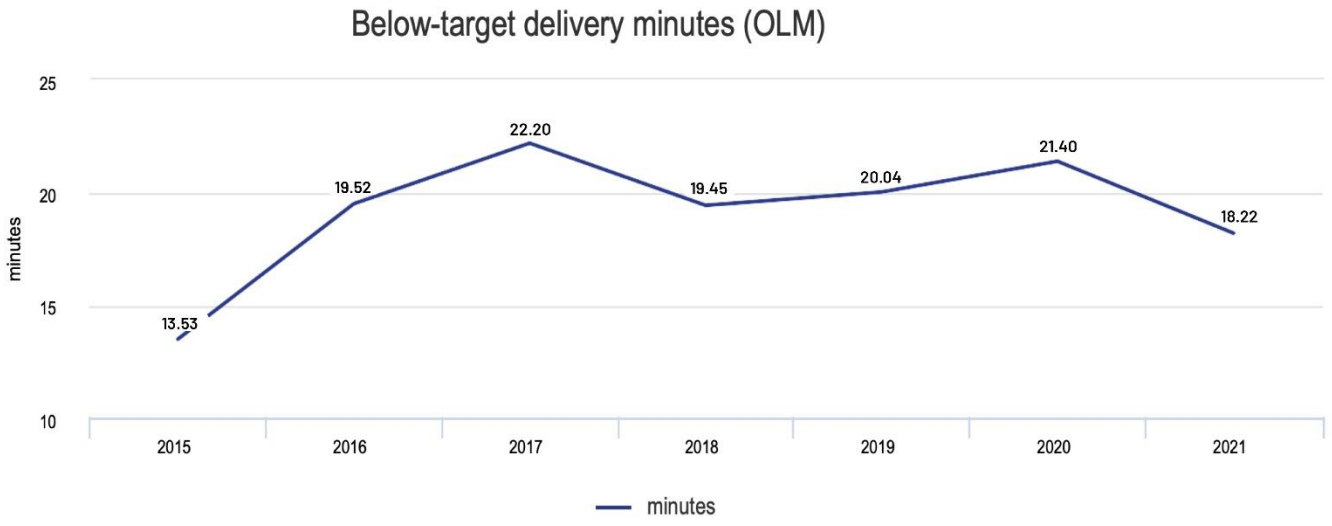
Below-target delivery minutes (OLM)
Goal: ≤14:00
Result: 18:22
Result 2020: 21:40

Stronger focus on the below-target delivery minutes indicator

The number of below-target delivery minutes (OLM) is an important KPI (key performance indicator) to determine security of supply. This is an annual average of the number of minutes that customers have no access to drinking water. Our ambitious goal is an OLM of less than 14 minutes. This includes both scheduled and unscheduled interruptions.

In 2021, we achieved 18 minutes and 22 seconds (2020: 21 minutes and 40 seconds). We had to cope with some major disruptions. There was an outage at the Eibergen production facility due to an ICT malfunction, a voltage fluctuation in the electricity grid caused a fault at the Spannenburg production facility and a leak in the pipe network near the Ellecom production facility also led to a shutdown. We continue to evaluate major incidents, identify areas for improvement and take appropriate action. At Spannenburg, for example, we shortened our electrical contractor's call-out travel time from four to two hours. As a result, we can resolve faults more quickly and reduce the amount of time our customers are inconvenienced.

This year, we put extra effort into proactive actions that help us keep the OLM at a low level. We started the year with a comprehensive analysis of the KPI and identified structural improvement actions. For example, we have improved our maintenance and implemented measures to avoid faults that lead to a higher OLM. We will continue to focus on evaluation and improvement in the coming years. Even though we did not achieve our target of 14 minutes, we did achieve a good improvement relative to 2020 (21 minutes and 40 seconds), partly due to these specific actions.



Drinking water quality

Objective and result

Our drinking water is of top quality

Water quality index (WQI)
Goal: < 0.019
Result: 0.017
Result 2020: 0.017

Water Quality Index score

We guarantee the quality of our drinking water through targeted treatment strategies and a quality policy that is more ambitious than the statutory requirements in some respects. After water treatment, the quality has to be monitored on a continuous basis. Under a national system that applies to all drinking water utilities, we use a Water Quality Index (WQI) to measure drinking water quality. The WQI is an aggregate figure based on several parameters, including water hardness. The lower the score, the higher the quality of the water. The legal standard is 1. In 2021, we achieved a WQI of 0.017 at year end. This score means that we more than meet the statutory requirement. Our WQI has never been as low. So the downward trend continues, which was our objective. Achieving a lower score is now almost impossible. In the coming years, we will continue to focus on optimising filtration to reduce water turbidity.

Quality incident in Oldenzaal

In September, we had to advise approximately 26,000 customers in the municipalities of Oldenzaal, Losser and part of the municipality of Dinkelland to boil their water before drinking it. As this recommendation had to be issued repeatedly on several occasions and stakeholders were not involved sufficiently quickly, this unfortunate situation led to negative media coverage and questions from our customers and partners. In view of the seriousness of the matter, Vitens asked the Institute for Safety and Crisis Management (COT) to carry out an (internal and external) evaluation. That evaluation will help us learn from this high-impact situation.

Other related results

In addition to the material topics mentioned above, a number of other results related to our customers are worthy of mention.

Customer-focused service

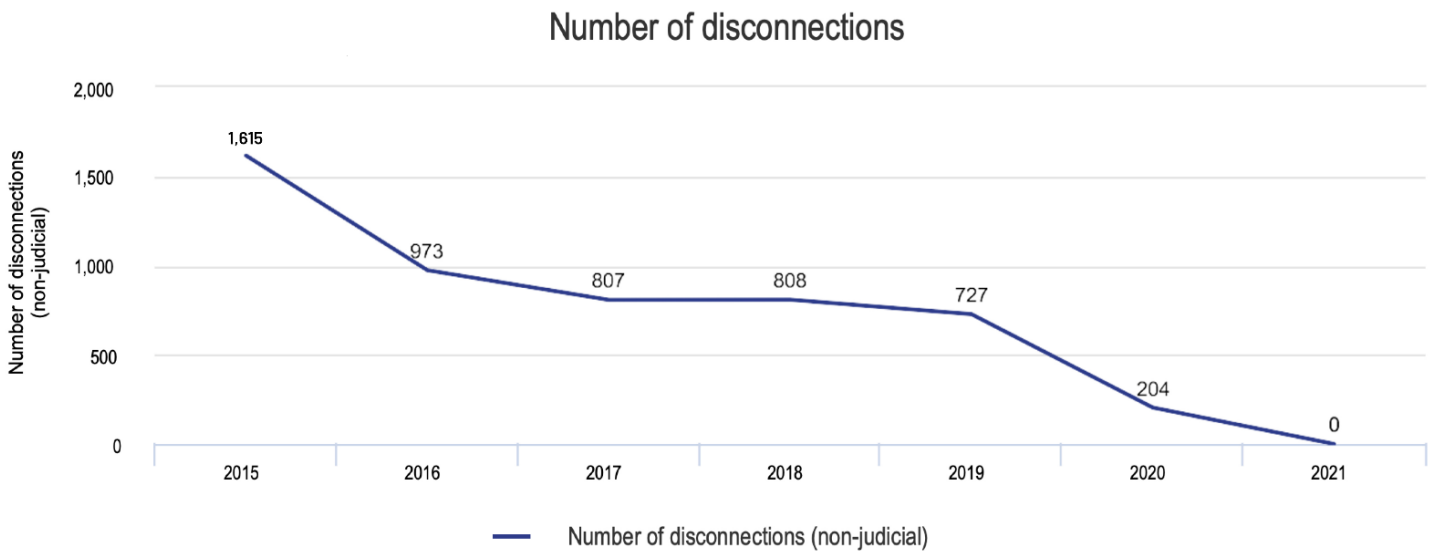
Good score for service satisfaction

Throughout the year, we measure how satisfied our customers are with the level of service they receive in their contacts with Vitens. For example, when they request a new connection or submit the meter reading. These customer journey surveys are the basis of our Service Satisfaction Index (SSI). The results of the different customer journeys are added together and weighted. This automatically results in a higher weighting for frequently used customer journeys. The SSI is expressed as an overall score. For 2021, the score was 8.3 - the same as 2020 and 2019. We are justifiably proud of the fact that we have been able to maintain this level of customer satisfaction for many years.

Early detection of payment difficulties

Since 2016, we have actively applied a policy of setting up early-detection covenants with municipalities. Early detection means immediately notifying the municipality when we see that a customer is in arrears. If several parties submit an early-detection alert, such as the customer's housing corporation and health insurance company for example, the municipality knows that something is amiss. The municipality then seeks contact with the customer. The idea is to help people as soon as possible in order to mitigate the impact of their financial problems.
On 1 January 2021, an amendment to the Municipal Debt Counselling Act (Wet gemeentelijke schuldhulpverlening) came into effect. This has resulted in many additional covenants with municipalities. We currently have covenants with 101 municipalities, double the amount we had last year. Vitens does not yet have a covenant with twelve municipalities. In 2022, we will initiate discussions with these municipalities in order to shape our collaboration on early detection with them as well. A further consequence of the amendment to this Act is that municipalities can now contact the resident in question at an earlier stage, based on an alert from just one creditor. In the previous situation, multiple alerts from different creditors were required. So this change means that people in difficulties, including our customers, can receive help earlier.

Vitens feels a strong social obligation to keep water affordable and available for all customers, particularly those who are vulnerable. By increasing the level of contact with customers and offering lenient payment arrangements, we make every possible effort to avoid disconnections. Letters written in terms that everybody can understand, the use of different channels and physical visits also contribute significantly to achieving the desired outcome.
Since 2015, when we had 1,615 disconnections, we have progressively reduced the number of disconnections each year, achieving zero disconnections in 2021. For accuracy's sake, it should be noted that we paused disconnections completely when the coronavirus pandemic started. This keeps drinking water available to all our customers. We expect to reinstate the normal process again in 2022 to ensure that the outstanding debts can be collected at some time in the future.



Value for our natural environment

Objectives and results - natural environment

Tap water is a natural product. The cleaner our environment, the less we have to treat and purify water. A clean environment results in cleaner and more easily exploitable water sources. The impact on our environment decreases when we have to pump less water. So our aim is to extract water sustainably, with respect for the water system and in balance with the environment. To supply our customers good and sufficient drinking water now and in the future.

Stakeholders

Vitens is committed to extracting water sustainably, with respect for the water system and in balance within the setting of our customers, (local) government authorities, the agricultural sector and other stakeholders in spatial planning and society.

Contribution to SDGs

Impact

Our strategy - 'Every Drop Sustainable by 2030' - is built around a positive impact on people and nature. In 2021, we introduced a number of indicators for measuring our impact. In relation to our natural environment, we started measuring our impact on climate change, in terms of both positive and negative effects. Vitens has an impact on our natural environment in many other ways. The goal is to home in on these effects in an increasingly meaningful manner. An overview of the effects we are taking action to achieve can be found in the 'impact measurement approach' section. The criteria and method used for the impact calculation are described here.

Impact on the climate

Limitation of climate change:
€ 7.4 million in social value*
- **compensation for climate change**

Negative contribution to climate change:
€ 7.4 million in social costs
- **own emissions (scope 1)**
- **emissions for energy purchases (scope 2)**
- **emissions from chain partners (scope 3)**

** Because Vitens also offsets scope 2 and 3 emissions, our positive climate impact is greater than the negative impact. However, at present we have decided to aim for a maximum positive impact that is equal to the negative impact. We have decided to do so because impact measurement within Vitens is currently a work in progress and the reported impacts do not yet provide a complete picture of all the positive and negative effects that Vitens has on the climate.*

Our scope 1 and 2 emissions can be inferred based on our operations and energy usage. The table below specifies our emissions according to the scope. Our scope 3 emissions are more indirect. These are the emissions released in the rest of the drinking water value chain. We cannot reduce them in a direct approach, but we do have a responsibility to take action. After all, we cannot do our work without our chain partners. So the emissions are expressed in an impact measurement split across the value chain partners. Vitens is allocated a large percentage of the emissions on which it has significant influence and a smaller percentage of the emissions that lie outside our operations.

We have chosen to offset the (scope 2 and 3) emissions allocated to other value chain partners. This fits with our vision of having a positive impact on people and nature. Even so, our ambitions extend still further: we want to reduce our negative impact to the greatest extent possible and only offset what remains, both in our own operations and with our value chain partners.

Gross CO2 Emissions according to the Drinking Water Industry Code of Practice (PDC-11)*			
Emission source	2020	2021	change
(in kilotons of CO2 equivalents)			
Scope 1			
CO2 emissions as a result of water extraction	9	9	
CH4 emissions as a result of water extraction	23	21	
Gas consumption for buildings	1	1	
Emergency generators	1	1	
Leased cars and service vehicles	3	3	
Methane gas engine *(uses methane released during water extraction)*	2	3	
Total scope 1	39	38	-3%
Scope 2			
Electricity consumption	94	92	
Total Scope 2	94	92	-2%
Scope 3			
Business air travel**	0	0	
Commuting**	0	0	
Chemicals	17	15	
Transport by third parties	2	1	
Drinking water procurement	1	1	
Total Scope 3	20	18	-14%
Total emissions (gross)	**153**	**148**	**-4%**

** The figures represent gross CO2 emissions in kilotons of CO2 equivalent(s). CO2 offsetting is not included in these figures.*

*** Emissions are zero, based on rounded figures in kilotons of CO2 equivalents.*

Material topics

- Protection of groundwater resources
- Groundwater and climate adaptation

Protection of groundwater resources

Objectives and results

We protect groundwater sources against pollution and emissions

Pollution index, short-term, long-term
Goal: n/a
Result short-term: 90
Result long-term: 407
Result short-term 2020: 78
Result long-term 2020: 377

Protecting our groundwater resources is an important strategic task for Vitens. After all, groundwater is our primary raw material. So we want as much control over our groundwater as possible. Protecting groundwater sources is simultaneously complex. Water seeps deep into the soil in remote areas for hundreds of years before it finally reaches our drinking water extraction points. In the surface domain, various simultaneous activities, such as housing, agriculture and industry, all affect groundwater quality. Vitens has very little control over these activities: after all, they take place in areas where Vitens has no authority. All we can do here is commit to initiatives in which we cooperate with our stakeholders and partners in our distribution area. In addition, it is important to highlight the impact of pollution in a meaningful way based on measurable indicators. That information can be used for timely and targeted decision-making.
Furthermore, we can protect groundwater resources and reduce pollution more effectively through collaboration.

Pollution index

Last year, Vitens developed a new key performance indicator (KPI) that explicitly helps us manage based on water source quality: the pollution index. This KPI quantifies the degree of pollution of a water source by indicating the difference between the current situation and the target values. The higher the index, the higher the level of pollution.

The index shows what quantities of specifically identified substances are present in the extracted water. Those substances are split into four groups:

1. Macro parameters (nitrate, sulphate, hardness);
2. Pesticides;
3. Medicines; and
4. Industrial chemicals

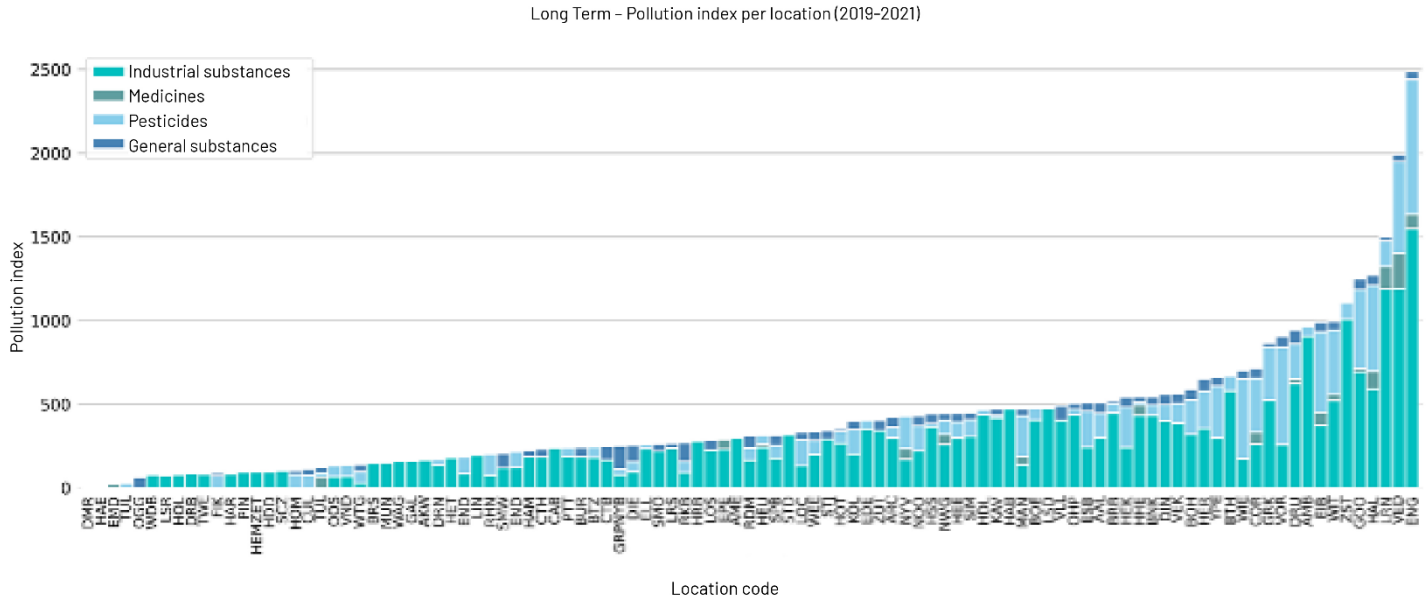
The method involves determining for each substance whether the measured value meets the target value for the short term (2030) and the long term (2050). All the excessively high values are added together for each extraction site. This calculation results in two pollution indices: one for measuring the short-term target (VI-KT) and one for the long-term target (VI-LT).

Vitens treats the groundwater to remove pollutants, so water from the tap is always safe to drink. As water treatment is expensive and energy-intensive, Vitens aims to keep the water sources as clean as possible. After all, anything that can be prevented from getting into the water does not have to be removed. In that respect, the pollution index is a useful tool when talking to our stakeholders and other interested parties (water boards, farmers, nature managers) about action to achieve and maintain water cleanliness in our resources. We also use the pollution index as a basis for administrative agreements with governments on groundwater protection, through policies, permits, and implementation programmes, among other things.

Pollution Index results

Last year we used the Pollution Index for the first time. The 2020 result has been revised in this annual report because checks in mid-2021 revealed that some substances had been included twice in the calculation. In addition, after publication, it was found that false positives in the laboratory data had been corrected. The pollution index was too high as a result. After recalculation, the VI-KT dropped from 81 to 78, and the VI-LT dropped from 405 to 377.

The goal for this year was no increase in the pollution levels, and preferably a decrease. We failed to achieve this: the VI-KT came in at 90 (+15 percent) and the VI-LT at 407 (+8 percent) in 2021. This means that the degree of pollution has increased. Because implementation of measures takes time and also the effects in the groundwater are slow to materialise, a decrease in the index due to policy measures is only to be expected in the long term.



Important issues and developments

We explained our Pollution Index in consultations with our stakeholders, particularly the provincial authorities, on a number of occasions during the past year. We also compared the priorities identified in the provincial Implementation Programmes and the priorities arising from the Pollution Index. One of the conclusions is that the Implementation Programmes pay sufficient attention to general measures (spatial policy, permit award procedures and enforcement), but that insufficient attention is paid to specific substances, pesticides, PFAS and complexing agents.

Overall, Vitens feels that the pace of developments relating to the BO Nitraat, an administrative agreement on the supplemental approach to nitrate leaching caused by agriculture in specific water protection areas, is too slow. Many farmers have committed to implementing BO Nitraat, but the urgency is not yet sufficiently felt by all. Vitens would like to increase the pace with its partners in the water system and in the regions. Collaborations, such as ‘Boeren voor Drinkwater’ in Overijssel, ‘Grondig Boeren met Water’ in Drenthe and ‘Waterwijs Boeren’ in Gelderland should be extended more widely to a regional collaboration.

Accurate tracing of the origin of substances

Our ambition is to more accurately trace the origin of substances in the raw water we pump up. The roll-out of *early warning* systems in water infiltration areas should give us a better understanding of the origin of pollutants. We will also carry out more targeted research into the use and spread of substance groups whose origin is currently unclear.

Dealing with pollutants

We note that addressing pollution in our drinking water sources requires a long-term commitment where results are not immediately measurable, because the measures do not directly lead to an immediately observable reduction in pollution.

We are taking action to reduce pollution in our sources in a variety of ways. Among other things, we encourage more efficient use of minerals in agriculture. This should reduce emissions into the groundwater and surface water, reducing nitrate, sulphate and raw water hardness. We also bring the presence of herbicides to the attention of governments and users and encourage chemical-free sweet corn cultivation.

In the case of industrial substances, we are going to focus more strongly on remediation of soil contamination and will also initiate targeted research into the origin of substances such as PFAS and phthalates. Phthalates (plasticisers) are used in many items, including products for children, such as chalk or inflatable toys. We are in discussion with water boards and environmental departments about more stringent monitoring, licensing and enforcement.

With the OBI, a soil health index, Vitens, together with other partners, had committed itself to reducing contamination of groundwater sources. The OBI is a joint initiative of Rabobank, a.s.r. and Vitens and is aimed at an independent web-based measurement method that uses all available soil and crop data. It provides information for and on sustainable soil management activities by farmers. The idea behind the Index is that it acts as an incentive in reducing the use of pesticides and fertilisers. In the long run, the OBI also has a positive effect on groundwater quality and the pollution index. In 2021, the OBI Foundation was established to make the OBI web tool available. At the time of writing, 200 farmers had actively adopted the methodology.

Water scarcity and climate adaptation

Objectives and results

We contribute to preventing water scarcity and depletion of groundwater and surface water

Number of clusters with a positive 'Operational discrepancy'
Goal: 3
Result: 2
Result 2020: 2

Number of clusters with adequate 'Total reserves'
Goal: 3
Result: 2
Result 2020: 1

As a drinking water utility, we have a duty to ensure sufficient extraction capacity in our distribution area. In 2021, it became even clearer that the required extraction capacity is under serious pressure, not only in the long term, but also in the short term. As a result, Vitens can no longer properly prepare for the increasing demand for drinking water due to dry and hot summer periods and the growing number of houses. We are also no longer able to respond to increasing economic growth and the growing demand for drinking water from businesses in our distribution area.

This situation was the most urgent in the province of Overijssel in 2021, however, in view of our permit capacity, meeting increasing demand for drinking water in other parts of our service area is also a major challenge. At the end of 2021, in an urgent letter to the provincial authority of Overijssel, we highlighted the gravity of this issue and asked for solutions based on the provincial authority's statutory duty of care. In collaboration with Vewin, the water sector association, we are lobbying at national level to gain political attention for this theme and also bringing it to the attention of the public through the media.

For the long term, we want to work with the provincial authority and other partners to further investigate, develop and implement the most sustainable solutions (in extraction, transport and use). In this context, Vitens is open to all forms of water extraction and invests in new sustainable concepts such as Panorama Waterland. We and other users want to exploit the water system differently. Optimising and making our own infrastructure more sustainable is also important. To reduce water consumption, Vitens focuses attention on water conservation among its private and business customers and we are participating in pilot projects in the field of water-friendly construction.

Vitens is eager to start implementing long-term solutions in collaboration with all partners. In addition, short-term solutions are needed to guarantee security of supply for the coming years. Vitens understands that the various interests at play add complexity to the provincial authority's role in issuing water extraction permits. At the same time, we have to note that the pace at which permits are issued is too slow to address the growing shortage of water reserves.

So the measures required to resolve this situation must be implemented very quickly. Our proposals include, for example, ensuring that the competent authority gives priority to drinking water interests over other interests when making decisions, accelerated (permit) procedures such as those possible under the Crisis and Recovery Act (Crisis- en Herstelwet) and pragmatic handling of existing extraction permits.

To better understand and report on our reserves, we work with two KPIs: ‘Operational Discrepancy’ and ‘Total Reserve’. We have divided our service area into ten clusters (sub-areas). In each cluster, we manage and report based on these KPIs and our project plans set out a path for meeting these KPIs in all clusters by 2028.

Operational Discrepancy

The operational discrepancy is the difference on an annual basis between the required total production output and the available treatment capacity. In 2021, two clusters had a positive operational discrepancy. This means that there are only two clusters with sufficient operational reserves to respond to unexpected changes in water demand.

Even though eight clusters have a negative operational discrepancy, it is still possible to supply sufficient drinking water in those areas. We maintain an operational reserve capacity of 10 percent (sector-wide policy) as standard in order to accommodate unexpected increases in demand. So we are able to meet the demand for drinking water in the eight clusters with a negative operational discrepancy, however Vitens is forced to use the 10 percent reserve capacity to do so.

We have planned several capacity enhancement projects to achieve a positive operational discrepancy in the other eight clusters as well. In 2021, we added a total of 3.5 million m3 to our production capacity. This falls short of our production capacity target of 5.3 million m3. One of the main reasons for this is that the lead time for some projects is longer than expected due to a delay in permit award processes, or objections lodged by residents and local businesses. This is worrying as a positive operational discrepancy is necessary to ensure reliable performance in meeting the direct drinking water demand of customers in our distribution area.

Total Reserve

The total reserve is the difference between the maximum production capacity and the production requirement. In 2021, two clusters met the criteria for 'adequate total reserve'.

The total reserve comprises the operational reserve capacity (production) of 10 percent with an additional 10 percent of strategic reserve capacity (permit quantity) on top of that. This is also sector-wide policy. The 10 percent additional permit capacity is the allowance needed to replenish the operational reserve within five years.

In 2021, a total of 3 million m3 of permit capacity was added. This falls short of the target, currently set at 8.7 million m3 per year. This is a large shortfall, which disproportionately increases the extra permit capacity that we must add in the coming years.

Due to the increasing demand for drinking water, meeting the targets for the 'Operational Discrepancy' and 'Total Reserve' KPIs is now extremely urgent. As part of its new 'Every drop sustainable' strategy, Vitens is looking for the most sustainable extraction options. This means that some extraction sites will be closed and replaced in the future because of their effects on the environment. In the light of this, to achieve our ambitions, working with stakeholders in the region to identify sustainable alternatives is all the more important. So we are working with stakeholders to develop a balanced strategy for both the short and long term.

Energy and climate

Objectives and results

We are reducing our CO_2 emissions

CO_2 emissions
Goal: ≤ 144.6 kilotons
Result: 148 kilotons
Result 2020: 153 kilotons*

** The 2020 result has been amended from 154 kilotons to 153 kilotons. To determine the CO_2 emissions more accurately for 2021, we have improved the way we calculate methane emissions at Spannenburg: actual measurement data has been used instead of assumptions. This change revealed that the emissions in 2020 were slightly overestimated.*

Vitens is committed to making its operations as sustainable as possible. Acting this way reflects our desire to contribute to the goals set in the National Climate Agreement to combat global warming.

Reduced CO_2 footprint

Our activities are associated with a CO_2 footprint. In the drinking water production process, the CO_2 emissions are mainly caused by energy usage, raw water degassing and the use of chemicals. Vitens wants to reduce its impact on climate change. So we are increasingly focusing on reducing energy consumption, generating renewable energy (for our own use) and capturing the methane released in our production process. By using this methane as an energy source for our operations, we further reduce greenhouse gas emissions.

In 2021, we emitted 148 kilotons of CO_2 equivalents (gross). That is a 4 percent decrease on last year, attributable almost entirely to the decrease in the amount of water delivered.

The majority of our emissions in 2021, 62 percent, fall under 'Energy consumption via energy suppliers'. Twenty-two percent of the total emissions are attributable to direct emissions from groundwater (methane and CO_2) and 11 percent to the use of chemicals for water treatment. The remaining 5 percent are caused by various activities and processes, ranging from mobility to purchased raw water.

We have greened all the emissions caused by our electricity consumption through Guarantees of Origin. Our other emissions have been offset through Verified Emission Reduction certificates (VERs).

More sustainable in-company energy usage

In 2021, we consumed 171 gigawatt hours of energy. Most of that energy was used for pumping up groundwater and treating and distributing drinking water. At the locations where we consume energy, we want to generate more energy ourselves in the coming years. We mainly use methane-fired power plants for this, complemented by solar panels in some cases.

In 2021, we generated 5.4 gigawatt hours of energy with sustainable resources (the target was 7.1 gigawatt hours). As in 2020, we did not achieve the desired result for this KPI. The main reason for this was a backlog in our solar panel installation programme, caused by a lack of capacity, construction problems and a full network.

CO_2 pricing

In 2021, we started to include an emissions-related cost factor, expressed as a CO_2 price, in our financial decision-making. To quantify our climate impact in business cases, we have linked a price to CO_2 emissions: €100 per ton of CO_2, in line with the recommendation of the CO_2 Pricing Working Group formed by the 'Blauwe Netten' water utility partnership. We use this CO_2 price to calculate the climate effect of our investments. A different CO_2 price is used for impact measurement in other areas. This price represents the social cost of a ton of CO_2. This is explained in more detail in the 'impact measurement approach' section.

Sustainable mobility and working-from-home policy

Vitens implemented a sustainable mobility and working-from-home policy in 2021 in order to cater to the mobility needs of Vitens' employees in a sustainable manner in the long term. The basic features are that we reward sustainable forms of transport, allow working from home when possible, and we have replaced about 40% of the fossil fuel-powered vehicles in our fleet with an electric variant. In 2021, we drew up a vision on hybrid working that focuses on the period post coronavirus pandemic. At Vitens, hybrid working is characterised by a sustainable combination of working from home, working (together) and meeting at a Vitens office location. We support employees through the working-from-home policy, which consists of a scheme with a home office allowance and a budget for furnishing and equipping a suitable space as a home office. In the offices, the meeting facilities have been modified to provide more opportunities for remote collaboration and digital meetings. As a result, employees do not have to travel as much.


Vitens
Vitens

Value for our employees

Objectives and results - employees

Within Vitens, 1,527 people work hard every day to achieve our mission of 'every drop sustainable by 2030'. At our locations, but also from home for much of the time last year. Committed and highly motivated colleagues, who do their work with great passion. They make Vitens strong and are the heart of the organisation.

Stakeholders

An innovative, socially committed employer, where you can work healthily and safely, doing work that gives you energy, makes you proud and which you experience as meaningful: all this is important for the well-being of our 1,527 employees.

Impact

Our strategy - 'Every Drop Sustainable by 2030' - is built around a positive impact on people and nature. In 2021, we introduced a number of indicators for measuring our impact. In relation to employees, we look at the well-being they experience through having work and analyse work-related sickness absence and accidents. However, we know that Vitens has an effect on its employees in other ways as well. The goal is to home in on these effects in an increasingly meaningful manner. An overview of the effects we are taking action to achieve can be found in the 'impact measurement approach' section. The criteria and method used for the impact calculation are described here.

Impact

on employees

Well-being associated with having work:

€ 17.1 million in social value

- employees in permanent employment
- employment for people with poor job prospects
- employee satisfaction

Sickness absence and accidents:

€ 0.1 million in social costs

- number of non-fatal accidents
- number of fatal accidents
- sickness absence percentage

We strive to have a positive impact on employees in terms of their well-being through having work. The value of having meaningful work is more than the salary we pay. Having a job where you feel at home increases your sense of self-worth and your autonomy, broadens your social relationships and consolidates social status. Various studies and our employee satisfaction survey indicate that the resulting well-being is significant. In this context, we also see that having work has an even greater value for employees with limited job prospects, such as our colleagues employed under the Vitens Inclusive scheme.

Another important theme for employees is safety & health. Although we are working hard to reduce this impact, there is still work-related sickness absence and accidents still occur, leading to a negative effect on employees. For example, (permanent) injury suffered by an employee as a result of a burnout, but also accidents, such as crushed limbs or heavy impacts while performing maintenance for operational processes.

Material topic

In relation to value for our employees, we established a new focus theme (material topic) for 2021, together with our stakeholders. We have set a target (KPI) for this topic. This entails:

- Committed employees

The commitment of our employees

Objective and result

We encourage employee commitment

Employee commitment
Goal: TBD
Result: 7.7
Result 2020: 7.6

A high score

Employee commitment has been very important to our organisation for many years. Because: committed employees are more connected, more creative and more productive. In addition, we want employees to enjoy doing their jobs. Despite the fact that we also had to work according to the coronavirus containment measures in 2021, we see a high score for commitment and job satisfaction as a valuable indicator.

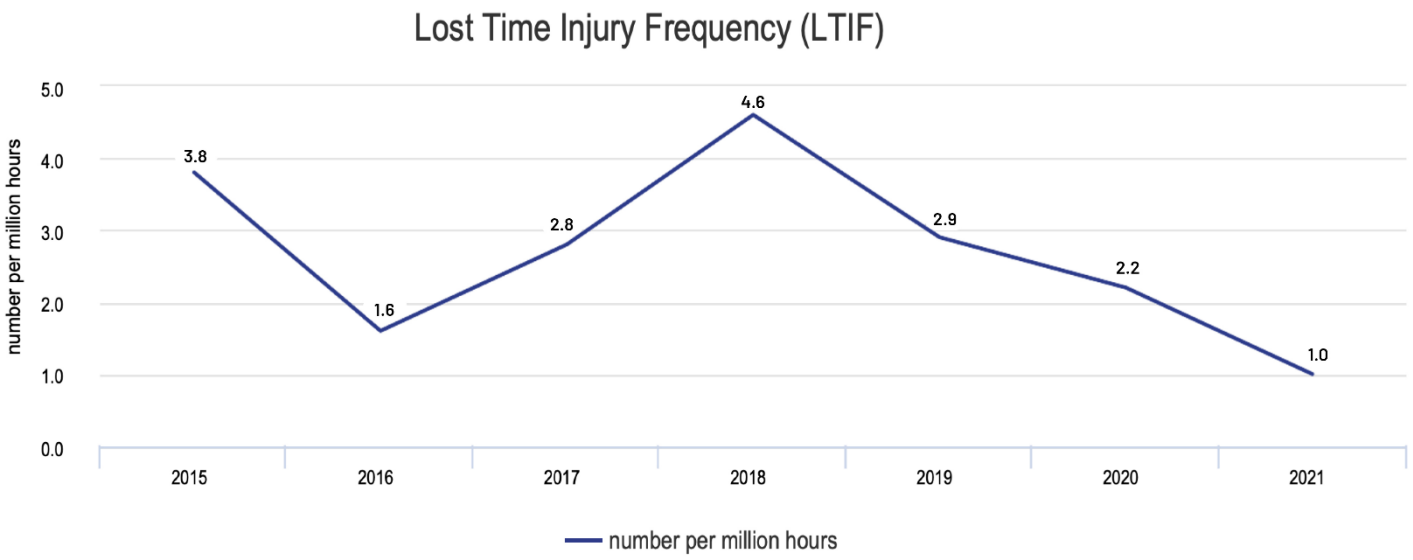
The KPI for this topic focuses on commitment. In 2020, the score was 7.6, compared to a score of 7.7 in Vitens' pulse measurement in 2021. We are happy with this high score, well above a pass, but obviously we work throughout the year to improve this score further. We do so by prioritising the job satisfaction and well-being of our employees.

Safe work

Working safely is still at the top of our priority list. Vitens devotes a great deal of time and attention to creating a safe working environment for its employees in terms of physical safety, working conditions and the environment, as well as a socially safe working climate. We also protect Vitens against external threats.

Due to the constant focus on safety, there is a noticeable increase in the reports of unsafe situations. We see a culture in which reports are submitted to ensure that employees can work as safely as possible as a positive development.

In 2021, dangerous situations were made safer thanks to these reports. Our Lost Time Injury Frequency (LTIF) has reduced from 2.2 in 2020 to 1.0 in 2021. In other words, there was 1 accident resulting in absence from work per 1 million hours worked.



In the coming year, we will work to further reduce this figure, in part by continuing to strengthen our safety culture. The safety advisers in the Health & Safety team and our management team play an important role here. In addition, all our employees are responsible for safety on the work floor.

Ethical working practices

In addition to physical safety, we believe that a socially safe working environment is also important. We have focused strongly on integrity for a number of years now: we aim to work in an honest and principled way. For example, this year, in addition to the 'Vitens Veilig Week' on the topic of safety, we also organised a week that focused on work ethics and integrity. Employees received a dilemma or question in their mailbox each day.

Recruitment

This year again, tightness on the labour market made filling vacancies a challenge for Vitens. Even so, we managed to interest many people and more than 200 vacancies were filled. We see this as a considerable achievement.

We are facing a substantial recruitment challenge. Many employees will retire in the next few years, with nearly 500 expected to retire by 2030. At the same time, the additional investments that Vitens has to make - due to increasing water demand, digitalisation, climate change, cybersecurity and other factors - require additional employees.

We set up a recruitment department in 2019. Last year we continued to professionalise this activity, for example, by working on the quality of our selection interviews. Much attention is paid to proper onboarding. So new employees are always physically welcomed in the office, even when coronavirus restrictions are in place. During that visit, the new employee receives a welcome package and items required for the position. Finally, we updated our recruitment website, 'werkenbijvitens.nl', last year.

Sustainable employability

Vitens is committed to creating working conditions in which employees enjoy their work and are able to adapt flexibly. In this unusual year, the physical and mental well-being of our employees proved more important than ever. Sustainable employability is critically important here. Fortunately, our organisation has smoothly adopted hybrid working (home and office).

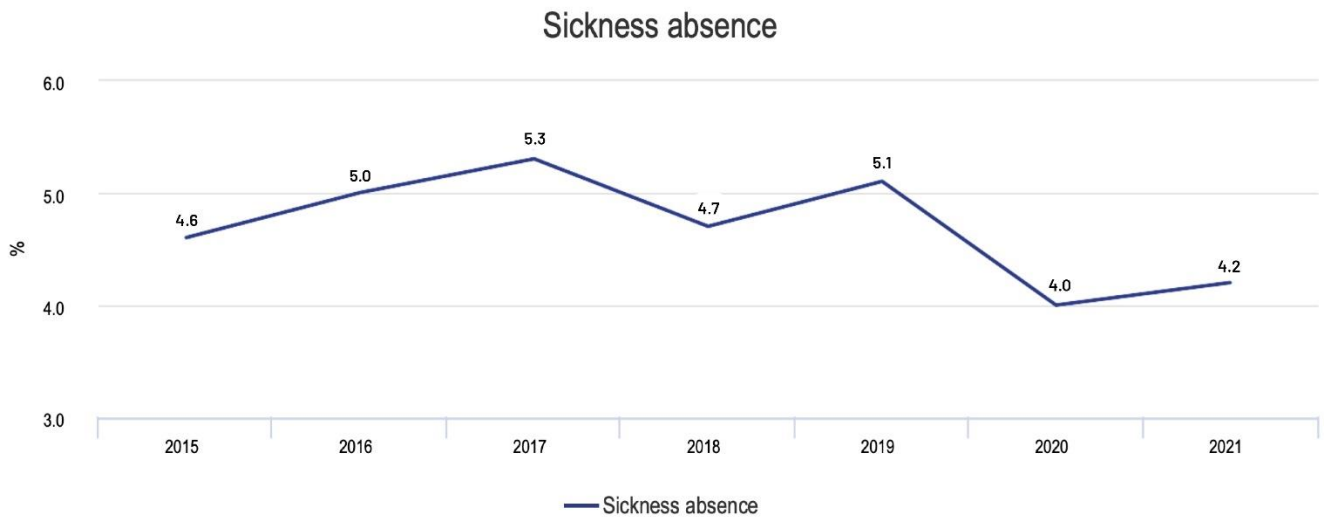
Online programmes and workshops

Regrettably, there was little opportunity for physical events this year. Even so, in 2021, we were able to organise the 'Vitens Vestival' in a safe manner that complied with the coronavirus measures in place at the time. Vitens also created extensive online sustainable employability tools and information as guidance for employees. For example, in the 'Zo werk ik' (This is how I work) programme, they received tips on hybrid working via the Intranet. There was also an online workshop on work-life balance. The online live events have been further professionalised and help employees with their role in strategy implementation.

For example, during the 'Week van de Werkstress' (Work Stress Week), employees were able to participate in an online yoga training course. Finally, we organised the 'Challenge your future' programme, in which colleagues could engage in friendly competition with each other by taking courses or going for an extra walk, for example.

Sickness absence

Sickness absence increased last year, moving from 4.0 percent in 2020 to 4.2 percent in 2021. This meets the KPI identified in the annual plan: equal to or below 4.75 percent. Partly because a large group of employees is older than 50, long-term sickness was a focus for a long time. Managers have devoted significant time and energy to sustainable employability and health to address this, and these efforts are now bearing fruit. Vitens closely monitored the effects of working under the coronavirus containment regime on the workforce's psychosocial workload in 2021.

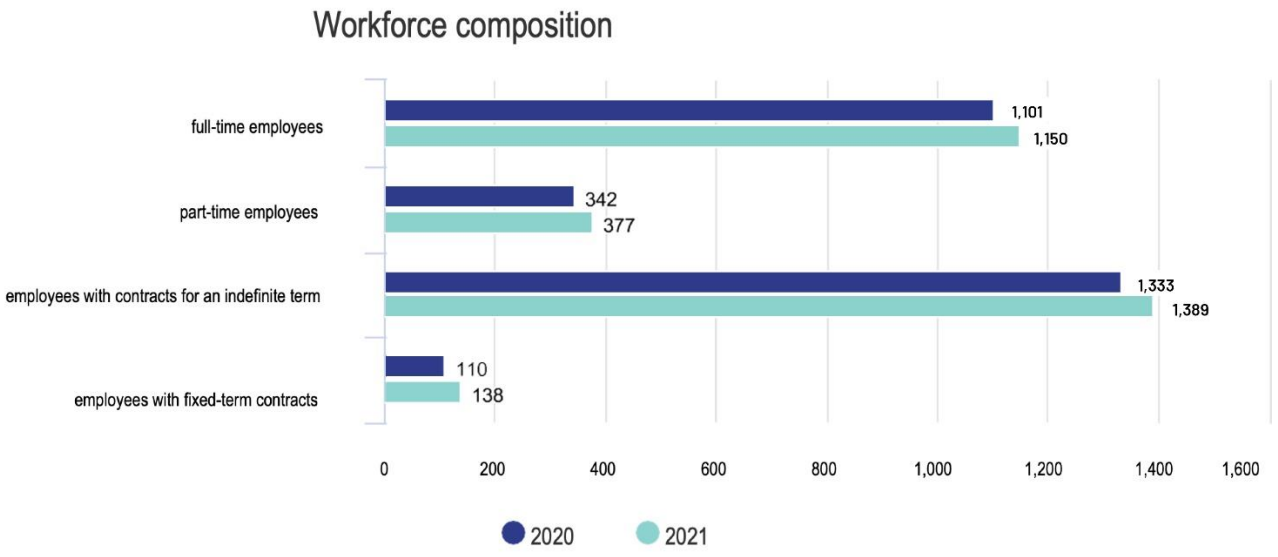


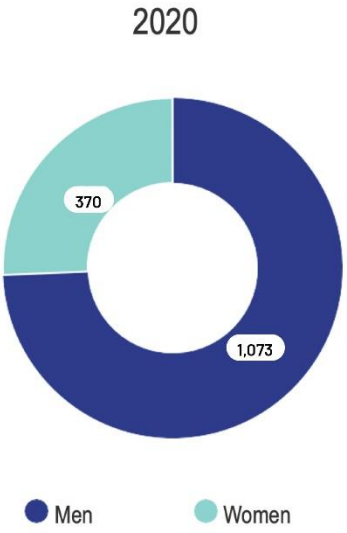
Personal development plans

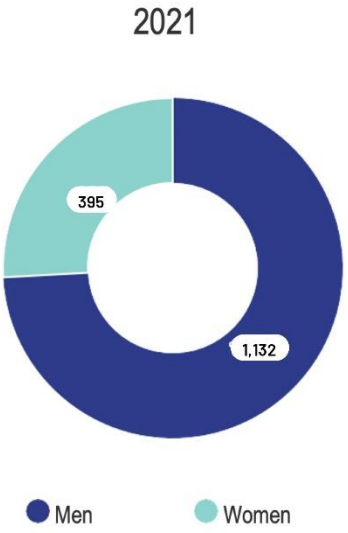
Agility is an important theme. We must ensure that we can adapt flexibly to change. Our strategic staff planning makes provision for this. Both employees and managers receive appropriate guidance. In addition, as in previous years, our employees were again allocated a personal employability budget in 2021 and benefited from personal development plans with ample training opportunities. This approach also gives people personal responsibility for their career progression and sustainable employability.

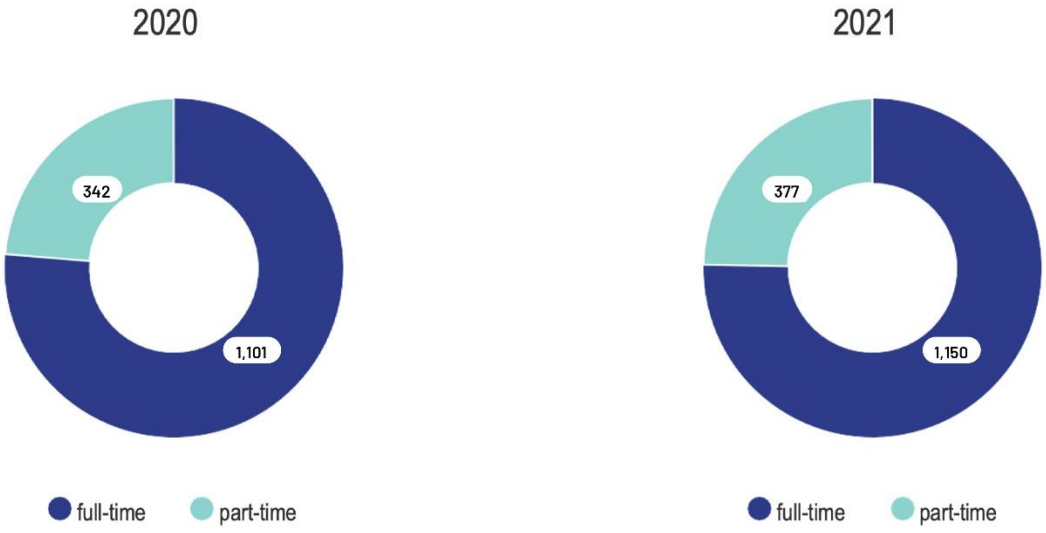
The workforce at Vitens

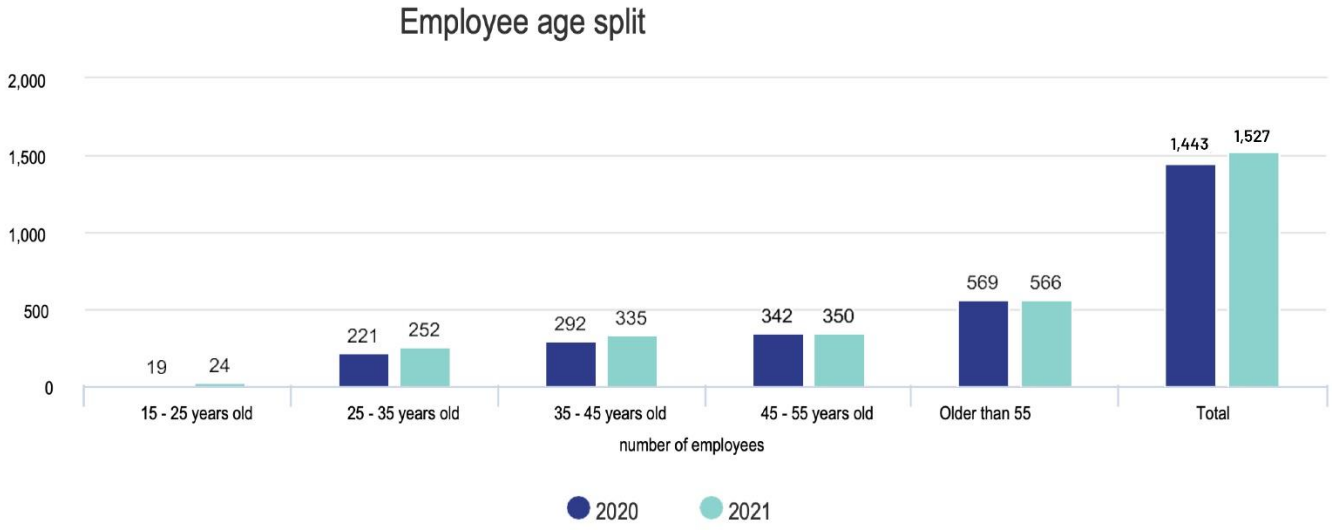
Vitens employs 1,527 people. A collective labour agreement applies to 1,525 employees (everyone except the Executive Board: 99.87 percent of the total). All our employees work in the Netherlands.









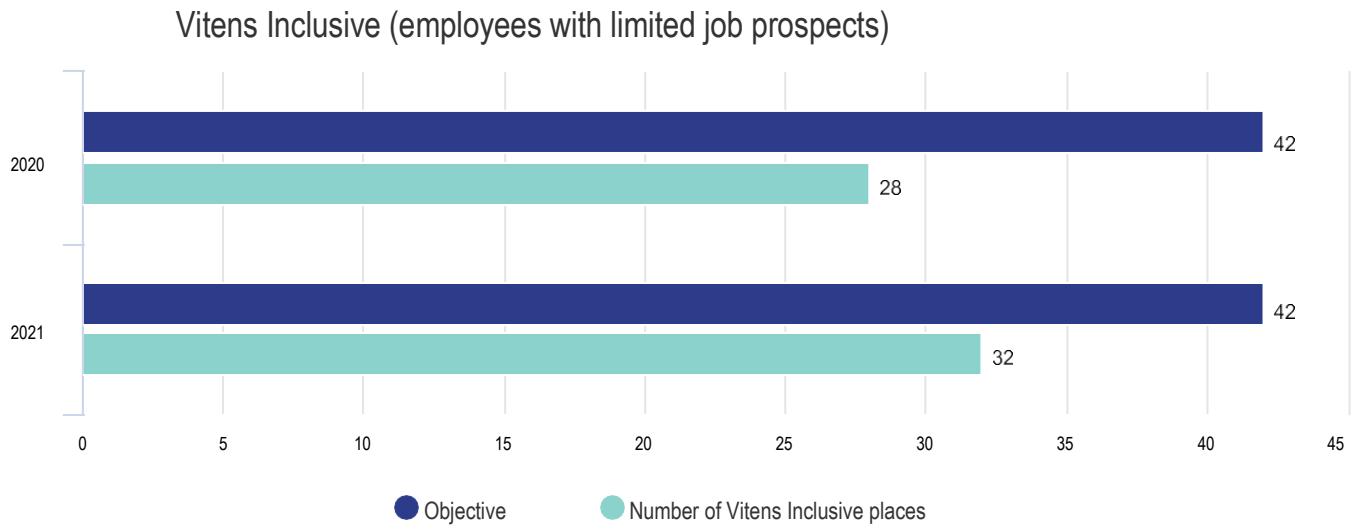


Vitens Inclusive

In our inclusive society, we believe that everyone should be able to participate. So we create job experience opportunities for people with limited employment prospects.

For example, we regularly receive help from residents of a special needs care farm. To establish this cooperation, Vitens works with a specialised agency.

This activity was hard to organise last year. This target group often needs intensive supervision, and the coronavirus pandemic made that difficult. Next year, we will set even more ambitious objectives for our programme with this target group.


Vitens Inclusive (employees with limited job prospects)
2020
2021
42
28
42
32
0
5
10
15
20
25
30
35
40
45
Objective
Number of Vitens Inclusive places

Value for our shareholders

Objectives and results - shareholders

Vitens has a unique relationship with its shareholders: 92 municipalities and 5 provincial authorities. They all have a financial interest in Vitens. In addition, the provincial authorities also issue our water extraction permits and municipalities issue environmental permits for other activities of Vitens, such as construction work. Furthermore, the municipalities and provincial authorities act to protect the health of their residents, and drinking water plays an important role in this. After all, they are also customers of Vitens.

Stakeholders

A reliable, affordable and financially sound drinking water supply is of great importance to our shareholders and customers.

Contribution to SDGs

When it comes to creating value for shareholders, we contribute to Sustainable Development Goal (SDG) 9: innovation and sustainable infrastructure.

Material topics

With respect to value for our shareholders, we have established, together with our stakeholders, a number of focus themes for 2021, i.e. GRI material topics. We have set targets (KPIs) for these topics. They are:

- Financial health;
- Innovation; and
- Cybersecurity

Financial health

Objective and result

Vitens remains financially healthy

Solvency
Goal: ≥35%
Result: 30.2%
Result 2020: 29.4%

Solvency higher, but no dividend payment

Solvency as at December 31 2021 was 30.2 percent (2020: 29.4 percent). Over time, our goal is to raise solvency to at least 35 percent. The high level of investment and the low level of permissible profit have a significant impact on our solvency and our bank ratios, putting the target of 35% beyond our reach in the short term.

Our financial policy states that if solvency is below 30 percent, Vitens will in principle not pay a dividend. In line with the agreements with shareholders, we are working to strengthen solvency to the point where we can pay dividend, but the current situation does not allow this. Even though equity has risen above the critical threshold this year, the investment challenge still prevents dividend. At present, our investments are largely financed with loan capital. As a result, Vitens' financial health will come under pressure in the coming years. In the light of this, we will continue to add annual profits to equity capital.

A challenging investment programme

We face a robust and growing investment challenge in the coming years. This is due to growth in water demand, the impact of climate change, the increasing importance of cybersecurity, and the need for extensive infrastructure replacement. The investments we are making now are in line with our long-term vision for infrastructure.

The level of the gross investments in 2021 was, however, lower than budgeted (€207 million) because we were unable to realise a number of investment projects, such as above-ground capacity expansion. The main reasons for this were tightness in the contracting industry, the nitrogen emissions limit and the scarcity of raw materials.

WACC lobbying progress

As indicated, Vitens again faces major system modifications in our infrastructure in the coming years. The current system of capping profit in line with the *weighted average cost of capital* (WACC), i.e. the weighted return on debt and equity, limits Vitens' capacity to cover financing needs.

Vitens can finance the required investments in two ways: with loans or from equity. Excessive borrowing puts our financial health at risk. At the same time, the opportunities for financing investment from equity are limited. This is the result of the current profit capping system.

WACC reduction puts long-term financing at risk

A low WACC threatens Vitens' ability to cover financing needs and comes exactly at a time when large additional investments are required. The current WACC system does not provide the financing scope needed to meet the challenges we face as a sector, such as the climate, our challenging replacement programme and rising water use. In order to maximise Vitens' financial health, the result achieved in 2021 will be added in its entirety to equity, to be used as finance for the required investments.

Lobby for a system that guarantees investment sustainability

In recent years, together with other water utilities and with the help of our shareholders, we have lobbied the Ministry of Infrastructure and the Environment and the Dutch Lower House for a better interpretation of the WACC.

Vitens, together with its shareholders, including the provincial authorities and Vewin, committed to a joint lobbying approach in 2021. This resulted in the Ministry setting a WACC of 2.95 percent for the period from 2022 to 2024 in mid-2021. In the short term, the measure offers some scope, but the percentage is not sufficient in the long term. If the existing system for setting the WACC continues, we will have difficulty in arranging finance for our investment programme after 2026. Lobbying on this issue is a top priority, and we will continue this activity together with the provincial authorities and municipalities. In the Dutch Lower House, there is broad support for ensuring that water utilities can successfully manage their future investment challenges. So we are continuing our lobbying efforts in order to achieve an adequate adjustment to the WACC.

Innovation

Objective and result

Vitens has a strong focus on innovation in its operational management

Number of developments ensuing from the innovation process implemented within operations
Goal: 3
Result: 6
Result 2020: not known

Visible contribution to the strategy

Innovation plays an important role in the realisation of our 'Every drop sustainable' strategy. Innovation is synonymous with new ways of thinking and forms of collaboration, and agility and change. Exactly what we need to face up to the current challenges and build a future-proof drinking water supply system. In 2021, innovation again made a visible contribution to Vitens' strategy and ambition.

Vitens focuses on innovation on a daily basis in a variety of ways. We work with an Innovation and Research Agenda. The I&R agenda focuses on solving challenges and rolling out implementations in the organisation that will contribute to strategy achievement within five years. The goal is to implement three developments annually. This year we completed six innovation projects, including a study of how climate developments will affect water consumption in 2050. To support water conservation, we launched a water comparison tool. Customers can use the online tool to compare their water consumption with people in a similar situation.

Less successful innovation efforts

Failure is part of the innovation process. So not every project we set out to accomplish or complete in 2021 succeeded. For example, for reasons we have not yet identified, we failed to implement a new fibre optic technology for better leak detection in our pipe network.

We continue to innovate, but with more focus

Our ambition to innovate within Vitens remains high in the coming years. A broader knowledge base, the deployment of new (sustainable) technology and effective use of the power of data and digitalisation will help Vitens realise our 'Every Drop Sustainable' strategy and to become a more service-oriented and sustainable service provider in the future. We collaborate with the sector within the framework of the BTO (a water industry research collaboration set up by the water utilities) and in 'Blauwe Netten', which is a partnership aimed at a more sustainable drinking water sector.

Cybersecurity

Objectives and results

Vitens protects drinking water supply against cybercriminalit

No. ICT priority 1 cyber security incidents
Goal: 0
Result: 0

Security Standard for Process Automation*
Goal: TBD
Result: TBD

** In 2021, the Inspectorate for Habitat and Transport performed an audit and inspection to assess our overall approach to the PA standard for process automation. In 2022, our operations will be assessed against the PA standard to deliver information on the extent to which we meet our duty of care under the Network and Information Systems Security Act (Wet beveiliging van netwerk- en informatiesystemen/Wbni).*

No incidents, positive audit result and good compliance with the security standard

As part of the vital infrastructure in the Netherlands, it is very important that we protect the drinking water supply from cybercriminals and other digital threats. The physical security of our production facilities is a further aspect that has our attention.

A safe drinking water infrastructure requires constant and focused attention and action, and the risk remains high despite all our efforts. This is due to far-reaching digitalisation on the one hand. That factor increases our attack surface and the impact of a cyber-incident on our operations. And, on the other hand, the number of cyber threats from criminals or foreign states is also increasing. The number of serious vulnerabilities is increasing, as is the pace at which they are identified and exploited by malicious parties.

Fortunately, no priority 1 incidents resulting from a cyber-attack occurred in 2021. So we have achieved our KPI for this aspect. The design and existence audit conducted last year also showed that Vitens meets the national standard for process automation, the PA standard. An initial formal inspection to assess the governance aspect was conducted by the Inspectorate for Habitat and Transport, resulting in a positive outcome. This means that both compliance with the requirements of the ministerial decree and the monitoring activities carried out by Vitens' Executive Board are of a satisfactory standard.

In terms of our physical sites, we know that the desired level of security is not currently complied with in all cases. We have taken resolute action to improve this in recent years and will continue to do so until all sites fully meet the requirements.

Measures and response exercises for ICT outages

In 2021, in addition to security measures, we implemented measures that reduce the impact of a possible attack. These measures include backup plans to ensure that individual production facilities can continue to operate in the event of an ICT outage. The annual 'red button' emergency response exercise showed that we are also capable of producing drinking water without ICT. The national ISIDOOR cyber-attack response exercise also showed that we have effectively set up our security. The latter is a large-scale cyber exercise in which the central government, among other parties, participates with organisations active in critical infrastructure in the Netherlands, based on a crisis scenario.

Physical Security Programme

Within the Physical Security Programme, we focus on improving the security of the above-ground sites against all likely threats from the outside world and the internal organisation. The main goal of the programme is to bring the organisation up to the required level of security. In doing so, we focus on securing our sites, buildings and installations more effectively, protecting our employees and learning to act more decisively in response to unsafe situations and incidents. We are also working to implement a unified security system that integrally coordinates all the individual security measures.

Increased attention for cybersecurity within the organisation

The ISODOOR exercise also delivered useful information that we can use to further tighten up our procedures. In addition, we used the exercise to properly train our employees individually with regard to their personal role in cybersecurity. In the coming years we want to further embed this security-minded attitude within the organisation. The secure-by-design approach also plays an important role here. This means that we need to think about securing new software properly from the start of the design phase.

We also set up an internal IT General Controls (ITGC) system in 2021. Thanks to this system, we are able to independently carry out periodic checks of our security measures, without an external auditor. This gives us immediate information about our performance and the improvements we can make based on the results.

We remain vigilant and adaptive

Despite all the positive developments and achievements, we must remain vigilant and on guard against increasing threats. That means that we need to further adapt our organisation. The requirements for the PA standard will be tightened up further next year. We are in close contact with our knowledge network and experts who alert us to dangers and risks. Furthermore, in 2022 we will assess the PA standard in an operational context to provide information on the extent to which we meet our duty of care under the Network and Information Systems Security Act (Wet beveiliging van netwerk- en informatiesystemen/Wbni).

Guaranteeing our continuity

Continuity

Indicators

Net result

Profit for 2021 was €19.4 million, which is less than the profit realised in 2020 (€23.9 million). In 2021, our expenditure for employees, temporary staff and outsourced work increased sharply due to extensive deployment on automation projects and increased investment activity.

Solvency

The solvency ratio is an important indicator of the organisation's continuity. Solvency is expressed as the ratio of shareholders' equity to total assets, as shown on the balance sheet. According to the continuity objectives set out in its financial policy, Vitens aims to achieve a solvency ratio of at least 35 percent. In 2021, we achieved a solvency ratio of 30.2 percent (2020: 29.4 percent), and therefore fell short of the target. The financial policy states that if solvency is below 30 percent, Vitens will in principle not pay a dividend. Although solvency in 2021 is just above that percentage, the uncertainties associated with the WACC and the huge investment challenge facing Vitens mean that paying dividend over 2021 would be irresponsible.

Rate

As a drinking water utility, we strive to offer our customers an affordable drinking water rate. The price paid by customers (consumers) for drinking water in 2021 (€0.64 per m^3 and a standing charge of €42) increased slightly relative to 2020 (€0.62 per m^3 and a standing charge of €42). The rate is based on a fixed component (irrespective of consumption) and a variable component (linked to average household consumption).

Investments

Vitens faces an enormous investment challenge in the coming years. Climate change, growing water usage, investment in replacements and themes such as cybersecurity have a specific impact on the infrastructure. In 2021, our direct investment expenditure amounted to roughly €180 million gross. This amount is higher than the previous year and significantly higher than in the years before (2020: €163.6 million, 2019: €146.4 million, 2018: €129.5 million, 2016 and 2017: approximately €100 million). Our investments focus primarily on supply security to safeguard our ability to offer our customers an adequate supply of clean drinking water, now and in the future.

Investments

Most of the investments made in 2021 related to expanding our infrastructure and replacing worn-out components. For example, due to increasing drinking water demand, we have invested in expanding the capacity of our water supply pipe network. We also replaced pipes and completed pipe reconstruction projects and invested in security, cybersecurity and the SAP transformation. The measures and restrictions related to COVID-19 did not cause major delays in the progress of our investment projects.

Investments in surface, subsurface and other – gross

Risk management in brief

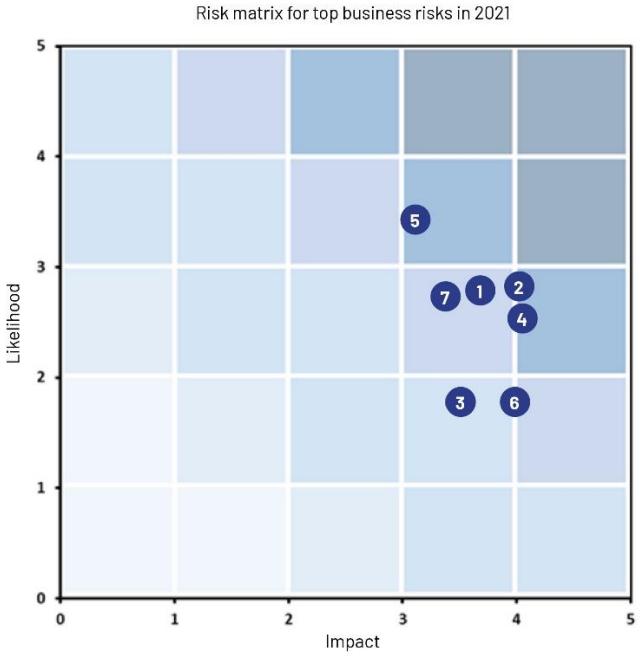
Top business risks as part of the strategy and planning & control cycle

The strategy is laid down in Vitens' strategic vision: 'Every drop sustainable'. The top business risks are an integral part of this strategy. When we prepared the new strategy in 2020, we also updated the top business risks for 2021.

The world is changing and with it the need to continuously monitor risks for relevance and impact. We, along with other stakeholders within the Dutch water ecosystem, face major challenges in the coming years. There is an urgent need to keep up with the changing environment, overcome challenges and continue to meet our legal and societal obligations. This requires us to ensure that the organisation remains strong enough and becomes sufficiently agile to fulfil our changing role. We need to expand and strengthen the collaboration with partners in the water ecosystem to redesign and future-proof the water system.

Trends in the top business risks in 2021 and the relationship to our material topics

The 2021 risk matrix is an updated overview of the top business risks. The matrix identifies the probability of a risk occurring and assesses its impact on our business objectives and strategic agendas. Consideration is given to measures that have already been implemented when estimating the probability of occurrence and assessing the impact.



1. **Infrastructure feasibility**

   Because the demand for drinking water is rising more sharply than in recent years and our pace of project realisation is under pressure, we may not be able to future-proof our infrastructure on time, resulting in supply problems and permit violations.

2. **Cybersecurity**

   The cybersecurity risk has become an integral part of business operations. Our systems and data must be effectively protected against internal and external attacks. Our dependence on ICT and data continues to increase, so security in these areas is becoming increasingly important. For example, the areas within Vitens that involve direct interaction with customers (production and delivery of water, customer service), but also personal data held by HR. In addition, we also focus vigilantly on the physical security of our production facilities, sites and equipment.

3. **Fraud**

   Access to financial resources, contacts with partners, such as contractors and suppliers, and insufficient integrity awareness can tempt employees to commit fraud. This is a potential risk to Vitens' reputation as a trustworthy and honest organisation. In addition, Vitens is committed to operating as an organisation of high integrity that only engages in lawful transactions.

4. **Capacity to cover financing needs**

   Due to WACC regulations and the increase in investment volume, our ability to cover financing needs is under pressure. This leads to a risk that Vitens will not be able to sufficiently realise its strategic goals.

5. **Crowding in the subsurface domain**

   With the increase of other functions in the subsurface domain, the criteria for good drinking water may not be given the attention they deserve. As a result, we cannot adequately ensure the quality and availability of groundwater sources.

6. **Adaptive capability**

   Because of the magnitude and quantity of the changes coming our way, we may not be able to adapt quickly enough as an organisation, which means that we may not be able to accomplish our strategic missions.

7. **Availability of production capacity and sources**
   Inadequate (spatial planning) safeguards and pollutants can cause the quality of our sources to deteriorate, requiring additional treatment input or even rendering a source unsuitable for drinking water.

Future development

Vitens monitors the top business risks continuously. Based on monitoring information, we implement management measures to mitigate the impact of the business risks and reduce the likelihood of their occurrence. This is part of the package of measures to ensure that we are better prepared when a business risk occurs.

In addition to monitoring business risks, we will implement integrated risk management in 2022. This provides a stronger focus on and better control over tactical and operational risks.

Governance in brief

Governance code

Vitens fulfils a societal role. So we believe it important to be transparent about the way we work. We achieve this by adhering to the Dutch Corporate Governance Code. This code sets out guidelines for good and responsible governance. For further details, see the section on Governance elsewhere in this annual report.

The Executive Board is responsible for day-to-day management. Their activities and the general course of affairs are monitored by the Supervisory Board. The Supervisory Board has two committees: the Audit Committee and the Remuneration and Appointments Committee.

Vitens is owned by public shareholders who have appointed a Committee of Shareholders. This Committee convenes at least twice a year and has an advisory role in relation to the General Meeting of Shareholders, the Executive Board and the Supervisory Board. The topics covered lie outside the operational sphere, such as appointing and dismissing members of the Executive Board, the remuneration policy for the Executive Board and the Supervisory Board and the policy on rates and dividend.

Laws and regulations

To ensure compliance with the legislative framework, Vitens has appointed a compliance officer who focuses on two key issues: ‘Does Vitens comply with laws and regulations?’ And: ‘How can we structure our organisation to ensure that we continue to comply with those laws and regulations?’ The compliance officer is the point of contact for and liaison between the organisation, external parties, the Executive Board and the Supervisory Board with regard to the application of laws and regulations. The Drinking Water Act is particularly relevant to Vitens. The Inspectorate for Habitat and Transport (Inspectie Leefomgeving en Transport/ILT), acting on the authority of the Ministry of Infrastructure & Water Management, monitors whether we comply with that legislation.

In line with the legal obligations of the Drinking Water Decree, Vitens' quality management system is certified in accordance with NEN-EN-ISO 9001. Vitens’ quality management system has been certified since 1 January 2017 as compliant with the latest ISO standard relating to quality management: NEN-EN-ISO9001:2015. The environmental and occupational health & safety management system also achieved certification in accordance with the most recent standards. We strive to enforce and improve human rights through dialogue with suppliers and appropriate terms and conditions in our procurement policy.

In addition to the above, Vitens has also drawn up a code of conduct that establishes guiding principles on ethical business practices, safety and how we interact with our customers, with each other and with our environment.

Governance

Code

Transparency is one of Vitens' guiding principles, so we apply the Dutch Corporate Governance Code (the Code), which sets out guidelines for good and properly accountable management and administration. In addition, the Code provides a framework for the relationship with a company's stakeholders, such as the shareholders, employees, customers and society as a whole.

Vitens has implemented the best practices recommended in the Code in its operational management procedures, insofar as they are applicable to a drinking water utility with public shareholders. One best practice that has not been adopted relates to the appointment of a director for a maximum period of four years, subject to reappointment for a period of no more than four years on each future occasion (2.2.1 of the Code). The current directors have been appointed for an indefinite term. The annual performance review procedure, which may result in dismissal in the event of an unfavourable assessment, is considered to be adequate. The different regulations and other relevant documents relating to corporate governance at Vitens can be referenced via Vitens.nl.

Organisation and management

Executive Board

Vitens N.V. (referred to in this report as Vitens) is a public limited company that is managed on a daily basis by the Executive Board. In 2021, the Executive Board consisted of two directors. The composition of the Executive Board is presented in the Report of the Supervisory Board. The Supervisory Board is responsible for the Executive Board's remuneration structure. The remuneration consists of a basic salary, pension, social charges and other expense allowances and complies with the requirements of the Senior Officials in the Public and Semi-Public Sector (Standards for Remuneration) Act (Wet Normering Topinkomens/WNT and WNT2).

Supervisory Board

The Supervisory Board is responsible for supervision of the Executive Board and the general course of affairs at Vitens. The members are appointed by the General Meeting of Shareholders. The regulation relating to the Supervisory Board includes a provision governing the maximum period of office of Supervisory Board directors in accordance with best practice 2.2.2 of the Code. The composition of the Supervisory Board is presented in the Report of the Supervisory Board.

Committee of Shareholders

A Committee of Shareholders has been appointed by the General Meeting of Shareholders. This committee convenes at least twice a year and has an advisory function for the General Meeting of Shareholders, the Executive Board and the Supervisory Board. It considers topics such as the appointment and dismissal of executive directors and supervisory directors of Vitens and remuneration policy in relation to the Executive Board and the Supervisory Board. In addition, policy-related issues such as rate- setting and dividend determination are also considered.

Laws and regulations

Our country is governed by hundreds of laws and thousands of underlying provisions. In order to comply with this legal framework, Vitens appointed a compliance officer with responsibility for process control in mid-2015. Process control focuses on two issues in our particular case: 'Does Vitens comply with relevant laws and regulations?' And: 'How can we structure our organisation to ensure that we continue to comply with those legal provisions and regulations?' We created a position for a Compliance & Privacy Officer on 1 September 2019 and this employee has a coordinating role with respect to compliance.

Inspectorate for Habitat and Transport

The Inspectorate for Habitat and Transport (Inspectie Leefomgeving en Transport/ILT), acting on the authority of the Ministry of Infrastructure & Water Management, monitors whether Vitens complies with the Drinking Water Act. Accordingly, as a drinking water utility, Vitens has an obligation to report any violations of the standards applying to drinking water quality. In 2021, we had to submit more reports to ILT than in previous years. A different method of sampling was the root cause of most reports. Due to COVID-19, we were no longer able to sample inside buildings and had to use the fire hydrants instead. As of 1 July 2021, most sampling once again takes place inside the building and we have returned to the original process for our samples. This has led to a significant decrease in the number of reports.

Responsibilities

The Compliance & Privacy Officer ensures the implementation of a compliance management system, which provides information about legislation and regulations that are relevant to Vitens. There is an operational responsibility - which is assigned to management - and a responsibility for mapping all laws and regulations to the organisation, which lies in the hands of various internal specialists.

Privacy

The General Data Protection Regulation (Algemene Verordening Gegevensbescherming) came into force in May 2018. Vitens has drawn up and implemented an overarching policy on this subject and all customer processes have been modified to ensure that they are GDPR-compliant. In 2021, extra attention was given to privacy and GDPR awareness and all employees completed a basic e-learning course to ensure a conscientious approach to personal data in all their work. An extensive review was carried out in each department to assess the extent to which the GDPR has been sufficiently implemented in the departmental processes. Appropriate action has been taken to modify business processes where necessary. Some process modifications require a longer turnaround time because they are linked to the redesign of the SAP system.

Societal duties

Code of Conduct, corruption and bribery

Our policy on corruption and bribery is set out in our code of conduct. At Vitens, we work in accordance with *'Zó doen we dat bij Vitens!'*, which is the name of our code of conduct. This code of conduct lays down the basic principles for integrity, safety, interacting with customers, with each other and with our environment. We want the relationships we build with employees, suppliers, business partners and customers to be based on trust and fairness. So we expect our suppliers to act in line with our policy. Our code of conduct for suppliers describes the minimum standards and requirements with which they have to comply. Vitens recognises that situations arising from corruption and bribery can be damaging to our reputation, and they are also not in keeping with our societal task and duties. If a Vitens employee or a supplier infringes the code of conduct, we follow a documented procedure in order to resolve the situation. No forms of corruption or bribery were identified at Vitens in 2021.

Human rights

Respect for human rights is important because human rights are the fundamental social building blocks that we rely on in daily life. We feel that Vitens has a duty to uphold and strengthen human rights. Vitens collaborates with many partners all over the world. This automatically exposes us (indirectly) to risks associated with the violation of human rights. At a day-to-day business level, for example, if we discover that one of our suppliers acts in contravention of our procurement standards (which include provisions on human rights), we will terminate the relationship with this supplier. Additionally, violations of human rights by our suppliers may also damage Vitens' reputation. We try to manage the risks to which we are exposed in the area of human rights by maintaining a constant dialogue with suppliers and monitoring whether they comply with our terms and conditions of purchase.

Environment

Care for the environment is the basis of our strategy and our task of protecting groundwater reserves. We comply with legislation and regulations, but also look at ways in which we can use our activities to strengthen our position relative to the environment and our habitat. Our responsibilities are documented in our environmental policy and we use an ISO 14001 certified environmental management system. The environmental aspects are investigated each year and we assess how they are weighed in the environmental aspects register. Based on specific criteria, we have identified a number of environmental aspects as significant (energy consumption, (direct) emissions to the air, emissions to the soil and water, waste generation). These criteria have been defined in accordance with the SCCM foundation's certification scheme. The significant environmental aspects have been reported to the Executive Board and specifically mentioned as areas requiring attention in the guidelines for the annual plans. They are also prioritised in the environmental management system. Obviously, this does not mean that the other aspects are ignored. The management system applies to these aspects and appropriate action is initiated whenever necessary.

Risk management

Strategic risk profile 2021

The top business risks identified by Vitens (see Risk management in brief) are explained in more detail below. The explanation includes a description of the risk as well as the expected implications and/or the actual impact in relation to continuity or achieving our strategic goals and agenda points. In addition, it provides additional information on risk management by identifying the control measures that have already been implemented and those which will be additionally implemented. It includes our assessment of the risk management trend.

Top business risks

Risk 1: Infrastructure feasibility

Strategic agenda

Reliable and affordable drinking water 24/7.

Risk description and impact

The increasing demand for drinking water has necessitated the expansion of our infrastructure. The level of demand has increased so much that our project realisation rate is under pressure. Contractors, such as building and construction companies, were unable to respond adequately to our project tenders, preventing us from future-proofing our infrastructure in a timely manner. At the same time, rising drinking water demand means that in many places we have very little margin available in relation to permit capacity and the processes for obtaining new permit capacity are too slow. This can have implications for permit violations and cause problems with water delivery. There is a risk that Vitens will not be able to achieve the task at hand as quickly, or only at a higher cost. To monitor this, Vitens has identified feasibility risks. Two types of feasibility risk are relevant to Vitens: risk related to administrative feasibility and risk related to technical feasibility. By administrative feasibility, we mean the conditionality of extraction permits, whereas technical feasibility relates to the internal organisation and the availability of capacity in the market.

Risk management

- To mitigate risks associated with administrative feasibility, Vitens participates at governance level in the provincial authorities' procedures for Additional Strategic Reserves (Dutch: ASV Traject - Aanvullende Strategische Voorraden). For Vitens, an ASR procedure results in a (future) area that is designated for drinking water extraction.
- To mitigate the risks related to technical feasibility, we use a 'resource planning' tool to inform firms of consulting engineers, the construction companies and other contractors about the workload they can expect. The purpose of this is to help the market respond better to our demand.
- In the autumn of 2021, Vitens began preparing a procurement strategy for its surface infrastructure and transport pipes. Vitens has been forced to adapt how it operates in the market in order to build infrastructure faster.
- We worked on asset standardisation this year as this will allow us to speed up design and construction.

Change in the level of risk

The risk exposure level has increased slightly. Despite the effects of both internal and external measures, the risk profile increased slightly. Vitens continues to express its concerns about infrastructure. We also see that feasibility is one of the reasons why Vitens did not achieve the planned level of investment in infrastructure. Due to imbalances in supply and demand in various markets and the increasingly complex spatial planning processes that apply to permit awards, Vitens expects this risk to make realising its infrastructure investments difficult next year as well. The measures we have defined as control measures will be continued in the coming year.

Risk 2: Cybersecurity

Strategic agenda

Reliable and affordable drinking water 24/7 and Greater convenience for customers.

Risk description and impact

Mitigation of cybersecurity risks has become a permanent consideration within our operational management. Our systems and data must be effectively protected against internal and external attacks. Our dependence on ICT and data continues to increase, so security in these areas is becoming increasingly important. For example, the areas within Vitens that involve direct interaction with customers (production and delivery of water, customer service), but also personal data held by HR.

Risk management

We are using a programme approach to catch up on cybersecurity. The progress of the cybersecurity programme and the underlying cybersecurity projects are managed by the members of the Vitens Security Board (VSB).

- With regard to our people, we organised awareness activities, training courses (including CISM) and response exercises (including participation in the national ISIDOOR exercise). Several major upgrades have been completed, including new Firewalls and a full data migration to Office365. In addition, all other major structural improvements were identified and included in projects for 2022.
- We also set up an internal IT General Controls (ITGC) system in 2021. Thanks to this system, we are able to independently carry out periodic checks of our security measures, without an external auditor.
- Vitens has an externally staffed Security Operations Centre that monitors Vitens' systems day and night for suspicious events.
- An initial formal inspection carried out by ILT was evaluated as positive. We satisfy the relevant Dutch standards (Wbni, Rbni and PA) in terms of the design and existence of policies, our organisation and our measures.

Change in the level of risk

The risk has decreased slightly (the probability of occurrence has reduced due to the projects implemented under the cybersecurity programme, the impact remains the same). The number of serious vulnerabilities is increasing, as is the pace at which they are identified and exploited by malicious parties.

The resilience of Vitens has increased, however, at the same time, both the attack surface and the corresponding impact of a cyber-incident are also increasing due to further digitalisation, which in turn heightens the level of risk

The risk of phishing did decrease due to growing awareness among employees.

Risk 3: Fraud

Strategic agenda

Water for today and the future, predictability

Risk description and impact

Integrity is a high priority at Vitens. Access to financial resources, close contacts with contractors and insufficient integrity awareness can tempt employees to commit fraud, resulting in financial damage and harm to Vitens' reputation. To make fraud awareness more automatic, Vitens focuses on two important aspects: the 'soft controls' that create an environment in which employees voluntarily behave in the desired manner and act in the interest of the organisation, and the 'hard controls', which directly or indirectly enforce desired behaviour and prevent unwanted behaviour.

Risk management

- In 2021, a plan of action was drawn up for analysing and identifying the fraud risks in the organisation and the control measures in place to mitigate them (hard controls). A fraud risk register has been created for this purpose. With respect to soft controls, we focused our employees' attention on the theme of integrity at the end of 2021. For example, Vitens' employees were made aware of integrity in an easily understandable way during the 'Week van de Integriteit' (1 to 9 December 2021), a national 'integrity week' initiative in which Vitens is a partner.
- The fraud risks for Vitens are reassessed annually. This review ensures good alignment with developments in the organisation and the environment in which we operate, and protects Vitens against loss of assets and reputational damage. In 2022, Vitens' employees will continue identifying and analysing all the risks and register them in the Risk Control Matrices that have already been created in the SAP & Transformation programme.

Change in the level of risk

The risk exposure level has fallen slightly. This is the outcome of the 2021 Fraud Risk Assessment. In the past year, greater attention was paid to fraud through various anti-fraud initiatives, and integrity was revived as a topic for discussion.

There were no external developments in 2021 that affected the risk positively or negatively. We will continue to highlight fraud risks and working ethically and with integrity in 2022.

Risk 4: Capacity to cover financing needs

Strategic agenda

Financial health & predictability and Water for today and the future.

Risk description and impact

Vitens faces an enormous investment challenge in the coming years. Increasing aridity, growing water use and themes such as cybersecurity are having an impact on the infrastructure. Vitens' ability to finance appropriate responses is limited by the current profit capping system, the WACC.

The Drinking Water Act limits the maximum operating result that a drinking water utility may achieve, expressed as a percentage. That percentage depends on the predetermined average cost of capital, *weighted average cost of capital* (WACC), or the weighted return on debt and equity.

The WACC method puts pressure on Vitens' capacity to cover financing needs. Due to the low return and strong need for investment, our interest-bearing debts are increasing, meaning that we are coming closer to defaulting on the ratios agreed in the bank covenants. This can make attracting financing difficult and lead to higher financing and borrowing costs, thereby impairing Vitens' ability to sufficiently realise its strategic goals.

Risk management

In order to guarantee our ability to finance our investment mission, financing scope is high on the agenda and the associated control measures are reported on quarterly.

- Vitens has launched an active WACC lobby, in collaboration with the drinking water sector through Vewin, and with its shareholders. The lobby group's aim is to freeze the WACC percentage in the short term;
- The treasury committee periodically discusses short-term and long-term financing, based on the investment and liquidity forecasts for the next ten years with the ultimate aim of also being able to meet Vitens' financing need in the medium and long term;
- Close contact with lenders regarding regulatory changes and the anticipated financing requirement;
- Bank ratios are reported quarterly;
- Periodic review of the existing financial policy in the light of changing laws and regulations;
- A Treasury Manager started on 1 January 2022.
- This job involves controlling treasury organisation within Vitens; and
- In order to meet the financing needs in coming years, the Treasury Manager will prepare a financing strategy and framework.

Change in the level of risk

The risk exposure level has fallen slightly. The WACC lobby has resulted in some adjustments to the WACC method, fixing the WACC at 2.95% for the period from 2022 to 2024. This creates some breathing space for the water utilities, which, in the short term, will find it easier to meet their financing needs. The expectation is that this will help Vitens meet the requirements of its bank covenants for this period and arrange adequate finance for the investments it needs to make.

For the long term, the Ministry is going to conduct a study on the financial health of the drinking water utilities. Vitens will continue the WACC lobbying activities with the drinking water sector and its shareholders and stakeholders (IPO, VNG) to ensure the continued financial health of the drinking water utilities.

Risk 5: Crowding in the subsurface domain

Strategic agenda

Adequately available and clean water sources

Risk description and impact

Vitens is not the only party that uses the subsurface domain. The area below the surface is increasingly used for other purposes, such as energy and heat storage. These activities increase the risks for the groundwater quality of our drinking water sources. Because some risks are not yet known and others are difficult to manage, Vitens advocates functional separation. This means: no activities involving geothermal and soil energy in areas intended for drinking water. In order to manage this risk, government authorities must assign primary importance to safeguarding drinking water interests in their policies and laws and regulations.
The risks vary in nature and urgency: from the speed of administrative action to acute quality problems. Inadequate outcomes may lead to a lower level of protection, forced acceptance of lower quality water sources, and the abandonment of existing sites or an inability to develop Additional Strategic Reserves.

Another new risk is crowding in the subsurface under street profiles, which causes soil warming. The higher temperature has an adverse impact on the quality of drinking water in the pipes.

Risk management

- Vitens also worked last year on the 2040 - 2050 strategy for drinking water, together with the provincial authorities within its supply area. For example, a process is underway to achieve designation of Additional Strategic Reserves by the provinces and update groundwater protection policies. This should contribute to achievement of the energy transition and long-term assurance of the drinking water supply, even if drinking water demand rises sharply by 30%.

- The provincial authorities and the drinking water utilities have reassessed the groundwater protection policy and developed building blocks to update and strengthen that policy. In the case of ASR areas, a balancing framework has been drawn up to achieve good protection and a responsible claim to space, without unnecessarily standing in the way of other interests.

- The focus in Regional Energy Strategies (RES1.0) lies mainly on the use of solar and wind energy for the moment. Forms of geothermal energy are expected to play a greater role in Heating Visions and RES2.0.

Drinking water is still not sufficiently high on the sustainability agenda. So Vitens actively maintains contact with key parties that play a role in and can influence subsurface crowding. For example, we regularly engage in consultation with national and regional governments, the geothermal industry and initiators of geothermal projects. Vitens is not opposed to geothermal energy - we do however advocate good coordination and functional separation. This has also been the focus of a successful joint lobby with industry association Vewin.

Change in the level of risk

The risk exposure level has increased slightly. This is despite our efforts with regard to establishing drinking water strategies with Additional Strategic Reserves within Vitens' supply area in 2021. One important milestone for Vitens is that the Additional Strategic Reserves are future sources of drinking water and the associated protection policies are now linked to the provincial authorities' visions and regulations on localities and the environment.

Vitens' assessment is that, despite the urgency and dynamism, the risk posed by the energy developments described above has actually increased in respect of both our water sources and pipe infrastructure.

Risk 6: Adaptive capability

Strategic agenda

Attractive employer, Water for today and the future

Risk description and impact

Because of the magnitude and quantity of the changes coming our way, we may not be able to adapt quickly enough as an organisation, which means that we may not be able to accomplish our strategic missions. These include extensive and changing laws and regulations, too stretching or too many ambitions at the same time, an inadequate implementation capability or indecision.

Risk management

On January 1, we started using a new way of working. First-line managers and directors work together in short-cycle bursts, meaning that they continuously review goals and results and adjust action plans. The 3458 method is used for this. The available capacity and potentially new environmental influences are taken into account in this process. For example, there is an extra commitment to devoting capacity to the task of obtaining the extraction permits. We introduced a new Strategic Personnel Planning (SPP) method this year. This method assesses both qualitative and quantitative aspects of our current staffing and compares that situation with expectations for the future.

Change in the level of risk

The risk profile has decreased. We are becoming increasingly proficient at applying the 3458 method. As a result, we are better able to prioritise and make fundamental choices about what we do and don't do.

The well-being survey shows that the percentage of employees who experience the workload as satisfactory has increased from a score of 52.2 (June) to 64 (late October, early November).

Despite the coronavirus challenges, Vitens demonstrated its ability to adapt flexibly last year.

Risk 7: Availability of production capacity and sources

Strategic agenda

Sufficient availability of clean water sources and Reliable and affordable drinking water 24/7.

Risk description and impact

Good availability of sufficient (clean) water sources and adequate production capacity are necessary to ensure our security of supply now and in the future. Vitens needs additional water sources and permits to meet increasing demand. Furthermore, climate change is making sustainable integration of some existing water sources more difficult.

The availability of sufficient clean water sources is a potential bottleneck because we are dependent on other parties, e.g. provincial authorities and water boards, when applying for extraction permits. This requires good coordination with these authorities in order to obtain public support for the additional permits we need. Timely and adequate administrative agreements for extraction capacity and having emergency scenarios available are further important considerations.

Vitens has noticed that permit procedures take a long time due to conflicting legislation and local resistance, among other things. It is important to match supply and demand locally, which is why we want more accurate information about demand development at area balance level, including the quantity of water available and its quality. In its management approach, Vitens also favours a water usage profile in which clean drinking water is only used when absolutely necessary.

Risk management

- Vitens has committed to several short-term and long-term management measures. Vitens is also committed to reducing drinking water demand.
  Ensuring that water is not wasted or does not have to be supplied because customers consume water responsibly is a primary management measure to cope with demand. We focus attention on the need to save water through awareness campaigns and give our customers tips on economical water use. To meet increasing long-term demand, Vitens is working with partners and stakeholders to save water through pilot schemes that pioneer water-friendly construction. Finally, Vitens itself has an action plan to reduce NI (Not Invoiced) consumption by detecting leaks and fixing them quickly.
- Vitens has made urgent appeals to the provincial authorities and municipalities to assign drinking water interests urgent priority or even make them leading in permit procedures. In a letter to the Executive Council of the provincial authority of Overijssel, we have requested administrative attention for the urgency of the drinking water supply challenge in the short and long term. We have also drawn attention in various media to the permit lead time issue in relation to the drinking water supply.
- We have identified the technical and organisational bottlenecks in the drinking water supply ecosystem and implemented control measures to ensure that we are prepared for the coming summers. In recent years, we have been forced to exceed the quantities stated on a number of extraction permits. To resolve this and bring the permits, including reserves, up to the right level by 2028, building blocks have been identified in the infrastructure plans. A building block is a project that involves works to expand our capacity. We have created a strong basis for completing the main building blocks with the stakeholders involved. In Gelderland, in co-creation with water boards and the provincial authority , the first steps have been taken towards making the drinking water supply sustainable and realising a sustainable water system.
- We are also working on a future-proof infrastructure. To this end, we have amended the long-term vision for the next thirty years. Vitens is investigating locations where drinking water can be sustainably extracted with as little impact on the environment as possible. We expect this to allow us to switch some extraction away from sites where excessive groundwater depletion occurs to other locations, if this is needed in the future.
- In the long term, Vitens is committed to four strategic heartlands in its distribution area. This approach centralises drinking water extraction. The first studies investigating the feasibility of a major extraction site were completed in 2021. Large-scale extraction seems possible in the Veluwe area (in combination with large-scale infiltration), in southern Flevoland, in the river-rich area in the central part of the Netherlands between the eastern entry points of the Rhine and Meuse and the south-west delta on the North Sea coast, and along the IJssel river (IJssel valley). In the IJssel valley, Vitens has started preparations for a pilot project to experiment with treatment technologies and identify the process steps for the area. These initiatives have now also been shared with the relevant administrative bodies. In co-creation, we are working to develop the plans for future extraction sites.

- Vitens is collaborating with the competent government authorities to make the water system future-proof with, among other initiatives, the Panorama Waterland concept, which we are now working out in detail for two areas.

Change in the level of risk

The risk exposure level remains the same. The impact of climate change due to continued drought is growing, leading to higher peaks in demand and increased pressure on extraction sites. Extraction permits must be adjusted accordingly to reflect this. The urgent need for assigning a high priority to extraction and environmental permits has now been shared with provincial authorities and water boards. In view of the higher forecast, we have focused attention on a number of critical building blocks for the strategic reserves in order to accelerate the process. We are also accelerating a number of long-term developments, such as the development of the strategic heartlands in the IJssel valley and in the central part of the Netherlands to ensure the availability of water, both now and in the future.

Executive Board's statement of responsibilities

The Executive Board is responsible for the design and effectiveness of the internal risk management and control systems. These systems aim to identify and contain the most relevant risks for our organisation. The Executive Board is aware that risk management and control systems neither offer absolute assurance that Vitens' business objectives will be realised, nor can they fully prevent material misstatements, financial loss, fraud and violations of legislation and regulations. In consideration of the above, the Executive Board is of the opinion that, in 2021:

- The system for risk management and the internal controls for financial and non-financial reporting provide a reasonable degree of assurance that the reports generated by Vitens do not contain material misstatements. This opinion is based in part on the results of the risk inventories updated in 2021 (as part of the SAP & Transformation programme) and the periodic regular audits of the Finance & Control department.
- The annual report provides adequate information about the existing deficiencies in terms of the design, existence and operation of the internal risk management and control systems and adequately describes the improvements that are planned for the next financial year;
- The annual report identifies the material risks and uncertainties that are relevant in the context of the company's continuity for a period of 12 months after preparation of the report, and adequately demonstrates that it has been drawn up on a *going-concern* basis.

Statements and reports

Report of the Supervisory Board

As the Supervisory Board, we monitor the formulation and realisation of objectives, strategy, long-term value creation, the policies of the Executive Board, internal controls and risk management, and the general course of affairs at Vitens. In addition, we assist the Executive Board by providing solicited and unsolicited advice. We also act as the employer of the Executive Board and maintain contacts with internal and external stakeholders. This report describes how we fulfilled our supervisory mandate during the past year and highlights the main issues in which the Supervisory Board was involved.

Strategy and realisation of the business plan

The Supervisory Board monitors the way in which the Executive Board gives substance to value creation in the long term. In the light of this, we regularly discuss the company's strategy in our meetings, initiatives designed to implement that strategy and the progress made in that respect, and the main risks associated with those activities. Value creation is particularly evident in the strategic staff planning process, the investment plan, and the long-term vision for infrastructure (the LTV). During the year under review, we held regular meetings with the Executive Board to discuss the strategic cornerstones and are pleased to note that significant progress has been made. And in 2021, we had several discussions with the Executive Board about the revised strategic roadmap: 'Every drop sustainable'. This strategy reflects the Sustainable Development Goals, which emphasise the sustainable nature of Vitens without losing sight of customer focus. Furthermore, the Supervisory Board examined and analysed the availability of finance in the medium term for all these developments and the increasing investment challenge in the future, particularly in discussions with shareholders.

Each year, Vitens prepares an integral business plan. This plan translates the strategic goals and the continuity objective, i.e. the primary mandate, into concrete and measurable operational objectives. The specific business objectives which Vitens sets itself in the financial year are defined to the greatest possible extent as easily measurable, financial and non-financial performance indicators (KPIs), and course corrections are made as and when required. At the October 2021 meeting, the Integral Business Plan 2022 was presented by the Executive Board and subsequently approved by the Supervisory Board. This plan presents the first outlines of the revised strategy and highlights the upward trend in investments. It is also a business plan that makes it clear that the conversion of all processes, as a result of the SAP transformation, will require enormous effort and high resilience on the part of all employees.

Financial reporting

In the presence of the independent auditor, PricewaterhouseCoopers Accountants N.V., the Supervisory Board discussed in detail the annual report and the 2020 financial statements, including the accompanying audit report. During 2021, the Executive Board submitted quarterly reports to the Supervisory Board, which compared actual financial performance to the budget for 2021, the annual forecast for 2021 and the results achieved in 2020. The topics discussed based on these reports included expenditure trends, the increasing level of investment, financing needs and the financial ratios. The Supervisory Board's Audit Committee (AC) engaged in intensive preparatory work on all these subjects. The Supervisory Board has concluded that the quarterly reports contain adequate information for monitoring the progress made in achieving the business objectives.

Financial statements and dividend proposal

In addition to the Executive Board's report, this annual report also includes the financial statements of Vitens, which have been approved by the Supervisory Board following the unqualified audit report issued by PricewaterhouseCoopers Accountants N.V. The Supervisory Board proposes that the General Meeting of Shareholders adopt the 2021 financial statements as presented and grant discharge to the members of the Executive Board for their implementation of management policy, and to the members of the Supervisory Board for their supervisory activities, as evidenced by the financial statements and the annual report.

The net result for the 2021 financial year is €19.4 million. With the challenges of our mission, the solvency objective and the requirements of the banks in mind, the Supervisory and Executive Boards propose adding the full amount to the reserves.

Members of the Executive Board

The composition of the Executive Board did not change in 2021. Jelle Hannema and Marike Bonhof are the two members of the Executive Board.

Supervisory Board composition, independence and diversity

Composition and independence

The composition of the Supervisory Board remained unchanged in 2021. At the end of 2021, the composition of the Supervisory Board was as follows:

Name	Position	First appointed	Reappointed	Resignation date
Kees Jan Rameau	Deputy Chair	2014	2018	2022 (not eligible for reappointment*)
Henriëtte Setz	Member	2018	n/a	November 2022 (eligible for reappointment)
Gerda van Dijk	Member	2018	n/a	November 2022 (eligible for reappointment)
Mark van Lieshout	Member	2019	n/a	2023 (eligible for reappointment)
Han Noten	Chair	2020	n/a	2024 (eligible for reappointment)

* = In principle, members are appointed for two terms of four years each. Members can be reappointed for a further two terms of two years each, subject to confirmation of the need to do so in the Supervisory Board's report.

All members of the Supervisory Board are independent within the meaning of *best practice* provisions 2.1.7, 2.1.8 and 2.1.9 of the Dutch Corporate Governance Code.

Vitens has set up an induction programme for new members of the Supervisory Board. The Board Members in question receive extensive information about the governance structure, the operational processes and business-specific financial topics such as the WACC, the drinking water rates, treasury considerations and supervision.

Other positions held by the members of the Supervisory Board are reported to the Board beforehand and stated in the annual report. None of the members of the Supervisory Board holds a different position that might result in conflicts with his/her duties as a member of the Supervisory Board of Vitens. In addition, none of the members of the Supervisory Board holds more than five supervisory directorships (a chairmanship counts double) with Dutch listed companies or other large joint-stock companies, private limited companies and non-profit organisations. The number and nature of the additional positions held by each Supervisory Board member do not interfere with proper performance of that person's duties.

Diversity

We see diversity as one of the preconditions for proper performance of the duties of the Management Board and the Supervisory Board. Diversity not only relates to expertise and background, it also includes aspects such as gender and age. When making appointments, the Supervisory Board aims to achieve a balanced male/female ratio in both the Executive Board and the Supervisory Board: a target of at least 30 percent women and at least 30 percent men. At the end of 2021, the male/female ratio for the Executive Board was 50-50 and 66.6 - 33.3 for the Supervisory Board. The target percentage was therefore achieved.

No conflicts of interest

No transactions involving potential conflicts of interest of material significance in relation to the company and/or the relevant executive directors, supervisory board members, shareholders and/or the external independent auditor took place in 2021.

Permanent education and self-evaluation

As part of its permanent education programme, the Supervisory Board arranged information sessions on digitalisation, cybersecurity and risk management.

In the spring of 2021, the Supervisory Board formally evaluated its own performance, the performance of its separate committees and that of its individual members. This assessment was made under the guidance and supervision of an external expert. The final review of the assessment was discussed by the Supervisory Board and the agreed actions resulting from this process were subsequently implemented.

Meetings in 2021

In addition to bilateral meetings, the Supervisory Board came together for plenary meetings on five occasions during the year under review. The Supervisory Board meets in private for the first half hour of each scheduled meeting. The participants attending the Supervisory Board meetings are the members of the Executive Board and, by invitation, the external auditor and members of the management team. The Supervisory Board has two committees: an Audit Committee and the Remuneration and Appointments Committee. The Audit Committee met on three occasions in 2021 and the Remuneration and Appointments Committee held two meetings. The summary below indicates the attendance record of each individual Supervisory Board Director.

Name	Supervisory Board	Audit Committee	Remuneration and Appointments Committee
Kees Jan Rameau	80%	80%	
Henriëtte Setz	100%	100%	
Gerda van Dijk	100%		100%
Mark van Lieshout	80%	100%	
Han Noten	100%	n/a	100%

Supervisory Board meetings

The quarterly meetings focused on the developments within Vitens. Among other topics, these meetings were used to review the year-to-date and quarterly figures, the investment plan, the budget and the drinking water rates for 2022. The external auditor also attended the meeting in which the annual report was reviewed.

Outside the meetings, the Board paid a working visit to the site of the Sijmons production facility in Arnhem, which is in the construction phase. The coronavirus containment measures were strictly adhered to during the visit. The visit ended with an informal get-together with Vitens' senior management.

In the annual 'Meeting of the Councils' (Works Council, Executive Board and Supervisory Board), the topic of discussion was 'Hybrid working, leadership and soft controls, the ambition to change'. This topic was chosen in view of the COVID-19 pandemic and its consequences for Vitens employees. We wish to compliment the Works Council on a well-organised and productive afternoon.

The following topics were also reviewed in great detail by the Supervisory Board:

- The status of our business transformation process, which is based on the SAP 4 HANA Enterprise Resource Planning system.
- Cybersecurity;
- Risk Management;
- The quantum leap in investments;
- Developments related to the increase in drinking water demand and the permits required;
- Implementation of the new 'Every Drop Sustainable' strategy.

Committee meetings

The Supervisory Board has the following two permanent committees: the Remuneration and Appointments Committee and the Audit Committee. These committees prepare decisions within their individual fields of action for adoption by the Supervisory Board and advise the Supervisory Board accordingly. The topics are discussed in detail during the committee meetings. The most important deliberations and findings of both committees are then presented during the Supervisory Board meeting for further considered decision-making. Decisions are only taken by the complete Supervisory Board.

Supervisory Board meetings

The Remuneration and Appointments Committee has two members: Gerda van Dijk (Chair) and Han Noten. This committee met twice in 2021. This meeting focused on the HR agenda, strategic HR topics such as SPP, leadership programmes, talent and development and hybrid working. In addition, the committee arranged two extensive meetings with the Executive Board to discuss the desirable management model for Vitens. In late 2021, the committee launched a recruitment and selection process to find a successor to a Board Member whose term expires at the time of the April 2022 AGM. Finally, informal consultation took place with the Works Council on a regular basis.

Audit Committee meetings

The Audit Committee consists of Mark van Lieshout (Chair), Kees-Jan Rameau and Henriëtte Setz. The Committee members came together on three occasions during the financial year. In addition, outside the meetings, the Chair of the Audit Committee maintained contact with the external auditor and the internal audit team. In preparation for the meeting of the plenary Supervisory Board, the Audit Committee studied the financial statements for the year and discussed the audit report and the management letter. In addition, the Audit Committee meeting dealt with the 2022 integrated business plan, the 2022 - 2031 investment plan, the 2022 - 2024 financial projection, the 2021 audit plan, the top business risks and internal controls, and the 2021 drinking water rates. Increasing investment needs and the long-term feasibility of arranging financing for those needs have been regular topics of discussion. Attention was also paid to progress in ongoing major projects, including the SAP transformation.

In the third meeting, the Audit Committee was updated on the implementation status with regard to the *Three Lines of Defence model*.

Shareholders and General Meeting of Shareholders

In addition to the General Meeting of Shareholders as a decision-making body, a Committee of Shareholders was appointed by and at the instigation of the Meeting of Shareholders. The Committee of Shareholders has an advisory function in respect of the General Meeting of Shareholders, the Executive Board and the Supervisory Board. The Committee of Shareholders met twice during the year under review. Immediately following on from these meetings, discussion took place between the Committee of Shareholders, the Chair of the Supervisory Board and all members of the Executive Board. The 2021 annual financial statements, dividend developments, the 2022 annual plans and the WACC were the subjects of discussion. The Committee of Shareholders reported on its activities during the meetings of the shareholders of May and November 2021. A complete list of the members of the Committee of Shareholders has been included on page 74 and page 75.

In the General Meeting of Shareholders of 25 May 2021, the discussions focused on the 2020 annual financial report, the 2020 financial statements were approved and adopted and discharge was granted to the Executive Board and the Supervisory Board. Due to coronavirus measures in force at the time, the November meeting also became a hybrid meeting. The November meeting of the General Meeting of Shareholders discussed the annual plan for 2022 and approved and adopted the proposed drinking water rates for 2022.

Our appreciation and thanks

We wish to express our appreciation for the effort and dedication of the Executive Board, the management team and all employees in respect of the business operations and the results achieved during 2021. And also for the way in which Vitens, despite all the limitations of the coronavirus pandemic, still resolutely sought to connect with its customers and other stakeholders. The Supervisory Board is also satisfied with the way in which Vitens' Executive Board and the shareholders, represented by the Committee of Shareholders, have joined forces to jointly focus attention on the WACC issue in political circles in The Hague.

We look forward to the 2022 results with great interest and with every confidence.

Zwolle, 15 March 2022

The Supervisory Board:

- Han Noten (Chair)
- Kees Jan Rameau
- Henriëtte Setz
- Gerda van Dijk
- Mark van Lieshout

Composition of the Supervisory Board

Mr B. (Boele) Staal, Chair (1947) to May 2021

Dutch nationality

- Appointed as per 16/05/2013, effective to 2017, reappointed to April 2021

- Former Queen's Commissioner in the province of Utrecht, Member of the Dutch Upper House, Chair of the Nederlandse Verenging van Banken, Member of the Executive Board of the Confederation of Netherlands Industry and Employers (VNO), member of the Social and Economic Council (SER) and the Bankraad
- Other positions:
    - Chair of the Supervisory Board of Revalidatie Centrum Rijndam
    - Chair of the industry association Federatie Veilig Nederland

Mr Han Noten (1958) from May 2021

Dutch nationality

- Appointed as per 26/11/2020, effective to November 2024
- Other positions:
    - Chair of Ambulancezorg Nederland (AZN)
    - Chair of Koninklijke Nederlandse Bouwkeramische Industrie (KNB)
    - Chair of Supervisory Board Pensioenfonds PGB
    - Chair of Drents Museum

Mr Kees Jan Rameau MBA, Deputy Chair (1962)

Dutch nationality

- Appointed as per 24/04/2014, effective to 2018, reappointed to April 2022
- Member (Chief Strategic Growth Officer) of the Executive Board of Eneco Groep N.V.
- Other positions:
    - Member of the Supervisory Board of Stichting de Noordzee
    - Member of the Executive Board of Stichting Toekomstbeeld der Techniek
    - Member of the Supervisory Board of Lichtblick SE
    - Member of the Executive Board of Energie-Nederland
    - Member of the Executive Board of Groen Gas Nederland

Ms Henriette Setz (1968)

Dutch nationality

- Appointed as per August 2018 to December 2022
- Director of Operations Essent
- No other positions

Ms Gerda van Dijk (1960)

Dutch nationality

- Appointed as per 28/11/2018, effective to November 2022
- Director of Zijlstra Center for Public Control, Governance & Leadership, VU University Amsterdam
- Professor of Public Leadership, VU University Amsterdam
- Independent consultant NOSCERE
- Other positions:

- Member of the Pension Funds Code Monitoring Committee
- Member of the Raad voor Dieraangelegenheden
- Chair of the Scientific Advisory Board of NVTZ (Nederlandse Vereniging voor Toezichthouders in de Zorg)
- Independent Chair of the 'Review Board' for the 'Pilot Lerend Evalueren' project, Ministry of Health, Welfare and Sport

Mr Mark van Lieshout 1963

Dutch nationality

- Appointed as per 12/6/2020, effective to April 2023
- CFO HES International B.V.
- No other positions

Composition of the Committee of Shareholders

- Mr **F. Douwstra**, Chair (representing the Provincial Authority of Friesland)
- Mr **E. van Hijum**, Deputy Chair (representing the Provincial Authority of Overijssel)
- Ms **D. de Jong** (representing other shareholders in Overijssel)
- Mr **J. Markink** (representing the Provincial Authority of Gelderland)
- Mr **K. Bonsen** (representing other shareholders in Gelderland)
- Mr **R. Strijk** (representing the Provincial Authority of Utrecht)
- Ms **A. Klein** (representing the Municipality of Utrecht)
- Ms **A. Vlam** (representing the other shareholders in Utrecht)
- Mr **J. Lindenbergh** (representing the Municipality of Almere)

Members of the Executive Board

Mr J.J. (Jelle) Hannema – Chair (Managing Director)

Other positions:

- Member of the Supervisory Board of Wetsus
- Member of the Board of Netherlands Water Partnership (NWP)
- Member of the Board of Vewin
- Member of the Board of Water for Life

Ms M. (Marike) Bonhof - Executive Director

Other positions:

- Member of the Supervisory Board of Waarborgfonds Eigen Woningen (Nationale Hypotheekgarantie)
- Chair of the Review Committee of Woningbouwimpuls
- Member of the Board of NG Infra
- Member of the Supervisory Board of Water- en Energiebedrijf Bonaire

Mr G. (Gert) van Beek MBA - company secretary to May 2021

Other positions:

- Chair of Stichting Sociaal Fonds Vitens
- Chair of Kennisnetwerk NIVE for Company Secretaries in semi-public organisations

Ms E.N.M. (Eugenie) Westhuis-Brouwer – company secretary ad interim from May 2021

Other positions:

- Chair of Stichting Sociaal Fonds Vitens

Composition of the Works Council of Vitens

- Hans Teunisse – Chair
- Stef van Beusekom – Deputy Chair
- Louis Brusseé – executive team member
- Dennis Buiter
- Heleen Ens
- Bas van Harten
- Ronald Haverkamp
- Marlies Hillebrand
- Amanda Hovenga
- Massius Linnebank
- Reinier Nogarede
- Jurjen van Tellingen
- Carlie Verhoef
- René Veenendaal
- Jurgen van der Wal

Secretary: Jenny Schreuder/Ivana van der Knaap (from 1 November)

Management statement

The Executive Board of Vitens declares to the best of its knowledge and belief:

- That the 2021 financial statements provide an accurate picture of the assets, capital and liabilities, the financial position as at 31 December 2021 and the 2021 result of Vitens and the businesses included jointly in the consolidated accounts.
- That the annual report provides an accurate picture of the situation at the balance sheet date of 31 December 2021 and the course of affairs at Vitens during the financial year.
- That the materially important risks to which Vitens is exposed have been identified in the annual report.

Zwolle, 15 March 2022

Jelle Hannema, Managing Director

Marike Bonhof, Executive Director

Report of the Works Council

New works council remains proactively practical during the coronavirus pandemic

The new Works Council was installed in April. Seven new members were welcomed and eight were re-elected. In the first year of office, ensuring a seamless transfer of knowledge and details of current issues is one of the primary tasks. However, developing a unique vision and determining priorities are also key activities. That all proved to be extremely challenging in a year of working from home as much as possible, lockdowns and social distancing under the coronavirus containment measures. It was not until the second half of 2021 that the Works Council met physically for the first time and the planned team training course could also take place. Through its composition, the Works Council is a good representation of all employees and capable of acting effectively to resolve possible conflicts between company interests and employee interests.

In March 2021, the previous Works Council completed the review process relating to two important dossiers that supported Vitens' strategy: a revised home-working policy and a revised mobility policy. The policies include a provision relating to safe and responsible home office set-up for all Vitens' employees working from home and arrangements that favour sustainable forms of travel. The associated process was intensive and involved many documents and reactions, and discussions with colleagues in all areas of the organisation. The Works Council wishes to express its appreciation - after a difficult start in respect of the quality of the collaboration with the Executive Board and the Human Resources and Facility Management departments - that this good result has been achieved.

Organisational changes

In 2021, the Works Council regularly advised the Executive Board on organisational changes, also in instances not included within the scope of the Works Councils Act. These included advice on the new organisational structure of the Asset Management Department, the tender for reception services, and the exercise to merge the Facility Affairs and Real Estate teams within the Facility Management Department. The Works Council also advised on the formation of an integrated Strategy and Administrative Affairs Department. In relation to this advisory process in particular, the Works Council had frequent discussions with the employees concerned. In most cases, the Executive Board adopted our advice.

A number of issues that required the approval of the Works Council were addressed in 2021. Among other things, approval was given to an amendment to the pre-employment screening policy, the home working policy, the mobility schemes and renewal of the insurance cover to compensate for the shortfall in benefits under the Surviving Dependant's Act. After a comprehensive organisation-wide review, we agreed to changes to the on-call working policy. In addition, the Works Council approved the update to the policy on working in contaminated soil, the on-call positions in the Emergency Response Organisation and the on-call deployment rosters for 2022.

During each consultation meeting (monthly), the Works Council was informed by the Executive Board of the progress made in the SAP & Transformation programme, and the SAPS4/Hana build and set-up process.

Hybrid working led to constructive discussion in the three-way consultation between the Executive Board , the Supervisory Board and the Works Council

There was also regular consultation between the Works Council's day-to-day management team and Ms Gerda van Dijk, the Supervisory Board member responsible for co-determination matters. We expect to continue the excellent cooperation of the past with her in 2022. Once a year, a 'Meeting of the Councils' is held on the initiative of the Works Council, at which the Works Council, Supervisory Board and Executive Board discuss current issues. In September, in a 'strategic session' led by organisational consultant Leike van Oss, we brainstormed about hybrid working and what it means for leadership and *soft controls*. A very interesting few hours that delved deeper into the details of our change ambition, real world dilemmas, and leadership, dialogue and learning. In terms of relevance, exactly the right time for this debate, as Vitens is just about to implement a further roll-out of hybrid working

Independent auditor's assurance report

To: the General Meeting of Shareholders and the Supervisory Board of Vitens N.V.

Assurance report relating to the sustainability information in the 2021 Annual Report

Our conclusion

Based on our review, we have no reason to believe that the sustainability information included in the 2021 Annual Report of Vitens N.V. does not, in all material respects, accurately and sufficiently reflect:

- the policy and operational management aspects relating to sustainability; and
- the events and the performance in that area during the year ending on 31 December 2021,

in compliance with the Sustainability Reporting Standards of the Global Reporting Initiative (GRI) and the applicable additional reporting criteria used, as explained in the 'reporting criteria' section.

The scope of our review

We have reviewed the sustainability information included in the following sections of the 2021 Annual Report (hereinafter: "the sustainability information"):

- Foreword;
- Who we are and what we do;
- How we create value;
- Other information

This review focuses on obtaining a limited degree of assurance.

The basis for our conclusion

We conducted our review in accordance with Dutch law, including Dutch Standard 3810N 'Assurance Engagements relating to Sustainability Reports'. Our responsibilities pursuant to the above are described in the paragraph entitled 'Our responsibilities in respect of the sustainability information audit'.

We feel that the assurance information we have gathered is sufficient and suitable as the basis for our conclusion.

Independence and quality control

We are impartial and not dependent on Vitens N.V., in accordance with the 'Regulation on the independence of auditors in respect of assurance engagements' (Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten/ViO) and other relevant requirements regarding independence in the Netherlands. In addition, we have satisfied the Regulation on conduct and professional rules for auditors (Verordening gedrags- en beroepsregels accountants/VGBA).

We work in accordance with the Detailed requirements for quality systems (Nadere voorschriften kwaliteitssystemen/NVKS). Based on the above, we have at our disposal a cohesive quality control system, which includes established guidelines and procedures relating to compliance with ethical requirements, professional standards and other relevant legislation and regulations.

Reporting criteria

The sustainability information should be read and interpreted in the light of the reporting criteria. The reporting criteria used to prepare the sustainability information are the Sustainability Reporting Standards of the Global Reporting Initiative (GRI) and the additional reporting criteria used by Vitens, as explained in 'About this report' in the 'Other information' section of the annual report.

The lack of established practices for reviewing and measuring non-financial information allows the use of various, acceptable measurement techniques. This may have an effect on comparability between the entities and over time.

Limitations on the scope of our review

The sustainability information in the annual report includes forward-looking information in the form of expectations relating to objectives, strategy, plans and estimates and risk assessments. The actual outcomes in the future are uncertain so the possibility that they may differ from these expectations is inherent to this forward-looking information. The resulting differences may be of material importance. We do not give any assurance relative to the suppositions and feasibility of forward-looking information.

In the sustainability information, the calculations to determine the impact on the climate and employees (hereinafter: the impact data) are mostly based on external sources and on assumptions. The assumptions and sources used are explained in 'Impact measurement method' in the 'Other information' section of the annual report and further elaborated in the impact measurement manual for network organisations (Handboek Impactmeten Netwerkorganisaties), which can be downloaded from the Impact Institute website. We have not performed any work in respect of the content of these assumptions and external sources other than assessing their appropriateness and plausibility.

The sustainability information includes references to external sources or websites. The information made available in these external sources or websites is not part of the sustainability information reviewed by us. We therefore do not provide assurance in relation to that information.

We have not changed our conclusion as a result of these factors.

Responsibilities in relation to the sustainability information and the review of that information

Responsibilities of the Executive Board and the Supervisory Board in respect of the sustainability information

The Executive Board of Vitens N.V.is responsible for preparing reliable and adequate sustainability information in accordance with the reporting criteria as explained in the 'Reporting criteria' section, including selecting the reporting criteria, identifying stakeholders, determining material topics, and determining that the applied reporting criteria are appropriate in the circumstances, taking into account the applicable laws and regulations related to reporting. The choices made by the Executive Board regarding the scope of the sustainability information and the reporting policy are set out in 'About this report' in the 'Other information' section of the annual report.

The Executive Board is also responsible for exercising internal controls to the extent considered necessary by the Executive Board in order to draw up the sustainability information in a form free of material misstatements resulting from fraud or errors.

The Supervisory Board is responsible for monitoring the entity's reporting process in respect of the sustainability information.

Our responsibilities in relation to the review of the sustainability information

Our responsibility is to plan and perform a review engagement in a way that generates adequate and suitable assurance information for the opinion we have been asked to provide.

In line with our engagement brief, we have focused on obtaining limited assurance in respect of the plausibility of the sustainability information. The activities vary in terms of their nature and timing, and are also more limited in scope, than those involved in an assurance engagement aimed at obtaining reasonable assurance. So the level of assurance obtained from a review is also significantly lower than that obtained from an audit in respect of both the risk assessment activities, including gaining an understanding of the internal controls, and the activities performed to assess the response to the identified risks.

Our activities

We have performed this review in a professional and critical manner and, where relevant, have exercised professional judgement in accordance with the Dutch 3810N standard, ethical requirements and the independence requirements.

Our activities included the following:

- Conducting an analysis of the external environment and gaining an understanding of the relevant social themes and issues, and the characteristics of the entity.
- Evaluating the suitability of the reporting criteria that have been used, consistent use thereof and the explanatory notes in that respect included in the sustainability information. This includes evaluating the outcomes of the dialogue with stakeholders and evaluating the reasonableness of estimates made by the Executive Board.
- Obtaining an understanding of the reporting processes for the sustainability information including an outline of the internal control measures, to the extent relevant to our review.
- Identifying areas in the sustainability information where there is a greater risk of misleading or unbalanced information, or material misstatements, that result from fraud or errors. Deciding what further work, if any, needs to be carried out to determine the plausibility of the sustainability information in the light of our risk assessment.
- Our other work included:
    - Conducting interviews with management (and/or relevant employees) regarding the (sustainability) strategy and policies and performance;
    - Conducting interviews with relevant employees responsible for delivering information, performing internal data checks and consolidating data in relation to the sustainability information;
    - Determining the nature and extent of the review work to be carried out for the group entities and locations. The determining factors are the nature, size and/or risk profile of the group entities, locations or activities;

- Obtaining assurance information indicating that the sustainability information correlates correctly to the entity's underlying administrative records;
- Assessing relevant internal and external documentation based on limited observations;
- Analytically evaluating data and trends;
- Evaluating the reasonableness of the assumptions used in the calculations applied in respect of the impact data;
- Assessing the appropriateness and plausibility of the assumptions and external sources used for the calculations underlying the impact data.

- Reconciling the relevant financial information with the financial statements.
- The scope of our review does not include an evaluation of the consistency of the sustainability information in relation to the other information in the annual report.
- Evaluating the overall presentation, structure and content of the sustainability information.
- Considering whether the sustainability information as a whole, including the relevant explanatory notes, paints a picture appropriate to the purpose of the reporting criteria used.

We consult with the Supervisory Board about the planned review scope and timing and the significant findings revealed by our review.

Zwolle, 15 March 2022 PricewaterhouseCoopers Accountants N.V.

F.S. van der Ploeg RA

Other information

Connectivity matrix

Reasons for our strategic choice				How do we implement the strategy?			For whom/how is this ultimately important?			
No.	**Materially important aspects**	**Strategic agenda**	**Risk identified in risk assessment**	**Value drivers**	**Operational KPIs**	**Target**	**Intended impact**	**SDG**	**Stakeholder groups**	**Result**
1	Water scarcity and climate adaptation	Water for today and the future, Sustainable water system - drinking water utility and - drinking water usage	Future-proof infrastructure, crowding in the subsurface domain	We anticipate climate change and current and future drinking water demand and adjust our operations, strategy and our (strategic) reserves accordingly.	Number of clusters with a positive 'Operational discrepancy' Number of clusters with sufficient 'Total reserves'	3 3	The Netherlands can trust Vitens to anticipate a changing climate and to work towards a good balance between increasing water demand on the one hand and, on the other hand, the availability of sufficient sources and the impact of water extraction (e.g. space requirement, groundwater depletion).	**SDG 6** 6.4 Significantly increase the efficiency of water use in all sectors and guarantee sustainable extraction and an adequate supply of fresh water to respond effectively to water scarcity and significantly reduce the number of people adversely affected by water scarcity. **SDG 12** 12.2 Achieve sustainable management and efficient use of natural resources. **SDG 13** 13.2 Integrate climate-change measures into national policies, strategies and planning.	Society, customers	2 2
2	Security of the drinking water supply	Water for today and the future	Future-proof infrastructure	We invest in maintenance, replacement and security with regard to our production facilities and pipe network.	Below-target delivery minutes (OLM)	≤ 14 minutes	Customers can depend on a continuous supply of drinking water.	**SDG 6** 6.1 Universal and equal access to safe and affordable drinking water for all.	Customers	18:22

Reasons for our strategic choice				How do we implement the strategy?			For whom/how is this ultimately important?			
No.	**Materially important aspects**	**Strategic agenda**	**Risk identified in risk assessment**	**Value drivers**	**Operational KPIs**	**Target**	**Intended impact**	**SDG**	**Stakeholder groups**	**Result**
3	Drinking water quality	Water for today and the future	Control over our natural sources, crowding in the subsurface domain	We use the right water treatment and research methods.	Water quality index (WQI)	≤ 0.019	Vitens' customers can blindly trust in the availability of high-quality drinking water.	**SDG 6** 6.1 Universal and equal access to safe and affordable drinking water for all. 6.3 Improve water quality by reducing pollution, halting discharges of hazardous chemicals and materials and minimising emissions, while also halving the amount of untreated waste water and significantly increasing recycling and safe water reuse worldwide.	Customers	0.017
4	Innovation	Intelligent water supply, Sustainable water system, - drinking water utility and - drinking water usage	Adaptive capacity, future-proof infrastructure	We are making our water supply intelligent by improving process controls and customer service and by making smarter use of our infrastructure.	Number of developments resulting from the innovation process implemented within our business operations	3	Innovative business operations ensure that society and customers can count on better and fast service. It also ensures further sustainability of our business operations and the sustainability of the water system in the Netherlands.	**SDG 9** 9.4 In the run-up to 2030, modernise infrastructure and adapt industries to make them sustainable, by focusing on greater efficiency in resource usage and cleaner and environmentally friendly technologies and industrial processes, with all countries acting purposefully to achieve this in line with their respective capabilities.	Shareholders, customers	6
5	Committed employees	Attractive employer, Water for today and the future	Adaptive capability	We encourage a culture that focuses on employee development and growth, and where learning is possible.	Committed Employees Index	TBD	With our committed employees, we want to have a positive impact on people with whom we will achieve our strategic goals	**SDG 8** 8.5 In the run-up to 2030, achieve full and productive employment and decent work for all women and men, including young people and people with disabilities, as well as equal pay for work of equal value.	Employees, shareholders	7.7

Reasons for our strategic choice				How do we implement the strategy?			For whom/how is this ultimately important?			
No.	**Materially important aspects**	**Strategic agenda**	**Risk identified in risk assessment**	**Value drivers**	**Operational KPIs**	**Target**	**Intended impact**	**SDG**	**Stakeholder groups**	**Result**
6	(Cyber) security	SAP & Transition, Water for today and the future	Cybersecurity	We ensure continuity, security and safety in operations and business.	Number of ICT priority 1 cybersecurity incidents Security standard process automation*	0 TBD	Vitens secures continuity and quality by protecting the drinking water supply against cybercrime and preventing the unwanted disclosure of privacy-sensitive information (of customers).	**SDG 9** 9.1 Develop high-quality, reliable, sustainable and resilient infrastructure, including regional and transboundary infrastructure, in support of economic development and human well-being, with an emphasis on affordable and equitable access for all.	Shareholders, customers, employees	0 n/a
7	Financial health	Financial health & predictability	Capacity to cover financing needs	Our financial policy is based on continuity.	Solvency	≥ 35%	Vitens is a financially healthy company with a good balance between the price of drinking water, solvency and the return for shareholders.	**SDG 9** 9.1 Develop high-quality, reliable, sustainable and resilient infrastructure, including regional and transboundary infrastructure, in support of economic development and human well-being, with an emphasis on affordable and equitable access for all.	Shareholders, customers	30.2%

Reasons for our strategic choice				How do we implement the strategy?			For whom/how is this ultimately important?			
No.	Materially important aspects	Strategic agenda	Risk identified in risk assessment	Value drivers	Operational KPIs	Target	Intended impact	SDG	Stakeholder groups	Result
8	Protection of groundwater resources	Drinking water for today and the future	Control over our natural sources, crowding in the subsurface domain	We protect our water sources and increase our understanding of quality changes in our groundwater.	Source pollution index, short-term, long-term (PI)	TBD	Dutch water consumers can rely on reliable and affordable drinking water, both now and in the future.	**SDG 6** 6.3 Improve water quality by limiting pollution, halve the amount of untreated waste water and increase recycling. 6.5 Implement integrated management of water resources at all levels, including targeted collaboration across boundaries. 6.6 Protect and restore water-based ecosystems to health. **SDG 12** 12.2 Achieve sustainable management and efficient use of natural resources.	Society, shareholders	90 (KT) 407 (LT)

*In 2021, the Inspectorate for Habitat and Transport performed an audit and inspection to assess our overall approach to the PA standard for process automation. In 2022, our operations will be assessed against the PA standard to deliver information on the extent to which we meet our duty of care under the Network and Information Systems Security Act (Wet beveiliging van netwerk- en informatiesystemen/Wbni).

Stakeholder management

Vitens has strong social ties. After all, our primary mandate is to contribute to public health by ensuring a continuous supply of reliable and affordable drinking water. Because we make drinking water from groundwater, we are directly dependent on sufficient availability of groundwater of adequate quality for our task. Climate change (aridity), but also more intensive use of land for other societal functions such as agriculture, nature and energy influence this. To achieve this, we are committed to working together at an early stage and are a proactive partner in the political and social debate on issues relating to water quality and water availability. The fact that customers are not at liberty to choose their drinking water supplier means that we feel even more responsible for quality of service and general customer satisfaction.

We closely follow social trends and developments and take them into consideration when making decisions. After all, they directly and indirectly shape the markets in which we are active and influence the strategy and expectations of our stakeholders. We highlight the importance of some trends or developments because they are directly associated with our area of knowledge and expertise; for example, groundwater quality and water availability. However we also face and have to anticipate and act to mitigate broader and more general challenges, such as digitalisation, climate change and terrorist threats (at a cybersecurity level).

In addition, stakeholders' views and expectations (information which we obtain through stakeholder surveys) relating to service provision, business management or our social role are further factors which require our consideration. Based on our own analyses and stakeholder surveys, Vitens identified and described the following ten trends, developments and stakeholder expectations:

1. The quality of drinking water sources is affected by external factors.
2. Climate change affects the availability of sufficient good quality groundwater. Parties in the water value chain are becoming increasingly aware of the urgency of making the water system in the Netherlands more sustainable.
3. Customers see a reliable supply of high-quality drinking water as self-evident.
4. Customers expect continuous availability of water and there is an increasing need to protect business operations against (digital) threats.
5. Customers increasingly expect high customer focus and service. This includes, for example, support and advice in making sustainable choices, but also further digitalisation of customer interaction.
6. More and more activities, such as geothermal energy harvesting, are being implemented below the surface in order to satisfy social needs. So Vitens must continue to exercise vigilance and protect its drinking water sources in both the short and long term.
7. A strong safety culture is an important element in ensuring employee health.
8. As a public company, we have a duty to prioritise ethical conduct and compliance with legislation and ensure transparency in this area.
9. Consumers increasingly choose to drink tap water as part of a healthy and sustainable lifestyle.
10. Sustainable and circular business management offers opportunities for controlling costs and innovating. Stakeholders also increasingly expect this of us.

These ten points help us shape our strategy. We either explore these themes further through strategy, or we use them to tailor our communication activities in respect of stakeholders and customers.

Materiality

Vitens reports in accordance with the Global Reporting Initiative (GRI) standards. Materiality is an important element of GRI and application of the GRI standards requires a detailed description of how materiality is determined and the materially important aspects. In this report, we mainly use information from the materiality analysis to determine the reporting depth and scope. However, this information does not determine the structure and (chapter) layout of our report. Instead, the report is structured based on four value creation sections. In those sections, we clarify the relationship with the material topics.

Vitens uses its materiality determination for both its reporting and in its annual cycle. We use insights derived from the materiality analysis to choose the direction of our annual plans. We then close the circle by using the same materiality analysis to look back on that year: the materiality analysis helps us identify the expectations and priorities of our stakeholders, this in turn shapes our strategy choices in the annual plans and how we measure progress and manage the business, and finally, we account for our activities and describe how we have performed in our annual report. This way of working makes us transparent.

One drawback of this way of working is in the topicality of the materiality analysis we use for our report. Vitens draws up a materiality analysis every year. This means that we always use the second-to-last materiality analysis for our annual report. After all, the most current analysis is the input for the following year's annual plans and we only use it afterwards to look back on that year. In order to still give our stakeholders an insight into the most current materiality analysis, we list the main changes and briefly explain them.

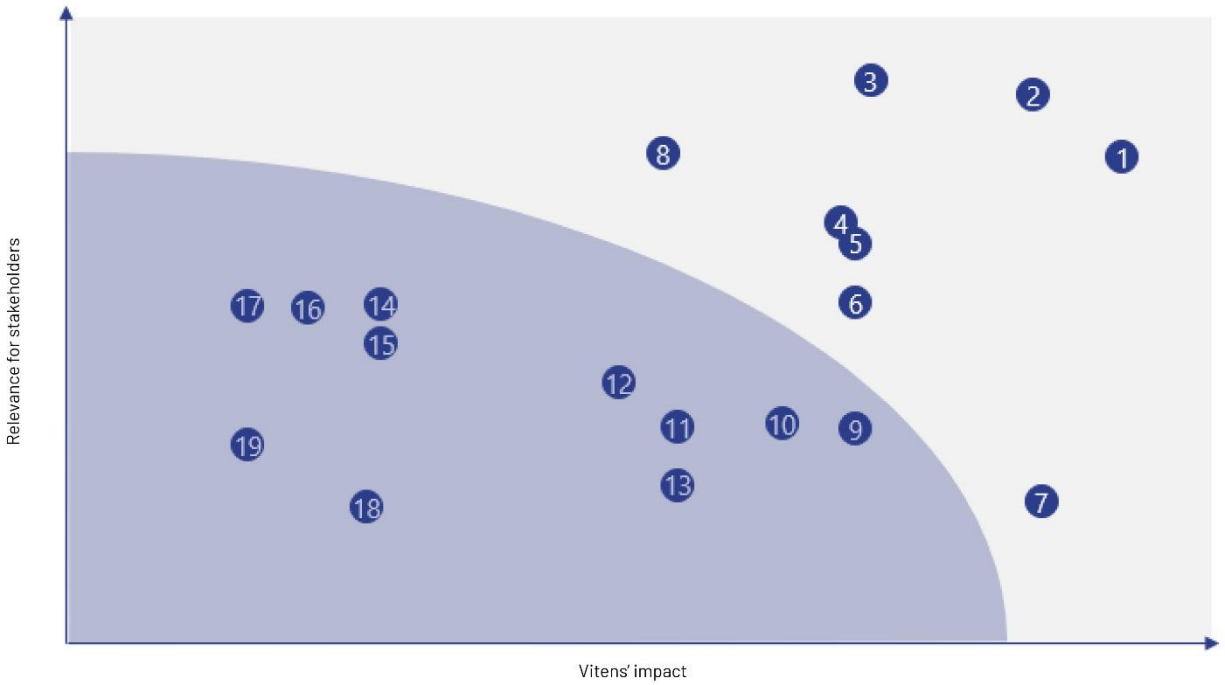
The analysis for this report

Vitens partially updated its materiality analysis in 2020. We used the shortlist that was created after extensive desk research (by Sustainalize) in 2019 as the basis for this. The topics and definitions identified for the 2020 shortlist were updated based on Sustainalize's expert judgement and comments made by stakeholders when asked for their reaction to the 2020 analysis. In addition, research was conducted to ensure that all the important, topical themes were included in the shortlist. Internal Vitens documents, peer reports, trend reports and sustainability guidelines such as SASB, the Transparency Benchmark, DJSI and the SDGs were analysed for this. The updated list of relevant topics was then reviewed during an internal session, reformulated where necessary and adopted.

In 2020, a new external stakeholder group, namely Vitens' employees, was added to the 'external stakeholders' group. This group was addressed via an online survey (as were the external stakeholders in 2019). Our internal stakeholders also completed the same questionnaire. The results of the survey were discussed in a management team meeting and then submitted during a board meeting to the Executive Board, who decided which topics would appear on the X-axis of the materiality matrix.

The changes in the 2020 material topics compared to 2019 are relatively small. 'Customer-focused service' and 'sustainable energy' were dropped as material topics. On the other hand, 'employee commitment' and '(cyber)security' were added to the list of material topics. All these topics end up with very similar scores in the materiality analysis each year. These are topics that are always relevant and to which Vitens is always committed in its business operations. The addition of 'employee commitment' is a result of the additional emphasis on this topic following the strategy change that started in 2021. As for '(cyber)security'; in view of the coronavirus pandemic and widespread working from home (using networks not managed by Vitens), this topic is more relevant than ever.

Materiality matrix and definitions



#	Subject
1	**Water scarcity and climate adaptation**
2	**Security of the drinking water supply**
3	**Drinking water quality**
4	**Innovation**
5	**Committed employees**
6	**(Cyber) security**
7	**Financial health**
8	**Protection of groundwater resources**
9	Partnerships
10	Customer-focused service
11	Sustainable energy
12	Encouragement of responsible water usage
13	Dialogue and lobbying
14	Nature management and conservation
15	Affordable drinking water
16	Training and development
17	Safe work
18	Sustainable material flows
19	Healthy work

Definitions of material topics

Water scarcity and climate adaptation

Vitens realises that climate change has an impact on the availability of water sources. Therefore, Vitens is anticipating this development by bringing together various policy areas and acting to prevent groundwater depletion in the Netherlands.

Security of the drinking water supply

Vitens wants customers to be able to rely on dependable water delivery. So we try to minimise nuisance and the time customers are without water due to maintenance or outages.

Drinking water quality

Vitens ensures that customers can always rely on top quality water.

Innovation

Vitens focuses today on the questions of tomorrow. We concentrate our powers of innovation on water quality and water availability. This means that we are working on new (measuring) techniques, other ways of extracting water, developing the water system in the Netherlands and improving our operations and customer contacts.

Committed employees

Vitens ensures that employees are committed and involved by providing a pleasant working environment and offering challenging work and development opportunities.

(Cyber) security

Vitens manages vital infrastructure for the drinking water supply in the Netherlands. So Vitens is fully focused on protecting and securing its systems, data, production facilities and (customer) information.

Financial health

Vitens remains financially sound through good solvency and a healthy loan portfolio. An appropriate dividend policy gives shareholders a fair return on their investment and ensures that we retain sufficient reserves.

Protection of groundwater resources

Vitens is committed to protecting its groundwater resources against spatial crowding and pollution caused by agriculture, mining and other activities.

The analysis for the next report

Vitens updated its materiality analysis again in 2021. There are a number of changes in the 2021 material topics compared to 2020. To start with, there are nine material topics instead of eight. In addition, ‘collaboration in the water value chain’, 'sustainable employability' and ‘encouraging responsible water use’ were added as material topics. These are given high scores by stakeholders and also have a clear place in Vitens’ strategy. The topics of ‘(cyber)security’ and ‘committed employees’ will be dropped. Vitens has devoted significant time, money and effort to (cyber)security in recent years. We have made considerable progress in this area. So, the improvement impact we have on this theme has reduced somewhat. Of course, this does not alter the fact that (cyber)security will continue to have our keen attention. As for ‘committed employees’, we have slightly reshuffled the topics in the 2021 analysis. As a result, this topic is now included in the new material topic of ‘sustainable employability’.

Dialogue with our stakeholders

Vitens engages continuously in talks with a wide range of stakeholders that have diverse interests. These talks take place at all levels within the organisation and are part of our daily work.

Vitens implements strategic stakeholder management in its operational sphere to identify and secure stakeholder interests. The Executive Board is directly involved in consultation with stakeholders, water boards, the Association of Water Boards, government authorities (general meetings of the shareholders and planning consultation at provincial and municipal level), employees, lobby groups, and knowledge institutes such as LTO, VNO-NCW and VEWIN.

These discussions focus on our strategy, objectives and future outlook. We regularly investigate whether (and which) stakeholders, organisations or institutions might be an interesting additional dialogue partner for Vitens, based on our materially important aspects and our existing consultation structures. The table below lists the stakeholders with whom we had contact in 2021 and the type of contact. We intend to continue our current dialogue in 2022 and later years, and implement the ensuing plans, ambitions and actions.

Stakeholder	Expectations	2021 Dialogue	Plans for the 2022 Dialogue and future years
Employees:			
	Safe working environment.	Consultation between management and employees and annual performance and appraisal interviews, Safety Week/Vitens Safe activities	Continued focus on reducing sickness absence and on safety
	Attractive terms and conditions of employment	Meetings and internal communications (intranet, 'Every drop sustainable' live events, BRON staff magazine, team meetings)	Employee journey improvement and implementation of hybrid working
	Open communication	Sustainable employability with the help of of programmes for Strategic Personnel Planning	Continuation of the current dialogue based on the positioning compass
	Development opportunities	Training courses and schooling	Activation strategy
	Pleasant working atmosphere	Safety and personal development	
	Ethical behaviour	Co-determination and Central Works Works Council	Activities associated with integrity
		Sparing use of water	
		Strategy communication and activation: 'Every drop sustainable'	
		Corona-related information	
Customers:			
	Low cost to society (rates)	Communication about drinking water rates, sufferance tax and the VAT increase	Continuation of the current dialogue
Households.	Delivery dependability	Communication on social media, customer newsletter and website	Communication on sparing use of water and a water-friendly lifestyle
Corporate customers	High quality drinking water	Improved communication about supply interruptions via waterstoring.nl (including WhatsApp)	Acting on points for improvement in relation to customer journeys
Laboratory customers	Services and knowledge-sharing	Digital newsletter	
Vulnerable entities, e.g. hospitals.	Communication relating to maintenance and outages	Customer panel for assessing problems and solutions	Continuation of the current dialogue
		Relationship meetings with corporate customers	Continuation of the current dialogue
	Customer friendly and service-oriented support.	More understandable communication with customers.	Continuation of the current dialogue
	Fast and adequate complaint handling	Customer service via social media and telephone	Continuation of the current dialogue
	Tips on water conservation and a water-friendly lifestyle	Communication on sparing use of water and a water-friendly lifestyle	Initiating discussion based on the water comparison tool
Regional and local government:			
	Fulfilment of Vitens' statutory duty - Continuity and supply security.	Meetings with shareholders and the Supervisory Board	Continuation of the current dialogue

Stakeholder	Expectations	2021 Dialogue	Plans for the 2022 Dialogue and future years
Shareholders (provincial authorities and municipalities)	Continuity of the business – financial policy	Annual report	Continued discussion of social developments such as climate extremes, the economic recovery, tightness in the contractor market, the expected increase in drinking water demand and the energy transition
	Long-term and short-term Return on Investment (ROI)	WACC limitation in relation to investments and dividend payment	Dialogue on a climate-proof extraction concept
	Sustainable regional area development	New strategy	
	Transparent reporting	Low costs for the public	
	Effort to achieve water conservation	Compliance with legislation and regulations	
	Promote healthy soil and ecosystem	Consultation on and/or implementation of financial structures such as sufferance tax	
		Regional development	
		Rate setting.	
		Committee of Shareholders	
		Social developments such as climate extremes, the economic recovery, tightness in the contractor market, the expected increase in drinking water demand and the energy transition	
		Dialogue on a climate-proof extraction concept	
Public authorities and companies with which we cooperate:			
	Continuity and security of supply	Contact with administrators and elected representatives at European, national, provincial and local level	Continuation of the current dialogue
National government authorities (Ministries)	Spatial planning	Company visits, presentations, local communication	Work on promoting sparing use of water in collaboration with partners
Other government authorities and safety regions	Compliance with legislation and regulations	Contact via industry associations such as VEWIN	Making Vitens' impact measurable
Supervisory authorities	Soil protection	Meetings for provincial authorities and municipalities on relevant themes such as implementation of the New Environment and Planning Act	Collaborate with partners to organise the social functions in spatial planning
Partners in the water ecosystem (provincial authorities, water boards, municipalities)	Safety (fire service)	Consultation with municipalities and the competent authority on issues such as groundwater depletion, biodiversity, sustainable area development, water quality, water source protection and legislation	National frameworks: drinking water policy paper, Delta programme, water conservation, WACC regulation, subsurface, Environment and Planning Act, etc.
Partners in the physical living environment (provincial authorities, municipalities, agricultural and horticultural organisations)	Collaboration in creating the infrastructure of the future	Contribution to establishing the sixth Nitrates Action Programme.	

Stakeholder	Expectations	2021 Dialogue	Plans for the 2022 Dialogue and future years
Partners in the subsurface water value chain (network operators, water boards, infrastructure partners)	Knowledge exchange and active shaping and implementation of sustainability initiatives	Participation in activities organised by municipalities	
Interest groups (VNO-NCW, ...)		Coalition building to defend common interests such as the Soil Coalition with a.s.r. and Rabobank	
		Geothermal initiatives	
		Participation in national accelerator programmes	
Suppliers:			
	Collaboration opportunities	Consultation between procurement officers and suppliers	Continuation of the current dialogue
	Business and product development	Discussions on circularity in tenders (e.g. purchase policy for sustainable materials and raw materials passport)	
Lobby groups:			
	Compliance with legislation and environmental regulations	Consultation and exchange of ideas for our projects and service provision	Continuation of the current dialogue
	Collaboration opportunities and joint initiatives to protect nature, flora and fauna and a clean living environment	Contribute positively to biodiversity	
	Exchanging knowledge	Set up collaborations with the agricultural sector in relation to a clean living environment and clean soil	
	Collaboration in the area of infrastructure	Coronavirus-related information	
Schools and knowledge institutes:			
	Collaboration	Work experience and graduation projects	Continuation of the current dialogue
Secondary vocational education, applied science academies and universities	Knowledge transfer	Trainee programme	
Pupils in primary and secondary schools	Research within the water sector	Collaboration and research with other water utilities	
Kiwa Water Research	Internships and research opportunities.	Discussion on renewed participation in the Drinking Water Sector research group	
Wetsus.	Training courses and schooling	Participation in seminars	
	Research and development	Guided tours	
	Awakening pupils' interest	Kraanwaterdag event	
		Educational programmes and guest lectures via waterkennis.nl and introduction to Kraanwaterdag	
		Knowledge, Research and Innovation agenda	

Stakeholder	Expectations	2021 Dialogue	Plans for the 2022 Dialogue and future years
		Sector collaboration to promote water education	
Media:			
	Up-to-date information on the activities, views and ambitions of the company	National, regional and local media	Continuation of the current dialogue
	Giving interviews and providing reports	Articles in trade magazines	
		Meetings and guided tours at company locations	
		Stronger position in the debate on a sustainable water system	Strengthen current dialogue
		Using water sparingly and a water-friendly lifestyle	Strengthen current dialogue
		Drought and peak load during heat waves	
		Water availability	Strengthen current dialogue


APPROVED

About this report

Scope

We report on our financial, strategic and sustainability performance in our annual report. This is an area of significant development. Each year, we attempt to improve on the previous year's performance and further optimise our data and systems. Vitens exclusively publishes the annual report online. The most recent previous annual report, relating to financial year 2020, was published on 25 May 2021.

The reporting period for the 2021 annual report runs from 1 January 2021 to 31 December 2021. After approval by the auditor, the report was sent to the shareholders and published on 22 April 2022.

Please refer to the explanatory notes to the consolidated financial statements for details of our financial performance (see Consolidated financial statements). In respect of our non-financial performance, Vitens reports on the entities in which it has a controlling interest. These are Vitens NV, Watermanagement B.V. and Industriewater B.V. The report also touches on a number of initiatives that are related to Vitens' involvement and additional explanations are provided as an explanatory note when required. Vitens Evides International (VEI) produces its own annual report, which is therefore not consolidated in these financial statements. No significant acquisitions or divestments were made in 2021.

The definitions and reporting principles remain unchanged relative to the previous year, unless stated otherwise in the explanatory notes. Wherever possible, we compare quantitative information with comparative figures from previous years. Most Key Performance Indicators (KPIs) are discussed every quarter with the departments involved and subsequently reported to the Executive Board. The data relates to Vitens' own performance and not to that of our customers and partners in the value chain. Wherever possible, we have expressed information in terms of financial and non-financial data in this integrated report.

Each year, we have a greater level of confidence in the accuracy of the reported data. Even so, although we apply internal and external assurance, we acknowledge that we cannot guarantee one hundred percent accuracy. We have tried as far as possible to eliminate the uncertainties associated with qualitative research or with quantitative calculations. The feedback provided by our independent auditor helps us to become more proficient at reporting non-financial information each year.

Contact details for questions about the report or its contents: communicatie@vitens.nl

Reporting criteria for non-financial information

Vitens has reported in accordance with the GRI Sustainability Reporting Standards, also known as GRI standards, since 2017. The GRI standards are the most widely accepted guidelines worldwide for preparing non-financial annual reports. The sustainability information in the 2021 annual report has been presented based on the Core option of the GRI standards and internal reporting criteria.

In accordance with the requirements of the GRI standards, a materiality analysis has been used to determine the content of the report. Materiality is an important element of GRI and application of the GRI standards requires a detailed description of how materiality is determined and the materially important aspects. For this report, we used the 2020 materiality analysis. This is the most current analysis, which served as input to the 2021 annual plans and was used to look back on that year. Through the materiality analysis, we map our stakeholders' expectations and priorities, which we then include in our strategy, measure, manage and report on in our annual plans. This way of working makes us transparent.

A new strategy has been formulated for the period 2021 - 2030 in which our ambition is to be fully climate-neutral and the most sustainable drinking water utility in the Netherlands by 2030. In the new strategy, the CO_2 emissions are identified as a strategic sustainability goal. The KPI does not originate from the materiality analysis. However, in the light of our sustainability objective, we have included it in the annual report.

This annual report contains both qualitative and quantitative information. Where possible, the quantitative information has been taken from systems operated by Vitens to which all internal control measures apply. The Finance & Control department is responsible for collecting and validating this non-financial data. The qualitative information is gathered selectively based on the main themes identified in Vitens' strategy. The information on these subjects is provided and substantiated by the responsible managers within the organisation.

Impact measurement method

Impact analysis for Vitens

To get a better idea of the ways in which Vitens makes a positive or negative contribution to society, Vitens has started measuring and reporting impacts. Our first impact analysis is presented in this annual report. We previously conducted a similar impact analysis with other infrastructure organisations during an Impact Journey in order to gain experience in impact measurement.

This impact analysis establishes an initial structure by quantifying and assessing three impacts. As we gain experience with these impacts, we will continue to extend our impact analysis in the coming years.

Building on existing methods and data

Vitens adheres to the principles of an integrated annual report. The impact analysis is an extension of this. The impact measurement manual for network organisations (Handboek Impactmeten Netwerkorganisaties), hereinafter referred to simply as the Manual, acts as our guideline for developing the impact analysis. This Manual, first published in September 2020 and compiled by and for network organisations, sets out best practices and detailed procedures. The Manual builds on the Impact Institute's Framework for Impact Statements (2019) and IP&L Assessment Methodology Core (2020).

Scope

Value chain scope

The calculations are based on Vitens' value chain. Within that value chain, we distinguish between 'downstream', 'internal operations' and 'upstream'.

- 'Downstream' is the term used for business customers and households.
- 'Internal operations' is the term used for Vitens' business operations.
- 'Upstream' is the term used for suppliers of materials and services, among others, and organisations in the water cycle such as government authorities.

Impact scope

The figure below shows the impact split across six capital categories: Financial, Manufactured, Intellectual, Natural, Social and Human. A selection of these impacts was quantified in 2021 as a first step to gain more information about Vitens' impact on people and nature. In respect of the impact on Human capital, we looked in detail at two impacts on employees. For the third impact, our impact on Natural capital, we worked out our contribution to climate change.

Capital	Impact	2021
Financial capital	Various impacts such as payments to suppliers, employees, taxes and financial costs relating to customers.	
Manufactured capital	Economic change in the value of traditional assets	
	Value creation in terms of consumer well-being	
	Loss of value in terms of consumer well-being	
	Value creation for business customers	
	Loss of value for business customers	
	Value of goods purchased	
Intellectual capital	Change in the value of intangible assets	
	Technological development	
Natural capital	Scarce materials use	
	Scarce water use	
	Soil contamination	
	Air pollution	
	Water pollution	
	Depletion of fossil fuels	
	Contribution to climate change	In scope
	Land use and land transformation	
Social capital	Change in reputation and trust	
	Contribution to improved institutions and regulations	
	Contribution to social cohesion	
	Digital security: privacy violations	
Human capital	Employee development	
	Positive impact of having work on well-being	In scope
	Safety incidents and loss of well-being in the human environment	
	Work-related sickness absence and accidents	In scope
	Economic value of labour	

We then expressed the three selected impacts (contribution to climate change, effect of having work on well-being and work-related sickness absence and accidents) as impact indicators, based on materiality and feasibility.

Impact Manual	Impact indicators
Contribution to climate change	Contribution to climate change (direct - Vitens' organisation) Contribution to climate change (indirect - upstream)
	Climate change mitigation (direct - Vitens' organisation) Climate change mitigation (indirect - upstream)
Positive impact of having work on well-being	Well-being effects of having work (direct - Vitens' operations)
Work-related sickness absence and accidents	Non-fatal accidents (direct – Vitens' operations) Fatal accidents (direct – Vitens' operations) Other work-related sickness absence (direct - Vitens' operations)

Method

We quantified the impacts for the selected indicators first. We then determined how much of the quantified impact can be attributed to Vitens. The term we use for this approach to assigning impact is 'attribution'.

The data used to measure impact is primary data on CO_2 emissions and employees, supplemented by secondary data for impact measurement and valuation.

Quantifying impact

The following paragraphs present the impact calculations, which are structured as follows:

- Indicator – Definition of the impact indicator
- Limit of scope - Explanation of the assumptions used for the calculations
- Calculation - The calculation of the financial impact, expressed in social costs and benefits
- Valuation – A summary of the monetisation coefficients used in the calculations
- Sources - The sources of the inputs for the calculations and an explanation of why these sources were chosen, if relevant
- Attribution – The degree of responsibility assigned to Vitens

The following basic principles apply to this report:

- *Impact*. The positive and negative impacts are analysed and quantified separately for each theme since they cannot be directly offset against each other.
- *Limitations*. Various criteria, points of departure and assumptions are used when calculating impacts. They are explained separately where applicable.
- *Calculation.* The explanation of the calculation and the sources used is as transparent as possible. Regular discussion takes place with experts (Impact Institute) and other network organisations to select the most appropriate valuation technique, associated indicators and review the information available.
- *Sources*. Recent information is used.
- *Attribution*. We have chosen to split the impact among the stakeholders in the value chain.

Impact attribution

Attributing impact is an important part of measuring impact. In the context of network organisations, significant impact is created in the interplay with other organisations, outside one's own organisation. If part of this impact is not assigned to a network organisation, the impact may be disproportionately large.

Impact is split across various parties via attribution. There is not yet a widely used or accepted method for attributing impact. The network organisations in the Manual use the methodology described in the IAM Supplement Impact Contribution. Impact in the value chain is split based on (i) responsibility and (ii) economic value added.

Impact calculations

The following sections further explain the impact calculations of the three selected impacts.

Contribution to climate change

Indicator

The contribution to climate change impact is calculated based on the greenhouse gases emitted by Vitens' organisation and in the value chain. The in-scope gases are the six greenhouse gases as defined in the Kyoto Protocol: carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N_2O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs) and sulphur hexafluoride (SF_6). A further explanation of this impact can be found in the Manual.

Limitations

- The social cost of a ton of CO_2 equivalent (CO_2-eq.) is estimated based on a study by Kuik et al. (2009). This value reflects marginal *abatement costs* (abatement costs – the macroeconomic costs of achieving the Paris Agreement targets) in line with the mean values of the environmental prices published by CE Delft. The same social costs are used for mitigation of and contribution to climate change, based on the assumption that mitigation initiatives do actually lead to climate change mitigation. In the impact measurement, an attribution with primary responsibility is applied to the compensation of CO2 emissions (each scope) because Vitens itself decides whether and how to compensate. In this connection, a greater positive impact through compensation is attributed to the organisation in respect of chain emissions (scope 3), than the negative effects of the same emissions. This is because they are attributed with a chain responsibility factor, because another organisation in the chain is the main party responsible for this emission. We have reported both the positive and negative impact to ensure full transparency and appropriate action to reduce the negative impact.

Calculation

Contribution to climate change	Contribution to climate change by network operator's greenhouse gas emissions (direct - own organisation)	Scope 1 Emissions * Monetisation coefficient (EUR/kg CO_2 eq)
	Contribution to climate change by network operator's greenhouse gas emissions (indirect - upstream)	(Scope 2 Emissions + Scope 3 Emissions) * Monetisation coefficient (EUR/kg CO_2 eq)
Limitation of climate change		

Valuation

Monetisation coefficient	Unit
0.152	EUR/kg CO_2eq, see Manual (Handboek Impactmeten Netwerk-Organisaties 2020)

Sources

Indicator	Source
Scope 1, 2 and 3 CO_2-eq emissions,	Vitens Annual Report

Attribution

In terms of the direct contribution to climate change, the primary responsibility lies with Vitens, assessed at an attribution factor of 69%. However, Vitens is not primarily responsible for the indirect contribution to climate change, assessed at an attribution factor of 19%. The method for calculating the attribution factors is explained in the Attribution section.

Well-being through having work

Indicator

The well-being effect of having work strengthens the self-confidence, autonomy, social relationships and status of employees. Having work increases personal well-being through increased social contacts and a sense of trust in society. It also contributes to greater self-esteem. The well-being impact of having work is calculated by comparing the *Life Satisfaction* (LS) of people in work with that of unemployed people and then correcting for income. The impact of income is part of the financial capital category and not included in this calculation. A further explanation of these impacts and welfare factors used can be found in the Manual.

Limitations

- The well-being effects of having work apply to all employees of the organisation. This is approximated by using an average effect.
- The well-being effects of having work are different for employees who previously had limited job prospects.
- The well-being effects are partly influenced by employee satisfaction, based on employee satisfaction surveys conducted within the organisations themselves.

Calculations

Positive impact of having work on well-being	Employees in Vitens' own organisation (excluding employees with limited job prospects) * ((Average employee satisfaction NL - average employee satisfaction Vitens) * Average increase in life satisfaction from having work) * Monetisation coefficient
	Employees in Vitens' own organisation with limited job prospects * ((Average employee satisfaction NL - average employee satisfaction Vitens) * Average increase in life satisfaction of having a job per person with limited job prospects) * Monetisation coefficient

Valuation

Monetisation coefficient	Unit
2,217	EUR2019/life satisfaction (scale 0 - 100), see Manual

Sources

Headcount	Vitens Annual Report
Well-being factors	European Social Survey, see Manual
Average employee satisfaction Netherlands	Statistics Netherlands National Survey of Working Conditions

Attribution

Vitens is primarily responsible for the well-being effects of work. We have used an attribution factor of 69% here.

Work-related sickness absence and accidents

The methodology for work-related sickness absence and accidents has also been formulated with other network operators and the Impact Institute. Although this methodology has not yet been included in the Manual, Vitens has included it in the annual report, as presented below.

Indicator

The impact of work-related sickness absence and accidents on Vitens employees is defined as the reduction in years of healthy life, expressed in terms of social costs. Work-related incidents include fatal and non-fatal accidents in the working environment and the occurrence of chronic stress. This is calculated for both incidents within the organisation (direct) and in the value chain (indirect).

Limitations

- It is assumed that sickness absence that is not determined to be 'work-related' is in no way associated with the work at Vitens;
- The calculation of the impacts of work-related sickness absence and accidents (safety) is limited to the direct effects. An accident or illness may give rise to other accidents or illnesses, which is not measured here.

Calculations

The loss of employee well-being is measured by the Disability-Adjusted Life Year (DALY) indicator. The DALY is a measure of the total burden arising from disease: the decrease in both life expectancy and quality of life. Work-related sickness absence and accidents are divided into three components: (i) non-fatal accidents, (ii) fatal accidents, and (iii) other work-related sickness absence. The three components are subdivided further as shown below:

i. Non-fatal accidents are divided into nine categories: fatal, pinching/impact/cut, falling/tripping, traffic/toxic substances, animals, aggression, fire and other.
ii. Fatal accidents are determined based on the number of deaths resulting from work-related incidents within Vitens, where the number of deaths is multiplied by the fatal incident valuation coefficient.
iii. Other work-related sickness absence includes health loss not covered by the first two components. Work-related sickness absence is divided into mental, and physical & ergonomic, and other. The three forms of sickness absence are estimated based on the number of days of absence and a disability weighting factor. The weighting factor for physical problems is estimated as a weighted average for upper limb, back, and lower limb complaints. Total sickness absence in the three categories (mental, physical, and other) is then multiplied by a corresponding factor (*disability weight*) for the reduced value of a year lived with disability, as identified in the Global Burden of Disease Study (GBD 2017). The sum of the categories provides an estimate of the number of Disability-Adjusted Life Years (DALY) caused by other work-related sickness absence. Finally, the DALY number is multiplied by the valuation coefficient for a DALY.

Accidents and employee sickness absence	Loss of well-being due to non-fatal accidents in Vitens' organisation (EUR/year) + Loss of well-being due to fatal accidents in Vitens' organisation (EUR/year) + Loss of well-being due to work-related sickness absence in Vitens' organisation (EUR/year)

Valuation

Monetisation coefficient	Unit
103,048	EUR/Disability-Adjusted Life Years (scale 0 - 1)

Sources

Work-related sickness absence	Internal Vitens data; TNO Arbobalans 2018
Number of accidents	Accident Report LTIF
Disability Weights	Global Health Data Exchange (2017); GBD 2017 Disability Weights; Netherlands Centre for Occupational Disease (2016); Haagsma et al. (2016)

Attribution

Vitens is primarily responsible for work-related sickness absence and accidents. We have used an attribution factor of 69% here.

Attribution

Impacts are attributed in several ways, as described above. This split among stakeholders is based on (i) responsibility and (ii) the share in the chain. The attribution calculation is determined in three steps, based on IAM Supplement Impact Contribution, see Manual.

Step 1: classification based on responsibility

Attribution type	Description	Impact indicator
1	Predominantly internal effects	*No indicators in this impact analysis*
2a	Attribution factor for external impacts (directly) related to the entire chain, where the network organisation has primary responsibility	Contribution to climate change by greenhouse gases (direct - Vitens' organisation)
		Climate change mitigation (direct - Vitens' operations)
		Climate change mitigation (indirect - upstream)
		Non-fatal accidents
		Fatal accidents
		Other work-related sickness absence
		Well-being effects of having work
2b	Attribution factor for external impacts (indirectly) related to the entire chain, where the network organisation does not have primary responsibility	Contribution to climate change by greenhouse gas emissions (indirect - upstream)
3	Attribution factor for external impacts in the entire chain where no party has primary responsibility	*No indicators in this impact analysis*

Step 2: calculation of economic value added

In the second step, we estimate the economic value added for Vitens' value chain. This is an analysis of how much of the drinking water price goes to Vitens and how much goes to suppliers via other chain partners. Vitens' share here is estimated at 38%.

Step 3: calculation of attribution factors

The attribution factors are determined as a combination of attribution type and, for types 2 and 3, the economic value added. The combination of steps 1 and 2 in accordance with methodology described in IAM Supplement Impact Contribution leads to the attribution factors per impact indicator that are stated in the explanatory notes to each impact.

Reporting

In Vitens' 2021 annual report, we report on the impacts below.

Natural capital	Contribution to climate change
Human capital	Accidents and employee sickness absence
	Well-being effects of having work

Glossary and reporting definitions

This overview provides a simplified explanation of the (industry-specific) terms that are used in this annual report.

Number of clusters with a positive 'operational discrepancy':

Definition: The operational discrepancy is defined as the difference on an annual basis between the firm total production requirement and the available treatment capacity expressed as a percentage of the firm total production requirement.

The number of clusters is the unit used for reporting. The calculation of the production requirement and treatment capacity is based on millions of m^3.

Measurement method: The indicator is calculated as follows:

1. The total production requirement is calculated by adding the distribution loss to the projected drinking water delivery output. This result is increased by 10 percent to allow for unexpected developments in demand*. The projected drinking water supply amount is calculated by component, namely the large business, small business (including agricultural) and domestic components.

After adjusting for wholesale supplies (delivery between water utilities), this gives the total firm production requirement.

2. The available treatment capacity is determined by correcting the gross permit capacity for non-usable (qualitative and quantitative limitations), limitations relating to what can be made usable, and the production losses. The available

treatment capacity minus maximum production capacity gives the operational discrepancy.

Responsibilities and reporting: The Asset Management manager is responsible for reporting progress and the KPI results, and ongoing performance is regularly discussed with the Executive Board. The number of clusters with a positive 'operational discrepancy' reported in the annual report refers to the situation as at 1 January 2021 and is therefore based on projects realised in calendar year 2020. Or, in other words, if a project is realised in a cluster in 2020, that project aims to bring the cluster up to a satisfactory operational discrepancy in 2021.

Number of clusters with sufficient 'total reserves':

Definition: The total reserve is defined as the difference on an annual basis between the maximum production capacity and the firm production requirement and is equal to the sum of the operational discrepancy and the non-operational reserve, expressed as a percentage relative to the firm total production requirement.

The non-operational reserve is defined as the difference on an annual basis between the nominal permit capacity and the total firm production requirement expressed as a percentage of the total firm production requirement.

The number of clusters is the unit used for reporting. The calculation of the production capacity and production requirement is based on millions of m^3.

Measurement method: The indicator is calculated as follows:

1. The total production requirement is calculated by adding the distribution loss to the projected drinking water delivery output. This result is increased by 10 percent to allow for unexpected developments in demand*. The projected drinking water output is calculated per delivery group; e.g. large businesses, agricultural users and households.

After adjusting for wholesale supplies (deliveries between water utilities), this gives the total firm production requirement.

2. The maximum treatment capacity is determined by correcting the gross permit capacity for non-usable (qualitative and quantitative limitations), and production losses.

The maximum production capacity minus the firm total production requirement gives the total reserve.

Responsibilities and reporting: The Asset Management manager is responsible for reporting progress and the KPI results, and ongoing performance is regularly discussed with the Executive Board. The number of clusters with a positive 'operational discrepancy' reported in the annual report refers to the situation as at 1 January 2021 and is therefore based on projects realised in calendar year 2020. Or, in other words, if a project is realised in a cluster in 2020, that project aims to bring the cluster up to a satisfactory operational discrepancy in 2021.

** The allowance for unexpected developments in demand is intended to ensure that the system can cope with an unexpected demand peak. These may be caused by (A) prolonged higher delivery output due to extreme weather conditions; (B) deviations relative to forecast and (C) non-availability of (part of) the available treatment capacity due to emergencies. This 10 percent increase reflects our reserve policy and is in line with national guidelines (Vewin).*
In the case of large business customers, the forecast is determined based on previous actual figures including expected individual developments communicated by the Relationship Management team.
In the case of agricultural customers, the forecast is determined based on previous actual figures and indexed expectations from research that focuses on developments in the dairy farming sector.
In the case of households, the forecast is based on previous actual figures for household consumption, including changes in population statistics.

Number of reported dangerous incidents: the number of reported incidents includes unforeseen, unintended and sudden events or series of events that have, or might have, resulted in injury or illness and/or damage to (loss of) materials/equipment or the company's reputation.

Number of ILT reports: the annual number of potentially avoidable incidents reported to the Inspectorate for Habitat and Transport (Inspectie Leefomgeving en Transport/ILT) involving water quality limit infringements.

Number of developments resulting from the innovation process implemented within our business operations:

Definition: Number of developments resulting from the company-wide innovation process that are ready for implementation within Vitens' business operations in order to realise a demonstrable impact. Innovation within Vitens focuses in the present on the issues of tomorrow. With our powers of innovation, we investigate the potential of new (measuring) technologies and other ways of obtaining raw water, promote development of the (digital) water system and make improvements to our operations and customer contacts, thereby creating positive impact and increasing our visibility.

The objective is to implement at least 3 developments resulting from the innovation process within the business.

Measurement method: The KPI for the 'Number of developments resulting from the innovation process implemented within the business' reports the number of projects that were ultimately approved by the innovation committee for further use in the business.

Responsibilities and reporting: The Business Development manager reports quarterly on the number of innovation developments in the departmental report.

Valve: point in the main pipe or transport pipe that is used to release pressure in sections of the pipe run for monitoring activities or repair work. Monitoring involves inspecting the inside of the pipe for iron and manganese deposits. Small sections of the pipe are flushed through for this purpose and the flushing water checked. If significant deposits are detected, the pipe run is fully flushed.

Valve policy: policy based on a trade-off between performance, costs and risks that determines the most optimal maintenance plan per valve (frequency and year of maintenance per valve).

Committed employees

Definition: The indicator for committed employees indicates the degree to which employees feel connected to the organisation. Employees who are committed feel that they fit in within the organisation, support its objectives and look forward to carrying on working for the organisation.

Measurement method: Employee commitment is measured annually via a survey. The assessment lies between 1 and 10. This is calculated by averaging the responses to questions related to employee commitment. For example, the score for answers to survey statements such as: I feel like I fit in at Vitens; I support Vitens' objectives.

Responsibilities and reporting: The HR manager reports (at least) once a year on employee commitment.

CO_2: carbon dioxide. This gas is largely generated by the combustion of fossil fuels such as natural gas and coal and is one of the factors that magnify the greenhouse effect. We report in accordance with KWR's Drinking Water Industry Code of Practice (PDC-11) 'Calculation of the CO_2 footprint of drinking water utilities', which has been prepared based on the Greenhouse Gas Protocol (GHG Protocol) for reporting emissions and other guidelines. Scope 2 emissions (for the energy we purchase) are completely green and covered by renewable energy certificates.

CO_2 emissions:

Definition: the amount of greenhouse gas emissions caused by Vitens' operations.

Measurement method: CO_2 emissions from Vitens' operations (in kilotons of CO_2eq) = the sum of greenhouse gases emitted by Vitens in the reporting year. Vitens has drawn up and updates a process description for determining the KPI for CO_2 emissions from Vitens' operations, which includes specific details of the PDC-11 method used by Vitens.

Greenhouse gas emissions are determined for the reporting year based on Vitens' activities in that year associated with scope 1, 2 and 3 emissions. The activity data (e.g. kWh of electricity consumed) is multiplied by emission factors (e.g. kg CO_2eq/kWh). The emissions resulting from the activities in scope 1, 2 and 3 are expressed as the mass allocation of CO_2 equivalents (CO_2eq) and added together to give a total for Vitens. This method is described generically for Dutch drinking water utilities in the Drinking Water Industry Code of Practice (PDC-11) 'Calculation of the CO_2 footprint of drinking water utilities' published by KWR. The emission factors can be found on *co2emissiefactoren.nl.*

Vitens chooses to report gross CO_2eq emissions: compensation measures for emission reduction (such as purchased Guarantees of Origin certificates) are not counted. Starting in 2021, all emissions (determined for the activities in the PDC11) will be compensated retrospectively. We have done so for the scope 2 emissions (emissions resulting from generation of electricity purchases) since 2008 by purchasing Guarantees of Origin. Starting in 2021, emissions in scope 1 ('direct emissions of the company') and 3 ('goods and services purchased and sold') will also be offset using Verified Emission Reduction credits.

Responsibilities and reporting: The manager responsible for Asset Management reports annually on the CO_2 emissions in the departmental report.

Committee of Shareholders: this committee has an advisory function in respect of the General Meeting of Shareholders, the Executive Board and the Supervisory Board.

Corporate governance: the relationships between the Executive Board, the Supervisory Board and the General Meeting of Shareholders. The basic principles of Corporate Governance are good entrepreneurial practice (the ethical nature and transparency of the Executive Board's actions) and good supervision (including accountability for supervision).

Cybersecurity; Cybersecurity is the term we use for the security of electronic data, systems, networks, computers, mobile devices and the servers of Vitens. In order to report and manage the risk of malicious attacks, Vitens has two KPIs, namely priority 1 Cybersecurity incidents and the Process Automation (PA) security standard.

Definition of Priority 1 Cybersecurity incidents: A (cybersecurity) data breach is a single or series of unwanted intentional, unlawful and/or malicious events that have a (potentially) negative impact on the organisation, its business processes, objects, resources or employees and that pose a threat to the availability, integrity or confidentiality of information or systems or services provided by others and the drinking water supply. The target for the number of Priority 1 incidents related to cybersecurity per calendar year is zero.

Measurement method: The number of Priority 1 Cybersecurity incidents registered in JIRA (our work management tool).

Responsibilities and reporting: The ICT manager reports the number of Priority 1 Cybersecurity incidents on a quarterly basis in the departmental report.

Definition: Security Standard for Process Automation (PA Standard): Each year, Vitens clarifies the extent to which it meets its duty of care under Article 7 of the Network and Information Systems Security Act (Wet beveiliging van netwerk- en informatiesystemen/Wbni) by performing a design, existence and operation assessment in line with the Ministerial Decree on Network and Information Systems Security (Rbni) issued by the Ministry of Infrastructure & Water Management, and the sector-specific Process Automation Security Standard (PA Standard). The PA standard consists of (43) cybersecurity-relevant measures that are also an integral part of Vitens' Information Security Policy. The PA standard may be used as an implementation benchmark for the Rbni pursuant to the Wbni.

Responsibilities and reporting: In 2021, the Inspectorate for Habitat and Transport performed an audit and inspection to assess our overall approach to the PA standard for process automation. In 2022, our operations will be assessed against the PA standard to deliver information on the extent to which we meet our duty of care under the Network and Information Systems Security Act (Wet beveiliging van netwerk- en informatiesystemen/Wbni).

Data-driven organisation: organisation that is controlled using business-critical data, to support fast and smart decision making.

(Drinking water/groundwater) sources: groundwater sources which are used for drinking water extraction.

Sustainably generated energy: sustainably generated energy in GWh/y (wind power, solar power, biomass, hydro power, methane capture). The term 'sustainable' refers to: renewable energy as defined in GRI-302 and energy generated by processing residual products to achieve lower CO_2-eq emissions (particularly in relation to methane).

Filtration: water treatment method. For example, sand filtration. The water is purified by passing it through a porous layer of sand, which traps particles present in the water.

Global Reporting Initiative (GRI): global organisation that produces guidelines for sustainability reporting.

Innovation: Vitens sees innovation as a key factor in achieving our objectives and reducing risks. To this end, Vitens has established a process where new innovative projects are conceived, analysed, trialled in a pilot scheme and approved for business implementation by an innovation committee.

Intelligent water supply system: equipping a water distribution network with sensors to allow online gathering of qualitative and quantitative data in relation to the water supply.

Leakage losses: loss of drinking water through functional impairment of the pipes and production facilities (technical), or through errors in water consumption registration (administrative).

Lost Time Injury Frequency (LTIF): the number of accidents involving Vitens' employees that result in more than one day of absence from work multiplied by one million and divided by the number of hours worked.

m^3: one cubic metre (thousand litres) of water. The average water consumption for the model customer (the number of people in an average household) is 110 cubic meters per year.

Material flows: materials that we require for our processes and the resulting residual material flows.

Materiality: the degree to which stakeholders consider an issue or topic relevant.

Methane combustion: energy released by burning methane, a colourless, flammable gas.

Not Invoiced (NI): water that has been delivered but not invoiced to an end-user, due to a pipe breakage for example. We also call this an economic leakage loss.

Below-target delivery minutes (OLM):

Definition: the average number of minutes on average during which a resident in our supply area has been cut off from the water supply during the past year.

Measurement method: The OLM is calculated as follows:

- Each interruption is quantified by multiplying the number of minutes without water by the number of consumer addresses affected by the fault.

- The OLM is the sum of the total number of minutes without water calculated in this way, divided by the total number of consumer addresses in the supply area.

- In the monthly reports, this number is extrapolated to a whole year by dividing it by the number of days in the reporting period and then multiplying the result by 365.25.

Responsibilities and reporting: The Asset Management manager issues monthly OLM reports within the (group-wide) management reporting pack. The results are discussed in the quarterly meetings with the Executive Board. These results are considered when formulating the investment plan, with the aim of reducing the number of faults and interruptions.

Softening: partial removal of the lime naturally present in water during the treatment and purification process.

Raw water quality: the quality of the water before it is used or treated.

SAP transformation: new SAP systems (SAP S/4HANA) that help implement Vitens' strategy by directly contributing to achievement of the strategic goals relating to reliable and affordable drinking water 24/7, Vitality at Work (Sterk in je werk) and Greater convenience for customers (Meer gemak voor de klant). The programme has a positive effect on most of the strategic business risks. The objectives include supporting efficient business processes, providing integrated information about assets and our customers, providing real-time information to allow immediate response and creating a modern user experience.

Service Satisfaction Index (SSI): the weighted average of customer satisfaction with Vitens' services, measured among Vitens customers who have completed a customer journey. There are nine customer journeys in total.

Solvency:

Definition: The solvency ratio indicates the extent to which Vitens is able to meet its obligations (debts).

Measurement method: The solvency ratio is calculated by dividing shareholder equity excluding subordinated loans by the balance sheet total and expressing the outcome as a percentage. The percentage is recorded cumulatively at the end of each month during the financial year. The solvency ratio is the most important indicator of an organisation's continuity. Solvency is expressed as the ratio of shareholders' equity to total assets, as shown on the balance sheet. According to the continuity objectives set out in its financial policy, Vitens aims to achieve a solvency ratio of at least 35 percent.

Responsibilities and reporting: The solvency ratio is reported on a monthly basis by the Finance & Control department in the management reporting pack and is discussed with the Executive Board on a quarterly basis. The Executive Board reports on this matter to the Supervisory Board and the Audit Committee, which are responsible for deciding if and when action is required.

Stakeholders: individuals and groups that have a stake in Vitens in one way or another. For example, employees, shareholders, customers, providers of finance, suppliers and (local) government authorities.

Fault: temporary interruption in the drinking water supply due to a fault in the pipe network or at a production facility, or a process automation problem.

Source pollution index:

Definition: Index that measures the quality of our sources to provide information on how Vitens can better protect its sources. The Source Pollution Index KPI is used to communicate with stakeholders about pollutants that threaten the quality of our sources, and to determine Vitens' action guidelines.

In order to generate information about the quality of our sources, interpret that information and assess the range for adjustment, we compare actual raw water quality with our target for raw water quality (source values). This highlights areas where there are concerns (overruns relative to source values).

We have decided to use a single indicator (one index) to cover all the areas of concern, to allow comparison from year to year and open up possibilities for in-depth analysis. This approach was inspired by RIWA's removal requirement index for water treatment activities. The removal requirement index is based on the principle that the water at an intake point must be cleansed to such an extent that all substances meet the appropriate target values set in the Dutch Drinking Water Decree. The greater the number of substances that exceed that standard, the greater the water treatment challenge, and the higher the removal requirement value according to RIWA's index.

Measurement method:

The source pollution index is calculated based on the following three inputs:

Input 1) The first input is a list of defined 'source values'. Explanation: We have set source values for each substance that can pollute a water source (e.g. pesticides or medicine residues) and for which (treatment) measures can be implemented at the source to counteract that pollution. A source value is an objective/target value set by Vitens in relation to the quantity of the specific substance that may be present. Two source values have been set for each substance: one for the relatively short term (2030) and one for the long term (2050). See the list of source values.

Input 2) The second input is a documented list of extraction sites and raw water sampling points on which the KPI is based. Explanation: this determines which raw water sampling points per extraction site provide the data for input 3 and for calculating the pollution index for each source (which are then averaged for the Vitens-wide pollution index).

Input 3) The final input is the raw water quality data from the past three years, measured via the raw water sampling points as described in input 2 and recorded in Lims. Explanation: Raw water quality data is obtained by sampling and analysis at a minimum frequency of once annually. The sampling activity is managed via the annual Water Quality Measurement Programme.

The calculation is similar to that used for RIWA's removal requirement index. The measured raw water quality data per extraction site is compared to the source values. The measured value (based on the maximum value over three years) for each substance is compared to the source value to determine whether it meets or exceeds the target. These results for each substance are expressed on a scale from 0 to 100, where 0 means no overrun (meets source value) and 100 is the highest degree of overrun. The scores for all the substances are added together, resulting in pollution indices for all the extraction sites.

Vitens' source pollution index is then calculated as the average of the pollution indices of all the extraction sites: with one index value for the short term and one for the long term.

Future laboratory corrections regarding false positives are not taken into account when adjusting the pollution index to allow future comparison.

Responsibilities and reporting:

The Asset Management manager has final responsibility for the KPI and the availability of the figures. Vitens' hydrology specialist has delegated responsibility for the generating the KPI.

Water quality index (WQI):

Definition: This index shows the extent to which water complies with statutory standards as determined in the Drinking Water Act.

Measurement method: The WQI considers health parameters (acute and non-acute), operating parameters and customer-focused parameters. The WQI is calculated based on the 2019 performance protocol. The benchmark file in Excel (water utilities performance comparison) is used for the calculation. The aggregated WQI results from a calculation based on weighting factors relating to norm definition and actual values. The weighting factors are determined as follows: acute health parameters - multiply by four, non-acute health parameters - multiply by two, business-related parameters - multiply by one, and customer-oriented parameters - multiply by three.

The index is expressed per m^3 of drinking water delivered and is a dimensionless number.

Responsibilities and reporting: The WQI is reported on a quarterly basis by the Extraction & Purification department in the 'Water Quality' management report and in the group-wide management reporting pack, and discussed with the Executive Board.

Water extraction areas: areas where groundwater is actively extracted (from river banks) in order to produce drinking water. All the extraction areas are registered in a geo-database (areas in current use in each province) that is managed by the Asset Management department. These areas are characterised as follows:

- Vitens holds the rights;
- The area is named in the extraction permit;
- Extraction resources (extraction wells) are physically present in the water extraction area;
- The status of the water extraction area is 'not expired'.

(Water) extraction well: a well where groundwater is extracted from below the surface (of river banks) using a pump.

Extraction fields: areas where groundwater is extracted in order to produce drinking water. See also the definition of water extraction areas.

Sickness absence:

Definition: The sickness absence figure indicates how much working time has been lost in a specific continuous period of time due to incapacity for work as a result of illness. It gives an indication of the extent of sickness absence in relation to work capacity.

Measurement method: The absence expressed as a percentage is calculated by dividing the product of the days of illness in the period and the percentage of incapacity for work by the number of days in the period (on a 12-monthly basis including long-term disability/excluding pregnancy). This method is built into the SAP system in accordance with the standard calculation used by the Dutch institute for working conditions (NIA TNO).

Responsibilities and reporting: The sickness absence ratio is reported on a monthly basis by the Human Resources department in the management reporting pack and is discussed with the Executive Board on a quarterly basis.

GRI index

GRI Code	Indicator	Explanation	Reference
GRI 102: General disclosures			
1. Organisation profile			
102-1	Name of the organisation	Vitens' (Statutory) Profile	Who we are
102-2	Main brands, products and/or services	Vitens' Profile	Who we are
102-3	Location of the organisation's headquarters	Oude Veerweg 1, 8019 BE Zwolle	Who we are
102-4	Number of countries where the organisation is active	Vitens' Profile	Who we are
102-5	Ownership structure and legal status	Corporate governance	Governance
102-6	Markets	Corporate governance **i.** Vitens supplies drinking water to all the municipalities in the provinces of Friesland, Gelderland, Overijssel, Utrecht (except Vianen) and Flevoland. In addition, Vitens supplies water in the municipalities of Hilversum and Wijdemeren (Loosdrecht, Breukeleveen), Bodegraven-Reeuwijk (Bodegraven), Nieuwkoop, Giessenlanden (Arkel), Meppel (Nijeveen) and the municipality of Westerveld (Havelte, Darp, Havelterberg, Uffelte, Diever, Wapserveen, Vledder, Frederiksoord, Nijensleek, Wilhelminaoord, Vledderveen DR, Doldersum, Boschoord, Zorgvlied, Wateren); **ii.** sectors that we serve; all sectors in our supply area **iii.** types of customers and beneficiaries: private and business customers in our service area	Who we are ;Governance
102-7	Size of the reporting organisation	Vitens' profile, table of key figures and financial results	Who we are, key figures and financial results
102-8	Workforce composition	Our people	Value for our employees
102-9	Description of the organisation's supply chain	Value creation model	Our value creation model
102-10	Significant changes during the reporting period	No significant changes occurred in terms of the organisation's size, structure, ownership or supply chain	Scope
102-11	Explanation of the application of the precautionary principle by the reporting organisation	Vitens applies the precautionary principle in relation to its non-financial risks. These risks and their management are described in the paragraph on risk management	Risk management

GRI Code	Indicator	Explanation	Reference
102-12	Externally developed economic, environment-related and social charters, principles that are endorsed by the organisation	Global Reporting Initiative; ISO standards for safety, quality, environment, risk management; 'Duurzaam Terreinbeheer' quality label (sustainable land management certification)	Energy and climate, Protection of groundwater resources; Risk management, Governance in brief, About this report
102-13	Membership of associations (such as sector associations) and national and international lobby groups	Sector association: Vewin, WWb Knowledge institutions/associations: Kiwa Water Research, Wetsus, MVO Nederland, NextGenerationInfra	Dialogue with our stakeholders
2. Strategy			
102-14	Statement by the highest person/body in the organisation with decision-making authority	Foreword	Foreword
3. Ethics and integrity			
102-16	Description of the organisation's values, principles, standards and behavioural norms, such as a code of conduct	Corporate governance and risk management	Governance and Risk management
4. Governance structure			
102-18	The organisation's governance structure	Corporate governance	Governance
5. Consultation with stakeholders			
102-40	List of stakeholder groups	Stakeholder overview	Stakeholder overview
102-41	Employees subject to a collective labour agreement	The workforce at Vitens	The workforce at Vitens
102-42	Basic principles for identifying and selecting stakeholders	The stakeholders are selected based on an assessment of mutual interest between the stakeholders and Vitens	Stakeholder management
102-43	The way in which stakeholder engagement is obtained	The stakeholder overview indicates the way in which the stakeholders are involved. The frequency of contact varies depending on the group or dialogue structure and is stated in the table where relevant. A separate engagement process was used to prepare the annual report	Stakeholder overview
102-44	The main aspects and issues that have emerged from the consultation with stakeholders	Stakeholder overview	Stakeholder overview
6. Report profile			
102-45	Overview of all companies included in the consolidated financial statements and which do not fall within the scope of this report	Recording and scope	Scope

GRI Code	Indicator	Explanation	Reference
102-46	Process for determining the content and the specific boundaries of the report and the principles that apply in this area	Materiality matrix	Materiality (stakeholder management)
102-47	Materially important aspects identified during the process for determining the content of the report	In the case of materially important aspects for which the available GRI KPIs are considered insufficient, we have referred to our own KPI. These KPIs are generally reported each quarter and used for management purposes	Stakeholder management
102-48	The consequences of possibly reformulating information that has been provided in an earlier report and the reasons for reformulating that information	We formulated a new strategy in 2021: 'Every drop sustainable by 2030'. The material indicators originate from the materiality analysis carried out in 2020	Our strategy; Stakeholder management
102-49	Significant changes in scope and boundaries compared to previous reporting periods	A new strategy has been formulated for the period 2021 - 2030 in which our ambition is to be fully climate-neutral and the most sustainable drinking water utility in the Netherlands by 2030. Our CO_2 emissions are now classified as a strategic sustainability objective in the new strategy. In view of the sustainability objective, although the KPI does not originate from the materiality analysis, it has still been included in the annual report	Reporting criteria for non- financial information; Our strategy;
102-50	Reporting period to which the published information relates	This report relates to the period from 1 January 2021 to 31 December 2021	Scope
102-51	Date of the most recent previous report	2020 Annual Report, published in May 2021	About this report
102-52	Reporting cycle	Annually	About this report
102-53	Contact information for questions about the report or its contents	communicatie@vitens.nl	About this report
102-54	GRI application level	CORE application level. We have added separate 'More' reports	Reporting criteria for non-financial information
102-55	GRI Content Index	CORE application level.	Reporting criteria for non- financial information and GRI index
102-56	Policy relating to assurance	Corporate governance, scope and reporting criteria for non-financial information	Scope; Assurance report relating to the sustainability information in the 2021 Annual Report
GRI 103: Management approach			
103-1/2/3	Management approach	The materially important aspects are explained in Stakeholder management	The management approach is explained in the value creation model, the connectivity matrix, the glossary and reporting definitions
Material indicators reported by Vitens in accordance with GRI			
Financial health			

GRI Code	Indicator	Explanation	Reference
DMA			Glossary and reporting definitions; Stakeholder management; Value creation model; Connectivity matrix; Value for our shareholders
201-1	Yield generated by a financially healthy company	Explanation of Vitens' key figures	Value for our shareholders, Financial results
SDG 9	Industry, innovation and infrastructure		
Vitens' own material indicators for which no GRI standard exists			
Innovation			
DMA			Glossary and reporting definitions; Stakeholder management; Value creation model; Connectivity matrix; Innovation
In-house KPI	Number of developments resulting from the innovation process implemented within our business operations	Developments related to innovation	Innovation
SDG 9	Industry, innovation and infrastructure	Within the set of GRI indicators, there is no indicator that tracks the number of developments resulting from the innovation process. Vitens has introduced this KPI in order to specifically focus management attention on the number of innovations	Innovation
Committed employees			
DMA			Glossary and reporting definitions; Stakeholder management; Value creation model; Connectivity matrix; Our employees
In-house KPI	Committed employees	Within the set of GRI indicators, there is no indicator that monitors the extent to which employees feel committed to Vitens. We wish to measure this and have introduced the committed employees KPI for that purpose	The commitment of our employees
SDG 8	Decent work and economic growth	Within the set of GRI indicators, there is no indicator that monitors the extent to which employees feel committed to Vitens. We wish to measure this and have introduced the committed employees KPI for that purpose	The commitment of our employees
Cybersecurity			
DMA			Glossary and reporting definitions; Stakeholder management; Value creation model; Connectivity matrix; Cybersecurity

GRI Code	Indicator	Explanation	Reference
In-house KPI	Number of ICT priority 1 (cyber)security incidents Security standard for process automation	Within the set of GRI indicators, there is no indicator that focuses on (cyber)security. In order to report and manage the risk of malicious attacks, Vitens has two KPIs, namely priority 1 (Cyber)security incidents and the Process Automation (PA) security standard. Due to a lack of data availability, the 2021 information is not complete. In 2022, our operations will be assessed against the security standard for process automation (PA standard) to assess the extent to which we meet our duty of care under the Network and Information Systems Security Act (Wet beveiliging van netwerk- en informatiesystemen/Wbni).	(Cyber)security
SDG 9	Industry, innovation and infrastructure	Developments relating to cybersecurity	Cybersecurity
Protection of groundwater resources			
DMA			Glossary and reporting definitions; Stakeholder management; Value creation model; Connectivity matrix; Protection of groundwater sources
In-house KPI	Source pollution index, short-term, long-term (PI)	The GRI indicators do not include an indicator for protection measures. The indicator we have chosen is additional to GRI indicator 303-2. The source pollution index KPI will allow Vitens to focus management attention and action more acutely on the quality of the water sources and work towards a clean water source as the ideal situation	Pollution index
SDG 6	Clean water and sanitation	Clean drinking water	Pollution index
SDG 12	Responsible consumption and production	Total number of clusters	Water scarcity and climate adaptation
Drinking water quality			
DMA			Glossary and reporting definitions; Stakeholder management; Value creation model; Connectivity matrix; Drinking water quality
In-house KPI	Water quality index (WQI)	The GRI indicators do not include an indicator which reflects the quality target in an effective manner. GRI indicators 301, 302, 305 and 301-3 focus on environmental effects and not on quality. GRI indicators 417-1 and 417-2 focus on the provision of information relating to products and therefore do not allow us to describe the aspect in terms of content or quality. The WQI is an externally defined monitoring method which can be used appropriately under the Drinking Water Act and is therefore an excellent indicator for this goal	Drinking water quality

GRI Code	Indicator	Explanation	Reference
SDG 6	Clean water and sanitation	Clean drinking water	Pollution index
Security of the drinking water supply			
DMA			Glossary and reporting definitions; Stakeholder management; Value creation model; Connectivity matrix; Security of the drinking water supply
In-house KPI	Below-target delivery minutes (OLM)	The GRI indicators do not include an indicator which reflects the quality target in an effective manner. GRI indicators 301, 302, 305 and 301-3 focus on environmental effects and not on quality. GRI indicators 417-1 and 417-2 focus on the provision of information relating to products and therefore do not allow us to describe the aspect in terms of content or quality. OLM is an externally defined monitoring method which can be used appropriately under the Drinking Water Act and therefore an excellent indicator for this goal. In order to provide adequate transparency in respect of this indicator, we have also chosen a KPI which allows us to state the most negative/undesirable situation for the organisation	Security of the drinking water supply
SDG 6	Clean water and sanitation	Clean drinking water	Pollution index
Groundwater and climate adaptation			
DMA			Glossary and reporting definitions; Stakeholder management; Value creation model; Connectivity matrix; Water scarcity and climate adaptation
In-house KPI	Number of clusters with a positive 'Operational discrepancy' and Number of clusters with sufficient 'total reserves'	There is no GRI indicator for the availability of groundwater in our water sources. We compensate for this by reporting the number of clusters, which shows that Vitens is committed to a good balance between water demand and the availability of sufficient clean water sources	Water scarcity and climate adaptation
SDG 6	Clean water and sanitation	Clean drinking water	Pollution index
SDG 12	Responsible consumption and production	Total number of clusters	Water scarcity and climate adaptation
SDG 13	Climate action	Actions relating to climate	The world around us
Non-material indicators reported by Vitens in accordance with GRI			
Sustainable energy			
302-1	Energy	Vitens monitors energy consumption and looks for opportunities to generate sustainable energy and thereby reduce greenhouse gases	Energy and climate

GRI Code	Indicator	Explanation	Reference
305-1 & 305-2	Direct greenhouse gas emissions (scope 1 and 2), by weight	Vitens strives to achieve the lowest possible CO_2 footprint. The 2021 annual report includes information for the CO_2 emissions KPI	Energy and climate
SDG 9	Industry, innovation and infrastructure	Innovation related to energy and greenhouse gas emissions	Energy and climate
About our employees			
403-9	Lost Time Injury Frequency (LTIF)	The annual report only states the LTIF, sickness absence and, in the event of their occurrence, work-related fatalities in relation to Vitens' employees in the Netherlands. We measure the ODR, LDR and AR indicators, but do not report them. We can supply this information on request. Because our work is carried out in the Netherlands, reporting statistics in relation to accidents which take place in other countries is not relevant. We do not state the LTIF for subcontractors in the annual report. This issue is however discussed with management. Gender is not taken into account when reporting the LTIF in order to avoid discrimination	Safe work
Customer-focused service			
102-43 & 102-44	Results and conclusions of the customer satisfaction survey	Vitens aims to help customers effectively and quickly. The service level is measured every six months via the Service Satisfaction Index KPI (SSI)	Customer-focused service

Financial results

Key figures

		2021	2020	2019	2018	2017
Customers						
Number of connections as at 31 December (x 1000)	quantity	2,707	2,644	2,622	2,596	2,571
Average drinking water price per m3 small consumers,	€	1.02	1.00	0.96	0.96	1.04
Consumption per small consumer connection	m3	105	110	107	112	109
Staff						
Number of permanent employees as at 31 December	quantity	1,527	1,443	1,394	1,392	1,378
Company results						
Revenue	€ millions	396.1	390.4	364.9	361.0	385.8
Drinking water revenue	€ millions	356.7	353.7	328.8	322.9	351.5
Operating result before depreciation and amortisation (Ebitda)	€ millions	144.9	153.5	137.5	135.9	172.0
Operating result (Ebit)	€ millions	44.6	52.1	41.4	45.3	82.0
Result to be distributed to shareholders of Vitens N.V.	€ millions	19.4	23.9	11.1	13.0	47.7
Profit margin	%	4.9	6.1	3.0	3.6	12.4
Interest coverage	ratio	5.7	5.4	4.5	4.2	5.1
Equity capital	€ millions	600.3	559.2	533.3	533.0	533.7
Total capital	€ millions	1,988.1	1,899.3	1,826.3	1,766.5	1,728.1
Total interest-bearing liabilities	€ millions	1,036.7	996.3	953.7	935.7	920.4
Investments	€ millions	177.1	157.6	143.4	122.0	103.1
Solvency	%	30.2	29.4	29.2	30.2	30.9
Weighted Average Cost of Capital (WACC)	%	2.4	2.9	3.3	3.3	5.0
Intangible and tangible fixed assets per connection	€	705	690	673	658	654
Costs per connection 1						
Operational costs	€	86	78	76	80	76
Taxation	€	3	3	3	4	5
Depreciation	€	36	37	36	35	35
Borrowing costs	€	9	10	11	13	13
Result	€	9	10	5	5	19
Cost of capital	€	18	20	16	18	31
Total costs	€	143	139	131	137	147
Non-financial						
Production and purchase, exclusive of bulk	m3 millions	374.2	388.0	372.4	376.6	359.8
Deliveries to customers	m3 millions	351.3	362.4	349.4	352.3	336.1
Not Invoiced (NI)	%	6.1	6.6	6.2	6.5	6.6
Number of active production facilities	quantity	93	93	93	93	93

1 Calculated in accordance with VEWIN benchmark definitions. The benchmark figures for 2021 are provisional, the final figures will be available in September 2022.

Explanatory notes to the results

Financial policy

Our financial policy, which was adopted by the Meeting of Shareholders of June 2019, complies with legislation and regulations, serves the best interests of our customers and shareholders and aims to set challenging but realistic targets for Vitens. Continuity is a primary focus in our financial policy.

Continuity

The continuity objective is formulated as follows: The solvency ratio is defined as an equity capital of at least 35% of the balance sheet total. In addition, Vitens aims to achieve permanent compliance with the financial ratios set by lenders.

Rates

Vitens strives to offer affordable drinking water rates without compromising the business continuity objective. The guiding principle here is an operating result (ebit) that is budgeted annually based on the maximum permitted WACC (*Weighted Average Cost of Capital*) minus the defined margin at between 0 - 0.5%. The maximum WACC was used in 2021.

Dividend

Vitens wishes to give its shareholders a reasonable return on their invested capital, subject to the following preconditions:

- the dividend is related to the net result;
- the amount of dividend paid out amounts to a maximum of 50% of the net result. Payment of dividend is conditional to achievement of the continuity objective. In principle, no dividend will be paid at a solvency ratio of less than 30%;
- each year, a dividend proposal that complies with the above rules is submitted to the Supervisory Board for approval and to the General Meeting of Shareholders for final adoption. This dividend proposal is structured in line with the company's specific financial situation.

Compliance

In recent years, increasing regulation has been introduced in the drinking water sector in line with public demand for transparency. Transparency relates to openness, accountability and accessibility.

The Drinking Water Act defines important financial frameworks for controlling rates and solvency. For example, a maximum limit applies to the cost of capital that can be charged to customers by the drinking water utilities (rate control) and a maximum has been set for the permissible percentage of equity capital in the total capital (solvency). Every two years, before 1 November, the government sets the levels that will apply for both financial frameworks for the following two calendar years. The Drinking Water Act was amended accordingly in 2021 with both financial frameworks being fixed for a three-year period. For 2020 and 2021, the weighted average cost of capital has been set at 2.75% (2018 and 2019: 3.4%) and the maximum permissible solvency at 70%. In 2021, the actual weighted average cost of capital for Vitens was lower than the established standard. At the end of 2021, solvency was 30.2% (2020: 29.4%).

Rate transparency is a further aspect of rate control. Vitens submitted the 2020 Operating Report in 2021. In December 2021, the Minister informed the Lower House of his positive assessment of the 2020 operating reports and the procedure used to set the drinking water rates for 2021.

In addition, at the end of 2021, Vitens submitted the justification for the 2022 rates to the relevant regulatory authorities: the Inspectorate for Habitat and Transport (ILT) and the Authority for Consumers and Markets (ACM). ILT assesses how the drinking water rates are set.

The drinking water utilities created a voluntary benchmark in 1997 at the instigation of the water sector association, VEWIN. This benchmark compares the performance of the drinking water utilities in the area of the environment, water quality, service provision and finance. The new Drinking Water Act calls for mandatory implementation of this type of performance comparison every three years. In 2021, the benchmark comparison was updated based on the figures for 2020. Brabant Water and Vitens are the water utilities that supply drinking water at the most affordable rate in the Netherlands (€139 per connection, compared to a sector average of €170). In terms of operating expenses, Vitens has reported the lowest costs in the drinking water sector for several years, achieving €78 per connection in 2020 (2019: €76; sector average: €105).

Rates

We are working hard to keep the price of drinking water for our customers at the lowest possible level. Based on our societal mission, we look critically at our operating expenses in relation to performance as a matter of course, and will continue to do so. The increase in our investments (to ensure long-term security of supply) is reflected in an increase in the expected depreciation costs and in the operating expenses. In the light of the 2022 to 2024 multi-year plan, Vitens has increased its prices for drinking water and the standing charges for consumers. In that respect, we have assumed the maximum WACC of 2.95% for 2022.

Investments

In 2021, Vitens invested €177.1 million, excluding third-party contributions (2020: €157.6 million). As in the previous year, the measures and restrictions related to COVID-19 did not cause major delays in the progress of our investment projects. Our water meter replacement programme was the only exception. Working inside our customers' homes was only possible to a limited extent. This led to a sharp drop in the number of meters we exchanged and the associated investments. We will make up this backlog in future years.

As in previous years, Vitens invested heavily in replacement works and expansion of the water supply network in 2021. In 2021, we reconditioned more than 255 kilometres of existing pipes and installed several new main pipes and connection pipes. The lead pipe replacement project (Saneren Loden Leidingen) was also completed in 2021.

Our investments in pipes for reconstruction works (work initiated by municipalities or other third parties) increased again in the past year compared to previous years. In addition, the combined renovation projects, in which Vitens and other network companies simultaneously replace gas and drinking water pipes, will be continued.

We see an increase in the length of transport pipes laid. These pipes are needed to ensure security of supply, or to distribute water optimally. The works for several transport pipe projects started in 2021 and we expect these pipes to go into service in 2022 or 2023.

Multiple projects in the extraction areas and treatment plants were also completed during the past year. Such as the new extraction field in Espelo, the new reservoirs at the Putten and Wageningse Berg locations and process automation adaptation work at various production facilities. In addition, in 2021, we took action to accelerate a number of projects in order to replenish reserves. In these projects, the preparations for new construction or the expansion of a production facility and the permit application and award process are carried out in parallel. This is a deliberate choice, which reflects our desire to shorten the turnaround time in order to bring achievement of our reserves policy forward and thereby ensure security of supply.

For 2022, Vitens expects further growth in both subsurface and surface investments. For example, the new Sijmons production site is expected to be completed in 2022 and we are continuing to work on the major projects in Noardburgum, Hammerflier and Fikkersdries. In 2022, the implementation of SAP will continue to be the most important programme within the ICT portfolio.

Treasury

At the end of 2021, Vitens had a loan portfolio (excluding subordinated loans) worth €995.4 million (2020: €951.7 million). Interest rate swaps (financial instruments) were used for normal trading operations in order to avoid interest rate exposure risks resulting from (major) fluctuations in the interest rate on the variable loan portfolio. These instruments are not used for speculative or trading purposes.

In 2021, Vitens repaid an amount of €69.9 million against existing loans and arranged new loans for an amount of €100 million. The negative current account balance increased by €9.3 million to €41.3 million (2020: €32.0 million). The total interest-bearing liabilities (liquid assets, subordinated loans, outstanding loans and current interest-bearing liabilities) increased by €40.4 million in 2021 to €1,036.7 million (2020: €996.3 million).

Consolidated results

Vitens had to increase its rates slightly in 2021, revenues from drinking water decreased, operating expenses increased, and the financial expenses decreased. The maximum WACC for 2021 was taken as the basis for setting the rates. The result after tax was lower than in 2020 at €19.4 million (2020: €23.9 million).

The price paid by customers (consumers) for drinking water in 2021 (€0.64 per m3 and a standing charge of €42) increased slightly relative to 2020 (€0.62 per m3 and a standing charge of €42). The taxation rates for tap water increased slightly in 2021. A number of municipalities levied sufferance tax on underground pipes. Vitens passes this levy on to its customers in the municipalities in question. In 2017, the Dutch Lower House passed a bill, determining that sufferance tax could no longer be charged from 1 January 2022.

Revenue

The amount of water consumed in 2021 (351.3 million m³) reduced by 3% relative to 2020 (362.4 million m³). Even so, we still see an upward trend in the total consumption of drinking water since 2015. The average consumption per small-consumer connection reduced to 105 m³ in 2021 (2020: 110 m³). The drinking water revenues, despite lower water consumption, were €3.0 million higher (about 1%) at €356.7 million (2020: €353.7 million) mainly due to rate increases.

The volume pumped into the drinking water network in 2021 came in at 374.2 million m³ (2020: 388 million m³). The associated 'Not Invoiced' percentage (NI) was 6.1%, which is lower than the final NI percentage for 2020 (6.6%).

The other revenue in 2021 increased by 8% to €39.4 million (2020: €36.7 million).

Operating expenses

The operating expenses balance for 2021 increased by 4% compared to 2020, rising to €351.5 million (2020: €338.3 million).

The increase in operating expenses is mainly explained by an increase in the costs of outsourced work, agency staff and seconded staff, €8.5 million for the year, and an increase in employee expenses of €6.7 million. On the other hand, decommissioning costs decreased by €1.1 million and other costs by €0.9 million.

Depreciation

Depreciation in 2021 reduced to €100.3 million (2020: €101.4 million). Regular depreciation of property, plant and equipment and intangible assets increased by €2.4 million due to a higher level of investment, see note [22]. In addition to normal depreciation, Vitens also reported €0.3 million for negative fair value changes (2020: €0.1 million positive), €0.3 million (2020: €2.8 million) in divestments, €2.1 million in gains on sales of assets (2020: €0.3 million) and €5.9 million in depreciation on lease assets (2020: €5.2 million). The fair value changes in 2021 (€0.3 million) reflect a revaluation of the company-owned housing.

Operating result

The operating result for 2021 amounts to €44.6 million (2020: €52.1 million).

Financial income and expenses

The financial income and expenses balance reduced in 2021 to €25.4 million (2020: €28.3 million). This was caused by the low market interest rate. Vitens arranged new loans for an amount of €100 million in 2021. The interest rates for 78% (2020: 79%) of the loan capital are fixed for several years. This stabilises the borrowing costs over time and reduces the effect of fluctuations in the market interest rate.

Result to be distributed to shareholders

The net result for distribution to the shareholders of Vitens in 2021 amounted to €19.4 million (2020: €23.9 million).

Equity capital

The equity capital increased in 2021 by €41.1 million to €600.3 million. This is mainly caused by the addition of the result for 2021 (€19.4 million) and by an increase in the hedging reserve due to a positive derivative value change (€21.9 million). On the other hand, equity decreased due to a release from the other reserves (€0.1 million).

The hedging reserve for unrealised adjustments to the fair value of financial instruments as a result of applying *cash flow hedge accounting* reduced in 2021, due to a higher market interest rate, by €21.9 million to a negative value of €60.4 million (2020: €82.3 million).

The solvency (equity capital) as at 31 December 2021 was 30.2% (2020: 29.4%) and therefore lower than the target of 35% as formulated in the financial policy.

After adoption of the proposed profit appropriation at the General Meeting of Shareholders, €19.4 million will be added to the reserves and no dividend will be paid.

Cash flow and financing

The cash flow from operations of €143.8 million (2020: €120.4 million) was not adequate for financing the investment activities (including third-party contributions), which amounted to €167.0 million (2020: €157.8 million). In 2021, an amount of €68.9 million was repaid on existing loans (2020: €50.7 million) and new loans amounting to €100 million were arranged (2020: €70 million). The current account balance increased by €9.3 million to €41.3 million negative at the end of 2021. On balance, the interest-bearing debt (including liquid assets) increased by €40.4 million in 2021 to €1,036,7 million as at 31 December 2021.

Consolidated financial statements

Consolidated balance sheet as at 31 December

Assets

	In millions of euros		31/12/2021		31/12/2020
	Fixed assets				
[1]	Intangible fixed assets	40.5		31.1	
[2]	Property, plant and equipment	1,866.7		1,794.7	
[3]	Assets with right of use	23.5		17.3	
[4]	Associate companies and joint ventures	5.9		5.7	
[5]	Other financial assets	0.2		0.2	
			1,936.8		1,849.0
	Current assets				
[6]	Trade debtors and other receivables	51.3		50.3	
			51.3		50.3
	Total assets		**1,988.1**		**1,899.3**

Equity and liabilities

	In millions of euros		31/12/2021		31/12/2020
[7]	**Equity capital**				
	Shareholders' capital	5.8		5.8	
	Share premium reserve	147.2		147.2	
	Hedging reserve	-60.4		-82.3	
	Other reserves	488.3		464.6	
	Result for the financial year	19.4		23.9	
			600.3		559.2
	Liabilities				
	Long-term liabilities				
[8]	Equalisation account - contributions received from third parties	124.4		111.4	
[9]	Subordinated loans	-		-	
[10]	Long-term loans	939.1		895.4	
[11]	Derivatives	48.5		47.7	
[12]	Provisions for employee benefits	1.0		1.3	
[13]	Other provisions	0.5		1.0	
[14]	Lease commitments	15.1		10.3	
			1,128.6		1,067.1
[15]	**Current liabilities**				
	Trade creditors and other payables	158.1		184.7	
	Tax liabilities	15.2		16.0	
	Interest-bearing liabilities	41.3		32.0	
	Short-term employee benefits	35.2		33.9	
	Accrued expenses and deferred income	9.4		6.4	
			259.2		273.0
	Total liabilities		**1,988.1**		**1,899.3**

Notes in the left-hand margin of tables relate to the explanatory note to the consolidated balance sheet and following.

Consolidated statement of profit and loss and summary of the total result

Consolidated statement of profit and loss

	In millions of euros		2021		2020
[17]	Drinking water revenue	356.7		353.7	
[18]	Other revenue	39.4		36.7	
	Total operating income from ongoing operating activities		**396.1**		**390.4**
	Operating expenses				
[19]	Work contracted out and temporary staff	-56.8		-48.3	
	Groundwater taxes and levies	-5.2		-5.4	
[20]	Other expenses	-93.7		-94.4	
[21]	Employee expenses	-95.5		-88.8	
[22]	Depreciation, fair value changes and impairment of tangible and intangible fixed assets	-100.3		-101.4	
	Total operating expenses		**-351.5**		**-338.3**
	Operating result		**44.6**		**52.1**
[23]	Financial income and expenses	-25.4		-28.3	
[24]	Share in the result of associate companies and joint ventures	0.2		0.1	
			-25.2		-28.2
	Result before tax		**19.4**		**23.9**
[25]	Taxation		-		-
	Result after tax		**19.4**		**23.9**
	Of which:				
	Result to be distributed to shareholders of Vitens		19.4		23.9

Consolidated summary of the total result

In millions of euros	2021	2020
Result after tax	19.4	23.9
Change in interest-rate derivatives offering effective coverage	21.9	-0.1
Total result	**41.3**	**23.8**
Of which:		
Result to be distributed to shareholders of Vitens	41.3	23.8

We do not expect future changes in interest-rate derivatives offering effective coverage to be reclassified and reported in the statement of profit and loss. Notes in the left-hand margin of tables relate to the corresponding explanatory note to the consolidated statement of profit and loss and further.

Consolidated cash flow statement

	In millions of euros		2021		2020
	Result after tax		19.4		23.9
	Adjustments for:				
[23]	Financial expenses	25.4		28.3	
[22]	Depreciation, fair value changes and impairment of property, plant and equipment	91.1		91.8	
[22]	Depreciation, fair value changes and impairment of intangible fixed assets	5.7		5.5	
[8]	Equalisation account amortisation - contributions received from third parties	-4.3		-3.7	
[8]	Receipts, equalisation account - contributions received from third parties	17.9		18.6	
[3]	Depreciation on lease assets	5.9		5.2	
[12.13]	Addition to provisions	0.4		-0.3	
[4]	Other changes in financial fixed assets	-0.2		-0.1	
			141.9		145.3
	Changes in working capital:				
[6]	Trade debtors and other receivables	-1.0		-7.2	
	Trade creditors, accrued expenses and deferred income	13.8		-7.7	
			12.8		-14.9
[12.13]	Withdrawals from provisions		-2.7		-5.0
[26]	**Cash flow from operating activities**		**171.4**		**149.3**
	Interest paid		-27.6		-28.9
	Cash flow from operating activities		**143.8**		**120.4**
[1,2,22]	Investments in tangible and intangible fixed assets	-170.1		-158.3	
[2.22]	Divestments	3.1		0.5	
[26]	**Cash flow from investment activities**		**-167.0**		**-157.8**
[10]	Long-term loans drawn down	100.0		70.0	
[10]	Repayment against long-term loans	-56.3		-38.1	
[9]	Repayment against subordinated loans	-12.6		-12.6	
[3]	Repayment against lease commitments	-5.2		-5.1	
[4]	Repayments received against loans	-		-0.1	
[7]	Repayments relating to derivatives	-12.0		-	
[26]	**Cash flow from financing activities**		**13.9**		**14.1**
	Net cash flow		**-9.3**		**-23.3**
	Liquid assets and current interest-bearing liabilities as at 1 January		-32.0		-8.7
	Liquid assets and current interest-bearing liabilities as at 31 December		-41.3		-32.0
	Change in liquid assets and current interest-bearing liabilities		**-9.3**		**-23.3**

Consolidated statement of changes in equity capital

In millions of euros	Share capital	Share premium reserve, ordinary capital	Hedging reserve 1	Other reserves 1	Result for the financial year	**Equity capital attributable to shareholders of Vitens**
As at 1 January 2020	**5.8**	**147.2**	**-82.2**	**451.4**	**11.1**	**533.3**
Result for financial year 2020	-	-	-	-	23.9	23.9
Other comprehensive income in 2020	-	-	-0.1	-	-	-0.1
Total result in 2020	-	-	-0.1	-	23.9	23.8
Appropriation of 2019 result	-	-	-	11.1	-11.1	-
Dividend payment on ordinary shares	-	-	-	-	-	-
As at 31 December 2020	**5.8**	**147.2**	**-82.3**	**462.5**	**23.9**	**557.1**
Change in other reserves	-	-	-	2.1	-	2.1
As at 31 December 2020	**5.8**	**147.2**	**-82.3**	**464.6**	**23.9**	**559.2**
Result for financial year 2021	-	-	-	-	19.4	19.4
Other comprehensive income in 2021	-	-	21.9	-	-	21.9
Total result in 2021	-	-	21.9	-	19.4	41.3
Appropriation of 2020 result	-	-	-	23.9	-23.9	-
Release from other reserves	-	-	-	-0.1	-	-0.1
Dividend payment on ordinary shares	-	-	-	-	-	-
As at 31 December 2021	**5.8**	**147.2**	**-60.4**	**488.3**	**19.4**	**600.3**

1 The balance of the hedging reserve and the other reserves is freely distributable. The other reserves relate to a reserve resulting from cumulative retained profit. The effect of the change in accounting convention (€2.1 million) has been recognised in the other reserves (retrospectively).

Explanatory notes to the consolidated financial statements

General

Vitens is a public limited company that is registered in Zwolle (Chamber of Commerce 050.69.581), with its office at the following address: Oude Veerweg 1, 8019 BE Zwolle. The shares in the company are owned by municipalities and provincial authorities in its supply area. The main activities of Vitens are pumping up and purifying groundwater and subsequent distribution of service water as drinking water. These 2021 financial statements were signed on 15 March 2022 by the Executive Board and the Supervisory Board. The Supervisory Board will present the financial statements for the purpose of adoption to the General Meeting of Shareholders on 22 April 2022.

IFRS

The financial statements of Vitens have been drawn up based on the International Financial Reporting Standards (IFRS), as adopted by the European Union (EU). IFRS includes both the IFRS standards and the International Accounting Standards (IAS), which are issued by the International Accounting Standards Board (IASB) and the interpretations of IFRS and IAS standards as issued by the International Financial Reporting Interpretations Committee (IFRIC), or the Standing Interpretations Committee (SIC).

The main principles for valuation and result determination used when drawing up the consolidated financial statements are described in the sections below. The historical cost convention applies. Notwithstanding this, certain assets and liabilities, in particular company-owned housing and derivatives, are recognised at fair value. Unless stated otherwise, these valuation principles have been consistently used for all financial years that are included in these financial statements. The financial statements are presented in millions of euros (functional currency that is also used for reporting purposes) and rounded to the nearest whole number.

New and amended IFRS standards

As no changes that have a material impact on Vitens have been made to the IFRS standards, explanations relating to any such changes have been omitted.

Principles used for consolidation

The consolidated financial statements present the financial information for Vitens and the group companies in which Vitens has direct or indirect influence on the business and financial policies. The assets, liabilities and results of these group companies are fully accounted for in the consolidated accounts. In cases where the holding in the consolidated company amounts to less than 100%, a third-party share is included in the equity capital and in the result. The results of the group companies that were acquired or sold during the year are included in the consolidated statement of profit and loss from the date of joining the group, respectively up to the date of sale. The same principles as those that apply to Vitens are used to determine the balance sheet and result of the group companies. The same financial year is also used. Interests in associate companies and joint ventures are not included in the consolidation.

Intercompany transactions, balance sheet entries and unrealised profits on transactions between group companies have been eliminated.

Comparison with the previous financial year

The comparative figures for financial year 2020 have been amended. In respect of our office buildings - given the nature of our business, the importance of greater predictability (WACC) and the fact that valuation based on historical cost is usual in the drinking water sector - we have switched from the fair value method to valuation at historical cost. The change in accounting convention has been implemented with retroactive effect (IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'). The amendments are included in a restatement of the equity capital at the end of the previous financial year on the basis of the changed accounting conventions. The difference between the equity capital at the end of the previous financial year before and after restatement (the cumulative effect) has been accounted for as a direct change in equity capital.

As a result, in the 2020 figures, property, plant and equipment (tangible fixed assets) increased by €2.1 million on the one hand, and equity capital by €2.1 million on the other hand. Further explanation and the accounting details are provided under the consolidated statement of changes in equity capital: see property, plant and equipment (note 2) and equity capital (note 7).

Accounting conventions for valuation and result determination

The accounting conventions and method for determining the result are unchanged compared to the previous financial year, but do take into account amendments to standards and interpretations with effect from 1 January 2021.

Intangible fixed assets

The intangible fixed assets item does not relate to internally generated intangible fixed assets and is subdivided into the following categories:

- software, development costs and licences;
- work in progress.

The investments in software, development costs and licences during the financial year are valued at the acquisition price. The acquisition price is understood to be the procurement price, which is either the manufacturing price, or valuation at fair value in the case of companies that have been acquired. The cost price of intangible assets made by the company consists of the direct costs of manufacture and supplements for indirect production costs. The costs of intangible assets made by the company, which are in the development phase, are recognised on the balance sheet as assets and the costs relating to the research phase are recognised in the statement of profit and loss.

Intangible fixed assets are depreciated based on the straight-line method, taking into account the expected useful life, if the useful life can be determined. An intangible asset is not depreciated if a useful life cannot be determined for it. An impairment assessment will be made each year for intangible fixed assets without a specified useful life and which have not yet been put into operation. Depreciation starts from the time when the asset in question is put into operation.

The useful lives of intangible assets are as follows:

- software, development costs and licences 3 - 7 years;
- work in progress is not depreciated;

Property, plant and equipment

The property, plant and equipment (tangible fixed assets) are categorised as follows:

- production buildings, outbuildings and equipment on sites and land;
- office buildings;

- company-owned housing;
- plant and machinery;
- pipes;
- other fixtures, fittings, tools and equipment;
- work in progress;
- raw materials and process additives (stocks).

Company buildings and grounds, offices, plant and machinery, pipes and other fixtures, fittings, tools and equipment are valued at the procurement price or manufacturing price. When first-time adoption of IFRS was implemented, the assets were valued based on fair value. This fair value was assumed at *deemed cost*, subject to further annual depreciation.

Company-owned housing comprises residential properties situated in the water extraction areas of Vitens and let at market rental rates to (former) Vitens employees. Vitens categorises these properties as property, plant and equipment in accordance with IAS 16, values them at their fair value and recognises any changes in equity capital (revaluation reserve). The fair value is based on the last assessment under the Valuation of Immovable Property Act (WOZ) and other factors. A revaluation reserve is accrued for unrealised changes in value.

Investments made during the financial year are valued at the acquisition price less any subsidies and other contributions that have been obtained. The acquisition price is understood to be the procurement price, which is either the manufacturing price, or valuation at fair value in the case of companies that have been acquired. The cost price of assets made by the company consists of the direct costs of manufacture and supplements for indirect production costs.

The costs incurred for at least one reporting period, for the manufacture or acquisition of an item of property, plant and equipment, or from the time when it is put into use, are only capitalised if it is plausible that these costs will generate future economic benefits, if the item is retained under the company's economic ownership, and if these costs can be reliably determined. Depending on the situation, these investments are included in the carrying value of the relevant assets or are capitalised separately. The carrying value of the original asset is treated as a divestment upon replacement.

Tangible fixed assets are depreciated based on the straight-line method, taking into account the expected useful life of the different components that make up the asset in question. Depreciation starts from the time when the asset in question is put into operation.

The other plant and machinery item also includes membranes and water meters.

The useful lives of the items in the different asset categories are as follows:

- operational buildings 40 years, outbuildings and equipment in the grounds 15 years; the grounds themselves (land) are not depreciated;
- office buildings and company-owned housing 40 years;
- production facilities, civil engineering 40 years, electrical engineering and mechanical engineering 15 years;
- other plant and machinery 5 -15 years;
- pipes: main pipes 50 years and connection pipes 33 1/3 years;
- other fixtures, fittings, tools and equipment 3 - 5 years;
- work in progress is not depreciated;
- raw materials and process additives (stocks) are not depreciated.

The expected useful life, residual value and depreciation methods are assessed each year and amended if necessary. Profit or loss at the time of sale or disposal is determined based on the proceeds and the carrying value on that date.

Borrowing costs are allocated to projects under construction in accordance with IAS 23. Borrowing costs are allocated to projects with an expected turnaround time exceeding 12 months and an expected investment amount greater than €1 million. The borrowing costs are allocated based on the weighted average interest rate that applies to the interest-bearing loans (2021: 2.6%; 2020: 3.0%).

Stocks are valued at historic cost (or the realisable value if lower), subject to deduction of a provision for obsolescence.

Impairment of fixed assets

If circumstances require, analysis takes place to determine whether impairment of tangible fixed assets (plant, property and equipment) is required. If there are indications for this, an estimate is made of the realisable value of these assets. In the case of assets, the realisable value is the higher of two valuations: the fair value minus sales costs, or the value-in-use. The value-in-use is determined based on the present discounted value of the estimated future cash flows.

The impairment loss is accounted for as an expense in the profit and loss account and specified in note [22] relating to depreciation. After processing an impairment loss, the annual amount of depreciation is amended in line with the revised carrying amount minus the residual value.

If the impairment amount exceeds the carrying amount for the asset, consideration must be given to creating a liabilities-based provision.

Assets with right of use

Assets with a right of use are valued at cost. This cost comprises the amount of the initial valuation of the discounted lease liability and the initial direct costs incurred less depreciation during the financial year.

After initial recognition, the asset with a right of use must be depreciated over the useful life of the underlying asset. The depreciation schedule that applies to assets with a right of use is determined based on the term of the contract.

When determining the lease commitments and rights of use as at 1 January 2021, the WACC percentage for 2021 (2.75%) was taken as the discount rate for calculating the present value of the lease commitments, with the exception of the lease commitments with defined interest rates.

Associate companies and joint ventures

Associate companies are entities where Vitens, either directly or indirectly, exercises influence on the financial and operational policies but does not have a final say when taking decisions. In general, this applies in cases where Vitens can exercise voting rights of between 20% and 50%. Associate companies are valued at cost price at the time of acquisition (which is the fair value) and, from that time on, changes in the value of the associate companies are accounted for directly in the profit and loss account (equity method).

Joint ventures are contracts where Vitens, together with one or more parties, performs activities subject to joint control of all the parties. Investments in associate companies on which Vitens exercises significant influence, and interests in joint ventures, are valued according to the equity method. The carrying value of the associate company or of the joint venture includes the goodwill that was paid at the time of acquisition and the share of Vitens in the changes in the equity capital of the associate companies, or joint venture, after the date of acquisition.

Other financial assets

The other financial assets relate to loans that have been issued and receivables that have been valued at the amortised cost price minus any impairment losses.

Derivatives

Derivatives (financial instruments) are used during normal trading operations to limit interest rate exposure risks. The objective of this form of control is to limit the effect that changes in interest rates have on the results. Interest-rate derivatives are used to manage the loan portfolio based on the desired risk profile and are not used for speculative or trading purposes. These interest rate derivatives are valued at fair value from the time when the contract is entered into (*trade date*). The fair value is determined based on developments in the market interest rate and the defined interest rate for the underlying derivative. Changes in the fair value of derivatives are recognised in the profit and loss account as standard. The interest-rate derivatives that have been contractually agreed are referred to as hedge instruments.

Vitens applies the following valuation hierarchy:

- level 1: quoted (unadjusted) prices on active markets for identical assets or liabilities;
- level 2: other methods where all variables have a significant effect on the recognised fair value, and are directly or indirectly observable;
- level 3: methods where variables are used that have a significant effect on the fair value measurement, but which are not based on observable market information.

The derivatives are valued according to the level-2 method in the valuation hierarchy: i.e. variables that have a significant effect on the fair value measurement are directly or indirectly observable. Vitens applies a net present discounted value calculation that takes credit risk into account. The following are relevant variables that apply to the valuation of derivatives: (i) present discounted values of interest payments; and (ii) forecast yield curves.

The use of interest-rate derivatives results in a fixed *cash outflow*. Vitens pays a fixed interest rate on the derivative, whereas the short-term interest paid on rollover loans is paid from the short-term interest receipts on the derivative. A hedge is considered to be effective from the start and during the term of the hedge relationship. Changes in the cash flows for the hedged item are expected to be almost completely covered by changes in the cash flows from the hedge instrument. If this is the case, the fluctuations in the fair value of the derivatives are accounted for as debit/credit transactions against the coverage reserve (equity capital). This is known as hedge accounting. If the derivative no longer qualifies as a hedge instrument, the fluctuations in the fair value are accounted for as debit/credit entries in the profit and loss account.

Impairment of financial fixed assets

In the case of financial instruments, the company determines whether there are objective indications for impairment of a financial asset or group of financial assets as at the date of each balance sheet. If objective reasons for impairment exist, the company determines the degree of impairment loss and accounts for this loss directly in the profit and loss account.

In the case of financial assets that are valued at amortised cost price, the degree of impairment is calculated as the difference between the carrying amount of the assets and the best possible estimate of the future cash flows, expressed as the discounted value using the effective interest rate for the financial assets as determined when the instrument was first recognised. The impairment loss that was recorded for this must be corrected if the reduction in impairment is associated with an objective event after writing-down. The recovery is limited to no more than the amount that would be required to value the asset at the amortised cost price at the time of recovery, if no value impairment had been involved. The correction made to the loss is recognised in the profit and loss account.

Valuations at fair value

Vitens applies the following valuation hierarchy for determining the fair value:

- level 1: quoted (unadjusted) prices on active markets for identical assets or liabilities;
- level 2: other methods where all variables have a significant effect on the recognised fair value, and are directly or indirectly observable;
- level 3: methods where variables are used that have a significant effect on the fair value measurement, but which are not based on observable market information.

The table below details the financial assets and liabilities that are valued at fair value. For details of how the fair value is determined , see the explanatory note to the accounting convention for 'property, plant and equipment'. For an explanation relating to derivatives that are valued at fair value, please refer to the explanatory note on the accounting convention for 'Derivatives'.

Valuations at fair value as at 31/12/2021	Level 1	Level 2	Level 3	**Total**
In millions of euros				
Assets				
Company-owned housing	-	-	4.4	4.4
Total assets	**-**	**-**	**4.4**	**4.4**
Equity and liabilities				
Derivatives	-	48.5	-	48.5
Total liabilities	**-**	**48.5**	**-**	**48.5**

Valuations at fair value as at 31/12/2020	Level 1	Level 2	Level 3	**Total**
In millions of euros				
Assets				
Company-owned housing	-	-	5.3	5.3
Total assets	**-**	**-**	**5.3**	**5.3**
Equity and liabilities				
Derivatives	-	82.3	-	82.3
Total liabilities	**-**	**82.3**	**-**	**82.3**

Trade debtors and other receivables

Trade debtors and other receivables are valued at amortised cost price subject to deduction of a value correction for possible bad debts. Netting and presentation of trade debtors and other receivables, and advances from water consumers are based on billing groups: a customer grouping based on time-staggered submission of meter readings for determining the billable water consumption. Trade debtors and other receivables are no longer included when payment has been received, or bad debt has been established.

Liquid assets

The liquid assets item relates to bank credit balances and cash in hand and is valued at amortised cost, which is equivalent to the nominal value. Debts owed to banks are accounted for under interest-bearing liabilities.

Equalisation account - contributions received from third parties

The equalisation account for contributions received from third parties is valued in accordance with IFRS 15 as the amount received from third parties when laying connection pipes minus amortisation. Equalisation account amortisation takes place over a period of 33 1/3 years and is seen as equivalent to the depreciation period for investments in connection pipes. The annual amortisation is accounted for under other revenue. The current component of the equalisation account contributions received from third parties is recognised under the current liabilities.

Interest-bearing liabilities

The interest-bearing liabilities are valued at fair value after deduction of transaction costs at the time of drawing down. They are valued subsequently at the amortised cost price using the effective interest method. Repayment obligations relating to long-term liabilities that fall due within a period of one year are presented under the current liabilities.

Provisions for employee benefits

The reorganisation provision was created to cover liabilities resulting from the social plan. The costs ensuing from the social plan are largely attributable to the expenses associated with finding new positions for employees who are surplus to requirements. The calculation is based on the number of employees surplus to requirements, the total wage costs, a realistic estimate of the (average) age and the expected period required for guidance and coordination.

The anniversary provision has been created for future anniversaries and calculated in accordance with actuarial principles. The 2015 period life table for men and women, future staff turnover and salary increases have been taken into account in this respect.

The provisions for employee benefits have been converted to discounted value at a nominal interest rate of 2.6% (2020: 3.0%). The current component of the employee benefits provision is accounted for under the current liabilities.

Other provisions

The stated provisions are created if:

- a legally enforceable and/or actual liability exists as at the balance sheet date, which ensues from events before the balance sheet date;
- it is reasonable to expect that settling the liability will require an outflow of financial resources;
- the size of the liability can be estimated reliably;
- the provisions are valued at the nominal value of the projected expenditure that will be required, unless the time value of money has a significant effect. In the latter case, the provision is valued at the discounted value;
- the current component of the other provisions is recognised under the current liabilities.

Lease commitments

When determining the lease commitments and rights of use as at 1 January 2021, the WACC percentage for 2021 (2.75%) was taken as the discount rate for calculating the present value of the lease commitments, with the exception of the lease commitments with defined interest rates.

Subsequent to initial recognition, the lease commitments are measured by increasing the carrying amount to reflect interest on the lease commitment and decreasing the carrying amount to reflect lease payments made.

Collective schemes

Vitens operates a Pension and Flexible Early Retirement scheme (Pensioen- en Flexibele Uittredingsregeling) for existing and former employees. The pensions are administered by Stichting Pensioenfonds ABP and the Flexible Early Retirement scheme by Stichting Flexibel Uittreden Nutsbedrijven, which is indirectly administered by Pensioenfonds ABP. These are collective schemes in which multiple employers participate and are essentially defined-benefit pension schemes where the amount of pension is based on the length of service and average salary enjoyed by the employee during the period of employment.

The pension schemes comply with the definition of *'multi-employer funds'*. IAS 19 requires certain information relating to defined-benefit schemes to be explained in the financial statements. In particular, the balance of the assets and liabilities associated with the scheme must be shown in the balance sheet as a receivable or payable. Both pension funds have indicated that they are unable to provide the information that is required in relation to defined-benefit pension schemes to the participating businesses. Therefore, both schemes are handled as defined-contribution schemes and the pension premiums owed for the financial year are recognised as pension expenses in the profit and loss account. The expected pension expenses for 2022 amount to €14.0 million (2021: €13.1 million actual).

ABP's 12-month average funding ratio as at 31 December 2021 was 102.8% (31 December 2020: 87.6%). Pensions were not increased as of January 1. ABP's financial situation, within the rules governing the current pension system, did not permit indexation of the pensions. The total premium for the retirement and surviving dependants pension via ABP will amount to 25.9% as at 1 January 2022 (2021: 25.9%).

Current liabilities

The current liabilities are valued at the amortised cost price. A current liability is included in the balance sheet as soon as Vitens becomes a contract partner and/or a concrete service has been provided, or goods have been delivered.

Lease and rental contracts

Vitens has entered into lease and rental contracts for the vehicle fleet and the rental of various premises and company buildings.
The lease and rental agreements have been recognised in accordance with IFRS 16.

Drinking water revenue

The drinking water revenue consists of the standing charge (fixed fee) and the charge for delivering drinking water. The revenue from drinking water is recognised based on the total amount of water delivered to third parties. The revenue data is obtained via meter readings at customers' premises and, in respect of the amount that has not yet been finally invoiced, via estimates based on historical statistics. The turnover tax and levy on tap water charged based on the drinking water revenue are not included in the revenue figure. The drinking water revenue is recognised at the time when the benefits of ownership have transferred to the buyer.

Other revenue

The other revenue section is used to recognise revenues that are not directly related to the core activities. The other revenue includes the following items (among others):

- Revenues from home relocations/new connections and debt collection. In the case of home relocations/new connections, Vitens charges an amount to cover the associated administrative activities;
- The revenues from fire hydrants relate to a one-off contribution and an annual payment for maintenance.
- The revenues from work for third parties relate to various activities that Vitens performs for third parties;
- The revenues from rental and leasehold contracts relate to leases and rent income from office buildings and company-owned housing (present on land where production facilities are sited or where extraction takes place). This entry also includes revenues from land leasehold contracts;
- 'Hitch-hiking' payments are made primarily by municipalities for the inclusion of their water pollution levies/home occupant-based cost allocation and sewerage levies on the invoice sent by Vitens;
- The revenues from analyses and consultancy relate to analyses performed in Vitens' laboratory on behalf of third parties.
- The revenues from services provided to third parties relate to front-office and back-office work carried out for a different drinking water utility and service provision to VEI B.V.;
- The amortisation on contributions from third parties relates to customer contributions for laying connection pipes. The equalisation account is amortised over 33 1/3 years;
- The revenues from standpipe rental relate to renting standpipes to third parties.
- The revenues from by-products and residual materials relate to sales of the residual materials that are generated during the water treatment process;
- The activities associated with other revenues are recognised as revenue insofar as delivery of goods and services has taken place and insofar as the contractual obligations have been fulfilled.

Work contracted out and temporary staff

These are the costs incurred by Vitens for its operations and relate to work that is contracted out and the costs of hiring temporary staff from third parties. These costs are allocated to the period to which they relate.

Groundwater taxes and levies

These are the costs incurred by Vitens for its operations and relate to taxes and levies associated with extracting groundwater. These costs are allocated to the period to which they relate.

Other expenses

These are costs incurred by Vitens for its operations and consist (among other things) of raw materials and process additives, electricity, vehicle costs, IT costs, facility costs and other costs. These costs are allocated to the period to which they relate.

Capitalised own-account production

Direct employee expenses and indirect other costs are incurred for manufacturing/creating tangible and intangible fixed assets which relate to the infrastructure activities of the business within the framework of Vitens' capitalised own-account production. This capitalised production is deducted from the employee expenses, outsourced work, agency and seconded staff and the other costs.

Financial income

The financial income consists of interest income, i.e. loans, calculated based on the effective interest method. This income is allocated to the period to which it relates. In addition, the financial income consists of the allocation of borrowing costs to projects under construction in accordance with IAS 23.

Financial expenses

The borrowing costs relate to interest-bearing liabilities, calculated based on the effective interest method and are allocated to the period to which they relate. The interest-bearing liabilities include fixed interest loans, subordinated loans, rollover loans, interest-rate derivatives and current-account overdraft facilities. In addition, they include a release of the difference between the fair value and nominal value of the loan portfolio of parties that have been acquired, costs associated with unwinding provisions and other financing costs such as commitment fees, guarantees and bank charges.

Share in the result of associate companies and joint ventures

This relates to the result of associate companies and joint ventures.

Taxation

From 1 January 2016, publicly owned Dutch legal persons are liable to pay corporate income tax. Based on this legislation, public limited companies such as Vitens are considered to use their entire capital in order to run a business. Activities performed by Vitens under the Drinking Water Act, such as supplying drinking water, are exempted from corporate income tax.

Suppositions, estimates and assumptions in the financial statements

When drawing up a set of annual financial statements, use is made of assumptions, suppositions and estimates based on historical data and factors that are considered acceptable by management in view of the specific circumstances. These assumptions, suppositions and estimates affect the valuation and presentation of the reported assets and liabilities, and the result achieved during the financial year. The actual figures may differ from the estimates and suppositions that have been used. These items are examined in detail below.

Provisions for employee benefits

The stated provisions have been determined based on suppositions relating to future trends in the area of salaries, social legislation, staff turnover and statistically substantiated assumptions relating to life expectancy. This set of assumptions, together with the discount rates that have been used, has a major effect on the valuation of the provisions and the results.

Other provisions

The other provisions relate to possible compensation for drought damage in extraction areas around a number of production facilities, provision for possible incorrect calculation of the standing charges invoiced to some of our customers, a number of legal disputes and the current lease/rental commitments. The provisions have been determined based on management's best estimate of the amounts at which these liabilities can be settled.

Valuation of intangible fixed assets and property, plant and equipment

When determining the carrying value for intangible fixed assets and property, plant and equipment, use has been made of estimated depreciation periods: these are based on expectations relating to the technical and economic useful life of the underlying assets. The useful life of the assets may change due to future changes in the area of technological development, or in the use of the assets, which may then result in impairment losses. An increase/decrease of 10% relative to the amount of depreciation (depreciation percentages) results in higher/lower depreciation of approximately €10 million.

If circumstances require, analysis takes place to determine whether impairment of intangible fixed assets and property, plant and equipment is required. If there are indications for this, an estimate is made of the realisable value of these assets. In the case of assets, the realisable value is the higher of two valuations: the fair value minus sales costs, or the value-in-use. The value-in-use is determined based on the present discounted value of the estimated future cash flows. An increase/decrease in the intangible fixed assets and property, plant and equipment of 1% results in a revaluation/devaluation of approximately €19.0 million in relation to these items.

Debtors

Vitens periodically assesses the recoverability of receivables based on historical data relating to past payment behaviour. Possible devaluations are deducted from the debtor balance. Vitens applies the following bad debt provision percentages in relation to its internal and external outstanding accounts receivable for water (which have been transferred to a collection agency):

Age category	% debtors being processed internally at Vitens	% debtors transferred to collection agency
- outstanding trade debtors 0 - 30 days	1%	30%
- outstanding trade debtors 31 - 60 days	1%	31%
- outstanding trade debtors 61 - 90 days	3%	31%
- outstanding trade debtors 91 - 180 days	9%	36%
- outstanding trade debtors 181 - 365 days	43%	49%
outstanding trade debtors > 365 days	100%	65%

The provision for non-water-related amounts is statically determined. At the end of each year, Vitens assesses the recoverability/non-recoverability of the outstanding debtor balance based on the individual cases.

Fair value measurement in relation to financial instruments

Derivative financial instruments are recognised at fair value in the balance sheet. In the case of other financial instruments, including drawn-down and issued loans, the fair value is indicated in the explanatory notes to the financial statements.

Revenue recognition

Recognition of the drinking water revenues is based on the total amount of water delivered to third parties (taxation on tap water is not counted as revenue). Vitens applies a system for determining revenue where the actual recorded consumption is allocated to months/years in the following three-step process:

1. The actual invoiced quantities, expressed as m3/revenue. The actual invoiced m3/revenue is allocated to the calendar years for each customer. In 2021, 45.1% of the deliveries to customers were invoiced.
2. The quantities still to be invoiced, expressed as m3/revenue up to and including the end of the calendar year (annual forecast). In relation to the period during the financial year for which customers have not yet received a final settlement, an estimate is made based on historical meter readings in relation to current drinking water delivery. A higher/lower estimate of the revenue still to be invoiced of 1% results in a higher/lower net revenue of approximately €1.2 million. Note [29] includes a detailed explanation with regard to recognition of accrued balance sheet revenue items from previous years and the actual 'Not Invoiced' (NI) amount as a percentage.
3. Total reconciliation check between customer information in SAP IS-U and drinking water delivery figures. The customer data is compared to the water balances (production facility delivery figures) as a reconciliation check. Movements are analysed, as is the trend in NI.

Accounting conventions for the cash flow statement

The cash flow statement has been drawn up according to the indirect method where the result after tax according to the statement of profit and loss is used to infer the movement in cash and cash equivalents. When used in the cash flow statement, the term 'cash and cash equivalents' refers to the interest-bearing liabilities shown on the balance sheet.

Explanatory notes to the consolidated balance sheet

[1] Intangible fixed assets

In millions of euros	Software, development costs and licences	Work in progress	Total
Balance as at 01 January 2020			
Acquisition value	100.8	6.9	107.7
Cumulative depreciation, impairment and fair value changes	-89.3	-	-89.3
Carrying value as at 1 January 2020	**11.5**	**6.9**	**18.4**
Changes during 2020			
Investments	-	14.0	14.0
Transfer to property, plant and equipment	-0.6	4.8	4.2
Work in progress put into service	3.8	-3.8	-
Divestments	-	-1.6	-1.6
Depreciation	-3.9	-	-3.9
Divestment based on cumulative acquisition value	-42.7	-	-42.7
Cumulative depreciation, impairment and fair value changes	42.7	-	42.7
Total	**-0.7**	**13.4**	**12.7**
Balance as at 31 December 2020			
Acquisition value	61.2	20.3	81.5
Cumulative depreciation, impairment and fair value changes	-50.4	-	-50.4
Carrying value as at 31 December 2020	**10.8**	**20.3**	**31.1**
Changes during 2021			
Investments	-	11.0	11.0
Transfer, acquisition value of property, plant and equipment	-	4.1	4.1
Work in progress put into service	20.1	-20.1	-
Divestments	-	-	-
Depreciation	-5.7	-	-5.7
Transfer of cumulative acquisition value	-2.5	-	-2.5
Transfer of depreciation, impairment and fair value changes	2.5	-	2.5
Total	**14.4**	**-5.0**	**9.4**
Balance as at 31 December 2021			
Acquisition value	78.8	15.2	94.0
Cumulative depreciation, impairment and fair value changes	-53.6	-	-53.6
Carrying value as at 31 December 2021	**25.3**	**15.2**	**40.5**

The 2021 investments in intangible assets relate to software purchases, development costs and licenses. In 2021, €4.1 million associated with software, development costs and licenses was transferred from work in progress recognised in property, plant and equipment (tangible fixed assets) to work in progress recognised in intangible fixed assets.

[2] Property, plant and equipment

In millions of euros	Production buildings and land	Office buildings	Company-owned housing	Plant and equipment	Pipes	Other fixtures, fittings, tools and equipment	Work in progress	Total
Balance as at 1 January 2020								
Acquisition value	598.2	26.2	7.3	665.8	2,493.7	75.9	78.3	3,945.4
Cumulative depreciation, impairment and fair value changes	-304.7	-8.7	-2.0	-531.6	-1,286.9	-70.0	-	-2,203.9
Carrying value as at 1 January 2020	**293.5**	**17.5**	**5.3**	**134.2**	**1,206.8**	**5.9**	**78.3**	**1,741.5**
Changes during 2020								
Fair value changes	-	0.1	-	-	-	-	-	0.1
Investments	1.6	-	-	0.2	81.1	-	60.7	143.6
Work in progress put into service	20.5	-	-	40.0	16.4	1.9	-78.8	-
Transfer of the acquisition value of property, plant and equipment and intangible assets	-0.1	0.1	-	-	-	-	-4.8	-4.8
Divestment based on cumulative acquisition value	-25.6	-	-	-53.8	-5.3	-52.2	-	-136.9
Divestment based on depreciation, impairment and fair value changes	25.6	-	-	53.8	5.3	52.2	-	136.9
Divestments	-2.1	-	-	-0.2	-0.3	-	-	-2.6
Depreciation	-11.8	-0.7	-	-23.0	-50.5	-3.2	-	-89.2
Total	**8.1**	**-0.5**	**-**	**17.0**	**46.7**	**-1.3**	**-22.9**	**47.0**
Balance as at 31 December 2020								
Acquisition value	596.8	26.4	7.3	652.0	2,585.5	25.6	55.4	3,948.9
Cumulative depreciation, impairment and fair value changes	-295.2	-9.4	-2.0	-500.8	-1,332.0	-21.0	-	-2,160.4
Carrying value as at 31 December 2020	**301.6**	**17.0**	**5.3**	**151.2**	**1,253.5**	**4.6**	**55.4**	**1,788.5**
Revaluation of office buildings	-	2.1	-	-	-	-	-	2.1
Carrying value as at 31 December 2020	**301.6**	**19.1**	**5.3**	**151.2**	**1,253.5**	**4.6**	**55.4**	**1,790.6**
Changes during 2021								
Fair value changes	-	-	-0.3	-	-	-	-	-0.3
Investments	0.5	-	-	-0.1	82.9	-	82.8	166.1
Work in progress put into service	11.3	2.9	-	19.3	5.5	5.9	-44.9	-
Transfer to/from a different asset class	8.9	0.4	-	-19.2	8.7	1.2	-4.1	-4.1
Transfer of cumulative acquisition value	-61.5	-0.4	-	65.2	-9.7	5.8	-	-0.6
Transfer of depreciation, impairment and fair value changes	61.5	0.4	-	-65.2	9.7	-5.8	-	0.6
Divestments	-0.3	-	-0.6	-	-	-	-0.4	-1.3
Depreciation	-13.7	-0.9	-	-19.8	-52.9	-2.5	-	-89.8
Total	**6.7**	**2.4**	**-0.9**	**-19.8**	**44.2**	**4.6**	**33.4**	**70.6**
Balance as at 31 December 2021								
Acquisition value	678.8	32.1	7.3	586.6	2,692.3	26.9	88.8	4,112.8
Cumulative depreciation, impairment and fair value changes	-370.4	-10.7	-2.9	-455.3	-1,394.6	-17.8	-	-2,251.7
Carrying value as at 31 December 2021	**308.4**	**21.4**	**4.4**	**131.3**	**1,297.7**	**9.1**	**88.8**	**1,861.1**

In millions of euros	31/12/2021	31/12/2020
Production buildings and land	308.4	301.6
Office buildings	21.4	17.0
Company-owned housing	4.4	5.3
Plant and equipment	131.3	151.2
Pipes	1,297.7	1,253.5
Other fixtures, fittings, tools and equipment	9.1	4.6
Work in progress	88.8	55.4
Subtotal for tangible fixed assets	**1,861.1**	**1,788.5**
Raw materials and process additives (stocks)	5.6	4.1
Total for tangible fixed assets	**1,866.7**	**1,792.6**

The comparative figures for 2020 have been adjusted due to an accounting convention change to the valuation method for office buildings. As of December 31 2020, the valuation has been retrospectively adjusted to reflect the historical cost method rather than fair value measurement. This increased the balance sheet value of the office buildings by €2.1 million. This difference has been recognised as a change in equity capital, in the other reserves item; see note 7.

The borrowing costs (IAS 23) are allocated based on the weighted average interest rate that applies to the interest-bearing loans (2021: 2.6%; 2020: 3.0%) for projects which started after 1 January 2009 involving a minimum investment of €1 million and a completion time exceeding 12 months. In 2021, €1.3 million (2020: €1.0 million) in borrowing costs were allocated to projects in progress.
The revaluation of company-owned housing led to a fair value change of €0.3 million in 2021 (2020: €0.1 revaluation of office buildings).

[3] Assets with right of use

In millions of euros	31/12/2021	31/12/2020
Buildings	5.5	2.7
Vehicle fleet	9.6	8.3
Data lines	7.2	5.0
Other	1.2	1.3
Total assets with right of use	**23.5**	**17.3**

Vitens has entered into lease and rental contracts for the vehicle fleet and the rental of various premises and company buildings. The lease and rental contracts have been recognised in accordance with IFRS 16. The short-term lease and rental contracts (< 1 year) / low-value lease and rental contracts (< €5,000) are included under the Off Balance Sheet rent and lease liabilities, see note [16].

The table below shows the changes in both the right of use and the lease commitment for the lease and rental contracts in 2021.

In millions of euros	Right of Use	Lease commitment
Balance as at 1 January 2021	**17.3**	**14.9**
New and/or amended lease contracts	10.2	10.2
Additional costs	1.9	-
Depreciation	-5.9	-
Repayment against lease commitment	-	-5.2
Interest	-	0.3
Balance as at 31 December 2021	**23.5**	**20.2**

[4] Associate companies and joint ventures

The group companies, associate companies and joint ventures are shown below.

As at 31 December 2021	Town/city	Participating interest (%)
Group companies (consolidated)		
Vitens Watermanagement B.V.	Zwolle	99.9
Vitens Industriewater B.V.	Leeuwarden	100
Associate companies (not consolidated)		
AquaMinerals B.V.	Rijswijk	22.8
KWH Water B.V.	Nieuwegein	26.4
SubMerge B.V.	Rotterdam	33.3
Joint ventures (not consolidated)		
VEI B.V.	Utrecht	50
Facturatie B.V.	Utrecht	50

At the end of 2021, SubMerge B.V. was established for the purpose of marketing and developing an "Autonomous Inspection Robot" ('AIR'), intended to be used to autonomously observe the state of the Dutch drinking water distribution network, and for the purpose of acquiring and selling the intellectual property rights associated with the 'AIR' - both those purchased at the start of the activity and those still to be acquired during development.

	Associate companies		Joint ventures		Total	
In millions of euros	**2021**	2020	**2021**	2020	**2021**	2020
Carrying value as at 1 January	**3.0**	**2.9**	**2.7**	**2.7**	**5.7**	**5.6**
Changes						
Share in the result	0.2	0.1	-	-	0.2	0.1
Received from associate companies	-	-	-	-	-	-
Total changes	**0.2**	**-**	**-**	**-**	**0.2**	**-**
Carrying amount as at 31 December	**3.2**	**3.0**	**2.7**	**2.7**	**5.9**	**5.7**

Financial information for associate companies and joint ventures

In millions of euros	Assets	Liabilities	Revenue	Profit/Loss	% Holding	**Share in net assets**
2020						
VEI B.V.	11.6	9.9	196.0	0.1	50.0%	**0.8**
AquaMinerals B.V.	5.7	4.4	15.8	-	22.8%	**0.3**
KWH Water B.V.	29.5	16.0	22.8	-0.2	26.4%	**2.6**
Facturatie B.V. (2021)	20.5	16.9	0.8	-	50.0%	**1.8**

The 2021 financial statements for the associate companies and joint ventures listed above will not be available before publication of the 2021 Vitens Annual Report. The expected 2021 result for the associate companies and joint ventures has however been included. The amounts stated in the table above relate to the entities in their entirety.

[5] Other financial assets

In millions of euros	**31/12/2021**	31/12/2020
Carrying value as at 1 January	**0.2**	**0.1**
Changes		
Repayments received against loans	-	-
Other changes	-	0.1
Total changes	**-**	**0.1**
Carrying amount as at 31 December	**0.2**	**0.2**

At the end of the financial year, the other financial assets amounted to €0.2 million (2020: €0.2 million); these relate to loans that have been issued.

[6] Trade debtors and other receivables

In millions of euros		31/12/2021		31/12/2020
Trade debtors	39.0		36.8	
Impairment loss on debtors	-2.2		-2.3	
Hitch-hikers	0.2		0.3	
Net trade receivables		37.0		34.8
Taxes and social security premiums		1.8		2.4
Accrued income and prepaid expenses		12.5		13.1
Total		**51.3**		**50.3**

The trade debtors balance comprises water debtors in the business and consumer markets at €17.7 million (2020: €27.1 million) and other non-water debtors at €21.3 million (2020: €10.2 million). The fair value for the debtors is identical to the carrying amount.

At the end of the financial year, the bad debt write-down on debtors amounted to €2.2 million (2020: €2.3 million). The expense in the statement of profit and loss for 2021 amounted to €0.2 million (2020: €1.5 million).

The movement in the debtor provisions is shown below.

In millions of euros	2021	2020
Balance as at 1 January	**2.3**	**1.3**
Changes		
Additions	0.2	1.5
Withdrawals	-0.3	-0.5
Total changes	**-0.1**	**1.0**
Balance as at 31 December	**2.2**	**2.3**

The overview below shows the outstanding trade debtors, split by age. This includes receipts that have not yet been allocated, which are zero for 2021 (2020: €0.1 million) and excludes the receivables due from hitch-hikers at an amount of €0.2 million (2020: €0.3 million), in view of the fact that Vitens has no bad-debt exposure in this respect.

The trade debtors balance as at 31 December 2021 does not include individual receivables for which no provision has been formed as yet and which would have a material impact on the result of Vitens in the event of non-recovery. Future economic developments, which may have an impact on Vitens' trade debtors and other receivables, have also been taken into account in the provision. The debtors do not include receivables that cannot be classified as outstanding under the *expected credit loss model* (IFRS 9).

Water debtors

In millions of euros	0 - 90 days	91 -180 days	181 - 365 days	> 365 days	Total
2021	14.7	0.7	0.8	1.5	17.7
2021 (including bad debt)	14.5	0.6	0.4	0.4	15.9
2020	24.7	0.7	0.7	1.0	27.1
2020 (including bad debt)	24.4	0.6	0.3	0.0	25.3

Non-water debtors

In millions of euros	0 - 90 days	91 -180 days	181 - 365 days	> 365 days	Total
2021	20.2	0.3	0.2	0.6	21.3
2021 (including bad debt)	20.2	0.3	0.1	0.3	20.9
2020	9.0	0.2	0.5	0.5	10.2
2020 (including bad debt)	9.0	0.2	0.3	0.2	9.7

[7] Equity capital

Authorised capital	Ordinary shares		
Number of shares	Number of issued shares	Shares in Vitens' portfolio	Total
Balance as at 31 December 2020	5,777,247	-	5,777,247
Balance as at 31 December 2021	**5,777,247**	**-**	**5,777,247**

Authorised capital

The authorised capital of the company amounts to €18,000,000 divided up into 18,000,000 ordinary shares of a nominal value of €1 per share.

Consolidated statement of changes in equity capital

The authorised capital of the company amounts to €18,000,000 divided up into 18,000,000 ordinary shares of a nominal value of €1 per share. At the end of 2021, 5,777,247 of these shares were issued and paid up.

The share premium reserve is a reserve resulting from the establishment of Vitens in 2001. This amounted to €9 per share for each issued share (4,475,439), equating to a total of €40.3 million. In 2006, 1,887,685 shares were issued as a result of the merger and an amount of €52.80 per share was added to the share premium reserve (total of €99.7 million). In 2006 and 2007, the shares in Nuon N.V. were purchased in three transactions (1,615,655 shares in total). Of these shares, 619,223 were withdrawn in 2006 and a further 175,000 in 2007. The share premium reserve was reduced by €9 per share (total of €7.1 million). In 2007, part of the shareholding in Nuon N.V. was sold to municipalities and provincial authorities (274,935 shares in total). In 2011, Vitens issued 208,346 shares as a result of the merger and an amount of €69 per share was added to the share premium reserve (total of €14.4 million).

The hedging reserve is for unrealised adjustments to the fair value of financial instruments resulting from the application of cash flow hedge accounting. A break occurred in 2021. The contract for a derivative with a break clause as per 1 November 2021 was terminated. The total amount paid for the surrender of the contract (due to negative market value) was €12.0 million. The derivative's maturity date was 30 June 2043. As long as the underlying interest rate risk continues to exist, the balance will be recognised over the remaining term to 30 June 2043. In 2021, €0.1 million from the hedging reserve was recognised in the financial expenses.

The other reserves relate to a reserve resulting from cumulative retained profit. The effect of the change in accounting convention has been recognised in the other reserves (retrospectively).

Profit appropriation

The Executive Board proposes the following appropriation of the result after tax for adoption by the shareholders (approved by the Supervisory Board on 15 March 2022): no payment of dividend and addition of the result of €19.4 million to the other reserves. This is in line with Vitens' financial policy.

[8] Equalisation account - contributions received from third parties

In millions of euros	2021	2020
Balance as at 1 January	**115.4**	**100.5**
Amounts received during installation phase	17.9	18.6
Amortisation recognised as income in the profit and loss account	-4.3	-3.7
Balance as at 31 December	**129.0**	**115.4**
Current component of the equalisation account	4.6	4.0
Long-term component of the equalisation account	124.4	111.4
Total	**129.0**	**115.4**

Vitens applies IFRS 15 (*Revenue from Contracts with Customers*) in respect of the contributions that Vitens receives from third parties for laying connection pipes. Amortisation takes place over a period of 33 1/3 years and is seen as equivalent to the depreciation period for investments in connection pipes.
The current component of the equalisation account contributions received from third parties is recognised under the current liabilities, see note [15].

[9] Subordinated loans

In millions of euros		2021		2020
Balance as at 1 January		**-**		**12.6**
Repayment obligation during the financial year	12.6		12.6	
		12.6		25.2
Changes				
Loan repayments	-12.6		-12.6	
		-		12.6
Repayment obligation during next financial year	-		-12.6	
Balance as at 31 December		**-**		**-**

Repayment of the subordinated loans takes place in fifteen annual instalments subject to an option to suspend payment if solvency falls below 25% in the financial year. Interest is paid over the part of the principal sum that has not been repaid. The percentage applied is the same as the average interest rate percentage for 10-year Dutch government bonds during the five preceding calendar years, plus one hundred basis points (1%). This amounted to 1.14% in 2021 (2020: 1.40%). The loans are subordinated relative to other debt liabilities. The fair values of the subordinated loans are included in note [30].

[10] Long-term loans

In millions of euros		2021		2020
Balance as at 1 January		**895.4**		**881.7**
Repayment obligation during the financial year	56.3		38.1	
		951.7		919.8
Changes				
New loans	100.0		70.0	
Loan repayments	-56.3		-38.1	
		995.4		951.7
Repayment obligation during next financial year	-56.3		-56.3	
Balance as at 31 December		**939.1**		**895.4**

The long-term liabilities relate to private loans and rollover loans. The fair values of the long-term liabilities are included in note [30].

In 2021, new loan capital was arranged for an amount of €100.0 million (2020: €70.0 million).

Type of long-term loan	Long-term component		Current component	
In millions of euros	**31/12/2021**	31/12/2020	**31/12/2021**	31/12/2020
Rollover loans	329.5	356.8	27.3	2.3
Private loans	609.6	538.6	29.0	54.0
Total	**939.1**	**895.4**	**56.3**	**56.3**

The interest on the rollover loans is fixed on each occasion between the 1-month and 12-month Euribor rate and therefore fluctuates depending on trends in the capital market.

Other information relating to long-term and subordinated loans

In millions of euros	2021	2020
Average interest rate %	2.60%	3.00%
Total as at 31 December	**995.4**	**964.3**
Repayments < 1 year old	56.3	68.9
Repayments > 1 year and < five years old	311.5	267.8
Repayments > 5 years old	627.6	627.6

No collateral (pledge, mortgage, ownership of securities, etc.) has been provided for the loan portfolio referred to above.

[11] Derivatives

As at 31 December 2021, Vitens held the following financial instruments, recognised at fair value.

In millions of euros	2021	2020
Financial instruments as at 1 January	**82.3**	**82.2**
Change in value due to realised and unrealised results	-33.8	0.1
Financial instruments as at 31 December	**48.5**	**82.3**
Short-term financial instruments (< 1 year)	-	34.6
Long-term financial instruments (>1 year)	48.5	47.7

The market value of the derivatives depends on unrealised changes to the fair value resulting from changes in the yield curves. In concrete terms this means that the interest payable on the derivatives exceeds the current market interest rate, which results in a negative value. In 2021 this was €48.5 million (2020: €82.3 million negative). These derivatives have been taken out in order to compensate for interest rate risk exposure caused by major fluctuations in the market interest rate. The negative value in question will not be recognised directly by Vitens in the profit and loss account because the hedge is treated as effective. The use of alternative benchmark rates as part of the IBOR reform has no impact on Vitens' hedging provisions and other financial instruments, as the Euribor rates have not yet been adjusted.

At the end of 2021, Vitens had six ongoing interest-rate derivative contracts for a principal sum of €245 million (2020: seven interest-rate derivatives for €270 million) where the variable interest on the rollover loans is fixed for between one and twenty years. The fair value of these interest-rate derivatives amounted to a negative amount of €48.5 million at the end of 2021 (2020: €82.3 million negative). Of the derivatives referred to above, Vitens has one interest-rate derivative (2021: €14.1 million; 2020: two derivates €34.6 million) with a remaining term of twenty years (for a principal sum of €25 million), with a break clause (available to both parties) after every ten years (in 2031 on the next occasion). In the case of this derivative, the credit risk (CVA/DVA), which is included in the valuation, is determined up to the break clause and not for the entire term. The contract for a derivative with a break clause as per 1 November 2021 was terminated. The total amount paid for the surrender of the contract (due to negative market value) was €12.0 million.

[12] Provisions for employee benefits

Movement summary for employee benefits	Reorganisation provision	Anniversary provision	**Total**
In millions of euros			
Balance as at 1 January 2020	**1.4**	**1.2**	**2.6**
Addition	-	0.1	0.1
Interest added	-	0.1	0.1
Amount released	-	-	-
Withdrawals	-0.5	-0.3	-0.8
Balance as at 31 December 2020	**0.9**	**1.1**	**2.0**
Addition	-	-	-
Interest added	-	0.1	0.1
Amount released	-0.2	-	-0.2
Withdrawals	-0.3	-0.3	-0.6
Balance as at 31 December 2021	**0.4**	**0.9**	**1.3**
Current liabilities for employee benefits	0.2	0.1	0.3
Long-term liabilities for employee benefits	0.2	0.8	1.0

Long-term component of the employee benefits provisions		
In millions of euros	**31/12/2021**	31/12/2020
Reorganisation provisions	0.2	0.5
Anniversary provision	0.8	0.8
Total long-term component of the employee benefits provisions	**1.0**	**1.3**

In respect of the long-term component in the employee benefits provisions, €0.7 million (2020: €1.0 million) relates to expected expenditure during a period of one to five years and €0.3 million (2020: €0.3 million) relates to expected expenditure after five years. The current component of the employee benefit provisions is recognised under current liabilities, see note [15].

Current component of the employee benefit provisions		
In millions of euros	**31/12/2021**	31/12/2020
Reorganisation provisions	0.2	0.4
Anniversary provision	0.1	0.3
Leave not taken	13.7	12.4
Pension premiums to be paid	1.5	1.3
Other current employee benefits	19.7	19.5
Total current component of the employee benefits provisions	**35.2**	**33.9**

Reorganisation provisions

The reorganisation provisions have been created to cover commitments resulting from the social plans that are still in effect. The calculation is based on the number of redundant employees, the total wage costs per employee, a realistic estimate of the number of years in service and the (average) age.

The outgoing payment flows have been converted to discounted value at a nominal interest rate of 2.6% (2020: 3.0%). No allowance has been made for mortality. At the end of 2021, the remaining provision was €0.2 million (2020: €0.9 million).

Anniversary provision

The main factors used to determine the anniversary provision are detailed below:

Suppositions	2021	2020
Period life table/mortality table	period life table 2015	period life table 2012
Discount rate	2.60%	3.00%
Expected salary increases	2.00%	2.00%

[13] Other provisions

In millions of euros	2021	2020
Balance as at 1 January	**3.9**	**8.5**
Changes		
Addition	0.8	0.9
Interest added	-	-
Amount released	-0.2	-1.5
Withdrawals	-2.1	-4.2
Reclassification	-	0.2
Total changes	**-1.5**	**-4.6**
Balance as at 31 December	**2.4**	**3.9**
Current component of other provisions	1.9	2.9
Long-term component of other provisions	0.5	1.0
Total	**2.4**	**3.9**

The other provisions relate to possible compensation for aridity damage in the extraction areas around a number of production facilities, amounts not remitted to third parties over the period 2015 - 2019, a reserve for long-term sickness and for a number of legal disputes arising from business operations.

Insofar as considered necessary, provisions have been made as detailed in the above summary of changes.

[14] Lease commitments

In millions of euros	31/12/2021	31/12/2020
Buildings	5.8	2.8
Vehicle fleet	9.6	8.4
Data lines	3.6	2.4
Other	1.2	1.3
Total lease commitments	**20.2**	**14.9**
Current component of the lease commitments	5.1	4.6
Long-term component of the lease commitments	15.1	10.3
Total	**20.2**	**14.9**

Vitens has entered into lease and rental contracts for the vehicle fleet and the rental of various premises and company buildings. The lease and rental agreements have been recognised in accordance with IFRS 16.

The table below shows the changes in both the right of use and the lease commitment for the lease and rental contracts.

In millions of euros	Right of Use	Lease commitment
Balance as at 1 January 2021	**17.3**	**14.9**
New and/or amended lease contracts	10.2	10.2
Additional costs	1.9	-
Depreciation	-5.9	-
Repayment against lease commitment	-	-5.2
Interest	-	0.3
Balance as at 31 December 2021	**23.5**	**20.2**

[15] Current liabilities

In millions of euros	31/12/2021	31/12/2020
Trade creditors and other payables	85.5	67.5
Current component of derivatives	-	34.6
Repayment obligations in relation to long-term liabilities	56.3	68.9
Repayment obligations in respect of lease commitments	5.1	4.6
Tax liabilities	15.2	16.0
Interest-bearing liabilities	41.3	32.0
Current employee benefits	35.2	33.9
Invoices still to be received	11.2	9.1
Accrued expenses and deferred income	9.4	6.4
Total	**259.2**	**273.0**

The fair value of the trade creditors and other payables, tax liabilities, current employee benefits, invoices yet to be received and accrued liabilities and deferred income that are non-interest-bearing is taken as the nominal value given the short fulfilment period. In principle, trade creditors and tax liabilities are paid within 30 days. The tax liabilities consist of payable groundwater and tap water levies amounting to €11.7 million (2020: €12.4 million) and payable wage tax and social premiums amounting to €3.5 million (2020: €3.6 million).

The current interest-bearing liabilities, amounting to €97.6 million at the end of 2021 (2020: €135.5 million), consist, in addition to the repayment obligations relating to long-term liabilities of €56.3 million (2020: €68,9 million) and zero for the current component of the derivatives (2020: €34.6), of interest-bearing liabilities owed to banks amounting to €41.3 million (2020: €32.0 million). The interest-bearing liabilities relate to a current-account overdraft facility. Interest is paid on this amount at a variable rate. This is based on the 1-month Euribor rate including an agreed mark-up percentage.

The current employee benefits item amounted to €35.2 million at the end of 2021 (2020: €33.9 million) and relates to all commitments to employees such as the current component of the reorganisation provisions and the anniversary provision, pension premiums that are payable, reserves for outstanding unemployment contributions, reserves for long-term sickness, and outstanding days of holiday and holiday pay.

[16] Obligations that do not appear on the balance sheet

Lease commitments

Commitments pursuant to operational lease		
In millions of euros	**31/12/2021**	31/12/2020
Within one year	2.8	2.4
Between 1 and 5 years	6.0	4.0
More than 5 years	-	-

These commitments relate to non-lease components (service and maintenance) of company cars. The commitments relating to the right of use for company cars are included in the financial statements of Vitens in accordance with IFRS 16.

Rent commitments

Commitments pursuant to rent		
In millions of euros	**31/12/2021**	31/12/2020
Within one year	0.8	0.9
Between 1 and 5 years	3.0	3.7
More than 5 years	0.4	0.6

These liabilities ensue from rental contracts for office buildings, building contents, parking spaces and support facilities. In the case of the leases to which IFRS 16 applies, the lease liability only includes the service charges.

Energy supply commitments

Commitments pursuant to energy supply contracts		
In millions of euros	**31/12/2021**	31/12/2020
Within one year	10.5	7.8
Between 1 and 5 years	6.4	12.8
More than 5 years	-	-

These commitments ensue from energy supply contracts for the production facilities.

Water purchase commitments

Commitments pursuant to water purchase		
In millions of euros	**31/12/2021**	31/12/2020
Within one year	3.0	2.7
Between 1 and 5 years	17.7	13.4
More than 5 years	74.2	55.4

These liabilities ensue from water purchase contracts for a period of up to 40 years.

Commitments pursuant to the Drinking Water Act (WACC)

The Drinking Water Act defines important financial frameworks for controlling rates and solvency. For example, it sets a maximum for the cost of capital that can be charged to customers by the drinking water utilities (WACC). In 2021, based on preliminary figures, Vitens achieved the permitted WACC (2020: overrun). The definitive WACC will be presented in the Operating Report that will be submitted to the Ministry of Infrastructure & Water Management before or on 1 October 2022. As at 31 December 2021, Vitens had a liability of €3.8 million (2020: €3.8 million).

Commitments pursuant to the Drinking Water Act		
In millions of euros	**31/12/2021**	31/12/2020
2019	-	-
2020	3.8	3.8
2021	-	-
Total	**3.8**	**3.8**

Contingent liabilities

Vitens and Vitens Watermanagement B.V. together are classed as a tax group in relation to levying turnover tax; each of the companies is severally liable to pay the tax owed by all of the companies included in the tax group.

Explanatory notes to the consolidated statement of profit and loss

[17] Drinking water revenue

In millions of euros	2021	2020
Supply of drinking water	223.8	221.8
Standing charge	132.9	131.9
Total	**356.7**	**353.7**

The drinking water revenue reported above comes from a single segment; the entire supply area of Vitens. The average customer's annual bill (small consumer) has increased in 2021 to €112 (excluding taxes) relative to 2020 (€110 excluding taxes).

[18] Other revenue

In millions of euros	2021	2020
Revenues from home relocations and collections	1.4	1.6
Revenues from fire hydrants and sprinklers	7.5	7.3
Revenues from work for third parties	0.8	0.9
Revenues from rental and leasehold contracts	0.8	0.8
'Hitch-hiking' payments	0.2	0.2
Revenues from analyses and consultancy	3.8	3.7
Revenues from services provided to third parties	9.1	8.0
Equalisation account amortisation	4.3	3.7
Revenues from connections	6.4	6.2
Revenues from standpipe rental	0.7	0.7
Revenues from by-products	1.4	1.2
Other revenues	3.0	2.4
Total	**39.4**	**36.7**

The other revenue section is used to recognise revenues that are not directly related to the core activities. The other revenue includes the following items (among others):

- Revenues from home relocations and debt collection. In the case of home relocations, Vitens charges an amount to cover the associated administrative activities;
- The revenues from fire hydrants relate to a one-off contribution and an annual payment for maintenance;
- The revenues from work for third parties relates to various activities that Vitens performs for third parties;
- The revenues from rental and leasehold contracts relate to leases and rent income from office buildings and company-owned housing (present on land where production facilities are sited or where extraction takes place). This entry also includes revenues from land leasehold contracts;

- 'Hitch-hiking' payments are made primarily by municipalities for the inclusion of their water pollution levies/home occupant-based cost allocation and sewerage levies on the invoice sent by Vitens;
- The revenues from analyses and consultancy relate to analyses performed in Vitens' laboratory on behalf of third parties;
- The revenues from services provided to third parties relate to front-office and back-office work carried out for a different drinking water utility and service provision to VEI B.V.;
- The amortisation on contributions from third parties relates to customer contributions for laying connection pipes. The equalisation account is amortised over 33 1/3 years;
- The revenues from standpipe rental relate to renting standpipes to third parties;
- The revenues from by-products and residual materials relate to sales of the residual materials that are generated during the water treatment process;
- The activities associated with other revenues are recognised as revenue insofar as delivery of goods and services has taken place and insofar as the contractual obligations have been fulfilled.

Operating expenses

[19] Work contracted out and temporary staff

In millions of euros	2021	2020
Work contracted out	29.8	27.0
Temporary staff provided by third parties	42.3	26.0
Minus: indirect costs related to capitalised own-account production	-15.3	-4.7
Total	**56.8**	**48.3**

The costs included for capitalised own-account production are own-account costs incurred for manufacturing tangible fixed assets that relate to the company's infrastructure activities (production facilities and pipes). In 2021, identification of the hours billed by third parties was further implemented in our administrative processes, which led to an increase in the cost of temporary staff provided by third parties on the one hand and an increase in the adjustment for capitalised production on the other. This amounted to €15.3 million in 2021 (2020: €4.7 million).

[20] Other expenses

In millions of euros	2021	2020
Raw materials and process additives	12.6	13.2
Other employee expenses	5.4	4.1
Water purchases	3.3	3.2
Electricity	13.9	14.1
Vehicle expenses	4.0	4.2
IT costs	19.0	17.9
Telecommunication costs	1.3	1.8
Facility costs	21.5	21.1
Taxation, benefits and insurance	7.4	6.9
Demolition costs	2.0	3.1
Other expenses	8.3	9.2
Minus: indirect costs related to capitalised own-account production	-5.0	-4.4
Total	**93.7**	**94.4**

The other employee expenses largely relate to travel and accommodation costs and costs incurred for training. The vehicle costs relate to servicing costs for the vehicle fleet, fuel and other vehicle expenses. The servicing costs in 2021 amounted to €2.0 million (2020: €2.5 million).

The facility costs largely relate to the rent paid for office buildings and maintenance costs associated with plant, office buildings and grounds. The costs for maintaining and the upkeep of plant, buildings and grounds during 2021 amounted to €17.3 million (2020: €17.0 million). The rent paid for office buildings and machines in 2021 amounted to €1.1 million (2020: €0.9 million).

The costs included for capitalised own-account production are own-account costs incurred for manufacturing/creating tangible and intangible fixed assets that relate to the company's infrastructure activities (production facilities and pipes). In addition to employee expenses and hiring temporary staff from third parties, various other costs are included, which amounted to €5.0 million over 2021 (2020: €4.4 million).

[21] Employee expenses

In millions of euros	2021	2020
Salaries	87.3	81.8
Social security premiums	10.7	8.4
Premiums paid into collective schemes that are handled as a defined-contribution scheme	13.1	11.7
Minus: employee expenses associated with capitalised own-account production	-15.3	-13.1
	95.8	88.8
Reorganisation provisions	-0.3	-0.1
Anniversary provision	-	0.1
Total	**95.5**	**88.8**

The costs included for capitalised own-account production are own-account costs incurred for manufacturing tangible fixed assets that relate to the company's infrastructure activities (production facilities and pipes). These consist mainly of direct employee expenses and in 2020 amounted to €15.3 million (2018: €13.1 million). The employee expenses for reorganisations and anniversaries are shown below:

In millions of euros	Restructuring provision	Anniversary provision	Total 2021	Total 2020
Addition to provisions	-	-	-	0.1
Release from provisions	-0.3	-	-0.3	-0.1
Total	**-0.3**	**-**	**-0.3**	**-**

Headcount	2021	2020
Number of permanent employees as at 31 December	1,527	1,443
Number of FTEs in permanent employment as at 31 December	1,437	1,358

[22] Depreciation, fair value changes and impairment of tangible and intangible fixed assets

In millions of euros	2021	2020
Depreciation of property, plant and equipment	89.8	89.2
Depreciation of intangible assets	5.7	3.9
Depreciation costs associated with Facturatie B.V.	0.5	0.5
Gain on sale associated with the sale of assets	-2.1	-0.3
Divestments	0.3	2.8
Depreciation under IFRS 16	5.9	5.2
Impairment	-	-
Fair value changes	0.3	0.1
Total	**100.3**	**101.4**

[23] Financial income and expenses

In millions of euros	2021	2020
Borrowing costs for bullet and linear loans	14.2	16.9
Borrowing costs for derivatives	12.5	12.3
Borrowing costs for rollover loans	-0.8	-0.6
Borrowing costs for subordinated loans	0.1	0.3
Borrowing costs for the current account overdraft	-	-
Addition to provisions for interest	0.1	0.1
Borrowing costs for lease contracts	0.3	0.3
Borrowing costs charged to investment projects (IAS 23)	-1.2	-1.0
Other borrowing costs	0.2	-
Total	**25.4**	**28.3**

[24] Share in the result of associate companies and joint ventures

In millions of euros	2021	2020
Result of associate companies and joint ventures	0.2	0.1

[25] Taxation

Vitens is liable to pay corporate income tax. Activities performed by Vitens under the Drinking Water Act, such as supplying drinking water, are exempted from corporate income tax.

Taxation on the result from ordinary operations amounted to €0 (2020: €0). Reconciliation with the effective tax rate is as follows:

In millions of euros	2021	2020
Result before tax	19.4	23.9
Non-taxable activities	20.8	23.2
Taxable result	-1.6	-0.3
Corporate income tax	-	-

Corporate income tax is calculated based on the current tax rate in the Netherlands (2021: 25.8%; 2020: 25%). The effective tax burden on the result to which corporate income tax applies amounted to 0%.

Dividend tax

Vitens withholds and pays dividend tax over the dividend payment.

Explanatory notes to the consolidated cash flow analysis

[26] Cash flow from operations-, investment activities and financing activities

The cash flow from operations amounted to €143.8 million (2020: €120.4 million) and was not sufficient for financing the investment activities, amounting to €167.0 million (2020: €157.8 million). The cash flow from operating activities is €22.1 million higher than in 2020, which is mainly caused by a decrease in net working capital. The cash flow from investment activities increased by €9.2 million due to an increase in the investment volume.

The net cash flow for financial year 2021 was €9.3 million negative, meaning that the interest-bearing loans increased by the same amount.

Other explanatory notes to the consolidated financial statements

[27] Dividend

In 2021, the General Meeting of Shareholders adopted the proposed profit appropriation for the 2020 result. In accordance with this decision, the result was added to other reserves and no dividend was paid.

In millions of euros	2021	2020
Dividend over financial year 2019	-	-
Dividend over financial year 2020	-	-
Number of ordinary shares with dividend entitlement	5,777,247	5,777,247
Dividend per share (in euros)	**-**	**-**

The Executive Board's proposal to the shareholders regarding appropriation of the profit realised in 2021 recommends paying no 2020 dividend on ordinary shares (approved by the Supervisory Board on 15 March 2022).

[28] Related parties

The shares in Vitens are held by shareholders in the public sector (provincial authorities and municipalities). Vitens has holdings in associate companies and joint ventures, where it either has significant influence but not a majority holding, or has joint control of operations and financial policy. Transactions with these parties are performed on based on the *arm's length* principle.

VEI B.V.

In 2021, the two shareholders, i.e. Vitens (50%) and Evides N.V. (50%), jointly paid in an amount of €4.0 million (2020: €4.0 million) as a contribution to VEI B.V.'s activities in developing countries. In addition, Vitens invoiced an amount of €0.7 million in 2021 (2020: €0.8 million). This relates to the hours worked by the Vitens employees who participated in the projects set up by VEI B.V. and costs ensuing from *service level agreements*.

Facturatie B.V.

Each year, Facturatie B.V. charges the depreciation costs to the shareholders, which are Vitens (50%) and Evides N.V. (50%). The depreciation costs for Vitens in 2019 amounted to €0.5 million (2020: €0.5 million). At the end of 2021, an amount of €0.1 million (2020: €0.1 million) was still recognised on Vitens' balance sheet as chargeable depreciation costs.

A list of the other related parties has been included below.

Related party	Registered office	Participating interest (%)
AquaMinerals B.V.	Rijswijk	22.8
KWH Water B.V.	Nieuwegein	26.4
SubMerge B.V.	Rotterdam	33.3

At the end of the financial year, the receivables and payables in respect of related parties amounted to:

In millions of euros	2021	2020
Receivables due from related parties	13.3	5.7
Payables owed to related parties	0.3	1.1

[29] Water balance sheet

In millions of m3	2021	2020
Total water processed	378.1	391.3
Production losses	-9.1	-8.9
Total service water production	369.0	382.4
Service water purchases	5.2	5.6
Production and purchase,	374.2	388.0
Sales of service water outside supply area	-	-
Delivered in supply area	374.2	388.0
Distribution losses and measurement variances	-22.9	-25.6
Deliveries to customers	351.3	362.4
Not invoiced (NI) %	6.1%	6.6%

Vitens' reported drinking water revenue at the end of the financial year is largely made up of estimates of water consumption. The drinking water output of all the production facilities is recorded monthly and is therefore known with certainty at the end of the financial year. In relation to the period during the financial year for which customers have not yet received a final settlement, an estimate is made based on historical meter readings in relation to current drinking water delivery. We use a revenue simulation for this, based on the customer data in SAP IS-U. At the end of the financial year, 55 to 60% of the water consumption is estimated. The NI is an important component of the revenue forecasting model. The NI is the difference between the drinking water output and the water consumption that has been settled with our customers. As a result, the actual NI is not known until the end of the next financial year, when more than 99.5% of the water consumed has been settled.

The actual NI at the end of the next financial year always differs slightly from the NI reported at the end of the year under review. This is an inevitable effect of the high level of estimated water consumption, 55 - 60%. The difference is relatively small however. The average difference in recent financial years was only +0.25%. Revising the NI upward results in a downward revision of revenue. The actual NI for 2020 (after invoicing 100% of the deliveries to customers) was found to be higher than the figure reported in the 2020 financial statements (6.6% versus 6.4%). The total estimated water consumption and standing charge at the end of 2020 that would be invoiced in 2021 exceeded the actual invoiced amount. The NI for 2021 (45% of the deliveries to customers have been invoiced) is calculated at 6.1%.

Result after processing balance sheet items in respect of consumption and the effect of NI	**2021**	2020	2019	2018	2017
Result after processing balance sheet items in respect of the previous year's consumption (in millions of euros)	-0.2	-0.3	-0.5	-1.1	-0.6
Expected/actual NI in financial statements (after > 99.5% invoicing)	6.1%	6.6%	6.2%	6.5%	6.6%
Reported NI in the financial statements (after approx. > 45% invoicing)	5.9%	6.4%	5.9%	6.3%	6.1%

[30] Financial risk management

Management of capital

Our financial policy, which was adopted by the Meeting of Shareholders of June 2019, complies with legislation and regulations, serves the best interests of our customers and shareholders and aims to set challenging but realistic targets for Vitens. Continuity is a primary focus in our financial policy. The continuity objective is formulated as follows: The solvency ratio is defined as an equity capital of at least 35% of the balance sheet total. This primary objective is focal to managing the financial risks. At the end of 2021, the solvency was 30.2% (2020: 29.4%).

Vitens states in its Treasury Statute that the interest rate exposure risk may not exceed 25% of the total loan capital. The interest rate exposure is the sum of the interest rate resets (including interest rate derivatives) and the requirement for new loans (loan renewal) in any year.

Vitens has agreed credit arrangements with various lenders. These credit arrangements describe the conditions (financial ratios) set by the lenders, which Vitens must satisfy.

In October 2021, the WACC for 2022, 2023 and 2024 was set at 2.95%. The maximum permissible solvency for these years remains at 70%. The WACC was set at 2.75% for 2020 and 2021.

In 2021, Vitens satisfied the financial ratios set by its lenders.

The WACC achieved by Vitens in 2021 has provisionally been assessed at 2.41%. The definitive WACC will be presented in the Operating Report that will be submitted to the Ministry of Infrastructure & Water Management before or on 1 October 2022. The WACC achieved is lower than the standard value set at 2.75%.

Financial ratios	Targets[1]	**2021**	2020	2019	2018	2017
Solvency (equity capital/total capital)	> 35%	30.2	29.4	29.2	30.2	30.9
Solvency (guaranteed capital/total capital)	> 35%	30.2	30.0	30.6	32.3	33.8
Leverage ratio	> 7%	12.2	11.9	13.9	13.1	16.6
Interest Coverage ratio (Ebit/(interest charges and interest income + dividend paid out in current financial year))	> 1.0	1.76	1.84	1.17	0.87	1.53
Debt ratio (interest-bearing liabilities (excluding subordinated loans)/Ebitda)	< 7.5	7.1	6.4	6.8	6.6	5.1
Weighted Average Cost of Capital (WACC) [2]	< 2.75%	2.41%	2.93%	3.3%	3.3%	5.0%

1 The target values are the values defined by the lenders for the various credit arrangements.

2 The WACC is established once every two years and was set at 2.75% for 2020 and 2021 (2018 and 2019: 3.4%).

Calculation method for financial ratios and explanation of abbreviations

- **Solvency (equity capital)**: equity capital x 100% divided by the balance sheet total;
- **Solvency (guaranteed capital)**: (equity capital + subordinated loans) x 100% divided by the balance sheet total;
- **Leverage:** net cash flow from operations divided by interest-bearing loans (including the subordinated loans);
- **Ebit**: operating result plus result from joint ventures and associate companies;
- **Ebitda**: ebit plus depreciation and impairment;
- **WACC**: operating result from drinking water activities plus any rate compensation divided by the average balance sheet total for drinking water activities.

Financial risks are controlled within Vitens by the Treasury Committee, which reports to the Executive Board. The primary objectives of the Treasury policy include guaranteeing permanent access to the capital market, controlling financial risks, achieving the lowest possible level of cost and guaranteeing adequate liquidity.

Vitens is exposed to the following financial risks: market risk (including price risk, currency risk and interest rate risk), credit risk and liquidity risk.

Market risk

(i) Price risk

Price risk is understood to be the risk of changes in value as a result of changes in market prices.

Fair value of financial assets and liabilities	Carrying value		Fair value	
In millions of euros	**2021**	2020	**2021**	2020
Assets				
Trade debtors and other receivables	51.3	50.3	51.3	50.3
Long-term financial assets	0.2	0.2	-	-
Liabilities				
Subordinated loans	-	12.6	-	12.7
Long-term loans	995.4	951.7	1,090.3	1,097.4
Trade creditors and other payables	85.5	67.5	85.5	67.5
Invoices still to be received	11.2	9.1	11.2	9.1
Interest-bearing liabilities	41.3	32.0	41.3	32.0
Other current financial liabilities	59.8	56.3	59.8	56.3

The above table shows the fair values of the financial assets and liabilities. The fair value figures for the loans are level-2 valuations. The derivatives are not reported here as these are recognised at fair value in the balance sheet.

The fair value of the financial assets and liabilities has been determined as follows:

1. Trade debtors, other receivables and amounts invoiced in advance: in view of the short duration of these receivables, the fair value is the same as the carrying amount;

2. Long term financial assets: this item relates to a loan issued for the purpose of funding the vehicle fleet and mortgage loans to (former) employees. The fair values have been determined by converting the future cash flows to the discounted value;
3. Subordinated and long-term loans: the fair values for these loans have been determined by converting the future cash flows to the discounted value using the yield curve that applies in the case of Vitens as at 31 December.
4. Trade creditors and other payables, invoices still to be received, interest-bearing liabilities and other current financial liabilities: the fair value of these items is taken as the carrying amount in view of the short duration.
5. Interest-bearing liabilities: the fair value of the interest-bearing liabilities is identical to the carrying amount.

(ii) Exchange rate risk

This is the risk that the value of a financial instrument will change as a result of exchange rate fluctuations. VEI B.V. is a joint venture of Vitens and Evides N.V. and implements projects that aim to improve the water supply in developing countries. VEI B.V. uses the euro as its functional currency. Possible exchange rate fluctuations are calculated for each transaction and credited/debited to the profit and loss account. Vitens itself has no exposure to currency risk in its activities because all trading activities take place in the Netherlands.

(iii) Interest rate risk

During the course of its normal trading operations, Vitens uses derivatives (*interest rate swaps*) to limit interest-rate risk exposure. The objective of this form of control is to limit the effect that changes in interest rates have on the results. Derivatives are used to manage the loan portfolio based on the desired risk profile. These instruments are not used for speculative or trading purposes. Vitens has stated in its Treasury Statute that no more than 25% of the total loan capital (excluding subordinated loans) may be subject to interest rate risk. At the end of 2021, the interest rate risk calculated in this manner amounted to 21.7% (2020: 21.1%). The interest rate risk is only subject to interest rate fluctuations in relation to a small part of the loan portfolio and the impact on the interest charges is limited.

A possible increase/decrease in the short-term interest rate (3-month Euribor) of one hundred basis points (1%) means an increase/decrease in borrowing costs for Vitens of €1.5 million per annum (2020: €1.2 million). The increase/decrease relates to the rollover loans, which are not covered by the derivatives, and the current account balance.

A possible decrease of one hundred basis points (1%) in the yield curve relative to 31 December 2021 has a negative effect of €15.0 million on the value of the derivatives. A possible increase of one hundred basis points (1%) in the yield curve relative to 31 December 2021 has a positive effect of €13.3 million on the value of the derivatives. A negative or positive effect on the value of the derivatives results in changes to the equity capital.

The interest-rate derivatives relate to rollover loans that expire in the long term. In respect of a principal sum of €220 million, the term (to 2027) of the interest-rate derivatives is the same as the term of the rollover loans. In the case of a principal sum of €25 million, the term (until 2042) is not the same as the rollover loan. In view of the nature of the operating activities, Vitens considers it highly probable that, for the period after expiry of the current rollover loans, continued funding that is at least equal to the principal sum and term of the related interest-rate derivatives will be required and need to be arranged.

The table below shows the expiry date or, if earlier, the contractual review date for the loan portfolio as at 31 December 2021. This shows the extent to which Vitens is exposed to changes in the interest rate percentages for financial liabilities.

Interest-rate risk	Effective interest rate percentage	< 6 months	> 6 < 12 months	1 - 5 years	> 5 years	**Total**
In millions of euros						
As at 31 December 2020						
Subordinated loans	1.42%	-	12.6	-	-	12.6
Bullet and linear loans	2.89%	25.3	28.8	31.0	507.6	592.7
Rollover loans (linked to '*interest rate swaps*, resulting in fixed-interest loans)	4.31%	-	-	200.0	70.0	270.0
Rollover loans	-0.03%	-	2.3	36.8	50.0	89.1
Banks (current account)	one-month Euribor	32.0	-	-	-	32.0
Lease commitments	0.0-3.0%	2.3	2.3	9.2	1.1	14.9
Total financial liabilities		**59.6**	**46.0**	**277.0**	**628.7**	**1,011.3**
As at 31 December 2021						
Subordinated loans	1.15%	-	-	-	-	-
Bullet and linear loans	2.41%	0.3	28.7	27.0	582.6	638.6
Rollover loans (linked to '*interest rate swaps*, resulting in fixed-interest loans)	4.31%	-	25.0	200.0	20.0	245.0
Rollover loans	-0.19%	-	2.3	109.5	-	111.8
Banks (current account)	one-month Euribor	41.3	-	-	-	41.3
Lease commitments	0.0-3.0%	2.7	2.4	12.2	0.9	18.2
Total financial liabilities		**44.3**	**58.4**	**348.7**	**603.5**	**1,054.9**

Credit risk

Vitens is exposed to risk in that customers may be unable to pay their bills. At the end of 2021, the debtor balance to which this risk applies amounted to €39.0 million (2020: €36.8 million), see note [6]. In addition, risk is incurred on the balance of financial fixed assets at €0.2 million (2020: €0,2 million) and cash and cash equivalents (2021: zero; 2020: zero).

The remaining current receivables of €14.3 million (2020: €15.8 million) consist of receivables owed by 'hitch-hikers' at €0.2 million (2020: €0.3 million), tax and social insurance contributions at €1.8 million (2020: €2.4 million), expenses paid in advance €5.4 million (2020: €6.0 million) and revenues still to be received at €7.1 million(2020: €7.1 million). Vitens is not exposed to credit risk in respect of the payables owed by 'hitch-hikers' and tax and social insurance contributions. Vitens has no significant credit risk concentrations.

Liquidity risk

The liquidity risk consists of the risk that Vitens may (temporarily) not have access to financial resources in order to fulfil its obligations. In order to minimise this risk, Vitens regularly assesses the expected and potential cash flows over a time horizon of several years. In addition, a detailed liquidity forecast is drawn up every year in order to identify possible fluctuations in the need for liquid funds in good time and take appropriate action as necessary.

As at 31 December 2021, Vitens has a current account facility of up to €65 million, a cash facility of up to €55 million (concerns two uncommitted facilities) and a long-term credit arrangement for €150 million of which €125 million in loans can still be drawn down.

The contractually agreed (non-discounted) payments against financial liabilities are shown in the table below:

Liquidity risk	< 1 year	> 1 < 5 years	> 5 years
In millions of euros			
Calculation of long-term financial liabilities including interest			
Subordinated loans	-	-	-
Bullet and linear loans	29.0	26.9	582.7
Rollover loans	27.3	284.5	45.0
Derivatives	-	29.7	18.8
Lease commitments	5.1	12.2	0.9
Other long-term financial liabilities	20.1	50.8	148.8
Total long-term financial liabilities	**81.5**	**404.1**	**796.2**
Current financial liabilities			
Trade creditors and other payables	85.5	-	-
Invoices still to be received	11.2	-	-
Interest-bearing liabilities	41.3	-	-
Other current financial liabilities	59.8	-	-
Total current financial liabilities	**197.8**	**-**	**-**
Total long-term and current financial liabilities	**279.3**	**404.1**	**796.2**

[31] Netting financial assets and financial liabilities

At the end of 2020 and 2021, Vitens did not include any netted financial assets and financial liabilities on the balance sheet. Furthermore, no contingent set-off rights apply that might lead to recognition of financial assets and financial liabilities in netted form.

[32] Events after balance sheet date

After the balance sheet date, no significant events occurred that would affect the 2021 financial statements.

Company financial statements

Company balance sheet as at 31 December

Assets

	In millions of euros		31/12/2021		31/12/2020
	Fixed assets				
	Intangible fixed assets	40.5		31.1	
	Property, plant and equipment	1,866.7		1,794.7	
	Assets with right of use	23.5		17.3	
[33]	Investments in subsidiaries	-		-	
[33]	Investments in associate companies and joint ventures	5.9		5.7	
	Other financial fixed assets	0.2		0.2	
			1,936.8		1,849.0
	Current assets				
[34]	Trade debtors and other receivables		51.3		50.3
	Total assets		**1,988.1**		**1,899.3**

Equity and liabilities

	In millions of euros		31/12/2021		31/12/2020
[35]	**Equity capital**				
	Shareholders' capital	5.8		5.8	
	Share premium reserve	147.2		147.2	
	Revaluation reserve for derivatives	-60.4		-82.3	
	Revaluation reserve for IFRS transition	15.1		17.7	
	Other reserves	473.2		446.9	
	Result for the financial year	19.4		23.9	
			600.3		559.2
	Liabilities				
	Provisions				
[36]	Provisions for employee benefits	1.0		1.3	
[37]	Other provisions	0.5		1.0	
			1.5		2.3
	Long-term liabilities				
	Equalisation account - contributions received from third parties	124.4		111.4	
	Interest-bearing liabilities	939.1		895.4	
	Lease commitments	15.1		10.3	
	Derivatives	48.5		47.7	
			1,127.1		1,064.8
[38]	**Current liabilities**		259.2		273.0
	Total equity and liabilities		**1,988.1**		**1,899.3**

Company statement of profit and loss

In millions of euros		2021		2020
Own result (excluding associate companies) after tax	19.2		23.8	
Result from associate companies after tax	0.2		0.1	
Net result		**19.4**		**23.9**

Explanatory notes to the company financial statements

Accounting conventions for the company financial statements

The company financial statements of Vitens have been drawn up in accordance with the relevant provisions of Title 9, Book 2 of the Dutch Civil Code (Burgerlijk Wetboek) with the exception of the accounting conventions used for valuation and determining the result as explained below.

The accounting conventions that have been applied are largely the same as those used for the consolidated financial statements in accordance with the provisions of Section 362, paragraph 8, Title 9, Book 2 of the Dutch Civil Code (Burgerlijk Wetboek), where investments in subsidiaries are recognised at the net capital value of the assets in accordance with the equity method. The company statement of profit and loss of Vitens has been drawn up in a simplified form pursuant to Section 402, Title 9, Book 2 of the Dutch Civil Code (Burgerlijk Wetboek). Vitens applies the International Financial Reporting Standards (IFRS) as adopted within the European Union as the accounting conventions for valuation and result determination. For details of these conventions, please refer to the 'Accounting conventions and method for determining the result' for the consolidated financial statements.

The balance sheet items 'office buildings', 'company-owned housing' and 'derivatives' are valued at fair value. Pursuant to application of Title 9, Book 2 of the Dutch Civil Code (Burgerlijk Wetboek), a revaluation reserve has been formed to allow for the effect on capital of fair value changes. For other explanatory notes, please refer to the consolidated financial statements.

[33] Investments in associate companies

In millions of euros	Investments in subsidiaries	Investments in associate companies and joint ventures	Total
Carrying value as at 1 January 2020	**1.1**	**5.6**	**6.7**
Changes during 2020			
Share in the result	-	0.1	0.1
Result for the financial year	-1.1	-	-1.1
Total changes	**-1.1**	**0.1**	**-1.0**
Carrying value as at 31 December 2020	**-**	**5.7**	**5.7**
Changes during 2021			
Share in the result	-	0.2	0.2
Other changes	-	-	-
Total changes	**-**	**0.2**	**0.2**
Carrying value as at 31 December 2021	**-**	**5.9**	**5.9**

Holdings in subsidiaries are valued at net capital value, which is determined based on IFRS principles as used in the consolidated financial statements.

[34] Trade debtors and other receivables

In millions of euros		31/12/2021		31/12/2020
Trade debtors	39.0		36.8	
Impairment loss on debtors	-2.2		-2.3	
Hitch-hikers	0.2		0.3	
Net trade receivables		37.0		34.8
Taxes and social security premiums		1.8		2.4
Amounts receivable from group companies		-		-
Accrued income and prepaid expenses		12.5		13.1
Total		**51.3**		**50.3**

[35] Equity capital

In millions of euros	2021	2020
Balance as at 1 January	**559.2**	**533.2**
Changes		
Result for the financial year	19.4	23.9
Change in revaluation reserve for derivatives	21.9	-0.1
Change in revaluation reserve for the IFRS transition	-2.5	-2.5
Change in general reserve	2.4	4.6
Dividend payment on ordinary shares	-	-
Total changes	**41.2**	**26.0**
Balance as at 31 December	**600.3**	**559.2**

The revaluation reserve for derivatives relates to the negative derivative market value of €48.5 million (2020: €82.3 million), see note [11].

The revaluation reserve for the IFRS transition was created for the value increase in 2006 in relation to the transport pipes and main pipes, and raw water and site-based pipe systems at production locations. In the case of the transport pipes and main pipes, a weighted average age (or investment year) of 1977 applies, meaning that this revaluation will reduce to zero during the coming eight years. In the case of the raw water and site-based pipe systems at production locations, a weighted average age (or investment year) of 1996 applies, meaning that this revaluation will reduce to 0 during the coming 15 years.

For further explanatory notes on equity capital, please refer to the consolidated financial statements, see note [7].

[36] Provisions for employee benefits

For a summary of the changes in the employee benefits provisions, please refer to the consolidated financial statements. See note [12].

[37] Other provisions

For a summary of the changes in the other provisions, please refer to the consolidated financial statements. See note [13].

[38] Current liabilities

In millions of euros	31/12/2021	31/12/2020
Trade creditors and other payables	85.5	67.5
Current component of derivatives	-	34.6
Repayment obligations in relation to long-term liabilities	56.3	68.9
Repayment obligations in relation to lease commitments	5.1	4.6
Tax liabilities	15.2	16.0
Interest-bearing liabilities	41.3	32.0
Current employee benefits	35.2	33.9
Invoices still to be received	11.2	9.1
Accrued expenses and deferred income	9.3	6.4
Total	**259.2**	**273.0**

[39] Remuneration of the Executive Board and Supervisory Board

Pursuant to article 1.3, first paragraph, part d of the Senior Officials in the Public and Semi-Public Sector (Standards for Remuneration) Act (Wet normering bezoldiging topfunctionarissen publieke en semipublieke sector/WNT of 15 November 2012), Vitens has a duty to comply with the provisions of the Act when drawing up the report included below.

Remuneration of the Executive Board

The Executive Board is responsible for all management tasks at Vitens. The Supervisory Board is responsible for the Executive Board's remuneration structure. The remuneration consists of a basic salary, pension, social charges and other expense allowances (representation allowance and social charges paid by the employer for state health insurance and incapacity for work insurance) and complies with the requirements of the Acts relating to the remuneration of senior officials in the public and semi-public sector (Wet Normering Topinkomens/WNT and WNT2). The exact split is reported below.

Name	Remuneration (WNT)	Taxable fixed and variable expense allowances (WNT)	Provisions for benefits payable in the future (WNT)	Total remuneration 2021 WNT	Total remuneration norm 2021 WNT	Other remuneration components (outside WNT)	Total remuneration 2021	Remuneration (WNT) 2020	Provisions for remuneration payable in the future (WNT) 2020	Total remuneration 2020 WNT	Total remuneration 2020
drs. J.J. Hannema (Chair) 1	184,855	-	24,145	209,000	209,000	9,049	218,049	178,608	22,392	201,000	209,564
drs. M. Bonhof (member of the Executive Board) 2	184,847	-	24,153	209,000	209,000	9,049	218,049	178,601	22,399	201,000	209,564
Total	**369,702**	**-**	**48,298**	**418,000**	**418,000**	**18,098**	**436,098**	**357,209**	**44,791**	**402,000**	**419,128**

1. *Chair of the Executive Board: 365 days in 2021, full-time employment contract (2020: 366 days; full-time employment contract).*
2. *Member of the Executive Board 365 days in 2021, full-time employment contract (2020: 366 days; full-time employment contract).*

Executive Board remuneration policy

The General Meeting of Shareholders adopted the revised 'Executive Board remuneration policy' on 30 April 2015. This remuneration policy reflects the provisions of the Senior Officials in the Public and Semi-Public Sector (Standards for Remuneration) Act (Wet normering bezoldiging topfunctionarissen publieke en semipublieke sector/WNT). The WNT was amended as per 1 January 2015 to reduce the statutory maximum remuneration from 130% to 100% of a government minister's salary (Wet verlaging bezoldigingsmaximum/WNT2). The current Executive Board's remuneration is in line with the valid WNT2 provisions. No loans, advances and guarantees were issued to the Executive Board Members.

Remuneration of the Supervisory Board

The remuneration of the Supervisory Board Members consists of attendance fees. The table below shows the remuneration of senior officials and former senior officials – without a contract of employment (in euros)

Name	Total remuneration 2021 WNT	Total remuneration norm 2021 WNT	Total remuneration 2021	Total remuneration 2020	Time in office in 2021 (in days)
mr. B. Staal[1]	12,454	12,454	12,454	30,150	1/1 - 25/5 (145)
drs. H.C.P Noten[2]	27,060	27,199	27,199	1,675	1/1 - 31/12 (365)
ir. C.J. Rameau MBA [3]	20,900	20,900	20,900	20,100	1/1 - 31/12 (365)
drs H. Setz MBA [3]	20,900	20,900	20,900	20,100	1/1 - 31/12 (365)
prof. dr. ir. G. van Dijk[3]	20,900	20,900	20,900	20,100	1/1 - 31/12 (365)
drs. M.R. van Lieshout[3]	20,900	20,900	20,900	20,100	1/1 - 31/12 (365)
Total	**123,114**	**123,253**	**123,253**	**112,225**	

1. *Chair of the Supervisory Board until 25 May 2021.*
2. *Member of the Supervisory Board until 25 May 2021 and Chair of the Supervisory Board from 26 May 2021.*
3. *Member of the Supervisory Board.*

The above table shows the total remuneration in 2021 according to the WNT standard, and takes into account the days in office as Chair and/or as Member of the Supervisory Board.

The remuneration of the Supervisory Board was adapted in line with the Senior Officials in the Public and Semi-Public Sector (Standards for Remuneration) Act (Wet normering bezoldiging topfunctionarissen publieke en semipublieke sector/WNT) on 1 January 2013, and again on 1 January 2015 in line with WNT2. The General Meeting of Shareholders adopted the revised Supervisory Board remuneration policy on 30 April 2015.

[40] Audit fees

In accordance with Section 382(a) of Book 2 of the Dutch Civil Code (Burgerlijk Wetboek), this note explains the auditor's 's fees in relation to the services provided by the external accountancy organisation in 2021. These comprise audit fees for the financial statements amounting to €291 thousand (2020: €295 thousand) and for other review services €8 thousand (2020: €8 thousand).

Zwolle, 15 March 2022

Supervisory Board

drs. H.C.P. Noten (Chair)

ir. K.J. Rameau MBA (Deputy Chair)

drs. M.R. van Lieshout (Supervisory Director)

drs. H. Setz MBA (Supervisory Director)

prof. dr ir G.M. van Dijk (Supervisory Director)

Executive Board

drs. J.J. Hannema

drs. M. Bonhof

Other information

Profit appropriation

The articles of incorporation state the following with regard to profit appropriation:

34.1

The dividend policy is adopted, and may be changed, by a resolution of the Executive Board that has been approved by the Supervisory Board and adopted by the General Meeting of Shareholders. In compliance with the duly adopted dividend policy, the Executive Board determines each year how much profit will be allocated to reserves and how much profit will be paid out as dividend, subject to approval of the Supervisory Board.

34.2

Payment of distributable profit occurs after the adoption of the financial statements in which it is determined that this payment is admissible.

34.3

The General Meeting of Shareholders may, in response to a proposal of the Executive Board that has been approved by the Supervisory Board, decide to pay out interim dividend and make payments from the company's reserves.

34.4

Payments on shares may only be made up to the amount of distributable equity capital as a maximum and, if an interim payment is involved, subject to demonstration that this requirement has been satisfied in the form of an interim statement of assets and liabilities, as referred to in Section 105, paragraph 4, of Book 2 of the Dutch Civil Code (Burgerlijk Wetboek). The company shall file the statement of assets and liabilities at the office of the Commercial Register within a period of eight days from the date on which the decision to make payment is announced.

34.5

A shareholder's entitlement to a payment on shares lapses after a period of five years. The Executive Board proposes the following appropriation of the result after tax for adoption by the shareholders (approved by the Supervisory Board on 15 March): no payment of dividend on ordinary shares and addition of the result of €19.4 million to the other reserves. This complies with the dividend policy.

Independent auditor's report

Statement relating to the 2021 financial statements

To: the General Meeting of Shareholders and the Supervisory Board of Vitens N.V.

Our opinion

In our opinion, the annual financial statements of Vitens N.V. ('the company') present a true and accurate picture of the size and composition of the assets and liabilities of the company and the group (the company together with its subsidiaries) as at 31 December 2021 and of the result and the cash flows during 2021, in accordance with the International Financial Reporting Standards, as adopted within the European Union (EU-IFRS), and Title 9, Book 2 of the Dutch Civil Code (Burgerlijk Wetboek) and the provisions and application of the Senior Officials in the Public and Semi-Public Sector (Standards for Remuneration) Act (Wet Normering Topinkomens/WNT).

The scope of our audit

We have audited the 2021 financial statements of Vitens N.V. in Zwolle as presented in this 2019 annual report. The financial statements include the consolidated financial statements of the group and the company financial statements.

The financial statements comprise:

- the consolidated and company balance sheet as at 31 December 2021;
- the following statements relating to 2021: the consolidated and company statement of profit and loss, the consolidated summary of the total result, the consolidated statement of changes to equity capital and the consolidated cash flow statement; plus
- the explanatory notes and a summary of the main accounting conventions used for financial reporting and other explanations.

The financial reporting system used to draw up the consolidated financial statements is EU-IFRS and the relevant provisions of Title 9, Book 2 of the Dutch Civil Code (Burgerlijk Wetboek) and the provisions and application of the Senior Officials in the Public and Semi-Public Sector (Standards for Remuneration) Act (Wet Normering Topinkomens/WNT).

The basis for our opinion

We have performed our audit in accordance with Dutch legislation, which includes the Dutch audit standards and the 2021 WNT audit protocol in relation to standardisation of the remuneration of senior officials in the public and semi-public sector. Our responsibilities pursuant to the above are described in the paragraph entitled 'Our responsibilities in respect of the audit of the financial statements'.

We feel that the assurance engagement information we have gathered is sufficient and suitable as the basis for our conclusion.

Independence

We are impartial and not dependent on Vitens N.V., in accordance with the Accounting Organisations (Supervision) Act (Wet toezicht accountantsorganisaties/Wta), the Regulation on the independence of auditors in respect of assurance engagements (Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten/ViO) and other relevant requirements regarding independence in the Netherlands. In addition, we have satisfied the Regulation on conduct and professional rules for auditors (Verordening gedrags- en beroepsregels accountants/VGBA).

Our audit approach

Summary and context

Vitens N.V. is a drinking water utility whose main activities comprise: pumping up, purifying and treating groundwater and subsequent distribution of drinking water. The group consists of different entities and we have therefore given appropriate consideration to the scope of and approach to the group audit, as explained in the section entitled 'The scope of our group audit'. We have paid particular attention to the areas that are related to the group's specific operating activities.

As part of designing our audit approach, we determined materiality and identified and estimated the risk of material misstatement in the financial statements. We pay particular attention to areas where the Executive Board has made important subjective assessments, for example significant estimates that are linked to assumptions about future events which are inherently uncertain, such as the estimates relating to the value of the tangible fixed assets, derivatives, debtors, provisions and recognition of the net revenue based on the meter readings and annual settlements, which are respectively taken and drawn up at various times during the year. [

Vitens N.V.'s ability to ensure continuity of the business activities is largely dependent on the IT infrastructure. We have assessed the reliability and continuity of the automated data processing procedures insofar as these have an impact on our audit activities for the 2021 financial statements. We have involved internal IT specialists in this task and used tools such as data analyses in relation to transactions.

Vitens N.V. provides details of the estimated amounts and main areas associated with estimation uncertainty in 'Suppositions, estimates and assumptions in the financial statements', starting on page 144 of the financial statements. Due to the significant estimation uncertainty associated with recognition of the drinking water revenues, we have highlighted this as a key point as explained in greater detail in the section entitled 'The key points of our audit'.

In addition to the key point referred to previously, our audit activities also included close scrutiny of the operating result in relation to the maximum WACC of 2.75% specified in the Drinking Water Act (the maximum weighted average cost of capital for drinking water utilities) in financial year 2021. In the event that the maximum WACC is exceeded, Vitens is required under the Drinking Water Act to ensure that the excess is paid back to consumers in the rates set for the calendar year following determination of the definitive WACC. Based on the provisional calculation, the WACC for 2021 is 2.4%. The amount of the definitive WACC and any future contingent liability will be determined based on the 2021 Operating Report which will be submitted to the Ministry of Infrastructure & the Environment on or before 1 October 2022. The explanation relating to the WACC is presented in notes 16 and 30 to the financial statements.

During our audit, we assess the risk of breaching internal control measures on the part of the Executive Board, including an assessment of the risks of material misstatements due to fraud based on analysis of the possible interests of the Executive Board.

We have ensured that the audit team possessed adequate specialised knowledge and expertise for auditing a drinking water utility. We also included specialists in the fields of IT and financial instruments in our team. All the work carried out in the group entities was performed by the same audit team.

Our approach mainly concentrated on the following areas:

Materiality

- Materiality: €5.1 million, based on 1.5% of the total costs.

Scope of the audit

- We conducted the audit work virtually, designing the audit from a consolidated perspective.

Key points

- Recognition of drinking water revenues.

Materiality

The scope of our audit is influenced by the application of materiality. The concept of 'materiality' is explained in the section entitled 'Our responsibilities in respect of the audit of the financial statements'.

Based on our professional expertise, we determine quantitative limits for materiality, including the materiality in relation to the financial statements as a whole, as detailed in the table below. These limits, in combination with the qualitative considerations, help us to determine the nature, timing and scope of our audit activities for the individual items and explanations in the financial statements and evaluate the effect of any identified misstatements, both individually and collectively, on the financial statements as a whole, and on our opinion.

Materiality for the group	€5.1 million (2020: €5.1 million).
How materiality is determined	We determine the materiality based on our professional judgement. We consider 1.5% of the total costs to be a realistic assessment.
The considerations relating to the chosen benchmark	We have used this general and widely accepted benchmark based on our analysis of the common information needs of users of the financial statements. On this basis, we are of the opinion that the total costs are an important indicator of the company's financial performance.

We also take into account misstatements and/or possible misstatements which are, in our opinion, materially important based on qualitative reasons.

In accordance with our agreement with the Supervisory Board, we report any misstatements detected by our audit that amount to more than €255,000 (2020: €254,000), and smaller misstatements that we feel to be relevant for qualitative reasons.

The scope of our group audit

Vitens N.V. stands at the head of a group of entities. The financial information for this group is included in the consolidated financial statements of Vitens N.V.

It is important to note here that the group carries out its activities exclusively in the Netherlands and that the operating processes and internal controls within the group are set up and applied centrally.

Our audit is performed by one central team and is set up based on a consolidated perspective, meaning that we see the group as a single entity in administrative terms. This means that we have included all the transaction flows and financial positions that are materially important for the consolidated financial statements in the scope of our audit. We have audited the consolidation of the group and the explanatory notes in the financial statements.

By performing the above-mentioned activities, we have generated enough suitable audit information relating to the financial information for the group in order to express an opinion about the consolidated financial statements.

Our focus on the risk of fraud and non-compliance with legislation and regulations

Our objectives

The objectives of our audit are as follows: With

regard to fraud:

- to identify and estimate the risks of a material misstatement resulting from fraud;
- to obtain sufficient and appropriate audit information about the estimated risks of material misstatement due to fraud by designing and implementing appropriate responses to those risks; and
- to respond appropriately to fraud or suspected fraud, as identified during the audit.

With regard to compliance with laws and regulations:

- to identify and estimate the risks of a material misstatement resulting from non-compliance with legislation and regulations; and
- to obtain reasonable assurance that the financial statements as a whole are free from material misstatements, whether due to fraud or errors, taking into account the applicable legal and regulatory framework.

The Executive Board, under the supervision of the Supervisory Board, is primarily responsible for preventing and detecting fraud or non-compliance with legislation and regulations. We refer to page 58 in the annual report where the Executive Board presents its findings resulting from the fraud risk analysis.

Our risk analysis

As part of our fraud risk identification process, we evaluate fraud risk factors relating to fraudulent financial reporting, misappropriation of assets and bribery and corruption. We evaluated the fraud risk factors to consider whether these factors are indicative of a real risk of material misstatement due to fraud.

In addition, we have conducted an audit to obtain a general understanding of the legal and regulatory framework applicable to the company, which includes the identification of legal and regulatory provisions that are generally considered to have a direct impact on the measurement of amounts and explanations to the financial statements that are of material importance.

All our audit checks assess the risk of breaching internal control measures on the part of the Executive Board, including an assessment of the risks of material misstatements due to fraud based on analysis of the possible interests of the Executive Board.

Our audit work in relation to the identified risks

We have performed the following audit activities to address the identified risks:

- We have tested the design, implementation and, where applicable, effective operation of the internal control measures that mitigate the risk of fraud.
- We have performed data analysis in relation to high-risk journal entries and have evaluated the key judgements and assumptions made in order to identify possible bias on the part of Vitens N.V., including retrospective judgements with respect to significant estimates in the preceding financial year. In cases where we identified examples of unexpected journal entries or other risks, we performed additional audit procedures to address each risk. The activities also included validation of the transactions by referring to the source documents.
- We evaluated issues that have been reported via the (group) whistle-blower and complaints procedure, including the way in which the Executive Board responded to issues of this nature.
- For greater effect, we also built elements of unpredictability into our audit activities.
- We considered the results of other audit procedures and evaluated whether any anomalies found would seem to be indicative of fraud. In cases that would seem to indicate possible fraud, we re-evaluated the fraud risk analysis and determined the impact on our planned audit work.
- We obtained audit evidence on compliance with the legal and regulatory requirements that are generally considered to have a direct impact on measurement of amounts and explanatory notes to the financial statements that are materially important. With regard to other laws and regulations that have no direct influence on measurement of the amounts and explanatory notes to the financial statements, we asked the Executive Board and the Supervisory Board whether the entity complies with such laws and regulations.

Identified (indications of) fraud

During our audit, we did not uncover any (indications of) cases of fraud.

Identified (indications of) non-compliance with laws and regulations

During our audit, we did not identify any (indications of) non-compliance with laws and regulations.

The key points of our audit

In the key points of our audit, we describe the items which, in our professional opinion, were the most important during the audit of the financial statements. We have informed the Supervisory Board of the key points, however they do not constitute a full report of all risks and points which we identified and discussed during our audit. We have described the key points in this paragraph and included a summary of the activities we performed in relation to these points.

We determined our audit activities in relation to these key points within the framework of the audit of the financial statements as a whole. Our findings and observations relating to the key points must be seen within that framework and not as separate opinions about these key points or about specific elements of the financial statements.

Key points	*Our audit activities and observations*
Recognition of drinking water revenues. *The explanatory notes relating to the recognition of drinking water revenues are presented in the section entitled 'Suppositions, estimates and assumptions in the financial statements' on page 144, note 17 and 29 in the financial statements.*	We performed audit activities in relation to the recognised drinking water revenues, paying particular attention to the total delivery of service water, the correctness and completeness of the information relating to active connections, the correctness of the rates used, the NI (Not Invoiced %), the quality of the revenue estimate and the invoicing process.

The net revenue generated by the delivery of drinking water amounted to €356.7 million as at 31 December 2021 and is therefore a significant component in the consolidated statement of profit and loss (90% of the total operating income).

The revenues from drinking water are recognised based on the total amount of water delivered to third parties (in m3). Due to the large number of customers (5.8 million), the meters are read (particularly in the case of consumers and small business customers) at various times spread across the year and (final) settlement therefore also takes place at various times spread across the year.

The actual invoiced amount of water in m3 for all active connections is allocated to the calendar years. In 2021, 45.1% of the deliveries to customers was invoiced in the form of a final settlement. In relation to the period during the financial year for which customers have not yet received a final settlement, an estimate (revenue simulation) is made for the period from the last final settlement to the date of the balance sheet, based on historical meter readings in relation to current service water delivery. This means that, as at 31 December 2021, 54.9% of the deliveries to customers is based on a revenue simulation.

In view of this estimate and the inherent degree of estimation uncertainty associated with it, combined with the significance of the amount of the estimated drinking water revenues relative to the total drinking water revenues for 2021, we see this as a key point in our audit.

We assessed the internal control measures applied by Vitens in relation to turnover simulation and invoicing in terms of their set-up, existence and, where possible, effectiveness. We engaged IT specialists to validate the automated controls in the IT system used for invoicing.

We validated the completeness of the service water delivery (number of m3 of water used to simulate the revenue) based on the primary registrations of the 'Central Water Distribution' department in relation to each production facility in Vitens' supply area. We assessed reliable registration of the service water delivery based on inspection reports relating to flow meters and good reconciliation with the registration data at the source. This included cross-checking the number of flow meters referenced when specifying the total service water delivery against the actual number of flow meters on the outfeed pipes at each production facility.

We performed audit activities in relation to the correctness and completeness of the number of active connections in the customer administration and have determined that all active connections have been included in the revenue simulation via a link between the customer administration and the customer data used in the revenue estimate.

We checked the correctness of the rates by comparing them to the rates approved by the shareholders. In addition, we carried out an analysis that involved a cross-check of the total number of connections, the standing charge and water consumption per connection, the rate charged and the revenue recognised.

We benchmarked the NI, as specified in note 29, against the NI information for previous years and the NI information that is available for the entire drinking water sector in the Netherlands. In addition, we assessed Vitens' analysis of the impact of NI fluctuations.

Finally, we assessed the explanatory notes to the financial statements.

No audit activities performed regarding compliance with the anti-overlapping provision of the WNT

In accordance with the 2021 Audit Protocol for the Senior Officials in the Public and Semi-Public Sector (Standards for Remuneration) Act (Wet normering bezoldiging topfunctionarissen publieke en semipublieke sector/WNT), we did not perform any audit activities with regard to the anti-overlapping provision, as specified in Section 1.6a of the WNT and Section 5, paragraph 1, sub paragraphs 'n' and 'o' of the WNT Implementing Regulation. This means that we neither investigated a possible breach of standards by a senior managing official due to employment as a senior managing official at other institutions subject to the WNT, nor whether the explanation required in this context was correct and complete.

Statement in relation to the other information included in the annual report

In addition to the financial statements and our audit opinion in relation to them, the annual report contains other information, namely:

- 'Foreword', pages 5 to 7 inclusive;
- 'Who we are and what we do', pages 9 to 18 inclusive;
- 'How we create value', pages 19 to 47 inclusive;
- 'Guaranteeing our continuity, pages 48 to 51 inclusive;
- 'Governance', pages 53 to 55 inclusive;
- 'Statements and reports', pages 66 to 80;
- 'Other information', pages 81 to 121; and
- 'Financial results', pages 123 to 194.

Based on the activities detailed below, we are of the opinion that the other information:

- is consistent with the financial statements and does not contain any material misstatements;
- contains all the information required for the Executive Board report and the other details, as stipulated in Title 9, Book 2 of the Dutch Civil Code.

We have read the other information and, based on our knowledge and understanding gained from the audit of the financial statements or otherwise, assessed whether the other information contains any material misstatements.

Through our work in this respect, we have complied with the requirements of Title 9 of Book 2 of the Dutch Civil Code and with Dutch Accounting Standard 720. These activities are not performed to the same level of detail as our audit activities for the financial statements.

The Executive Board is responsible for preparing the other information, including the Executive Board report and the other data in accordance with Title 9, Book 2 of the Dutch Civil Code (Burgerlijk Wetboek/BW).

Responsibilities in relation to the financial statements and the audit

Responsibilities of the Executive Board and the Supervisory Board in respect of the financial statements

The Executive Board is responsible for:

- drawing up and accurately presenting the financial statements in accordance with EU-IFRS and Title 9, Book 2 of the Dutch Civil Code (Burgerlijk Wetboek/BW) and the provisions of and pursuant to the WNT; and for
- exercising internal controls to the extent considered necessary by the Executive Board in order to draw up the financial statements in a form free of material misstatements resulting from fraud or errors.

When preparing the financial statements, the Executive Board must consider whether the company is capable of continuing its activities in the long term. The Executive Board must prepare the financial statements pursuant to the stated reporting systems based on a going-concern assumption, unless the Executive Board intends to liquidate the Company or terminate the operating activities, or if termination is the only realistic alternative. The Executive Board must include explanatory notes in the financial statements relating to events and circumstances that give rise to reasonable doubt about the company's ability to continue its operating activities in the long term.

The Supervisory Board is responsible for monitoring the company's financial reporting process.

Our responsibilities in relation to the audit of the financial statements

Our responsibility is to plan and perform an audit assignment in a way that generates adequate and suitable audit information for the opinion we have been asked to provide.

Our objectives are to obtain a reasonable degree of assurance that the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an audit opinion that reflects our findings. A reasonable degree of assurance is a high level of certainty, but not an absolute degree of certainty, meaning that we may not discover all material misstatements during our audit.

Misstatements can arise as a result of fraud or errors and are materially important if it is reasonable to expect that these misstatements, either individually or collectively, may affect the economic decisions taken by users of these financial statements. The materiality influences the nature, timing and extent of our auditing work and the evaluation of the effect of identified anomalies on our opinion.

A more detailed description of our responsibilities is included in the appendix to our audit report.

Zwolle, 15 March 2022 PricewaterhouseCoopers Accountants N.V.

F.S. van der Ploeg RA

Appendix to the independent auditor's report relating to the 2021 financial statements of Vitens N.V.

This appendix contains complementary information to our audit report in the form of more detailed explanation of our responsibilities relating to the audit of the financial statements and the activities comprising an audit of this nature.

The auditor's responsibilities in relation to the audit of the financial statements

We have performed this audit in a professional and critical manner and, where relevant, have exercised professional judgement in accordance with the Dutch audit standards, the 2021 WNT audit protocol regulation (Regeling Controleprotocol WNT 2021), ethical requirements and the independence requirements. Our audit included the following:

- Identifying and estimating the risk of misrepresentations of material importance in the financial statements as a result of errors or fraud, determining and performing audit activities based on these risks and obtaining audit information that is adequate and suitable for forming our opinion. In the case of fraud, there is a greater risk of material misstatements going undetected than in the case of errors. Fraud may involve collusion, falsification of documents, purposely neglecting to record transactions, purposely misrepresenting facts or breaching internal controls.
- Obtaining an understanding of the internal controls that are relevant for the audit in order to select the audit activities that are most suitable under the circumstances. These activities are not intended to reflect an opinion about the effectiveness of the company's internal controls.
- Evaluating the suitability of the principles that are used for financial reporting and the reasonableness of the estimates made by the Executive Board and the associated explanatory notes in the financial statements;
- Determining that the going-concern assumption applied by the Executive Board is acceptable. In addition, based on the audit information that has been obtained, determining whether events and circumstances exist that give rise to reasonable doubt about the company's ability to continue its operating activities in the long term. If we conclude that a materially important degree of uncertainty exists, we have an obligation to focus on the relevant related explanatory notes to the financial statements in our audit report. If the explanatory notes are inadequate, we have a duty to amend our report. Our conclusions are based on the audit information that was obtained up to the date of our audit report. Future events or circumstances may however mean that a company can no longer continue to operate.
- Evaluating the presentation, structure and content of the financial statements and the explanatory notes to the financial statements and evaluating whether the financial statements provide an accurate picture of the underlying transactions and events.

In view of the fact that we have final responsibility for the opinion, we are responsible for managing, supervising and performing the group audit. In this respect, we have determined the nature and scope of the activities that are to be performed for the group entities in order to guarantee that our audit activities are far-reaching enough for coming to an opinion about the financial statements as a whole. The determining factors here are the geographical structure of the group, the scope and/or risk profile of the group entities or the activities, the operating processes and internal control measures and the sector in which the company operates. Based on this, we have selected group entities where there was a need for an audit or assessment of the financial information, or of specific accounting entries.

We consult with the Supervisory Board about the planned scope and timing of the audit and the significant findings revealed by our audit, including possible significant deficiencies in the internal controls.

We determine the key points of our audit of the financial statements based on all issues that we have discussed with the Supervisory Board. We describe these issues in our audit report, unless this is prohibited by law or regulations or, in extremely rare cases, if not disclosing this information is in the best interests of society.

Summary of outstanding shares

No.	Shareholder	Ordinary shares	Percentage
1	Provincial authority of Overijssel	774,096	13.399%
2	Provincial authority of Friesland	755,043	13.069%
3	Provincial authority of Gelderland	387,231	6.703%
4	Municipality of Almere	366,175	6.338%
5	Provincial authority of Utrecht	285,896	4.949%
6	Municipality of Utrecht	285,896	4.949%
7	Municipality of Amersfoort	131,691	2.279%
8	Municipality of Dronten	98,457	1.704%
9	Municipality of Lelystad	98,457	1.704%
10	Municipality of Zeewolde	98,457	1.704%
11	Municipality of Hilversum	89,569	1.550%
12	Municipality of Hof van Twente	66,713	1.155%
13	Municipality of Hardenberg	63,007	1.091%
14	Municipality of Nieuwegein	61,246	1.060%
15	Municipality of Steenwijkerland	60,227	1.042%
16	Municipality of Zeist	60,035	1.039%
17	Municipality of Doetinchem	58,752	1.017%
18	Municipality of Stichtse Vecht	58,097	1.006%
19	Municipality of Veenendaal	56,404	0.976%
20	Municipality of Kampen	50,961	0.882%
21	Municipality of Zutphen	50,739	0.878%
22	Municipality of Zwolle	46,329	0.802%
23	Municipality of Woerden	45,042	0.780%
24	Municipality of Soest	44,542	0.771%
25	Municipality of Tiel	42,728	0.740%
26	Municipality of De Bilt	41,879	0.725%
27	Municipality of Raalte	41,696	0.722%
28	Municipality of Rijssen-Holten	41,696	0.722%
29	Municipality of De Ronde Venen	40,426	0.700%
30	Municipality of Wijchen	40,058	0.693%
31	Municipality of Oude IJsselstreek	40,057	0.693%
32	Municipality of Houten	38,490	0.666%
33	Municipality of Zwartewaterland	38,453	0.666%
34	Municipality of Meppel	37,526	0.650%
35	Municipality of Lingewaard	37,387	0.647%
36	Municipality of Utrechtse Heuvelrug	36,554	0.633%
37	Municipality of Dalfsen	34,746	0.601%
38	Municipality of Epe	34,717	0.601%
39	Municipality of Nijkerk	34,717	0.601%
40	Municipality of Overbetuwe	34,717	0.601%
41	Municipality of West Betuwe	34,717	0.601%
42	Municipality of Zevenaar	34,717	0.601%
43	Municipality of Montferland	34,716	0.601%
44	Municipality of Noordoostpolder	32,430	0.561%
45	Municipality of Winterswijk	32,046	0.555%
46	Municipality of Lochem	32,045	0.555%
47	Municipality of IJsselstein	31,228	0.541%
48	Municipality of Culemborg	26,705	0.462%
49	Municipality of Duiven	26,705	0.462%
50	Municipality of Westerveld	25,944	0.449%

No.	Shareholder	Ordinary shares	Percentage
51	Municipality of Leusden	25,902	0.448%
52	Municipality of Borne	25,480	0.441%
53	Municipality of Baarn	24,207	0.419%
54	Municipality of Beuningen	24,035	0.416%
55	Municipality of Buren	24,035	0.416%
56	Municipality of Ermelo	24,035	0.416%
57	Municipality of Nunspeet	24,035	0.416%
58	Municipality of Zaltbommel	24,035	0.416%
59	Municipality of Berkelland	24,034	0.416%
60	Municipality of Ommen	23,164	0.401%
61	Municipality of Wierden	23,164	0.401%
62	Municipality of Brummen	21,364	0.370%
63	Municipality of Maasdriel	21,364	0.370%
64	Municipality of Voorst	21,364	0.370%
65	Municipality of Bronckhorst	21,362	0.370%
66	Municipality of Wijk bij Duurstede	20,818	0.360%
67	Municipality of Aalten	18,693	0.324%
68	Municipality of Elburg	18,693	0.324%
69	Municipality of Oost Gelre	18,693	0.324%
70	Municipality of Oldebroek	18,693	0.324%
71	Municipality of Putten	18,693	0.324%
72	Municipality of West Maas en Waal	18,693	0.324%
73	Municipality of Staphorst	18,531	0.321%
74	Municipality of Rhenen	16,461	0.285%
75	Municipality of Bunschoten	16,219	0.281%
76	Municipality of Urk	16,215	0.281%
77	Municipality of Druten	16,023	0.277%
78	Municipality of Heerde	16,023	0.277%
79	Municipality of Heumen	16,023	0.277%
80	Municipality of Neder-Betuwe	16,023	0.277%
81	Municipality of Westervoort	16,023	0.277%
82	Municipality of Berg en Dal	13,352	0.231%
83	Municipality of Bunnik	13,314	0.230%
84	Municipality of Montfoort	11,861	0.205%
85	Municipality of Lopik	11,619	0.201%
86	Municipality of Doesburg	10,682	0.185%
87	Municipality of Hattem	10,682	0.185%
88	Municipality of Woudenberg	9,683	0.168%
89	Municipality of Oudewater	9,199	0.159%
90	Municipality of Wijdemeren	8,956	0.155%
91	Municipality of Eemnes	7,988	0.138%
92	Municipality of Scherpenzeel	7,746	0.134%
93	Municipality of Renswoude	4,389	0.076%
94	Provincial authority of Flevoland	4,316	0.075%
95	Municipality of Súdwest Fryslân	1,000	0.017%
96	Municipality of Tytsjerksteradiel	200	0.003%
97	Municipality of Apeldoorn	1	0.000%
	Total	5,777,247	100.00%