2024 IMPACT UPDATE | MARCH 14, 2024

PROGRESS OVER EASY

CONTENTS

COMPANY INTRODUCTION 3

BUILDING A RESILIENT FOOD SYSTEM 7

FOSTERING A PEOPLE-FIRST CULTURE 14

DRIVING ENGAGED AND ACCOUNTABLE OVERSIGHT 21

IMPACT GOALS PROGRESS 24

IMPACT METRICS 25

SASB 29

TCFD 33

FORWARD LOOKING STATEMENTS 37

NON-GAAP FINANCIAL MEASURE DISCLOSURES 38

COMPANY INTRODUCTION

Vital Farms' impact work reflects our purpose to improve the lives of people, animals, and the planet through food. It is grounded in our designation as a public benefit corporation and Certified B Corp and captured in our governing documents, which create an added layer of accountability to deliver on that purpose.

This year's Impact Update highlights ways we worked with all of our stakeholders toward positive, long-term outcomes in 2023 and shares the progress we've made on the short- and medium-term goals we announced in last year's Impact Report. Our updated standards-based performance metrics and disclosures are found on p. 29.

Our focus on three core impact principles — transparency, stakeholder success, and alignment to financial expectations — makes Vital Farms a more resilient company. That resilience has enabled us to navigate a range of potential disruptions and allowed us to continue delivering on our stakeholder commitments year-over-year.

Our commitment to continually raising the standards has made impact an integral part of our business, and there is more work ahead. We will continue identifying efficiencies to innovate with our farmers, reduce our carbon intensity, develop our talented crew members, and drive meaningful, long-term progress for all of our stakeholders — the environment, the communities where we operate, our crew members, customers, consumers, stockholders, and the animals that help us produce ethical products for millions of people across the country.

REPORTING CADENCE

MATERIALITY MATRIX
EVERY 3 YEARS

IMPACT DATA UPDATE
EVERY YEAR

FULL IMPACT REPORT
EVERY OTHER YEAR

FINANCIALS & MARKETING METRICS

8.9%
HOUSEHOLD PENETRATION[1]

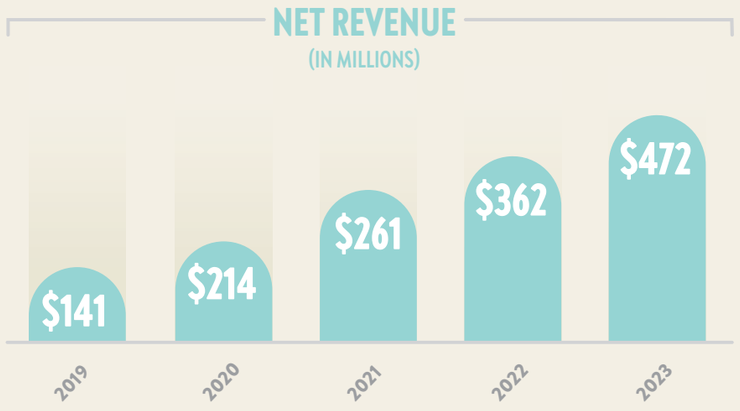
11.6M
HOUSEHOLDS PURCHASING[1]

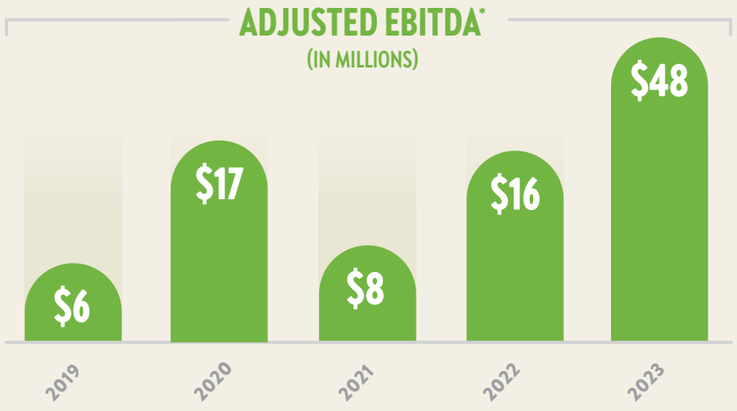
#1
U.S. PASTURE-RAISED EGG BRAND[2]

#2
U.S. OVERALL EGG BRAND[2]

BULLSH*T FREE

HONEST FOOD





[1]Numerator panel data based on the 52-week period ending 12/31/23 [2]SPINS data based on retail dollar sales for the 52-week period ending 12/31/23
**Please see p. 38 for reconciliation to GAAP financial measures.*

AWARDS & RECOGNITION

TOP IMPACT COMPANIES, REAL LEADERS, 2024

SUSTAINABLE PLANT OF THE YEAR, FOOD ENGINEERING 2023

"EGG PRODUCT OF THE YEAR," MINDFUL AWARDS 2023

INSPIRING WORKPLACES, INSPIRING WORKPLACES 2023

TOP IMPACT CEO RANKING, MO100 2023

BEST SNACK AWARDS, GOOD HOUSEKEEPING 2023

BRANDS THAT MATTER, FAST COMPANY 2023

EDITORS PICKS "BEST NEW PRODUCT," PROGRESSIVE GROCER

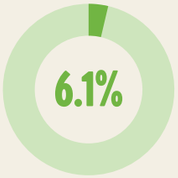
BUILDING A RESILIENT FOOD SYSTEM

ZERO-WASTE-TO-LANDFILL AT EGG CENTRAL STATION

In 2022, we shared our commitment to make Egg Central Station (ECS) a zero-waste-to-landfill facility by the end of 2023. Zero-waste is defined as an average of 90% or greater overall diversion from landfill over a 12-month period, according to the TRUE certification. We're excited to report that we've achieved our goal, reducing ECS landfill waste to 2.3%.

We focused on five initiatives to find innovative solutions across all of our waste streams.[1] In measuring and documenting our waste and its destinations, we discovered processes that improved both the sustainability and profitability of our business — a win-win achievement that benefits all our stakeholders.

UPCYCLED TO OTHER EGG INGREDIENTS, FOR PET FOOD, AND PLANT FERTILIZER



RECYCLED

LANDFILL

[1] *All waste generated at ECS was non-hazardous. If hazardous waste does occur, there is an established plan for proper disposal.*

ZERO-WASTE-TO-LANDFILL AT EGG CENTRAL STATION

SOLUTIONS FOR REDUCING WASTE

1. **Implementing an egg separator to process cracked eggs:** We separate them into shell fragments and liquid eggs to be sold and repurposed into useful products such as pet food and plant fertilizer. This investment has supported our bottom line as we previously paid to have cracked eggs hauled away.
2. **Giving crew hair and beard nets a new life:** We send them to be ground up and turned into plastic pellets to be made into products like park benches.
3. **Recycling paper cartons and boxes:** We bale paper for easier processing and transportation to a recycling mill to extend their lifecycle. We've transitioned from a traditional recycling service to selling our excess mixed paper directly to a paper mill, making this waste stream cost-neutral.
4. **Using undersized eggs:** We divert them into the Liquid Eggs we bring to market.
5. **Improving order accuracy:** We enhance customer relationships, improve internal forecasting capabilities, and build strong partnerships with our customers to prevent spoilage and optimize our supply chain.

REGENERATIVE AGRICULTURE

OUR APPROACH

Vital Farms has used regenerative agriculture practices on all of our farms since our founding in 2007. All of the 300+ family farms that we work with continue to follow pasture rotation and avoid using herbicides and pesticides. Both practices encourage nutrient cycling and allow the soil to rest and recover between grazing.

In 2023, we committed to engaging all egg farms in our network in additional regenerative practices by 2026 through training, educational resources, and funding opportunities as a pragmatic and scalable way to support long-term soil health. Over the past year, 15% of our farms have implemented one or more of the following regenerative practices to support biodiversity above and below the soil:

- Planting cover crops to diversify forage
- Mulching bare ground to protect from erosion
- Rotating other species on the pasture (e.g. cattle, goats, sheep)

REGENERATIVE AGRICULTURE

To better understand the full-scale benefits of regenerative agriculture on our farms, we launched our Restorative Egg product in 2022 after working side-by-side with four of our farmers. In 2023, we became the first national egg brand to earn the Regenified™ certification.

Regenified™ is a third-party regenerative agriculture verification organization setting a gold standard for farming and ranching practices. The 6-3-4™ Verification Standard outlines a tiered approach and helps our farmers consistently measure and understand where their practices and lands are on the regenerative path. Regenified™ requires annual audits, as well as an improvement in tier every three years.

How our Restorative farmers implement regenerative agriculture:

1. Increase the total number of paddocks for rotation from 8 to 24
2. Seed 15% of land with cover crops (the remaining land is perennial forage such as fescue)
3. Plant seasonal cover crops such as:
   - **Winter:** winter wheat, ryegrass, cereal rye, oats, winter peas, crimson clover
   - **Summer:** millet, sorghum sudan, buckwheat, sunflowers, legumes

"The impact of regenerative farming is visible on my farm. Adding more animals and cover crops on my pasture has opened the way for healthier soil."

JONATHAN MAST

RESTORATIVE FARMER ON OAK HILL FARMS

"In 2023 we saw extended periods of dry weather followed by thunderstorms with heavy rainfall and Restorative farmers have noticed a significant decrease in runoff on their farms. Leaving half of the biomass that is available at the time of grazing has been one practice implemented to increase water infiltration."

NATE KING

FARM SUPPORT COORDINATOR

MAKING PROGRESS ON OUR RESTORATIVE FARMS

Our Restorative farmers are constantly innovating, working closely with their Farm Support Advisor to test and learn which regenerative agriculture practices result in the best outcomes for them, their hens, and the land. Annual soil sampling on our four Restorative farms provides us with quantitative metrics. Key measures we focus on when testing include:

- **Soil pH levels:** acidity/alkalinity of soil, indicating how many nutrients are available to plants
- **Soil respiration:** CO_2 output and production of carbon dioxide in the soil, indicating the ability of soil to sustain plant growth and biological activity
- **Organic carbon levels:** the amount of organic carbon stored in soils, demonstrating nutrient storage and water retention ability
- **Microbial activity levels:** the amount of microbial activity in the soil, indicating soil quality and biodiversity

Since beginning this journey three years ago, our Restorative farmers have made measurable progress and are seeing the benefits on their farms. In the most recent soil sampling, all of our Restorative farms demonstrated year-over-year improvements in three of the four key measures.

One farmer saw low microbial levels and realized he was moving his cattle onto the land too soon after hen rotations, so he focused on reseeding and adjusting his grazing schedule. Another farm saw decreased organic carbon levels, primarily due to a stretch of dry weather, and is adjusting cover crop seed mixes while ensuring an extended rest period between plantings.

Through continued training and education, we will assist our Restorative farmers in tracking these measurements to build greater resilience on their farms.

FOSTERING A PEOPLE-FIRST CULTURE

PARTNERSHIP WITH OZARKS TECHNICAL COLLEGE

When we opened our state-of-the-art egg washing and packing facility, Egg Central Station (ECS), Vital Farms committed to positively impacting the Springfield community and workforce. Since then, ECS has doubled in size, creating additional job opportunities and processing capacity.

In 2022, we dedicated $50,000, over five years, to the Ozarks Technical Community College's Center for Advanced Manufacturing (CAM), a high-tech training facility for students and local workers. This year marks the third year of our collaboration, which focuses on the CAM's automation lab. This lab allows students to learn to program robots and automate systems in a manufacturing environment. In addition, we're welcoming students to join tours and events at ECS, where they can experience automation at work and envision their future careers.

Vital Farms crew members can also progress in their careers through webinars and continuing education opportunities through Ozarks Technical Community College. Most recently, the college led training for our crew focused on the Lean approach, a set of practices to improve efficiency and effectiveness by eliminating waste of physical resources, time, effort, and talent while ensuring quality.

"We are fortunate to have industry partners that value the role education plays in the development of their workforce and who are willing to contribute to that education. The contribution that Vital Farms has made to Ozarks Technical College extends beyond a donation. They continually seek ways to engage with the college, from student tours to participating in career days and even supporting our manufacturing summer camps. Vital Farms is an outstanding partner for OTC."

ROBERT RANDOLPH

EXECUTIVE DIRECTOR OF ROBERT W. PLASTER CENTER FOR ADVANCED MANUFACTURING

BROADENING A FUTURE FARM NETWORK

We continued to experience tremendous growth in 2023. As demand for our products increases, we recognize the need to further expand our network of mission-driven farmers and diversify our supply chain. We continue to collaborate with organizations such as Kansas Black Farmers Association (KBFA), Farmer Veteran Coalition, and National Young Farmers Coalition to connect with historically underrepresented farming communities.

For example, we attended one of the organization's quarterly member meeting at the Land Institute, where KBFA members gather to learn about grant opportunities, share general knowledge with fellow members, and listen to speakers in the agricultural community. It was an opportunity for us to proactively meet potential Vital Farms farmers and share our commitment to animal welfare, ethical food production, and our stakeholder model. We followed up a few months later with a Vital Farms-hosted recruitment meeting, inviting KBFA, National Young Farmers Coalition, and Farmer Veteran Coalition members to dig into the details further of how to become a Vital Farms farmer. We look forward to ongoing connections with these and other diverse community groups.

By expanding and diversifying our farmer network, we strengthen our business, become more resilient, and stay true to our mission of bringing ethical food to the table.

The share of Black farmers in the United States has declined significantly over the last century, from 14% a hundred years ago to 1.2% today.

LEARNING AND DEVELOPMENT ACCOMPLISHMENTS

CLUCK UNIVERSITY

At Vital Farms, we've created a performance and development ecosystem that inspires a growth mindset, unlocks crew potential, and propels our business forward.

In the Spring of 2023, we unveiled our new and improved Cluck University (Cluck U), our learning management system for remote and production crew members. The platform contains world-class content from top universities and companies and hands-on learning opportunities through projects, certificates, and 15 internally built courses including: Building Better Slide Decks, Conscious Capitalism, Farm to Table Journey of our Products, Crafting Compelling Communication, and Our North Star. By the end of the year, we earned 95% participation from our crew, each spending an average of six hours learning new skills such as leveling up written communications, supply chain principles, and Microsoft Excel.

In the coming year, we plan to invest in furthering the growth of our crew, along with development opportunities that include competency-based training and group mentorship and coaching programs.

CLUCK U BY THE NUMBERS

- Launched: **APRIL 2023**
- Crew Participation: **95%**
- Total Training Time: **115 DAYS**
- Average Training Time Per Active User: **6H 39M**
- Courses Available: **13K+**

LEADERSHIP EGGCELERATOR

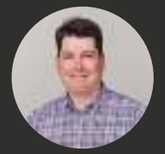
In 2023, we invested in developing our people leaders by creating a six-month training program, the Leadership Eggcelerator. The Eggcelerator kicks off with a two-day interactive workshop taught by our own expert leaders and continues with five months of virtual sessions and group work. We introduced a cohort-based model to spark crew bonding and collaboration and forge the cross-functional connections that make Vital Farms thrive. All sessions are carefully curated to invoke learning and collaboration based on shared experiences — from mastering the art of effective communication to navigating the complexities of team dynamics. Our Leadership Eggcelerator is designed to be a journey and all non-executive people leaders will complete this program by Fall of 2024.

"It was an amazing opportunity to learn, grow, and strengthen my leadership skills from other leaders across the company. I left feeling incredibly energized to be an even better leader here at Vital Farms."

HOPE VILLAO

DIRECTOR, DIGITAL TRANSFORMATION

"To unlock the power of an organization, its future leaders need to be engaged and empowered to bring life to the business. The Eggcelerator Program set us up to do just that."



KYLE THYGESEN

DIRECTOR OF DAIRY OPERATIONS

DRIVING ENGAGED AND ACCOUNTABLE OVERSIGHT

PAY EQUITY ANALYSIS

In 2023, we completed a pay equity analysis to ensure fair pay for our crew while eliminating unconscious bias in our pay scale. We brought on an independent third-party auditor to analyze our compensation and demographic data, characteristics of individual roles, career level, age, and more. No significant pay discrepancies were identified. We will repeat this analysis every three years and re-evaluate our cadence should the overall crew population change significantly.

"We fully embrace transparency and accountability for our compensation practices and appreciate having the third-party validation."

MARK IWANKIW
VP OF TOTAL REWARDS

3 Goals for Establishing Our Corporate Governance Structure:

1. **Align our actions with our values**
2. **Foster a culture of integrity throughout our organization**
3. **Manage enterprise risks**

A GENDER-BALANCED BOARD

Vital Farms is one of the 29% of Russell 3000 companies that have a gender-balanced Board of Directors.

Our Crew Resource Group, the Women's Committee is dedicated to fostering connection, driving professional and personal development, and supporting women's mentorship. The Women's Committee hosted three of our female Board members at our Austin office, fondly known as "The Roost," to meet and engage with our crew members, in-person and virtually. Board members Gisel Ruiz, Kelly Kennedy, and Glenda Flanagan shared their personal and professional journey through a meaningful panel discussion, covering empowerment in the workplace, cultivating confidence and navigating challenges.

"Hearing about our Board Members' journeys firsthand was not only inspiring but a great reminder of what we can achieve as women, especially when we lift each other up. I'll be taking what I learned about the importance of mentorship and different ways of finding my voice into my day-to-day."

LIZ MARQUARDT

NATIONAL ACCOUNT MANAGER AND CO-LEAD OF WOMEN'S COMMITTEE

"At Vital Farms, we understand that diverse boards — including with respect to experience, gender, background, and expertise — bring more innovation and creativity to problem-solving and strategic planning by challenging norms and increasing the breadth of what's possible. We believe this results in better outcomes and greater resilience for the company and our stakeholders, and we're grateful to have a wonderfully diverse and engaged set of board members at our helm."

JOANNE BAL

GENERAL COUNSEL, HEAD OF IMPACT, AND CORPORATE SECRETARY

IMPACT GOALS PROGRESS

In 2023, we defined five impact goals that are material to our business and meaningful for our stakeholders. Here is how we are progressing.

OUR IMPACT AREA	GOAL	PROGRESS
ECOLOGICAL IMPACTS: IMPROVE NATURAL RESOURCE MANAGEMENT IN OUR OPERATIONS	Achieve zero waste to landfill at Egg Central Station by end of 2023	**Achieved** 2.3% waste to landfill
INCLUSION AND BELONGING: CONTINUE TO BUILD A MORE INCLUSIVE WORKPLACE FOR OUR CREW	Increase favorability in our annual Inclusion Survey by 5 percentage points by end of 2023	**In Process** Our 2023 was focused on driving inclusion through our seven Crew Resource Groups. This was the first full year of participation and programming. Rather than conducting an Inclusion Survey in 2023, we completed one in early 2024 to more accurately measure progress from these efforts. We will share the results in our next Impact Report.
ACCOUNTABILITY: TIE EXECUTIVE COMPENSATION TO IMPACT PERFORMANCE	Factor impact performance into executive compensation by 2025	We are assessing this goal to ensure it promotes the accountability we are seeking.
CLIMATE CHANGE AND SUPPLY CHAIN MANAGEMENT: MITIGATE CLIMATE RISK IN OUR SUPPLY CHAIN	Engage 100% of farmers on regenerative agriculture practices by end of 2026	15% of farmers engaged
CLIMATE CHANGE AND OPERATIONS: MITIGATE CLIMATE RISK TO OUR OPERATIONS AND OUR OPERATIONAL CLIMATE IMPACT	Reduce our operational greenhouse gas intensity (Scope 1 and 2) by 25% by end of 2027	0.25% reduced

IMPACT METRICS

ENVIRONMENT		2023
GREENHOUSE GAS EMISSIONS	Scope 1 absolute (mt CO2e)	5,426 Dedicated fleet: 3,109 Natural Gas: 1,357 Motor gasoline: 534 Fugitive HFCs: 426
	Scope 2 absolute (mt CO2e)	2,309 Purchased electricity (Egg Central Station): 2268 Purchased electricity (Austin office): 41
	Scope 1 and 2 intensity	16.2 mt CO2e per million $ revenue
	Scope 3 absolute (mt CO2e)	253,847 (1) Purchase goods and services: 214,822 (2) Capital goods: 5,044 (3) Fuel and energy related activities: 119 (4) Upstream transportation and distribution: 11,831 (5) Waste generated in operations: 64 (6) Business travel: 1,690 (7) Employee community: not material as a remote-first company (8) Upstream leased assets: NA (9) Downstream transportation and distribution: 95 (10) Processing of sold products: NA (11) Use of sold products: 16,277 (12) End-of-life treatment of sold product: 3,905 (13) Downstream leased assets: NA (14) Franchises: NA (15) Investments: NA
	Scope 3 intensity	538 mt CO2e per million $ in revenue

(Continued on next page)

IMPACT METRICS

ENVIRONMENT		2023
WASTE: EGG CENTRAL STATION	Total waste generated	6,455 tons[2]
	By destination	Landfill: 147 tons Recycled: 531 tons Upcycled: 5,777 tons
WATER: EGG CENTRAL STATION	Total water use (m3)	45,933
	Water Use Intensity (m3/million $ in revenue)	97.3
	Total water discharged (m3)	45,423
	Total water consumed (m3)	510
PACKAGING	% recyclable by weight	99%
	% compostable by weight	59%
	% made from PCR materials by weight	83%
SOCIAL		**2023**
OUR CREW		
CREW RESOURCE GROUPS	# of crew member participants	127
	# of events across 7 CRGs	48

(Continued on next page)

IMPACT METRICS

SOCIAL		2023
WORKFORCE DEMOGRAPHICS	By ethnicity	White: 76% Hispanic/Latino: 6% Asian: 3% Black/African American: 5% Not specified: 4% 2 or more races: 2% Native Hawaiian/other Pacific Islander: <1% American Indiana/Alaskan: <1%
	By gender	Male: 59% Female: 41%
OUR FARMERS	# of farmers	300+
	# of Vital Farms-hosted farmer meetings	17
	Farmer Support and Wellbeing	In addition to in-person regional meetings open to all of our farmers, each of our farmers has a designated Farm Support advisor. Our Farm Support crew members are always on-call for our farmers. Farm Support: • Weekly farmer call • Monthly farm visit • Support biannual internal audits with Farm Compliance team
OUR CONSUMERS	# of 1:1 conversations	96,281
	# of mailed handwritten letters	2,074
OUR COMMUNITIES: GIVING	$ donated	$110,000
	lbs of food donated	713,244
	# of eggs donated	4,410,684
	$ equivalent of food donated	$855,516.39

(Continued on next page)

IMPACT METRICS

GOVERNANCE		2023
LEADERSHIP DIVERSITY	Board of Directors (% diverse/non-diverse)	75/25
	SLT (% diverse/non-diverse)	57/43

SASB DISCLOSURE

Sustainability Accounting Standards Board (SASB) standards address industry-specific, financially material sustainability topics and metrics and enable us to track changes in performance over time using globally accepted best practices for data and reporting. In the following table, we have reported in accordance with the "Meat, Poultry, and Dairy" industry standards, which we believe are most appropriate for Vital Farms' operations.

TOPIC	ACCOUNTING METRIC	2023 RESPONSE
GREENHOUSE GAS EMISSIONS	Gross global Scope 1 emissions	5,426 metric tons CO_2e
	Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and analysis of performance against those targets	Our Impact Goals 2023 Impact Report p. 21–23
ENERGY MANAGEMENT	(1) Total energy consumed	43,477 GJ
	(2) Percentage grid electricity	45%
	(3) Percentage renewable	18%

(Continued on next page)

SASB DISCLOSURE

TOPIC	ACCOUNTING METRIC	2023 RESPONSE
WATER MANAGEMENT	(1) Total water withdrawn, percentage of each in regions with High or Extremely High Baseline Water Stress	(1) 46,123 m3; 0% withdrawn from High or Extremely High Baseline Water Stress
	(2) Total water consumed, percentage of each in regions with High or Extremely High Baseline Water Stress	(2) 509.7 m3; 0% withdrawn from High or Extremely High Baseline Water Stress
	Description of water management risks and discussion of strategies and practices to mitigate those risks	2023 Impact Report p. 25–31
	Number of incidents of non-compliance with water quality permits, standards, and regulations	0
LAND USE AND ECOLOGICAL IMPACTS	Amount of animal litter and manure generated	69,793 metric tons
	% managed according to a nutrient management plan	100%
	% of pasture and grazing land managed to NRCS conservation plan criteria	100%
	Animal protein production from concentrated animal feed operations (CAFOs)	0

(Continued on next page)

SASB DISCLOSURE

TOPIC	ACCOUNTING METRIC	2023 RESPONSE
FOOD SAFETY	Global Food Safety Initiative (GFSI) audit non-conformance rate (1a) major and (1b) minor non-conformances	(1a) 0 (1b) 2
	Associated corrective action rate for (2a) major and (2b) minor non-conformances	(2a) 0 (2b) 1
	% of supplier facilities certified to a GFSI food safety certification program	100%
	Number of recalls issues	0
	Total weight of products recalled	0 metric tons
	Discussion of markets that ban imports of the entity's products	Not applicable
ANTIBIOTIC USE IN ANIMAL PRODUCTION	% of animal production that received (1) medically important antibiotics and (2) not medically important antibiotics, by animal type	(1) 0.3%* (2) 0%
WORKFORCE HEALTH AND SAFETY	Total recordable incident rate (TRIR)	5.9
	Fatality rate	0
	Description of efforts to assess, monitor, and mitigate acute and chronic respiratory health conditions	This is not applicable to Vital Farms' business.

(Continued on next page)

**Consistent with Certified Humane Standards, antibiotics are administered only for disease treatment and must be under direction of a veterinarian. Per USDA Organic Standards, organic eggs must come from hens that receive no antibiotics.*

SASB DISCLOSURE

TOPIC	ACCOUNTING METRIC	2023 RESPONSE
ANIMAL CARE AND WELFARE	% of pork produced without use of gestation crates	This is not applicable to Vital Farms' business because we do not produce pork products.
	Percentage of cage-free shell egg sales	100%
	% of production certified to a third-party animal welfare standard	100%
ENVIRONMENTAL AND SOCIAL IMPACTS OF ANIMAL SUPPLY CHAIN	% of livestock from suppliers implementing NRCS conservation plan criteria or equivalent	100%
	% of supplier and contract production facilities verified to meet animal welfare standards	100%
ANIMAL AND FEED SOURCING	% of animal feed sourced from regions with High or Extremely High Baseline Water Stress	20%
	% of contracts with producers located in regions with High or Extremely High Baseline Water Stress	31%
	Discussion of strategy to manage opportunities and risks to feed sourcing and livestock supply presented by climate change	2023 Impact Report p. 28–31, 54
ACTIVITY METRICS	Number of processing facilities	1 egg processing facility, Egg Central Station in Springfield, Missouri
	Animal protein production by category; percentage outsourced	Egg production represents approximately 95% of business. The remaining 5% is butter production.

TCFD

The Task Force on Climate-related Financial Disclosures (TCFD) provides climate-related financial disclosure recommendations in four areas: governance, strategy, risk management, and metrics and targets.

DISCLOSURE		RESPONSE
GOVERNANCE	a) Describe the board's oversight of climate-related risks and opportunities	Vital Farms' Board of Directors considers climate-related risks and opportunities as a part of its overall management and oversight of the company. Oversight of impact activities is managed by the Nominating and Corporate Governance Committee of the Board of Directors and is reflected in this Committee's Charter. This Committee oversees the strategy, initiatives, and reporting related to impact programs, including environmental initiatives and progress in meeting environmental goals. The General Counsel and Head of Impact presents to this Committee quarterly and these updates may include the company's Impact performance, risks, and opportunities. This Committee also oversees our Environmental Policy. The Audit Committee of the Board of Directors has oversight of the Company's risk assessment and management, which includes climate-related risk. Governance Structure
	b) Describe management's role in assessing and managing climate-related risks and opportunities	While the Board of Directors and its committees oversee risk management strategy, management is responsible for implementing and supervising day-to-day risk management processes and reporting to the Board and its committees on such matters, including with respect to climate-related risks and opportunities. Governance Structure

(Continued on next page)

TCFD

DISCLOSURE		RESPONSE
STRATEGY	a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term	2023 Impact Report p. 14–16 **Risks** Direct operations: Climate change may increase the frequency and severity of natural disasters such as tornadoes and floods. This may cause disruptions to production and our ability to operate our facilities. Supply chain: We rely on a network of family farms to supply us with eggs. These farms are located in a region that provides an environment conducive to year-round raising of chickens. Heat stress caused by rising global temperatures and water stress caused by drought create more challenging environments for animals, and climate change increases risk of infectious diseases. These risks may have significant negative impacts on animal productivity, our farmers, and thus, our ability to produce our products. Feed: Corn and soy, which Vital Farms and our farmers rely on for feed, are vulnerable to adverse weather conditions and natural disasters. The occurrence and severity of such events may result in increased prices. Reputation: Vital Farms is subject to risks related to heightened stakeholder focus on sustainability and corporate social responsibility. If we fail to meet the goals and standards we set for ourselves or the expectations of investors and other stakeholders with respect to Impact issues, our reputation and brand image could be damaged. **Opportunities** Direct operations: With the price of fossil fuels projected to increase, Vital Farms has the opportunity to improve energy and resource efficiency at our facilities and invest in renewable energy projects. Supply chain: We have the opportunity to engage our farmers and suppliers in meaningful strategies to reduce environmental impacts. Products: Vital Farms' products occupy a competitive position within the landscape of shifting consumer preferences for more sustainable food with increased traceability. Reputation: Vital Farms' mission, Conscious Capitalism approach, and commitment to transparency each align with growing stakeholder interest in significant issues connected to animal farming, climate change, and resource conservation.

(Continued on next page)

TCFD

DISCLOSURE		RESPONSE
STRATEGY, CONT'D.	b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning	Our Board reviews the risks associated with the company's business strategies periodically throughout the year as part of its consideration of undertaking and continuing any such business strategies. This review includes consultation with leadership of the company's finance and strategy functions. Climate-related risks and opportunities influence our business strategy and financial planning, as such risks and opportunities have the potential to affect core business functions, from hen productivity to operating our facility to distribution of our finished goods. For our direct operations, we have identified energy efficiency and renewable energy opportunities to better manage our climate impacts. We installed solar panels at our primary facility in 2022 that required capital investment and will ultimately lower our energy costs over time. Regenerative Agriculture story 2023 Impact Report – p. 21–29, p. 53
	c) Describe the resilience of the organization's strategy, taking into consideration different future climate scenarios	As a B Corp-certified food company that has been practicing Conscious Capitalism since our founding, we are acutely aware of the impact climate change can have on our business and each of our stakeholder groups, one of which is the environment. We have set a carbon reduction goal for our operations, which will drive continuous assessment of energy efficiency and renewable energy opportunities. Our supply chain is largely made up of our network of egg farmers. Our organization has a dedicated Farm Support team to provide guidance and assistance to our network of farmers. We conducted our first climate-related risk assessment in 2021 of a sampling of our farm locations and some of our approved feed mills, based on a 2°C scenario. This assessment, which we do bi-annually at a minimum, influences where we will grow our farmer network and how to prioritize areas that will need adaptation plans and regenerative and climate-smart farming practices. 2023 Impact Report – p. 20–21, p. 53 These efforts in both our operations and supply chain aim to make Vital Farms more resilient over the next five years and in the long term. They not only enable Vital Farms to mitigate its risk exposure to climate change, but also increase the company's readiness to adapt to the effects of climate change.

(Continued on next page)

TCFD

DISCLOSURE		RESPONSE
RISK MANAGEMENT	a) Describe the organization's processes for identifying and assessing climate-related risks	Vital Farms understands the need to address climate-related risks and address them appropriately. As such, the organization identifies and assesses climate-related risks on an ongoing basis, monitoring and prioritizing action based on the risk's potential impact to business continuity and likelihood of occurrence. 2023 Impact Report – p. 23, 28–29
	b) Describe the organization's processes for managing climate-related risks	The process of regularly conducting a climate risk assessment and quarterly internal reporting on our climate goal progress allow us to proactively manage climate-related risks.
	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management	As with other organizational risks, climate-related risks are addressed by day-to-day risk management procedures implemented by the company's officers and subject to oversight by the Board of Directors and its committees. On a quarterly basis, a committee of the company's officers meets to ensure that material risks affecting our business have been appropriately identified and assessed. Such risks (and any quarter-to-quarter changes) are reported to the company's Audit Committee, which oversees the risk management and assessment. As Vital Farms continues to build more formal processes to identify, assess, and monitor our company's risks, climate risks will be integrated into overall Vital Farms risk management processes.
METRICS AND TARGETS	a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process	Our Impact Goals Our Impact Metrics
	b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas emissions and the related risks	Our Impact Metrics
	c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets	Our Impact Goals

FORWARD-LOOKING STATEMENTS

This report contains "forward-looking" statements, as that term is defined under federal securities laws in the United States, including but not limited to statements regarding our growth potential and plans, our Impact goals or targets, and our expectations regarding our future operating and business environment. All statements other than statements of historical facts contained in this report, including statements regarding our future results of operations or financial condition, business strategies, goals, initiatives, commitments and plans and objectives of management for future operations, are forward-looking statements. In some cases, you can identify forward-looking statements because they contain words such as "anticipate," "believe," "contemplate," "continue," "could," "estimate," "expect," "forecast," "goal," "intend," "may," "plan," "potential," "predict," "project," "seek," "should," "target," "will" or "would" or the negative of these words or other similar terms or expressions. These forward-looking statements are subject to substantial risks, uncertainties, assumptions, and changes in circumstances that may cause actual results, performance, or achievements (including achievement of our Impact goals or targets) to differ materially from those expressed or implied in any forward-looking statement.

The risks and uncertainties referred to above include but are not limited to those risks described in our filings with the Securities and Exchange Commission (SEC), including in the sections entitled "Risk Factors" in our latest annual report on Form 10-K and our quarterly reports on Form 10-Q, and in our other filings and reports that we may file from time to time with the SEC, which can be found on https://investors.vitalfarms.com/. Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual performance and results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties and assumptions, we cannot guarantee future results, levels of activity, performance, achievements, or events and circumstances reflected in the forward-looking statements will occur. Forward-looking statements represent managements' assumptions, expectations, and beliefs only as of the date of this report. We disclaim any obligation to update forward-looking statements except as required by law.

We utilize materiality to describe issues relating to certain sustainability and ESG matters that we consider to be impactful to our business and important to our stakeholders. Certain of our sustainability and Impact disclosures are included in our annual and quarterly reports filed with the SEC, our proxy statement, and this report. The "materiality" thresholds for purposes of this report may differ from the concept of "materiality" for purposes of federal securities laws and disclosures required by the SEC rules in our filings with the SEC. The inclusion of sustainability and Impact disclosures (including identification of climate-related risks) in this report does not necessarily mean or imply that we consider such disclosures and risks to be material for purposes of applicable federal securities laws or SEC rules and regulations.

NON-GAAP FINANCIAL MEASURE DISCLOSURES

In this report, we use certain non-GAAP financial measures, including Adjusted EBITDA. We report our financial results in accordance with GAAP. However, our management believes that Adjusted EBITDA, a non-GAAP financial measure, provides investors with additional useful information in evaluating our performance.

Adjusted EBITDA is a financial measure that is not required by or presented in accordance with GAAP. We believe that Adjusted EBITDA, when taken together with our financial results presented in accordance with GAAP, provides meaningful supplemental information regarding our operating performance and facilitates internal comparisons of our historical operating performance on a more consistent basis by excluding certain items that may not be indicative of our business, results of operations or outlook. In particular, we believe that the use of Adjusted EBITDA is helpful to our investors as it is a measure used by management in assessing the health of our business, determining incentive compensation and evaluating our operating performance, as well as for internal planning and forecasting purposes.

We calculate Adjusted EBITDA as net income, adjusted to exclude: (1) depreciation and amortization; (2) stock-based compensation expense; (3) costs related to the discontinuation of our convenient breakfast product line; (4) costs related to the dissolution of the Ovabrite, Inc. variable interest entity; (5) benefit or provision for income taxes, as applicable; (6) interest expense; (7) change in fair value of contingent consideration; and (8) interest income.

Adjusted EBITDA measurements in this report are presented for supplemental informational purposes only, have limitations as an analytical tool and should not be considered in isolation or as a substitute for financial information presented in accordance with GAAP. Some of the limitations of Adjusted EBITDA include that (1) it does not properly reflect capital commitments to be paid in the future; (2) although depreciation and amortization are non-cash charges, the underlying assets may need to be replaced and Adjusted EBITDA does not reflect these capital expenditures; (3) it does not consider the impact of stock-based compensation expense; (4) it does include the costs related to the discontinuation of our convenient breakfast product line; (5) it does not reflect costs related to the dissolution of Ovabrite, Inc.; (6) it does not reflect other non-operating expenses, including interest expense; (7) it does not consider the impact of any contingent consideration liability valuation adjustments; and (8) it does not reflect tax payments that may represent a reduction in cash available to us. In addition, our use of Adjusted EBITDA may not be comparable to similarly titled measures of other companies because they may not calculate Adjusted EBITDA in the same manner, limiting its usefulness as a comparative measure. Because of these limitations, when evaluating our performance, you should consider Adjusted EBITDA alongside other financial measures, including our net income and other results stated in accordance with GAAP.

The following table presents a reconciliation of Adjusted EBITDA to net income (loss), the most directly comparable financial measure stated in accordance with GAAP, for the periods presented in this report:

	52-WEEKS ENDED				
($ THOUSANDS)	31-DEC-23	25-DEC-22	26-DEC-21	27-DEC-20	29-DEC-19
Net income	**$ 25,566**	**$ 1,230**	**$ 2,382**	**$ 8,884**	**$ 3,312**
Depreciation and amortization	10,490	5,761	3,540	2,550	1,921
(Benefit)/Provision for income tax	6,635	1,601	(2,028)	2,770	1,106
Stock-based compensation expense	7,417	6,040	4,440	2,509	1,029
Interest expense	782	114	52	488	349
Change in fair value of contingent consideration[1]	–	19	44	(333)	70
Interest income	(2,542)	(992)	(381)	(97)	(181)
Net litigation settlement gain[2]	–	–	–	(20)	(1,200)
Dissolution of Ovabrite, Inc.	–	122	–	–	–
Costs related to our exit of the convenient breakfast product line	–	2,341	–	–	–
Adjusted EBITDA	$ 48,348	16,236	8,049	16,751	6,406
Net Income as a % of Net Revenues	5.40%	0.30%	0.90%	4.10%	2.40%
Adjusted EBITDA Margin	10.20%	4.50%	3.10%	7.80%	4.60%

[1] Amount reflects the change in fair value of a contingent consideration liability in connection with our 2014 acquisition of certain assets of Heartland Eggs.

[2] For the year ended December 29, 2019, amount reflects a gain in connection with the settlement of the Ovabrite lawsuit.

Vital Farms
vitalfarms.com
© 2024 Vital Farms, Inc., All Rights Reserved.