



Sligro Food Group N.V.

## Remuneration Report 2021

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*This report explains how the remuneration policy approved by the General Meeting of Shareholders has been put into practice over the past financial year (2021), 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. There were no changes to this policy in 2021. 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 extends to the remuneration of both the Executive Board and the Supervisory Board;
- the Supervisory Board drafts the policy and the General Meeting of Shareholders adopts it;
- 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 is given the opportunity to provide its formal opinion to 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 also be taken into account. The starting point is competitive remuneration for members of the Executive Board and other employees.

The 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 2021 that was charged to the profit amounted to €1,294 thousand (2020: €1,276).

At the General Meeting of Shareholders held on 24 March 2021, the Remuneration Report for 2020 was put to an advisory vote. Nearly 98% of the votes cast were in favour of the 2020 Remuneration Report. Backed by the outcome of this (advisory) vote, the Executive Board and the Supervisory Board see no reason to make changes to the implementation of the remuneration policy. Given the contents of the 2021 Remuneration Report, the conclusion that can be drawn is that the total amount

of the remuneration is consistent with the remuneration policy and contributes to the company's long-term performance.

The COVID-19 outbreak is affecting the Group's operations. In response to this and in compliance with the conditions for the NOW<sup>1</sup> wage subsidy scheme, the Executive Board decided in 2021, ahead of the General Meeting of Shareholders, not to take the short-term and long-term bonuses awarded to them for 2021.

There were no deviations from the remuneration policy or the decision-making process for the remuneration policy other than those specified 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 der Sluijs		Total	
	2021	2020	2021	2020	2021	2020
Fixed pay	551	546	479	475	1,030	1,021
Short-term bonus	0	0	0	0	0	0
Long-term bonus	0	0	0	0	0	0
Pension premium and compensation	155	149	89	86	244	235
Value of options	0	0	0	0	0	0
Statutory social security costs	10	10	10	10	20	20
<b>Total</b>	<b>716</b>	<b>705</b>	<b>578</b>	<b>571</b>	<b>1,294</b>	<b>1,276</b>

### Fixed pay

The fixed annual pay is reviewed in a three-year cycle, meaning that the remuneration package is benchmarked against a reference group of around twenty companies every three years, with the help of an external expert. In 2021, the remuneration package was up for its three-yearly benchmark study. The results will be presented at the General Meeting of Shareholders of 2022.

Based on the 2018 benchmark study results, the fixed remuneration for both Executive Board members was increased<sup>2</sup> by 10% as per 1 January 2019. In the years 2020 and 2021, an increase was granted during the year as per the collective labour agreement/general pay increase (lowest increment used for Group employees). As a result, the average annual pay rise awarded over the 2019-2021 period is 4.27%:

	Average	2021	2020	2019
Increase <sup>3</sup>	4.27%	0.00%	2.80%	10.00%

### 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

<sup>1</sup> Tijdelijke Noodmaatregel Overbrugging Werkgelegenheid (Dutch wage subsidy scheme)

<sup>2</sup> See website: [www.sligrofoodgroup.nl](http://www.sligrofoodgroup.nl) > Investor relations > AGM Information > Previous meetings > AGM 20 March 2019 > Presentation > sheet 47 to 54

<sup>3</sup> On 1 January 2019, the fixed salary was increased by 10% following the three-yearly benchmark study. In the years 2020 and 2021, the increase granted during the year amounted to the lowest increment used for that group of employees. This increment was zero in 2021. The fixed salary was, however, indexed for pension compensation and there was a change to the age-related scale.

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 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:

	<b>Budgeted net profit</b>	<b>Quality targets</b>	<b>Total</b>	<b>Payment</b>
Short term	15%	15%	30%	In cash
Long term	15%	15%	30%	In shares
<b>Total</b>	<b>30%</b>	<b>30%</b>	<b>60%</b>	

The budgeted 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 2021 for which the bonus percentage is determined proportionately on the basis of achieving:

1. ERP implementation: first version of the new ERP landscape went live in Antwerp in 2021.
2. Corporate Social Responsibility: in preparation for the trend towards a more KPI-driven approach with externally audited performance, we will move in 2021 to uniform performance indicators and systems/methods for the Netherlands and Belgium.
3. Successful transformation of the fruit and vegetable proposition from a partnership model to in-house in the Netherlands and Belgium.
4. Progress on digital transformation in line with our annual plan, execution of the SO 4.0 plan for cash-and-carry and delivery service.

## Result on bonuses

As pointed out, the Executive Board has, on account of the impact of COVID-19 on the Group's operations and the requirements of the NOW 3 wage subsidy scheme, decided to take neither the short-term bonus nor the long-term bonus for 2020 and 2021. The result on the targets set for 2021 will, however, still be outlined below.

In 2021, the variable remuneration was 143% (2020: 38%) of the 'at-target' level. The main reason why the at-target level was exceeded was that profit came above target.

The SAP implementation was delayed partly due to COVID-19. In Corporate Social Responsibility terms, a clear strategic plan has been set and the performance indicators for the Netherlands and Belgium have been further harmonised. The fruit and vegetable business transitioned from a partnership model to a service provision model in the Netherlands and Belgium in 2021, allowing Sligro Food Group to play a more decisive and determining role in this product category that is so crucial for its customers. The long-term digital ambition has been anchored in the strategy and the further development of the new web environment was completed according to plan.

<b>Target</b>	<b>Result</b>	<b>Allocation</b>
ERP implementation	Not achieved	0.0
CSR	Achieved	1.0
Transformation of fruit and vegetable proposition	Achieved	1.0
Digital transformation	Achieved	1.0
<b>Total</b>		<b>3.0</b>

## Options and shares

The Group operates a share option scheme that applies to the Executive Board, among others. Share options are allocated to 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 website<sup>4</sup>.

### Share options allocated

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 of the financial statements. Share 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 test in 2021, which compared price gains including dividend yield to that of the peer group over the 2018-2020 period, returned a factor of 0% (2020: 0%), which meant that no share options were allocated in 2021.

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<sup>4</sup> [www.sligrofoodgroup.nl](http://www.sligrofoodgroup.nl) > About us > Corporate Governance > Remuneration.

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

<b>Shares</b>		
<u>x 1</u>	<u>Koen Slippens</u>	<u>Rob van der Sluijs</u>
Opening balance	107,402	12,000
Purchase		
Sale		
<b>Closing balance</b>	<b>107,402</b>	<b>12,000</b>

<b>Options</b>		
<u>x 1</u>	<u>Koen Slippens</u>	<u>Rob van der Sluijs</u>
Opening balance	26,900	26,900
Lapsed	(5,800)	(5,800)
Granted		
<b>Closing balance</b>	<b>21,100</b>	<b>21,100</b>

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

<b>Options</b>			
<u>x 1</u>	<u>Strike price</u>	<u>Koen Slippens</u>	<u>Rob van der Sluijs</u>
Valid through to 1 April 2023 <sup>5</sup>	31.50	21,100	21,100
<b>Closing balance</b>		<b>21,100</b>	<b>21,100</b>

In 2021, the term of option rights granted in 2017 ended (the options rights represented a market value of €11,000 per Executive Board member at the time). Given that the strike price was higher than the share price on the test date, these share options have expired and have been voided, meaning that the Executive Board has not received any shares or other benefits under this scheme.

### **Long-term value creation**

By using lock-up periods of five years for the long-term bonus and a term of four years for share options, followed by a lock-up period of another four years on shares acquired by exercising a share option, the remuneration structure is also geared towards forging a long-term mindset and long-term value creation. With this approach, a significant part of the remuneration is geared towards the longer term; this is in line with the company's strategic vision, which also focuses on 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:

<sup>5</sup> Valid until the date of the 1st ex-dividend listing following the General Meeting of Shareholders that approved the financial statements for the past year.

x €1,000	Koen Slippens		Rob van der Sluijs	
	2021	2020	2021	2020
Expense allowance	8	8	8	8
Kilometre allowance	18	24	12	18

## Pay ratio

The pay ratio is the ratio between the pay of the Executive Board members and that of 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 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	2021	2020	2019	2018	2017
<b>Executive Board</b>					
Average number of FTEs	2.0	2.0	2.0	3.0	3.0
Remuneration for individual EB members					
Koen Slippens	716	705	752	734	824
Rob van der Sluijs	578	571	615	603	695
Willem-Jan Stribosch				619	716
Employee expenses	1,294	1,276	1,367	1,956	2,235
Average remuneration (A)	647	638	684	652	745
<b>Other employees</b>					
Average number of FTEs	3,973	4,114	4,098	4,053	6,738
Employee expenses	209,889	217,583	216,456	206,816	286,521
Average remuneration (B)	53	53	53	51	43
<b>Total</b>					
Average number of FTEs	3,975	4,116	4,100	4,056	6,741
Employee expenses	211,183	218,859	217,823	208,772	288,756
Average remuneration	53	53	53	51	43
<b>A/B pay ratio</b>	<b>12.2</b>	<b>12.1</b>	<b>12.9</b>	<b>12.8</b>	<b>17.5</b>

The slight increase in the Executive Board members' remuneration package in 2021 was mainly due to the pay increase in 2020, as of 1 April 2020, which led to their pay exceeding the 2020 level in the first quarter of 2021. Both in 2021 and 2020, both Executive Board members decided, on account of the COVID-19 outbreak, not to take their short-term and long-term bonus. If they had not waived these bonuses, the pay ratio would have been 20.7 (2020: 14.2).

The calculation of the average remuneration of the other employees for 2021 did not factor in the NOW and TWO<sup>6</sup> wage subsidy schemes provided by the Dutch and Belgian government respectively, because employees continue to be employed by the Group under these schemes. For the sake of transparency and comparability of the figures, the NOW and TWO schemes were not included in the pay ratio calculation.

<sup>6</sup> Tijdelijke Werkloosheid door Overmacht (Belgian wage subsidy scheme).

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

x € million	2021	2020	2019	2018	2017
Revenue	1,898	1,946	2,394	2,346	2,142
EBITDA	109	75	127	114	144
EBIT	25	(76)	44	53	91
Dividend			24	62	62
Sustainable product range (% of total revenue)	11.2	10.8	11.6	10.0	8.7
Carbon reduction since 2010 as %	19.5	22.7	27.7	20.9	20.1
Customer satisfaction <sup>7</sup>	69	73	73	75	

### Supervisory Board remuneration

The annual remuneration for the chairman of the Supervisory Board amounted to €58 thousand (2020: €58), while the other Supervisory Board members were paid €40 thousand (2020: €40). The remuneration for the Supervisory Board member who stood down in 2021 was €23 thousand. Supervisory Board members also received compensation for attending Supervisory Board meetings amounting to €45 thousand (2020: €37). Supervisory Board chairman and member remuneration does not depend on the company's results. Total remuneration amounted to €246 thousand (2020: €255). 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. Total remuneration per Supervisory Board member can be broken down as follows:

x €1,000	2021	2020	2019	2018	2017
Freek Rijna, Chair	73	65	63	61	54
Hans Kamps	53	50	53	51	45
Gert van de Weerdhof	50	48	42	39	27
Marianne van Leeuwen	31	50	53	51	42
Pieter Boone	40	22	-	-	-
Bart Karis	-	20	42	44	40
Adriaan Nühn, Chair	-	-	-	-	15
<b>Total</b>	<b>246</b>	<b>255</b>	<b>253</b>	<b>246</b>	<b>223</b>

<sup>7</sup> StakeholderWatch. Includes Belgium from 2021.