



Sligro Food Group N.V.

REMUNERATION REPORT

This report explains how the remuneration policy approved by the General Meeting of Shareholders has been put into practice over the past financial year (2020), and it details the remuneration that has been paid to or accrued by the individual members of the Executive Board. Members of the Executive Board and Supervisory Board are considered key Group staff members.

Composition and results of the remuneration policy

The remuneration policy is published on the company website. During the General Meeting of Shareholders of 09 June 2020 the remuneration policy was amended to bring it into line with the EU Directive as regards the encouragement of long-term shareholder engagement, which is in force under Dutch law since 1 December 2019. In view of the remuneration policy currently in effect and which is being applied, the change in the law will not result in any material changes to the remuneration policy. The details of the Executive Board's remuneration are given each year in the financial statements. The key points of the remuneration policy are that:

- The policy includes the remuneration of both the Executive Board and the Supervisory Board;
- The policy is drawn up by the Supervisory Board and put before the General Meeting of Shareholders for adoption;
- The remuneration policy must be put to the General Meeting of Shareholders for re-adoption within four years of adoption of the existing policy;
- The Works Council shall be given the opportunity to advise the Supervisory Board on the remuneration policy to be adopted;
- The policy provides the framework for attracting qualified candidates for the Executive Board;
- The remuneration policy must be competitive while also reasonable in comparison to that of the other members of management and the pay and benefits package of the other employees in the company must be taken into account. The starting point is competitive remuneration for members of the Executive Board and other employees.

Total remuneration package comprises:

- A fixed annual salary;
- Participation in a short-term bonus scheme;
- Participation in a long-term bonus scheme;
- Participation in a share option scheme;
- Pension accrual and other fringe benefits.

Remuneration of Executive Board members in office in 2020 that was charged to the profit amounted to €1,276 thousand (2019: €1,367).

In addition to the aforementioned amendment to the remuneration policy, an advisory vote was taken on the 2019 Remuneration Report at the Annual General Meeting of Shareholders on 9 June 2020. Over 99% of the votes were cast in favour of the 2019 Remuneration Report. Supported by this (advisory) vote, the Executive

Board and Supervisory Board see no reason to change the implementation of the remuneration policy. In view of the contents of the 2020 Remuneration Report, it can be concluded that the total amount of remuneration is in line with the remuneration policy and contributes to the long-term performance of the company.

The COVID-19 outbreak affected the Group's operations. In response to this, the Executive Board decided not to take the short-term and long-term bonuses awarded to them for 2019. For the same reason and in line with the conditions attached to NOW¹ 3.1, the Executive Board will not take its short-term and long-term bonuses for 2020.

There have been no deviations from the remuneration policy or the decision-making process on the remuneration policy, other than those mentioned in the previous paragraph. Executive Board and Supervisory Board remuneration is not charged to subsidiaries. The remuneration can be broken down as follows:

| x € 1,000 | Koen Slippens | | Rob van de Sluijs | | Total | |
|----------------------------------|---------------|------------|-------------------|------------|--------------|--------------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Fixed salary | 546 | 533 | 475 | 464 | 1,021 | 997 |
| Short-term bonus ² | 0 | 0 | 0 | 0 | 0 | 0 |
| Long-term bonus ² | 0 | 0 | 0 | 0 | 0 | 0 |
| Pension premium and compensation | 149 | 149 | 86 | 82 | 235 | 231 |
| Value of options | 0 | 59 | 0 | 58 | 0 | 117 |
| Social security costs | 10 | 11 | 10 | 11 | 20 | 22 |
| Total | 705 | 752 | 571 | 615 | 1,276 | 1,367 |

Fixed salary

The assessment of the fixed annual salary has a three-year cycle: once every three years, the remuneration package is benchmarked against a reference group of around twenty companies, with the help of an external expert. This was last done in 2018, as explained at the 2019 Annual General Meeting of Shareholders³.

Based on the benchmark results, it was decided to increase the fixed remuneration for both Executive Board members by 10% as per 1 January 2019. In the years 2018 and 2020, an increase was granted as per the collective labour agreement/general pay increase (lowest increment used for Group employees). As a result, the average annual pay rise over the 2018-2020 period is 4.85%:⁴

| | Average | 2020 | 2019 | 2018 |
|---------------------------|---------|-------|--------|-------|
| Salary raise ⁴ | 4.85% | 2.80% | 10.00% | 1.75% |

Short-term and long-term bonus

There is one bonus scheme for the Executive Board that offers both a short-term cash bonus and a long-term bonus in the form of shares. The short-term and the long-term component of the variable remuneration are structured identically. Half of the variable remuneration depends on the extent to which the annual budgeted profit target set by the Supervisory Board has been achieved and the other half depends on specific, short-term

¹ Dutch temporary wage subsidy scheme

² The bonuses amounting to €80,000 earned in 2019 by Mr K. M. Slippens and €75,000 earned by Mr R. W. A. J. van der Sluijs were not paid. In our press release of 19 March 2020, we outlined the impact the coronavirus outbreak is having on Sligro Food Group's operations. In response to this, the Executive Board decided not to take the short-term and long-term bonuses awarded to them for 2019.

³ see website: www.sligrofoodgroup.nl > Investor relations > AGM > Previous Meetings of Shareholders > AGM March 20, 2019 > Presentation > sheet 47 - 54

⁴ As from 1 January 2019 the fixed remuneration was increased by 10% based on the three-year benchmark cycle. In the years 2018 and 2020, an increase was granted as per the collective labour agreement/general pay increase.

targets set annually by the Supervisory Board on the recommendation of the Remuneration and Appointments Committee. The short-term and long-term bonuses are both awarded based on performance in the year in question, albeit that quality-related targets have a longer horizon, as they are linked to programmes that contribute to the company's long-term strategy and value creation. Bonuses are paid out in the following year.

When 100% of the 'at-target' level is met, a short-term bonus is paid out in cash, amounting to 30% of the fixed salary, as well as a long-term bonus of 30% of the fixed salary, which (after deduction of tax) must be used to purchase Sligro Food Group shares. These shares are locked up for a period of five years (four years up to 2019).

Bonus structure for 100% at target:

| | Net profit target | Qualitative targets | Total | Payment |
|--------------|------------------------------|--------------------------------|--------------|----------------|
| Short-term | 15% | 15% | 30% | In cash |
| Long-term | 15% | 15% | 30% | In shares |
| Total | 30% | 30% | 60% | |

The net profit target and other targets were set based partly on remuneration scenario analyses. Each percentage point by which the actual profit falls short of the profit target reduces both the short-term and long-term component of the bonus by 1.5 percentage points. No bonus will be paid if the actual profit is below 90% of the target. Each percentage point by which the actual profit exceeds the profit target increases both the short-term and long-term component of the bonus by half a percentage point. Although there is no cap on the amount by which the target can be exceeded, there is a dampening effect. The combination of ambitious targets, correction for excessive one-off items and the dampening mechanism when the target is exceeded has in the past never led to extensive exceeding (>10%) of the bonuses.

Quality targets have been set for 2020 for which the bonus percentage is determined proportionately on the basis of achieving:

1. SAP implementation on course, go-live of first version of Minimum Viable Product (MVP) in Antwerp in 2020.
2. Heineken integration on course, one order, one delivery, one invoice possible by the end of 2020.
3. Integration of De Kweker cash-and-carry in 2020 and preparations completed for the integration of the delivery services in Q1-2021.
4. Roll-out of the People Strategy and implementation of various initiatives for people & teams, culture, leadership and organisation resulting in a positive development of employee engagement in line with Stakeholderwatch.

Result on bonuses:

As indicated, in response to the impact of COVID-19 on the business and the requirements of NOW 3.1, the Executive Board decided not to take both the short- and long-term bonus for 2019 and 2020 awarded to them. However, the result on the targets set for 2020 is explained below.

The net profit target for 2020 was not achieved and the result was also below 90% of the target. As a result, there is no allocation of the part related to the net profit target.

The SAP implementation was delayed partly due to COVID-19. The implementation in Belgium has been postponed to 2021. The Heineken integration was completed earlier than planned. The first customers were able to order their food and beer in the new web environment in the fourth quarter and received it in one delivery with one invoice. The integration of De Kweker was accelerated and completed in 2020. Numerous initiatives have been developed and rolled out on the basis of the People Strategy. The employee engagement score improved from 56 to 63.

| Target | Result | Attribution |
|-----------------------|---------------|--------------------|
| SAP implementation | Not achieved | 0.0 |
| Heineken integration | Achieved | 1.0 |
| Integration De Kweker | Achieved | 1.0 |
| People Strategy | Achieved | 1.0 |
| Total | | 3.0 |

In 2020, the variable remuneration thus reached 38% (2019: 25%) of the 'at-target' level. The main reason for the failure to reach the at-target level was that profit fell short of the target set for this.

Options and shares

The Group has an option scheme that applies to, among others, the Executive Board. Share options are allocated to the Executive Board members based on a calculation where the board members' average salary is divided by the strike price and the result is multiplied by a factor that depends on the development of the total shareholder return compared to a peer group and can be anywhere between 0% and 150%. The peer group composition is part of the scheme adopted by the General Meeting of Shareholders and has been published on the website⁵.

Options granted

The value shown is the value of the shares at the grant date. Whether options represent actual value becomes clear only at the end of the four-year term. Any after-tax profits arising from the share option scheme must be used in full to purchase Sligro Food Group shares, which are subsequently also locked up for four years. Seeing as value is created only by adding shareholder value over a period of four consecutive future years and there is a four-year lock-up period after that, we consider this scheme a valuable extra incentive for a long-term perspective.

The value of the share options is determined by taking the number of share options allocated during the financial year and multiplying it by the value of each share option, as calculated using the formula specified in 5.C. Share based payments of the Financial Statements. Shares and share option transactions are subject to rules to prevent insider trading, and share transactions are permitted only over a period of two weeks after publication of the annual figures, interim figures, and the shareholders' meeting, and only if there is no prior knowledge during that period.

The peer-group review in 2020, in which the price gain including dividend yield is compared to the peer group over the years 2017-2019, results in a factor of 0% (2019: 150%), as a result of which no options are granted in 2020.

⁵ www.sligrofoodgroup.nl > About > Corporate Governance > Remuneration.

Movements in Executive Board members' share and share option holding break down as follows:

| Shares x 1 | Koen Slippens | Rob van der Sluijs |
|------------------------|----------------------|---------------------------|
| Opening balance | 107,402 | 9,920 |
| Purchase | | 2,080 |
| Sale | | |
| Closing balance | 107,402 | 12,000 |

| Options x 1 | Koen Slippens | Rob van der Sluijs |
|------------------------|----------------------|---------------------------|
| Opening balance | 34,700 | 34,700 |
| Expired | (7,800) | (7,800) |
| Granted | | |
| Closing balance | 26,900 | 26,900 |

The number of share options in issue as at the end of the financial year breaks down as follows:

| Options x 1 | Exercise price | Koen Slippens | Rob van der Sluijs |
|--|-----------------------|----------------------|---------------------------|
| Valid through to 1 april 2021 ⁶ | 34.65 | 5,800 | 5,800 |
| Valid through to 1 april 2023 ⁶ | 31.50 | 21,100 | 21,100 |
| Closing balance | | 26,900 | 26,900 |

In the year 2020, the term of the option rights granted in 2016 ended (at the time calculated market value of € 14,000 per board member). As the exercise price was higher than the price at the time of review, these options expired and lapsed and the Executive Board did not obtain any shares or other benefits from this scheme.

Long-term value creation

By working with five-year (up to and including 2019: four-year) lock-up periods for the long-term bonus and, for the share options, a four-year term followed by a lock-up period on any shares acquired of another four years, the remuneration structure is also geared towards forging a long-term mindset and long-term value creation. In this way, a significant part of the remuneration is focused on the longer term, which is in line with the company's strategic vision, which is also aimed at long-term value creation.

Expense allowance

In addition to the above, members of the Executive Board also receive an expense allowance, as well as a kilometre allowance for driving a private car for business purposes. The breakdown of these allowances is as follows:

⁶ Valid until the date of the 1st ex-dividend listing following the General Meeting of Shareholders in which the financial statements for the past year are approved.

| x € 1,000 | Koen Slippens | | Rob van der Sluijs | |
|---------------------|---------------|------|--------------------|------|
| | 2020 | 2019 | 2020 | 2019 |
| Expense allowance | 8 | 8 | 8 | 8 |
| Kilometre allowance | 24 | 30 | 18 | 25 |

Pay ratio

In 2017, we started reporting on the ratio between the pay of the Executive Board members and the other employees of the Group. To calculate the pay ratio, we use the total remuneration, comprising fixed salary, bonuses, share options, and pension accrual, as well as the social security costs paid over this remuneration package. We compare the average pay of the two Executive Board members (three up to and including 2018) with the average pay of all other employees of Sligro Food Group. We have, therefore, explicitly opted not to take a random sample from among the employee population.

The table below shows the pay ratio over the last five years and how this was calculated:

| x € 1,000 | 2020 | 2019 ⁷ | 2018 | 2017 | 2016 |
|--|-------------|-------------------|-------------|-------------|-------------|
| Executive Board | | | | | |
| Average number of FTEs | 2.0 | 2.0 | 3.0 | 3.0 | 3.0 |
| Remuneration for individual EB members | | | | | |
| K.M. Slippens | 705 | 752 | 734 | 824 | 739 |
| R.W.A.J. van der Sluijs | 571 | 615 | 603 | 695 | 512 |
| W.J.P. Strijbosch | | | 619 | 716 | 646 |
| Employee expenses | 1,276 | 1,367 | 1,956 | 2,235 | 1,897 |
| Average remuneration (A) | 638 | 684 | 652 | 745 | 632 |
| Other employees | | | | | |
| Average number of FTEs | 4,114 | 4,098 | 4,053 | 6,738 | 6,568 |
| Employee expenses | 217,583 | 216,456 | 206,816 | 286,521 | 269,308 |
| Average remuneration (B) | 53 | 53 | 51 | 43 | 41 |
| Total | | | | | |
| Average number of FTEs | 4,116 | 4,100 | 4,056 | 6,741 | 6,571 |
| Employee expenses | 218,859 | 217,823 | 208,772 | 288,756 | 271,205 |
| Average remuneration | 53 | 53 | 51 | 43 | 41 |
| A/B pay ratio | 12.1 | 12.9 | 12.8 | 17.5 | 15.4 |

The decrease in the remuneration of the board in 2020 is mainly due to the fact that no options were granted to the board members in 2020. In both 2020 and 2019, both Executive Board members decided not to take their short and long term bonuses in connection with the COVID-19 outbreak. Had they not waived these bonuses, the pay ratio would have been 14.2 (2019: 14.4).

The government-initiated schemes under NOW and TWO⁸ have not been taken into account in calculating the average remuneration of other employees for 2020, as in the case of these schemes the employees remain employed by the Group. In connection with the transparency and comparability of the figures, the NOW and TWO schemes have not been included in the calculation of the pay ratio.

⁷ The remuneration of the Executive Board members has been adjusted compared to last year as the Executive Board decided in March 2020 not to take the short and long-term bonus for 2019 in connection with the COVID-19 outbreak. This resulted in an adjustment of the pay ratio from 14.4 to 12.9.

⁸ The temporary Belgian wage subsidy scheme

The following elements cause the increase in the average remuneration of the Executive Board in 2019, despite the foregoing of bonuses:

- The 10% increase in the remuneration for both members following the regular three-yearly review.
- The value of the share options granted being relatively high in 2019, while being nil in 2018.
- Furthermore, the number of seats on the Executive Board was reduced to two. Given that the CEO's remuneration is, as per the policy, higher than that of the other members of the Executive Board, the change in composition of the Executive Board leads to an increase in average remuneration per person.

Taking into account the departure of Food Retail employees partway through 2018, the calculation for 2018 is based on the staff of Food Service only. The average remuneration in Food Service is higher than that in Food Retail. The employees who arrived from De Kweker early in July 2019 have been included in the calculations for 2019.

The table below shows the development of the Group's financial and non-financial KPIs over the last five years:

| x € million | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|-------|-------|-------|-------|-------|
| Net sales | 1,946 | 2,394 | 2,346 | 2,142 | 2,813 |
| EBITDA | 75 | 127 | 114 | 144 | 156 |
| EBIT | (76) | 44 | 53 | 91 | 87 |
| Dividend | | 24 | 62 | 62 | 57 |
| Sustainable product range as % of net sales | 10.8 | 11.6 | 10.0 | 8.7 | 8.2 |
| Carbon reduction since 2010 as % | 22.7 | 27.7 | 20.9 | 20.1 | 17.4 |
| Customer satisfaction ⁹ | 73 | 73 | 75 | | |

Supervisory Board remuneration

The annual remuneration for the chairman of the Supervisory Board amounted to €58 thousand (2019: €58), while the other Supervisory Board members were paid €40 thousand (2019: €40). The remuneration for the Supervisory Board member who stood down in 2020 was €18 thousand. The remuneration for the new Supervisory Board member who joined in 2020 was €22 thousand. Supervisory Board members also received compensation for attending Supervisory Board meetings amounting to €37 thousand (2019: €35). Supervisory Board chairman and member remuneration does not depend on the company's results. Total remuneration amounted to €255 thousand (2019: €253). Supervisory Board members are not awarded shares and/or share options. No loans, advances and/or guarantees have been granted to Executive Board and Supervisory Board members.

The total remuneration per member breaks down as follows:

| x € 1,000 | 2020 | 2019 | 2018 | 2017 | 2016 |
|------------------------------|------------|------------|------------|------------|------------|
| Freek Rijna, chairman | 65 | 63 | 61 | 54 | 36 |
| Hans Kamps | 50 | 53 | 51 | 45 | 48 |
| Bart Karis | 20 | 42 | 44 | 40 | 43 |
| Marianne van Leeuwen | 50 | 53 | 51 | 42 | 26 |
| Gert van de Weerdhof | 48 | 42 | 39 | 27 | - |
| Pieter Boone | 22 | - | - | - | - |
| Dorine Burmanje | - | - | - | - | 11 |
| Ronald Latenstein van Voorst | - | - | - | - | 11 |
| Adriaan Nühn, chairman | - | - | - | 15 | 60 |
| Total | 255 | 253 | 246 | 223 | 235 |