2021 annual report

Sligro Food Group

Helping every professional in food truly get ahead

Sligro Food Group N.V.


Sligro

Contents

Disclaimer
This copy of the annual report Sligro Food Group N.V. for the year 2021 is not in the ESEF-format as specified by the European Commission in Regulatory Technical Standard on ESEF. The ESEF reporting package is available at https://jaarverslag.sligrofoodgroup.nl/?lang=en. The 2021 annual report of Sligro Food Group N.V. is available in Dutch and English. The original financial statements were drafted in Dutch. In case of any discrepancies between the two, the Dutch text will prevail.

Key figures for 2021

x € million

'The changes in revenue composition, particularly the decline in tobacco products, show an effect on the relative gross profit and costs.'

Rob van der Sluijs
CFO

1,898
Revenue

2020:	1,946
Change:	-2.5%

109
EBITDA

2020:	75
Change:	45.3%

20
Net profit (loss)

2020:	(70)
Change:	128.5%

25
EBIT

2020:	(76)
Change:	132.8%

15
Free cash flow

2020:	67
Change:	-77.7%

-
Dividend per share proposed (x €1)

2020:	–

19.5
Carbon reduction compared to 2010 (%)

2020:	22.7

11.2
Sustainable product range (% of revenue)

2020:	10.8

3,975
Employees (full-time annual average)

2020:	4,116
Change:	-3.4%

71/29
Male/female ratio (%)

2020:	71/29

Foreword

‘The way our colleagues responded time and again to the new developments around COVID-19, and the speed at which they did so, was admirable.’

Koen Slippens
CEO

Economy and market

Our expectations last year regarding the impact COVID-19 would have on our markets and results in 2021 only partially materialised. On the positive side, when the restrictive measures ended, a pent-up wave of consumers in the Netherlands and Belgium started attending events and going to bars, restaurants, hotels, amusement parks and theatres again. On the negative side, and contrary to our expectations, the emergence of the Delta and later the Omicron variants prevented the strong recovery we saw in the summer from continuing into the second half of the year. Inconsistent decision-making, and the lack of effective action based on lessons learned on the part of the government did nothing to improve this. Year-on-year comparisons are meaningless in view of the COVID-19 pandemic. However it is clear that we have gained market share in both the Netherlands and Belgium during the past two years. Our resilience as an organisation, rooted in a culture of entrepreneurship and resolute action, again proved to be a huge asset in 2021. The way our colleagues responded time and again to the new developments around COVID-19, and the speed at which they did so, was admirable.

Downscaling and upscaling the delivery operation with due consideration for employees, customers, suppliers and all partners placed great demands on our teams. In addition, due to the rapid restart early in the summer of 2021, we had to contend with a disrupted labour market and supply chain. As in 2020, we saw a positive development in the cash-and-carry outlets in the Netherlands and Belgium. In Belgium, non-cardholders were allowed to buy from us up to the end of the second quarter. In the Netherlands, this remained prohibited throughout 2021. This was in spite of repeated recommendations from our industry to the government that, for as long as pubs and restaurants remained closed, the extra floor area available at cash-and-carry outlets should be used to promote safe shopping by lowering the density of shoppers. In Belgium, fortunately, this sensible idea was understood.

Netherlands

We were unable to influence the general fall in demand due to the COVID-19 measures in our market, but thanks to our broadly-based customer portfolio, the combination of cash-and-carry and delivery services, and an entrepreneurial, positive attitude towards our customers, we performed better than many of our competitors and gained market share in almost all market segments. In the Netherlands, in addition to the intense focus on upscaling and downscaling our daily operations, we succeeded in implementing or initiating many of the plans for 2021. After completing the integration of Heineken in terms of infrastructure and technology in 2020, we managed to migrate almost all customers to that new structure in 2021. And when the hospitality segment reopened, the benefits of all that effort were immediately apparent. Our customers are extremely appreciative of the new, integrated ordering environment and combined delivery and invoicing procedures. Thanks to better integration of our delivery and cash-and-carry operations, we are now able to offer our customers in the regions a higher level of service. That had an immediate positive impact in 2021, when we were able to welcome more new customers in the cash-and-carry segment and increase sales to existing customers. Further improvements to the product range and promotions were made under 'Next Gen Cash-and-Carry' programme and, although we were somewhat hindered by investment constraints due to COVID-19, we also continued the physical transformation.

Belgium
COVID-19 has also had a major impact in Belgium. The impact on revenue was significant, particularly in respect of the delivery services and JAVA, which has historically been a major player in the healthcare and catering markets. In general though, we are pleased with the underlying trend and the positive developments achieved in Belgium on our path to sustainable profitability.
In 2021, we concentrated mainly on further integrating our activities. We have largely completed harmonisation of the product range offers of ISPC and Sligro and have now made a start on including JAVA's product range as well. Within the supply chain structure, we are taking action to increasingly route that product range through the central distribution centre in Veghel, resulting in higher efficiencies with each new addition. At JAVA, we focused on setting up account management and relationship management, modified Van Hoeckel and Culivers concepts to make them comply with Belgian standards and again devoted a great deal of time to preparing for the introduction of SAP in Belgium.

People and organisation
We redefined our purpose and core values in 2021. This is very important, as they show our people and the world around us who we are, what we stand for and what we are about. Our aim is to have a clearly recognisable face that sets us apart in the market. We want to help every professional in food truly get ahead. We also determined our strategy for the period up to 2025 and shared it with large groups of colleagues. We chose the themes we will focus on in the coming years. Those choices reflect a desire to innovate in the area of digitalisation and, obviously, to capitalise on and further improve everything we have done in recent years in order to boost revenue and profitability. In an increasingly tight labour market and at a time when COVID-19 has the effect of increasing the distance between people and their workplace, launching initiatives to highlight and strengthen the connection with our employees is extremely important. We have made progress in all focal areas of our People Strategy: people & teams, culture, leadership and organisation, and we are seeing positive feedback from our people in return. In these times, making connections with each other is especially important.

CSR
Alongside our regular sustainability activities, we paid particular attention in 2021 to the new and upcoming guidelines on reporting. We appointed an external adviser to assess the degree to which the previous annual report (2020) conformed to the requirements of the NFI Directive and the proposed CSR Directive, which was adopted by the European Commission in April 2021. Some of the recommendations made were 'low-hanging fruit', since we already have the data that allows us to report on the relevant topics. Those recommendations have been adopted in this report. The EU Taxonomy Regulation also entered into force in 2020. The Taxonomy Regulation aims to encourage and increase the understanding of 'sustainable finance and investment'. To this end, an EU taxonomy of environmentally sustainable ('green') activities has been developed. We report on this in the 'CSR' section.

Results
In 2021, our net profit came in at €20 million, which was a €90 million improvement on last year. A substantial part of that improvement was due to the difference in impairment charges relative to the prior year. Even if that effect is disregarded, however, there was a major increase in profit, which occurred in spite of a slight decline in revenue relative to 2020. This bodes very well for the future, once the markets are opened up further. The cost-saving measures bore fruit and the scaling-back of our investment agenda means that our depreciation charges are now lower. We are happy with that in the short term, although not all the cuts will be sustainable over the longer term and we will have to catch up in the years to come. Meanwhile, some lasting improvements have been made to our cost base. Based on the lessons of previous years, we made less effort to reduce our inventory at the end of 2021. At the cost of increasing our operating capital, we built up a buffer, owing to the ongoing disruption of the global supply chain and the imminent post-lockdown reopening in 2022. As a result of this, combined with the fact that we cleared all of our deferred tax payments in 2021, our free cash flow went down to €15 million. So we ended the year with a leverage ratio of 1.8, well within the covenants with the financiers.

2022 MOVING FORWARD TOGETHER!

Dividend
As indicated, we made use of the NOW wage subsidy scheme in the Netherlands in 2021 in order to allay the consequences of the revenue losses caused by COVID-19. We believe that we have done that successfully and that we have navigated the company's financial position safely through these uncertain times. Under the terms of the scheme, it is not permitted to pay bonuses to the Executive Board or dividends to the shareholders. We are therefore unable to pay a dividend in respect of 2021.

Risk management
We regularly meet with our Supervisory Board to identify and assess opportunities and threats in the market in which we operate, and how they impact on our business model. Like in previous years, the main risks and focus areas were reassessed against our redefined strategic objectives.

Outlook
The first few months of 2022 will be dominated by the reopening of our sales markets. As of the start of the year, the measures taken to combat COVID-19 in the Netherlands and Belgium are still in full force, which is putting pressure on our revenue and results. However, they are now being gradually eased. Preparing and successfully executing this restart will require a great deal of our attention, given the product and staff shortages in the market. Particular attention will be paid to accomplishing the first phase of our route to 2025. which is an ambitious but realistic multi-year plan.

We expect cost-induced inflation to be significant in 2022. Last year's disruptions to global supply chains and shortages of raw materials will lead to sharp rises in the purchase prices of products and services. On top of this come wage increases due to labour market scarcity and rising energy prices. We expect these price rises to work their way along the chain and ultimately be reflected in consumer prices. Naturally, our procurement teams will assess all price developments keenly and investigate the accuracy of the supporting arguments.

On the route to 2025, we will focus within the Group in 2022 on our six key multi-year strategic themes, which will allow us to reap the benefits of the efforts made in previous years through a calm supply chain. We will concentrate on increasing revenue from existing customers as we seek to rebuild both revenue and returns post-COVID-19. We will continue the fine-tuning and roll-out of our new ERP landscape in Belgium. We will also maintain a strong focus on developing and exploiting our online proposition, to improve both the customer experience and marketing impact. At the same time, we will draw up the roadmap for a further digital transformation of Sligro Food Group over the next few years. Through our People Strategy, plenty of attention will continue to be paid to people and organisation. That applies not only for our current staff members, but also – by improving our positioning and communications in the labour market – to the new colleagues who join us. In terms of sustainability, we will develop a more focused long-term agenda, while also preparing for the new reporting requirements that will come into force in the near future.

One thing we have learned in the past couple of years is that it is impossible to make predictions during the COVID-19 pandemic. We will therefore refrain from making predictions about how it will affect our annual revenue and results. For the longer term, we remain positive about how our markets will develop and our position within them. We have a strong market position, which is something we believe we can turn to our advantage in a crisis. Our cost base has improved and we know exactly how to win and retain extremely attractive customers in both the Netherlands and Belgium. Based on our multi-year strategy, we see clear opportunities to grow revenue and profitability in both the Netherlands and Belgium.

The COVID-19 developments are increasingly sowing discord in society and we, with our workforce of around 5,000 employees, are naturally a reflection of that society. Within Sligro Food Group, despite the fact that we have been profoundly affected by COVID-19, we are proud of what we have achieved together and have every confidence in our strong potential for achievement in the years to come, based on this powerful position. So our annual theme for 2022 is **Moving forward together!**

Koen Slippens
CEO

Key data[1]

x € million	2021	2020	Change (%)
Result			
Revenue	1,898	1,946	(2.5)
EBITDA	109	75	45.3
EBITA	49	7	577.7
EBIT	25	(76)	132.8
Net profit (loss)	20	(70)	128.5
Net cash flow from operating activities	73	101	(27.1)
Free cash flow	15	67	(77.7)
Dividend proposed	-	-	
Closing capital balance			
Shareholders' equity	453	432	4.9
Net invested capital[2]	805	802	0.3
Net interest-bearing debts	382	402	(5.0)
Total equity	1,233	1,198	2.9
Employees			
Annual average (full-time)	3,975	4,116	(3.4)
Workforce male/female ratio[3]	71/29	71/29	
Management teams male/female ratio[3]	70/30		
Executive Board male/female ratio[3]	100/0	100/0	
Supervisory Board male/female ratio[3]	100/0	80/20	
Employee expenses[4]	211	219	
Revenue per employee (x €1,000)	477	473	1.0
Employee expenses per employee (x €1,000)	53	53	(0.1)
Corporate Social Responsibility			
Carbon reduction compared to 2010 in %	19.5	22.7	
Sustainable product range as % of revenue	11.2	10.8	
Customer satisfaction[5]	69	73	
Employee satisfaction[5]	62	63	
Supplier satisfaction[5]	66	63	
Investments			
Net investments[6]	47	13	255.1
Depreciation and amortisation[7]	(49)	(58)	(14.4)

	2021	2020	Change (% point)
Ratios			
Revenue growth as %	(2.5)	(18.7)	16.2
Profit (loss) growth as %	128.5	(304.3)	432.8
Gross profit as % of revenue	26.3	24.0	2.3
EBITDA as % of revenue	5.8	3.9	1.9
EBITA as % of revenue	2.6	0.4	2.2
EBIT as % of revenue	1.3	(3.9)	5.2
Profit (loss) as % of revenue	1.1	(3.6)	4.7
Net profit (loss) as % of average shareholders' equity	4.5	(15.0)	19.5
EBIT as % of average net invested capital	3.1	(8.9)	12.0
Net interest-bearing debts/EBITDA[8] as %	1.8	2.8	(1.0)
Shareholders' equity as % of total equity	36.7	36.0	0.7

Details per share with nominal value of €0.06

x €1	2021	2020	Change (%)
Number of shares in issue (x million)	44.17	44.14	0.1
Shareholders' equity	10.25	9.78	4.8
Profit (loss)	0.45	(1.59)	128.5
Dividend proposed	-	-	

1) Continuing operations.
2) Excluding associates.
3) The definition was changed from the average ratio over the year to the ratio at the end of the year.
4) Salaries, social security costs and pension expenses.
5) Data based on StakeholderWatch (0-100), including Belgium as from 2021.
6) In property, plant and equipment, assets held for sale, and software (on a transaction basis).
7) Excluding impairments and depreciation of right-of-use assets.
8) Excluding IFRS 16 Leases.

Sligro Food Group

B2B food service companies in the Netherlands and Belgium

Wholesale sites for food and beverage enthusiasts

Cash-and-carry

Delivery

Online

Partnership with Heineken Netherlands

Wide product range

Food (dry groceries, fresh produce, frozen food)

Drinks

Non-food (food-related)

Number of items

78,000

Number of employees

5,061

Our formats/ market approach

Sligro
De Kweker
Van Hoeckel
Bouter
Tintelingen
Sligro-ISPC
JAVA Foodservice

Our production companies

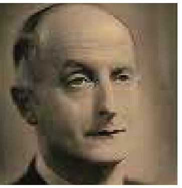
SmitVis
Culivers

Our fresh partners

Kaldenberg, Butchers
Ruig, Game & Poultry
Smeding, Fruit and Vegetables

Our timeline

19



'35

Abel Slippens founded **Slippens Groothandel,** a wholesaler specialising in margarine, fats and oils.

'61

The first **Sligro cash-and-carry outlet** opened its doors.

'87

Acquisition of the Jan Louwers cash-and-carry wholesale business and first foray into the wholesale market for the hospitality industry.

'89

Sligro Food Group is listed on the parallel market of the Amsterdam stock exchange.

'92

Acquisition of Wunderink, an Arnhem-based family business, saw **the first hospitality industry wholesaler added to the Group.**

'96

Acquisition of Van Hoeckel was completed; this launched Sligro in the institutional segment of the food service market.

20

'01

The acquisition of Prisma Foodretail (including the supermarket formats MeerMarkt, Attent, Golff and Rekra) **kicked off Sligro's food retail operations with proprietary retail formats.**

'02

With the acquisition of EMTÉ, half of the Edah retail chain (2006), and Sanders Supermarkten (2010), **food retail operations continue to grow to over 130 EMTÉ supermarkets by 2018.** In 2018, a decision was made to sell the food retail operations and focus solely on food service.

'04

The acquisition of VEN Groothandelcentrum **significantly reinforced the Sligro brand's position in the food service market,** especially in the Randstad area of the Netherlands.

'14

The first Sligro 3.0 cash-and-carry store opened its doors in Maastricht.

'16

Sligro entered the Belgian market by taking over JAVA (2016) and ISPC (2017).

'17

Start of **strategic food service partnership with Heineken Nederland.**

'18

Sligro-ISPC store in Antwerp opened its doors, the first Sligro-ISPC store in Belgium.

'19

Acquisition of De Kweker operations in Amsterdam.

'20

Heineken integration complete.

Our strategy

Sligro Food Group focuses specifically on the food service market in the Netherlands and Belgium with a comprehensive range of food and food-related non-food products and services. Our individual business units primarily focus on our customers. Each has its own distinctive profile in the market. Operating under centralised management and supported by a largely internationally integrated, professional and efficient back-office organisation, the business units work closely together on a national level, as well as across the border between the Netherlands and Belgium. Knowledge-sharing between the various operations is encouraged to maximise synergies across the Group.

Our purpose

Objectives:
Average **organic revenue growth** across the economic cycle

approx. **3%**

Aim for profit to grow at same pace as revenue

Carbon reduction in 2030

50%
as a percentage of revenue

The organisation is managed based on our results-oriented, entrepreneurial culture, which focuses unwaveringly on building and maintaining long-term relationships with customers, employees, suppliers and other stakeholders. Our shared passion for delicious, good and honest food is also anchored in our company's DNA. Especially in times of crisis (like the COVID pandemic), culture is an important compass. Over the last few years, we have found that our 'decency in business' promise enabled us to set ourselves apart from the competition in the market.

In a growing organisation, preserving and further conveying our signature culture is a constant focus of attention for us. The influx of new talent, and therefore new experience, and know-how of employees who have been working at Sligro Food Group for years creates an engaging and powerful mix of people. We will further strengthen this mix in the coming years by increasing the focus and transparency of our initiatives in relation to themes such as diversity and inclusiveness. Building balanced, diverse teams and ensuring that they work together effectively are among the main priorities of our leadership programme.

Sligro Food Group operates in a highly competitive environment where rising costs can only be passed on in part to customers. We absorb the remaining cost impact by continually improving the efficiency of our operations with measures such as effective logistics and communication, data and information systems. Measures imposed by governments to combat COVID-19 have a significant impact on our sector. Global supply chains have been disrupted and the resulting scarcity of raw materials and tightness in the labour market are driving inflation to new heights. In the coming years, we will find an appropriate balance between passing on increased costs and implementing operational efficiency improvements to deal with these effects.

The Group handles most of its own procurement for both the Dutch and the Belgian business units. Being a member of the Superunie procurement cooperative also gives us access to economies of scale through joint procurement with our fellow members.

We target annual average organic revenue growth over the economic cycle of around 3%, assuming an inflation rate of around 1.5%. We expect to accelerate our growth through acquisitions, although this growth will be more sudden and sporadic in nature. Our aim is for our profit to grow at least at the same pace as our revenue.

Given the current level of fragmentation of the Dutch food service market, we expect to be able to make further acquisitions over the coming years, whereby we will primarily target relatively large players, as the benefits of an acquisition need to outweigh the complexity of the integration. The food service landscape in Belgium is even more fragmented, while the market is in full swing. In Belgium, we aim to achieve a leading position in the food service market through a combination of organic growth and acquisitions. Our focus for the coming years will be on these two countries.

Our strategy focuses on being able to offer shareholders attractive long-term returns. In achieving this, we are committed to our corporate social responsibility and we report on our CSR performance. Existing and expected new regulations to promote transparency in this area help us fulfil this ambition. At our listed family-run company, business and social returns have been going hand in hand for years, underpinning an independent position in the market that Sligro Food Group aims to hold on to for many years to come.

Helping every professional in food truly get ahead

What will help us along?

- Intense focus on the customer
- Operational excellence

Who are we?

- Relationships
- A passion for food & drink
- Spirit of enterprise

What do we stand for?

- Spirit of enterprise
- Stronger together
- Strength in simplicity
- Better every day
- Pride arising from passion

Where are we active?

Netherlands/Belgium

How do we add value?

- Intense focus on the customer
- Operational excellence
- Long-term value creation

Strategies for 2022-2025

- Reaping, growing, improving returns
- Intense focus on the customer
- Digital ambition
- Uniform working method
- People & organisation strategy
- CSR

Our company, the purpose for Sligro Food Group

Our ambition is to be the undisputed market leader in food service and set the tone in good food in the Benelux countries. By being **'excellent in practice'** in combination with our **'intense focus on the customer'**, we want to help every professional in food truly get ahead. Through our core values, the power of our people, our infrastructure and collaboration with our partners, we create value for all stakeholders.

How we add value

Through our core values, the power of our people, our infrastructure and collaboration with our partners, we create value for all stakeholders.

Resources

Central in-house procurement
department combined with partnerships through Superunie and fresh partners.

Centralised IT infrastructure
with integrated online & data capabilities.

Integrated network
of cash-and-carry outlets and delivery network in the Netherlands and Belgium, supported from a Central Distribution Centre in Veghel.

ZiN Inspiration platform, Sligro Solutions
that allow us to offer our customers relevant services and inspiration.

Committed employees
united in our entrepreneurial culture.

Long-term partnership
with Heineken.

Trends & developments

Digitalisation
Digitalisation and its effects on the food service market.

Sustainable business
The influence and impact of sustainability issues is increasingly a factor in business success.

Labour market
Businesses must formulate an answer to changes in the labour markets between now and 2025.

Markets
In the post-COVID era, the food service market will be driven by changed consumer behaviour and market conditions will continue to consolidate.

Helping every professional in food truly get ahead

Strategies

Reaping, growth, and returns
Reaping, growing organically and improving our returns by capitalising on the initiatives of recent years, organically and with the right acquisitions

Uniform working method
Ensuring one way of working, internationally (in a scalable model) through the successful implementation/acceptance of HAND.

Intense focus on the customer
Intense focus on the customer across the entire market by offering the right combination of good, honest, tasty food and drinks, services and new and existing solutions

People and organisation
Set for further domestic and international growth by implementing our People & Organisation strategy, with a focus across all of Sligro Food Group on the further development of leadership, management model, operational excellence, competencies and core values.

Digital ambition
Significantly improving the whole of our proposition to customers, by delivering our digital ambition and the conditions required to make it work.

CSR
The demonstrable achievement of our CSR objectives, by adding initiatives with linked internal and external communication.

Outcomes in 2025

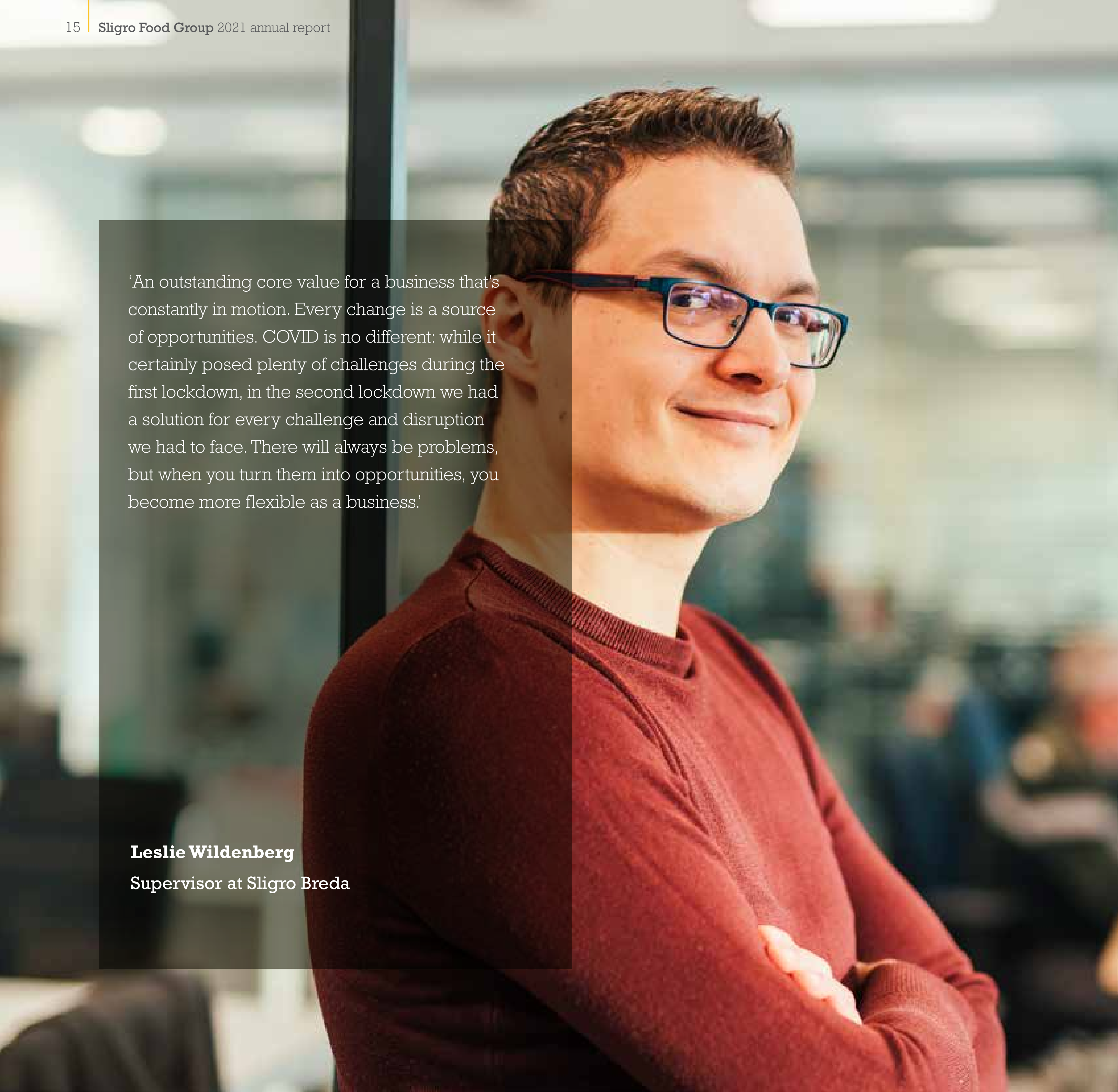
Customers
Customer satisfaction - Cash and Carry
Customer satisfaction - Delivery Service
Increase Solutions offer and impact
Improvements in digital proposition and preconditions

Employees
Employee satisfaction
Complete digital ambition 2 preparations
Ready for ‘country 3’ in 2025
HAND roll-out in Belgium in 2022
HAND roll-out in the Netherlands in 2025

Suppliers and partners
Supplier satisfaction
Upsell Heineken
Increase JAVA market share

Society
40% carbon reduction (compared to 2010)
15% sustainable product range NL
10% sustainable product range BE

Shareholders
Organic revenue growth
Rising returns
Revenue growth > overhead growth



'An outstanding core value for a business that's constantly in motion. Every change is a source of opportunities. COVID is no different: while it certainly posed plenty of challenges during the first lockdown, in the second lockdown we had a solution for every challenge and disruption we had to face. There will always be problems, but when you turn them into opportunities, you become more flexible as a business.'

Leslie Wildenberg
Supervisor at Sligro Breda

Better every day

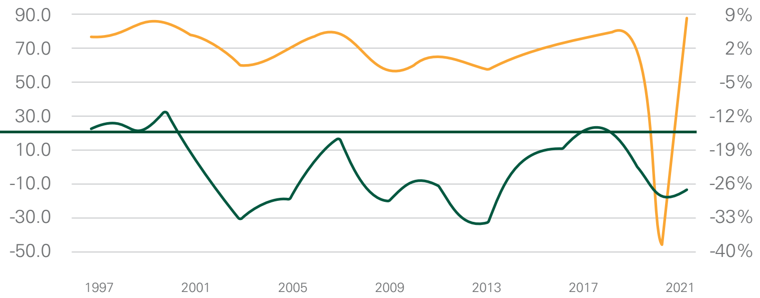
You have a healthy dose of ambition. You do what we agreed and think about what can be done better. You try things out and learn in a culture where mistakes are allowed. And that's how we make Sligro a little better every day.

Market approach

Sligro Food Group focuses on the market for food and drink. Sligro Food Group is active in all key food service market segments in the Netherlands and Belgium – from restaurants to fast food, from hospitals to hotels, from caterers to convenience stores, from amusement parks to sports clubs, from SMEs to multinationals, from bars to cinemas. This market is known as the "out-of-home" channel. We depend indirectly on consumers' food spending. Economic indicators such as consumer confidence and the unemployment rate are important indicators for developments in our markets. FoodService Instituut Nederland (FSIN) has plotted the link between consumer confidence and the development of food service revenue in the Netherlands over a period of several years:

Link between consumer confidence and the growth of food service

Consumer confidence
Food service revenue growth (as %)



Through the Group's various retail formats, we target various segments of the food service market. Our primarily customer-oriented operations are separated so that we can respond to and anticipate customer needs in each specific segment to the maximum degree possible, while operations behind the scenes are managed centrally as much as possible. Although we have adopted this structure in both the Netherlands and Belgium, we will first complete another technical integration phase in Belgium before proceeding to integrate the back office in its entirety. This synergy gives us a distinctive profile, helps us learn as an organisation and makes us highly efficient. We only use individual systems and processes where shared solutions are undesirable or not feasible. In this way, we aim for maximum synergy, while also focusing on the customer and the market situation for each business unit and in each country.

Sligro Food Group
Central distribution centre and head office in Veghel (NL)

Netherlands		Belgium	
Central Back Office, Veghel		Central Back Office, Rotselaar	
Sligro/De Kweker	Van Hoeckel	Sligro-ISPC	Java Foodservice
National network of cash-and-carry and delivery service outlets and (former) Heineken distribution centres		Cash-and-carry and delivery service outlets, delivery service outlet with pick-up option and delivery from the Netherlands	

Sligro Fresh Partners (participation in four fresh food suppliers): specialist production sites for convenience (Culivers), fish (SmitVis); industrial kitchens (Bouter); Christmas gifts (Tintelingen)

Market share

24.8%

Food service market leader in the Netherlands

3.3%

Food service top five in Belgium

We believe in the power of a strong network consisting of an integrated group of cash-and-carry and wholesale delivery service outlets, combined with a digital environment, where our people make the difference. The power of the network lies in mutual collaboration. For example, 70% of our delivery customers visit a cash-and-carry outlet twice per month on average for inspiration and advice, or for a last-minute or forgotten purchase. The cash-and-carry outlets are ideally suited as a source of inspiration. They also function as showrooms and stock/cash-and-carry centres for smaller food service customers, who can easily switch to delivery as they grow and if they wish to do so. There are also relatively large cash-and-carry customers who prefer to do their own purchasing and select their fresh and other products themselves. They also enjoy having the opportunity to talk shop and bounce ideas off our specialists. As such, while the operations are separate in the interests of efficiency and meeting customer demands, collaboration on a commercial level is solidly anchored in our business. This is also reflected in the unified pricing, loyalty offers and management information structure for our customers, which makes purchasing through both channels equally convenient for them

In the Netherlands, we are the market leader in food service with a market share of 24.8% (source: FSIN). In Belgium, we have a place in the top five with our JAVA Foodservice and Sligro-ISPC formats. Our market share is around 3.3% (own estimate, based in part on data from Foodservice Alliance).

Synergies

Instead of a group of companies, Sligro Food Group is a single integrated company with overlapping customer groups and distribution channels. While there are many differences in culture and preferences in the food service markets in the Netherlands and Belgium, we see many similarities and opportunities to realise economies of scope.

1
integrated company

Passion
for food and drink

Unique
entrepreneurial company culture

We already serve a large number of customers in both countries through our full network. The know-how and skills of both our Dutch and our Belgian employees are deployed on a broad scale across the organisation, and we have been pleased to see that employees in both countries are highly committed to sharing and adopting best practices.

Our central distribution centre in Veghel plays an important role in the efficiency and effectiveness of the Group's logistics operations, helping us make the most of the increased scale created by the use of different routes to market. Maximum supply chain efficiency is not only beneficial from a cost and service quality perspective, it also offers opportunities for sustainability. The geographical proximity means the network can also be used for some of our food service activities in Belgium. The same synergies are achieved in the centralised structure and systems, with departments and processes set up in a way that enables them to serve the Group as a whole wherever useful. These joint activities are precisely what enables us to invest in people and systems wherever it can make a difference.

Our commercial systems and data can be deployed across all channels, although there are clear differences in how we implement this in each segment in response to our customers' demands. We constantly see new opportunities for development in this area by using internal benchmarking, as well as successes from other markets. The supporting technology and data management are centrally organised. We believe that data-driven business is a crucial factor in remaining competitive.

We organise our procurement and particularly product range management close to the customer in both countries. We also combine procurement across borders where possible. Being a member of the Superunie procurement cooperative furthermore gives us access to significant savings on the part of our food service product range that overlaps with the retail market. In combination with the in-house procurement department, Sligro Food Group thus creates a strong procurement block in the market, whereby we define 'strong' in terms of 'strength' and not in terms of 'power'. We believe in creating value rather than diminishing or destroying it. We believe in sustainable partnerships with supply-side partners. Together with our own production companies and fresh food partners, we are able to offer distinctive products to all our customers. The wide range of high-quality, innovative Exclusive Brands gives our formats a distinctive profile in the market. Our Exclusive Brands are generally developed in close collaboration with our suppliers on the basis of long-term partnerships.

The power of our unique corporate culture is an important factor that differentiates us from our competitors in the market. Given that our passion for food and beverages, as well as our customer focus, is in our DNA, and not something we have acquired, it is 'genuine' and virtually impossible to copy, and our customers experience it that way. This is something that we are immensely proud of. In the Netherlands, we refer to this as our 'Green Blood', while in Belgium it is known as 'Our Salt & Pepper', which are both concepts founded on the same underlying values that unite us.

Developments in 2021

‘Our resilience as an organisation, rooted in entrepreneurship and resolute action, again proved to be a huge asset in 2021’

COVID-19

Our expectations last year regarding the impact COVID-19 would have on our markets and results in 2021 only partially materialised. On the positive side, when the restrictive measures ended, a pent-up wave of consumers in the Netherlands and Belgium started attending events and going to bars, restaurants, hotels, amusement parks and theatres again. Even corporate catering recovered more than initially thought, although this sector does appear to have permanently lost some ground compared to the period before COVID-19. On the negative side, and contrary to our expectations, the emergence of the Delta and later the Omicron variants prevented the strong recovery we saw in the summer from continuing into the rest of the second half of the year. Inconsistent decision-making and a lack of effective action on the part of the government did nothing to improve this. In a situation where tough choices have to be made, based on relatively little information, time is obviously required to find the right approach. However, we are particularly disappointed by the government's inability to learn and its lack of a long-term vision for offering our customers’ sectors at least a glimpse of a viable future.

Our resilience as an organisation, rooted in a culture of entrepreneurship and resolute action, again proved to be a huge asset in 2021. The way in which our colleagues have always responded effectively and speedily to new developments related to COVID-19 is admirable, particularly since they also had to deal with the consequences and disappointments of COVID-19 at a personal level.

Downscaling and upscaling the delivery operation with due consideration for employees, customers, suppliers and all partners puts an additional load on the organisation on each occasion. In addition, due to the rapid restart early in the summer of 2021, we had to contend with a disrupted labour market and supply chain. Despite the fact that we had prepared intensively for this restart, we sometimes failed to offer our customers the level of service they are accustomed to receiving under normal circumstances. Product shortages, because products simply weren’t available and in some cases still aren’t, driver shortages and staff shortages at our distribution sites played their part. We have a great deal of respect for our colleagues and are hugely grateful that they have continued to do everything humanly possible to help our customers as best they can under these very difficult circumstances.

After the summer, the supply chain returned to normal on many fronts and, thanks in part to creative recruitment and the offer of attractive employment conditions, we once again had enough drivers and distribution staff. However, this was accompanied by a sharp rise in inflation. Supply chain disruptions, the scarcity of raw materials, and labour shortages in almost all sectors have caused inflation to rocket. Although these price increases had an impact on consumer prices as they spread through the supply chain (and continue to do so), they did not cause a perceptible decline in volumes in 2021. There is no shortage of jobs and savings are high, so, after several lockdowns, consumers are apparently willing to accept this extra expenditure. How long this situation will continue is a question that may well be answered in 2022.

As in 2020, we saw a positive development in the cash-and-carry outlets in the Netherlands and Belgium. In Belgium, non-cardholders were allowed to buy from us up to the end of the second quarter. In the Netherlands, this remained prohibited throughout 2021.This was in spite of repeated recommendations from our industry to the government that, for as long as pubs and restaurants remained closed, the extra floor area available at cash-and-carry outlets should be made available to reduce the density of shoppers.

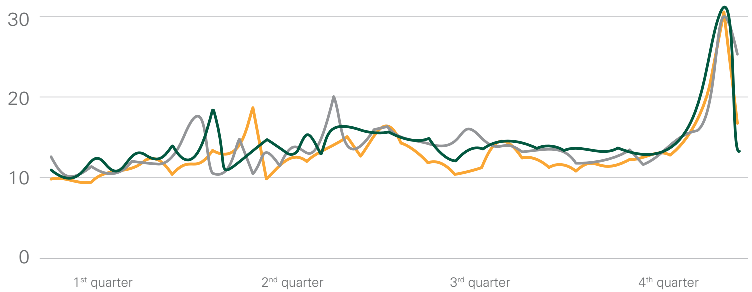
In the Netherlands and Belgium, we again made use of the NOW and TWO wage subsidy schemes in 2021, which really did help to compensate our loss of revenue, but most of all to retain jobs for our permanent employees. We also made limited use of the TVL scheme for reimbursing fixed costs, although the size of our business and the cap associated with this scheme meant that it had little actual impact on fixed cost coverage.

The Group's loss of revenue due to COVID-19 and the volatility over the year are represented in the graphs below, which show that delivery services suffered the greatest loss of revenue while cash-and-carry actually grew somewhat.

Netherlands Cash-and-Carry

Weekly development in revenue compared to 2019-2020
(x € million)

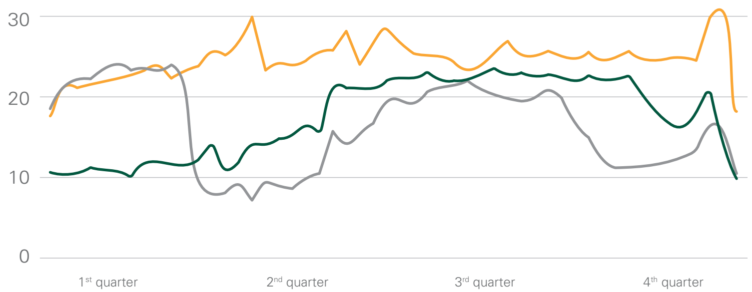
2021
2020
2019



Netherlands Delivery service

Weekly development in revenue compared to 2019-2020
(x € million)

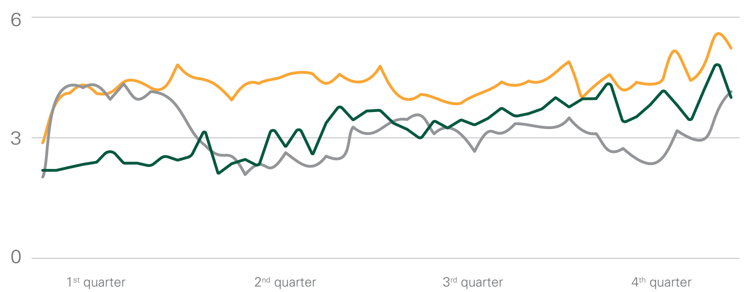
2021
2020
2019



Belgium Cash-and-Carry & Delivery service

Weekly development in revenue compared to 2019-2020
(x € million)

2021
2020
2019



Netherlands

We were unable to influence the general fall in demand due to the COVID-19 measures in our market, but thanks to our broadly-based customer portfolio, the combination of cash-and-carry and delivery services, and an entrepreneurial, positive attitude towards our customers, we performed better than many of our competitors and gained market share in almost all market segments. Comparison is difficult due to the major positive and negative fluctuations of the past two years, but measured over two years of crisis, we have clearly gained market share overall.

In the Netherlands, in addition to the intense focus on upscaling and downscaling our daily operations, we succeeded in implementing or initiating many of the plans for 2021. After completing the integration of Heineken in terms of infrastructure and technology in 2020, we managed to migrate almost all 40,000 customer numbers to that new structure in 2021. Moving customers one by one to a new ordering environment, harmonising payment terms and obtaining new direct debit mandates is an intensive process, but it was accomplished successfully with good cooperation between Heineken and Sligro staff.

And when the hospitality industry in the Netherlands reopened, the benefits of all that effort were immediately apparent. Our customers are extremely appreciative of the new, integrated ordering environment and combined delivery and invoicing procedures. About a third of customers order products in new categories 'off their own bat', and with our combined sales teams and digital tools, we know how to respond. This has confirmed and strengthened our expectations regarding additional sales to existing customers.

Thanks to better integration of our delivery and cash-and-carry operations, we are now able to offer our customers in the regions a higher level of service. That had an immediate positive impact in 2021, when we were able to welcome more new customers in the cash-and-carry segment and increase sales to existing customers. Further improvements to the product range and promotions were made under 'Next Gen Cash-and-Carry' programme and, although we were somewhat hindered by investment constraints due to COVID-19, we also continued the physical trans-formation.

Belgium

In Belgium, our revenue developed slightly below the market as a whole. COVID-19 has also had a major impact in Belgium. The impact on revenue was significant, particularly in respect of the delivery services and JAVA, which has historically been a major player in the healthcare and catering markets.

In Belgium, we concentrated mainly on further integrating our activities. We have largely completed harmonisation of the product range offers of ISPC and Sligro and have now made a start on including JAVA's product range as well. Within the supply chain structure, we are taking action to increasingly route that product range through the central distribution centre in Veghel, resulting in higher efficiencies with each new addition.

At JAVA, we focused on setting up account management and relationship management and modified Van Hoeckel and Culivers concepts to make them comply with Belgian standards. The closure of the Océan Marée production site in Belgium, announced last year, has been completed and SmitVis in the Netherlands now serves these customers.

We again devoted a great deal of time to preparing for the introduction of SAP in Belgium. We are implementing an international standard, with Belgium being the first country to go live. In view of this, Belgium now plays an important role in terms of change management and programme ownership. As the go-live date approaches, our Belgian colleagues are increasingly involved in and affected by this project. Although a transition of this type places high demands on our employees, we are proud of the openness and energy with which they are working on the implementation.

Miscellaneous

At Group level, we also worked on a number of cross-border projects in 2021.

We redefined our purpose and core values in 2021. This is very important, as they show our people and the world around us who we are, what we stand for and what we are about. A clearly recognisable organisation, which differentiates itself in the market. We say more about this topic in the 'Strategy' and 'People and organisation' sections of this report. We want to help every professional in food truly get ahead.

We also determined our strategy for the period up to 2025 and chose the themes we will focus on in the coming years. Those choices reflect a desire to innovate in the area of digitalisation and, obviously, to capitalise on and further improve everything we have done in recent years in order to boost revenue and profitability. You can read more about this in the "Strategy" section.

In an increasingly tight labour market and at a time when COVID-19 has the effect of increasing the distance between people and their workplace, launching initiatives to highlight and strengthen the connection with our employees is extremely important. We have made progress in all focal areas of our People Strategy: people & teams, culture, leadership and organisation, and we are seeing positive feedback from our people in return. Despite the many restrictions this year, we still managed to arrange many of the planned events for our employees in a form that complied with COVID requirements: our employee anniversary evening in an extra-large room with well-spaced seating, our socially distanced 85th company anniversary in the Efteling theme park, numerous online drinks parties and games and, at the end of the year, our Christmas Hamper drive-through in Veghel. Connecting with each other at events like these is always important, but especially so at the moment.

Our efforts to shape the new ERP landscape continue at a steady pace. The circumstances under which this had to be done were not ideal in 2021 either, and the complexity of such a large and high-impact transition automatically leads to numerous challenges. As a result, we had to delay the planned go-live date for the core ERP system slightly once again. In November last year, our new product master data environment went live. This was the second major step in this process after the launch of the web environment in 2020. The construction phase of the core ERP system was completed in 2021 and we started the system integration test phase during the fourth quarter.

In 2021, we revitalised our Corporate Social Responsibility steering group. We as an organisation always pay significant attention to this issue, on account of our convictions, but we are finding that sustainability is becoming increasingly important to our customers and other stakeholders, and that motivates us to take additional action.
The legislation relating to many sustainability aspects is also changing, leading to a need for greater transparency and targeted action.

In 2020, we again postponed the investment in our new central distribution centre for fresh produce, but work began in 2021 and substantial progress has been made. We will put this new part of our centralised distribution centre into operation during the first quarter of 2022.

'I see communicating clearly as one of the most important elements of my work. With customers, but also with colleagues, for example if you think something could be done in a simpler, better or smarter manner. It's not always easy to be critical of or correct someone directly, but if you do it in a clear and respectful way, the response you get back is often positive. The same applies in reverse of course: when a colleague brings up an issue with me, I am always willing to listen and compare thoughts. In the end, we all benefit from this: we, as colleagues in a team, and ultimately our customer. That's what we all want after all.'

John Bouma
Sales executive, Non-food
Sligro Eindhoven

Strength in simplicity

You understand what's involved and act appropriately. And you make yourself clearly understood; both in your words and actions, in respect of our customers, suppliers and colleagues.

Organisation and employees

5,061 employees

3,975 FTEs

Diversity

Male

71%

Female

29%

Nationalities

43

Employment

Average number of years

9.8

Learning and development

E-learning

75%

Classroom

25%

People and organisation

Sligro Food Group aspires to be an organisation where teams of happy, engaged and professionally strong employees work together to achieve the Group's ambitions.

Four pillars

people & teams
leadership
culture
organisation

We aspire to be an attractive employer to our current and future employees. Learning and performing go hand in hand in our approach to managing, supervising and developing employees and teams. Our Talent Management programme targets creating a strong connection with our talented employees to help them excel to the maximum. Today's rapidly changing world with major demographic shifts and impactful digital developments calls for a focus on our employees' sustainable employability to be able to face the resulting challenges together.

For many years now, we have applied a policy of pursuing relatively long-term employment relationships. We aim to achieve this by keeping our employees interested and securing their loyalty. To do so, we stimulate employees' development by allowing them to self-manage and by offering them structured and challenging training options and career opportunities.

Our HR policy increasingly caters to specific target groups to align it more effectively with the specific needs of different segments of the labour market and of groups of employees. This is necessary in an increasingly tight labour market, but also with a view to promoting diversity and inclusiveness within the various teams.

The four pillars of our employee vision: people & teams, leadership, culture and organisation are used to develop this. We see this as an integral part of our business strategy. We have embedded and linked the People Strategy and the annual People Plans in and to our business strategy and annual planning cycle. This should enable us to achieve active progress in these areas, while balancing them with our other business goals.

People & Teams

Our goal

We are successful because we understand our profession and are driven by passion, commitment, sustainability and entrepreneurship in our work. We collaborate effectively, with the right mix of people and resources, and act pragmatically. As dependable colleagues, we say what we will do and meet those commitments. Learning, performing and craftsmanship go hand in hand for us.

In 2021, we started a new learning and performance cycle, which replaces the old assessment cycle and also includes the additional possibilities of a specific development interview and a progress interview. The new cycle ensures that we more frequently talk to our employees about their well-being, development needs and performance. This process is now fully supported digitally.

We have evaluated and revamped the onboarding process for new employees. As a result, new employees will be able to gain a good understanding of the organisation, their colleagues and the most important business processes in a relatively short time from 2022 onwards. In comparison to the previous, primarily physical approach, which was based on a long series of introductory meetings, the onboarding process is now partly supported by introductory activities online. Learning on the job in an operational setting and physically visiting colleagues and sites will, of course, remain an important part of the programme. The revamped onboarding programme will be rolled out first in the Netherlands, followed by Belgium at a later stage.

To increase our attractiveness to new young professionals, we have offered a trainee programme for several years, which has proven to be very successful. In 2021, six trainees were active in our company. The programme will be offered internationally next year and our goal for the next intake is to recruit four Dutch and two Belgian trainees.

Learning & development

Continuous learning and development is key for all Sligro Food Group employees. Changes within and outside the organisation mean that activities and jobs are subject to constant change. Anyone who fails to keep up with changes and does not keep challenging themselves will be left behind in the long run. The Sligro Academy therefore offers a range of learning programmes for employees from all levels of our organisation, which focus both on skills for specific jobs and general competency levels. Besides the courses we have developed in-house, we use external training options through training institutions for specific domains or competency-based training. We are committed to training and developing new talent, such as by offering internships and professional placements for students from various educational programmes. This works both ways, as having students work at our organisation brings in new and fresh insights.

To emphasise how important learning and development is to us, we regularly organise events to show our appreciation for the people who have put a lot of their time and energy into getting a new qualification or taking training.

We completed the new learning and performance cycle for the first time last year, in a process that identified learning and development needs for our employees on an individual basis. This information was then fleshed out in consultation with the manager, leading to changes in job content, coaching and internal and/or external training. Opportunities for internal advancement were also discussed and, where possible, effected.

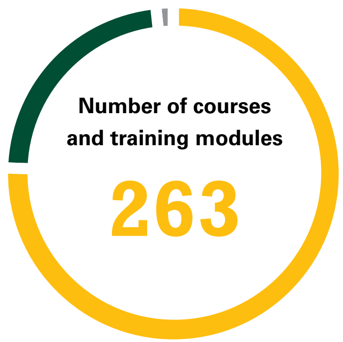
We believe in continuous improvement and accordingly like to tackle major changes in a professional manner. With this in mind, we trained a further 34 new colleagues as Green Belts during the past year.
Our support encompasses teams as well as individuals. During the past year, we created and refined a development approach for cross-functional teams and trained internal coaches to provide guidance for the teams.

Health and safety

It is key that employees feel comfortable and experience their workplace as a safe and healthy environment. To achieve that, we have to keep investing in measures and tools to increase workplace safety. We raise employees' awareness of safety through training courses and communication and make it a constant priority.

Learning and development at Sligro

- 11,550 E-Learning
- 3,923 Classroom



- 76% Online
- 23% Classroom
- 1% Individual

- 283 MBO (vocational education)
- 80 HBO (higher vocational education)/WO (university education)

COVID-19 has introduced a new dimension in safe working. By following government guidelines, working from home when possible and (preventively) testing when physical gathering is necessary, we also offer solutions to this situation. However, due to the nature of their work, many of our colleagues have to be present in the workplace at our distribution sites, outlets and production sites. We agree arrangements with each other in order to continue the work in those settings in a responsible manner.

It is also important to create a mentally safe environment for employees in addition to a physically safe environment. We see this as one of the responsibilities of each manager in the organisation, but we are also all jointly responsible. In 2021, in addition to coaching and providing appropriate support for our managers, we also updated our code of conduct again and are working on an online training course to regularly focus attention on this issue. Our internal confidential counsellors also play an important role in the organisation in this regard.
To improve our absenteeism management, we changed our registration procedure for the better in 2021 and now have more information about the causes of absenteeism, the problems behind it and the associated costs. It goes without saying that we respect the privacy of everyone within the framework of the law. We also strengthened our absenteeism management organisation by appointing case managers who provide support for managers and employees when the situation calls for it. Concrete goals relating to absenteeism reduction have been set for each business unit for the coming years.

We also encourage our colleagues to adopt healthy habits. We offer free fruit and snack vegetables and also serve healthy alternative foods in our company canteens. For example, we supported the national 'Stoptober' campaign by actively promoting 'quit smoking' initiatives. In addition, we updated the smoking facilities in line with legislation discouraging smoking in the workplace.

Absenteeism decreased somewhat in the Netherlands compared to last year, despite the impact of COVID-19. That is encouraging, but the level we are at now is not satisfactory. The plan to structurally reduce absenteeism again, including concrete objectives per year, is ready and we expect it to bring about a further reduction in the coming years.

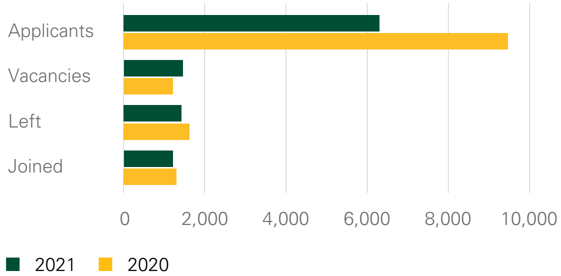
In Belgium, the absence rate increased. COVID-19 played an important role here, but we also see opportunities for further improvement by refining the approach to absenteeism and increasing employee engagement.

Staff turnover and sickness absence

1) Average percentage of hours absent due to sickness compared to contracted hours (actual hours for auxiliary staff).

2) Accidents involving employees and agency workers that led to absence from work.

Staff turnover in numbers



Sickness absence in the Netherlands[1]

2021 5.5%

2020 5.6%

Sickness absence in Belgium[1]

2021 9.5%

2020 8.7%

Accidents at work in the Netherlands[2]

2021 37

2020 57

Accidents at work in Belgium[2]

2021 19

2020 17

Diversity and inclusiveness

Diversity has been an open and discussable topic within our organisation for many years, although we have never consciously drawn up action plans or set specific targets in this respect. Even so, diversity at Sligro, specifically the ratio of men to women in management positions, has steadily improved. This is a great example that proves the effectiveness of intrinsic motivation. Overall, we also see a wide variety of nationalities and cultural backgrounds among our employee population. However, this is true to a lesser extent of our head office positions, and we want to improve this situation in the coming years. The principles behind inclusiveness fit well with our corporate culture. We do not want to exclude anyone and we launch specific initiatives every so often (together with our customers in many cases) to offer employment to people with poor job prospects. These efforts have been fairly ad hoc to date and will require a more policy-based approach in the coming years.

We see new legislation and the call for greater transparency on these issues as an encouragement to continue these actions, and also as inspiration for implementing a more policy-oriented approach. The new law on a more balanced male-female ratio at senior management level is one example of this.

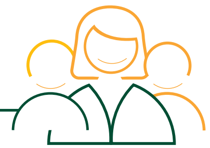
Our Executive Board comprises two directors who have both worked for Sligro Food Group for a very long time. We do not expect any changes here in the coming years, so we have not defined a different target in respect of the Executive Board for 2025.

We have defined senior management as the group of managers working at the two levels below the Executive Board in the Netherlands and Belgium combined. At the end of 2021, this group comprised 71 positions. This group is characterised by a relatively low staff turnover rate historically speaking, so any change in the male-female ratio will be gradual. We aim to have both men and women represented within this group for at least 35% by the end of 2025.

However, diversity has more dimensions than just the male/female ratio, and we want to focus our efforts more in those areas as well in the coming years. A broader, diverse and inclusive workforce requires a focused approach in four areas; recruitment & selection, terms and conditions of employment, internal advancement & outflow, and KPIs.

Recruitment and selection

We will start to use an extended set of recruitment channels to gain access to a broader market Job advertisements will be carefully reviewed to ensure that we appeal more effectively to the specific audiences we are targeting. Our aim is to ensure a high level of diversity in the shortlist of candidates for the vacancy. The reality of today, however, is that we often cannot allow ourselves the luxury of a shortlist due to scarcity on the labour market. In the event of equal suitability, we will apply a selection criterion to give priority to candidates who fit our diversity goal.



Diversity

as % of the total

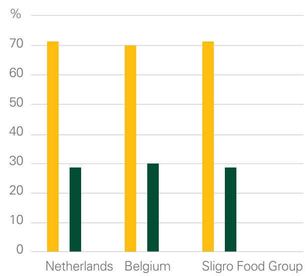
Executive Board

- male **2** 100%
- female **0** 0%

Senior management

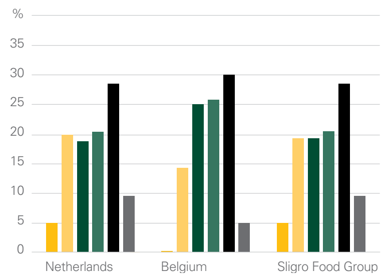
- male **46** 70%
- female **20** 30%

external/vacancy **5**



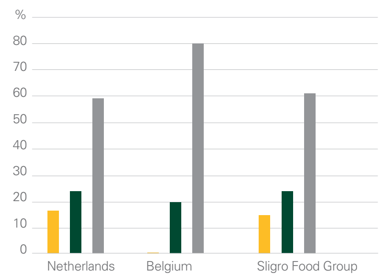
Gender

- male
- female



Age

- < 20
- 20-30
- 30-40
- 40-50
- 50-60
- ≥ 60



Type of contract

- 2-12 hrs p/w (auxiliary staff)
- 12-36 hrs p/w (part-time staff)
- ≥ 36 hrs p/w (full-time staff)

2021 service anniversaries

2
50 years

12
40 years

48
25 years

152
12.5 years

Internal advancement and outflow

We strongly believe in internal training and advancement. Seen from the perspective of diversity, this means that we need to pay greater attention to diversity at an early stage when filling the more junior roles. The opportunities for advancement are and will remain the same for everyone, but we will keep our targets in mind. An outflow of colleagues is inevitable, especially in this labour market. We want to determine whether, in addition to market opportunities, other reasons for leaving the company - perhaps related to our company culture and management style - have the unintended effect of making working for Sligro Food Group less attractive to specific groups.

KPIs

We will internally translate the targets stated here for 2025 into annual objectives and follow up on them at executive board level and in the various management teams. Moreover, we will express those targets as an ambition at all levels within the organisation to increase overall diversity and inclusiveness, including the more junior levels.

Leadership

Our goal

As people-oriented and result-driven leaders, we are broadly visible throughout the organisation and show genuine interest in our people and customers. We use our intimate knowledge of our day-to-day business to actively manage our operations, improvements and change programmes by guiding and supervising based on clear frameworks. With a clear vision and through exemplary behaviour, we motivate and inspire to empower our people. We foster a safe learning and performance environment where connection, inclusiveness and focus are key.

As a listed family business, our ambition is to grow further and become even more professional. The basis for this is teams of happy, engaged and professionally strong employees who together work *at* and *to expand and strengthen* Sligro Food Group. This requires leadership and good people management.

Sligro Food Group applies a leadership model to help our colleagues in managerial roles get the most out of their employees and teams every day. The model comprises five elements: lead, refine, develop, connect and deliver. It is a structured approach which helps our managers to create clear frameworks and goals for their employees, while at the same time ensuring progress and achievement of the expected results. We call this ‘from leading to delivering’. We are, however, aware that delivering is impossible without identifying and developing the competencies of our individual people and teams, providing coaching and guidance and genuinely being interested in each other. That is where ‘refine, develop and connect’ come in.

All this demands a great deal from our managers and they too need support to perform their roles. We have developed leadership profiles for the different levels to help them with these tasks. Those profiles describe and document the core responsibilities and result areas of the manager’s role.

Apart from creating a framework, we also help managers as they develop in their role by offering them a specific training and development programme. All managers attend workshops on learning & performing, sustainability & vitality and 360-degree feedback, and they are also offered individual learning pathways with continuous coaching and guidance, depending on their specific learning aims. We also facilitated coaching sessions for our executive board members and their management teams in 2021 to jointly identify actions to improve their collaboration and performance as a team.

Communication is an important aspect of leadership. During the past year, we took specific action to intensify communication. For example, we communicated frequently about our policy on COVID-19 and the resulting measures. Not just to keep people well-informed, but also to motivate and reassure them as much as possible. We presented our new purpose and core values, as well as the ‘Strategie 2025’ (2025 Strategy) and annual plans for 2022, to a large group of colleagues, in a physical setting when possible, with digitally supported presentations as a back-up.

Culture

Our goal

We take pride in our products and the excellent service we give our customers, and share a passion for good food and drink. We are a transparent company and we trust each other and treat each other with respect. We do not exclude anyone and are averse to pursuing status. We work based on our standards and values, but also take an entrepreneurial approach. Our DNA (Green Blood, Salt and Pepper) is our moral compass. Together, we constantly seek solutions and improvements. We connect people and knowledge and celebrate our successes.

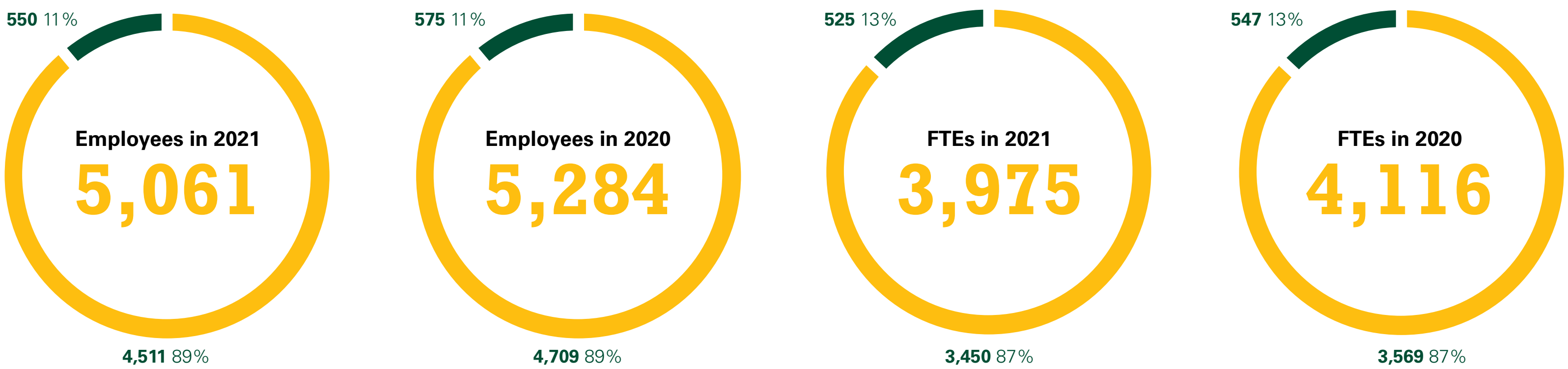
Our distinct culture, with the values and standards anchored in it, is an important mainstay for our way of doing business. Wherever you go across our organisation, there is a palpable passion for our products, services and customers. Instead of pursuing status, we seek to create transparency and an atmosphere of trust and respect. Broadening our people's insights by forging bonds between colleagues with a long history at Sligro Food Group and newly recruited talents requires permanent and constructive dialogue. The same is true of the connection between specialists at our head office and the practical experience of colleagues in operations. Regularly leaving head office to spend a few days 'on the shop floor' in the operational environment in order to make that connection is also part of this approach. These contacts are good for team spirit and instructive for colleagues from both business units.

Our entrepreneurial nature makes us agile without losing sight of our long-term goals. Together, we seek continuous improvement and then proudly celebrate those successes. In the Netherlands, we call this our 'Green Blood'; in Belgium we speak of our 'Salt and Pepper'. Terms appropriate to the country with the same underlying values. We are firmly embedded in society and always happy to render account on our business practices to all stakeholders. As a listed family business, this goes without saying for us; it is not something we consider an obligation.

In a fast-changing environment, culture requires active focus and maintenance. So in 2021, we refreshed our purpose and our core values. We deliberately use the term 'refresh' because core values do not change overnight.
The exact terms you choose to use are important and vary slightly over time, but the essence remains the same (see Core Values in the figure showing 'our purpose').

Workforce

Food service NL
Food service BE



It is important that we continue to engage in dialogue with our employees. In the Netherlands, we have successfully used StakeholderWatch for this for a number of years. We have now introduced StakeholderWatch in Belgium too and it provides us with valuable information and opinions from our employees, customers and suppliers.

Organisation

Our goal

We are a customer-oriented, agile organisation with clear frameworks. We serve our customers through various channels; leading to an optimum customer experience. We continually act to minimise distractions for the teams in the operational environment so that they can devote their full attention to customers. Those actions are initiated by the organisation at Group level. We are not afraid to take decisions, base our decision-making on our views as entrepreneurs and substantiate those insights with data where necessary. We are transparent, plan realistically and ambitiously and work in multidisciplinary and diverse teams. We strike a good balance between realising today's objectives and introducing tomorrow's innovations. Our KPIs are clear and provide effective guidelines for our own contribution in relation to our common goals.

As a wholesaler with extensive logistics operations and a large number of stores, it is key that we keep growing and convert increased scale into greater efficiency. The process standardisation and complexity reduction drive that we have launched is going full steam ahead. Aside from that, we adopted an international organisational structure this year, which combines centralised governance and support with local responsibility for markets and customers.

We believe in an organisational model where strategic decisions are made at Group level, after thorough consultation with regional experts, where centralised functional departments solve complex challenges together to facilitate the operations of our delivery service sites and cash-and-carry stores. Our extensive knowledge of the operation enables us at management and executive board level to make the right strategic and tactical decisions. Connecting, both horizontally and vertically, is therefore of great importance and traditionally one of Sligro Food Group's strengths. We will focus significant attention on maximising this aspect in the coming period. In our logistics operation and at our stores, we manage our people based on easy-to-understand KPIs that they can influence directly. The frameworks within which our stores can operate on a local scale have been defined at Group level and provide adequate scope for employees to develop an entrepreneurial mindset.

It continues to be our ambition to grow even more internationally in the longer term. However, we are aware that this will occur more slowly than we originally intended. Moreover, a move to a further country, which we do not aspire to before 2026, requires more preparation and adjustment within our organisation. At year-end 2020, we reviewed the board and organisational structure aimed at enabling fast international growth and modified it in early 2021. Roles and responsibilities have been clarified and refined. In essence, our focus lies on a BeNe organisation, with a joint central Executive Board for the Netherlands and Belgium (International Board) and an efficient consultative and communicative structure below it for translation into and management of action plans at tactical and operational level.

We also provide tools for this through a clear and integrated planning process from our group purpose, to the multi-year strategy, to the annual plan; of which the latter two apply at country and department level. In addition, we use a clear formulation process, which was already in place in the Netherlands and will now also be rolled out to Belgium.

Workforce

Sligro Food Group is a relatively large employer in the Netherlands (4,511 employees), and also in Belgium (550 employees). We expect our workforce to continue to grow steadily in the coming years, normalised for the impact of COVID-19 in 2020-2022. Our employee population is characterised by a high level of skill, which is utilised with great passion. Digitalisation calls for different expertise and skills that we are both developing internally and recruiting from outside. We have a large number of employees on permanent contracts and aim to limit the number of agency workers. In 2021, we had an average of around 590 agency workers working in our logistics operation. Due to the relatively low availability of permanent staff and relatively high staff turnover in logistics, we are increasingly using flexible and agency workers in our logistics operation, who generally hail from eastern European countries. Given that these workers generally stay with us for a limited period, we are also working to accelerate the onboarding process, improve operational management, create a good day-to-day work atmosphere, and reduce training to short e-learning programmes. We also offer colleagues from eastern Europe specifically opportunities for permanent employment and further growth to make it more attractive for them to stay with Sligro Food Group for longer and benefit from the opportunities that normally come with permanent employment.

In the Netherlands, we have subcontracted most of our transport to professional hauliers. In Belgium we employ our own drivers and outsource part of the transport. Whether drivers work for Sligro Food Group directly or through an external company does not make any difference to us in how we treat them. Our drivers are our ambassadors as they are generally the ones who are most in contact with customers. We train and support our drivers in this respect and get them all involved in Sligro Food Group.

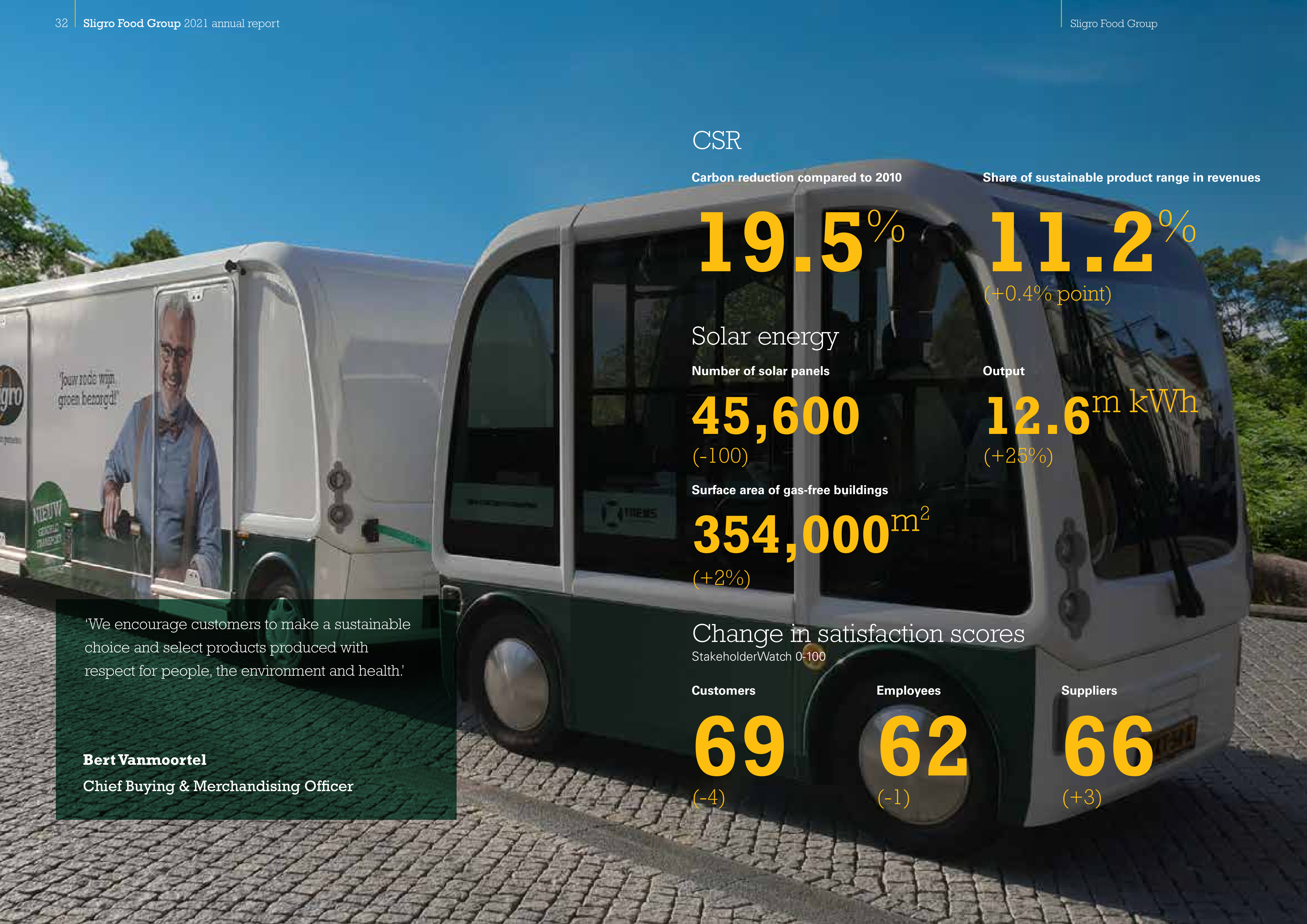
Works Council

We set great store by good relationships and consultations with our employees, both with employees directly and through the works councils. These works councils collaborate constructively with each other. Open and transparent consultations and timely involvement of the works councils have proven to be clear value-adding practices for us. We do not limit this to the bare minimum stipulated by the law. The input we get from the works councils, as well as feedback from workers, is extremely valuable to us, and we treasure the good working relationship we have built up. Although this is a universal vision that applies across our entire company, there are specific differences in how it is implemented in the Netherlands and Belgium due to legal frameworks or cultural differences.

Terms and conditions of employment

When it comes to general terms and conditions of employment, we follow the pay structures that are normal in the relevant industries. In the Netherlands, we adhere to the collective labour agreement for the food wholesale industry, while in Belgium we have adopted the terms and conditions agreed on by joint committees 119 and 200. Our aim furthermore is to make the employment terms and conditions that we can establish ourselves the same for all employees. Depending on what is possible and customary in a country, these terms and conditions may differ per specific country. For the majority of our employees, our pay policy is dictated by the collective labour agreement for the industry in question. Given that we are not bound by a specific collective labour agreement, we offer average market level pay, as well as benefits that are appropriate at Sligro Food Group, subject to different structures in Belgium and the Netherlands. For a number of jobs, mostly commercial ones, we operate a bonus system. By ensuring that the amount of the bonus is nice to have and not a need-to-have, we avoid unwanted stimuli. In the coming years, we will be working on a job framework to further ensure the consistency of pay and a good fit with the position and required competencies.

In recent years, we have (temporarily) operated different policies in many areas relating to employment conditions. Always in good consultation with the trade unions, but we also experienced broad involvement and support on the part of our employees in the choices we had to make in the interests of Sligro Food Group and our employees as a collective. We are proud of this and grateful to all our colleagues for their unwavering loyalty, which is far from self-evident.



CSR

Carbon reduction compared to 2010

19.5%

Share of sustainable product range in revenues

11.2%

(+0.4% point)

Solar energy

Number of solar panels

45,600

(-100)

Output

12.6m kWh

(+25%)

Surface area of gas-free buildings

354,000m²

(+2%)

Change in satisfaction scores

StakeholderWatch 0-100

Customers

69

(-4)

Employees

62

(-1)

Suppliers

66

(+3)

'We encourage customers to make a sustainable choice and select products produced with respect for people, the environment and health.'

Bert Vanmoortel
Chief Buying & Merchandising Officer

Corporate Social Responsibility

At Sligro Food Group, corporate social responsibility, sustainability and financial returns go hand in hand. This goes without saying for our listed family-run company. After all, as a listed family business, you naturally want to treat those around you and your environment decently and respectfully, both today and for the sake of future generations.

CSR vision: how we work

Financial performance is not the only way we measure Sligro Food Group's added value, we also try to make a difference when it comes to food (safety, health, availability), energy, environmental and societal issues. Corporate social responsibility is part of our overall business philosophy of value creation on economic (Profit), environmental (Planet) and social (People) terms. In this perspective, we see the OECD guidelines as a natural frame of reference for our corporate social responsibility policy.

Policy

As a centrally managed organisation, we pursue a single sustainability policy for the whole Group, meaning our key focus areas, ambitions and goals apply to our activities in both the Netherlands and Belgium. The roadmap and how we progress along it, however, may differ per country. We are working to gradually harmonise the measurement and recording methods used in the two countries. In 2021, we took further steps in this regard, such as the implementation of StakeholderWatch in Belgium, the method we use to measure the satisfaction of our employees, customers, and suppliers. We share our sustainability policy with the companies in which we hold a stake, and also put it on their agendas. They subsequently pursue the policy based on values that are relevant both to them and to us.

Our place in the chain

We are part of a relatively large number of links in the food service supply chain, as a result of which our sustainability efforts are broad in scope. Our production units SmitVis and Culivers produce for the Group. Sligro, De Kweker, Van Hoeckel, JAVA and Sligro-ISPC are wholesale operations. Each specific business unit creates value and sets itself apart from the competition.

Human rights

We are signatories to the OECD principles on CSR and the UN 'Guiding Principles for Business and Human Rights'. To give substance to that, we have laid down the specific conduct we want to see within Sligro Food Group in a code of conduct and whistle-blower policy. Two internal confidential counsellors are available in the organisation.

Transparent supply chains

Every supplier must provide Sligro Food Group with transparency about the supply chain to at least the "last point of assembly", i.e. the production sites that form the final link in the chain behind the first-tier suppliers. By making our supply chains more transparent, we can understand them better, which in turn allows risks to be identified and analysed.

Working conditions

Sligro Food Group has been a member of the Business Social Compliance Initiative (BSCI) since 2010. BSCI is a business-driven platform that encourages members and supply chain partners to reach agreement on improved working conditions. Sligro Food Group strives to follow the BSCI principles, as set out in the BSCI Code of Conduct, and efforts are being made to ensure that 100% of our suppliers meet the BSCI standard. Our procurement terms stipulate that the commitment of our suppliers to BSCI principles is a precondition of supply. In addition, production sites in high-risk counties (as defined by the BSCI) are audited to ensure that working conditions are acceptable. We set a minimum score of C. Production sites with an inadequate score (D or E) must supply an improvement plan within 60 days based on the deficiencies identified in the audit report. The production sites are subsequently audited again within six to twelve months. In 2021, we parted company with three suppliers as a result of this policy. 21 suppliers were audited in 2021. The detailed approach, process and requirements that we set can be found in our suppliers' manual.

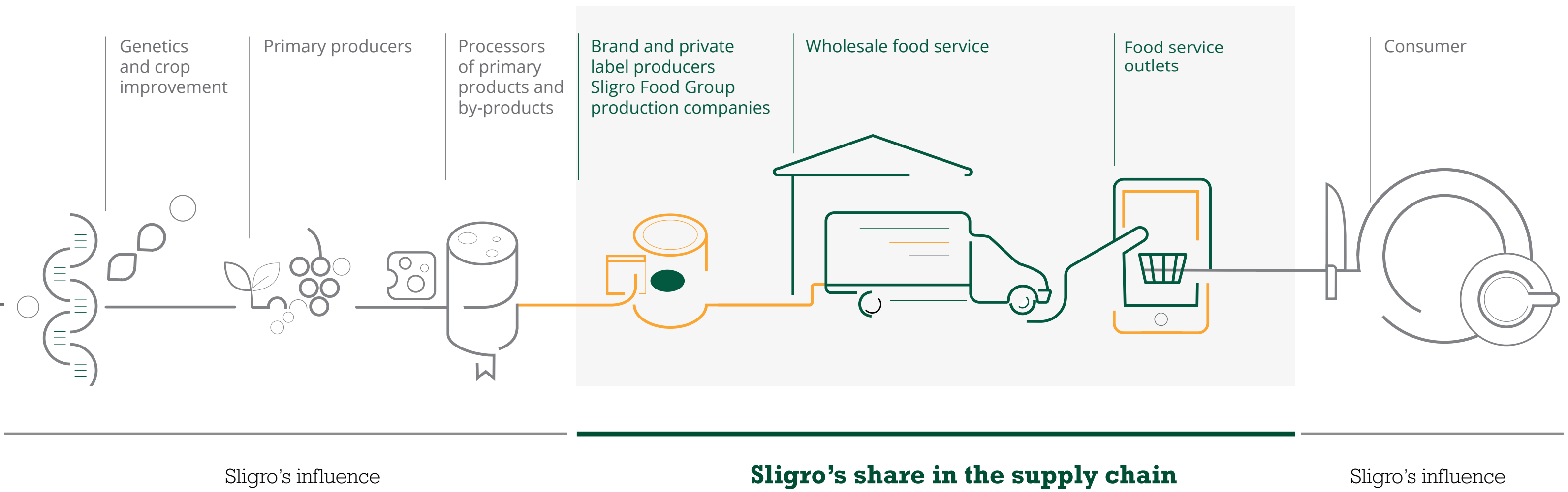
About this report

We have adopted a joined-up approach in our financial and sustainability reporting. This best matches our CSR vision, prevents duplication and keeps this report readable. This chapter will go into the results and most important developments from 2021 in relation to our key focus areas and the associated goals and performance as at year-end 2021.
The report has been drawn up to correspond with the Core level in the GRI Sustainability Reporting Standards. The GRI table can be found on our website: sligrofoodgroup.nl/nl/mvo/mvo-publicaties.
Sligro Food Group stands for continuous improvement, including in our sustainability performance. We therefore publish up-to-date information about a variety of sustainability issues on sligrofoodgroup.nl over the course of the year.

Approach and organisational embedding

In the past, the Group had a CSR Steering Committee for many years. This committee made policy decisions and its individual members were responsible for their operational implementation and for embedding them in their respective fields. The CSR Steering Committee developed the Sligro

Our supply chain



Food Group's key focus areas and goals, defined the sub-areas and associated remedial actions, and tracked progress.

In 2021, we worked without a CSR Steering Committee, on the grounds that translating our goals into operational projects and monitoring the results are now a standard part of the annual planning cycle. However, it became clear that the organisation needed an identifiable group of officers to oversee sustainability. The role and function of the CSR Steering Committee has therefore been reinstated, but now with a focus on both Belgium and the Netherlands. Together with the addition of CSR to the Group's 'Strategie 2025' (2025 Strategy), this will ensure that our sustainability development receives proper attention and is embedded in the organisation.

Talks with stakeholders

We conducted talks in 2021 about our sustainability approach and the progress we have made with various stakeholders, including a specially formed group of employees, major and other shareholders, suppliers, NGOs, our auditor and external advisers. Whereas in previous years we would canvass individual positions and viewpoints, we are increasingly of the view that for many sustainability challenges a formalised approach, although more time-consuming, ultimately delivers a better result. For customers, we organised, for the second year, a themed day at our ZiN Inspiration Lab under the motto 'Going for sustainability together', with inspirational masterclasses on subjects such as food waste, climate-positive business, true price, the 'protein transition', plastic reduction and behavioural science.

New reporting requirements and developments

The NFRD[1] and the upcoming CSRD[2] form an important part of the European Green Deal – the European growth strategy for improving the well-being and health of citizens, making Europe climate-neutral by 2050 and protecting the natural capital and biodiversity of the European Union. These regulations impose requirements on businesses regarding how they report on a variety of sustainability issues in their annual reports.
We appointed an external adviser to assess the degree to which the current annual report (2020) conformed to the requirements of the NFI Directive and the proposed CSRD, which was adopted by the European Commission in April 2021. Some of the recommendations made were considered to be 'low-hanging fruit', since we already have the data that allows us to report on the relevant topics. Those recommendations have been adopted in this report. By doing this, we also respond to demands in this area from a number of our shareholders and rating agencies. Other requirements imposed by the CSRD will be examined and solutions will be implemented during the coming months, with the aim of fulfilling the CSRD requirements as soon as they enter into force.

The EU Taxonomy Regulation also entered into force in 2020. The Taxonomy Regulation aims to encourage and increase the understanding of 'sustainable finance and investment'. To this end, an EU taxonomy of environmentally sustainable ('green') activities has been developed, with associated reporting obligations. The results of this classification will be reported annually for each business. Article 9 of the Taxonomy Regulation identifies six environmental objectives.

The EU has adopted the first two delegated acts on climate mitigation and adaptation. These delegated acts set out which economic activities are regarded as 'eligible'. For an economic activity to be classed as 'environmentally friendly' under the EU taxonomy, it must first be determined whether it is 'taxonomy-eligible' and then whether it is 'taxonomy-aligned'.
The first step is to check whether the activity appears in the delegated act, since only activities that are described in the delegated act are 'taxonomy-eligible'. It must then be assessed whether the activity complies with the 'technical screening criteria' set out in the delegated act. This determines whether or not the activity is 'taxonomy-aligned'. Alignment indicates that the eligible activities are in fact sustainable. We plan to perform this classification exercise next year.

For the 2021 report, in accordance with the reduced EU disclosure requirements, we report only on the proportion of Turnover, CapEx (capital expenditure) and OpEx (a specific part of the operating expenses) for taxonomy-eligible and taxonomy-non-eligible activities that can contribute to two objectives, namely climate mitigation and climate adaptation.

[1] Non-Financial Reporting Directive
[2] Corporate Sustainability Reporting Directive

EU taxonomy KPIs

In accordance with the EU Taxonomy Regulation, we publish the proportion of taxonomy-eligible and taxonomy-non-eligible activities for revenue, capital expenditure and operating expenses. Wherever a Group activity appears in the EU taxonomy classification, the revenue, capital expenditure and operating expenses for that activity are classed as taxonomy-eligible.

	Turnover	CapEx	OpEx
Taxonomy-eligible activities (%)	**0**	**34**	**10**
Taxonomy-non-eligible activities (%)	100	66	90
Total (x € million)	1,898	47	18

EU taxonomy Turnover

As none of the Group's revenue-generating activities is described in the delegated acts, meaning that they are non-eligible, our EU taxonomy-eligible revenue is 0%. If and when the specific economic activity of 'wholesale in food and food-related non-food products' is added to the delegated acts, Sligro Food Group's eligibility percentage in relation to the 'revenue' KPI will significantly increase.

EU taxonomy CapEx

Only some of the €46 million we invested in 2021 in intangible assets and property, plant and equipment and the €1 million invested in right-of-use assets, as shown in notes 10 to 12 to the financial statements, concerned activities that are currently described in the delegated acts. The relevant investments concerned building renovation, the installation of energy-efficient equipment, electric vehicle charging points, renewable energy installations and low-emission and zero-emission vehicles. In 2021, we invested in the construction of a new fresh produce distribution centre and in the conversion of our cash-and-carry outlet in Heerlen, where energy savings of over 30% were achieved by making the site gas-free and also by making savings on electricity costs. In total, 34% of our total capital expenditure qualified as 'eligible' in 2021. The remainder of our CapEx in 2021, including the investments in our new ERP landscape and the conversions of other cash-and-carry outlets that gave rise to smaller energy savings, are not yet covered by the delegated acts and are therefore non-eligible.

Six environmental objectives EU taxonomy

1. Climate mitigation;
2. Climate adaptation;
3. Sustainable use and protection of water and marine resources;
4. The transition to a circular economy;
5. Pollution prevention and control;
6. The protection and restoration of biodiversity and ecosystems.

EU taxonomy OpEx

Only a very small part of Sligro Food Group's total operating costs come under the 'OpEx' KPI, as defined in the EU taxonomy. According to the delegated acts, operating expenses are direct, non-capitalised costs that relate to research and development, building renovation measures, short-term lease, maintenance and repair, and any other direct expenditures relating to the day-to-day servicing of property, plant and equipment. We expended a total of €18 million on these activities in 2021, i.e. 5% of our total operating costs. Of this total, 10% concerned assets or processes connected to taxonomy-aligned economic activities, specifically the maintenance of our electric forklifts.

Key focus areas and targets

Our CSR policy is based on three key focus areas that have particular relevance for us, where our most important opportunities and challenges can be found and for which our responsibility in the chain is most self-evident: people, planet, and product range.

Within these three key focus areas, we have defined five sub-areas that have major societal importance in relation to Sligro Food Group and therefore determine our scope:
- Health
- Food waste
- Sustainable product range
- More efficient supply chains
- Energy

Together, the above key focus areas and sub-areas make up our CSR matrix, which specifies a large number of specific activities that each contribute to the achievement of our goals for 2030. Our CSR matrix also establishes a link between SDGs[1] and our activities. The most up-to-date matrix can be seen on www.sligrofoodgroup.nl/mvo.

[1] Sustainable Development Goals

CSR is one of our six strategies for the period from 2022 to 2025, which we defined and presented internally in autumn 2021. Our key focus areas and targets for 2030 remain unchanged, but now that they form part of our strategy, they will receive ongoing attention throughout our organisation. We have set intermediate targets for our key focus areas for 2025, not least to make them more immediate and indicate their urgency.

Results (in key focus areas)

People

The level of employee, customer and supplier satisfaction is an important indicator for our performance. We measure satisfaction by means of StakeholderWatch, a research method in which customers, employees and suppliers are questioned on a daily basis. It basically works like a continuous thermometer that enables us to identify trends sooner and therefore respond to them sooner as well. In 2021, we began measuring satisfaction on a continuous basis in Belgium, in the same way as we do in the Netherlands. StakeholderWatch captures stakeholder satisfaction on a scale of 0 to 100.

Employees
As far as employee satisfaction was concerned, 2021 was a volatile year. On the upside, we saw the positive effects of the improvement programme that forms part of our People Strategy. On the downside, we again had to deal with negative effects of COVID-19. In the first quarter of 2021, employee satisfaction went up. This was followed by a downward trend in the summer, which largely reversed in Q4. Overall, the satisfaction score fell by one point to 62.

CSR performance
our targets

Key focus areas	People			Planet	Product range
Sub-areas	Customers	Employees	Suppliers	Energy	Sustainable product range
Targets	Improve customer satisfaction	Improve employee satisfaction	Improve supplier satisfaction	Reduce carbon emissions as a percentage of revenue	Revenue share of our sustainable range ('Eerlijk & Heerlijk')
2021 status	-4	-1	+3	-19.5% compared to 2010	11.2%, Netherlands
Intermediate goals for 2025	Improve satisfaction			-40%	15.0%, Netherlands 10.0%, Belgium
Goals for 2030	Improve satisfaction			-50%	15% Sligro Food Group

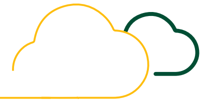
‘We aspire to be an organisation where teams of happy, engaged and professionally strong employees work together to achieve the Group’s ambitions.’

Jacqueline Touw
Chief HR Officer

Customers
Whereas in the past the satisfaction score was simply the average for cash-and-carry and delivery service customers in the Netherlands, we adjusted this in 2021 to a weighted calculation based on the relative proportion of revenues from the cash-and-carry and delivery services in both the Netherlands and Belgium. This produces a result that better reflects the economic reality of the business. This new definition results in a company-wide customer satisfaction score of 69.

Suppliers
During the year, supplier satisfaction showed an opposite trend to employees and customers. The satisfaction score increased to 66.

The environment & carbon reduction
Our mission obliges us to continuously show both boldness and common sense in our innovation drive, while also always seeking to strike a balance between environmental and economic returns. For maximum transparency of our efforts, we calculate the carbon emissions from our operations. To be able to relate the resulting figure to the development of our company and to be able to extrapolate a realistic multi-year trend, we show our carbon emissions in relation to our revenue.

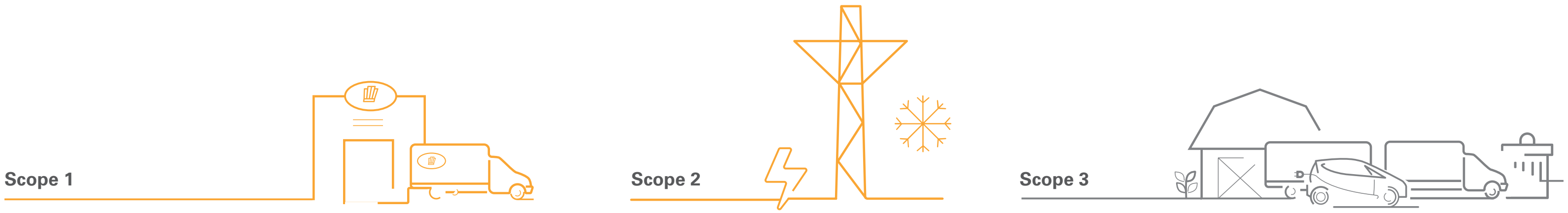


Reduction compared to 2010

2019	2020	2021
27.7%	22.7%	19.5%

Scopes 1, 2 and 3
When we divide our carbon emissions between the three ‘scopes’ defined by the Greenhouse Gas Protocol, gas consumption and fuel for transport fall under scope 1 and our own electricity use falls under scope 2.
As in 2020, COVID-19 again had a negative impact on our carbon reduction as a percentage of revenue. In 2021, we came out at 19.5%, a slight decline relative to 2020.
From an energy perspective, 2021 was virtually identical to 2020. However, because it was colder, because revenue was slightly down and because the GoO (Guarantee of Origin) certificates for some sites expired, our carbon emissions per euro of revenue went down somewhat.

GHG emissions
Scope 1,2, 3



Scope 1	Scope 2	Scope 3
Direct emissions	Indirect emissions	Indirect emissions
Gas usage and fuel for transport	Electricity used by Sligro Food Group	

Innovation in urban distribution

When we look at the multi-year trend in our carbon reductions, we realise that ambitious innovations are needed if we are to achieve our target in 2030, for example innovation in the area of sustainable transport. Replacing diesel vans and trucks with electric or hydrogen-powered vehicles is one thing that could make a contribution. We have already been trialling a variety of electric goods vehicles for a number of years, thus far with mixed results. With the large number of stops involved, temperature-controlled urban distribution remains a technological challenge. Moreover, the electric vans currently on the market only offer a 'one size fits all' approach, which does not look like the ideal solution for us. We and our partner TrensLogic have therefore developed an entirely new electric vehicle, which is closely tailored to our logistics model and to future regulations on sustainable urban distribution. The innovative and futuristic-looking Sligro Wegtrein has been operating in 's-Hertogenbosch since November 2021. The Sligro Wegtrein delivers to pubs and restaurants in the city from our site on the outskirts. Over the coming months, day-to-day practice will show whether the Wegtrein really works and how it can be put to best use. In the meantime, several local authorities have already expressed an interest.
In Belgium, we have begun using electric cargo bikes for urban distribution.

In absolute terms, our electricity consumption in 2021 was virtually identical to 2020. Gas consumption was also almost identical to 2020, despite the fact that it was considerably colder, by 14% in terms of degree days (2,820 degree days in 2021 compared to 2,477 in 2020). The biggest contribution to the unchanged gas consumption came from the closure and sale of the Gilze delivery service site, the last Heineken distribution centres and a small number of De Kweker buildings. The revenue-generating activities of those locations have been transferred to sustainably constructed sites in the existing infrastructure.

Electricity generation from solar panels rose substantially to 12,585,000 kWh. No new solar panels were installed. Following our departure from the Océan Marée site in Brussels, the number of solar panels on our roofs is now 45,600. The surface area of 'gas-free buildings' has risen to 354,000m², following the conversion to gas-free of our Heerlen cash-and-carry site.

	2010	**2019**	**2020**	**2021**
Revenue (€ million)	2,286	2,395	1,946	1,898
Electricity (GWh)	153,914	99,251	93,066	99,353
Fuel (x 1000 litres)	7,895	9,907	7,509	7,413
Gas (x 1000m³)	7,446	4,061	3,610	3,594
Carbon emissions (tonnes)	105,291	79,767	69,307	70,408
Carbon emissions (grams/€100 revenue)	46.1	33.3	35.6	37.1
Reduction compared to 2010		27.7%	22.7%	19.5%

EED (Energy Efficiency Directive)
In accordance with the EED energy audit requirement, we have an audit performed every four years.
Our EED report was filed with the Netherlands Enterprise Agency in March 2021, after which the Agency classed the report as an energy audit report. The audit conclusion and recommendations were included in our conversion plans up to and including 2023. These should lead to lower energy consumption and thereby contribute to our carbon reduction target for 2030.

Sustainable product range

We have an immense range of over 78,000 items. We have a clear sustainability focus for this range: we encourage customers to make a sustainable choice. We do this by making products that are produced with consideration for people, health and the environment accessible and clearly recognisable. Since 2010, we have brought this together in the ‘eerlijk & heerlijk’ concept (a name that translates as ‘fair & delicious’).

In 2021, the COVID-induced fall in the share of revenues from ‘eerlijk & heerlijk’ products flattened out. Government measures such as working from home and closing hospitality venues had an enormous impact on the share of revenue attributable to the ‘eerlijk & heerlijk’ range. Sustainable procurement is important for corporate caterers and customers supplying public-sector organisations, partly because of the SRP criteria set by the government. The ‘eerlijk & heerlijk’ range generated 11.2% of Food Service Netherlands revenue in 2021, 0.4% up on 2020. The rise is the result of careful product range choices in food, non-food and wines. Certification of nearly all our disposables and the addition of organic wines to the product range led to a strong rise in ‘eerlijk & heerlijk’ revenue. Revenue from existing ‘eerlijk & heerlijk’ products under our exclusive ‘Bonbiance’ and ‘Gouden Aar’ brands also grew very strongly.
Lastly, we announced our ambition to become the first wholesaler in the Netherlands to give at least one ‘Beter Leven’ (Better Life) star to all unprocessed chicken in the range in 2023.

SRP Monitor

Whereas ‘eerlijk & heerlijk’ helps all our customers to make sustainable choices on an item-by-item basis, the SRP Monitor has been specially developed for corporate catering and healthcare sector customers. The SRP monitor is a product range reporting system, based on SRP criteria set by the government’s PIANOo organisation. The aim of the criteria is to raise sustainable procurement in the Netherlands to a higher level in terms of efficiency and quality. The reporting system helps our customers and their customers to understand how healthy and sustainable their product range is. They can then decide where to focus their improvements and take targeted steps to achieve their health and sustainability targets.

Food safety and product quality

To address food safety risks and manage product quality, the Group works in accordance with a quality policy. The measures we take in the area of food safety are primarily focused on avoiding risks for our customers and staff. Process-setting and checks on implementation are attested by certifications. This enables us to assess and improve our processes, products and services on a continuous basis.

Certification

All of the Group’s sites and activities have the relevant food safety certifications. In our cash-and-carry outlets in the Netherlands, food safety is ensured in accordance with the CBL hygiene code. The HACCP Handbook is followed and each site is audited annually.

Certification

	Netherlands					Belgium	
	Head office	**Cash-and-carry**	**Delivery service**	**Production**	**Format framework**	**JAVA**	**Sligro-ISPC**
ISO 22000 (Part of FSSC)	●	-	●	-	-	-	-
ISO 14000	-	-	-	-	-	●	●
FSSC 22000	●	-	●	●	-	-	-
HACCP (CBL hygiene code)	-	●	-	-	-	-	-
Hospitality industry hygiene code	-	-	-	-	●	-	-

Recalls

In 2021, we recalled 162 products. A significant number of these recalls, 42 to be precise, were related to the presence of ethylene oxide in products containing sesame. This international recall process began in late 2020 and continued well into 2021 in some cases. Due to the large number of products containing sesame seeds, this issue had ramifications for producers and traders for quite some time.

Supplier assessments are carried out, based specifically on the number of complaints and recalls and laboratory analysis results. Suppliers that are classed as high-risk undergo an external supplier audit, in order to check which aspects they need to improve on in order to meet Sligro Food Group's requirements.

Supplier audits	**2021**	**2020**
Number of audits	10	9
Number of resolved non-conformities	24	9

Food waste

We are working hard to help prevent food waste. Purchases and sales of products are matched to each other as closely as possible, a process that involves collaboration across multiple disciplines such as procurement and product range management, supply chain and IT. Data plays a crucial role, including with regard to improving forecasts and centralised replenishment. Improvements are carried out and initiatives are taken all along the supply chain in order to reduce food waste. Despite these efforts, there will always be some products left over. We have therefore been working for many years with the Voedselbanken Nederland (Dutch Food Banks), which collect these products from us. Only if products can no longer be used or reprocessed for human consumption are they disposed of as waste. In 2021, this applied to 3,491 tonnes of products in the Netherlands (2020: 4,524 tonnes).

Waste

Waste from our activities in the Netherlands is separately collected, recorded and reprocessed. In the multi-year figures, the 'COVID lockdown effects' are clearly visible in the proportion of ODP (Out of Date Products) for 2020 and 2021. The huge increase in ODP in 2020 reflects the unavoidable dumping of inventories due to the sudden collapse of demand from our hospitality and catering customers. The same effect recurred in 2021, but was less pronounced due to adjustments in our inventory management.

We also look beyond the waste we produce ourselves. To help our hospitality customers process their waste sustainably, we have set up a partnership with Renewi. This allows us to give customers peace of mind, offer them a purchase discount and ensure sustainable waste disposal, since 90% of the waste collected by Renewi is reused, either to create new products or to generate energy.

Sustainable packaging

The packaging of a product has several important functions. It contributes to food safety, prevents wastage and provides information about the product to the user. The most sustainable packaging does all of these things.

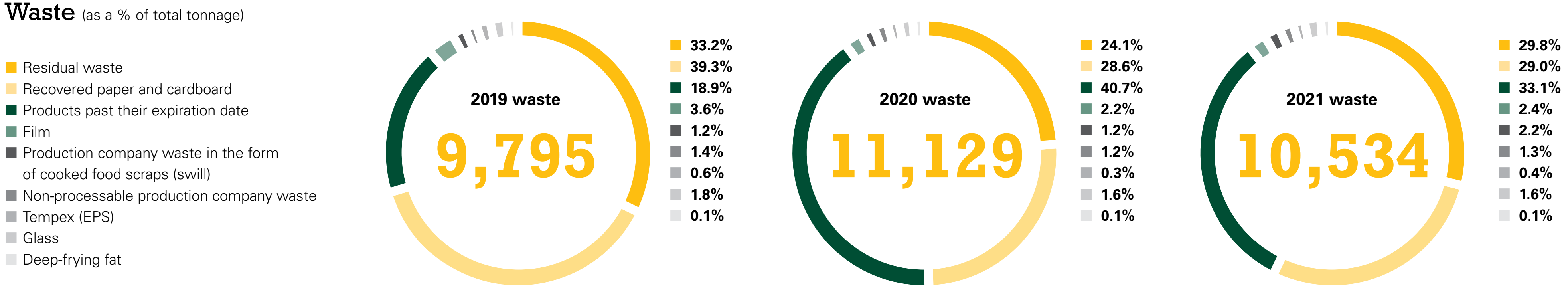
For premium brand products, these choices are made by the manufacturer. For our Exclusive Brands (own brands), we ourselves weigh up the pros and cons of packaging on a product-by-product basis. Together with the CBL, FNLI and GroentenFruit Huis, common targets are set for the packaging used on the Dutch market. Our 2025 objectives for the Netherlands are:

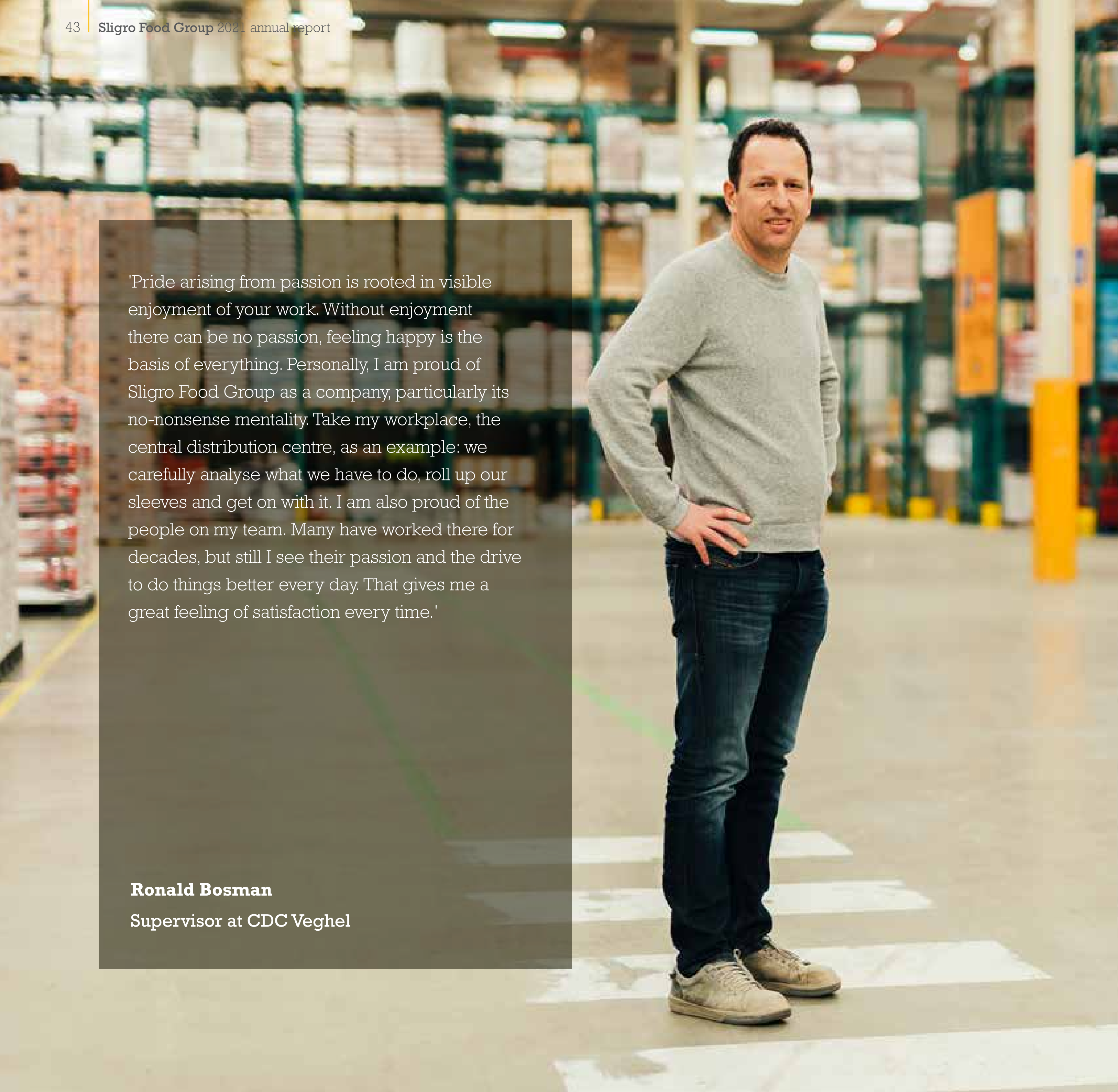
- 95% of all packaging materials to be recyclable
- 50% rPET and 25% post-consumer recycled content for other plastics
- 100% FSC/PEFC certified or recycled paper and cardboard
- 20% less packaging material

Single-use plastics

The European Single-Use Plastics Directive (SUP Directive) came into force on 3 July 2021. The Directive bans disposable plastic products such as straws, plates, cutlery and stirrers. It has had a major impact on the food service industry, not only because of the existing large volumes, but also because demand for these 'take-away' products in the hospitality industry actually went up thanks to COVID-19. Despite global disruptions to the supply chain, we succeeded in switching our 'Take Dis' Exclusive Brand away from disposables to sustainable alternatives.

Waste (as a % of total tonnage)





'Pride arising from passion is rooted in visible enjoyment of your work. Without enjoyment there can be no passion, feeling happy is the basis of everything. Personally, I am proud of Sligro Food Group as a company, particularly its no-nonsense mentality. Take my workplace, the central distribution centre, as an example: we carefully analyse what we have to do, roll up our sleeves and get on with it. I am also proud of the people on my team. Many have worked there for decades, but still I see their passion and the drive to do things better every day. That gives me a great feeling of satisfaction every time.'

Ronald Bosman
Supervisor at CDC Veghel

Pride arising from passion

Passion is the basis for you and makes all the difference. For your profession, for good, honest & delicious food and drink, and for our customers. As a result, you are willing to go the extra mile, you are proud of our products and services and you enthusiastically share the result.

Financials
(x € million)

Revenue
1,898

EBITDA
109

EBIT
25

Net profit (loss)
20

Shareholders' equity
453

Free cash flow
15

Net investments
47

Dividend per share (x €1)
-

Financial results

We believe in the strength of the Group as a whole, and encourage knowledge sharing and the optimisation of group synergies based on that conviction. The individual results of the underlying business units are of secondary importance. To facilitate this, Sligro Food Group has a high degree of (back-office) integration.

‘We capture our plans in specific goals and result areas that are clear and easy to understand for everyone.’

Governance model and policy

We stimulate a Group-based approach and try not to undermine it with complicated internal charging, accrual and approval procedures.

The Executive Board is actively involved in policy-making at all business units, as well as in policy implementation. We govern our organisation based on a medium-term strategic plan with a three to five-year horizon. To convey those strategic plans to the rest of the organisation, we capture them in specific goals and result areas that are clear and easy to understand for everyone. We challenge our people to come up with (creative) plans themselves to achieve those goals and results.

An annual plan and annual budget are put together, based on the strategic multi-year plan. On a quarterly basis, we review planning progress and make a monthly projection based on KPI reports to assess whether the targeted results will or will not be achieved if we continue along the course we have charted. We produce rolling forecasts of the financial results on a quarterly basis. If the expectation is that we will not achieve our target, we will proceed to adjust our business operations.

In governing our business operations, we draw on detailed reports on actual developments viewed from multiple perspectives. The focus when doing so is not on financial indicators but rather on clearly defined process-related key performance indicators (KPIs) that relate to operations that are within the user’s control. Given that we have similar operations at many different sites, we make widespread use of internal benchmarking to create focus and encourage the feeling of continuous improvement and healthy competition to which we aspire. On several occasions every year, we establish the correlation between the performance indicators and our financial results.

As we grow, we develop unequivocal international standards, which we communicate openly. Our Corporate Control and Internal Audit departments supervise compliance with the standards, helping us maintain the quality of our information and ensure a consistent reporting speed. The implementation of a new IT and data landscape also provides a positive impulse in this respect.

To keep improving the service we provide to our customers, we permanently invest in improvements to our online environment, data quality, logistics and store networks, and our retail brands. In the long term, the Group’s net investment scope totals approximately 2.5% of revenue.

We finance investments through long-term and short-term credit facilities, and aim for a comfortable margin in respect of the financing covenants we have negotiated. By reducing capital lock-up in operating capital, we are able to free up funds for our investments. Only if, as a result of (major) acquisitions, the margin on the financing covenants is deemed to be inadequate, we may decide to use the option of issuing shares to raise funds for investments. We have shown that we can persevere with this vision, even in the challenging times of the COVID-19 pandemic.

Development of revenue

In 2021, we generated €1,898 million in revenue, down 2.5% on last year. In the Netherlands, revenue was down by 2.6%. In Belgium, the decline in revenue amounted to 0.9%. For both countries, the change in revenue was entirely organic.

Partly as a result of tobacco legislation, revenue from tobacco products decreased by €49 million compared to a year earlier. Because our revenue excluding tobacco products continues to be hit hard by COVID-19, the share of tobacco products in our revenue is still relatively high (11%). In the months of 2021 when COVID-19 was less dominant, the share of tobacco products dipped well below 10%.

In view of the impending ERP transition, we chose to align our financial year with the calendar year with effect from 2020. This led to an extended financial year in 2020 and additional days open compared to 2021 and beyond. Those extra days in 2020 generated €21 million in additional revenue.

During part of 2020, non-cardholders in the Netherlands were allowed to make purchases at our cash-and-carry outlets. We felt this was a wise choice on the part of the government, since we as an industry were able to add the equivalent of 800 supermarkets to the total supermarket sales floor space. This extra space helped spread consumers more thinly, which was highly desirable in the fight against COVID-19. Unfortunately, the government chose not to allow this in 2021. In Belgium, non-cardholders were allowed to buy from the cash-and-carry wholesale outlets until mid-2021, a shorter period than in 2020. On balance, our revenue decreased by €24 million as a result of these policy choices.

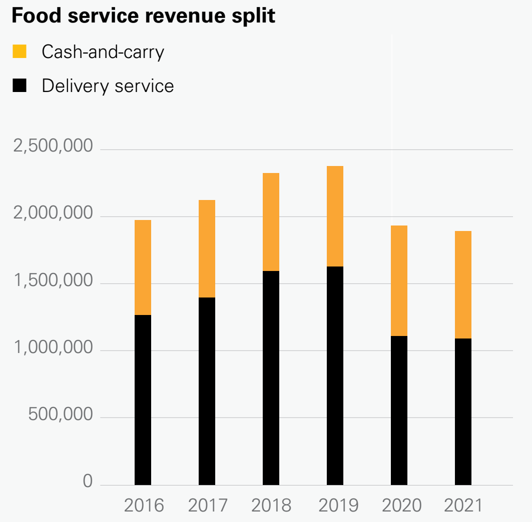
Revenue, excluding tobacco products and the 'technical effects' referred to above, did show some growth again, increasing by 2.8% compared to last year. This was quite an achievement, considering that restrictive measures for the hospitality industry were in place in the Netherlands in 2021 for eight weeks longer than in 2020. In Belgium, the situation was slightly more favourable and these restrictions were in place for three weeks less.

The changes in revenue composition, particularly the decline in tobacco products, show an effect on (relative) gross profit and costs.

Results

The abridged statement of profit or loss can be presented as follows:

x € million	2021	2020	As % of revenue 2021	As % of revenue 2020
Revenue	1,898	1,946	100.0	100.0
Cost of sales	(1,400)	(1,478)	(73.7)	(76.0)
Gross profit	**498**	**468**	**26.3**	**24.0**
Other operating income	7	4	0.3	0.2
Total operating costs excluding depreciation, amortisation and impairments	(396)	(397)	(20.8)	(20.3)
Gross operating result (EBITDA)	**109**	**75**	**5.8**	**3.9**
Depreciation and impairment of property, plant and equipment and right-of-use assets	(60)	(68)	(3.2)	(3.5)
Operating result before amortisation (EBITA)	**49**	**7**	**2.6**	**0.4**
Amortisation and impairment of intangible assets	(24)	(83)	(1.3)	(4.3)
Operating result (EBIT)	**25**	**(76)**	**1.3**	**(3.9)**
Financial income and expenses	1	(2)	0.1	(0.1)
Pre-tax profit (loss)	**26**	**(78)**	**1.4**	**(4.0)**
Income taxes	(6)	8	(0.3)	0.4
Profit (loss) from continuing operations	**20**	**(70)**	**1.1**	**(3.6)**



Gross profit

Expressed as a percentage of revenue, gross profit increased by 2.3% to 26.3%.

The decline in the share of tobacco products, with a very low gross profit margin as a percentage of revenue, explains about 0.4% of that increase.

In 2021, we changed the cooperation with our fresh partner Smeding in the Netherlands and Belgium. The consequence of this change is that Sligro Food Group has become responsible for its own operations and, instead of a relatively low fee as gross profit, now reports the full margin between procurement and sales in its figures. The associated costs are of course higher. This change took place at the start of the second quarter and had a positive year-on-year impact on gross profit of 0.3%.

We managed to reduce the negative impact of unsaleable products by €2 million compared to last year. As a percentage of revenue, this led to a 0.1% improvement over last year.

The actions we took in 2021 to improve the return on promotions paid off and we once again managed to improve our procurement conditions. We passed on part of the increases in transport, staff and energy expenses in the selling price. In addition, we again saw that shifts in the mix of the different customer segments and between cash-and-carry and the delivery services had a significant positive impact on the gross profit margin this year.

Costs, depreciation and amortisation

On balance, costs, including depreciation and amortisation, were down €68 million on last year. As a percentage of revenue, that means a decrease of 2.9% to 25.3%. If we omit the impact of impairment in both years, costs decreased by €9 million. As a percentage of revenue, that is an increase of 0.1% to 25.1%.

As explained earlier, the decrease in revenue from tobacco products had a positive effect on the gross profit margin, but this was offset by an increase in relative costs. The changes made to our cooperation with our fresh partner Smeding resulted in a higher gross profit margin, but this was also offset by higher employee expenses. Together, the combination of these two components resulted in a relative cost increase of 0.6% of revenue.

Employee expenses were €4 million lower than in the previous year. In the Netherlands and Belgium, as in the previous year, we took advantage of the NOW and TWO wage subsidy schemes to compensate for the impact of lower revenue. In 2021, the total value of this support amounted to €29 million (2020: €26 million). The additional employee expenses resulting from the change to our cooperation with Smeding added €3 million to our costs. Last year in Belgium, we incurred restructuring costs of €2 million for Océan Marée.

Logistics costs increased by €5 million compared to the previous year. This increase was partly caused by a significant rise in the rates charged by our carriers, who were confronted by considerably higher drivers' wages and diesel fuel prices. In addition, we incurred additional costs for alternative transport solutions, especially during the summer months, as the capacity of our transport partners proved insufficient to handle the explosive increase in revenue in the months following the lockdown. Finally, there were also long periods when the hospitality industry had to limit opening hours and the number of customers on premises. In terms of delivery runs, there was high activity in these phases, but the average drop size was much smaller, which increased the (relative) costs.

Selling costs declined on balance by €7 million compared to the previous year. The cost of doubtful debts decreased by over €2 million. Where possible, we facilitated our customers by offering payment agreements in the form of deferring or spreading costs. That trust we placed in them has certainly not been betrayed given that almost all these customers paid their outstanding balances in line with agreements as soon as they could. Furthermore, the number of bankruptcies among our customers remained very low in 2021. Smarter choices in terms of our marketing activities and even greater flexibility in matching the rhythm of the lockdowns resulted in worthwhile cost reductions. Unfortunately, some of our events for customers had to be cancelled as well in 2021, which also had the effect of lowering costs.

Impairment fell by €59 million compared to the previous year. The mid-2020 impairment in Belgium turned out not to be a one-off phenomenon. The impact of COVID-19 was also far-reaching in 2021 and this situation will continue into part of 2022. In the light of this, we had to adjust the projections for the coming years downwards somewhat, resulting in an, admittedly limited, impairment in 2021 of €3 million. However, given the positive developments in Belgium in 2021 and our forecast for the coming years, we are convinced that we can be operating profitably there within a few years.

Depreciation and amortisation decreased by €8 million compared to a year earlier. The investment constraints that we have imposed on ourselves for almost two years now in response to COVID-19 have resulted in a significant decrease in depreciation.

Other operating income

Other operating income increased by €3 million compared to the previous year. Book profit from sales transactions for vacant property and unused assets was similar to the previous year. Within the partnership with Heineken, we have settled some administratively burdensome periodic payments in one lump-sum payment, leading to a one-off income flow of €2 million.

EBIT

The operating result increased by €101 million, resulting in a profit of €25 million. Last year, we recognised a substantial non-cash impairment of €62 million. This year there was a limited write-down of €3 million.

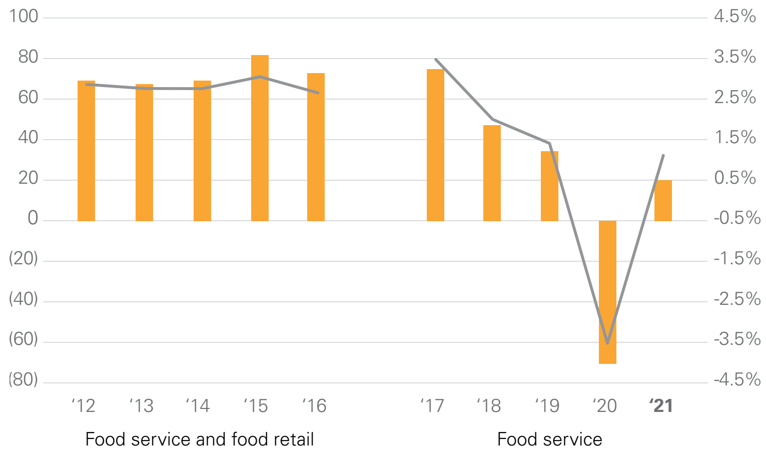
Aside from the difference in impairment, we managed to improve the operating result by €42 million, in spite of revenue that was actually slightly lower than a year earlier. The measures to control costs and constraints on the investment agenda have paid off in the short term. We are satisfied with this outcome for now. Some of these savings are sustainable in the long term, but we will have to catch up in respect of others in the coming years.

Financial income and expenses

Financial income and expenses increased on balance by €3 million compared to the previous year. Interest and finance costs decreased by €2 million, partly due to the reduced debt position. The result of our participations increased on balance by €1 million.

Food service and food retail 2012-2016
Food service 2017-2021

- Net profit
- As % of revenue



Taxation

Unlike last year, we had relatively little to report in 2021. The recognised corrections from previous years, amounting on balance to €nil, related to the settlement of the tax agreements between the Netherlands and Belgium up to and including 2020. We are currently involved in a BAPA procedure with the Dutch and Belgian tax authorities in order to make good agreements on the transfer pricing method that will apply in future years as well. In 2021, in anticipation of the final decision, we worked in accordance with this method.

Net profit

As a result of the above, net profit came in at €20 million in 2021, an improvement of €90 million compared to last year. Earnings per share are calculated on the average number of shares in issue (externally) and amount to a profit of €0.45, compared to a loss of €1.59 in 2020.

Investments

Gross investment fell in 2021, by €16 million to €49 million. As part of our COVID-19 response, we are limiting investment wherever possible. The investments in our new ERP landscape are continuing as planned. In 2021, we put our new item master data environment into use and completed the construction of our 'core ERP' environment. We now need to perform tests and resolve any small problems in the first half of 2022. We resumed the cash-and-carry network conversion programme in the Netherlands, remodelling Heerlen and Arnhem, and construction of our new central fresh produce distribution centre in Veghel is now at an advanced stage.

x € million	2021	2020
Intangible assets	24	26
Property, plant and equipment	25	39
Divestments	(2)	(52)
Net investments	**47**	**13**
Depreciation of property, plant and equipment	(40)	(48)
Impairments	(0)	(1)
Amortisation of software	(9)	(9)
Amortisation and depreciation	**(49)**	**(58)**
Net change in fixed assets	**(2)**	**(45)**

In 2020, we completed a number of sale and leaseback transactions, which resulted in exceptionally high divestment income. In 2021, we also sold further properties, which we no longer used ourselves. These properties were valued at a limited carrying amount. As a result, net investments in 2021 were, on balance, €34 million higher at €47 million, which is equivalent to 2.5% of revenue.

Financing

For our financing, we use both the capital market (for long-term financing) and the bank market (for long-term and short-term financing). Note 22 to the financial statements gives an overview of the loans and short-term borrowings from credit institutions and our bank facilities.

Falling demand in our markets had a major impact on our revenue and profits, but, by intervening in costs, investments, and by not paying dividend, we were able to manage cash flows effectively and succeeded in reducing the net debt position. The net interest-bearing debt to EBITDA ratio at year-end 2021 had fallen to a level well below the maximum under the covenants, so additional agreements with financiers were not necessary. To date, we have not gone beyond the limits set in our original covenants on any of the formal assessment occasions, and the additional credit provisions we negotiated have proved unnecessary.

With respect to liquidity, in 2021 Rabobank agreed to an extension of the committed credit line of €160 million, added in 2020, to 31 December 2022, with an option to extend it for another year. Knowing what we know today, this credit line will be more than enough to meet the group's liquidity needs.

In the coming months, we will look into which financing structure would be right for us for the medium term and take the first steps in implementing that structure. As we do so, we will also take into account the possible acquisition opportunities that we expect to arise in the coming years. In view of the constructive attitude of the parties who finance us and the way they have supported us in recent years, we are confident that we will always be able to agree appropriate solutions..

Working capital and cash flow

Our operating capital position fluctuated strongly during the year, matching the timing of the lockdown and start-up cycle in the market. If we compare the situation at year-end with that of last year, we see an increase in the operating capital requirement of €29 million.

In the fourth quarter of 2020, we used the option to defer tax payments. This resulted in a deferred position of €13 million that was eliminated after the summer of 2021. As of year-end 2021, we no longer have a deferred position.

In managing working capital towards the end of the year, particularly our inventory, we factored in the lessons learned from 2020 and 2021. Although a rigorous intervention to reduce inventory helped us protect cash flow last year, we also saw that the combination of low inventory levels and globally disrupted supply chains did nothing to aid us in quickly restarting activity after the lockdown. Based on our expectations for the recovery in 2022, we have chosen to anticipate by maintaining our year-end inventories at a higher level in cases where we can do so without exposing ourselves to a significant risk of unsaleable product.

The focused choices in our investment programme resulted in a gross investment cash flow of €44 million in 2021 (2020: €72 million). However, this was offset this year by limited income from the sale of decommissioned assets or sale-and-lease-back constructions like those used in 2020. As a result, the net investment cash flow came in at €37 million (2020: €10 million).

We have generated a free cash flow of €15 million on balance, which we used to lower our net interest-bearing debt. As a result, with a ratio of net interest-bearing debt/EBITDA of 1.8 at year-end, we remained well below the basic covenants agreed with our financiers.

As mentioned earlier, we took advantage of the NOW wage subsidy scheme in 2021. This means that we will not pay a dividend for the year 2021.

Development of working capital

x € million	2021	2020	2019	2018	2017
Current assets, excluding cash and cash equivalents	395	332	498	502	405
Current liabilities, excluding interest-bearing items	(361)	(327)	(475)	(448)	(338)
	34	**5**	**23**	**54**	**67**
As days of revenue	7	1	4	8	11

Abridged statement of cash flows

x € million	2021	2020	2019	2018	2017
Net cash flow from operating activities[1]	73	101	132	119	172
Lease liabilities paid	(23)	(23)	(18)		
Net cash flow from investing activities, excluding the net effect of acquisitions	(35)	(11)	(76)	(17)	(74)
Free cash flow	**15**	**67**	**38**	**102**	**98**
For comparison, net profit (loss) from continuing operations	20	(70)	34	46	76
Cash conversion as %	75		103	61	129
Free cash flow has been used as follows:					
Net acquisitions	0	1	(51)	0	(116)
Dividend payment and share repurchase[2]	1	1	(63)	(59)	(57)
Balance of change in debt and liquidity	(16)	(69)	76	(43)	75
	(15)	**(67)**	**(38)**	**(102)**	**(98)**

1) In 2018, this included €74 million in operating capital compensation from the EMTÉ transaction.

2) In 2018 this excluded a one-off special dividend.

'I moved across from Sligro Food Service to Bouter and have absolutely no regrets. I am so proud of this place! We always go the extra mile for our customers to help them do business smarter, faster and more efficiently. That ranges from a well thought-out kitchen design to discussing Return on Investment, because they have to know what their investment will yield. We're always looking to collaborate internally too, with our colleagues at Food Service, for instance. After all, a fabulous kitchen with no food is pretty useless... We support and reinforce each other. I really get a kick out of that teamwork.'

Pepijn Kraan
Key Account Manager
Bouter

Gutsy enterprise

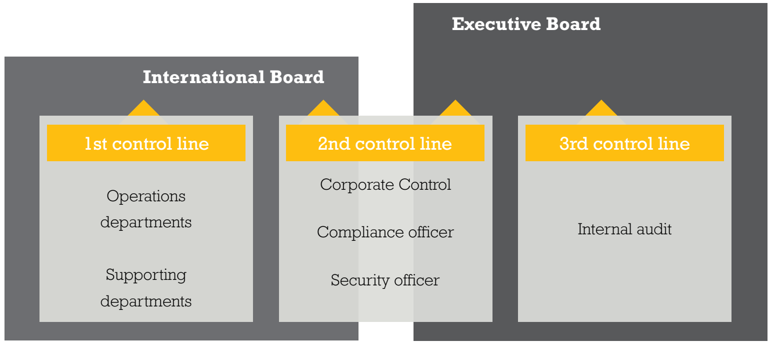
You believe in growth, see opportunities and what is needed. You show initiative and follow through on things. You are not afraid to go off the beaten path if you have good reason for doing so. You speak up and like to share your ideas in order to get everyone enthusiastic and on board.

Risk management

Risk management responsibility

Identifying and responding to potential events and risks that may affect the Group's strategy or continuity is something that we focus on continuously. It is our conviction that risk management needs to be part of all our employees' day-to-day thinking and working, not because the law requires it to be, but because it feels natural and is the right thing to do.

The Executive Board has ultimate responsibility for being in control of the Group, and therefore also for risk management. In this respect, the Executive Board is supported by the International Board, the Corporate Control department, the Compliance and Security Officers, and the Internal Audit function. The Executive Board meets with the Supervisory Board to identify and assess opportunities and threats in the market in which we operate, and how they impact on our business model.



The operations and support departments are the most directly focused on delivering goods and services to our customers. The second-line positions provide additional expertise, support and supervision to the operations and support departments in relation to risk management, and challenge them when necessary. Corporate Control facilitates risk awareness and operationalisation of the associated control measures within our organisation, which they also monitor. The Compliance Officer is the person in charge of overseeing compliance with laws and regulations across Sligro Food Group. He ensures that the company's operations and the conduct of its employees is in line with requirements set by the legislator, and that new laws and regulations are implemented on time and in full. The Corporate Information Security Officer (CISO) supports the Executive Board in defining and monitoring the (information) security policy. The Corporate Control department, the Compliance Officer and the CISO work closely together in supporting departments such as Legal, IT, Finance, and Programme and Process Management.

Internal audit is an independent and objective function that provides risk-based and objective assurance, advice and insight to support the Executive and Supervisory Boards in their efforts to enhance and protect the value of the organisation. The internal audit function helps Sligro Food Group achieve its objectives by applying a systematic and disciplined approach to evaluating and improving the effectiveness of governance, risk management and control processes.

Risk management and control systems

In recent years, we have continually taken steps towards more formalised monitoring processes, appropriate to our international growth, in order to stay in control. Such formalisation must, however, be balanced with the (informal) hands-on entrepreneurial spirit that exists across our company. After all, we want our people to keep thinking for themselves and identify both risks and opportunities, instead of blindly going by lists. Thankfully, this is embedded in our culture, and we therefore consider our culture the main soft control that protects us from the inside against many risks and forms of fraud. In these times of relatively high staff turnover across the market and as Sligro Food Group grows and becomes more international, we therefore continue to focus heavily on preserving the strength of our culture.

We approach risk management from a strategic perspective, and subsequently translate risk management efforts to processes, people and systems on an operational level. During the past year, the Corporate Control department made further progress in supporting the Executive Board in its risk management efforts by further expanding and rolling out an Internal Control Framework (ICF) and sharing information with the Executive Board on the status of the various business processes and planned and implemented improvement measures. The ICF maps out the risks and associated control measures required for each business process, and it was applied to the Group’s main primary processes throughout 2021. Its scope was also extended to include our IT and HR processes last year. Corporate Control also provided advice, support and supervision in relation to designing and testing the control measures applicable to the processes within the new IT landscape last year.

In 2021, all the existing controls in the Internal Control Framework were reassessed and the new controls relating to IT and HR processes were also discussed with relevant departmental managers. Furthermore, based on a revised risk assessment and in consultation with the operations or support departments, some controls were strengthened or replaced. Action plans were put together by the responsible members of the International Board and their teams for controls that did not yet exist (or only partly existed) or did not work properly. The majority of these actions were set in motion in 2021. Some actions will be handled as part of the implementation of the new IT landscape, and a small number remain outstanding. The main focus points remain updating and communicating the policy, authorisation management and controls relating to master data changes. These are also the areas with the greatest improvement potential for IT and HR processes.

The ICF will not be expanded further in the coming year. Instead, the Corporate Control department will focus its attention on verifying the existence and operation of the ICF's control measures. The basic principle in all of this will always be for people to think for themselves and understand why certain control measures are important and what responsibility they have. The Corporate Control department will inform the Executive Board on compliance with the control measures and also provide advice and support to the operations and support departments on possible improvements of the measures.

In 2021, the Corporate Control department, in cooperation with Heineken’s Process and Control Improvement department, investigated and advised on possible improvements of the control measures associated with the administrative processes relating to ‘one order, one delivery, one invoice’. It also provided support and advice to the Finance Department in the Netherlands last year, in relation to setting up and implementing the Tax Control Framework (TCF).

Based on the identified tax risks and risk appetite, to aid us in enforcing the tax policy, we registered the internal control measures for the relevant processes in the TCF and established their existence. In principle, the TCF includes all taxes applicable to us within the Netherlands, the most important of which are corporation tax, sales tax, payroll tax, import duties and excise duties. The design and existence of the control measures have been reviewed by the Dutch tax authorities. We will also introduce the TCF in Belgium in the coming years.

Using state-of-the-art analytical tools in combination with a central data warehouse where virtually all operating and financial data is stored, the Corporate Control department monitors selected high-risk processes and special developments. Data analyses and spot checks are used to verify administrative and tax processes for proper application of laws and regulations and compliance with internal procedures. In 2021, the risks to the administrative processes were critically examined and efficiency improvements were made to the analyses. Given that the Group has similar operations at many different sites, internal benchmarking is a much-used resource, whereby management information supports the internal audit function and vice versa.

The Internal Audit function was revised during 2021. In the fourth quarter, the mission, powers and responsibilities of the Internal Audit function were discussed, adjusted and approved by both the Executive Board and the Audit Committee. The audit plan for the coming year was also presented.

Thanks to the centralised approach and the International Board’s and central staff departments’ highly direct governance and monitoring of business processes, the Group has all but eliminated the possibility of coming up against ‘surprises’ in the administrative processes.

Our main risks

In the autumn of 2021, the International Board devoted extensive time and attention to assessing the main risks that could potentially impact the realisation of the '2025 Strategy' objectives, and the control measures and possible specific actions that needed to be implemented to mitigate these risks and to take advantage of the opportunities that these risks might offer if they were to materialise. CSR topics such as the impact of climate change, the transition to a circular economy and increasing legislation and regulations relating to sustainability were included in full in the risk assessment. In the coming year, in line with expectations regarding the CSRD, we will report more explicitly on possible longer-term risks and control measures in these areas.

Compared to the risks we considered most important a year ago, we now see some changes. We have seen an increase in the risk of raw materials and commodities shortages during the past year, and, when the economy started up again following relaxation of the COVID-19 measures, it became clear to us that on-time delivery and availability of the items ordered by our customers is very important to them and therefore also to us. We expect shortages of certain raw materials and commodities to increase globally in the coming years, so this expectation has now been added to our main risks.

In addition to labour market tightness, we also found that finding and retaining employees with the right knowledge, skills and attitude has become more difficult over the past year. The availability of people with the right competencies and enriching the competencies of our existing employees is also becoming increasingly important in our organisation due to changing processes and systems. We describe this risk as the availability of competencies and sustainable employability.

The risk associated with information and data security has certainly not reduced during the past year, but we now see it as an integral part of the risk of interruption to our business continuity, so it is no longer included separately as one of our most important risks. This year again, much attention was paid to the continuous implementation of new technologies and software for security, and to monitoring and testing their quality.

As regards these main risks, no major incidents other than the persistent COVID-19 pandemic occurred in 2021.

We are in charge of setting up control measures and performing internal audits to reduce known risks (which include the ten risks specified here) to a level that we consider acceptable.

Bearing in mind the developments in the market and internal changes, we have identified ten risks that we consider the most consequential. The risk appetite with respect to these risks has been assessed, as has the likelihood of them materialising and their potential impact. Aside from that, an assessment has been made of the extent to which we, as a Group, can influence these risks. The resulting picture is shown in the following table.

Sligro Food Group risk areas

	Likelihood	Influence	Risk acceptance	Impact
Strategic				
Loss of the Sligro Food Group culture	•••••	•••••	••	••••
New business models and diversification	•••••	•••	••	••••
Competition accelerating international consolidation in food service	•••	•••	•••	••••
Transformation programmes	•••••	•••••	••	•••••
Operational				
Availability of competencies and sustainable employability	•••••	•••	••	••••
Raw materials and commodities shortages	•••••	••••	••	•••••
Interruption of business continuity	•••••	•••••	•	•••••
Finance and compliance				
Acquisitions and integration processes	•••	•••••	•••	••••
Unpredictable developments in society	••••	••	•••	••••
Food safety	••	•••	•	•••••

• Low ••••• High

Strategic risks

Loss of the Sligro Food Group culture

Likelihood	•••••	Risk acceptance	••
Influence	•••••	Impact	••••

Risk

The Group has traditionally had a strong culture in which flexibility, entrepreneurship, strength in unity and high consideration for colleagues working in operations feature prominently. This has also sometimes led to too much ad hoc problem-solving. In the past year, more attention was given to structural prevention and improvement. The risk here is that we might go overboard with structure and lose touch with the market and operations.

Control measures

Besides being the driving force behind our company, our culture is also an important control measure in our risk management efforts. In a growing and increasingly international organisation, preserving this culture is something we focus on heavily. The People Strategy launched in 2020 offers a solid basis to help us further embed that culture now and going forward. The Executive Board and management should set an example, but it is also important to explicitly anchor the connection between Group functions and the regions in consultative structures and job profiles.

Possibilities

Our growing, international organisation and the associated organisational change calls for new skills and changes to responsibilities. We are working towards a new mix of experienced figureheads of our culture and new employees to transform Sligro Food Group into an organisation that is ready to fulfil our international food service ambition, while preserving our culture.

Strategic risks

New business models and diversification

Likelihood	●●●●●	Risk acceptance	●●
Influence	●●●	Impact	●●●●

Risk

In the markets in which we operate, competition continues to be fierce and the market landscape is becoming increasingly complex and challenging. We are seeing that the boundaries between food service and food retail are blurring, as more and more new (online) players enter the market and existing ones broaden their horizons by moving into adjacent (niche) markets.

Control measures

We closely monitor the various initiatives, assessing to what extent they impact on the course we have charted as a Group. We have opted to primarily follow our own path and develop initiatives that suit us, such as looking for strategic partnerships.

Possibilities

Whenever market developments are going faster than expected, we have the kind of flexibility and scope needed to increase the pace in our strategy accordingly.

Competition accelerates international consolidation in food service

Likelihood	●●●	Risk acceptance	●●●
Influence	●●●	Impact	●●●●

Risk

In Europe, only a limited number of parties are successful in the food service market. Some of these parties have, like us, international growth ambitions. There has been remarkably little movement during the past year, but that could change post-COVID.

Control measures

We are preparing for further international growth by further shaping policy frameworks, control mechanisms, and implementing our new IT landscape. We also continuously track developments in the market and are always alert to possible acquisition opportunities. In addition, we continuously keep an eye on our stock market valuation and yield trend as the basis for continuing to operate independently.

Possibilities

By opting to focus fully on food service in an international context, we have broadened the approach to our competitive position. In Europe, the landscape is still fragmented, with only a few parties operating (successfully) in multiple countries. As a company, we have weathered the COVID crisis well and see opportunities to consolidate further in a market in flux.

Transformation programmes

Likelihood	●●●●●	Risk acceptance	●●
Influence	●●●●●	Impact	●●●●●

Risk

The pace of developments in the market is becoming more and more frenetic. Digitalisation, fully automated distribution centres and developments in the area of sustainability are just some examples of things that are going on in the market. We are also simultaneously implementing several major changes that have an impact on our current way of working or introducing completely new concepts and working methods.

Control measures

In the People Management programme, we specifically focus on leadership and competency management to strengthen the organisation, better facilitate change and secure results. The activity of further building and developing competencies and methods relating to transformation management, and programme and portfolio management continues to be an area of high focus, with our employees also bringing the experience of good project evaluations into new programmes.

Possibilities

Strengthening competencies and methods as prerequisites for achieving proficiency in managing transitions will also make us increasingly agile in a changing society and competitive environment, and help us adapt ever better and faster to new circumstances.

Operational risks

Availability of competencies and sustainable employability

Likelihood	●●●●●	**Risk acceptance**	●●
Influence	●●●	**Impact**	●●●●

Risk
We are experiencing sharply increasing tightness in the labour market across the board; from data and analytics employees to the logistics employees in our distribution centres. In addition, the average age of our workforce continues to increase. Combined with the physical strain involved in the work in many parts of our organisation, this makes workforce ageing a matter that requires acute attention. Due to COVID-19, our delivery service revenue has been more volatile in recent years and with it the demand for staff in the distribution and transport sector.

Control measures
Over the coming years, we will be preparing for a future in which finding staff will almost certainly become more and more challenging. Possibilities for further automation at our distribution centres, standardisation of IT systems and processes, and other forms of transport are all specific areas we are currently looking into. We are also setting up our HR policy to ensure better alignment with specific needs in different segments of the labour market.

Possibilities
We are also focusing on developing solutions that allow us to serve our customers using other means of transport. By using smaller (electric) vehicles, employees will no longer need a (lorry) driving licence, allowing us to recruit from a much larger group of people who can play a role in the retail distribution of our streams. Automating distribution centres reduces our dependence on staff. In relation to the entire employee population, both communicatively and substantively, there is room to improve our current relatively low attractiveness as an employer. However, this will require a target group-oriented approach.

Raw materials and commodities shortages

Likelihood	●●●●●	**Risk acceptance**	●●
Influence	●●●●	**Impact**	●●●●●

Risk
Due to the COVID-19 crisis and related economic developments, our experiences during the past year have taught us that the availability of raw materials and commodities can have an impact on the availability of our products, packaging or construction materials. Climate change, globalisation, and laws and regulations can also lead to shortages in the longer term.

Control measures
A clear procurement strategy will increase agility. Good coordination between the procurement and supply chain departments ensures the right level of inventories. Through good communication with the customer about possible alternatives, we can maintain or increase customer satisfaction.

Possibilities
Where necessary, we will adjust or refine the procurement strategy to minimise the risk of not receiving certain raw materials or commodities. We will begin to pay more attention to spreading this risk, both geographically and across our supplier network, and increasing our understanding of how our suppliers deal with these potential shortages.

Interruption of business continuity

Likelihood	●●●●●	**Risk acceptance**	●
Influence	●●●●●	**Impact**	●●●●●

Risk
Malfunctioning systems and inadequate logistics potentially threaten the continuity of our entire business within a relatively short time span. Both the continuity of our data processing and the delivery of goods have a major impact on customer satisfaction. The many forms of cybercrime there are today and rapid developments in this area pose a serious threat. Ever busier roads and increasing congestion are also adding to the challenge of ensuring on-time delivery.

Control measures
For years, we have focused heavily on the continuity of our IT environments and we continually devote time and attention to ensuring timely implementation of new technology and software for the protection of our systems and data. In 2021, we also took further steps in working out preventive and response plans with respect to power supply continuity.

Possibilities
In the event of unexpected developments such as the COVID-19 pandemic, preventive plans and measures in the area of business continuity also enable flexibility and rapid adaptation to a changing situation.

Financial and compliance risks

Acquisitions and integration processes

Likelihood	●●●	Risk acceptance	●●●
Influence	●●●●●	Impact	●●●●

Risk
We consider acquisitions an essential part of our (growth) strategy. Despite all the precautions and due diligence, acquisitions generally involve more risk than organic growth does.

Control measures
Whenever we enter an acquisition process, we set the same high requirements on each occasion to get a good idea of the risks and opportunities involved at an early stage. This pre-acquisition process always includes due diligence. If due diligence requirements cannot be met during this phase, we do not proceed with the acquisition. Immediately after a takeover, we put together a multidisciplinary integration team with members from our organisation and the company we have acquired. Conveying the Group's cultural values is a key part of the integration process. Furthermore, we maximise the use of scripts that secure past knowledge and experience, in addition to making adjustments to the new ERP infrastructure where necessary.

Possibilities
Growth and greater scale are at the heart of our economic model, and through acquisitions we ensure profit growth and strengthen our position as an autonomous business. In addition, an acquisition automatically brings in new products, customers and concepts that we can embrace as a Group.

Unpredictable developments in society

Likelihood	●●●●	Risk acceptance	●●●
Influence	●●	Impact	●●●●

Risk
Sometimes the government, in the countries where we operate or at European level, implements drastic measures that can have a major impact on our business operations or results. Furthermore interest groups, stakeholder groups or society as a whole may also form opinions to which we as an organisation must adjust our policies or practices. Developments in corporate social responsibility will demand much of our attention in the coming years.

Control measures
Although our control over developments in society and government measures is limited, we try to track these developments as closely as possible and identify the consequences of legislation and regulations at the earliest stage possible. We do this by joining trade associations and in some cases by getting external advice. Aside from that, we aim to maintain an open dialogue with legislators and regulatory authorities to be able to manage any developments proactively. Having an agile organisation model allows us to change faster.

Possibilities
Opportunities may also arise if the measures or standards apply to the entire industry and are enforced for all competitors (level playing field). The changes often require competencies and access to investment funding that we as a market leader can manage and organise, in contrast to many, often smaller, competitors who are unable to do so. As a result, we can strengthen our position in relative terms.

Food safety

Likelihood	●●	Risk acceptance	●
Influence	●●●	Impact	●●●●●

Risk
Given that the Group primarily sells and processes food, food safety plays a key role within our organisation. Food safety issues can seriously damage our company's reputation and therefore have a major impact on business continuity.

Control measures
The measures we take in the area of food safety are primarily focused on avoiding risks for our customers and staff. We have, therefore, defined food safety from both a process perspective and a product perspective within the various parts of the organisation. Through our well-equipped quality assurance department, we make sure we work professionally in the area of quality control and set the same high requirements for the quality delivered by our suppliers and their quality assurance mechanisms, whereby compliance with these requirements is audited directly by us or by specialist bodies. On top of that, our training programmes for employees focus heavily on food safety and responsible food handling.

Possibilities
Knowledge of food safety and quality is also very important for our customers. Sharing this knowledge and inspiring customer trust by delivering goods with a guaranteed high level of quality are among our specific strengths.

Specific financial risks and contingent liabilities

Note 25 Risk management and Note 27 Contingent liabilities to the financial statements highlight a number of specific financial risks and contingent liabilities that the Group faces. The notes give further insight into the Group's credit, liquidity and market risk, while also providing a sensitivity analysis of these factors. Incidentally, we do not consider these risks to our company to be special, neither in terms of their nature, nor in terms of their scope. Where appropriate, the Group takes out insurance to cover a number of usual risks, so as to ensure, among other things, that the financial consequences of major disasters can be absorbed as much as possible.

In-Control Statement

With reference to best practice provision 1.4.3. of the 2016 Corporate Governance Code, the Executive Board states that:

a. the report provides sufficient insight into the shortcomings in the function of the internal risk management and control systems;
b. the aforementioned systems provide reasonable assurance that the financial statements are free from material misstatement;
c. it is justified based on the current state of affairs that the financial statements were prepared on a going concern basis; and
d. the report specifies the material risks and uncertainties that are relevant to the expectation of continuity of the company for a period of twelve months after preparation of the report.

Although there are no separate provisions in the 2016 Corporate Governance Code on tax-related risks and control measures, we as the Executive Board confirm that the aforementioned statement also applies to tax topics.

'Success is always a team effort. I started my working life as a hairdresser, so the move to Culivers was a huge change in my life. The work is a lot more physical and I also find being the only woman in our department quite a challenge. The most important thing? Always approach your work and your colleagues with respect, regardless of your position. I am also a maximalist; I always try to get the most out of life. And because I find teamwork so important, I try to pass on this attitude to others, new colleagues for example. You don't achieve success on your own, it's always a team effort.'

Szilvia Toth
Order picker
Culivers

Stronger together

Every colleague, supplier and customer is important to you. You work together towards achieving our common goals, help each other out under pressure, and appreciate and accept each other. You know that having different skills and talents makes us stronger. Together you look for improvements and have fun, because teamwork gets you further.

Outlook

‘Based on our multi-year strategy, we see clear opportunities to grow revenue and profitability in both the Netherlands and Belgium.’

The first few months of 2022 will be dominated by the reopening of our sales markets. As of the start of the year, the measures taken to combat COVID-19 in the Netherlands and Belgium were still in full force, which put pressure on our revenue and results. However, they are now being gradually eased. We have already seen that consumers return en masse to eating out, amusement parks, theatres and events as soon as it is allowed, and we will therefore have to scale up substantially in a short time. Preparing and successfully executing this restart will require a great deal of our attention, given the product and staff shortages in the market.

We expect cost-induced inflation to be significant in 2022. Last year’s disruptions to global supply chains and shortages of raw materials will lead to sharp rises in the purchase prices of products and services. On top of this come wage increases due to labour market scarcity and rising energy prices. We expect these price rises to work their way along the chain and ultimately be reflected in consumer prices. Although there seems to be acceptance of this in the short term, we believe that it may lead to volume decreases in the long run. Whether that will occur in 2022 or not until later is uncertain.

Within the Group, we will focus in 2022 on our six key multi-year strategic themes, which will allow us to reap the benefits of the efforts made in previous years through a calm supply chain. We will concentrate on increasing revenue from existing customers as we seek to rebuild both revenue and returns post-COVID. In 2022, our customers will be more open to offerings that really help them move forward. These offerings are ready to go and we will bring them to market after the restart.

We will continue the fine-tuning and roll-out of our new ERP landscape in Belgium. After the Belgian roll-out is completed in late 2022, we will be able to reap the revenue growth and cost reduction benefits of a single integrated infrastructure in Belgium as in the Netherlands. We will also maintain a strong focus on developing and exploiting our online proposition, to improve both the customer experience and marketing impact. At the same time, we will draw up the roadmap for a further digital transformation of Sligro Food Group over the next few years. Through our People Strategy, plenty of attention will again be paid to people and organisation. That applies not only to our current staff members, but also – by improving our positioning and communications in the labour market – to the new colleagues who join us. In terms of sustainability, we will develop a more focused long-term agenda, while also preparing for the new reporting requirements that will come into force in the near future.

One thing we have learned in the past couple of years is that it is impossible to make predictions during the COVID-19 pandemic. For better or worse, the rhythm of the market is set by the measures that the government puts in place and it is up to us to cope as flexibly as we can. This is what we have been doing and what we will continue to do in 2022, putting the experience we have gained and the lessons learned to good use. We will therefore refrain from making predictions about how it will affect our annual revenue and results.

For the longer term, we remain entirely positive about how our markets will develop and our position within them. We have a strong market position, which is something we believe can turn to our advantage in a crisis. Based on our multi-year strategy, we see clear opportunities to grow revenue and profitability in both the Netherlands and Belgium.

Netherlands

Sligro/De Kweker

Cash-and-carry sites

51

Sligro/Van Hoeckel

Delivery service sites

9

Distribution hubs for Heineken

3

Culivers/SmitVis

Production sites

2

Specialists

Bouter

Institutional kitchen specialist

Tintelingen

Online gift concepts and Christmas gifts

ZiN

Inspiration lab

Market and market size in the Netherlands

In tracking the development of the food service market in the Netherlands, we use data from FoodService Instituut Nederland (FSIN). This institute makes its market estimates based on consumer spending and also expresses the market in terms of wholesale prices, which is our benchmark. The difference between consumer spending and wholesale prices lies in VAT and the value added (incl. general price trends) by parties purchasing from wholesalers, i.e. our customers. The revenue development in consumer spending and wholesale value will, therefore, not necessarily be in sync, seeing as they involve different units. The value added included in consumer spending differs greatly from one food service market segment to the next (healthcare institutions, restaurants, corporate catering, canteens at sports clubs).

Last year, FSIN noted that its 2020 figures contained a large element of uncertainty, given COVID-19's impact on the year and the lack of clear visibility at the time over the real annual revenues of market participants. A reassessment was later carried out and the estimates for 2020 and 2019 were significantly revised. The figures for 2021 are subject to the same level of uncertainty, making them difficult to interpret.

For 2021, FSIN estimates that the food service market in terms of consumer spending has grown by 8.2% on the previous year, measured based on a calendar year. This puts market size in terms of consumer spending at approximately €13.3 billion. On that basis, FSIN estimates the value of the wholesale market at €5.0 billion, which would represent a 5.1% increase on the previous year.

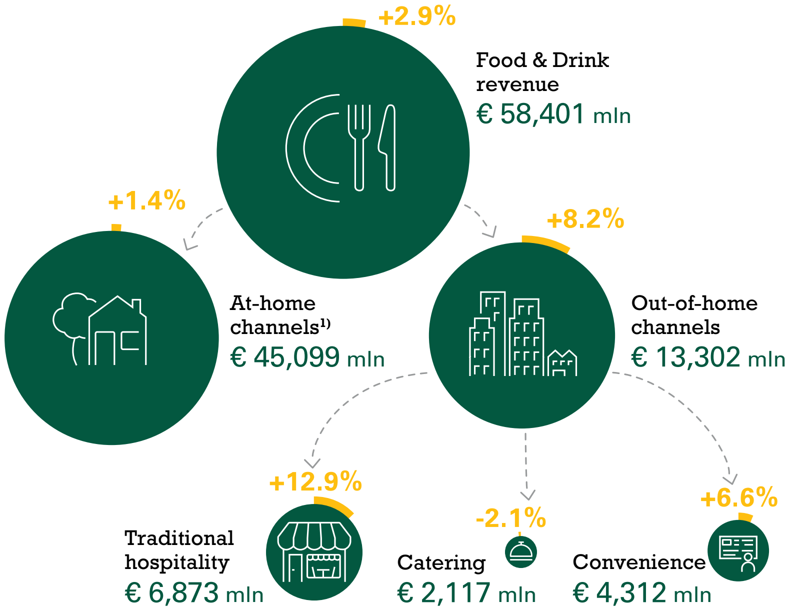
Market size in wholesale value in the Netherlands
€5.0 billion

Netherlands
17.5 million residents

Revenue in the Netherlands[2]
% growth 2020-2021

[1] Excluding non-food and supplies to hospitality

[2] Consumer spending incl. VAT



Source: FoodService Instituut Nederland (FSIN)

Consumer confidence

Source: CBS

FSIN estimates the total net revenue from food and drink sales by wholesalers to their business customers in the Netherlands, i.e. not including revenue from SMEs and private individuals, excluding the following components:

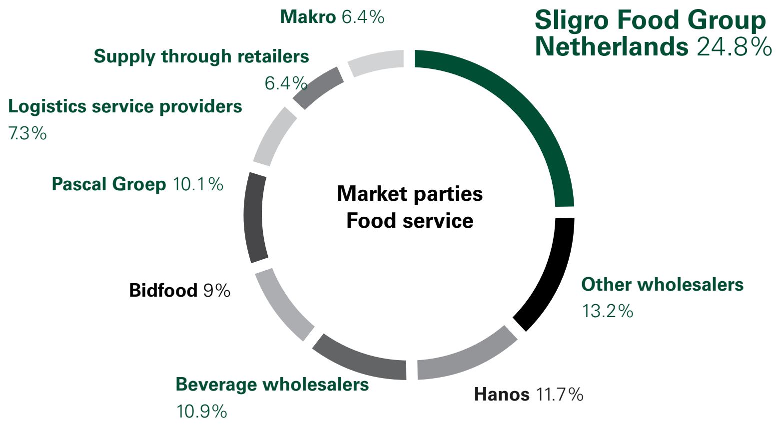
- VAT
- Tobacco products
- Non-food
- Proprietary production companies

In total, the FSIN market definition excludes over 30% of our net revenue.

Food service market parties[1)]

as a %	2021	2020	2019
Sligro Food Group	24.8	25.3	24.1
Hanos	11.7	11.7	10.2
Pascal Groep	10.1	9.2	9.0
Bidfood	9.0	9.1	9.8
Makro	6.4	6.7	5.5
Beverage wholesalers	10.9	11.3	16.1
Other wholesalers	13.2	13.2	12.1
Subtotal wholesalers	**86.2**	**86.4**	**86.9**
Logistics service providers	7.3	7.3	6.1
Supply via retailers	6.4	6.2	7.0
	100.0	**100.0**	**100.0**

1) Source: FSIN



Developments

Sligro Food Group Netherlands 2021

The year was dominated by COVID-19 and the constant scaling up and scaling down of our activities, as restrictions affecting our customers were announced and then lifted. Due to the tough lockdown measures in place at the start of the year, we ran down inventories as much as possible, reduced our agency staff numbers to nil and restricted the amount of transport hired from our partners wherever possible. This was necessary to offset the huge downturn in revenue and we accomplished it successfully. In particular, we benefited from the NOW wage subsidy scheme, which offset our salary costs and allowed us to keep our staff in full employment. The TVL fixed costs allowance was less useful, owing to the cap on the amount receivable. Our industry has a considerable fixed cost base, less than 5% of which is covered by the capped TVL.

At the end of the first quarter, we started to prepare for the reopening of our markets together with our customers and partners, and fortunately we were able to get back up to full speed by the end of the second quarter. It was pleasing to see that consumers did not shrink from getting back to normal and made full use of restaurants, theatres and amusement parks. Unfortunately, the events industry and corporate catering lagged behind somewhat and the healthcare sector, understandably, continued to turn away visitors.

We saw a decline in our tobacco revenues. This marked a return to normality, in comparison to the COVID-driven spike we witnessed among our tobacco customers the year before. Moreover, changes in tobacco legislation are increasingly leading to restrictive measures that deter sales. From our perspective, this is a fine development that will lead to a steady decline in Sligro Food Group's tobacco revenues over the next few years.

Financial results in the Netherlands[1)]

x € million

	2021	2020
Revenue	1,730	1,777
Gross profit as % of revenue	26.4	24.0
Gross operating result (EBITDA)	110	78
Net profit (loss)	31	(3)
Average net invested capital	753	760
Net investments	46	13
Operating result before amortisation (EBITA)	58	18
Operating result (EBIT)	38	(3)
Pre-tax profit (loss)	39	(4)
EBITDA as % of revenue	6.4	4.4
EBITA as % of revenue	3.3	1.0
EBIT as % of revenue	2.2	(0.1)

1) Continuing operations.

Most of the year was devoted to

scaling down

and

scaling up

our operations

Although we were delighted when our markets reopened, as we traded through the summer, we also experienced the downside of the unavoidable and drastic interventions in the preceding period. Due to globally disrupted supply chains, many of our product ranges were subject to limited availability, or were not available at all. Although our performance was certainly no worse than our competitors in that respect, because the products were not available in the entire market, our customers were disappointed. Many agency workers from Eastern Europe also returned home during the lockdown. By the time they were back and sufficiently trained to work productively, we were already having to cope with peak demand. The same applied to the drivers employed by our transport partners, and our suppliers also had problems delivering sufficient goods. In addition to these challenges, COVID-19 had a direct or indirect impact on our own employees, leading to a much higher rate of absenteeism than normal. All in all, a challenging phase in which we were not always able to offer our customers the level of service we normally provide.

Unfortunately, this phase of reopening and recovery came to an end again after the summer. A new wave of infections and subsequent increasingly restrictive measures imposed by the government resulted in new lockdowns in November and December. Naturally, we immediately deployed all possible actions within our own sphere of control as Sligro Food Group, while at the same time factoring in the lessons learned from 2020 and 2021. So we scaled down staffing, transport and inventory towards the end of the year, but less rigorously in anticipation of the markets reopening in 2022, and we will also scale up again earlier as soon as we see the first positive signs. In the short term, this leads to less efficient operations, higher costs and a greater investment in working capital to maintain inventory. However, with our customers and the longer term in mind, we feel this investment to be worthwhile.

Despite the fact that most of our time in 2021 was devoted to day-to-day operations, we still managed to focus on a number of strategically important themes, which were clustered under the annual theme of "High Five" for 2021:

Excel in customer satisfaction in the delivery segment

As previously stated, most of the year was devoted to scaling operations up and down and trying to give our customers the best service possible. Although we were not always successful in those endeavours, we very much admire, and are proud of, all the effort put in by our teams to deliver maximum performance within the envelope of all the COVID-19 constraints.

Like last year, we used the time spent in of lockdown to focus more intensively on our strategic programmes. Transferring all Sligro and Heineken customers to the new environment for one order, one delivery and one invoice was a good example. Not only did all customers have to be guided through the change from old to new, but practical matters such as harmonising (payment) terms and arranging new collection mandates had to be handled on a customer-by-customer basis. At the end of 2021, virtually all customers had been transferred.

On a positive note, for several months now, we have seen that this new proposition works and gets the desired results. Customers have given us glowing feedback regarding our proposition and we are seeing rewards in the form of a further concentration of their purchases through Sligro. Approximately one-third of these customers have started to place orders in new product categories, and this strengthens our belief that the assumptions in our business case are realistic. Together with the combined power of the Sligro-Heineken sales teams, this transfer creates major growth opportunities that we have been cashing in on in real terms since 2021.

We are steadily working on optimising our online proposition as part of our digital transformation. We developed new services on our new platform and improved performance based on a clear roadmap and input from our customers.

Excel in customer satisfaction in the cash-and-carry segment

We once again had a good year in cash-and-carry. Even when the lockdown ended, we maintained the upward trend in 2021 and managed to achieve growth in cash-and-carry revenue compared to a year earlier, despite the loss of revenue from non-cardholders (worth €22 million in 2020) and fewer days open. We see this as proof that the changes made under our 'Next Gen Cash-and-Carry' programme are catching on and contributing to revenue growth in the cash-and-carry outlets.

Developments under the 'Next Gen Cash-and-Carry' programme continued steadily through 2021, with improvements to the physical sites, product ranges, and pricing and promotion policies. In addition, we have succeeded in increasing our online visibility among our cash-and-carry customers.

In 2021, we changed how we cooperate with one of our largest fresh partners. Operational responsibility for fresh fruit and vegetables in the sales outlets transferred from Smeding to Sligro in the second quarter. Smeding remains an important partner but focuses more now on procurement, fulfilment and logistics. Under the new arrangement, Sligro is responsible for product range choices, pricing policy and operating activities in the cash-and-carry outlets.

Cash-and-carry outlets

	Number of sites as at year-end		x 1,000m² sfa[1)] as at year-end	
x € million	2021	2020	2021	2020
2.0 style	24	25	152	159
3.0 style	26	25	194	189
De Kweker	1	1	12	12
Cash-and-carry Netherlands	**51**	**51**	**358**	**360**

1) Sales floor area.

Operational excellence and returns in the supply chain

In 2021, we also focused mainly on day-to-day operations in this domain to ensure timely and complete delivery to our customers. This was not always an efficient process and sometimes required us to take additional action and incur extra costs to maintain the desired level of service to our customers. With that in mind, we see potential in this area for the coming years.

We also worked hard on a new promotional approach, involving clear-cut choices in terms of our offer and pricing. Those efforts were successful, leading to clear improvements in both revenue and profitability during the year.

It is important that we increasingly demonstrate the strength of Sligro as a whole to our customers, regardless of the channel (delivery or cash-and-carry) that they primarily use to do business with us. To promote this, we have made structural changes and adapted how sales and cash-and-carry cooperate in the regions. As a result, in both the delivery and cash-and-carry segments we are closer to regional customers and can better respond to the needs of the moment. The addition of and further growth in use of the fulfilment option from the cash-and-carry outlets for incidental drops to delivery service customers certainly contributed to this.

A happy, committed and professionally strong team

Although we are developing the initiatives under this pillar for the Group as a whole, the Netherlands is often the first country to adopt them. The extensive set of HR processes and tools that we developed and launched in 2020 were fully embraced in the Netherlands in 2021.

The roll-out of our purpose with its refreshed core values was successful and enjoyed widespread support among our employees. The feeling of being stronger as a united team and a good relationship between operations and head office are aspects we want to work on permanently. These are areas where we see room for improvement in a growing organisation like ours.

We trained and provided support for many of our managers at all levels of the organisation to help them in their managerial role within Sligro Food Group, and started a new assessment cycle for all our employees. The goal is to focus regularly on the well-being and development of our employees, in addition to talking about performance. It is encouraging to see that almost all employees in the Netherlands were able to benefit from this new way of working in 2021.

Successfully launch SAP

The introduction of SAP and the new adjoining systems means that we are launching a new system landscape for the organisation as a whole. Although the first implementation of this new system landscape will take place in Belgium, our centralised model means that many people in the Dutch organisation will also be affected. Going live with our new product master data environment required a great deal of effort on the part of our central departments in the Netherlands and we are proud to have succeeded in getting it up and running in the fourth quarter.

Plan for 2022 in the Netherlands

In 2021, we set our new strategy for the Group up to 2025, based on which we have drawn up a clear multi-year plan for the Netherlands. For 2022, the key issues under each block of the strategy plan are as follows:

Reaping, growth, and returns

After two turbulent years dominated by COVID-19, the importance of stable operational performance is greater than ever. Staff shortages at our delivery sites, as well as the shortages of drivers and products, have not gone away, but we want to be there for our customers after the lockdown. That requires preparation, as well as solutions in which we learn the lessons of the period that lies behind us.

We have seen the potential for additional sales to existing Heineken and Sligro customers, including in fresh produce, and this is something we want to capitalise on in 2022. This potential is primarily among regional customers, and with our new regional sales policy we know how we can approach and serve them even better.

We will press ahead with the conversion of cash-and-carry outlets to the 3.0 format and incorporate the initiatives from the Next Gen cash-and-carry programme. Our promotions approach will be further refined in order to optimise the balance between range, revenue and returns.

Intense customer focus

Our customers expect us to present a single face, no matter what channel they mainly use to do business with us. Improving our omnichannel proposition is therefore an area we will focus on in 2022. This is not only about digital; it is also about facilitating the customer onboarding process and integrating customer services.

In recent years, we have developed a variety of offerings for our customers that provide them with real support in their day-to-day operations. This year, the focus will be not so much on new concepts but on expanding the marketing of these existing solutions, which we will, of course, continue to develop.

Our range needs to remain in flux and respond to market trends that can affect or assist our customers. These trends are changing ever more frequently and we need to be able to react to them faster. Local sourcing, an ethnically diverse product range, vegan foods and fresh produce are all important areas in which our range will be expanded.

We are seeing more and more chain formation in the market and the rise of home delivery is now unstoppable. In these channels, our customers are asking for convenience solutions, which we can offer to the market through Culivers. This will require a different approach and operational set-up, which we will put in place over the course of the coming year.

Digital ambition

As part of our 2025 strategy, we have a clear vision of the digital developments in the market as a whole and our sector in particular. This will demand changes that we expect to have a significant impact on Sligro Food Group's technology, data and processes, as well as on our organisation, people and skills. We will use 2022 to translate our vision into a specific roadmap and plan, which we will implement step-by-step over the course of the coming years.

One thing we already know is that a number of adjustments will have to be made to our IT infrastructure before we can make any of our ambitions a reality. We will meet these essential preconditions step by step. This year, we will carry out work on the API technology, so as to make it easier to link our systems to those of the different parties we work with.

As well as developing our longer-term vision, we will continue to improve our current online offering and the associated services. This is an ongoing process and the target we have set for 2022 is challenging but achievable. The commercial benefits that we have yet to achieve in the near future are fully realisable within the current set-up. No large-scale technical adjustments are required in that regard in the coming year.

Uniform working method

The key item in this pillar remains the SAP roll-out. The roll-out is scheduled to take place in Belgium in 2022, and so this is not an essential focus area in the Netherlands this year.

In the Netherlands, however, we will be able to start phasing out old systems that we no longer use. For example, the old product master data environment will be phased out, reducing complexity while also realising the first cost savings to result from the ERP transition.

Not all of our businesses will operate in the new SAP landscape. Our fish business SmitVis and kitchen business Bouter will both switch to an ERP application that suits their processes in 2022, having already begun preparations in 2021.

In the past, we have substantially reduced our supply chain costs through a number of technical innovations. That drive to achieve small-scale innovations is something we want to revive more in the coming years. In 2022, we will organise ourselves accordingly and identify where we see the most opportunity or need for innovative mechanical solutions.

People and organisation

The considerable shortages in the labour market are unlikely to ease in the next few years. Good positioning in the labour market and good communications are important, and we have a lot to gain in this regard in the Netherlands.
We also want to strengthen our recruitment organisation and recruitment network, to ensure that Sligro Food Group maintains its access to talented new employees. Steps will be taken in both areas this year.
In the Netherlands, we have been seeing an unsatisfactory trend in our absenteeism figures for a number of years. This is a trend we want to reverse. Refining the approach to sustainable employability and vitality are important aspects of driving down absenteeism.

Corporate social responsibility

Corporate social responsibility has long been an integral part of doing business at Sligro Food Group. Recently, we have seen a surge in interest in this issue on the part of our customers as well as from other stakeholders. This calls for greater transparency, which we intend to offer and which we will make preparations for in 2022, partly with a view towards the upcoming legislative changes.

However, that is not the only aim. At the same time, more focused planning and actions are required if we want to meet our long-term sustainability targets. We will assess our current efforts and form a picture of the existing and new initiatives that will help us achieve our ambitions. An essential part of that is a vision for transport, now that many cities are expressing the goal of being CO_2 neutral by 2030.

Belgium

JAVA Foodservice

Delivery service site

1

Sligro-ISPC

Cash-and-carry and delivery service site

2

Sligro-ISPC

Delivery service with pick-up option

1

Market and market size in Belgium

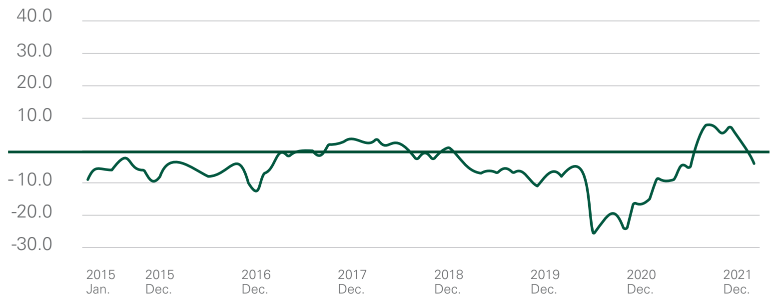
In Belgium, we use information from Foodservice Alliance to monitor developments in the market. The figures are not updated as frequently as those for the Netherlands. Foodservice Alliance has, however, produced a growth figure for the food service market using information available on the market and its own interpretations. The definition used to determine the scope of the food service market in Belgium is different to that in the Netherlands and so scope is not directly comparable.

For 2021, Foodservice Alliance estimates for Belgium that the food service market in terms of consumer spending has grown by 24.9% on the previous year, measured based on a calendar year. This puts market size at approximately €13.7 billion. On that basis, FoodService Alliance estimates the value of the wholesale market at roughly €5 billion, which would represent an increase of 30% on the previous year.

The market shares and players have not been measured consistently in recent years, meaning that, as in the Netherlands, there is no clear picture of market gainers and losers. The picture becomes even less clear if you consider, as Foodservice Alliance suggests, that almost two thirds of the market is still supplied via traditional supermarkets and fresh produce and other specialists, meaning that one third of the market is left for wholesalers.

In Belgium, our revenue developed slightly below the market as a whole. Our market share decreased slightly to around 3.3%.

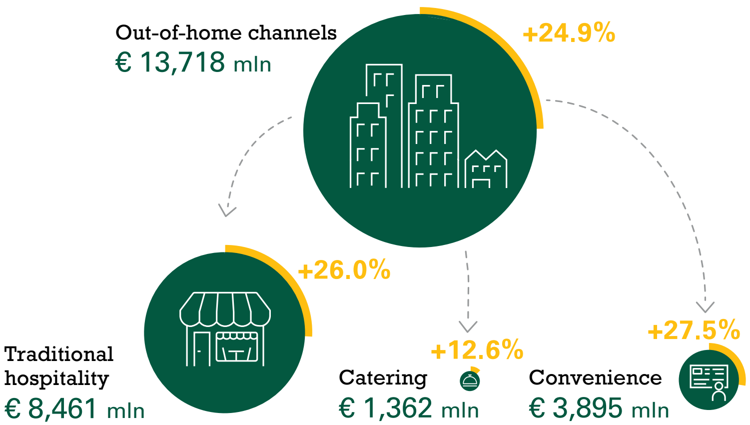
Consumer confidence



Market size in wholesale value in Belgium
approx. €5 billion

Belgium
11.6 million residents

Revenue in Belgium



Source: FoodService Alliance

Developments

Sligro Food Group Belgium 2021

Last year, the Belgian food service market exhibited a similar pattern to the market in the Netherlands. There was less variation in the impacts on different customer groups, owing to a different package of government measures but also because of a different market structure.

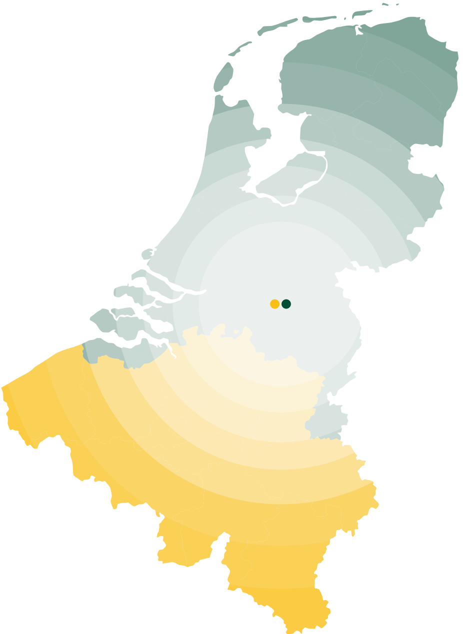
That difference was especially visible during the first six months, when the Belgian government permitted non-cardholders to buy from cash-and-carry outlets in order to relieve pressure on supermarkets. In the second half of the year, the difference in government-imposed measures was even greater. Whereas the Netherlands imposed strict rules and restrictions on hospitality businesses, the industry in Belgium was less heavily affected. Although restrictive measures were put in place during the fourth quarter, pubs and restaurants were not subject to a lockdown.

JAVA had a challenging year. As market leader in the healthcare sector, JAVA was faced with low occupancy levels in healthcare facilities and strict restrictions on visitors, leading to substantial volume decreases with existing customers. The first six months also saw a number of customers lost and a fall in revenue, partly due to personnel changes in the sales organisation. Sorting out staffing and strengthening customer relationships were thus the dominant issues in the first half of the year. We succeeded and were able to achieve a clear second-half turnaround, holding on to our existing customers while also securing some major new accounts.

Financial results in Belgium

x € million

	2021	2020
Revenue	168	169
Gross profit as % of revenue	24.9	24.5
Gross operating result (EBITDA)	(1)	(3)
Net profit (loss)	(11)	(67)
Average net invested capital	51	92
Net investments	1	0
Operating result before amortisation (EBITA)	(9)	(11)
Operating result (EBIT)	(13)	(73)
Pre-tax profit (loss)	(13)	(74)
EBITDA as % of revenue	(0.9)	(1.7)
EBITA as % of revenue	(5.6)	(6.7)
EBIT as % of revenue	(7.8)	(43.3)



Veghel

- Central Distribution Centre
- SmitVis

At Sligro-ISPC, the positive trend from previous years was maintained in 2021. Although revenues from deliveries were dictated by the rhythms of COVID-19 and the associated government measures, revenues from our cash-and-carry outlets continued to rise. Given the operational leverage effect between revenue and profitability, this was a pleasing development. Moreover, it also represents a nice structural growth in post-COVID revenues, assuming that the delivery channel returns to normal.

With a view to further boosting cost efficiency, we opted in 2020 to terminate our operations at Océan Marée and transfer the fresh fish volumes to SmitVis in the Netherlands as of early 2021. That plan was successfully completed and fish for the Belgian market has been supplied by SmitVis since the second quarter.

Last year, we were obliged to record a non-cash impairment as a result of the sharp drop in revenue due to COVID-19 and expectations of a slow recovery. Based on the knowledge available at the time, we viewed this as a one-off event. We assumed that a post-COVID recovery would occur in the course of 2021 and did not predict that we would again be confronted with restrictions of a similar magnitude at the end of the year. A new analysis of the post-COVID recovery in Belgium, based on the assumption of an ongoing but diminishing impact over the next few years, led to a limited non-cash impairment in 2021, which has been recognised in the figures.

In 2021, besides focusing on operations, we also worked on the 'High Five' areas:

Excel in customer satisfaction in the delivery segment

In delivery services, we increased the focus on account and relationship management in our sales organisation. As noted above, this was accompanied at JAVA Foodservice by some changes in personnel, which was less than ideal in terms of managing relationships. However, in the second half of the year we already saw signs that we had taken the right decisions in that regard, and we are certain that this will lead to growth in 2022. This has also given a positive boost to cooperation between Belgium and the Netherlands, as a result of which we now have all the ingredients in place to make a difference in the Belgian market.

Excel in customer satisfaction in the cash-and-carry segment

We have found that once customers in Belgium are introduced to the product ranges and service offered by Sligro-ISPC, we can build a lasting relationship with them. Both brands, JAVA and Sligro-ISPC, have also emphatically 'found' each other and the interaction and cooperation between the two teams gives both of them an attractive proposition in the market. In 2021, we focused on attracting new customers through intensive, targeted marketing, and this looks to have been a success. By making the right choices in terms of product ranges and promotion policy, we also managed to sell more to our existing customers. The combination of these two elements forms the key to further growth and profitability in the cash-and-carry segment.

Cash-and-carry outlets with pick-up option

	Number of sites as at year-end		x 1,000m² sfa[1] as at year-end	
x € million	**2021**	**2020**	**2021**	**2020**
Cash-and-carry	2	2	15	15
Delivery site with pick-up option	1	1	11	11
Total	**3**	**3**	**26**	**26**

[1] Sales floor area.

Operational excellence and returns in the supply chain

Step by step, we are creating an infrastructure in Belgium that mirrors that in place in the Netherlands. Centralising incoming deliveries at the central distribution centre in Veghel enables costs to be eliminated from the chain. In 2021, a substantial part of the product range was 'rerouted' from direct delivery to four sites in Belgium to centralised delivery at Veghel. The switch from Océan Marée to SmitVis is also increasing efficiency, now that Dutch and Belgium volumes are handled together under one roof.

A happy, committed and professionally strong team

The centrally developed HR processes and tools are increasingly finding their way into our organisation in Belgium, although, naturally, certain aspects are adjusted in line with Belgian law and regulations and historical factors are taken into account. To facilitate employee dialogue in Belgium as in the Netherlands, StakeholderWatch was implemented in Belgium at the end of 2021. Based on the baseline measurements we are currently taking there and the associated feedback, we will be able to take more targeted actions where needed in future years.

Successfully launch SAP

The conviction that we will make great strides with the new ERP landscape has been broadly embraced and supported in the Belgian organisation. Customers and colleagues experience on a daily basis how cumbersome it is to work and communicate across different systems. A clear, uniform working method based on SAP will make a huge difference in this regard. In 2021, a large amount of preparatory work was again carried out, with the preparations involving an ever-expanding group of colleagues. This gives us the confidence to go live during the coming year.

Plan for 2022 in Belgium

'We know what our optimum network in Belgium looks like in this phase, and in 2022 we will take further steps in that direction.'

Rudi Petit-Jean
Executive Managing Director
of Food Service in Belgium

In 2021, we set out our new strategy for the Group up to 2025, based on which we have drawn up a clear multi-year plan for Belgium. To a large degree, both the Strategy for 2025 and the annual plan are international and thus apply to both countries, although certain KPIs and plan segments are country-specific. For 2022, the most important topics under the strategy blocks are:

Reaping, growth, and returns

Growth and winning market share will again be the core themes in 2022. At both JAVA Foodservice and Sligro-IPSC, we see substantial opportunities in the market that we can capitalise on. JAVA is positioning itself as the number one specialist in the healthcare market that can deliver every type of package, including daily fresh produce. At Sligro-ISPC, we see that larger professional customers are on the lookout for the professional service standards that we can provide under our total concept.

We know what our optimum network in Belgium looks like in this phase, and in 2022 we will take further steps in that direction, something that in our view is partly connected to the introduction of the new ERP landscape. We will convert the Liège site to a Sligro-ISPC facility similar to the one in Antwerp, while the JAVA Foodservice distribution centre in Rotselaar will be revamped to serve as the delivery service site for the Group as a whole. We also expect to be able to start work on the construction of our new delivery service site in Ghent.

Intense customer focus

To give better shape to our customer proposition in Belgium, we are starting to measure satisfaction levels and obtain feedback through StakeholderWatch. At the same time, we expect to improve our customer proposition on a number of fronts (such as one customer number, one product number and one price) once SAP has been introduced at all sites. We see a lot of opportunities to introduce the Culivers concept to the various customer segments in the Belgian market, as well as plenty of potential for the international use of our Exclusive Brands.

Digital ambition

In 2022, our digital ambition for Belgium will be visible in the commissioning of the Group's online platform. This will allow us to offer the same functionality in Belgium that we now offer through our online portal in the Netherlands. All current and future digital features, as well as the solutions that we have built in recent years, are developed to be usable internationally as much as possible. Local management teams decide when each country is ready to start offering them.

Uniform working method

We strive to harmonise processes and systems across the whole organisation. In Belgium, a large amount of preparatory work has already been done recently to bring the process level up to Group standards, regardless of the systems. This work will continue in 2022 and will receive additional impetus from the introduction of similar systems to support it. As we have had to postpone the launch of the new landscape several times, 2022 will now be the year in which SAP goes live in Belgium.

People and organisation

In Belgium, we currently work with various personnel and planning systems. We switched to SAP SuccessFactors in the Netherlands a few years ago and this system will now be implemented in Belgium in 2022. This will also be an important step towards making improvements in staff communications. Work on setting up a 'Core Group' in Belgium will also begin in 2022, following on from the Dutch Core Group, with the aim of involving a number of key managers from both head office and operations in organisational developments and challenges and encouraging connections between head office and the regions.

Corporate Social Responsibility

While, until recently, relatively little attention was paid to CSR in the Belgian customer landscape and in the broader corporate domain, a lot of ground has been made up in the last few years. Sustainability in terms of people, product range and the environment is becoming increasingly important, and this is an area where the Group's knowledge and expertise can be put to use in Belgium. This will enable us to make the associated services and information available to our Belgian customers in addition to those in the Netherlands. The Group-level CSR steering committee operates internationally and initiates, monitors and coordinates our CSR developments in both the Netherlands and Belgium.

Governance

Executive Board member details

Executive Board

Koen Slippens (54), CEO
Employment start date: 29 July 1998
Current position since: 21 September 2008
Education: Business economics

Rob van der Sluijs (45), CFO
Employment start date: 1 October 2007
Current position since: 18 March 2015
Education: Business economics,
Registered controller

Company secretary

Gerrie van der Veeken (60)
Company secretary
Employment start date: 1 March 2005
Current position since: 1 March 2005
Education: Dutch law and tax law

International Board

Dries Bögels (49)
Executive Managing Director of Food Service Netherlands
Employment start date: 1 October 2014
Current position since: 1 January 2019
Education: Economics,
Management & Organisation

Jacqueline Touw-Conradi (55)
Chief HR Officer (CHRO)
Employment start date: 11 March 2019
Current position since: 11 March 2019
Education: Human Resources
Management

Gerrit Buitenhuis (57)
Chief Supply Chain Officer (CSCO)
Employment start date: 1 May 2016
Current position since: 1 January 2019
National Diploma in Business Studies/Economics

Maurice van Veghel (49)
Chief Information Officer (CIO)
Employment start date: 1 January 2008
Current position since: 1 January 2019
Education: Civil Engineering,
Construction IT

Bert Vanmoortel (40)
Chief Buying & Merchandising Officer (CBMO)
Employment start date: 1 November 2019
Current position since: 1 January 2021
Education: Applied Economic Sciences

Dirk van Iperen (47)
Executive Managing Director for Delivery Services in the Netherlands
Employment start date: 16 August 2013
Current position since: 16 August 2013
Education: Business economics

Kees Kiestra (53)
Executive Managing Director for Cash-and-Carry Wholesale in the Netherlands
Employment start date: 1 June 2012
Current position since: 23 August 2018
Education: Logistics Management

Rudi Petit-Jean (55)
Executive Managing Director of Food Service in Belgium
Employment start date: 15 October 2017
Current position since: 1 June 2018
Education: Commercial Information Technology,
Marketing and Business Studies.

Supervisory Board member details

Freek Rijna, Chair (66)
Supervisory Board member, Dutch nationality (m). Appointed in 2016 for four years and then reappointed to a second and final four-year term in 2020. Chair of the Holland Opera Supervisory Board, member of the CRV Holding B.V. Supervisory Board and member of the Royal Cosun Executive Board.

Hans Kamps (62) Supervisory Board member, Dutch nationality (m). Appointed in 2015 and then reappointed to a second and final four-year term in 2019. Member of the Supervisory Board at Van Wijnen Holding B.V., vice-chair of Stichting Pensioenfonds PGB and member of the Supervisory Board at Jumbo Holding B.V. (heavy lift shipping, Schiedam).

Gert van de Weerdhof (55) Supervisory Board member, Dutch nationality (m). Appointed in 2017 for four years and then reappointed to a second and final four-year term in 2021. Member of Accel Group Supervisory Board, Board Member of Mercy Ship Holland B.V., Non-Executive Director of Safestore Ltd and Member of World Wildlife Fund (Dutch branch) Supervisory Board.

Pieter Boone (54) Supervisory Board member, Dutch nationality (m). Appointed in 2020 for four years and due to step down at the AGM on 23 March 2022. Group CEO of Pick n Pay Retailers Ltd SA (since March 2021), member of the Supervisory Board at Beter Bed Holding B.V.

The composition of the Supervisory Board is in line with the profile.
All members are independent as set out in best practice provisions 2.1.7 to 2.1.9 of the Dutch Corporate Governance Code.

Report of the Supervisory Board

In our supervisory role, we on the Supervisory Board devoted attention during the past year to a number of recurring topics. To ensure that no important matter is overlooked in the discussions, we work with an annual calendar. In addition to items from the annual calendar, the meeting agenda includes matters arising from the figures for the period, market developments and opportunities, as well as key programmes and subjects such as CSR and employee engagement.

COVID-19

The year 2021 was again severely affected by COVID-19. Sales markets were hit hard, with a consequent effect on volumes at Sligro Food Group. Based on the learnings and experience from 2020, the Executive Board knew what needed to be done in order to address the impacts. Through cost savings, working capital management and limited but targeted investments, the company successfully navigated a tough first few months. The restart towards summer was more difficult, however. Despite careful preparations by Sligro Food Group itself, the huge disruptions in the labour market and transport sector and shortages in the global supply chain were so great that we were unable to maintain our usual service levels for customers at all times. This led to extra efforts and to a loss of efficiency, but ultimately our customers were always supplied. Things improved over the course of the summer, as a degree of calm returned, and good revenues and results were achieved. Unfortunately, the good times were short-lived, as COVID-19 struck again towards the end of 2021 and a full lockdown was consequently reimposed.

The Supervisory Board spent considerable time with the Executive Board discussing the consequences of COVID-19 for the Sligro Food Group business model and the actions that needed to be taken. This concerned not only the short-term effects, but also the longer-term impact of COVID-19 and how to deal with it. In essence, more flexibility in supply and process chains will be needed to address and respond to a more uncertain and erratic revenue cycle.

The Supervisory Board is very impressed with how Sligro Food Group's Executive Board and employees continue to handle the impact of COVID-19, with the calm and decisiveness required to take prompt action on investments and costs as well as quick and clear communication with all stakeholders at all times. Potential financing and liquidity risks have been anticipated and hedged in a timely manner.

The new IT landscape and cybersecurity

The company is working steadily towards the implementation of its new ERP landscape. These are inevitably complex projects, which in this case have been further hampered by the physical restrictions due to COVID-19. The combination of these factors led to a further postponement of the launch, at least for the core ERP. The new product master data environment did go into operation in November, while the new website was introduced a year earlier. The ERP implementation is of major strategic importance and we are pleased to note that the relevant executives and staff members of Sligro Food Group are pressing ahead with the project with great motivation. The added value for customers and staff, as well as the efficiency savings that a uniform landscape will allow us to achieve, make the outlook for the future highly promising.

As well as looking at developments towards the new ERP landscape, the Supervisory Board also gave regular consideration to the continuity of Sligro Food Group's existing ERP landscape. In a world in which cybercrime is an ever-present fact, it is extremely important for the Group to take adequate risk management steps. It obtains specialist assistance and advice in this regard. In 2021, Sligro Food Group was again affected directly or indirectly by the activities of cybercriminals on several occasions, but losses were prevented due to rapid detection and appropriate monitoring.

Heineken

After all the work carried out in the previous four years, we began to reap the benefits in 2021. Despite the lockdowns that marked part of the year, synergies from the business case have already been realised. For instance, a large proportion of the former Heineken customers ordered new products via the new integrated order platform, which then led to a significant expansion of customer packages after follow-up by the Sligro and Heineken sales teams, which worked closely together. This growth, which was predicted in the business case as a benefit of collaboration, now appears to be becoming a reality and is a source of motivation for the years ahead.

2025 Strategy

In the past year, the Executive Board developed its strategy for 2025. This process began with a recalibration of the 'purpose' and the core values of the Sligro Food Group. In keeping with the company's culture, the emphasis has been put on 'intense customer focus' combined with 'excellent operational performance'. With this in mind, market developments were examined along with the trends that will have the strongest effect on the Sligro Food Group's environment in the next few years. As the Supervisory Board, we believe that the Executive Board has succeeded in finding a balance between, on the one hand, the issues and initiatives for the years up to 2025 and, on the other, making conscious preparations for the phase thereafter. We consider it very appropriate that creating calm in the chain after COVID-19 and reaping the benefits of the efforts made in recent years with respect to revenue growth and profitability form part of that strategy. Further work will be performed on implementing the digital strategy before major new choices are made in this area. Besides the ongoing development of new customer propositions and the further harmonisation of work processes in the organisation, including on the basis of the new ERP landscape, plenty of attention is also paid to 'people and organisation'. In its strategy, Sligro Food Group thus emphasises that the people in the organisation form the basis for a successful future in all other strategic initiatives. Lastly, corporate social responsibility is now more explicitly anchored in the long-term strategy.

In its strategy for 2025, the Executive Board has also set very specific long-term goals, several of which are referred to in this report. This makes it an ambitious strategy whose progress can also be readily tracked over the course of the years ahead.

Supervision

In 2021, the Supervisory Board convened on its own for five sessions and together with the Executive Board for one additional session. This additional meeting mainly concerned the annual plans for 2022.

In addition to the scheduled meetings, the Chair of the Supervisory Board holds regular talks with the Executive Board, and the Chair of the Audit Committee meets with the CFO and the Internal Auditor. The latter position was refilled during the fourth quarter of the year under review.

The Supervisory Directors also held individual meetings with key company staff in consultation with the Executive Board. Due to COVID-19, no members of the Supervisory Board were present as observers at meetings of the Dutch Works Council in 2021.

The Supervisory Board has set up two committees: the Audit Committee (AC) and the Remuneration and Appointments Committee (R&AC). The plenary Supervisory Board remains responsible for all decisions, even where these have been drafted by one of the Supervisory Board committees. The committees are never chaired by the Chair of the Supervisory Board.

The Audit Committee advises the Supervisory Board and prepares its decision-making regarding the integrity and quality of the company's financial reporting and the effectiveness of the internal risk management and control systems. The Audit Committee held four meetings in 2021, during which above all the financial reporting and the internal risk management and control systems were discussed at length. The consequences of COVID-19 for Sligro Food Group's financial and liquidity position also received plenty of attention.

The Remuneration and Appointments Committee advises the Supervisory Board and prepares its decision-making regarding the remuneration policy and the selection and appointment of members to the Executive Board and Supervisory Board.

The Remuneration and Appointments Committee held two regular meetings. The main purpose of the first meeting was to determine whether the 2020 bonus targets for the Executive Board had been met (note, however, that the Executive Board waived its right to the 2020 bonus on account of the impact of COVID-19), to set the new bonus targets for the Executive Board for 2021, and to discuss the remuneration report and the three-yearly review of the remuneration paid to Supervisory Board members. The second meeting mainly concerned preparations for the three-yearly review of the remuneration paid to the Executive Board, a closer focus on the share option plan and the vacancies on the Supervisory Board. In addition to these two regular meetings, the R&AC met on two further occasions in connection with the recruitment and selection of three new Supervisory Board members.

In 2021, one Supervisory Board member was unable to attend meetings of the Board on three occasions. The other members attended all the meetings of the Board and of the committees of which they were members. The table below shows the members' attendance rates at the meetings. The Supervisory Board carried out a self-evaluation, examining and assessing its own performance and that of the committees and individual Supervisory Directors. The Supervisory Board also evaluated the performance of the Executive Board and individual Executive Board Directors.

Attendance at meetings

	Supervisory Board meetings	AC meetings	R&AC meetings
Mr Rijna	100% (6/6)	100% (2/2)	100% (4/4)
Ms Van Leeuwen	100% (3/3)	100% (3/3)	
Mr Kamps	100% (6/6)	100% (5/5)	
Mr Van de Weerdhof	100% (6/6)		100% (4/4)
Mr Boone	50% (3/6)		

Diversity policy and reporting on diversity

When selecting members of the Executive Board and the Supervisory Board, Sligro Food Group aims to choose the best candidate and achieve a balance of age, gender, work experience and educational background, while observing its general diversity policy and the applicable statutory target for gender balance. If the target has not yet been met and candidates are equally qualified, preference will be given to the candidate whose appointment would allow the company to achieve or approach this target.

As of the end of 2021, the Sligro Food Group's Executive Board comprised two men, while the Supervisory Board comprised four men.

The composition of the Executive Board has arisen through a combination of long-term employment which leads to relatively few vacancies, a preference for recruiting from within the company, and the result of recruitment and selection based on the recruitment and selection policy applied in the past, which was largely in line with the policy described above. The latter point also explains the membership of the Supervisory Board. The next time there is a change in the composition of the Supervisory Board, it will be brought into line with the statutory target. More specifically, we will present the appointment of two female and one male Supervisory Board members, in line with the statutory target, at the forthcoming General Meeting of Shareholders.

Sligro Food Group regards the recruitment and selection of members of the Executive Board and Supervisory Board as important matters and so, in addition to making use of its own network, engages specialist consultants. The attention paid by the Executive Board, the Supervisory Board and the Remuneration and Appointments Committee to the recruitment and selection processes and outside professional assistance are the primary means of ensuring that the best candidate is selected.

Relationship with the external auditors

The Supervisory Board is responsible for engaging the auditors and supervising their performance. The Supervisory Board's Audit Committee, along with the company's Executive Board, assessed the performance of the auditors during 2021. The Audit Committee discussed the 2021 audit plan, which includes the materiality and scope of the audit and the principal risks in the annual reporting, with the external auditors. It also discussed the findings and results of the audit and the content of the auditor's management letter. In the management letter for 2021, the auditor included its observations and recommendations with regard to activities at Group level, the two countries in which Sligro Food Group operates, and the IT environment.

The observations and recommendations at Group level do not differ substantially from those made in previous years. While this might imply that little progress has been made, this is far from being the case. Good progress has been made in areas such as the roll-out and use of the Internal Control Framework and Fraud Risk Analysis. These are, however, issues that will require the company's continuing attention and which remain in development. The same applies to the IT-related points in the management letter. These mainly relate to the current ERP landscape that will be replaced by the new ERP landscape. Some observations, which require major technical modifications, will not be taken to the next stage. However, mitigating actions are being implemented to address those observations.

The auditor has once again included a number of observations and recommendations for the Netherlands and Belgium, to improve the processes surrounding master data (financial and otherwise) and authorisations regarding 'non-standard' manual and automated financial processes. A number of observations have been added to those made a year ago and last year's findings have either been resolved or are in progress.

The Supervisory Board notes that the consultation between the auditor and the Executive Board concerning the auditor's management letter and the follow-up to this is constructive and that appropriate progress in improvement initiatives has resulted from this.

The Supervisory Board also notes, once again, that the auditor had not reported any material audit issues relating to the 2021 financial year requiring follow-up on the part of the Executive Board and/or the Supervisory Board. The Supervisory Board endorses the Executive Board's conclusions as regards risk management and control systems as set out on page 53.

Executive Board conditions of employment

The policy and report on Executive Board remuneration are published on the company website. The Remuneration Policy was adopted once again in the Annual General Meeting of Shareholders on 9 June 2020, with no major changes to its contents.

Once every three years, the remuneration package is benchmarked against a reference group of around twenty companies. This was done in 2021. Based on this exercise, it has been decided to raise the fixed salaries of both Executive Board members by 10% as from 1 January 2022. This results in an average increase over the past three years of 4.27%.

The bonus comprises a short-term and a long-term component. Both are awarded on the basis of performance in the year in question and quality-related targets linked to programmes that contribute to the company's long-term strategy and value creation.
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, thus linking the long-term changes in the value of this part of the bonus to long-term changes in value for shareholders.

The ratio of total bonus to fixed salary reflects an appropriate, enterprising level of incentive. The remuneration policy is based on the principle that the variable part of an individual's remuneration should not be disproportionate to the fixed component or form an excessive amount of the total remuneration. As bonuses under the long-term bonus plan and the share option plan have to be taken in locked-up shares, the variable elements of the remuneration package are also aimed at value creation.

The quality targets for 2021 were as follows:
1. ERP implementation: first version of the new ERP landscape to go 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.

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 ongoing development of the new web environment continued according to plan.

This year, COVID-19 again had a major influence on Sligro Food Group's operations, revenues and results. For these reasons, and because use was made of the NOW wage subsidy scheme in the Netherlands, the Executive Board has waived its right to the short-term and long-term bonuses awarded in 2021 (as was also the case for 2019 and 2020).

Staffing changes

Marianne van Leeuwen decided to step down as a member of the Supervisory Board of Sligro Food Group as of 31 July 2021 on account of her appointment as Director of Professional Football at KNVB.

Pieter Boone has indicated that his work as CEO of Pick n Pay Stores Ltd. leaves him with insufficient time to keep fulfilling his role as a member of the Supervisory Board of Sligro Food Group to his usual high standard over the coming years. At the General Meeting of Shareholders of 23 March 2022, Mr Boone will officially step down as one of Sligro Food Group's Supervisory Board members. Mr Boone will, however, continue to be on hand to help the Executive Board, at their request, with advice based on his broad and long-standing experience in the food service business.

In 2023, Hans Kamps will reach the end of his second term as a member of the Supervisory Board of Sligro Food Group, following which he cannot be reappointed. Hans Kamps chairs the Audit Committee. Considering the specific knowledge required to fulfil this role, the transfer of knowledge within the Supervisory Board, and the Supervisory Board's rotation schedule, we want to appoint a successor to Mr Kamps one year ahead of time to create a period of overlap and knowledge transfer.

With these changes in mind, at the General Meeting of Shareholders of 23 March 2022 and in line with Article 26 of the Articles of Association, we will nominate the following candidates for membership of Sligro Food Group's Supervisory Board:

Angelique De Vries (53, Dutch national) Ms De Vries has been working at Salesforce since September 2019, becoming the company's CEO for northern European operations in February 2020. She is also a member of the Supervisory Board of Het Noordbrabants Museum. Between 1995 and 2019, she held various positions at SAP, including that of Global Head of Presales & Solution Experience during her final five years there.

Inge Plochaet (53, Belgian national) Ms Plochaet is Chair of the Board of Konings NV and a non-executive director of Ter Beke and FaberHalbertsma Group. Between 1995 and 2015, she held various positions at AB Inbev, including that of AB Inbev UK & Ireland Business Unit President during her final five years there.

Aart Duijzer (58, Dutch national) Mr Duijzer sits on the Supervisory Boards of Royal Sanders and Royal Barenbrug. Between 2000 and May 2021, he was the CFO of Refresco. In May 2021, he became this company's part-time Executive Director for Special Projects.

Ms De Vries, Ms Plochaet and Mr Duijzer have all shown to be good candidates for a position on our Supervisory Board. These candidates' knowledge and experience will add major value to our Supervisory Board. Detailed CVs for each of these candidates will be enclosed with the agenda for the General Meeting of Shareholders of 23 March 2022. After these appointments, the Supervisory Board will consist of six members for a period of one year, following which its membership will return to five after March 2023.

Financial statements

The 2021 financial statements have been prepared by the Executive Board. They were discussed at a meeting attended by the external auditor, who provided further information on them. The financial statements have been audited by Deloitte, whose unqualified report can be found in 'Other Information' on page 142.

The Supervisory Board has approved the financial statements as prepared by the Executive Board for the financial year 2021. No dividend will be paid for 2021 (2020: no dividend).
We propose that the shareholders:
- adopt the 2021 financial statements;
- approve the profit distribution;
- grant full discharge from liability to the members of the Executive Board in respect of their management;
- grant full discharge from liability to the members of the Supervisory Board in respect of their supervision.

Finally, scaling operations up and down at the beginning and end of 2021 required almost superhuman effort. The Supervisory Board wishes to express its immense appreciation and pay a heartfelt compliment to both the Executive Board and all Sligro Food Group employees for their operational and mental resilience during the past year.

Veghel, 3 February 2022

Freek Rijna, Chair
Hans Kamps
Pieter Boone
Gert van de Weerdhof

Corporate Governance

Main points regarding the corporate governance structure

Sligro Food Group is a company incorporated under Dutch law with a two-tier management structure comprising an Executive Board and an independent Supervisory Board. Sligro Food Group N.V.'s management under the articles of association is referred to as the Executive Board in this annual report. Balancing the interests of all stakeholders involved in the Group, as required under Dutch law and the corporate governance code, has long been a key cornerstone of corporate policy. The main points of the current structure are set out below.

Executive Board

The Executive Board is responsible for managing the company, for its strategy, and for the deployment of its people and resources. The Executive Board keeps the Supervisory Board up to date on progress and developments, consults the Supervisory Board on all substantial matters, and submits important decisions to the Supervisory Board and/or the General Meeting of Shareholders for approval. The Supervisory Board notifies the General Meeting of Shareholders of proposed appointments to the Executive Board.

The Supervisory Board appoints the Executive Board and may suspend or dismiss an Executive Board member at any time. The remuneration and other terms and conditions of appointment of each Executive Board member are set by the Supervisory Board, based on the policy adopted by the General Meeting of Shareholders. Decisions on material matters are always made jointly, and all members have shared responsibility.

Supervisory Board

The Supervisory Board reviews the policy of the Executive Board and supervises the general affairs of the company. In addition, the Supervisory Board supports the Board of Directors in an advisory capacity. In fulfilling their duties, the members of the Supervisory Board are always guided by the company's interests. The Executive Board promptly provides the Supervisory Board with the information it needs to perform its duties.

Supervisory Board members are appointed by the General Meeting of Shareholders following nomination by the Supervisory Board. Supervisory Board members step down at the latest at the close of the first General Meeting of Shareholders following the day marking the fourth anniversary of their most recent appointment, and may be reappointed once. The remuneration for each member of the Supervisory Board is approved by the General Meeting of Shareholders. The Supervisory Board appoints a Chair and a deputy Chair from among its members. It also appoints a secretary who may, but need not, be one of its members. The Supervisory Board has appointed an Audit Committee, comprising two Supervisory Board members. The Supervisory Board has appointed a Remuneration and Appointments Committee, also comprising two Supervisory Board members.

General Meeting

The General Meeting of Shareholders is held within six months of the end of each financial year. Extraordinary general meetings may be convened as necessary by the Supervisory Board, the Executive Board, or one or more shareholders jointly representing at least 10% of the issued share capital.

The agenda of the General Meeting of Shareholders covers the items stipulated by the articles of association and other resolutions proposed by the Supervisory Board, the Executive Board, or shareholders jointly representing at least 1% of the issued share capital.

The principal powers of the General Meeting of Shareholders comprise the right to:

- appoint Supervisory Directors and approve the remuneration policy;
- adopt the financial statements and grant the Executive Board discharge from liability in respect of its management and the Supervisory Board in respect of its supervision during the previous year;
- resolve to amend the company's articles of association or wind up the company by a two-thirds majority of the votes cast, representing more than half of the issued share capital;
- issue shares (up to 10% of the issued share capital, plus 10% if the issue is in the context of a merger or acquisition) and restrict or exclude shareholders' pre-emptive rights (up to a maximum of 10% of the issued share capital). Subject to the approval of the Supervisory Board, the Executive Board has been granted the authority to issue shares not yet issued until 24 September 2022;
- repurchase and cancel shares (the Executive Board has been granted the authority, until 24 September 2022, to purchase paid-up shares either on the stock exchange or privately up to a maximum of 10% of the issued share capital, as stipulated in the articles of association, for a price of no more than 10% above the market price at the time of the transaction);
- approve decisions by the Executive Board on any substantial change to the identity or character of the company or the business.

Anti-takeover measures

Sligro Food Group respects the one share/one vote principle and does not have any anti-takeover defences or other protection measures.

Conflicts of interest

In 2021, there were no material transactions involving possible conflicts of interest with any member or members of the Executive Board or Supervisory Board, nor were there any transactions with shareholders owning more than 10% of the shares.

Business ethics

Trust in Sligro Food Group is essential to ensuring that our business can operate properly and successfully. This not only encompasses the trust of our employees in the company, but also the trust and confidence of customers, suppliers, shareholders, financial institutions, government bodies, media and social organisations in Sligro Food Group.

Trust in Sligro Food Group is an important element of its successful history. However, conscious effort is needed to gain and maintain trust. Trust needs to be constantly lived up to and maintained through appropriate behaviour. This is a permanent task for the Executive Board and all Sligro Food Group employees. The Code of Conduct, entitled 'Trust in Sligro Food Group', lists fourteen points as guidelines for achieving this task. The Code of Conduct applies to anyone working for Sligro Food Group, either under a contract of employment or otherwise.

In addition to the Code of Conduct, Sligro Food Group also has a whistle-blower policy. The whistle-blower policy sets out the procedures for reporting and acting on suspicions of abuse and irregularities.

We attach great importance to clarity, due diligence and transparency in respect of our stakeholders. This also applies to our financial reporting. In our opinion, that approach helps us greatly in meeting our commitment to respect the interests of all our shareholders, both large and small.

Compliance with the Code

The revised Dutch Corporate Governance Code ('the Code') was published on 8 December 2016. Except for best practice provisions 2.2.1 ('Terms of appointment and reappointment for Executive Board members') and 3.2.3 ('Severance payments'), Sligro Food Group subscribes to the principles and best practice provisions of the Code. Neither deviation is new or of a temporary nature: Sligro Food Group also deviated from these parts of the equivalent provisions in the Corporate Governance Codes of 2004 and 2008. Both deviations are appropriate to the culture of Sligro Food Group as a listed family company.

Best practice provision 2.2.1 (Terms of appointment and reappointment for Executive Board members')

Members of Sligro Food Group's Executive Board are appointed for an indefinite period, meaning that Sligro Food Group departs from best practice provision 2.2.1. This is because Sligro Food Group aims for long-term employment relationships with all its staff, including Executive Board members. Sligro Food Group prefers to appoint members of the Executive Board from within the company.

Best practice provision 3.2.3 ('Severance payments')

Sligro Food Group has not entered into agreements on the level of severance pay with any members of the Executive Board. This should be seen in the light of the fact that Executive Board members are appointed for an indefinite period and that such appointments may follow employment with Sligro Food Group in a position other than one at Board level.

Statement of directors' responsibilities

The Directors declare that, to the best of their knowledge:

1. the financial statements, as shown on pages 92 to 141 of this report, give a true and fair view of the assets, liabilities, financial position, and profit or loss over the financial year of Sligro Food Group N.V. and the undertakings included in the consolidation taken as a whole; and
2. the Directors' Report, as shown on pages 11 to 62 of this report, is a true and accurate representation of the position at the balance sheet date, the development and performance of the business during Sligro Food Group N.V.'s financial year, and of the undertakings associated with Sligro Food Group N.V. as included in the financial statements, together with a description of the principal risks and uncertainties faced by Sligro Food Group.

Veghel, 3 February 2022

Koen Slippens, CEO
Rob van der Sluijs, CFO

Corporate governance statement

This statement is included pursuant to Section 2(a) of the Decree on the Content of the Directors' Report [Besluit inhoud bestuursverslag] and is also publicly available in digital form in the Corporate Governance section of sligrofoodgroup.nl. The information that must be included in this statement pursuant to Sections 3, 3(a), and 3(b) of said decree can be found in the following sections of the 2021 directors' report. The sections referred to below should be regarded as included and repeated here:

- information on compliance with the principles and best-practice provisions of the 2016 Corporate Governance Code (page 88 'Corporate Governance'). The Code is available in the Corporate Governance section of the company's website at sligrofoodgroup.nl;
- information on the principal features of the management and control system in connection with the Group's financial reporting process (page 53 'Risk management and control systems');
- information on the functioning of the General Meeting of Shareholders and its principal powers, and on the rights of shareholders and how they can be exercised (page 87 'General Meeting');
- information on the composition and performance of the Executive Board (page 79 'Executive and International Board member details', page 87 'Executive Board', and page 84 'Executive Board conditions of employment');
- the policy on diversity in the composition of the Executive and Supervisory Boards (page 27);
- information on the composition and performance of the Supervisory Board and its committees (page 80 'Supervisory Board member details' and page 81 'Supervisory Board report');
- information on the rules for appointing and replacing members of the Executive Board and Supervisory Board (page 87 'Executive Board' and page 87 'Supervisory Board');
- information on the rules for amending the company's articles of association (page 87 'General Meeting');
- information on the powers of the Executive Board to issue and repurchase shares (page 87 'General Meeting');
- information on the change of control provisions in important contracts: a change of control provision applies in the case of the loans referred to on page 131;
- information on transactions with related parties (page 87 'Corporate Governance' and page 136 'Related parties').

To the extent appropriate, information is also given below pursuant to the Decree implementing Article 10 of the Takeover Directive [Besluit artikel 10 Overname richtlijn].

- the company's capital structure, the existence of different types of shares and the associated rights and obligations and the percentage of issued share capital represented for each type (Note 19 Shareholders' equity, page 130 of the financial statements);
- every limitation imposed by the company on the transfer of shares or depositary receipts issued with the company's cooperation (page 88 Corporate Governance);
- the mechanism for auditing a scheme that assigns rights to employees to take or acquire shares in the capital of the company or a subsidiary when the audit is not performed by the employees directly (Note H.5 Employee benefits, page 105 of the financial statements);
- every limitation on voting rights, deadlines for exercising voting rights and the issue of depositary receipts with the company's cooperation (page 87 Corporate Governance);
- the regulations regarding appointment and dismissal of Executive Board members and Supervisory Board members and changes to the articles of association (page 87 Corporate Governance);
- the Executive Board's powers, in particular to issue shares in the company and repurchase company shares (page 87 Corporate Governance);
- the main agreements to which the company is party and that are made, altered or dissolved on the condition that control over the company changes following a public offer as defined in the Dutch Financial Supervision Act, as well as the consequences of those agreements unless the agreements or consequences are of such a nature that the company is seriously damaged by notification (page 131 of the financial statements).

Financial statements

Consolidated statement of profit or loss

x € million

	Notes	2021	2020	2019
Continuing operations				
Revenue	2, 3	**1,898**	**1,946**	**2,395**
Cost of sales		(1,400)	(1,478)	(1,811)
Gross profit		**498**	**468**	**584**
Other operating income	4	**7**	**4**	**13**
Employee expenses	5	(226)	(230)	(275)
Premises costs		(29)	(31)	(30)
Selling costs		(10)	(17)	(20)
Logistics costs		(91)	(86)	(112)
General and administrative expenses		(40)	(33)	(33)
Depreciation of property, plant and equipment and right-of-use assets	11, 12	(60)	(68)	(60)
Amortisation of intangible assets	10	(21)	(21)	(22)
Impairment of property, plant and equipment	11	(0)	0	(1)
Impairment of goodwill and other intangible assets	10	(3)	(62)	
Total operating costs		**(480)**	**(548)**	**(553)**
Operating result	2	**25**	**(76)**	**44**
Finance income	8	0	0	0
Finance costs	8	(7)	(9)	(7)
Share in the result of associates	13	8	7	5
Pre-tax profit (loss)		**26**	**(78)**	**42**
Income taxes	9	(6)	8	(8)
Profit (loss) from continuing operations		**20**	**(70)**	**34**
Discontinued operations				
Profit (loss) from discontinued operations				(1)
Net profit (loss)		**20**	**(70)**	**33**
Profit (loss) attributable to shareholders of the company		**20**	**(70)**	**33**

x €1

	Notes	2021	2020	2019
Details per share				
Basic earnings (loss) per share	20	0.45	(1.59)	0.75
Diluted earnings (loss) per share	20	0.45	(1.58)	0.75
Basic earnings (loss) per share from continuing operations		0.45	(1.59)	0.78
Diluted earnings (loss) per share from continuing operations		0.45	(1.58)	0.78
Dividend proposed	19	-	-	0.55

Consolidated statement of comprehensive income

x € million

	2021	2020	2019
Net profit (loss)	20	(70)	33
Items that have been or may be reclassified to profit or loss:			
Cash flow hedges, after tax		1	1
Other comprehensive income that will be reclassified to profit or loss, after tax		1	1
Comprehensive income	**20**	**(69)**	**34**
Comprehensive income attributable to shareholders of the company	**20**	**(69)**	**34**

Consolidated statement of cash flows

x € million

	Notes	2021	2020	2019[1]
Receipts from customers		2,162	2,312	2,749
Receipts from other operating income		3	0	7
		2,165	**2,312**	**2,756**
Payments to suppliers		(1,802)	(1,936)	(2,324)
Payments to employees		(128)	(129)	(131)
Payments to the government[2]		(164)	(150)	(166)
		(2,094)	**(2,215)**	**(2,621)**
Net cash flow from business operations	29	71	97	135
Interest paid		(2)	(5)	(7)
Dividends received from participations	13	5	4	5
Income tax received (paid)		(1)	5	(1)
Net cash flow from operating activities		**73**	**101**	**132**
Acquisitions of subsidiaries	1		(0)	(52)
Proceeds from sales of subsidiaries	1	0	1	1
Purchase of property, plant and equipment	11	(21)	(45)	(105)
Proceeds from disposal of property, plant and equipment		7	62	46
Purchase of intangible assets	10	(23)	(27)	(20)
Purchase of interests in and loans to associates	13		(2)	
Other receipts from sales of interests in and repayment of loans by associates	13	2	1	3
Net cash flow from investing activities		**(35)**	**(10)**	**(127)**
Long-term borrowings drawn	22			50
Repayments on long-term borrowings	22		(67)	(14)
Change in treasury shares		1	1	(1)
Lease liabilities paid		(23)	(23)	(18)
Dividend paid			0	(62)
Net cash flow from financing activities		**(22)**	**(89)**	**(45)**
Change in cash, cash equivalents and short-term borrowings		**16**	**2**	**(40)**
Opening balance		(5)	(7)	33
Closing balance		**11**	**(5)**	**(7)**

[1] Contains the cash flows from both continuing and discontinued operations.

[2] Includes the payment of €28 million received from the government under the NOW wage subsidy scheme (2020: €19).

Consolidated statement of financial position

x € million

	Notes	31 December 2021	31 December 2020	28 December 2019
Assets				
Goodwill	10	125	125	168
Other intangible assets	10	146	149	163
Property, plant and equipment	11	282	299	362
Right-of-use assets	12	211	216	176
Investments in associates	13	55	54	50
Other non-current financial assets	13	7	8	10
Deferred tax assets	9	0	2	
Total non-current assets		**826**	**853**	**929**
Inventories	14	226	188	230
Trade and other receivables	15	131	111	228
Other current assets	16	36	30	46
Income tax	9	0	1	3
Cash and cash equivalents	17	12	13	19
		405	**343**	**526**
Assets held for sale	18	2	2	
Total current assets		**407**	**345**	**526**
Total assets		**1,233**	**1,198**	**1,455**

	Notes	31 December 2021	31 December 2020	28 December 2019
Liabilities				
Paid-up and called-up capital		3	3	3
Share premium		31	31	31
Other reserves		(4)	(5)	(7)
Retained earnings		423	403	473
Total equity	19	**453**	**432**	**500**
Deferred tax liabilities	9	22	22	26
Employee benefits provision	5	2	2	2
Other non-current provisions	21	0	0	0
Long-term borrowings	22	160	160	160
Non-current lease liabilities	12	214	218	174
Total non-current liabilities		**398**	**402**	**362**
Current provisions	21	0	3	8
Current portion of long-term borrowings	22			77
Short-term borrowings	22	1	18	26
Current lease liabilities	12	20	19	15
Trade and other payables	31	255	217	350
Income tax	9	3	1	0
Other taxes and social security contributions	23	22	37	33
Other liabilities, accruals and deferred income	24	81	69	84
Total current liabilities		**382**	**364**	**593**
Total liabilities		**1,233**	**1,198**	**1,455**

Consolidated statement of changes in shareholders' equity

x € million

	Paid-up and called-up capital	Share premium	Other reserves	Retained earnings	Total
Balance as at 28 December 2019	**3**	**31**	**(7)**	**473**	**500**
Share-based payments					
Dividend paid					
Treasury share transactions			1		1
Transactions with owners	0	0	1	0	1
Profit (loss) for the financial year				(70)	(70)
Cash flow hedge			1		1
Total realised and unrealised results	0	0	1	(70)	(69)
Balance as at 31 December 2020	**3**	**31**	**(5)**	**403**	**432**
Share-based payments					
Dividend paid					
Treasury share transactions			1		1
Transactions with owners	0	0	1	0	1
Profit (loss) for the financial year				20	20
Cash flow hedge					0
Total realised and unrealised results	0	0	0	20	20
Balance as at 31 December 2021	**3**	**31**	**(4)**	**423**	**453**

Notes to the consolidated financial statements

Summary of accounting principles

List of notes

Notes to the consolidated financial statements

A. General

Reporting entity

Sligro Food Group N.V. comprises food service companies in the Netherlands and Belgium, offering a comprehensive range of food and food-related non-food products and services. The head office of Sligro Food Group N.V. is located at Corridor 11, 5466 RB Veghel, Netherlands. Sligro Food Group N.V. is a public limited company under Dutch law and registered with the Chamber of Commerce under number 160.45.002. The consolidated financial statements cover the Company and its subsidiaries (hereinafter referred to as the Group).

Financial year

The Group amended the articles of association of Sligro Food Group N.V. and all its wholly-owned subsidiaries in 2020 and switched from a financial year based on the international week numbering system to a financial year based on the calendar year. This change means that the 2020 financial year comprises the period from 29 December 2019 to 31 December 2020, which amounts to 52 weeks and five days. The 2021 financial year comprises the full calendar year, which amounts to 52 weeks and 1 day.

B. Changes in presentation

With the exception of the changes detailed under E. New standards and interpretations, the Group has applied the accounting policies consistently for all periods covered by these consolidated financial statements.

Profit from discontinued operations

Vroegop AGF, which was acquired as part of the acquisition of Wheere in 2019, is presented as ‘Profit (loss) from discontinued operations’ in the corresponding figures for 2019. This entity’s operations have meanwhile been discontinued, but the entity itself has not yet been dissolved.

C. Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS). The Executive Board approved the financial statements for publication on 3 February 2022.

D. Accounting policies applied in the preparation of the consolidated financial statements

The financial statements are presented in euros, which is Sligro Food Group’s functional currency, rounded to the nearest million, unless stated otherwise. Percentages are calculated on the basis of the underlying figures in thousands. The financial statements have been prepared based on historical cost, except for derivatives, which are measured at fair value. Assets held for sale are measured at either the carrying amount or fair value, depending on which is the lowest, less selling costs.

Going concern

The outbreak of COVID-19 and the measures the government took in response to it have had a major impact on revenue in both the previous and the current financial year. The Group has protected its cash flow by intervening in its cost base, choosing investments with care, making use of government facilities and carefully managing its working capital. While revenue picked up over the course of 2021 and Sligro ceased to use government facilities from the third quarter of 2021 onwards, recent developments have seen the Group return to maximum care in choosing investments and managing its operating capital. The Group paid dividend neither in 2020 nor in 2021.

The impact of COVID-19 will mean that recovery to a profitable operation in Belgium will take longer than previously expected. The Group therefore recognised an impairment of intangible assets of €60 million in June 2020 and an additional impairment of €3 million in December 2021.

The measures the Group has taken in terms of cost-cutting in combination with government support under the NOW and TVL wage subsidy schemes in the Netherlands and the TWO wage subsidy scheme in Belgium, limiting investments and scrapping dividends have kept its debt position stable and the conditions of the financing covenants were met at all formal measurement points. The Group held constructive talks with its main bank and USPP financiers right at the beginning of the COVID-19 outbreak. These talks led to the broader financing conditions agreed in 2020 being extended to the end of 2022, with an option for a further extension through to the end of 2023, meaning that the liquidity margin is adequate to support the operational situation.

The following notes provide a more detailed explanation of the impact of COVID-19 and the measures taken:

- Note 5.D on the government facilities relating to support for employee expenses which the Group has taken advantage of.
- Note 6 concerning the remuneration of the Executive Board.
- Note 10 on the impairment of intangible assets as at 30 June 2020 and 31 December 2021 and the assessment of the net recoverable amount of the cash-generating units in the Netherlands and Belgium as at financial year-end.
- Note 22 concerning the additional agreements on the financing and broadening of the covenants.
- Note 23 on deferred tax payments.

The development of COVID-19 in 2022 remains uncertain and, by extension, so does its impact on our customers and revenue. As of the start of 2022, (partial) lockdown measures are in place in both the Netherlands and Belgium and it is unclear how long these will last. For that reason, the Group will continue to monitor costs and expenditure for investments very critically in 2022 as well.

The Executive Board is confident that, upon approval of these financial statements, the Group will have sufficient resources to remain operational in the near future. In compiling the financial statements, the assumption is, therefore, that the business is a going concern. The Group sees no reason to presume that it will be unable to continue its activities in the foreseeable future.

Judgements, estimates and assumptions

IFRS-compliant reporting requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported value of assets, liabilities, income and expenses. The estimates and underlying assumptions are based on past experience, as well as on forecasts and various other factors that are considered fair under the circumstances. The results constitute the basis for judgements on the carrying amount of assets and liabilities that cannot be simply derived from other sources. The actual results may differ from these estimates. The estimates and underlying assumptions are under constant review. Revisions to estimates are recognised in the period in which the estimate is revised if the revision only has consequences for that period, or in the revision period and future periods if the revision has consequences for both the reporting period and future periods.

For an explanation of the specific items in the financial statements to which judgements, estimates and assumptions apply, please see Note 28.

Impairments

Regular checks are performed for indications of the carrying amount of qualifying assets being subject to impairment. If such indications exist, an estimation is made of the recoverable amount of the asset based on the present value of projected future cash flows or the direct net realisable value. If the carrying amount exceeds the recoverable amount, an impairment loss will be charged to the result.

E. New standards and interpretations

E.1 New and amended standards effective from the 2021 financial year onwards

With the exception of the changes detailed below, the Group has applied the accounting policies consistently for all periods covered by these consolidated financial statements.

Accounting policy changes as of the 2021 financial year

The European Commission did not approve any new IFRS standards in 2021.

The following amendments to existing standards applied from 2021:

Amendment to IFRS 16 Leases - COVID-19-Related Rent Concessions after 30 June 2021

The amendment to IFRS 16 Leases ‘COVID-19-Related Rent Concessions’ applied between May 2020 and 30 June 2021. This amendment permits lessees, as a practical expedient, not to assess whether particular rent concessions occurring as a direct consequence of COVID-19 pandemic are lease modifications and instead to account for those rent concessions as if they are not lease modifications. Where possible, the Group has made use of this practical option for the rent concessions. In March 2021, this amendment was extended through to 30 June 2022. The Group made use of this extension as well. For details of the effect of this application, please see Note 12.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16 - Interest Rate Benchmark Reform - Phase 2

In order to provide more clarity on the recognition of changes in contractual cash flows and hedge relationships following the interest rate benchmark switch from an interbank interest rate (IBOR) to an alternative benchmark interest rate (risk-free rate), various standards have been amended. Given that the Group does not use derivatives, these amendments do not have a direct material impact on the Group. Phase 1, which was in force from 2020, was not relevant to the Group because it concerned hedge accounting.

The amendments do affect the Group’s loans and lease liabilities, as these contain references to IBORs and are subject to the interest rate benchmark reform.

- When the contractual conditions of the Group’s bank loans are changed as a direct consequence of the interest rate benchmark reform and the new basis for the calculation of contractual cash flows is economically equivalent to the basis as it was immediately prior to the amendment, the Group will prospectively change the basis for determination of contractual cash flows by revising the effective interest rate. If this situation occurs, no significant impact on the measurement of the loans and financial expenses is to be expected.
- When a lease is amended as a direct consequence of the interest rate benchmark reform, the Group will measure the revised lease payments based on a revised discount rate.

E.2 New standards and accounting policy changes not yet effective

The new IFRS 17 Insurance Contracts standard, which is set to take effect on 1 January 2023, is not relevant to the Group and will, therefore, not be detailed further in these financial statements.

The following amendments to the existing standards have been approved by the IASB but will not take effect until 1 January 2022:

- Amendments to IAS 16 Property, Plant and Equipment – the amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended. Instead, proceeds from selling such items, and the cost of producing those items, must be recognised in the statement of profit or loss.
- Amendments to IAS 37 Provisions, Contingent Liabilities, and Contingent Assets - the amendments are intended to create greater clarity on which costs are to be included in the cost of fulfilling a contract for assessment of whether the contract is loss-making.
- Amendments to IFRS 3 Business Combinations – the amendments update a reference to the conceptual framework for financial reporting without changing the requirements for administrative recognition of business combinations.
- Annual improvements to IFRS Standards 2018-2020:
  - IFRS 1 First-Time Adoption of International Financial Reporting Standards
  - IFRS 9 Financial Instruments
  - IFRS 16 Leases
  - IAS 41 Agriculture

The following amendments to the existing standards have been approved by the IASB but will not take effect until 1 January 2023:

- Amendments to IAS 1 Presentation of Financial Statements - clarification of whether liabilities in the financial statements are to be classified as current or non-current and further clarification of which accounting policies should be disclosed in the financial statements.
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors - clarification of the difference between amendments to accounting policies and accounting estimates.
- Amendments to IAS 12 Income Taxes – the amendments limit the scope of the recognition exemption for deferred tax related to assets and liabilities from a single transaction with equal amounts of deductible and taxable temporary differences on initial recognition.

Aside from that, amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures have been approved, but an effective date has not yet been announced. The Group does not expect application of the amendments to have a material effect on the future consolidated financial statements and will not use the option to apply these amendments before they become effective.

F. IFRS accounting policy choices

Statement of cash flows

IFRS offers two options for the preparation of the statement of cash flows, the direct method and the indirect method. IFRS prefers the direct method and the Group does too, as the direct method provides the most accurate insight into actual cash flows. A reconciliation to the indirect method has been included in Note 29.

G. Critical accounting policies

G.1 Revenue

Performance obligation fulfilment

The Group recognises revenue when the buyer takes actual possession of the goods or the service has been provided, which is established based on the time of supply.

Nature of the goods and services

Most of the Group's revenue is generated by its food service operations. On top of that, the Group generates limited revenue from commissions and services. The following will detail the nature of the goods from which the Group generates its revenue, specifying significant payment terms and when the relevant performance obligation will be considered to have been fulfilled:

Food service

Sligro's food service companies in the Netherlands and Belgium offer a comprehensive range of food and food-related non-food products. Revenue from the sale of these goods is recognised at the agreed transaction price, exclusive of sales tax, factoring in volume bonuses, the value of loyalty programme benefits, and any other agreed variable elements. Agreed variable elements are recognised to the extent that a significant reversal in cumulatively recognised income is highly unlikely to occur in the future.

At the cash-and-carry outlets, revenue is achieved when customers pay for their purchases at the checkout, because this is when the buyer takes actual possession of the goods. If goods are delivered to the customer, the transfer of title takes places when the goods are physically handed over to the customer. Revenue also includes revenue generated through collaboration with fresh partners.

Revenue is measured based on the amount agreed with the buyer in a contract, excluding any amounts charged and collected for third parties. Payment terms differ per customer group. Customers generally have a right to return goods. This right has been included in the terms and conditions governing purchase agreements. Returns can be settled through a refund or replacement with another good, and result in a reverse of the revenue. As part of commercial arrangements, we may use signing fees or advance payment of bonuses, whereby the Group will be entitled to compensation for performance obligations not yet fulfilled. These are recognised as contract assets, which relate to revenue generated during the contract term and are debited from the revenue in evenly spread instalments over the full contract term.

Services

Services provided are primarily kitchen maintenance services, logistics services, commissions and other services. Revenue from the provision of services is recognised at the agreed transaction price, exclusive of sales tax, factoring in any other agreed variable elements.
Agreed variable elements are recognised to the extent that a significant reversal in cumulatively recognised income is unlikely to occur in the future. Revenue is recognised when actual possession is transferred to the buyer, which is normally when the service is provided and has, if required, been accepted. When the Group is involved in a transaction in the capacity of agent instead of principal, revenue recognised concerns commissions received by the Group. Commissions received by the Group on behalf of third parties are not recognised as revenue.

G.2 Cost of sales

This concerns the purchase value of goods supplied. Any bonuses received from suppliers, promotional benefits and discounts will be deducted from the purchase value. Two of the main forms of benefits received from suppliers are:

- Temporarily lower purchase prices, which are generally related to special offers to buyers, with a view to increasing the direct volume sold.

In most cases, the supplier immediately applies the lower purchase prices during the agreed period. Sometimes, however, a supplier charges the normal price and the Group bills the supplier for the discount based on the volume sold. The benefit obtained through lower purchase prices is immediately deducted from the purchase value and, therefore, constitutes (partial) compensation for the lower selling price charged to customers.

- Bonuses are generally based on agreements for the whole year, and mainly come in the form of a fixed percentage or graduated percentages of the purchase value of (the growth of) total purchases. In most cases, these are settled through interim advance payments. Except bonuses, promotional benefits are also negotiated in annual talks with suppliers. These kinds of arrangements with suppliers also involve all kinds of commercial partnerships. Promotional benefits are provided either as absolute figures or as graduated or fixed percentages of the purchase value. Bonuses which can be reasonably expected are included in the measurement of inventories. Promotional benefits cannot be included, because they are intended to cover sales efforts.

G.3 Goodwill and other intangible assets

Goodwill

All acquisitions are recognised in accordance with the acquisition method. Goodwill is the difference between the fair value of the purchase consideration payable, less the amount recognised (which is generally the fair value) for identifiable acquired assets and liabilities assumed. Goodwill relating to acquisitions before 28 December 2003 equals the value allocated to it based on past reporting rules. Goodwill is measured at cost, less, if applicable, cumulative impairments. Goodwill is allocated to cash-generating units. Goodwill is not amortised, but instead there is an annual impairment test, or an impairment test at any other time of the year when there are indications of impairment, by assessing the recoverable amount. The recoverable amount of the cash-generating units, i.e. the Netherlands and Belgium, is based on an enterprise value calculation and determined by calculating the net present value of estimated future cash flows generated through the continued use of these cash-generating units. For associates, the carrying amount of the goodwill is recognised in the value of the participation. When a cash-generating unit is sold, the carrying amount of the goodwill allocated to the cash-generating unit will be included in the measurement of the book profit or loss. Expenditure for internally generated goodwill is charged to the result directly.

Other intangible assets

All other intangible assets are measured at cost less linear amortisation over the estimated service life. For customer relationships, trademarks and places of business, the economic life is estimated. If there are indications of impairment, an impairment test is performed. Expenditure for internally generated trademarks is charged to the result directly.
Software developed by third parties is capitalised at cost. Both external and internal expenditure incurred for the design, building and testing of internally developed and configured software are capitalised, provided a number of criteria, including technical feasibility, are met. Costs relating to licence agreements and maintenance contracts incurred before the software that is to be configured is taken into use are capitalised. After it has been taken into use, these costs are only capitalised if they are inextricably linked to the capitalised software. If there are indications of impairment, an impairment test is performed. This applies both to software already in use and to software under development. Capitalised software is amortised over the estimated service life as per the linear method. The Group's current investments in SAP are estimated to have an economic life of 7 years.

The following amortisation percentages are used:

Customer relationships	5 - 20
Trademarks	5 - 7
Places of business	5 - 20
Software	14 - 100

G.4 Property, plant and equipment

Property, plant and equipment are measured at cost, less linear depreciation, based on an estimation of service life, taking any residual value into account. Attributable finance costs have been factored into the cost, provided that the effect can be considered material in terms of scope or term. If property, plant and equipment consist of components with different service lives, these will be recognised as separate items (component approach).

The depreciation term of refurbishments in rented property is capped at the term of the leases. If necessary, impairments are applied. Costs involved in construction and production work performed by our construction departments are allocated to the individual construction projects. These costs are capitalised and depreciated under property, plant and equipment as part of the 'company buildings' category.

The following depreciation percentages are used:

Land	Nil
Company buildings	3 - 12½
Machinery and equipment	12½ - 33⅓
Other	12½ - 33⅓

G.5 Right-of-use assets and lease liabilities

Leases under which the Group is the lessee

The lease portfolio contains property and other leases. The ‘other leases’ category covers company-leased vehicles, IT equipment, forklift trucks and machinery. When entering into a new contract, the Group assesses whether or not it can be considered to be a lease based on the economic benefits ensuing from the use of the assets and the control over the use of the asset. Contracts that are defined as a lease are recognised on the balance sheet under right-of-use assets and lease liabilities, except for leases with a lease term of up to 12 months and low-value leases, for which practical exceptions have been applied. Leases with an intrinsic term of less than 15 years and an option for renewal have been included for up to a maximum of 15 years in order to remain in keeping with the Group’s strategic medium-term schedule.

The right-of-use assets are measured at cost, less cumulative depreciation and impairments, whereby the depreciation term is based on the term of the lease unless the projected service life of the asset is shorter than that. If necessary, impairments are applied.

The lease liability is initially measured on the basis of the present value of future cash flows, in which the discount rate is derived from the incremental borrowing rate[1)] following which the expired lease instalments are deducted. Non-lease components are not factored into the calculation of the lease liability. Lease liabilities are presented separately on the balance sheet. The lease liability is revalued upon indexation or revision of the lease, upon termination of the lease or upon renewal of the lease.
The Group has chosen to take advantage of the practical expedient of recognising rent concessions that take place as a direct consequence of the COVID-19 pandemic as if they were not rent adjustments. Cash flows from lease instalment payments for right-of-use assets are part of cash flows from financing activities, while cash flows relating to leases with a term of up to 12 months, low-value leases and non-lease components are recognised under cash flows from operating activities.

1) The interest rate at which the lessee would have been able to borrow the amount needed to purchase the asset with an equivalent term and equivalent security at the time of entering into the lease.

Leases under which the Group is the lessor

For subleases where the Group is the lessor, the master lease agreements and sublease are recognised separately, and an assessment is made based on risk and allocation of the consideration in case of sale whether the sublease is classified as a financial or an operating lease. For financial leases, the related right-of-use asset under the master lease agreement is removed from the balance sheet and replaced by the net investment in the sublease, which is recognised under non-current financial assets. The master lease agreement will in both cases continue to be recognised under lease liabilities.

H. Other accounting policies

H.1 Foreign currency

Commercial transactions in foreign currencies are converted at the exchange rate on the transaction date. Receivables and debts are converted at the exchange rate on the balance sheet date. Any resulting exchange differences are recognised in the profit or loss. Since the Group only has participations in the Netherlands and Belgium, it is not exposed to a currency risk. How derivatives are recognised is described in the following.

H.2 Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise other non-current financial assets, trade and other receivables, other current assets, cash and cash equivalents, loans, trade and other payables, and other debts.

Impairment of financial assets

The Group applies the impairment model to financial assets measured at amortised cost and contract assets. To calculate the provision, the Group uses the simplified approach provided by IFRS 9 for trade receivables and contract assets. For the other non-current financial assets, other current assets and supplier bonuses asset items, the Group uses the general approach from IFRS 9.

H.3 Other operating income

This includes rental income from property and book profit or loss on property, plant and equipment, as well as similar income.

H.4 Costs in general

Costs are broken down into categories for specification. The same category structure is also used for internal purposes. Costs are allocated to the year to which they relate.

H.5 Employee benefits

Defined contribution plans

Liabilities relating to contributions to defined contribution pension plans are recognised in the statement of profit or loss as expenses as and when they are payable. This goes for virtually all of the Group's top-up and other plans, including plans for specific occupational groups, such as for fruit and vegetable specialists and butchers, who are enrolled in industry-wide pension funds. These plans qualify as defined contribution plans, because the Group only has to pay the premiums agreed and is, other than that, not exposed to actuarial and other risks over the past period of service.

Defined pension plans

The Group currently does not have any defined pension plans.

Long-term employee benefits

The Group's net liability on account of service anniversary benefits is the amount of the future benefits that are to be allocated to the professional performance of the employees over the reporting period and prior periods. This liability is calculated using the projected unit credit method and is discounted to the present value.

Share option rights

The current share option plan was revised in 2020. Share options are awarded on the condition of continuation of service. The fair value of share options is charged to the result over the term of the share option rights using the linear method. Profits on share options are paid out entirely in shares. These shares are subsequently locked up for a period of one year for employees and four years for Executive Board members. Share options are recognised entirely as equity settled. The locked-up shares are administered by Stichting Werknemersaandelen Sligro Food Group.

Government facilities in respect of employee expenses

Financial concessions from the government in connection with COVID-19 to compensate the payroll bill are deducted from the employee expenses.

H.6 Finance income and costs

This concerns interest payable to third parties and comparable costs, less interest receivable from customers for loans granted and/or deferred payments. Interest expenses on leases are also recognised under this item. Finance income and costs are recognised in the statement of profit or loss, unless these can be allocated directly to the acquisition, construction or production of an eligible asset. Calculation is based on the effective interest method.

H.7 Results of associates

This concerns the Group's share in the net result of associates and in income from the sale of associates' shares.

H.8 Income taxes

Taxes recognised in the statement of profit or loss concern income tax payable for the financial year, as well as movements in deferred taxation, unless these taxes relate to items that are included in shareholders' equity directly. Taxes payable for the financial year are the projected taxes payable on the taxable profit and also include corrections for taxes payable for prior years. The effective tax rate is affected by tax incentives and items that are not or only partly tax-deductible. The provision for deferred tax liabilities ensues from temporary differences between fiscal and financial accounting policies. No provisions have been created either for goodwill that is not tax-deductible, or for participations that qualify for the participation exemption. The provision is calculated at the tax rate as on the balance sheet date or at the rate that has already been decided on the balance sheet date.

H.9 Non-current financial assets

Associates are measured based on the equity method and are, upon initial recognition, measured at cost, including the goodwill established upon acquisition, but excluding acquisition expenses. The measurement will not be below nil, unless the Group is under an obligation to fully or partially make up losses, and/or has raised realistic expectations that it will do so. Unrealised results between entities within the Group are eliminated. Other non-current financial assets concern, among other things, subleases for property let by the Group. These leases are measured at the present value of the future cash flows. Aside from that, mainly interest-bearing loans to customers and loans to associates are recognised under other non-current financial assets. These are measured at amortised cost, less impairments.

H.10 Inventories

Inventories are measured at cost, calculated on a FIFO basis, or lower market value. The market value is the estimated sale value under normal circumstances, less selling costs. The measurement includes internal distribution costs, while bonuses are deducted.

H.11 Trade receivables and other current assets

Upon initial recognition, trade receivables are recognised at the transaction price and subsequently at amortised cost, less impairments. Impairments are determined based on the expected credit loss (ECL) model, as per IFRS 9. Debtors in major financial difficulty and accounts receivable where the due date of outstanding invoices has been exceeded significantly are classified as doubtful debts. For trade receivables from doubtful debts, a separate provision is created, without using the ECL model. If there is no reasonable expectation that doubtful debts will be paid, they are written off.

H.12 Assets held for sale and directly related liabilities

Assets are classified as 'held for sale' if it is highly likely that their carrying amount will be realised primarily through their sale and not through the continued use of these assets. Such assets are generally measured at the carrying amount or lower fair value less selling costs. Impairment losses on a group of assets and liabilities that are to be disposed of will initially be allocated to goodwill and subsequently to the remaining assets and liabilities on a pro rata basis, on the understanding that impairment losses will not be allocated to inventories, financial assets, deferred tax assets, assets under employee benefits or investment property, which will continue to be measured in accordance with the Group's other accounting policies. Impairments ensuing from the initial classification as 'held for sale' and gains or losses produced by revaluation after initial recognition are recognised in the result. Once they have been classified as held for sale, intangible assets and property, plant and equipment are no longer amortised or depreciated.

H.13 Cash and cash equivalents

Cash and cash equivalents consist of cash and bank balances, as well as deposits, and are measured at their nominal value. Bank overdrafts that are repayable on demand and that are not an integral part of the Group's cash management, are part of the cash, cash equivalents, and short-term borrowings in the statement of cash flows.

H.14 Provisions

The provision for deferred tax liabilities is recognised at nominal value based on the rate at which the liability is expected to be settled and is detailed in the note to Income Taxes. The employee benefits provision is detailed in the note to Employee Benefits. The other non-current provisions concern existing liabilities for guarantee provisions estimated at the amounts that will probably be payable for them in the future, as well as the restructuring provision. A restructuring provision is recognised when the Group has approved a detailed and formalised restructuring plan and the restructuring has either already commenced or been announced publicly. If the effect is material, these provisions are calculated at net present value. Future operating losses are not expected.

H.15 Interest-bearing loans

Upon initial recognition, interest-bearing loans are measured at fair value, less attributable transaction costs. After that, they are measured at amortised cost based on the effective interest method.

H.16 Other liabilities and accruals and deferred income

Upon initial recognition, these are recognised at the transaction price and subsequently at amortised cost.

I. Consolidation principles

Subsidiaries are entities over which Sligro Food Group N.V. has dominant control. Subsidiaries are included in the consolidation in their entirety. Sligro Food Group N.V. is the holding company for the following wholly-owned subsidiaries:

Sligro Food Group International B.V., Veghel

- **Sligro Food Group Nederland B.V., Veghel**
- Bouter B.V., Zoetermeer
- Tintelingen B.V., 's-Hertogenbosch
- Exploitatiemaatschappij Wheere B.V., Amsterdam
  - Vroegop Ruhe & Co B.V., Amsterdam
    - L.A.J. Duncker B.V., Amsterdam
    - B.V. Levensmiddelengroothandel 'De Kweker', Amsterdam
    - Vroegop A.G.F. B.V., Amsterdam

- **Sligro Food Group Belgium N.V., Rotselaar**
- Océan Marée N.V., Anderlecht

The effectiveness of the Group's legal structure is assessed on an annual basis, whereby simplicity is the primary criterion. The subsidiaries Van Hoeckel B.V. and Sligro B.V. merged with Sligro Food Group Nederland B.V. in the 2021 financial year. The following four subsidiaries, which had ceased operating, were dissolved: Sligro BS Breda B.V., Sligro BS Deventer B.V., Sligro BS Maastricht B.V., and De Dis B.V.

Associates are entities where the Group has significant influence over the financial and operating policy, but over which the Group does not have control. The consolidated financial statements include the share in the comprehensive income of the associates based on the equity method. Subsidiaries and associates are included in the consolidated financial statements from the start date of control or significant influence and until the date on which such control or influence ends.

Intra-group items and any unrealised profits or losses on these transactions are eliminated upon preparation of the consolidated financial statements.

J. Segment reporting

The organisational structure of the Group mirrors its international ambitions. A distinction is made in the results between the segments in the Netherlands and Belgium. Segments are reported in line with internal reporting to the Chief Operating Decision Maker (CODM). The Executive Board has been identified as the highest-placed officer (CODM) and is responsible for the allocation of resources and the audit of the segments' performance. The internal reports and KPIs perfectly match the accounting policies used for the consolidated financial statements.

K. Earnings per share

The Group presents both basic and diluted earnings per share. Net earnings per ordinary share are calculated based on the dividend payable to the Group's shareholders, divided by the weighted average number of ordinary shares in issue during the reporting period. To calculate diluted earnings per share, the dividend payable to shareholders and the weighted average number of ordinary shares in issue during the reporting period are adjusted for the diluting effect that share options awarded to employees have on the ordinary shares.

L. Discontinued operations

Discontinued operations are a component of the Group's operations that involve activities and cash flows that are clearly distinguishable from the rest of the Group, and that:
- represent a separate significant operation or geographic business territory;
- are part of one coordinated plan to dispose of a separate significant operation or geographic territory; or
- are a subsidiary that was acquired exclusively for the purpose of being sold on.

Operations are classified as discontinued operations on the date of disposal or, if this is before that date, when the operations meet the criteria for classification as held for sale.

1. Acquisition, participation and disposal of operations

The beer and cider operations in De Kweker's delivery service were sold to Heineken in October 2020 for the sum of €1 million. The Group has not acquired or sold any operations over the current financial year.

2. Segment reporting

Our organisational structure mirrors our international ambitions. We now have a management team and local operations and sites in the two segments of the Netherlands and Belgium. These segments are defined on the basis of their geographical location, given the importance of maintaining relationships with customers and understanding local market conditions.

The Netherlands segment includes the cash-and-carry and delivery service operations under the trademarks Sligro, De Kweker and Van Hoeckel, as well as the specialist production companies for convenience SmitVis and Culivers, Bouter institutional kitchens, and Tintelingen Christmas gifts.

The Belgium segment includes the cash-and-carry and delivery service operations under the trademarks Sligro-ISPC and JAVA Food service.

The information used by the Executive Board to assess progress and make operational decisions is based on these segments. The Group submits a monthly financial report to the Executive Board and Supervisory Board. The Executive Board assesses the operating result based on this report, which contains primarily the consolidated and segment information with respect to the statement of profit or loss and related KPIs, the statement of cash flows, the balance sheet, and the working capital. The annual budget and forecasts are also made on the level of these segments and the Chief Operating Decision Maker allocates resources on this level.
The main performance indicator that the Group uses is EBIT. In this report, the local management teams disclose details of their segment's performance. The report is compiled based on the same accounting policies as the financial information in the financial statements.

Transactions between these segments are carried out at going market prices.

Segment reporting

x € million	Netherlands 2021	Netherlands 2020	Belgium 2021	Belgium 2020	Group 2021	Group 2020
Revenue[1)]	**1,730**	**1,777**	**168**	**169**	**1,898**	**1,946**
Other operating income	7	4	0	0	7	4
Total income	**1,737**	**1,781**	**168**	**169**	**1,905**	**1,950**
Gross operating result (EBITDA)	**110**	**78**	**(1)**	**(3)**	**109**	**75**
Depreciation and amortisation[2)]	(72)	(81)	(12)	(70)	(84)	(151)
Operating result (EBIT)	**38**	**(3)**	**(13)**	**(73)**	**25**	**(76)**
Finance income and costs	(7)	(8)	(0)	(1)	(7)	(9)
Share in the result of associates	8	7			8	7
Income taxes	(8)	1	2	7	(6)	8
Profit (loss) from continuing operations	**31**	**(3)**	**(11)**	**(67)**	**20**	**(70)**
Total assets	**1,131**	**1,086**	**102**	**112**	**1,233**	**1,198**
Segment liabilities	556	552	64	54	620	606
Non-allocated liabilities					613	592
Total liabilities					**1,233**	**1,198**
Net invested capital[3)]	753	745	52	57	805	802
Net interest-bearing debts, provisions and associates					(352)	(370)
Group capital					**453**	**432**
Employee expenses	196	198	30	32	226	230
Employees[4)] (FTEs)	3,450	3,569	525	547	3,975	4,116
Investments	48	62	1	3	49	65
Divestments	(2)	(49)	(0)	(3)	(2)	(52)
Cash flows						
Payments to the government[5)]	(159)	(121)	(22)	(29)	(181)	(150)

1) Transfers between segments amounted to€33 million (2020: €17) from the Netherlands to Belgium.

2) Including impairments.

3) Less free cash.

4) A limited number of head office positions that perform activities Group-wide in the Netherlands.

5) Includes, besides tax and excise duties paid to the government, the payment of €28 million (2020: €19) received from the government under the NOW wage subsidy scheme in the Netherlands.

3. Revenue

Revenue is largely made up of deliveries of food and food-related non-food goods and services to institutional customers, the hospitality industry, company restaurants and other large-volume users in the Netherlands and Belgium. The breakdown of revenue by operations is as follows:

	Netherlands		Belgium		Group	
x € million	2021	2020	2021	2020	2021	2020
Deliveries of goods	1,703	1,751	168	169	1,871	1,920
Deliveries of services	27	26	0	0	27	26
	1,730	**1,777**	**168**	**169**	**1,898**	**1,946**

The Group does not have any customers that represent over 10% of revenue.

4. Other operating income

x € million	2021	2020
Rental income	1	1
Book result on sale of property, plant and equipment	4	2
Other non-recurring results	2	1
	7	**4**

Two business premises and a plot of land were sold in 2021, resulting in a book profit of €4 million. Within the partnership with Heineken, several administratively burdensome periodic payments were settled in one lump-sum payment this year, which led to one-off income of €2 million.

Book profit of €1 million from the sale of part of a building in Amersfoort was recognised under other non-recurring results in 2020. In addition, the delivery service site in Drachten was sold and leased back under a long-term contract. The selling price was €8 million higher than the carrying amount, of which €1 million is recognised as book profit on the sale of property, plant and equipment. The remaining €7 million will be recognised in the result during the term of the lease contract.

5. Employee-related items

5.A Employee expenses

Employee expenses break down as follows:

x € million	Notes	2021	2020
Salaries		165	170
Social security costs		28	30
Premiums for defined contribution plans		14	14
Share-based payments	5.C	1	1
Insourced staff and temporary agency workers		26	26
Other employee expenses		19	11
NOW wage subsidy scheme	5.D	(27)	(22)
		226	**230**

During 2018 and 2019, the Group committed to a restructuring plan that came on the back of the streamlining of the Group and the sale of food retail operations in the Netherlands. On balance, a provision of €1 million remained at year-end 2020 for payments that were made in 2021.

In 2020, plans were made and announced to terminate the Océan Marée operations in Belgium, for which provisions amounting to €2 million were formed at year-end 2020, mainly for employee redundancies, which were settled in 2021.

Movements in the restructuring provision can be shown as follows:

x € million	2021	2020
Opening balance	3	8
Additions	0	3
Withdrawals	(3)	(5)
Release	(0)	(3)
Closing balance	**0**	**3**

5.B Employee benefits provision

This provision relates to service anniversary schemes.

x € million	2021	2020
Opening balance	2	2
Benefits	(0)	(0)
Additions	0	0
Actuarial result (also result for financial year)	0	0
Closing balance	**2**	**2**

5.C Share-based payments (share option scheme)

Other employee expenses includes the costs for share option schemes. The Group runs two schemes under which share options are awarded to employees. The second scheme no longer applies to new allocations from 2020.

The target group for the first scheme is made up of roughly 50 people who are awarded four-year share options that are conditional on continuation of employment and cannot be exercised before the end of the four-year term. Share options are allocated to Sligro Food Group N.V. 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. The peer group test led to a factor of 0% for 2021 (2020: 0%), which meant there was no allocation in 2021.

Depending on their job category, the other members of the target group receive 50% or 25% of the share options awarded to Executive Board members. No shares were allocated to these members in 2021. Any post-tax profits from the share option schemes must be used in full to purchase Sligro Food Group shares. Such shares will (once again) be locked up for four years for Executive Board members. For other participants, a lock-up term of one year applies to the shares purchased.

The target group for the second scheme is broader. For many years now, Sligro Food Group has had an equity participation plan for its employees in the Netherlands. Depending on the profits as a percentage of total Group revenue, employees receive a percentage of their gross pay, up to a maximum gross pay of €50,000, as their share in the company's profits. Up to 2019, this was paid out in the form of Sligro Food Group shares (50% of the profit share) and four-year share options conditional on continuation of employment which could not be exercised before the end of the four-year term (50% of the profit share). Any profits on options (after taxation) were paid out entirely in Sligro Food Group shares. These shares were subsequently (once again) locked up for one year. As of 2020, the scheme has been revised and profit sharing – assuming the prevailing criteria are met – will be awarded entirely in the form of shares, which will be locked up for a period of five years.

The strike price is the first ex-dividend price after allocation. The fair value of share options is charged to the result over the term of the share option rights using the linear method. These share options are recognised entirely as equity settled. To hedge this liability, shares are repurchased to cover a section of the share options in issue, based on a forecast using the Black-Scholes formula outlined below.

Movements in the number of share options outstanding were as follows:

x 1	2021	2020
Opening balance	1,015,071	1,431,586
Exercised	0	0
Redeemed	0	(7,449)
Lapsed	(217,642)	(263,523)
Voided on account of termination of employment	(31,244)	(145,543)
Granted	0	0
Closing balance	**766,185**	**1,015,071**

The share options allocated in 2017 have not been exercised and have therefore been voided, because the actual price on the strike date was lower than the strike price. No options were issued in 2020 and 2021.

Share options in issue at year-end 2021 break down as follows:

	Term	Strike price	Number
23 March 2018	1 April 2022	44.10	132,578
22 March 2019	1 April 2023	31.50	633,607

For the exact number of share options allocated to individual Executive Board members, please see Note 6.
Gross expenses ensuing from this scheme have been calculated by external specialists using the Black-Scholes pricing model and amount to €0.0 million for the allocation in March 2021 (2020: €0.0) over the full 4-year term. Costs recognised in 2021 relating to the current option series total €1 million (2020: €1).

5.D NOW and TWO wage subsidy schemes

In the Netherlands, the Group made use of the fourth and fifth period of the Dutch government's temporary wage subsidy scheme (NOW 3.2 and 3.3) in 2021. In 2020, the Group made use of the first and third period (NOW 1.0 and 3.1).

The wage subsidies from NOW 3.2 amounting to €18 million and from NOW 3.3 amounting to €9 million have been deducted from employee expenses.

Under the NOW 3.2 scheme, advance payments of €15 million were received as wage subsidies from January to March 2021 inclusive on the basis of the 49% drop in revenue for the period from January to March 2021 that was expected when the Group applied for the subsidies. Given that the actual drop in revenue was 47%, the Group expects to receive a further €3 million.

Under the NOW 3.3 scheme, advance payments of €10 million were received as wage subsidies from April to June 2021 inclusive on the basis of the expected 33% drop in revenue over the second quarter of 2021. Given that the actual drop in revenue came in at 25%, we expect to have to repay €1 million for this period.

While the amount recognised as NOW income is the management's best estimate based on the interpretation of the rules, this figure is still uncertain because the audit of the recognition has not yet been completed and it is, therefore, not yet the final figure.

In 2021, our application for a subsidy under the first period of the NOW wage subsidy scheme (NOW 1.0) was finalised and the final settlement was made, which did not result in any differences with respect to the position recognised in the 2020 financial statements. The final application for NOW 3.1-3.3 will be submitted in early 2022.

Movements in NOW wage subsidies still to be received, as recognised under Other current assets (Note 16), are as follows:

x € million	2021	2020
Opening balance	3	0
Wage subsidy calculated	27	22
Advance payments received	(28)	(19)
Settlement	2	0
Closing balance	**4**	**3**

In Belgium, the Group took advantage of the Belgian wage subsidy scheme TWO in 2021 as well, resulting in lower salary costs and social security expenses amounting to €2 million (2020: €4). This form of support sees the Belgian government pay part of the employee expenses directly to the employee. This means that, rather than a wage subsidy, this is a reduction of the salary costs and social security expenses.

6. Executive Board and Supervisory Board remuneration

The following provides an outline of how the remuneration policy has been put into practice over the past financial year. Members of the Executive Board and Supervisory Board are considered key Group staff members. Remuneration of Executive Board members in office in 2021 that was charged to the result amounted to €1,294 thousand (2020: €1,276).

The COVID-19 outbreak affected the Group's operations. In response to this and in compliance with the conditions for the NOW 3.1 wage subsidy scheme, the Executive Board decided not to take the short-term and long-term bonuses awarded to them for 2020. For the same reason and in line with the conditions attached to NOW 3.2 and 3.3, the Executive Board will not take its short-term and long-term bonuses for 2021.

The remuneration can be broken down as follows:

	Koen Slippens		**Rob van der Sluijs**		**Total**	
x €1,000	**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
Total	**716**	**705**	**578**	**571**	**1,294**	**1,276**

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 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.

The budgeted profit target and other targets were set based partly on remuneration scenario analyses. Each 1.0% 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% 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 0.5% 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: the 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.

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 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.

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

Shares

x 1	Koen Slippens	Rob van der Sluijs
Opening balance	107,402	12,000
Purchase		
Sale		
Closing balance	**107,402**	**12,000**

Options

x 1	Koen Slippens	Rob van der Sluijs
Opening balance	26,900	26,900
Lapsed	(5,800)	(5,800)
Granted		
Closing balance	**21,100**	**21,100**

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

Options

x 1	Strike price	Koen Slippens	Rob van der Sluijs
Valid through to 1 April 2023[1)]	31.50	21,100	21,100
Closing balance		**21,100**	**21,100**

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:

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

Executive Board and Supervisory Board remuneration is not charged to subsidiaries.

Supervisory Board remuneration

The annual remuneration for the chairman of the Supervisory Board amounted to €58 thousand (2020: €58), while the other members were paid €40 thousand (2020: €40). The remuneration for the member who stood down in 2021 was €23 thousand. Members also received compensation for attending Supervisory Board meetings amounting to €45 thousand (2020: €37). 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.

7. Audit fees

Recognised in the general and administrative expenses, fees paid for the audit of the financial statements totalled €986 thousand in 2021 (2020: €725). The fees for 2021 include an amount of €93 thousand in additional costs relating to the audit from the previous financial year

1) 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.

(2020: €nil). Other assurance-related services consist mainly of other activities, including audits for customer-related arrangements and the NOW[2] wage subsidy schemes, which the Group took advantage of in the Netherlands in 2020 and 2021. The auditor charged €157 thousand for this in 2021 (2020: €125). The auditing firm is not engaged for consulting services.

Audit fees break down as follows:

x € million	2021 Deloitte Accountants B.V.	2021 Deloitte network	2020 Deloitte Accountants B.V.	2020 Deloitte network
Audit of the parent company's financial statements	867		612	
Audit of subsidiaries		119		113
Subtotal of consolidated financial statements	**867**	**119**	**612**	**113**
Other assurance-related services	157		125	
	1,024	**119**	**737**	**113**

8. Finance income and costs

x € million	2021	2020
Finance income	**0**	**0**
Finance costs on leases	(4)	(4)
Finance costs on other financial liabilities	(3)	(5)
Finance costs	**(7)**	**(9)**

Finance income concerns income from loans granted to customers and late charges paid by customers, as well as interest on prepaid tax. Finance costs relating to other financial liabilities concern interest paid on loans and costs of amended loan contracts.

2) Temporary wage subsidy (NOW).

9. Taxation

9.A Taxation (income tax)

Contributing towards society by paying taxes in line with the (statutory) rules that we have all agreed on as a society is something we take extremely seriously and consider part of decency in business. Although we do use tax breaks and incentives, we neither take these practices to the limit, nor use tax avoidance routes through ‘tax havens’ to optimise our tax position. As we are now also operating in Belgium, we are looking into how to spread our taxable profit over the two countries in which we operate. The basic idea is to align the allocation of operating result (and the tax payable or receivable on it) with the responsibilities and relevant operations in each of the two countries. Budgeting and long-term planning are never driven by tax options either, and we always observe the intention of the relevant tax legislation. Aside from that, we make sure we stay up to date with the latest changes in tax laws and regulations and the correct application thereof by regularly consulting with and seeking advice from tax advisers.

Our aim is to have all our stakeholders see us as a company that adheres to the rules of decency in business, and we are more than happy to render account on our corporate social responsibility as and when asked, such as through meetings with investors or in presenting and explaining our figures to the works council. Tax is also a topic that is regularly addressed by the Executive Board and it is a fixture on the Audit Committee’s agenda. The latter committee regularly checks tax advice and returns for compliance with Sligro Food Group’s policy. Aside from that, the taxation item is not part of the KPIs that our company uses to monitor performance.

Where appropriate, we proactively engage with the relevant tax authorities. Since 2020, we in fact formalised this liaising with the tax authorities in the Netherlands in an Individual Monitoring Plan with the Dutch Tax and Customs Administration, which includes mutual agreements on how to ensure a transparent relationship. This plan furthermore includes specific arrangements on the efforts the company will go to in making tax controlling part of its overall control measures, which is something we are continuously working on. In doing so, we make use of the Group’s Internal Control Framework and data analyses using samples to monitor correct application of tax legislation. Progress in this respect is monitored through regular meetings with the tax authorities, which includes a continued focus on making sure we pay our fair share of taxes and do not push the limits of tax legislation. The Individual Monitoring plan for 2022 was finalised in December 2021.

Although the concept of an Individual Monitoring Plan does not exist in Belgium, we are proactively engaging with the relevant bodies there as well, as we aim to avoid potential tax risks relating to our recently launched and acquired Belgian operations, while also building the kind of relationship with Belgian tax authorities that we already have with Dutch tax authorities.

The justification and definition of the transfer pricing method used is an integral part of our tax control practices. We therefore comply with current additional documentation obligations as part of country-by-country reporting and in submitting the group file and local file. Furthermore, the Group has reached an agreement with the Dutch and Belgian tax authorities about the transfer pricing method between Sligro Food Group Nederland B.V. and Sligro Food Group Belgium N.V. in the context of MLC (Multilateral Control) up to the end of the 2019 tax year. In anticipation of the BAPA (Bilateral Advanced Pricing Agreement) application submitted for 2020 and subsequent years, the Group applied the same mechanism in 2020 and 2021. We consider it highly likely that we will reach agreement in 2022 with the Dutch and Belgian tax authorities on the application submitted.

The Dutch and Belgian tax systems differ in how they treat the result in the financial statements and the result on which tax is payable/receivable. These differences arise partly as a result of the difference in the measurement of intangible assets, property, plant and equipment, right-of-use assets and lease liabilities, inventories, provisions, investment-related tax credits and amounts that are not or are only partly tax-deductible.

The taxation item in the statement of profit or loss can be explained as follows:

x € million	2021	2020
Payable (receivable) for financial year	7	(3)
Prior-year corrections	0	(1)
Liability (receivable) for financial year	**7**	**(4)**
Change in and release from deferred tax liabilities	(1)	(4)
Tax expense (income) from continuing operations	**6**	**(8)**

The tax expense per share is €0.14 (2020: income of €0.17)

9.B Effective tax rate

The effective tax rate can be explained as follows:

x € million	2021	2020
Pre-tax profit (loss)	**26**	**(78)**
Nominal tax rate (Netherlands 25.0%, Belgium 25.0%)	6	(19)
Prior-year corrections	1	(1)
Energy-saving investment and similar tax credits	(0)	(0)
Change from deferred tax liabilities	(0)	3
Untaxed results	0	10
Rate change	1	
Other, including tax breaks and non-deductible amounts, untaxed results of associates	(2)	(1)
Effective tax rate 23.0% (2020: 9.6%)	**6**	**(8)**

At the end of the financial year, we make an estimate for a number of tax-related items. When filing our tax returns, the actual outcomes may deviate from these estimates, causing (minor) inconsistencies. The subsequent corrections from prior years are recognised in the current financial year. The transfer pricing method agreed on and applied within the context of MLC and the BAPA led to the following tax netting between the segments in 2021:

x € million	Netherlands	Belgium	Group
Financial tax expense (income) for the financial year	(1)	7	6
Settlement as per transfer pricing method for 2016-2021	9	(9)	0
Tax expense (income) per segment	**8**	**(2)**	**6**

As part of our CSR agenda, we are investing in sustainable cooling and heating systems at our sites, for which we use the available tax subsidies.

The untaxed profits of associates relate to our share in our associates' result after tax, which qualify for the participation exemption. The other corrections concern mainly non-deductible expenditure for employee benefits, including our equity participation plan, and non-deductible consulting fees incurred in relation to acquisitions.

9.C Income tax receivables and payables

As at the financial year-end, the following items are recognised:

x € million	2021	2020
Receivables		1
Payables	(3)	(1)
Net closing balance	**(3)**	**0**

As at year-end 2021, all Dutch wholly-owned subsidiaries are included in the fiscal unity for corporation tax purposes, meaning that taxes are levied as if it concerned one single company. This also means that all companies in the fiscal unity are liable for the entity's tax debt. The closing balance relates to the financial year in question.

9.D Deferred tax assets and liabilities

As at the financial year-end, the following items are recognised:

x € million	2021	2020
Deferred tax assets		2
Deferred tax liabilities	(22)	(22)
Net closing balance	**(22)**	**(20)**

The deferred tax assets and liabilities can be broken down as follows:

	2021		2020	
x € million	Asset	Liability	Asset	Liability
Intangible assets		10		9
Property, plant and equipment		18		22
Right-of-use assets		51		54
Lease liabilities	57		60	
Inventories		0		1
Tax loss carryforward			6	
Closing balance	57	79	66	86
Net liability as at the end of the year		**22**		**20**

The deferred tax liabilities relate primarily to the recognition of intangible assets from acquisitions, right-of-use assets and related lease liabilities, and deviating measurement of property, for which fiscally specific rules are used. At year-end 2020, a deferred tax asset of €6 million was recognised under the tax loss carryforward item for loss compensation in Belgium, which was recouped in the Netherlands through the MLC outcomes in 2021. The amount recognised as the net liability as at financial year-end is based on the 2022 corporation tax rate of 25.8% in the Netherlands and 25.0% in Belgium.

Given that participations of over 5% in the equity of other companies qualify for the participation exemption, results and dividends are not taxed and/or are non-deductible. The difference in measurement of participations has, therefore, not been factored into the calculation of deferred tax liabilities.

Movements over the financial year were as follows:

x € million	2021	2020
Net liability as at the beginning of the year	20	26
Acquisitions released through profit or loss	(3)	(4)
Change during financial year	(1)	(4)
Prior-year change[1)]	6	3
Transfer from/to liabilities relating directly to assets held for sale		(1)
Net liability as at the end of the year	**22**	**20**

There are losses on past acquisitions that have not been recognised on the balance sheet due to the uncertainty as to whether these can be offset. Assets and liabilities are offset per fiscal unity.

1) The €6 million change in 2021 is the result of the agreed transfer pricing method in the context of MLC and the BAPA through to 2020.

10. Goodwill and other intangible assets

Movements in this item can be broken down as follows:

x € million	Goodwill	Other intangible assets			
		Places of business, customer relation-ships, trademarks and other	Software	Assets in progress	Total
Cost	168	180	52	27	259
Cumulative amortisation		(52)	(44)		(96)
Balance as at 28 December 2019	**168**	**128**	**8**	**27**	**163**
Investments			7	19	26
Divestments			0		0
Acquisitions					0
Transfers			6	(6)	0
Amortisation		(12)	(9)		(21)
Impairments	(43)	(18)	(1)		(19)
Total changes	(43)	(30)	3	13	(14)
Cost[1]	168	180	48	40	268
Cumulative amortisation and impairment[1]	(43)	(82)	(37)		(119)
Balance as at 31 December 2020	**125**	**98**	**11**	**40**	**149**
Investments			7	17	24
Divestments			(0)		(0)
Acquisitions					0
Transfers			4	(5)	(1)
Amortisation		(11)	(10)		(21)
Impairments and inefficiencies		(3)	(0)	(2)	(5)
Total changes	0	(14)	1	10	(3)
Cost	168	180	49	50	279
Cumulative amortisation and impairment	(43)	(96)	(37)		(133)
Balance as at 31 December 2021	**125**	**84**	**12**	**50**	**146**

[1] The cost and cumulative amortisation of software as at 31 December 2020 have been corrected compared to the 2020 financial statements for decommissioned assets with a carrying amount of nil.

Breakdown of intangible fixed assets by cash-generating units

The goodwill is distributed across the segments as follows:

Cash-generating unit

x € million	2021	2020
Netherlands	125	125
Belgium	0	0
Closing balance	**125**	**125**

The Group makes a distinction between two cash-generating units: the Netherlands and Belgium. Note 2 contains more details of the organisational structure and segments that these units are based on.

The assessment of the annual impairment testing results was threefold:

1. the annual assessment of the goodwill of cash-generating units in the Netherlands
2. the identified indication relating to the recoverable amount of the assets of the Belgium cash-generating unit and the associated impairment testing
3. the annual assessment of the corporate assets in progress, which are allocated to the net invested capital of the Netherlands and Belgium cash-generating units based on the 'revenue' allocation formula

The recoverable amount of the cash-generating units, i.e. the Netherlands and Belgium, is based on an enterprise value calculation and determined by calculating the net present value of estimated future cash flows generated through the continued use of these cash-generating units.

Given the impact of COVID-19 on the Group's revenue and result, the conclusion drawn on 30 June 2020 based on a recalculation of the recoverable amount was that the recoverable amount of the Belgium cash-generating unit was lower than the net invested capital and therefore an impairment loss of €60 million has been recognised, comprising €43 million in goodwill and €17 million in customer relations.
At year-end 2021, the recoverable amount of both cash-generating units, i.e. the Netherlands and Belgium, was reassessed, looking at whether, given the improved market conditions following the recovery after COVID-19, there could be reason to add to or partially reverse this impairment.

The going-concern assumption was used in measuring the assets. Given the Group's current liquidity and solvency, it sees no reason to assume that it will be unable to continue its operations in the foreseeable future. This assessment is based on the realised operating result (EBIT) for the Netherlands and Belgium in the past year, the 2022 budget for the Netherlands and Belgium, forecasts for the 2023-2026 period for the Netherlands and the 2023-2051 period for Belgium, and projections based on the terminal growth rate for the years beyond 2026 for the Netherlands and beyond 2051 for Belgium, which are based partly on empirical figures.

The Group has been operating in Belgium for a few years and is currently still busy developing its market position there. At the present stage, significant investments are being made and start-up losses are being incurred. In its expectations for the coming years, the Group assumes that revenue in Belgium will outgrow the market because the set-up is still in full swing. A significant improvement in the results is expected to appear over the coming years.

On account of the fact that Belgium is still in the set-up phase, the expectation is that this segment will need more than five years to reach a stable investment cash flow situation. This is why the management has, like in previous years, opted to use an extended forecast period of 30 years. Last year, the management estimated that the stable situation of EBITDA cash flow would be reached after six years. With the Group now one year further down the line in the set-up phase, the estimation is now that cash flow stability will be reached in five years. As a precaution, therefore, management assumes that EBITDA will remain at the same level over the years after 2026 and investments are based on empirical figures from operations in the Netherlands.

The assumptions underlying the calculation of the recoverable amount concern the discount rate and the terminal growth rate. Other key assumptions were: the average annual revenue growth, average improvement of the gross profit margin percentage compared to revenue and average improvement of the EBITDA percentage compared to revenue for the next five years.

The assumptions are the following:

Assumptions used at year-end 2021

As %	Netherlands 2022-2026	Belgium 2022-2026
Pre-tax discount rate	8.8	9.2
Terminal growth rate[1]	0.1	0.1
Revenue growth	10.9	13.1
Gross profit percentage improvement (% point)	0.1	0.1
EBITDA percentage improvement (% point)	0.5	1.2
WACC	6.6	6.9

The pre-tax discount rate used is derived from the weighted average cost of capital (WACC). The WACC is calculated by a professional external party, using parameters based on the peer group and market data. Estimated EBIT growth is expressed as the compound annual growth rate as a percentage of revenue over the 5-year period covered by the projections used.

Given the uncertainty surrounding the development of COVID-19, we envisaged two possible scenarios for revenue and EBITDA development. Based on the government's easing of restrictions in January 2022 and expectations regarding the development of the Omicron variant, the Group has been as realistic as possible in its estimates. For the longer term, the Group assumes in both scenarios that revenue in Belgium will outgrow the market because of the opportunities offered by the Belgian market, the planned expansion of the logistics network, and the implementation of the new ERP landscape. However, COVID-19 has put a brake on growth. The base scenario is based on the assumption that, from the second quarter of 2022 onwards, operations will gradually pick up again to the Group's pre-COVID-19 levels. In the downward scenario, the assumption is that COVID-19 will continue to have an impact on revenue during the winter months of the coming two years, albeit to a gradually decreasing extent.

The conclusion drawn from this calculation is that, as at 31 December 2021, the recoverable amount of the Belgium cash-generating unit was lower than the net invested capital and therefore an impairment of €3 million has been recognised and allocated to the JAVA and Sligro-ISPC trademarks intangible assets.

The assumptions for the Belgium cash-generating unit are as follows:

Belgium segment - Assumptions used

As %	Base scenario	2021 Downward	2020 Used
Pre-tax discount rate	8.8	8.8	9.5
Terminal growth rate (after 2051)	0.1	0.1	0.0
Revenue growth 2022-2026	13.1	13.1	11.7
Revenue growth 2022-2024	18.2	17.2	13.4
Gross profit percentage improvement (% point)	0.1	0.1	0.2
EBITDA percentage improvement (% point)	1.2	1.2	2.2
WACC	6.9	6.9	7.1
Weighting of the scenario	75.0	25.0	100.0
Impairment (in millions of €)	(2)	(4)	

Expectations for the more distant future, as used in determining the recoverable amount, are positive, but we will closely monitor the key assumptions over the coming years, as well as the relationship between the net invested capital and the measurement of future cash flows.

The assumptions used are based on recent figures and plans for the coming year. Based on the expertise and experience from recent years, the Group deems these assumptions realistic.

The lower-than-projected revenue growth in 2021 and the COVID-19-related slowdown in revenue growth over the 2022-2024 period, the delay in the go-live of the ERP landscape, and the rise in net invested capital of the Belgium cash-generating unit are the main reasons behind the deviation from these assumptions, which led to an impairment.

[1] After 2026 for the Netherlands and after 2051 for Belgium.

The places of business, customer relationships and trademarks can be broken down as follows:

x € million	2021	2020
Intangible assets relating to acquisitions		
Customer relationships	65	75
Places of business	13	14
Trademarks	6	9
	84	**98**
Intangible assets not relating to acquisitions		
Software	12	11
Assets in progress	50	40
	62	**51**
Closing balance	**146**	**149**

Software impairments

The €0 million impairment (2020: €1) concerns decommissioned software in relation to the new online platform that the Group has taken into use.

Assets in progress impairments and inefficiencies

The €2 million change in 'impairments and inefficiencies' (2020: €0) concerns inefficiencies in the development of the Group's new IT landscape caused primarily by COVID-19-related restrictions. These were measured by assessing whether certain investments will not be taken into use or whether inefficiencies occurred during implementation.

11. Property, plant and equipment

Movements in this item can be broken down as follows:

x € million	Land and buildings	Machinery and equipment	Other fixed operating assets	Assets in progress	Total
Cost	431	68	201	28	728
Cumulative depreciation	(164)	(48)	(154)		(366)
Balance as at 28 December 2019	**267**	**20**	**47**	**28**	**362**
Investments	19	3	16	1	39
Divestments	(48)	0	(1)	(3)	(52)
Acquisitions					0
Transfers	21	2	2	(25)	0
Depreciation	(18)	(7)	(23)		(48)
Impairments					0
Transfers from assets held for sale	(2)				(2)
Total changes	(28)	(2)	(6)	(27)	(63)
Cost	405	71	185	1	662
Cumulative depreciation	(166)	(53)	(144)	0	(363)
Balance as at 31 December 2020	**239**	**18**	**41**	**1**	**299**
Investments	6	3	3	13	25
Divestments	(2)		(0)		(2)
Acquisitions					0
Transfers	0	0	1	(1)	0
Depreciation	(16)	(5)	(19)		(40)
Impairments			(0)		(0)
Transfers to assets held for sale					0
Total changes	(12)	(2)	(15)	12	(17)
Cost	408	75	185	13	681
Cumulative depreciation	(181)	(59)	(159)		(399)
Balance as at 31 December 2021	**227**	**16**	**26**	**13**	**282**

Several material divestments were made in 2020, including the sale and lease back of delivery service sites in Maastricht, Breda, and Drachten. Two business premises and a plot of land were sold in 2021.

Assets in progress

The Group is constantly in the process of acquiring, expanding or improving cash-and-carry and delivery service sites. After completion of a project, assets in progress are transferred to the relevant property, plant and equipment categories.

Cash-and-carry outlets and distribution centres

The land and buildings item breaks down as follows:

x € million	2021	2020
Land	54	54
Buildings	108	114
Freehold land and buildings	**162**	**168**
Leasehold premises	2	3
Leasehold renovations/extensions	63	68
Leasehold improvements	**65**	**71**
Closing balance	**227**	**239**

The land covers a total surface of 639,000m² (2020: 685,000m²), of which 288,000m² is used for the central complex (2020: 288,000m²).

Breakdown of freehold buildings

	Number		GFA[1]		Carrying amount (x € million)	
	2021	2020	2021	2020	2021	2020
Cash-and-carry outlets	28	28	177	190	95	96
Delivery service sites	1	1	13	13	9	10
Production sites	2	2	10	10	5	5
Central complex	1	1	140	139	50	53
Decommissioned assets		2		13		1
Other	2	2	5	5	3	3
Year-end	**34**	**36**	**345**	**370**	**162**	**168**

[1] Gross floor area x 1000m².

12. Right-of-use assets and lease liabilities

Movements in right-of-use assets can be shown as follows:

x € million	Buildings	Other operating assets	Total
Cost	272	5	277
Cumulative depreciation	(100)	(1)	(101)
Balance as at 28 December 2019	**172**	**4**	**176**
Additions	44	1	45
Renewals	15	0	15
Terminations		(0)	(0)
Depreciation	(18)	(2)	(20)
Total changes	**41**	**(1)**	**40**
Cost	332	6	338
Cumulative depreciation	(119)	(3)	(122)
Balance as at 31 December 2020	**213**	**3**	**216**
Additions	0	1	1
Renewals	14	0	14
Terminations	(0)	(0)	(0)
Depreciation	(18)	(2)	(20)
Total changes	**(4)**	**(1)**	**(5)**
Cost	344	6	350
Cumulative depreciation	(135)	(4)	(139)
Balance as at 31 December 2021	**209**	**2**	**211**

The lease liabilities have the following term:

x € million	2021	2020
Non-current lease liabilities	214	218
Current lease liabilities	20	19
Closing balance	**234**	**237**

The total outflow of cash was:

x € million	2021	2020
Lease liabilities paid	23	23
Finance costs	4	4
Closing balance	**27**	**27**

The term of the contractual future lease liabilities that have been converted into cash is as follows:

x € million	2021	2020
Under one year	20	19
One to five years	77	75
Over five years	137	143
Contractual future lease liabilities	**234**	**237**

The statement of profit or loss contains the following items:

x € million	2021	2020
Finance costs under leases	(4)	(4)
Variable lease expenses not recognised as lease liabilities	(1)	(1)
Income from subleases	1	1
Costs of short-term lease contracts	(1)	(3)
Costs of low-value lease contracts	(1)	(1)
COVID-19-related rent concessions	0	0

In 2020 and 2021, the Group received a few hundred thousand euros in rent concessions in relation to the consequences of the COVID-19 pandemic. In line with IFRS 16, these concessions were taken directly through profit or loss.

The term of the contractual non-discounted future income from subleases is as follows:

x € million	2021	2020
Under one year	1	1
One to five years	2	1
Over five years	0	1
Contractual future income from subleases	**3**	**3**

Leases with an intrinsic term of less than 15 years and an option for renewal have been included for up to a maximum of 15 years. If the renewal option were to be extended by 5 years, this would result in an increase of both the right-to-use asset and the lease liability of approximately €26 million (2020: €22). The impact on EBIT and EBITDA is not material.

13. Investments in associates and other non-current financial assets

x € million	2021	2020
Associates	**55**	**54**
Other non-current financial assets		
Receivables from associates		2
Loans to customers	6	4
Financial subleases	1	2
Closing balance	**7**	**8**

Associates

The associates can be broken down as follows:

Ownership percentage as at year-end	2021	2020
O. Smeding & Zn. B.V.[1], Sint Annaparochie	49%	49%
M. Ruig & Zn. B.V., Oostzaan	25%	25%
G. Verhoeven Bakkerij B.V., Veldhoven	25%	25%
Slagerij Kaldenberg B.V., Herwijnen	33%	33%
Vemaro B.V., Venlo	40%	40%
Spar Holding B.V., Waalwijk	45%	45%
Coöperatie Inkoopvereniging Superunie B.A.[2], Beesd		

Measurement is based on associates' last-known figures. All participations held are of a strategic nature. Voting rights equal the percentage of the stake held.

Movements in associates were as follows:

x € million	2021	2020
Opening balance	54	50
Investments (divestments)		(0)
Transfers to assets held for sale	(2)	
Result	8	7
Dividend	(5)	(3)
Closing balance	**55**	**54**

The summarised financial details of the associates, based on 100% ownership, as presented in their most recent financial statements (i.e. 2020 and 2019 respectively):

	Spar Holding B.V.		Other associates[3]	
x € million	2021	2020	2021	2020
Assets	126	104	62	93
Liabilities	79	65	50	78
Shareholders' equity as at year-end	47	39	12	15
	2021	2020	2021	2020
Revenue	692	572	845	1,085
Profit (loss)	15	12	1	(0)

Other non-current financial assets

Loans to customers have an average term of several years and are generally granted at market rate, while some loans are granted interest-free.

14. Inventories

The inventories item breaks down as follows:

x € million	2021	2020
Central Distribution Centre Veghel	83	61
Sites	132	121
Packaging	7	5
Inventories in transit	4	1
Closing balance	**226**	**188**

The measurement of inventories includes a write-down of €5 million (2020: €6).

1) The investment in Smeding & Zn. was transferred to Assets held for sale at the end of the year

2) Concerns membership of procurement organisation

3) Excluding the associate Smeding, which was transferred to Assets held for sale

15. Trade and other receivables

x € million	2021	2020
Accounts receivable	93	78
Suppliers	38	33
Closing balance	**131**	**111**

Receivables from suppliers concern bonuses, promotional benefits and outstanding credit notes. Details of the Group's exposure to credit and market risks and the age analysis for trade receivables are provided in Note 25.
The accounts receivable item includes a provision for doubtful debts of €6 million (2020: €7). This provision was made under IFRS 9 based on the model for calculation of the provision for expected credit losses. Given that the Group recognises supplier bonuses separately, these were not deducted in setting the provision for expected credit losses.
Our customers are under pressure due to the restrictions imposed by the government in connection with COVID-19. This was factored in when determining the risk and provision for doubtful debts.

Movements in this item were as follows:

x € million	2021	2020
Opening balance	7	5
Items written down	(1)	(0)
Added through profit or loss	0	2
Closing balance	**6**	**7**

16. Other current assets

x € million	2021	2020
Contract assets	4	5
NOW wage subsidy to be received	4	3
Other receivables and prepayments	28	22
Closing balance	**36**	**30**

Specific signing fees with customers are recognised under contract assets. Other receivables and prepayments concern, among other things, loans to employees and purchasing discounts for promotion periods that have already expired. The contract assets item includes a provision of €0 million (2020: €0).

The NOW wage subsidy still to be received comprises a receivable of €2 million under NOW 3.1 and of €3 million under NOW 3.2 and a repayable advance on NOW 3.3 of €1 million. Information on the NOW wage subsidy payment can be found in Note 5.D.

17. Cash and cash equivalents

x € million	2021	2020
Cash balances in transit	5	5
Free bank balances	7	8
Closing balance	**12**	**13**

18. Assets held for sale

Non-current assets held for sale

In 2021, one property in the Netherlands was first transferred from property, plant and equipment to assets held for sale and subsequently sold. In addition, a Dutch property recognised under assets held for sale at the start of the financial year was sold. This property had been transferred from property, plant and equipment in 2020.

Movements in this item were as follows:

x € million	2021	2020
Opening balance	2	0
Transfers from operations that will not be continued for the long term	2	2
Sales	(2)	
Closing balance	**2**	**2**

19. Shareholders' equity

Paid-up and called-up capital

The authorised share capital of €12,000,000 consists of 200,000,000 shares with a nominal value of €0.06 each. As at 31 December 2021, the number of shares in issue and paid up was 44,255,015 (2020: 44,255,015), representing capital of €2,655,300.90 (as at 31 December 2020: €2,655,300.90).

Movements in the number of shares outstanding were as follows:

x 1	2021	2020
Opening balance	44,143,415	44,108,415
Changes	27,000	35,000
Closing balance	**44,170,415**	**44,143,415**
Average number of shares in issue	44,161,415	44,131,748

All shareholders are entitled to dividend as announced from time to time, and they also have the right to cast one vote per share at the shareholders' meeting. The movement in shareholders' equity is specified in the Consolidated statement of changes in shareholders' equity.

Share premium

The following specifies amounts paid on shares above the nominal value.

Other reserves

An amount of €20 million (2020: €17) of this reserve is not distributable. This relates to the difference between the retained earnings calculated based on the parent company's accounting policies and the direct changes in equity as a result of revaluations of the participations on the one hand and the part thereof that the parent company could have distributed on the other.

Hedging reserve

This reserve is made up of the effective part of the cumulative net change in the fair value of the cash flow hedge on long-term borrowings. It was released in 2020 upon repayment of the related loan.

Treasury share reserve

This concerns the purchase value of 84,600 (2020: 111,600) shares repurchased as part of the share option scheme.

Undistributed profit/dividend

The dividend for 2020 was set at nil in the General Meeting of Shareholders held on 24 March 2021.
On 22 July 2021, the Executive Board announced, with approval from the Supervisory Board, that given the conditions of the NOW wage subsidy schemes of which the Group made use in 2021, the Group will not be paying a dividend for the 2021 calendar year. The total result for the 2021 financial year of €20 million will be added to the Other reserves. This proposal has not been recognised on the balance sheet and has no impact on income tax.

20. Earnings per share

x €1	2021	2020
Basic earnings (losses) per share	0.45	(1.59)
Diluted earnings (losses) per share	0.45	(1.58)

Share options allocated to employees with a strike price below the average price over the year are factored into the calculation of diluted earnings per share.

21. Other non-current provisions

x € million	2021	2020
Non-current	0	0
Current	0	3
Closing balance	**0**	**3**

The other non-current provisions relate to warranty obligations. The current provisions relate to a provision for restructuring costs formed by the Group. Further details on this provision and how it has developed are provided in Note 5.A.

22. Loans

x € million	Interest	Remaining term (years)	2021	2020
€30 million loan (Bullet)	1.33%	2	30	30
€40 million loan (Bullet)	1.67%	4	40	40
€70 million loan	Euribor + variable markup	3	40	40
€50 million loan	Euribor + variable markup	3	50	50
Loans			**160**	**160**
Short-term borrowings			1	18
Closing balance			**161**	**178**
Repayment obligations				
Within 1 year				
Between 1 and 5 years			160	160
After 5 years				
Closing balance			**160**	**160**

In April 2016, the Group took out a USPP loan, amounting to €30 million, with a term of 7 years and a fixed annual rate of interest of 1.33%. In September 2017, the Group took out a USPP loan, amounting to €40 million, with a term of 8 years and a fixed annual rate of interest of 1.67%.

In December 2020, the bank facility with Rabobank was revised and expanded. The revised facility has a ceiling of €70 million. The Group had already drawn down a €70 million loan under this facility in 2017. This loan has a remaining term of two years and interest on it is paid at a variable Euribor-linked rate of interest. Interim repayments of €30 million in total were made on this loan, putting the remaining debt at €40 million. The remainder will be repaid in full on the maturity date.

Furthermore, an acquisition loan of €50 million was taken out with Rabobank in 2019, with a 5-year term. Interest is paid on this loan at a variable Euribor-linked rate of interest. This sum will be repaid in full on the maturity date.

An acquisition bank facility was also negotiated in 2019. This is a non-committed facility with a ceiling of €200 million, which will be available to the Group for a period of five years. The interest rate is determined on the date of the drawdown. To date, the Group has not used this facility.

Short-term borrowings

As at year-end 2021, the Group has short-term credit facilities available totalling €166 million, of which an amount of €1 million was in use at the end of the financial year. Rabobank has extended the committed short-term credit facilities totalling €160 million to the end of 2022, with an option for an extension for another year. Collateral totalling €1 million and guarantees totalling €6 million have been provided for long-term and short-term borrowings from credit institutions.

The Group is required to determine the following ratios for its non-current liabilities and current credit facilities:

1. Based on the figures reported in the financial statements on 31 December 2021:

	Condition	Actual
Rabobank: Net interest-bearing debts/EBITDA	< 3.5	3.5
USPP: Net interest-bearing debts/EBITDA	< 3.0	3.5

2. Based on the adjusted figures, on 31 December 2021, not including application of IFRS 16.

The facilities' documentation states that, in the event of changes to the accounting rules that exceed the boundaries of the covenants, the report may be based on rules that were applicable before the change.

	Condition	Actual
Rabobank: Net interest-bearing debts/EBITDA	< 3.5	1.8
USPP: Net interest-bearing debts/EBITDA	< 3.0	1.8

The method 2 ratios agreed are met.

23. Other taxes and social security contributions

x € million	2021	2020
VAT, excise duties and waste management charge	16	22
Income tax and social security contributions	6	15
Pension premiums	0	0
Closing balance	**22**	**37**

The Group took advantage of the practical expedient offered by the Dutch government to defer taxation payments of €13 million in the fourth quarter of 2020. These deferred payments were settled in 2021.

24. Other liabilities, accruals and deferred income

x € million	2021	2020
Employees	21	20
Customer bonuses	18	14
Packaging	8	7
Other	34	28
Closing balance	**81**	**69**

Payables to employees includes liabilities for profit sharing, holiday pay and holiday leave.

25. Risk management

As part of its normal operations, the Group is exposed to a credit, liquidity and market risk (interest, currency and other market risk). The Group's policy and controls with respect to these risks have not changed compared to the previous year.

Credit risk

Part of the deliveries to customers as part of the food service operations are provided without guaranteed prepayment. The ensuing receivables are largely settled through European Business-to-Business Direct Debits. In a small number of cases, payment is initiated by the customer. The above direct debit method is not a payment tool that guarantees payment, as it is conditional on the customer having sufficient funds in the account. Given the great spread of customers and short payment terms, the credit risk on deliveries on credit is relatively small in the food service operations.

At year-end 2021, receivables from food service customers, as recognised under financial assets, amounted to approx. €6 million (2020: €4).

The credit risk the Group is exposed to, particularly in relation to receivables from food service customers, was reassessed in connection with COVID-19 developments.

The age of these debts can be broken down as follows:

x € million	2021	2020
< 1 month	74	67
1-3 months	19	9
3-12 months	0	2
> 12 months	0	0
Closing balance	**93**	**78**

At year-end 2021, the Group's receivables from suppliers amounted to €38 million (2020: €33). These receivables relate mainly to procurement-related annual arrangements that are paid out after the end of the year. By and large, the Group is able to offset these items against outstanding liabilities in case of non-payment by the supplier.

Expected credit loss calculation

The Group's portfolio of accounts receivable is made up of a large number of relatively small amounts. The Group uses a matrix to measure the ECLs of individual customers. Loss rates are calculated using a roll rate method based on the likelihood of a receivable progressing through the consecutive stages of delinquency having to be written off. Roll rates are calculated separately for exposures in Sligro's various operations, based on the following shared credit risk features – geographical area, length of the customer relationship and type of product purchased. For customers where it is clear that they are in major financial difficulty or where payment arrangements have been breached significantly, a specific provision is created to cover the potential loss. If there is no reasonable expectation that trade receivables will be paid, they will be written off.

The table below shows the age and ECLs for accounts receivable as at the end of the financial year:

x € million			2021
	Average weighted loss rate	**Gross carrying amount**	**Expected credit loss**
< 1 month	0.21%	74	0
1-3 months	1.01%	19	0
3-12 months	10.65%	0	0
> 12 months	109.32%	0	0
Doubtful debts	96.11%	6	6
Closing balance		**99**	**6**

x € million			2020
	Average weighted loss rate	**Gross carrying amount**	**Expected credit loss**
< 1 month	0.16%	67	0
1-3 months	1.29%	9	0
3-12 months	7.69%	2	0
> 12 months	70.65%	1	1
Doubtful debts	97.73%	6	6
Closing balance		**85**	**7**

Expected credit losses on contract assets, receivables from food service customers and suppliers are measured based on the general approach, factoring in the creditworthiness of the customers and suppliers in question, and amount to €1 million (2020: €1) as at the end of the year.

Liquidity risks

The Group aims to maintain sufficient liquidity (partly in the form of commitments from financial institutions) to be able to meet its financial liabilities at all times. The Group does so by, among other things, making relatively extensive use of medium to long-term credit facilities with spread repayment schedules to finance its business operations. Besides that, the availability of €161 million in short-term facilities is legally enforceable.

The following breaks down the financial liabilities, including estimated interest payments.

x € million	Non-current liabilities[1)]	Current liabilities
< 1 year	2	382
1-5 years	163	
> 5 years		
Contractual cash flows	**165**	**382**
Carrying amount as at 31 December 2021	**160**	**382**

In 2020 and 2021, the Group took various temporary measures to mitigate the heightened liquidity risk as a result of the COVID-19 outbreak. See Note D. for details of and a reference to the measures taken.

Market risk (interest and currency risk)

Part of the risk of fluctuations in foreign currency exchange rates and interest rates is hedged using derivatives.

Interest rate risk

Note 22 explains the long-term financing and associated interest rate conditions.

Currency risk

The Group is exposed to a currency risk on procurement. The annual USD-denominated procurement volume amounts to approx.
USD 14 million, with an average term of approximately two months. Hedge accounting is not applied to forward exchange contracts for procurement commitments. The currency impact is recognised in the cost of sales.

Capital management

The Group aims to make maximum use of its credit facilities for its financing, provided the associated covenants can be met comfortably. The Group does not have an explicit return objective with respect to the capital used. Instead, the Group targets average net profit growth that is at least on a par with the targeted average revenue growth.

Fair value

The carrying amount of financial instruments is virtually equal to the fair value. In terms of the measurement method, financial instruments recognised at fair value fall into ‘level 2’, meaning that measurement is based on inputs from a financial institution that are partly based on observable market data. Assets held for sale are also measured at fair value and fall into ‘level 3’ (own measurement method based on knowledge available at the Group, as explained under F in the accounting policies).

Sensitivity analyses

The following shows for a number of external factors how changes to these factors impact on the Group’s pre-tax profit. The following table provides a simplified rundown of the results:

x € million	Percentage increase	Effect on pre-tax profit in € millions
Interest	1% point	(1)
Currency (USD)	1%	(0)
Wages	1%	(2)
Oil/energy	5%	(1)
Rents	5%	(1)

26. Investment liabilities

At year-end 2021, investment liabilities totalled approx. €9 million (2020: €7). This relates primarily to investments in our fresh produce distribution centre and ERP landscape.

27. Contingent liabilities

Claims

On 13 March 2020, the Group was informed of a claim made against the Group by the Jumbo & Coop consortium in relation to the transaction regarding the sale of EMTÉ in 2018. The consortium argues that, for the purposes of this transaction, an incorrect impression was given of EMTÉ’s historical profitability, which led to the results after the acquisition failing to meet the consortium’s expectations.

1) Contractual cash flows are recognised at the swap price on the due date of the liabilities.

The Group rejected all the accusations. The consortium's statements lack any factual or legal basis. The Group has therefore made no provision for possible financial losses in the future. On 10 November, the Court of Amsterdam returned a ruling on the matter, dismissing all claims by Jumbo and Coop in full and ordering them to pay the costs involved in the proceedings. The Jumbo & Coop consortium has up to and including 10 February 2022 to appeal.

28. Estimates and judgements by the Executive Board

For a number of items in the financial statements, the Executive Board has made estimates. Although these are supported by analysis and calculations to the greatest degree possible, they always include some level of uncertainty, particularly in impairment testing on goodwill and other intangible assets. Historically, these estimates have not led to material misstatements.

Employee expenses

Note 5.D explains that there is still uncertainty over the exact amount of income from the NOW wage subsidy scheme, but that the management's best estimate is based on the interpretation of the rules of the scheme.

Goodwill and other intangible assets

Note 10 goes into the measurement of goodwill and intangible assets and the associated impairment testing. It also includes information about the measurement of software assets in progress and the associated impairment and inefficiency testing.

Credit, liquidity and other market risk

Note 25 contains information about these risks, including a sensitivity analysis.

Procurement and sales bonuses

Estimation of purchasing bonuses is based on a bottom-up calculation of purchasing volume and conditions on the one hand and based on inputs from our procurement association, Superunie, on the other. Customer bonuses are estimated based on sales combined with contractual arrangements with our customers.

Provision for obsolete inventories

When it comes to the inventory, an estimate is made of potentially obsolete inventory included in the inventory at year-end. For food, we also base this estimate in part on historical write-downs.
For non-food, we base this estimate on judgements made by our procurement and retail assortment managers in combination with an analysis of the turnover ratio of the available inventory.

The Executive Board makes judgements when measuring property, plant and equipment during preparation of the financial statements.

Property, plant and equipment and assets held for sale

The Group owns a relatively large number of properties that it uses for its operations, as well as assets held for sale. At year-end 2021, these items, excluding investments in rented property, amounted to approx. €165 million (2020: €183). This is based on the assumption that these properties will be continued to be used for the same purposes, unless these assets have been designated to be sold. Any changes to this assumption, such as in case of relocations, may prompt a downward revision of the measurement to a lower direct net realisable value. The net realisable value may also turn out to be higher than the carrying amount.

29. Statement of cash flows

The statement of cash flows has been prepared using what is known as the direct method. The statement of cash flows shows cash receipts and disbursements instead of income and expenditure. Acquisitions are recognised in the statement of cash flows at the purchase price, less cash and cash equivalents. Receipts from customers concern revenue inclusive of VAT and the change in receivables from customers. Payments to the government include both VAT and excise duty payments and payments of income tax, social security contributions and pension premiums, as well as the payment received under the NOW wage subsidy scheme. Income tax paid is recognised separately. The following statement shows the reconciliation of cash flow from business operations to the operating result:

x € million	2021	2020
Operating result	25	(76)
Amortisation and depreciation	81	89
Impairments	3	62
EBITDA	**109**	**75**
Other operating income included in cash flow from investing activities	(4)	(3)
	105	**72**
Movements in working capital and other changes:		
Inventories	(38)	40
Trade receivables and other current assets	(25)	126
Current liabilities	27	(141)
Provisions	0	0
Shareholders' equity		
	(36)	**25**
Net cash flow from business operations	**69**	**97**

The cash, cash equivalents and short-term borrowings item is reconciled to the balance sheet as follows:

x € million	2021	2020
Cash and cash equivalents	12	13
Short-term borrowings	(1)	(18)
Closing balance	**11**	**(5)**

Short-term borrowings are bank overdrafts which are due on call and are an integral part of the Group’s cash management.

30. Related parties

In the fresh produce segment, the Group has struck up partnerships with and acquired participations in the fresh produce companies listed in Note 13. In 2021, these partnerships and participations represented a total procurement value of €151 million (2020: €163) at prices that were in line with market conditions. At year-end 2021, net trade payables to these companies amounted to €27 million (2020: €23). Given the nature of these payables, they are recognised under trade and other payables.

The Group has a 40% stake in Vemaro B.V. for tobacco products. Vemaro B.V. has also been granted a loan of €0 million (2020: €2). This item is recognised under other non-current financial assets. The Group furthermore guarantees Vemaro’s receivables from certain customers without limits. At year-end 2021, net trade payables to Vemaro amounted to €5 million (2020: €7). Given the nature of these payables, this item is recognised under trade and other payables. The Group is a member of the Superunie procurement cooperative, which covers a significant part of the Group’s procurement needs. In 2021, the procurement value amounted to €451 million (2020: €441). At year-end 2021, net trade payables amounted to €25 million (2020: €36). Given the nature of these payables, they are recognised under trade and other payables.

Please refer to Note 6 for details of the relationship with members of the Executive Board and members of the Supervisory Board. On balance, 30,000 shares in Sligro Food Group were bought in 2021 (2020: 35,000 bought) from Stichting Werknemersaandelen Sligro Food Group at the going market rate.

31. Supply Chain Finance

The Group has a Supply Chain Finance programme that offers participating suppliers the option to get credit to the amount of their invoices at participating banks at an interest rate of the 1-month Euribor rate plus 0.9% on an annual basis. At year-end 2021, the trade and other payables item included an amount of €58 million (2020: €55) relating to participating suppliers. Sligro Food Group receives a (small) consideration under this programme, which has been recognised under Other operating income.

Company statement of profit or loss

x € million

	2021	2020	2019
Finance income and costs	0	0	0
Net result from group companies	20	(70)	33
Pre-tax profit (loss)	**20**	**(70)**	**33**
Income taxes	0	0	0
Profit (loss) for the financial year	**20**	**(70)**	**33**

Company statement of financial position before profit distribution

x € million	31 December 2021	31 December 2020	28 December 2019
Assets			
Non-current financial assets	449	432	500
Total non-current assets	**449**	**432**	**500**
Receivables from group companies	4		
Total current assets	**4**		
Total assets	**453**	**432**	**500**

x € million	31 December 2021	31 December 2020	28 December 2019
Liabilities			
Paid-up and called-up capital	3	3	3
Share premium	31	31	31
Other reserves	379	451	420
Legal reserves	20	17	13
Undistributed profit (loss)	20	(70)	33
Total equity	**453**	**432**	**500**
Payables to group companies			0
Total current liabilities	**0**	**0**	**0**
Total liabilities	**453**	**432**	**500**

Notes to the company financial statements

General

Sligro Food Group N.V. is based in Veghel and registered with the Chamber of Commerce under number 160.45.002 and LEI code 724500YLB8OA6WK5CH48. The company financial statements were prepared in compliance with Title 9, Book 2 of the Dutch Civil Code based on the accounting policies specified in Section D of the summary of accounting policies, whereby group companies over which dominant control is exercised were measured based on net asset value, while applying the accounting policies of the consolidated financial statements.

Taxation

Sligro Food Group N.V. is the head of the Group's Dutch tax entity. The Group has opted to recognise the chosen tax positions at the level of the Group entity where agreements are entered into and transactions are concluded. This goes for both the transfer pricing method with Belgium, which was agreed by Sligro Food Group Nederland B.V., and the tax positions based on the Group entities' taxable results. This means that neither tax positions nor payable positions with the Dutch Tax and Customs Administration in the context of the transfer pricing method have been recognised in the company financial statements for Sligro Food Group N.V., because these are settled by Sligro Food Group Nederland B.V.

Non-current financial assets

x € million	2021	2020
Share in group companies	424	403
Receivables from group companies	25	29
Closing balance	**449**	**432**

Share in group companies

Movements in this item can be broken down as follows:

x € million	2021	2020
Opening balance	403	471
Result	20	(70)
Share-based payments		
Net result recognised directly in shareholders' equity		1
Change in treasury shares	1	1
Dividend		
Closing balance	**424**	**403**

Receivables from group companies

A loan granted with a total principal of €25 million and a term through to 1 January 2023 is recognised under this item. In 2020, a further €4 million with a term through to 1 January 2021 was recognised. The loan will be repaid in full on the maturity date and bears interest at an annual rate of 1%.

Shareholders' equity

Changes in shareholders' equity are detailed on Page 97. For further details on shareholders' equity, please see Note 19 to the consolidated financial statements.

The reserves in the company financial statements reconcile to the consolidated financial statements as follows:

x € million	2021	2020
Consolidated		
Other reserves	423	403
Treasury share reserve	(4)	(5)
	419	**398**
Company		
Other reserves	379	451
Legal reserves	20	17
Undistributed profit (loss)	20	(70)
	419	**398**

Other reserves

Movements in other reserves were as follows:

x € million	2021	2020
Opening balance	451	420
Result on previous reporting period	(70)	33
Change in legal reserves	(3)	(4)
Change in cash flow hedge		1
Change in treasury shares	1	1
Closing balance	**379**	**451**

Legal reserves

The legal reserves of €20 million (2020: €17) relate to the difference between the retained earnings calculated based on the parent company's accounting policies and the direct changes in equity as a result of revaluations of the participation on the one hand and the part thereof that the parent company could have distributed on the other. The legal reserves are determined on an individual basis.

Employee expenses and number of employees

Sligro Food Group N.V. has no employees. Its employee expenses are nil.

Proposed appropriation of profit

As explained in Note 19 the Executive Board, with the permission of the Supervisory Board, announced on 22 July 2021 that the total result for the 2021 financial year of €20 million would be added to the Other reserves.

Other notes

Contingent liabilities

Being the head of the Sligro Food Group N.V. tax entity, the company is liable for the tax liability of the fiscal unity as a whole.

The company has assumed joint and several liability for debts ensuing from the legal acts of its direct and indirect subsidiaries (Section 403, Book 2, Dutch Civil Code), as specified on Page 107.

As approved for publication, Veghel,

3 February 2022

The Supervisory Board

Freek Rijna, Chairman
Hans Kamps
Pieter Boone
Gert van de Weerdhof

The Executive Board

Koen Slippens, Chairman
Rob van der Sluijs

Other information

Independent auditor’s report

To the shareholders and the Supervisory Board of Sligro Food Group N.V.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS 2021 INCLUDED IN THE ANNUAL REPORT

Our opinion

We have audited the accompanying financial statements 2021 of Sligro Food Group N.V. (the Group), based in Veghel. The financial statements include the consolidated financial statements and the company financial statements.

In our opinion:
- The accompanying consolidated financial statements give a true and fair view of the financial position of Sligro Food Group N.V. as at December 31, 2021, and of its result and its cash flows for 2020 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.
- The accompanying company financial statements give a true and fair view of the financial position of Sligro Food Group N.V. as at December 31, 2021, and of its result for 2020 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:
1. The consolidated statement of financial position as at December 31, 2021.
2. The following statements for 2021: the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in shareholders’ equity and the consolidated statement of cash flows.
3. The notes to the consolidated financial statements comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:
1. The company statement of financial position as at December 31, 2021.
2. The company statement of profit or loss for 2021.
3. The notes to the company financial statements comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the “Our responsibilities for the audit of the financial statements” section of our report.

We are independent of Sligro Food Group N.V. in accordance with the EU regulation on specific requirements regarding statutory audits of public-interest entities, de Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information in support of our opinion

We designed our audit procedures in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The following information in support of our opinion was addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

Materiality

Based on our professional judgement we determined the materiality for the financial statements as a whole at € 6 million (2020: € 3.3 million). The materiality is based on 5.5% of EBITDA and takes in to consideration incidental income and expenses. We also consider misstatements and/or possible misstatements which in our view could be qualitatively material for the users of the financial statements. For some elements in the financial statements, we have applied a lower materiality (e.g. Executive Board Remuneration), as in our opinion these elements are material for the users of the financial statements for qualitative reasons.

We agreed with the Supervisory Board that in addition to material misstatements which are identified during the audit, we would also report smaller misstatements that in our view are relevant for qualitative reasons.

Scope of the group audit

Sligro Food Group N.V. is at the head of a group of entities. The financial information of this group is included in the consolidated financial statements of Sligro Food Group N.V.

Our group audit focused on the Dutch and Belgian activities of Sligro Food Group N.V. We performed audit procedures ourselves at all Dutch group entities of Sligro Food Group N.V. We used the work of Deloitte Belgium for the Belgian activities.

For both components we performed an audit of the financial information using the component materiality. We divided the group materiality over the Dutch and Belgian components based on professional judgement and qualitative factors. We have considered the relative size in relation to EBITDA and revenues of the Group. We have provided the Belgian component auditor with audit instructions and held several meetings with Belgian management and the Belgian audit teams during the planning, interim and year-end audit. We have also reviewed the audit files of, and the procedures performed by the component auditor.

By performing the aforementioned procedures at group and component entities, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the consolidated financial statements.

Scope of fraud and non-compliance with laws and regulations within our audit

There is an increased focus on fraud and non-compliance with laws and regulations within the public debate. This section therefore describes the procedures that have been performed by us in relation to fraud and non-compliance with laws and regulations at Sligro Food Group N.V.
In accordance with the Dutch Standards on Auditing, we are responsible for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatements, whether due to fraud or error. Non-compliance with law and regulation may result in fines, litigation or other consequences for the Company that may have a material effect on the financial statements.

Audit approach fraud risks

We identified and assessed the risks of material misstatements of the financial statements due to fraud. During our audit we obtained an understanding of the entity and its environment and the components of the system of internal control, including the risk assessment process and management's process for responding to the risks of fraud and monitoring the system of internal control and how the supervisory board exercises oversight, as well as the outcomes. We refer to section Risk management of the management report for management's fraud risk assessment and the supervisory board report in which the supervisory board reflects on this fraud risk assessment.

We evaluated the design and relevant aspects of the system of internal control and in particular the fraud risk assessment, as well as among others the code of conduct, whistle blower procedures and incident registration. We evaluated the design and the implementation and, where considered appropriate, tested the operating effectiveness, of internal controls designed to mitigate fraud risks.

As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption in close co-operation with our forensic specialists. We evaluated whether these factors indicate that a risk of material misstatement due to fraud is present.

We tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements. We evaluated whether the judgments and decisions made by management in making the accounting estimates included in the financial statements indicate a possible bias that may represent a risk of material misstatement due to fraud. We performed a retrospective review of management judgments and assumptions related to significant accounting estimates reflected in prior year financial statements.

We incorporated elements of unpredictability in our audit. We also considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or noncompliance.

We considered available information and made enquiries of Executive Board, Audit Committee and Supervisory Board as well as other employees within the Group, including the legal counsel and head of the central purchasing department. We have not identified any signals of fraud which indicated a possible material misstatement due to fraud.

Audit approach compliance with laws and regulations

We assessed the laws and regulations relevant to the Company through discussion with the Executive Board and legal counsel, reading minutes and reports of internal audit. We involved our forensic specialists in this evaluation.

As a result of our risk assessment procedures, and while realizing that the effects from non-compliance could considerably vary, we considered the following laws and regulations: adherence to (corporate) tax law and financial reporting regulations, the requirements under the International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and Part 9 of Book 2 of the Dutch Civil Code with a direct effect on the financial statements as an integrated part of our audit procedures, to the extent material for the related financial statements.

We obtained sufficient appropriate audit evidence regarding provisions of those laws and regulations generally recognized to have a direct effect on the financial statements.

Apart from these, the Group is subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts and/or disclosures in the financial statements, for instance, through imposing fines or litigation. Given the nature of the Group's business and the complexity of laws and regulations, there is a risk of non-compliance with the requirements of such laws and regulations. In addition, we considered major laws and regulations applicable to listed companies.

Our procedures are more limited with respect to these laws and regulations that do not have a direct effect on the determination of the amounts and disclosures in the financial statements. Compliance with these laws and regulations may be fundamental to the operating aspects of the business, to the Group's ability to continue its business, or to avoid material penalties (e.g., compliance with the terms of operating licenses and permits or compliance with environmental regulations) and therefore non-compliance with such laws and regulations may have a material effect on the financial statements. Our responsibility is limited to undertaking specified audit procedures to help identify non-compliance with those laws and regulations that may have a material effect on the financial statements. Our procedures are limited to:

(i) inquiry of management, the Supervisory Board, the Executive Board and others within the Group as to whether the Group is in compliance with such laws and regulations; and

(ii) inspecting correspondence, if any, with the relevant licensing or regulatory authorities to help identify non-compliance with those laws and regulations that may have a material effect on the financial statements.

Naturally, we remained alert to indications of (suspected) non-compliance throughout the audit.

Finally, we obtained written representations that all known instances of (suspected) fraud or non-compliance with laws and regulations have been disclosed to us.

Audit approach going concern

We refer to our key audit matter "impact of Covid-19" for a description of how we have responded to the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to events or conditions that may cast significant doubt on the entity's ability to maintain as a going concern.

Our key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Supervisory Board. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Description of the key audit matters

1. Valuation of (in)tangible fixed assets cash generating unit Belgium

Description

Belgium is one out of two cash generating units of Sligro Food Group N.V. (hereafter: Sligro Food Group N.V. or Sligro).

The results in 2020 in Belgium were lower than expected, partially due to the effect of Covid-19. On June 30, 2020, as a result an impairment on Goodwill was recorded amounting to € 43 million. In addition, an impairment of € 17 million was recorded relating to customer relations. The ongoing impact of Covid-19 in 2021 resulted in a further slowdown in the targeted growth and cost optimization in Belgium. The remaining net investment as of December 31, 2021 amounts to € 59 million (before impairment). Based on the value-in-use calculation, the recoverable amount is € 56 million and it has been concluded that an impairment of € 3 million is required. This impairment has been fully allocated to the remaining intangible assets (brand names). In 2021, as in the previous year, there is an operating loss in Belgium.

The aforementioned resulted in us identifying the valuation of the (in)tangible assets of Belgium as a key audit matter.

The results of the value-in-use calculation that was used to value the cash generating unit was most sensitive to:

- Net sales growth;
- Gross profit margin;
- EBITDA margin;
- WACC.

How the key audit matter was addressed in the audit

Based on our materiality level, the requirements in IFRS and the applicable auditing standards, we have audited the impairment analysis in relation to the valuation of the (in)tangible assets of the Belgian segment. We have gained insight in the process and internal controls regarding this management estimate. We have mainly adopted a substantive audit approach and did not rely on internal controls.

Our audit procedures have mainly focused on:

- Obtaining and evaluating the reports from the external experts used by Sligro.
- Obtaining and evaluating the budget of 2022 that is approved by the Supervisory Board and the long-term forecast up to 2026.
- Assessment of the key assumptions in the impairment model and discuss the results thereof with management of the Belgian segment, the Executive Board and the Supervisory Board.
- Assessment of the management estimate in relation to the budget of prior years based on the actual financial results until 2021, taking in to account the impact of Covid-19;
- Assessment of the impairment model, the calculated WACC and the long-term growth percentage, using internal valuation experts.
- Evaluation of the reasonableness of growth assumptions based on back testing and inspection of external data sources, including market reports.
- Assessment of the anticipated improvement in gross margins in comparison to the realized gross margin in 2021, the expected improvement in the operations and purchase bonus conditions.
- Evaluation of the expected recovery after Covid-19 that was included in the forecast based on external expectations, including an evaluation of different scenario's. The uncertainty of the forecast due to Covid-19 has been disclosed by Sligro Food Group N.V. in disclosure note D and 12.
- The accuracy and completeness of the related disclosures in the annual report.

Observation

Based on the materiality level and our procedures performed, consisting of testing the design and implementation of internal controls as well as of substantive audit procedures, we concur with the estimates of the Executive Board.

2. Impact of Covid-19

Description

Covid-19 had a significant impact on the financial year 2021 of Sligro Food Group N.V. The impact can be summarized as follows:

- **Government grants and support**

The Dutch and Belgian government have supported Sligro Food Group N.V. with the partial payment of personnel expenses. In the Netherlands, the grant in relation to the tijdelijke Noodmaatregel Overbrugging Werkgelegenheid (NOW) in 2021 amounted to € 27 million, which was recorded as a credit in other personnel expenses. In Belgium, the government took over payment of a portion of the salaries and social securities, which resulted in a decrease of € 2 million of personnel expenses during 2021.

- **Financing**

Covid-19 also negatively impacted EBITDA and free cash flow in 2021 compared to a pre-Covid year. Compared to 2020, the Net Debt/EBITDA ratio per December 31, 2021 has improved from 2.8 to 1.8. In 2021, Sligro Food Group N.V. has no longer requested an extension of the covenants and therefore Sligro must also comply with the original covenants in 2022 as included in the financing agreements. In the event of non-compliance with the covenants, the financiers have the option of immediately claiming the outstanding funds. To ensure liquidity, Sligro has increased an uncommitted facility from EUR 60 million to EUR 100 million and subsequently converted it to committed until December 31, 2022 with an option to extend before 2023.

How the key audit matter was addressed in the audit

Government grants and assistance:

The following procedures were performed in relation to the Dutch NOW grant:

- Assess whether Sligro meets the subsidy requirements of NOW 3.1, 3.2 and 3.3. The audit of the subsidy granted for NOW 3.1, 3.2 and 3.3 has not yet been completed by us as of February 3, 2022. In note 5d of the financial statements, Sligro has explained how it has accounted for the government subsidy under the Tijdelijke Noodmaatregel Overbrugging voor behoud van Werkgelegenheid (NOW). Because the subsidy for NOW 3.1, 3.2 and 3.3 has not yet been definitively determined, the recognized amount is based on an estimate of the current interpretation of the NOW conditions. Our opinion is not modified as a result of this matter.
- Assessment of the final grant and settlement of the NOW 1.0.

The government assistance in Belgium was addressed as follows:

- Evaluation of the estimated savings by Sligro that resulted from this arrangement.
- Verification of compliance by Sligro (Belgium) with the requirements set out in the TWO.

Financing:

We have performed the following audit procedures in relation to the assessment of the impact of Covid-19 on the financing of Sligro Food Group N.V.:

- Obtaining and evaluating the most recent agreements with the financing parties on the covenants and other relevant loan conditions including the available liquidity.
- Obtaining and evaluating the going concern analysis that includes an analysis of compliance with the financing conditions during the forecasted period.
- Evaluation of the process of Sligro Food Group N.V. on preparing the going concern analysis.
- Inquiry of representatives of the Executive Board and the Supervisory Board of Sligro Food Group N.V., including a discussion on the covenants and various scenarios in 2022 that could occur.
- Evaluation of the forecast relating to revenues, profit before tax and liquidity, including the assumptions and different scenarios, including testing these scenarios based on our own independently developed scenarios relating to the recovery of Covid-19 and the related disclosure note.

Observation

Based on the materiality level and our procedures performed we concur with the estimates of the Executive Board in relation to the valuation of the mentioned assets and the government grants and assistance. Please note, that in our opinion there is a degree of uncertainty with regard to the estimates as mentioned above. However, based on our work performed we did not note material deviations.

In relation to the financing we concur with management's analysis, which includes the compliance of loan covenants for the coming 12 months following the date of our audit report. Covid-19 will remain a source of uncertainty for Sligro Food Group N.V. in the coming months. This uncertainty has been disclosed in disclosure note D – Going concern.

3. Bonuses and promotional contributions

Description

Suppliers' bonuses and promotional contributions are regular business practices in the sector. The contributions will be realized by the own purchases of Sligro Food Group N.V. and additionally through purchasing combinations. The contributions from own purchasing are made by consultation between buyers of Sligro and sellers from suppliers. The share of supplier bonuses and promotional contributions to Sligro Food Group N.V.'s profit before tax is substantial. The final agreements with the suppliers on these contributions are mostly concluded in the year following the year of reporting. This leads to a management estimate in the financial statements. The Company discloses the relevant accounting policies in Note G.2 of the consolidated financial statements.

Sligro Food Group N.V. received various types of compensation from suppliers, which can be divided into 2 main categories:

i. Temporary price reductions ("promotions"), usually relating to special offers to customers with the aim of increasing direct sales volumes. In most cases, the supplier actually charges the lower purchase price for the agreed period. The benefit of the temporarily lower purchase prices is reflected directly in the cost of sales. Promotions are not included in the inventory valuation.
ii. Bonuses, usually based on contractual agreements dependent on purchase volumes and payment history ("bonuses"). Reasonably foreseeable bonuses are included in the valuation of inventory.

The estimate in the financial statements is mainly related to the second type of suppliers' bonuses and promotional contributions. Management makes use of a tool to estimate the total bonus amount with a bottom-up method, based on the purchases of the Group and the applicable contractual bonus conditions. The actual bonus that was received in 2021 over 2020 exceeded prior year's estimate by 0.4%.

How the key audit matter was addressed in the audit

Our audit focused on testing both the design and implementation of the internal control measures on behalf of the Executive Board focused on the accurate and complete recording of the bonuses and promotional contributions (including the basis for the estimate, segregation of duties between the Purchase department and bonus accounting, direct and indirect involvement of managers of Sligro Food Group N.V., internal reviews, contract management and authorizations). Our forensic experts were involved in obtaining an understanding of the entity, including the participation of interviews held with employees of the purchasing department.

Additionally, closely involving our forensic experts, we performed a number of substantive procedures focused on the accuracy and completeness of the recorded amounts. These procedures can be summarized as follows:

- Audit of the subsequent receipt of the bonus estimate of 2020 in 2021 and an analysis on the differences.
- Obtaining external supplier confirmations in relation to the bonus conditions and the prepaid bonuses on a sample basis.
- Detailed procedures on the forecasting tool by substantiating the estimate based on the contractual terms and the actual purchases during the year.
- Detailed procedures on the manual refinement of the estimate that resulted from the bonus estimation tool.
- Bonus calculation with focus on the relationship between revenues and receipts during the year and receivables at the end of the year.
- Assessment of realized condition-improvement or deterioration at supplier level and buyer level.

Based on historical figures, test of details and analytical procedures we have audited the impact on the inventory valuation of the classification of contributions as promotions of bonuses.

Observation

Based on the materiality level and our procedures performed, consisting of testing the design and implementation of internal controls as well as of substantive audit procedures, we concur with the estimates of the Executive Board. Please note, that in our opinion there is a degree of uncertainty with regard to the estimates as mentioned above. However, based on our work performed we did not note material deviations.

REPORT ON THE OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:
- Executive Board Report.
- Other Information as required by Part 9 of Book 2 of the Dutch Civil Code.
- Other information, not belonging to the annual report.

Based on the following procedures performed, we conclude that the other information:
- Is consistent with the financial statements and does not contain material misstatements.
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

The Executive Board is responsible for the preparation of the other information, including the Executive Board Report and the other information, in accordance with Part 9 of Book 2 of the Dutch Civil Code.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Engagement

We were engaged by the Supervisory Board as auditor of Sligro Food Group N.V. on March 19, 2014, as of the audit for the year 2014 and have operated as statutory auditor ever since that financial year.

No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

European Single Electronic Format (ESEF)

Sligro Food Group N.V. has prepared its annual report in ESEF. The requirements for this are laid down in the Delegated Regulation (EU) 2019/815 with regulatory technical standards for the specification of a uniform electronic reporting format (hereinafter: the RTS for ESEF).

In our opinion, the annual report prepared in XHTML format, including the partially marked consolidated financial statements as included by Sligro Food Group N.V. in the reporting set, complies in all material aspects with the RTS for ESEF.

The Executive Board is responsible for preparing the annual report including the financial statements in accordance with the RTS for ESEF, whereby the board combines the different parts into a single reporting set.

It is our responsibility to obtain, in our opinion, reasonable assurance that the annual report in this reporting set complies with the RTS for ESEF.

With due observance of NBA Alert 43, our activities included:
- Gaining insight into the entity's financial reporting process, including preparing the reporting set;
- Obtaining the reporting set and performing validations to determine whether the reporting set with the Inline XBRL instance document contained therein and the XBRL extension taxonomy files have been prepared in accordance with the technical specifications as included in the RTS for ESEF;
- Examining the information relating to the consolidated financial statements in the reporting set to determine whether all required markings have been applied and whether they are in accordance with the RTS for ESEF.

DESCRIPTION OF RESPONSIBILITIES REGARDING THE FINANCIAL STATEMENTS

Responsibilities of the Executive Board and the Supervisory Board for the financial statements

The Executive Board is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Executive Board is responsible for such internal control as the Executive Board determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the Executive Board is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Executive Board should prepare the financial statements using the going concern basis of accounting unless the Executive Board either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

The Executive Board should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Executive Board.
- Concluding on the appropriateness of the Executive Board's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures.
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identified during our audit. In this respect we also submit an additional report to the audit committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

We provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Supervisory Board, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Eindhoven, February 3, 2022

Deloitte Accountants B.V.

drs. A.J. Heitink RA

Profit distribution policy in the articles of association

Article 46 of the articles of association stipulates as follows on dividends and reserves:

1) The company can only pay dividend to shareholders and other entitled parties from profits eligible for distribution to the extent that its shareholders' equity exceeds the amount of the paid-up and called-up part of the equity plus reserves that have to be maintained by law or under the articles of association.
2) The Executive Board is authorised to allocate all or part of the profits to the reserves, albeit only with the Supervisory Board's consent. The general meeting of shareholders can reverse such an allocation to the reserves by a two-thirds majority vote at a meeting where over half of the issued share capital is represented.
3) Any profits remaining after the aforementioned allocation to the reserves will be available to the general meeting of shareholders to distribute.
4) If the general meeting of shareholders does not decide to pay out the remaining profits for any financial year, these profits will be added to the reserves.
5) The Executive Board can, albeit only with the Supervisory Board's consent, decide to pay interim dividend, provided the requirement specified in paragraph 1 of this article is met and it is justified by an interim statement of assets and liabilities as specified in Section 2:105, subsection 4, of the Dutch Civil Code. The company shall make such a statement of assets and liabilities available at its offices for inspection within eight days of the announcement of the decision to pay interim dividend. The payment of interim dividend is also subject to paragraph 9 of this article.
6) The general meeting of shareholders can, following a proposal submitted by the Executive Board, opt for profit distribution from a distributable reserve, albeit only with the Supervisory Board's consent.
7) The general meeting of shareholders can, following a proposal submitted by the Executive Board, decide to distribute profits in the form of shares in the company, albeit only with the Supervisory Board's consent. Such distribution shall be without prejudice to share issue stipulations in these articles of association.
8) Dividends will be paid at the time and place defined by the general meeting of shareholders, albeit no later than one month after the relevant decision adopted by the general meeting of shareholders.
9) Dividends that have not been claimed within five years of the date on which they became payable will expire and revert to the company.
10) A deficit may be offset against the statutory reserves only to the extent permitted by law.

Other information

Five-year overview

x € million[1]	2021	2020	2019	2018	2017
Result					
Revenue	1,898	1,946	2,395	2,346	2,142
EBITDA	109	75	127	114	144
EBITA	49	7	66	73	110
EBIT	25	(76)	44	53	91
Profit (loss) from continuing operations	20	(70)	34	46	76
Net cash flow from operating activities	73	101	132	45	172
Free cash flow	15	67	38	102	98
Dividend proposed	-	-	24	62	62
Equity					
Shareholders' equity	453	432	500	537	651
Net invested capital[2)3)]	805	802	902	675	779
Net interest-bearing debts[3)]	382	402	424	162	146
Total equity	1,233	1,198	1,455	1,214	1,347
Employees					
Annual average (full-time)	3,975	4,116	4,100	4,056	3,995
Workforce male/female ratio[4)]	71/29	71/29	74/26	74/26	58/42
Management teams male/female ratio[4)]	70/30				
Executive Board male/female ratio[4)]	100/0	100/0	100/0	100/0	100/0
Supervisory Board male/female ratio[4)]	100/0	80/20	80/20	80/20	80/20
Employee expenses[5)]	211	219	218	209	177

[1)] If changes to the accounting system have been implemented, only the figures from the previous year that are shown in the main table have been recalculated. The IFRS 16 accounting policy change is applicable from 2019 onwards.
[2)] Excluding associates.
[3)] Inclusive of IFRS 16 Leases from 2019.
[4)] The definition was changed as of 2020 from the average ratio over the year to the ratio at the end of the year.
[5)] Salaries, social security costs, and pension costs.
[6)] Data based on StakeholderWatch, including Belgium as from 2021.
[7)] In property, plant and equipment, assets held for sale, and software (on a transaction basis).
[8)] Excluding depreciation of right-of-use assets.
[9)] Excluding IFRS 16 Leases.

	2021	2020	2019	2018	2017
Corporate Social Responsibility					
Carbon reduction since 2010 as %	19.5	22.7	27.7	20.9	20.1
Sustainable product range as % of revenue	11.2	10.8	11.6	10.0	8.7
Customer satisfaction[6)]	69	73	73	75	
Employee satisfaction[6)]	62	63	56	57	
Supplier satisfaction[6)]	66	63	67	63	
Investments					
Net investments[7)]	47	13	85	74	59
Depreciation and amortisation[8)]	(49)	(58)	(54)	(50)	(45)
Ratios					
Revenue growth as %	(2.5)	(18.7)	2.1	9.5	7.9
Profit growth as %	128.5	(304.3)	(25.3)	(39.6)	9.2
Gross profit as % of revenue	26.3	24.0	24.4	24.1	23.1
EBITDA as % of revenue	5.8	3.9	5.3	4.9	6.7
EBITA as % of revenue	2.6	0.4	2.8	3.1	5.1
EBIT as % of revenue	1.3	(3.9)	1.8	2.2	4.3
Profit as % of revenue	1.1	(3.6)	1.4	2.0	3.5
Net profit as % of average shareholders' equity	4.5	(15.0)	6.4	7.7	12.1
EBIT as % of average net invested capital	3.1	(8.9)	5.0	7.2	12.6
Net interest-bearing debts/EBITDA[9)] as %	1.8	2.8	2.2	1.4	1.0
Shareholders' equity as % of total equity	36.7	36.0	34.3	44.2	48.3
Revenue per employee (x €1,000)	477	473	584	578	536
Employee expenses per employee (x €1,000)	53	53	53	51	44

Details per share with nominal value of €0.06

x €1	2021	2020	2019	2018	2017
Number of shares in issue (x million)	44.2	44.1	44.1	44.1	44.0
Shareholders' equity	10.25	9.78	11.33	12.16	14.80
Profit (loss)	0.45	(1.59)	0.78	1.04	1.73
Dividend proposed	-	-	0.55	1.40	1.40

Profile

Sligro Food Group consists of companies that specifically focus on the food service market in the Netherlands and Belgium by offering a comprehensive range of food and food-related non-food products and services in the wholesale market.

Netherlands
In the Netherlands, we are the market leader and operate a nationwide network of Sligro cash-and-carry and delivery service wholesale outlets serving large and small-scale companies in the hospitality industry, leisure facilities, caterers, large-volume users, company restaurants, petrol stations, small and medium-sized enterprises, small retail businesses, and the institutional market. Van Hoekel focuses specifically on the institutional market, while Sligro serves all the other segments. In the Amsterdam region, we are active with the "De Kweker" cash-and-carry formula. In a long-term strategic partnership with Heineken, Sligro is responsible for the exclusive distribution of Heineken keg beer in the Netherlands. Sligro/De Kweker and Van Hoeckel each have a dedicated commercial organisation focusing on their specific markets, while they make operational use of joint delivery and other shared networks and the back-office organisation.

Belgium
In Belgium, JAVA Foodservice, based in Rotselaar, focuses primarily on the institutional, corporate catering and hotel chain market segments within the Belgian food service market. Sligro-ISPC supplies high-quality, innovative food and food-related non-food products and services to culinary professionals, the rest of the hospitality market, wholesale customers and small and medium-sized enterprises. Sligro-ISPC operates combined cash-and-carry and wholesale delivery service outlets in Antwerp, Ghent and Liege. Sligro-ISPC and JAVA Foodservice both have their own commercial organisations and make increasing use of a common delivery structure and shared services.

Sligro Food Group has its own production facilities for specialist convenience products (Culivers) and fresh fish (SmitVis). The company also sources meat, game and poultry, fruit and vegetables, and bread and pastries through its participations in fresh partners, which serve both the Dutch and Belgian market. Sligro Food Group has two specialist companies: Bouter for advertising, design, delivery, installation and maintenance of professional kitchens, kitchen equipment and refrigeration and freezing equipment. Tintelingen is our business unit for online gift concepts and Christmas gifts. Sligro also sells traditional Christmas hampers.

We offer our customers a selection of around 78,000 food and food-related non-food items, together with numerous services to support our customers' businesses and help them to advance. Most of the procurement for specific food service products is handled directly through the Sligro Food Group, although a portion is arranged through CIV Superunie BA.

Sligro Food Group companies actively seek to share knowledge and make good use of the extensive scope for synergy and economies of scale on a national and international level. Activities that are primarily customer-related are carried out separately in each country and business unit. By combining our central procurement with direct, meticulous category and margin management, we aim to continuously improve our gross margins and offer our customers a unique and innovative product range. Operating expenses are kept under control by having an integrated supply chain and through our constant focus on cost control. Centralised management of our IT landscape, centralised design and control of master data management, and centralised talent and management development all work to further enhance group synergy.

Sligro Food Group strives to be a high-quality business for all its stakeholders that constantly grows in a controlled manner. Sligro Food Group shares are listed on Euronext Amsterdam. The Group's head office is located in Veghel, Netherlands.

Key dates

Agenda

Scheduled press releases will be published at 7.30 a.m.

5 January 2022	2021 annual revenue
3 February 2022	2021 annual figures
3 February 2022	Press conference, 11.00 a.m.
3 February 2022	Analysts' meeting, 1.30 p.m.
3 February 2022	Publication of the annual report
23 March 2022	General Meeting of Shareholders for 2021 at the company's offices, 10.30 a.m.
21 April 2022	First-quarter trading update
21 July 2022	2022 half-year figures
21 July 2022	Analysts' meeting, 1.30 p.m.
20 October 2022	Third-quarter trading update

4 January 2023	2022 annual revenue
2 February 2023	2022 annual figures
2 February 2023	Press conference, 11.00 a.m.
2 February 2023	Analysts' meeting, 1.30 p.m.
2 February 2023	Publication of the annual report
22 March 2023	General Meeting of Shareholders for 2022 at the company's offices, 10.30 a.m.

The company is based in Veghel and registered in the trade register of the Chamber of Commerce and Industry for East Brabant in Eindhoven under number 160.45.002.

Corridor 11, PO Box 47, 5460 AA Veghel, Netherlands
Telephone +31 413 34 3500 www.sligrofoodgroup.nl

Shares and dividend policy

Sligro Food Group N.V.'s shares are traded on the Euronext Amsterdam N.V. stock exchange and are included in the AScX index.

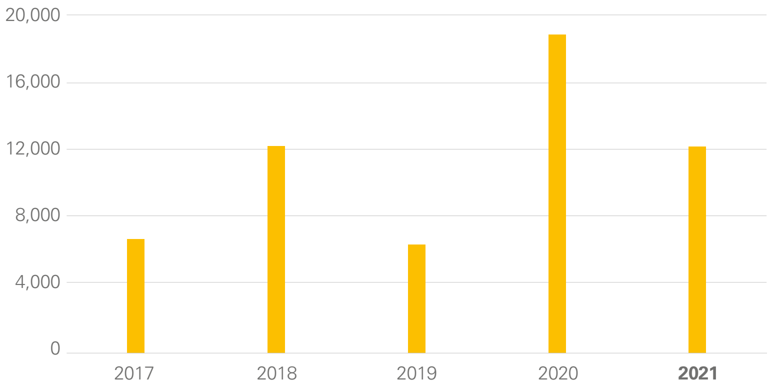
The share

There were 44,170,415 shares in issue at the end of 2021, an increase of 27,000 compared with year-end 2020. This increase can be attributed to the change in the number of shares repurchased to cover the share option plan.

The volume of traded shares in the reporting year amounted to 12,004 thousand (2020: 18,872) and the total value of shares traded was €272 million (2020: €301).

Following the change to the Dutch law on converting bearer shares, traditional bearer shares that are not included in the book-entry securities transfer system will automatically be converted into registered shares on 1 January 2020. As a result, physical bearer certificates have automatically ceased to be valid. The amendment to the articles of association on 27 June 2020 in connection with this law gives holders of former traditional bearer shares the opportunity to report to Sligro Food Group by 2 January 2026 to hand in bearer certificates and receive shares that will be included in the book-entry securities transfer system. As at 31 December 2021, Sligro shareholders hold a total of 3,780 (2020: 3,800) former traditional bearer shares.

Number of shares traded
(x 1,000)



The majority of these shares are held by Dutch investors. Market information has been used to estimate the geographical distribution of share capital. This information covers 88% of the capital in 2021 (2020: 84%).

Breakdown of share capital

in %	Private individuals 2021	Private individuals 2020	Institutions 2021	Institutions 2020	Total 2021	Total 2020
Netherlands	49	50	22	24	71	74
USA			4	4	4	4
Australia			3		3	
UK			2	4	2	4
Other countries			8	2	8	2
Total	**49**	**50**	**39**	**34**	**88**	**84**

Given that shareholders are required by law to report any substantial holding or short position reaching, exceeding, or falling below a certain threshold, this can result in shares being counted more than once, meaning that these notifications do not always provide an accurate view of the number of freely tradable shares. In the table below, where possible this 'double-counting' has been taken into account and corrected.

Substantial participations[1)]

Date of most recent disclosure	Subject to reporting obligations	in %
28 April 2021	B.V. Beleggingsfonds 'Hoogh Blarick'	4.61
2 September 2020	NN Group N.V.	10.15
1 November 2016	APG Asset Management N.V.	10.03
3 July 2015	Boron Holding N.V.	5.03
6 April 2009	Stichting Administratiekantoor Arkelhave B.V.	5.06
1 November 2006	Stichting Administratiekantoor Slippens	33.96

[1)] This summary has been compiled on the basis of the 'Register of substantial participations and gross short positions' (www.afm.nl).

We seek to have regular contact with our investors and analysts. Twice a year, with the publication of the half-year report and the annual figures, we organise an analysts' meeting at our cash-and-carry outlet in Amsterdam. Additionally, we actively seek contact with analysts and investors during roadshows and conferences.

The General Meeting of Shareholders will be held on 23 March 2022.

Dividend policy

Sligro Food Group aims to pay a regular dividend of approximately 60% of the result after tax (excluding extraordinary items). A proposal may be made to pay a variable dividend, depending on the solvency and liquidity position. The dividend is paid in two instalments, i.e. an interim dividend in the second half of the year and a final dividend after the General Meeting of Shareholders.

Like in 2020, COVID-19 had great impact on the results in 2021. We have taken strong measures to mitigate losses and protect the company's financial position. We have, in our view, succeeded in doing that. Besides the measures we took, we also relied on government relief provided through the NOW and TVL wage subsidy schemes in the Netherlands and the TWO wage subsidy scheme in Belgium. Given that relief provided under these programmes is subject to a dividend ban, we will not be paying out a dividend for the 2021 financial year either.

A cash dividend of €0.00 per share was paid in 2021.

Earnings and dividend per share 2012-2021

x €1	2012	2013	2014	2015	2016	2017	2018	2019[1]	2020[1]	2021[1]
Profit (loss) from continuing operations	1.56	1.55	1.58	1.84	1.67	1.73	1.04	0.78	(1.59)	0.45
Dividend	1.05	1.05	1.10	1.20	1.30	1.40	1.40	0.55	-	-

Information for investors on components of revenue

Sustainable ('eerlijk & heerlijk')	11.2%	Organic, sustainable, fair trade, and locally sourced products
Tobacco	11.1%	All tobacco-containing products
Alcohol	9.9%	All alcohol-containing products fit for human consumption
Pork	2.1%	Fresh pork from butcher, meat, and charcuterie sections

More information about Sligro Food Group

Sligro Food Group's website (www.sligrofoodgroup.nl) provides information about the Group, its financial results, press releases, articles of association, remuneration, directors' shareholdings and share transactions, and corporate governance. This information is available in both Dutch and English.

[1] A dividend was not paid for the 2019, 2020, and 2021 financial years because relief provided under the Dutch government's NOW wage subsidy scheme is conditional on not paying out dividends.

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