

Organisation

AND EMPLOYEES

GOALS

- To establish long-term employment relationships, consistent with our status as a reliable and professional employer.
- To maintain employees' pride in Sligro Food Group through intensive communication and by enabling them to share in the group's success.
- To create a safe and pleasant working environment in which employees from different backgrounds can all feel at home.
- To promote cooperation and partnership as a means of achieving targeted synergistic benefits for the group.
- To ensure we protect and promote important elements of our organisational culture, such as strength in unity, pride without arrogance, a passion to be the best, cost awareness, a healthy belief in ourselves and a conscious choice for directness.
- To create a leadership style reflecting our organisational culture.
- To remain committed to an informal organisation, where short lines of communication and reporting help to achieve intelligent and rapid solutions in day-to-day activities.
- To continue promoting customer-oriented and customer-friendly practices as the standard for our employees.
- To consistently strive to improve employees' performance by providing structured and challenging opportunities for training and management development.

manage to find new jobs are having to accept temporary contracts (often repeatedly) at lower levels of pay. As a result, we are seeing an increasing degree of polarisation in the labour market. There are too few opportunities for well-qualified and highly motivated young people, while others in the labour force are primarily focusing on protecting their 'acquired rights', even though they already have better terms and conditions of employment than their younger counterparts. Western Europe needs to reform if it is to avoid falling even further behind other countries. We are still in the relatively luxurious position, at least in the Netherlands, of being able to carry out the required reforms in a socially responsible manner, with respect for older generations, while also offering sufficiently attractive prospects for younger people. The need for generational sustainability is clearly finding less resonance among trade unions, whereas many employees themselves have progressed much further in their thinking. This is not in itself particularly surprising if your primary focus is on protecting the interests of your members, and those members – at least in our sector – are largely men aged over 50. There is certainly nothing wrong with representing a specific group's interests. It is a completely different matter, however, if you are in a position, despite having very limited support, to reach institutionalised agreements applying to all employees.

We have had no Collective Labour Agreement for the Food Wholesale Sector since 1 April 2012, and it is proving very difficult to negotiate on work rosters that are no longer appropriate for today's world, let alone reach agreement on pension reforms.

LABOUR MARKET

The worsening economy is clearly having an effect on employment figures in the Netherlands. Unemployment rose in 2012 by over 100,000, while many of those who

We at Sligro Food Group are not seeking to make radical changes. Neither are we seeking flexibility for its own sake, and certainly not to have as few legal and other ties to our employees as possible. That would not be consistent with the policy goals we have set out above. We want and need to meet our customers' wishes, because that is the only way to ensure we continue earning enough to pay salaries on time and performing well in as pleasant a working environment as possible. Much can be achieved within our operating framework, so long as there is goodwill on both sides and rules are not seen as existing purely for their own sake. By and large, these relationships within Sligro Food Group are good.

It is remarkable that, as consumers, we (rightly) expect businesses to provide a flexible and customer-friendly service but, as employees and certainly when working in an institutionalised setting, we show only limited willingness to provide this degree of service ourselves. We encountered evidence of these attitudes during our takeover of Van Oers. You might expect that guaranteed job security and employment terms and conditions would be a welcome message in circumstances in which these aspects were clearly under threat. That expectation, however, was not borne out in the behaviour of the trade unions involved in negotiating the social plan. Statements such as 'Who's going to pay that extra five minutes' travel time?' are not exactly indicative of a willingness to adapt. Fortunately, however, the Van Oers works council demonstrated a greater grasp of reality, with the result that we were able to find a responsible and socially acceptable way to proceed with the acquisition.



CULTURE AND LEADERSHIP

The most important way in which one business differentiates itself from another is in its organisational culture. In other words, the way you work together, respond to change and deal with each other and your customers, and also the way you manage people and processes. In focussing on how we work and how we aim to succeed, we not only look at the results in the shorter term, but also and primarily at the longer-term sustainability and viability of our growth, in terms of both quality and results. And we are particularly committed to maintaining our organisational culture in a market in which conditions are more challenging than ever.

Sligro Food Group's Executive Board has completed a process of defining the specific features of our organisational culture and then adding substance to these definitions. This is because it is vital, in a rapidly growing organisation, to formulate what makes your culture unique, to communicate those features effectively, to use them when selecting new employees and particularly to ensure you behave, from the top of the organisation downwards, in a way that reflects that culture. We ultimately defined the following as constituting our Sligro Food Group DNA:

-  **Healthy belief in ourselves**
-  **Determination to be the best**
-  **Pride without arrogance**
-  **Cost awareness**
-  **Consciously direct**
-  **Combine strength**

The aspects that make up our DNA also demand a certain style of management, and we have identified the elements we see as belonging to this. In other words, what we regard as the 'S factor'!

We have drawn up a programme for communicating these features of our culture and discussing them at all levels of the organisation. At the same time, we are also

launching a leadership programme. We have devised programmes for three managerial levels so that all our employees can be trained, inspired and coached at their own individual level. The leadership programme will help encourage our employees to put our organisational culture into practice in their day-to-day work.

Each year we plan to hold inspirational meetings for a select, but wide-ranging group of managers, from all levels of the organisation. At each meeting, we will be discussing one of the above themes in an inspiring way with speakers from within and outside our organisation. The first of these meetings, which was held in December 2012, received a highly enthusiastic response.



We are very aware that organisational culture is not something one can take for granted, certainly not in the case of a culture as pronounced as ours. It is very important, therefore, to agree on a programme for communicating and consolidating this culture at all levels of the organisation. We started preparing this programme during the year under review and will be launching it in 2013. The importance of having a clear, pronounced culture was reconfirmed in an Incompany employee satisfaction survey, which found a substantial difference in this respect between Sligro and its cash & carry wholesale competitor Makro. As we see it, satisfied employees make for satisfied customers. It cannot be a coincidence that the differences in the two organisations' customer satisfaction levels and financial results are equally pronounced.

We have translated our organisational culture and the features typifying this culture into a series of concrete competences. The model chosen is an online model, which has now been populated. We worked with a solid contingent from line management to select a series of core competences tying in with the Sligro Food Group culture, as well as a set of more job-related competences. These competences have been expressed in a manner appropriate for our organisation and can now be used to develop additional HR tools for assessing employee performance, for recruitment and selection and for learning and development. Our initial experience of using these

competences has been extremely positive. The decision to opt for a common starting-point in the form of competences automatically ensures a coherence and consistency in the tools chosen and still to be chosen.

SERVICE ANNIVERSARIES

We make a fuss of employees celebrating services anniversaries, because we regard longer-term employment relationships as inherently consistent with our organisational culture. Each month we take time out at each location to thank employees who have reached an anniversary and once a year we host larger-scale celebrations, to which the employees' partners are invited. Last year there were over 400 guests.

We also aim to maintain good relationships with our retired employees through various well-attended events during the year. As a result, the group pension fund not only has formal representation at a management level, but also a real and visible presence.

HUMAN RESOURCES DEPARTMENT

Our HR department is making efforts to further professionalise its activities and thus ensure a more effective response to developments within the organisation and compliance with the increasingly high quality requirements. This has resulted in four new knowledge centres being set up: Recruitment & Selection, Vitality, Learning & Development and Employment Terms & Conditions. We have also made changes to the support model and in the role traditionally fulfilled by the regional HR manager. This function will now be performed more at a distance, via the intranet and telephone helpdesks, with specialists being brought in from the knowledge centres to deal with specific questions.

Each knowledge centre has its own specific tools, which will continue to be developed. Recruitment & Selection, for example, uses online assessments, while the Vitality centre has devised a support method so that it can decide more quickly on how best to reintegrate employees into

the workplace. The ultimate aim in using smart support solutions, combined with the intranet and automated workflows, is to improve the level of service provided.

DIGITISATION

Recent years have seen preparations for Mplaza, our new HR information system. These came to fruition in 2012, when we were able to make the system available for use by line managers. The latter now have direct access to their employees' basic details, as well as a dashboard overview of important events, such as contract expiry dates, long-service anniversaries, birthdays, illness and essential personal data. As a result, we can now closely monitor all processes, with a resultant improvement in discipline and efficiency. Our approach can be summed up as 'greater standardisation where possible so as to create more time for customisation where necessary'. The launch of the new system marks the first step towards further digitisation of many of our processes and information flows. This is absolutely vital in an organisation with some 10,000 employees, and also highly consistent with other developments underway within HR and the chosen support model.

ILLNESS-RELATED ABSENCE

Illness-related absence fell by 0.2% during the past year to 4.2%. Although this is still significantly above our target of 3.5%, we are pleased with what has been achieved. We are perfectly willing to accept responsibility for employees who are incapacitated for work, either temporarily or otherwise, as we know them and, by providing support at an early stage, can limit any adverse consequences for them and the business. Sligro Food Group has chosen to insure the employee disability risk privately and, in line with our belief that we should be responsible for these matters, has left the state system. Nevertheless, we still have to deal with administrative bodies such as the state-owned Employee Insurance Agency (EIA), where reviews of 'old cases' usually bring us up against incomprehensible decisions or procedural errors by the EIA. Whereas employers submitting an application just one day too late face heavy sanctions, no similar instrument is available to employers in the event of serious errors being made by the EIA. This lack of a level playing field makes it difficult to maintain a good working relationship with the EIA and seriously undermines the sense of shared responsibility.

Although our private insurers initially took over responsibility for various reintegration activities, we found in practice that they, too, were unable to perform these tasks satisfactorily. The reason for this is that the distance between them and the employees unable to work proved to be too great and their relationship too impersonal. We have therefore chosen to reassume this responsibility and to use our own occupational disability case managers. As we see it, having a more personal relationship between the employer and employee offers the highest chances of successful reintegration. The fact that the government is currently considering plans to make employers responsible for employees with whom they no longer have any relationship – in other words, former employees, who worked at the organisation for only a very short time, but unfortunately became ill – makes it all too clear that the political world's primary focus in this respect is on shedding its financial risks. As a society, however, we surely do not want it to be possible for someone who works only one day on a temporary contract to become eligible for a salary for the next twelve years.

WORKPLACE SAFETY AND WORKING CONDITIONS

We have established a new structure for dealing with health and safety in the workplace. This involves a steering group comprising Executive Board members and other people with operational responsibility, and various working groups set up to deal consistently with issues throughout the organisation. These include working groups for hazardous substances, workplace safety, emergency response activities and so on. Each group has summarised how the relevant issue is currently dealt with in the organisation and made suggestions for improvements, which it is then responsible for implementing. Sometimes the changes required are relatively small, such as registering minor accidents in the workplace, while on other occasions they may involve larger projects, such as completely rewriting the risk management profile and organisation, and, as seen during the year under review, devising a new risk management training course.

The basic structures we have in place are good. A number of additional steps, however, have still to be taken to improve our overall position and allow us to operate from a more uniform basis. These steps are on the agenda for 2013.

REORGANISATIONS AND ADAPTATIONS

In 2012 we decided to close the Culivers production facilities in Amsterdam. Once again we were able to achieve this without having to make any of the almost fifty employees compulsorily redundant. In that respect our organisation has a great capacity to absorb change, not least thanks to our not having a culture of decentralised budgets. A mobility plan, specifically focusing on 'from work to work', is very much part of what we see as the way forward in such situations.

Staff at our head office in Veghel have been working hard to improve quality and productivity, with smart use of various ICT options allowing a high degree of automation in various processes. The focus here is no longer primarily on implementing processes, but instead on managing them. This, too, involves a change in thinking. Changing times and changing technologies also require changes in qualifications. Sometimes employees have been able to develop and acquire the extra skills and competences needed to perform the new, higher-level job, while sometimes we have had to help them move to other jobs, usually within the organisation. All head office departments will be devoting considerable attention to this process over the coming years, while employees themselves need to understand that permanent development is a precondition for continued employment.

MANAGEMENT POOL

Various parts of our organisation need a pool of candidates they can call on to fill vacancies quickly. This pool needs to be of sufficient size and to have sufficient through-flow. Training and guiding people, only to leave them sitting on the substitutes' bench, will simply demotivate them. Our cash & carry wholesale activities have therefore set up a pool for middle management positions, along with a selection system and a suitable training and development programme. We will use this model and the experience gained from it to see whether this approach can be extended to other parts of the group.

LABOUR MARKET PROJECTS

Employers are increasingly being asked to take on people for whom it is otherwise difficult to find work. Although we are certainly willing to take on our share of this responsibility, experience shows that it is not always that

easy. Working with sheltered employment centres, educational institutions and municipal social services, for example, demands a great deal of patience. Not everything is covered by legislation, while rules are sometimes so strict, and opportunities for subsidies so restricted that you have to be really committed to want to continue along that route. Nevertheless, we once again provided support for various projects during the year under review, both in order to gain experience and because we see this as part of our responsibility to society. There is a tendency in the political world to call for change, for example by suggesting that companies should recruit at least 5% of their staff from among people with a disability. These ideas, however, bear little relationship to reality. Imposing quotas, along with sanctions in the event of failure to comply, will trigger many negative side-effects, including figure-focused bureaucracy, unwelcome stigmatisation and above all resistance. Here, too, the government is trying to shift responsibility for its own failure onto the business sector. Repeatedly seeking recourse to legislation and regulation does not suggest an ability to command much respect and authority. A company dealing with its staff in that way would be doomed to economic failure. It would be far better to create an incentive to make it easier for employers in this respect. Taking the time to talk to employers and listen to their experiences would be far more productive. We see, at both a local and national level, that politicians really need employers if they are to achieve many of their objectives in the fields of employment, mobility and social projects. Instead of constantly seeking to shift responsibility, they would be better advised, therefore, to seek to work with and facilitate the employers.

WORKS COUNCIL

We are pleased to report that we continue to have a good working relationship with the Works Council. Our consultative structures are based on the principle of 'Working together means winning together'. We have a group-wide Works Council, with the various committees focussing on issues rather than 'tribal loyalties'. That is because we choose to look at what we have in common within Sligro Food Group instead of how we differ. Indeed, the latter would contradict the group's basic strategy as, rather

than being a group of different businesses, we are a single business taking various routes to the market and with a single, integrated back office. We regard the Works Council as an important channel through which employees have the opportunity to express their views, and as something to be proud of. In this way, employee co-determination adds substantial value to the organisation. We each have our own responsibilities, but are not each other's opponents.

There are two permanent items on the agendas of the consultation meetings:

- Announcements by the Executive Board.
- 'Guided tour' of developments in the field.

These two agenda items are particularly valuable because they enable the Executive Board to review developments in various areas of the business. The 'guided tour' is given by a number of Works Council members (different each time), who have an opportunity to explain what is happening in the field.

Permanent agenda items each year include:

- Presentation of the annual report.
- Review of the pension fund's position.

The following items were dealt with at regular or special meetings:

- Integration of Maastricht and Haps delivery-service operations in Venray.
- Proposed takeover of Van Oers.

- Employee share ownership scheme, following cessation of the save-as-you-earn scheme.
- Appointment of Mr. Karis to the Supervisory Board.
- Remuneration policy and salary review for staff exceeding collective labour agreement salary limit.
- Expansion of opportunities for night working.
- Indexation of business travel allowances.
- Action to reduce illness-related absence.
- Protocol for use of social media by employees.
- Employees' activities relating to good causes: our policy and policy evaluation.

We have found the consultation meetings to be extremely constructive and, due to the focused expertise accumulated in committees, highly productive.

EMPLOYMENT TERMS AND CONDITIONS

Our supermarket staff are covered by the Collective Labour Agreement for Large Food Retailers, and almost all other Sligro Food Group employees are covered by the Collective Labour Agreement for the Food Wholesale Sector. One aspect these two agreements have in common is that consultations in recent years have been extremely difficult. Another similarity is that there are few signs of innovation and willingness to address difficult issues, which all too easily get postponed until an unspecified future date.

	FTEs (average)			Individuals (average)		
	2012	2011	2010	2012	2011	2010
Food retail						
Wholesale ¹⁾	285	304	317	464	479	477
Supermarkets	2,669	2,692	2,344	6,001	5,991	5,146
	<u>2,954</u>	<u>2,996</u>	<u>2,661</u>	<u>6,465</u>	<u>6,470</u>	<u>5,623</u>
Foodservice²⁾	<u>2,894</u>	<u>2,884</u>	<u>2,852</u>	<u>3,643</u>	<u>3,610</u>	<u>3,552</u>
Total	<u>5,848</u>	<u>5,880</u>	<u>5,513</u>	<u>10,108</u>	<u>10,080</u>	<u>9,175</u>
Outlets ³⁾	3,827	3,807	3,545	7,616	7,532	6,785
Production companies	177	212	191	197	234	203
Distribution centres ⁴⁾	1,292	1,321	1,267	1,698	1,728	1,630
Head offices	<u>552</u>	<u>540</u>	<u>510</u>	<u>597</u>	<u>587</u>	<u>557</u>
Total	<u>5,848</u>	<u>5,880</u>	<u>5,513</u>	<u>10,108</u>	<u>10,080</u>	<u>9,175</u>

1) Including retail logistics. 2) Including central overheads, the central distribution centre and production companies. 3) Cash & carry wholesale and our own supermarkets. 4) Central distribution centre and distribution centres specifically serving food retail and foodservice.

The Collective Labour Agreement for the Food Wholesale Sector expired on 1 April 2012, and no new agreement is yet on the horizon. It sometimes seems that refusing to take responsibility is becoming the new norm: that way, you avoid having to specify what needs to change.

The Collective Labour Agreement for our supermarket staff runs from 1 April 2011 to 1 April 2013, with a salary rise of 1.8% on 1 October 2011 and 2% on 1 August 2012, and certain additional increases for younger staff. It should be noted that the primary focus during the negotiations was not on the interests of those younger staff (who are generally not union members), but rather on the adverse indirect effects that the changes would allegedly have on older staff, even though the reverse is more likely to be the case.

The average number of employees changed only slightly in 2012, which is not surprising in a year without any growth in volume. It should be noted that the above table only includes the numbers of our own employees; we also use temporary staff and Euroflex agency staff, most of whom are from Poland. This is partly the result of conscious choices we have made in our logistics activities, and partly because there is no other way to get staff of the quality we require. On an annualised basis, we estimate the total number of staff on these flexible contracts to be 319 FTEs (2011: 332 FTEs).

PENSIONS AND PENSION FUNDS

Detailed information on the pension schemes available to Sligro Food Group employees can be found in note 5 on page 106 of the financial statements. Some of these schemes, primarily for our supermarket staff and professions such as butchers, are operated by the sector pension fund. In most other cases, pensions are provided by the group pension fund, Stichting Pensioenfondsligro Food Group. In all cases, Sligro Food Group has no obligations other than to pay contributions. These contributions must be sufficient to cover the costs, as required by the Nederlandsche Bank (the Dutch central bank), which is responsible for supervision. This requirement is currently met. A top-up scheme, based on defined contributions, has been agreed with an insurance company to cover amounts above the maximum pensionable salary (up to an additional €102,000). All the pension funds currently have a reserves shortfall and so are not applying any indexation. The group pension fund substantially improved its coverage ratio in 2012 from 101% to 111%. A net total of 4 percentage points of this increase is the result of using a

different, higher interest rate (the 'ultimate forward rate'), which is offset by higher life expectancy.

The financial statements have been compiled in accordance with IAS 19. As explained in the section on pensions and provision for post-employment benefits on page 73 in the Executive Board report, this produces very different results.

STAFF PARTICIPATION

For many years Sligro Food Group has had a profit-sharing scheme for its employees. This is based on the group's profit as a percentage of sales, with a floor of 2.8%. Amounts paid out under the scheme are converted into Sligro Food Group shares that are blocked for four years. This is one of the reasons why our employees now hold 1,703,000 shares (2011: 1,614,000 shares).

The decrease in our result for the year meant we approached the floor applying to the scheme. The profit-sharing payout fell by 0.4 percentage points to 2.3% of salary, with total costs, including charges, falling by €0.6 million to €4.2 million.

Full details of our profit-sharing scheme can be found at www.sligrofoodgroup.com, where you can see how we communicate our approach and how important the issue is to our employees.



MIRANDA BERGER

I'm once more doing what I trained to do. How I missed it!

**DEALING DAILY
WITH SUSTAINABLY
CAUGHT FISH IS THE
BEST THING THERE IS!**

HARRIE VAN DEN BROEK



Corporate social RESPONSIBILITY

Because we have opted for integrated reporting of our financial results and sustainability performance, you can as usual also read about our corporate social responsibility performance in this annual report. In this section we report on how we operate in this respect, the particular issues to which we devoted attention in 2012 and the process we have gone through and explain how this fits into our long-term plan.

OUR VISION OF CSR; HOW WE OPERATE

At Sligro Food Group, corporate social responsibility and commercial returns go hand in hand. The advantage of this approach is that CSR stays high on our agenda, even in tough economic times, or rather in today's new reality. For us, corporate social responsibility is simply a key element of professional and sustainable business practices. That may well have to do with our position as a listed family business because, as a family business, we want to do things properly and treat our environment with due respect.

We measure the added value of Sligro Food Group by more than financial performance alone. As well as financial results, issues relating to safety (including food safety), energy, the environment and society also play an important role for us.

MVO-Nederland (the Dutch CSR platform) defines CSR as 'an integrated business vision in which the business creates value at the economic (Profit), environmental (Planet) and social (People) levels'. We recognise our vision in MVO-Nederland's definition.

We have made good progress in recent years in defining and achieving our CSR objectives. We have found that our intrinsic motivation, namely our sincere desire to help in shaping the world we leave to the generations to follow, can go hand in hand with the pursuit of quantifiable targets. We believe that this combination is important, because setting targets alone should not be an end in

itself: what is ultimately important is the concrete and effective action we take to bring about improvement. Our organisation has gained great energy and enthusiasm from this process of defining, nuancing and refining our objectives.

ABOUT THIS REPORT

In this section we report on the results achieved and the most significant developments in the field of corporate social responsibility (CSR) in 2012. The report has been prepared in accordance with the Global Reporting Initiative (GRI) guidelines and qualifies as level C (self-declared). Sligro seeks to improve the transparency and relevance of the annual report with the help of the GRI guidelines and the Transparency Benchmark criteria. The GRI table can be found on page 142 of this report. The topics covered in this CSR report have been nominated by the experts on the CSR Steering Group. The content of the report also reflects questions, responses and feedback from stakeholders such as consumers, employees and shareholders and discusses developments in the sector, such as legislation and standards. The principal reporting target groups are shareholders, employees, customers, consumers, suppliers and potential employees

Please address any questions, comments or suggestions to: mvo@sligro.nl.

PRIORITIES AND SPEARHEAD PROJECTS

From 2010 to 2012, the Group's CSR Steering Group defined the priorities and translated them into spearhead projects with firm and measurable objectives. The spearhead projects were grouped into the main CSR areas identified for Sligro Food Group by the CSR Steering Group:

- Purchasing
- Energy
- Waste and environment
- Logistics
- Personnel
- Food safety

All the spearhead projects started in 2010 were completed or approaching completion by the end of 2012. At the same time, new CSR-related activities were developed at many places in the organisation. The members of the Steering Group each set up their own working groups to implement the spearhead projects, taking responsibility for progress and providing interim feedback to the CSR Steering Group. We use a 'traffic light model' to show the progress achieved in reaching the targets that have been set. Full details of the spearhead projects and objectives can be found on the CSR pages at www.sligrofoodgroup.com.

STATUS OF CSR SPEARHEAD PROJECTS AS AT YEAR-END 2012

1	Affiliation with BSCI (Business Social Compliance Initiative)
2	Covered freezers in our supermarkets and cash & carry stores
3	Video conferencing
4	New transport technologies (longer, higher, quieter)
5	Alternative fuels
6	Projects for a sustainable primary sector
7	'Eerlijk & Heerlijk'
8	Heat-recovery trial project
9	Energy savings at frozen-food distribution centre
10	High-frequency lighting at distribution centre
11	Support of voluntary projects by Sligro Food Group staff

- on schedule
- needs attention



NOTES ON STATUS REPORT

Re 6: With regard to the development of a more sustainable primary sector, we endorse the CBL's 'Passion for Food' sustainability policy. Members of our CSR Steering Group are also active within the CBL in the Sustainability Working Group and are thus directly involved in CBL's sustainability policy. More details are posted on www.passievoorfood.nl, where our co-authored book 'Zichtboek Duurzaamheid' (literally 'Sustainability in Pictures') can be downloaded. This interesting book gives a good insight into the wide-ranging approach to sustainability taken by the affiliated Dutch supermarkets and shows clearly that a process is under way on all fronts. In that sense, projects to achieve a sustainable primary sector are never 'finished' and are therefore coloured orange in this overview.

The other projects are proceeding on schedule or have been completed, or a follow-up is planned under our new approach.

THE FUTURE

Last year we spoke of our plans to embark on the 'next phase' of our CSR approach in the course of 2012. Having gained experience with a more planned CSR policy since 2010, we felt the need to formulate clearer goals at a slightly higher level of abstraction. These goals are not only concrete and measurable but where possible are also 'additive' at a higher level and, acting as a roadmap, reflect our ambition and our chosen course for all of Sligro Food Group as we head towards 2020.

We also note that corporate social responsibility is evolving into sustainable business and that these issues are growing in relevance over time. Our sustainable business practices are increasingly attracting the close attention of our shareholders, our customers, our employees and the community. We are convinced that sustainability has become a condition of business continuity. At the same time, we observe that both we and the world around us need to benchmark sustainability

performance, for example in the form of reporting in accordance with the GRI guidelines. Although we have not used this as a guideline in the past, we do see our performance reflected in measurements by third parties, such as the Transparency Benchmark produced by the Ministry of Economic Affairs. We do not consider that our low score of 99/200 and our overall ranking of 124/500 in the benchmark do justice to our efforts in this area. Looking at these scores, it is clear that they are mainly a consequence of the method of reporting. These low scores reflect our focus more on substance and actual sustainability gains and less on form and uniform performance indicators. Nor are they consistent with our ambitions regarding transparency, because we also aim to be a leader in that respect. While we continue to believe that practical action and results are more important than rankings, however, one need not exclude the other. Coinciding with the completion of a large number of spearhead projects, 2012 was a good time to take the next step.

PROCESS

In early 2012 we started to analyse what we had achieved up to then. An external partner assisted us in this process, by which we hoped to raise our objectives to a higher level of abstraction and define them for the longer term. We identified the core themes that set the frameworks for our ambitions and the formulation of our KPIs. At the end of 2012 we made baseline measurements and defined our objectives for 2020.

IMPLEMENTATION IN THE ORGANISATION

Our pragmatic approach, with a CSR Steering Group, continues in the new structure. The composition of the CSR Steering Group has been matched to the core themes which we have formulated for Sligro Food Group and for which the members bear ultimate responsibility for their respective areas within Sligro Food Group. The CSR Steering Group as a whole makes policy choices and the individual members implement them operationally within their respective areas. The CSR Steering Group is chaired by the chairman of Sligro Food Group's Executive Board. Our progress towards sustainability is a regular item on the agendas of Works Council, Executive Board and Supervisory Board meetings and regular presentations on that subject are given at those meetings.

CORE THEMES AND AMBITIONS

Sligro Food Group's CSR policy addresses three core themes which we believe cover the areas in which our major opportunities and challenges lie: people, the environment and our product range. We have formulated qualitative and quantitative ambitions for each of these themes.

People	The environment	Our product range
Our employees	Energy	Sustainability
Our customers	CO2	Health
Our community	Packaging	Food waste
	Waste	

The ambitions that relate to these core themes are:

PEOPLE

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

Respect for all stakeholders is part of our CSR policy. One way in which this respect is expressed is in transparent communication with customers, about products and about resolving problems. Customer satisfaction for us is a measure of the extent to which customers perceive Sligro as treating its customers well. We have therefore set ourselves the goal of sustained improvement in our Net Promotor Score (NPS). Employee satisfaction is of course also part of this. As shown on page 41, there is a clear correlation between the two satisfaction ratings: happy staff are the basis of real appreciation by customers.

THE ENVIRONMENT

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

As a measure of the success of our efforts, we have calculated our CO₂ emissions. To relate our CO₂ emissions to the growth of our business in the coming years, we express these as a percentage of sales. We aim to cut our CO₂ emissions as a percentage of sales by 20% between 2010 and 2020, which is why we refer to it as our '20-20 target'.



OUR PRODUCT RANGE

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

With our unique Eerlijk & Heerlijk (literally 'honest and delicious') concept, which we launched in 2010, we are expressly putting our sustainable product range on the map. We aim to grow Eerlijk & Heerlijk sales 10% a year from now until 2015.

The performance indicators, the baseline measurements and our ambitions for 2020 for each core theme are discussed below. Where possible, we distinguish between foodservice and food retail, consistent with our financial reporting. In the interests of readability of this report, we refer to our website at a number of points for further information.

EMPLOYEES

We are very well aware that our employees are the key to our success, in terms not only of production capacity but also of behaviour, depth of involvement, creativity and entrepreneurship. This annual report therefore includes an entire section, starting on page 39, devoted to our employees, in which we discuss business culture, vitality and other elements of our ambitions in that area. We believe that, because employee satisfaction and customer satisfaction are closely linked, culture is one of the most robust, sustainable and distinctive success factors for any business, which is why we devote so much time and attention to it.

We employ over 10,000 staff (over 5,800 full-time equivalents). A large-scale communication project is being launched, designed to preserve our essential cultural attributes. Managers will be trained to encourage and instil the behavioural attributes of our DNA profile. Our supermarkets employ many young people, and we plan to address them in ways which are attuned to this specific target group's (largely digital) world.

Our target of 3.5 % sickness absence is still sufficiently ambitious, considering that we have not managed to achieve it in recent years. The sickness absence rate in 2012 was 4.2%. A 'vitality' department has been set up within HRM which will focus attention on this area and we expect to reach this target in due course and then start revising it downwards. Experience will tell where the lower limit is.

We train many people every year and 4,000 employees attended training courses in 2012. Temporary staff who wish to be taken on permanently are required to undertake a very demanding e-learning programme before they can join. This digital training course, which was taken by 1,500 temporary staff in 2012, is so innovative that it attracted the attention of TNO, which studied its effectiveness and found it to be far better than any other type of training. We were given international recognition in the form of the Brandon Hall Silver Award for 'Best results of a learning programme'.

All employees in basic jobs take a professionalisation course. By organising follow-ups for the various groups each year, we automatically promote a form of life-long learning. We intend to continue working for as long as possible with the official educational establishment, giving people a social benefit in the form of a generally accepted diploma at MBO (vocational) level.

We are forming development pools for jobs in which there is sufficient turnover, starting with the Sligro cash & carry organisation. On the basis of experience gained here, the same method will be used to recruit and train specific target groups. The majority of management positions within our organisation are still held by men and a steady increase in the number of women in these posts would be highly desirable, but forcing the issue by means of government-imposed targets is not the right way to go in our view and can even be seen as anti-feminist. In contrast, a talent pool such as ours could be one way of achieving this.

CUSTOMER SATISFACTION

Respect for all stakeholders is part of our CSR policy. One way in which this respect is expressed is in transparent communication with customers, about products and about resolving problems. Customer satisfaction for us is a measure of the extent to which customers perceive Sligro as treating its customers well. We therefore plan to measure our Net Promoter Score (NPS) permanently and to continue improving it as a main KPI.

CUSTOMER SATISFACTION FOODSERVICE

We have measured customer satisfaction in our cash & carry wholesale outlets and delivery-service outlets in recent years. We achieved good scores, but we see added value in the commercial monetisation of many fans. Improvements can be made in the way we deal with customers' complaints, by further professionalising complaints processing and shortening the lines of communication between the customer and customer service. Within the foodservice organisation, we also plan to investigate whether Sligro's sustainability expertise can be used to help develop our customers' sustainability. In contrast to previous surveys, Foodservice customers are now asking us to play more of an advisory role as a partner in these challenging economic times. We see this as a good opportunity to form closer relationships with our customers.

CUSTOMER SATISFACTION FOOD RETAIL



We also measure customer satisfaction at EMTÉ stores, where we similarly achieve high scores. There are, however, several areas in the fruit and vegetable

departments where easily achievable improvements can be made. EMTÉ was named the most customer-friendly supermarket chain in the Netherlands by Market-Response. We are looking forward with interest to the annual GfK summer and Christmas reports, to see how we score compared with other supermarket formats. We carry out an internal mystery-shopper survey each year, which we link to our net promoter score. In 2012, 41% of our customers were promoters.

SOCIETY

SLIGRO FOOD GROUP STIMULUS FUND

Several Sligro Food Group employees work in their own time as volunteers on social projects, not as members of a large organisation, but for projects which they have set up themselves or voluntary projects in which they actively participate. These projects may focus on the immediate environment in which they live, such as their neighbourhood or town, or on far more distant places. Sligro Food Group values its employees' social involve-

ment and, in order to encourage and support their initiatives, has set up the Sligro Food Group Stimulus Fund. The fund's support is conditional upon all the resources provided by Sligro Food Group benefiting the project.

LILIANE FUND



We have worked closely with the Liliane Fund for many years. We chose the Liliane Fund because it provides transparent and focused support: it is not an anonymous colossus, but an organisation built by committed individuals. We want to go further than just making occasional cash donations, important though they are. Cooperation with a support organisation has been embedded in our own organisation, because we felt it was important to raise awareness of that cooperative relationship among our staff and customers, to encourage support and involvement. Our staff and customers have been saving for the Liliane Fund for many years. Sligro includes items in its range of Christmas hampers from which part of the sales proceeds is donated to the Liliane Fund.

To mark the retirement of Executive Board chairman Abel Slippens in 2008, a large long-term project was started in Benin with the help of customers, suppliers, business associates and employees, which is scheduled for completion in early 2013. Sligro and the Liliane Fund are currently looking for a new project. Our preference would be to form a relationship in one of the regions where both we and the Liliane Fund are active, in our case as a buyer of commodities. We also want to involve local suppliers in this local form of aid.

VILLA PARDOES



Because Sligro operates primarily in the Netherlands, we also want to support a national fund. Sligro has chosen to work with Villa Pardoés, a special holiday resort for children with life-threatening illnesses. The choice of Villa Pardoés was based on its national reputation, its impeccable conduct and its broad support within society. Sligro's support of Villa Pardoés is linked to activities in its 'Plaza food for all' foodservice franchise format.

TENDER LOVING CARE



Not everyone is able to pamper themselves. Large groups of people with a chronic illness, such as those confined to a psychiatric institution, cannot do the things they enjoy or simply arrange a nice day out for themselves, because they are dependent on others. This is the background to what is known in Dutch as verwenzorg (approximately 'tender loving care'), which focuses on improving the quality of people's lives by, for example, giving them personal attention.

Van Hoeckel (our business specialising in the institutional market) and its employees aim to rectify this by providing TLC, which means more than buying a social image by making a one-off donation. For Van Hoeckel, TLC means providing voluntary support staff and propagating the message. In September, to celebrate the 12½-year anniversary of TLC, Van Hoeckel organised a three-day stay at CenterParcs 'De Eemhof' for 452 care-home residents, helped by 70 Van Hoeckel personnel and members of the Executive Board and key staff of Sligro Food Group. In this way, we are directly and personally involved in the well-being of our customers' patients, going beyond the supply of goods and services to our customers.

HULPHOND NEDERLAND



Sligro has supported good causes for many years via sales of its Christmas hampers. In 2012 it supported the Liliane Fund and Hulphond Nederland, the Dutch assistance dogs' charity, in this way. Sligro selected two specific Christmas hampers and made fixed donations to both good causes for each hamper sold. Sligro ran a similar campaign in 2011 for Villa Pardoes and the Liliane Fund, which received donations of €14,500 and €22,220, respectively.

FOOD BANK

Sligro has worked closely with the Veghel Food Bank for some time, to the entire satisfaction of both parties, but has no plans to expand the scheme to other regional food banks. In the Sligro logistic model, all unsalable items from all locations are returned to the central distribution centre in Veghel, where they are sorted into usable and unusable items. Usable products that are suitable for its purposes are collected weekly by Veghel Food Bank.

JOGG VEGHEL



Sligro Food Group is a founding partner in JOGG Veghel.

JOGG stands for Jongeren Op Gezond Gewicht (literally 'Young people of healthy weight'), a movement initiated by the Municipality of Veghel and private-sector and public-sector partners to make it easy and attractive for young people to eat healthily and take exercise. The goal is to reverse the rising trend in obesity and excessive weight, focusing on young people (under 20), their parents and their environment. This is a local, intersectoral and sustainable approach designed to make exercise and healthier eating the norm. In Veghel, all parties – in education, healthcare, welfare, housing (social and physical environment), business (as parents' employers), sport and recreation and media – are working together to promote a healthy weight as part of a healthy lifestyle. The aim of the partners working together in JOGG Veghel is to help reverse the trend and reduce obesity among young people by 3% in five years (by year-end 2015).



IVO VUGTS

It's nice to help customers as best you can

ENVIRONMENT

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

As a measure of the success of our efforts, we calculate our CO₂ emissions as a percentage of sales. We are aiming to reduce our CO₂ emissions as a percentage of sales by 20% between 2010 and 2020.

We have defined three priority areas within the overarching 'climate' theme:

- Energy
- Logistics
- Waste

ENERGY

The energy-saving measures we launched in 2010 were rolled out more widely. Using heat recovered from refrigeration equipment to heat our buildings offers particularly interesting opportunities. Equipment similar to that used in Sligro's trials with 'no gas' buildings in Tilburg and Enschede has, after further development and improvement, been installed in 2012 in the newly opened Sligro outlets in Zwolle and Alkmaar, two EMTÉ supermarkets in

Enschede and one in Rijssen. We expect to use this technology more often in the coming years, leading to a substantial reduction in gas consumption and hence making a positive contribution to reducing our CO₂ emissions.

TRANSPORT

Sligro outsources its entire transport function. We work closely with our transport operators to minimise the environmental impact of our logistics operation.

For example, we have launched and/or participate in projects investigating various experimental technologies for new all-electric good vehicles and alternative fuels such as CNG and LNG, with a view to potentially making a substantial reduction in CO₂ emissions. It is still too early to say where these experiments will lead or whether biogas or electric power will ultimately be practical options for Sligro.

Longer and taller vehicles are also being added to the fleet with a view to reducing the number of kilometres driven. Four longer HGV semi-trailer units and seven double-deck units entered Sligro service in 2011 at the central distribution centre and the retail distribution centres. The number of longer trailers was increased to six and the number of double-deckers to twelve in 2012. On the basis of our current transport volume, there are few opportunities for further increasing these numbers.

Neither approach to reducing CO₂ emissions can be successful without a proactive, constructive and dependable (constant policy) attitude on the part of government. Unfortunately, this is still not the case, as in so many areas. The significant increase in the duty on renewable fuels while the trials were still in progress is just one example of this.

We can see two routes to reducing CO₂ emissions by transport vehicles: reducing the number of kilometres driven relative to sales and reducing CO₂ emissions per kilometre, for example by using alternative fuels. We are investigating these options in close cooperation between the logistics function and those bearing ultimate commercial responsibility within the group.



WASTE

Waste is collected separately and separated into recyclable, non-recyclable waste and packaging. We also offer our customers the option of returning their waste to us. By collecting waste separately, we can reduce CO₂ emissions. This enabled Sligro to reduce CO₂ emissions by 3,122 tonnes in 2010, 3,395 tonnes in 2011 and 3,700 tonnes in 2012.

We initiated a number of waste-reduction programmes within food retail in 2012, focusing on cheese, fruit and vegetables, meat products and chilled ready meals:

→ Cheese

Target: to reduce wastage of cheese products in the counter-service range by 25% in 2013 compared with 2012, by making changes to the packaging, the product range and the supply chain.

→ Fruit and vegetables

Target: to reduce wastage of fruit and vegetables by 10% (2013 compared with 2012) by making changes

to the product range, allocating display space relative to customer flow and making changes to packaging units.

→ Meat department

The installation of a packaging unit in the central meat preparation department in 2012, which extends the shelf life of the items by three days, has reduced the above-average rate of wastage due to the department's presentation concept

→ Chilled ready meals

In 2012 EMTÉ switched from EMTÉ house-brand ready meals to meals produced by Culivers, which doubled the overall use-by date in days and improved the quality.

At EMTÉ, the 'One Stop' waste collection system was expanded to 50 branches in 2012. This system, whereby a single vehicle collects all the non-recyclable waste at a supermarket, is a development of the successful pilot launched in 2011.

Energy consumption	2010	2011	2012
Gas (m ³ x 1,000)	7,446	6,250	6,444
Electricity (MWh)	153,914	159,722	158,861

Transport	2010	2011	2012
Total kilometres travelled (x 1,000)	27,311	28,739	28,704
Total fuel used (litres x 1,000)	7,895	8,307	8,330

CO₂-reduction	2010		2011		2012	
	total CO₂	CO₂/euro sales	total CO₂	CO₂/euro sales	total CO₂	CO₂/euro sales
	tonnes	g/euro	tonnes	g/euro	tonnes	g/euro
Energy	83,619	36.6	84,079	34.7	84,043	34.1
Logistics	21,672	9.5	22,803	9.4	22,866	9.3
Sligro Food Group Total	105,291	46.1	106,882	44.1	106,909	43.4
Change in % from 2010			1.51	-4.34	1.54	-5.86

PRODUCT RANGE

EERLIJK & HEERLIJK



Because we feel it is our responsibility to help and motivate our customers to make sustainable and healthy choices, we developed our Eerlijk & Heerlijk concept, a sustainably produced range of items built on four main pillars:



organic
fair trade



sustainable
local

Our objective is to offer the widest possible choice of sustainable and healthy products. No distinction is made in the Eerlijk & Heerlijk range between A brands and Sligro Food Group's exclusive brands. Eerlijk & Heerlijk is not a brand, but a concept. To underpin the concept, we use the following widely recognised and independent certifications:

- BAP
- Beter Leven
- CPE
- EKO
- European organic logo
- Fairtrade Max Havelaar

- Global Gap
- Label Rouge
- Milieukeur
- MSC
- Rainforest Alliance
- SA8000
- UTZ Certified

The website <http://www.eerlijk-heerlijk.nl/> always shows the current status, which helps our customers make sustainable choices.



→ eerlijk & heerlijk promotional video

We aim to grow sales of our Eerlijk & Heerlijk range by 10% a year up to the end of 2015. We shall announce our 2020 target in 2015; we do not consider it realistic to look so far ahead at this stage.

Number of Eerlijk & Heerlijk products in our range:
2010: 1,000
2012: 2,715



HEALTHY RANGE



We plan to position our healthy range by focusing primarily on the products with the 'healthy eating' tick mark widely adopted in the sector ('Ik-Kies-Bewust' – IKB – literally: 'I make informed choices'). The entire own-brand range will be screened in 2013 and 2014 with a view to obtaining IKB certification, where necessary with some recipe changes. We currently carry 813 different IKB products.

Health-related activities involving customers.

With Breakpoint, the healthy school canteen format, Sligro is helping schools to reverse the trend towards an unhealthy lifestyle among young people and help them to adopt a healthy lifestyle.

2012: 27 Breakpoint locations

2015: 75 Breakpoint locations



BSCI

In late 2010 we joined BSCI, a non-profit organisation which promotes clear regulation and monitoring of corporate social responsibility. BSCI members are committed to improving working conditions in their supply chain

worldwide. The BSCI code of conduct, which advocates a development-centred approach, defines the standards that suppliers are expected to meet. Further information can be found at <http://www.bsci-intl.org/>.



→ Website BSCI

We have made the following progress so far:

2010: 20% of suppliers in the risk countries identified by BSCI are BSCI-certified (total: 130 suppliers)

2012: 41% of suppliers in the risk countries identified by BSCI are BSCI-certified (total 110 suppliers). We thus exceeded BSCI's target by a wide margin: by 01-07-2013, one-third of the volume purchased from suppliers in risk countries will have a satisfactory audit result.

2015 target: two-thirds suppliers in the risk countries identified by BSCI will have a satisfactory audit result.

We value your opinions. If you have any comments or questions about our CSR policy or our methods, please contact us, preferably via mvo@sligro.nl.



*THE SLIGRO BAKERY
WORKING HOURS
ARE IDEAL*

CYNTHIA HANKEL

