

ORGANISATION AND EMPLOYEES

- To promote cooperation and partnership as a means of achieving targeted synergistic benefits for the group.
- To ensure that important elements of our organisational culture, including commitment, pride and passion, cost awareness, collegiality, enjoyment of work, entrepreneurship and a problem-solving approach, are promoted and maintained.
- 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.

Our Human Resources department has undergone quite some change in recent years. In the past the department had largely a business role, with much of the work involving the processing of amendments. Now, however, we are in a migration phase, where business management has been given clear responsibility for implementing HR policy and where the HR department's role is to provide support and coaching. At the same time, however, we have also taken steps to further streamline 'production' as, in a business with 10,000 employees and many small, part-time contracts, there are huge numbers of amendments to process.

Goals

- To establish long-term employment relationships demonstrating our reliability and professionalism as an employer.
- To maintain employees' pride in Sligro Food Group through intensive communications and by allowing 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.



**Achieving
your sales targets
gives you a real kick!**
Stef Prinsen

During 2011 we will gradually start using the E-HRM software purchased in late 2010. Considerable amounts of time were spent in 2010 on preparing for this change in the form of detailed organisation charts and descriptions of processes and procedures. It will be a few years before we are making full use of all the features of the software, but it will increasingly contribute to improving our efficiency and, even more, to improving the quality of our information, both in our internal processes and in our communications to our employees. All the forecasts, specifically the negative predictions, about the effects of the crisis on the labour market have proved to be incorrect. Indeed, some parts of the market are even continuing to experience shortages. Fortunately, however, Polish and other employees are helping to keep the Dutch transport and logistics system going. We have been pleased by the efforts of these employees. We use two specialised agencies to recruit these employees and have agreements on offering relatively long periods of employment, as well as agreements, for example, on measures to ensure the quality of their accommodation. We aim to treat these employees as 'normal' permanent employees, while we realise that they are not normally looking for permanent contracts as that would mean permanently relocating to the Netherlands. To date, however, some twenty originally temporary employees from abroad have opted for permanent contracts. The approach that we have adopted is resulting in these employees wanting to work for us for relatively long periods of time, and that means we can also benefit for longer from the experience they have gained at Sligro Food Group. Incidentally it is not only in the logistics field that we are seeing labour shortages, but because we have so many jobs in logistics this is the area in which we feel the effects of shortages most sharply.

Putting Sligro Food Group on the map

Sligro Food Group's place on the map is increasingly that of a leading food company. We are helped in this respect by being listed on the stock exchange as this results in extra attention for and transparency on policy and our financial position. We are sometimes amazed by the in-depth extent to which job applicants have studied our annual report or corporate website and include this information in their reasons for wanting to work for us. More and more graduates are also interested in working for Sligro Food Group, and we are making efforts to focus more attention on our

organisation as demographic developments are certainly not working in employers' favour. Recruitment and selection are increasingly via the internet. Our vacancy site attracts high numbers of visitors, while more and more candidates are registering for and being notified of suitable vacancies via a 'job alert'.

Employee satisfaction

We regularly conduct employee satisfaction surveys because our employees play such an important part in the success of Sligro Food Group. In 2010 we discussed the results of the 2009 survey at the individual locations and also sought to identify ways in which we can improve. Considerable time was spent examining the influence of leadership and leadership profiles on employee satisfaction levels, and the conclusions have been translated into management training. We are also seeking to improve our communications with employees and have appointed a person with special responsibility for this within Human Resources. The ways in which we communicate with our employees include *slim* (the monthly staff magazine), along with special editions of this magazine, such as the one specifically for new employees from Sanders or the one detailing the staff participation scheme. In 2011 we will be publishing a special edition of *slim* on the subject of pensions. We are examining opportunities to incorporate social media into our communications policy. During the acquisition of Sanders, for example, one of the forms of communication we used was Twitter. Once again we also had to deal during the year under review with the social consequences of measures needing to be taken at various locations in order to streamline our operating processes. In Amsterdam a social plan was agreed to deal with the effects of the Greater Amsterdam project discussed in 'Commercial Developments'. This involved a total of around 450 permanent or other employees, over 100 of whom worked in activities being transferred to our Fresh Partners. We provided support for the various social plans agreed with the individual Fresh Partners, with the primary aim being to draw up a social plan designed to keep people in work and including appropriate mobility arrangements. The problem, however, is rarely the availability of suitable jobs at Sligro Food Group, but more a question of where the jobs are located. One of the measures applied when we were winding down the Amsterdam centre was to recruit large numbers of employees for the new delivery centre in Nieuwegein from the Amsterdam region. Not only a

potential social problem was avoided, but we were also able to start work with an experienced team of people. In anticipation of the reduction in staff numbers we had been using high (and sometimes too high) numbers of staff on flexible contracts. Ultimately, however, we have been able to achieve a better balance between numbers of permanent staff and staff on flexible contracts. A second relatively extensive social plan was agreed for the planned closure of the Sanders head office and the transformation of its retail distribution centre into a delivery centre. This will also involve switching from large-scale, internal distribution to small-scale customers' deliveries. By allowing Sanders employees to see at other locations what this will mean in practice we have been able to make them feel enthusiastic about the new environment they will be working in. Although Sligro Food Group's acquisition of Sanders has had a relatively limited impact on overall employment levels, some jobs have disappeared. The approach that we have adopted to deal with the social consequences of these changes is comparable to that used in the Amsterdam project.

We have had meetings with all these employees and have either offered them an alternative job within or are helping them to find work outside Sligro Food Group.



Illness-related absenteeism

Illness-related absenteeism is an issue that has our continuous attention. Whereas in the past this was an activity primarily initiated by the Human Resources department, Human Resources now mainly plays a coordinating and facilitating role, while primary management responsibility is in the business. Business managers are trained to deal with absenteeism in a way that focuses on what people can or are still able to do. If ill employees are still mobile, we continue to involve them in work as far as possible, sometimes by providing them with alternative duties. Although the level of absenteeism within our organisation is manageable, the percentage for 2010 of 4% is certainly not satisfactory. The standards set in this respect are high, but maybe it would be more accurate to talk about reducing the standard level because our aim is to cut levels of absenteeism. This was certainly one of the reasons why we decided to leave the collective benefit scheme for partial disability and to insure this risk privately. From an accounting perspective the move from a form of pay-as-you-go scheme to a funded scheme means bringing costs forward. In the longer term, however, we will be more accountable for the results of our efforts to help ill employees to reintegrate and get back to work, and we hope that these efforts will also be

rewarded. Accepting a greater degree of risk for ourselves will require changes in our Human Resources department's back-office processes.

Unfortunately, however, this does not mean that we are now free of the most bureaucratic institution in the Netherlands, the Employee Insurance Agency (UWV). The assistance that this agency provides in individual cases can only be described as disappointing, and all too often there is no option other than legal proceedings.

Competition

Many of our activities involve working in a team. And many people enjoy working in a positively competitive environment, just like on the sports field. That is why we regularly organise competitions to reward teams for their performance. By far the most important of these are the competitions for the best EMTÉ and best Sligro stores, with the well-deserved winners in 2010 being the stores in Echt and Nieuwegein, respectively. It is important for us that our employees also enjoy doing things together outside their work, whether including their partners and families or otherwise, and we are obviously willing to provide some of the resources required. Activities taken part in by employees not only include activities with colleagues from the same place of work. The Sligro and

**Highlight:
Celebrating our 75th
anniversary at The Efteling**



EMTÉ stores in Limburg, for example, decided to get together to organise a large-scale event at a shooting range. A major highlight of the year in this respect was our celebrations at the Efteling theme park to mark the 75th anniversary of Sligro Food Group. Some 13,000 employees and their families had a wonderful day out, which we chose to celebrate, in typical Sligro fashion, at this important customer's location. We were overwhelmed by the positive reactions, all of which help to increase the emotional ties to our group. Something that euros alone can never achieve.

Training and development

As always, training and development remain an important issue for Sligro Food Group. Improving the quality of our workforce is important, both for our employees themselves and for us as a professional employer. Our efforts in this respect are designed to ensure that employees remain structurally deployable in an ever-changing environment. Our job descriptions state exactly what someone needs to know and be able to do. We use job profiles to design training programmes, often in collaboration with education and training institutions. This year we designed and added training for professional supermarket staff to our range of programmes. These training programmes, which are at a secondary vocational level, comprise both theoretical and practical exercises. We have also trained in-house coaches to assist with these programmes. The level of training we provide is seen as leading the way within the sector. Indeed the Sligro store in Emmen won an award in 2010 for being the training company of the year in the trade sector, while the EMTÉ supermarket in Middelburg (Magistraat) was awarded a prize by the SVO training institute. In both cases, the broad-ranging nature of our approach was specifically mentioned. We also continue to devote a great deal of attention to the core values of the EMTÉ format, as symbolised in 'Our EMTÉ House'. Each month we highlight a different aspect of the work. The range of training includes a significant focus on fresh produce. In the case of bread and bakery products, we even have wonderful training facilities at a supplier.

This gives the EMTÉ bakers every opportunity to learn all the extra ins and outs of their profession in an excellent training environment.

Works Council

Sligro Food Group has a single Works Council as we are an integrated organisation. The current members of the Works Council have been in office for three years, and this experience can clearly be seen in the constructive way in which members participate in discussions and come up with ideas. In this way the quality of the consultations is improving all the time. We have a tradition, dating back many years, of a Works Council that provides constructive criticism, while also taking account of the overall interests of the group. And that is something we are very pleased about as it means the Council can play an important role in improving the overall quality of our activities.

Employment terms and conditions

Almost all Sligro Food Group employees are covered by the Collective Labour Agreement for the Food Wholesale sector, with the exception of the EMTÉ staff covered by the Collective Labour Agreement for Large Food Retailers. The Food Wholesale Agreement expired on 1 October 2010, while the Agreement for Large Food Retailers runs until 1 April 2011. The Food Wholesale Agreement, which ran for fifteen months, provided for a structural increase of 1.0% in salaries and a 0.5% one-off payment, while the one-year Agreement for Large Food Retailers provides for an increase of 1.0%. Negotiating collective labour agreements in the wholesale sector has proved difficult in recent years and it has often taken a long time to reach agreement. Last year, for example, the trade unions turned out to be unwilling to put the results of the negotiations, in which they themselves had been involved, to their members. The results of these negotiations had included a 1% structural rise in salaries and a one-off payment of 1%, along with modernisation of working schemes. Ultimately, however, the issue of working schemes was taken out of the negotiations and the one-off payment reduced to 0.5%. Similar discussions on working schemes and allowances have once again arisen during the ongoing negotiations of a new collective labour agreement, while reaching agreement on how to deal with the issue of the sector pension fund remains difficult. As a result of these difficulties, the Collective Labour Agreement for the Food Wholesale sector expired some time ago. While we hope that a new agreement will be able to be reached during the first quarter of 2011, our impression is that the trade unions are far more attached to traditional values than our employees are. We can only assume that this is because of their ageing membership.



The only difference between the current one-year Collective Labour Agreement for Large Food Retailers and its predecessor is the new section on salaries. Average staff numbers in the past three years were as follows:

	<i>FTEs (average)</i>			<i>Individuals (average)</i>		
	2010	2009	2008	2010	2009	2008
Food retail						
Wholesale ¹⁾	317	346	401	477	485	562
Supermarkets	2,344	2,163	2,171	5,146	4,831	4,967
	2,661	2,510	2,572	5,623	5,316	5,529
Foodservice²⁾	2,852	3,042	3,028	3,552	3,653	3,632
Total	5,513	5,552	5,600	9,175	8,969	9,161
Outlets ³⁾	3,545	3,469	3,446	6,785	6,510	6,599
Production companies	191	211	240	203	224	259
Distribution centres ⁴⁾	1,267	1,324	1,360	1,630	1,635	1,698
Head offices	510	548	554	557	599	605
Total	5,513	5,552	5,600	9,175	8,969	9,161

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

The organic change in average staff numbers in 2010 was limited. The acquisition of Sanders added almost 500 FTEs (around 1,000 individuals) to our workforce. As Sanders has only been included in the figures since the fourth quarter of 2010, the effect of this on average employee numbers for 2010 was around 125 on an FTE basis.

**Sanders acquisition
adds 1,000 people
to our workforce**

We do our best to meet our staffing requirements from our own workforce and make only relatively limited use of temporary staff and Euroflex agency staff, most of whom are from Poland. The number of staff on flexible contracts in our foodservice activities increased in 2010 by around 70, partly because of the merger of the activities in Amsterdam. As mentioned earlier, some 100 jobs were transferred to our Fresh Partners associates. For the second year in succession we had to deal with various external factors that had an unfavourable impact on our productivity in terms of sales per FTE. In other words, price pressures meant more work had to be done to achieve the same level of sales. Meanwhile developments in the market also resulted in a reduction in the average amount of each foodservice delivery order, while an increase or decrease of a few per cent in the amounts we deliver per order has little impact on our costs per order. Despite these unfavourable external developments, however, we were able to achieve a further increase in productivity during the year. With the exception of the Sanders effect, there will be only limited change in staff numbers in 2011.

Pension fund

Just like many other sector and company pension funds, the Sligro Food Group pension fund's financial position came under substantial pressure in 2010. Most of our employees covered by the Collective Labour Agreement for the Food Wholesale sector participate in this fund. The main reasons for this pressure were lower interest rates and higher life expectancies. The pension fund board had already decided in 2009 to increase contributions to the sector level in 2010. A recovery plan was obviously also submitted to the regulators. As a result, however, of developments in the financial markets and the publication of new life expectancy rates, the pension fund has not yet achieved the progress set out in the recovery plan. Consequently the board, in consultation with the company, decided to implement a series of more drastic measures in order to spread the burden more evenly over the employer, active participants and pensioners and other inactive participants. During the year, Sligro Food Group paid a one-off extra contribution totalling €6 million into the pension fund, while active participants will pay some €1 million annually in additional contributions over the next three years. Once pensions start being indexed again, inactive participants will lose 6 percentage points of such future indexation. Although these measures are not primarily designed to avoid having to reduce pension

entitlements, they will significantly reduce the likelihood of this being required and will also allow pensions to start being indexed again at an earlier date than otherwise. The nature of the work means that most of our employees have relatively low salary levels. And if pensions were not to be indexed over a longer period, their value could end up being eroded to such an extent that our employees would not have enough to live on after retirement. As a result of the additional measures that have been put in place, combined with the rise in interest rates and share prices towards the end of the year, we expect the pension fund's coverage ratio to have increased to 110 as at the end of 2010, following a low of 92 at the end of August. In other words, the fund's reserves are still below the required level, but it no longer has a funding shortfall. Another important factor is that the fund's structural ability to recover from setbacks has been strengthened by the extra measures put in place. Nevertheless, developments in the financial markets continue to have a significant influence on the pension situation. Detailed information on the pension arrangements can be found in note 5c on page 106 in the financial statements.

Staff participation

For many years Sligro Food Group has had a profit-sharing scheme for its employees, based on the group's profit as a percentage of sales. This year the percentage fell to 2.5%, compared with 2.7% in 2009. This is because net profit fell, while sales increased. This meant a total payout of €2.7 million (2009: €3.0 million) before the employer's contributions. As usual, this amount will be converted into Sligro Food Group shares in order to provide an extra incentive for our staff participation scheme. In total, our employees (excluding the Executive Board) now hold 1,309,000 shares, with a total value at the year-end of over €30 million. In operating this scheme we use the national salary savings scheme arrangements, on which we have to pay a levy of 25%. We regularly receive indications from the government in The Hague about the possibility of these arrangements being abolished or integrated into other facilities. We hope, however, that some structural elements will remain in place as a means of facilitating staff participation in company results because, from an international perspective, the Netherlands is certainly not leading the way in this respect. Details of this scheme can be found on sligrofoodgroup.nl and, more importantly, everyone can also see the unique way in which we deal with staff participation, how we communicate our approach and how important the issue is to our employees.

**The sea's harvest, and how
I deal with it responsibly**

Ronny van der Vlist



CORPORATE SOCIAL RESPONSIBILITY

CSR in practice

In the combined CSR/social report we published in July 2010 we described how Sligro Food Group operates in a socially responsible manner, defined our vision of corporate social responsibility and gave examples of how we put that vision into practice, the choices we make and the objectives we set. The complete report is also posted on our corporate website www.sligrofoodgroup.nl.

At Sligro Food Group, corporate social responsibility and commercial return go hand in hand. The advantage of our approach is that CSR stays high on our agenda even in tough economic times. For us, corporate social responsibility is a key element of professional and sustainable business practice.

We feel it is good practice to devote a chapter of this financial annual report to a discussion of current developments, our approach to CSR and the practical issues we shall focus on in the coming period.

Our vision of CSR; how we operate

We measure the added value of Sligro Food Group by more than just financial performance. Other issues are also important, including employment, health, food safety, sponsorship of worthy causes, employee

participation, energy and environmental and social issues. Sustainability and corporate social responsibility are broad concepts with many facets. The different definitions used for CSR have grown closer together in recent years. The most widely used approach is Triple P – People, Planet and Profit – that provides a basis on which businesses, government agencies and NGOs can implement their programmes. 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. Striving for both profit and continuity is perhaps the ultimate form of corporate social responsibility: if our company ceased to exist, our employees would have no jobs, our suppliers would have fewer customers, our customers would have fewer suppliers, our shareholders would have no shares and the government would have less tax revenue. We seek to achieve this objective by focusing primarily on the customer.

The customer comes first

The customer always comes first, because the customer enables all the other stakeholders to benefit. While pursuing this strategy, we must continue to generate an attractive return for shareholders, fulfil our corporate social responsibility and provide development opportunities for our employees. We strive to reduce our environmental impact by taking full account of the environment in our purchasing procedures and agreements and our investments in property, plant and equipment. Corporate social responsibility is a key consideration in decision-making based on our strategy. Some years ago, we set out our vision of CSR in a document entitled 'Van rationeel moeten naar emotioneel willen' (From rational necessity to emotional preference), in which we made it clear that, for Sligro Food Group, corporate social responsibility is a matter of emotional preference, not rational necessity. We have been working for many years to build long-term relationships with our customers, employees, partners and suppliers.

We believe that corporate social responsibility is an appropriate form of cooperation based on emotional preference. Clear progress was made last year in defining our CSR policy in more concrete terms, combining emotional preference and hence authenticity with the quantifiable targets. External agencies, NGOs and the financial world are increasingly demanding that targets are set, but we feel they need to take a more balanced approach. In some cases, the target appears to be an end in itself and focus is less important as long as you make some kind of gesture. In other cases, so many issues and factors (relating to the growth of the organisation) come into play that defining the targets becomes extremely difficult. On the other hand, the process of defining our targets more closely has also generated much energy and enthusiasm within our organisation.

We announced last year that we had set up a CSR Steering Group. The practical approach adopted by the steering group and its objectives and initial results are discussed below. The importance of carefully considering the options in order to make the right choices is becoming embedded in our organisation and corporate social responsibility increasingly has its own place and image within it.

Approach, objectives and safeguards

The approach we have taken represents a satisfactory start to our drive towards greater sustainability and has helped to raise awareness, but as explained above it is now time to move on to the next phase in which we set, measure progress towards and test our objectives. It is important for corporate social responsibility to become part of our genetic make-up and for us to apply its principles in earnest. This new phase demands a different approach and, because certain policy and operational choices need to be made, we set up a CSR Steering Group in 2009, comprising people within Sligro Food Group with final responsibility in certain areas. The steering group is chaired by the chairman of the Executive Board.

The composition of the steering group reflects the principal areas of CSR that we have defined for Sligro Food Group:

- Purchasing.
- Energy.
- Waste/environment.
- Logistics.
- Staff.
- Food safety.

In June 2010, the CSR Steering Group made its choice of themes and set the priorities. The 'spearhead projects' described below have been given top priority and are the practical issues we are currently addressing. All the projects have been launched and some are at the implementation stage. Firm and measurable targets have been set for all the spearhead projects. CSR-related activities are also under way at many places within the organisation, which may evolve into spearhead projects in the coming years.



CSR gaining in prominence

Having published a number of annual reports on this subject, we increasingly feel that accounting for our performance in the broad-ranging field of sustainability does not by definition need to be linked to a calendar year. Sustainability projects are often for the longer term, extend over year-ends and do not have a financial year. We published a full report once more in 2010, but from 2011 we shall publish more regular information on the progress of our activities. This will be in the form of relatively short, easy-to-read printed texts and will also be posted on our corporate website www.sligrofoodgroup.nl. From 2011, we shall continue to provide an annual CSR review, in the form of a separate section of our financial annual report.

We value your opinion

If you have any comments or questions on our CSR policy or activities, please contact us, preferably by e-mail to mvo@sligro.nl.

Current spearhead projects

Affiliation with BSCI (Business Social Compliance Initiative)

BSCI is a non-profit organisation dedicated to setting clear rules and monitoring corporate social responsibility. The organisation, which grew out of the FTA (Foreign Trade Association), has its headquarters in Brussels. All retail, brand, importing and trading companies affiliated to BSCI are committed to improving working conditions in their supply chain worldwide. BSCI's Code of Conduct, which prescribes what is expected of suppliers, advocates a

development-centred approach and can be further refined by the members if necessary. The issues addressed by the code include:

- Freedom of association and the right to collective bargaining must be respected.
- No discrimination may be practised.
- Child labour is prohibited.
- Legal minimum and/or industry standard wages are paid.
- Working hours are compliant with national laws and do not exceed 48 hours regular + 12 hours overtime.
- No forced labour or disciplinary measures.
- The workplace is safe and healthy.
- The environment is respected.
- There is a policy for social accountability.
- There is an anti-bribery and anti-corruption policy.

BSCI members undertake to embark on this improvement process in respect of two-thirds of their purchase volume or suppliers and will have their progress towards this target monitored by means of audits. The first audit will be carried out within 3½ years of the date when the member joined. At least one-third of the suppliers in 'risk countries' must achieve a satisfactory audit result after this initial period, rising to two-thirds after 5½ years.

Targets

By 01-07-2011 (after one year)

As a member of BSCI, Sligro aims to have completed the survey of suppliers and purchase volumes in risk

countries. We embarked on this highly labour-intensive project in the autumn of 2010 and we expect to reach the first target.

By 01-07-2013 (after three years)

One-third of the purchase volume from suppliers in risk countries achieves a satisfactory audit result.

By 01-07-2015 (after five years)

Two-thirds of the purchase volume from suppliers in risk countries achieves a satisfactory audit result.

Covered freezers in our supermarkets and cash-and-carry stores

We aim to make significant energy savings by covering our freezing areas. Thorough research and testing to determine which type of cover for the freezing areas in our supermarkets offers the optimum balance between energy-saving and customer access has shown that, in our EMTÉ supermarkets, wide horizontal sliding covers are the best solution. We have made a start on installing these covers. Initial results show a 50% energy saving.

At our cash-and-carry stores, the optimum balance is achieved using another system. The lower ambient temperature in the space housing the freezing areas in these stores compared with supermarkets and the larger (wholesale) pack volume demand a different solution.



Substantial
energy savings



It has been found in the form of semi-enclosed freezing areas with hot-gas defrosting. Tests with this system, which has been developed in conjunction with TNO, have shown that it delivers similar savings to those achieved in our supermarkets.

Targets

By 01-07-2011 (after one year)

This system is installed at 75% of all EMTÉ supermarkets. By the end of 2012 this will be 100%. At present (year-end 2010) we have 35 projects completed and are therefore on schedule. By the end of 2011, we plan to have the new system installed in at least 15 cash-and-carry stores.

Videoconferencing

Our organisation has now attained a size and national coverage that makes it practical to use technology such as video and teleconferencing, which will reduce the time spent travelling to meetings and benefit labour productivity. By cutting the number of kilometres travelled on business, it will also reduce both our environmental footprint and our costs. We are testing this technology to gain experience.

Targets

By 01-07-2011 (after one year)

Hardware installed and in use.

By 01-07-2013 (after three years)

Further roll-out depending on results of trial.

New transport technologies (longer/higher/more quiet)

Several new technologies that have come onto the market which either help to reduce the number of transport streams and hence the number of kilometres travelled and the related CO₂ emissions or reduce noise nuisance. Sligro requires its transport operators to monitor the development of these technologies and adopt them where possible, depending on availability and statutory regulations.

Examples include LZVs (Long Heavy Vehicles), which may be used on a small number of routes subject to the necessary official permits. Double-deckers that can carry 80 rolling containers can be used for supermarkets. Our aim is to operate more LZVs out of the central distribution centre in Veghel and use more

double-deckers for deliveries to the supermarkets. We are also committed to using PIEK-certified vehicles (PIEK is a nationally recognised quality mark for quiet vehicles).

Targets

By 01-07-2011 (after one year)

- 10% of the retail fleet will be double-deckers.
- 10% of the fleet operating out of the Veghel distribution centre will be LZVs.
- 30% of the fleet (including trailers) will be PIEK-certified.

By 01-07-2013 (after three years)

- 20% of the retail fleet will be double-deckers.
- 20% of the fleet operating out of the Veghel distribution centre will be LZVs.
- 50% of the fleet (including trailers) will be PIEK-certified.

By 01-07-2015 (after five years)

- 80% of the fleet (including trailers) will be PIEK-certified.

Depending on developments (size of our retail format, size and geographical spread of individual stores), double-deckers will make up as much as possible of the fleet. The number of LZVs ultimately in service will largely depend on the government's licensing policy.

Alternative fuels

The automotive industry is developing increasingly clean and more fuel-efficient engines. With several technologies already available, experimentation and development are continuing apace. Sligro wants to be actively involved in these developments and is setting up various pilot projects in association with its transport operators.

The expense of advanced engine and other technologies presents a difficult choice between sustainability and a reasonable economic return. Where do we set the limit on extra expense? We shall make our future policy decisions on the basis of the outcome of these trials and the government's strategic choices. Electric vehicles are already on the market, but are limited at present in terms of size and action radius.

Truck engines can be modified to bifuel or dual-fuel operation with LPG, natural gas or biogas. There are also small trucks that can run exclusively on biogas.

Targets

By 01-07-2011 (after one year)

- An electric truck trial starts at Sligro Delivery Service in Amsterdam.
- A dual-fuel truck trial is running at Sligro Delivery Service in Haps and the distribution centre in Putten. This trial started in the autumn of 2010.
- A biogas truck trial is running at Sligro Delivery Service in Haps. This trial started in December 2010.

By 01-07-2013 (after three years)

Decisions will be made on policy regarding deployment of alternative fuels, taking into account the financial consequences as outlined above.

Sustainable primary sector

Sligro Food Group is not itself a primary-sector organisation, but it works closely with many suppliers of primary products and primary raw materials are used in the production processes operated by its fresh partners. Sligro therefore shares responsibility for the primary sector's impact on the people and the environment.

The guiding principle is that a product should not harm the consumer or the environment. For example, if the product uses energy, it must do so efficiently. When a product reaches the end of its life, it must be possible to recycle its constituent materials to make other products.

Current projects to support a sustainable primary sector in which we are active include:

1. Sustainable soya.
2. Animal welfare.
3. Sustainable fishery.
4. Salt Task Force (of the Federation of the Dutch Food Products Industry).
5. FSC-certification for paper and wood.

Wherever possible, we conform to the Dutch Food Retail Association (CBL) sustainability calendar.

Sligro Food Group is involved in various steering groups, is represented on the CBL board and helps to shape future policy.

Targets

By 01-07-2011 (after one year)

- The 'PS in foodservice' database will be expanded to include product information.
www.psinfoodservice.nl is the central source of information and specifications – and inspiration, in words and pictures – for all food, beverage and

non-food products for the professional market.

For example, Sligro Food Group publishes the ingredient certificates for its own brands on this website.

- 50% of wild fish sales is a sustainable choice given populations and catching methods.
- Sustainable fish farms will account for 80% of sales of farmed fish.
- Active encouragement of suppliers who use (fresh) products from the primary sector to use only those produced in accordance with Global Gap standards.
- Membership of the Taskforce for the Improvement of Fatty Acid Composition.
- Membership of the Salt Task Force.

By 01-07-2013 (after three years)

Active encouragement of animal transport operators to comply with the Global Gap animal transport standards (standards to be finalised by the end of 2010).

By 01-07-2015 (after five years)

Sustainable palm oil, soya and cocoa in our own-brand products.

'Eerlijk & Heerlijk'

Sligro Food Group's Eerlijk & Heerlijk (literally 'fair and delicious') range of sustainably produced items is built on four main pillars, offering the widest possible selection of sustainable products. Eerlijk & Heerlijk represents a socially responsible selection at product level. By including both manufacturer brands (A brands) and own-label brands (house brands) in the selection, we offer our foodservice and food retail customers the clearest and most comprehensive range of products and help them find their way through the maze of quality marks. Every effort is also made to use the most sustainable packaging for Eerlijk & Heerlijk products. One of the primary objectives is to offer a transparent and easily understood concept that really helps consumers make sustainable choices, not only in our stores when perusing the shelves, but also when selecting products online. The four main pillars – organic, fair trade, sustainable and local – are where possible supported by independent quality marks.



Organic

Organic products are produced with respect and care for nature, the environment and biodiversity, such as Boerenland semi-skimmed organic milk. The quality marks supporting products in this pillar are the Ecolabel and the European Organic label.



Fair trade

This pillar is built on the principle of fair trading on internationally agreed terms. There are three different quality marks – Fairtrade Max Havelaar, UTZ Certified and Rainforest Alliance – which promote fair trading. What they have in common is support for fair trading with respect for human rights, nature and the environment. Examples include 'Alex Meijer Fairtrade cane sugar' and 'Max Havelaar Espresso Beans'.



Sustainable

Because sustainability is an extremely broad concept, it is important to define the precise meaning. For the Eerlijk & Heerlijk range, sustainability refers to two aspects – animal welfare and sustainable production processes.

Two values which are central to sustainable production processes are energy management and environmental protection. Examples of products respecting these values include 'Meerij'sche Roem' Better Leven-certified veal and MSC-certified salmon.



Local

A regional product is an item that originates from a particular district in the Netherlands. The district need not necessarily be the district in which the Sligro outlet or EMTÉ store is located and where the product is sold. The core values we apply to

regional products are origin, flavour and fair trading. In the absence of an independent quality mark for regional products, Sligro Food Group has developed a checklist against which compliance with the selection criteria can be measured. If the product meets the requirements of the checklist, a further external audit is carried out by Phood Consultancy before the product is finally included in the range.

The full definition of a 'local product' and an example of the checklist can be found at www.eerlijk-heerlijk.nl, where further information is also given on the four main pillars on which the Eerlijk & Heerlijk range is built.

Targets

By 01-07-2011 (after one year)

Eerlijk & Heerlijk products in all fresh produce and food product groups. Work on building and filling the database and developing the www.eerlijk-heerlijk.nl website started in the second half of 2010 and the first audit of local products was started in January 2011. We expect to have around a thousand Eerlijk & Heerlijk products in our ranges by mid-2011.

Widest possible range
of ethical products



By 01-07-2013 (after three years)

Eerlijk & Heerlijk, which occupies a special place in the Sligro range and is perceived by customers as a touchstone guiding their choice of sustainable products, is expected to include at least 2,500 items.

By 01-07-2015 (after five years)

The criteria governing the Eerlijk & Heerlijk range become generally applicable standards for our products.

Heat-recovery trial project

By switching to refrigerators and freezers using CO₂ as the refrigerant at our larger (type 3-4) cash-and-carry stores, the heat recovered from the refrigeration equipment can be used to heat the building.

Targets**By 01-07-2011 (after one year)**

We have embarked on a two-stage trial at our Sligro cash-and-carry store in Tilburg. The first phase was completed at the end of 2010 and the second will be completed at the end of 2011. Reliability, cost, financial savings and reduction in environmental impact are being carefully analysed to support decisions on further upscaling.

Energy saving at frozen-food distribution centre

Energy consumption at our frozen-food distribution centres is a matter of particular concern, from the point of view of both environmental impact and energy use. As well as the standard of insulation, the refrigeration technology employed can also have a significant effect on energy consumption. There are a number of changes we can make to save energy. We are currently using indirect refrigeration systems at our two food retail distribution centres.

Targets**By 01-07-2011 (after one year)**

Work on converting these systems to direct systems is in progress and will be completed by the end of 2011, reducing energy consumption by 15%.

High-frequency lighting at distribution centres

We can save more energy at our distribution centres by installing a different type of lighting. High-frequency lighting is being installed in distribution centres of over 40,000 m².

Targets**By 01-07-2011 (after one year)**

In combination with motion sensors and dimmers, the new lighting system can yield an energy saving of 20%. Installation will be completed by the end of 2011.

Support of voluntary projects by Sligro Food Group staff

Many Sligro Food Group staff are active in their private lives as volunteers assisting projects of social value, not simply as members of a larger organisation, but in setting up or personally participating in voluntary projects, whether close to home or far away. We are keen to encourage and support these private initiatives.

Targets**By 01-07-2011 (after one year)**

We plan to set up a support fund in 2011.