

Questions and answers AGM 9 June 2020

No.	Date received	Shareholder's name	Name of shareholder's representative	Question	Relating to agenda item	Theme	Answer	Method of reply 1. incorporated in presentation. 2. themed answer together with other similar questions 3. answered separately 4. answered separately (website only)	Answered by:
1	5-6-2020	VEB	VEB	(VEB introduction Nos 1 to 9) The measures resulting from the covid-19 pandemic have hit hard in the hospitality and events sectors, which are important to Sligro. (VEB No 1) Has Sligro performed scenarios and stress tests against a background of possibly long-term pressure on revenues and profits? If so, how are revenues, EBITDA, free cash flow, liquidity and solvency affected in a <i>worst case scenario</i> ?	3	Corona	Revenue dropped immediately after the emergency measures were imposed in the Netherlands and Belgium. On balance, delivery sales fell by 70-75% and, following peaks and troughs, cash-and-carry revenue fell slightly. Tobacco actually rose above an index of 100% since filling stations remained open. As already explained, we are trying to manage towards an EBITDA of about €0 while the strict measures are in place. This is putting our net interest-bearing debt/EBITDA ratio under pressure but we are holding constructive talks on this with our financiers. An additional working capital facility has been added to create possible extra scope for liquidity. The talks on longer-term financing are constructive and good progress is being made.	1	Rob van der Sluijs
2	5-6-2020	VEB	VEB	(VEB No 2) Sligro's sales mix is 68% delivery and 32% cash-and-carry. Sligro said in its corona-update in mid-March ('Corona impact' press release) that 70-75% of delivery sales has been lost immediately after the lockdown while an increase had been seen in cash-and carry sales. In the 23 April first quarter trading update, Sligro reported that group sales had fallen by €45 million since the lockdown. (VEB No 2 a) Can Sligro present the underlying percentage movements in delivery and cash-and-carry sales in March, April and May (compared with the same periods last year)?	3	Corona	The impact immediately after the measures were implemented has been explained. Sales are recovering gradually as the measures are also gradually being relaxed.	1	Rob van der Sluijs
3	5-6-2020	VEB	VEB	(VEB No 2b) Does Sligro expect that the sales will return to pre-corona levels and, if so, over what period?	3	Corona	Yes, eventually they will, but this is expected to take until mid-2021 (12-18 months). There are differences by customer segment but fortunately Sligro Food Group has a very broad presence in the market. We are anticipating a recession scenario when and after the greatest impact of covid-19 may be behind us.	2 see Teslin question 25	Koen Slippens
4	5-6-2020	VEB	VEB	Can Sligro comment on the expected movements in the debtors and creditors components of working capital? We would also like you to address the possible increase in the risk of bad debts and/or a deterioration in customers' payment practices.	3	Corona	Sligro is a reliable partner, including in times of covid-19. We are meeting our agreements with suppliers and are paying their bills on the agreed terms. Our customers are in difficulties and in some sectors are unable to pay at the moment. Where possible we are specifically offering extensions and making agreements for payments to start again once business resumes. This will undoubtedly lead to bankruptcies but we expect that the resulting cost will be manageable.	1	Rob van der Sluijs
5	5-6-2020	VEB	VEB	VEB No 4) Does Sligro expect that the provisions for doubtful debts will increase and is this something that Sligro's shareholders should be concerned about?	3	Corona	Our customers are in difficulties and in some sectors are unable to pay at the moment. Where possible we are specifically offering extensions and making agreements for payments to start again once business resumes. This will undoubtedly lead to bankruptcies but we expect that the resulting cost will be manageable.	1	Rob van der Sluijs
6	5-6-2020	VEB	VEB	(VEB No 5) Sligro's debt ratio at the end of 2019 was 2.2. According to the annual report, the current financing arrangements permit a debt ratio of up to 3. (VEB No 5 a) Sligro announced on 23 April that it was in talks with financiers. What is the current position?	3	Financing	When the emergency measures were announced in the Netherlands and Belgium, we could see that our ratios in the covenants would be under pressure. Consequently, we immediately started to talk to our financiers. We were in fact already holding talks on the refinancing that was in the programme for H2-2020. Thanks to prompt and open communications, we are now experiencing a high level of support and a constructive attitude towards securing both short- and long-term financing for Sligro Food Group. Good progress is being made.	1	Rob van der Sluijs
7	5-6-2020	VEB	VEB	(VEB No 5 b) In a <i>worst case scenario</i> , would there be insufficient liquidity such that Sligro required supplementary financing?	3	Financing	We expect that the facilities available at the end of 2019 will be sufficient. We have now created an additional working capital buffer with the bank to absorb any new developments that create more pressure.	1	Rob van der Sluijs
8	5-6-2020	VEB	VEB	(VEB No 5 c) Is it realistic to expect that Sligro will need a temporary relaxation of the covenant to deal with the consequences of the coronavirus epidemic?	3	Financing	When the emergency measures were announced in the Netherlands and Belgium, we could see that our ratios in the covenants would be under pressure. Consequently, we immediately started to talk to our financiers, including discussions about a temporary relaxation of the covenants.	1	Rob van der Sluijs
9	5-6-2020	VEB	VEB	(VEB No 5 d) Can Sligro rule out a share issue?	3	Financing	Based on our current understanding and the mitigation measures we have taken, we do not regard an issue as a necessary part of the financing solutions; however no-one can predict what we will face in the future and also we cannot absolutely rule one out but we do not regard it as likely. This covid situation, which will probably be followed by a recession, could mean that there will be further consolidation in the market and that Sligro Food Group could be presented with opportunities for acquisitions. If that happens, we cannot now rule out asking for capital from the shareholders for that purpose.	3	Rob van der Sluijs
10	5-6-2020	VEB	VEB	(VEB No 6) The risk management section notes as a strategic risk that the boundaries between foodservice and food retail are blurring. New physical and online players are entering the market and existing ones are broadening their horizons. (VEB No 6 a) Does Sligro currently see specific developments, as a result of the coronavirus pandemic or otherwise, that would cause the boundaries between foodservice and food retail to blur further?	3	Market	No, we are not seeing that at the moment (as a result of the corona crisis) for our link in the chain (put simply, FR players are now acting more like suppliers to FS outlets?). On the contrary, they are busy enough with B2C sales. Customers themselves have, of course, until recently been buying more from FR in the absence of restaurants and cafés. That's only logical.	4	
11	5-6-2020	VEB	VEB	(VEB No 6 b) Does Sligro expect that the food retail players will move into foodservice in the near future? If not, what does Sligro think are the arguments against, say, Ahold or Jumbo joining the foodservice market?	3	Market	We have already been seeing this for some time, in particular in certain, less culinary and complex parts of the market (small-scale care homes, canteens at sports clubs, etc.). This trend fits in with the blurring and means that we have to prepare for it fully in our service, digitalisation and distinctiveness.	4	
12	5-6-2020	VEB	VEB	(VEB No 7) Sligro also states that competition is accelerating the international consolidation of the foodservice market. (VEB No 7 a) Does Sligro currently see market developments that would give consolidation an additional boost now that valuations in the foodservice sector may be relatively low as a result of the coronavirus pandemic?	3	Consolidation in the market	At the international level, we see only a very few players operating on a large scale internationally (many countries, often several continents), and not always with success. There is no player with international coverage and very little customer demand for international partnerships. In addition, there are several players in Europe which, like us, are very strong in one or a few countries and which can or want to expand that position in the next few years. Finally, there are still very many local players which could be attractive consolidation opportunities for those groups. This has been the case for some time. In our opinion, the impact of the coronavirus will in the short term create movement in the third block in particular through acquisitions or the failure of relatively small players.	4	
13	5-6-2020	VEB	VEB	(VEB No 7 b) It was announced in March that the American food distributor Sysco was in talks with German company Metro. What is Sligro's own view on a possible bid for its business?	3	Consolidation in the market	We operate in an open market, with an ambition to grow autonomously and in due course to expand further internationally. Our strategy is designed to maintain our independent position in that market.	4	
14	5-6-2020	VEB	VEB	(VEB No 7 c) Does Sligro's balance sheet allow acquisitions to be made?	3	Financing	Creating sufficient scope to seize acquisition opportunities is a significant part of the talks we are holding with our financiers on the medium- and long-term financing of Sligro Food Group. If major promising acquisition opportunities arise, we could then invite our shareholders to participate.	1	Rob van der Sluijs
15	5-6-2020	VEB	VEB	(VEB No 8) During the presentation of the annual figures, Sligro stated that two-thirds of lost Heineken customers had now been regained. Has this number increased in recent months?	3	Heineken	A significant detail for this question is that we have not lost any customers. In 2019, Heineken customers ordered fewer wine and soft-drink packages from us, but we called on them and still do with beer and cider on behalf of Heineken. We are regaining packages and have even started adding food for a number of customers. Covid-19 has of course seriously affected the drinks sector.	4	
16	5-6-2020	VEB	VEB	(VEB No 9) Capital expenditure and start-up costs seriously depressed the result in Belgium. Break-even in Antwerp requires sales of €750,000 per week. What is Sligro's best estimate of how long it will be before this break-even point is reached?	3	Belgium/Commercial	We are working on both higher sales and reducing costs in Antwerp to reach break-even more quickly. Sales are growing steadily, but covid-19 has of course impacted Belgium and so also Antwerp. The recovery is starting this week in Belgium and we expect it will progress gradually. As a result, it will take longer before we reach the previously planned sales levels.	4	

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17	5-6-2020	VEB	VEB	(VEB introduction Nos 10 to 12) The auditor Deloitte has raised the goodwill impairment analysis of cash generating unit Belgium as a <i>key audit matter</i> . Deloitte states that the headroom at year-end 2019 was 'limited'. Deloitte also states that it regards the revenue growth anticipated by Sligro, in combination with an improvement in the gross margin, as ambitious. (VEB No 10) Can Sligro confirm that, given the current fall in sales and profitability as a result of the coronavirus pandemic, the revenue growth anticipated in Belgium, in combination with an improvement in the gross margin, is no longer realistic?	4 C	Belgium/Good will	It seems obvious that in the short term revenue and profitability will not be as we projected last year. That says nothing about the future potential that we still see for Belgium and the Antwerp site, but it will take longer to reach the desired level. Impairment calculations are technical and the short term carries more weight in them than the longer term and so, regardless of our conviction that we will be successful in due course in Belgium, the technical calculations may lead to impairment. We will return to this in the half-year figures.	3	Rob van der Sluijs
18	5-6-2020	VEB	VEB	(VEB No 11) In the outlook, at year-end 2019 Sligro assumed revenue in Belgium would grow faster than the market for the next few years. Is Sligro maintaining this outlook?	4 C	Belgium/Commercial	Last year's outlook is no longer relevant. We do not know the relative impact of covid (will Sligro Food Group be affected more or less than its competitors in Belgium) from the market information we currently have.	4	
19	5-6-2020	VEB	VEB	(VEB No 12) Following the recent call by the regulators, the European Securities and Markets Authority (ESMA) and the Netherlands Authority for the Financial Markets (AFM), is Sligro prepared for a full audit of the 2020 half-year figures, with particular attention to be paid to the going-concern principle?	4 C	Corona	Our 2020 half-year figures will not be audited.	3	Rob van der Sluijs
20	5-6-2020	VEB	VEB	(VEB No 13) <u>Question to the auditor</u> . Deloitte has not included a 'fraud section' in its auditor's report to explain the auditor's assessment of identified fraud risks and the way they are addressed during the audit. (VEB No 13 a) <u>Question to the auditor</u> . Why has Deloitte not included this explanatory section in its auditor's report?	4 C	Deloitte	In January, partly in response to questions and comments from the VEB, Deloitte started to add a specific section on fraud and compliance with legislation and regulation in its auditor's reports. These changes came too late to include such a statement for Sligro. The audit of listed companies is a labour-intensive process involving 7,000-8,000 hours and reports are usually issued in April-May of a financial year. Suggestions for alterations, enhancements or changes of accent and/or reporting on them are easier to incorporate if they are put forward earlier. Further and more substantively in respect of your question, I would refer you to the section on the auditor's responsibilities in which we state that we involved forensic specialists in the planning and performance of our audit.	3	Jan Hendriks
21	5-6-2020	VEB	VEB	(VEB No 13 b) <u>Question to the auditor</u> . What audit procedures has Deloitte performed with respect to fraud risks, and what were the differences compared with last year?	4 C	Deloitte	Based on the involvement of our forensic specialists, we paid greater attention to property-related transactions, in particular with respect to refurbishments, which we audited in greater detail, and to the audit of a sale-and-leaseback transaction of a delivery service site. We also had a Deloitte property specialist verify the valuation. No matters had to be reported as a result of this supplementary work. In past years, we recognised a fraud risk in purchasing. The involvement of our fraud specialists for this did not lead to a change in our audit approach.	3	Jan Hendriks
22	5-6-2020	VEB	VEB	(VEB No 14) For some years, the returns made on net invested capital have been under pressure. Sligro's profit margins and turnover ratios have been declining. Has Sligro considered introducing a multi-year return target (ROIC/ROCE) alongside the relative TSR in the long-term remuneration policy? If so, why has such a criterion not yet been adopted? If not, why not?	5	Remuneration	We believe that the long-term return on capital is reflected mainly in the valuation the market provides and so in the relative movements in our share price, the TSR.	3	Freek Rijna
23	5-6-2020	VEB	VEB	(VEB No 15) What qualitative ('specific, current') targets will be used for the variable annual bonus for 2020?	5	Remuneration	As the VEB knows, for competitive reasons, Sligro Food Group announces the qualitative targets for variable remuneration afterwards and not before.	4	
24	5-6-2020	Teslin	Ms F. ter Steeg	How has the role of wholesaling changes in recent months and what long-term impact will covid-19 have on it?	3	Corona	More than ever, it is clear that our customers want a business partner that, in addition to its core activity of professional delivery of goods, supports them with services and related domains (energy, staff, management information, waste products, digitalisation, etc.) of its own or from third parties. For example, such a role has been specifically requested and provided during the restart of the hospitality industry from 1 June but also in limiting the problems during the lockdown. This is an excellent fit with our long-term plan, the new customer solutions platform and the new SAP ordering portal and confirms the path we have chosen.	3	Koen Slippens
25	5-6-2020	Teslin	Ms F. ter Steeg	2020 will be a disastrous year for many of Sligro Food Group's customers with in all probability a substantial thinning out of the hospitality sector. What is Sligro's view of the 'new normal' and how is it preparing for the post-covid period?	3	Corona	The 'new normal' covers many aspects of dealing with the effects of the crisis itself, the economic after-effects (unemployment, consumer confidence, government debt, etc.) but also there will also be consequences from working/shopping differently (digitalisation, working from home). We think that it will take 12-18 months to deal with the first two elements but we cannot make predictions on a vaccine, second wave of infection etc. Looking further ahead, some major public events could be very different and more working from home will have a greater effect on workplace catering. However, given our broad presence throughout foodservice, we do not expect major effects on our business over time from the new reality as a result of corona. In the shorter term, the gradual restart and possible economic recession will be noticeable. All of this affects us and our competitors, customers and suppliers and, irrespective of the issues already mentioned, is expected to offer opportunities in the market. However, in recent years the number of new outlets has grown much faster than consumer expenditure in foodservice. Although bad for the owners, some reduction in the number of outlets is not unfavourable for the remaining businesses and will not have a major effect on the size of the market.	2 see VEB question 3	Koen Slippens
26	6-6-2020	Mr H. Rienks	Mr H. Rienks	Acquisition of De Kweker. In 2019 you acquired the Amsterdam company De Kweker. The acquisition price is secret but the cash flow statement indicates that it was about €50 million including about €40 million for intangible assets (trade name and so on) and goodwill. In my opinion, that is too much for a business with sales of €131 million and probably (this is also secret) a net profit of €2 to 3 million per year. Why were you so keen to acquire De Kweker that you were prepared to pay a top price for it? Why do you think you did not pay too much? Why is the acquisition price a trade secret of Sligro? I cannot see any good reason for this	3	De Kweker	You talk about secrets, but we always report the amounts involved in acquisitions in the first subsequent report. You can see on page 97 of the report that we paid a debt-free purchase price of €52 million for De Kweker. This included over €19 million for property and €12 million of this has already been sold (we did not need it and this is an element of the synergy). Historically, the price we paid for the sales is in line with previous acquisitions. We look at the sales mix and earnings potential under the ownership of Sligro Food Group and not at that of the current owner. That is how we set the price. We will integrate De Kweker fully this year and so achieve a large part of the synergy gains we saw.	3	Rob van der Sluijs
27	6-6-2020	Mr H. Rienks	Mr H. Rienks	Sligro's transport activities. You have always believed that it was better to subcontract transport than have it in-house. You have now changed your mind. Along with De Kweker you have acquired a transport business that handles De Kweker's shipping and do not intend to dispose of it. No. In fact you want to have more transport in-house. Why have you now changed your mind? Why do you think it is sensible in future to own lorries and employ drivers? What has changed in the Netherlands that has changed your view?	3	Transport	For context, in Belgium we provide more than half of our own transport (JAVA). We do not want to be a major player in transport. We want to subcontract the great majority of it but we want to have a small unit for innovation but also independence (for example, if one of the hauliers failed). It is after all our route to market and is immediately in danger if a haulier fails. We can facilitate this with a small unit or serving a region ourselves, but also perhaps by a closer alliance with some hauliers. Large-scale in-house transport is not part of this. A major issue on the agenda for 2020 is attention to attracting external drivers to Sligro; after all they are our ambassadors who the customers see most often.	3	Koen Slippens
28	6-6-2020	Mr H. Rienks	Mr H. Rienks	Repayment of \$75 million loan. You will shortly have to repay this loan. This will involve about €67 million. Where will this come from? Can you borrow at an interest rate below the 3.96% you are paying on the old loan? Is your preference for the Rabobank or is it more attractive to borrow from investors? Not paying the final dividend saves €38 million. That is more than half of the amount needed for the repayment. Was this a major consideration in scrapping the dividend?	3	Financing	When the emergency measures were announced in the Netherlands and Belgium, we could see that our ratios in the covenants would be under pressure. Consequently, we immediately started to talk to our financiers. We were in fact already holding talks on the refinancing that was in the programme for H2-2020. Thanks to prompt and open communications, we are now experiencing a high level of support and a constructive attitude towards securing both short- and long-term financing for Sligro Food Group. Good progress is being made. We are looking at both bank products and solutions in the USPP market and a combination of the two in the light of our future requirements. The considerations for not paying the final dividend were set out in our press release and the presentation.	4	

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29	6-6-2020	VBDO	Ms A. Laskewitz	VBDO wants to congratulate Sligro Food Group ('Sligro') on reducing its CO ₂ emissions as a percentage of sales by 27.7% since 2010. Climate adaptation describes the actions that improve resilience to the adverse consequences of climate change. As an intermediary, Sligro is a link in the chain between production and sale. More and more companies are carrying out scenario analyses for various raw materials, such as soya, palm oil and coffee, including the resilience of food producers to the adverse consequences of climate change. Has Sligro carried out scenario analyses relating to the physical consequences of climate change (e.g. drought, flooding and heat) for the main raw materials it purchases? If so, could Sligro in 2020 give insights on the results of these analyses and how the company is managing the risks?	3	CSR	Thank you for your compliments. With respect to your question about ongoing scenario analyses, we do them for soya and palm oil and one aim is to encourage moves towards sustainable and deforestation-free palm oil. We do this using the book & claim method. We described our approach and contribution to this in our 2018 annual report. Furthermore, since 2016 we have been a member of The Sustainability Consortium (TSC). The aim of TSC is to develop a global supplier system that measures and documents the sustainability performance of agri-food chains. Between 2016 and 2019 a total of 19 Sligro Food Group suppliers have taken part in TSC and ten product groups were selected. There will be a further expansion by four product groups in 2020 with close co-operation with Sligro Food Group suppliers to monitor sustainability performance in the chain.	3	Koen Slippens
30	6-6-2020	VBDO	Ms A. Laskewitz	Sligro is a member of the Business Social Compliance Initiative (BSCI), a code that refers to international conventions with the aim of improving working conditions in the chains. Sligro says that its suppliers must adhere to the terms of BSCI (AR 2019, 28) but offers little insight into how they actually have to do this or how it works with them to tackle malpractices and prevent them in the future. What percentage of the suppliers currently adhere to the code and has Sligro set a target for this for the next few years? Is Sligro prepared to report in 2020 and later years on improvements in the supply chain and the implementation of its own terms and conditions?	3	CSR	One of our requirements is that suppliers of our own-label products must have production sites rated C or better. Currently, 81.5% of them meet this. We expect that this figure will be temporarily lower in 2020 since audits are being postponed because of corona. Temporarily because these are suppliers who had a C-rating in the past and adhere to the code according to the current BSCI policy. We are monitoring the twenty suppliers that have 'no active report'. If a supplier cannot or will not meet the requirements, this leads to an end of the relationship with us. Sligro Food Group aims for 100% of its suppliers to comply with this policy. We realise, however, that a permanent score of 100% is virtually impossible. For example, as a result of changing suppliers, the many sources of purchases, market demand and external factors, such as the coronavirus	3	Koen Slippens
31	6-6-2020	VBDO	Ms A. Laskewitz	VBDO notes that diversity, a healthy culture and the relationship with employees are important aspects within the organisation. Sligro states that it does not just look at targets and that intrinsic motivation works better than quotas or targets. In 2019, Sligro started with the StakeholderWatch in the Netherlands, a method in which employees and others are surveyed each day. VBDO compliments Sligro on implementing this innovative measurement method but notes that in 2019 employee satisfaction was stuck at 56 on a scale of 0 to 100. Is Sligro prepared to set quantitative targets for employee satisfaction and other relevant elements of diversity and inclusion in 2020?	3	CSR	We too are not satisfied with the StakeholderWatch score. One of our five key ('Give me five') priorities is 'happy, committed and professionally strong teams'. This priority is a direct consequence of the score and qualitative data from StakeholderWatch and says a lot about our commitment to this. There is now a complete roadmap with a detailed people plan for each department that is updated each year. We continue to measure whether our approach is working each day using StakeholderWatch. Our aim is to keep working for improvement, thus with the focus on a positive trend. A quantitative target could be the next step once we have (1) more data over a longer period and (2) more knowledge of the actual value of the figures, for example with benchmarks. Diversity and inclusion influence the degree of satisfaction but are certainly not the most relevant for us. This has been shown from the qualitative replies to surveys. Consequently, individual parts are not measured separately.	3	Koen Slippens
32	9-6-2020 (question raised during the meeting)	VBDO	Ms A. Laskewitz	Thank you for the comprehensive answers to our questions. We are very grateful. We have a follow-up question. Follow-up to question 1 Climate adaptation: Can we read more in the next annual report or supplementary reporting (website) in 2020 about the results of the analyses on key and/or new product groups? Thank you for your reply.	3	CSR	We will look at whether and how this can be done and will return to the matter.	-	Koen Slippens
33	9-6-2020 (question raised during the meeting)	VEB	VEB	Does Sligro see AH/Jumbo taking over part of its delivery services market in due course, as both are making strong advances in this area?	3	Market	We have already been seeing this for some time, in particular in certain, less culinary and complex parts of the market (small-scale care homes, canteens at sports clubs, etc.). This trend fits in with the blurring and means that we have to prepare for it fully in our service, digitalisation and distinctiveness.	-	Koen Slippens
34	9-6-2020 (question raised during the meeting)	VEB	VEB	As a result of its low share price, Sligro could itself be an acquisition target. How great do you think this risk is and is Sligro open to one?	3	Market	We operate in an open market, with an ambition to grow autonomously and in due course to expand further internationally. Our strategy is designed to maintain our independent position in that market.	-	Rob van der Sluijs