



ORGANISATION

And employees

Goals

- Establish long-term employment relationships, consistent with our status as a reliable and professional employer.
- Encourage relatively long-lasting service with the company in order to maximise the payback from investments in training, corporate culture and commitment.
- Maintain employees' pride in Sligro Food Group through intensive communication and enabling them to share in the Group's success.
- Create a safe and pleasant working environment in which employees from different backgrounds can all feel at home. Consequently, we look carefully at the diversity in our workforce.
- Encourage cooperation and partnership as a means of achieving targeted synergistic benefits for the Group.
- Ensure we protect and promote important elements of our culture, our 'Green Blood': Strength in unity, Passionate pride, Cost awareness, Healthy belief in ourselves and Consciously direct.
- Create a leadership style reflecting our culture.
- Remain committed to an informal organisation, where short lines of communication and reporting help to achieve intelligent and rapid solutions in day-to-day activities.
- Continue promoting customer-oriented and customer-friendly practices as the norm for all our employees.
- Anticipate the challenges in the marketplace and our ambitions for the future through a group-wide quality drive in the organisation.
- Consistently strive to improve employees' performance by providing structured and challenging opportunities for training and management development.

Corporate culture

Our distinctive culture and the standards and values embedded in it are key drivers of our way of doing business. Although culture is a relatively abstract term, it is at the same time very real when you experience it. In addition, a culture cannot be 'arranged' but is much more the logical corollary to

the way in which we work together and manage over time.

Our natural inclination is to keep things informal: we are averse to status, have short, direct communication lines and build on trust. In a society which is becoming more and more formalised, it is a challenge to find a balance between properly organising formal matters and holding on to our informal culture. Things are not automatically better just because they are put down on paper. A 'healthy belief in ourselves' means in this context choosing between formality where it is needed and informality where possible.

Of course, we structure our entrepreneurialism in a socially responsible way. As a listed family business, this comes naturally to us. We fully appreciate that we are part of the wider community and so are happy to account for our way of doing business. We do not see that as an obligation, however, but are happy to explain what we do and how we do it.

Recognition of individual performance is very important. People are encouraged if their own contribution is noticed and appreciated. This means that the entire team or organisation can become better and we call this 'Strength in unity'.

In recent years, a number of employees have been taken on at the strategic management level. They first learn a lot about the 'not-very corporate' nature of our organisation. It is very important for success to discover and understand what that means for operations and management at Sligro Food Group. We need to raise our game even more at another more tactical level of our organisation. Partly to properly interpret the ambitious strategic plans, partly from the need to speed up. The world we want to do business in is changing ever faster. New techniques and new insights demand rapid adaptation. That not only demands a good ICT base; employees will also have to anticipate our customers' changing requirements more quickly.

We aim for an open communication culture. Addressing good and bad behaviour immediately, but with respect for the individual, is 'Consciously direct'. Sometimes newcomers take a while to get used to the culture and if it does not suit them they often quickly leave. Our culture is dominant and

definitely not optional. Part of the selection of new employees looks specifically at whether candidates have the necessary competences.

This directness, which makes absolutely clear what is and is not acceptable, is in general valued at all levels and certainly at the operative level it is nice to know exactly where you stand.

You have to have passion if you are dealing, directly or indirectly, with tasty food and beverages every day. We encourage this passion for food in many ways, one of which is our cookery club. Every quarter, a group of employees cook to a high level under the guidance of professional chefs. As well as encouraging pleasant informal gatherings, it is a good way to feed this passion. Our new and renovated cash-and-carry wholesale outlets are the visible expression of our 3.0 ideas, as is the renovated and entirely new-style EMTÉ opened in Dieren. It is natural to be proud of this. 'Passionate pride' in fact.

Investing in the right places and at the same time implementing a challenging Kicking Costs programme, is what we call 'Cost Awareness'. Being responsible for managing our resources carefully contributes to stable growth and investing in the future.

In a nutshell the Sligro culture is summarised in these five terms:

- Strength in unity
- Passionate pride
- Cost awareness
- Healthy belief in ourselves
- Consciously direct

People make the difference

Organisations are of course extremely dependent on smart ICT applications, a good and inspiring product range, a promotion policy tailored to customers' wishes and a surprising environment where they can shop. These elements are, however, relatively easy to copy and so by definition not permanently distinctive. In the end, there is one single moment when the difference is made and that is the genuine personal contact between our employees and customers. This is not a trick that you can teach people but is a natural outcome of our culture. Attention to employees leads to the employees' attention to the customers. It helps that many employees have a background in catering and, in particular, in the hospitality industry.

We deliberately pay a lot of attention to our employees, for example when we celebrate our long-serving staff at a party each year. In 2015, there were over 350 of them. Or when we took over the Efteling theme park one Sunday for our employees and their families to mark our 80th anniversary. Or sometimes a little gift for a personal milestone such as a marriage or the birth of a child.

If an employee has a personal issue where we can help out, we try to do that. In the Netherlands we have formalised many of these points as entitlement to emergency and care leave. We are pleased that in our case, with good relationships based on trust, this is a question of just going ahead and making good arrangements.

This year we started leadership courses for a number of groups. We expect this will translate our leadership principles into practice at all levels.

Our monthly staff magazine 'sliM' is keenly anticipated in the organisation. We have updated its form and content within the 3.0 idea and the layout and content have undergone a complete transformation without abandoning the principles. It is created entirely in-house and prepared in our own studio. We are proud of our magazine, which concentrates on the employees.

Labour market

It is very doubtful whether the stimulus measures intended to stimulate the employment market have actually had any effect. Companies do not create work where it is not necessary. Growth comes from working hard and intelligently and that creates more jobs.

The Work and Security Act (Wwz) brought much upheaval to the labour market. Reform of redundancy laws was long overdue but the new rules are still based on out-of-date assumptions. The ideal of a permanent contract of employment is outmoded and not realistic. We are convinced that facilitating flexibility and mobility is more in line with the wishes of today's employees and employers.

The operation of the transition payment still has to be proven in practice. Paying a transition payment if someone becomes completely occupationally disabled is mystifying. The employer bears all the costs of continuing to pay the salary in the event of illness as well as the costs of assistance. To add a transition payment to the employer's burden, which in these cases will not be used for a real transition, is, therefore, inexplicable.

It is noticeable that the labour market is picking up but we can still find the right employees. Starting in 2015 we now work with a new vacancies site. Each year, about 30,000 candidates apply for 3,000 vacancies. A proper support system is needed to keep this process manageable and to pay the right attention to the labour market. The way in which candidates approach the labour market is changing and so the way in which companies have to search is also changing. We are more often looking for specialists, preferably with some experience. Finding them is also increasingly a job for specialists. We are also making more use of digital methods such as chatting, video calls and online assessments to support the selection process. As well as being efficient, this also further rationalises the process.

Flexibility

We like to organise our labour force ourselves. We believe that our culture is a strong pillar of our success and so it is not appropriate to work with large numbers of temporary staff or flexible labour. We have a small number of flexible workers so that we can deal with seasonal peaks and to offer employees a job within the organisation when there is an acquisition. Almost all employees kept their jobs at their own site following the acquisition of Bouter as we are continuing this activity autonomously. We relocated one or two natural back-office activities to Veghel where they were included in the regular work.

We arrange part of our flexible labour force through the Hobij employment agency, which specialises in supplying workers from eastern Europe. In the past we worked with several parties but this did not deliver cost or quality benefits. Furthermore, we need to professionalise the partnership further. That needs investment and this can be done better with a single party. We believe it is important to deal with a reliable party aware of the social aspects of working in a different country, such as accommodation, healthcare and insurance. In this respect, Hobij delivers the quality we need. We are using more students in our delivery operation. The amount of work goes up and down through the weeks and months and this addition to our regular workforce means the fluctuations can be properly handled. Working with more part-timers does, however, require more from supervisors. Staff turnover is greater and the degree of engagement is generally lower.

Organisational changes

There are always reasons to adapt the organisation and in fact this is an ongoing process. More is being demanded and just working harder is not the solution. You have to be smarter. We do this in part through automation and process innovation, but also by developing our employees and attracting the right talent.

In 2015, we cut 30 office staff from our delivery operations without compulsory redundancies. We also harmonised the employment contracts, positions and related employment terms and conditions at our production facilities.

We were able to fall back on the social plan agreed with the Works Council for both of these organisational changes. Naturally our starting point is handling the interests of the individual employees carefully. A social plan means this is transparent and verifiable. In the end, the way such processes are implemented determines the result.

Much disquiet is avoided by being clear and transparent and explaining the consequences of a decision quickly to employees. Furthermore, we do not take short-term measures on employment conditions and people have time to adapt slowly to the new situation.

Absences

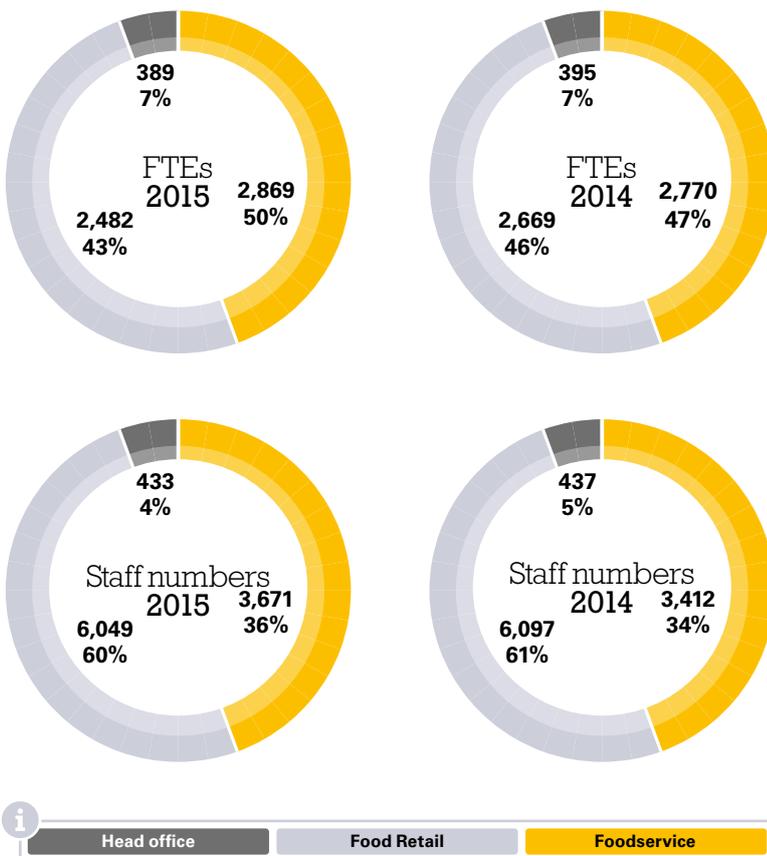
In the Netherlands, all the risk of absence is effectively borne by the employers. The tools for managing that risk are, however, very limited and technocratic regulations do not help. The UWV, the official body implementing employee insurance schemes, monitors compliance but entirely from its own ivory tower protected by a digital moat. Privacy legislation also brings a lack of clarity and incomplete information. Strictly speaking, an employer is not allowed to know that someone has broken a leg, even less that there is a more complex situation.

Financial problems, housing difficulties, complex upbringing situations are all reasons that may lead to absences. This means that as an employer you sometimes have to go further into a person's private life than you might wish. To support

our employees we deploy social workers and psychological support but also offer personal and budget coaching. This is of course all done while respecting the employee's private domain.

We are certainly not satisfied with our absenteeism rate of 4.2% and medium-term absences in particular are not properly under control. The inflow into actual occupational disability is, however, low. In 2016 we will be reinforcing our approach further in part by a 'happy at work' campaign. Attention to well-being and prevention will play a major role in this. Supervisors will be given more training in maintaining interaction with sick employees.

WORKFORCE MAKE-UP and diversity



We have divided our workforce into three categories:

We have analysed our employees by type of contract, gender and age.

Our supermarket staff include many part-timers, including many women who combine this work with caring for the family. There are also many young people on part-time contracts.

Given the nature of the work, we mainly employ full-timers in Foodservice. Logistics work is usually performed by men and so we see a different composition of the workforce. In the supermarkets, the work is manual and service oriented. Our cash-and-carry outlets require more qualified staff to advise professional customers. This means we have put together a more extensive training package for Foodservice employees. These differences do not, however, say anything about the engagement or satisfaction of the employees. At most, in some cases it involves a different approach and different attention from supervisors.

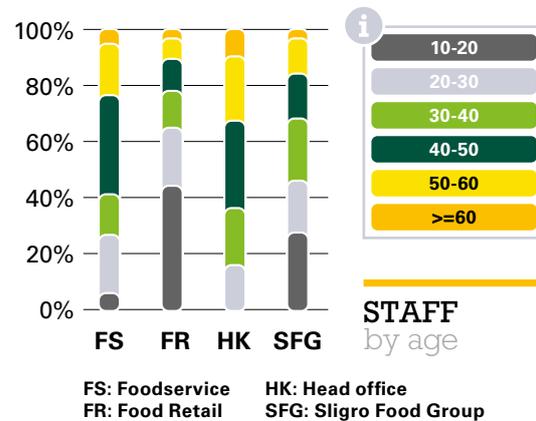
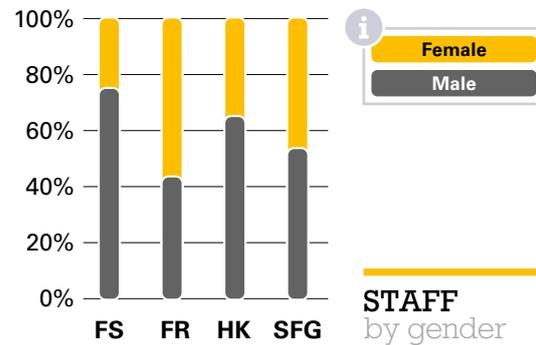
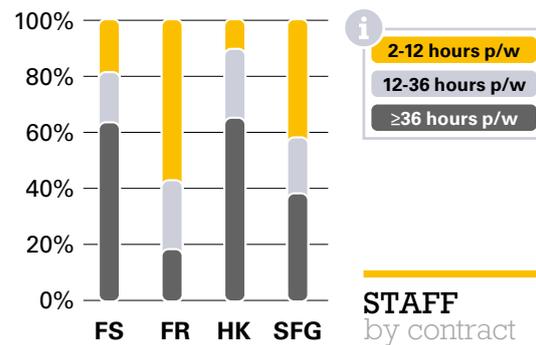
It is clear that the number of support functions at the head office is declining and the number of highly qualified positions is increasing. Many administrative support functions are disappearing as a result of automation. The development and management of processes demands a higher level of training. The remaining clerical work is often too complex to automate. The type of work performed at head-office level is not really gender-specific but the nature of the industry we are in means that men are over-represented. This is also the case with us. We are pleased that over time the number of women in management positions has increased. Processes started in the past mean that two of the five new members of our core team are women.

The membership of the Executive Board is still three men as Rob van der Sluijs took over as CFO from Huub van Rozendaal. There was a deliberate decision to choose internal experience and this was built in to the succession seven years ago.

The Supervisory Board consists of four men and one woman. The terms of office of two of the supervisory directors, including the female one, are expiring. The proposed appointments maintain the composition.

Diversity is a matter for pragmatic and open discussion at our

organisation. It is not an artificial process driven by targets. We attach much more importance to the right competences and culture match when selecting candidates. We subscribe fully to the general opinion on this subject and believe it is important to achieve this balance gradually. Intrinsic reasons work better here than quotas.



Participation Act

As expected, the introduction of the Participation Act has brought much uncertainty. Official bodies are confused, legislation is unclear, target groups are not well defined and responsibility for the 'label' that someone is given is not properly arranged. The law created a lot of work, but not for the intended target group. This has not prevented us from undertaking several initiatives in this area. We and other businesses in Veghel have tried to set up a local service centre for activities such as a laundry and ironing service or local transport. We have created the position of service employee in a number of supermarkets offering simple services to customers such as helping find items or packing the shopping. We are organising a logistics course in cooperation with a sheltered workshop.

These types of initiative are part of our tradition of deliberately taking local responsibility as an employer. Anyone who 'can' or 'wants to' can take part. Legislation and regulations should help but regularly only make things very complex. Better dialogue between policymakers and practitioners would help.

Safety

We have instituted a Health, Safety, Welfare and Environment steering group with representatives from all parts of the business. This is partly to emphasise its importance but also to take decisions appropriate to the nature of the business and the type of work we do. The work is not by nature unsafe and continuous attention will help keep it so.

We recorded 113 accidents at work (2014: 120). In 60 cases (2014: 43) treatment was required and in 5 cases (2014: 4) the injury was serious enough to result in hospital admission. Obviously we have procedures in place for immediate investigation and accidents are reported as necessary to the Inspectorate of the Ministry of Social Affairs and Employment. The training of company first-aiders was revised and is now partly offered digitally whereas in the past all these courses were organised in Veghel. With 1,273 first-aiders, this makes a huge difference to the burden on the organisation while still ensuring quality.

There were two robberies in 2015 and these were a horrible experience for the victims, in this case our employees. We immediately deployed professional help so that our people could talk through the situation and if necessary get follow-up help.

Learning and development

Many of our courses have been digitalised further: sometimes to make it easier to update the content and sometimes to offer e-learning. This is an excellent way for our supermarket staff to follow a quick, short course or to learn something. This way of learning is part of the everyday lives of our assistants, many of whom are school and college students. It is less of a burden for employees on part-time contracts to study at home at a time that suits them.

Increasingly, other courses are being offered in mixed form and the combination of digital and traditional learning enhances effectiveness.

This digital approach anticipates the purchase of our new employee portal which includes a 'learning' module. Courses will in future be offered more frequently and in smaller modules making them more accessible and less of a burden so that they fit in with life-long learning.

There is a familiarisation programme for everyone who starts with us. A new approach has been developed for managers and supervisors. These groups promote our culture and, as this is special and not optional, we believe more and specific attention to this is very important for these newcomers.

The Jan Hoenselaar Award, named after the former head of training at Sligro Food Group, was presented for the first time in 2015. The award is for a dissertation or work placement report by a child of an employee. The winner receives €5,000 to support their further education. Two young people won the award thanks to their original approach, creativity, specific applicability and powerful presentation. The awards were made at a special ceremony attended by a large number of guests from the education world.



Works council

We have only one works council on which all business units are represented. This is fully in line with our organisational structure: we are, after all, a single business with three different routes to the market and one integrated back-office. The works council has organised its work by subject, in the form of committees. Representative consultations in the form of a works council make matters transparent and ensure accountability for decisions. We are required to have a Works Council by law but we see this 'necessity' as a blessing. This is partly because institutionalised negotiations offer a way to properly organise matters formally and partly because of the way the talks take place: critical, open and informed and so with understanding for all interests, working together on the quality and continuity of the organisation. The members of the Works Council are all involved in practical operations and that is a major benefit for the negotiations.

The Works Council met seven times. One meeting was used to evaluate its own functioning, one was an extra meeting in connection with the acquisition of Bouter and the other five were regular consultative meetings with management. The meetings are held with the CEO and the HR director.

The consultative meetings are used to exchange information, from management on the business situation and specific staff matters and from the members of the works council on the view from the workforce in the different business units. This regularly provides subjects for discussion at later meetings. These exchanges are regarded by both sides as very special given their openness and spontaneity.

We want to highlight some notable subjects to illustrate the breadth of the consultations:

- The personnel scheme (referred to elsewhere as the Social Plan).
- Changes in redundancy law.
- Employment terms and conditions such as the kilometre allowance, pay negotiations, pension fund and profit sharing scheme.
- Appraisal interviews, progress following employees' satisfaction survey and the health and safety policy.
- Plans for Sligro Food Group in Belgium and their consequences for representative consultations.
- An extra meeting was held in connection with the proposed acquisition of Bouter to explain why this acquisition met the organisation's objectives, possible effects on the staff and how we would deal with them.

The Works Council is of course not responsible for decisions that are taken after being submitted for advice or agreement, but it does have a role in getting insight into the consequences for employees and has to base its advice or agreement on this. These are often complex matters and by discussing some of them in depth in committee, the various members develop a degree of specialisation. By holding open discussions respecting the other person's position, we always reach a suitable solution. Employee engagement expressed as membership of the works council deserves particular respect and we would like to thank the members for their constructive, critical and courteous attitude.

SLIGRO

Passion for the work

YOU HAVE TO HAVE PASSION IF YOU ARE DEALING, DIRECTLY OR INDIRECTLY, WITH TASTY FOOD AND BEVERAGES EVERY DAY.



Development of HRM in the organisation

Working with 10,000 employees brings many obligations. Some to keep matters manageable and some to perform the role of employer properly. This is a huge administrative task, certainly given these numbers including a large number of temporary assistants.

As a result, it was decided some years ago to go digital and major steps have been taken. Standard personnel processes are started up by managers who receive a request or who take the initiative and then processed largely automatically. In addition to this Management Self-Service, the system also supports the management duties. For example, formats for interviews help prepare for the discussion with an employee. In 2015 we selected the platform that we will use to introduce Employee Self-service from 2016. As well as allowing employees to arrange routine matters (changing address, civil status, expense claims) themselves, this platform is mainly intended to be a collaborative communications channel. As the platform is available on all devices and is location independent, we also have a solution for staying in contact with all employees. As a large majority of employees do not have a workplace computer or the ability to log in elsewhere to our systems, we still have to do a lot of traditional communication. Purchasing this system allows us to change that and adapt to today's world in which everyone is now used to easily-accessible digital information at anytime and anywhere so that they can arrange things at home or on the road.

Being able to arrange matters yourself is of course easy and up-to-date; the platform is mainly intended to be a communications channel for information on Sligro Food Group, your business unit, matters relevant to your work and everything we all can or want to be proud of and want to share. The platform is, therefore, certainly not just for HR but will change a lot in terms of cooperation, information, management and supervision and so people from several departments will be involved in its implementation.

HR matters for Belgium were identified during 2015. Many personnel matters are arranged differently in Belgium and processes will have to be adapted accordingly. As a newcomer to the Belgian labour market, we are not familiar with it. A recruitment and selection approach has been drawn up and a training and familiarisation programme prepared for a wide range of positions so that we newcomers will soon find our way in the culture, systems, working methods and conduct.

Employment terms and conditions

Our supermarket staff are covered by the Collective Labour Agreement for Large Food Retailers and almost all other Sligro Food Group employees are covered by the Collective Labour Agreement for the Food Wholesale Sector. In recent years, negotiations on both CLAs have been extremely difficult but agreement was eventually reached in 2015. The FNV trade union organisation withdrew from the negotiations on both CLAs. The fact that the CLAs were not in force for some time did not lead to concern among our employees. In line with a joint agreement in the industry, we awarded unilateral pay increases and of course we complied with the arrangements in the CLAs, even though they had expired.

The CLA for the Food Wholesale Sector runs to 1 June 2016 and covers over 4,000 employees (about 40% of the total workforce). The CLA for the Large Food Retailers runs to 1 April 2017 and covers over 6,000 employees (about 60% of the total workforce). The group of employees in the EMTÉ butchery department (less than 1% of the workforce) are covered by the butchery CLA.

Our approach is to minimise the number of CLAs we have to work with. The Bouter employees were covered by various regimes and were transferred to the CLA for the Food Wholesale Sector on 1 January 2016. Employment conditions we can set ourselves are the same for all employees.

Pensions and pension fund

Sligro Food Group has its own company pension fund that includes most of the employees covered by the wholesale sector CLA. The scheme we have offered our employees since 1 January 2015 is a collective defined contribution scheme. The employer's contributions paid by the Group are equal to the charge shown in the profit and loss account and the contribution rate is fixed for both employer and employee for five years. Our aim is that after a lifetime of work our employees should be able to support themselves in their retirement.

The pension landscape underwent considerable change in 2015 and while the impact was not so large for Sligro Food Group, it was all the greater for the company pension fund. The tax benefits for building up pensions were further restricted under the 2015 Witteveen framework and the new Financial Assessment Framework (nFTK) was introduced so that financial shocks could be better absorbed. There was a new Pension Communications Act and the regulator (DNB) spoke out frequently in the form of numerous themed reviews of pension funds.

Continuing low interest rates and volatile financial markets are putting pressure on the fund's investment results. The funding ratio at year-end 2015 was 117 and so the pension fund had a funding shortfall. A recovery plan will be drawn up and submitted to the Nederlandsche Bank within the permitted time limit.

Employee share ownership

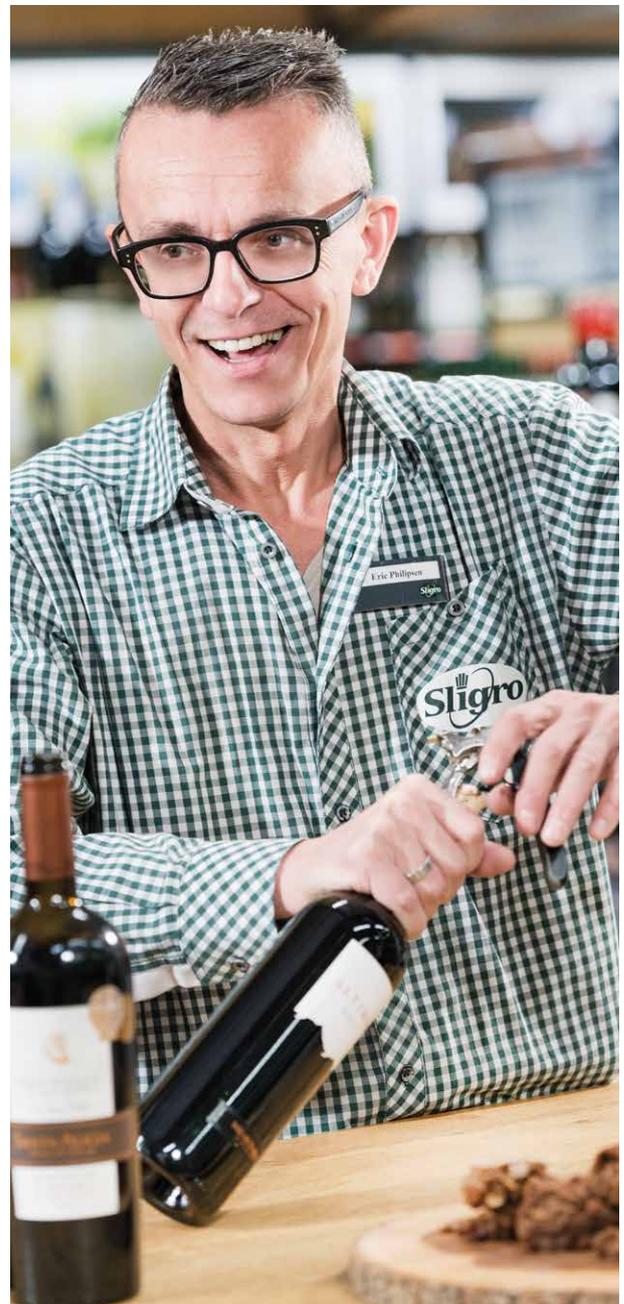
We have been encouraging share ownership by employees ever since the flotation of our company in 1989. We believe in the added value it offers and are proud that we have a scheme for all employees. Over the years, this has led to almost 4% of the shares being owned by the employees. The original scheme, based on the employee savings scheme, was revised in line with new tax legislation but it eventually became too expensive. The costs to the organisation were becoming more and more skewed in proportion to the income for the employees. In 2015, we introduced a new scheme which is a combination of a grant of shares and 'Green Blood Certificates', which are a type of option.

This new scheme is also under pressure. Legislation in recent years has introduced various measures to end excessive enrichment from bonuses, options and shares. Unfortunately, this legislation has also hit our employee share ownership scheme at Sligro Food Group despite it being specifically designed for employees with a gross income up to €50,000 per year. The result of this is that the payments of a few hundred euros a year to these employees are taxed very heavily. This has made the cost of the scheme disproportionate when compared with the benefit to our employees. As we attach great significance to employee share ownership, we are continuing the scheme in 2016 and will hold talks with politicians in an attempt to reverse this side-effect of the law, which we regard as unjustified.

EMPLOYEE SHARE OWNERSHIP

Sligro Food Group

WE HAVE BEEN ENCOURAGING SHARE OWNERSHIP BY EMPLOYEES EVER SINCE THE FLOTATION OF OUR COMPANY IN 1989. WE BELIEVE IN THE ADDED VALUE IT OFFERS AND ARE PROUD THAT WE HAVE A SCHEME FOR ALL EMPLOYEES. OVER THE YEARS, THIS HAS LED TO ALMOST 4% OF THE SHARES BEING OWNED BY THE EMPLOYEES.





We measure the added value of Sligro Food Group by more than financial performance alone. As well as financial results, issues relating to safety (including food safety), energy, the environment and society also play an important role for us. Corporate social responsibility sits naturally in our integrated business vision, whereby we create value at the economic (Profit), environmental (Planet) and social (People) levels.

CORPORATE

Social Responsibility

Our vision of CSR; how we operate

At Sligro Food Group, corporate social responsibility and commercial returns go hand in hand. For us, corporate social responsibility is simply a key element of professional and sustainable business practice. That comes from the heart of our family business, with its stock market listing. As a family business you simply want to do the right thing by the people who work for you and for the wider world, now and with a view to the future. It is part of our 'Green Blood' as it were.

One business, one policy

As a centrally managed organisation we pursue a single sustainability policy for the Group. The core themes, ambitions and targets accordingly apply to the Group as a whole. In the scope and extent of our reporting, however, we do distinguish between our Foodservice and our Food Retail activities.

In foodservice, Sligro is market leader in the Netherlands (over 23% market share), demanding that:

- We encourage innovation
- We are open to experiment
- We assume the role of value chain orchestrator
- We seize upon sustainability initiatives as a matter of course.

In food retail, EMTÉ is a small player (2.7% market share). A somewhat more modest role is therefore appropriate:

- We tend to follow rather than initiate, except with respect to EMTÉ's trump card: fresh produce.

We have a presence in quite a few links of the food supply chain, as can be seen in the diagram below. Our production company SmitVis processes primary products; Culivers, Maison Niels de Veye and EMTÉ Vleescentrale all produce on behalf of the Group, both Sligro and EMTÉ have wholesale operations and, with our EMTÉ supermarkets, we serve the end consumer. That makes the scope of our sustainability activities both wide and complex, but no less fascinating for that.

Sligro Food Group

IN THE FOOD SUPPLY CHAIN



About this report

It is our practice to cover both our financial results and our sustainability performance together in our annual report. In this section we report on the results achieved and the most significant developments in the field of corporate social responsibility (CSR) in 2015. The figures concerning staff are as usual given in the 'Organisation and employees' section of this report. Specific sections are also devoted to information and key figures relating to the Group's organisation. A change compared with our reporting on previous years is that this time we have included topics explicitly relating to our Foodservice or Food Retail businesses in the relevant sections of the report. This makes more sense in an integrated report. The GRI table in this report contains references to the sections and pages concerned.

The report has been compiled in accordance with the Global Reporting Initiative (GRI) G4 Guidelines Core level. The GRI table can be found on page 160 of this report. In addition to a quantified presentation of the developments according to our core themes in relation to our 2020 targets we also provide a narrative report on current topics identified by the CSR Steering Group experts. The content of the report is also informed by current public concerns in general and questions, responses and feedback from stakeholders such as consumers, employees, NGOs and shareholders as well as developments in the sector, such as legislation and standards. The report's main target groups are our employees, customers, shareholders, suppliers and potential employees.

The report and the related GRI table can also be found on our corporate website. <http://www.sligrofoodgroup.nl/mvo.htm>. Please address any questions, comments or suggestions to: mvo@sligro.nl.

Implementation in the organisation

The Group makes use of a CSR Steering Group. The composition of this Steering Group has been matched to the CSR core themes which we have formulated for Sligro Food Group and for which the members bear ultimate responsibility for their respective areas within Sligro Food Group. The CSR Steering Group as a whole makes policy decisions and the individual members implement them at operational level within their respective areas. The CSR Steering Group is chaired by the chairman of Sligro Food Group's Executive Board. The CSR Steering Group met on six occasions in 2015. Progress towards our sustainability targets was a regular item on the agendas of the meetings of the Works Council, Executive Board and Supervisory Board in 2015 and regular presentations on that subject were given at those meetings.

Stakeholder dialogue

Helping our customers to choose sustainable products on ethical grounds is a responsibility that is not ours alone. Our stakeholders also have an important part to play in this regard. By creating a sense of involvement and by listening we are able to gain an insight into the expectations and needs of our stakeholders. Not only do our stakeholders help us to identify our material sustainability themes but they also play a big part in developing our strategy.

As in preceding years, we engaged with various stakeholders in 2015. It is noticeable that our transparent and clear-cut choices provide an incentive and an invitation to enter into dialogue. As far as many NGOs are concerned, the agenda remains relatively one-dimensional and of necessity focused on the issue which they are pursuing. Their particular concerns are the quality, the safety and the origin of the food we sell, along with animal welfare. Other stakeholders have a broader approach to sustainability and engage with us on ways of improving the balance between financial and social returns. This dialogue covers energy, alternative fuels for our vehicle fleet, new forms of distribution in our towns and cities and ethical attitudes to taxation. We are open to such dialogue and seek very much to engage in it.



Affiliations and administrative involvement

In addition to being a member of sector-specific organisations, as a major player in the food market, we also have a duty to help with administrative functions and to demonstrate an active involvement in these organisations. In 2015 we were a member of and actively involved in:

- CIV Superunie
- CBL (Centraal Bureau Levensmiddelenhandel)
- VGL (Vereniging Grootwinkelbedrijven Levensmiddelen)
- GIL (Groothandel in Levensmiddelen)
- BZW (Brabants Zeeuwse Werkgeversvereniging)
- CVO (Contactgroep Veghelse Ondernemingen)
- Werkbedrijf Noord Oost Brabant
- Locus
- NeVIR (Nederlandse Vereniging voor Investor Relations)
- VEUO (Vereniging Effecten Uitgevende Ondernemingen)
- FSIN (Foodservice Instituut Nederland)
- FSN (Foodservice Network)
- Foodpolicy NL
- Food Squad
- AgriFood Capital
- GrowCampus
- FoodserviceXS
- Green Deal Verduurzamen Voedselconsumptie
- BSCI (Business Social Compliance Initiative)
- Stuurgroep Duurzame Handel
- Stichting DoSocial
- Verwenzorg
- Dutch Cuisine
- VLM (Vereniging Logistiek Management)
- Stichting Versfust

CSR certification

Despite our reservations and previously expressed doubts as to the true added value of CSR certificates, we made a start, in November 2014, with preparations for FIRA certification. The stakeholder dialogue with our major foodservice customers had revealed a need for a qualification model. The process for obtaining our FIRA 'bronze registration' was completed in March 2015.

Transparency Benchmark

Our annual report is also measured against the Transparency Benchmark of the Ministry of Economic Affairs, Agriculture and Innovation. This is an annual survey of the content and quality of social reporting by Dutch companies. The benchmark gives us an idea of how our transparency in relation to sustainability compares with that of other companies. A total of 461 companies are officially included in the Transparency Benchmark but, in 2015, 216 companies did not appear in the rankings because of a 'zero score' or failing to publish information.

Last year we stated that we were not expecting any substantial improvement in 2015 as the new criteria for the Transparency Benchmark did not match our method of reporting. With a score of 112 points out of a possible 200 we finished in 112th place out of the 245 companies that were assessed. That puts us in the 'peloton' of the overall benchmark. If we zoom in on Food Retail, however, we rank in third place and, as regards Foodservice (wholesale), we rank second.

	2015	2014	2013	2012
Score:	112/200	120/200	138/200	99/200
Overall ranking:	112/245	100/244	97/500	124/500

Challenges

Food truths and food confidence

We are constantly bombarded with reports on studies of the food we eat, each asserting specific findings, whether with a sound scientific basis or otherwise, frequently highly subjective and coming to a not entirely disinterested conclusion. Often the messages are even contradictory. What today was perfectly healthy is bad for our health tomorrow and vice versa. No wonder consumers are confused. Who or what should they believe? Scientific researchers, consumer programmes on the TV, NGOs, connoisseur foodwatchers (including self-appointed experts), celebrities, politicians? Never before in our history has the quality and reliability of our food in the Netherlands been as high and confidence in the food chain so low.

ACM cartel rules frustrating corporate social responsibility

The Authority for Consumers & Markets (ACM) alleges in some cases that initiatives are tantamount to cartels, forcing us to scrap agreements on sustainability and the ethical conduct of our business. An example is the 'Kip van Morgen' ('Tomorrow's Chicken') Initiative. As far as we are concerned,

this puts a spoke in the wheel of an important sustainability initiative with which the sector was simply trying to address urgent social problems surrounding animal welfare and the environment. Improving minimum animal welfare standards, in this case, of chickens has nothing to do with the formation of cartels. Moreover, suggesting that it does puts a brake on future sustainability initiatives and causes uncertainty regarding many existing, successful initiatives such as those connected with sustainable palm oil, improving ingredients that go into products and the procurement of timber from sustainably managed forests.

As a consequence, businesses have become reluctant to act in a sustainable manner or pursue the principles of corporate social responsibility. The diktats of the ACM are a barrier, for example, to agreements on child labour and low wages in the production of clothing, or the further development of the circular economy. We would like to see the government remove the obstacles in European and national competition law and its implementation. After all, partnerships between one company and another and between the business community and civil society organisations to promote sustainability are vitally important in the transition to a sustainable economy. Although the ACM ruling does not detract in the slightest from our ambition to become a sustainable business, it is a serious impediment to ongoing processes.

Materiality analysis

There are three core themes to our CSR policy, covering the areas in which our major opportunities and challenges lie and for which we bear the greatest and most obvious responsibilities for reporting in the chain: people, the environment and our product range. These themes derive from a core theme project conducted by the CSR Steering Group in a process involving external consultants. Talks with our stakeholders formed part of this process. We have formulated qualitative and quantitative ambitions for each of these themes.



Our core themes

PEOPLE	THE ENVIRONMENT	PRODUCT RANGE
 <p data-bbox="284 1861 464 1973"> Our employees Our customers Our community </p>	 <p data-bbox="735 1839 852 1995"> CO₂ Energy Packaging Waste </p>	 <p data-bbox="1150 1861 1283 1973"> Sustainable Health Food waste </p>

Ambitions, goals and management approach for each core theme

PEOPLE

Goal

We want to offer our employees and their families a challenging, inspiring and safe working environment. We want to play an active and responsible role in the community in which we are directly or indirectly involved.

Respect for all stakeholders is part of our CSR policy. One way in which this respect is expressed is in transparent communication with customers, about products and about resolving problems. Customer satisfaction for us is a measure of the extent to which customers perceive Sligro as treating its customers well. We have therefore set ourselves the goal of sustained improvement in our Net Promoter Score (NPS).

Our employees

Definition and delineation

Our employees and their families.

When considering our employees we obviously also appreciate that they have a private life as well. In day-to-day operations, for example, in the organisation of the work, we allow for a proper work-life balance, but we also take account of families in exceptional circumstances.

Importance

We are acutely aware that the way in which we organise the work determines the success of our enterprise. How we manage the business by setting KPIs instead of simply setting budgets and therefore the way in which our staff work are anchored in our 'Green Blood' culture. Our corporate culture is, we believe, the most robust and durable special success factor of our business.

Approach

Because of the importance and the reach of this aspect we devote a separate section of this report to 'organisation and employees'. Starting on page 47 you can read all about our approach and our results relating to:

- Employee share ownership / profit-sharing
- Investment in corporate culture /Green Blood
- Learning and development
- Shared celebrations (anniversaries, Sinterklaas, Christmas, New Year)
- Cultivation of long-term employment relationships
- Diversity
- Work experience and graduation prize
- Employee activities

- Reducing sickness absence
- Coaching for absentees
- Works Council
- Internal communication: 'bijSligro'

Evaluation

Working solely with target figures is not appropriate for our process-managed organisation. Naturally, however, we report by publishing personal key figures. We attach a great deal of importance to the three-yearly job satisfaction survey and each quarter the Executive Board receives a report on the latest figures for sickness absence and any industrial accidents. Once a year we evaluate the top 100 senior staff in our company and measure the number and the results of the performance interviews.

External and independent polling of employee satisfaction says something about your general image as an employer. Despite the fact that such surveys, like those conducted by Incompany for example, are limited in scope, the fact that they are independent is welcome, especially if your score improves each year.

The unique character of our company means that evaluating the results relating to 'employees and organisation' against a market benchmark and deducing target figures from this is quite tricky. We are at the same time a supermarket company and a provider of logistics services and a production company and a food wholesaler and a head office with a large group of highly educated staff. There is no comparable company in the Netherlands.

That is why we attach so much importance to a narrative report that is supported by figures.



Our customers

Definition, importance and evaluation

Excellent customer satisfaction lies at the heart of our marketing approach, in both food retail and foodservice. This is covered in detail in the sections dealing specifically with 'Food Retail' and 'Foodservice', commencing on page 27. To measure and evaluate customer satisfaction we use what is known as the Net Promoter Score (NPS). The NPS for Food Retail and Foodservice can be found on pages 30 and 42.

Our community

Definition and delineation

In the present context, our community comprises the people forming a particular social grouping who in that sense live, work, follow their leisure pursuits and reside in the towns and villages where Sligro Food Group is active.

Importance

Our presence in a local, regional or national community automatically means that we form part of that community and therefore not only have a functional role, for example as employer, but also bear a responsibility for the surroundings in which people live and the way in which activities can contribute to the quality of the community as a whole. Our supermarkets are not merely a distribution point for our daily bread but also fulfil an important social function.

Approach

We have made a conscious decision to lend our long-term support to a number of specific social/societal, people-orientated activities or good causes, in order to prevent the resources earmarked for this purpose from being diluted across a whole range and variety of projects. Those resources may take the form of money, goods, services or a combination of these things.

Sponsorship involves being deliberately selective. Our support comes with strings attached, and has to make a meaningful contribution to our business, marketing and sustainability strategies. In all our sponsorship projects, therefore, we seek close cooperation with the beneficiaries or the organisers of an event based on mutual equality. The projects we choose to support have national coverage as far as possible. Local customs and traditions can, however, be so strong that our presence or involvement is desirable. In such cases we make a conscious decision to depart from our national policy.

Our detailed sponsorship policy can be found on our corporate website.

Evaluation

We start by examining whether there is a logical link between what we are sponsoring and Sligro Food Group as a whole or a particular part of the business. Sponsorship must provide relevant added value for both parties on the principle of 'you scratch my back and I'll scratch yours'. Since the sponsorship takes a specific form in most cases, it is easy to measure in retrospect whether both sides of the agreement have been honoured. On top of that, 'society' has its own dynamics and that requires us to act as part of society when it comes to the policy we adopt and the choices we make.

We currently have a long-term partnership with Liliane Fonds, Nationaal Ouderenfonds, Villa Pardoos, Verwen-zorg, DoSocial and Voedselbank.

Sponsorship of

'EET met je hart'

'EET met je hart' organises social activities for vulnerable elderly people in collaboration with local people, the hospitality sector, the business community, welfare and other bodies, charities and service organisations in the locality in which 'EET met je hart' is active. The organisation focuses mainly on old people who, because of social impoverishment, are no longer able to get out of the house easily. Working in partnership with participating restaurants and it's 'guests', 'EET met je hart' aims to combat loneliness among old people. Eating out means enjoyment, pleasure, spending time with friends and family and sharing happy moments, all in a warm, social context. We believe that 'EET met je hart' has a marvellous way of sharing this feeling with the elderly who might otherwise go through life in loneliness and we are more than glad to support the organisation. On the occasion of the opening of our new outlet in Utrecht 'EET met je hart' was presented with a cheque for €10,000 to expand this project in the city.

Food bank

Sligro Food Group has been working with Voedselbank, the Dutch food bank initiative, for many years. In our logistics model, all products that cannot be sold from all outlets are returned to the central distribution centre in Veghel. Here they are sorted into 'usable' and 'no longer usable' and the products which can be used by the local food banks in Veghel-Uden and 's-Hertogenbosch are collected on a weekly basis. Although this means that all these products serve a particularly good purpose we feel that supplying only food banks in Veghel-Uden and 's-Hertogenbosch does not properly reflect our national coverage. In 2015 we entered into talks with the executive committee of Voedselbanken

Nederland, the nationwide food bank umbrella organisation, to explore ways of supplying other food banks across the country with products as well, without upsetting our logistics model.

Partnering KNVB

'Lekker Bezig!' ('Keeping Active!') is the name of the joint project launched in conjunction with the Royal Dutch Football Association (KNVB) in 2015. Despite the fact that there is a substantial sponsorship component to this project, it has been covered under the heading of 'health'. You can read more about our approach on page 69 of this report.

Sligro and Liliane Fonds in Sri Lanka

The charity Liliane Fonds has been supported by Sligro Food Group, by Sligro Food Group employees and by customers of Sligro for many years. Our contribution provides small-scale, personalised aid and we also adopted a major, long-term project. On completion of our project in Benin we started looking round for a new challenge that would allow us to help disabled children. In fact we set ourselves a greater challenge by seeing if we could involve one of our suppliers in a developing country in a project, and we have found just the project in Sri Lanka.

Sri Lanka is a country where both Sligro and Liliane Fonds are active. Amongst other products, our Alex Meijer tea comes from Sri Lanka and Liliane Fonds operates an extensive aid programme in the country. Initial talks took place with our tea supplier, Bogawantalawa, in 2013. The approach was aimed at seeking a partnership that, with aid from Sligro, would enable disabled young people to be trained for a job with Bogawantalawa.

It was found that there were more than a hundred children with disabilities on the plantations receiving hardly any attention at all. Many are left at home alone all day because their parents have to work at the plantation. Or they get no schooling because they have special needs because parents assume that education is pointless for their child. Some children do not receive the necessary medical support because parents do not know what help they need or how to go about getting it. Many disabled children are not involved in activities in and around the house by their parents simply because they don't know how. What we have, therefore, is a 'forgotten' group. Agreements have been reached with Liliane Fonds and Bogawantalawa on ways of helping these children. The plan which has been drawn up is aimed at the longer term, it is sustainable and the idea is that it should ultimately serve as a model for the entire plantation sector.

ENVIRONMENT

We aim to play a pioneering role, in which our respect for the environment drives us constantly to undertake bold but sensible innovation, keeping social and economic returns in balance while remaining aware of our stewardship responsibilities.

As a measure of the success of our efforts, we calculate our CO₂ emissions. To relate our CO₂ emissions to the growth of our business in the coming years, we express them as a percentage of sales.

GOAL

We aim to cut our CO₂ emissions per sales euro by 20% between 2010 and 2020, which is why we refer to it as our '20-20 target'

CO₂

Definition and delineation

The scope of our efforts concerns emissions of CO₂ from using gas and electricity and from the distance travelled in connection with movement of goods by road to and from all wholesale outlets, stores, corporate customers, distribution centres and production sites. The CO₂ emissions are related to the fixed conversion parameters with a 2010 baseline, enabling us to effectively monitor the annual reduction in CO₂ emissions that we achieve relative to 2010.

Importance

This is an important issue within the company because we have promised our stakeholders to do all we can to reduce our CO₂ emissions – our carbon footprint – by 20% per sales euro relative to 2010 by 2020.

Approach

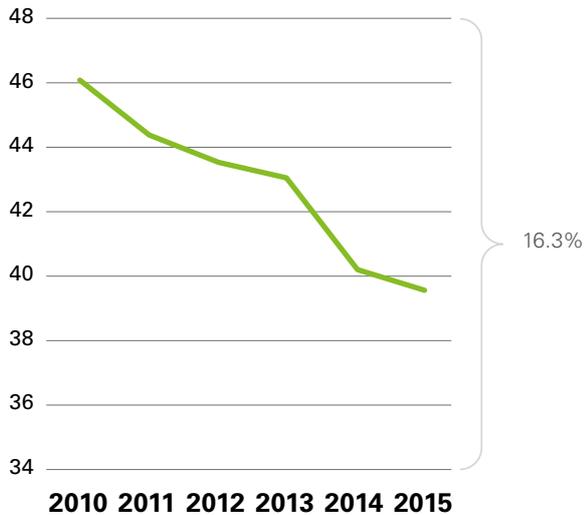
A CO₂ report is produced and discussed every six months. Wherever the results are not in line with the achievement of our 20-20 target, the matter is taken up with the relevant person responsible for electricity and gas consumption or transport usage. A check is performed to see whether the expected results have been achieved, depending on the actions mentioned under the heading 'Energy'. The same is done for the actions undertaken in relation to transport (logistics).

Evaluation

The six-monthly CO₂ emissions reports are evaluated by the person with responsibility for CO₂ emissions and are then discussed with the Executive Board. An annual progress report is published as part of the directors' report, including an explanation of the figures.

CO₂ EMISSIONS

Per €100 sales



The CO₂ graph shows the CO₂ emissions in relation to the total sales expressed as grams of CO₂ equivalent/net sales in euros.

The CO₂ emissions figure relative to sales in 2015 as compared with 2014 again showed a further decline. At the halfway stage between 2010 and 2020, an improvement of 16.3% relative to 2010 has been achieved, the target by 2020 being a reduction of 20%. The reduction in energy consumption in 2015 constitutes a significant element in the overall reduction.

Energy

Definition and delineation

Energy covers electricity, gas and fuel purchased by Sligro and used in connection with all its wholesale, retail, office, distribution and production activities as a vital part of current operations, including transport.

Importance

Use of energy is essential to operations at all our sites. Within Sligro, energy is an important topic, partly because it represents a substantial cost item each year and partly because energy consumption has a major impact on the environment.

Approach

All our new sites employ the latest energy installation solutions. Similar solutions are also adopted at existing sites wherever possible on an ongoing basis. Typical energy-related improvements are the use of LED lighting, CO₂-based

refrigeration systems, optimised control systems, effective use of the heat produced by refrigeration systems for space heating (heat recovery), fitting of covers on chilled-food and frozen-food chests and shelf units, movement sensors to switch lighting on and off and heating systems employing heat pumps. A quarterly report is produced of total energy consumption. This report provides an insight into the results of the energy-saving actions which have been taken, showing whether the savings calculated in advance (in support of the business case) are being achieved. If the figures do not tally, a detailed review is carried out to establish the cause of the discrepancy, with remedial action taken wherever possible so that the promised savings are indeed achieved.

Evaluation

Energy consumption is measured at regular intervals in order to monitor whether we are staying within the bandwidth of our energy supply contracts. This information is also used for taking additional management action to reduce our electricity and gas consumption.

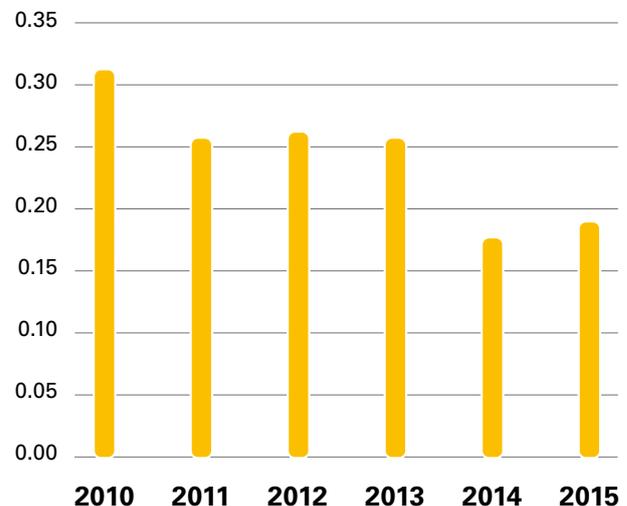
Gas

In 2015 we used 11% more gas than in 2014. The increase is entirely attributable to colder weather. The trend is for gas consumption in the future (adjusted for outdoor temperature) to continue to fall.

Our new cash-and-carry outlets in Utrecht and Almere are 'gasless' buildings. They are entirely heated by heat recovery from the refrigeration equipment, so they no longer need mains gas. Along with the refurbished cash-and-carry outlet in The Hague (Forepark site), this means another 35,000 m² of gasless floor area was added in 2015.

GAS

Consumption in m³ per €100 sales



Electricity

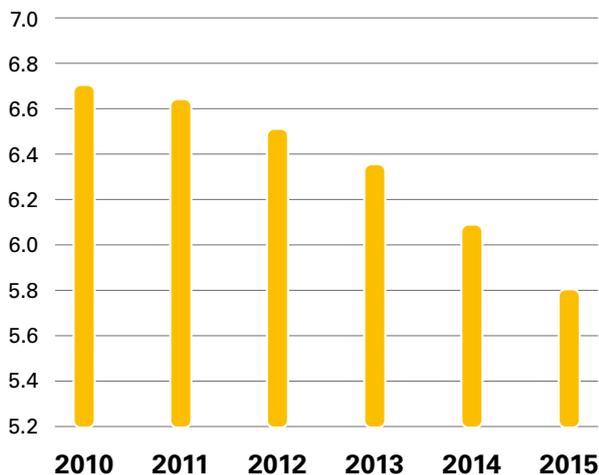
It was discovered in 2014 that an important electricity meter measuring our electricity usage was not working properly and was reading low. In the period under review, the amount by which it had been under-reading was reconstructed and agreed with all the suppliers concerned. It was found that the error had been present in the installation since 2011. The understated electricity consumption has been adjusted retroactively in the graph for the period 2011-2014.

Trend

There was another reduction in energy consumption compared with the preceding year. A substantial reduction was achieved by the conversion of our wholesale outlets in Eindhoven and The Hague (Forepark) to the new 3.0 format. At both sites, the latest energy-efficient refrigeration equipment has been installed, using sustainable, natural refrigerants. In addition to all the chilled-food and frozen-food islands, the refrigerated shelf units have now also been fitted with daytime closures. LED lighting has been used as well. Other factors contributing to the energy-saving have been the rollout of daytime closures on the refrigerated/freezer units at the wholesale sites and the conclusion of the supermarket energy covenant.

ELECTRICITY

Consumption in kWh per €100 sales



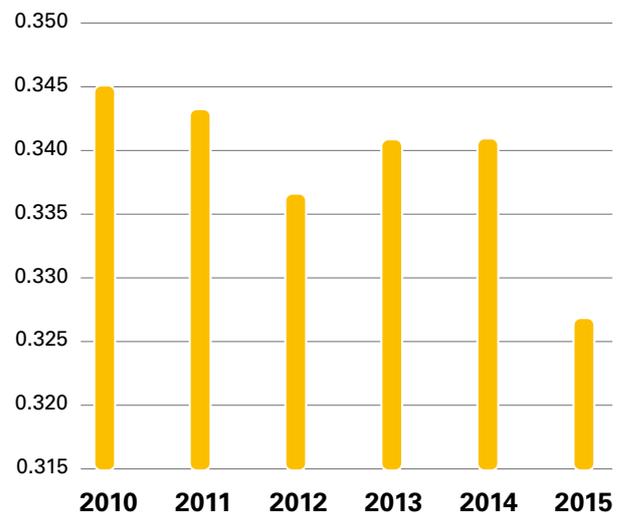
Logistics

Developments in the field of alternative fuels, modern engines and more efficient refrigeration units on trucks may be important but they make only a limited contribution to the reduction of CO₂ emissions. The lower fuel consumption per €100 of sales in 2015 was therefore brought about

only partially by having a more modern vehicle fleet. The more significant factors were increased sales and reduced distance travelled, the latter resulting from, among other things, setting up the CBL depot, the increased density of the distribution network and making better utilisation of the transport volume. Greater use was also made of chartered transport so that journeys were only from A to B and not from A to B and back again to A. There is still considerable scope for improvement in our delivery service operations, by making larger drops and having fewer stops. This will make a huge contribution to fuel savings and reductions in CO₂ emissions. However, 'it takes two to tango' and so we want to engage with some of our customers to discuss launching a specific project aimed at reducing the number of deliveries. This will benefit the environment as well as help to cut costs.

FUEL

Consumption in litres per €100 sales



Sustainable distribution in urban areas

In an urban environment, a throbbing engine powering a refrigeration unit is polluting and is not pleasant for business owners, people living in the vicinity or passers-by. Sligro and Ploeger Logistics are the first in the Netherlands to use hybrid refrigeration units. The differences between a conventional truck refrigeration unit and the TRS TWIN-COOL unit used are enormous. Conventional refrigeration units are driven by a separate diesel engine whereas this hybrid unit is powered from the truck's own, fuel-efficient Euro 6 engine. Even when the truck is stopped, to unload for example, the refrigeration unit continues to operate on its integrated battery pack. This combination results in reduced noise nuisance and emissions that are a whopping 60 times less than those of

a conventional refrigeration unit! The hybrid refrigeration unit is being used for delivering to bars, restaurants and hotels in downtown 's-Hertogenbosch.



QR-code: Hybrid refrigeration unit used in downtown 's-Hertogenbosch.

In Veere and Zoutelande, a different system is being tried. When our trucks stop, they are connected to mains power points provided by the municipal authority. Continued refrigeration of the truck interior is assured and there are zero emissions. Our transport partner 2W Logistiek, based in Kapelle, bought special new refrigeration units for this system that can also be electrically driven.

Packaging and waste

Definition and delineation

All waste streams within Sligro Food Group categorised as either cardboard, spoiled food, C3 waste, vegetable kitchen and food waste, glass, mixed waste paper and cardboard, film and waist deep-fryer oil.

Importance

Waste segregation and recycling is better for the environment: waste that does not have to go to incineration can in many cases be recycled as raw materials. This has benefits for CO₂ emissions. The second important point concerns the scarcity of raw materials. As the world population grows, demand for finite natural resources increases. That is why separating waste and recycling is so important. It enables waste to be turned into valuable raw materials. Sending residual waste to landfill or incineration does not do businesses, the environment or society any favours in the long term.

Approach

By reducing waste and separating waste streams for recycling we can minimise the environmental impact of our waste. The waste streams we nevertheless generate we endeavour to give a second life as far as possible by using them as raw material for something else or converting them into green energy. In that sense, waste is not a valueless residual product but rather a resource or product at the start of a new cycle. Waste can thus have a second life and be used for new raw materials or to generate green energy. The CO₂ emissions from our waste stream are entirely dependent on the way in which our waste is processed

by third parties. We can control the volume of waste and oversee proper waste separation. Beyond that, waste processors determine what the CO₂ emissions from our waste will be, depending on what route they choose for processing it. For that reason, we publish the CO₂ reduction we achieve by offering our separated waste for processing instead of the figures for un-separated and residual waste.

- The entire stream of waste paper and cardboard, Styrofoam/EPS, glass and film for recycling is returned to the processing industry.
- All products beyond their sell-by date, from both wholesale and retail channels, go for anaerobic digestion.
- Outdated and waste food from our production kitchens also goes for anaerobic digestion.
- All fats and oils are collected for the biodiesel industry.
- All meat, fish, poultry and game waste and products beyond use-by date/BBD are always collected as Category 3 ABP waste so it can be used for the animal feeds industry.

Evaluation

The reduction in CO₂ emissions is calculated on the basis of the 2014 conversion factors for each waste stream as used by Van Gansewinkel. The CO₂ factors used have been calculated under the responsibility of the TNO Research Institute, in accordance with ISO 14040/14044 procedures and guidelines. This approach is supported by the LCA (Life Cycle Assessment) platform of the European Commission and other organisations.

The stated CO₂ reduction is the reduction for the entire chain. This is because some materials can be reused after waste separation, which means a significant reduction in CO₂ emissions when they are made into new products. This is because recovering such secondary raw materials uses less energy than incinerating them and extracting and processing primary raw materials. This CO₂ saving in the chain is not part of our 2020 target for our 'in house' CO₂ emissions (transport plus gas and electricity consumption).

Our CO₂ reduction in the chain due to waste separation (in tonnes):

2015	2014	2013	2012	2011	2010
5,288	5,214	3,668	3,700	3,395	3,133

OUR PRODUCT RANGE

Our product range and where we source our products lie at the heart of our business. It is our responsibility to assist and motivate our customers to make sustainable and healthy choices. We accordingly believe it is important for us to be able to offer our customers quality products produced with due regard for people, the environment and healthy eating. The standards we set ourselves are contained in our Suppliers Handbook. This covers such things as product and food safety, BSCI certification, product traceability, packaging, the quality management system, incident management & recalls, audits and our ethical choice label eerlijk & heerlijk (honest & delicious). With our unique eerlijk & heerlijk concept we have been putting our sustainably sourced product range firmly on the map since 2010.

Goal

We aim to be achieving at least 10% of sales with our sustainable product range by 2020.

Sustainable

Definition and delineation

We believe in tasty, good and honest food that has been prepared with respect for nature, animals and people. We see it as our responsibility to help customers to make informed choices of their own. We do this by offering them a no-nonsense range of products with our eerlijk & heerlijk label and, by our participation in the Business Social Compliance Initiative (BSCI), we guarantee the improvement of working conditions in the countries of origin of our products.

Eerlijk & heerlijk

In order to enable customers to see the wood for the trees in the forest of labels that is out there, when we launched eerlijk & heerlijk in 2010, we identified four pillars that would form the basis of our sustainable product range:

- Organic
- Sustainable
- Fair trade
- Local

For each of these pillars, there is a whole palette of carefully selected quality labels providing assurances that the product concerned genuinely makes a sustainable contribution to the aspect described by that particular pillar. Since 2014, the Eerlijk & range has been extended to include sustainably produced non-food items, too. In the appendix at the end of this report there is a list of the certification marks qualifying for inclusion in the eerlijk & heerlijk range.

Importance

In 2015, the rapid pace at which the Dutch foodservice and food retail industry is evolving was maintained. In this world of continual change we are seeing a steadily increasing demand for sustainable products on the part of our customers. Inherent in our vision is for Sligro Food Group to strive to be a quality company achieving steady, controlled growth in all its activities and for all its stakeholders. As a family business we are determined to pursue this vision in a responsible manner.

On a global level, the world faces huge social and ecological problems, including climate change, the loss of biodiversity, poor working conditions and animal welfare. In this context, the food industry is still regularly seen as part of the problem instead of part of the solution. As a major player in the Dutch food industry with a highly complex network of around 1,750 suppliers, we are aware that our activity has an impact on the natural world, domestic animals and people. We therefore recognise that we have a duty to minimise any adverse effects and we see this as an opportunity to help our customers to make informed choices in favour of sustainable products.

Approach

Customers

For us, the customer comes first. We ask our customers what they think of our cash-and-carry outlets and supermarkets, the product range and the standard of service we provide. We specifically ask about what customers want in terms of sustainability. We receive relevant feedback from independent market research bureaus and consumer panels, as well as from direct customer contacts and online. Customer satisfaction for us is a measure of the extent to which customers perceive Sligro as treating its customers well and responding to their needs.

Employees

Having a committed workforce is the key to the success of eerlijk & heerlijk . Internal communication in the context of staff and management meetings and by giving presentations on the shop floor provides for the sharing of knowledge regarding eerlijk & heerlijk and engenders support among staff.

Suppliers

We depend on our suppliers to supply top-quality products satisfying our customer's requirements (including sustainability). We engage with suppliers, producers and farmers on matters such as food safety and sustainable packaging.

NGOs

The complex sustainability issues we encounter cannot be solved by us alone and demand a more holistic, often industry-wide approach. We accordingly engage in a dialogue with NGOs by taking part in NGO meetings or in one-to-one discussions.

Evaluation

In recent years, an analysis has been conducted of the product range carried by Foodservice's Food and Fresh Produce Department. This has included such things as the number of eerlijk & heerlijk alternatives available in each product group and for each pillar of the ethical choice label. The analysis has also covered the sustainable product ranges of our competitors.

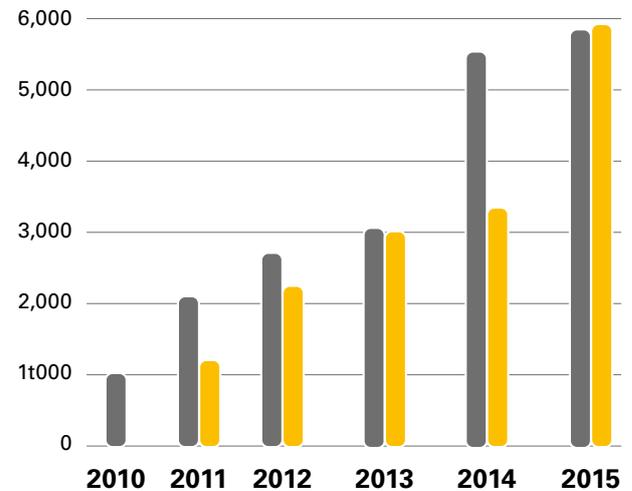
In order to be able to offer customers a wide range of sustainably produced products, a quantified focus on growing the range has been adopted in recent years. Over the period 2010–2014 we have easily achieved our target of a 10% expansion of the range year-on-year.

The sharp increase in 2014 leading to 5,350 products under the eerlijk & heerlijk banner automatically meant an ambitious target of at least 5,885 separate products in 2015. We have in fact grown the range by 7.7% so that we did not quite achieve this target. The range nevertheless now includes 5,795 products, marking yet another step towards an even more sustainable product range. Relative to the first year in 2010, growth in the number of sustainable products has been a huge 479%.



EERLIJK & HEERLIJK

No. of products



The setting of quantified targets for the number of eerlijk & heerlijk products ended in 2015. Looking at the way things have developed we have made extrapolations going forward to 2020. Now that we have an adequate basis in terms of number of products, we are able to set targets in terms of sales value. Our new target is to be achieving 10% of sales from the eerlijk & heerlijk range by 2020.

Eerlijk & heerlijk sales

Sales of eerlijk & heerlijk products developed excellently in 2015, coming in at €209 million, which equates to 7.8% of sales by value.

Natuurvlees

EMTÉ began life as a butcher and we project a profile and position ourselves as 'the tastiest supermarket in the Netherlands', focusing on the quality and taste of fresh produce. In this we have been successful, having now been voted six times as having the 'best butchery department in the Netherlands'! Even for customers who put animal welfare first we have plenty of choice. The very best quality meat is sold under the Natuurvlees label and comes from Dutch beef cattle that have enjoyed a very high degree of animal welfare, grazing in Dutch nature reserves. More information on Natuurvlees can be found on www.natuurvlees-nederland.nl.

We launched a pilot scheme with Natuurvlees in 20 EMTÉ stores at the end of 2014 and, in early 2015, Natuurvlees

beef was included in the product range at all EMTÉ supermarkets. The label is now showing impressive growth, in both number of products and share of sales. Natuurvlees is something new and is leading the field in terms of animal welfare. The Dutch Society for the Protection of Animals does not yet have any set scheme for the certification of beef cattle grazing in nature reserves. As far as animal welfare is concerned, however, Natuurvlees is in our view the best Dutch beef that there is. The Natuurvlees cooperative is currently engaged in drawing up a scheme for animals put out to graze in nature reserves in conjunction with the Dutch Society for the Protection of Animals. As soon as we can we shall be adding the appropriate number of stars to the packaging (hopefully 3 stars).

A new existence for Dutch cock chickens

Every year, some 45 million male chicks are either gassed or macerated straight after hatching. Poultry farmer Ruud Zanders from Meijel in Limburg is bringing these 'unwanted little brothers' of laying hens back into the shed and putting them back on the menu. We think this is a fine initiative and capons produced in this way have been on sale at many EMTÉ supermarkets and Sligro outlets since mid-November. In the shed where they are kept, the birds have plenty to do.

There is ample litter on the floor so that they can scratch in search of grains to eat and take a dust bath. Perches are also provided for the birds to rest on and roost at night and there are also bales of straw or lupins. The birds are not debeaked and no antibiotics are used. The breed is slow-growing and the birds are fattened to at least the same age as organic chickens.

The food for these chicks is important for their health. It contains plenty of fresh maize, wheat and other grains. The wheat used in the feed comes exclusively from Limburg, minimising the food-miles involved. The other ingredients in the feed come from elsewhere in Europe. Soybeans are not used.

BSCI

We believe it is important to know where our products come from so that we can be sure that what we are selling has been produced in a safe manner without giving rise to harmful working conditions. As a major player in the Dutch food industry with around 1,750 suppliers and producers in the chain, both nationally and internationally, this is a complex task. Sligro Food Group has been a member of the Business Social Compliance Initiative (BSCI), an initiative of the Foreign Trade Association (FTA), since 2010. The BSCI

is a business-driven platform which encourages members and their supply chain partners to make concerted efforts to improve working conditions.

Each of Sligro Food Group's suppliers, of both food and non-food products, has committed itself to adhere to BSCI standards. These standards have been made an explicit part of our suppliers' handbook and our terms of business for procurement. Audits of suppliers are also carried out in high-risk countries to ensure that acceptable working conditions are maintained.

In 2015, the BSCI introduced a revised approach: BSCI 2.0. which covers the entire supply chain and is based on two principles, namely due diligence (to flag up risks at an early stage and take preventive action) and the 'cascading effect' (to create support among supply chain partners extending from top to bottom of the chain).

The new approach and code of conduct requires a new commitment on the part of our suppliers. With effect from the beginning of 2016, we are asking all our suppliers to commit themselves to accepting the BSCI 2.0 guidelines. The progress made by suppliers is being measured on the basis of audits, audit reports and improvement plans. There will be working condition audits of suppliers in high-risk countries. For suppliers scoring well in these audits (A–C, where A = Outstanding, B = Good and C = Acceptable), the audit will be valid for two years. In the case of a poor score (D = Insufficient and E = Unacceptable) we will be asking the supplier to come up with an improvement plan based on the audit report within 60 days. A follow-up audit will be carried out within 12 months.

Health

Definition and delineation

Unfortunately there is no unequivocal and comprehensive definition of 'health'. There are various things which together make for good health but sometimes they also conflict with each other.

We do not see it as our duty to add a new interpretation or dimension with regard to health but focus instead on the food-related aspects of health and helping our customers to make healthy choices. On the other hand, we do have a duty, along with others, to display clear information on product properties and to offer real choice.

The various principles of healthy eating are generally underpinned by World Health Organisation (WHO) guidelines. These guidelines have a scientific basis and are free of interpretations. The WHO guidelines serve as a guide for compiling the product range for each customer segment.

WHO guidelines

- Energy intake versus energy consumption
- Limit fat intake:
 - o Less saturated fat, more unsaturated fat
 - o Less trans fats
- Limit intake of free sugars
- Limit salt intake

Importance

It is our responsibility to assist and motivate our customers to make sustainable and healthy choices.

Approach

To define our position on the subject of health we have made five promises:

- 1 Persuade customers to vary their diets
- 2 Give customers choice
- 3 Persuade customers to go for fresh, unprocessed and seasonal products more often
- 4 Encourage customers to choose in favour of the following product groups¹⁾:
 - a. Fruit and vegetables
 - b. Nuts and seeds
 - c. Wholegrain cereals and pulses
 - d. Fish
 - e. Water
- 5 Our vision will influence suppliers to adapt their product mix.

1) WHO and Health Council of the Netherlands recommendations.

Evaluation

Our evaluation has not yet been completed.

Break Point; the healthy school canteen

We are supporting our customers with a scheme to encourage the sale of healthy products in schools. Using the tagline 'Breakpoint, de gezonde schoolkantine' ('Breakpoint; the healthy school canteen') we are helping schools and caterers to reverse the trend towards unhealthy lifestyles among young people and encouraging a healthy lifestyle instead. There are currently 52 school canteens in the Breakpoint initiative.

Sligro and KNVB working on healthy school canteens

Under the slogan 'Lekker Bezig' ('Keeping Active'), an ongoing programme has been developed specifically for football associations and sportspeople. In conjunction with Sligro and the Royal Dutch Football Association (KNVB), associations are making an effort to do their bit to promote a healthy lifestyle for all footballers in the Netherlands. A healthy sporting environment should obviously also have a canteen offering healthy food, where those actively engaged in sports and visitors alike can choose from healthy snacks, fruit juices and sandwiches made with brown bread. Lekker Bezig provides inspiration and information throughout the season on various product groups and themes. At the start of the 2015–2016 football season for instance, various 'Lekker Bezig Inspirational Markets' were held, with practical workshops and advice from experts. More information is available on www.samenlekkerbezig.nl

Food Consumption Sustainability Green Deal

Consumers are increasingly making informed choices with regard to healthy eating – choices which consider people, animals and the environment. A similar trend is visible in gastronomic circles. Leading chefs are busy producing tasty dishes that are suited to a healthy lifestyle, creatively and innovatively conceived, using sustainable ingredients. Fifteen food-chain players, including Sligro Food Group, have joined forces in Food Consumption Sustainability Green Deal. The partnership aims to remove barriers in order to accelerate the introduction of sustainability in food consumption.

Food wastage

Definition and delineation

Every year, a great deal of food is thrown away by the supermarkets because it can no longer be sold. This can be because of breakage (broken packaging), products that are no longer up to our quality standards (e.g. fruit and vegetables that do not look attractive) and products that are out of date (best before/use by dates).

All items entering the waste stream as unsold are recorded before they are collected. A comprehensive audit is made of each store once a year (more frequently in exceptional cases) to ensure that the stores are recording all wastage. This audit covers more than only the unsold goods connected with breakage and shelf life incidentally.

Importance

Apart from the associated costs, it is socially irresponsible to waste food. The item of 'spoilage', under which unsalable products which have to be written off are accounted for, is accordingly one of the more important KPIs used for management purposes.

Approach

Our aim is to have a totally closed supply chain, giving us complete control of the delivery and sales of our products. An important tool in this regard is our automated stock replenishment system, which calculates the timings and volumes of restocking orders, based on such things as rate of sales, existing stock levels and shelf life of the products.

Product range management is also matched as closely as possible to the sales potential of the individual outlets. This involves dividing the product range into specific modules so that the stores with the highest sales volumes get allocated the most extensive product range. Stores with lower sales volumes in a certain category therefore have fewer products available, the aim being to optimise stock rotation for each product and thus reduce spoilage (wastage).

Finally, awareness of wastage is an important management concern and, to increase the focus on this aspect, spoilage has been included as a KPI in the incentive performance bonus scheme for supermarket managers.

Evaluation

The recorded spoilage is reported on a weekly basis. A monthly report is also received from all supermarkets which have had a full spoilage audit. Spoilage targets are tightened up each year. The reporting system allows us to monitor progress towards the achievement of the target.

If it looks as if targets are not going to be met, action is taken at category level, varying from changes to product modules (allocation of stores to product modules or products included in modules), reducing the display space, discontinuing slow-selling lines, tightening up store processes and procedures and shortening the supply chain to changing the packaging (to increase shelf life).

Processing of bread returns

Our EMTÉ supermarkets sell freshly baked bread every day. In the Netherlands, fresh bread has a sell-by date of the day when it is baked. Despite the order systems that we have, it is difficult to get the expected sales volume right every time. The weather, seasonal sales and so on all effect buying patterns. There is generally bread remaining at the end of the day, sometimes a lot, sometimes a little.

The loaves and buns that are left over are collected for return by the supplier the next morning. This bread is ground up and pressed into small pellets for use as animal feed, given to EMTÉ's 'Better Life' pigs, for example. The processors of this waste stream have GMP+ certification. This is a requirement for the waste to be used as animal feed.

Recalls in 2015

There were 118 product recalls in 2015, analysed as follows:
49 concerning exclusive brands (own brand, house brand, private label);
50 concerning 'A' brands
19 concerning Superunie brands.

Ik kies bewust

The 'Ik Kies Bewust' (IKB) (literally: 'I Make Informed Choices') approval label is widely accepted across the sector to indicate healthier products.

Our growth in the number of different IKB products is as follows:

2015	2014	2013	2012
1,291 ¹⁾	1,103	885	813

1) 1,138 A-brands and 153 own brands.



Following the introduction of more stringent IKB criteria we are expecting a drop in the number of IKB products in the year ahead. The food industry has until 31 December 2016 to change products in order to continue qualifying or remove the distinctive 'Tick' mark from the packaging. Products which have their contents changed will be reassessed against the new criteria.