

Integrated

# Annual Report 2020



# Contents

## Dunea at a glance 3

Profile	4
Key figures	5
Key performance indicators	6
Highlights of 2020 for Dunea	7
Value creation and impact	8
Value creation model	9

## Foreword 10

## Management report 13

Challenges for dunes and water	14
Future-proofing Dunea	16
Stakeholders and materiality	22
Results 2020	28
Financial results	49
Staff and organisation	54
Risk management	62

## Governance 71

Corporate governance	72
Members of the Management Board and Supervisory Board	76
Message from the Supervisory Board	80

## Annual financial statements 87

## Other data 123

## Additional information 128



# Dunea at a glance

Foreword  
Management report  
Governance  
Financial statements  
Other information  
Additional information



**Clean water pumps** at our Scheveningen production location pump around 52 billion litres of drinking water into the pipeline network each year.

## Profile

### Dunea at a glance

Foreword

Management report

Governance

Financial statements

Other information

Additional information

Dunea is the drinking water company that supplies water to the western part of South Holland. More than 1.3 million people rely on us 24 hours a day, 7 days a week for one of their most important basic needs: safe and delicious drinking water.



With more than **200 public drinking water taps**, safe, delicious drinking water is available in many public places.

Dunea also manages the dune reserves of Solleveld, Meijendel and Berkheide; areas with a high level of biodiversity, which form part of Nationaal Park Hollandse Duinen (Holland Dunes National Park). As well as being a crucial part of the drinking water supply system for many people, our dunes are also the perfect place to exercise, relax and spend time with friends.

Dunea takes care of the dunes and water, now and in the future. Our mission is to ensure that every single day, our customers can depend on good, natural drinking water and peace and space in the Randstad. In doing so, we constantly strive for a sustainable balance between water extraction, nature conservation and recreation. Our 524 employees work hard every day to achieve this balance.

We place our customers at the centre of everything we do and strive to continually improve our service delivery, guided by our core values: involved, reliable, invigorating and resilient.

In 2020, we produced more than 82 million m<sup>3</sup> of drinking water, while the 2,400 or so hectares of our dune nature reserve were more heavily frequented than ever. Dunea has its head office in Zoetermeer.

## Key figures

## Dunea at a glance

Foreword

Management report

Governance

Financial statements

Other information

Additional information



## Financial

Operating  
income

147,432

2019: 144,396  
(x €1,000)

Result after tax

6,998

2019: 8,496  
(x €1,000)

Investments

40,723

2019: 33,145  
(x €1,000)

## Customers

No. of  
residents

1,342

2019: 1,327  
(x 1,000)

No. of connections

643,976

2019: 637,756

Water tariff

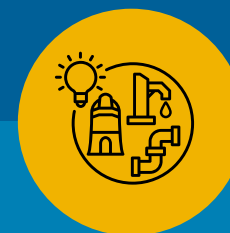
0.98

2019: 0.98  
(€)

## Dunes

Dune reserves  
under our management

2,428

2019: 2,428  
(ha)Water production  
and distributionDrinking water  
produced

82,227

2019: 80,438  
(x 1,000 m³)CO<sub>2</sub> emissions

11,329

2019: 17,111  
(in tonnes of CO<sub>2</sub>)CO<sub>2</sub> per m³

0.13

2019: 0.21  
(in kg)

## Staff

Workforce

524

2019: 500

Absences due  
to sickness

3.9%

2019: 4.9%

# Key performance indicators

## Dunea at a glance

Foreword

Management report

Governance

Financial statements

Other information

Additional information



### Financial

	2020	2019 <sup>3</sup>	2018	2017	2016
Operating income (x €1,000)	147,432	144,396	144,111	148,256	147,948
Result after tax (x €1,000)	6,998	8,496	15,651	11,974	8,820
Current ratio	0.270	0.136	0.103	0.112	0.145
Interest coverage ratio	2.391	2.583	3.924	2.383	1.824
Solvency (%)	39.4	39.2	38.1	35.6	33.6
Return on total assets (%)	2.0	2.3	3.5	3.2	3.1
Investments in tangible non-current assets (x €1,000)	40,723	33,145	33,443	39,505	26,685
Weighted Average Cost of Capital (WACC)	2.12	2.34	3.56	3.07	3.17



### Customers

No. of residents (x 1,000)	1,342	1,327	1,315	1,301	1,289
No. of administrative connections	643,976	639,756	632,000	633,919	628,663
Sub-standard supply minutes <sup>1</sup>	13.2	8.7	12.6	8.4	7.2
Full drinking water tariff (€) excl. municipal surcharge tax and tap water tax	1.57	1.62	1.63	1.67	1.69



### Staff

Number of staff	524	500	506	513	537
Absences due to sickness (%)	3.9	4.9	6.6	3.8	3.7



### Water production and distribution

River water intake (x 1,000 m <sup>3</sup> ) <sup>2</sup>	81,836	80,598	82,652	81,985	62,468
Drinking water produced (x 1,000 m <sup>3</sup> )	82,227	80,438	81,474	79,862	79,042
Drinking water sold in own supply area (x 1,000 m <sup>3</sup> )	76,606	73,750	74,374	73,190	72,894
Drinking water sold in own supply area per administrative connection (m <sup>3</sup> )	119	115	118	115	116
Length of mains pipeline network (in km)	4,494	4,470	4,439	4,411	4,387
Length of transport pipeline network (in km)	284	283	283	283	285
No. of installed water meters	571,829	564,934	557,813	555,975	549,971



### Dunes

Dune reserves under our management (ha)	2,428	2,428	2,250	2,250	2,250
No. of visitors to Meijendel Visitor Centre	63,626	143,320	141,199	128,279	119,282

1. There is insufficient information available for the period from June to December 2020 to determine the sub-standard supply minutes. The number given is based on performance for the period from January to May 2020, then extrapolated for the remaining months.

2. Since 2018, the river water intake in cubic metres has referred to the total volume of water extracted from the Afgedamde Maas (Dammed-up Meuse) and the Lek. Before 2018, this figure only concerned water from the Meuse.

3. A number of financial KPIs were adjusted in 2019 to correct errors. The details are explained in the annual financial statements on page 94.

# Highlights in 2020

## Dunea at a glance

Foreword

Management report

Governance

Financial statements

Other information

Additional information

### Record drinking water sales in the summer

The combination of a hot summer, customers not going away on holiday and many people working from home resulted in record drinking water sales in August.

### Taking steps to create a sustainable system of sources

As part of our multi-source programme, we started a pilot project at our Scheveningen production location to create drinking water from brackish groundwater while expanding the freshwater reservoir under the dunes. Work also began to make our Bergambacht intake point suitable for long-term water extraction from the Lek.

### Supply chain collaboration

We teamed up with the Rijnland District Water Control Board to optimise the management and maintenance of pressure sewer systems. Dunea is responsible for this management and maintenance. We have also signed key agreements with other partners involved in the water supply chain and the subsoil.

### Formation of Dunea Warmte & Koude B.V.

By harnessing heat and cold from our pipeline network, Dunea hopes to make a contribution to the energy transition. The subsidiary Dunea Warmte & Koude B.V. was set up to manage our activities in the area of aquathermal energy.

### Our dune reserves became part of a new-style national park

In December, Nationaal Park Hollandse Duinen applied for the official status of 'new-style national park'. This status will allow Dunea to better protect the vulnerable Berkheide, Meijendel and Solleveld dune reserves.

### WAVE completed

The final phase of the multi-year WAVE programme (working on connections) is now complete. WAVE helped us make our internal collaboration more efficient and improve our service delivery to our customers.

### New strategic plan and vision

Guided by our strategic plan, The Growing Value of Dunes and Water, we continued to build on the solid foundation laid down in the previous strategic plan period, which ended in 2020. As part of the strategy process, we also refined our vision.

### High visitor numbers in the dunes

Due to the coronavirus measures and the beautiful weather, our dune reserves were very well frequented. This kept our dune wardens busy safeguarding the security and natural assets of the dunes. Sometimes car parks had to be closed to stem the flow of recreational visitors.

**Dunea at a glance**

Foreword

Management report

Governance

Financial statements

Other information

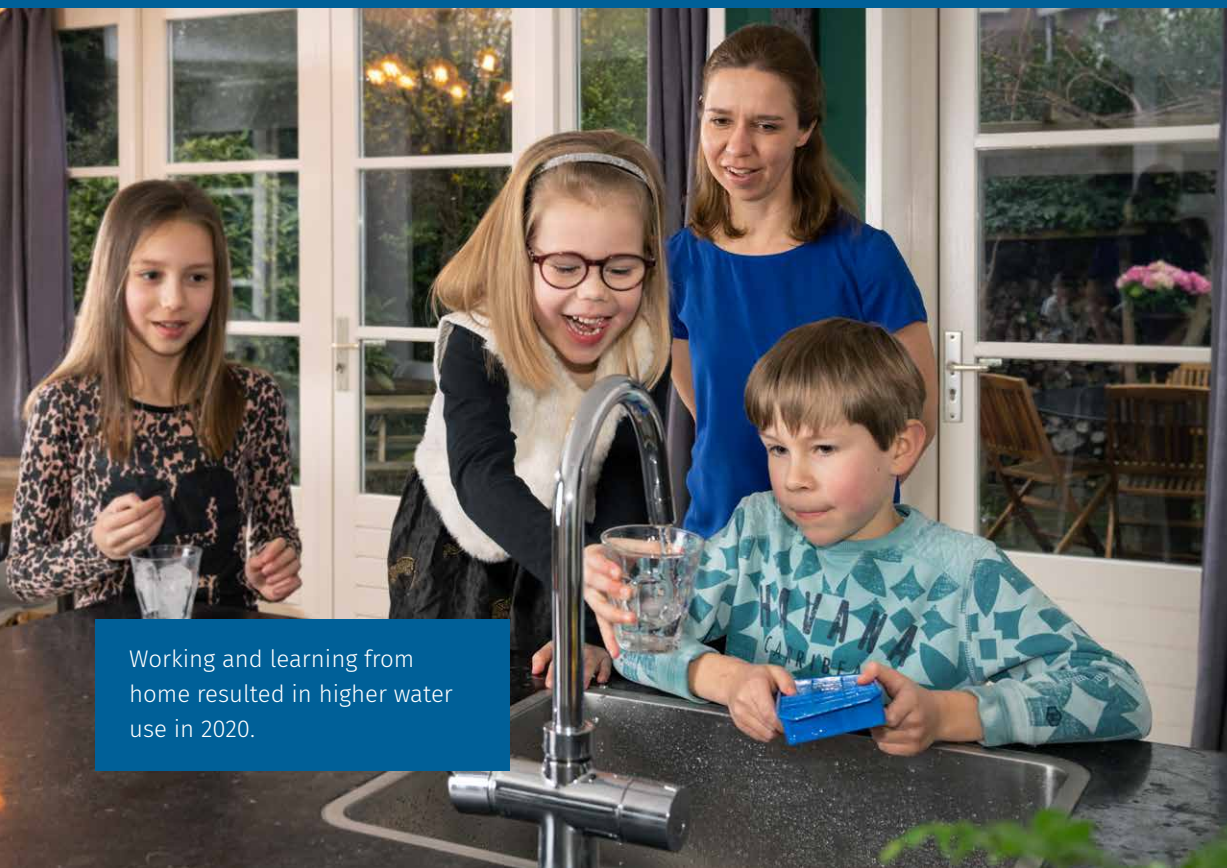
Additional information

## Value creation and impact

In 2013, the International Integrated Reporting Council (IIRC) launched a framework for integrated reporting which brought financial and non-financial data together in a single report.

This created a more complete picture of all performance, in conjunction and in relation to stakeholders. The value creation model occupies an important place within integrated reporting.

Our value creation model provides insights into the relationship between Dunea and its environment and shows how Dunea creates value for its stakeholders and for society as a whole. The model shows the capital Dunea uses as input for its business model, the output that delivers and the impact it has on the environment.



Working and learning from home resulted in higher water use in 2020.

# Value creation

## Business model

### Input

#### Social

Relationship with stakeholders

#### Human

Skilled, committed staff and volunteers

#### Intellectual

Knowledge and innovation with regard to dunes and water, enhanced by networks in the sector and environment

#### Natural

- Robust dune ecosystem
- Quantity and quality of sources
- Nitrogen precipitation on the dunes !
- Raw materials !

#### Produced

- Buildings, vehicle fleet, facilities and infrastructure for drinking water supply and recreation
- Energy

#### Financial

Income from water supply in designated supply area

### Output

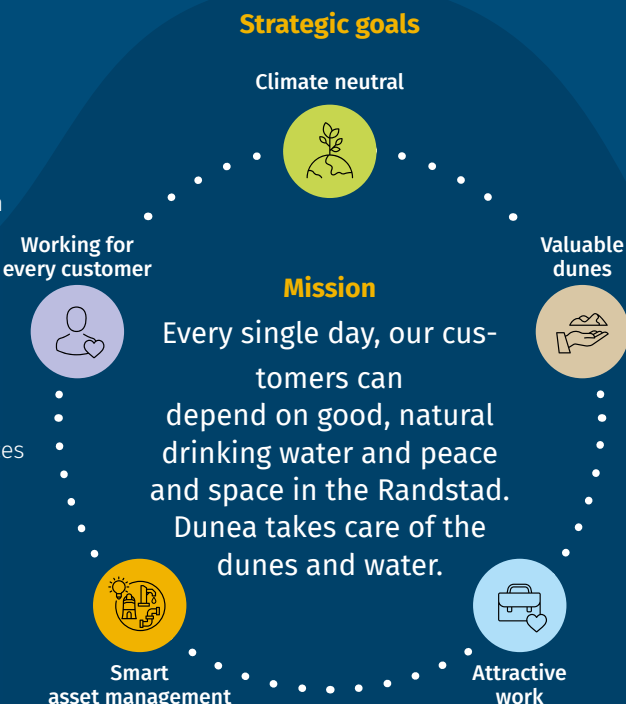
- Connection with stakeholders
- Continuous knowledge development and sharing
- Development opportunities and 'fit & energetic' policy
- Safe, pleasant working conditions

### Outcome

- Confidence, health and convenience:
  - sufficient healthy, affordable water, 24/7;
  - Peace, space and relaxation in the Randstad
- Energetic, adaptable employees
- Knowledge sharing, innovation, information and education

### Impact

- Long-term security of drinking water supply inside and outside the supply area, for all customers
- Contribution to wellbeing, pride and identity for customers, visitors and staff
- Preservation of a multi-functional usable and robust ecosystem with a net-positive contribution to biodiversity
- Contribution to pollution and climate change !



- Good, natural drinking water
- Managed dunes
- Renewable energy
- Energy consumption/ Waste !

- Balance in Nationaal Park Hollandse Duinen between drinking water supply, biodiversity and recreation
- CO<sub>2</sub> and nitrogen in the immediate environment, waste, consumption of raw materials !

- Contribution to employment and prosperity in the region
- Contribution to essential infrastructure for a liveable region
- Occupation of scarce space in the Randstad !

- Assets
- Transparent, affordable drinking water tariff

- Healthy financial position for investments in increasingly sustainable managed assets

! Denotes negative effects/ value destruction

Contribution to SDGs



# Foreword

## Dunea at a glance

Management report  
Governance  
Financial statements  
Other information  
Additional information

Managing Director  
Wim Drossaert



*“Investing now in the  
robustness of our  
drinking water system”*

In 2020, our lives were turned upside down by the coronavirus. Adjusting to this situation demanded resilience from our staff and organisation. I’m proud that during this pandemic, we not only maintained our vital processes, but also managed to make good progress with our programmes and projects aiming to future-proof the drinking water supply in our region. I’d like to thank our staff for their efforts, which made these achievements possible.

Our dunes were more heavily frequented than ever. People spent more time in nature because many other leisure options were closed. Sometimes, when visitor numbers became too high, we had to close car parks, after consulting with the local authorities. The circumstances in which we were forced to take these measures were extreme, and will hopefully not continue. However, the increasing number of visitors to our dunes clearly shows the value of our nature reserves to people in the region. It also underscores the importance of having a good spread of recreational visitors, to allow us to continue to protect our natural assets. This is something we’re working on with our partners in the Nationaal Park Hollandse Duinen.

It has been a challenging year, and not only because of the coronavirus. The combination of a hot, dry summer and the fact that many people spent their holidays at home meant that a record was set in July and August for drinking water sales. We were able to meet this peak in drinking water consumption partly by drawing on our strategic reserves, but we were pushing the limits of our capacity. It confirms once again

[Dunea at a glance](#)[Foreword](#)[Management report](#)[Governance](#)[Financial statements](#)[Other information](#)[Additional information](#)

that we must urgently invest in the robustness of our drinking water system.

In recent years, Dunea has taken steps to become better prepared to handle challenges such as population growth, climate change, the energy transition and the increasingly acute shortage of space both above and below ground. These developments are bearing down on us with increasing speed and we can no longer sit back and take a wait-and-see approach. Our strategy for dealing with these challenges is clear: increase production capacity, expand freshwater reserves in the dunes and develop new sources and technologies to reduce our dependence on the Meuse and the Lek. To do so, we will need the support of local stakeholders. Unfortunately, many entities in our region are not moving at the same pace, or have prioritised other interests.

This is particularly evident in the issues around nitrogen. As a nature conservation body, we see the consequences of nitrogen precipitation on our Natura 2000 reserves, and are pleased with the strict application of the nitrogen standards. However, from a water extraction perspective we often find the interpretation of these standards by permit-issuing authorities to be restrictive. In Berkheide, we only just managed to complete the first projects for crucial extraction capacity on time, after the permit almost was not issued at all due to concerns around temporary nitrogen emissions.

This is despite the fact that, in addition to water extraction, our plans provided for substantial nature restoration, in which we reversed the impact of the nitrogen and made the nature reserve more robust.

This issue needs to be addressed, because if we want to supply drinking water to the 133,000 new homes that are planned to be built in our supply area over the next 15 years, we're going to need more permits. This will require managers to be decisive.

It is also evidenced in the issues around the financing of our investments. Rules intended to prevent over-extraction by drinking water companies make it increasingly difficult to obtain investment loans from banks. The possibilities for strengthening our financial position by raising tariffs are also limited: it is often difficult to explain the necessity and urgency of investments to our stakeholders.

*“Faced with urgent challenges such as population growth, climate change and the energy transition, we cannot take a wait-and-see approach”*

[Dunea at a glance](#)[Foreword](#)[Management report](#)[Governance](#)[Financial statements](#)[Other information](#)[Additional information](#)

However, it can no longer be taken for granted that we will still be able to supply top-quality drinking water 24/7 in ten years' time. If we want to secure a drinking water supply for the future, we cannot ignore the fact that we must invest today. And investment costs money.

Another subject that we as a sector need to put on the political agenda is the importance of water in spatial planning. Our region is rapidly becoming built up with houses, businesses and infrastructure. The drinking water demand is rising accordingly, even as the available space for water extraction and treatment is diminishing. The energy transition plays a role here too: underground heating networks can have consequences for the quality of water in our pipeline network. To make our water management truly future-proof, there needs to be more control over how our land is used. We loudly delivered this message last year as a sector, together with the Water Authorities Union, and will continue to do so for as long as is necessary.

If 2020 made one thing clear, it was that we have the right strategy to secure our drinking water supply for the future, but it's also clear that the urgency is much greater than previously believed. We have to accelerate our work. But we cannot do this alone; we need to engage in the best possible collaboration with our stakeholders and local region. We know what has to happen. Our plans are in place. Now it's time to join forces and work together.

Wim Drossaert  
Managing Director

*“Our plans are in place.  
Now it's time to join forces  
and work together”*

# Management report

Dunea at a glance  
Foreword

Governance  
Financial statements  
Other information  
Additional information

Challenges for dunes and water  
Future-proofing Dunea  
Stakeholders and materiality  
Results 2020  
Financial results  
Staff and organisation  
Risk management



## Intake point on the Lek at Bergambacht

This intake point has been upgraded so we can use the Lek as a drinking water production source over the long term. van drinkwater.

[Dunea at a glance](#)[Foreword](#)[Management report](#)[Governance](#)[Financial statements](#)[Other information](#)[Additional information](#)

# Challenges for dunes and water

**Dunea faces significant challenges. Social and climate developments are putting pressure on our system and forcing us to innovate. In this section, we outline the main trends and explain how they pose a challenge to our core tasks relating to the dunes and water.**

## Climate change

Historically, the Dutch water system has focused on draining excess water. The new reality is that we now face recurrent periods of drought. While there is adequate water availability across the year as a whole, in certain regions there may be insufficient water in dry periods, and too much water at other times. Dunea extracts river water from the Afgedamde Maas and the Lek for drinking water production. In periods of drought, the flow of water in these rivers declines. In addition, our geographical position at the end of these rivers means we are dependent on other countries and users in the water catchment area. As they are also affected by drought, those users retain more water upstream, leaving less water for us.

Drought also affects river water quality. Low water levels make rivers especially vulnerable to incidents or discharges, including industrial effluents, as any contamination is less diluted and also stays more or less in the same place. Excessive contaminant concentrations prevent us from extracting water for drinking water production, forcing us to rely instead on our freshwater buffers in the dunes. Low river discharge, combined with rising sea levels, also allows salt water from the sea to flow inland, causing freshwater sources to become brackish. Climate change also affects biodiversity in our dune reserves. The wet dune slacks are home to many different species. Several species depend on

the river water that we allow to infiltrate the dunes. If the wet dune slacks were to dry out, this would result in a loss of biodiversity. It is our responsibility as a nature conservation body to protect and maintain this distinctive environment, together with its flora and fauna.

## Population growth and urbanisation

Our supply area is one of the most densely-populated regions in the Randstad conurbation, and the number of people living there is set to grow substantially in the coming years. Roughly 133,000 new homes will be built in our region over the next 15 years. All these homes will have to be connected to our pipeline network, which means we will have to lay new pipelines. At the same time, the subsoil is becoming crowded and available space for pipelines and water storage is increasingly scarce.

A growing population also translates directly to a rise in demand for drinking water both from consumers and from agriculture and industry. To meet this rising demand for drinking water, we need to expand our production capacity from roughly 82 billion litres to more than 90 billion litres per year. However, our ability to do so is constrained by the fact that the operational capacity allowed under our environmental permit was already fully utilised in 2020. Furthermore, strict nitrogen standards prevent us from increasing extraction from the dunes.

Our dunes are an essential recreational area for many people. Population growth will place increased pressure on this vulnerable natural environment. Striking a balance between the various functions is vitally important for the quality of our dunes.

[Dunea at a glance](#)[Foreword](#)[Management report](#)

- [Challenges for  
dunes and water](#)

[Governance](#)[Financial statements](#)[Other information](#)[Additional information](#)

## The energy transition

Activities in the subsoil, such as geothermal energy, underground thermal energy storage and heating networks, pose a threat to drinking water extraction and distribution. The drilling associated with these activities can have an adverse impact on groundwater quality. The storage and transport of heat also cause the groundwater and drinking water in adjacent pipelines to heat up, facilitating bacterial growth. The energy transition threatens to create additional problems due to the scale of the systems to be installed in the subsoil.

The energy transition also offers opportunities: the temperature of the water in our pipeline network can be used as a sustainable source of heat and cold. This form of cooling and heating - aquathermal energy - enables us to contribute to the public demand for sustainable energy.

## Digitalisation

The increasing digitalisation of society is accompanied by new expectations with regard to our products and services. Our processes are also increasingly being digitalised and automated. Data, and hence data security, is of growing importance, as processes increasingly use predictions and decision support algorithms. These developments require ongoing professionalisation of data management and digital security, which leads to increasingly tough demands on our staff.

## Difficulty in obtaining finance for investments

In light of these trends, if we are to continue to guarantee the quality and security of supply of drinking water, significant investments will be needed in the coming years. However, financing these investments is becoming more complex, due to the constraints placed on the profits that drinking water companies may make. As a result, Dunea is finding it increasingly difficult to comply with the ratios imposed by lenders. If these financial conditions do not change, it will be increasingly challenging to adapt our system to meet current and future requirements.

## New substances and new standards

New substances are constantly being detected in drinking water sources. This gives rise to the need for new research into the effects of these substances, which can sometimes lead to new standards and regulations in this field. A good example is the new standards that the RIVM (National Institute for Public Health and the Environment) is currently considering for PFAS in food, drinking water, soil and the air. While Dunea has invested heavily in new treatment methods over the past few years, we have reached the limits of what we can achieve at present. We therefore urge the government to prevent pollutant discharges through stricter legislation and enforcement, in the Netherlands as well as internationally. After all, substances will not need to be removed from the water if they are not put there in the first place.

# Future-proofing Dunea

Dunea at a glance

Foreword

**Management report**

Governance

Financial statements

Other information

Additional information

For Dunea, the past few years have been dominated by preparing for the future. We have implemented changes to our organisation and have sought greater connectedness, both internally and with the outside world. As the logical consequence of these changes, in 2020 we amended our vision and developed a new strategic plan. We will use this vision and strategic plan as the foundation for the important steps we must take to guarantee the quality and security of supply of drinking water for the future.

The core tasks of Dunea are drinking water and nature conservation. These tasks are central to our mission.

## Mission

Every single day, our customers can depend on good, natural drinking water and peace and space in the Randstad. Dunea takes care of the dunes and water.

## A future-proof system

The combined effect of the social challenges outlined in the Challenges for dunes and water section makes it critical that Dunea take steps to ensure it can continue to implement its mission. The most important step Dunea must take is to invest in a robust and sustainable system of sources that can provide long-term security of supply for our customers. In the next few years, Dunea must complete three major tasks in order to develop such a system and ensure the drinking water supply in its supply area is ready for the future:

Dunea is investing in a robust and sustainable system of sources that can provide long-term security of supply for our customers.

### Short term

**In the short term (up to 2025) the following tasks are important:**

- Supplying more drinking water from the existing system and continuing to protect this system as best we can.
- Ensuring a minimum of three months' bridging capacity.

### Long term

**In the long term (after 2025), we must build a sustainable system that provides resilience and security of supply**

### Activities

**To complete these tasks, we are working on:**

- Optimising the current system.
- Expanding the strategic freshwater reserve in the dunes.
- A multi-source strategy.
- Intensifying collaboration with partners for clean sources and robust water systems.
- Influencing demand and preventing wastage.

[Dunea at a glance](#)[Foreword](#)[Management report](#)• [Future-proofing Dunea](#)[Governance](#)[Financial statements](#)[Other information](#)[Additional information](#)

To complete these tasks, we are engaged in a range of activities:

#### A. Optimising the current system

To meet rising demand in the short term we will boost extraction capacity in Berkheide, renew our Water Act permit for the dunes in collaboration with the Province of South Holland, and apply GOBAM, an innovative method that uses advanced oxidation to remove micropollutants from pre-treated river water, to 20% of our river water intake.

#### B. Expanding the strategic freshwater reserve in the dunes

With the 'Expanding Bridging Capacity' project we are expanding our strategic reserve of fresh water in the dunes, to enable us to endure longer periods in which we cannot extract any river water. This will ensure we are better prepared for disasters and long periods of drought. In Berkheide we are implementing a separate project, 'Berkheide Bridging Capacity'. In Meijendel and Solleveld, we're combining the expansion of the freshwater reserve with the extraction of brackish groundwater.

#### C. A multi-source strategy

In addition to the Meuse, the Lek is an increasingly valuable intake point. We plan to set up both intake points in such a way that we can work with smart combinations of Lek and Meuse water, known as a 'blending plant'. We're also looking for new sources. For example, by using new technology to try to make fresh water out of brackish groundwater from the dunes, and by exploring Lake Valkenburg as a source of surface water closer to the Berkheide infiltration location. This multi-source strategy will help us reduce our dependence on one or two sources and on long transport pipelines that make our system vulnerable, and ensure we are less affected by dry periods and potential pollution in the Meuse.

#### D. Intensifying collaboration with partners for clean sources and robust water systems

The Lek and the Meuse will remain our most important sources until well beyond 2025. Dunea champions the interests of the Lek and the Meuse and is engaged in strategic environmental management around these sources. We're aiming for good-quality, long-term collaboration with our neighbouring drinking water companies and with the water boards. We are active participants in the Delta Freshwater Programme, which is exploring measures to make the water system more robust for the future. As part of the regional environmental vision, we are also working on the development of multifunctional green areas, to ensure they remain available in the future as potential drinking water sources or for underground storage.

#### E. Influencing demand and preventing wastage

We are focused on tempering the growth of demand for water and on preventing peak demand in particular (such as in periods of drought). We are doing this by increasing consumer awareness and by helping to influence the consumption of corporate customers. We are also optimising our own internal water management as a company (including by reducing rinse water loss). Finally, in collaboration with regional partners we've set up various pilot projects related to climate adaptation, including innovative in-home systems, decentralised closed-loop water systems and underground water storage.

[Dunea at a glance](#)

[Foreword](#)

**Management report**

• [Future-proofing Dunea](#)

[Governance](#)

[Financial statements](#)

[Other information](#)

[Additional information](#)

## Our new strategic plan and vision

In addition to the challenges of which we are aware, there will be developments we do not yet know about, but for which we will have to find an answer. Developing into an agile organisation that is well prepared to perform its functions in a rapidly-changing world is therefore central to our new vision, which we developed in 2020.

Based on what is needed to make Dunea ready for the challenges facing us right now, as well as the new challenges to come, our new strategic plan includes five goals. These goals will give direction to the development of our organisation.

Our strategic plan has no set end date. To help us come to grips with developments in the world around us, the strategic plan will be regularly reviewed over the next few years, and adjusted where necessary. This will ensure that the strategic goals remain suitable and up to date and that we as an organisation are agile, allowing us to quickly and appropriately respond to changes.

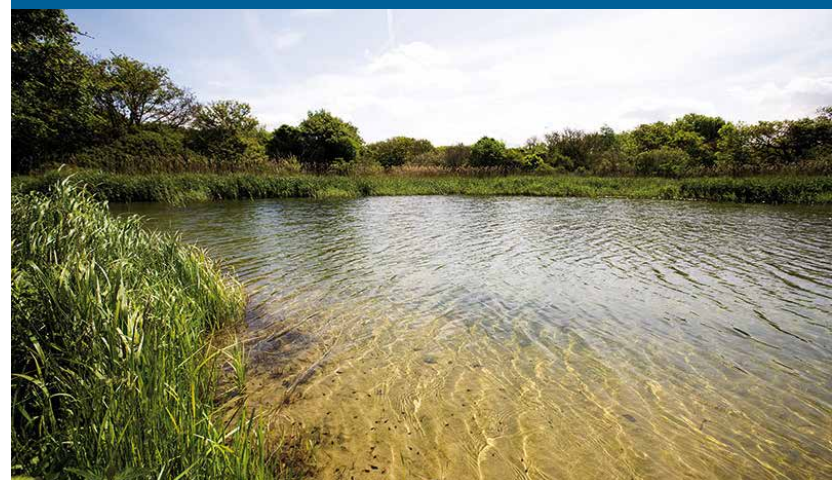


## Dunea's vision

Drinking water and dunes contribute to a pleasant and healthy living environment. In a world that is increasingly urbanised and digitalised, and that needs to become more sustainable, Dunea is working to become future-proof.

We are becoming more agile and more enterprising, and are expanding our services. Working with partners, we're developing solutions to the challenges facing society right now. This allows us to add value.

Our people are essential to these efforts: skilled professionals who continue to develop their talents. Our customers can depend on high-value products and services, produced in harmony with nature.



# Five strategic goals

Dunea at a glance

Foreword

**Management report**

• *Future-proofing Dunea*

Governance

Financial statements

Other information

Additional information

## Climate neutral

We have set up our production process in such a way as to avoid any negative impact on the climate.

We're also committed to sustainability through the supply chain, from source to customer.

## Working for every customer

Customers experience Dunea as a forward-thinking service provider that is interested in their opinions.

## Smart asset management

We have a strong foundation, but the changing environment requires us to be smarter in the way we manage our dunes, pipelines and facilities. Sometimes, this means choosing between robustness and flexibility, thinking in terms of scenarios and optimising our use of data.

## Valuable dunes

The dunes are important for water extraction, nature and recreation. Together with our partners, we ensure that these functions remain in balance. Recreational users know where their water comes from.

## Attractive work

Dunea is a great employer. Our staff are given opportunities to develop and feel challenged in their work. In the labour market, Dunea is a strong employer brand.

## Strategic goals

## Three essential preconditions

Physical and digital security – Innovation for and from our core task – Smart use of data

[Dunea at a glance](#)

[Foreword](#)

**Management report**

• [Future-proofing Dunea](#)

[Governance](#)

[Financial statements](#)

[Other information](#)

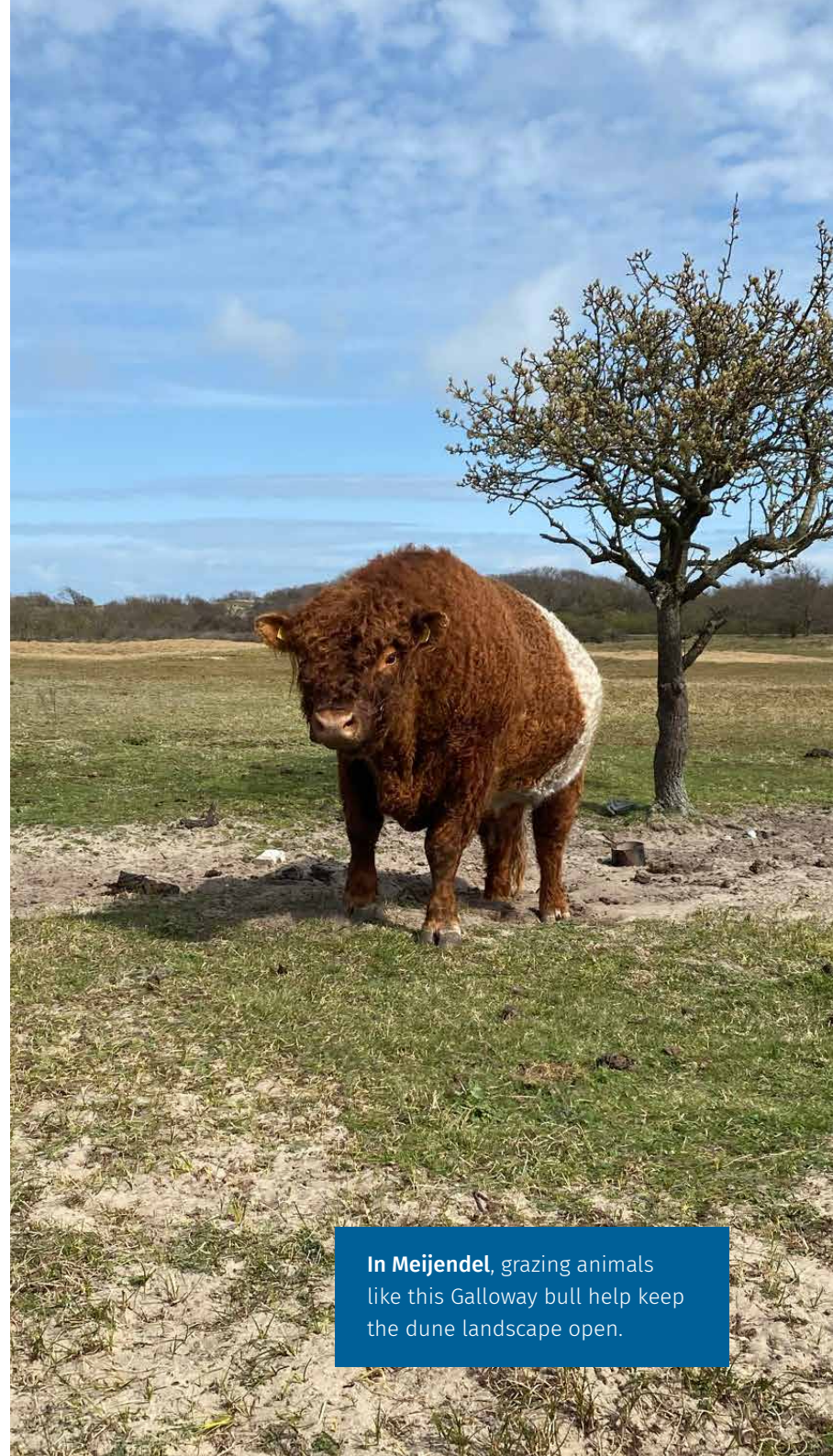
[Additional information](#)

## Outlook 2021

In 2021, our strategic focus will primarily be on making investments to ensure security of supply. We need to have sufficient water of good quality to be able to meet rising demand, now and in the future. This will be supported by the Berkheide programme in the short term and our multi-source programme in the long term. Key themes such as water conservation, increasing congestion in the subsoil and new quality standards, for example in the area of PFAS, require research and innovation.

A crucial prerequisite for being able to make the investments referred to above is our ability to finance them. Until recently, as a drinking water company we had relatively little trouble obtaining financing for our investments. But a few years ago, lenders started to apply stricter requirements with regard to solvency and debt ratios. In die ratio's Profitability and equity capital are determining factors in those ratios. The WACC limit set by the Minister, which limits the profitability of drinking water companies, is making it increasingly difficult to comply with these ratios. (See the Stakeholders and materiality section for more information on this topic.)

Another determining factor for our investments is nitrogen. The projects we want to implement to future-proof our infrastructure are associated with nitrogen emissions. In our plans, we combine the expansion of water extraction with work that benefits nature, and that in the long term will help reduce nitrogen precipitation in Natura 2000 areas. But in practice, it has proven difficult for such work to be given the green light. In 2021, we hope to see better cooperation from permit-issuing bodies.



**In Meijendel**, grazing animals like this Galloway bull help keep the dune landscape open.

[Dunea at a glance](#)

[Foreword](#)

**Management report**

• [Future-proofing Dunea](#)

[Governance](#)

[Financial statements](#)

[Other information](#)

[Additional information](#)

Given the value of our dunes, in 2021 we will be starting our first impact measurement. We hope this will provide insights into the importance attached by different target groups to our dune reserves and ecosystem services. With increasing visitor numbers, we will continue to carefully monitor the balance between recreation, nature and biodiversity, and water extraction.

For our customers, we will be offering new consultancy services and products, such as smart water meters. With the expansion of multi-utility collaborations, we can work more efficiently on more projects in more places with less disruption.

Based on the national drought policy document, we have been tasked by the Ministry of Infrastructure and Water Management to look at the use of drinking water restrictions in the event of future shortages. We also have to look at how our water is being used. Other water could be used for low-value applications (such as data-centre cooling and rinse water), to reduce the pressure on the drinking water supply. We will start investigating these matters in 2021.

As with all our activities, as we implement these ambitions and plans both physical and digital safety will be paramount. Within our organisation we will give special attention to a process-focused approach, ensuring that we collaborate as efficiently and purposefully as possible.



For many city dwellers, **Meijendel** is a popular recreation destination.

Dunea at a glance

Foreword

**Management report**

Governance

Financial statements

Other information

Additional information

# Stakeholders and materiality

In this section we explain who our stakeholders are, how we create value and what subjects are important (material) for them and for Dunea. We performed our first comprehensive materiality analysis back in 2019. We incorporated the outcomes of that analysis into our new strategic plan, and in 2020 we also redesigned our materiality matrix.

## Our stakeholders

Dunea has defined the following stakeholder groups:

- Customers
- Staff
- Shareholders
- Provinces and water boards
- Partners and suppliers
- The central government (supervisory authority)

The table below shows how, how often and with what outcomes we had contact with our stakeholders in 2020.

Stakeholder	Form of dialogue	Effect of dialogue on Dunea
Customers	Surveys, customer panels, customer contact centre, social media, media, tours/visits, invoices, volunteer days, customer contacts during meter readings, meter replacements, faults, repair work	Input to improve customer processes, reputation management/reliability: high scores, volunteers working on dunes and water, responsible water use by customers
Staff	Works Council, BOC cycle, surveys, social media / Intranet / Arda platform, staff magazine, staff meetings, team discussions, informal activities	Open working environment, safety culture, motivated and committed staff, knowledge sharing, personal development, pride and identity, ambassadors in the labour market

Dunea at a glance

Foreword

**Management report**• *Stakeholders and materiality*

Governance

Financial statements

Other information

Additional information

Stakeholder	Form of dialogue	Effect of dialogue on Dunea
Shareholders	Regular and ad hoc coordination meetings, shareholders' meeting, account management, tours/visits, strategic environmental management	Approval of Annual Report, budget and tariffs, cost reduction and less disruption due to smart collaboration, fulfilment of the duty of care for drinking water (e.g. with space claim for pipeline or source), collaboration on nature conservation and recreation, obtaining permits, inclusion of drinking water and nature in land use plans, aquathermal energy planning, municipal sufferance tax and compensation for loss
Provinces & water boards	Regular and ad hoc coordination meetings, account management, tours/visits, strategic environmental management	Cost reduction and less disruption due to smart collaboration, fulfilment of the duty of care for drinking water (e.g. with space claim), obtaining permits, inclusion of drinking water and nature interests in land use plans and area dossiers, provincial environmental regulations, etc.
Partners and suppliers	Coordination meetings at an operational, tactical and strategic level, account management, tours/visits, supplier day (cancelled in 2020 due to the coronavirus; now scheduled for the second quarter of 2021), Blue Networks coalition, IPW (procurement managers consultation meeting)	Critical look at our own performance / work processes, safe work according to the Dunea Code of Conduct, standards and values, multi-utility collaboration (via declarations/letters of intent), increasing the sustainability of the supply chain, supplying the requested products and services, organisational development, procurement maturity
Central government (supervisory authority)	Regular and ad hoc coordination meetings, account management, tours/visits, strategic environmental management, representation via VEWIN, the media, knowledge and information sharing with the NCSC in the context of cyber security	Input into national policy in the areas of drinking water and nature (drinking water policy memorandum, drought policy document, delta approach to water quality, delta programme, N2000, nitrogen, etc.), approval of tariffs, financial opportunities for investment (WACC policy), tap water tax, fulfilment of the duty of care for drinking water (e.g. with space claim), drinking water standard setting, obtaining permits / enforcement of discharge permits, inclusion of drinking water and nature in land use plans

[Dunea at a glance](#)[Foreword](#)[Management report](#)[• Stakeholders and materiality](#)[Governance](#)[Financial statements](#)[Other information](#)[Additional information](#)

## Materiality analysis approach

In 2019, Dunea started developing a materiality analysis in preparation for its new strategic plan. For Dunea, involving stakeholders, listening to them and incorporating their perspectives is essential: we want to set relevant sustainable goals and hear our stakeholders' views on the subjects and fields in which Dunea has had - or could have - a genuine impact (whether positive or negative).

Based on desk research, a longlist of subjects was compiled. Based on five internal interviews with the management team, the Supervisory Board and a number of managers, this list was translated into twenty priorities. These priorities were then presented to all staff and 149 external stakeholders through the medium of a survey. To further analyse the outcomes of the survey, we conducted six interviews with external stakeholders.

The areas of tension that emerged from these interviews were discussed personally with customers - our primary stakeholders - in January 2020. In three customer panels, each lasting for two hours, the participants were divided into small groups. The participants were given the list of twenty subjects and asked to indicate the three that were the most important to them, the ones to which they feel Dunea should devote the most attention over the next few years, and the subjects they felt were less important.

## Results

This comprehensive analysis produced a list of twenty material subjects that are relevant to our stakeholders. We used these subjects to help us draft our new strategic plan.

The outcomes were translated into a materiality matrix (see page 25). The vertical axis shows the subjects that our stakeholders think are the most relevant for Dunea. The higher they appear in the matrix, the more important they are. The horizontal axis shows the subjects that our internal stakeholders believe have the greatest impact for Dunea. If a subject appears on the far right of the matrix, it means this subject was considered extremely important. The most material subjects appear in the top-right quadrant:

1. Investing in safeguarding drinking water quality.
2. Investing in the security of 24/7 drinking water supply.
3. Encouraging responsible water use by customers.
4. Playing an active role in environmental management on subjects such as underground infrastructure congestion and water quality.
5. Reducing Dunea's direct and indirect CO<sub>2</sub> emissions.
6. Making Dunea's overall operations circular.
7. Managing and protecting nature reserves.
8. Ensuring the sustainable employability of our staff.

These material subjects also serve as a guide for our reporting. We decided to add the material subject of 'biodiversity' to this list. Although it does not appear in the high/high quadrant, biodiversity emerged as a positive impact in our value creation model. Moreover, it is an important part of the 'Valuable dunes' strategic goal. Biodiversity can be linked via the dunes to 'security of supply' and 'quality', which appear in the top right corner of the matrix.

In addition to these material subjects, we also shed light on other subjects in our Annual Report. This may be because we have a legal obligation to do so, or because it relates to something we're proud of and want to share with our stakeholders through this report. In these cases we relate the topic back to the subjects that are most material in the matrix.

# Materiality matrix

Dunea at a glance

Foreword

**Management report**

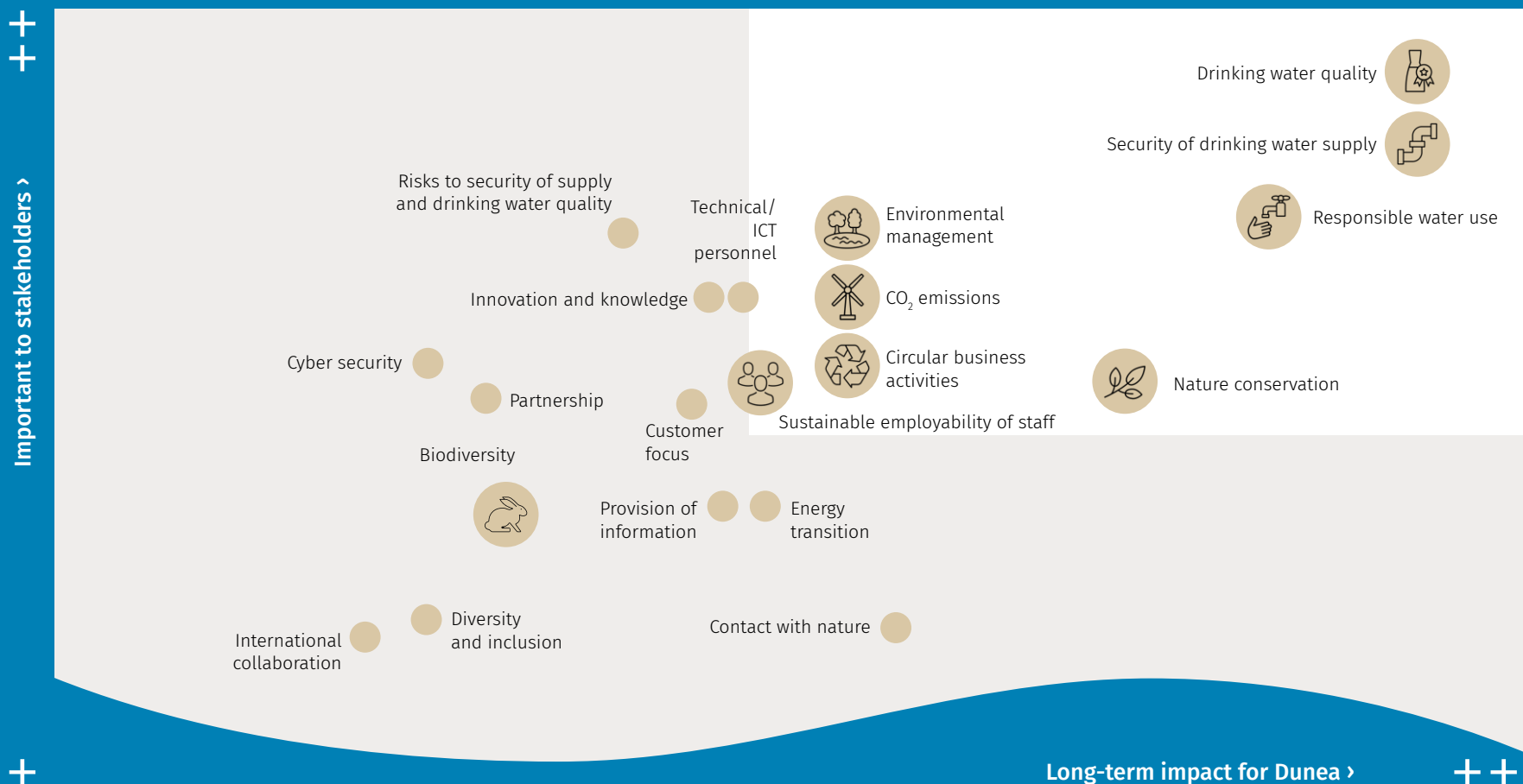
• Stakeholders and materiality

Governance

Financial statements

Other information

Additional information



# Definitions of material subjects

Dunea at a glance

Foreword

**Management report**

• *Stakeholders and materiality*

Governance

Financial statements

Other information

Additional information



## Investing in safeguarding drinking water quality

The growing number of pollutants requires additional investments in our treatment systems if we are to continue providing drinking water quality as mandated by the Drinking Water Act and the Drinking Water Decree.



## Investing in the security of 24/7 drinking water supply

To ensure that drinking water will continue to flow on demand in the future, we respond to changes by investing in our infrastructure from source to tap.



## Encouraging responsible water use by customers

Drinking water is a scarce resource. We inspire our stakeholders in various ways to be conscious of how they use it.



## Playing an active role in environmental management on subjects such as underground infrastructure congestion and water

To ensure that our customers can continue to depend on good, natural drinking water, peace and space in the Randstad, Dunea ensures better connections with our environment in a structured way.



## Reducing Dunea's direct and indirect CO<sub>2</sub> emissions

By 2025, Dunea will be climate neutral as a company: in other words, the process of producing drinking water and managing the dunes will not contribute to climate change.



## Making Dunea's overall operations circular

Dunea is aiming for circularity of all the materials we use.



## Managing and protecting nature reserves

Dunea manages and protects the valuable dune reserves of Solleveld, Meijendel and Berkheide so they can continue to be available for water extraction, biodiversity, peaceful enjoyment and space/recreation in the crowded Randstad.



## Sustainable employability of staff

Dunea is an attractive employer and has a working environment in which attention is given to individual career paths, producing energetic and adaptable employees.



## Biodiversity

By 2025, Dunea will have a net positive impact on the variety of life forms within the ecosystem of our valuable dune reserves.

[Dunea at a glance](#)[Foreword](#)[Management report](#)[• Stakeholders and materiality](#)[Governance](#)[Financial statements](#)[Other information](#)[Additional information](#)

## Dilemmas during the reporting year

The interests of our stakeholders are not always aligned. When making decisions and carrying out our activities we are sometimes faced with dilemmas. During the reporting year, these were the most significant ones:

- Climate change, rising pollution and population growth increase the pressure on nature and biodiversity. During the reporting year, the number of recreational visitors was higher than usual due to the coronavirus pandemic. Over time, this could have negative consequences for water quality. We have therefore made agreements with the stakeholders in and around these dune reserves. This includes formalising the status of the dune reserves and establishing them as a national park. The dune reserves could also play a crucial role in addressing nitrogen issues in the region. For the municipalities involved, this could provide opportunities for residential construction or other projects.
- Dunea wants to make significant investments, for which it needs loans. When assessing loan applications, lenders look at solvency and the debt ratio (the net debt position in relation to operating cash flow) over the short and long term. Dunea's profitability is a key factor in these ratios. If Dunea is to make the necessary investments, it is therefore important to increase profitability. However, the possibilities for it to do so are limited. This is partly because the maximum profitability of drinking water companies is restricted by the WACC limit. This limit is partly determined by the long-term interest on loan capital. Because interest rates are currently low, it is expected that the WACC limit will fall. This will reduce Dunea's profitability and make it more difficult to maintain the ratios at an acceptable level. This puts pressure on our long-term financial position, forcing us to look further ahead and make optimal use of the possibilities within the WACC limit to ensure we can continue to finance future investments,

such as implementing timely tariff increases. We must continue to involve our various stakeholders (customers and shareholders) and consider their interests as we make these decisions. Drinking water is a basic necessity of life and we want to keep the price as low as possible, but it is also our responsibility to take timely measures to ensure continuity. Maintaining low tariffs that hinder the necessary investments would be inconsistent with this responsibility.

- To meet the rising demand for drinking water, we must increase our production capacity. Berkheide is the only water extraction area where we still have unused permit capacity to expand surface infiltration. For many years, we have been planning to make the Mientkant, the edge of the dunes between the Zanderij and the Panbos, suitable for water extraction. Those plans have so far not been implemented, because the barracks of the former Valkenburg Naval Air Base occupy the land in question. Dunea has looked for possibilities to expand water extraction while retaining all of the barracks buildings, but this has turned out to be impossible. Due to the rising demand for drinking water, the expansion of water extraction is so urgent that we applied for a permit to demolish fourteen of the eighteen barracks buildings on the west side of the Wassenaarseweg. In 2020, we signed a partnership agreement with the Katwijk municipal council, agreeing to integrated development of the area, including nature, recreation and water extraction while simultaneously allowing the military heritage site to be preserved and enhanced. The further development of plans for this area will be discussed with a wide range of interested parties.

## Results 2020

Dunea at a glance

Foreword

**Management report**

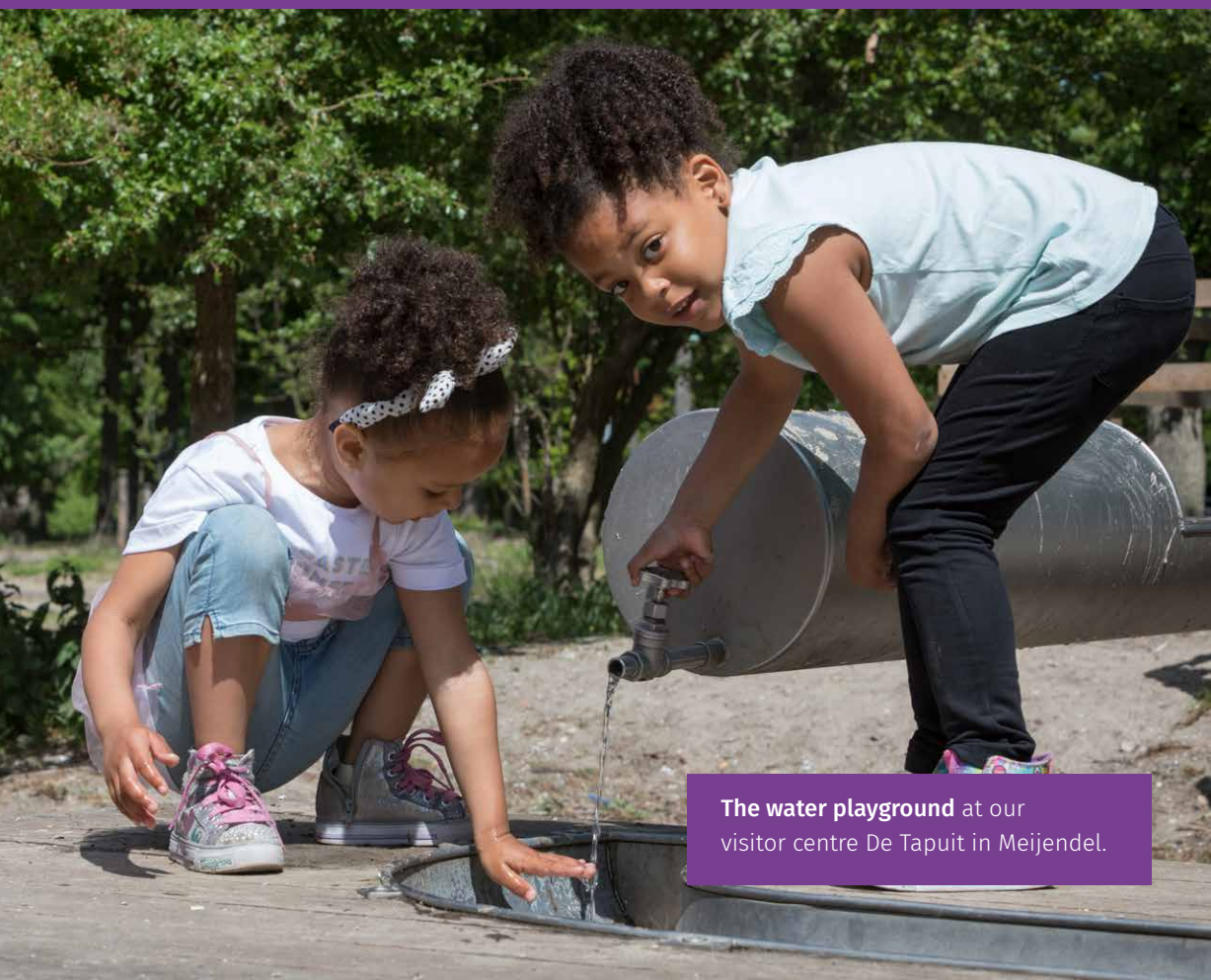
Governance

Financial statements

Other information

Additional information

In this section we explain the results that we achieved in the reporting year, using the list of material subjects that we defined in 2020, along with other relevant results.



The water playground at our visitor centre De Tapuit in Meijendel.



### Investing in safeguarding drinking water quality

Our customers can rely on safe and delicious drinking water. In 2020, we took further steps to safeguard this quality.

#### Continuous water quality monitoring

Dunea continuously monitors and reports on water quality. Measurements are taken at every phase of the production process, from source to tap, of all legally-mandated substances listed in standards. The results are published on [our website](#). In 2020, no abnormalities in water quality were detected.

#### Taking action to track down and replace lead pipes

During the reporting year, Dunea participated in actions by The Hague City Council to make homeowners aware of lead pipes, which can have a negative impact on the quality of tap water. We developed a step-by-step plan in picture form, which the council sent out to homeowners with a letter. We believe it's important to draw our customers' attention to this issue. In 2020, HWL, Dunea, PWN and Waternet launched a lead-in-water test designed for the owners of pre-1960 houses and other buildings. This test can be ordered online and can be completed without digging any holes or knocking down walls. It complies with common measurement standards and provides a quick and clear answer on whether lead pipes are still present.

[Dunea at a glance](#)[Foreword](#)[Management report](#)[• Results 2020](#)[Governance](#)[Financial statements](#)[Other information](#)[Additional information](#)

## Microplastics study

During the reporting year, Dunea and Waternet commissioned a study into microplastics in water sources and in customers' homes. The study revealed that these tiny plastic particles, which vary from 1 micrometre to 5 millimetres in size, are almost entirely absent from tap water due to the multiple treatment steps. At an average consumption of 119 litres of water per day, approximately 2 pieces of microplastics measuring one-twentieth of a millimetre would be found in tap water. This shows that our drinking water treatment system is effective against microplastics, but the study also showed that a comprehensive prevention approach at our water sources remains important. Dunea and Waternet plan to use this study to help develop a standard measurement methodology, which does not currently exist.

## Pilot involving six hospitals

In 2020, we participated in a pilot programme in which patients from six Dutch hospitals who had had a CT scan took urine pouches home with them for the first 24 hours after their procedure. These pouches prevent the radiographic contrast medium from ending up in surface water via urination. An earlier sociological study at Deventer Hospital had shown that 86% of patients were prepared to use a urine pouch to reduce the burden on the environment. This follow-up study investigated whether the solution was practical at six hospitals, with the hope that all Dutch hospitals could soon start giving out the urine pouches to their patients. Pharmacists, water boards, drinking water companies and the Ministries of Infrastructure and Water Management and Health, Welfare and Sport all participated in the follow-up study. The results will be published in 2021.

## Collective horticulture drainage in the Bommelerwaard

Dunea participated in preparation for and installation of a new collective horticulture drainage system for industrial waste water in the Bommelerwaard. The goal of this collaboration with the Zaltbommel municipal council, Rivierenland Water Board and local growers was to separately treat water containing pesticide and fertiliser residues from the entire Bommelerwaard district. Joint collection, a separate disposal pipeline and separate treatment of waste water is unique in the Netherlands. The project was implemented in early 2021. As a result, the waste water from more than 250 hectares of greenhouse horticulture is now being drained. The water is transported to a special filtration facility, constructed by the Rivierenland Water Board at the existing wastewater treatment plant in Zaltbommel. The treated water is then discharged into the Waal River. The Afgedamde Maas, from which Dunea extracts water for drinking water production, is no longer burdened with this waste water. The municipal council and the water board constructed and provided financing for this project. The project was also partly financed by the Province of Gelderland, Dunea and the European Union, which provided a grant of €1.7 million. The project is making a significant contribution to improving the quality of our river water and thus the safety of our drinking water.

[Dunea at a glance](#)[Foreword](#)[Management report](#)[• Results 2020](#)[Governance](#)[Financial statements](#)[Other information](#)[Additional information](#)

## GOBAM advanced treatment technology

In 2013, Dunea made the decision to invest in an additional treatment step in its water production. To remove organic micropollutants such as drug residues, pesticides and substances from industrial discharges from the water, we started using GOBAM, an advanced oxidation process which involves using ozone and UV reactors. In 2020, we evaluated this additional treatment step, which had seen continuous stable operation since 2018. Measurements showed that more than 80% of primary organic micropollutants were being filtered out of the water. They also showed that the GOBAM process had no negative consequences for the dunes. Public demand for removing these types of pollutants from the water is becoming increasingly pronounced. In 2021, we will decide whether we will further invest in this treatment technology. This decision depends on the results of pilots in our multi-source programme.

## Extra monitoring due to granulite dumping

Following a report by the Zembla programme 'Over de Maas' (On the Meuse) about the dumping of granulite in a natural pond near Alphen, we started monitoring for acrylamide. This compound could have been produced as a consequence of the dumping of granulite. No noteworthy results were found.

## Study: the coronavirus cannot survive in water

Several different scientific studies, including one by KWR, have shown that the coronavirus cannot survive in water. Nor does the virus have any effect on water quality. Dunea filters water through the dunes to produce drinking water. This passage through the dunes, combined with slow sand filters, removes all viruses.

## Public drinking water taps remained open during the pandemic

At the end of 2020, Dunea had 205 public drinking water taps under its management, spread across our entire supply area. To prevent freezing, the taps are turned off in the winter months, and turned back on in spring. During the first wave of the coronavirus pandemic we made a deliberate decision to reopen the public taps. Given their construction and the use of push buttons, the likelihood of infection via the tap was minimal. During the lockdowns we considered it important to provide clean water in public spaces – not only for drinking, but for handwashing. In coordination with the Human Environment and Transport Inspectorate (ILT), we also used the public drinking water taps to take samples for our quality control. This is normally done at customers' homes, but that couldn't happen during the lockdowns.

Dunea at a glance

Foreword

**Management report**

• Results 2020

Governance

Financial statements

Other information

Additional information

## Inspections during the coronavirus pandemic

Dunea conducts inspections at the premises of businesses and institutions to check the water quality: legionella checks in priority institutions and checks of businesses' drinking water facilities. These inspections were made more difficult by the coronavirus measures, and in some cases were impossible. In consultation with the ILT and drinking water companies the inspection figures were closely monitored. Where possible, the checks were conducted with additional safety requirements in place.

## Flushing advice for abandoned buildings

Due to the coronavirus measures, the water in many schools, businesses, sports clubs and other buildings stood still for a long time. When the measures were relaxed we advised customers to flush out all of their pipes on their return, to prevent legionella infections.

## Innovation: schmutz cleaner

In 2020, we put the finishing touches on a robot we had developed in house to clean the slow sand filters in our treatment process. We'd been working on this 'schmutz cleaner' for a number of years. In 2021, we will subject the prototype we've developed to practical testing. The schmutz cleaner is designed to clean the sand filters faster and more hygienically, with less risk to water quality.



The collective horticulture drainage system for industrial waste water in the Bommelerwaard is contributing to a cleaner source of drinking water.

Dunea at a glance  
Foreword

**Management report**

• Results 2020

Governance

Financial statements

Other information

Additional information



## Investing in the security of 24/7 drinking water supply

To ensure we can continue to secure a 24/7 supply for our customers, we are making our system more robust and expanding our production capacity. We're also continuing to invest in expanding and maintaining our pipeline network and production locations.

### Berkheide programme underway

Dunea has three protected water extraction areas: Solleveld, Meijendel and Berkheide. Only the Berkheide dune reserve offers sufficient scope within the provincial permit to extract more water. In the Berkheide programme, we are optimising our existing extraction, which should ensure that from 2021 onwards, more water can be extracted. The initial projects were started in November 2020 and will be continued in 2021.

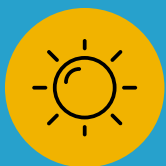
Alongside the optimisation of water extraction, we are focusing on nature restoration. For example, we're creating a new infiltration pond with nature-friendly banks. This will provide higher-quality habitats for rare plant and animal species, such as the natterjack toad and the sand lizard. The new extraction capacity is compatible with the desired nature development in Berkheide, as has been established in consultation with the National Forest Service and the Dune Preservation Society.

We are also renovating and replacing a number of components of the water network, since extraction capacity has decreased in recent years.

**River water** from the Afgedamde Maas and the Lek is pre-treated in Bergambacht before being pumped to the dune reserves.

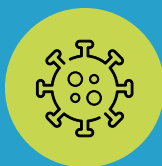
# More water out of the tap for our customers

Our m<sup>3</sup> turnover in 2020 was higher than in 2019.  
The two main causes were:



## Warmer, drier weather

Based on experiences and a study that we conducted internally within Dunea during the reporting year, it appears that higher temperatures coincided with higher water sales. This positive correlation arises as soon as the temperature reaches 12 degrees Celsius. A temperature that is 1 degree higher increases the daily volume of water sold by an average of 1,250 m<sup>3</sup>. So if the temperature one day is 20 degrees Celsius, on average an additional 10,000 m<sup>3</sup> of water will be sold on that day. Data from the Royal Netherlands Meteorological Institute (KNMI) shows that the average temperature in 2020 was higher than in 2019, as well as being higher than average.



## Impact of the coronavirus measures

A rise in daily water sales is evident from the start of the coronavirus measures in mid-March. The study referred to above showed that this was not caused by any known variables, such as temperature and humidity. The higher sales volumes were particularly noticeable in the period up to the end of May, and persisted for the rest of the year. Previous years saw a dip in water sales over the summer period. No such dip was observed in the summer of 2020, probably because more people stayed at home in the supply area, or due to an influx of tourists from other parts of the Netherlands (from non-Dunea supply areas).

## Steps taken in multi-source programme

In 2020, we launched our multi-source programme, which comprises a range of projects designed to reduce our dependency on the Meuse:

- **Optimising the Meuse and Lek blending plant**

In addition to our intake point on the Afgedamde Maas, we have an intake point on the Lek at Bergambacht. This point is used when circumstances temporarily prevent us from taking water from the Meuse, or force us to reduce our intake. By upgrading our intake point on the Lek to a fully fledged intake point, we can use water from both rivers for drinking water production on an ongoing basis. Preparations for this work began in 2020.

- **Expanding bridging capacity**

To enable us to endure longer periods in which we cannot extract any river water, such as periods of drought or when pollution is detected, we are going to expand the deep reserve of fresh groundwater under the dunes. Preliminary research into the locations where this would be possible began in 2020.

- **Brackish groundwater pilot**

In Scheveningen, we started a trial in which we pumped up brackish groundwater and processed it using advanced desalination techniques. By extracting brackish water from great depths, we will create space for a larger reserve of fresh water. This will therefore expand the freshwater reservoir under the dunes. This pilot was made possible with the help of LIFE, a European grant programme focusing on environmental and climate projects. We will be putting the new extraction well into operation in 2021.

[Dunea at a glance](#)

[Foreword](#)

**Management report**

• [Results 2020](#)

[Governance](#)

[Financial statements](#)

[Other information](#)

[Additional information](#)

### • Lake Valkenburg pilot

Over the past few years, we have conducted a source study to find additional sources in the region, to reduce our dependence on sources located a significant distance from our production locations. In 2020, this study produced the conclusion that Lake Valkenburg is the most suitable new source. It is also located along one of our existing river water transport pipelines. Our permit application to construct a trial site is in its final stages, and we expect to be able to build the trial site and put it into operation in 2021.

### Improvements to existing production locations

Work at our Scheveningen, Katwijk and Bergambach production locations, which aims to guarantee the security of drinking water supply in the short and long term, progressed as much as it could during coronavirus-affected 2020.

### No disconnections during the pandemic

Due to the additional importance of drinking water for health and hygiene, during the coronavirus pandemic we did not disconnect the drinking water supply to any households due to non-payment of bills. Households whose water had already been disconnected were able to notify us by telephone and get the water reconnected. The payment obligations were not wiped out, only suspended.



## Overall customer satisfaction\*

Customer satisfaction is measured through a continuous customer satisfaction survey. In 2020, overall customer satisfaction was 8.0 (2019: 7.3).

## National Debt Agreement signed

Where possible, we try to help customers who are behind on their payments to improve their situation. That might mean a payment arrangement or a referral to a debt assistance agency. To identify and help resolve customer debts in a timely manner, drinking water companies, energy suppliers, housing corporations and health insurers signed a national agreement with municipal authorities and debt assistance agencies. At a local level, we already had similar agreements in place in The Hague, Zoetermeer, Katwijk and Pijnacker-Nootdorp. The national agreement makes it easier to identify people with debts more quickly in all municipalities in our supply area.



## Meter readings portal for corporate customers

Some of our corporate customers, such as housing corporations and municipal authorities, have a large number of connections. To make it easier for these customers to manage their water activities, we developed a portal in which they can easily view the meter readings of all their connections before they receive their annual statement.

\* In 2019, the score was measured on the basis of both an annual survey sent out to selected customers and a survey completed by customers on the Dunea website. In 2020, the score was a reflection of the annual survey only.

Dunea at a glance  
Foreword

**Management report**

• Results 2020

Governance

Financial statements

Other information

Additional information



## Encouraging responsible water use by customers

In light of the increasing pressure on the drinking water supply in general, it is of social importance that businesses and consumers use drinking water responsibly. We are working to increase awareness around drinking water, which includes giving practical tips to prevent wastage and encouraging the collection, retention and re-use of water.

We encourage our customers to use drinking water responsibly.

### Smart water meter trial

Through the smart use of data in combination with innovations in our asset management, we can make customers more aware of their water consumption. In early 2020, we started a trial that involved installing smart water meters for a number of corporate customers with annual consumption of over 10,000 m<sup>3</sup>. The smart meter is a box that clips onto an existing water meter and transmits water consumption data to Dunea every five minutes. This data gives customers a better understanding of their consumption, which provides them with targeted opportunities to improve their business processes. Furthermore, in time it will be possible for us to invoice customers for their actual monthly consumption. The benefit for Dunea is that we receive early warning of any abnormalities such as leaks, pressure loss and peak loads, enabling us to remedy the problem. In 2021, a further 75 major consumers will have smart water meters installed; a plan will also be developed to test the use of smart meters with a number of residential customers.

### Drought-ready campaign

We've been communicating our message about responsible water consumption since April 2020. Through a range of channels, we've informed customers and other stakeholders about how we deal with drought during hot weather and what they can do to help. It's not only about encouraging lower water use, it's also about providing an action framework to prevent peak load. One example is our tip to water plants less often and preferably before 7 am or after 10 pm, so that less water is lost through evaporation. To measure the effect of the social media campaign, we pushed our message extra hard in the metered parts of our pipeline network (district metered areas) in certain postcode areas, and compared the water consumption with other postcode areas. The effect was still difficult to measure because we could not exclude the influence of other factors. We're looking forward to the results of KWR's follow-up study.

[Dunea at a glance](#)[Foreword](#)[Management report](#)[• Results 2020](#)[Governance](#)[Financial statements](#)[Other information](#)[Additional information](#)

## National Tap Water Day

In 2020, Dunea participated in National Tap Water Day on 23 September. It was the first time that all of the drinking water companies had participated. The goal of Tap Water Day is to make primary school students more aware of the water that comes out of the tap by teaching them where their tap water comes from, how it's made and all the things that happen to it before it comes out of the tap. In our supply area, 659 classes from 86 schools took part. This equates to an estimated 16,500 children.

## Knowledge contribution to new suburbs

Dunea is contributing to sustainable water consumption in the development of Valkenhorst, a new suburb in Katwijk. In addition to providing reliable drinking water from the tap, Dunea also wants to supply heat and cold via a separate heating network. In addition, waste water will be separated in such a way that part of it can be treated locally, and part can become a source for raw materials and energy. In 2020, a declaration of intent was signed by the collaborating partners. This triggered the launch of a feasibility study, which will form the basis for a decision to be made in 2021.

## Climate adaptation encourages sustainable water use

Awareness on the part of municipal authorities, provinces and project developers around climate change and adjustments to spatial planning contributes to the water transition and more sustainable water use. Dunea encourages such awareness and shares knowledge where possible, as can be seen from the two examples given below.

### Urban water buffers

Dunea advised The Hague City Council on the construction of an 'urban water buffer' as part of the redevelopment of Cromvliet Park in The Hague. Instead of ending up in the sewers, the rainwater is collected deep under the ground. In dry periods, it can be pumped up and used for the urban farm and vegetable gardens in Cromvliet Park. This will ensure the park remains green and therefore cooler.

### Climate-resilient Klapwijk

In Pijnacker-Nootdorp, the suburb of Klapwijk is being made climate resilient. Sewers are being replaced and the public space is being redesigned. In the future, the network of streets in Klapwijk will be used to drain rainwater to the canals or to the streams and ponds in the various parks. This means the rainwater can be stored locally and infiltrated into the soil. In dry periods, this water can be used to keep the soil moist. The vision was developed by the municipal council, the Delfland District Water Control Board, Dunea and the residents of Klapwijk.

Dunea at a glance  
Foreword

**Management report**

• Results 2020

Governance

Financial statements

Other information

Additional information



## Reducing Dunea's direct and indirect CO<sub>2</sub> emissions

As part of our ambition to be climate neutral, we are reducing both the direct emissions from our own assets and the emissions that are indirectly related to our business operations.



In 2020, charging stations for electric cars were installed at all Dunea sites.

## Formation of Dunea Warmte & Koude

By using the heat and cold from our pipeline network, we're contributing to the energy transition. This will achieve a reduction in CO<sub>2</sub> emissions, because fossil fuels will no longer be required, or will be required to a lesser extent, for the heating and cooling of suburbs and buildings. In 2020, the Mall of the Netherlands in Leidschendam became the first completed project to incorporate this technology. In 2020, we set up a subsidiary, Dunea Warmte & Koude B.V., to manage our activities in the area of aquathermal energy. Dunea Warmte & Koude B.V.

## CO<sub>2</sub>-free car fleet

Dunea aims to make its car fleet CO<sub>2</sub> free by 2025. In doing so, we will observe the normal replacement periods for our corporate vehicles and replace our fully depreciated cars with electric alternatives. We ordered 40 electric cars in 2020, but due to supply issues resulting from the coronavirus, only 21 cars were able to be delivered. The remaining 19 cars will arrive in 2021. Charging stations have been installed at all our locations. This work was completed in 2020.

## Solar panels project 1.0 completed

In 2020, 900 solar panels were installed on the roofs of our Scheveningen production location, each with a capacity of 325 Wp. These solar panels have a combined expected yield of over 248,625 kWh per year. This increases the proportion of our total power consumption represented by in-house generation from 1,324 MWh in 2019 to 1,661 MWh in 2020. This was 3.5% of Dunea's total consumption (2019: 2.8%). In 2020, we underwent the mandatory four-year energy audit from the Netherlands Enterprise Agency. In accordance with our own energy monitor, we had identified the energy flows, consumption and yield.

[Dunea at a glance](#)[Foreword](#)[Management report](#)[• Results 2020](#)[Governance](#)[Financial statements](#)[Other information](#)[Additional information](#)

This offered us insight into the potential for energy savings, and helped us design studies and projects to achieve these savings. Using the information from this audit, we will start to implement energy-saving measures in 2021, prioritising the measures that will have the greatest impact.

### HVO fuel for emergency generators pilot project

At our production locations, emergency generators kick in if there is a power failure. The generators have to be tested regularly. In 2020, we launched a pilot project using HVO fuel at our Monster location. HVO is a synthetic diesel made from waste and residue streams. In the pilot project, the emission values of traditional fuel are compared with those of the HVO fuel. The pilot project will continue in 2021.



With many people **working from home**, office buildings and other workplaces were practically deserted.

Dunea at a glance  
Foreword

**Management report**

• Results 2020

Governance

Financial statements

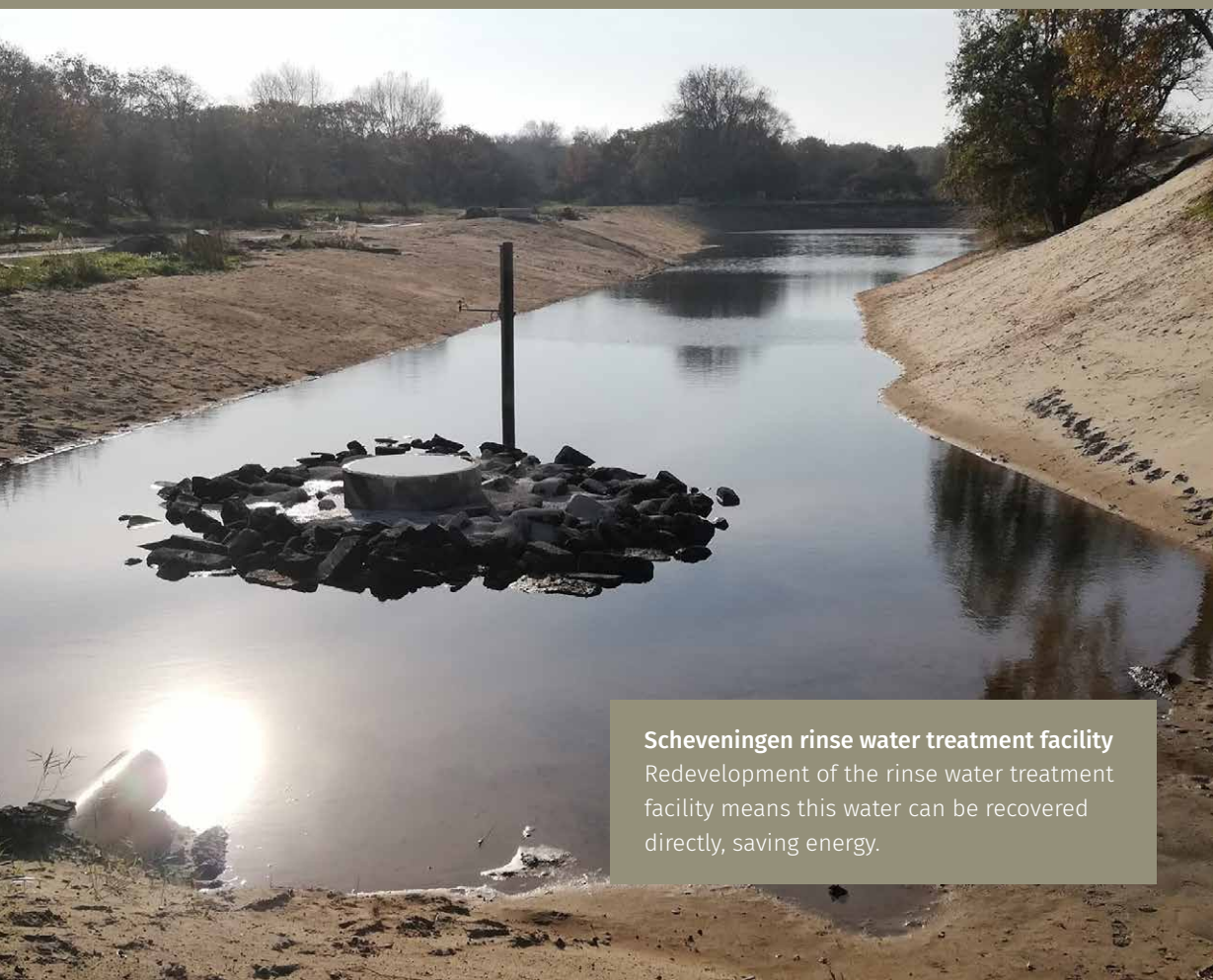
Other information

Additional information



## Making Dunea's overall operations circular

Sustainability is paramount in our business operations. We see it not only as an important building block for the future viability of our organisation, but as a prerequisite to developing high-quality products and services in harmony with nature.



### Scheveningen rinse water treatment facility

Redevelopment of the rinse water treatment facility means this water can be recovered directly, saving energy.

## Greener procurement

In 2020, we started reducing the use of packaging materials in our staff restaurant. Due to the coronavirus measures we had to temporarily reverse these efforts, and much of the food sold is again being presented in plastic packaging.

## New ambitions for Blue Networks

Blue Networks is a coalition in which the Dutch drinking water sector joins forces to increase sustainability. In 2020, the coalition's ambitions were set out in a road map, which was based on contributions from working groups in a diverse range of fields. For example, an initiative was started to collectively purchase sustainably generated energy, and joint efforts were made to seek cleaner alternatives to the chemicals used in the treatment process. The entire drinking water sector now works with raw materials passports, which were developed by Blue Networks. The purpose of the passports is to establish the origin and production methods of all our pipeline materials. This will help us understand precisely what kind of materials we are using and what emissions were produced during the manufacture of our materials. In order for us to make use of these insights, a certain amount of cooperation and commitment is required from our suppliers. In 2020, we reached agreements with all of our suppliers about the use of raw materials passports.

## Sustainable land management

Since 2007, Dunea has been at Gold level in the Environmental Barometer for Sustainable Land Management, for its management of all areas of land. In its land management, Dunea does not use any

[Dunea at a glance](#)[Foreword](#)[Management report](#)

- [Results 2020](#)

[Governance](#)[Financial statements](#)[Other information](#)[Additional information](#)

pesticides or artificial fertilisers, and uses sustainable materials such as FSC-certified wood and paving stones certified by Milieukeur, the Dutch environmental quality label. Also in 2020, we had a visit from the certifying authority Kiwa to audit our purchased materials and our work (including subcontracted work) against Milieukeur requirements. Based on the findings of this audit, the quality label was renewed.

## Residue recycling

To soften drinking water, we use garnet sand from Australia as a seed material. Because the supply of this product results in high emissions, we would prefer to replace this material with a more sustainable alternative. In 2020, Dunea tested Dutch calcite at the Monster production location. The tests were very positive. As a result, we can now start using Dutch calcite in our other softening facilities.

Dutch calcite is a 100% circular seed material that is certified by Kiwa for use in drinking water. Aquaminerals is an ambitious project set up to obtain 'cradle to cradle' certification for Dutch calcite. This will help us save up to 80% on our seed material, which will no longer have to be imported from Australia. Furthermore, the sand-free lime pellets can be used for high-value applications in other economic sectors. A great example is the use of our softening lime as an ingredient in Naïf's circular face scrub.

## Rinse water treatment

As part of the multi-year Scheveningen rinse water treatment project, in 2020 the rinse water treatment process at the Scheveningen production location was significantly redesigned so the rinse water could be re-used. As well as saving water, this resulted in a net increase in production capacity within the limits of our permit, since the water used for the rinsing process is not counted again as extracted water. The remaining work will be completed in 2021 and the facility is expected to be ready by the middle of April 2021.

Dunea at a glance  
Foreword

**Management report**

• Results 2020

Governance

Financial statements

Other information

Additional information



## Playing an active role in environmental management on subjects such as underground infrastructure congestion and water

To safeguard the interests of drinking water for the future, water management must be given a central place in spatial planning.

Water quality is monitored from source to tap.

Dunea works with municipal authorities, provincial authorities and water boards to ensure that the common interest of the future security of drinking water supply in relation to the construction of houses and the associated increase in drinking water demand is always on the agenda. Dunea is also an active member of various consultative bodies and partnerships in which water quality is the central focus, with the Water Framework Directive being used as a guide. Dunea works increasingly closely with grid operators and civil engineering companies to explore integrated approaches to common interests and challenges. In 2020, this work contributed to interests related to drinking water being taken into account in policy documents such as environmental visions, area dossiers and provincial regulations.


### Input into environmental visions, area dossiers and South Holland provincial regulations

- A focus on cooperation in the subsoil and space for drinking water was placed on the agenda in 2020 in visions and policies that were being developed, including updated environmental visions in Leiden, The Hague and Katwijk, a zoning plan with expanded scope for Valkenhorst, a regional vision for Mient-Kooltuin, and the Green Zone Memorandum on Basic Principles for the municipality of Wassenaar.
- Dunea was involved as a stakeholder in developments relating to the energy transition and ensured that 'safeguarding the continuity of the drinking water supply, now and in the future' was on the agenda, including in the regional energy strategies of the Rotterdam-The Hague Metropolitan Area and the municipal partnership body Holland Rijnland, and in the creation of municipal policies and visions regarding heat and energy.

[Dunea at a glance](#)[Foreword](#)[Management report](#)[• Results 2020](#)[Governance](#)[Financial statements](#)[Other information](#)[Additional information](#)

## Multidisciplinary collaboration

- In conjunction with the Katwijk municipal council, the Central Government Real Estate Agency, Bouwfonds Property Development and the Rijnland District Water Control Board, we signed the Valkenburg Declaration of Intent in June 2020. This is in order to provide Valkenhorst, a new neighbourhood to be built in the municipality of Katwijk, with sustainable heat and a separate wastewater collection system. In this concept, water is the main energy carrier.
- In 2020, we invested in collaboration with other network operators at an operational, tactical and strategic level. This led to joint tendering procedures with Stedin and Liander of large combined work orders (multi-utility tendering procedures). This will reduce the level of inconvenience for our customers and the environment, enable work to be completed more efficiently and help alleviate the shortage of technical personnel.
- Since 2020, Dunea has been responsible for management, maintenance, inspection and emergency reserve management of waste water transport pipelines (pressure lines) for the Rijnland District Water Control Board.
- In Leiden, we have been working on a memorandum of understanding since August 2020 with Liander and the municipal council to promote further collaboration in the subsoil. There has also been intensive contact in The Hague between Stedin, the city council and Dunea. It is expected that a memorandum of understanding will eventually be signed with these parties as well. We have also been working together on 'The Hague vision of the subsoil'.



In the infiltration ponds the pre-treated river water soaks into the soil, resulting in natural water treatment.

[Dunea at a glance](#)[Foreword](#)[Management report](#)[• Results 2020](#)[Governance](#)[Financial statements](#)[Other information](#)[Additional information](#)

## Protection of drinking water sources

The Draft Environmental Regulation for the Province of South Holland includes protection zones around important drinking water transport routes. This is the result of joint lobbying with Oasen and Evides and good collaboration with the province. The permit for water extraction from the Lek at Bergambacht has been converted from an emergency permit into an ordinary water extraction permit. In addition, the Rijkswaterstaat has established a protection zone for water extraction at Bergambacht, with a six-hour response time in the event of an emergency. Agreements have been made in area and river dossiers, in the context of the Water Framework Directive, for the improvement of water quality in our sources and water extraction areas. In 2020, all area and river dossiers that are relevant to Dunea were updated and adopted:

- Brakel water extraction
- Bergambacht water extraction
- Meijndel
- Solleveld
- Berkheide
- Rhine Delta
- Meuse.



As well as monitoring the dunes, **Dune wardens** act as Dunea hosts in the dune reserves.

Dunea at a glance  
Foreword

**Management report**

• Results 2020

Governance

Financial statements

Other information

Additional information



## Managing and protecting nature reserves and biodiversity

During the reporting year, the management and protection of our nature reserves was high on the agenda. We made significant strides in this area, as we will briefly explain below.

In our materiality analysis, we classified biodiversity as an important subject. Because our internal control and reporting on this subject were still in development during the reporting year, we are including this subject here as part of 'Managing and protecting nature reserves'. It is our ambition to report more extensively on biodiversity in future years.

### Nationaal Park Hollandse Duinen 'new style' application

On 9 December 2020, Nationaal Park Hollandse Duinen applied to the Ministry of Agriculture, Nature and Food Quality for the official status of a 'new-style national park'. Dunea worked on this initiative with the National Forest Service, the Province of South Holland and 53 other local partners. All partners have ambitions that we cannot achieve on our own: a sustainable, resilient and accessible national park that enhances and increases the value of the area for people, plants and animals. With the official status of a new-style national park, we can embed the unique value of the area in people's minds and hearts so that we can all take proper care of the area.

This was one of the first-ever applications for the new-style national park status. It means that this is not just a nature reserve, but a vast and cohesive landscape: a wide strip of coast from Hoek van Holland to Hillegom. This area starts in the sea and runs to the farthest inland beach ridge, with valuable nature, special landscapes, cultural history, towns and cities. It provides coastal defence, high-quality drinking water, economic activity and crucial biodiversity. Nearly 7,000 different species of plants, birds, mammals, butterflies and dragonflies have been counted here. Because the park is under pressure from developments relating to the climate, the environment and population growth, it's more important than ever for us to join forces. The Ministry will assess the



Due to the coronavirus, in 2020 there was often a queue at the barrier at the entrance to the Meijndel dune reserve.

[Dunea at a glance](#)[Foreword](#)[Management report](#)[• Results 2020](#)[Governance](#)[Financial statements](#)[Other information](#)[Additional information](#)

application in the first quarter of 2021. The parties involved will keep working on the further development of the national park.

## Nitrogen buffer zones

As the nature conservation body with responsibility for the dunes, Dunea continues to deal with high levels of nitrogen precipitation. Over the past few years, we've implemented management measures to address the effects of this precipitation. Ultimately, the solution lies not in 'managing the path' of the problem but in reducing the sources of nitrogen. Dunea has been working hard on its own business operations, for example by electrifying its vehicle fleet. We have also discussed solutions with the Province of South Holland and others, and pushed for the development of nature in a buffer zone around the dunes.

Finally, protecting the dunes is a key motivation behind our commitment to Nationaal Park Hollandse Duinen. The nitrogen issue also affects us in relation to the granting of permits for projects that ensure the security of drinking water supply, such as the renovation and expansion of our water extraction facility in Berkheide. In consultation with the competent authority and relevant parties such as the Dune Preservation Society and the National Forest Service, we are looking for solutions that will improve the quality of the vulnerable flora and fauna in the dunes.

## Fine weather and coronavirus measures caused visitor numbers to skyrocket

The year 2020 made it clear how important and beloved the dune reserves are in the west of the Netherlands. On fine weekends in particular, we had to ensure the influx of recreational visitors was well spread out. This was not only important for public health purposes: we also had to ensure that the quality of the natural environment and the animals' peace and quiet were not overly disturbed. To this end we devised a joint approach and concordant communication in close collaboration with the Wassenaar municipal council.

In 2020, our visitor centre De Tapuit in Meijndel welcomed 63,626 visitors (2019: 143,320). This was fewer than in previous years, because the centre had to close down several times due to coronavirus measures. We will modernise our visitor centre in 2021.

## New day pass system introduced for Solleveld and Kijfhoek/Bierlap

During the reporting year, we introduced a new day pass system for the areas of Solleveld, near Monster, and Kijfhoek and Bierlap in Meijndel. Because these are vulnerable and unique areas, it is important to regulate the number of visitors. Previously, we operated with all-access passes. With the introduction of the new day pass system, the all-access passes have expired. This new system will ensure that more people get to enjoy these special nature reserves, while allowing us to better regulate the maximum number of visitors per day. To preserve the peace of the reserve and protect the flora and fauna, we sell a maximum number of day passes each day. This also allows us to customise numbers based on the needs of the natural environment; in periods when particular flora or fauna are especially vulnerable, we can admit a smaller number of people. The day passes can also be purchased online.

[Dunea at a glance](#)[Foreword](#)**[Management report](#)**

- [Results 2020](#)

[Governance](#)[Financial statements](#)[Other information](#)[Additional information](#)

## Makeover for lookout points in Meijendel

Twelve of the lookout points in Meijendel were given a makeover in 2020, improving the experience for visitors in the parts of the reserve where access was restricted due to water extraction activities. The lookout points contribute to a greater understanding of the relationship between the dunes and water, which in turn increases public support for water extraction from the dunes.

## Biodiversity symposium postponed

Due to the coronavirus measures, we had to cancel our planned symposium on biodiversity, which was intended to celebrate the successful completion of our 5,000-species project.

## Taking action for the cat's foot plant

In Meijendel, a project has been launched to save a special plant: the cat's foot, *Antennaria dioica*. This species is now only present in six locations in the Netherlands, one of which is in Meijendel. The decline was partly caused by the peculiarity that the male and female reproductive parts are on different plants. If one of the genders becomes extinct in a location, the species will eventually die out there. In Meijendel, only male cat's foot plants are present. To save these plants from extinction, it was decided to cross our male plants with female plants from other sites in the Netherlands. The seeds from this cross-pollination were sown in the vicinity of our male plants in April.



Dunea at a glance  
Foreword

**Management report**

• Results 2020

Governance

Financial statements

Other information

Additional information

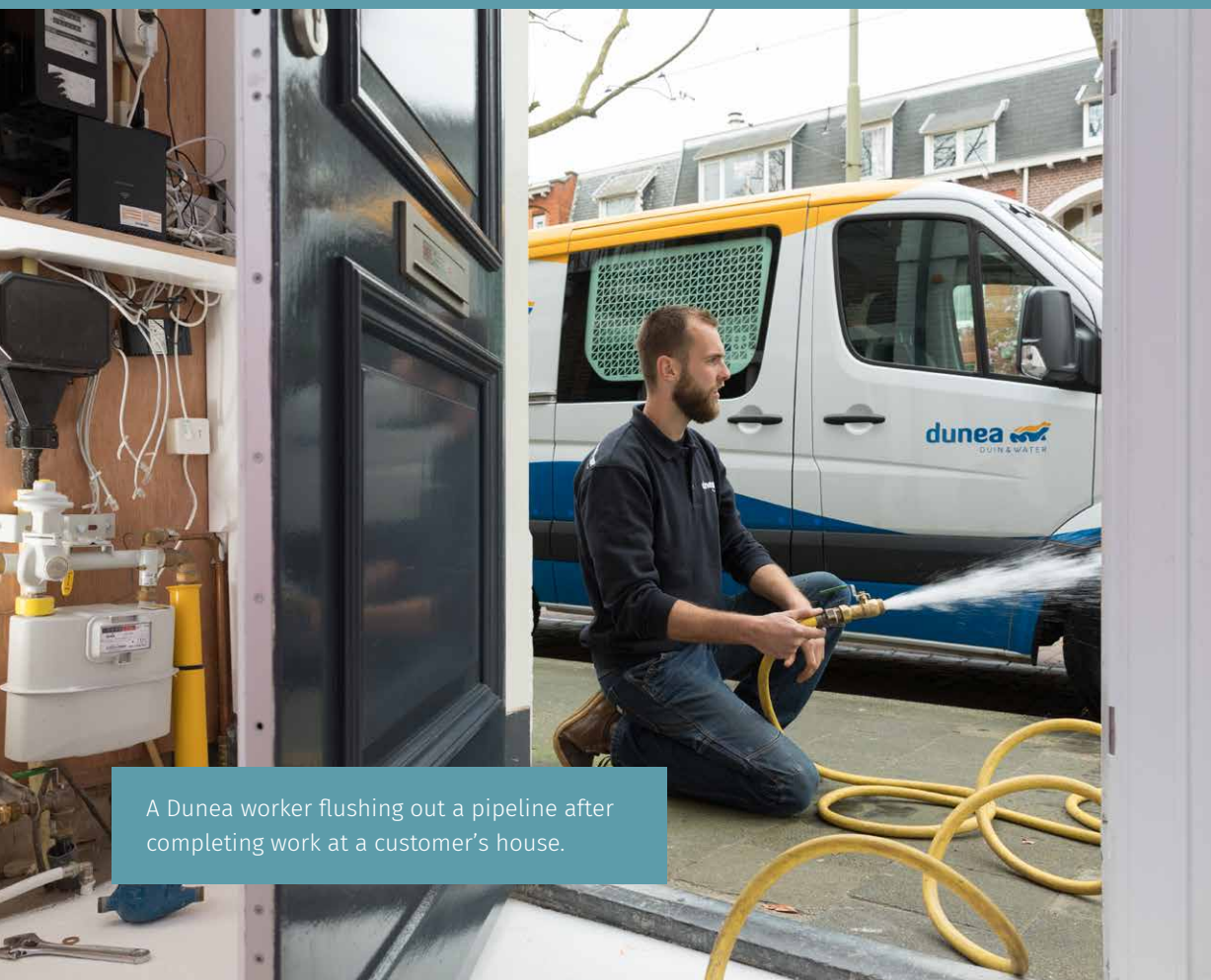


## Sustainable employability of staff

Dunea is committed to the sustainable employability of its staff, with a particular focus on recruitment and progression, training, and development in a stimulating and safe environment.

In 2020 in particular, the sustainable employability of our staff was extremely important: working from home asked a great deal of our employees, and for those who continued to work 'outside', safety was more important than ever.

In the **Staff and organisation** section, we explain in more detail what we did in this area in 2020 and what we are planning to do in 2021.



A Dunea worker flushing out a pipeline after completing work at a customer's house.



*“The Meuse is vitally important  
as a source of drinking water”*

In 2020, we once again had a dry summer. Our drinking water production was not compromised, but the drought did have consequences for the Meuse. This river is vitally important: it supplies drinking water to seven million people in the Netherlands and Belgium. The Dutch and Flemish drinking water companies that extract water from the Meuse for drinking water production are affiliated with RIWA Meuse (the Association of River Water Companies - Meuse Section).

“Although water quality has improved over the past few decades, as a source of drinking water the Meuse is under pressure from changes in the climate. In dry periods, the river is especially vulnerable to pollutants. Less water is flowing in the river at these times, which means that pollutant concentrations are higher and substances are not being properly washed away. The concern that we will have to deal with droughts more often in the future, and that the droughts will last longer and be more severe, has been confirmed by the KNMI’s climate forecasts. We will have to adjust to this new reality.

Accordingly, we have launched a study into the consequences of climate change on water discharge from the Meuse. Rijkswaterstaat and drinking water companies such as Dunea are also involved in this study. The results will provide us with valuable guidance on safeguarding the quality of the Meuse, now and in the future.”



**Maarten van der Ploeg**  
Director RIWA-Meuse

Dunea at a glance

Foreword

**Management report**

Governance

Financial statements

Other information

Additional information

# Financial results

In 2020, Dunea achieved a result of €7.0 million, which represents a decrease of €1.5 million compared to 2019. In this section, we explain our financial results in more detail.

## 2020 result

The 2020 result after tax was €7.0 million (2019: €8.5 million). The decrease of €1.5 million compared to 2019 was mainly caused by an increase of €4.7 million in operating costs (see the explanation below). This increase was largely compensated for by an increase in water income (€2.6 million).

(amounts x €1,000)	2020	2019	in EUR	%
Total operating income	147,432	144,396	3,036	2
Total operating expenses	135,496	130,829	4,667	4
Financial result	-4,938	-5,071	133	-3
Result after tax	6,998	8,496	-1,498	-18

## Operating income

93.6% of the operating income consisted of water income (2019: 93.8%), which rose by €3.0 million relative to 2019.

## Water income

(amounts x €1,000)	2020	2019	in EUR	%
Water sales in own supply area	75,778	71,861	3,917	5.5
Standing charge	43,923	44,232	-309	-0.7
Municipal sufferance tax contributions	12,632	13,063	-431	-3.3
Other water companies (bulk sales)	4,754	4,831	-77	-1.6
Other water income	959	1,504	-545	-36.2
<b>Total water income</b>	<b>138,046</b>	<b>135,491</b>	<b>2,555</b>	<b>1.9</b>

Due to higher sales volumes in m<sup>3</sup> (+ €3.0 million) and the effect of settlements against previous consumption years (+ €0.9 million), the income from water sales rose by €3.9 million.

The income from the standing charge fell by €0.3 million. In 2020, the effect of settlements against previous consumption years was nil (2019: €0.5 million income). This resulted in a drop in income of €0.5 million. By contrast, the income rose by €0.2 million, because in 2020 more consumption addresses paid the standing charge than in 2019.

Other forms of water income fell by €0.5 million. This was primarily due to lower income from doorstep debt collection, which happened less frequently due to the coronavirus measures.

Dunea at a glance

Foreword

**Management report**

• *Financial results*

Governance

Financial statements

Other information

Additional information

### 2020 drinking water tariff

The tariff structure was unchanged in 2020. Customers pay a standing charge for drinking water supply, the amount of which is based on the supply capacity of the customer's consumption address. Customers also pay a fixed tariff per m<sup>3</sup> for drinking water consumption. Dunea applies the 'cost recovery' principle to all tariffs, with the drinking water tariff and the standing charge tariff being structured according to the 'cost-plus method': cost price + a margin to cover capital costs. The tariffs are set each year during the budget process. For Dunea, the amount of the margin is decisive in terms of how the financial ratios will develop over time.

For the standing charge, the margin for 2020 was set at 13.7% (2019: 10.0%) and for the drinking water tariff it was set at 5.0% (2019: 7.0%). For the other tariffs in the tariff schedule the structure was in line with 2019, with a margin of 10% (2019: 10%). The margin on the standing charge is higher because Dunea aims to base 40% of its drinking water income on fixed income (standing charge: supply capacity tariff) and 60% on variable income (drinking water: m<sup>3</sup> tariff). This means the fixed and variable forms of income are more in line with the costs they have to cover. Dunea is a capital-intensive company with a high level of fixed costs for maintaining its production and distribution infrastructure. Each year, a multi-year investment plan is drawn up, which includes investments for infrastructure to ensure we can continue to maintain the quality and security of supply of our drinking water. These investments require a long-term, healthy income structure.

In 2020 the lowest standing charge, which applied to more than 95% of our customers, was €59.47, which was unchanged from 2019. The same was true of the variable tariff, which stayed the same at €0.98.

Drinking water tariffs must be set in a transparent manner; they must be non-discriminatory, and must cover the relevant costs for drinking water



**Twelve lookout points in Meijndel** were given a makeover to improve visitors' experiences of the reserve.

Dunea at a glance

Foreword

**Management report**• *Financial results*

Governance

Financial statements

Other information

Additional information

functions as described in the statutory frameworks in the Drinking Water Act, the Drinking Water Decree and the Drinking Water Regulations. With regard to the setting of the drinking water tariffs for 2020, based on an advisory report by the Authority for Consumers and Markets (ACM), the Human Environment and Transport Inspectorate (ILT) concluded that the tariffs had been set in compliance with the legal framework.

More information about the tariff schedule can be found on our [website](#).

### Operating costs

(amounts x €1,000)	2020	2019	in EUR	%
Raw materials and consumables costs	3,941	3,158	783	24.8
Water purchases	2,997	2,008	989	49.3
Energy costs	4,395	3,952	443	11.2
Costs for subcontracted work and other external costs	11,646	9,590	2,056	21.4
Sufferance tax on underground pipes, levied by municipalities	12,181	12,304	-123	-1.0
Wages and salaries	29,040	27,371	1,669	6.0
Social security contributions	7,838	7,698	140	1.8
Depreciation of non-current assets	30,806	31,035	-229	-0.7
Reversal of impairment losses and divestment of tangible and intangible non-current assets	46	-296	342	-115.5
Other operating expenses	32,606	34,009	-1,403	-4.1
<b>Total operating expenses</b>	<b>135,496</b>	<b>130,829</b>	<b>4,667</b>	<b>3.6</b>

Operating costs rose by €4.7 million relative to 2019. Due to the dry conditions and higher water sales in 2020, the costs of water purchases rose by €1.0 million. A €0.8 million rise in the cost of raw materials and consumables and a €0.4 million rise in energy costs contributed to the increase in operating costs, which also included €0.9 million in higher costs resulting from additional removal of PFAS from sewage sludge. The costs for subcontracted work also rose by €2.1 million. This includes an addition to the provision for the Scheveningen Sand Depot (€0.9 million), intended for remediation of contaminated soil in and around the flush ponds. The additional increase in costs for subcontracted work is associated with extra maintenance costs for our natural spaces, the GOBAM treatment plant and other facilities (€0.9 million). In addition, staff costs rose by €1.7 million as a result of an increase in the number of FTEs.

The increase in FTEs is associated with lower costs for hiring external contractors (part of Other operating costs) to temporarily fill in permanent positions of €1.1 million. In 2020, an average of 96.2% of permanent positions were internal staff, compared with 93.5% in 2019. The costs for hiring experts (part of Other operating costs) rose by €0.7 million due to additional experts being called upon to help with a data platform and Office 365, among other things. The Other operating costs fell due to a drop in activities associated with international projects, as a result of the pandemic (€0.7 million), and Accounts receivable depreciation costs were also lower, as the result of a clean-up in 2019 (€0.5 million).

### Investments

In 2020, we invested €45.6 million in tangible non-current assets, which was €6.6 million more than in 2019. We also capitalised €42.4 million for projects that were completed in 2020. At the end of 2020 the Work in progress item was €36.3 million, an increase of €3.0 million compared to 2019.

[Dunea at a glance](#)[Foreword](#)[Management report](#)• [Financial results](#)[Governance](#)[Financial statements](#)[Other information](#)[Additional information](#)

The investments we made in 2020 primarily related to the following large projects that were started or completed in 2020:

- In 2020, the renovation of the slow sand filters at the Scheveningen production location was completed.
- The project to modernise the power supply at the Katwijk production location will be completed in early 2021, but the majority of the investment took place in 2020.
- In 2020, Dunea modernised the process automation system at our Katwijk production location.
- In 2020, Dunea started construction on a new rinse water treatment facility in Scheveningen.

The total level of investment for the period 2021–2025 is estimated at €244 million, in accordance with the multi-year budget. The investments for our multi-source programme and the Berkheide programme are expected to amount to €47 million over the period 2021–2025.

Other investments have been earmarked for plant and equipment, the distribution programme (mains pipelines, connection pipelines and transport pipelines) and Dunea's strategic goals of Climate neutrality and Valuable dunes (future-proofing the Heart of Meijendel, solar panels).

## Financing and ratios

In 2020, Dunea took out two new loans for a total of €55 million, which have been used to finance the repayments for an expiring loan. The total value of the loan portfolio rose slightly compared with 2019, increasing by €2.5 million to reach €242.3 million. The ratios Dunea has to meet were not affected by these new loans. Solvency increased to 39.4% (2019: 39.2%) when the net result was added to the equity capital. The debt ratio at year-end 2020 dropped from 6.3 to 6.1, because the operating cash flow rose in relation to the overall loan portfolio.

The interest coverage ratio works out at 2.4, which more than satisfies the minimum interest coverage ratio of 1. In previous years, the emphasis has been on solvency, but in 2020 the debt ratio became more important, particularly for external lenders. We expect to require €26.8 million in 2021 to be able to finance the investments we have planned for 2021. Dunea monitors changes in both ratios so we can make timely adjustments to keep the ratios at the desired level.

Banks are expecting interest rates to remain low in 2021, with a small chance of a rise. No significant increases are expected over the next few years, although this depends on the state of the economy and any drastic measures that the ECB or various governments might take. We are closely monitoring interest rate developments so we can anticipate any changes.

## Financial instruments

Financial instruments include both primary financial instruments (such as receivables and payables) and derivative financial instruments (derivatives). Dunea uses primary financial instruments as part of our normal business operations. Dunea does not use derivative financial instruments.

[Dunea at a glance](#)[Foreword](#)[Management report](#)• [Financial results](#)[Governance](#)[Financial statements](#)[Other information](#)[Additional information](#)

## WACC

Dunea operates on the principle that there must be a balance between income and costs. In the Drinking Water Act, it was decided to standardise tariff setting indirectly. This statutory standard comprises the maximum authorised average capital costs, also known as the Weighted Average Cost of Capital (WACC). The WACC is set for two years by the Ministry of Infrastructure and Water Management. For 2020 and 2021, the WACC is set at 2.75% (2019: 3.4%). The main reason for this decrease is the low interest rates, which have brought down the cost of the loan capital.

The WACC for 2020 is expected to work out below the set standard at 2.12%. The final WACC will be established on the basis of the corporate governance statement (*Bedrijfsverslag*), which will be sent to the Ministry of Infrastructure and Water Management by 1 October 2021. The net result of €7.0 million achieved for 2020 is sufficient to enable Dunea to comply with the covenants in external lenders' terms and conditions: a minimum solvency of 30%, a maximum debt ratio of 8 and a minimum interest coverage ratio of 1.

In 2020, Dunea devoted the necessary attention to the dilemma around the ability to obtain financing for future investments, as described in the Stakeholders and materiality section. In 2021, Dunea will work to gain more insight into long-term developments in the WACC, future investment requirements and our ability to obtain financing for them, as well as the impact on tariffs.

## Continuity

In 2020, the coronavirus crisis and associated measures had no financial consequences for Dunea's continuity. We are closely monitoring our liquidity position and the collectability of receivables, but these have not resulted in any increased risk. In addition, we successfully refinanced some of our expiring loans in the second half of 2020.

## Outlook

In 2021, Dunea will continue preparations to ensure we can finance our future investment requirements, which will require us to take account of developments in the financial market, as well as the opportunities for Dunea to build up sufficient equity capital while maintaining profitability within the current limits of the maximum capital costs. (You can read more about this on page 27.) For 2021, we've started to design our tariff policy in a way that will allow us to make optimal use of the WACC. This will result in a slight increase in the drinking water tariff, after several years of decreases. In 2021, the lowest standing charge tariff will increase to €60.36. The variable tariff will rise from €0.98 in 2020 to €1.00 in 2021. On balance, the integrated drinking water tariff will increase in 2021 for an average household, from €1.57 to €1.60 per m<sup>3</sup>. This figure excludes the municipal sufferance tax (added on top of the standing charge), tap water tax and VAT.

More information about the tariff schedule can be found on our [website](#).

In the second half of 2021, we will find out whether Dunea's drinking water tariffs for 2021 comply with the legal framework. The investigation by the ILT in collaboration with the ACM is still ongoing.

# Staff and organisation

Dunea at a glance

Foreword

**Management report**

Governance

Financial statements

Other information

Additional information

## Number of staff (FTEs)



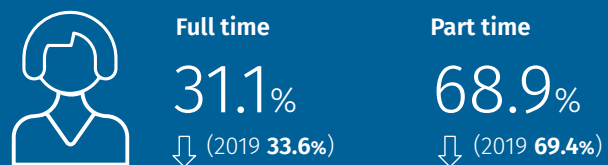
## Average age



## Absences due to sickness



## Full-time and part-time contracts by gender



## Ratio of men to women



## Women and men in management roles



\* Two management positions were vacant at the end of 2019.

[Dunea at a glance](#)[Foreword](#)**[Management report](#)**

- [Staff and organisation](#)

[Governance](#)[Financial statements](#)[Other information](#)[Additional information](#)

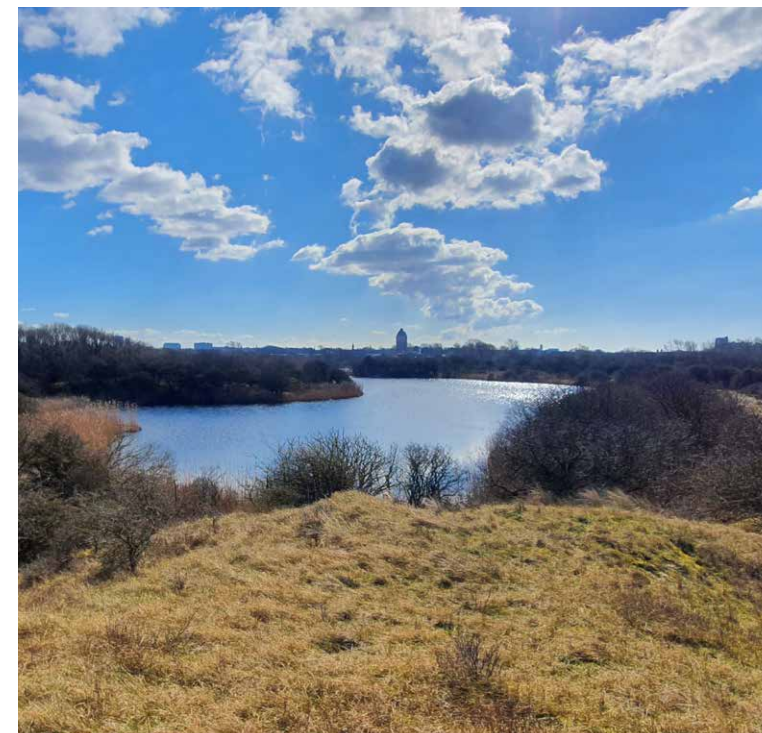
Our employees are essential to the achievement of our strategic objectives. We believe it's important for them to continuously develop as skilled professionals; sustainable employability of our staff is one of the material subjects that is important to Dunea and our stakeholders.

We devoted a great deal of attention to this subject in 2020, since the pandemic threw up so many challenges. In this section, we outline the key developments.

### Significant impact of the coronavirus

For our organisation, the coronavirus pandemic and associated measures were the defining factor of 2020. We managed to work together to keep the organisation running, and we even expanded our workforce.

During the first wave of the virus, work changed for nearly all of our staff. Most of them had to start working from home with only a day's notice, often with their family at home as well, which meant spending a lot of time home schooling their kids. Technically speaking, the transfer was very smooth. Even types of work that we'd always thought would be difficult to do from home (such as customer service), were able to be performed in a home setting – with positive results.



### Core values

Involved

Reliable

Resilient

Invigorating

[Dunea at a glance](#)[Foreword](#)[Management report](#)[• Staff and  
organisation](#)[Governance](#)[Financial statements](#)[Other information](#)[Additional information](#)

Staff members interviewed each other remotely, starting with the phrase: 'a glass of water with ...'

Work was also different for staff whose work could not be done from home. Working locations and facilities had to be adjusted, as did procedures. For example, staff could no longer ride with a colleague in a Dunea van, and additional personal protective equipment was required. For work performed in a customer's home, we helped develop a protocol for safe work on location, in collaboration with the Ministry of Infrastructure and Water Management and the sector. We then implemented this protocol in our own work.

In terms of communication, we paid considerable attention to encouraging connections between staff. We regularly produced and distributed a special Coronavirus newsletter, with a blog from the Managing Director, news about working safely, and most importantly, plenty of space for personal experiences of working during the pandemic. Staff members interviewed each other remotely, starting with the phrase: 'a glass of water with ...'

After a period in the summer, during which we were able to see each other more often again, we went back into a strict lockdown in autumn. Once again we had to call upon the resilience of our staff. We were pleased that our staff were able to move forward with their work so successfully under these difficult conditions. Like the dune wardens, who had to manage crowds of visitors in the dunes, or staff working outdoors and at our production locations who continued with their work. Staff who would have preferred to work in the office, but found a way to work just as effectively from their homes; parents with school-age children, who had to keep multiple balls in the air at once, or staff who live alone and found the lockdowns especially difficult. In spite of these difficult circumstances, we managed to keep performing our core tasks.

Dunea at a glance

Foreword

**Management report**

- *Staff and organisation*

Governance

Financial statements

Other information

Additional information

## New strategic plan underpinned by HRM

In 2020, we drafted our strategic plan for the next few years. One of our five strategic goals was Attractive Work: we want to perform Dunea's core tasks by being an attractive employer and with optimal deployment of our committed and enthusiastic staff. We are increasingly promoting our employer brand via social media, both through official Dunea channels and through our existing staff. Our staff also play an important role in introducing new employees.

The 'Attractive Work' strategic goal consists of three strategic strands:

### 1. Strong foundation

We have good, reliable insights into the capacity and skills we need, now and in the future. Further development of skills, collaboration, leadership and a supportive working environment will enable us to implement this strand.

### 2. Attractive and adaptable employees

In 2025, Dunea staff will be capable of continuously adjusting to changing circumstances. They will actively work to strengthen their labour market value. They will work productively with colleagues and external partners.

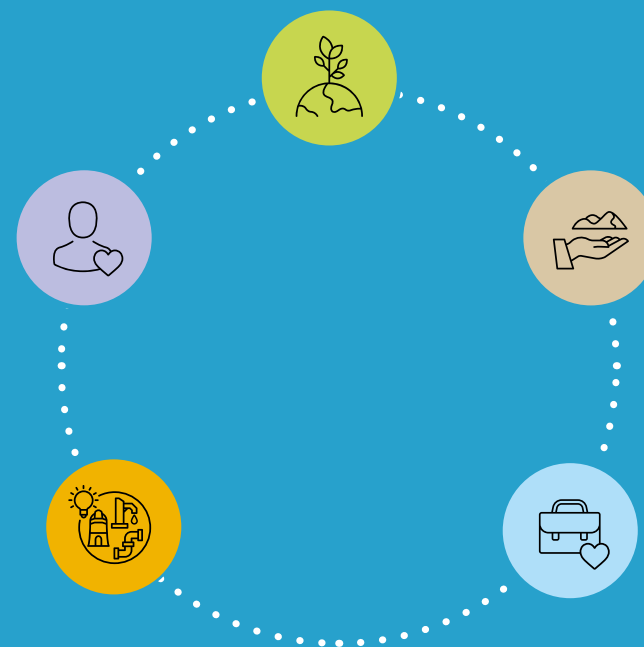
### 3. Attractive employer

Dunea is recognised as an attractive employer by current and former staff and the external labour market, due to the content of the work, the working environment and the culture.

Over the next few years initiatives based on these strategic strands will be launched and continued, to ensure we always meet the needs of Dunea's diverse range of employees. Examples of such initiatives include

## New strategic plan also announced internally

The new strategic plan was launched internally with a video and webinars where employees could ask questions and share ideas. In addition, the strategic plan is regularly referred to in team meetings and our internal communication channels.



[Dunea at a glance](#)[Foreword](#)[Management report](#)[• Staff and  
organisation](#)[Governance](#)[Financial statements](#)[Other information](#)[Additional information](#)

maintaining up-to-date strategic personnel planning, continued development of hybrid ways of working and the work environment, introduction of a learning management system and implementation of a new-look vitality programme.

## Hiring, promotion and exit

In 2020, we devoted a great deal of attention to the changing nature of work during the coronavirus crisis, to ensure optimal deployment of staff. Our activities in the areas of recruitment and selection, development and strategic personnel planning also continued unabated.

One of the results of these activities was that during the reporting year, 22 staff were promoted to fill vacancies within Dunea. These promotions in turn created new vacancies. In total, we hired 67 new staff members. The relative ease with which we succeeded in quickly filling vacancies in a difficult labour market (particularly in relation to technical job profiles) helped ensure we could maintain the workforce required to perform Dunea's core tasks. Since the number of employees leaving Dunea was slightly lower, overall the total number of employees increased in 2020.

We are proud that in these uncertain times, we were able to promote so many staff members and welcome new ones. To help them get off to a good start, particularly since they were often working from home almost full time, they received the 'Welcome to Dunea' magazine, which contains facts, figures and stories from proud colleagues about our history, organisation and ambitions.

## Strategic personnel planning

Strategic personnel planning allows us to map out the capacity and skills we need, now and in the future. By systematically asking our managers to engage in such planning, we are better able to gauge at an early stage where a possible discrepancy might arise in the future. The sooner we can make adjustments – for example, by training or recruiting more staff – the higher the chance that we will continue to have the right people in the right place in the future. Strategic personnel planning involves looking at our current staff members; at their capacity for development, their ambition and employability. But it also means looking at developments in the labour market and at new roles that we expect to create in the future. In 2020, we updated our data; starting in 2021, we will update our strategic personnel planning twice a year.

## Focus on diversity

Dunea wants its workforce to reflect society. We're pleased that in 2020 we managed to attract female dune wardens for the first time, and we'd like to do the same in our more technical roles. However, the reality is that in the Netherlands, the range of female candidates for these fields is much smaller than the range of male candidates. In collaboration with partners such as 'Den Haag werkt' (The Hague council employment service), Dunea employed ten people who had become distanced from the labour market.

[Dunea at a glance](#)[Foreword](#)[Management report](#)[• Staff and  
organisation](#)[Governance](#)[Financial statements](#)[Other information](#)[Additional information](#)

## Health and safety

As an employer, Dunea wants to provide interesting work in a pleasant and safe working environment. Safety is explicitly listed as a precondition in our strategic plan.

During the reporting year, four accidents occurred that resulted in injury and absence from work. The incident frequency ratio works out at 4.13 (target: <10).

Several audits have been performed at different locations, which have led to better demarcation of different areas and the creation of a safe workplace. In the area of security, we have started a project to better optimise our intruder protection systems. We have drafted an information security policy and a road map to shape our transition to an organisation that prioritises information security. All Dunea staff are responsible for ensuring a safe working environment, including a safe digital environment. Through an online platform, we provide staff with information on basic topics and current events. Because of the coronavirus situation awareness was extra important, since the way we used to work had changed.

In 2020, we also focused on the importance of always reporting incidents and physically, digitally and socially unsafe situations. These reports help us as an organisation to learn and to make our work safer. Managers emphasise safety and include it in their annual plan agreements. During the year, the Management Board and the management team regularly turned their attention to this matter, in meetings, consultation, blogs and articles.

After a relatively high rate of absences due to sickness in 2018 and the after-effects of that in 2019, the ambition for 2020 was to achieve a rate of absences due to sickness of 4.0% or lower. We achieved this ambition.

The rate of absences due to sickness in 2020 was 3.9%. At 0.8, the reporting frequency (the average number of times each employee reported sick) was considerably lower than in previous years. During the first wave of the coronavirus, the rate of absences due to sickness was low (around 3.2%). The rate increased slightly in the final months of 2020, which was in line with the usual seasonal trend. We are aiming to reduce this rate even further in 2021.

The coronavirus also had a direct impact on health and safety issues. Additional measures were taken to ensure work could continue as safely as possible, such as working under strict protocols, providing personal protective equipment, postponing non-essential work in customers' homes and setting up an office based on 1.5-metre distancing. To provide support enabling staff to work from home in an ergonomically responsible way, digital workshops were organised by Dunea's vitality service provider. More than 100 staff took part in these workshops. Our vitality service provider is also available for individual coaching in the areas of health and vitality. The weekly training sessions in the Fit & Healthy room were not able to be held physically in 2020, but the sessions continued digitally to enable staff to participate at home.

## Data-driven work

Dunea has an ambition to focus on data-driven processes in a more integrated way. Digitalisation was explicitly included in the strategic goals and digitalisation objectives are part of the implementation plans. To accelerate the digitalisation process, we have started on the integration and professionalisation of quality, process and data management. In 2020, we developed our data vision and introduced a digital transformation board to coordinate digitalisation right across the organisation.

[Dunea at a glance](#)[Foreword](#)[Management report](#)

- [Staff and organisation](#)

[Governance](#)[Financial statements](#)[Other information](#)[Additional information](#)

## Training and development

Development agreements, including agreements around training, are an important component of the assessment and development cycle. Employees make these agreements with their managers. The staff survey from May 2020 showed that more than 90% of staff have received sufficient education and training to be able to perform their tasks properly.

We offer organisation-wide training courses, which are relevant for all employees. To increase awareness around information security we offered online training on this topic in 2020. Managers encouraged their teams to complete this training. We also regularly run campaigns to test knowledge and behaviour. Since Dunea switched to Office 365 in 2020, we offered an online course on this software suite.

We also offered training courses connected with the completion of our WAVE programme, which enables the organisation to work and collaborate using a central ERP system. During the reporting year, the final processes switched over to this system. During the period in which many staff members were working from home, we also saw an increase in the number of staff taking online courses through GoodHabitZ. These courses focus on the development of general skills, such as vitality, personal strength and purposeful work, in addition to more technical skills such as Business English or Excel.



A Dunea worker identifying himself at the start of a customer visit.

[Dunea at a glance](#)[Foreword](#)[Management report](#)

- [Staff and organisation](#)

[Governance](#)[Financial statements](#)[Other information](#)[Additional information](#)

## Staff engagement

A staff survey was conducted in May 2020. The response rate was high: more than 75% of our staff made their voices heard. The high staff engagement score (7.8) was striking. Dunea staff are invariably proud of 'their' water and 'their' nature reserves: 92% were proud of what Dunea is doing for its customers. In general, staff feel heard and feel like they have the space to make improvements in their work.

There is also room for improvement. The survey showed that there is scope for a better level of understanding of colleagues' activities and more efficient collaboration. Staff members from various teams and processes have discussed their own results and associated actions. In doing so they have sought collaboration, to provide immediate follow-up on this issue. We will continue to run this survey on an annual basis so we can measure changes.

## Remuneration policy

Dunea follows a remuneration policy that is in line with the market. In addition to good primary employment conditions, we offer a generous leave scheme – including the option to purchase additional leave – to ensure a good work-life balance. Dunea believes development is important: as well as a study cost allowance, every employee has access to an employability budget. Dunea also offers a sports fee allowance and/or a contribution towards the purchase of a bicycle or sustainable products (such as solar panels or a charging station).

All Dunea employees – with the exception of the Managing Director – are covered by the Water Companies collective employment agreement. In 2020, a one-year agreement was in place, which ran from 1 January to 31 December 2020. In late 2020, discussions began between the Water Companies Employers' Association (WWb) and trade unions about the next collective employment agreement.

## Outlook

Recruitment and selection, staff development and strategic personnel planning will remain of major importance in 2021 and beyond. A slight increase in the size of our workforce is expected in 2021, alongside the normal hiring, promotion and exit of employees. The pressure on technical vacancies will continue in 2021. It is difficult to assess what effect the coronavirus will have on people's willingness to change employer.

Issues and challenges such as how we will work after the coronavirus, what this means for managers and employees, how we might redesign our office environment and our various workplaces, and how we can maintain and increase our vitality and sustainable employability, are subjects that will be high on the agenda in 2021. We're also going to conduct a safety survey as part of continuing to build a safety-conscious workforce, in relation to both physical and digital safety.

In 2021, we will be purchasing a learning management system that will make training options easier to understand. This system will also make it easier for employees to select and book training courses and programmes.

Dunea at a glance

Foreword

**Management report**

Governance

Financial statements

Other information

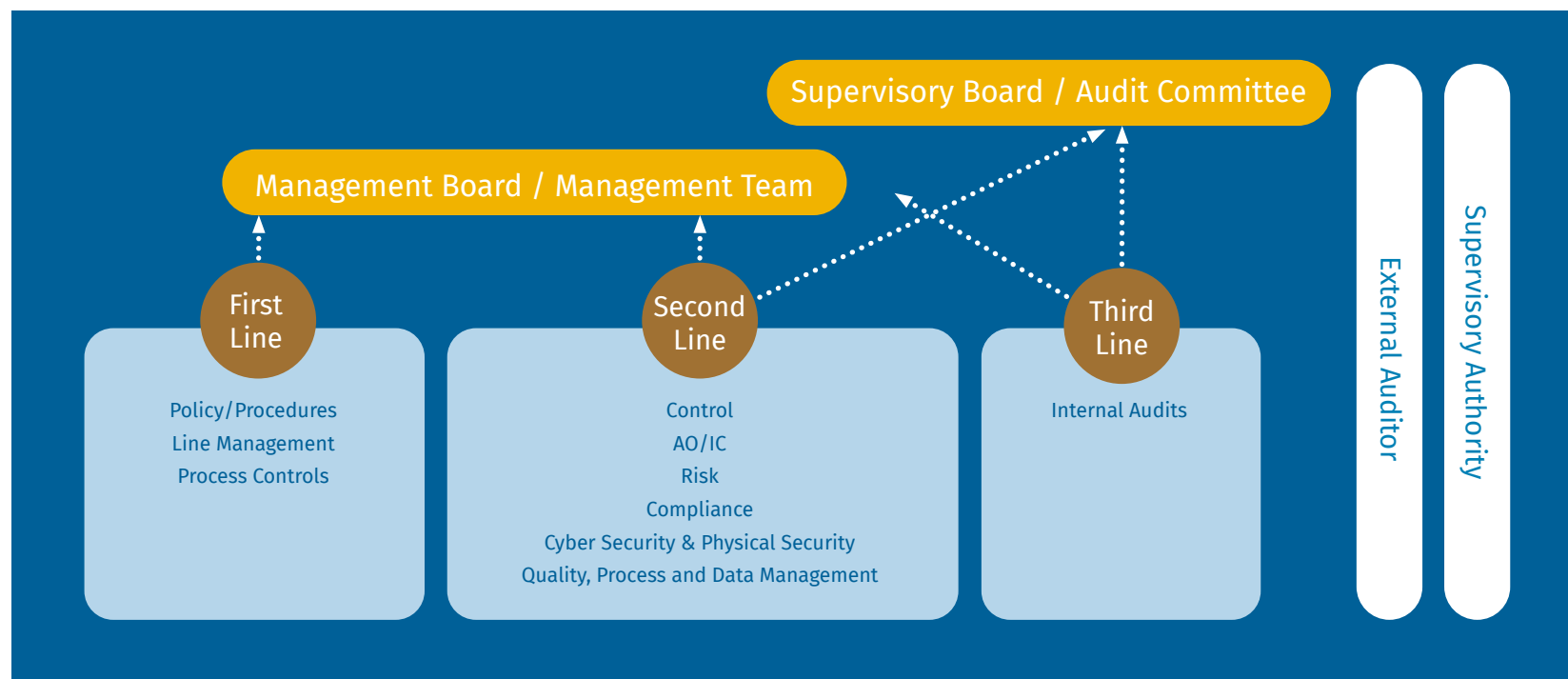
Additional information

# Risk management

In its risk management, Dunea complies with the Corporate Governance Code. This code states that the **management board of an organisation is responsible for identifying and managing risks connected to the business strategy and activities**. In this section we explain how our risk management process is designed.

## Risk governance and framework

Dunea uses the Three Lines Of Defence model as its risk management model. This model is illustrated below in diagram form:



[Dunea at a glance](#)[Foreword](#)**Management report**

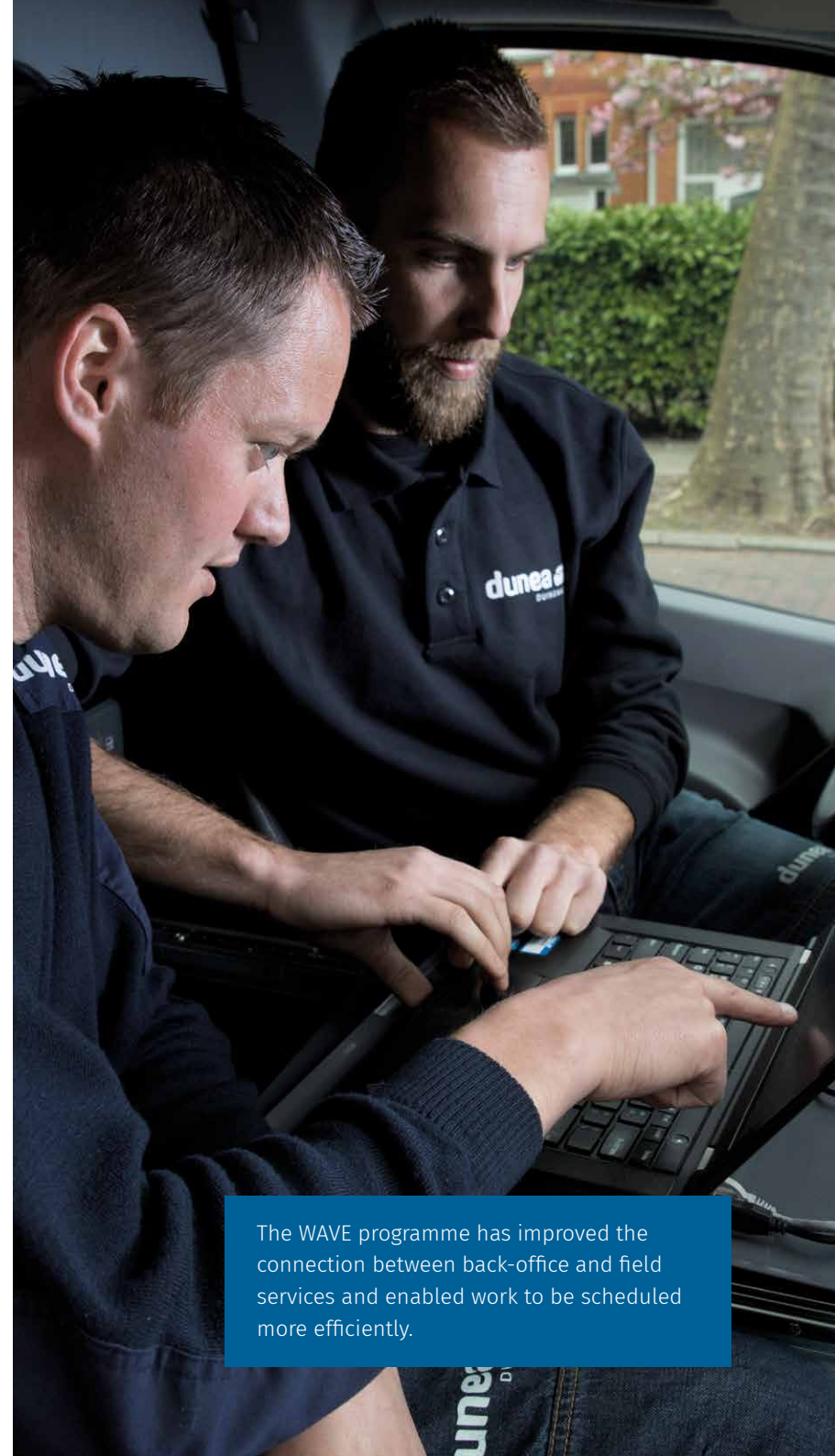
- [Risk management](#)

[Governance](#)[Financial statements](#)[Other information](#)[Additional information](#)

As the first line of defence, the managers and staff in the various teams and processes within Dunea have final responsibility for the decisions they make, the risks they take in daily practice and how they appropriately manage these risks. For financial reporting and tax risks, the teams and processes are specifically supported by a control framework. The first line of defence is thus the most important link in our risk management chain. The Management Board and management team have final responsibility for the risk management process, together with the responsible managers.

The risk management role in the second line of defence is responsible for setting up, supporting and monitoring a good risk management process, always in support of the business. This role is filled partly by the Compliance Officer and partly by the Business Controllers in the Finance & Control Team, under the supervision of the Finance & Control (F&C) Team Manager. They coordinate their activities and have regular meetings with the other second-line functions, such as the AO/IC advisers, the CISO (Chief Information Security Officer), the Control cluster and the Quality, Process and Data Management Manager.

Dunea does not have an independent internal audit function, but under the responsibility of the Quality, Process and Data Management Manager, operational audits (primarily) are conducted on critical and high-risk processes. This is how Dunea implements the third line in the Three Lines Of Defence model. Of course, the external auditor and supervisory authority also play a monitoring role in our risk management process: they form the fourth and fifth lines of defence respectively.



The WAVE programme has improved the connection between back-office and field services and enabled work to be scheduled more efficiently.

[Dunea at a glance](#)[Foreword](#)[Management report](#)

- [Risk management](#)

[Governance](#)[Financial statements](#)[Other information](#)[Additional information](#)

## Risk management process

The design of our risk management process is based on the COSO Enterprise Risk Management Integrated Framework (COSO-ERM).

The risk management process comprises several steps. First, through collaboration between the Management Board, management team, managers and a number of key personnel, the most relevant risks connected to Dunea's strategy, objectives and activities are identified. This process takes account of observed weaknesses, malpractice, irregularities and reports, as well as lessons learned and findings from the internal audit, the internal audit role and the external auditor.

The next step is to analyse the likelihood that these risks might materialise and the impact they would have on Dunea's business operations (gross risks). The risks are prioritised based on the estimated level of the risk. Next, we look at the presence and effectiveness of existing management measures for the individual risks, the extent to which these measures reduce/mitigate the potential risks (net risks) and how the risk is changing over time. Based on changes in the risk and the extent to which Dunea can influence the risk, the risk tolerance for the relevant risks is determined. The weighted net risks are then displayed in a risk matrix. This offers insight into the relationships between, impact of and changes in these risks in relation to each other.

Finally, the desired risk response is established: how Dunea will deal with the risk, i.e. whether we simply accept the risk, whether we want to avoid or reduce it, or whether we decide to mitigate the risk by shifting it to a third party. Where necessary, improvements are made to internal risk management and control systems. Actions flowing from this process are monitored, including by periodically updating the risk analysis.

All relevant risks are included in the risk register, along with a broad outline of the measures taken and the impact of the residual risk. Based on the monitoring of market developments and decisions made, new risks are identified and existing risks updated in the register. We do this twice each year; the register was updated most recently in November 2020. The strategy and risks are also discussed twice a year with the Supervisory Board, and the Managing Director explains the main risks to the Annual General Meeting. According to the consultation arrangements between management and the Supervisory Board, risk management is a standing item on the agenda at least twice a year.

# Strategic risks

Dunea at a glance

Foreword

**Management report**

• Risk management

Governance

Financial statements

Other information

Additional information

## Dunea's risk profile

In accordance with the COSO model, we have divided our risks into four categories: strategic risks, operational risks, financial risks and compliance risks.

The company-wide risk analysis performed in 2020 did not result in any major changes compared with 2019.

The key gross risks in each category identified for Dunea in 2020 are briefly explained below, including Dunea's tolerance for these risks.

Risk	Measures	Risk tolerance <sup>1</sup>
Security of supply under pressure due to source capacity problems resulting from climate change and increasing demand	Implementing Berkheide programme to create additional capacity. The multi-source programme is well underway; accelerating where possible. In the short term, the Lek has been activated as a valuable extraction source	Nil/Low
Security of supply under pressure due to forced relocation of transport infrastructure	Soil and infrastructure environmental management strategy, securing property rights; multi-source programme (sources closer to home)	Low
Competing interests between short-term and long-term visions of key Dunea stakeholders	Raising awareness among stakeholders of the public interest of the drinking water supply and the challenges Dunea faces	Low
Impact on drinking water quality due to contamination of sources with new, unknown, emerging substances	Raising awareness of source protection among permit-issuing authorities and other stakeholders; programme to investigate alternative sources: multi-source programme	Nil/Low
Negative pressure on the drinking water function due to new products & services	Strict separation between statutory and non-drinking-water activities, Risk Committee assessment of governance and processes; expert staff; collaboration with E/C partners	Low
Loss of biodiversity in the dunes due to increased recreation and nitrogen issues	Intensifying discussions with stakeholders; suggesting possible solutions, including nitrogen compensation	Low

1. The risk tolerance expresses the impact that Dunea is prepared to accept in relation to the risk in question.

Dunea at a glance  
Foreword  
**Management report**  
• *Risk management*  
Governance  
Financial statements  
Other information  
Additional information

## Operational risks

Risk	Measures	Risk tolerance
Bergambacht pumping station flood risk	Multi-source programme; flood-proof pumping station design; strategic environmental management safety and crisis management (Delta programme)	Nil/Low
Security of supply under pressure due to failure of critical systems	Managing/monitoring assets with a multi-year plan; automation of security and crisis management process; redundant systems	Nil/Low
Insufficient qualified personnel and loss of knowledge from organisation	Recruiting personnel sooner to enable knowledge transfer; investing in/expanding personnel knowledge; strategic personnel planning; contracting out/collaboration for specialist knowledge	Low
Inadequate process control	Recording processes and controls in framework; professionalising internal audit role and plan; data management	Low

## Financial risks and financial reporting risks

Risk	Measures	Risk tolerance
Accelerated depreciation of assets/rise in replacement costs due to increase in forced early adjustments or changes in policy	Raising awareness among stakeholders of the public interest of the drinking water supply; multi-utility collaboration management; more flexible pipeline network; securing Dunea's property rights	Medium
Ability to obtain financing for future investment requirements	Monitoring loan covenant ratios; optimal use of scope for profitability; well-timed tariff increase	Low

# Compliance risks

- Dunea at a glance
- Foreword
- Management report**
  - Risk management
- Governance
- Financial statements
- Other information
- Additional information

Risk	Measures	Risk tolerance
Non-compliance with new/changing laws and regulations	Monitoring; influence/coordination through Vewin <sup>2</sup> , regular consultation with supervisory authority, Risk Committee assessment of new projects	Low
Entering into partnership agreements (including international agreements)	Screening of contracting parties; authorisation procedure; assessment of projects by the Risk Committee	Medium
Fraud/conflict of interest/corruption resulting from unduly wide powers/inadequate controls	Adequate segregation of duties; internal control system; regular fraud risk analysis; whistleblower scheme; awareness of relevant parts of Code of Conduct	Nil/Low

For a further explanation of the other financial risks including interest rate, liquidity and credit risks and risks relating to financial instruments, please refer to page 113 of the annual financial statements.

2. Vewin is the Association of Dutch Water Companies. It represents the interests of its members, the ten Dutch water companies, in The Hague and Brussels. It primarily provides feedback on laws and regulations, but it also contributes proposals and ideas relating to the water supply.

# Risk matrix<sup>3</sup>

Dunea at a glance

Foreword

**Management report**

• Risk management

Governance

Financial statements

Other information

Additional information

## Strategic risks

1. Competing interests between short-term and long-term visions of key Dunea stakeholders
5. Impact on quality due to contamination of sources with new, unknown and emerging substances
6. Security of supply under pressure due to source capacity problems resulting from climate change and increasing demand
8. Risk of negative pressure on the drinking water function due to new products & services (non-drinking-water activities)
12. Security of supply under pressure due to forced relocation of transport infrastructure
14. Loss of biodiversity in the dunes

## Operational risks

3. Insufficient qualified personnel and loss of knowledge from organisation
4. Security of supply under pressure due to failure of critical systems
10. Bergambacht pumping station flood risk
11. Inadequate process control

## Compliance risks

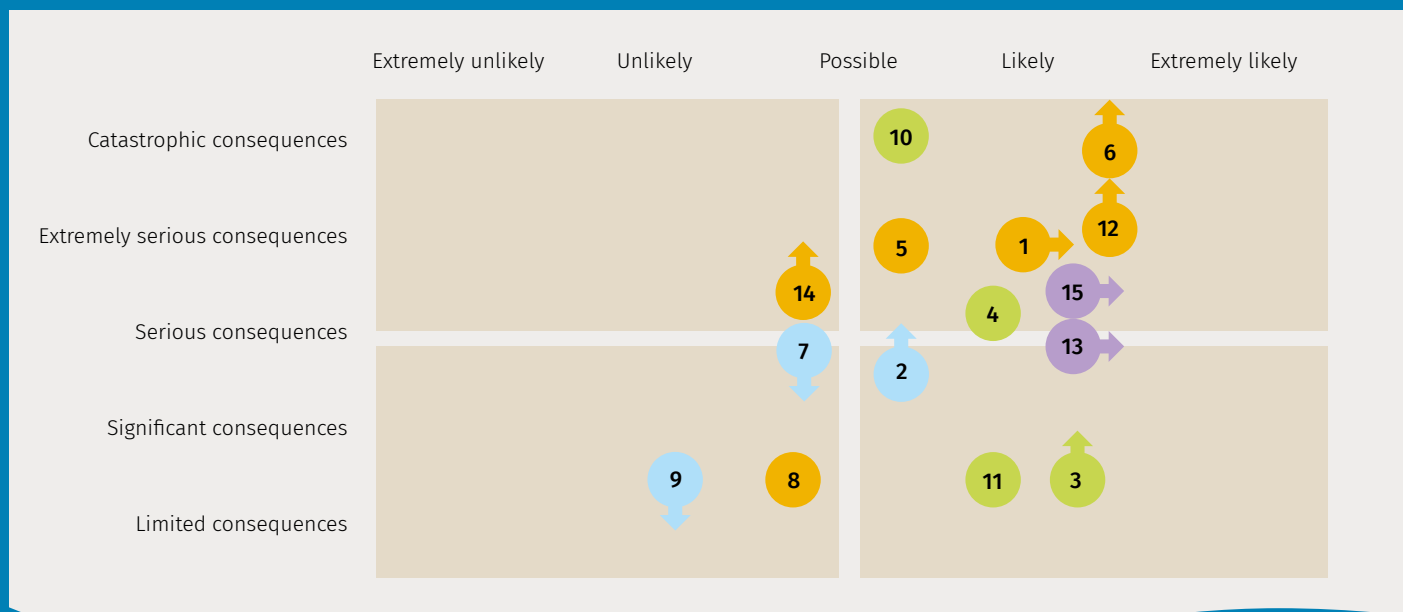
2. Non-compliance with new/changing laws and regulations
7. Fraud/conflict of interest/corruption/theft
9. Entering into partnership agreements (including international agreements)

## Financial risks

13. Accelerated depreciation/rise in replacement costs due to increase in forced early adjustments or changes in policy
15. Ability to obtain financing for future investment requirements

## Potential likelihood of occurrence

Impact on/harm to Dunea's objectives



- Strategic
- Operational
- Financial
- Compliance
- ⬆️⬆️ Risk has increased
- Risk has stayed the same
- ⬆️ Risk has fallen

3. The risks listed here are all net risks.

[Dunea at a glance](#)[Foreword](#)[Management report](#)

- [Risk management](#)

[Governance](#)[Financial statements](#)[Other information](#)[Additional information](#)

## Other focus areas in 2020

### Coronavirus

We have not identified any additional material strategic, operational or compliance risks for Dunea resulting from the coronavirus pandemic. During the year we monitored the risks and concluded that the continuity of our business operations was not compromised or adversely affected.

### Brexit

In 2019, Dunea examined the possible impact of Brexit. We took the necessary measures at the time, particularly in the area of procurement. No additional major risks were observed in 2020.

### Financial reporting control measures

The risk control matrix (RCM) describes risks relating to financial reporting and control measures. The control measures described comprise both manual and automated control measures. In 2020, progress was again made on the implementation of the control measures. The RCM was also expanded in 2020 with the addition of specific control measures relating to tax risks.

### Information security

Information security is an important subject for Dunea. Our business processes are largely digitalised, which makes us more dependent on our IT systems. The coronavirus pandemic only increased that dependence. In the area of information security we take measures to protect our business information. In doing so, we draw a distinction between process automation and office automation and apply different measures for each. Last year, an audit of our process automation was performed to show that we are fulfilling our duty of care

under the Network and Information Security Act (Wnbi). The focus on office automation has largely arisen because of the coronavirus pandemic. Working digitally was the norm in 2020, which meant we became more dependent on digitalisation and existing information security risks became greater. We identified the risks and acted accordingly.

### Internal audits and continuous improvement

In 2020, internal audits were conducted of the Dunea-wide customer process, water meter quality assurance, system evaluation and firefighting in the dunes. There was also an active emphasis on lean management process improvement and data quality improvements. In this regard, improvements were made in 2020 to the processes of meter reading, water meter registration, customer contact, connection pipelines and mains pipeline material flow.

[Dunea at a glance](#)[Foreword](#)[Management report](#)

- [Risk management](#)

[Governance](#)[Financial statements](#)[Other information](#)[Additional information](#)

## In control statement

The Management Board is responsible for the design and effectiveness of the risk management and internal control systems. The risk management and control systems functioned properly during the reporting year. With regard to these systems and their functioning no deficiencies were observed of which we were not already aware or for which we had not already taken measures. Accordingly, no substantial changes were made to the risk management system in 2020.

The Management Board therefore declares that:

- The Annual Report offers sufficient insight into deficiencies and the operation of the internal risk management and control systems;
- The above systems provide a reasonable degree of assurance that the financial reports contain no inaccuracies of material significance;

- Given the current state of affairs, it is justifiable for the financial report to be prepared on a going-concern basis;
- The Annual Report sets out the material risks and uncertainties that are relevant to the expectation of continuity of the company for a period of twelve months after preparation of the report.

## Kiwa certification ISO 9001 and 14001



The annual Kiwa audit took place in 2020, and our quality and environmental management system was recertified. During a multi-day visit, two auditors from Kiwa assessed a sample of our processes against the requirements of the ISO 9001 standard for quality management and the ISO 14001 standard for environmental management. During this audit, special attention was paid to process-oriented work and the Quality Assurance Regulation for Water Meters (RKW).

# Governance

Dunea at a glance  
Foreword  
Management report

Financial statements  
Other information  
Additional information

Corporate governance  
The Management Board and the Supervisory Board  
Report of the Supervisory Board



**Dune keepers** play an important role in protecting our dune areas. These Natura 2000 sites are home to an abundance of species.

# Corporate Governance

Dunea at a glance  
Foreword  
Management report  
**Governance**  
Financial statements  
Other information  
Additional information

As a water company that provides for an essential need in people's lives, Dunea fulfils an important role in society. In light of this role, we feel responsible for ensuring transparent business operations as well as rules for good governance, effective supervision and proper accountability. In this section we explain our governance structure.

## General

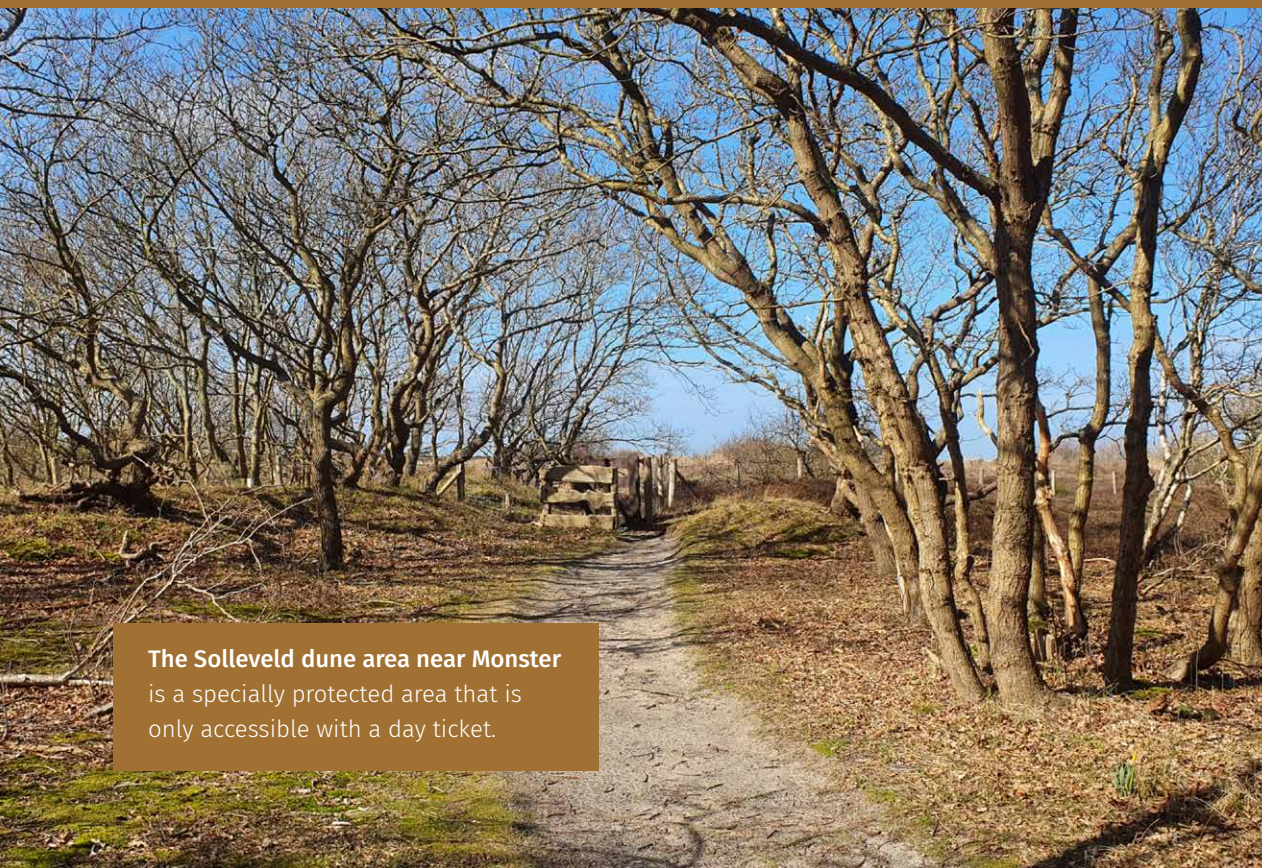
Dunea N.V. is a public limited company under Dutch law (naamloze vennootschap), which the subsidiaries Stichting Nationaal Park Hollandse Duinen and Dunea Warmte & Koude B.V. form a part of. Dunea N.V. also has several participating interests.

Although the Dutch Corporate Governance Code ("the Code") is only mandatory for Dutch listed companies, in view of its social function, among other things, Dunea has decided to apply the Code on a voluntary basis. We apply the principles and best practices of the Code insofar as they are applicable, with due regard for the 'comply or explain' principle.

## Deviations from the Corporate Governance Code

Each year, Dunea is monitored for compliance with all the best practice provisions in the Dutch Corporate Governance Code. Following changes made in 2020, Dunea deviates from the Code in respect of one principle:  
> 1.3.6 Internal audit department

The Code includes the principle that companies have established an internal audit function. Due to the size of our organisation, we have shared the internal control and reporting functions across various control functions within Dunea. The external auditor reviews and reports on this through the annual Management Letter and the auditor's report. This ensures that the Management Board, Supervisory Board and Audit Committee are sufficiently engaged with the internal audit process and that effective supervision can be exercised in relation to it.



The Solleveld dune area near Monster is a specially protected area that is only accessible with a day ticket.

[Dunea at a glance](#)

[Foreword](#)

[Management report](#)

**Governance**

• [Corporate Governance](#)

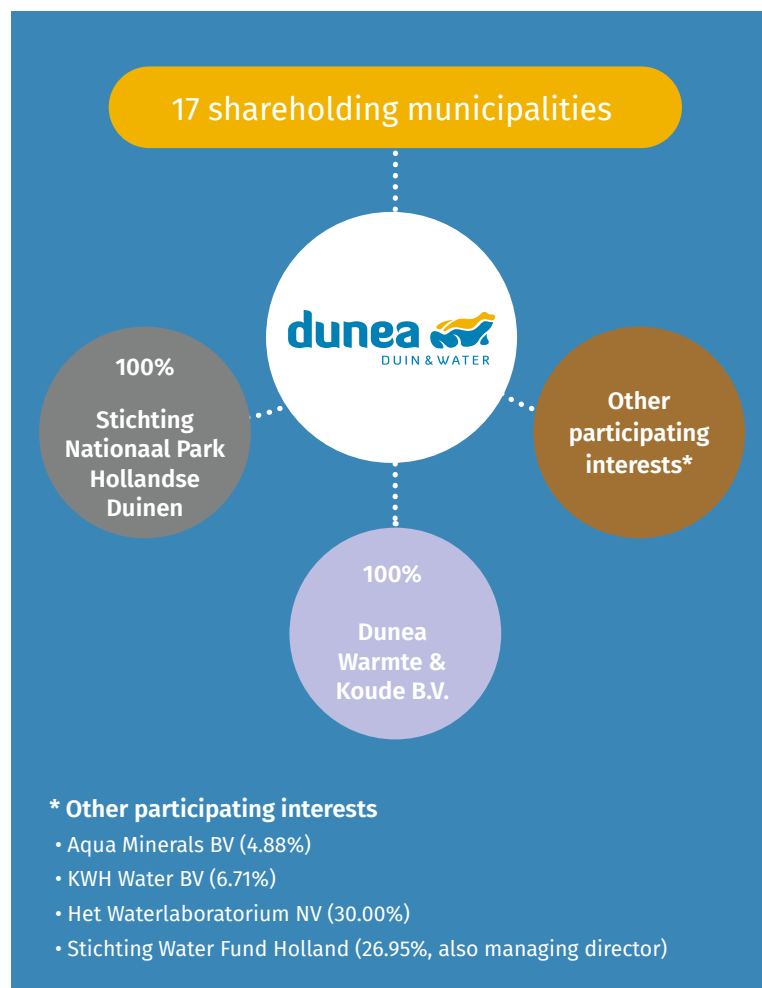
[Annual financial statements](#)

[Other details](#)

[Additional information](#)

## Our governance structure

The legal structure of Dunea and its subsidiaries and participating interests is as follows:



In their decision-making, the Management Board and Supervisory Board are responsible for considering the interests that are relevant to Dunea. Dunea's continuity as a drinking water company is paramount. Dunea also strives to communicate openly and actively with its stakeholders, in line with the underlying concept of the Code.

### Management Board

The Management Board, which currently comprises one managing director under the Articles of Association ('the Management Board'), is responsible for the day-to-day management of Dunea and for shaping the course and policy of Dunea and its subsidiaries. The Management Board is supported in this by the division managers for 'Dune & Water' and 'Customer & Operational Support': they jointly constitute the management team. A separate managing director has been appointed by the Management Board for the day-to-day management of the subsidiary Dunea Warmte & Koude B.V. The Management Board of Dunea renders account to the shareholders at least twice a year for the policy pursued, the (multi-year) budget, the tariff regulations and the Annual Report during the half-yearly general meeting of shareholders.

### Supervisory Board

The Supervisory Board monitors the Management Board's policies and the general course of affairs within Dunea and its affiliated enterprises. The Supervisory Board supports the Management Board with advice that is aimed at furthering the interests of Dunea.

The Supervisory Board comprises five members. Their responsibilities and competencies are set out in the Supervisory Board Charter, which is published on our website.

[Dunea at a glance](#)[Foreword](#)[Management report](#)**Governance**• [Corporate Governance](#)[Annual financial statements](#)[Other details](#)[Additional information](#)

In the performance of its supervisory role, the Supervisory Board is advised by various subcommittees. The Supervisory Board has the following committees:

#### **Audit Committee**

The Audit Committee advises the Supervisory Board regarding the execution of its supervisory responsibilities. The Audit Committee evaluates the financial reporting process, the internal management system and the management of risks such as the monitoring of compliance with the relevant legislation and regulations and the supervision of the effectiveness of codes of conduct and the audit process.

#### **Remuneration Committee**

The Remuneration Committee's tasks include the recruitment and selection of members of the Supervisory Board and Management Board, as well as assessment of the remuneration policy for the Supervisory Board members and the Management Board. The Remuneration Committee has also been entrusted with the task of reviewing the performance of the Management Board as well as the Supervisory Board members annually.

#### **Diversity**

Dunea endeavours to ensure a balanced distribution of men and women in the Management Board, the management team and the Supervisory Board. Diversity in terms of age, gender, knowledge and competencies is a key selection criterion for appointments and reappointments of new members of the Management Board and Supervisory Board. These criteria are laid down in the Supervisory Board Charter and profile.

#### **General Meeting of Shareholders**

The 17 shareholding municipalities in our supply area are represented in the General Meeting of Shareholders. The Annual General Meeting of

Shareholders is held within six months of the end of the financial year. The meeting agenda includes, at a minimum, the adoption of the Annual Report, the multi-year budget and the tariff regulations. The General Meeting of Shareholders also discharges the Management Board and the Supervisory Board from liability for the policy pursued and for their supervision, respectively. The General Meeting of Shareholders is responsible for the formal appointment of members of the Supervisory Board and for determining the remuneration of the Management Board, on the basis of the proposal by the Supervisory Board. A total of 4 million shares have been issued, each with a nominal value of € 5. In accordance with the Articles of Association, each share confers the right to cast one vote. A detailed breakdown of the number of shares held by each municipality is provided on page 131.

### **External supervision**

As one of the ten drinking water companies in the Netherlands, Dunea is subject to supervision by the Human Environment and Transport Inspectorate (Inspectie Leefomgeving en Transport, "ILT"). Each year, the ILT reviews our drinking water tariffs in the light of the guidelines of the Drinking Water Act (Drinkwaterwet). The ILT also assesses Dunea's company report, which shows the breakdown between statutory and non-statutory activities. This is used to determine conclusively the cost of capital realised. In addition, once every three years it assesses the broad benchmark (comparison of performance between the different drinking water companies) which, alongside efficiency, also covers security of supply, drinking water quality and the environment. In reviewing our drinking water tariffs, the ILT is advised by the Netherlands Authority for Consumers and Markets (Autoriteit Consument en Markt, "ACM"). In 2020, and in compliance with its legal obligation, Dunea also again submitted its supply plan for the coming four years to the ILT for approval. This plan was approved by the ILT in December 2020.

[Dunea at a glance](#)[Foreword](#)[Management report](#)**[Governance](#)**

- [Corporate Governance](#)

[Annual financial statements](#)[Other details](#)[Additional information](#)

## Compliance and integrity

Acting in contravention of laws and regulations entails risks with regard to Dunea's 'licence to operate': it can harm Dunea's reputation and integrity. Dunea therefore attaches great importance to the structured embedding of compliance in the organisation. For this purpose, Dunea has appointed a Compliance Officer who ensures that activities by the organisation, its employees and third parties acting on behalf of Dunea are undertaken in line with legislation and regulations, codes of conduct and policy. The objectives, tasks and competencies of the Compliance Officer are laid down in a Compliance Charter and Compliance Programme. The Compliance Officer reports half-yearly to the Supervisory Board.

Integrity is a priority for Dunea. To encourage integrity and ethical conduct, we stimulate an ethical culture and desired behaviour. Our Code of Conduct [The Deal of Dunea](#) sets out arrangements and rules in this regard, which are detailed further in underlying codes and policies, including a code of conduct for working in dune areas, one for working with electronic means of communication and a policy for reporting incidents and abuses (Whistleblower Policy). Compliance with the Code of Conduct is key in assessing the activities and actions undertaken by Dunea and its employees. Any observed instances of actions or activities undertaken in contravention of the principles of the Code of Conduct are recorded in the compliance register by the Compliance Officer and are reported to the Management Board. Appropriate management action is then taken in consultation with the Management Board and management.

[Dunea at a glance](#)

[Foreword](#)

[Management report](#)

**Governance**

[Financial statements](#)

[Other information](#)

[Additional information](#)

# The Management Board and the Supervisory Board

## Management Board



W.M.E. Drossaert  
(1967)

### Nationality

Dutch

### Position

Managing Director

### Joined Dunea

1 September 2015

### Relevant other positions

Director of Stichting Nationaal Park Hollandse Duinen, Chairman of Water Companies Employers' Association, Director of Netherlands Water Partnership, Chairman RIWA Maas, General Manager VNO-NCW, Auditor ITK Hoger Onderwijs (Higher Education) at NVAO

## Supervisory Board



J.P. Backer  
(1953)

---

Nationality  
Dutch

Position  
Chairman

First appointed  
2017

Current term ends  
end of June 2021

Profession  
Independent consultant legal and public/private  
issues at Roodhoorn Consultants B.V.

Relevant other positions  
Board member Stichting Luchtmans (Koninklijke Brill N.V.),  
Chairman Supervisory Board Maag Lever Darm Stichting  
(Gastroenterology Foundation), Member Supervisory Board  
Stichting Voortgezet Onderwijs Haaglanden, Board member  
Stichting Fundatie Notelaers, Member of the Dutch Senate



G.J. Doornbos  
(1948)

---

Nationality  
Dutch

Position  
Water (chain) management expert,  
Chairman Remuneration Committee

First appointed  
2017

Current term ends  
end of June 2021

Profession  
Consultant

Relevant other positions  
Chairman Stichting Veldleeuwierik, Chairman Gebiedscoöperatie  
Buytenland van Rhon, Chairman Water Quality Tables at  
Ministry of Infrastructure and Water Management, Chairman  
Supervisory Board Stichting Brak, Deputy Chair Hollandse Delta  
Water Authority Board (interim)



W. van Dijk  
(1966)

---

Nationality  
Dutch

Position  
Expert innovation/digitalisation, compliance/risk  
management, cybersecurity and works council

First appointed  
2020

Current term ends  
November 2024

Profession  
Director Lelystad Airport

Relevant other positions  
Director Safety, Security & Environment Amsterdam  
Airport Schiphol

Dunea at a glance  
Foreword  
Management report

**Governance**

- *The Management Board and the Supervisory Board*

Annual financial statements  
Other details  
Additional information

## Supervisory Board (continued)



L.A.S. van der Ploeg  
(1970)

**Nationality**

Dutch

**Position**

Vice-chairman and Chairman of the Audit Committee, financial-economic affairs expert

**First appointed**

2014

**Current term ends**

end of June 2022

**Profession**

CFO VolkerWessels Bouw- en Vastgoedontwikkeling B.V. (property development)

**Relevant other positions**

Chairman Supervisory Board Haag Wonen; Chairman Supervisory Board NSI NV; Member of the Board of Trustees CMC Faculty Erasmus School of Accounting & Assurance; Member Permanent Education Committee/Association of Housing Association Supervisory Boards



A. van der Rest  
(1953)

**Nationality**

Dutch

**Position**

Energy and nature conservation expert

**First appointed**

2018

**Current term ends**

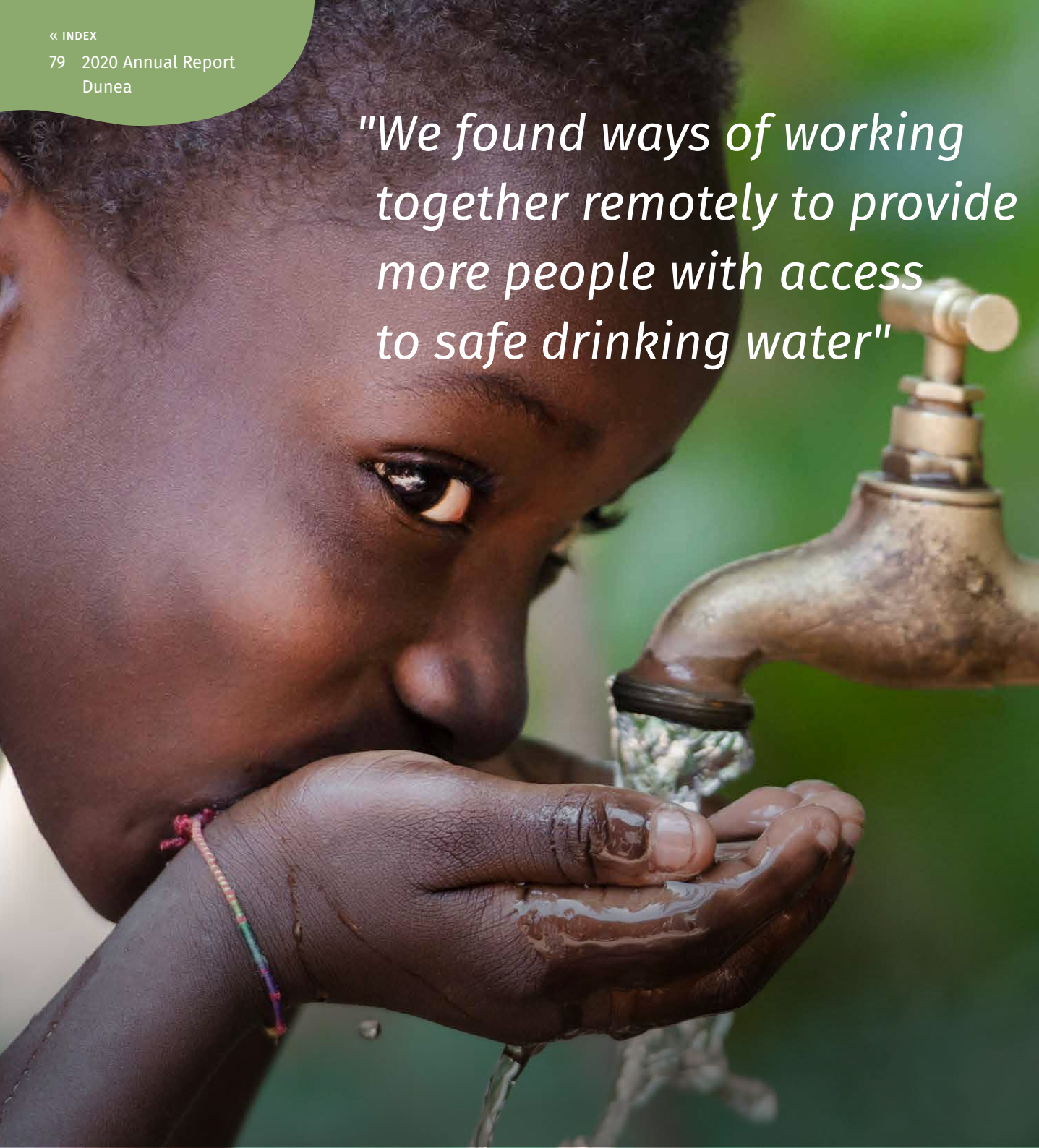
end of June 2022

**Profession**

Former Manager Safety, Health and Environment at Shell Nederland B.V.

**Relevant other positions**

Chairman of the Board CE Delft, Chairman of the Environment, Sustainability and Energy Committee of VNO, Treasurer IVN The Hague

A close-up photograph of a young girl with dark skin and curly hair, looking down at a public water tap. She is holding her hands under the running water, and a small amount of water is visible in her palms. The background is a soft-focus green, suggesting an outdoor setting.

*"We found ways of working together remotely to provide more people with access to safe drinking water"*

In Homa Bay County, Kenya, Dunea is working with local partner HomaWasco to deliver SDG6: a project to provide more people with access to safe drinking water and sanitation. Due to travel restrictions, knowledge transfer is currently taking place online, and we are providing remote assistance to ensure that work on the ground can continue as far as possible.

"Dunea has helped to provide a good internet connection as well as smart phones", says Wytze Boonsma, Programme Manager at Dunea International. "The project budget also provides funding for mopeds, so that HomaWasco technicians can continue to do their work. The curfew means that there are no taxis or public transport after 8 p.m. This prevents employees from coming out to fix problems on time, despite the fact that they work in a key sector. The solution is private transport. In cooperation with Amref, we have also provided public handwashing facilities in five towns. This is important in the fight against COVID-19 in a country where universal access to water cannot be taken for granted. Five primary schools have also been included in the 'WASH at Schools' project, which ensures safe drinking water by sinking wells and constructing mini water towers and safe sanitation in the shape of toilets and handwashing facilities. This has a strong impact on menstrual hygiene management, helping girls who would otherwise have to remain at home during their menstrual period."



**Wytze Boonsma**  
Programme Manager  
Dunea International

[Dunea at a glance](#)[Foreword](#)[Management report](#)[Governance](#)[Financial statements](#)[Other information](#)[Additional information](#)

# Report of the Supervisory Board

The Supervisory Board monitors the Management Board's policies and the general course of affairs of Dunea and its affiliated enterprises. The Supervisory Board ('the Board') supports the Management Board with advice that is aimed at furthering the interests of Dunea. In this Report, the Supervisory Board renders account in respect of the supervision exercised by it in the reporting year.

## Supervision

### Topics discussed in 2020

During the meetings of the Supervisory Board in 2020, attention was given in particular to the following topics:

#### Coronavirus pandemic

The Board is pleased to have noted that Dunea's business operations were not jeopardised and that Dunea was able to continue fulfilling its core tasks in spite of circumstances that were difficult at times.

#### Tariff Regulations 2021

One of the most interesting discussions to take place in 2020 concerned the reaction of several shareholders to the initially proposed Tariff Regulations 2021, which sought to raise tariffs by 3%. After the meeting documents were forwarded in November 2020, it was evident that several management advisers and/or shareholders had difficulty lending their full support to the proposed tariff increase. The Board was aware of the dilemmas facing the Management Board, but was entirely convinced of the usefulness and necessity of the tariff increase that was initially

proposed. The alternative, which the Board does not consider an inviting prospect, would have been the postponement of investments. This would adversely affect the security of supply in time, which would be contrary to earlier strategic choices. The Board understands, acknowledges and appreciates the shareholders' engagement in relation to this topic. As Dunea's business continuity as well as the security of supply vis-a-vis customers have priority, and given the importance that the Board attached to avoiding a possible impasse, the Board eventually agreed to an amended proposal that takes account of the interests of the parties concerned.

#### 2021-2025 multi-year budget

The Board was closely involved in the 2021-2025 Multi-Year Budget through its participation in several strategic sessions. Through company visits, contacts with stakeholders (including councillors) and General Meetings of Shareholders, the Board was involved in its supervisory role in important choices for the future. Security of supply for the more than 1.3 million customers in Dunea's supply area is a paramount consideration in this regard. Against the background of climate change, the risks of low water levels and pollution in the River Maas, the Board supports the choice of the multi-source programme, which was also communicated to the shareholders. The Board was also informed of the development and formulation of the new targets, resulting in greater clarity as regards Dunea's long-term vision.

#### Reappointment of Managing Director

On 1 September 2020, the five-year term of Mr Drossaert's appointment as Managing Director expired. In the light of his expressed availability to serve a new term and the Board's view that Mr Drossaert was an excellent candidate to lead Dunea's business operations in the coming years also, the Board recommended his reappointment to the General Meeting of Shareholders. The Board considers that the reappointment of Mr Drossaert provides a guarantee of continuity for the coming years;

[Dunea at a glance](#)[Foreword](#)[Management report](#)[Governance](#)• [Report of the](#)[Supervisory Board](#)[Annual financial statements](#)[Other details](#)[Additional information](#)

Dunea can rely on the extensive knowledge and experience that he has acquired in the sector as well as his vision for the future. The Board is pleased that the shareholders unanimously approved the recommendation, and Mr Drossaert was consequently reappointed as Managing Director for a term of four years with effect from 1 September 2020.

### Establishment of heat subsidiary Dunea Warmte & Koude B.V.

In 2020, the Board was closely involved in the processes leading to the establishment of heat subsidiary Dunea Warmte & Koude B.V. In this context, specific attention was also paid to the Articles of Association. The Board is of the opinion that the formation of this subsidiary represents a clear expression by Dunea of its commitment to playing a role in the energy transition.

The formation of Dunea Warmte & Koude B.V. has resulted in a minor addition to the wording of the Supervisory Board Charter, to the effect that Dunea N.V.'s affiliated enterprises will in future (also) be subject to the supervision of the Board.

### Appointment of new auditor

The term for which audit firm PwC was appointed, including extension option, expired in 2020. The Board was involved in the open tender procedure for this role. Ms Van der Rest represented the Board in the assessment committee that considered the bids from prospective audit firms. The decision-making process was careful and thorough, with a focus on both quality and price. Based on the weighted evaluations and scores, the Board proposed to the shareholders that KPMG Accountants N.V. be appointed as the Company's auditor for a term of four years with effect from the 2020 reporting year. The shareholders approved this proposal.

### Compliance

In 2020, the Board received various reports from the Compliance Officer. Prior to being submitted to the Board, the reports were discussed in the Audit Committee, which paid particular attention to the monitoring of existing internal controls as well as the implementation of new internal controls. The aim was to optimise business continuity and to mitigate potential distorting aspects as well as risks, including fraud risks, as far as possible, or exclude them entirely where possible. The risk register, which lists the latent business risks, was also explicitly taken into account in this regard.

### Stichting NPHD

The Board was informed about the developments in relation to Stichting NPHD (National Park Hollandse Duinen Foundation). The Board is hopeful that the national park will soon be granted official status as a 'New Style' National Park by the Ministry of Agriculture, Nature and Food Quality. The granting of this status will underline Dunea's ambition, which it has repeatedly voiced, to be a world-class dune manager.

### Overseas projects

The Supervisory Board would also like to highlight the drinking water projects in other countries to which Dunea contributes and through which Dunea supports improving access to drinking water in parts of the world where it cannot be taken for granted. The Board is pleased that Dunea is committed to sharing its knowledge and expertise in the field of drinking water extraction with other continents to provide local parties, including drinking water stakeholders, with enhanced capabilities for drinking water extraction in the future.

[Dunea at a glance](#)[Foreword](#)[Management report](#)**Governance**• [Report of the](#)[Supervisory Board](#)[Annual financial statements](#)[Other details](#)[Additional information](#)**Consultation with the Works Council**

The Supervisory Board meets the Works Council twice a year, in the presence of the Management Board. This consultation is informal in nature and provides a good opportunity for those involved to inform one another about current organisational and staff developments. This enables the Board to remain in touch with the organisation. The Board has every confidence that Ms Van Dijk, as the new Works Council-nominated Supervisory Board member, will continue to maintain the good contacts with the Works Council.

**Meetings and attendance**

The Board held a total of ten regular meetings in 2020, most of which were conducted online. When the situation permitted, the Board met once in person in June 2020, with due regard for the required precautionary measures. This meeting was attended by four members.

The nature of eight of the meetings of the Board was decision-making, in light of the attendance or participation by the Management Board. Two of these meetings were not attended by one Supervisory Board member, with notice, although the Supervisory Board member concerned did provide input to the Chairman in advance of the meeting.

The remaining decision-making meetings were attended by the full Board. The last meeting, in December, focused on the self assessment of the Board (see further in this report).

In 2020, the Board also met once informally to be informed of the developments within Dunea. This meeting was attended by four of the five members of the Board. The meeting was combined with a working visit to the Brakel production location, during which the Board met the new managing director of the subsidiary Dunea Warmte & Koude B.V.

**Report by Supervisory Board committees**

The Supervisory Board has two committees: the Audit Committee and the Remuneration Committee. The duties and responsibilities of both committees are described in the Corporate Governance section.

The composition of the committees in 2020 was as follows:

**Audit Committee**

Mr Van der Ploeg (Chairman), Ms Van der Rest and Ms Zorko (until 1 October 2020).

**Remuneration Committee**

Mr Doornbos (Chairman), Mr Backer and Ms Van der Rest.

**Report of the Audit Committee**

In 2020, the Audit Committee met four times. All four meetings were attended by the full Committee. Three meetings were also attended by the external auditor. In the presence of the auditor, the Management Letter 2019, the Annual Report 2019 and the Audit Plan 2020, among other things, were discussed. The Finance & Control domain manager and the Compliance Officer also participated in all the meetings of the Audit Committee.

The Audit Committee meeting reports are discussed in the meetings of the full Board. Representing the Audit Committee, Ms Van der Rest was a member of the Assessment Committee that was involved in considering the bids received as part of the tender procedure that was conducted for audit services.

The Audit Committee, which advises the Board, is very familiar with the processes within the organisation, thanks to various audit

[Dunea at a glance](#)[Foreword](#)[Management report](#)**Governance**• [Report of the](#)[Supervisory Board](#)[Annual financial statements](#)[Other details](#)[Additional information](#)

methodologies and information provision processes. These include the Management Letter and the financial decision making documents (Annual Report, budget, multi-year budget, tariff regulations) which are (first) reviewed in the Audit Committee. Against this background, AO/IC is embedded in the organisation, the Compliance Officer is present and the auditing and reporting of findings are undertaken by an external auditor. In the Board's view, the establishment of a separate internal audit function is not necessary, since adequate supervision of the processes can be exercised through these roles and actors.

### Report of the Remuneration Committee

The full Remuneration Committee met three times in 2020. In connection with Ms Zorko's resignation from the Supervisory Board, the Remuneration Committee, in cooperation with the Works Council, drew up the profile for the new Supervisory Board member to be appointed and engaged an external recruitment agency. The new Supervisory Board member, Ms Van Dijk, was appointed with effect from 1 December 2020. The Remuneration Committee wishes to express its appreciation of the manner in which the cooperation with the Works Council took place in relation to this matter.

The Remuneration Committee also advised the Board regarding the nomination for reappointment of the Managing Director, Mr Drossaert. Prior to the nomination, the Remuneration Committee held a meeting with Mr Drossaert to discuss the possibility of his reappointment. The Remuneration Committee is of the opinion that Mr Drossaert has carried out his duties and responsibilities in a professional and competent manner and has every confidence that Mr Drossaert will continue to do so during his next term of appointment. The Remuneration Committee submitted a positive opinion to the Supervisory Board regarding the nomination for reappointment of Mr Drossaert as Managing Director.



These pumps are used to pump pre-treated river water from Bergambacht to the dunes.

[Dunea at a glance](#)[Foreword](#)[Management report](#)[Governance](#)• [Report of the](#)[Supervisory Board](#)[Annual financial statements](#)[Other details](#)[Additional information](#)

## Quality assurance

### Composition, diversity and independence

The Supervisory Board comprises the following members:

- Mr P. Backer (Chairman)
- Mr L.A.S. van der Ploeg (Vice-chairman)
- Mr G.J. Doornbos
- Ms A. van der Rest
- Ms W. van Dijk

In 2020, the composition of the Board changed as a result of the resignation of Ms Zorko. Ms Zorko accepted another position, with effect from 1 October 2020, which was not easily compatible with continuing as a member of the Supervisory Board of Dunea N.V. The Supervisory Board wishes to express its appreciation to Ms Zorko for her contribution as (Works Council-nominated) Supervisory Board member and for her supervision, the insights she provided regarding cybersecurity and the good relationship she maintained with the Works Council.

The Remuneration Committee, in consultation with the Works Council, led the process of recruiting and selecting a new Works Council-nominated Supervisory Board member. The Board was certain that a suitable successor had been found in Ms W. van Dijk, and during the General Meeting of Shareholders on 19 November 2020 the shareholders approved the Board's proposal that Ms W. van Dijk be appointed as a member of the Supervisory Board for a term of four years with effect from 1 December 2020. Ms Van Dijk has experience and affinity with automation, digitalisation and robotics.

Between 1 October and 1 December 2020, the Board comprised four members, who jointly carried out the tasks of the retired Supervisory Board member, and her successor who had yet to recruited, during this period. With the appointment of Ms Van Dijk, the Board is once again

complete and equipped for the future challenges facing Dunea.

The composition of the Board is in conformity with the profile and the objectives of the diversity policy, which have been adopted and can be found on our [website](#). As 40% of the five members are female, the gender diversity goals were met.

In the view of the Board, throughout 2020 the requirements relating to the independence of the Board and its individual members, as referred to in Article 2.1.7 to Article 2.1.9. of the Corporate Governance Code, were fulfilled.

Further information on the members of the Supervisory Board is provided on page 77.

### Diversity profile

#### Retirement and reappointment schedule

2019	Year of birth	Expertise/experience	Gender
J.P. Backer	1953	Chairman	Male
L.A.S. van der Ploeg	1970	Expert financial and commercial aspects	Male
W. van Dijk	1966	Innovation /digitalisation, compliance/risk management, cybersecurity and works council expert	Female
G.J. Doornbos	1948	water (chain) management expert	Male
A. van der Rest	1953	Sustainability, nature and energy transition expert	Female

[Dunea at a glance](#)[Foreword](#)[Management report](#)**Governance**• [Report of the](#)[Supervisory Board](#)[Annual financial statements](#)[Other details](#)[Additional information](#)**Self assessment**

Name	Date appointed	Year eligible for reappointment	Last term ends in
J.P. Backer	1 July 2017	2021	-
L.A.S. van der Ploeg	1 July 2014	2018	2022
W. van Dijk	1 December 2020	2024	-
G.J. Doornbos	1 July 2017	2021	-
A. van der Rest	1 July 2018	2022	-

Both the Board and the Management Board provided input for self assessment, with the outcomes being discussed in a meeting with the Board and the Management Board. This discussion resulted in the following conclusions:

- the governance structure is functioning satisfactorily and mutual relations are good;
- the organisation and the Board are challenged to make clear and informed choices;
- the role of the Audit Committee is being properly fulfilled;
- the Board sees scope for proactively putting more subjects, in particular those with a long-term focus, on the agenda.

**Other matters****Annual Report 2020**


In accordance with Article 16 of the Company's Articles of Association, we hereby present to you the Annual Report of Dunea prepared by the Management Board and including the financial statements for 2020. The Annual Report 2020 and the report of the policy conducted by the Management Board were presented to the Supervisory Board during its meeting on 20 May 2021. The Annual Report has been audited and given an unqualified opinion by our auditor KPMG. This opinion can be read on page 125. We have discussed the Annual Report in the presence of the Management Board and the auditor. The Management Board will present the Annual Report 2020 to the General Meeting of Shareholders on 24 June 2021.

**Word of thanks**

The Board wishes to thank and compliment the Management Board and all the employees, who have shown professionalism and commitment on behalf of the company in the extraordinary circumstances during the year under review. Dunea is extremely well equipped to successfully implement the new strategic plan and to meet the social challenges ahead.

Zoetermeer, 20 May 2021

Supervisory Board  
Joris Backer, Chairman



*“Working together to provide extra drinking water and deliver benefits for nature”*

Dunea is working hard in the Berkheide dune area on optimising and expanding water extraction. This is a necessary step towards meeting future demand for drinking water. We are combining the interventions and modifications to water extraction with improving the quality of nature, with the aim of restoring the wet dune valleys and strengthening biodiversity.

While improving the quality of the natural environment on our own land, we also look beyond its boundaries. In Berkheide, Dunea is working closely with its partner the Dutch Forestry Commission, which manages the land adjacent to the area. We are combining the ‘extraction 6.2’ project for drinking water and nature with the ‘Bendel’ project for wet dune valley restoration. Trees and bushes are being cleared and the groundwater level is being made more easily accessible for the plants and animals that prefer a wet, low nutrient dune habitat.

This is one of the first projects undertaken by the Dutch Forestry Commission as part of the Accelerated Nature Restoration Programme launched by the Ministry of Agriculture, Nature and Food Quality. The Programme aims to mitigate the effects of nitrogen in Natura 2000 sites. ‘It is important that we work together as nature conservators’, says Jaap Wilting, Team Leader ‘City and Dune’ at the Dutch Forestry Commission. “By carrying out work to improve water extraction and nature development simultaneously, we have been able to minimise disruption to nature as well as the impact on recreational users. This way, we are coordinating our work to make nature reserves more robust.”



**Jaap Wilting**

*Team Leader 'City and Dune',  
Dutch Forestry Commission*

Dunea at a glance  
Foreword  
Management report  
Governance

Other information  
Additional information

# Financial statements 2020



In the GOBAM (Bergambacht Advanced Oxidation) installation in Bergambacht, part of the pre-treated river water is treated with ozone and UV radiation to remove organic pollutants from the water.

## Financial statements 2020

<b>Balance sheet as at 31 December 2020</b>	89
<b>Income statement for 2020</b>	91
<b>Statement of comprehensive income 2020</b>	92
<b>Statement of cash flows for 2020</b>	93
<b>Notes</b>	
General	94
Accounting policies for the preparation of the financial statements	96
Accounting policies for the measurement of assets and liabilities	98
Accounting policies for determining the result	102
Accounting policies for the preparation of the cash flow statement	104
<b>Notes to the balance sheet as at 31 December 2020</b>	105
<b>Notes to the income statement for 2020</b>	115

# Balance sheet as at 31 December 2020

(After appropriation of the result)

amounts x € 1,000

Notes

31 December 2020

31 December 2019

## Assets

### Non-current assets

#### Intangible non-current assets

1

Development costs

127

0

**127**
**0**

#### Tangible non-current assets

2

Land and buildings

57,779

56,339

Plant and equipment

484,030

477,283

Other tangible non-current assets

2,694

2,080

Work in progress

36,294

33,245

Tangible fixed assets not used in regular operations

1,979

2,051

**582,776**
**570,998**

#### Financial non-current assets

3

Participating interests

2,687

2,619

Other receivables

122

186

**2,809**
**2,805**

amounts x € 1,000

Notes

31 December 2020

31 December 2019

### Current assets

#### Inventories

4

Materials

1,353

1,164

**1,353**
**1,164**

#### Construction contracts

5

Construction contracts

0

64

**0**
**64**

#### Receivables

6

Accounts receivable

7,524

6,457

Taxes

794

214

Other receivables

51

62

Prepayments and accrued income

5,506

4,663

**13,875**
**11,396**

#### Cash and cash equivalents

7

3

8

**Total**
**600,943**
**586,435**

## Balance sheet as at 31 December 2020

(After appropriation of the result)

amounts x € 1,000

Notes

31 December 2020

31 December 2019

## Liabilities

## Shareholders' equity

Issued share capital	8	20,000	20,000
Share premium reserve	9	3,097	3,097
Legal reserve	10	754	578
Other reserves	11	212,902	206,080
		<b>236,753</b>	<b>229,755</b>

## Provisions

12

4,650

5,598

amounts x € 1,000

Notes

31 December 2020

31 December 2019

## Loan capital

## Long-term liabilities

13

Debt to credit institutions	230,000	187,333
Equalisation account third party contributions	71,658	69,612
Prepayments	1,439	1,574
	<b>303,097</b>	<b>258,519</b>

## Current liabilities

14

Short-term part of long-term liabilities	12,333	52,333
Debt to credit institutions	12,962	9,718
Debt to suppliers	5,252	6,283
Taxes and social security contributions	3,716	3,485
Pension obligations	482	454
Deferred income	2,577	3,450
Other liabilities	402	552
Accrued liabilities	18,719	16,288
	<b>56,443</b>	<b>92,563</b>

## Total

600,943

586,435

## Income statement for 2020

amounts x € 1,000	Notes	2020	2019
<b>Operating income</b>	15		
Water income		138,046	135,491
Income from work for third parties		2,963	3,108
<b>Net revenue</b>		<b>141,009</b>	<b>138,599</b>
Capitalised production		4,281	3,680
Other operating income		2,142	2,117
<b>Total operating income</b>		<b>147,432</b>	<b>144,396</b>
<b>Operating expenses</b>	16		
Costs of raw materials and consumables		3,941	3,158
Water purchases		2,997	2,008
Energy costs		4,395	3,952
Costs of subcontracted work and other external costs		11,646	9,590
Sufferance tax on underground pipes, levied by municipalities		12,181	12,304
Wages and salaries		29,040	27,371
Social security contributions		7,838	7,698
Depreciation of non-current assets		30,806	31,035
(Reversal of) Impairment and divestment of tangible and intangible non-current assets		46	-296
Other operating expenses		32,606	34,009
<b>Total operating expenses</b>		<b>135,496</b>	<b>130,829</b>
<b>Operating result</b>		<b>11,936</b>	<b>13,567</b>

amounts x € 1,000	Notes	2020	2019
<b>Result from participating interests</b>	3		
Income from participating interests		50	174
<b>Financial income and expenses</b>	17		
Interest income and similar income		4	7
Interest expenditure and similar expenditure		-4,992	-5,252
<b>Financial result</b>		<b>-4,938</b>	<b>-5,071</b>
<b>Result before tax</b>		<b>6,998</b>	<b>8,496</b>
Corporate income tax	18	0	0
<b>Result after tax</b>		<b>6,998</b>	<b>8,496</b>

## Statement of comprehensive income 2020

amounts x € 1,000	2020	2019
Profit after tax	6,998	8,496
Direct movements in shareholders' equity	0	0
<b>Total profit of the entity</b>	<b>6,998</b>	<b>8,496</b>

## Statement of cash flows for 2020

(Prepared in accordance with the indirect method)

amounts x € 1,000	Notes	2020	2019
<i>Cash flow from operating activities</i>			
<b>Operating result</b>		<b>11,936</b>	<b>13,567</b>
Adjusted for:			
Depreciation and amortisation	16 G	30,806	31,035
Impairment and divestment of tangible non-current assets	2	46	-296
Movements in provision for doubtful debts	16 H	-166	250
Movements in other provisions	12	-948	-2,600
Movements in prepayments	13	-135	-135
		<b>29,603</b>	<b>28,254</b>
Movements in working capital			
Movements in inventories	4	-189	-382
Movements in construction contracts	5	64	332
Movements in current receivables	6	-2,321	-1,486
Movements in operating liabilities	14	-353	-1,356
<b>Movements in working capital</b>		<b>-2,799</b>	<b>-2,892</b>
Cash flow from operating activities		38,740	38,929
Interest paid	17	-5,378	-5,464
<b>Cash flow from operating activities</b>		<b>33,362</b>	<b>33,465</b>

amounts x € 1,000	Notes	2020	2019
<i>Cash flow from investment activities</i>			
Investments in intangible non-current assets	1	-127	0
Investments in tangible non-current assets	2	-44,237	-39,061
Contributions received	13	4,893	5,916
Other movements in tangible non-current assets	2	139	32
Investments in financial non-current assets	3	-18	0
Repayment of financial non-current assets	3	72	44
<b>Cash flow from investment activities</b>		<b>-39,278</b>	<b>-33,069</b>
<i>Cash flow from financing activities</i>			
New long-term loans	13	55,000	70,000
Repayments	14	-52,333	-14,667
New current borrowings	14	0	0
<b>Movements in working capital</b>		<b>2,667</b>	<b>55,333</b>
Short-term credit and cash and cash equivalents as at 1 January	14	-9,710	-65,439
Movements in short-term credit and cash and cash equivalents at 31 December		-3,249	55,729
<b>Short-term credit and cash and cash equivalents at 31 December</b>		<b>-12,959</b>	<b>-9,710</b>

## General

Dunea N.V. has its registered office at and operates from Plein van de Verenigde Naties 11, 2719 EG Zoetermeer, the Netherlands, and is registered with the Chamber of Commerce under number 27122974.

## Activities

Dunea's primary activities comprise:

- meeting the needs for drinking water and industry water within its supply area, as well as meeting the needs for drinking water and bulk and industry water outside its supply area; all with due regard for the requirements of responsible nature conservation in relation to the dune areas entrusted to the company's care;
- undertaking responsible nature conservation in relation to the dune areas entrusted to the company's care, with due regard for the requirements of responsible water extraction;
- managing other components of the water chain, such as sewers and waste water treatment, within as well as outside its supply area;
- establishing, participating in any way in, cooperating with, managing and supervising companies and undertakings that perform activities that (having regard to the energy transition) are suited to and consistent with the activities of a drinking water company, or companies and undertakings that are conducive to these activities.

## Changes in accounting policies

In 2020, a change in accounting policies with regard to the measurement of provisions was implemented. This change in accounting policies is a result of changes in Dutch Accounting Standard 252, Provisions (RJ 252 Voorzieningen). Until the end of 2019, provisions were stated at the nominal value of the amounts necessary to settle the obligation as at the balance sheet date, unless otherwise stated. From 2020, provisions are stated at the present value of the amounts necessary to settle the obligation as at the balance sheet date, unless the time value of money is not material. The time value of money is not material as regards the provisions that are recognised as at 1 January 2020. As a result, the change in accounting policies has no impact on the value of shareholder's equity and the provisions as at 1 January 2020, nor does it have any impact on the result for 2020.

## Error recovery

In previous financial statements, 'Capitalised production (for own account)' was deducted from 'Wages and salaries'. This is not in compliance with the Financial Statements Formats Decree. Capitalised production (for own account) should be presented as part of the operating income. This has been adjusted with effect from the Financial Statements 2020. The amount concerned for 2020 is € 4.3 million. The comparative figures have also been adjusted (€ 3.7 million).

When preparing the financial statements for 2020, it was established that a surcharge for social security contributions and pension costs was wrongly not taken into account in the reservation for leave days. This surcharge was subsequently recognised in the Financial Statements 2020. Shareholders' equity as at 1 January 2019 was restated as if the error had not occurred. The associated effect was recognised as a direct change in shareholders' equity. The comparative figures have been adjusted as a result. The error recovery results in the following effects:

amounts x € 1,000	Original reporting	Impact of error recovery	Adjusted reporting
<b>Balance sheet as at 1 January 2019</b>			
General reserve	197,826	-1,704	196,122
Accrued liabilities	14,880	1,704	16,584
<b>Balance sheet as at 31 December 2019</b>			
General reserve	207,821	-1,741	206,080
Accrued liabilities	14,547	1,741	16,288
<b>Income statement for 2019</b>			
Operating income:			
Capitalised production (for own account)	0	3,680	3,680
Operating expenses:			
Wages and salaries	23,691	3,680	27,371
Social security contributions	7,661	37	7,698

### Estimates

When applying the accounting policies and rules for preparing the financial statements, Dunea's management makes various judgements and estimates that could be essential for the amounts recognised in the financial statements. If necessary in order to provide the information required to comply with Section 2:362, subsection 1 of the Dutch Civil Code, the nature of these judgements and estimates, including the related assumptions, are included in the Notes to the relevant items in the financial statements.

### Consolidation

Dunea had the following participating interests during 2020:

#### Participating interests

	Measurement base	Percentage 2020	Percentage 2019	Registered office
Aquaminerals	cost price	4.67%	4.88%	Nieuwegein
Dunea Warmte & Koude B.V.	net equity value	100%	n/a	Zoetermeer
Water Fund Holland B.V.	net equity value	26.95%	26.95%	Nieuwegein
KWH B.V.	cost price	6.71%	6.71%	Nieuwegein
Stichting NPHD	net equity value	100%	100%	The Hague
Het Waterlaboratorium N.V.	net equity value	30%	30%	Haarlem

AquaMinerals B.V., Water Fund Holland B.V., KWH B.V. and Het Waterlaboratorium N.V. are not consolidated because Dunea N.V. does not have predominant control in these participating interests.

Stichting NPHD (National Park Hollandse Duinen Foundation) was established in 2018. Dunea N.V. is the Foundation's sole director. As the Foundation's importance in material terms is negligible, it is excluded from the consolidation on the grounds of Section 2:407, subsection 1 of the Dutch Civil Code.

Dunea Warmte & Koude BV was incorporated in 2020. Dunea N.V. is the company's sole director. As the company's importance in material terms is negligible, it is excluded from the consolidation on the grounds of Section 2:407, subsection 1 of the Dutch Civil Code.

## Accounting policies for the preparation of the financial statements

### General

The financial statements have been prepared in conformity with the provisions in Part 9, Book 2 of the Dutch Civil Code and the Annual Reporting Guidelines. The Senior Executives in the Public and Semi-Public Sector (Standards for Remuneration) Act is applicable.

The assets and liabilities have been valued on a going-concern basis.

References are included in the balance sheet, the income statement and the statement of cash flows. These references refer to the Notes.

### Nomenclature

The income statement uses nomenclature customary in the industry sector.

### Statement of amounts

Unless stated otherwise, the amounts included in the Notes are in thousands of Euros.

### Comparison with previous year

The balance of construction contracts was presented as at 31 December 2020 under 'Prepayments and accrued income' (contracts with a positive balance, € 0.1 million) and 'Accrued liabilities' (contracts with a negative balance, € 0.2 million). This method of presentation is more consistent with the nature of the contracts. The comparative figures have not been adjusted, in view of the relatively minor impact on the balance sheet.

### Measurement

Assets and liabilities are stated at historical cost, unless otherwise indicated in the accounting policies.

An asset is included in the balance sheet if the future economic benefits are likely to flow to the company and its cost or value can be measured reliably. Assets that do not meet these criteria are not included in the balance sheet, but are classified as off-balance sheet assets. A liability is included in the balance sheet if its settlement is likely to result in an outflow of funds embodying economic benefits and the size of the amount against which the

settlement will take place can be reliably determined. Liabilities also include provisions. Liabilities that do not meet these criteria are not included in the balance sheet, but are recognised as off-balance sheet liabilities.

An asset or liability recognised in balance sheet continues to be recognised on the balance sheet if a transaction does not result in a significant change in substance in relation to the asset or liability. Such transactions equally do not give rise to recognition of results. The basis for the assessment of whether there is a significant change in substance is the economic benefits and risks that are likely to occur in practice and not benefits and risks that are not reasonably expected to occur.

An asset or liability is derecognised if a transaction results in the transfer to a third party of all or virtually all the rights to economic benefits and all or virtually all the risks relating to the asset or liability. The results of the transaction are in that case recognised directly in the income statement, taking into account any provisions that need to be made in connection with the transaction.

If the presentation of the substance results in the recognition of assets whose legal ownership is not held by the legal entity, this fact will be stated.

Income is recognised in the income statement if there has been an increase in the economic potential related to an increase in an asset or a decrease in a liability, the amount of which can be reliably determined. Expenditure is recognised in the income statement if there has been a decrease in the economic potential related to a decrease in an asset or an increase in a liability, the amount of which can be reliably determined. Income and expenditure are attributed to the year to which they relate.

## Leasing

The company may enter into finance and operating lease contracts. Lease contracts whereby the lessee assumes substantially all the risks and rewards of ownership of the leased item are classified as finance leases. All other lease contracts are classified as operating leases. Whether a lease is classified as a finance lease or an operating lease depends on the substance of the transaction rather than the legal form. Classification of the lease takes place at the time the respective lease contract is entered into.

If the company acts as lessee in an operating lease, the leased item is not capitalised. Lease payments and compensation relating to operating leases are taken to the income statement on a straight-line basis over the lease term, unless a different allocation system is more representative of the pattern of the benefits obtainable from the leased item.

## Financial instruments

Financial assets and financial liabilities are recognised in the balance sheet at the moment contractual rights or liabilities arise with regard to that instrument. A financial instrument is derecognised if a transaction results in the transfer to a third party of all or virtually all the rights to economic benefits and all or virtually all the risks relating to the position.

A financial asset and a financial liability are netted if the company has a reliable legal instrument to settle the financial asset and the financial liability on a net basis and the company has the firm intention to settle the net amount as such on a net basis or simultaneously. In the case of a transfer of a financial asset that does not qualify for derecognition, the transferred asset and the associated liability are not netted. Financial instruments include primary financial instruments (such as receivables and payables) as well as derivative financial instruments (derivatives).

In the Notes to the individual items in the balance sheet, information is given on the fair value of the instrument concerned if it differs from the carrying amount. If the financial instrument is not recognised in the balance sheet, the information on the fair value is given in the Notes to the long-term liabilities.

## Primary financial instruments

For the accounting policies related to primary financial instruments, please see the treatment per balance sheet item of the 'Accounting policies for the measurement of assets and liabilities'.

## Derivative financial instruments

Dunea has no derivative financial instruments.

## Related parties

The identification of related parties is as defined in the Annual Reporting Guidelines. The related parties recognised by Dunea include: participating interests, Directors and Supervisory Board members. Significant transactions with related parties that are not undertaken under normal market conditions are disclosed in the financial statements.

## Events after the balance sheet date

Events that provide further information about the actual situation as at the balance sheet date and which have occurred and are evident up to the date on which the financial statements are prepared are recognised in the financial statements. Events that do not provide further information about the actual situation as at the balance sheet date are not recognised in the financial statements. If such events are of material importance for users of the financial statements in forming an opinion, their nature and expected financial implications are disclosed in the financial statements.

## Accounting policies for the measurement of assets and liabilities

### Intangible non-current assets

Intangible non-current assets are recognised in the balance sheet if it is probable that the future performance units with regard to the asset concerned will accrue to the company and the costs of the asset can be measured reliably.

Intangible non-current assets are measured at cost price on initial recognition. The cost price comprises the acquisition or manufacturing cost plus any additional costs required to bring the asset to the condition necessary for its intended use. After initial recognition, intangible non-current assets are measured at cost price less accumulated depreciation and accumulated impairment losses. For the method of determining whether there is an indication of impairment of non-current assets, please see under 'Impairment of non-current assets'.

Expenditure for development projects is capitalised as part of the manufacturing cost if it is probable that the project will be commercially and technically successful (i.e.: if it is probable that economic benefits will be achieved) and the costs can be measured reliably. A legal reserve equal to the capitalised amount has been created under the equity capital for the capitalised development costs. The depreciation of the capitalised development costs commences as soon as commercial production has started and takes place over the expected future economic useful life of the asset.

Research costs are recognised in the income statement.

### Tangible non-current assets

Tangible non-current assets are recognised in the balance sheet if it is probable that the future performance units with regard to the asset concerned will accrue to the company and the costs of the asset can be measured reliably.

Tangible non-current assets are measured at cost price on initial recognition.

The cost price comprises the acquisition or manufacturing cost plus any additional costs required to bring the asset to the place and condition necessary for its intended use. After initial recognition, tangible non-current assets are measured at cost price less accumulated depreciation and accumulated impairment losses. For the method of determining whether there is an indication of impairment in respect of non-current assets, please see under 'Impairment of non-current assets'.

The acquisition price comprises the acquisition costs of the ground and consumables used and other costs that can be directly attributed to the acquisition, including construction period interest. The construction period interest is calculated on the average invested amount up to the moment of going into service.

The contributions that Dunea receives from third parties for the installation and/or movement of connection and mains pipelines are recognised in long-term liabilities under 'Equalisation account third party contributions'. These contributions are released during the economic life of these assets. Contributions received from third parties for the installation and/or movement of transport pipelines are deducted from the cost price of the asset.

The annual depreciation of the tangible non-current assets equals a fixed percentage of the cost price. This percentage is based on the estimated economic life of the assets. Investments are depreciated from the moment they are available for their intended use. A residual value is not taken into account. Land is not depreciated.

The costs of major maintenance are included in the carrying amount of the tangible non-current asset ("component method"). Maintenance expenditure is only capitalised if it extends the useful life of the asset and/or leads to future performance units with regard to the asset.

Book profits and losses from the incidental sale of tangible non-current assets are included under 'Other operating income'.

Assets no longer in use are measured at the lower of carrying amount and net realisable value.

**Financial non-current assets (participating interests)**

Participating interests over whose operating and financial policies Dunea exerts significant influence are measured using the equity accounting method, based on the net asset value. The net asset value of the participating interest is determined on the basis of the accounting principles applied by Dunea in its own financial statements. Significant influence is presumed to exist when 20% or more of the voting rights can be cast. The totality of actual circumstances and contractual relationships (including any potential voting rights) are taken into account when determining whether there exists a participating interest over whose operating and financial policies the company exerts significant influence.

If the participating legal entity transfers an asset or liability to a participating interest that is measured in accordance with the equity accounting method, the profit or loss resulting from the transfer is recognised pro rata on the basis of the relative interest that third parties have in the participating interests (proportional determination of results). A loss resulting from the transfer of current assets or an impairment of non-current assets is fully recognised, however. Results on transactions involving a transfer of assets and liabilities between the company and its participating interests and between participating interests mutually are eliminated to the extent that they can be considered to be unrealised.

The unrealised profit is eliminated from the company's results. This adjustment is recognised by means of elimination in respect of the result from participating interest and by deducting this elimination from the value of the participating interest in the balance sheet.

When the valuation of a participating interest has become nil according to the equity accounting method, the method is no longer used and the participating interest – in unchanged circumstances – remains valued at nil. Where Dunea provides security for all or part of the debts of the participating interest, or is in effect under an obligation (in proportion to its share) to enable the participating interest to pay its debts, a provision will be created for the share in any further losses of the participating interest. This provision is recognised on the credit side of the balance sheet.

Dunea takes a legal reserve into account when measuring participating interests using the

equity accounting method, if Dunea does not have predominant control in the participating interest. The amount of the legal reserve created equals Dunea's share in the profits and the direct capital increases of the participating interest since the participating interest's initial measurement at net asset value. The reserve is reduced by the dividend to which Dunea has acquired the rights, direct capital depreciations and distributions, the receipt of which can be effected by Dunea without restrictions.

The participating interests over whose operating and financial policies Dunea does not exert significant influence are measured at the lower of acquisition price and market value.

The long-term receivables from participating interests and the other receivables are measured at fair value on initial recognition and subsequently at amortised cost. The fair value and amortised cost are equal to the nominal value. Provisions deemed necessary for possible losses as a result of uncollectable debts are deducted.

**Impairment of non-current assets**

On each balance sheet date, an assessment is made to determine whether there is any indication, externally or internally, that an asset may be subject to impairment. The recoverable amount of the asset is estimated when there is an indication that an asset may be subject to impairment. The recoverable amount is the higher of the net realisable value and the value in use. If the recoverable amount of an asset is lower than its carrying amount, the carrying amount is reduced to the recoverable amount. This reduction is an impairment loss, which is recognised directly as expenses in the income statement. An impairment loss is recognised under other changes in the value of non-current assets in the income statement.

The net realisable value is the maximum amount for which an asset can be sold, net of costs to be incurred. The net realisable value is determined on the basis of a sale agreement, or is determined on the basis of a market price on a liquid (active) market, adjusted for costs to be incurred.

Value in use is the present value of the estimated future cash flows from an asset or set of assets that can be generated from business activities.

An impairment loss is only reversed if a change has taken place in the estimates used to determine the recoverable amount since the last impairment loss was recognised. The reversal is limited to the maximum amount necessary to value the asset at amortised cost at the time of the reversal, had there been no reversal. The reversal of an impairment loss is recognised directly in the income statement as income.

### Inventories

The inventories of materials are almost entirely intended for the installation, maintenance and replacement of tangible non-current assets. Inventories are measured at the lower of cost and net realisable value. Cost of inventories is the acquisition or manufacturing cost plus any other directly attributable costs incurred to bring the inventories to their present location and condition. Inventories are measured using the FIFO method ('first in, first out'). The lower net realisable value is the maximum amount for which an asset can be sold, net of costs to be incurred. Assessment of whether there is a lower net realisable value takes place on an individual basis. A provision is created for the difference between cost and lower net realisable value. The write-down is recognised through the income statement.

### Construction contracts

Construction contracts comprise the balance of realised contract costs, allocated profit, recognised losses and previously invoiced instalments.

The measurement of construction contracts includes the costs directly related to the contract, the costs that are attributable to contract activities in general and that can be allocated to the contract as well as other costs that can be allocated to the client under the contract.

The allocation of income, costs and profit recognition in respect of construction contracts is undertaken in proportion to the work performed in relation to the execution of the contract (percentage of completion method). The progress of the performance delivered in respect of a construction contract is determined on the basis of the contract costs incurred until the balance sheet date in proportion to the estimated total contract costs. Recognition takes place as soon as a reliable estimate can be made of the result of a construction contract.

The result of a contract can be reliably estimated if the total contract revenues, the contract costs to complete the contract and the stage of construction contract completion can be measured reliably, if it is probable that the economic benefits will accrue to Dunea and the contract costs attributable to the construction contract can be clearly distinguished and determined reliably.

If the result of a construction contract cannot be reliably estimated, only the amount of the contract costs incurred that are likely to be recovered are recognised under contract revenues in the income statement. The contract costs are recognised in the income statement in the period in which they are incurred.

Contract revenues refer to the revenues agreed in the contract plus any revenues from contract variations, claims and payments, if and to the extent that the revenues are likely to be generated and can be reliably determined. Contract revenues are valued at the fair value of the consideration that has been or will be received. Expenditure relating to contract costs that result in the delivery of a performance after the balance sheet date is recognised as part of the prepayments and accrued income if this expenditure is expected to generate income in a subsequent period.

Contract costs are recognised in the income statement if the performance in the contract is delivered and has been realised. Losses expected on construction contracts are immediately recognised in the income statement. The amount of the loss is determined irrespective of whether the contract has already commenced, the stage of realisation of the contract or the amount of profit that is expected on other, unrelated contracts.

### Receivables

Receivables are recognised at fair value on initial recognition and are subsequently measured at amortised cost. The fair value and amortised cost are equal to the nominal value. Provisions deemed necessary for possible losses as a result of uncollectable debts are deducted. These provisions are determined on the basis of individual assessment of the receivables. In addition, a minimum provision is made for receivables that remain unpaid for more than two years.

### Cash and cash equivalents

Cash and cash equivalents are measured at nominal value and, unless stated otherwise, are at the Company's disposal. Cash and cash equivalents that are expected to not be available to the undertaking for more than 12 months are classified as financial non-current assets.

### Shareholders' equity

Financial instruments classified as equity instruments based on the legal reality are stated under shareholder's equity. Distributions to holders of these instruments are deducted from shareholders' equity less any tax benefit arising from profits tax.

### Share premium reserve

The amounts contributed by shareholders exceeding the nominal share capital are recognised as share premium. This also includes additional capital contributions by existing shareholders without the issue of shares or the issue of rights to subscribe to or acquire shares of the company. Costs and share capital tax related to the placement of shares that are not capitalised are charged to the share premium, net of tax effects. If and to the extent that the share premium is not sufficient, the amounts are charged to the other reserves.

### Provisions

Provisions are created for obligations enforceable by law or constructive obligations that exist at the balance sheet date, when it is probable that an outflow of resources will be required and a reliable estimate can be made of their size.

Provisions are stated at the present value of the amounts necessary to settle the obligation as at the balance sheet date, unless the time value of money is not material. If the time value of money is not material, the provision is carried at nominal value. Item 12. Provisions in the Notes to the balance sheet provides information explaining the manner in which each provision is measured.

For a description of the nature and the key assumptions and uncertainties of the provisions, please see [12. Provisions](#).

### Liabilities

Liabilities are stated at fair value on initial recognition and subsequently at amortised cost.

Dunea includes the liabilities and prepayments with a remaining term of more than one year under long-term liabilities.

'Equalisation account third party contributions' is included under long-term liabilities. This item is measured at the amounts received from third parties for the installation and/or movement of connection and mains pipelines, less accumulated amortisation. The amortisation period of the equalisation account is equal to the depreciation period of the investments in connection and mains pipelines. Amortisation is recognised under depreciation.

Liabilities that expire within one year are stated under current liabilities. This includes, among other things, repayments on long-term loans that expire within one year. The effective interest is recognised directly in the income statement.

## Accounting policies for determining the result

### General

Income is recognised when it has been realised.

Income from the supply of goods is recognised when all the major risks relating to the goods have been transferred to the buyer. Income from the rendering of services is recognised in the income statement when the amount of the income can be reliably determined, the collection of the payment owed is likely, the extent to which the services have been rendered on the balance sheet date can be reliably determined and the costs already incurred as well as the costs (potentially) to be incurred to complete the rendering of services can be reliably determined.

Costs are determined on the basis of historical cost and recognised in the reporting year to which they pertain. Foreseeable liabilities and possible losses originating before the end of the financial year are recognised if they became known before the preparation of the financial statements.

### Operating result

Dunea defines the operating result as the difference between the total operating income and the total operating expenses.

#### Operating income

Operating income comprises:

- Water income;
- Income from work for third parties;
- Capitalised production (for own account);
- Other operating income.

Water income comprises the income from water consumption, the standing charge, the contribution in respect of municipal sufferance tax, bulk sales (supply to other water companies) and other water income. Water income is exclusive of turnover tax and tap water tax. An estimate is made of the water income yet to be invoiced for the reporting year on the balance sheet date. This estimated income is recognised in the reporting year. The difference between the estimated income and the invoiced income is recognised in the following reporting year.

The income from work for third parties comprises activities carried out on behalf of third parties, including maintenance of fire hydrants and sewer management.

Capitalised production (for own account) relates to the capitalised hours of employees working on investment projects that, after completion, are capitalised on the balance sheet and depreciated.

Other income includes rental income and lease income, subsidy/grant income (grants related to income) and income from the sale of non-current assets. Rental income is recognised in the income statement on a straight-line basis, based on the term of the lease. Lease incentives received are recognised as an integral part of total rental income.

Grants related to income are credited to the income statement in the year in which the expenditure to which the grant relates is recognised, in which the lost income appears or in which the operating deficit has occurred.

### *Operating expenses*

Operating expenses comprise:

- Cost of sales;
- Wages, salaries and social security contributions;
- Depreciation of non-current assets;
- Impairments and divestment of non-current assets;
- Other operating expenses.

Cost of sales comprises the costs of raw materials and consumables, bulk purchase (supply by other water companies), energy costs, costs of subcontracted work and municipal surcharge tax. These are costs that are directly related to:

- The production and distribution of the water;
- The maintenance of the tangible non-current assets involved in the water process;
- The maintenance of the nature reserves.

Wages, salaries and social security contributions are recognised in the income statement on the basis of the employment terms and conditions in accordance with the collective labour agreement for drinking water companies (CAO-WWB) and Dunea's company policies.

The employee benefits expense is recognised in the income statement in the period in which the work is performed and, to the extent unpaid as yet, recognised in the balance sheet as liabilities. If the amounts already paid exceed the benefits due for payment, the excess amounts are recognised as prepayments and accrued income to the extent that they will be repaid by the employees or set off against future payments by the Company.

The projected expenses for benefits with accrual of rights, sabbatical leave and bonuses, for example, are recognised during the period of employment. An expected payment is recognised if the liability for that payment arose on or before the balance sheet date and a reliable estimate of the respective liabilities can be made. The liability recognised is the

best estimate of the amounts that are necessary to settle the liability concerned on the balance sheet date. The best estimate is based on contractual agreements with members of staff (collective labour agreement and individual employment contracts). Additions to and release of liabilities are taken to the income statement.

The pension plan is financed through contributions to the ABP pension fund. Pension liabilities are stated according to the 'obligation to the pension provider' approach. In this approach, the contribution to be paid to the pension provider is shown as an expense in the income statement.

The pension administration agreement is used as a basis for assessing whether and, if so, which liabilities exist on the statement of financial statement date, in addition to the payment of the contribution payable annually to the pension provider. These additional liabilities, including any liabilities related to the pension provider's recovery plans, lead to expenses for Dunea and are recognised as a provision in the balance sheet. At the end of 2020, there were no pension-related claims and liabilities other than the annual payment of pension contribution due to the pension provider.

### **Financial income and expenses**

Interest income and expenses are recognised on a pro rata time basis, taking into account the effective interest rate of the assets and liabilities concerned.

Dunea charges construction period interest on the average invested amount up to the moment the tangible non-current asset is taken into service. The capitalised construction period interest is deducted from the financial expenses recognised in the balance sheet.

### **Result from participating interests**

The result from participating interests is the income from participating interests over whose operating and financial policies Dunea has significant influence and dividends from participating interests over whose operating and financial policies Dunea does not exert significant influence.

### Taxes

Tax on the result is calculated on the taxable result. A deferred tax asset is created for offsettable losses, to the extent that it is likely that the losses concerned can be offset against future taxable profits.

### Accounting policies for the preparation of the cash flow statement

The cash flow statement was prepared in accordance with the indirect method.

Cash in the cash flow statement comprises cash and cash equivalents and short-term credit. The short-term credit is used for the undertaking of regular payments within Dunea, with the balance also fluctuating between a positive and negative balance throughout the year.

Interest receipts and expenditure, dividends received and taxes on profits are included under the cash flow from operating activities.

## Notes to the balance sheet as at 31 December 2020

amounts x € 1,000 unless stated otherwise

## Non-current assets

## 1. Intangible non-current assets

The composition of the intangible non-current assets and the statement of movements in 2020 are as follows:

	Development costs
Acquisition value	0
Accumulated depreciation, impairments and similar	0
<b>Carrying amount as at 31 December 2019</b>	<b>0</b>
Investments	127
<b>Carrying amount as at 31 December 2020</b>	<b>127</b>
Acquisition value	127
Accumulated depreciation, impairments and similar	0
<b>Carrying amount as at 31 December 2020</b>	<b>127</b>

The development costs pertain to costs incurred as part of the Multi-source project.

The costs relate to the Brackish Groundwater Pilot Project, in which brackish groundwater is examined as an alternative to river water as a source of drinking water. The test installation is expected to be ready in the third quarter of 2021. The project will run until 1 July 2025.

## 2. Tangible non-current assets

The composition of the tangible non-current assets and the statement of movements in 2020 are as follows:

	Total	Land and buildings	Plant and equipment	Other tangible non-current assets	Work in progress	Tangible non-current assets not used in regular operations
Acquisition value	1,359,083	102,336	1,213,613	6,108	33,245	3,781
Accumulated depreciation, impairments and similar	-788,085	-45,997	-736,330	-4,028	0	-1,730
<b>Carrying amount as at 31 December 2019</b>	<b>570,998</b>	<b>56,339</b>	<b>477,283</b>	<b>2,080</b>	<b>33,245</b>	<b>2,051</b>
Investments	45,616	0	0	0	45,616	0
Capitalisation	0	3,539	37,214	1,675	-42,428	0
Depreciation and amortisation	-33,653	-2,099	-30,467	-1,015	0	-72
Divestment of non-current assets - Acquisition value	-421	0	-74	-347	0	0
Divestment of non-current assets - Accumulated depreciation	375	0	74	301	0	0
Other movements	-139	0	0	0	-139	0
<b>Carrying amount as at 31 December 2020</b>	<b>582,776</b>	<b>57,779</b>	<b>484,030</b>	<b>2,694</b>	<b>36,294</b>	<b>1,979</b>
Acquisition value	1,404,139	105,875	1,250,753	7,436	36,294	3,781
Accumulated depreciation, impairments and similar	-821,363	-48,096	-766,723	-4,742	0	-1,802
<b>Carrying amount as at 31 December 2020</b>	<b>582,776</b>	<b>57,779</b>	<b>484,030</b>	<b>2,694</b>	<b>36,294</b>	<b>1,979</b>
<b>Depreciation rates</b>		<b>3%-20%</b>	<b>2%-20%</b>	<b>5%-33%</b>	<b>n/a</b>	<b>3%-5%</b>

Land is not depreciated.

'Land and buildings' includes a carrying amount of € 22.6 million for land in respect of which Dunea has beneficial ownership but not legal ownership.

The composition of the carrying amount of work in progress as at 31 December 2020 is as follows (in €):

Land and buildings	0.5 million
Plant and equipment	35.7 million
Other tangible non-current assets	0.1 million
	<b>36.3 million</b>

Broken down per investment project (in €):

Pipeline network	14.7 million
Power supply modernisation Katwijk	5.6 million
Recycling rinse water processing Katwijk	3.2 million
New construction rinse water processing Scheveningen	5.4 million
Renovation process automation Katwijk	1.7 million
Miscellaneous	5.7 million
	<b>36.3 million</b>

‘Capitalisation’ includes roughly € 0.1 million in construction period interest related to completed and already capitalised investments. ‘Investments’ includes a total of € 0.5 million in construction period interest at a rate of 2.31% relating to work in progress.

The commitments entered into related to work in progress are recognised under the off-balance sheet commitments.

### 3. Financial non-current assets

The composition of the financial non-current assets and the statement of movements in 2020 are as follows:

	Participat- ing interests	Other receivables	Total
Carrying amount as at 31 December 2019	<b>2,619</b>	<b>186</b>	<b>2,805</b>
Movements:			
Repayment on loans provided	0	-16	-16
Change in result from participating interest	50	0	50
Payment of share capital	18	0	18
Mortgage repayments	0	-48	-48
<b>Carrying amount as at 31 December 2020</b>	<b>2,687</b>	<b>122</b>	<b>2,809</b>

#### Participating interests

	31 December 2019	Payment of share capital	Change in result from participat- ing interest	31 December 2020
Aquaminerals	24	0	0	24
Dunea Warmte & Koude B.V.	0	18	0	18
Water Fund Holland B.V.	0	0	0	0
KWH B.V.	566	0	0	566
Stichting NPHD	0	0	0	0
Het Waterlaboratorium N.V.	2,029	0	50	2,079
	<b>2,619</b>	<b>18</b>	<b>50</b>	<b>2,687</b>

**Other receivables**

The composition of other receivables is as follows:

	31 December 2020	31 December 2019
Loans provided to employees on the security of a mortgage	82	130
Other loans provided	40	56
<b>Total other receivables</b>	<b>122</b>	<b>186</b>

The repayable portion of the mortgage loans in 2021 amounts to € 20k (2020: € 28k) and is shown under 'Other current receivables'.

The repayable portion of the other loans provided in 2021 amounts to € 16k (2020: € 16k) and is shown under 'Other current receivables'.

An overview as at the end of 2020 of the loans provided with a term of one year or more, grouped by remaining term:

	< 10 years	10-20 years	Total
Loans provided to employees on the security of a mortgage	82	0	82
Other loans provided	40	0	40
<b>Total other receivables</b>	<b>122</b>	<b>0</b>	<b>122</b>

The average interest rate for loans provided on the security of a mortgage is 1.01% (2019: 1.81%). The mortgage loans have a fixed-rate period of five years. The interest rate is reviewed for each mortgage loan issued every five years if the market rate is lower than the interest payable.

'Other loans provided' comprises two loans with a fixed interest rate of 4.5%. A pledge has been created on one of the loans with a term (originally) of 10 years.

**Current assets****4. Inventories**

	31 December 2020	31 December 2019
Materials	1,353	1,164
<b>Total inventories</b>	<b>1,353</b>	<b>1,164</b>

No provision for obsolescence has been created with regard to the inventories.

**5. Construction contracts**

	31 December 2020	31 December 2019
Construction contracts	0	64
<b>Total construction contracts</b>	<b>0</b>	<b>64</b>

The balance of construction contracts was presented as at 31 December 2020 under 'Prepayments and accrued income' (contracts with a positive balance, € 0.1 million) and 'Accrued liabilities' (contracts with a negative balance, € 0.2 million). This method of presentation is more consistent with the nature of the contracts. The comparative figures have not been adjusted.

## 6. Receivables

The receivables comprise:

	31 December 2020	31 December 2019
Accounts receivable	7,524	6,457
Taxes	794	214
Other receivables	51	62
Prepayments and accrued income	5,506	4,663
<b>Total receivables</b>	<b>13,875</b>	<b>11,396</b>

A provision has been recognised for accounts receivable amounting to € 1.1 million (2019 = € 1.3 million). In 2020, a transfer to the provision was recognised in the amount of € 0.3 million (2019: € 0.4 million transfer). Costs amounting to € 0.5 million were charged to the provision (2019: €0.1 million).

'Accounts receivable' includes € 0.3 million (2019: € 0.3 million) in transactions with related parties. This relates to fully outstanding balances with Dunea shareholders. These transactions with related parties were entered into under normal market conditions and come under Dunea's normal business operations. No non-market transactions were undertaken with related parties.

The prepayments and accrued income mainly comprise amounts not yet invoiced of € 3.5 million (2019: € 2.4 million) and prepaid expenses of € 1.4 million (2019: €1.9 million).

All the current receivables have a remaining term of less than one year.

## 7. Cash and cash equivalents

This item is comprised as follows

	31 December 2020	31 December 2019
Cash	3	8
<b>Total cash and cash equivalents</b>	<b>3</b>	<b>8</b>

The cash and cash equivalents total comprises cash plus the balance of various bank accounts. The cash and cash equivalents are at the Company's disposal.

## Shareholders' equity

### 8. Issued share capital

The issued and paid-up portion of the authorised capital comprises four million ordinary shares, which, at year-end 2020, were held by 17 municipalities. These municipalities constitute Dunea's supply area. See page 131 of this Annual Report for the distribution of the ordinary shares to the municipalities.

The nominal value of an ordinary share is € 5.00.

	2020	2019
As at 1 January	20,000	20,000
Movements of issued and paid-up share capital	0	0
<b>As at 31 December</b>	<b>20,000</b>	<b>20,000</b>

## 9. Share premium reserve

Movements in the share premium reserve were as follows:

Share premium reserve	2020	2019
As at 1 January	3,097	3,097
Movements in share premium reserve	0	0
<b>As at 31 December</b>	<b>3,097</b>	<b>3,097</b>

The share premium reserve was created in 1990 upon the formation of Duinwaterbedrijf Zuid-Holland (the name was changed to Dunea in 2009). Following the acquisition in 1995 of EWR (Energie en Watervoorziening Rijnland) and the revaluation of the shares from NLG 10.00 per share to € 5.00 in 2000, the share premium reserve was converted into the current amount.

## 10. Legal reserve

The legal reserve comprises a legal reserve on participating interests and a legal reserve for development costs.

Movements in the legal reserve were as follows:

	Participat- ing interests	Develop- ment costs	2020	2019
<b>Legal reserve</b>				
As at 1 January	578	0	578	0
Allocation	49	127	176	578
Release	0	0	0	0
Other movements	0	0	0	0
<b>As at 31 December</b>	<b>627</b>	<b>127</b>	<b>754</b>	<b>578</b>

## 11. Other reserves

Other reserves comprise the general reserve and other reserves created by the Management Board with the approval of the General Meeting of Shareholders and the Supervisory Board.

Movements in the other reserves were as follows:

Other reserves	General reserve	Heat activities reserve	2020	2019
As at 1 January	197,680	8,400	206,080	197,826
Change in accounting policy 2019	0	0	0	2,040
Error recovery	0	0	0	-1,704
<b>Restated as at 1 January</b>	<b>197,680</b>	<b>8,400</b>	<b>206,080</b>	<b>198,162</b>
Result appropriation	6,998	0	6,998	8,496
Allocation to legal reserves	-176	0	-176	-578
Release from legal reserves	0	0	0	0
<b>As at 31 December</b>	<b>204,502</b>	<b>8,400</b>	<b>212,902</b>	<b>206,080</b>

The Heat activities reserve was created in 2019 to finance the start-up capital of Dunea Warmte & Koude B.V.

Article 17 of the Articles of Association of the Company provide that no dividends charged to the profit or the reserves may be distributed among the shareholders.

### *Proposal to the General Meeting for the appropriation of the result for the 2020 financial year*

The Management Board, with the approval of the Supervisory Board, proposes that the result for 2020 of € 6,998,000 be added to the General Reserves.

The proposal has been incorporated in the shareholders' equity in the balance sheet.

## 12. Provisions

This relates to provisions for:

Provisions	As at 31 December 2019	Withdrawal	Release	Allocation	As at 31 December 2020
Decontamination costs	2,529	540	5	1,040	3,024
Provision for management, nature reserve and drinking water area	577	0	0	0	577
Employee benefits	309	67	11	16	247
Restructuring	2,183	893	672	98	716
Other provisions	0	0	0	86	86
<b>Total</b>	<b>5,598</b>	<b>1,500</b>	<b>688</b>	<b>1,240</b>	<b>4,650</b>

The current portion of the provisions amounts to € 1.5 million.

The provisions are carried at nominal value, as the time value of money is not material.

The provision for decontamination costs has been created for the cost of demolition of buildings and production facilities that are no longer used and for the remediation of soil contamination. In 2020, progress was made in the execution of planned activities, which resulted in the withdrawal of € 0.5 million. The allocation of € 1.0 million relates to the disposal of contaminated soil for the Scheveningen Sand Depot project.

The provision for management, nature reserve and drinking water area relates to the Zandmotor nature conservation pilot project. The provision has been created for an onerous contract and is defined as the difference between the net present value and the nominal value of the original estimate of the costs for settlement of the contract.

The buy-out sum received was determined on the basis of the estimated costs of managing and maintaining Zandmotor and is carried as a prepayment in the balance sheet under 'long-term liabilities'.

The provision for employee benefits is to cover future payments pursuant to the transitional arrangements included in the collective labour agreement for long-service awards from 1 January 2016. Until the end of 2020, this also included the provision for severance payments, which had a term from 2016 until the end of 2017.

The provision for restructuring comprises the estimated costs resulting from employees' individual severance payment claims related to the redundancy plan. The provision also includes the estimated costs for own-risk bearer status in relation to unemployment benefit.

### 13. Long-term liabilities

Long-term liabilities	Debt to credit institutions	Equalisation account third party contributions	Pre-payments received	Total
<b>As at 1 January 2020</b>	<b>187,333</b>	<b>69,612</b>	<b>1,574</b>	<b>258,519</b>
Less: Transferred to current liabilities	-12,333	0	0	-12,333
Plus: Received third party contributions	0	4,893	0	4,893
Less: Release to result	0	-2,847	-135	-2,982
Plus: New long-term loans	55,000	0	0	55,000
<b>As at 31 December 2020</b>	<b>230,000</b>	<b>71,658</b>	<b>1,439</b>	<b>303,097</b>

In 2020, three new long-term loans, for a total amount of € 55 million, with a loan period of fifteen years, were raised. A fixed interest rate of 0.71% was agreed for a total amount of € 20 million. A fixed rate of 0.74% was agreed for the remaining amount of € 35 million. The fixed interest rate applies for the full term of the loans.

The fair value of loans (debt to credit institutions) at year-end 2020, including the current part, is € 297.2 million (nominal value: €242.3 million).

Conditions in respect of the level of solvency and the debt ratio apply to several long-term loans. Dunea meets these conditions, with solvency of 39.4% compared to a minimum requirement of 30% (2019 = 39.2%) and a debt ratio of 6.1 compared to a maximum requirement of 8.0 (2019 = 6.3).

An overview as at the end of 2020 of the loans provided with a term of one year or more, grouped by remaining term and current percentage:

Percentages current loans	1-5 years	6-10 years	>10 years	Total
<1.0%	0	30,000	119,000	149,000
<4.0%	0	21,000	0	21,000
<4.5%	0	0	60,000	60,000
<b>Total</b>	<b>0</b>	<b>51,000</b>	<b>179,000</b>	<b>230,000</b>

'Prepayments' includes a buy-out sum related to the Zandmotor nature conservation pilot project covenant. The buy-out sum is a prepayment that will be made available in 20 years. As a result, the buy-out sum will be released in its entirety at the end of 2036. This item will be released over the term in operation in 'Wages and salaries' and 'Costs of subcontracted work'. The difference between the net present value and the nominal value of the original estimate of the costs is recognised as a provision for an onerous contract.

## Financial instruments

### Interest rate risk

Interest rate agreements are frequently used as a way of managing the interest rate risk. The financial policy is aimed in the short term at limiting the effects of interest rate fluctuations on the result and in the long term at following market interest rates. Dunea does not use financial derivatives such as interest rate swaps to manage the financial risks associated with operating activities.

### Liquidity risk

One of the bases for Dunea's management is the covenants demanded by its financiers. This gives Dunea continued access to the capital market. In addition, Dunea continuously adheres to liquidity planning twelve months ahead, ensuring that any risks are immediately addressed. Furthermore, an internal buffer is maintained in its resources, which ensures that Dunea is able to meet its payment commitments at any time. Internal analyses show that the situation with regard to COVID-19 does not lead to increased liquidity risk.

### Credit risk

Water is sold on the basis of a payment period of 3 weeks. If customers do not pay within this period, the procedure laid down in Dunea's tariff regulations is set in motion. The tariff regulations are published on Dunea's website.

An analysis of creditworthiness is carried out for new suppliers, so as to ensure that the suppliers concerned can meet their obligations. This is mainly a risk in the case of payment by instalment in relation to projects.

## 14. Current liabilities

Current liabilities comprise:

	31 December 2020	31 December 2019
Short-term part of long-term liabilities	12,333	52,333
Debt to credit institutions	12,962	9,718
Debt to suppliers	5,252	6,283
Taxes and social security contributions	3,716	3,485
Pension obligations	482	454
Deferred income	2,577	3,450
Other liabilities	402	552
Accrued liabilities	18,719	16,288
<b>Total current liabilities</b>	<b>56,443</b>	<b>92,563</b>

Overdraft facilities amounting to € 90 million have been agreed with the banks. The interest rate for bank overdrafts is one-month Euribor, with a fixed surcharge. This percentage rate may vary on a daily basis. A condition in respect of the level of the Interest coverage ratio applies to the overdraft facilities. Dunea meets this condition, with an Interest coverage ratio of 2.391 compared to a minimum requirement of 1.000 (2019 = 2.583).

The net debt to suppliers includes € 0.7 million (2019: € 0.6 million) in transactions with related parties. The net sum is entirely (2019: 53%) comprised of transactions with Dunea's participating interests. No non-market transactions were undertaken with related parties.

Taxes and social security contributions comprise groundwater tax and tap water tax payable in the amount of € 2.4 million (2019: € 2.4 million) and wage tax payable in the amount of € 1.3 million (2019: €1.1 million).

Deferred income comprises € 71.3 million (2019: € 75.6 million) by way of advance payments received and € 68.7 million (2019: € 72.1 million) from the estimate of consumption, standing charge and municipal sufferance tax not yet settled.

Accrued liabilities as at 31 December 2019 were adjusted due to error recovery. As a result, accrued liabilities are recognised at € 1.7 million more than was reported in the 2019 financial statements.

'Accrued liabilities' mainly relates to the reservation for Dunea employees' holiday in the amount of € 9.0 million (2019: € 8.6 million), purchase invoices yet to be received in the amount of € 3.8 million (2019: € 2.7 million), municipal sufferance tax still to be paid in the amount of € 3.7 million (2019: € 3.5 million) and interest on loans still to be paid in the amount of € 1.0 million (2019: € 1.4 million). 'Accrued liabilities' also includes costs for contracts that were recognised under 'Construction contracts' in 2019, but from 2020 are categorised here in conformity with the Annual Reporting Guidelines.

All the current liabilities have a remaining term of less than one year.

### Off-balance sheet rights and liabilities

The off-balance sheet rights amounted to € 0.4 million (2019 = € 0.5 million) and relate to the lease income from the pancake house and kiosk.

That amount can be broken down as follows:

- For 2021 € 0.1 million
- For 2022-2025 € 0.3 million
- From 2026 nil

The lease agreements have different terms.

The off-balance sheet liabilities amounted to € 8.7 million (2019 = € 9.5 million) and relate to the rental of the office buildings in Zoetermeer (operational lease) and the current long-term maintenance contracts and licensing agreements.

That amount can be broken down as follows:

- For 2021 € 3.3 million
- For 2022-2025 € 4.9 million
- From 2026 € 0.5 million

The rental agreements have different terms. As at the end of 2020, the liabilities amounted to € 3.4 million, of which € 1.4 million related to 2021. In 2020, € 1.4 million was recognised in the income statement in respect of rental costs resulting from these rental agreements. Bank guarantees totalling € 0.4 million have been provided for the rental of the office buildings.

In addition, at year-end 2020, current liabilities in connection with maintenance contracts amounting to € 5.3 million were recorded, of which € 1.9 million related to 2021.

The commitments entered into related to work in progress were € 15.9 million as at 31 December 2020.

## Notes to the income statement for 2020

amounts x € 1,000 unless stated otherwise

## 15. Operating income

The operating income was generated in the Netherlands.

## A. Water income

	2020	2019
Sales of water in own supply area	75,778	71,861
Standing charge	43,923	44,232
Contribution in respect of municipal sufferance tax	12,632	13,063
Other water companies (bulk sales)	4,754	4,831
Other water income	959	1,504
<b>Total water income</b>	<b>138,046</b>	<b>135,491</b>

Sales of water in own supply area includes the adjustment of the estimated consumption yet to be invoiced recognised in the preceding financial year and not-billed consumption in the amount of € 0.7 million positive (2019: € 0.2 million negative).

Sales volume in own supply area (x 1,000 m<sup>3</sup>)

	2020	2019
Sales volume	81,236	78,133
Not-billed consumption (NIRG)	-4,630	-4,563
<b>Total sales volume in own supply area</b>	<b>76,606</b>	<b>73,570</b>

## Bulk sales

	2020	2019
Bulk sales (Euro)	4,754	4,831

Sold to (x 1,000 m<sup>3</sup>)

	2020	2019
Evides	1,385	1,222
Oasen	3,336	3,489
Other	77	88
<b>Total bulk sales volume</b>	<b>4,798</b>	<b>4,799</b>

## B. Income from work for third parties

	2020	2019
Income from work for third parties	2,963	3,108
<b>Total income from work for third parties</b>	<b>2,963</b>	<b>3,108</b>

Dunea performs work for third parties on request. In 2020, this related in particular to income generated from the installation of connection pipelines, contributions for fire hydrants and income for sewer management.

## C. Other operating income

	2020	2019
Other operating income	2,142	2,117
<b>Total other operating income</b>	<b>2,142</b>	<b>2,117</b>

Other operating income includes:

- Rental income and lease income (2020 = € 0.2 million; 2019 = € 0.3 million)
- Subsidy/grant income (2020 = € 1.3 million; 2019 = € 1.4 million)
- Income from the sale of non-current assets (2020 = € 0.1 million; 2019 = € 0.1 million)

Subsidy/grant income relates in particular to allowances for foreign activities (2020: € 0.5 million (2019: € 0.7 million) and nature projects (2020: € 0.8 million, 2019: € 0.7 million).

## 16. Operating expenses

### A. Costs of raw materials and consumables

	2020	2019
Chemicals and filtration material	2,582	2,717
Groundwater tax	281	281
Disposal of sludge and other waste	1,078	160
<b>Total raw materials and consumables</b>	<b>3,941</b>	<b>3,158</b>

### B. Water purchases

	2020	2019
Bulk purchase	2,997	2,008

### Purchased from (x 1,000 m³)

	2020	2019
Evides	1,464	1,292
Waternet	2,267	1,111
<b>Total bulk purchase</b>	<b>3,731</b>	<b>2,403</b>

### C. Energy costs

	2020	2019
Electricity costs	4,278	3,846
Gas consumption costs	72	95
Other energy costs	45	11
<b>Total energy costs</b>	<b>4,395</b>	<b>3,952</b>

### D. Costs of subcontracted work

	2020	2019
Costs of subcontracted work and material use in relation to water process	9,351	8,432
Costs of subcontracted work and material use in relation to nature process	2,295	1,158
<b>Total cost of outsourced work and materials</b>	<b>11,646</b>	<b>9,590</b>

The costs relate to work carried out and materials supplied by third parties to the extent that they are directly related to Dunea's primary processes. The primary processes are:

- The water process, being the extraction, transport, infiltration, treatment, distribution and sale of water;
- The nature conservation process.

**E. Municipal sufferance tax**

	2020	2019
Alphen aan den Rijn (Benthuizen neighbourhood)	40	40
The Hague	4,314	4,324
Hillegom	133	261
Katwijk	791	791
Lansingerland	201	201
Leiden	1,733	1,735
Leidschendam-Voorburg	166	166
Lisse	563	562
Noordwijk	1,240	1,228
Oegstgeest	433	433
Pijnacker-Nootdorp	0	0
Rotterdam (Nesselande)	30	32
Rijswijk	256	253
Teylingen	851	851
Voorschoten	242	242
Wassenaar	522	522
Zoetermeer	255	255
Zuidplas	411	408
<b>Total municipal sufferance taxes</b>	<b>12,181</b>	<b>12,304</b>

'Municipal sufferance tax' relates to fees that the municipalities in Dunea's supply area charge Dunea for the right to use municipal land for the mains pipeline network. Municipal sufferance tax decreased slightly compared to 2019 as a result of the accelerated phasing-out scheme of the municipality of Hillegom.

**F. Wages, salaries and social security contributions**

	2020	2019
Wages and salaries	29,040	27,371
Pension costs	4,216	4,057
Other social security contributions	3,622	3,641
<b>Total wages, salaries and social security contributions</b>	<b>36,793</b>	<b>35,032</b>

In previous financial statements, 'Capitalised production (for own account)' was deducted from 'Wages and salaries'. This is not in compliance with the Financial Statements Formats Decree. Capitalised production (for own account) should be presented as part of the operating income. This has been adjusted with effect from the Financial Statements 2020. The amount concerned for 2020 is € 4.3 million. The comparative figures have also been adjusted (€ 3.7 million).

**Pension costs**

Under the Dutch pension system, the pension plan is financed through contributions to the ABP pension fund. Participation in the ABP Pension Fund is compulsory under the provisions of the Collective Labour Agreement for Water Companies, which also covers Dunea N.V. The accrual of pension entitlements is financed each year by means of contributions that, as a minimum, cover the costs of the entitlements in that calendar year. The pension plan is an average earnings scheme with conditional granting of supplements for active as well as inactive members (deferred members and retired members). The grant of supplements depends on the investment return.

In 2020, the annual accrual of pension entitlements amounted to 24.9% of the pensionable salary, which is based on the gross wage less a deductible (in the amount of € 14,200). In 2020, the maximum pensionable salary was capped at € 110,111. The annual contribution payable by the employer was 17.43% of the pensionable salary. The employer is also liable to pay contributions for the purchase of conditional pension. The contribution for this conditional pension is 2.6% and is payable in its entirety by the employer. The level of contribution is determined annually by the Board of the sectoral pension fund based on the funding ratio and anticipated returns.

The Fund declared that, as at 31 December 2020, ABP's policy funding ratio was 93.2% (2019: 95.8%). On the basis of the administration regulations, in the event that the Fund is underfunded, Dunea has no obligation to pay additional amounts other than through higher future contributions.

### Staff

Average number of employees in FTEs:

	2020	2019
Management and staff services	22	18
Dune & Water Division	274	258
Customer & Operational Support Division	194	189
<b>Total average number of employees in FTEs</b>	<b>490</b>	<b>465</b>

None of the employees listed above were working abroad (2019: nil).

### WNT accounting information 2020 for Dunea N.V.

The Senior Executives in the Public and Semi-Public Sector (Standards for Remuneration) Act (WNT) entered into force on 1 January 2013. This accounting information has been prepared on the basis of the following regulations that apply to Dunea N.V.

In 2020, the maximum remuneration for Dunea N.V. was € 201,000. This applies on a pro rata basis according to the length and/or scope of the employment.

### Specification of the remuneration of the Management Board members:

Name	Mr W.M.E. Drossaert
(amounts x € 1)	
<b>Position details</b>	Managing Director
Start and end dates of position in 2020	1/1 - 31/12
Scope of employment (in FTE)	1.0
Employed under contract	yes
Individual WNT maximum	€ 201,000
<b>Remuneration 2020</b>	
Remuneration plus taxable allowances	€ 178,320
Remuneration payable in future	€ 22,529
Total remuneration	€ 200,849
Applicable WNT maximum	€ 201,000
Reason for exceeding maximum	n/a
<b>Remuneration 2019</b>	
Start and end dates of position in 2019	1/1 - 31/12
Scope of employment (in FTE)	1.0
Employed under contract	yes
Remuneration plus taxable allowances	€ 172,620
Remuneration payable in future	€ 21,364
Total remuneration	€ 193,984
Applicable WNT maximum	€ 194,000
Reason for exceeding maximum	n/a

The individual WNT maximum for the members of the Supervisory Board amounts to 15% of the maximum remuneration for the Chairman and 10% for the other members of the Supervisory Board, calculated on a pro rata basis according to the length of service.

*Specification of the remuneration of the Supervisory Board members:*

(amounts x € 1)	Mr J.P. Backer	Mr G.J. Doornbos	Ms W. van Dijk	Mr L.A.S. van der Ploeg	Ms A. van der Rest	Ms P.M. Zorko
Position details	Chairman	Member	Member	Member	Member	Member
Start and end dates of position in 2020	1/1-31/12	1/1-31/12	1/12-31/12	1/1-31/12	1/1-31/12	1/1-30/9
Remuneration						
Total remuneration	15,200	12,700	1,060	12,700	12,700	9,525
Maximum remuneration for position holder	30,150	20,100	1,702	20,100	20,100	15,048
-/- Amount paid but not owed and not yet refunded	n/a	n/a	n/a	n/a	n/a	n/a
Reason why limit may or may not be exceeded	n/a	n/a	n/a	n/a	n/a	n/a
Information on receivable due to amount paid but not owed	n/a	n/a	n/a	n/a	n/a	n/a
<b>Information for 2019</b>						
Position details	Chairman	Member	n/a	Member	Member	Member
Start and end dates of position in 2019	1/1-31/12	1/1-31/12	n/a	1/1-31/12	1/1-31/12	1/7-31/12
Remuneration						
Total remuneration	14,800	12,300	n/a	12,300	12,300	6,150
Maximum remuneration for position holder	29,100	19,400	n/a	19,400	19,400	9,780

*Specification of the remuneration of non-senior executive staff:*

(amounts x € 1)

	Division Manager
<b>Position details</b>	
Start and end dates of position in 2020	1/1 - 6/9
Scope of employment (in FTE)	1.0
<b>Remuneration</b>	
Remuneration plus taxable expense allowances	216,359
Remuneration payable in future	14,514
<b>Total remuneration</b>	<b>230,873</b>
Remuneration threshold amount for position holder	201,000

The exceedance of the threshold amount for remuneration is attributable to the payment made in respect of the Employability Budget leave balance. Entitlement to these hours is laid down in the Collective Labour Agreement for Water Companies. A special feature of this type of leave is that it is not subject to time limitation. The hours are intended to facilitate a good work-life balance and are often used for taking leave over an extended period prior to retirement. Transitional/guarantee provisions in the Collective Labour Agreement meant that employees above a certain age accrued additional leave entitlements over several years, in this Employability Budget as well as in regular hours of leave in excess of the statutory minimum. In accordance with the provisions in the Collective Labour Agreement, the manager concerned accrued up to 388 hours of leave per year compared to the usual 252 hours that a younger colleague on a full-time contract received by way of leave entitlement. It was neither possible nor desirable for the manager concerned, in the senior management role performed, to take these hours annually (equivalent to 10 weeks a year). As a result, the leave balance continued to grow each year.

**G. Depreciation of non-current assets, (reversal of) impairments and divestment of tangible and intangible non-current assets**

	2020	2019
Land and buildings	2,099	2,014
Plant and equipment including pipelines	30,467	30,796
Other tangible non-current assets	1,015	859
Assets not used in operations	72	100
<b>Total depreciation excluding amortisation</b>	<b>33,653</b>	<b>33,769</b>
Amortisation equalisation account third party contributions	-2,847	-2,734
<b>Total depreciation costs</b>	<b>30,806</b>	<b>31,035</b>
Divestment of non-current assets	46	41
(Reversal of) impairments non-current assets	0	-337
<b>Total divestment of non-current assets and (reversal of) impairments non-current assets</b>	<b>46</b>	<b>-296</b>

**H. Other operating expenses**

	2020	2019
Other personnel costs	5,822	7,132
Mobility costs	671	746
Leases and real rights	21	35
Accommodation expenses	2,989	2,916
Taxes, insurance and bank charges	1,171	1,130
Communication costs and postage charges	7,458	7,813
Contributions, donations and subscriptions	1,517	1,458
Office and laboratory expenses	3,954	3,563
Hiring of expertise and IT expenses	7,501	6,869
Bad debt losses	290	798
Miscellaneous operating expenses	1,212	1,549
<b>Total other operating expenses</b>	<b>32,606</b>	<b>34,009</b>

Miscellaneous operating expenses relate in particular to activities outside the Netherlands.

In conformity with Section 2:382A of the Dutch Civil Code, the following overview shows the auditor's fees charged to Dunea:

(amounts x € 1)	2020	2019
Audit of the financial statements	134,627	222,500
Other audit services	18,300	38,603
Tax advisory services	0	0
Other non-audit services	0	0
Parts belonging to accounting network	0	0
<b>Total auditor's fees</b>	<b>152,927</b>	<b>261,103</b>

The stated fees are based on the total fees for the auditing of the financial statements for the financial year to which they apply, whether or not the activities and procedures by the external auditor and the audit firm were already performed during the financial year.

The 2020 financial statements were audited by KPMG N.V. The 2019 financial statements were audited by PricewaterhouseCoopers Accountants N.V.

**17. Financial income and expenses****Interest income and similar income**

In 2020, interest income and similar income amounted to € 4,000 (2019: € 7,000).

Interest income relates to interest received on granted loans, including mortgage loans.

**Interest expenditure and similar expenditure**

	2020	2019
Interest on other long-term borrowings	5,472	5,686
Other interest expenditure, including current borrowings	1	64
Capitalised construction period interest on investment projects	-481	-498
<b>Total interest expenditure</b>	<b>4,992</b>	<b>5,252</b>

The average interest rate of the loan portfolio was 1.88% (2019: 2.43%). The interest rate of the capitalised construction period interest on investment projects was 2.31% (2019: 3.15%).

## 18. Corporate income tax

Dunea has been liable for corporate income tax since 2016.

	2020
Result before taxes	7,083
Difference between valuation for reporting and for tax purposes of tangible non-current assets	35
Difference between valuation for reporting and for tax purposes of financial non-current assets and long-term liabilities	2,550
<b>Calculation of taxable profits</b>	<b>9,668</b>
Exempt benefits for public-sector enterprises	-9,792
Participation exemption	-50
<b>Taxable amount</b>	<b>-174</b>
Effective tax rate	0.0%
Applicable tax rate	25.0%

There are offsettable losses amounting to € 1.0 million (2019: € 0.9 million) that have not been recognised as a deferred tax asset, as it is not probable that future taxable profit will be available to offset these losses. The following overview (amounts in €) as at 31 December 2020 shows the year in which the losses occurred and the year in which they expire.

Financial year	Offsettable loss	Available for setting-off up to end
2016	166,525	2025
2017	495,573	2026
2018	-	2027
2019	196,923	2025
2020	173,663	2026
<b>Total offsettable losses</b>	<b>1,032,684</b>	

Zoetermeer, 20 May 2021

### Supervisory Board

J. P. Backer (Chairman)  
G.J. Doornbos  
W. van Dijk  
L.A.S. van der Ploeg  
A. van der Rest

### Management Board

W.M.E. Drossaert

# Other information

Dunea at a glance  
Foreword  
Management report  
Governance  
Financial statements

Additional information



**Dunea service vans**  
during work on a water  
pipeline in Leiden.

[Dunea at a glance](#)

[Foreword](#)

[Management report](#)

[Governance](#)

[Financial statements](#)

**[Other information](#)**

[Additional information](#)

## Provisions in the Articles of Association regarding profit appropriation

Article 17 of the Articles of Association provides as follows with regard to profit appropriation:

1. Insofar as the equity capital of the Company is less than the paid-up and called-up part of its capital, plus the reserves that must be maintained by law, the profit will be appropriated for the purposes of offsetting deficits and for creating the statutory reserves.
2. Insofar as the equity capital of the Company is greater than the paid-up and called-up part of its capital, plus the reserves that must be maintained by law, the profit will be added to the general reserve, unless the Supervisory Board approves a proposal by the Management Board to otherwise reserve part or all of this profit.
3. No dividends charged to the profit or the reserves of the Company may distributed amongst the shareholders.

Dunea at a glance  
Foreword  
Management report  
Governance  
Financial statements  
Other information

# Additional information

**Access for recreational users** to our dune areas is restricted. By taking care of our nature reserves, we protect nature as well as water extraction.

[Dunea at a glance](#)  
[Foreword](#)  
[Management report](#)  
[Governance](#)  
[Financial statements](#)  
[Other information](#)  
**[Additional information](#)**

# About this report

## Integrated Reporting

With the publication of the Annual Report 2020, Dunea has taken a further step in the adoption of integrated reporting. This means that we report not just on financial performance in our Annual Report, but also on our non-financial performance. We are in a process of development in this regard. In the coming years, we will make improvements in this respect and further strengthen our data and systems. The choice of topics on which we report in this Annual Report also takes into account topics that our stakeholders have indicated they consider to be of material significance.

## Scope of the Annual Report

This Annual Report covers the 2020 financial year of Dunea N.V., which runs from 1 January 2020 until 31 December 2020, inclusive. The consolidation includes the financial and non-financial data of Dunea N.V. and its group companies as well as other legal entities over which it can exercise predominant control or of which it conducts the central management. Dunea's integrated report comprises the Management report, the report of the Supervisory Board and the financial statements. The financial statements 2020 have been prepared in accordance with the provisions concerning financial statements contained in Part 9, Book 2 of the Dutch Civil Code and the Annual Reporting Guidelines. The accounting principles are unchanged compared to the previous year, unless otherwise indicated. Where possible, we compare all the figures stated with comparative figures from the previous year.

Dunea publishes its Annual Report exclusively online.

## Materiality and connectivity

In the extensive materiality analysis that we commissioned in January 2020, nine topics emerged as highly material. The outcomes of this materiality analysis are translated into a materiality matrix in this Annual Report. The results that we present in this Annual Report are organised according to the highly material topics shown in the top right corner of the matrix. Themes from the materiality analysis other than the highly material themes on which Dunea also reports concern themes that contribute to the highly material topics, and in particular the all-transcending themes of quality and security of supply of drinking water.

In 2021, there will be a focus on connectivity, as part of which a link will be made between strategy and material topics. New KPIs will also be defined.

## Reporting guidelines

In this Annual Report, Dunea also reports on material and socially relevant topics. In addition to statutory guidelines such as the Dutch Corporate Governance Code, Dunea also follows, insofar as relevant, the widely used international framework for integrated reporting of the International Integrated Reporting Council (IIRC).

Dunea is also a member of the World Business Council for Sustainable Development (WBCSD) and, for the purposes of reporting, suggestions made by the WBCSD are used to move the integrated report a step closer to the IIRC model.

[Dunea at a glance](#)

[Foreword](#)

[Management report](#)

[Governance](#)

[Financial statements](#)

[Other information](#)

**[Additional information](#)**

- [About this report](#)

### Quality of data

In this integrated report, we have expressed data in financial and non-financial data wherever possible. It is our ambition to expand and improve the quantity and reliability of the reported data in the coming years, among other things by advancing steps in the internal process of data collection. We will also involve the external auditor in this endeavour. In this Annual Report, material topics will still largely be reported on in qualitative terms. It is our ambition to move towards verification of the non-financial information by the external auditor in the coming years.

### Reactions to the Annual Report

If you have any questions or comments about our Annual Report, we would love to hear from you. Please mail us at [communicatie@dunea.nl](mailto:communicatie@dunea.nl).

[Dunea at a glance](#)[Foreword](#)[Management report](#)[Governance](#)[Financial statements](#)[Other information](#)**[Additional information](#)**• [About this report](#)

# Overview of shares in issue

In accordance with the provisions in Article 6(1) of the Articles of Association of Dunea N.V., the shareholding municipalities and the number of shares held by each municipality as at 31 December 2020 are listed below. Each share has a nominal value of € 5 and, pursuant to the provisions in Article 14(8) of the Articles of Association of the Company, entitles the holder to cast one vote per share.

The share division as at 31 December 2020 was as follows:

Municipalities	Number of shares
Alphen aan den Rijn	11,027
The Hague	1,562,309
Hillegom	66,171
Katwijk	200,327
Lansingerland	186,584
Leiden	383,881
Leidschendam-Voorburg	231,593
Lisse	70,521
Noordwijk	130,955
Oegstgeest	73,286
Pijnacker-Nootdorp	163,460
Rijswijk	158,403
Teylingen	112,044
Voorschoten	78,585
Wassenaar	80,883
Zoetermeer	387,302
Zuidplas	102,669
<b>Total</b>	<b>4,000,000</b>

# Glossary 2020

Dunea at a glance

Foreword

Management report

Governance

Financial statements

Other information

**Additional information**

Number of administrative connections	The total number of service addresses to which Dunea, directly or via a third party, supplies drinking water and to which Dunea can bill a standing charge.
Number of visitors to Meijendel Visitor Centre	The recorded number of visitors to the Meijendel Visitor Centre (de Tapuit).
Number of installed water meters	The total number of installed (present) water meters in properties in Dunea's supply area.
Number of residents (x 1,000)	The most up-to-date total number of residents that, according to CBS Statline, were living within Dunea's supply area at the end of the year.
Number of employees	The number of employees at the end of the year with a fixed-term or permanent employment contract, excluding employees with a work experience or training contract (BBL/block or day release, BOL/ pre-vocational learning pathway).
Number of technical connections	The total number of connections for drinking water supply from the transport and mains pipeline network to an address in Dunea's supply area.
Infiltrated pre-treated river water (x mln m <sup>3</sup> )	The m <sup>3</sup> of pre-treated river water that is infiltrated in the water extraction areas.
Supply (x 1,000 m <sup>3</sup> )	The total m <sup>3</sup> of drinking water pumped into the pipeline network and supplied within Dunea's own supply area.
Construction period interest (%)	The expected interest on long-term loans relative to the expected average long-term loan portfolio, which are attributed to projects in 'Work in progress' before they are capitalised.
Cash flow ratio	The extent to which the cash flow can cover long-term commitments. This is calculated as the ratio between the cash flow (result after tax and depreciation) and the total loan capital.
CO <sub>2</sub> footprint	A measure, expressed in tonnes CO <sub>2</sub> , for the emission of greenhouse gases caused by the various operating activities.
Current ratio	The extent to which short-term obligations can be met. It is calculated by comparing the sum of the current assets versus the current liabilities.
Debt Ratio:	The ratio between the cash flow from operating activities and the outstanding debt position. It is calculated by dividing the sum of all loans and debts to credit institutions by the operating cash flow.
Drinking water price per 1,000 litres (€)	The price charged for drinking water per m <sup>3</sup> .
Dune area managed by Dunea (ha)	The number of hectares of dunes managed by Dunea, excluding dune areas on which production facilities are located.

Dunea at a glance

Foreword

Management report

Governance

Financial statements

Other information

**Additional information**• *Glossary 2020***Average number of employees (FTEs)**

The average number of employees (FTEs) is calculated by dividing by 13 the sum of the number of FTEs, corresponding to employees with a fixed-term or permanent employment contract, as at the last day of the month and including the position as at the last day of the preceding year. This calculation excludes employees with a work experience contract but includes employees with a training contract (BBL).

**Average interest rate  
(long-term loans) (%)**

The interest on long-term loans relative to the average long-term loan portfolio.

**Drinking water produced**

The volume m<sup>3</sup> of drinking water produced.

**Incident Frequency Ratio**

The number of incidents involving sickness absence and injury x 1,000,000 / staffing hours

**River water intake (x mln m<sup>3</sup>)**

The total volume m<sup>3</sup> river water intake.

**Integral drinking water price per m<sup>3</sup>**

The integral price payable by an average customer (in terms of size and consumption) for one m<sup>3</sup> of drinking water, without any surcharge for municipal sufferance tax and tap water tax, and excluding VAT.

**Interest coverage ratio**

The extent to which the operating result is sufficient to cover the interest expenses.  
It is calculated by comparing interest expenses versus operating result.

**Internal financing ratio**

The portion of the cash flow used for investments. It is calculated by comparing the net invested amount (invested amount adjusted for amounts received) versus the cash flow (result after tax and depreciation).

**Length of mains pipeline network (in km)**

The length of the mains pipeline network (in km) as at the balance sheet date, excluding pipelines that are not in service.

**Length of transport pipeline network (in km)**

The length of the transport pipeline network (in km) as at the balance sheet date, excluding pipelines that are not in service.

**'New Style' National Park**

A 'new style' national park is a national park consisting of a coherent landscape with a core of valuable nature reserves surrounded by areas with other zoning designations, such as agriculture or residential. The aim is to protect and develop nature, recreation, water management and extraction as well as heritage in the entire area to provide a healthy and attractive location for people, fauna and flora.

**NCSC**

National Cyber Security Centre ([www.ncsc.nl](http://www.ncsc.nl))

## Dunea at a glance

## Foreword

## Management report

## Governance

## Financial statements

## Other information

**Additional information**

- *Glossary 2020*

Not-billed consumption (x 1,000 m <sup>3</sup> )	The difference between the total volume m <sup>3</sup> pumped into the pipeline network and supplied in Dunea's own supply area and the total volume m <sup>3</sup> that is charged to customers. It concerns not-billed consumption, such as leakages and spray water losses, fire extinguishing water, own use for cleaning pipelines, temporary non-metered connections and meter differences.
Sub-standard supply minutes	The number of minutes the supply of water is interrupted per administrative connection per year. If the precise duration of the interruption is not recorded, the average number of minutes of sub-standard supply per type of interruption is defined.
High-priority installations	In the Netherlands, certain locations must comply with special regulations for the prevention of Legionella. These high-priority installations include the drinking water installations of healthcare institutions, hotels, swimming pools and saunas, for instance.
Return on total assets (%)	The return on total assets compares the operating result achieved with the organisation's total assets that enable it to carry out its activities. It is calculated as the ratio of operating result to the balance sheet total.
Solvency (%)	The extent to which long-term obligations can be met. It is calculated by comparing shareholder's equity versus total assets, both inclusive of the result after tax achieved in the year that is added to the other reserves.
Sales in own supply area (x 1,000 m <sup>3</sup> )	The total volume of m <sup>3</sup> of supplied drinking water billed to customers in Dunea's own supply area for household consumption, the small business market and the large business market.
Sales of drinking water in own supply area (x 1,000 m <sup>3</sup> ) per administrative connection	The average volume of m <sup>3</sup> of drinking water in Dunea's own supply area that is billed to customers per administrative connection.
WACC (Weighted Average Cost of Capital)	The weighted average cost of capital related to drinking water activities. The calculation is the sum of the result after taxes related to drinking water activities and the interest expenses related to drinking water activities compared to the average balance sheet total related to drinking water activities.
WAVE	Werken aan Verbindend (working on connection) Programme (WAVE), which involved the phased implementation of process-oriented working in 2018, WAVE also provided for the implementation of a new ERP system.
Sickness absence (%)	The sickness absence percentage is calculated by dividing the total number of days of absence (excluding pre-natal maternity leave) by the total number of available days, taking into account a part-time factor. This calculation excludes employees with a work placement contract but includes employees with a training contract (BBL).



**Dunea**

Plein van de Verenigde Naties 11,  
2719 EG Zoetermeer

**Postal address:**

PO Box 756  
2700 AT Zoetermeer  
Telephone: +31 (0)88 347 50 00  
[www.dunea.nl](http://www.dunea.nl)

**Dunea Visitor Centre "De Tapuit"**

Meijendelseweg 40,  
2243 GN Wassenaar  
Telephone: +31 (0)88 347 48 49

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