



Annual Report 2023

Every drop sustainable

Contents

Foreword by the Chair of the Board	5
2023 in figures	7
1 Who we are and what we do	9
1.1 Our profile	9
1.2 This is how we make drinking water	9
1.3 Employees	9
1.4 Ambition and strategy	10
1.5 Value creation model	11
2 The value we create	14
2.1 Adequate and clean sources	16
2.1.1 Water scarcity	16
2.1.2 Protection of groundwater sources	20
2.2 Resilient infrastructure	23
2.2.1 Financial health	23
2.3 Reliable drinking water operation	25
2.3.1 Supply security of drinking water	25
2.3.2 Quality of drinking water	26
2.3.3 Digitalisation and data security	27
2.4 Positive impact on people	29
2.4.1 Attractive employer	30
2.4.2 Social obligation to vulnerable customers	34
2.5 Positive impact on nature	35
2.5.1 Climate impact	36
2.6 Our impact on society in euros	39

3 Guaranteeing our continuity	44
3.1 Control	44
3.2 Governance structure	44
3.3 Laws, regulations and social obligations	46
3.3.1 Reports and penalties in 2023	48
3.4 Stakeholder management	49
3.5 Risk management	51
3.5.1 Manufacturability of future-proof infrastructure	51
3.5.2 Cybersecurity	52
3.5.3 Pressure in the subsurface	53
3.5.4 Attractive and good employer	54
3.5.5 Climate impact	55
3.6 Board statement	56
4 Report of the Supervisory Board	58
4.1 Strategy and realisation of business plan	58
4.2 Financial reporting	58
4.3 Financial statements and dividend proposal	59
4.4 Composition of the Supervisory Board	59
4.5 Meetings in 2023	60
5 Other information	63
5.1 Independent auditor's assurance report	63
5.2 About this report	66
5.3 Connectivity matrix	69
5.4 GRI index	72
5.5 Reporting definitions	80

Financial results	87
Key figures	87
Notes on results	88
Consolidated results	90
Consolidated financial statements	91
Consolidated income statement and statement of comprehensive income	94
Consolidated cash flow statement	96
Consolidated statement of changes in equity	97
Notes on the consolidated financial statements	98
Notes on the consolidated balance sheet	109
Notes on the consolidated income statement	122
Notes on the consolidated cash flow statement	127
Other notes on the consolidated financial statements	127
Separate financial statements	134
Notes on the company financial statements	137
Other data	144
Overview of outstanding shares	145
Independent auditor's report	146

Foreword by the Chair of the Board

The year 2023 confirms urgency for accelerating sustainable drinking water extraction

The year 2023 was characterised by violent weather extremes: it goes into the books as both the warmest and wettest year on record. The impact of climate change is becoming increasingly clear, making the importance of our strategy *Every drop sustainable* and moving towards sustainable drinking water extraction increasingly urgent. Looking at that strategy, we achieved great successes in 2023. We had a stable year operationally, courtesy of our 1,600-plus water makers. The province of Friesland granted the 6.5 million cubic metre permit in Luxwoude, the SAP & Transformation programme was completed and financially we almost achieved the budgeted operating result. Yet in some areas it proved challenging to deliver on our customer promises.

The biggest challenge in realising our strategy was the fact that we were also stuck with the permits needed to maintain short-term security of supply in 2023. The urgency is felt and expressed in politics, but action is lagging behind. Drinking water interests are increasingly coming into conflict with other societal interests. This while governments, by virtue of their duty of care, should weigh drinking water as a key interest. After all, drinking water is a basic necessity of life. The January 2024 signal report '*Drinking water increasingly scarce*' by the Dutch Inspectorate for the Environment & Transport (ILT) underlines our call that provinces really need to take their responsibility in this now.

Delivering on our customer promises

Vitens is responsible for extracting, purifying and supplying drinking water to our 6 million customers. Running the drinking water supply sustainably, according to the Dutch Drinking Water Act, is our core task. This is what our people have been working hard on in 2023. Unfortunately, we had to issue 2 large-scale boiling advisories in August. The reason was that we were no longer able to guarantee the drinking water quality that customers should expect from us. Major consequences for our customers. They need to be able to trust us and the quality of drinking water blindly.

Another issue that affected our customers was the situation regarding new connections in Vitens' operating area. Due to lack of manpower and resources among contractors, connections could not be realised in time. Extremely undesirable and annoying. We do our best to improve and prevent such situations in the future.

Action needed now to maintain security of supply

To maintain security of supply, 2 things are essential for Vitens: sufficient permit space and investment space. Due to increasing water release, due to dry summers and residential construction, among other things, Vitens expects to exceed permits in several places in the short term. As a socially committed organisation, we want to comply with laws and regulations, but we are unable to do so – once consumption increases slightly. Exceeding permits is then inevitable in order to fulfil our supply obligation. An exceedance that creates additional load on the water system, with negative impact on nature, agriculture and other uses.

For security of supply and further sustainability, Vitens urgently needs sufficient investment space. However, the Dutch Drinking Water Act sets limits on the profits that water companies can make. This is done through the statutory cost of capital (WACC). We almost achieved the maximum operating profit based on the Weighted Average Cost of Capital (WACC), or cost of capital, in 2023, but this is not enough. The current WACC regulation does not sufficiently match our major investment challenge. A change to this regulation is necessary to strengthen our equity in order to be able to attract sufficient external funding. The responsibility for this lies with the Dutch Ministry of Infrastructure & Water Management.

Accelerating together towards sustainable drinking water extraction

It is becoming less and less obvious how and where we can make water. The increasing load on the water system means we need to make different choices in the way we extract and transport water. Only in this way can we continue to perform our core mission responsibly in the future. For the long(er) term, we are working towards a robust system of drinking water extraction that minimises the impact on the water system or even makes a positive impact. We call this the *target structure*. In the coming years, we will accelerate work on this appropriate infrastructure for future drinking water supply. We can only achieve this through cocreation with our stakeholders. Great strides have been made in this regard over the past year. We saw this reflected in the successful cooperation on projects in the IJssel Valley, 't Gooi and Ketelmeer. It is beautiful and promising to see that we are working together to ensure sustainable drinking water extraction for the future.

Finally

On behalf of Vitens, I would like to express my appreciation for the efforts and commitment of our shareholders. We share the social interest of future-proof drinking water supply. On the one hand, this is reflected in the shared vision of sustainable drinking water extraction. And, on the other hand, in our joint efforts to provide Vitens with the financially sound basis it needs to do so.

For me personally, this is the last annual report I will sign as Chair of the Board. Looking back over the past 6.5 years, I see that the urgency to realise our ambition has only increased. There is a challenging yet great task ahead for my successor Tjeerd Roozendaal.

Jelle Hannema

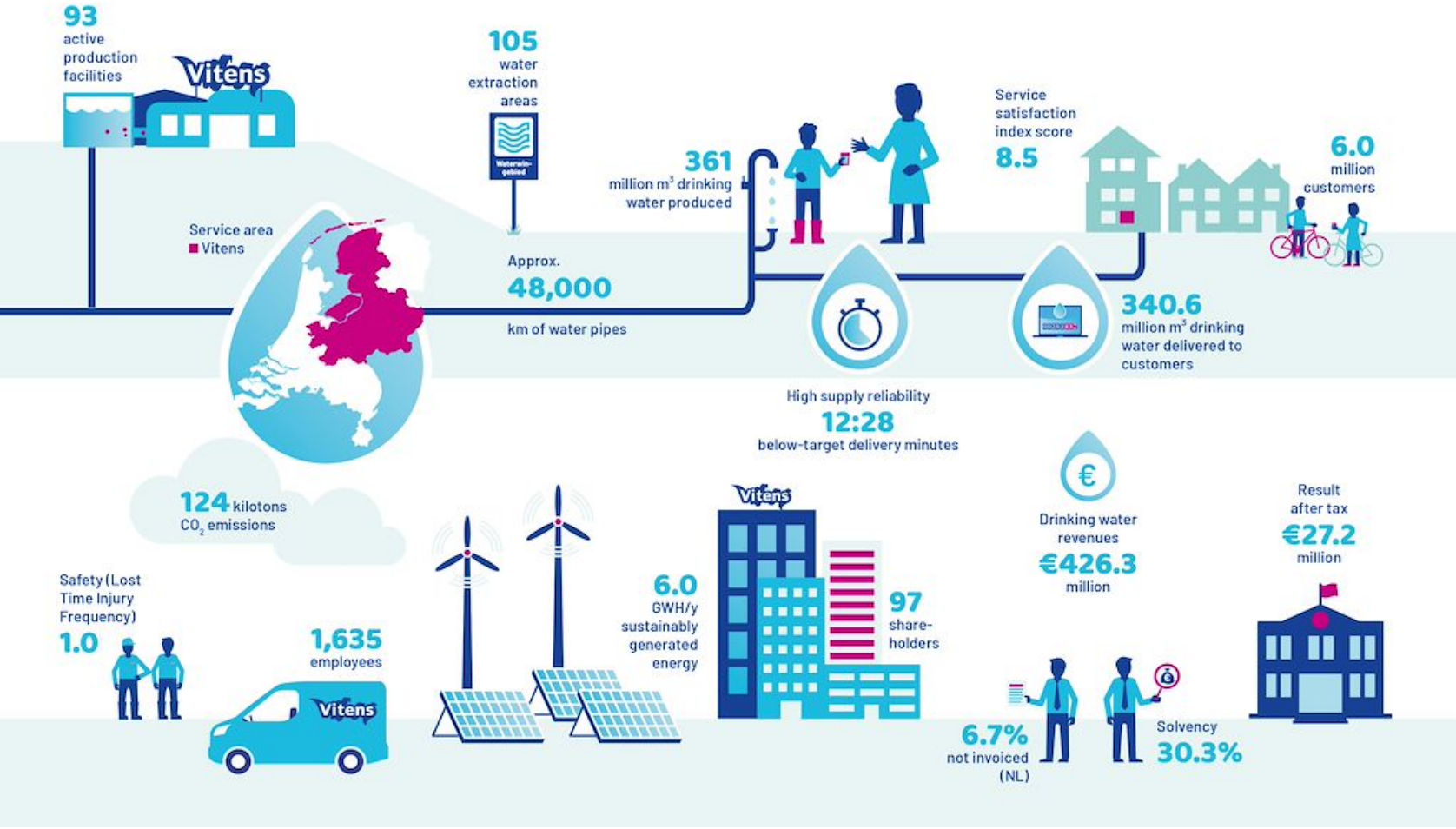
Chair of the Board Vitens



2023 in figures

2023

Key metrics and results of Vitens





1 Who we are and what we do

1.1 Our profile

Vitens extracts, purifies and delivers more than 340 billion litres of drinking water to 6 million customers every year. These customers include both individuals and companies, spread across five provinces and some municipalities in Drenthe and North Holland. Our primary task is to ensure reliable drinking water: 24 hours a day, 365 days a year. Now and in the future.

1.2 This is how we make drinking water

Extracting water from groundwater sources

Most of the drinking water Vitens makes comes from groundwater wells that are tens to hundreds of metres deep. We pump this groundwater into 105 water catchment areas. We manage these areas as sustainably as possible. This is how we encourage nature development and biodiversity.

Purification by natural filter and in production plants

Groundwater once seeped into the soil as rainwater or from rivers. This process can take hundreds of years. During that journey, the soil has already purified much of the water. We therefore refer to the soil as 'filter zero'.

After pumping the water, we transport it to one of our 93 production plants for treatment. The purification process is slightly different everywhere, because the composition of the groundwater at the locations is different. Basically, each production site goes through 3 purification steps: filtration, aeration and post-filtration. It removes natural substances such as lime, iron and manganese and any contaminants from the water. Some of these residues are reused.

Via pipeline network with constant pressure to the customer

We pump drinking water from our production sites into the water supply network: a network of 48,000 kilometres of pipes. The water first enters the main transport lines, after which it is delivered to our customers via the smaller distribution and connection lines.

1.3 Employees

At Vitens, more than 1,600 dedicated employees work every day to deliver clean and sufficient drinking water to our customers. They are the heart of the organisation.

The composition of the workforce

Vitens has 1,635 employees with an average age of 46. All our employees work in the Netherlands. In the table on page 10, we show the composition of Vitens employees in figures.

	2023	man	woman	2022	man	woman
# employees	1.635	72%	28%	1.599	73%	27%
% full-time employees	70%	87%	13%	73%	87%	13%
% part-time employees	30%	37%	63%	27%	35%	65%
% of employees on permanent contracts	90%	72%	28%	90%	73%	27%
% of employees on fixed-term contracts	10%	68%	32%	10%	73%	27%
#/% employees under CLA	1.634	72%	28%	1.599	73%	27%
# of temporary employees	293	40%	60%	383	42%	58%

1.4 Ambition and strategy

Reliable drinking water is essential for our health and well-being. However, drinking water is under increasing pressure from a variety of factors. For example: population growth, economic growth, weather extremes due to climate change, but also the ever-increasing pollution affecting the quality of sources.

Vitens' ambition is great: a sustainable drinking water company, socially embedded, with a positive impact on people and nature. We aim for a sustainable drinking water system, developed through cocreation with our environment. This ambition is elaborated in our strategy 'Every drop sustainable' and translated into 5 strategic goals:

1. We ensure sufficient and clean sources

Vitens' job is to ensure sufficient and clean wells from which we are allowed and able to extract water. In recent years, the required extraction and production capacity, both in the short and long term, has been under serious pressure. The same applies to source quality. We therefore actively cooperate with shareholders, political-administrative partners, market players and other stakeholders. For example, for new extraction permits, extension of existing permits and protecting source quality. We also try to influence drinking water demand by encouraging sustainable water use among our customers. Currently, Vitens mainly makes drinking water from groundwater, but we are looking at long-term alternatives. For instance, we are exploring various options for surface water, bank filtrate and reuse of treated sewage via infiltration. A sustainable source is always the starting point.

2. We provide resilient infrastructure

To provide water 24 hours a day, now and in the future, resilient infrastructure is essential. Our vision for its development is set out in what we call the target structure. In the short and medium term, this means maintaining and, where necessary, improving or expanding existing infrastructure. For the longer term, we are working on developing a robust and flexible infrastructure, with commitment to larger (clusters of) extractions and larger production sites. We call this *strategic hearts*. These are areas where there is potentially a relatively large amount of water to be extracted, with a relatively small impact on nature and many opportunities for social added value. In the long(er) term, this creates scope to reduce or close non-future-proof extractions. Subsequently, we work on exploration and design of a different kind of transport infrastructure, appropriate to the envisaged smaller number of extractions in the long term. This provides more flexibility during peak loads and outages.

3. We ensure reliable drinking water operation

Vitens is committed to the continuous supply of reliable drinking water to its customers. For optimal operations, we are working hard to implement and develop a digital, intelligent infrastructure and innovation. Disruptions in the quality or supply of drinking water due to, for example, pipe breaks and cyber attacks, we naturally try to prevent. If these situations do occur, we minimise the impact.

4. We make a positive impact on people

Vitens contributes to public health by providing reliable drinking water. By doing so, we make a positive impact on our customers. We cannot extract, purify and supply drinking water without our more than 1,600 employees. For these and potential new employees, Vitens wants to be a good and attractive employer. In our water catchment areas, we deal with fellow area users, such as farmers and nature organisations. With them, we actively seek cooperation.

5. We make a positive impact on nature

With its drinking water supply, Vitens is part of a circular ecosystem. Water extraction affects this system. Vitens wants to make a positive contribution to nature. That is why we invest in a sustainable water system, where spatial planning follows the water system. This ensures sufficient water is available for various functions, including agriculture and nature. We are also committed to sustainable operations by reducing our CO₂ emissions, reusing waste streams and promoting biodiversity in our water catchment areas, among other things. Finally, we encourage sustainable water use among our customers. After all, the most sustainable drop is the one that is not produced.

1.5 Value creation model

Vitens wants to make a positive impact on people and nature with its ambition and associated activities. The value creation model illustrates where our activities have the most positive and negative impact. This model looks beyond financial results. It assesses impact on six different capitals: financial, produced, intellectual, social, human and natural.

The value creation model reveals what our organisation extracts from society – such as groundwater – what we do with it and the value we add. For example, issues such as employment and public health.

This is discussed in more detail in the annual report under 'Our impact on society in euros'.

input

We rely on valuable resources...

economic impact

financial

Vitens' shareholders are 92 municipalities and five provinces. Capital position, revenues, investment and capital/ loan liability are described in the financial statements. €180 million investments in under- and above-ground activities.

produced

With 93 manufacturing companies, we produced 361 million m³ of drinking water in 2023. We have also purchased 4.4 million m³ of drinking water. We have a pipeline network of around 48,000 km.

impact on people

intellectual

In 2023, Vitens invested in innovation, circular business, robust linking of data and digitalisation of services.

human

With 1,635 employees, we have a diverse organisation in which flexible and safe working is our priority. Output management gives employees more responsibility.

social and relationships

We are socially engaged through our international activities and education programmes. We work together and seek dialogue with our stakeholders to act together in protecting our groundwater.

impact on nature

natural

For our operations, we need 165 GWh of energy. We manage approximately 2,648 hectares of extraction areas in a sustainable manner. In 2023, we extracted 370 million m³ of raw water.

businessmodel

...with our business model...



24/7
reliable drinking water
for now and later



strategic targets

- Adequate and clean sources
- Resilient infrastructure
- Reliable drinking water operation
- Positive impact on people
- Positive impact on nature

output

...to drive results.

sufficient and clean resources

2 clusters with sufficient 'Total reserves'
2 clusters with positive 'Operational difference'
Pollution index for short term **97**
Pollution index for long term **388**



resilient infrastructure

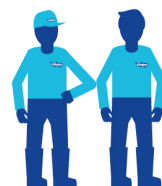
€ Solvency: **30.3%**
€ Net result: **€ 27.2 million**
€ Gross investments: **€ 224 million**

reliable drinking water operation

340.6 million m³ of drinking water supplied
Substandard Supply Minutes: **12:28**
Water quality index: **0.017**
9 ICT prio 1 emergencies
0 prio 1 cybersecurity



attractive and good employer



Employee engagement: **7.0**
Sickness absence: **5%**
LTIF: **1.0**

positive impact on nature

CO₂ emissions: **124** kilotons CO₂ e
CO₂ emissions per m³ of water produced (kg/ m³): **0.340**
6.0 GWh of sustainably generated energy



impact

This is how we create value for our stakeholders and environment...

customers

By providing affordable and reliable tap water to customers 24/7:

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

Through good information and customised service:

- We make settling water issues as easy as possible
- We help customers make their lives more sustainable

environment

Water supply has great social value, but also a downside for people and nature. We work to make the water cycle more sustainable and minimise the impact of our operations through:

- Renewable energy generation
- Sustainable site management
- Limiting inconvenience of operations
- Sustainable procurement policy, recycling residual flows and circular economy collaborations

employees

We contribute to employee well-being through:

- Development opportunities
- Income
- Good work-life balance

shareholders

Shareholders can count on us to:

- Be a constructive partner in spatial planning
- Contribute to the well-being of their citizens
- Help them with their groundwater protection tasks
- Pay dividends if we can

...and contribute to global goals.

sustainable development goals



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



We contribute to fair work and economic growth (8.8)



We invest in innovation and a sustainable infrastructure. (9.1 en 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.)



2 The value we create





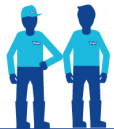

Through its ambition and associated activities, Vitens wants to create value for its environment, employees, customers and shareholders. We do this by focusing on 5 strategic goals:

1. Adequate and clean sources
2. Resilient infrastructure
3. Reliable drinking water operation
4. Positive impact on people
5. Positive impact on nature

In this chapter, we report on these goals using eight material themes. These are (sustainability) themes where Vitens has the most impact, based on input from our internal and external stakeholders. For each material theme, we chart our quantitative (KPIs) and qualitative performance and the initiatives that contributed to it in 2023. We also take a look at the future. How do we ensure that we continue and – if necessary – improve our performance in 2024 and beyond?



A sustainable drinking water company, socially embedded, with a positive impact on people and nature

Strategic goals	Sufficient and clean sources		Resilient infrastructure	Reliable drinking water operation			Positive impact on people		Positive impact on nature
									
Material themes	<ul style="list-style-type: none"> • Water scarcity 	<ul style="list-style-type: none"> • Protection of groundwater resources 	<ul style="list-style-type: none"> • Financial health 	<ul style="list-style-type: none"> • Supply security of drinking water 	<ul style="list-style-type: none"> • Quality of drinking water 	<ul style="list-style-type: none"> • Digitalisation and data safety 	<ul style="list-style-type: none"> • Attractive employer 	<ul style="list-style-type: none"> • Social obligation to vulnerable customers* 	<ul style="list-style-type: none"> • Climate impact
Quantitative performance	<ul style="list-style-type: none"> • Total reserves • Operational difference 	<ul style="list-style-type: none"> • Pollution index 	<ul style="list-style-type: none"> • Solvency 	<ul style="list-style-type: none"> • Substandard supply minutes 	<ul style="list-style-type: none"> • Water quality index 	<ul style="list-style-type: none"> • ICT Prio 1 emergencies • ICT Prio 1 cybersecurity emergencies 	<ul style="list-style-type: none"> • Engagement score 		<ul style="list-style-type: none"> • CO₂-equivalent (emission of greenhouse gases)
Qualitative performance	<ul style="list-style-type: none"> • Encouraging sustainable water use 		<ul style="list-style-type: none"> • Investment and financing task • WACC regulation • Efficiency shareholders • Drinking water tariff 			<ul style="list-style-type: none"> • Digitalisation • Physical security 	<ul style="list-style-type: none"> • Recruitment task • Absenteeism and vitality • Safety • Diversity, inclusion and equal treatment 		<ul style="list-style-type: none"> • Circular economy and waste flows • Encouraging sustainable water use • Living environment and biodiversity • Sustainable water system

* this is not a material issue

2.1 Adequate and clean sources

As a drinking water company, Vitens is tasked with ensuring sufficient drinking water now and in the future. To this end, we are committed to maintaining and expanding extraction permits, increasing our extraction capacity, sustainable water use and source protection.

The key results

- Our goal of having sufficient reserves in 2 out of 10 clusters (subareas with a number of extractions) by 2023 has been achieved. In these areas, we are adequately prepared for the (expected) increase in drinking water demand.
- In 8 clusters, we do not have sufficient extraction permits. We also have insufficient production and distribution capacity in most of the clusters.
- In the context of sustainable water use, efforts were made to save water among private and business customers, for example with the 'Wise with drinking water' campaign and entering into cooperation with MKB Nederland.
- No significant improvements or deteriorations are visible in the quality of our sources.

2.1.1 Water scarcity

Rising demand for water, due to climate change and population growth, among other factors, is making water an increasingly scarce resource. Moreover, the Netherlands has traditionally been set up to drain water as quickly as possible, while this is detrimental to groundwater levels. And thus for nature, agriculture and drinking water companies such as Vitens. In short: the water system is under increasing pressure. It is therefore necessary to look at this differently.

Due to increasing demand, Vitens needs more permits in the short term to extract (ground) water to make drinking water. However, when it comes to permits, we face administrative, legal and spatial obstacles in more and more places. Also, the extraction of (additional) groundwater sometimes causes resistance from the surrounding area. As a result, Vitens can only realise the required production capacity to a limited extent. Other obstacles include increasing scarcity of manpower and resources, nitrogen regulations and grid congestion.

For the long(er) term, beyond 2030, Vitens is working with stakeholders to create a robust system with drinking water extractions that have the least possible impact on nature and the environment (the strategic hearts). For this, we are also looking at alternative sources to make drinking water from. By focusing on the intake of surface water, riparian groundwater and shallow groundwater in addition to deep groundwater, we increase our available source capacity and thus make us more resilient to vulnerabilities due to weather extremes (such as prolonged drought). This is how we develop a future-proof and sustainable water system. This is a process over decades. Therefore, we are still committed to extracting additional groundwater in the coming years, but in the most sustainable way possible.

Finally, not only water harvesting needs to be different. It is also important that (business) customers use drinking water sustainably. In short: sustainable drinking water extraction concerns the entire chain.

Total Reserves

Sufficient reserves are important to meet water demand now and in the future. The 'Total Reserves' KPI indicates how many of our total 10 clusters have sufficient extraction permits. Sufficient means we have enough permit space in a cluster to meet current drinking water demand, plus 10% additional permit space for infrastructure expansion.

Having insufficient permit space in a cluster, for wholesale customers, can mean we sometimes have to sell 'no' when they want a water connection. The construction of new homes may also be at stake, as the homes cannot be connected to water.

Results

	Target 2023	Result 2023	Result 2022
Number of clusters with sufficient Total Reserves	2	2	2

Explanation

The 2 clusters that had sufficient extraction permits in 2023 are the same clusters as in 2022: Overijssel-Noord and Utrecht-Zuid.

2023 initiatives

- Frequent administrative consultations took place with the provinces in 2023. In them, we put the drinking water interest and the urgency of our challenges on the map. The aim of these consultations is to remove (administrative) obstacles on permits.
- The province of Friesland granted Vitens a 2023 permit to extract 6.5 million cubic metres of groundwater per year at the proposed Luxwoude extraction site.
- We concluded a contract in 2023 for the supply of 2 million cubic metres of drinking water by Drenthe water company WMD to Friesland. As a result, 2 million cubic metres less permit space is needed in this province. After all, this 2 million cubic metres is licensed by the province of Drenthe to WMD.
- We conducted research on potential extraction sites with a view to source diversification for the longer term:
 - In 2023, cooperation with market players for the design of a new drinking water concept was successfully launched. Vitens is working on a pilot and development site in the IJssel Valley (LivingLab). Within this drinking water concept of the future, we want to use alternative sources of drinking water and shorten the realisation time compared to regular lead times. The aim is to realise a concept with a starting capacity of 5 million cubic metres within five years.
 - In other regions, Vitens also explored opportunities to extract water from sources other than groundwater, including the Upper IJssel, 't Gooi and Ketelmeer.

Outlook

- With the permit for Luxwoude, cluster Friesland will have sufficient total reserves by 2024.
- The permit application for expansion at Epe (Gelderland-Noord cluster) will be submitted in early 2024. We expect a final decision on this in 2025.

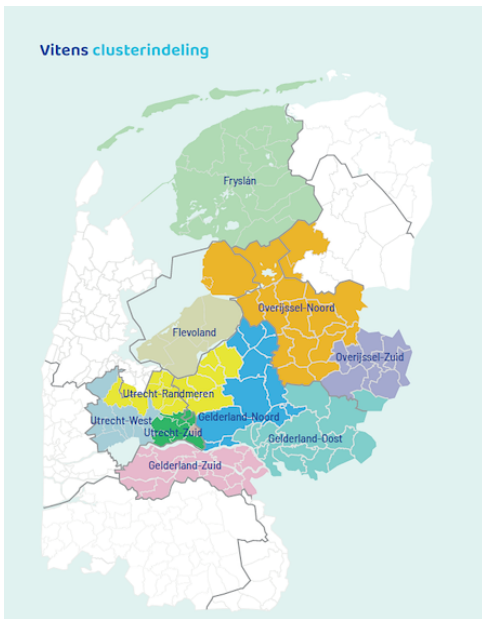


Figure: Vitens cluster layout

Operational Difference

The operating difference is the annualised difference between the necessary production requirement and the currently available treatment capacity. The 'Operational Difference' key performance indicator (KPI) indicates how many of our total 10 clusters have a positive operational difference. A positive operational differential means at least 10% operational spare capacity on top of drinking water demand. By making better use of the production and distribution capacity of existing sites or building new sites, operational capacity can be increased.

A positive operating differential is important to be able to respond flexibly to changes in drinking water demand. If a cluster has a negative operating difference, we may have to reduce water pressure during peak demand (e.g. in dry and hot periods) to continue supplying our customers with drinking water.

Results

	Target 2023	Result 2023	Result 2022
Number of clusters with a positive Operating Difference	2	2	2

Notes

The 2 clusters that had sufficient positive operating difference in 2023 are the same clusters as in 2022: Gelderland-Oost and Flevoland. A number of other clusters did see expansion in production capacity. This expansion is insufficient (for now) to meet the KPI.

2023 initiatives

- At Fikkersdries (Gelderland-Zuid), capacity will be expanded by 1.5 million cubic metres per year. The planned expansion of production site Lochem (Gelderland-Oost) was delayed due to long supply times for materials.

- Drinking water company WMD has been supplying drinking water from Drenthe since December 2023. This supply compensates for the reduced capacity at the Terwisscha site to prevent further desiccation of national park Drents-Friese Wold. A great example of cross-border cooperation for optimal social costs and benefits.

Outlook

- With the expansion of Fikkersdries, the Gelderland-Zuid cluster will most likely be in order by 2024. Given rising water demand, it does require further expansion of operational capacity at Fikkersdries. This expansion will be realised with the construction of a new production facility.
- Production capacity is being expanded at several locations: in Lochem by 0.8 million cubic metres per year, in Cothen by 1.0 million cubic metres per year and in Vechterweerd by 2.0 million cubic metres per year. This is offset by the closure of the Doorn production site (= -0.8 million cubic metres per year), due to the vulnerability of this extraction.

Encouraging sustainable water use

To meet water demand now and in the future, Vitens is not only committed to increasing supply, but also reducing demand. We do this among other things by lobbying for water-friendly new buildings, participating in pilots around [water-friendly building](#), researching behavioural change around sustainable water use and conducting public campaigns. Furthermore, we advise our business customers on how to reduce their water consumption and, of course, we also take a critical look at our own water consumption.

Initiatives in 2023

Campaigns with individuals:

- **'Wise with drinking water' campaign:** we developed an updated approach to encourage sustainable water use in summer (dry period with high consumption) via social media through paid ads on TikTok and Facebook.
- **Achieving behavioural change:** in 2023, a behavioural team for Household Customers conducted a study on promising behaviours that are feasible for consumers when it comes to saving water. Remember not to run the washing machine until it is full. These behaviours will be actively pursued in the coming years.

Campaigns with small and large business customers:

- **Cooperation agreement Vitens-MKB Nederland:** Vitens and MKB Nederland have been working together since the end of 2023 to encourage business owners and their customers to use drinking water sustainably and consciously.
- **Assessment framework for responsible water use:** Since 1 January 2023, new business drinking water applications will be assessed against additional criteria, including appropriate use of drinking water and the company's contribution, if any, to sustainable water use by its end users.

Campaigns within Vitens' operations:

- A pilot study was carried out at Vechterweerd production plant to reduce water loss during treatment. This study showed that water loss can be reduced by 10 to 12%.

- Some of the drinking water we produce is not charged (NIRG). This is partly due to leakage losses. Compared to other drinking water companies, Vitens has an average leakage loss of 6.7% in 2023. Still, we see our NIRG slowly increasing. A leak detection team aims to reduce NIRG. The team does this by detecting leaks using satellite imagery and inspection robots. (Latent) leaks were detected in 2023 with a volume of 2.3 million cubic metres per year.



2.1.2 Protection of groundwater sources

Groundwater is our primary resource. Protecting groundwater sources is therefore an important issue for Vitens. The quality of our sources is under increasing pressure. We face increasing pollution, including from emerging substances such as PFAS. Pesticide residues and nutrients also threaten our sources. In addition, the emergence of soil energy systems, such as geothermal and thermal storage systems (CHP), poses a risk due to the possibility of contamination.

Pollution Index

The Pollution Index gives an indication of the degree of contamination of groundwater sources. The index indicates the difference between the current situation and source values (target values used by Vitens for raw water). This KPI is intended to show long-term trends and serves as an aid in discussions with governments to, for example, reach administrative agreements on groundwater protection and enforcement.

The index shows how many of which substances are present in the water. The higher the index, the higher the number of undesirable substances and/or their concentrations. The substances are divided into four groups: macroparameters (nitrate, sulphate, hardness), pesticides, pharmaceuticals and other industrial substances. These substances are measured at each of our extraction sites. A result of 0 means there is no exceedance of the source value for that substance. A result of 100 means the highest degree of overshoot. For each extraction site, we add up the exceedances of all substances. We then take the average of all extraction sites. This is the Pollution Index.

The significance of the index lies mainly in being able to track the trend from year to year. Are we on the right track or not? Is extra attention needed for certain sources, substances or developments? The absolute value of the index is then less important. In addition, new substances or substance groups may be included in the Pollution Index each year.

Besides the level of contamination at total level, we also get a lot of value from monitoring exceedances at source and substance group level. If new exceedances of substances are observed, this could be a reason to enter into discussions with the province, with the aim of finding out where the exceedance is coming from and what can be done to prevent further pollution from the source.

We use 2 levels of ambition in striving for a clean source: a short-term ambition and a long-term ambition, each with its own list of source values. Thus, we calculate 2 pollution indices:

- VI-KT (short-term)

In the VI-KT, we look at substances and substance groups found in our raw water. If they are at a concentration above the short-term (2030) target value, we consider the substances to be pollutants. Short-term source values are in line with drinking water standards applicable to produced drinking water, taking into account only removal by simple treatment.

- VI-LT (long-term)

In the VI-LT, we look at the same substances and substance groups as in the VI-KT, only here we use a more stringent target value, namely 10 times lower than the short-term one. This allows us to see which substances or substance groups could potentially become a problem in the long term (2050).

Early Warning

Besides measuring substances in our wells, we also look at substances found in the shallower subsurface. Using these Early Warning measurements, we can see which substances we might expect to find in our sources in the future. By having a picture of this now, we can take measures early and we may also see results from these measures within a few years.

Results

	Target 2023	Result 2023	Result 2022
VI-KT (short-term)	No increase compared to 2022	97	95
	Target 2023	Result 2023	Result 2022
VI-LT (long-term)	No increase compared to 2022	388	399

Notes

A number of substances from the PFAS group were added in 2023. The impact of this has been quite limited, zero for VI-KT and around 2% for VI-LT.

The results for the short-term Pollution Index show a slight increase compared to last year. This did not achieve the target. The long-term Pollution Index shows a small decrease, achieving the target.

The purpose of the Pollution Index is therefore to be able to show changes in trend. Over recent years, we see only minor changes in contaminants at the total level. We have only been measuring the Pollution Index for a few years, so we cannot yet make statements about the significance of trend changes. Nevertheless, there is constant cause for concern about the large number of substances found in drinking water sources, despite efforts by governments and companies to reduce emissions of contaminants.

The tool will be further developed in 2024, so next year we hope to be able to say more about trend trends and developments at substance group level.

Initiatives in 2023

- We held discussions with provinces in our supply area about contaminants or activities that threaten the quality of our sources. Consider wastewater discharges, pesticide use and the extraction of soil energy in protection areas, such as geothermal energy. These talks aim to raise awareness about the need to take action to improve water quality. For example, through stricter enforcement, but also through (implementation of) national and provincial policies.
- Getting and keeping source quality on the agenda of implementation programmes, area dossiers and stakeholders. We did this at working visits and national meetings, among others.
- By 2023, the Pollution Index has been included as a recommended tool in the Dutch Ministry of Infrastructure and Water Management's new area dossiers and implementation programmes for drinking water extractions protocol. Vitens made a strong case for this in recent years.
- Through discussions with local stakeholders, such as municipalities, water boards and farmers, we tried to raise awareness about the importance of clean soil, the connection between ground and surface water and the impact of certain activities and substances.

Outlook

- We want to use the results of the Pollution Index and Early Warning measurements for better analyses on the origin of substances. For each area, we zoom in on which substances we find, in what concentrations they occur and what the (possible) source is. These insights should lead to more targeted measures.
- Together with other drinking water companies, we will zoom in more on PFAS. In recent years, more and more is known about the presence and harmfulness of these substances, including for drinking water (sources). On the one hand, the industry's focus is on tackling the polluter and a total ban on PFAS. At the same time, water companies need to look at how they can set up their treatment plants accordingly.
- We continue to call attention to the wider use of the Pollution Index, for instance by provinces, water boards and other drinking water companies.

2.2 Resilient infrastructure

To provide sufficient and quality drinking water in the future, we need to invest heavily in our infrastructure in the coming years, partly to meet challenges such as climate change and rising water demand. To fund these investments, it is crucial that we are and remain financially sound. Only then can we continue to invest with financing on attractive terms, such as loans with favourable interest rates.

The key results

- Our solvency is 30.3%.
- Our equity is almost maximally strengthened.
- We invested €224 million in our infrastructure.
- We sloten onze eerste lening via de kapitaalmarkt af.

2.2.1 Financial health

The ratio of equity to loan capital (solvency) is an important measure for assessing financial health. The higher the solvency, the healthier Vitens' financial position. To realise the intended investments, we need to strengthen our equity. An addition from net income contributes to this.

Results

	Target 2023	Result 2023	Result 2022
Solvency	Minimum 30%, 35% (target)	30,3%	31,0%
Net result in millions of €	€ 32.1 mln	€ 27.2 mln	€ 8.2 mln
Operating result	€ 61.4 mln	€ 61.0 mln	€ 33.9 mln

Explanation

Our solvency exceeds our target of at least 30%. Still, we aim for higher solvency (35%), but this is not feasible (for now). This is mainly due to the fact that our maximum net income (profit) is limited by legal regulation. For more information on this, see 'WACC regulation'.

For 2023, the equity that we could build up has almost been realised. This requires the operating result to be equal to budgeted. It almost succeeded. Lower water sales are almost entirely offset by lower costs.

2023 initiatives

- We made short-term choices in the investment plan, focusing on our core mission.
- The 'Green Finance Framework' was adopted. With this, we follow the latest available green standards and guidelines for financing.
- In 2023, the focus was on more robust budgeting and actively managing to achieve the budget.

Outlook

- Making sharper choices in our investment plans, with a clear focus on our core mission.
- Accelerating investment in the target structure so that less maintenance or replacement investment needs to be made over time.
- Exploring opportunities to strengthen our equity.
- Actively managing to meet the budget.
- Applying for a rating so that prospective investors get an objective indication of our creditworthiness. With this, we hope to attract funding on attractive terms.
- Improving steering for cash flows.
- To structurally increase the efficiency and effectiveness of our work processes.

Investment and financing task

The size of our gross investment requirement grows substantially over the next 10 years. As a result of rising investment levels, our interest-bearing debt is rising. In 2023, we raised €175 million in new loans, for the first time partly through a private loan on the capital market.

Results

	Target 2023	Result 2023	Result 2022
Gross investments	€ 245 mln.	€ 224 mln. ¹	€ 209 mln.

¹ Investments recognised in the financial statements amount to €219 million. The difference between these (€5 million) relate to 'third-party reconstruction and main pipeline contributions' and 'other third-party contributions'.

Explanation

We invested around €224 million in 2023. While this is more than in 2022, it is less than our target. This is partly due to a shortage of construction materials and (technically skilled) people to carry out the projects. Not only internally, but also with our chain partners. This remains a challenge for the future as well.

WACC regulation

The Dutch Drinking Water Act sets limits on the profits that water companies can make. This is done through the statutory cost of capital (WACC). With the current WACC regulation, we cannot use enough of our own money for necessary investments. This means borrowing more money. Building up more loans instead of own money (or equity) makes our financial position weaker. A vicious circle, in other words. A quick adjustment of this regulation (WACC) is therefore necessary to have a sound financial position.

In 2023, together with our shareholders and the drinking water industry, we continued discussions with the Dutch Ministry of Infrastructure and Water Management (I&W) on the WACC. The aim is to adjust the WACC rules so that water companies can make investments with a sound financial basis. We also argue that profits limited by the WACC should be looked at over several years before refunding excess profits to customers.

Shareholders' dividend

The proposal is to pay no dividend to our shareholders for the financial year 2023. All the equity we can build up is needed for our investment task in the coming years.

Drinking water tariff

For 2024, the rate, excluding taxes, has been increased by 13.7% (2023: 16.4%). The flat rate has been kept as low as possible, so that water saving is rewarded as far as possible. The rate is also expected to rise in the coming years due to inflation and our investment challenge.

2.3 Reliable drinking water operation

Vitens is committed to optimal (digital) operations. We do our best to prevent or minimise the impact of disruptions in the supply or quality of drinking water. We are also committed to measures to maximise the physical and digital security of our organisation and operation.

The key results

- In total, Vitens supplied 340.6 million cubic metres of drinking water in 2023.
- We had 12:28 undersupply minutes.
- Water quality meets the defined standards. We did have to issue a major boiling advisory twice: in Doorn and Didam/Zevenaar-Zuid.
- We had 0 ICT Prio1 cybersecurity emergencies and 9 ICT Prio1 emergencies.
- The SAP & Transformation programme was completed.

2.3.1 Supply security of drinking water

Vitens wants to deliver reliable drinking water to its customers and meet increasing demand. Especially in hot and dry periods, this is sometimes a challenge. During the dry period between mid-May and mid-June, we experienced peak moments of extremely high water demand. Despite this, there were no substantial supply problems and we largely stayed within the annual permits. Maintenance and breakdowns can also cause problems. To minimise inconvenience, we try to keep the time customers are without water as short as possible.

Undersupply minutes

The number of undersupply minutes (OLM) is an annual average of the number of minutes customers are without water, both scheduled (maintenance works) and unplanned (breakdowns and emergencies). The lower the number of OLM, the better Vitens meets its security of supply of drinking water.

Result

	Target 2023	Result 2023	Result 2022
Number of substandard supply minutes	<18 minutes	12:28 minutes	12:19 minutes

2023 initiatives

- Reducing water demand at peak times. One way we did this was to urge customers to use water sparingly in the run-up to or during a hot and dry period.
- At the Spannenburg production site, we initiated the project to significantly increase security of supply. We will achieve this by making the site more resilient to fluctuations in mains voltage, preventing outages due to voltage dips.

2.3.2 Quality of drinking water

Excellent water quality is a high priority for Vitens because of the health, satisfaction and trust of our customers. We therefore continuously monitor our water quality for each production site, both in real time with sensors and by sampling. Nevertheless, it may happen that drinking water (temporarily) does not meet our requirements, for instance due to bacterial contamination. This may lead to a boiling advisory. If a quality incident occurs, an evaluation follows, after which – if necessary – we take measures to prevent recurrence at the same or another location.

Water quality index

To ensure the quality of our drinking water, we use the Water Quality Index (WQI). This index represents with a single number the extent to which the water meets the applicable legal standards. The WQI is calculated based on standards from the Dutch Drinking Water Decree. These standards specify the concentrations at which certain parameters may be present in drinking water.

Results

	Target 2023	Result 2023	Result 2022
Water quality index	$\leq 0,019$	0,017	0,015

Explanation

A WQI of 0.017 means that water quality meets the set standards on an annual basis. The WQI shows minimal difference from last year. In 2023, legionella was detected once in the clean water at two production plants (Manderveen and Hoenderloo). At the production plants in Dinxperlo and Veenendaal, there was a one-off excess of E. coli. In Zevenaar-Zuid/Didam and Doorn, multiple exceedances of enterococci prompted the issuance of a large-scale boiling advisory.

2023 initiatives

- We implemented innovations and optimisations in our treatment plant. For example, the use of a different type of filter sand, more aeration at the front end and application of activated carbon or membrane technology with reverse osmosis at multiple locations.

Outlook

- We will evaluate quality incidents and water quality performance more comprehensively and frequently to make better and faster adjustments.

2.3.3 Digitalisation and data security

Vitens manages a vital infrastructure of drinking water supply for the Netherlands. An increasing part of this infrastructure is digitally driven. Digital security incidents pose a major threat to the 24/7 supply of reliable drinking water. That is why we are fully committed to the security of our systems, data, production sites, offices and (customer) data.

Data security

The increasing digitalisation of our operations and organisation requires ever better protection against cybercriminals and cyberattacks. As a designated essential service (AED), Vitens follows the guidelines from the [Dutch Network and Information Systems Security Act](#). To make our organisation resilient to new threats and vulnerabilities around cybersecurity, we need to bring in the necessary resources. The focus on this issue therefore remains undiminished within Vitens.

Emergencies

Cybersecurity concerns the security of Vitens' electronic data, systems, networks, computers, mobile devices and servers. To report on and manage the risk of malicious attacks, we measure 2 KPIs:

- ICT Prio1 emergencies

ICT Prio1 emergencies involve accidental disruptions, for example due to technical problems. A disruption counts as a Prio1 emergency when it affects a primary business process, such as the production, distribution or invoicing of drinking water, and at least 50 users are affected.

- ICT Prio1 cybersecurity emergencies

ICT Prio1 cybersecurity emergencies involve deliberate and malicious disruptions, such as sabotage by a hacker. Such a cybersecurity emergency poses a threat to, for example, the availability or confidentiality of information or services provided for drinking water supply.

Results

	Target 2023	Result 2023	Result 2022
ICT Prio1 emergencies	<10	9	5

	Target 2023	Result 2023	Result 2022
ICT Prio1 cybersecurity emergencies	0	0	0

2023 initiatives

- The digital architecture was modernised, for example by including security aspects already in the design when a modification or innovation is made. A dedicated security team ensures that this happens.

- Continuous cybersecurity improvement processes have been implemented. A group of ethical hackers periodically checked whether these improvement processes were actually secure enough or still had 'leaks'.
- The security operation has been further professionalised. For example, by bringing together security experts within a department who are available 24/7. In addition, preventive risk management measures are no longer taken up exclusively by the security team, but – in line with the Vitens Security Framework – also by the primarily responsible departments. This controls risk in as many places as possible.
- We made employees aware of safety risks, including with Vitens Safe Week, an awareness campaign around phishing and via the 'Bewust veilig' (consciously safe) platform.
- Continuous training on dealing with minor and major cyber incidents. We do this, for example, through annual participation in ISID00R, a large-scale cyber exercise. Vitens again passed this exercise well in 2023.

Outlook

- The main objective is to continue the current stable level of cybersecurity. We will do so using the same measures and initiatives as in 2023.

Digitalisation

Digitalisation and automation contribute to better quality and security of supply of drinking water and the ease, reliability and sustainability with which we can carry out our operations. It also makes for more efficient communication with and to our customers, such as communicating water levels or handling complaints. Several projects on data-driven operational decisions are ongoing within Vitens in the field of digitalisation of production. We are also developing a completely new standard for process automation. When it comes to operations and customer handling, Vitens is revising all processes in its transformation with SAP.

2023 initiatives

- The full roll-out of the fibre-optic network to our production sites was completed.
- In 2023, we wrote the programme plan for replacing our process automation to one uniform and secure standard. The tender for this was also launched.
- Uniform area steering was further rolled out. In 2023, the Utrecht-West control area is commissioned. With unified area control, demand can be better predicted. This results in fewer manual interventions, less energy consumption, less wear and tear and higher water quality, among other things.
- In 2023, we made Digital Twin Distribution (DTD) of our production and distribution infrastructure available in Friesland and in a few places in Overijssel and Gelderland. These digital maps of our infrastructure help (new) staff make adequate decisions in maintenance, for example. This is important to safeguard knowledge of retiring staff.
- Our customer service and invoicing environment was completely replaced as part of the transformation with SAP in 2023. This also completes the SAP & Transformation programme. The transformation is ongoing, but remaining projects will be taken up in the ongoing organisation.

Outlook

- We will further roll out Digital Twin Distribution to our entire service area.
- The new process automation standard will first be put into use at a pilot location: the Ceintuurbaan in Deventer. This pilot will be launched in 2024.
- With the deployment of artificial intelligence (AI), business management applications are made further autonomous – where possible.
- The SAP & Transformation programme required a lot of money, time and energy from our organisation. From 2024, the focus is even more emphatically on the benefits the system can and should deliver.
- There are still a number of SAP projects running through 2024, namely the (further) development of processes focused on customer and invoicing, connections, management and maintenance (underground), HR and drought damage.

Physical security

Vitens is investing in improving and renewing its physical security through the Security Programme. Most of the investments focus on replacing and unifying outdated systems, such as intrusion and access management of Vitens' various legal predecessors. The aim is to have the same level of security everywhere as much as possible by 2025 and to control everything from one central security management system.

Within Vitens, we have the 'Vitens Security Stress Test'. In this test, we examine during the year how:

- Awareness of security risks and our own actions in them.
- To what extent security resources are in place.
- How we as an organisation are resistant to *mystery guests* and actual intruders (burglary, entrapment) at Vitens sites.

These studies give us valuable information on the strength of the entire security chain, including humans. In recent years, for instance, it was seen that the sharpness and alertness of employees is increasing.

The stress test provides measurable indicators by which the effectiveness of security policies and processes can be evaluated over time. These indicators help identify weaknesses and make adjustments through improvements in the security organisation. After 2 years of monitoring, there will be more emphasis on process improvement in 2024. For instance, we will automate access security management and improve incident management.

2.4 Positive impact on people

To fulfil our task as a drinking water company, we desperately need all our 1,600-plus employees. This is why we value being an attractive employer, safety in the workplace and an inclusive and diverse organisation. We also see it as our social obligation to keep drinking water affordable and available for everyone. Extra attention is therefore paid to our vulnerable clients.

The key results

- The engagement score (7.0) is lower than the benchmark (7.4).
- Absenteeism is 5%.
- Fewer accidents involving absenteeism occurred compared to last year.
- Vitens has become a recognised referent and is therefore allowed to hire skilled migrants.
- 117 early covenants in the context of early detection of late payments.

2.4.1 Attractive employer

Vitens wants to be an innovative and socially committed employer, where people work in a healthy and safe manner. We aim for employees to feel good about themselves, be productive and continue to develop. Being a good and attractive employer helps to retain employees and attract the right people. Continued tightness in the labour market in 2023 made it another challenge to retain people and recruit new employees.

Engagement

Engagement is about the extent to which employees are inspired by and energised by their work. It also relates to their positive relationship with Vitens. Enthusiastic employees experience their work as meaningful and rewarding, are proud of their jobs and feel at home within Vitens. They will be extra committed to the organisation because they enjoy their work and the organisation so much.

Engagement is expressed by the engagement score. This is measured in the employee survey, conducted this year in October. All permanent staff are asked to complete the survey. The response rate was 63% (1034 employees).

Results

	Target 2023	Result 2023	Result 2022*
Engagement score	≥ 7.4 (benchmark)	7,0	7,4

**Last year, we reported an alternative KPI related to the material theme of 'being an attractive employer', namely the engagement index. The engagement score was already measured in 2022, so we are able to report the comparative figure for 2022.*

Explanation

Vitens scores lower than the benchmark (the target) and compared to last year. As a cause, employees cite turmoil caused by changes in governance and management. In addition, employees experience ambiguity about organisational direction and goals. At the same time, employees say they trust their manager. They also indicate that they feel accepted and can be themselves at Vitens.

2023 initiatives

- In 2023, a separate team was set up within HR for training and development, the Vitens Academy. The aim is to further improve and target the range of development opportunities offered to employees.
- Focused attention on leadership and culture, including with a team development programme and periodic managers' day. Team development at board and management level was also started under the guidance of Berenschot.
- Attention to health and vitality.

Outlook

- To improve employee engagement and engagement, the results of the employee survey will be followed up with high priority. A composite leading group will work on an integrated plan of action, based on discussions with employees in the departments and teams.

Recruitment task

This year too, labour market tightness and (natural) outflow created a large recruitment challenge. The challenge is greatest for technically skilled staff. Our recruitment department and staff work hard to attract new colleagues.

Results

	Result 2023	Result 2022
Inflow	219	205
Throughput	200	154
Outflow	183	127

2023 initiatives

- The recruitment team has been strengthened.
- We developed targeted campaigns to recruit ICT professionals, among others. The campaign consisted of work stories and videos starring ICT colleagues. New channels such as Google, YouTube and Reddit were used for dissemination.
- The Vitens' "werkenbij" website has been revamped.
- In 2023, the network bonus was revised and brought to the attention of employees again. The aim of this is to actively use colleagues to recruit new colleagues. If an employee successfully nominates someone, the employee will receive the network bonus for this.

Outlook

- Through campus recruitment, we intend to focus on recruiting students and starters. These include (graduate) internships, traineeships, apprenticeships and entry-level jobs. This is an opportunity to connect students to Vitens at an early stage.
- Strengthen cooperation with colleges and universities.
- Building a strong employer brand (employer branding) so that we are able to retain current employees and attract new ones.

Absenteeism and vitality

Absenteeism is an important topic within Vitens that receives structural attention from the management. This is partly because a large group of employees is over 50 years old. We actively collaborate with our occupational health and safety service to enhance employee employability and prevent and reduce absenteeism.

Results

	Target 2023	Result 2023	Result 2022
Sick leave	4,75%	5,0%	5,0%

Explanation

The absence rate is 5% and the same as in 2022. The target was therefore not met. We saw a decrease in the average reporting frequency per employee, but an increase in the absence duration of long-term sick (>7 weeks).

Initiatives

- We created an area of expertise 'Health & Vitality', with the aim of promoting employee capacity and developing a proactive health culture.
- 2023 followed up the preventive medical examination from 2022, including a *health check* with physical tests and measurements on employees. As a result, we are better able to monitor wellbeing and lifestyle early and thus reduce absenteeism inflow.
- In 2023, for the first time, it was possible to use the *employability* budget for health advice. For example, for an analysis of current physical and mental health and advice on how to improve it where possible and desirable.

Outlook

- We are launching a pilot where an Absence Coordinator will be appointed. This is a specialist who supports all (case) managers and employees on absence issues and is also responsible for the further development of our absence policy and process. This is different from the current situation where 'absenteeism' is one of the activities of HR advisers.
- (Further) developing our tools to manage absenteeism preventively and effectively, e.g. through e-learning and training.

Safety

Working safely is essential at Vitens. We attach great importance to safety awareness and safe actions of our employees, which is crucial for occupational safety. We noted in 2023 that our security awareness needs a boost. That is why the Security Attack Plan was drawn up. With this, Vitens aims to become an accident-free organisation.

Our health and safety management system is ISO 45001 certified and we integrate safety into all our processes. Regular training and instruction on safe working practices are standard. Some 50 safety ambassadors are also committed to a safe working environment. All this led to more than 200 safety reports in 2023, among others. In addition, we ensure risk-driven working within all work processes. By analysing the specific safety risks in each department, we take targeted measures to reduce or prevent risks.

LTIF: Lost Time Injury Frequency

Lost Time Injury Frequency is a measure used to measure the number of working days lost due to injury. It is a key indicator of the safety performance of an organisation or industry. The LTIF is expressed as the number of lost-time accidents per 1 million hours worked. The lower the LTIF level, the better safety performance is generally considered.

Results

	Target 2023	Result 2023	Result 2022
LTIF	0	1,0	1,9

Explanation

The LTIF is down compared to last year. This improvement is mainly attributable to the roll-out of the Security Attack Plan and associated measures.

2023 initiatives

- The Security Attack Plan was fully rolled out. Examples of implemented measures within this plan include expanding the Health & Safety team, improving the safety organisation and consultation structure and implementing innovations in the conduct of safety inspections.
- More than 160 Project staff and Project Leaders were trained on safety aspects of the Vitens Project Approach (VPA).
- We organised an interactive day for all safety ambassadors within Vitens. The safety ambassadors were immersed in the world of *serious gaming*. In an interactive session, they explored the potential of this innovative method and whether it could strengthen safety awareness and behaviour within Vitens.

Outlook

- Vitens' ambition is to be fully certified on Step 4 of the Safety Ladder by 2030. Step 4 means that an organisation proactively invests in safety awareness among employees and reducing safety risks.

Diversity, inclusion and equal treatment

Vitens employees should feel at home with our organisation regardless of gender, orientation and cultural and/or ethnic background. We also want the organisation to be a good reflection of society. Promoting diversity, inclusiveness and equal treatment therefore has attention within Vitens. In addition, we want to be able to reach and attract all available talent in the (scarce) labour market. In this context, we also pay attention to attracting people with a distance to the labour market. This is also in line with the cabinet and employers' jobs agreement on creating jobs for people with physical or mental disabilities.

2023 initiatives

- Vitens has become a recognised referent. This means that we are authorised to hire non-European knowledge migrants and carry out the application and procedure of these ourselves.
- The new collective labour agreement includes a pilot on holiday swapping among the terms of employment. Employees can exchange a day off for a Christian holiday, such as Ascension or Pentecost, for a holiday of another religion, such as the Sugar Festival.

- Diversity and inclusion is included as a regular part of the employee survey. This allows us to analyse employees' experiences and work on improvements from there.
- Tendering for hiring employees with a distance to the labour market has started. In addition, Harrie Helps training sessions were given to staff members. Harrie is the Dutch abbreviation for: helpful, alert, realistic, calm, instructive and honest. The Harrie Helps training is a two-day course in which a Vitens employee is trained to become the ideal colleague of someone distant from the labour market.
- Vitens has partnered with De Beroepentuin in Utrecht. The aim is to train or employ people distant from the labour market as mechanics.

Outlook

- We will deepen our cooperation with the Refugee Talent Hub – which was set up in 2022. We will launch a recruitment pilot in 2024 and possibly also a mentorship programme.
- We are finalising the tender for cooperation with parties focusing on people distant from the labour market. Thus, we hope to meet our target for the number of placements for employees with a distance to the labour market sooner (64 placements by 2026).
- From 2024, we will conduct a gender pay gap survey every 3 years. For this, we engage an independent external party. If possible, this involves looking beyond gender differences.

2.4.2 Social obligation to vulnerable customers

Customers do not choose a drinking water supplier. We therefore want to keep drinking water affordable and available for everyone, including our vulnerable customers. For example, Vitens works with almost all municipalities in its service area to reach and help customers with debt early. The drinking water bill is usually the last bill people cannot pay. When it does come to that, there is often more to it. Vitens and other basic necessities partners therefore report payment arrears to the municipality. The municipality can then contact the customer. Since 2016, we have been concluding early covenants with municipalities for this purpose. The idea behind this: the earlier you help people, the smaller their financial problems become.

Early detection of late payments

As at the end of 2023, we had 117 renewed and signed covenants (2022: 116) for the purpose of early signalling with municipalities and fixed-income partners, or data exchange in case of arrears with 129 municipalities in our service area (2022: 127). Some municipalities have joint covenants as part of a partnership.

Keeping drinking water available for vulnerable customers

In 2023, it has been made possible to agree on a deferral of payment online via the My Vitens environment – without the intervention of an employee. This allows us to give customers extra space in an approachable way, if needed.

Works council's report

Vitens' works council noted in 2023 that achieving the targets within 'Every drop sustainable' is increasingly challenging. This has to do with ensuring continuity, financial manufacturability and our social responsibility. The works council therefore considers it important that the board and management continue to pay attention to being a good employer, leadership, the demand for more agility, working with data, new knowledge and skills, new ways of working (together), responding to an ageing workforce and the influx of new generations. Consequently, this was the subject of frequent discussions last year.

Staff turnover, including in management, is increasing workload. Pension outflow and labour market tightness is also creating a large number of vacancies at Vitens. This is reflected in the October 2023 employee engagement survey results.

The WC also saw that the transformation with SAP last year demanded a lot from employees. The impact on the organisation is significant. But with the implementation of stream 3.3, over 500 colleagues have taken a very nice step in digitalising our customer processes. We should be proud of this.

A safe and healthy working environment is a top priority for the works council. The reporting process for socially unsafe situations and the code of conduct were established last year in consultation with the WC. Recent social developments show the great importance of this. We are therefore pleased that these parts are in order.

Finally, cooperation with the Executive Board and other stakeholders was and is constructive. Interviews are open and honest. That said, in some cases we have different opinions or views. We see it as our job to highlight issues from various perspectives. We will continue to play this role as a works council in 2024.

Hans Teunisse

Chair of the Vitens works council

2.5 Positive impact on nature

The production of drinking water has an impact on nature and the environment. We try to minimise this negative impact.

The key results

- Vitens emitted 124 kilotonnes of CO₂-eq.
- 6 GWh of renewable energy was generated.
- 99.6% of the residual streams received a circular destination.
- Several initiatives have been rolled out around nature development and biodiversity, such as anti-drought projects and the construction of nature-friendly banks.
- New steps have been taken towards a sustainable water system, including within the Panorama Waterland concept.

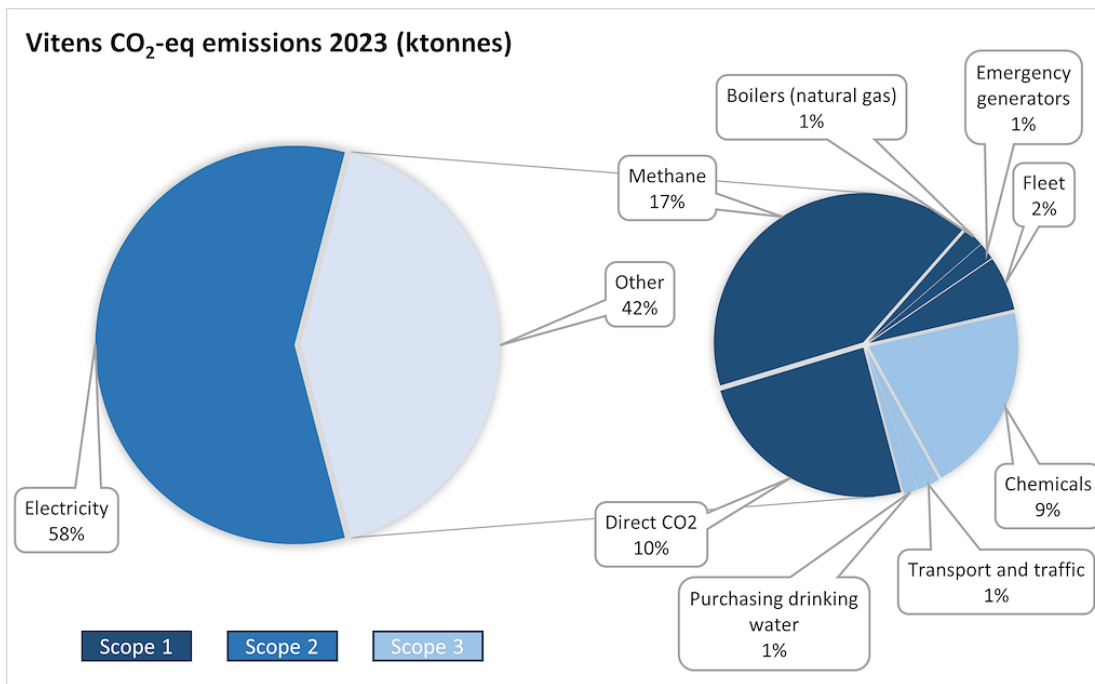
2.5.1 Climate impact

Climate change is becoming increasingly visible. For instance, May and June were extremely hot and dry, while the rest of the year was actually very wet. Vitens therefore provides adaptive measures to deal with these weather extremes. Together with partners, we are working on a sustainable water system. At the same time, Vitens wants to limit its impact on the climate. This is done by reducing greenhouse gas emissions, commitment to high-quality reuse of residual streams and by including sustainability criteria in tenders.

Greenhouse gas emissions

By reducing greenhouse gas emissions, Vitens wants to contribute to combating climate change. This is in line with national climate policy. We measure our emissions using carbon dioxide equivalent (CO₂-eq). This is a unit of measurement that converts various greenhouse gases into the greenhouse effect of 1 kg of CO₂.

58% of our emissions are related to electricity consumption to extract, purify and distribute water. In addition, about 17% is related to methane, which comes up with the groundwater when pumping. Here lies the greatest potential for Vitens itself to reduce our greenhouse gas emissions. At our largest production site in Spannenburg, we already capture this methane and use it to generate renewable energy. We also intend to apply methane capture – where relevant – at our other sites. This is done as soon as the opportunity arises, for example during a large-scale renovation or new construction.



Results

	Target 2023	Result 2023	Result 2022
CO ₂ -eq	136.5 kilotonnes	124 kilotonnes	141 kilotonnes

Explanation

Achieving this target is mainly due to greening of the Dutch energy system. With the national energy transition, the electricity mix used by Vitens is becoming increasingly greener, reducing emissions from our electricity consumption. Around 10 of the 13 kilotonnes of CO₂-eq reduction compared to 2022 can be explained by this. This decrease was sufficient to meet the set target.

2023 initiatives

- Also in 2023, we generated our own energy from solar panels on roofs of production sites, offices and water reservoirs. This generation has remained stable.
- A core group on methane reduction has been set up, with the aim of increasing attention to reduce scope 1 emissions (direct emissions from own operations).
- A pilot study investigated methane capture with membrane technology. The long-term goal is to be able to increase the efficiency of methane capture from 90% to a maximum of 99%.
- For investment decisions, the impact of methane emissions is translated into an internal cost of €100/tonne CO₂-eq.
- We identified additional measures needed to achieve our 2030 target (100 kilotonnes of CO₂-eq).

Outlook

- During 2024, policies related to energy consumption and greenhouse gas emissions will be reviewed and updated.
- A selected solar partner will start rolling out solar panels on roofs of our manufacturing plants.

- In 2024, Vitens plans to buy green power via Guarantees of Origin certificates. From 2025, an energy contract will take effect that already includes this.
- Translate the additional measures mentioned under 'initiatives' into concrete projects included in the investment portfolio.

Circular economy and residual flows

Vitens is committed to converting waste streams into residual streams, aiming for high-quality reuse. We focus on recycling residues as feedstock for our own processes. This helps reduce the mining of new raw materials and the associated environmental impact. The main residual streams from drinking water production are iron water and lime pellets. Vitens offers the material that can be reused to contracted market parties so that our residual streams can be put to a new use, in building materials or bio-digestion plants, for example. The goal is to achieve 100% reuse.

2023 initiatives

- By 2023, we were able to deposit about 5,000 litres of iron sludge as a soil conditioner. This concerns water iron from Spannenburg, which is chemical-free and therefore suitable for agricultural applications.
- We put a lot of effort into introducing the materials passport and getting contractors to work with it. This passport will give us even better visibility of our assets and materials in the pipeline network that are suitable for reuse. In a central system, contractors process all information on materials they use.

Outlook

- We want to take new steps in collecting and processing waste. This involves better source separation and better processing of residual streams with higher-value applications. For this, a tender process for a new waste collector/processor is underway.

Encouraging sustainable water use

The most sustainable drop is the unproduced drop. Therefore, we actively pursue water conservation among our residential and commercial customers and within our own operation. How we did that in 2023, we described earlier in the annual report under 'Sufficient and clean sources'.

Living environment and biodiversity

A clean environment rich in biodiversity is an important protection of our sources. We actively invest in nature development and promoting biodiversity. We do this mainly in areas where we also extract water in the future, fitting within the concept of the target structure.

2023 initiatives

- In Rodenmors, we have started nature development and a drought mitigation project. Hollows in the meadow bird area should improve water retention. The construction of a nature-friendly bank should provide more variety in plant species.

- In Weerselo, in conjunction with new construction, bat boxes have been integrated into the production facility. To promote biodiversity, a pool has also been dug in a species-poor part of the site.
- With a solar pump – a device that pumps water using solar energy – we combat desiccation and acidification of reed beds. This should ensure conservation of special natural values.
- Vitens appointed 3 nature managers in 2023 to translate and implement nature management plans for our 105 water catchment areas.

Outlook

- In 2024, we will look into making nature development and biodiversity measurable in a KPI.
- In the Hoge Hexel water catchment area, wet scrubland will be created via water flow redesign. A moist and wet soil should ensure an increase in biodiversity in this area.

Sustainable water system

We invest with partners, such as provinces, municipalities, water boards, farmers and nature managers, in making the water system more sustainable. We want to increase water availability in our strategic heartlands so that sufficient water is available for various functions in the future. One way we do this is by retaining and infiltrating water as much as possible. A good example of a concept for sustainable and robust water system design is [Panorama Waterland](#).

2023 initiatives

- At the beginning of this year, we conducted a scan to determine which areas of Vitens are interesting for the concept. This led to three projects: at Lochem, Haarlo Olden Eibergen and Epe. For these areas, a hydrological analysis was done and an initial design review carried out. This forms the starting point for the area process launched in late 2023.
- The Panorama Waterland concept is integral to the development of strategic hearts such as on the Veluwe, Ketelmeer, IJssel Valley and 't Gooi by 2023. The concept has also been included in the (further) development of extractions in Utrecht and around the Utrechtse Heuvelrug.

Outlook

- We will step up our efforts to integrate Panorama Waterland in the strategic hearts of our target structure and in ongoing and new project areas, such as in Twente, on the Veluwe or on the Utrechtse Heuvelrug.
- We are continuing the line to further substantiate the Panorama Waterland concept with concrete applications in areas. We also continue to present the concept to the outside world on various platforms, both online and offline.

2.6 Our impact on society in euros

Through impact measurement, we are working towards an integrated picture of our impact. Gaining insight into (material) impact also helps Vitens comply with obligations arising from new sustainability legislation, such as the EU Taxonomy and the Corporate Sustainability Reporting Directive (CSRD). This legislation requires us to offer insight into the impact of our organisation, both directly and in the chain.

For impact measurement, we quantify a limited number of impacts over 2023 and express them in euros. This makes it easier to compare them and see where we add the most value to society. For this approach, we follow the guidelines from the 'Handbook of impact measurement infra companies' (version 2023). More information on how Vitens does this can be found in the 'Accountability impact measurement'.

Corporate financial statements

Vitens' performance over the past year can be found in the company financial statements. In it, we highlight many different securities, categorised into 6 capital categories. This gives a clear picture of where we add or subtract value to society. The impact model is still under development. Therefore, we show 2 types of impact in the social accounts: quantitative and qualitative. Quantitative impacts were calculated according to the methods in the manual. For the remaining impacts, we make a qualitative assessment, indicating whether Vitens has a positive or negative impact. However, this does not provide information on how large these specific effects are. The qualitative impact assessment builds on an earlier 'Impact Journey' conducted with other infrastructure organisations.



*Andere milieu-impacts: bodemvervuiling, watervervuiling en uitputting fossiele brandstoffen

Negatief **Positief**
 Impact gekwantificeerd Waarde in € miljoen
 Impact (positief of negatief) kwalitatief ingeschat (geen waarde berekend)

Economic impact

Vitens will invest heavily in maintenance and expansion of underground and above-ground infrastructure in the coming years to continue meeting the demand for drinking water. In 2023, this amounted to €180 million. By setting criteria for investments from the policy on Corporate Social Responsibility and Purchasing (CSR/P), Vitens can thus make a positive impact.

The investment in the infrastructure, which Vitens thereby maintains and expands, translates directly into tangible value for households and business customers. For example, consider the customer's comfort in accessing drinking water. At the same time, the rate over 2023 did rise significantly.

Impact on people

At Vitens, we are committed to making a positive impact on people:



The positive impact on employees by having work decreased in 2023. This is mainly explained by a lower engagement score.

Impact on nature

In our 'Every Drop Sustainable' strategy, a positive impact on people and nature is central. Among other things, we are committed to strengthening natural values in our water catchment areas and reducing greenhouse gases. Vitens impacts the natural environment in many ways. The aim is to make this impact increasingly transparent.

An important step in understanding our impact on the natural environment is to map our (negative) impact on the climate:



*In 2023, Vitens will refrain from offsetting CO₂emissions through guarantees of origin (GoOs).

Despite falling emissions, the social impact remains almost the same. This is because the monetisation factor of CO₂-eq emissions used in the manual has been adjusted from 0.152 to 0.163 per kg/CO₂-eq. This increase is caused by the continued shrinking of the CO₂budget left to meet the targets in the Paris Climate Agreement.

Vitens already has a detailed method for measuring CO₂emissions. Mapping the impact on biodiversity is more challenging. In 2023, we participated in a joint project with other infrastructure managers aimed at gaining an initial understanding of the impact on biodiversity. This research focused on 2 main areas: the impact in the chain, caused by sourcing products, and the impact of land use.

An important aspect for Vitens is the impact of groundwater extraction. Due to its complexity and the fact that it was less relevant to the other grid operators, this impact was not included in the study. This remains a key focus for Vitens, as it is an essential part of our operations and impact on nature. This also makes it relevant to the further implementation of our Every Drop Sustainable strategy.



3 Guaranteeing our continuity

3.1 Control

Vitens is a public limited company (N.V.). The shares are 100% owned by local and provincial governments in Vitens' service area. Vitens has a two-tier governance structure and is managed by the Executive Board. The Supervisory Board oversees the Executive Board's policies and general affairs. The Executive Board and Supervisory Board are accountable to the Annual General Meeting (AGM) for the performance of their duties.

Developments in 2023

The composition of the Executive Board changed in 2023. Marike Bonnhof retired from service on 31 January 2023 and completed her duties on 16 December 2022. Nieke Martens joined 15 May 2023 as CFO and transferred her duties to Nynke Dalstra with effect from 1 December.

The current Executive Board consists of Jelle Hannema (Board Chair) and Nynke Dalstra (CFO a.i.). Jelle Hannema announced in October 2023 that he would step down as Board Chair in 2024. With the arrival of the new Board Chair, in April 2024, Jelle Hannema will continue within Vitens in the role of 'target structure acceleration' Programme Director.

A number of changes were also made to Vitens' consultation structure. The reason for this is to bring the governance more in line with the strategic task facing Vitens. With these changes, responsibilities have been placed lower down the line.

3.2 Governance structure

As a company with an important social task and role in society, we at Vitens are committed to transparency and good governance. Control of Vitens is spread over three layers: shareholders, the Supervisory Board and the Executive Board.

Shareholders

Vitens is a public limited company with **public shareholders**. These are the municipalities and provinces in Vitens' supply area. Shareholders meet at least twice a year at the Annual General Meeting (AGM).

The AGM is the highest body of Vitens. Shareholders take decisions on important issues here, such as:

- New tariffs: shareholders decide on drinking water tariffs.
- Annual report and financial statements: shareholders discuss the board's annual report and adopt the financial statements.
- Strategy & policy: shareholders discuss Vitens' integrated business plan, investment programme and financial projection.

In addition, the AGM is responsible for appointing the Executive Board and Supervisory Board members.

Supervisory Board

Vitens' Supervisory Board has four roles:

1. Supervision: the Supervisory Board supervises the policy of the Executive Board and the general course of Vitens' business.
2. Employer: the Supervisory Board is the employer of the Executive Board.
3. Sounding board: the Supervisory Board acts as a sounding board for the Executive Board.
4. Network: the Supervisory Board is an ambassador for the organisation and has relationships with stakeholders.

The Supervisory Board is bound by legal regulations, the articles of association and the Supervisory Board regulations.

Supervisory Board committees

The Supervisory Board has two standing committees:

- Audit Committee: oversees Vitens' financial side and internal control and accountability.
- Remuneration and Nomination Committee: deals with, among other things, remuneration policy and director appointments.

Read the Supervisory Board's report in the later section of the annual report under 'Supervisory Board report'.

Executive Board

Vitens' Executive Board is responsible for the day-to-day management of the company. The Executive Board is responsible for the direction of organisation, target achievement of strategy and policy of Vitens. The Executive Board is accountable to shareholders and the Supervisory Board.

Knowledge sustainability

To promote knowledge, skills and experience on sustainable development, the board receives continuing education on sustainability, renewable resources and developments around sustainability in the water ecosystem. Knowledge is kept up to date through presentations, knowledge networks such as Springtij and through NG Infra. Further knowledge was gained on a Green Finance Framework.

Pay ratio

Remuneration of the chair of the Executive Board is 3.3 times higher than the median annual total remuneration for all employees. Median annual remuneration increased 5.12% compared to 2022. The remuneration of the chair of the Executive Board increased by 4.24%.

The Executive Board is bound by legal regulations, the articles of association and the Executive Board regulations.

More information on the Supervisory Board and Executive Board is available on our [website](#).

Directors

Department directors are responsible for delivering the strategy.

Employee participation and works council

The works council (WC) contributes to decision-making within Vitens with a healthy balance between employee and organisational interests. The Vitens WC pursues connected employee participation: being in touch with the practice of employees and at the same time with those who decide on the practice of employees. Therefore, each business unit has 2 contact persons in the WC. In this way, the WC is a good reflection of all employees and there is a direct line of communication with everyone within Vitens (both employees and the board and management).

A Council meeting is held once a year at the initiative of the WC. In this 'golden triangle', the WC, the Executive Board and the Supervisory Board discuss current issues within Vitens. This year's theme was 'working with processes and data within Vitens'. There was a focus on Corporate Sustainability Reporting Directive (CSRD), increasing resilience in the future drinking water infrastructure (target structure) and data management using SAP. It also considered the challenges Vitens faces in terms of employees, leadership and being a good employer. The meeting concluded with roundtable discussions on environment, employee and supervision and the role of the 3 councils in it.

Dutch Corporate Governance Code

The Dutch Corporate Governance Code 2022 (the Code) is a code of conduct for Dutch companies with listed shares. The Code is seen as a general understanding of good and responsible corporate governance. Vitens' shares are not listed. Therefore, we have no legal obligation to apply the Code. Vitens applies the Code, to the extent possible and where applicable, voluntarily.

Vitens has implemented the *best practice* provisions of the Code in its corporate governance to the extent applicable to a drinking water company with public shareholders.

3.3 Laws, regulations and social obligations

Vitens takes compliance with laws and regulations very seriously. The Dutch Drinking Water Act guides us in carrying out our primary task: supplying sufficient drinking water of good quality. We also take responsibility in protecting personal data, promoting diversity in leadership positions and complying with environmental legislation. However, our commitment goes beyond just following the rules. As a water company, we are closely linked to society and feel a deep responsibility for the society in which we work. We actively assume our social responsibilities, paying special attention to issues such as social safety, diversity, the environment and corporate social responsibility. Our approach on these topics is set out in policies and codes of conduct, among others.

Three Lines Model

Vitens' governance is structured according to the *Three Lines Model*. With this, Vitens aims to ensure that the organisation and its employees comply with laws and regulations, policies and codes of conduct. The model also contributes to the integrity of the organisation. Within the 'Three Lines Model', the first line is responsible for risk management and compliance with laws and regulations. The second line advises and checks whether the first line is fulfilling its tasks. The third line carries out independent audits to ensure that the system of internal control is working.

The 'Three Lines Model' was revised in 2023. A dedicated second-line team was set up in this review. Advisory and supervisory tasks are now performed outside operational lines of responsibility. This approach increases the independence of the second-line functions, including those on *compliance* and privacy. The compliance and privacy functions have also been separated and capacity increased, with the aim of improving the quality of these disciplines.

Dutch Drinking Water Act

The Dutch Drinking Water Act guarantees the quality and supply of drinking water. The Dutch Human Environment and Transport Inspectorate (ILT) monitors Vitens' compliance with this law on behalf of the Dutch Ministry of Infrastructure and Water Management. For instance, as a drinking water company, we have to report when standards are exceeded in drinking water quality.

From 2023, there will be an administrative meeting between ILT and Vitens every six months. During these consultations, Vitens reports on the progress and challenges in implementing its supply plans and investment challenges. The focus of these consultations is on strengthening available reserves and the efforts required to do so.

Privacy

At Vitens, we treat personal data of customers, employees and suppliers with great care. We are continuously committed to raising privacy awareness. All employees therefore take a mandatory e-learning on privacy. Vitens employs 3 Privacy Officers. In addition, each department has its own first point of contact for privacy issues. These contacts regularly consult with the Privacy Officers on various privacy-related issues. Through this approach, we maintain short lines of communication between the departments and the Privacy Officers and ensure extensive privacy knowledge within Vitens.

Social security

Vitens wants to be and remain a socially safe organisation. An organisation where you can call each other to account, can and dare be honest and where people treat each other with respect. Social safety has a strong connection to who we are, our corporate culture and how we work within Vitens.

Code of conduct

The [code of conduct](#) forms the basis for how we treat each other. It gives employees guidance in making the right choices when it comes to issues such as integrity, safety, dealing with customers, with each other and the environment. The code of conduct was updated in 2023.

Fraud

Fraudulent acts can be committed both internally and externally. Vitens is taking targeted measures to minimise the risk of fraud, with a focus on promoting social safety. In doing so, the organisation strives for a working environment in which employees exhibit intrinsically desirable behaviour and act in the best interests of the organisation. In addition, Vitens *implements hard controls*, where management measures are deployed to directly or indirectly control both desired and undesired behaviour. In order to proactively respond to potential threats, Vitens conducts regular analyses of the main fraud risks. Internal control is carefully designed, with the fraud prevention process forming a continuous cycle within our organisation. The risk manager monitors both internal control measures and potential risks.

Confidential adviser

If you have a dilemma about social safety or suspect wrongdoing, Vitens employees can contact one of the confidential advisers. Vitens has five internal confidential advisers and one external confidential adviser, specifically for issues concerning undesirable behaviour.

Contact point for social safety

When a Vitens employee finds themselves in a socially unsafe situation, the advice is to first try to resolve the incident within the team or with a colleague. This contributes to a better working atmosphere and stronger working relationships between them. We therefore always push for a discussion with those directly affected. If this conversation does not provide a solution, the employee can make a personal or anonymous report to the Central Contact Point for Social Safety. Here, reports can be made about, for example, undesirable behaviour, integrity issues or (suspected) abuses. All reports are treated confidentially.

For undesirable behaviour (in the broadest sense of the word) and (suspected) abuses, the [regulation on socially unsafe situations](#) and the [whistleblower regulation](#) apply.

Diversity at the top

We see diversity as one of the prerequisites for good performance of duties by the Executive Board and Supervisory Board. Diversity covers aspects such as gender, culture and age in addition to expertise and background. When making appointments, the Supervisory Board aims for a balanced male-female ratio in both the Executive Board and the Supervisory Board: a target ratio of at least 30% women and at least 30% men. In 2023, the male-female ratio on the board was 50%-50% and on the Supervisory Board 66.6%-33.3%. The target percentage was therefore achieved.

Corporate Social Responsibility and Purchasing

In early 2023, Vitens adopted and implemented the CSR policy. This policy supports our ambitions to make cooperation with market players more sustainable. The guiding principle of the policy is to select the most sustainable market players for our contracts. In doing so, we pay attention not only to their own operations but also to the way they carry out their assignments for Vitens. Our CSR policy covers sustainability in its broadest sense and focuses on 6 main themes: environment, climate, circularity, International Social Conditions (chain responsibility), diversity and inclusion, and social return. For more information, please refer to our [CSR policy](#).

Environment

Care for the environment is fundamental to our strategy and our task of protecting groundwater resources. We not only abide by existing laws and regulations, but also look for ways to improve our role in protecting the environment and habitat. Vitens' responsibilities when it comes to the environment are laid down in our environmental policy. We use an ISO 14001-certified environmental management system to assess and manage environmental aspects within our operations. Certain environmental aspects have been identified as important, including energy consumption, direct emissions to air, emissions to soil and water, and waste generation. For these aspects, Vitens has specific environmental policies and we strive for continuous improvement. The effectiveness of our policies and the achievement of these goals are regularly evaluated and adjusted where necessary. However, this does not mean that we ignore other environmental aspects. Our general management system applies to these aspects. If necessary, appropriate actions will be taken.

3.3.1 Reports and penalties in 2023

Compliance with laws and regulations

Vitens received no penalties for non-compliance with laws and regulations in 2023.

Dutch Human Environment and Transport Inspectorate (ILT)

There were 41 notifications to the ILT in 2023 (2022: 38). The increase from last year is explained by a statutory increase in the measurement frequency.

Privacy

In 2023, Vitens employees made a total of 69 privacy-related reports. Among these reports were 10 issues on Data Protection Impact Assessments (DPIAs), 21 questions on data sharing and 38 cases of data breaches reported to the Privacy Officers. Of these 38 data breaches, only one case was reported to the Dutch Personal Data Authority. The remaining data breaches were not considered a major risk to the rights and freedoms of the individuals concerned. Measures have been taken for all data breaches to prevent recurrence in the future.

Social security

An internal confidential adviser was used 46 times in 2023. A total of 9 reports were received of socially unsafe situations, of which 6 reports were completed in 2023. The number and nature of the reports were shared with the Executive Board and Supervisory Board.

3.4 Stakeholder management

Vitens values continuous dialogue with its stakeholders. This interaction is partly driven by legislation, but is also becoming increasingly important because of the major challenges in the drinking water sector. There is shared responsibility around issues such as water quality, water availability and fundamentally redesigning the water system. Great cooperation is crucial to address these challenges.

Communication with our stakeholders takes place at different levels within the organisation. For instance, we organise thematic sessions with stakeholders, but also conduct broader research into their insights and expectations. The results serve as valuable input for our strategy.

In the table below, we describe who our key stakeholders are and how we engage with them.

Stakeholder	What do we want to achieve?	Form of dialogue	Conversation topics
Employees	Attractive and good employer	Continuous talent dialogue, team meetings, employee survey, Works Council, intranet and staff magazine, events and activities	Strategy and policy, work processes, (social) safety, work-life balance employment conditions, learning and development, sustainable employability, employee satisfaction
Private customers	Satisfied customers who use drinking water sustainably	Customer panels, research, customer service, website and (social) media, campaigns, digital newsletter, www.waterstoring.nl	Tariffs, affordability, security of supply, water conservation/sustainable water use, water-friendly construction, water quality, breakdowns, complaints, administrative matters/water issues
Corporate customers	Satisfied customers who use drinking water sustainably	Digital newsletter, customer days and account management, SME partnership	Insight and advice on water saving, appropriate use of drinking water, company's contribution to sustainable water use, drinking water quality, maintenance and breakdowns
Shareholders	Healthy business environment, building trust, managing risk and promoting engagement	General meeting of shareholders, tours and visits, transparent reporting, informal administrative support staff, limited share partnership	Shares, appointment of Executive Board and Supervisory Board, business plan (including drinking water tariffs and any major organisational changes), management report, financial statements, financial policy (including WACC lobbying), dividend policy, articles of association

Stakeholder	What do we want to achieve?	Form of dialogue	Conversation topics
Works Council	Protecting the working environment and employee interests	Structural consultation and alignment	Strategy, organisational changes and developments and working climate
Supervisory Board	Improve Vitens' overall performance and strategic direction	Supervisory Board meetings, Committee meetings, meetings with WC	General affairs, strategic policy, goals and progress, risk management, management report, annual accounts, appointment of Executive Board
Provinces, municipalities, water boards, central government and EU	Working in cocreation on our 'Every drop sustainable' strategy, so that we can continue to supply water 24/7 now and in the future	Regional: continuous dialogue at official and administrative level through consultations, dialogue tables, networks and events National: representation through "Vereniging waterbedrijven in Nederland" (Vewin), networks and events, press and media European: representation through Brussels/Vewin office, partnerships	'Every drop sustainable' strategy, including sustainable water system, sustainable water use, sustainable operations, resilient infrastructure for the future, sustainable resources, extraction permits, spatial planning
Partners and local residents (farmers, landscape managers, nature organisations and industry)	Good relationship, building trust and promoting mutual understanding and commitment	Collaborations, meetings, networks and events	Source protection, fertilisers and pesticides, sustainable agriculture, drought damage, pollution, land use, biodiversity
Drinking water sector	Working together on joint tasks, sharing knowledge and forming views	Alignment and working groups, steering committee meetings, partnerships, knowledge sharing and development	Drinking water quality and quantity, technical innovations, education, financing (WACC), drought damage, operations, benchmarks, cybersecurity
Suppliers	Optimising our cooperation	Alignment, account management and visits and tours	Collaborative opportunities, socially responsible commissioning and procurement (CSRI)

3.5 Risk management

Every year, we evaluate the risks that could have the greatest impact on achieving our strategic goals; the top business risks. Steering these control measures and monitoring risks, including their development, are an essential part of our planning and control cycle. We elaborate on each risk by providing it with a management approach and associated measures, which we implement during the year. During this implementation, we monitor both the progress and the impact of the measures.

The business risks identified for 2023 are:

1. Manufacturability of future-proof infrastructure
2. Cybersecurity
3. Pressure in the subsurface
4. Attractive employer
5. Climate impact

The top business risks identified by Vitens are detailed below. This explanation includes a description of the risk and the measures taken to control the risks. It also discusses the (expected) impact on risk development and the achievement of our strategic goals.

3.5.1 Manufacturability of future-proof infrastructure

If demand continues to grow more strongly than in recent years and we do not increase our speed of realisation, we may not be able to future-proof our infrastructure in time, failing to deliver 24/7 and exceeding permits. We distinguish administrative social engineering risks and technical social engineering risks, for available (human) capacity, both internal and external.

Administrative social engineering: demand for drinking water is expected to increase in the coming years. We need to adjust our win and production capacity to that in a timely manner. Availability of sufficient clean sources is a potential bottleneck in this, as we depend on provinces and water boards, among others, to obtain extraction permits. Permit processes are complex and lengthy, including through consent and approval procedures, and the outcome is therefore not guaranteed.

Technical feasibility: the demand for drinking water is expected to increase in the coming years. Moreover, the increase is higher than in past years. However, the speed at which we can make sufficient infrastructure modifications and expansions to this is under pressure, due to available capacity (internal and external), materials, and rising costs. We may not be able to future-proof our infrastructure in time, resulting in supply problems and permit overruns.

Risk management

- The plan on the target structure 2.0 has been delivered. 10 strategic heartlands have been determined, these have been included in the adaptive strategies, in addition to the obvious short-term building blocks, which are matched administratively with the provinces.
- For the sake of administrative social engineering, the development of Living Lab "IJsselvallei" for the purpose of 'challenging' and rethinking administrative and technical possibilities has taken further shape. The tender process was completed in 2023 with the consortium being selected. The design phase has started.

- Vitens has formed 'Combis' with market players in favour of technical manufacturability. In the process, the tender was carried out underground and contracts were signed.
- Water conservation measures, in favour of the drinking water forecast, have been taken in its own process and with customers. Reducing leakage losses and production losses is the focus of attention in project teams. The focus is in those areas where there are not too many reserves. Of course, major leaks were also detected and fixed based on night monitoring and the work of detection teams, among other things.
- Strong efforts are being made to realise additional permit space. For each province, there is a plan guiding how to find and realise additional permit space.

Risk development

The risk profile has increased. Overall, the measures deployed have a positive effect on the development of risks. However, the initiative to form combinations (combis) with other parties has challenges, mainly due to the labour market shortage, which both Vitens and these parties experience. Moreover, environmental risks continue to play a role in the effectiveness of management measures, such as in the development of the target structure. To improve this, a dedicated programme director is being deployed, among other things. And Vitens continues to actively seek cooperation and opportunities for permit and staff capacity with our partners. These efforts are generally well received, but such processes take time and perseverance. Furthermore, the improvement in our (resource) planning contributes to an increase in predictability.

3.5.2 Cybersecurity

If said cyber threat remains the same or increases, by increasing our 'digital surface area', we are vulnerable to a successful cyber attack, which could disrupt drinking water supplies, we could be extorted, or customer data could end up on the street.

Cybersecurity risk has become a permanent factor for Vitens. Our systems and data must be well protected against outside and inside influences. The dependence on ICT and data is increasing and its protection is becoming increasingly important. Consider, for example, the parts of Vitens that take care of the socially vital task of producing and delivering water. But in addition, to the large amounts of customer and staff data that Vitens processes.

Risk management

- With a programme-based approach, Vitens is catching up on cybersecurity, as well as in the optimisation of our organisation, processes and systems. The progress of this cybersecurity programme, including related projects, is managed by the Vitens Security Board (VSB).
- Technical: we have set up a permanent, multidisciplinary task force that focuses with sufficient time and attention on all technical adjustments arising from (penetration) testing. All major structural improvements from it have been named and included in the project portfolio for 2022/2023. Two more projects are on the roadmap around digital access management before 2024. For all other digital projects, they must be *secure-by-design*.
- People: the key to increased security resilience lies with our employees. Therefore, Vitens has also invested significantly in awareness-raising activities, training and exercises in the past year. All this is aimed at learning and assessing Vitens' effectiveness in withstanding these threats.

- Processes: Business continuity and recovery plans were completed in 2022, and updated and improved by the Task Force in autumn 2023. For the situation of total loss of all systems, there is a detailed script for the Security Incident Response Team. The entire management in the emergency organisation is also trained on the coordinating role in the event of an attack. By 2021, Vitens has established an internal IT General Controls (ITGC) system. Thanks to this system, we are able to carry out periodic audits of our security measures independently, without an external auditor.

Risk development

The threat level has remained constant in the recent period. The digital threats, including phishing, ransomware, cybercrime and data breaches, are as high and permanent as ever. The threat from state actors in this regard is (very) high. Hostage software attacks are increasingly used with double or even triple extortion, extorting not only the primary affected organisation, but also its customers, partners or suppliers. The situation surrounding the wars in Israel and Ukraine has created a complex digital playing field, whose impact on Dutch organisations is limited but conceivable. 2 major examples were found of attack software on process automation attributed to a state actor.

3.5.3 Pressure in the subsurface

Vitens is not the only party using the subsoil. The subsurface is increasingly being used for other tasks, such as energy and heat storage. As a result of this increase (e.g. for energy/heat storage), there is a risk that groundwater quality may deteriorate and ultimate sources may no longer be available for water extraction (now and in the future). As a result, the supply of water by Vitens, in quality and quantity, is at risk.

In this, the national government (systemically responsible) should ensure the right conditions for drinking water (extraction), in accordance with, should oversee the duty of care of provinces and municipalities, which should "give heavy consideration" to the drinking water interest in spatial choices. Vitens, in turn, has the responsibility for adequate and sustainable implementation of drinking water supply. In this, we work adaptively to ensure sufficient sources/capacity/quality. Daily, by measuring and monitoring water quality, and with the development of the target structure, for longer-term solution directions.

Due to the still unknown and difficult to control risks, Vitens advocates segregation of duties. This means: no geothermal energy (geothermal and ground energy) in areas intended for drinking water. To manage the risk, it is particularly important that governments primarily safeguard drinking water interests in their policies, laws and regulations.

Risk management

- Policies in line with the aforementioned principles were recently included in the Dutch Drinking Water Policy Paper 2021-2026. This applies as a basis for joint elaboration (provinces, water boards, municipalities, water companies, national government) with an Implementation and Execution Agenda for regional solutions.
- To better protect our infrastructure from the risks of Soil Energy Systems, storage and geothermal energy, we raised the importance of proper registration and of permits, supervision and enforcement with the provinces. In addition, Vitens provided input on amendments to the Dutch Mining Act for the benefit of geothermal heat, which took effect on 1 July 2023. The Adaptive Strategy regarding the deep subsurface has been adopted and is being promulgated by Vitens.

- We have partly adjusted our own position on this topic; we are taking a more adaptive approach, in which we do not abandon the principle of separation of functions, but try to (help) offer more action perspectives, without making concessions to the drinking water interest.
- To encourage uniform groundwater protection policies of provinces on activities in the subsoil, we have steered for an unambiguous and consistent line in this (through the central government and through our (strategic) consultations with the provinces). For instance, we participated in collision test Friesland, Interview Drenthe and provided input to the province of Utrecht.
- In order to secure (have secured) the drinking water interest in the Heat Visions and Regional Energy Strategies (2.0), we bring to the attention of municipalities the importance of keeping the separation of functions between geothermal heat and drinking water in force in drinking water protection areas (including additional strategic stock areas).
- Vitens also actively monitors developments, adopting an adaptive approach. To this end, internal (process) agreements have been arranged and periodic monitoring of new initiatives takes place by a theme group (Deep Underground). We also actively participate in the 'Vulnerable areas' external working group. This is a consultation between provinces, the geothermal industry, EBN and VEWIN/ drinking water companies aimed at defining vulnerable areas and protecting groundwater quality.

Risk development

Our assessment is that despite the urgency and positive developments, the risk to sources remains as high as ever. We have revised our approach in this area, because in practice we regularly encounter situations where drinking water and groundwater/geothermal energy affect or threaten to affect each other. On 1 July, for example, the amendment to the Dutch Mining Act around geothermal energy took effect. This is to accelerate the energy transition. It is imperative that this acceleration does not lead to a threat to drinking water supplies, similar to problems created by grid congestion. This highlights the need to make careful decisions and well-considered choices.

Another example concerns the issue of PFAS, where last year certain values were allowed to be dumped in deep sand mining ponds adjacent to drinking water protection areas. Although this was formally possible, we considered this undesirable and the competent authority seems inclined to adjust it.

We therefore continue to stress the importance of separation of functions to provinces and municipalities 'at the front end' of planning processes. We are also actively involved in several initiatives in which the drinking water and energy sectors, together with provinces and research institutes, monitor developments and investigate how to deal with risks. This will ultimately better protect the drinking water interest, and allow authorities to enforce in the future, but it does not reduce the immediate risk now.

3.5.4 Attractive and good employer

As a result of a high outflow combined with tightness in the labour market, there is a possibility that Vitens may not be able to meet the recruitment task and underlying quantitative and qualitative labour needs, resulting in work/activities being partly or not being carried out.

Risk management

- Vitens goes through the (strategic) personnel planning process annually, with each department creating insight into (future) formation and filling positions with the required talents.

- The year saw the roll-out of campus recruitment and continuation of traineeships for HBO, WO and MBO students.
- The target group and image survey has been conducted and the results serve as input for improving HR resources. This took the form of an *employer branding* strategy and a revamped website. This puts Vitens in a better position to attract suitable candidates.
- Measurement of Vitens' visibility started in 2023 to serve as input for data-driven recruitment.
- Where necessary, tailor-made solutions are applied for specific positions/candidates (employment conditions).
- Wherever possible, such temporary measures are translated into structural policies.

Risk development

The risk profile has increased, in particular due to the ongoing tension in the labour market and disappointing results of the employee survey conducted. Furthermore, unemployment has risen slightly due to a mild recession, but there is still a higher number of vacancies than jobseekers, as also stated by the CBS. In this, Vitens is particularly troubled by the structural shortage of skilled workers in engineering and ICT. Although Vitens has managed to fill more vacancies than in 2022, the process now requires more effort and time. The ageing population and related outflow will continue to increase in the coming years. As a result, Vitens needs to focus even more on new measures to cope with these developments. Measures have already been developed in the past year and are currently under implementation. Moreover, additional measures and additional monitoring will be implemented in the coming year.

3.5.5 Climate impact

Vitens wants to reduce its impact on the climate and environment and respond to the (consequences of) climate change in terms of drinking water demand and infrastructure. As a result of the (limited) malleability of our infrastructure (adaptation), there is a chance that we will not meet our climate and impact targets (in time).

On the one hand, it is about anticipating climate change, including through the long-term target structure and design of our infrastructure. On the other hand, it concerns the effect of our actions on the climate.

As such, these 2 parts are also not separate. Adaptation measures (e.g. accelerated design of the target structure) also means that the footprint may increase.

Risk management

- The reduction task in terms of CO₂ emissions is included in the infrastructure plans. Applying this curve in combination with a previously developed (MACC) list of mitigation measures reveals the concrete potential for action. Necessary measures can be translated into project and departmental objectives, and thus turned into action.
- A research programme has been launched from KWR to provide insight into the impact of water companies on the climate.
- Vitens is developing a performance indicator and a target, for monitoring and being able to promote biodiversity.
- In the design standards used for infrastructure, Vitens has higher resilience/flexibility requirements to mitigate the impact of weather extremes. It also carries out preventive maintenance and replacement of high-risk pipelines and budget reservation for the quick and adequate repair of pipe breaks, when they occur.

- As the availability of freshwater may decrease due to extreme weather conditions (e.g. drought), Vitens is developing the target structure with stakeholders. To realise a smaller number of extractions, sustainably embedded, with limited impact on the environment. In relation to this, in a Living Lab, together with market players, we are also investigating opportunities for source diversification. Where necessary, due to negative impacts from our extractions, we apply drought damage policies.

Risk development

The risk profile has increased. The climate is changing faster than thought, as the latest IPCC report shows. We are also experiencing an increase in weather extremes in our immediate environment as a result of these changes, as seen in the very wet and stormy autumn. The latter revealed that the extra measures to respond quickly to emergencies are helping, but also that we do not yet know all the effects of weather on our infrastructure. For instance, we noticed additional pipe breaks due to saturated soils combined with stormy weather.

Regarding our climate impact in terms of emissions, although measures are being developed and partly implemented, such as reducing methane emissions, the impact of these measures is still marginal. Measures are being developed and initiated incrementally, but are mainly focused on the longer term. We expect to make significant progress through fundamental changes and sustainability of our production infrastructure, based on target structure thinking. This will make great strides in reducing our impact on the climate.

3.6 Board statement

The Executive Board declares that to its knowledge:

- The financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of Vitens N.V. and the companies included jointly in the consolidation.
- The annual report gives a true and fair view of the situation as at 31 December 2023, the course of business during the financial year of Vitens N.V. and its affiliated companies, the details of which are included in its financial statements.
- In the management report the material risks facing Vitens N.V. are described.

In addition, in accordance with best practice provision 1.4.3 of the Corporate Governance Code 2022, the Executive Board declares to the best of its knowledge that:

- The annual report provides sufficient insight into shortcomings in the operation of the internal risk management and control systems with regard to the risks as mentioned in the Executive Board regulations article 15.3.
- Aforementioned systems provide reasonable assurance that the financial reporting does not contain material misstatements.
- As things stand, it is justified that the financial reporting has been prepared on *going concern* basis.
- The annual report discloses the material risks as referred to in the Executive Board regulations article 15.3 and the uncertainties insofar as they are relevant with regard to the expectation of the continuity of the company for a period of 12 months after the preparation of the report.

Zwolle, 14 March 2024

Jelle Hannema, Board Chair



Vitens LAAT WATER VOOR JE WERKEN

4 Report of the Supervisory Board

In this report, the Supervisory Board accounts for the supervision exercised during the past year. The main issues the Supervisory Board was involved in are discussed.

4.1 Strategy and realisation of business plan

Vitens' Supervisory Board oversees the way the board implements long-term value creation. At our meetings, we regularly discuss strategy, implementation progress and key risks. The focus is on the business plan, the investment plan, the long-term infrastructure vision (the LTV) and the target structure, in which value creation becomes concrete.

Over the past year, we met several times with the board to discuss the 'Every drop sustainable' strategy. The Supervisory Board focused more on target structure and security of supply. The Supervisory Board also paid attention to issues such as medium-term financeability, WACC regulation and increasing investment demand, especially towards shareholders.

Every year, Vitens prepares an integrated business plan. This plan translates strategic goals into concrete and measurable operational objectives. Specific targets for the year are expressed in easily measurable financial and non-financial performance indicators (KPIs). If necessary, adjustments are made. The main points of 2023 were: 1. Water for now and later, 2. SAP and Transformation, and 3. Attractive employers. At the October 2022 meeting, the board presented the integrated business plan for 2023, which was subsequently approved by the Supervisory Board.

4.2 Financial reporting

In the presence of the independent auditor, PricewaterhouseCoopers Accountants N.V., the Supervisory Board discussed the annual report and financial statements 2023, including the accompanying audit report. During 2023, the board provided quarterly reports to the Supervisory Board with the current financial results against the 2023 budget, the 2023 annual forecast and the 2023 results. Topics covered included the development of water resources, costs and water sales, incremental investments, financing needs and financial ratios. For all these issues, the Audit Committee (AC) of the Supervisory Board carried out intensive preliminary work. Information was also provided in the quarterly reports to monitor the progress of achieving business objectives.

4.3 Financial statements and dividend proposal

In addition to the report of the Board, this annual report contains Vitens' financial statements. The Supervisory Board proposes the Annual General Meeting to adopt the 2023 financial statements and to discharge the members of the Executive Board and the members of the Supervisory Board for the policy pursued by the Executive Board, as evidenced by the financial statements and the report, and for the supervision exercised by the Supervisory Board. PricewaterhouseCoopers Accountants N.V. has provided an unqualified assurance report on the 2023 financial statements.

The net result for the 2023 financial year amounts to €27.2 million. The Supervisory Board proposes with the board to add the full amount – in view of our statement, the solvency target and the banks' requirements – to reserves.

4.4 Composition of the Supervisory Board

The composition of the Supervisory Board was unchanged in 2023.

Mr H.C.P. (Han) Noten (1958), chair, Dutch

Other roles:

- Chair of Ambulancezorg Nederland (AZN)
- Chair of the Supervisory Board of Pensioenfonds PGB

Mr M.R. (Mark) van Lieshout (1963), vice-chair, Dutch

Other roles:

- CFO HES International B.V.

Ms H. (Henriette) Setz MBA (1968), Supervisory Board member, Dutch

Other roles:

- Director of Operations Essent

Prof Dr G.M. (Gerda) van Dijk (1960), Supervisory Board member, Dutch

Other roles:

- Director of Zijlstra Center for Public Control, Governance & Leadership, Free University, Amsterdam
- Professor of "Public Leadership", Free University, Amsterdam
- Independent consultant NOSCERE
- Member of the Council for Animal Affairs
- Chair of the Commission Integrity Waterschap Limburg and Waterschapsbedrijf Limburg
- Member of the Supervisory Board of WoCoZon B.V.

Mr. P.A.N. (Paul) ten Kroode (1961), Supervisory Board member, Dutch

Other roles:

- COO of Innovus Group
- Chair of the Supervisory Board of Staedion housing corporation
- Chair of the Dutch Environmental Database Board

For additional details, information on the year of initial appointment and the retirement [schedule](#) of the Supervisory Board can be found.

Independence

All Supervisory Board members 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.

No conflict of interest

In 2023, no transactions occurred involving potential conflicts of interest of material significance to the company and/or the relevant directors, Supervisory Board members, shareholders and/or the external independent auditor. Agreements have been made about the ancillary position of Nynke Dalstra (CFO a.i.) at Evides N.V., so that no conflicting interests can arise.

Continuing education

As part of continuing education, the Supervisory Board was briefed on water catchment areas and filter 0, target structure, water reserve monitor and ICT cybersecurity.

Self-assessment

In 2023, the Supervisory Board took time to evaluate its own performance, the performance of the separate committees within the Supervisory Board and that of the individual Supervisory Board members. This evaluation was externally supervised. The members methodically examined the extent to which they complement each other. It is concluded that the composition of the Supervisory Board is sufficiently balanced to adequately fulfil all duties and functions. The review also discussed the departure of Nieke Martens (former CFO) and how the board handled it. Following the review, a number of agreements were made. No evaluation took place within the board in 2023 due to staff changes.

4.5 Meetings in 2023

Supervisory Board meetings

In addition to the bilateral meetings, the Supervisory Board held six plenary meetings during the reporting period. The Supervisory Board meets in closed session for the first half-hour of each regular meeting. Other participants in the Supervisory Board meetings are the members of the Executive Board and, by invitation, the independent auditor and management members.

The quarterly meetings were dedicated to developments within Vitens. Among others, the annual and quarterly figures, investment plan, budget and drinking water tariffs for 2023 were discussed. The meeting at which the integrated annual report was discussed was also attended by the independent auditor. The auditor attended every Audit Committee meeting in 2023.

Outside the meetings, the Supervisory Board made a working visit to the Epe production facility. The visit ended with an informal get-together with Vitens senior management.

In the annual Councils meeting (Works Council, Executive Board and Supervisory Board), the topic was 'Steering data and processes'. The Article 24 meeting took place in the autumn.

Other topics discussed at length in the Supervisory Board: cybersecurity, infrastructure plans 2023-2033, target structure, water sources monitor and supply security plan and SAP and transformation.

Remuneration and Nomination Committee (RBC) meetings

Vitens' Remuneration and Nomination Committee (RBC) consists of chair Gerda van Dijk and Han Noten. The RBC met twice in 2023. During these meetings, the focus was on strategic HR topics such as Strategic Personnel Planning (SPP), talent development, the desired management model and social safety. There were also regular informal consultations with the Works Council.

At the beginning of 2023, the committee launched a recruitment and selection process for a new CFO. Nieke Martens joined the company on 15 May 2023. Towards the end of the year, she announced her departure. As a result, the committee launched a new recruitment and selection process for an interim successor. From 1 December 2023, Nynke Dalstra assumed the role of interim CFO.

Audit Committee (AC) meetings

The Audit Committee consists of Mark van Lieshout (chair), Henriëtte Setz and, since April 2023, Paul ten Kroode. The committee met four times during the year under review. Outside and during these meetings, the AC chair liaised with the independent auditor and the internal audit function.

In preparation for the full Supervisory Board meetings, the AC reviewed the annual figures and discussed the auditor's report and management letter. Other topics discussed in the AC meetings were the 2024 integrated business plan, 2024-2033 investment plan, 2024-2028 financial projection, 2023 control plan, top business risks, internal control and 2024 drinking water tariffs. Increasing investment and long-term fundability were a regular topic of discussion. It also focused on the progress of key ongoing projects, including the transformation with SAP and the infrastructure plans for 2024-2033.

Overall summary of meetings and attendance of Supervisory Board members

Data	Supervisory Board	AC	RBC
2-2	all present	-	all present
15-3	absent: Van Dijk	all present	-
21-6	all present	all present	all present
25-7 (additional meeting)	all present	-	-
5-9	all present	all present	-
20-10	all present	all present	-



5 Other information

5.1 Independent auditor's assurance report

Assurance report with limited assurance on sustainability information 2023

Our conclusion

Based on the review procedures performed by us and the assurance information obtained, we have no reason to believe that the sustainability information included in the Annual Report 2023 of Vitens N.V. does not present fairly, in all material respects, the following information:

- Sustainability policies.
- Operations, events and performance thereon for the year ended 31 December 2023.

In accordance with the Sustainability Reporting Standards of the Global Reporting Initiative (GRI) and the additionally applied reporting criteria as explained in the 'Reporting Criteria' section.

What we reviewed

We have reviewed the sustainability information included in the following sections of the annual report for 2023 (hereinafter: the sustainability information):

- 2023 in figures
- 1 Who we are and what we do
- 2 The value we create
- 3.1 Control
- 3.2 Governance structure
- 3.4 Stakeholder management
- 5.3 Connectivity matrix

This assessment is aimed at obtaining a limited degree of certainty.

The basis for our conclusion

We conducted our review in accordance with Dutch law, including Dutch Standard 3810N 'Assurance engagements relating to sustainability reporting'. Our responsibilities on this basis are described in the section 'Our responsibilities for assessing sustainability information'.

We believe that the assurance information we have obtained is sufficient and appropriate as a basis for our conclusion.

Independence and quality control

We are independent of Vitens N.V. as required by the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO). Furthermore, we have complied with the Regulation on Auditors' Conduct and Professional Rules (VGBA).

PwC applies the Further Regulations on Quality Systems (NVKS). On this basis, PwC has a coherent system of quality control including established guidelines and procedures on compliance with ethical regulations, professional standards and other relevant laws and regulations.

Reporting criteria

The reporting criteria applied in preparing the sustainability information are the Sustainability Reporting Standards of Global Reporting Initiative (GRI) and the additionally applied reporting criteria, as explained in sections '5.2 About this report' and '5.5 Reporting definitions' of the annual report. For the economic impact, the impact on people and the environment and the impact on nature (hereafter: impact data), the reporting criteria have been further elaborated in the Handbook Impact Measurement Infra Companies (v1.2), as available on the website of the Impact Institute and in the Memorandum 'Accountability Impact Measurement', made available on the website of Vitens N.V.: <https://www.vitens.nl/-/media/Project/Vitens/VitensNI/Over-Vitens/jaarverslagen/notitie-verantwoording-impact-meten.pdf>.

The absence of established practices to assess and measure sustainability information provides an opportunity to apply different, acceptable measurement techniques. This may affect comparability between entities and over time.

Therefore, sustainability information should be read and understood along with the reporting criteria applied.

Limitation in the scope of our review

The sustainability information includes forward-looking information such as expectations regarding ambitions, strategy, plans, forecasts and estimates. Inherent in this forward-looking information is that actual outcomes in the future are uncertain, and likely to differ from these expectations. The resulting discrepancies may be material. We give no assurance in the assumptions and feasibility of forward-looking information.

In the sustainability disclosures, calculations to determine impact dates were mostly done using assumptions and based on sources from external parties. The assumptions and sources used are explained in section 'Reporting criteria' of our assurance report. We have not performed any work on the content of these assumptions and external sources other than assessing the suitability and plausibility of these assumptions and external sources.

In the sustainability information, references are made to external sources or websites. The information contained in these external sources or websites does not form part of the sustainability information we have reviewed. We therefore provide no assurance on this information.

Responsibilities for sustainability information and its assessment

Responsibilities of the Executive Board and Supervisory Board for sustainability information

The Executive Board of Vitens N.V. is responsible for the preparation and fair presentation of the sustainability information in accordance with the reporting criteria as explained in the 'Reporting criteria' section, including the selection of reporting criteria, identification of stakeholders and determination of material topics. The Executive Board is also responsible for selecting and applying these reporting criteria and for determining that these reporting criteria are adequate for the legitimate information needs of the intended stakeholders, taking into account applicable laws and regulations related to reporting. The choices made by the Executive Board regarding the scope of sustainability information and the reporting policy are set out in sections '5.2 About this report' and '5.5 Reporting definitions' of the annual report.

The Executive Board is also responsible for such internal control as it determines is necessary to enable the preparation of the sustainability information that is free from material misstatement, whether due to fraud or error.

The Supervisory Board is responsible for overseeing the entity's reporting process on sustainability information.

Our responsibilities for assessing sustainability information

Our responsibility is to plan and perform the review engagement so as to obtain sufficient and appropriate assurance information to support our conclusion.

Our engagement is aimed at obtaining limited assurance that the sustainability information does not contain material misstatements and expressing a conclusion with limited assurance in our report. The work varies in nature and timing, and is also smaller in scope than that involved in an assurance engagement aimed at obtaining reasonable assurance. The level of assurance obtained from a review (limited assurance) is therefore also significantly lower than the assurance obtained from an audit (reasonable assurance) with regard to both the work performed on risk assessment, including gaining an understanding of internal control, and the work performed on responding to the identified risks.

Work performed

We performed this review professionally-critical and applied professional judgement where relevant in accordance with Dutch Standard 3810N, ethical requirements and independence requirements. Our work included:

- Conducting an analysis of the external environment and understanding the relevant social themes and issues and the characteristics of the entity.
- Evaluating the appropriateness of the reporting criteria used, their consistent application and the disclosures made about them in the sustainability information. This includes reviewing the entity's materiality analysis and evaluating the reasonableness of estimates made by the Executive Board.
- Through intelligence gathering, obtaining an outline understanding of the entity's internal controls, reporting processes, information systems and risk assessment process relevant to the preparation of the sustainability information, not for the purpose of obtaining assurance information on the existence or testing of the effectiveness of internal controls.
- Identifying areas in the sustainability information where misleading or unbalanced information or a material misstatement due to fraud or error is likely to occur. The determination and execution of further work focuses on assessing the plausibility of the sustainability information in response to our risk assessment. These other activities included:
 - Conducting interviews with management (and/or relevant employees) at group (and departmental) level responsible for (sustainability) strategy and policy and performance.

- Conducting interviews with relevant staff responsible for providing information for, performing internal controls over, and consolidating data in the sustainability information.
- Obtaining assurance information that the sustainability information is consistent with the entity's underlying records.
- Reviewing relevant internal and external documentation based on limited partial observations.
- Considering data and trends.
- Considering the reasonableness of assumptions in the calculation of impact dates.
- 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.
- Considering the consistency of the sustainability information with other information in the annual report outside the scope of our review.
- Considering the overall presentation and content of sustainability information.
- Considering whether the sustainability information as a whole, including the topics covered and the disclosures included, has been clearly and adequately disclosed in accordance with the reporting criteria applied.

Among other things, we communicate with the Supervisory Board about the planned scope and timing of the review and the significant findings arising from our review.

Zwolle, 14 March 2024

PricewaterhouseCoopers Accountants N.V.

Originally signed by Drs F.S. van der Ploeg RA

1 The maintenance and integrity of the Vitens N.V. website are the responsibility of the management. The work we have performed does not take these matters into account and therefore we accept no responsibility for any changes that may have occurred to the note 'Accounting for impact measurement' as presented on the website of Vitens N.V., after the date of this assurance report.

5.2 About this report

Our value creation model guides the annual report. We report not only on financial results, but also on the social, human and natural value we add as an organisation. We do this in line with our strategic objectives, which are linked to the material themes. In addition, we quantitatively portray these values in our social accounts.

In the report, we also offer insights into our organisation: who we are, what we do and how we achieve it. The Supervisory Board explains how it fulfilled its role in 2023. For details on our financial performance, please refer to the notes to the consolidated financial statements.

Material themes

In the annual report, we report on the issues that our internal and external stakeholders consider important ('material'). In determining the material themes, both internal and external stakeholders were consulted. It is important to know what is going on among our stakeholders and where their information needs lie. Interviews were conducted to deepen the themes and highlight the views of our stakeholders. The prioritisation of themes is partly based on input from our stakeholders.

In 2022, we conducted a materiality analysis based on the Global Reporting Initiative Standards (GRI Standards) and started to base it on the Corporate Sustainability Reporting Directive (CSRD). The CSRD applies the principle of double materiality, determining both the financial impact and the social impact of material themes. The GRI standards, which apply to our annual report this year, emphasise impact materiality.

Based on this, we identified the eight material themes below. These themes have not changed from last year.

- **Security of supply of drinking water:** Vitens wants to deliver reliable water to its customers and meet increasing demand. Therefore, Vitens is committed to keeping the time when customers are without water due to maintenance or breakdowns as low as possible with as little inconvenience as possible, Vitens invests in sufficient capacity and reliable infrastructure, and Vitens thinks creatively with its customers to ensure security of supply.
- **Water scarcity:** Vitens realises that partly due to climate change, water scarcity is becoming more common. Vitens thinks proactively about how areas can be designed to prevent water scarcity. In doing so, Vitens anticipates the consequences of water scarcity and brings together different policy areas to prevent the increasing risk.
- **Drinking water quality:** Vitens ensures that customers can always rely on safe and clean water of top quality.
- **Attractive and good employment:** Vitens strives for healthy and engaged employees who are comfortable in their own skin and productive. Vitens also wants to attract and retain the right people due to scarcity in the labour market. Through strategic personnel planning, digitalisation, automation, apprenticeship programmes and campaigns that highlight working on water and the uniqueness of the company, Vitens ensures attractive and good employment practices. Vitens is also committed to training, personal and professional development, psychosocial well-being and job satisfaction.
- **Climate impact:** Vitens wants to reduce its impact on the climate by reducing greenhouse gas emissions, including sustainability criteria in tenders (such as piping materials) and focusing on circular residual streams. In addition, through adaptation, Vitens will have to adapt to the impact climate change will have on Vitens.
- **Protection of water sources:** Vitens is committed to protecting its water sources from spatial pressures and pollution from, for example, agricultural and mining activities.
- **Financial health:** Vitens remains financially sound due to good solvency, a healthy loan portfolio and strategic investments. Through a fair dividend policy, shareholders get an appropriate return on their investment and Vitens maintains sufficient reserves.
- **Digitalisation and data security:** Vitens manages a vital drinking water supply infrastructure for the Netherlands. Vitens is therefore fully committed to the security of its systems, data, production plants and (customer) data. Vitens also aims to further digitise its services.

Scope

The reporting period of the 2023 annual report is from 1 January 2023 to 31 December 2023. The report was published on 19 April 2024.

For non-financial performance, Vitens reports on the entities it controls. These are Vitens N.V., Watermanagement B.V. and Industriewater B.V.

Vitens Evides International (VEI) publishes its own annual report and is not consolidated in this report.

The data relate to Vitens' own performance and not that of our customers and chain partners.

Consistency and reliability

There were no significant changes in the organisation's size, structure, ownership or supply chain during the reporting period. There were also no major acquisitions or divestments.

The definitions and accounting policies are unchanged from last year, unless otherwise explained. Quantitative information we compare with comparative figures from previous years where possible.

We have tried as far as possible to reduce the uncertainties associated with qualitative studies or with quantitative calculations.

Reporting definitions, measurement methods and reporting responsibilities are included in this [overview](#).

GRI reporting criteria and preparation for CSRD

Vitens reports in accordance with GRI standards. The GRI standards are globally accepted guidelines for preparing non-financial annual reports. From financial year 2025, Vitens must report on its sustainability performance in line with the Corporate Sustainability Reporting Directive (CSRD). This is new legislation and regulation to improve transparency and sustainability of organisations in the EU. The CSRD is more comprehensive than the GRI. Therefore, we will start working on the implementation of the CSRD as early as 2024 so that we can be compliant by 2025. In 2023, we conducted materiality analysis based on the principles of the CSRD, including dual materiality. We use this as a basis for gap analysis and further implementation in 2024.

Our 2023 sustainability information has been reviewed by an independent auditor, whose assurance report is included in this annual report.

Contact or questions?

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

5.3 Connectivity matrix

Origin of our strategic direction				How do we realise the strategy?			For whom and how is this ultimately important?			
No.	Material themes	Strategic agenda	Risk specified in the risk inventory	Value drivers	Operational KPIs	Target	Intended impact	SDG	Stakeholder groups	
1	Water scarcity	Water for now and later, Sustainable water system, drinking water company and drinking water use	Administrative, technical and financial engineering of infrastructure, pressure in the subsurface	We anticipate climate change and current and future drinking water demand and adapt our operation, strategy, infrastructure and our (strategic) reserves accordingly.	Number of clusters with positive 'Operational difference' Number of clusters with sufficient 'Operational reserves'	≥ 2 ≥ 2	The Netherlands can trust Vitens to anticipate a changing climate and that we are committed to balancing rising water demand on the one hand with the availability of sufficient resources and the impact of water extraction (e.g. land take, desiccation) on the other.	SDG 6 6.4 Substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from 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	Climate impact	Water for now and later, Sustainable water system, drinking water company and drinking water use	Administrative, technical and financial social engineering of infrastructure, climate impact	We aim to reduce our climate impact by reducing greenhouse gas emissions, including sustainability criteria in tenders (such as piping materials) and focusing on circular waste streams.	CO ₂ emissions	≤136,5	The Netherlands can trust Vitens to anticipate a changing climate and that we are committed to balancing rising water demand on the one hand with the availability of sufficient resources and the impact of water extraction (e.g. land take, desiccation) on the other.	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	124
3	Supply security of drinking water	Water for now and later	Administrative, technical and financial social engineering of infrastructure, cybersecurity	We invest in maintenance, replacement and protection of production plants and the pipeline network.	Substandard Supply Minutes (OLM)	≤ 18 minutes	Customers can count on continuous supply of drinking water.	SDG 6 6.1 Universal and equitable access to safe and affordable drinking water for all.	Customers	12:28

Origin of our strategic direction			How do we realise the strategy?			For whom and how is this ultimately important?				
4	Quality of drinking water	Water for now and later	Pressure in the subsurface, cybersecurity, administrative, technical and financial engineering of infrastructure	We apply appropriate purification and research methods.	Water quality index (WKI)	≤ 0,019	Vitens customers can blindly rely on high-quality drinking water.	SDG 6 6.1 Universal and equitable access to safe and affordable drinking water for all. 6.3 Improve water quality by reducing pollution, eliminating dumping and minimising release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally.	Customers	0.017
5	Attractive and good employer	Attractive employer, Water for now and later	Attractive employer	Vitens strives for healthy and engaged employees who feel good about themselves and are productive. Vitens also wants to attract and retain the right people due to scarcity in the labour market.	Engagement score	≥ 7,4	Employees can work in a safe working environment where vitality, job satisfaction and development are central for now and in the future	SDG 8 8.8 Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment.	Employees, shareholders	7
6	Financial health	Financial health & predictability	Administrative, technical and financial engineering of infrastructure	We maintain a financial policy with continuity as its guiding principle.	Solvency	≥ 30% and target value ≥ 35%	Vitens is a financially healthy company with a good balance between the price of drinking water, solvency and shareholder returns.	SDG 9 9.1 Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all.	Shareholders, customers	30,3%
7	Digitalisation and data security	Water for now and later	Cybersecurity	Vitens is committed to further digitalising its operations and services as well as increasing the security of its ICT platform.	ICT Prio1 emergencies ICT Prio 1 Cybersecurity emergencies	≤ 10 0	Customers can count on us to keep their data confidential and count on continuous supply of drinking water.	SDG 9 9.1 Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all.	Company, shareholders, customers	9 0

Origin of our strategic direction			How do we realise the strategy?			For whom and how is this ultimately important?				
8	Protection of groundwater resources	Water for now and later	Pressure in the subsurface	We protect our water resources and increase our understanding of how the quality of our groundwater is evolving.	Pollution index sources short-term, long-term (VI)	n/a	Dutch people can count on reliable and affordable drinking water, now and in the future.	SDG 6 6.3 Improve water quality by reducing pollution, halving untreated wastewater and increasing recycling. 6.5 Implement integrated water resources management at all levels, including through transboundary cooperation as appropriate. 6.6 Protect and restore water-based ecosystems. SDG 12 12.2 Achieve sustainable management and efficient use of natural resources.	Company, shareholders	97 (ST) 388 (LT)

5.4 GRI index

GRI Code	Indicator	Explanation	Annual report reference
GRI 1	Statement of use	Vitens N.V. reports in accordance with GRI standards for the reporting period from 1 January 2023 to 31 December 2023.	
GRI 1	GRI 1 applicable	GRI standards are included according to GR 1: Foundation 2021	
GRI 2: General guidelines			
GRI 2: Organisation and reporting			
2-1	Information about the organisation		Who we are and what we do, Governance, Notes on the consolidated financial statements
2-2	Overview of all entities included in sustainability reporting		About this report
2-3	Reporting period, frequency and contact person		About this report
2-4	Reformulation of information		About this report
2-5	Policy on assurance		Limited assurance report of the independent auditor
GRI 2: Employees and activities			
2-6	Activities, value chain and other business partners		Who we are and what we do, Our profile, this is how we make water, key figure table, value creation model, stakeholder management, About this report
2-7	Composition and numbers of employees	Vitens does not have a regional division, therefore the number of employees per region is not reported.	Employees
2-8	Employees without employment contracts (external hiring)		Employees, reference to reporting definitions
GRI 2: Governance			

2-9	The organisation's governance structure		Securing our continuity, Report of the Supervisory Board
2-10	Appointment and selection of the highest governing body		Governance, reference to the following regulations (Articles 1 and 2)): https://www.vitens.nl/-/media/Project/Vitens/VitensNI/Over-Vitens/Organisatie/Reglement-RvB-getekende-versie-20-oktober-2023.pdf and (Articles 1, 2, 16, 23 and 27): https://www.vitens.nl/-/media/Project/Vitens/VitensNI/Over-Vitens/Organisatie/Reglement-RvC-getekende-versie-20-oktober-2023.pdf
2-11	Chair of the highest governing body		Governance
2-12	Role of highest governing body in overseeing managing impact.		Governance, Report of the Supervisory Board, reference to regulations (Articles 14, 15 and 17): https://www.vitens.nl/-/media/Project/Vitens/VitensNI/Over-Vitens/Organisatie/Reglement-RvB-getekende-versie-20-oktober-2023.pdf and (Article 17): https://www.vitens.nl/-/media/Project/Vitens/VitensNI/Over-Vitens/Organisatie/Reglement-RvC-getekende-versie-20-oktober-2023.pdf
2-13	Delegating responsibilities for managing impact		Governance, Board structure
2-14	The role of the highest governing body in sustainability reporting		Governance, Report of the Supervisory Board, reference to regulations (Articles 14, 16 and 17): https://www.vitens.nl/-/media/Project/Vitens/VitensNI/Over-Vitens/Organisatie/Reglement-RvB-getekende-versie-20-oktober-2023.pdf and (Articles 16, 17 and 20): https://www.vitens.nl/-/media/Project/Vitens/VitensNI/Over-Vitens/Organisatie/Reglement-RvC-getekende-versie-20-oktober-2023.pdf
2-15	Conflicts of interest		Governance, reference to the following regulations (Article 5): https://www.vitens.nl/-/media/Project/Vitens/VitensNI/Over-Vitens/Organisatie/Reglement-RvB-getekende-versie-20-oktober-2023.pdf and (Article 8): https://www.vitens.nl/-/media/Project/Vitens/VitensNI/Over-Vitens/Organisatie/Reglement-RvC-getekende-versie-20-oktober-2023.pdf
2-16	Communication on critical areas of concern		Laws, regulations and social duties: social safety, notifications and sanctions in 2023
2-17	Collective knowledge of the highest governing body		Governance
2-18	Performance evaluation of the highest governing body		Governance, Report of the Supervisory Board, reference to the following regulations (Article 14.5): https://www.vitens.nl/-/media/Project/Vitens/VitensNI/Over-Vitens/Organisatie/Reglement-RvB-getekende-versie-20-oktober-2023.pdf and (Article 15.4): https://www.vitens.nl/-/media/Project/Vitens/VitensNI/Over-Vitens/Organisatie/Reglement-RvC-getekende-versie-20-oktober-2023.pdf

2-19	Remuneration policy		Notes on the company financial statements, note [39], governance structure, reference to the following regulations (Article 2): https://www.vitens.nl/-/media/Project/Vitens/VitensNI/Over-Vitens/Organisatie/Reglement-RvB-getekende-versie-20-oktober-2023.pdf and (Article 2): https://www.vitens.nl/-/media/Project/Vitens/VitensNI/Over-Vitens/Organisatie/Reglement-RvC-getekende-versie-20-oktober-2023.pdf
2-20	Process for determining compensation for remuneration		Reference to reporting definitions, Notes on the company financial statements, note [39], governance structure, reference to the following regulations (Article 2 and 16): https://www.vitens.nl/-/media/Project/Vitens/VitensNI/Over-Vitens/Organisatie/Reglement-RvB-getekende-versie-20-oktober-2023.pdf and (Article 2): https://www.vitens.nl/-/media/Project/Vitens/VitensNI/Over-Vitens/Organisatie/Reglement-RvC-getekende-versie-20-oktober-2023.pdf and reference to the collective labour agreement
2-21	Annual total compensation ratio		Governance structure: Pay ratio, reference to reporting definitions
GRI 2: Strategy and policy			
2-22	Statement by the organisation's most senior decision-maker.		Foreword, Ambition and strategy
2-23	Values, principles, policies and standards of conduct adopted by the organisation	Vitens applies the precautionary principle to its non-financial risks. These risks and their control are described in the risk management section	Laws, regulations and social obligations
2-24	Embedding policies in the organisation		Laws, regulations and social obligations
2-25	Processes for mitigating negative impacts		Laws, regulations and social obligations: three lines model, social safety, The value we create.
2-26	Mechanisms for seeking advice and reporting incidents relating to the code of conduct		Laws, regulations and social obligations: social safety
2-27	Compliance with laws and regulations		Laws, regulations and social obligations, notifications and sanctions in 2023

2-28	Memberships of associations (such as industry associations) and (inter)national advocacy organisations	Industry organisation: Vewin, WWb Knowledge institutions/associations: Kiwa Water Research, Wetsus, Corporate Social Responsibility Netherlands, NextGenerationInfra	Stakeholder management
GRI 2: Stakeholder engagement			
2-29	Principles for identifying and selecting stakeholders and how to involve them	The selection of stakeholders is based on an assessment of the mutual interest of the stakeholders and Vitens	Stakeholder management
2-30	Employees under a collective labour agreement		Employees (table)
GRI 3: Material Themes			
3-1	Process for determining the content and specific delineation of the report and principles used in doing so	Materiality matrix	About this report
3-2	Material issues identified during the process to determine the content of the report	For the material issues where the available GRI KPIs were not considered appropriate, we listed our own KPI. These KPIs are largely reported quarterly and used for steering.	About this report
3-3	Management approach		value creation model, the connectivity matrix, the value we create and reference to the reporting definitions
Material indicators reported by Vitens according to GRI			
Financial health			
DMA		Management approach in reporting definitions, Resilient infrastructure	Reference to reporting definitions, Resilient infrastructure: financial health
201-1	Direct economic values generated and distributed	Vitens is a financially healthy company with a good balance between the price of drinking water, solvency and shareholder returns. Vitens reports monthly on the KPI solvency.	Resilient infrastructure: Financial health, consolidated profit and loss account

201-2	Financial implications and other risks and opportunities due to climate change	The financial implications of the impacts and costs of measures to manage opportunities and risks have been qualitatively described and will be further developed in the following years.	Positive impact on nature, risk management: climate impact
201-3	Obligations under defined benefit and other pension plans		Notes on the consolidated financial statements; collective schemes
201-4	Financial contributions and grants received from the government		Notes on the consolidated financial statements [note 18 Other revenue]
Climate impact			
DMA		Management approach in reporting definitions, Goals and outcomes-positive impact on nature.	Reference to reporting definitions, Positive impact on nature
305-1 and 305-2	Direct greenhouse gas emissions (scope 1 and 2), by weight		Positive impact on nature
305-3	Indirect greenhouse gas emissions (scope 3)	The annual report reports CO ₂ emissions in scope 3, broken down by different categories.	Positive impact on nature
305-4	Direct greenhouse emissions intensity	In the 2023 annual report, CO ₂ emissions are related to the number of litres of drinking water produced (Mm ³ /year).	Value creation model
305-5	Reduction of greenhouse gas emissions	The 2023 annual report will express CO ₂ emissions in their entirety, in relation to the 2022 target and result. This includes reporting what part of the emission reduction can be directly related to Vitens' own actions (as it is also subject to other factors). Results are expressed in ktonne CO ₂ -eq.	Value creation model, Positive impact on nature
305-6	Emissions of ozone-depleting substances	Not applicable for Vitens	
305-7	Nitrogen oxides, sulphur oxides and other significant air emissions	Not applicable for Vitens	

Material indicators for which no GRI standard applies and a proprietary indicator has been drawn up			
Attractive and good employer			
DMA		Management approach in reporting definitions, Positive impact on people	Reference to reporting definitions, Positive impact on people
In-house KPI	Engagement score	Within the GRI indicators, there is no indicator that focuses on engaged and healthy employees who feel good about themselves and are productive. Inspired employees are central to this. The KPI for this theme is engagement score. With the KPI engagement score, we want to measure the extent to which Vitens is an attractive and healthy employer.	Positive impact on people
Protection of groundwater sources			
DMA		Management approach in reporting definitions, Positive impact on nature	Reference to reporting definitions, Positive impact on nature
In-house KPI	Pollution index sources short-term, long-term (VI)	Within the GRI indicators, there is no indicator focusing on safeguards. The indicator we have chosen is additional to GRI indicator 303-2. With the KPI pollution index sources, Vitens wants to focus more sharply on the quality of the sources with the ideal of a clean source	Adequate and clean sources
Digitalisation and data security			
DMA		Management approach in reporting definitions, Resilient infrastructure	Reference to reporting definitions, Resilient infrastructure
In-house KPI	ICT prio 1 emergencies	Within the GRI indicators, there is no indicator that effectively reflects the aspired digitalisation. For 2023 (and earlier), Vitens is therefore working with the internally defined KPI "ICT Prio1 emergencies".	Resilient infrastructure

In-house KPI	ICT prio 1 cybersecurity emergencies	Within the GRI indicators, there is no indicator that effectively reflects aspired safety. The KPI "ICT Prio 1 Cybersecurity emergencies" is therefore an internally defined method that expresses how many (a single or series of) unwanted wilful, unlawful and/or malicious events occur with a (potentially) negative impact on Vitens.	Resilient infrastructure
Quality of drinking water			
DMA		Management approach in reporting definitions, Reliable drinking water operation	Reference to reporting definitions, Reliable drinking water operation
In-house KPI	Water quality index (WQI)	Within the GRI indicators, there is no indicator that effectively reflects aspired quality. GRI indicators 417-1 and 417-2 are indicators focused on the disclosure of products with which we cannot substantively or qualitatively substantiate the issue. The WQI is an externally defined monitoring method that fits within the Dutch Drinking Water Act, making it excellent for this ambition.	Reliable drinking water operation
Supply security of drinking water			
DMA		Management approach in reporting definitions, Reliable drinking water operation	Reference to reporting definitions, Reliable drinking water operation
In-house KPI	Undersupply minutes (OLM)	Within the GRI indicators, there is no indicator that effectively reflects aspired quality. GRI indicators 417-1 and 417-2 are indicators focused on the disclosure of products with which we cannot substantively or qualitatively substantiate the issue. OLM is an externally defined monitoring method that fits within the Dutch Drinking Water Act, making it excellent for this ambition. In order to provide sufficient transparency on this indicator, we have also chosen the KPI that allows us to identify the most negative/ undesirable situation for the organisation.	We ensure reliable drinking water operation
Water scarcity			
DMA		Management approach in reporting definitions, Sufficient and clean sources	Reference to reporting definitions, Sufficient and clean sources

In-house KPI	Number of clusters with positive operating difference and Number of clusters with sufficient total reserves	GRI 303 applies to this in-house KPI. However, there is no GRI indicator indicating the availability of groundwater in sources. Therefore, the number of clusters reported shows Vitens' commitment to balancing water demand and availability of sufficient clean sources.	Adequate and clean sources
Non-material indicators reported by Vitens according to GRI			
Water and wastewater			
303-3	Water abstraction		Other notes on the consolidated financial statements; water balance sheet [note 29]
303-5	Water consumption		Other notes on the consolidated financial statements; water balance sheet [note 29]
Energy			
302-1	Energy	Vitens monitors energy consumption and looks for opportunities to generate renewable energy and thereby reduce greenhouse gases. The annual report reports total energy consumption in gigawatt hours, as well as the number of gigawatt hours of self-generated, renewable energy	Value creation model, Positive impact on nature
Our employees			
403-9	Lost Time Injury Frequency (LTIF)	The annual report only reports on the LTIF, absenteeism and, if they occur, work-related deaths of Vitens employees in the Netherlands. The ODR, LDR and AR are indicators that we do not report but measure. These figures can be requested from us. As our work is carried out in the Netherlands, it is not relevant to report on accidents that take place in other countries. We do not report subcontractors' LTIF in the annual report. It does get discussed with management. Gender is not reported for the LTIF due to non-discrimination.	Positive impact on people

5.5 Reporting definitions

This overview explains the KPIs associated with the material themes, measurement methods and reporting responsibilities.

Number of clusters with positive 'operational difference':

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

The reporting unit is the number of clusters. The calculation of production needs and treatment capacity is based on millions of m³.

Measurement method: the indicator is calculated as follows:

1. The necessary total production requirement is calculated by adding the projected drinking water output to the distribution loss. This figure is increased by 10 per cent to reflect unexpected demand trends*. The projected drinking water output is calculated by component, namely the components large business, small business (including agricultural) and domestic.

After adjusting for engros supplies (supply between water companies), this gives the necessary total production requirement.

2. Available treatment capacity is determined by correcting gross permit capacity for non-deployable (qualitative and quantitative constraints), deployable constraints and production losses.

Available treatment capacity minus maximum production capacity gives the operational difference.

Responsibilities and reporting: the Director of Asset Management reports on progress and results and these are discussed periodically with the Executive Board. The number of clusters with positive 'operational difference' reported in the annual report refers to the situation as at 1 January 2023 and is therefore based on projects realised in calendar year 2022. In other words, if a project is realised in a cluster by 2022, this project will ensure that the cluster will be in order in terms of operational difference by 2023.

Number of clusters with sufficient 'total reserves':

Definition: total reserve is defined as the annualised difference between maximum production capacity and the necessary production requirement and is equal to the sum of the operational difference and the non-operational reserve, expressed as a percentage of the necessary total production requirement.

The non-operational reserve is defined as the annualised difference between nominal permit capacity and the necessary total generation requirement, expressed as a percentage of the necessary total generation requirement.

The reporting unit is the number of clusters. The calculation of production capacity and production requirement is based on millions m³.

Measurement method: the indicator is calculated as follows:

1. The necessary total production requirement is calculated by adding the projected drinking water output to the distribution loss. This figure is increased by 10 per cent to reflect unexpected demand trends*. The projected drinking water output is calculated by component, namely the wholesale, agricultural and domestic components.

After adjusting for engros deliveries (deliveries between water companies), this yields the necessary total production

requirement.

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

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

Responsibilities and reporting: the Director of Asset Management reports on progress and results and these are discussed periodically with the board. The number of clusters with positive 'operational difference' reported in the annual report refers to the situation as at 1 January 2023 and is therefore based on projects realised in calendar year 2022. In other words, if in a cluster a project is realised in 2022, this project will ensure that the cluster is in order in terms of operative difference in 2023.

** Unexpected demand growth is meant to accommodate an unexpected increase in demand. This can occur as a result of (A) prolonged increased supply due to extreme weather; (B) risks of deviation in forecast and (C) risks of failure of available treatment capacity due to emergencies. This 10 per cent increase is in line with the reserve policy and is in line with national principles (Vewin).*

For wholesale customers, the forecast was determined based on realisation including relevant individual developments from the Relationship Management team.

For agricultural customers, the forecast was determined on the basis of realisation and indexed expectations based on results of research on dairy farming development.

For household customers, the forecast was determined based on realisation of household consumption including population trends.

CO₂ emissions:

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

Measurement method: CO₂ emissions of Vitens (in ktonne CO₂eq) = the sum of greenhouse gases emitted by Vitens in the reporting year. Vitens maintains a process description for preparing the KPI CO₂ emissions of Vitens includes a description in which the PDC-11: 2023 method is specifically used by Vitens.

Greenhouse gas emissions are determined for the reporting year based on Vitens' activities in that year with emissions in scope 1, 2 and 3. The activity data (e.g. kWh of electricity consumed) are multiplied by emission factors (e.g. kg CO₂eq/kWh). Emissions resulting from scope 1, 2 and 3 activities are expressed as a mass of CO₂ equivalents (CO₂eq) and summed up to a total for Vitens. This method is described generically for Dutch drinking water companies in KWR's Drinking Water Code of Practice (PDC-11) 'Calculating CO₂ footprint drinking water companies'. Emission factors can be found at co2emissiefactoren.nl.

Where necessary, data are estimated – within the method as laid down in the PDC11 – by Vitens, such as gas consumption (estimated on the basis of the previous year's consumption data) and the composition of chemicals consumed (estimated on the basis of the previous year's settled consumption). For the emergency power plants that are not equipped with a running-hour counter, an estimate is made based on the running hours as prescribed in the plants' test regime.

Vitens chooses to report gross CO₂eq emissions: offsetting measures to reduce emissions (such as purchased Guarantee of Origin Certificates) are not included. No compensation measures are in place for 2023.

Furthermore, in addition to the PCD11, Vitens uses the high emission factor for methane* (34 kg CO₂eq/kg CH₄ instead of 28 kg CO₂eq/kg CH₄), for the sake of continuity in the method and in line with the importance of methane in achieving shorter-term climate goals.

*This refers to the global warming potential of methane (Global Warming Potential, GWP₁₀₀) which indicates how much stronger methane is as a greenhouse gas (relative to CO₂). The choice of 34 instead of 28 kg CO₂eq/kgCH₄ is allowed as an add-on within the PCD11(2022).

Responsibilities and reporting: the Director of Asset Management reports annually on CO₂ emissions in departmental reporting.

Prio1 emergencies

Definition Prio1 emergencies: a disruption affecting a mission-critical application or the generic infrastructure (office automation, network, database cluster, storage) underneath it. This priority is given if the failure blocks the execution of the primary business process (production & distribution, invoicing, customers and laboratory), basically with more than 50 users.

Measurement method: the number of Prio1 emergencies recorded in JIRA (work management tool).

Responsibilities and reporting: the Director ICT reports quarterly on the number of Prio1 emergencies in the departmental report.

Prio1 Cybersecurity emergencies

Definition Prio1 Cybersecurity emergencies: a (cybersecurity) security incident is a single or series of undesired intentional, unlawful and/or malicious events that have a (potential) negative impact on the organisation, its business processes, objects, resources or employees that pose a threat to the availability, integrity or confidentiality of information or systems or services provided and drinking water supply. Target for the number of Prio1 incidents related to cybersecurity per calendar year is zero.

Measurement method: the number of Prio1 Cybersecurity incidents recorded in JIRA (work management tool).

Responsibilities and reporting: the Director ICT reports quarterly on the number of Prio1 Cybersecurity incidents in departmental reporting.

Employee base:

Data collection of employees employed by Vitens and temporary employees on the basis of an agency or secondment contract (hiring) or outsourced work.

Data are recorded in SAP. Every new employee, internal or hired, is notified by a (team) manager. Dates are recorded in SAP and reviewed by the HR department employee. Various data are entered into SAP such as personal data and employment contract data: gender, date of birth, type of contract definite/indefinite, external organisation data, etc.

Internal employees, excluding the Executive Board, are covered by the collective labour agreement. The terms of employment for the Executive Board are set by the Remuneration and Nomination Committee (RBC) and follow the remuneration policy.

For hiring temporary staff, hiring framework agreements have been concluded by various departments.

Temporary staff refers to employees on hiring contracts.

Reward ratio:

The 2023 gross hourly wages (as defined in the Dutch Water Companies Collective Labour Agreement 2023 chapter 5.1 Value of an IB day) of all employees as reported in disclosure 2.7 of the GRI standards were extracted from SAP to compare it with the 2022 hourly wage to provide insight into the average percentage increase and the percentage increase of the highest hourly wage. In addition, the gross hourly wage of the highest-paid employee was compared with the gross hourly wage of the median earning employee to put them in relation to each other. These calculations were carried out according to the GRI standards as described in disclosure 2-21.

Undersupply minutes (OLM):

Definition: the average number of minutes that a resident in our supply area is not supplied with water in the past year.

Measurement method: the calculation of the OLM is as follows:

- For each interruption, the number of interruption minutes is determined by multiplying the duration of the interruption by the number of consumption addresses affected.
- The OLM is then the sum of all these interruption minutes divided by the total number of consumption addresses in the supply area.
- In the monthly reports, this figure is still extrapolated to an entire year by dividing it by the number of days in the reporting period and then multiplying by 365.25.

Responsibilities and reporting: the Director of Asset Management reports monthly on the OLM in the (group-wide) management report. Once a quarter, the outcomes are discussed in the quarterly meeting with the Executive Board. These outcomes are included as inputs into the investment plan so that the number of breakdowns and interruptions decreases.

Solvency:

Definition: solvency indicates Vitens' ability to meet its liabilities (debts).

Measurement method: solvency is calculated by dividing equity excluding subordinated loans by total assets and expressing the result as a percentage. The percentage is set at month-end cumulatively over the reporting period per year. Solvency is the key measure of organisational continuity. Solvency shows on the balance sheet the ratio of equity to total assets. The target is at least 30 per cent and according to the continuity targets in the financial policy, Vitens aims for a solvency of at least 35 per cent.

Responsibilities and reporting: solvency is reported monthly by Finance & Control department in the management report and is discussed quarterly with the Executive Board. The Executive Board reports to the Supervisory Board and Audit Committee, from which action follows where necessary.

Pollution Index sources:

Definition: index that measures the quality of our sources to provide insight into how Vitens can better protect its sources. The KPI Pollution Index sources is used to communicate with stakeholders about contaminants that threaten the quality of our sources, and to determine Vitens' action perspective.

To generate insight into the quality of our sources, interpret them and get an idea of the scope for influence, the actual raw water quality is compared with our desired raw water quality (source values). This gives a picture of where points of concern (exceedances compared to source values) are present.

The desire was to convert all points of interest into a single indicator figure (an index), comparable from year to year, with the possibility of in-depth analysis. This inspired by RIWA's treatment task index. The treatment task index is based on the principle that the water at an intake point must be treated to the extent that all substances meet their standard in the Dutch Drinking Water Decree. The more substances exceed that standard, the bigger the treatment task, and the higher RIWA's index.

Measurement method: based on the following three inputs, the pollution index of sources is calculated:

Input 1) The first input is a list of defined source values. Explanatory note: Source values have been established for each substance that can pollute a water source (e.g. pesticides or medicine residues) and for which measures can be taken at the source (before treatment) to prevent pollution. A source value is an objective/target set by Vitens for the presence of a particular substance. For each substance, two source values were established in each case: one for the relatively short term (2030) and one for the long term (2050). See established list of source values.

Input 2) The second input is an established list of extractions and raw water sampling points underlying the KPI. Explanatory note: This establishes which raw water sample points per extraction are used to create input 3 and calculate the pollution index sources (the average of which leads to the Vitens-wide pollution index).

Input 3) The final input is raw water quality data for the past three years, measured through the raw water sampling points as described in input 2 and recorded in Lims. Note: Raw water quality data are obtained by sampling and analysis with a minimum frequency of once a year. Through the annual Water Quality Measurement Programme, that sampling is driven.

The calculation is done analogously to RIWA's treatment task index. The measured quality data water per extraction is compared with the source values. For each substance, this determines whether the measured value (based on max value over three years) meets the source value or not (exceedance). These results are translated for each substance to a scale from 0 to 100, where 0 means no exceedance (meets source value) and 100 is the highest degree of exceedance. The scores of all substances are added together and form the pollution indices for the extractions.

To calculate the Vitens pollution index sources, the average pollution index of all extractions is calculated: one for the short term and one for the long term.

Future laboratory corrections regarding false positives are not included in the adjustment of the contamination index for comparative figures in the future.

Responsibilities and reporting: for the KPI and its creation, the Director of Asset Management is ultimately responsible. The hydrology specialist is delegated responsibility for the creation of the KPI.

Water quality index (WQI):

Definition: this index shows the extent to which drinking water meets the legal standards as stipulated in the Dutch Drinking Water Decree.

Measurement method: the WQI consists of health parameters (acute and non-acute), business parameters and customer-oriented parameters. The WQI is calculated based on the 2022 performance protocol. The benchmark Excel file (survey between water companies to compare performance) is used for the calculation. The aggregated WQI follows from a calculation based on weighting factors for both norm setting and reality. The weighting factors were determined as follows: health parameters acute 4 times, health parameters non-acute 2 times, business parameters 1 time and customer-oriented

parameters 3 times.

The index is expressed per delivered m³ drinking water and is a dimensionless number (DLG).

Responsibilities and reporting: the WQI is reported quarterly by Winning & Purification Department in the management report 'Water Quality' and in the group-wide management report and discussed with the Executive Board.

Attractive and good employment practices:

Definition: An attractive and good employer provides employees with a safe working environment in which vitality, job happiness and development are central for now and in the future

Measurement method: being a (good and attractive) employer is measured once a year by means of an employee satisfaction survey (pulse measurement) via an external platform Effectory. The rating falls between 1 and 10. The rating is calculated by averaging responses to questions related to employee engagement. These questions are about job satisfaction, getting energy from work, fitting in and being proud of the organisation.

Responsibilities and reporting: the Director of HR reports (at least) once a year on employee engagement.



Financial results

Key figures

		2023	2022	2021	2020	2019
Customers						
Number of administrative connections as at 31 December (x 1,000)	Number	2,692	2,737	2,707	2,644	2,622
Average drinking water price per m ³ on a small scale (based on 100 m ³)	€	1.28	1.10	1.06	1.04	1.00
Consumption per connection on a small scale	m ³	101	103	105	111	107
Staff						
Number of permanent employees as at 31 December	Number	1,635	1,599	1,527	1,443	1,394
Company results						
Turnover	mIn €	470.1	406.9	396.1	390.4	364.9
Drinking water turnover	mIn €	426.3	366.8	356.7	353.7	328.8
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	mIn €	174.9	143.0	144.9	153.5	137.5
Earnings before interest and taxes (EBIT)	mIn €	61.0	33.9	44.6	52.1	41.4
Result attributable to Vitens N.V. shareholders	mIn €	27.2	8.2	19.4	23.9	11.1
Profit margin	%	5.8	2.0	4.9	6.1	3.0
Interest coverage	number	5.1	5.0	5.7	5.4	4.5
Equity						
Equity	mIn €	677.7	649.5	600.3	559.2	533.3
Total assets	mIn €	2,237.4	2,096.1	1,988.1	1,899.3	1,826.3
Total interest-bearing liabilities	mIn €	1,212.2	1,112.4	1,036.7	996.3	953.7
Net investments (excl. contribution to new construction)	mIn €	219.1	204.7	177.1	157.6	143.4
Solvency	%	30.3	31.0	30.2	29.4	29.2
Weighted Average Cost of Capital (WACC)	%	-	1.8	2.4	2.9	3.3
(In)tangible assets per connection	€	789	734	705	690	673
Non-financial						
Production and procurement, excluding wholesale	mIn m ³	364.9	372.2	374.2	388.0	372.4
Delivery to customers	mIn m ³	340.6	345.6	351.3	362.4	349.4
Not charged (NIRG)	%	6.7	7.2	6.5	6.6	6.2
Number of active manufacturing companies	Number	93	93	93	93	93

Notes on results

Financial Policy

The financial policy was adopted at the Annual General Meeting in November 2022. It does justice to laws and regulations (*compliance*) and to the interests of customers and shareholders. Financial policy is challenging and realistic. The importance of continuity is at the forefront of financial policy.

Continuity

The continuity target is formulated as follows: Solvency should be at least 30%, but Vitens aims for a solvency of at least 35%. In addition, Vitens wants to remain compliant with the set financial ratios as imposed by lenders.

Tariffs

Vitens is committed to affordable drinking water tariffs, subject to meeting its continuity target. The starting point here is an operating profit (ebit) budgeted annually at the level of the set maximum allowed WACC percentage (*Weighted Average Cost of Capital*). The target for 2023 is to achieve an operating profit at the level of the maximum WACC.

Dividend

Vitens wants to give its shareholders a reasonable return on the contributed assets, subject to the following preconditions:

- The dividend is related to net income.
- The amount of dividends paid shall not exceed 50% of net income.
- Paramount to this is the continuity objective. With a solvency < 30%, in principle, no dividend is paid.
- Annually, within these frameworks, a dividend proposal is submitted to the Supervisory Board for approval and to the Annual General Meeting for final approval. This dividend proposal takes into account the company's specific financial circumstances.

Dutch Drinking Water Act

Within the drinking water sector, there has been increasing regulation in recent years, in line with societal developments, in the area of transparency. Transparency is about openness, accountability and accessibility.

The Dutch Drinking Water Act includes important financial frameworks for tariff control and solvency. For example, a ceiling has been set on the cost of capital that can be charged to customers by water companies (tariff control) and a ceiling has been set on the permissible share of equity in total assets (solvency). By 1 November every two years, the minister sets both financial frameworks for the following two calendar years. The Dutch Drinking Water Act was amended accordingly in 2022 with both financial frameworks being set for a three-year period. For 2022 to 2024, the weighted average cost of capital (WACC) is set at 2.95% and a maximum permitted solvency of 70%. Over 2023, the expected average cost rate for Vitens was 2.92%, slightly below the set standard. Solvency stood at 30.3% at the end of 2023 (2022: 31.0%).

Another aspect related to tariff control concerns tariff transparency. In 2023, the 2022 operating report was delivered by Vitens. In December 2023, the minister informed the Dutch House of Representatives that he was in favour of the production of the 2022 corporate report.

In addition, the substantiation of the 2024 tariffs was delivered by Vitens to the Dutch Inspectorate of the Environment and Transport (ILT) and Authority for the Consumer and Market (ACM) regulator at the end of 2023. The assessment of the creation of drinking water tariffs is carried out by the ILT and has been approved.

Led by Vewin, the water companies started a voluntary benchmark in 1997. In this benchmark, water companies compare mutual performance in the areas of environment, water quality, service and finance. The new Dutch Drinking Water Act makes this form of performance comparison mandatory once every three years. In 2023, the mandatory benchmark took place for the year 2022.

Tariffs

Our tariffs have been designed based on the principle of "affordable drinking water tariffs". We are convinced that we can and must remain critical of our operating costs in relation to performance. The increase in our investments (for long-term security of supply) is reflected in an increase in expected amortisation and operating costs. Vitens has increased its tariffs based on the 2024-2028 multi-year plan. Consumption tariffs are rising faster than standing charges, so saving water is also financially rewarded. On balance, customers will pay more for the drinking water they take. The tariff calculation assumed the maximum WACC of 2.95% for 2024.

Investments

By 2023, Vitens has realised approximately €219 million of net investments (2022: €204.7 million), excluding third-party contributions. As in previous years, Vitens invested heavily in replacing and expanding its production sites and pipeline network in 2023. In difficult market conditions, investment in main and connection lines rose to €110m (up €5m from 2022). Partly due to inflation, but also by replacing more kilometres of vulnerable pipes. In doing so, Vitens worked closely with the gas and electricity grid operators.

By 2023, there is full commitment to accelerate projects to replenish drinking water reserves. In these projects, we work in parallel to prepare the new construction or expansion of a production site as well as to obtain permits. This is a deliberate choice to shorten the turnaround time and thus get our reserves in order faster. This is how we aim to ensure security of supply.

From sustainability, a new and intensified initiative for more energy from solar was launched in 2023. This will start to roll out in 2024 and with it, more renewable energy will be generated. Within the ICT portfolio, customer process and work planning, among others, were migrated to the new SAP environment in 2023. For 2024, the implementation and optimisation of SAP remains important within the ICT portfolio. In addition, the project around physical security of production sites moved to a new intensified phase.

For 2024, Vitens is targeting further growth in both underground and overhead investments. For instance, several new transport lines are being commissioned and several production sites renewed. In 2024, treatment plant Epe (replacement), production site Weerselo (replacement) and additional softening step Culemborg, among others, will be commissioned. Further work continues on projects including replacement to new-build Noardburgum, new-build Luxwoude, replacement to new-build Bremerberg, renovation Boerhaar, clustering purification Lochem and replacement and expansion Fikkersdries.

Treasury

Vitens has a loan portfolio of €1,159.7 million at the end of 2023 (2022: €1,064.1 million). In the ordinary course of business, interest rate swaps (financial instruments) are used to avoid interest rate risks due to (large) changes in interest rates on the variable loan portfolio. These instruments are not used for speculative or trading purposes.

By 2023, Vitens has repaid an amount of €79.4 million on existing loans and has raised new loans of €175 million. The negative current account balance decreased by €29.1 million to €52.4 million (2022 balance: €23.3 million). In addition, the short-term loan of €25 million was repaid. Total interest-bearing liabilities (cash and cash equivalents, subordinated money loans, outstanding loans and short-term interest-bearing liabilities) increased by €99.8 million to €1,212.2 million in 2023 (2022: €1,112.4 million).

Consolidated results

Drinking water tariffs were higher in 2023 compared to 2022, increasing drinking water revenues (despite declining sales). The result after tax is €27.2 million (2022: €8.2 million), significantly higher than the previous year. Due to lower spending, partly planned and partly due to tightness in the labour and contractor markets, the operating result was almost on budget (in line with the maximum WACC for 2023).

The drinking water tariff for customers (consumers) in 2023 (€0.78 per m³ and €50 standing charge) has increased significantly compared to 2022 (€0.66 per m³ and €44 standing charge), mainly driven by sharply rising costs. Tap water tax rates also increased in 2023, from €0.359 per m³ (2022) to €0.382 m³ (2023).

Turnover

Water consumption for 2023 (340.6 million m³) decreased by 1.4% compared to 2022 (345.6 million m³). The average consumption per connection small consumption has decreased to 101 m³ in 2023 (2022: 103 m³). Despite lower water consumption, drinking water turnover was €59.5 million (about 16%) higher at €426.3 million (2022: €366.8 million) mainly due to tariff increases.

Releases to the drinking water network for 2023 reached the level of 364.9 million m³ (2022: 372.2 million m³). The estimated 'Not charged' rate (NIRG) comes to 6.7%. The actual 2022 NIRG came out at 7.2%.

Other revenue increased by 12% to €44.8 million in 2023 (2022: €40.1 million).

Operating costs

The balance of operating expenses 2023 increased by 9.9% compared to 2022 to €410.1 million (2022: €373.0 million). The increase in operating expenses is mainly explained by a €28 million increase in other expenses and a €7.3 million increase in personnel costs. The increase in other costs is mainly explained by higher energy costs.

Amortisations

Amortisations increased to €113.9 million in 2023 (2022: €109.1 million). Differences compared to the previous financial year are mainly caused by regular amortisation of tangible and intangible assets. These increased by €3.4 million due to a higher level of investment, see note [21]. In addition to regular amortisation, a book loss of €2.5 million (2022: book loss €2.9 million) occurred.

Operating result

The operating result for 2023 is €61.0 million (2022: €33.9 million).

Financial income and expenses

Financial income and expenses increased on balance to €33.8 million in 2023 (2022: €26.1 million expense). This is caused by rising market interest rates in 2023 and a rising loan portfolio. Vitens has raised €175 million in new loans by 2023. Interest rates are fixed for 78% (2022: 76%) of debt capital for several years. This provides stability in interest costs over the years and reduces the impact of fluctuations in market interest rates.

Result attributable to shareholders

Net profit attributable to Vitens shareholders in 2023 was €27.2 million (2022: €8.2 million).

Equity

Equity will increase by €28.2 million to €677.7 million in 2023. This is mainly caused by the addition of the 2023 result (€27.2 million) and to a small extent by an increase in the hedging reserve due to a positive value development of derivatives (€0.5 million) and other movements (€0.5 million).

The hedge reserve for unrealised fair value adjustments of financial instruments due to application of *cash flow hedge accounting* increases in 2023 due to higher market interest rates by €0.5 million (and other movements of €0.5 million) to a negative value of €18.5 million (2022: €19.5 million).

Solvency (equity) as at 31 December 2023 stood at 30.3% (2022: 31.0%), below the 35% target set out in the financial policy.

After adoption of the proposed profit appropriation at the Annual General Meeting, €27.2 million will be added to reserves for 2023 and no dividend will be paid.

Cash flow/financing

Cash flow from operating activities €145.0 million (2022: €130.2 million) has not been sufficient to finance investing activities (including third-party contributions) of €227.9 million (2022: €192.1 million). In 2023, €79.4 million was repaid on existing loans (2022: €56.3 million) and new loans of €174.7 million (2022: €125 million) were raised. In addition, the short-term loan of €25 million was repaid. The current account balance decreases by €29.1 million to €52.4 million negative at the end of 2023. On balance, interest-bearing liabilities (including cash and cash equivalents) increase by €99.5 million in 2023 to €1,211.9 million on 31 December 2023.

Consolidated financial statements

Consolidated balance sheet as at 31 December

(before profit appropriation)

Assets

	In millions of euros		31/12/2023		31/12/2022
	Fixed assets				
[1]	Intangible assets	49.7		40.7	
[2]	Property, plant and equipment	2,072.8		1,968.2	
[3]	Assets with right of use	20.2		21.6	
[4]	Associates and joint ventures	6.4		6.3	
[5]	Other financial assets	16.2		8.5	
			2,165.3		2,045.3
	Current assets				
[6]	Trade and other receivables	72.1		50.8	
			72.1		50.8
	Total assets		2,237.4		2,096.1

Liabilities

	In millions of euros		31/12/2023	31/12/2022
[7]	Equity			
	Share capital	5.8	5.8	
	Share premium reserve	147.2	147.2	
	Hedging reserve	-18.5	-19.5	
	Other reserves	516.0	507.8	
	Profit for the year	27.2	8.2	
			677.7	649.5
	Liabilities			
	Non-current liabilities			
[8]	Equalisation account third-party contributions	155.5	137.2	
[9]	Long-term money loans	1,107.2	984.7	
[10]	Derivatives	7.4	7.2	
[11]	Provisions for employee benefits	0.5	0.7	
[12]	Other provisions	1.0	1.3	
[13]	Lease liabilities	12.6	12.7	
			1,284.2	1,143.8
[14]	Current liabilities			
	Trade and other payables	160.7	196.3	
	Tax liabilities	14.9	15.3	
	Interest-bearing liabilities	52.4	23.3	
	Short-term loans	-	25.0	
	Short-term employee benefits	35.9	33.1	
	Accrued liabilities	11.6	9.8	
			275.5	302.8
	Total liabilities		2,237.4	2,096.1

Notes in the left margin of tables refer to the notes to the consolidated balance sheet and beyond.

Consolidated income statement and statement of comprehensive income

Consolidated income statement

	In millions of euros		2023		2022
[16]	Drinking water turnover	426.3		366.8	
[17]	Other turnover	44.8		40.1	
	Total operating income from continuing operations		471.1		406.9
	Operating costs				
[18]	Cost of outsourced work and hired staff	-54.3		-56.9	
	Groundwater taxes and charges	-5.0		-5.4	
[19]	Other costs	-132.6		-104.6	
[20]	Staff costs	-104.3		-97.0	
[21]	Depreciation, fair value changes and impairment of property, plant and equipment and intangible assets	-113.9		-109.1	
	Total operating expenses		-410.1		-373.0
	Operating result		61.0		33.9
[22]	Financial income and expenses	-33.8		-26.1	
[23]	Share of result in associates and joint ventures	0.0		0.4	
			-33.8		-25.7
	Result before tax		27.2		8.2
[24]	Taxes		0.0		-
	Result after tax		27.2		8.2
	Of which:				
	Result attributable to Vitens shareholders		27.2		8.2

Consolidated statement of comprehensive income

In millions of euros	2023	2022
Result after tax	27.2	8.2
Change in effective hedge interest rate derivatives	1.0	41.0
Overall result	28.2	49.2
Of which:		
Result attributable to Vitens shareholders	28.2	49.2

It is not expected that the movements in effectively hedged interest rate derivatives will be reclassified to the income statement in the future. Notes in the left margin of tables refer to the notes to the consolidated income statement and beyond.

Consolidated cash flow statement

	In millions of euros		2023		2022
	Result after tax		27.2		8.2
	Adjustments for:				
[22]	Financial income and expenses	33.8		26.1	
[21]	Depreciation, fair value changes, and impairment of property, plant and equipment	97.4		95.8	
[21]	Amortisation, fair value changes, and impairment of intangible assets	8.0		6.3	
[8]	Amortisation equalisation account third-party contributions	-5.5		-4.8	
[8]	Receipts equalisation account third-party contributions	24.8		17.9	
[3]	Lease amortisation	6.8		6.3	
[11,12]	Allocation/release of provisions	8.7		3.3	
[4]	Other changes in fixed financial assets	0.0		-0.4	
			174.0		150.5
[6]	Trade and other receivables	-18.5		0.6	
	Trade payables and accrued liabilities	0.8		2.3	
	Change in working capital		-17.7		2.9
[11,12]	Withdrawals from provisions		-6.2		-4.2
[25]	Cash flow from operating activities		177.3		157.4
	Interest paid	-32.3		-27.2	
[25]	Cash flow from operating activities		145.0		130.2
[1,2,3,21]	Investments in (in)tangible fixed assets	-228.2		-193.8	
[2,21]	Divestments	0.3		1.7	
[25]	Cash flow from investing activities		-227.9		-192.1
[9]	Long-term loans entered into	174.7		125.0	
[9]	Repayments of long-term loans	-79.4		-56.3	
[3]	Repayments of lease liabilities	-5.9		-5.5	
[5]	Change in FVA loans	-11.8		-8.3	
[7]	Repayment of derivatives	1.2		-	
[5]	Change in short-term loans	-25.0		25.0	
[25]	Cash flow from financing activities		53.8		79.9

	Net cash flow		-29.1		18.0
	Cash and current interest-bearing liabilities as at 1 January		-23.3		-41.3
	Cash and current interest-bearing liabilities as at 31 December		-52.4		-23.3
	Change in cash and current interest-bearing liabilities		-29.1		18.0

Consolidated statement of changes in equity

In millions of euros	Share capital	Share premium reserve ordinary capital	Hedging reserve 1	Other reserves 1	Profit for the year	Equity attributable to Vitens shareholders
As at 1 January 2022	5.8	147.2	-60.4	488.3	19.4	600.3
Result of financial year 2022	-	-	-	-	8.2	8.2
Other total result 2022	-	-	40.4	-	-	40.4
Other changes	-	-	0.5	0.1	-	0.6
Total result 2022	-	-	40.9	0.1	8.2	49.2
Appropriation of result 2021	-	-	-	19.4	-19.4	-
Release of other reserves	-	-	-	-	-	-
Dividend distribution of ordinary shares	-	-	-	-	-	-
As at 31 December 2022	5.8	147.2	-19.5	507.8	8.2	649.5
Result of financial year 2023					27.2	27.2
Other total result 2023			0.5			0.5
Other changes			0.5			0.5
Total result 2023	-	-	1.0	-	27.2	28.2
Appropriation of result 2022				8.2	-8.2	-
Release of other reserves						-
Dividend distribution of ordinary shares						-
As at 31 December 2023	5.8	147.2	-18.5	516.0	27.2	677.7

1. The balance of the hedging reserve and other reserves is freely distributable. Other reserves refers to a reserve due to accumulated retained earnings.

Notes on the consolidated financial statements

General

Vitens is a public limited company. The company is domiciled in Zwolle, the Netherlands and has its registered office in Zwolle (KvK 050.69.581), with its office at Oude Veerweg 1, 8019 BE Zwolle, and whose shares are held by municipalities and provinces in its catchment area. Vitens' main activities are pumping groundwater, purifying and distributing this drinking water to customers. These financial statements cover the 2023 financial year ended on the balance sheet date of 31 December 2023. These 2023 financial statements were prepared by the Executive Board and the Supervisory Board on 14 March 2024. The Supervisory Board will submit the financial statements to the General Meeting for adoption on 19 April 2024.

IFRS

Vitens' financial statements have been prepared in accordance with the statutory provisions of Part 9 of Book 2 of the Dutch Civil Code and International Financial Reporting Standards (IFRS), as adopted by the European Union (EU). IFRS includes both IFRS standards and International Accounting Standards (IAS) issued by the International Accounting Standards Board (IASB), and interpretations of IFRS and IAS standards issued by the International Financial Reporting Interpretations Committee (IFRIC) and Standing Interpretations Committee (SIC), respectively.

The principal accounting policies adopted in the preparation of the consolidated financial statements are described below. The historical cost principle is used. By way of derogation, certain assets and liabilities, in particular service houses and derivatives, are measured at fair value. Unless otherwise stated, these accounting policies have been applied consistently for all financial years included in these financial statements. The financial statements are presented in millions of euros (functional and presentation currency) and rounded to the nearest number.

Continuity

Vitens has prepared financial statements for the 2023 financial year based on the going concern principle, which assumes the continuity of ongoing operations and the realisation of assets and settlement of liabilities in the ordinary course of business.

New and amended IFRS standards

Our analysis shows that both the adopted standards and the standards yet to be endorsed do not have a material impact on the company's equity, cash flows and earnings and that there are no significant additional disclosures. For this reason, the effects of these changes on the company have not been disclosed in detail in these financial statements.

Basis of consolidation

The consolidated financial statements contain the financial data of Vitens and its group companies in which Vitens directly or indirectly exercises a decisive influence (control) over the business and financial policies. Vitens N.V. heads the group. The assets, liabilities and results of these group companies are fully consolidated. A company is controlled (control) when Vitens has power over the relevant activities of the investee, is exposed or entitled to variable returns by virtue of its involvement in the investee ('*variable returns*') and has the ability to use its power over the investee to influence the level of investor returns.

In the event that the interest in the consolidated company is less than 100%, a minority interest is recognised in equity and profit and loss. The results of group companies acquired or disposed of during the financial year are included in the consolidated income statement from the date of joining the group and up to the date of disposal, respectively. The principles for the balance sheet and profit determination, as well as the financial year, of the group companies are in line with those of Vitens. Interests in associates and joint ventures are not included in the consolidation.

Intercompany transactions, balance sheet items and unrealised gains on transactions between group companies are eliminated.

Application of Section 2:402 of the Dutch Civil Code

As the profit and loss account of Vitens N.V. is included in the consolidated financial statements, a simplified profit and loss account has been provided (in the company financial statements) in accordance with Section 2:402 of the Dutch Civil Code.

Accounting policies

The accounting policies and method of determining the result are unchanged from the previous financial year, taking into account changes in standards and interpretations effective from 1 January 2023.

Intangible assets

The item intangible assets is divided into the following categories:

- Software, development costs and licences.
- Work in progress.

Investments in software, development costs and licences during the financial year are valued at acquisition cost less accumulated amortisation and accumulated impairment losses. Acquisition price means either acquisition price, manufacturing price or valuation at fair value in the situation of acquired companies. The cost of self-constructed intangible assets consists of direct costs of manufacture and allowances for indirect production costs. The cost of self-constructed intangible assets in the development phase is capitalised and costs related to research phase are recognised in the income statement.

Intangible assets are amortised using the straight-line method over their expected useful lives, if the useful life is determinable. If it is an intangible asset with no definable useful life, no amortisation takes place. An annual impairment assessment will be made for intangible fixed assets without a definable useful life and which are not yet in use. Amortisation starts when the relevant asset is put into use.

The useful lives of intangible assets are as follows:

- Software, development costs and licences 3-7 years.
- Works in progress are not amortised.

Property, plant and equipment

Property, plant and equipment is divided into the following categories:

- Commercial buildings, site facilities and land.
- Office buildings.
- Service homes.

- Machines and installations.
- Pipes.
- Other fixed operating assets.
- Works in progress.
- Raw and auxiliary materials (inventories).

Land and buildings, offices, machinery and equipment, pipelines and other fixed assets are valued at acquisition price or manufacturing price less accumulated amortisation and accumulated impairment losses. As an initial measurement in applications of IFRS, valuation at fair value has taken place. This fair value is assumed as *deemed cost* with amortisation deducted annually.

Service homes are homes located on Vitens water catchment areas and are rented out at market rents to (former) Vitens employees. Vitens designates these properties as property, plant and equipment in accordance with IAS 16, whereby valuation is at fair value and movements in equity are recognised (revaluation reserve). The fair value is derived, inter alia, from the WOZ value of the last WOZ assessment received. A revaluation reserve is formed for the unrealised changes in value.

Investments during the financial year are valued at acquisition cost less any grants and other contributions obtained. Acquisition price means either acquisition price, manufacturing price or valuation at fair value in the situation of acquired companies. The cost of self-manufactured assets consists of direct manufacturing costs and allowances for indirect production costs.

Costs incurred for at least one reporting period for the manufacture or acquisition of an item of property, plant and equipment or after it has been taken into use are capitalised only if it is plausible that these costs will generate future economic benefits, economic ownership exists and the costs can be measured reliably. Depending on the situation, these investments are included in the book value of the relevant assets or are capitalised separately. The book value of the original asset is divested upon replacement.

Property, plant and equipment are amortised using the straight-line method over the expected useful lives of the various components making up the asset in question. Amortisation starts when the relevant assets are put into service.

The other machines and plants also contain membranes and water meters.

The useful lives of the components making up the asset categories are as follows:

- Commercial buildings 40 years, site facilities 15 years; land (ground) is not amortised.
- Production sites for civil engineering 40 years, electrical and mechanical engineering 15 years.
- Other machinery and equipment 5-15 years.
- Pipes: transport and main pipes 50 years, connection pipes 33^{1/3} years and water meters 10-15 years.
- Other fixed assets 3-5 years.
- Office buildings 40 years.
- Works in progress are not amortised.
- Raw materials and consumables (inventories) are not amortised.

The expected useful life, residual value and amortisation methods are reviewed annually and adjusted if necessary. Gains or losses on disposal are determined by reference to the proceeds and the book value at the time of disposal.

Allocation of interest costs is made in accordance with IAS 23 to projects under construction. Interest costs are allocated to projects with an expected duration of more than 12 months and an expected investment amount greater than €1 million. Allocation of interest expenses is made on the basis of the weighted average interest rate on interest-bearing debts.

Stocks of raw materials and consumables serve other property, plant and equipment. Inventories are valued at historical cost (or lower realisable value) less a provision for obsolescence.

Impairment of fixed assets

If circumstances warrant, it is determined whether property, plant and equipment is impaired. If such indications exist, an estimate of the recoverable amount of these assets is made. For assets, recoverable amount is the higher of fair value less costs to sell or value in use. Value in use is determined based on the present value of estimated future cash flows.

The amount of the write-down is charged to the income statement and visible in note [21] amortisation. After an impairment loss is recognised, annual amortisation is adjusted to the revised book value less the residual value.

If the amount of the write-down exceeds the book value of the asset, it should be considered whether a liability-based provision should be created.

Assets with right of use

Assets with right of use are measured at cost. This cost comprises the amount of the initial valuation of the cash lease liability and the initial direct costs incurred less amortisation during the financial year.

After initial recognition, the asset corresponding to a right-of-use asset shall be amortised over the useful life of the underlying asset. The amortisation regime of assets with right of use is determined based on the term of the contract.

In determining lease obligations and user charges, the current WACC rate of the relevant financial year is used as the discount rate for discounting the lease obligation except for lease obligations for which the interest rates are known.

Associates and joint ventures

Associates are entities where Vitens, directly or indirectly, exercises significant influence over the financial and operational policies, but over which it does not have decisive control. Generally, this occurs when Vitens can exercise between 20% and 50% of the voting rights. Associates are measured on acquisition at cost (being the fair value) and from then on, changes in value of associates are recognised directly in the income statement (equity method).

In case of a negative equity value, losses on participations are recognised up to the amount of the net investment in the participation. This net investment also includes loans granted to associates to the extent that they actually form part of the net investment. A provision is recognised for the share in further losses only if and insofar as, based on legal obligations, the debts of the associate are guaranteed or if there is a constructive obligation to enable the associate (for the share) to pay the debts.

In case of possible impairment of participations, reference is made to the treatment as included in the paragraph 'Impairment of financial fixed assets' in the 'Accounting policies'

Joint ventures are agreements in which Vitens, together with one or more parties, carries out activities in which all parties exercise joint control. Investments in associates over which Vitens exercises significant influence and interests in joint ventures are valued using the equity method. The book value of the associate or joint venture includes the goodwill paid on acquisition and Vitens' share of changes in equity of the associate or joint venture after the time of acquisition.

Other financial assets

Other financial assets relate to loans and receivables granted and are measured at amortised cost less any impairment losses.

Derivatives

In the ordinary course of business, derivatives (financial instruments) are used to mitigate interest rate risks. The aim of this management is to limit the impact of changes in interest rates on results. Interest rate derivatives are used to steer the loan portfolio to the desired risk profile and are not used for speculative or trading purposes. These interest rate derivatives are measured at fair value from the time the contract is entered into (*trade date*). The fair value is a result of movements in market interest rates and the fixed interest rate of the underlying derivative. Changes in the fair value of derivatives are recognised directly in equity. The interest rate derivatives entered into are designated as hedging instruments.

Vitens uses the following valuation hierarchy:

- Level 1: quoted (unadjusted) prices in 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 using variables that have a significant effect on recognised fair value, but are not based on observable market data.

Derivatives are valued in the valuation hierarchy using the Level 2 method, where variables with a significant effect on the recognised fair value are directly or indirectly observable. Vitens uses a net present value calculation, taking into account credit risk. Relevant variables applicable for valuation derivatives concern (i) present values of interest payments and (ii) projected interest rate curves.

By using interest rate derivatives, a fixed *cash outflow* is achieved. Vitens pays fixed interest on the derivative, while short-term interest paid on roll-over loans is paid from the receipt of short-term interest on the derivative. A hedge is considered to be effective if, from the beginning and during the term of the hedge relationship, changes in the cash flows of the hedged item are expected to be almost completely hedged by changes in the cash flows of the hedge instrument. If this is the case, the fluctuations in the fair value of the derivatives are recognised in favour of/at the expense of the hedging reserve (equity) (hedge accounting). If the derivative no longer qualifies as a hedge instrument, the fluctuations in fair value are credited/debited to the income statement.

Impairment of financial fixed assets

For financial instruments, the company assesses at each balance sheet date whether there is objective evidence of impairment of a financial asset or a group of financial assets. Upon objective evidence of impairment, the company determines the amount of the impairment loss and recognises it directly in the income statement.

For financial assets measured at amortised cost, the amount of impairment is determined as the difference between the asset's book value and the best possible estimate of future cash flows, discounted at the financial asset's effective interest rate as determined at initial recognition of the instrument. The impairment loss previously recognised should be reversed if the decrease in impairment relates to an objective event after write-down. The reversal is limited to no more than the amount necessary to measure the asset at its amortised cost at the time of reversal, had it not been impaired. The reversed loss is recognised in the income statement.

Fair value measurements

Vitens uses the following valuation hierarchy to determine fair value:

- Level 1: quoted (unadjusted) prices in 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 using variables that have a significant effect on recognised fair value, but are not based on observable market data.

The table below shows financial assets and liabilities measured at fair value. For notes measured at fair value, see the notes to the 'property, plant and equipment' policy. The disclosures for derivatives measured at fair value are under the accounting policy of 'Derivatives'.

Valuations at fair value as at 31-12-2023	Level 1	Level 2	Level 3	Total
In millions of euros				
Assets				
Official residences			3.5	3.5
Total assets	-	-	3.5	3.5
Liabilities				
Derivatives		7.6		7.6
Total liabilities	-	7.6	-	7.6
Valuations at fair value as at 31-12-2022	Level 1	Level 2	Level 3	Total
In millions of euros				
Assets				
Official residences	-	-	4.0	4.0
Total assets	-	-	4.0	4.0
Liabilities				
Derivatives	-	8.1	-	8.1
Total liabilities	-	8.1	-	8.1

Trade and other receivables

Trade and other receivables are measured at amortised cost less a value adjustment for potential bad debts. Offsetting and presentation of trade and other receivables from and advances received from consumers is done on the basis of settlement groups: a grouping method of customers based on meter readings spread over time to determine the water consumption to be billed. Trade and other receivables are derecognised when the funds are received or bad debts are established.

Cash and cash equivalents

The cash item consists of bank balances and cash and is valued at amortised cost, which corresponds to the nominal value. Payables to banking institutions are recognised under interest-bearing liabilities.

Equalisation account third-party contributions

The equalisation account for third-party contributions is measured in accordance with IFRS 15 at the contributions received from third parties in connection pipeline construction less amortisation. Amortisation of the equalisation account takes place in $33^{1/3}$ years and is equal to the amortisation period of investments in connection lines. Annual amortisation is recognised in other revenue. The current portion of the equalisation account third-party contributions is recognised under current liabilities.

Interest-bearing liabilities

Interest-bearing liabilities are measured at fair value less transaction costs on recognition. Subsequently, valuation takes place at amortised cost using the effective interest method. Repayment obligations of long-term liabilities falling due within one year are presented under current liabilities.

Provisions for employee benefits

The anniversary provision was formed for future anniversary payments and is actuarially calculated. This takes into account the 2017-2022 male and female life table, future staff turnover and salary increases.

Employee benefits provisions are discounted at a nominal discount rate of 3.0% (2022: 2.6%).

The current portion of the employee benefits provision is recognised under current liabilities.

Other provisions

Said provisions are formed if:

- A legally enforceable and/or constructive obligation exists at the balance sheet date arising from events before the balance sheet date.
- It is likely that an outflow of funds will occur to settle the obligation.
- A reliable estimate of the liability can be made.
- Provisions are measured at the nominal value of the expenditure expected to be needed, unless the effect of the time value of money is significant. In this case, the provision is measured at present value.
- The current portion of other provisions is recognised under current liabilities.

Lease liabilities

In determining lease liabilities and user charges, the current WACC rate is used as the discount rate for discounting the lease liability with the exception of lease liabilities for which the interest rates are known.

Lease liabilities are measured after initial recognition by increasing the book value to reflect interest on the lease liability and decreasing it to reflect lease payments made.

Collective schemes

Vitens has a Pension and Flexible Exit Scheme for current and former employees. Pensions are placed with Stichting Pensioenfond ABP and Flexible Exit with Stichting Flexibel Uittreding Nutsbedrijven and is thus indirectly placed with Pensioenfond ABP. These are multi-employer collective schemes and are essentially defined benefit schemes, where the pension benefit is based on the length of service and the employee's average salary during this service.

The pension schemes can be classified as *multi-employer-funds*. IAS 19 requires certain information on defined benefit plans to be disclosed in the financial statements. In particular, the balance of assets and liabilities associated with the scheme should be recognised in the balance sheet as a receivable or liability. Both pension funds have indicated that they are unable to provide participating companies with the information necessary on defined benefit plans. Therefore, both plans are treated as defined contribution plans and the pension contributions payable for the financial year are recognised as pension costs in the income statement. Pension costs are included in note [20].

ABP's policy coverage ratio at the end of 31 December 2023 was 110.5% (31 December 2022: 118.6%). Pensions were increased by 11.96% from 1 January 2023. ABP's financial situation, within the rules that apply under the current pension system, allowed it to substantially index pensions. ABP's total contribution rate for retirement and survivor's pensions will be 27.9% as at 1 January 2023 (2022: 25.9%).

Current liabilities

Current liabilities are measured at amortised cost. A current liability is recognised in the balance sheet as soon as Vitens is a contracting party and/or a tangible service or supply of goods has taken place.

Lease and rental agreements

Lease and rental agreements have been entered into by Vitens for its vehicle fleet and the rental of various premises and commercial buildings. Lease and rental agreements have been accounted for in accordance with IFRS 16.

Drinking water turnover

The drinking water turnover consists of the standing charge and the fee for supply of drinking water. Accounting for drinking water revenues is based on the total volume of water supplied to third parties. Turnover data are obtained from customer measurements and, for the unsettled part, from estimates based on experience figures. Sales tax and tap water tax levied on drinking water turnover are not included in turnover. The drinking water turnover is taken when the benefits of ownership are transferred to the buyer.

Other turnover

Other turnover includes revenue not directly related to core activities. Other turnover includes the following items:

- Revenues from removals/new connections and collections. For relocations/new connections, Vitens charges an amount to cover administrative work.
- Revenue from fire hydrants refers to a one-off contribution and an annual recurring fee for the purpose of maintenance.
- Revenue from work for third parties relates to various activities Vitens performs for third parties.

- Rental and lease income relates to rental income from office buildings and service houses (present on land on which production sites are located or extraction takes place). In addition, revenues for leasing land.
- Participation fees refer to fees from municipalities in particular for participation in Vitens' bill for pollution charges/resident surcharge and sewerage charges.
- Revenue from analyses and consultancy relate to analyses performed from Vitens' laboratory for third parties.
- Revenues from services to third parties relate to front and back office work performed for another water company and services provided to VEI B.V.
- Amortisation of third-party contributions relates to customer contributions for construction of connection lines. Amortisation of the equalisation account takes place in $33^{1/3}$ years.
- Revenue from rental fee standpipes relates to the rental of standpipes to third parties.
- Residues revenue relates to the sale of residues generated as a result of the water treatment process.
- Activities from other income are recognised as revenue to the extent that supply of goods and services has taken place and to the extent that performance has been delivered.

Cost of outsourced work and hired staff

These are costs incurred by Vitens for the benefit of its operations and relate to outsourced work and hired staff from third parties. These costs are allocated to the period to which they relate.

Groundwater taxes and charges

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

Other costs

These are costs incurred by Vitens for the benefit of its operations and include raw and auxiliary materials, electricity, car costs, automation costs, facility costs and other costs. These costs are allocated to the period to which they relate.

Capitalised production

Own production capitalised concerns direct personnel costs and indirect other costs incurred in the service of the manufacture of tangible and intangible fixed assets relating to infrastructure works of the company. This capitalised production is deducted from staff costs, subcontracted work, hired staff and other costs.

Finance income

Finance income consists of interest income on financial assets, being loans, calculated using the effective interest method and is allocated to the period to which it relates. In addition, finance income consists of allocation of interest costs to projects under construction in accordance with IAS 23.

Financial charges

Interest expenses relate to interest-bearing liabilities, calculated using the effective interest method and are allocated to the period to which they relate. Interest-bearing liabilities include fixed-rate loans, roll-over loans, interest rate derivatives and current accounts. In addition, they include a release of the difference between the fair value and nominal value of the loan portfolio of acquired parties, interest cost provisions and other costs of financing such as commitment fees, guarantees and bank charges.

Share of result in associates and joint ventures

Refers to the result in associates and joint ventures.

Taxes

From 1 January 2016, Dutch public law legal persons are subject to tax. Limited companies like Vitens are deemed by law to run a company with their entire assets. Activities carried out by Vitens under the Dutch Drinking Water Act, such as the supply of drinking water, are exempt from corporation tax.

Presumptions, estimates and assumptions in the financial statements

The preparation of financial statements involves the use of assumptions, presumptions and estimates based on past experience and factors that management believes are acceptable given the specific circumstances. These assumptions, presumptions and estimates affect the valuation and presentation of reported assets and liabilities as well as the result for the financial year. Actual outcomes may differ from the estimates and assumptions used. Below, we discuss the items mentioned.

Employee benefits provision

The aforementioned provisions have been determined based on assumptions regarding future developments of, for instance, salaries, social legislation, staff turnover and statistically substantiated assumptions regarding survival. This complex of assumptions in conjunction with the discount rates used leads to minor impact on the valuation of provisions and results.

Other provisions

Other provisions relate to potential compensation for drought damage in extraction areas around some production sites and for a number of legal disputes and ongoing lease obligations. Provisions have been determined based on management's best estimates against which the liabilities can be settled.

Valuation of (in)tangible assets

In determining the book value of property, plant and equipment and intangible assets, estimates of amortisation periods derived from expectations regarding the technical and economic useful lives of the underlying assets are used. As a result of future changes in technological developments or in the use of the assets, changes in the useful life of the assets may occur and these may then trigger impairment.

If circumstances warrant, it is determined whether (in)tangible fixed assets are impaired. If such indications exist, an estimate of the recoverable amount of these assets is made. For assets, recoverable amount is the higher of fair value less costs to sell or value in use. Value in use is determined based on the present value of estimated future cash flows.

Debtors

Vitens periodically assesses the fullness of receivables based on experience figures of past payment behaviour. Any write-downs are deducted from the debtor balance. Vitens uses the following provisioning rates for its outstanding water debtors internally and externally (transferred to a collection agency):

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

The provision of non-water funds is determined statically. At year-end, Vitens individually assesses the uncollectability of the outstanding debtor balance.

Fair value measurement of financial instruments

Derivative financial instruments are recognised in the balance sheet at fair value. For other financial instruments, including loans obtained and issued, the fair value is disclosed in the notes to the financial statements.

Revenue account

Accounting for drinking water revenue is based on the total volume of water supplied to third parties (tap water tax is not part of revenue). Vitens uses a revenue determination system whereby actual measured consumption is allocated to months/years in accordance with the following three steps:

1. Actual invoiced quantities m³/turnover. Per customer, the actual number of invoiced m³/turnover is allocated to calendar years.
2. Quantities still to be invoiced m³/turnover up to and including end of calendar year (annual forecast). For the period in the financial year for which customers have not yet received a statement, an estimate is made on the basis of historical meter readings in relation to current drinking water deliveries. A higher/lower estimate of outstanding revenue of 1% results in higher/lower net revenue of around €1.2 million. Under note [28] is a further explanation of regarding expiry balance sheet items turnover from previous years and the actual determined 'Not charged' (NIRG) as a percentage.
3. Total correlation check between customer data in the source system and drinking water supply figures. For verification, the customer data are laid alongside the water balances (release figures production sites). Movements are analysed as is the development of the NIRG.

Basis of cash flow statement

The cash flow statement is prepared using the indirect method, whereby the change in cash is reconciled with the profit after tax according to the income statement. The term cash used in the cash flow statement refers to interest-bearing liabilities as used in the balance sheet.

Notes on the consolidated balance sheet

[1] Intangible assets

In millions of euros	Software and development costs	Works in progress	Total
Position as at 1 January 2022			
Acquisition value	78.9	15.2	94.0
Accumulated amortisations, extraordinary depreciations and fair value changes	-53.6	-	-53.6
Book value as at 1 January 2022	25.3	15.2	40.5
Changes 2022			
Investments	-	5.5	5.5
Transfer to property, plant and equipment	-	1.0	1.0
Commissioning works in progress	4.9	-4.9	-
Divestments	-	-	-
Amortisations	-6.3	-	-6.3
Total	-1.4	1.6	0.2
Position as at 31 December 2022			
Acquisition value	83.4	16.8	100.2
Accumulated amortisations, extraordinary depreciations and fair value changes	-59.5	-	-59.5
Book value as at 31 December 2022	23.9	16.8	40.7
Changes 2023			
Investments	-	13.7	13.7
Transfer to/from other asset class	-	3.3	3.3
Commissioning works in progress	19.5	-19.5	-
Divestments	-0.2	-	-0.2
Amortisations	-7.8	-	-7.8
Total	11.5	-2.5	9.0
Position as at 31 December 2023			
Acquisition value	93.1	14.3	107.4
Accumulated amortisations, extraordinary depreciations and fair value changes	-57.7	-	-57.7
Book value as at 31 December 2023	35.4	14.3	49.7

Investments in intangible assets 2023 relate to acquired software and development costs. In 2023, €3.3 million was transferred from works in progress of property, plant and equipment to works in progress of intangible assets as they relate to software and development costs.

[2] Property, plant and equipment

In millions of euros	Company buildings and sites	Office buildings	Official residences	Machinery and equipment	Pipes	Other fixed assets	Works in progress	Total
Position as at 1 January 2022								
Acquisition value	678.8	32.1	7.3	586.6	2,692.3	26.9	88.8	4,112.8
Accumulated amortisations, extraordinary depreciations and fair value changes	-370.4	-10.7	-2.9	-455.3	-1,394.6	-17.8	-	-2,251.7
Book value as at 1 January 2022	308.4	21.4	4.4	131.3	1,297.7	9.1	88.8	1,861.1
Changes 2022								
Fair value changes	-	-	0.1	-	0	-	-	0.1
Investments	4.4	-	-	-	95.5	-	99.3	199.2
Commissioning works in progress	11.7	-	-	31.3	21.0	4.7	-68.7	-
Transfer to/from other asset class	0.7	-	-	-1.6	0.9	-	-1.0	-1.0
Divestments	-1.1	-	-0.5	-0.1	-2.8	-	-	-4.5
Amortisations	-13.8	-1.1	-	-20.5	-54.3	-3.3	-	-93.0
Total	1.9	-1.1	-0.4	9.1	60.2	1.4	29.6	100.7
Position as at 31 December 2022								
Acquisition value	686.2	32.1	6.8	603.8	2,801.2	30.2	118.5	4,278.8
Accumulated amortisations, extraordinary depreciations and fair value changes	-375.9	-11.8	-2.8	-463.4	-1,443.3	-19.7	-	-2,316.9
Book value as at 31 December 2022	310.3	20.3	4.0	140.4	1,357.9	10.5	118.5	1,961.9
Changes 2023								
Fair value changes	-	-	-0.2	-	-	-	-	-0.2
Investments	2.7	-	-	-	103.6	-	99.1	205.4
Commissioning works in progress	8.2	3.3	-	16.3	33.7	3.3	-64.8	-
Transfer to/from other asset class	-	-	-	-0.2	0.2	-	-3.3	-3.3
Divestments	-	-	-0.3	-0.1	-1.9	-	-0.5	-2.8
Amortisations	-13.7	-1.2	-	-20.3	-56.1	-3.6	-	-94.9
Total	-2.8	2.1	-0.5	-4.2	79.4	-0.3	30.5	104.2
Position as at 31 December 2023								
Acquisition value	695.7	35.4	6.5	617.3	2,930.3	32.0	149.0	4,466.2
Accumulated amortisations, extraordinary depreciations and fair value changes	-388.2	-13.0	-3.0	-481.1	-1,493.0	-21.8	-	-2,400.1
Book value as at 31 December 2023	307.5	22.4	3.5	136.2	1,437.3	10.2	149.0	2,066.1

In millions of euros	31/12/2023	31/12/2022
Company buildings and sites	307.5	310.3
Office buildings	22.4	20.3
Official residences	3.5	4.0
Machinery and equipment	136.2	140.4
Pipes	1,437.3	1,357.9
Other fixed assets	10.2	10.5
Works in progress	149.0	118.5
Subtotal property, plant and equipment	2,066.1	1,961.9
Raw materials and consumables (inventories)	6.7	6.3
Total property, plant and equipment	2,072.8	1,968.2

Allocation of interest costs (IAS 23) is made on the basis of the weighted average interest rate on interest-bearing debt (2023: 3.0%; 2022: 2.6%) for projects in which at least €1 million has been invested and which have a term longer than 12 months. In 2023, €2.6 million (2022: €1.8 million) of interest costs were allocated to projects under construction.

A fair value movement of €0.2 million occurred in 2023 and relates to revaluation of serviced residences (2022: €0.1 million).

[3] Assets with right of use

In millions of euros	31/12/2023	31/12/2022
Buildings	4.7	5.2
Fleet	8.1	7.3
Data lines	6.4	8.0
Other	1.0	1.1
Total assets with right of use	20.2	21.6

Lease and rental agreements have been entered into by Vitens for its vehicle fleet and the rental of various premises and commercial buildings. Leases and rentals are accounted for in accordance with IFRS 16. Short-term leases and rentals (< 1 year) / low value leases and rentals (< €5,000) are included under NUBBV lease liabilities, see note [15].

The table below shows the 2023 statement of movements in lease and rental income for both the right of use and lease liability.

In millions of euros	Right of use	Lease liability
Position as at 1 January 2023	21.6	18.0
New and/or amended lease contracts	5.0	5.0
Additional costs	0.4	
Amortisations	-6.8	
Repayment of lease liability		-5.9
Interest		0.4
Position as at 31 December 2023	20.2	17.5

[4] Associates and joint ventures

Below is an overview of group companies, associates and joint ventures.

As at 31 December 2023	Location	Importance (in %)
Group companies (consolidated)		
Vitens Watermanagement B.V.	Zwolle	99.9
Vitens Industriewater B.V.	Leeuwarden	100
Associates (non-consolidated)		
AquaMinerals B.V.	Rijswijk	18.1
KWH Water B.V.	Nieuwegein	26.4
SubMerge B.V.	Rotterdam	33.3
Joint ventures (non-consolidated)		
VEI B.V.	Utrecht	50.0
Facturatie B.V.	Utrecht	50.0

In millions of euros	Associates		Joint ventures		Total	
	2023	2022	2023	2022	2023	2022
Book value as at 1 January	3.7	3.2	2.6	2.7	6.3	5.9
Changes						
Share of result	-	0.5	0.1	-0.1	0.1	0.4
Received from participations	-	-	-	-	-	-
Total changes	-	0.5	0.1	-0.1	0.1	0.4
Book value as at 31 December	3.7	3.7	2.7	2.6	6.4	6.3

Financial data of associates and joint ventures

In millions of euros	Assets	Liabilities	Turnover	Profit/Loss	% Importance	Share of net assets
2023						
VEI B.V. (2023)	15.0	13.0	21.1	-	50.0%	1,0
AquaMinerals B.V. (2023)	6.0	3.5	18.0	0.1	18.1%	0,4
KWH Water B.V. (2023)	29.8	17.1	26.0	-	26.4%	3,3
SubMerge B.V. (2023)	-	0.2	-	-	33.3%	-0,1
Facturatie B.V. (2023)	34,1	30,5	3,0	-	50.0%	1,8

Final 2023 financial statements of the aforementioned associates and joint ventures are not available before publication of the Vitens Annual Report 2023. However, the expected 2023 result of associates and joint ventures has been included. The amounts listed in the table above refer to the entities as a whole.

[5] Other financial assets

In millions of euros		2023		2022
Book value as at 1 January		8,5		0,2
New loans granted	11.8		8.4	
Repayments received on loans	-1.2		-0.1	
		19,1		8,3
Repayment obligation next financial year	-2,9			
Book value as at 31 December		16,2		8,5

Loan to related party

The loans granted to Facturatie B.V. of €20.2 million are intended to finance investments related to the implementation of SAP HANA. The loan will be made available for the period from 14 October 2022 to 13 October 2029.

The interest rate charged on the loans is equal to the sum of the applicable 4-year *Interest Rate Swap* (IRS) at the time of the draw request and the margin. Here, the 4-year IRS has been applied based on the average maturity of the loan. The margin is based on a current estimate of the margin applied by the market for a similar loan to a drinking water company.

General terms and conditions of related party transactions

Sales to and purchases from related parties are made on terms equivalent to those prevailing in *arm's length* transactions. Outstanding year-end balances are unsecured and interest-free and settlement is in cash. No guarantees have been given or received by Vitens for receivables or receivables from related parties.

[6] Trade and other receivables

In millions of euros		31/12/2023		31/12/2022
Trade receivables	47.3		36.9	
Depreciation of debtors	-2.2		-1.6	
Free riders	1.3		0.2	
Net trade receivables		46.5		35.5
Taxes and social security contributions		2.6		0.8
Accrued assets		23.0		14.4
Total		72.1		50.7

The balance of trade debtors concerns water debtors in the business and consumer market €31.7 million (2022: €16.5 million) and other non-water debtors €15.6 million (2022: €20.4 million). The fair value of debtors is equal to the book value. Accrued assets amounted to €23.0 million at the end of 2023 and mainly consisted of prepaid amounts and sales yet to be invoiced. In addition, €3.1m of prepaid expenses (advance payment on work in progress position) was recognised in 2023 in favour of 2 construction consortia.

At the end of the financial year, write-downs on debtors amounted to €2.2 million (2022: €1.6 million). The addition in the income statement for 2023 is €0.8 million (2022: release of €0.6 million). In 2023, €0.2 million was withdrawn from the provision.

Below is a statement of movements in accounts receivable provisions.

In millions of euros	2023	2022
Balance as at 1 January	1.6	2.2
Changes		
Allocations	0.8	-
Withdrawals	-0.2	-
Release		-0.6
Total changes	0.6	-0.6
Balance as at 31 December	2.2	1.6

The table below shows the outstanding trade debtors by age. This excludes receivables from free riders amounting to €1.3 million (2022: €0.2 million) because Vitens is not exposed to any debtor risk on these.

The balance of trade receivables as at 31 December 2023 does not include individual receivables, which have not already been provided for, that if uncollectible would have a material impact on Vitens' results. The provision takes into account future economic developments that may impact trade and other receivables. Accounts receivable does 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
2023	27.1	2.2	1.3	1.1	31.7
2023 (incl. depreciation)	26.9	2.0	1.0	0.3	30.2
2022	14.1	0.7	0.6	1.1	16.5
2022 (incl. depreciation)	14.0	0.6	0.3	0.2	15.1

Non-water debtors

In millions of euros	0 - 90 days	91 -180 days	181 - 365 days	> 365 days	Total
2023	13.8	0.7	0.4	0.7	15.6
2023 (incl. depreciation)	13.8	0.7	0.3	0.2	15.0
2022	19.6	0.1	0.2	0.4	20.4
2022 (incl. depreciation)	19.6	0.1	0.2	0.3	20.2

[7] Equity

Share capital	Ordinary shares		
Number of shares	Number of shares issued	Shares in portfolio at Vitens	Total
Position as at 31 December 2022	5,777,247	-	5,777,247
Position as at 31 December 2023	5,777,247	-	5,777,247

Share capital

The company share capital is €18,000,000, divided into 18,000,000 ordinary shares with a par value of €1 per share.

Consolidated statement of changes in equity

The company share capital is €18,000,000, divided into 18,000,000 ordinary shares with a par value of €1 per share. Of these, 5,777,247 shares were issued and fully paid up by the end of 2023.

The share premium reserve relates to a reserve resulting from the incorporation of Vitens in 2001. Per issued share (4,475,439), this amounted to €9 per share (totalling €40.3 million). In 2006, as a result of the merger, 1,887,685 shares were issued and per share €52.80 was added to the share premium reserve (total of €99.7 million). In 2006 and 2007, the shares of Nuon N.V. were purchased through three tranches (total shares 1,615,655). Of these, 619,223 shares were cancelled in 2006 and 175,000 in 2007. Per share, €9 was deducted from the share premium reserve (total €7.1 million). In 2007, part of the shares were sold by Nuon N.V. to municipalities and provinces (total shares 274,935). In 2011, Vitens issued 208,346 shares and per share € 69 was added to the share premium reserve (total of € 14.4 million).

The hedge reserve is for unrealised fair value adjustments of financial instruments due to application of *cash flow hedge accounting*. This reserve is only for the effective part of a hedge. There was a break in 2021. Of one derivative with a break clause, the contract was terminated as at 1 November 2021. The total amount paid for the surrender of the contract (being negative market value) was €12.0 million. The derivative had a maturity date of 30 June 2043. As long as the underlying interest rate risk has not disappeared, the balance is recognised over the remaining term to 30 June 2043. In 2023, €0.5 million was recognised from the hedging reserve under financial expenses.

Other reserves refers to a reserve due to accumulated retained earnings.

Profit appropriation

The Executive Board proposes the shareholders to appropriate the result after tax as follows (approved by the Supervisory Board on 14 March 2024): no dividend payment and add the result of €27.2 million to other reserves. This is in line with financial policy.

[8] Equalisation account for third-party contributions

In millions of euros	2023	2022
Balance as at 1 January	142.0	129.0
Contributions received in construction	24.8	17.9
Amortisation credited to income statement	-5.5	-4.8
Balance as at 31 December	161.3	142.0
Current portion of equalisation account	5.8	4.8
Non-current portion of equalisation account	155.5	137.2
Total	161.3	142.0

Vitens applies IFRS 15 (*Revenue from Contracts with Customers*) for the contributions Vitens receives from third parties for the construction of connection lines. The amortisation period is $33^{1/3}$ years and is equivalent to the amortisation period of investment in connection lines.

The current portion of the equalisation account contributions from third parties is recognised under current liabilities, see note [14].

[9] Long-term money loans

In millions of euros		2023		2022
Balance as at 1 January		984.7		939.1
Repayment obligation for the financial year	79.4		56.3	
		1,064.1		995.4
Changes				
New loans	174.7		125.0	
Repayments	-79.4		-56.3	
		1,159.4		1,064.1
Repayment obligation next financial year	-52.2		-79.4	
Balance as at 31 December		1,107.2		984.7

Non-current liabilities relate to private and roll-over loans. The fair values of non-current liabilities are shown in note [29].

New loans of €174.7 million were raised in 2023 (2022: €125.0 million). This amount includes transaction costs incurred of €0.3 million, which are recognised in the income statement over the life of the loans.

Type of long-term loans	Non-current portion		Current portion	
In millions of euros	31/12/2023	31/12/2022	31/12/2023	31/12/2022
Roll-over loans	225.0	277.2	52.2	77.3
Private loans	882.2	707.5	-	2.1
Total	1,107.2	984.7	52.2	79.4

The interest rate on the roll-over loans is fixed between 1-month and 12-month Euribor in each case and fluctuates depending on capital market developments.

Other information on long-term money loans

In millions of euros	2023	2022
Average interest rate in %	3.00%	2.60%
Total as at 31 December (nominal amount)	1,159.7	1,064.1
Repayments < 1 year	52.2	79.4
Repayments > 1 year and < 5 years	329.8	296.8
Repayments > 5 years	777.7	687.9

No collateral (pledge, mortgage, security ownership and the like) has been given in respect of the above loan portfolio. The set bank covenants are achieved by 2023. We refer to note 29 for a detailed account of this.

[10] Derivatives

As at 31 December 2023, Vitens held the following financial instruments recognised at fair value.

In millions of euros	2023	2022
Financial instruments as at 1 January	8.1	48.5
Change in value of derivatives through comprehensive income	-0.5	-40.4
Financial instruments as at 31 December	7.6	8.1
Short-term financial instruments (< 1 year)	0.2	0.9
Long-term financial instruments (>1 year)	7.4	7.2

The market value of derivatives is formed by unrealised fair value adjustments due to changes in yield curves. Specifically, the interest payable on the derivatives is higher than current market interest rates, creating a negative value in 2023 of €7.6 million (2022: €8.1 million negative). The reason for entering into these derivatives is to counter interest rate risks due to large movements in market interest rates. The related negative value will not be recognised directly by Vitens in the income statement, as the hedge qualifies as effective. IBOR reforming interest rate benchmarks by alternative benchmark rates have no impact on Vitens' hedge relationships and other financial instruments, as there has been no adjustment in Euribor rates yet.

At the end of 2023, Vitens has five interest rate derivatives with a principal amount of €195.0 million (2022: six interest rate derivatives €245.0 million) where the floating interest rate on the roll-over loans is fixed for 1 to 18 years. The fair value of these interest rate derivatives at the end of 2023 was negative €7.6 million (2022: negative €8.1 million). Of the derivatives mentioned above, Vitens has 1 interest rate derivative (2023: €2.9 million; 2022: €1.6 million) with a remaining term of 18 years (with a principal amount of €25 million), with a breakclause (for both parties) after every 10 years (in 2031). For the derivative, the credit risk (CVA/DVA), which is included in the valuation, is determined up to the breakclause and not over the entire maturity.

[11] Provisions for employee benefits

Movements in employee benefits	Reorganisation provision	Anniversary provision	Total
In millions of euros			
Position as at 1 January 2022	0.4	0.9	1.3
Allocation	-	0.1	0.1
Interest allocation	-	0.1	0.1
Release	-0.3		-0.3
Withdrawals	-0.1	-0.2	-0.3
Position as at 31 December 2022	-	0.9	0.9
Allocation	-		-
Interest allocation	-	-	-
Release	-	-0.1	-0.1
Withdrawals	-	-0.2	-0.2
Position as at 31 December 2023	-	0.6	0.6
Short-term liabilities for employee benefits	-	0.1	0.1
Long-term liabilities for employee benefits	-	0.5	0.5

Non-current portion of provisions for employee benefits		
In millions of euros	31/12/2023	31/12/2022
Anniversary provision	0.5	0.7
Total non-current portion of provisions for employee benefits	0.5	0.7

Of the non-current portion of employee benefits provisions, €0.2 million (2022: €0.7 million) relates to expected expenses between 1 and 5 years and €0.3 million (2022: €0.3 million) relates to expected expenses after 5 years. The current portion of employee benefits provisions is recognised under current liabilities, see note [14].

Current portion of employee benefits		
In millions of euros	31/12/2023	31/12/2022
Anniversary provision	0.1	0.2
Leave not taken	14.2	12.9
Pension contribution payable	1.6	1.6
Other short-term employee benefits	19.2	18.4
Total current portion of employee benefits	35.1	33.1

Anniversary provision

Below are the key assumptions used in determining the anniversary provision.

Assumptions	2023	2022
Survival table/mortality table	survival table 2017-2022	survival table 2016-2021
Discount rate	3.00%	2.60%
Expected salary increases	2.50%	2.50%

[12] Other provisions

In millions of euros	2023	2022
Balance as at 1 January	1.9	2.4
Changes		
Allocation	9.0	3.4
Interest allocation	-	-
Release	-0.2	-
Withdrawals	-5.9	-3.9
Reclassification	-	-
Total changes	2.9	-0.5
Balance as at 31 December	4.9	1.9
Current portion of other provisions	3.9	0.6
Non-current portion of other provisions	1.0	1.3
Total	4.9	1.9

The other provisions relate to possible compensation for drought damage in extraction areas around a number of production sites, possible compensation to third parties, reserves for unemployment benefits and long-term sickness and a provision relating to an associate with negative equity.

To the extent deemed necessary, provisions have been made as shown in the above statement of movements.

[13] Lease obligations

In millions of euros	31/12/2023	31/12/2022
Buildings	5.1	5.6
Fleet	8.2	7.3
Data lines	3.2	3.9
Other	1.1	1.2
Total lease liabilities	17.6	18.0
Current portion of lease liabilities	4.9	5.3
Non-current portion of lease liabilities	12.6	12.7
Total	17.6	18.0

Lease and rental agreements have been entered into by Vitens for, among other things, the vehicle fleet and the rental of various premises and commercial buildings. Lease and rental agreements have been accounted for in accordance with IFRS 16.

The statement of movements in lease and rental income for both the right of use and lease liability is included under assets with right of use, see note [3].

[14] Current liabilities

In millions of euros	31/12/2023	31/12/2022
Trade payables	80.5	79.6
Advance water debtors	11.7	18.3
Current portion of derivatives	0.2	0.9
Repayment obligations over non-current liabilities	52.3	79.4
Repayment obligations over lease liabilities	4.9	5.3
Tax liabilities	14.9	15.3
Interest-bearing liabilities	52.4	23.3
Short-term loans	0.0	25.0
Short-term employee benefits	35.9	33.1
Invoices to be received	11.0	12.8
Accrued liabilities	11.6	9.8
Total	275.5	302.8

The fair value of trade and other payables, tax liabilities, short-term employee benefits, invoices to be received and accruals is in line with the nominal value, given the short lead time. Trade payables and tax liabilities are generally settled within 30 days. The tax liabilities consist of: ground and mains water tax to be paid €11.2 million (2022: €10.9 million) and wage tax and social security contributions to be paid €3.7 million (2022: €4.4 million). Advance water accounts receivable represents the balance of advances and water sales yet to be invoiced of €11.7 million.

Short-term interest-bearing liabilities, end 2023 amount to €104.9 million (2022: €128.6 million). These consist of the repayment obligations of long-term liabilities €52.3 million (2022: €79.4 million), short-term derivatives €0.2 million (2022: €0.9 million), short-term loans €nil (2022: €25.0 million) and interest-bearing liabilities with banking institutions €52.4 million (2022: €23.3 million). Interest-bearing liabilities relate to overdrafts. Variable interest is paid on this amount. It is based on 1-month Euribor including an agreed mark-up rate.

The short-term employee benefits item at the end of 2023 amounts to €35.9 million (2022: €33.1 million) and concerns all obligations to staff such as the short-term part of the anniversary provision, pension premiums to be paid, unemployment reservation to be paid and leave days/money to be paid.

[15] Off-balance sheet liabilities

Energy liabilities

Liabilities under energy contracts		
In millions of euros	31/12/2023	31/12/2022
Within a year	23.7	33.7
Between 1 and 5 years	23.0	12.6
More than 5 years	-	-
Total	46.7	46.3

Said liabilities are under energy contracts for the production plants and office buildings.

Procurement of water liabilities

Liabilities under procurement of water		
In millions of euros	31/12/2023	31/12/2022
Within a year	4.5	4.1
Between 1 and 5 years	17.7	16.7
More than 5 years	142.3	128.4
Total	164.5	149.2

Said liabilities are on account of purchase of water for up to 40 years.

Liabilities under the Dutch Drinking Water Act (WACC)

The Dutch Drinking Water Act includes important financial frameworks for tariff control and solvency. This includes a cap on the cost of capital that can be charged by water companies (WACC). Vitens realised a provisional WACC in 2023 that is almost equal to the allowed WACC (2022: undershoot). The final WACC will be determined through the Business Report reported to the Dutch Ministry of Infrastructure & Water Management by 1 October 2024. As at 31 December 2023, Vitens has a liability of nil (2022: nil).

Liabilities under Dutch Drinking Water Act		
In millions of euros	31/12/2023	31/12/2022
2021	-	-
2022	-	-
2023	-	-
Total	-	-

Other liabilities

Other liabilities		
In millions of euros	31/12/2023	31/12/2022
Within a year	8.9	4.0
Between 1 and 5 years	14.5	9.3
More than 5 years	1.6	2.2
Total	25.0	15.5

Said liabilities are liabilities under non-lease components, short-term rental obligations, which are not covered by IFRS 16, and liabilities under automation costs, facility costs, financing costs and claims liabilities.

Contingent liabilities

Vitens, together with Vitens Watermanagement B.V., forms a fiscal unity for the levy of sales tax; each company is jointly and severally liable for tax payable by all companies involved in the fiscal unity under the standard terms and conditions.

Notes on the consolidated income statement

[16] Drinking water turnover

In millions of euros	2023	2022
Supply of drinking water	264.2	226.3
Fixed fee	162.1	140.5
Total	426.3	366.8

The above drinking water sales were achieved from 1 segment, the entire supply area of Vitens. The annual bill for an average customer (small consumer) increased to €128 (excluding taxes) in 2023 compared to 2022 (€110 excluding taxes). The amounts are based on a model customer consuming 100 m³.

All sales are generated in the Netherlands.

[17] Other turnover

In millions of euros	2023	2022
Revenue from relocation and collection	1.3	1.5
Revenue from fire hydrants and sprinklers	8.6	7.3
Revenue from work for third parties	0.9	0.7
Revenue from rental and lease	1.3	0.9
Free rider fees	0.2	0.2
Revenue from analysis and consultancy	4.5	3.7
Revenue from third-party services	9.7	9.6
Amortisation equalisation account	5.5	4.8
Revenue from connections	6.7	6.2
Revenue from standpipes rental fee	0.9	0.9
Revenue from residues	1.2	1.7
Other revenue	4.1	2.6
Total	44.8	40.1

Other turnover includes revenue not directly related to core activities. Other turnover includes the following items:

- Revenue removals and collections. For relocations, Vitens charges a fee to cover administrative work.
- Revenue from fire hydrants refers to a one-off contribution and an annual recurring fee for the purpose of maintenance.
- Revenue from work for third parties relates to various activities Vitens performs for third parties.
- Rental and lease income relates to rental income from office buildings and service houses (present on land on which production sites are located or extraction takes place). In addition, revenues for leasing land.
- Participation fees refer to fees from municipalities in particular for participation in Vitens' bill for pollution charges/resident surcharge and sewerage charges.
- Revenue from analyses and consultancy relate to analyses performed from Vitens' laboratory for third parties.
- Revenue from services to third parties relates to front and back office work performed for another water company and services provided to VEI B.V.
- Amortisation of third-party contributions relates to customer contributions for construction of connection lines. Amortisation of the equalisation account takes place in $33^{1/3}$ years.
- Revenue from rental fee standpipes relates to the rental of standpipes to third parties.
- Residues revenue relates to the sale of residues generated as a result of the water treatment process.
- Activities from other income are recognised as revenue to the extent that supply of goods and services has taken place and to the extent that performance has been delivered. Of the other revenue, €0.3 million relates to grants.

Operating costs

[18] Cost of outsourced work and hired staff

In millions of euros	2023	2022
Work outsourced	45.6	42.7
Third-party personnel hired	24.9	26.4
Less: own production capitalised indirect costs	-16.3	-12.2
Total	54.3	56.9

Own production capitalised includes own operating expenses serving the manufacture of tangible and intangible fixed assets relating to infrastructure works (production plants and pipelines) of the company. Over 2023, this amounts to €16.3 million (2022: €12.2 million).

The total balance of costs of work contracted out and hiring staff is higher compared to the previous year. This is mainly caused by higher hourly rates and indexation of contract prices.

[19] Other costs

In millions of euros	2023	2022
Raw and auxiliary materials	16.2	14.5
Other personnel costs	6.2	6.4
Purchasing water	2.9	2.7
Electricity	39.8	18.7
Car costs	4.8	4.5
Automation costs	20.9	20.4
Telecom costs	1.9	1.7
Facility costs	21.9	17.4
Taxes, benefits and insurance	13.7	12.0
Removal costs	2.6	3.0
Other costs	8.5	9.1
Less: own production capitalised indirect costs	-6.8	-5.8
Total	132.6	104.6

Raw materials and consumables increased to €16.2 million (2022: €14.5 million). This is mainly due to higher cost chemicals due to rising prices. This trend started in 2022.

Other personnel costs largely relate to travel, accommodation and training costs.

Energy costs include costs for electricity, gas and other fuels. Costs are significantly higher due to high energy prices in 2023. Vitens contractually fixed high prices in 2022 for the year 2023, resulting in significantly higher costs than in 2022.

Car costs relate to fleet service costs, fuel and other car costs and amount to €4.8 million over 2023 (2022: €4.5 million).

Automation costs relate mainly to licence costs, including those related to SAP. Costs are slightly higher than last year due to inflation.

Facilities costs largely relate to rental costs of office buildings and maintenance of installations, office buildings and land. Plant, building and land maintenance costs for 2023 amount to €18.6 million (2022: €15.2 million). Rental costs of office buildings and machinery for 2023 amount to €3.3 million (2022: €4.1 million).

Taxes, benefits and insurance consist mainly of dry-cleaning costs and taxes and levies. The increase is mainly due to costs of drought damage as a result of making the schemes weather-dependent with recurrent force.

Other expenses consist mainly of costs related to membership fees and contributions and representation expenses.

Capitalised production for own business includes own business costs serving the manufacture of tangible and intangible fixed assets related to infrastructure works (production plants and pipelines) of the company. Besides personnel costs and hiring, this concerns various other costs which amount to €6.8 million over 2023 (2022: €5.8 million).

[20] Staff costs

In millions of euros	2023	2022
Salaries	99.4	90.9
Social charges	13.7	12.0
Contributions paid to group plans treated as defined contribution plans	13.4	13.8
Less: capitalised own production personnel costs	-22.2	-19.5
Subtotal	104.3	97.2
Reorganisation provisions	-	0.1
Anniversary provision	-	-0.3
Total	104.3	97.0

Capitalised own production includes own personnel costs serving the manufacture of tangible and intangible fixed assets relating to infrastructure works (production plants and pipelines) of the company. This mainly concerns direct personnel costs and amounts to €22.2 million over 2023 (2022: €19.5 million). Staff costs for anniversaries follow below.

In millions of euros	Reorganisation provision	Anniversary provision	Total 2023	Total 2022
Allocation of provisions	-	-	-	0.1
Release of provisions	-	-0.1	-0.1	-0.3
Total	-	-0.1	-0.1	-0.2

Number of employees	2023	2022
Number of permanent employees as at 31 December	1,635	1,599
Number of FTE in permanent employment as at 31 December	1,524	1,504

The average number of FTEs comes to 1,514 in 2023, with all Vitens employees working in the Netherlands.

[21] Amortisation, fair value changes and impairment of property, plant and equipment and intangible assets

In millions of euros	2023	2022
Depreciation of property, plant and equipment	94.9	93.0
Depreciation of intangible assets	7.8	6.3
Depreciation of charges from Facturatie B.V.	1.7	0.7
Book profit on divestments	2.5	2.9
Depreciation IFRS 16	6.8	6.3
Fair value changes	0.2	-0.1
Total	113.9	109.1

[22] Financial income and expenses

In millions of euros	2023	2022
Interest costs on bullet and linear money loans	18.5	15.0
Interest costs on derivatives	2.9	11.0
Interest costs on roll-over money loans	11.6	1.2
Interest costs on subordinated loans	-	-
Interest costs on current account	1.1	0.2
Interest costs on short-term loans	1.6	0.1
Interest allocation on provisions	-	-
Interest costs on leases	0.4	0.4
Interest costs recharged to investment projects (IAS 23)	-2.6	-1.8
Other costs of loans	0.3	0.1
Total	33.8	26.2
Interest income	-	-0.1
Total interest income and expenses	33.8	26.1

[23] Share of result in associates and joint ventures

In millions of euros	2023	2022
Result of associates and joint ventures	-	0.4

[24] Taxes

Vitens is liable to corporate income tax. Activities carried out by Vitens under the Dutch Drinking Water Act, such as the supply of drinking water, are exempt from corporation tax.

Tax on profit on ordinary activities is nil (2022: nil). The reconciliation with the effective tax rate is as follows:

In millions of euros	2023	2022
Result before tax	27.2	8.2
Untaxed activities	25.6	9.7
Taxable result	1.6	-1.5
Corporate tax	-	-

Corporate income tax was calculated based on the applicable tax rate in the Netherlands (2023: 25.8%; 2022: 25.8%). The effective tax rate on the result before corporation tax is 0%.

Dividend tax

Dividend tax is withheld and remitted by Vitens on dividends paid.

Notes on the consolidated cash flow statement

[25] Cash flow from operating, investing and financing activities

Cash flow from operating activities amounted to €145.0 million (2022: €130.2 million) and is insufficient to finance investing activities of €227.9 million (2022: €192.1 million). Cash flow from operating activities is €19.9 million higher than in 2022 which is mainly due to a higher result. Due to a high balance of working capital, the increase is not as high as the increase in net income. Cash flow from investing activities increased by €35.8 million due to an increase in investment volume.

For FY2023, there is a net cash flow of €29.1 million negative, increasing interest-bearing liabilities by the same amount.

Other notes on the consolidated financial statements

[26] Dividend

In 2023, the Annual General Meeting approved the proposed profit appropriation on the 2022 result. As a result, the result was added to other reserves and no dividend was paid.

in millions of euros	2023	2022
Dividend from financial year 2022	-	-
Dividend from financial year 2023	-	-
Number of entitled ordinary shares	5,777,247	5,777,247
Dividend per share (in euros)	-	-

The Executive Board proposes to shareholders not to pay a dividend on the 2023 result on ordinary shares in 2024 (approved by the Supervisory Board on 14 March 2024).

[27] Related parties

Vitens' shares are held by public sector shareholders (provinces and municipalities). Vitens has interests in associates and joint ventures, in which it either has significant influence, but not decisive control, or exercises joint control in operations and financial policy. Transactions with these parties are conducted on *arm's length* basis.

VEI B.V.

In 2023, an amount of €2.3 million (2022: €2.2 million) was paid by the shareholders Vitens (50%) as a contribution to the development activities of VEI B.V. In addition, an amount of €1.9 million (2021: €2.3 million) was invoiced by Vitens in 2023. This concerns hours of Vitens employees who participated in VEI B.V. projects and costs as a result of concluded *service level agreements*.

Facturatie B.V.

Amortisation costs are charged annually by Facturatie B.V. to shareholders Vitens (50%) and Evides N.V. (50%). The amortisation expense for Vitens in 2023 is €1.7 million (2022: €0.7 million). At year-end 2023, Vitens has an amount of € 1.2 million (2022: € 0.1 million) on the balance sheet (debt position) for, on the one hand, amortisation costs Q4 (€ 0.7 million) to be charged on from Facturatie B.V. and, on the other hand, interest costs to be charged on from Facturatie B.V. (€ 0.5 million). Against this, there is a receivable from Facturatie B.V. of €22.5 million (2021: €8.4 million), of which €19.0 million consists of loans granted to Facturatie B.V. and the remainder of pass-through investment costs SAP flow 3.3.

Below is an overview of the other related parties.

Related party	Location	Importance (in %)
AquaMinerals B.V.	Rijswijk	18.1
KWH Water B.V.	Nieuwegein	26.4
SubMerge B.V.	Rotterdam	33.3

At year-end, related party receivables and payables amount to:

In millions of euros	2023	2022
Receivables from associated parties	22.7	14.4
Payables to associated parties	1.2	2.5

A total of €49.4 million of receivables from related parties were invoiced for the 2023 financial year (2022: €23.4 million), of which €22.7 million remained outstanding at the end of the financial year (2022: €14.4 million). With regard to payables to related parties, a total of €45.6 million of invoices were received during the financial year, of which €1.2 million remained outstanding at the end of the financial year (2022: €2.5 million).

[28] Water balance

In millions m ³	2023	2022
Total water to be treated	370.0	375.8
Production losses	-9.5	-8.0
Total clean water produced	360.5	367.8
Purchase of clean water	4.4	4.4
Production and procurement	364.9	372.2
Sales of clean water outside supply area	-	-
Delivered in supply area	364.9	372.2
Distribution losses and measurement differences (NIRG)*	-24.3	-26.6
Delivery to customers**	340.6	345.6
* Not charged (NIRG) in %	6.7%	7.2%
** Percentage already invoiced at year-end '23	55.6%	99.0%

Vitens' drinking water sales at the end of the financial year are significantly subject to estimates of water consumption. Drinking water deliveries from all production sites to the mains are recorded monthly and are known at the end of the financial year. For the period in the financial year for which customers have not yet received a statement of their water consumption, a monthly estimate is made based on historical meter readings in relation to the current drinking water output. At the end of the financial year, 45-55% of water consumption is subject to estimates and the supply to customers is estimated at 340.6 mln³, resulting in an NIRG of 6.7%.

The drinking water supply to customers for 2022 has been revised downwards by 2 mln m³ (after 99% invoicing). This means the NIRG rate has risen to 7.2% (end-2022 estimate was 6.6%). The NIRG rate is an important component of the revenue forecasting model. The NIRG indicates the difference between the drinking water output to the mains and the water consumption charged to our customers. The average deviation over the past financial years is relatively limited at +0.4%.

Result on expiry of balance sheet item of consumption and effect NIRG	2023	2022	2021	2020	2019
Result on expiry of balance sheet item of sales consumption from previous year (in millions of euros)	-1.4	-1.3	-1.6	-0.3	-0.5
Actual NIRG in financial statements (after > 99.5% invoicing)		7.2%	6.5%	6.6%	6.2%
Expected / Reported NIRG in financial statements (after approximately > 45% invoicing)	6.7%	6.6%	6.1%	6.4%	5.9%

[29] Financial risk management

Control of capital

The financial policy, approved at the Annual General Meeting in November 2022, does justice to laws and regulations (compliance), to the interests of customers and shareholders and should be challenging but realistic for Vitens. The importance of continuity is at the forefront of financial policy. The continuity objective is formulated as follows: Solvency is set at equity at least equal to 35% of the balance sheet total. This primary objective is central to the management of financial risks. At the end of 2023, solvency is 30.3% (2022: 31.0%).

Vitens has included in its treasury statute that the interest rate risk may not exceed 25% of the total debt position. Interest rate risk is the sum of interest rate revisions (including interest rate instruments) and what is needed in new financing (debt renewal) in any year.

Vitens has entered into credit arrangements with several lenders. In these arrangements, lenders set conditions (financial ratios) that Vitens must meet.

In October 2021, the WACC for the years 2022 to 2024 was set at 2.95%. For these years, the maximum allowed solvency remains at 70%.

Vitens has met the ratios set out in the banking covenants by 2023.

Vitens achieved a provisional WACC of 2.9% in 2023. The final WACC will be determined through the Business Report reported to the Dutch Ministry of Infrastructure & Water Management by 1 October 2024. The achieved WACC is slightly lower than the set standard of 2.95%.

Financial ratios	Target values ¹	Bank covenant	2023	2022	2021	2020	2019
Solvency (equity/total assets)	> 35%	> 25%	30.3	31.0	30.2	29.4	29.2
Solvency (guaranteed capital/total assets)	> 35%		30.3	31.0	30.2	30.0	30.6
Leverage ratio (OCF / Interest-bearing debt)	> 7%	> 7%	12.0	11.7	12.2	11.9	13.9
Interest Coverage ratio (EBIT/(interest expense and income + dividend paid current financial year))	> 1,3	> 1,3	1.80	1.30	1.76	1.84	1.17
Debt ratio (Interest-bearing liabilities (excluding subordinated loans)/ EBITDA)	< 7,5	< 7,5	6.9	7.8	7.1	6.4	6.8
Weighted Average Cost of Capital (WACC) ²	< 2,95%		2.92%	1.83%	2.41%	2.93%	3.30%

1. The target values relate to conditions from Vitens' financial policy.
2. The WACC was set for the years 2022 to 2024 at 2.95% (for the years 2021 and 2020: 2.75%).

Calculation method of financial ratios and abbreviations used

- **Solvency (equity):** equity x 100% divided by total assets.
- **Solvency (guarantee capital):** (equity + subordinated loans) x 100% divided by total assets.
- **Leverage:** net operating cash flow divided by interest-bearing debt (including subordinated loans).
- **Ebit:** operating result plus result of joint ventures and associates.
- **Ebitda:** ebit plus amortisation and impairment.
- **WACC:** drinking water operations operating profit plus any tariff compensation divided by average balance sheet total drinking water operations.

Financial risks are managed within Vitens by the treasury committee, which is supervised by the Executive Board. Key objectives of the treasury policy are to ensure continued access to the capital market, manage financial risks, achieve the lowest possible costs and secure sufficient liquidity.

Vitens is subject 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 means the risk of changes in value due to changes in market prices.

Fair value of financial assets and liabilities	Book value		Fair value	
In millions of euros	2023	2022	2023	2022
Assets				
Trade and other receivables	72.1	50.8	72.1	50.8
Non-current financial assets	16.2	8.5	14.6	8.5
Liabilities				
Long-term money loans	1,159.4	1,064.1	1,113.3	931.0
Trade and other payables	92.2	97.9	92.2	97.4
Invoices to be received	11.0	12.8	11.0	12.8
Interest-bearing liabilities	52.4	23.3	52.4	23.3
Short-term loans	-	25.0	-	25.0
Current other financial liabilities	62.4	58.2	62.4	58.2

The table above shows the fair values of financial assets and liabilities. The fair value valuations of the loans are level-2 valuations. Derivatives are not disclosed herein as they are recognised at fair value on the balance sheet.

The fair values of financial assets and liabilities were determined as follows:

1. Trade and other receivables and prepaid amounts: given the short lead time of these receivables, the fair value is in line with the book value;
2. Long-term financial assets: this item concerns a loan granted to Invoicing BV and mortgage loans to (former) employees. The fair values of these have been determined by discounting future cash flows;
3. Long-term money loans: the fair values of these have been determined by discounting the future cash flows at the yield rate curve applicable to Vitens as at 31 December;
4. Trade and other payables, invoices to be received, short-term loans and short-term other financial liabilities: the fair value of the aforementioned items is in line with the book value, given the short lead time;
5. Interest-bearing liabilities: the fair value of interest-bearing liabilities is in line with their book value.

(ii) Currency risk

This refers to the risk that the value of a financial instrument changes due to fluctuations in foreign exchange rates. VEI B.V. is a joint venture of Vitens and Evides N.V. and carries out projects in developing countries with the aim of improving water supply. VEI B.V. uses the euro as its functional currency. Any exchange differences are calculated on a transaction-by-transaction basis and credited/ debited to the income statement. Vitens itself runs no currency risk on its operations as all business activities take place within the Netherlands.

(iii) Interest rate risk

In the normal course of business, Vitens uses derivatives (*interest rate swaps*) to mitigate interest rate risks. The aim of this management is to limit the impact of changes in interest rates on results. Derivatives are used to steer the loan portfolio to the desired risk profile. These instruments are not used for speculative or trading purposes. Vitens has included in its treasury statute that a maximum of 25% of total loan capital (excluding subordinated money loans) may be exposed to interest rate risk. At the end of 2023, the interest rate risk thus calculated was 22.0% (2022: 23.9%). A small part of the loan portfolio is subject to interest rate fluctuations and the impact on interest expenses is limited.

Any increase/decrease in short-term interest rates (three-month Euribor) of one hundred basis points (1%) means an increase/decrease in interest costs of €1.3 million on an annual basis (2022: €1.6 million) for Vitens. The increase/decrease relates to roll-over loans not hedged by derivatives and the balance over the current account.

Any decline in the yield curve compared to 31 December 2023 of 100 basis points (1%) has a negative impact of €7.2 million on the value of derivatives. Any increase in the yield curve compared to 31 December 2023 of 100 basis points (1%) has a positive impact of €6.4 million on the value of derivatives. A negative or positive effect on the value of derivatives results in movements in equity.

The interest rate derivatives are equal to the maturity of the linked roll-over loans. For a principal amount of €195 million, the maturity of the interest rate derivatives is equal to the maturity of the roll-over loans.

The table below shows the maturity date or, if earlier, the contractual interest rate reset date of the loan portfolio on 31 December 2023. This provides insight into the extent to which Vitens is exposed to changes in the level of interest rates for financial liabilities.

Interest rate risk	Effective interest rate	< 6 months	> 6 < 12 months	1–5 years	> 5 years	Total
In millions of euros						
As at 31 December 2022						
Bullet and linear money loans	2.16%	0.3	1.7	69.8	637.7	709.5
Roll-over money loans (linked with interest rate swaps, creating fixed-interest loans)	4.46%	-	50.0	170.0	25.0	245.0
Roll-over money loans	0.53%	25.0	2.3	57.3	25.0	109.6
Banks (current account)	one-month Euribor	23.3	-	-	-	23.3
Cash loans	0.52%	25.0	-	-	-	25.0
Lease liabilities	0,0-4,4%	2.9	2.5	11.2	2.7	19.3
Total financial liabilities		76.5	56.5	308.3	690.4	1,131.7
As at 31 December 2023						
Bullet and linear money loans	2.42%	-	-	154.8	727.5	882.3
Roll-over money loans (linked with interest rate swaps, creating fixed-interest loans)	4.41%	-	50.0	120.0	25.0	195.0
Roll-over money loans	3.55%	-	2.2	55.0	25.0	82.2
Banks (current account)	one-month Euribor	52.6	-	-	-	52.6
Cash loans		-	-	-	-	-
Lease liabilities	0,0-4,8%	2.8	2.6	11.4	2.1	18.9
Total financial liabilities		55.4	54.8	341.2	779.6	1,231.0

(iii) Credit risk

Vitens is subject to risks in case customers cannot meet their obligations. At the end of 2023, the debtor balance exposed to this risk is €47.3 million (2022: €36.9 million), see note [6]. In addition, risk is incurred on the balance of financial fixed assets €16.2 million (2022: €8.5 million).

Other short-term receivables €26.7 million (2022: €15.4 million) comprise receivables from free riders €1.3 million (2022: €0.2 million), taxes and social security contributions €2.6 million (2022: €0.8 million), prepaid expenses €13.3 million (2022: €6.8 million) and miscellaneous receivables of €9.5 million (2022: €8.8 million). Vitens is not exposed to credit risk on the receivables from free-riders and taxes and social security contributions. Vitens has no significant concentrations of credit risk.

Liquidity risk

Liquidity risk consists of the risk that Vitens cannot obtain financial resources to meet its obligations, or cannot obtain them on time. To minimise this risk, Vitens regularly assesses expected and potential cash flows over a time horizon of several years. A detailed liquidity forecast is also prepared annually to identify any fluctuations in liquidity needs in time and take appropriate action if necessary.

As at 31 December 2023, Vitens has:

- An overdraft facility of up to €65.0 million.
- A cash facility of up to €55.0 million (relates to two uncommitted facilities).

- A long-term credit facility of €150.0 million of which €50.0 million of loans can still be drawn.
- A variable roll-over loan of €50.0 million (committed) of which €20.0 million can still be drawn.
- A Revolving Credit Facility of €100 million (relates to a committed facility).

Contractually agreed (undiscounted) payments on financial liabilities are shown in the table below.

Liquidity risk	< 1 year	> 1 < 5 years	> 5 years
In millions of euros			
Calculate non-current financial liabilities incl. interest			
Bullet and linear money loans	23.3	244.4	843.5
Roll-over loans	61.8	188.3	64.5
Derivatives	1.5	4.9	9.8
Lease liabilities	5.4	11.4	2.1
Non-current other financial liabilities	37.1	55.2	143.9
Total non-current financial liabilities	129.1	504.2	1,063.8
Current financial liabilities			
Trade and other payables	92.2		
Invoices to be received	11.0		
Interest-bearing liabilities	52.4		
Short-term loans	-		
Current other financial liabilities	62.4		
Total current financial liabilities	218.1	-	-
Total non-current and current financial liabilities	347.2	504.2	1,063.8

[30] Offsetting financial assets and financial liabilities

At year-end 2023 and 2022, Vitens did not recognise any financial assets and financial liabilities netted on the balance sheet. Similarly, there are no contingent netting rights that could lead to netted settlement of financial assets and financial liabilities.

[31] Events after the balance sheet date

No significant events affecting the 2023 financial statements occurred after the balance sheet date.

Separate financial statements

Single balance sheet as at 31 December

(before profit appropriation)

Assets

	In millions of euros		31/12/2023		31/12/2022
	Fixed assets				
	Intangible assets	49.7		40.7	
	Property, plant and equipment	2,072.7		1,968.2	
	Assets with right of use	20.2		21.6	
[32]	Investments in subsidiaries	-		-	
[32]	Investments in associates and joint ventures	6.4		6.3	
	Other non-current financial assets	16.2		8.5	
			2,165.3		2,045.3
	Current assets				
[33]	Trade and other receivables		72.1		50.8
	Total assets		2,237.4		2,096.1

Liabilities

	In millions of euros		31/12/2023		31/12/2022
[35]	Equity				
	Share capital	5.8		5.8	
	Share premium reserve	147.2		147.2	
	Derivatives revaluation reserve	-18.5		-19.5	
	IFRS transition revaluation reserve	10.0		12.5	
	Other reserves	506.0		495.3	
	Profit for the year	27.2		8.2	
			677.7		649.5
	Liabilities				
	Provisions				
[36]	Provisions for employee benefits	0.5		0.7	
[37]	Other provisions	1.0		1.3	
			1.5		2.0
	Non-current liabilities				
	Equalisation account third-party contributions	155.5		137.2	
	Interest-bearing liabilities	1,107.2		984.7	
	Lease liabilities	12.6		12.7	
	Derivatives	7.4		7.2	
			1,282.7		1,141.8
[38]	Current liabilities		275.5		302.8
	Total liabilities		2,237.4		2,096.1

Company income statement

In millions of euros		2023		2022
Own result (excl. participations) after tax	27.2		7.8	
Result of participating interests after tax	-		0.4	
Net result		27.2		8.2

Notes on the company financial statements

Accounting policies for the company financial statements

Vitens' company financial statements have been prepared in accordance with the provisions of Part 9 of Book 2 of the Netherlands Civil Code, with the exception of the accounting policies as explained below.

The accounting policies used are largely the same as those used for the consolidated financial statements under the provisions of section 362(8) Title 9 Book 2 of the Dutch Civil Code, where investments in subsidiaries are accounted for at the net asset value using the equity method. Vitens' separate profit and loss account has been prepared in a simplified manner pursuant to Section 402, Part 9, Book 2 of the Dutch Civil Code. Vitens applies the International Financial Reporting Standards (IFRS) as accepted within the European Union as its accounting policies. For the accounting policies, please refer to 'Accounting policies for the consolidated financial statements'.

The balance sheet items service houses and derivatives are measured at fair value. As a result of the application of Title 9 Book 2 of the Dutch Civil Code, a revaluation reserve is formed for the effect of fair value changes on equity. For other disclosures, see consolidated financial statements.

[32] Investments in associates

In millions of euros	Investments in subsidiaries	Investments in associates and joint ventures	Total
Book value as at 1 January 2022	-	5.9	5.9
Changes 2022			
Share of result	-	0.4	0.4
Other changes	-	-	-
Total changes	-	0.4	0.4
Book value as at 31 December 2022	-	6.3	6.3
Changes 2023			
Share of result	-	0.1	0.1
Other changes	-	-	-
Total changes	-	0.1	0.1
Book value as at 31 December 2023	-	6.4	6.4

Investments in subsidiaries are measured at net asset value, which is determined on the basis of IFRS principles as applied in the consolidated financial statements.

[33] Trade and other receivables

In millions of euros		31/12/2023		31/12/2022
Trade receivables	47.3		36.9	
Depreciation of debtors	2.2-		-1.6	
Free riders	1.3		0.2	
Net trade receivables		46.5		35.5
Taxes and social security contributions		2.6		0.8
Receivables from group companies		-		-
Accrued assets		23.0		14.4
Total		72.1		50.7

[34] Equity

In millions of euros	2023	2022
Balance as at 1 January	649.5	600.3
Changes		
Profit for the year	27.2	8.2
Change in revaluation reserve for derivatives	1.0	41.0
Change in revaluation reserve for IFRS transition	-2.5	-2.6
Change in general reserve	2.5	2.5
Dividend distribution of ordinary shares	-	-
Total changes	28.2	49.2
Balance as at 31 December	677.7	649.5

The derivatives revaluation reserve relates to the negative market value of derivatives of €7.6 million (2022: €8.1 million), see note [10].

The IFRS transition revaluation reserve was formed for the 2006 valuation gains on transport and main and raw water and site pipelines at production sites. For the transport and main pipelines, a weighted average age (or investment year) of 1977 has been assumed, as a result of which this revaluation will decrease to zero over the next eight years. For raw water and site pipes at production sites, a weighted average age (or investment year) of 1996 has been assumed, as a result of which this revaluation will decrease to zero over the next 15 years.

For other notes on equity, please refer to the consolidated financial statements, see note [7].

[35] Provisions for employee benefits

For the statement of changes in provisions for employee benefits, please refer to the consolidated financial statements, see note [11].

[36] Other provisions

For the statement of changes in other provisions, please refer to the consolidated financial statements, see note [12].

[37] Current liabilities

In millions of euros	31/12/2023	31/12/2022
Trade and other payables	80.5	79.6
Advance water debtors	11.7	18.3
Current portion of derivatives	0.2	0.9
Repayment obligations over non-current liabilities	52.3	79.4
Repayment obligations over lease liabilities	4.9	5.3
Tax liabilities	14.9	15.3
Interest-bearing liabilities	52.4	23.3
Short-term loans	-	25.0
Short-term employee benefits	35.9	33.1
Invoices to be received	11.0	12.8
Accrued liabilities	11.6	9.8
Total	275.5	302.8

[38] Remuneration of Executive Board and Supervisory Board members

By virtue of section 1.3, first paragraph, subsection d of the Dutch Act on the Remuneration of Top Officials in the Public and Semipublic Sectors (WNT of 15 November 2012), Vitens is obliged to take account of the obligations set out in the Act in the compilation of the accounts below. The applicable remuneration cap for Vitens N.V. in 2023 is €223,000 (the general remuneration ceiling).

Error recovery

The WNT account as included in the annual report of Vitens N.V. 2022 incorrectly included the remuneration of director M. Bonhof. In this context, the application of Article 5d. of the Implementation Regulation WNT being 'correction of errors found after adoption of the financial reporting document'.

We emphasise that the error recovery employed does not affect any undue payments. The actual remuneration of director M. Bonhof was lower than included in the 2022 annual report. This is due to fees received by Vitens N.V. for work done by M. Bonhof.

Remuneration of the Executive Board

In this 2023 annual report, we have used the accountability format for the WNT as made available by the Dutch Ministry of the Interior and Kingdom Relations (BZK). By applying this accountability format, the disclosures incorrectly included in the 2022 accountability have been adjusted in the comparative figures of the 2023 WNT accountability.

Data 2023			
amounts x €1	drs. J.J. Hannema	drs. M. Bonhof	drs. C.M.M. Martens
Job details	Chair of the Executive Board	Member of the Executive Board	Member of the Executive Board
Commencement and end of office in 2023	01/01 – 31/12	01/01 – 31/01	15/05 – 31/12
Scope of employment (as part-time factor in FTE)	1	0.9845	1
Employment?	Yes	Yes	Yes
Remuneration			
Remuneration plus taxable expense allowances	200,090	16,385	126,702
Remuneration payable at term	22,910	1,912	14,430
Subtotal	223,000	18,297	141,132
Individually applicable remuneration cap	223,000	18,646	141,132
-/- Amount unduly paid and not yet recovered	n/a	n/a	n/a
Remuneration	€ 223,000	€ 18,297	€ 141,132
The amount of the excess, and the reason why the excess is or is not permitted	n/a	n/a	n/a
Explanation of claim for undue payment	n/a	n/a	n/a
Data 2022			
amounts x €1	drs. J.J. Hannema	drs. M. Bonhof	
Job details	Chair of the Executive Board	Member of the Executive Board	
Commencement and end of office in 2022	01/01– 31/12	01/01– 31/12	
Scope of employment (as part-time factor in FTE)	1	0.895	
Employment?	Yes	Yes	
Remuneration			
Remuneration plus taxable expense allowances	191,524	163,419	
Remuneration payable at term	24,476	24,483	
Subtotal	216,000	187,902	
Individually applicable remuneration cap	216,000	193,414	
Remuneration	€ 216,000	€ 187,902	

1. Chair of the Executive Board: In 2023 full-time employment 365 days (2022: 365 days; full-time employment).
2. Board member: In 2023 part-time employment 31 days (2022: 326 days; part-time employment).
3. Executive board member: In 2023 full-time employment 231 days.

Senior executives without employment in the period calendar month 1 to 12			
amounts x €1	N. G. Dalstra		
Job details	Chief Financial Officer (CFO)		
Calendar year	2023	2022	2021
Period of office held in the calendar year (start - end)	1-12 to 31-12		
Number of calendar months			
Job performance in the calendar year	1		
Extent of employment in hours per calendar year	108		
Individual applicable remuneration ceiling			
Maximum hourly rate in the calendar year	€ 212	€ 206	€ 199
Maxima based on standard amounts monthly	€ 29,500		
Individual applicable cap entire period calendar month 1 to 12		€ 22,896	
Remuneration (all amounts excluding VAT)			
Remuneration in the relevant period	€ 22,896		
Total remuneration entire period calendar month 1 to 12		€ 22,896	
(-/-) Amount unduly paid and not yet recovered		€ -	
Total remuneration, excluding VAT		€ 22,896	
The amount of the excess and the reason why the excess is or is not authorised			
Explanation of claim for undue payment			

Remuneration of Supervisory Board members

The remuneration of the members of the Supervisory Board consists of attendance fees. Below are the remuneration top officials and former top officials – without employment (in euros):

Data 2023						
amounts x €1	H.C.P. Noten	M.R. van Lieshout	H. Setz	G.M. van Dijk	P.A.N. ten Kroode	
Job details	Chair	Member	Member	Member	Member	
Commencement and end of office in 2023	01/01 – 31/12	01/01 – 31/12	01/01 – 31/12	01/01 – 31/12	01/01 – 31/12	
Remuneration						
Remuneration	32,781	21,631	21,631	21,631	21,631	
Individually applicable remuneration cap	33,450	22,300	22,300	22,300	22,300	
-/- Amount unduly paid and not yet recovered	n/a	n/a	n/a	n/a	n/a	
Remuneration	32,781	21,631	21,631	21,631	21,631	
The amount of the excess, and	n/a	n/a	n/a	n/a	n/a	
the reason why the excess is or is not permitted	n/a	n/a	n/a	n/a	n/a	
Explanation of claim for undue payment	n/a	n/a	n/a	n/a	n/a	
Data 2022						
amounts x €1	H.C.P. Noten	M.R. van Lieshout	H. Setz	G.M. van Dijk	P.A.N. ten Kroode	K.J. Rameau
Job details	Chair	Member	Member	Member	Member	Member
Commencement and end of office in 2022	01/01 – 31/12	01/01 – 31/12	01/01 – 31/12	01/01 – 31/12	23/04 – 31/12	01/01 – 22/04
Remuneration						
Remuneration	32,400	21,600	21,600	21,600	14,972	6,628
Individually applicable remuneration cap	32,400	21,600	21,600	21,600	14,972	6,628

In the table above, the maximum individual remuneration standard takes into account the number of days in office as Chair and/or Supervisory Board member.

[39] Audit fees

In accordance with Section 2:382a of the Dutch Civil Code, this note explains the audit fees related to the services received from the audit firm in 2023. They consist of the audit of the financial statements of €273 thousand (2022: €250 thousand), the review of the annual report of €83 thousand (2022: €70 thousand) and for other audit work of €66 thousand (2022: €8 thousand). Finally, a one-off ESG training session took place, which was provided by the in-house auditor. The cost of this was €16 thousand. There are no fees for tax advisory services by the external auditor.

Zwolle, 14 March 2024

Supervisory Board

Dr. H.C.P. Notes (chair)

Dr. M.R. van Lieshout (Supervisory Board member)

Dr. H. Setz MBA (Supervisory Board member)

Prof G.M. van Dijk (Supervisory Board member)

Dr. P.A.N. ten Kroode (Supervisory Board member)

Executive Board

Dr. J.J. Hannema

Other data

Profit appropriation

The statutory provisions regarding profit appropriation are as follows:

34.1

The dividend policy is set, and may be amended, by a resolution of the Executive Board approved by the Supervisory Board and the Annual General Meeting. Subject to the dividend policy thus approved, the Executive Board, with the approval of the Supervisory Board, determines annually what portion of the profit will be reserved and what portion will be distributed.

34.2

Distribution of profits is made after the adoption of annual accounts showing that it is lawful.

34.3

The general meeting may decide to distribute interim dividends and distributions charged to a reserve of the company on a proposal of the Executive Board approved by the Supervisory Board.

34.4

Distributions on shares may only take place up to the amount of the distributable equity and, if it concerns an interim distribution, this requirement has been met as evidenced by an interim statement of assets and liabilities as referred to in Section 2:105(4) of the Dutch Civil Code. The company shall file the statement of assets at the office of the Dutch Trade Register within eight days from the day on which the resolution to distribute is announced.

34.5

A shareholder's claim for a distribution on shares is time-barred by a lapse of five years. The Executive Board proposes the shareholders, to appropriate the result after tax as follows (approved by the Supervisory Board on 14 March): no payment of dividend on ordinary shares and add the result of €27.2 million to other reserves. This is in line with the dividend policy.

Overview of outstanding shares

No.	Shareholder	Ordinary shares	Percentage
1	Province of Overijssel	774,096	13.399%
2	Province of Friesland	755,043	13.069%
3	Province of Gelderland	387,231	6.703%
4	Municipality of Almere	366,175	6.338%
5	Province 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-Holtten	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 and 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 and 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 Wijdmeren	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	Province 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%

Independent auditor's report

Statement on financial statements 2023

Our opinion

In our opinion:

- The consolidated financial statements of Vitens N.V., together with its subsidiaries, ('the Group') give a true and fair view of the financial position of the group as at 31 December 2023, and of its result and its cash flows for 2023, in accordance with International Financial Reporting Standards as adopted within the European Union ('EU-IFRS') and with Part 9 of Book 2 of the Dutch Civil Code ('BW') in force in the Netherlands and the provisions by and under the Dutch Top Income (Standards) Act ('WNT').
- The company financial statements of Vitens N.V. ('the company') give a true and fair view of the financial position of the company as at 31 December 2023 and of the result for 2023 in accordance with Part 9 of Book 2 of the Dutch Civil Code and the provisions laid down in and pursuant to the WNT.

What we audited

We have audited the financial statements 2023 of Vitens N.V., Zwolle, included in this annual report. The financial statements comprise the group's consolidated financial statements and separate financial statements.

The consolidated financial statements consist of:

- The consolidated balance sheet as at 31 December 2023.
- The following statements for 2023: the consolidated income statement, the consolidated statement of comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in equity.
- The notes including the accounting policies that are material and other disclosures.

The separate financial statements comprise:

- The company balance sheet as at 31 December 2023.
- The single profit and loss account for 2023.
- The notes containing a summary of the accounting policies used and other disclosures.

The financial reporting system used to prepare the consolidated financial statements is EU-IFRS, the relevant provisions of Part 9 of Book 2 of the Dutch Civil Code and the provisions under and pursuant to the WNT, and the system used to prepare the company financial statements is Part 9 of Book 2 of the Dutch Civil Code and the provisions under and pursuant to the WNT.

The basis for our opinion

We conducted our audit in accordance with Dutch law, which includes the Dutch auditing standards and the Audit Protocol WNT 2023. Our responsibilities on this basis are described in the paragraph 'Our responsibilities for the audit of the financial statements'.

We believe that the audit evidence we have obtained is sufficient and appropriate as a basis for our opinion.

Independence

We are independent of Vitens N.V. as required by the Dutch Accounting Firms Oversight Act (Wta), the Regulation on Auditors' Independence in Assurance Engagements (ViO) and other independence rules in the Netherlands relevant to the engagement. Furthermore, we have complied with the Regulation on Auditors' Conduct and Professional Rules (VGBA).

Our audit approach

We determined our audit procedures with respect to the key issues, fraud and going concern, and matters arising therefrom, in the context of the audit of the financial statements as a whole and in forming our opinion thereon. The information supporting our opinion, such as our findings and observations on individual key points, the audit approach to fraud risk and the audit approach to going concern, should be considered in that context and not as separate opinions or conclusions.

Summary and context

Vitens N.V. is a drinking water company whose main activities comprise the pumping of groundwater, its purification process and the distribution of drinking water. The group consists of several group entities and therefore we considered the scope and approach of the group audit as set out in the section 'The scope of our group audit'.

As part of designing our audit approach, we determined materiality and identified and estimated the risk of material misstatement of the financial statements. We pay particular attention to those areas where the Executive Board has made significant estimates, e.g. significant estimates involving assumptions about future events that are inherently uncertain such as the assumptions in the valuation of property, plant and equipment, derivatives, debtors, provisions and the recognition of net sales resulting from meter readings and settlements spread over the year. In doing so, we have paid attention, among other things, to the assumptions associated with the physical and transition risks due to climate change. In the section 'Presumptions, estimates and assumptions in the financial statements' starting on page 111 of the annual report, Vitens N.V. has set out the estimation items and main sources of estimation uncertainty. Due to the significant estimation uncertainty associated with the revenue recognition of drinking water revenues, we have designated it as a key issue as set out in the section 'The key issues of our audit'.

Vitens N.V. has assessed the potential impact of climate change and its plans towards the *net-zero commitment* on its financial position. The risks arising from climate change are part of Vitens' risk management process and have been concretised into specific risks by Vitens, given its business nature. This is detailed in the various chapters in the management report, including in 'Who we are and what we do', 'The value we create', 'Ensuring our continuity' and 'Other information'. We discussed climate-related risks with the Executive Board, and evaluated the potential impact on the financial position including the underlying assumptions and estimates. The expected effects of climate change have no impact on the key issues in our audit.

Vitens N.V. is significantly dependent on IT infrastructure for the continuity of its business operations. We have tested the reliability and continuity of automated data processing as relevant to our audit procedures for the 2023 financial statements. In doing so, we involved internal IT specialists, using data analysis with respect to transactions, among other things.

In addition to the aforementioned key point in our audit, we also paid attention to the operating profit in relation to the maximum WACC of 2.95% (maximum cost of capital for drinking water companies) in the 2023 financial year included in the Dutch Drinking Water Act. If the maximum WACC is exceeded, Vitens N.V. is required under the Dutch Drinking Water Act to ensure that the excess is compensated towards consumers in the tariff setting of the calendar year following the determination of the final WACC. Based on the preliminary calculation, the WACC for 2023 is 2.9%. The amount of the final WACC and future contingent liability will be determined based on the 2023 Business Report to be reported to the Dutch Ministry of Infrastructure and Water Management by 1 October 2024.

The notes relating to the WACC are included in notes 15 and 29 in the financial statements.

We have ensured that the audit team has sufficient specialist knowledge and expertise needed to audit a drinking water company. We have also included specialists in IT and financial instruments in our team. All work at the group entities was carried out by the same audit team.

The main lines of our audit approach were as follows:

Materiality

Materiality: €6,144,000.

Scope of the audit

We carried out the audit work partly virtually and partly on-site at Vitens N.V., whereby the audit was designed from a consolidated perspective.

Key points

Revenue recognition of drinking water revenue.

Materiality

The scope of our audit is affected by the application of materiality. The term 'material' is explained in the paragraph 'Our responsibilities for the audit of the financial statements'.

We determine, based on our professional judgement, quantitative limits for materiality including materiality for the financial statements as a whole, as set out in the table below. These limits, as well as the qualitative considerations thereof, help us to determine the nature, timing and extent of our audit procedures for the individual items and disclosures in the financial statements and to evaluate the effect of recognised misstatements, both individually and collectively, on the financial statements as a whole and on our opinion.

Materiality for the group	€6.144.000 (2022: €5.595.000).
How was materiality determined	We determine materiality based on our professional judgement. We used 1.5% of total costs as the basis for this assessment.
The considerations for the chosen benchmark	We used total costs as the primary, generally accepted, benchmark, based on our analysis of the common information needs of users of financial statements. On this basis, we believe that total cost is an important metric for the company's financial performance.

We also take into account deviations and/or potential deviations that, in our opinion, are material for qualitative reasons.

We agreed with the Supervisory Board that we report to them any discrepancies identified during our audit in excess of €307,000 (2022: €279,750) as well as smaller discrepancies that we believe are relevant for qualitative reasons.

The scope of our group audit

Vitens N.V. is the parent company of a group of entities. The financial information of this group is included in the consolidated financial statements of Vitens N.V.

Of importance here is that the group's activities take place entirely in the Netherlands and that within the group the business processes and internal control measures are centrally arranged and operated.

We determined the scope of our audit so as to perform sufficient audit procedures to enable us to express an opinion on the financial statements as a whole. In doing so, we considered, among other things, the management structure of the group, the nature of the activities of the group entities, the business processes and internal controls and the industry in which the company operates. On this basis, we determined the nature and extent of the work at the group entity level that was necessary to be performed by the group team and by group entity auditors.

Our audit was conducted by one central team and was set up from a consolidated perspective, with the group viewed by us administratively as a single entity. This means that we included all transaction flows and financial positions material to the consolidated financial statements in the scope of our audit. The consolidation of the group and the notes in the financial statements have been audited by Ons.

Through the procedures described above, we have obtained sufficient and appropriate audit evidence about the group's financial information to express an opinion on the consolidated financial statements.

Audit approach to fraud risks

We have identified and assessed risks of material misstatement of the financial statements arising from fraud. During our audit, we obtained an understanding of Vitens N.V. and its environment and the components of its internal control system, including the risk assessment process and the manner in which the Executive Board responds to fraud risks and monitors the internal control system and the manner in which the Supervisory Board exercises supervision and its outcomes. We refer to chapter 'Ensuring our continuity' section '3.3 Laws, regulations and social obligations' of the annual report, in which the Executive Board has included its fraud risk assessment including risk management.

We evaluated, with regard to the risk of material misstatement due to fraud, the design and implementation of internal controls, including management's fraud risk assessment, code of conduct, whistleblower scheme and incident recording and, to the extent we considered necessary for our audit, we tested the operation of these internal controls.

We requested information from members of the Executive Board, management (including audit & advisory department, compliance department, human resources and Supervisory Board) whether they are aware of any actual, alleged or suspected fraud. No signs of actual, alleged or suspected fraud that could lead to a material misstatement followed from this.

As part of our fraud risk identification process, we considered fraud risk factors related to fraudulent financial reporting, improper appropriation of assets and bribery and corruption. We evaluated whether these factors were indicative of the presence of fraud risks. The fraud risks we identified and specific work carried out are as follows:

Identified fraud risks

Our audit work and observations

The risk of management breaching measures of internal control

In all our audits, we consider the risk of management breaching measures of internal control, including risks of potential misstatement due to fraud based on an analysis of possible management interests. In that context, we paid particular attention to whether there are any specific trends from the regulation to which the water company is subject with regard to accounting for revenue, expenses and/or investments.

We evaluated, to the extent relevant to our audit, the design of internal control measures to mitigate the risk of a breach of internal control, the existence and, if necessary, the functioning of the measures in the processes for generating and processing journal entries and making estimates. In this context, we paid specific attention to access security in the IT systems and the possibility that this might breach segregation of duties.

We selected journal entries based on risk criteria and performed specific audit work on them. In determining the risk criteria, we took into account the specific trends from the WACC.

We also performed specific audit procedures on key management estimates, in particular the estimates surrounding the determination of drinking water revenues. In particular, we paid attention to the inherent risk of management bias in estimates.

Our work did not reveal any material misstatements in the information provided by management in the financial statements and the directors' report compared with the financial statements. Our work did not reveal any specific indications of fraud or suspicions of fraud with respect to management's breach of internal controls.

The risk of fraudulent financial reporting as a result of overstated revenue

As part of our risk assessment and based on the assumption that fraud risks exist in revenue recognition, we have evaluated which types of revenue or assertions give rise to a risk of a material misstatement resulting from fraud.

For Vitens N.V., the WACC is an annually important measure. Management will strive to approach the WACC as closely as possible and avoid a repayment obligation in the future. A turnover adjustment is one possibility to influence the WACC.

We have evaluated, to the extent relevant to our audit, the design and operation of the internal control measures around revenue recognition and in the processes for generating and processing journal entries related to revenue.

We conclude that, in the context of our audit, we could rely on the internal control measures relevant to this risk.

For a detailed description of the work we performed on the revenue recognition, we also refer to the section 'The key points of our audit'. We have performed specific work consisting of:

- Data-oriented work on the existence of revenue transactions and applying the correct prices.
- Establishing the existence of debtors at year-end where we tested the 2024 expiry by partial observation.

Our work did not result in any specific indications of fraud or suspicions of fraud with respect to the Executive Board's breach of internal control.

The risk surrounding the improper appropriation of funds from the organisation due to shortcomings in the process of outgoing payments

The migration from SAP R/3 to SAP S/4 has not yet been fully completed, as a result of which Vitens N.V. used both applications during the financial year for processing purchases and payments.

We conclude that, in the context of our audit, we cannot rely on the established control measures that Vitens N.V. has set up for SAP R/3, in particular as a result of IT deficiencies in this application.

As a result of the identified deficiencies in the set-up of SAP R/3, we have identified this as a risk in our audit.

Insofar as relevant to our audit, we have assessed the design, existence and, where applicable, the operation of the internal control measures around the payment organisation in the various systems of Vitens N.V. We conclude that for SAP S/4 we can rely on the internal control measures relevant to this risk.

As we cannot rely on this for SAP R/3, we have performed specific work on purchase transactions and payments recorded and processed through SAP R/3. Our work consists of substantive work to validate that outgoing payments were made to the bank account number stated on underlying records (such as purchase invoices). Our work did not result in any specific indications of fraud or suspicions of fraud.

We have built an element of unpredictability into our audit. We also took note of lawyers' letters and relevant correspondence with regulators and remained alert to indications of fraud during the audit. We also assessed the outcome of other audit procedures and considered whether any findings were indicative of fraud or non-compliance with laws and regulations.

Audit approach continuity

The Executive Board has prepared the financial statements assuming the continuity of the company's entire business for at least 12 months from the date the financial statements were prepared. Our work to evaluate the Executive Board's continuity assessment included the following:

- Consider whether the Executive Board's going concern assessment contained all relevant information that we were aware of as a result of our audit and question the board on key assumptions and assumptions.
- Consider whether the Executive Board has identified events or circumstances that may cast reasonable doubt on the company's ability to continue as a going concern (hereafter: going concern risks).
- Evaluate budgeted operating results and related cash flows for the period of at least 12 months from the date of preparation of the financial statements taking into account industry developments such as the WACC regulation and our knowledge from the audit.
- Analyse whether the current and necessary funding to continue the entire business is secured, including compliance with relevant covenants.
- Obtain information from the Executive Board on its knowledge of continuity risks after the period of the board's continuity assessment.

Our audit procedures have not revealed any information that conflicts with the board's assumptions and assumptions on the going concern assumption used.

The key points of our audit

The key points of our audit describe matters that, in our professional judgment, were most significant during the audit of the financial statements. We briefed the Supervisory Board on the key points. The key points do not fully reflect all the risks and issues we identified and discussed during our audit. We have described in this section the key points with a summary of the work we carried out on these points. There are no changes in the key point of our audit compared to last year.

Key points	Our audit work and observations
Revenue recognition of drinking water revenue <i>The disclosures relating to revenue recognition are included in the section 'Presumptions, estimates and assumptions in the financial statements', notes 15, 16 and 28 in the financial statements.</i>	We performed audit procedures on the accounted drinking water revenues, with specific attention to the total clean water dispense, the correctness and completeness of the active connections, the correctness of the tariffs applied, the NIRG (Not charged in %), the quality of the revenue estimate and the invoicing process.

Net revenue from the supply of drinking water as at 31 December 2023 was €426.3 million, making it a significant item in the consolidated income statement (90% of total operating revenue).

Revenue recognition of drinking water revenues is based on the total quantity of drinking water supplied to third parties (in m³). Due to the large number of customers (6 million), meter readings (especially for consumers and small business customers) are staggered throughout the year. As a result, (settlement) invoicing is also spread over the year.

For all active connections, the actual number of billed m³ water is allocated to calendar years. In 2023, 55.6% of the supply to customers has been invoiced by final bill. For the period in the financial year for which customers have not yet received a statement, an estimate (conversion simulation) is made for the period between the last final statement and the balance sheet date, based on historical meter readings in relation to the current clean water output. This means that as at 31 December 2023, €189.3 million (44.4%) of the supply to customers is based on a simulation of sales.

Given this estimate and the inherent degree of estimation uncertainty associated with it combined with the significance of the amount of estimated drinking water revenues compared to total drinking water revenues for 2023, we consider this to be a key issue in our audit.

We have assessed Vitens N.V.'s internal controls over revenue simulation and invoicing. We have checked the completeness of the clean water issue (number m³ water on the basis of which conversion simulation has been carried out) on the basis of the primary registrations per production location in the Vitens N.V. service area. In doing so, we assessed the reliable realisation of the clean water emission using control reports of flow meters and connection to source records, where the number of flow meters included in the realisation of the total clean water emission and the number of actual flow meters connected to outgoing pipes per production location.

We performed audit procedures on the accuracy and completeness of the number of active connections in the customer records and found that all active connections were included in the turnover simulation through a reconciliation between customer records and customer data as included in the turnover estimate.

We checked the accuracy of the rates by reconciling them with those approved by shareholders. We also conducted an analysis, establishing a correlation check between the total number of connections, the standing charge and water consumption per connection, the tariff applied and the turnover accounted for.

We benchmarked the NIRG as explained in note 28, Water Balance Sheet, against the NIRG in previous years and those within the drinking water sector in the Netherlands. We also reviewed Vitens N.V.'s impact analysis regarding the fluctuation in the NIRG.

Based on the procedures performed by us and audit evidence obtained, we did not identify any material findings.

Finally, we performed work on the accuracy and adequacy of the disclosures and did not identify any material findings in doing so.

Compliance with anti-cumulation provision WNT not audited

In accordance with the Audit Protocol WNT 2023, we have not audited the anti-cumulation provision referred to in section 1.6a WNT and section 5(1), subsections n and o, Uitvoeringsregeling WNT. This means that we did not check whether or not a senior executive officer had exceeded standards due to any employment as a senior executive officer at other institutions subject to the WNT, and whether the disclosures required in this context were accurate and complete.

Statement on other information included in the annual report

The annual report also includes other information. This covers all information in the annual report other than the financial statements and our audit opinion thereon.

Based on the work below, we believe that the other information:

- Is compatible with the financial statements and contains no material misstatements.
- Contains all the information required by Title 9 Book 2 of the Dutch Civil Code for the management report and other information.

We have read the other information and, based on our knowledge and understanding obtained from the financial statement audit or otherwise, considered whether the other information contains material misstatements.

With our work, we complied with the requirements of Title 9 Book 2 of the Dutch Civil Code and the Dutch Standard 720. This work does not have the same depth as our audit work on the financial statements.

The Executive Board is responsible for the preparation of the other information, including the management report and other information in accordance with Title 9 of Book 2 of the Dutch Civil Code.

Responsibilities relating to financial statements and audit

Responsibilities of the Executive Board and Supervisory Board for the financial statements

The Executive Board is responsible for:

- The preparation and fair presentation of the financial statements in accordance with EU-IFRS and with Part 9 of Book 2 of the Dutch Civil Code and the provisions under and pursuant to the WNT.
- Such internal control as the Executive Board considers necessary to enable the preparation of financial statements that are free from material misstatement, whether due to error or fraud.

In preparing the financial statements, the Executive Board must consider whether the company is able to continue as a going concern. Under the aforementioned reporting systems, the Executive Board must prepare the financial statements on a going-concern basis, unless the Executive Board intends to liquidate the company or cease operations or if termination is the only realistic alternative. The Executive Board must disclose in the financial statements events and circumstances that might cast reasonable doubt on the company's ability to continue as a going concern.

The Supervisory Board is responsible for supervising the company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit to obtain sufficient and appropriate audit evidence for the opinion we issue.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to express an audit opinion that includes our opinion. Reasonable assurance is a high level but not absolute level of assurance and does not guarantee that an audit performed in accordance with auditing standards will always detect a material misstatement when it occurs.

Misstatements may arise due to fraud or error and are material if they could reasonably be expected to affect, individually or collectively, the economic decisions users make on the basis of these financial statements. Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the impact of recognised misstatements on our opinion.

A more detailed description of our responsibilities is included in the annex to our audit report.

Zwolle, 14 March 2024

Appendix to our audit report on the financial statements 2023 of Vitens N.V.

In addition to what is stated in our audit report, in this annex we have further explained our responsibilities for the audit of the financial statements and what an audit entails.

Auditor's responsibilities for auditing the financial statements

We conducted this audit in a professional-critical manner and, where relevant, applied professional judgement in accordance with Dutch auditing standards, the Audit Protocol WNT 2023, ethical rules and independence requirements. Our audit included the following:

- Identifying and estimating the risks that the financial statements contain material misstatements due to error or fraud, determining and performing audit procedures in response to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. With fraud, the risk of a material misstatement not being detected is higher than with errors. Fraud may involve collusion, forgery, deliberate failure to record transactions, deliberate misrepresentation or breach of internal controls.
- Obtaining an understanding of internal control relevant to the audit for the purpose of selecting audit procedures that are appropriate in the circumstances. The purpose of this work is not to express an opinion on the effectiveness of the company's internal control.
- Evaluating the suitability of the accounting policies used and assessing the reasonableness of estimates made by the Executive Board and the related disclosures in the financial statements.
- Determining that the going concern assumption used by the Executive Board is acceptable. Also determine, based on the audit evidence obtained, whether there are events and circumstances that might cast reasonable doubt on whether the company can continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit opinion to the relevant related disclosures in the financial statements. If the disclosures are inadequate, we should amend our statement. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or circumstances may result in a company being unable to continue as a going concern.
- Evaluating the presentation, structure and content of the financial statements and the notes thereto, and evaluating whether the financial statements give a true and fair view of the underlying transactions and events.

Given our ultimate responsibility for the opinion, we are responsible for directing, supervising and conducting the group audit. In this context, we have determined the nature and extent of the work to be performed for the group entities to ensure that we perform sufficient audit procedures to be able to express an opinion on the financial statements as a whole. Determining factors are the geographical structure of the group, the size and/or risk profile of the group units or activities, the business processes and internal control measures and the industry in which the company operates.

Based on this, we selected the group entities where an audit or review of the financial information or specific items was required.

Among other things, we communicate with the Supervisory Board about the planned scope and timing of the audit and the significant findings revealed by our audit, including any significant deficiencies in internal control.

We determine, from all matters we have discussed with the Supervisory Board, those matters that were most significant in the audit of the current period's financial statements and are therefore key audit matters. We describe these matters in our audit report unless prohibited by laws or regulations or when, in exceptionally rare circumstances, we determine that a matter should not be communicated in the audit report because the adverse effects of such communication are reasonably expected to outweigh the benefits to society.