

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 communications 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 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.

REFORM

The worsening economy is gradually starting to impact on employment figures. Although the initial phase of the crisis, from late 2008 to the end of 2009, had only a limited effect on total employment levels in the Netherlands, the further worsening of the economy since the second half of 2011 is having a far greater impact. What is happening in effect is a redistribution of global income and Europe is going to have to readjust. Although the process in Northern Europe will undoubtedly be less painful than in Southern Europe, we also have to reform, certainly as far as employment conditions and job security are concerned. The first signs of this are clearly visible in the case of pensions, but the overall pace of change is still modest. Many people are continuing to cling to old structures and 'acquired rights', at a time when economic growth and employment would benefit greatly from more flexible labour practices and

performance-related pay. Our sector has been trying, albeit unsuccessfully, to change work rosters for many years. The response of the trade unions to those efforts has been one of great suspicion, focussing primarily on protecting the interests of a shrinking group of relatively old employees of the male gender. Our experience is that employees themselves are far less keen to be constrained by a 'one size fits all' model and want to see more differentiated remuneration that reflects their personal efforts and contributions. A strategy of focussing solely on defending the status quo was never going to be future-proof, whereas going on the offensive and responding to the need for change can increase the size of the total pie, so there is more for us all to share.

GREATER FLEXIBILITY

As a business we seek to maintain a balance between social pressures and the needs of Sligro Food Group. We see that as a rational process. We only extend working hours if it is really necessary in order to serve our customers or significantly reduce our costs. Indeed our opening hours are relatively limited compared with our competitors. Our cash-and-carry wholesale outlets are open no more than two evenings a week and are not open on Sundays: few of our foodservice customers need to come to their Sligro outlet at those times because that is when they are serving their own customers. Similarly, our distribution centres operate mainly daytime shifts. In our view, the benefits of more shift-working are not sufficient to offset the adverse impact that such working patterns could potentially have on our organisational culture. As we see it, it is no coincidence that our distribution centres have been able to improve their performance significantly year on year, and always on their own initiative. Performing as a team has become second nature to us, and that is something we cherish. At our foodservice delivery centres, however, we have no option but to extend working hours substantially. Indeed, the only time that some of our delivery-service centres close is from Saturday evening to Sunday evening. These long opening hours are necessary because it is the only way we can be assured of being able to supply perishable products to our customers as and when they want them. By concentrating these activities at a limited number of locations over the past few years, we have been able to organise this professionally and in a far safer environment. It is regrettable that the Collective Labour Agreement imposes restrictions in this respect, some of which are contrary to employees' interests and adversely affect their health.

PROFESSIONALISM AND DIGITISATION

The process of professionalising our various business units is having a major impact on our Human Resources department and keeping pace with these developments can be quite a challenge. We are pleased to report that all the effort we have invested in recent years is now gradually beginning to bear fruit. An essential element of this process is the introduction of the Emplaza e-HRM software, which will allow us to digitise many of our processes and substantially improve the exchange of information, both within the group and between the group and its employees. There are still a number of aspects of our work that need to be made more professional and areas where we need to reduce unnecessary bureaucracy. The steering group and working groups involved in this process continued to make progress in 2011. As we know from comparable projects in other departments, thorough 'behind the scenes' preparation is absolutely vital if changes of this kind are to succeed, but this means that it can take a relatively long time for the effects of the changes to become visible at 'front of house'. All our processes have now been defined in detail and we have updated all jobs and job descriptions in our systems and completed detailed mapping of the organisational structure.

In 2011 we also decided to merge the separate personnel systems for each 'salary entity' into a single database, which will then oversee the separate salary entities (because of the various collective labour agreements applying to our workforce). We will be making efforts in 2012 to allow this database to be available electronically to individual departments, business units and locations, and also to put the initial operating processes online. The whole project will take around three more years to complete.

Digitisation has become the magic word in HR. We dealt with around 75% of recruitment and selection processes in 2011 via a special website. Having all the information immediately available digitally significantly speeds up the administrative process relating to new employees. It also enables us to build up a substantial database of people who are interested in working for Sligro Food Group and we regularly use this to contact prospective employees when suitable vacancies arise. These individuals themselves can obviously also 'subscribe' to information on vacancies.

Social media are becoming an increasingly important part of this process. 'Friends' following us on these media share information on vacancies with other 'friends'. It should be remembered that there are many small,

*Fresh ingredients and
a good end-result*



relatively short-term jobs at Sligro, particularly in our supermarkets. Students doing these jobs constitute an important group of potential employees when they finish their studies and we are aiming to make more use of them. Our first large-scale e-learning trial with this group of employees is discussed in the 'Training and development' section below.

RESTRUCTURING

We again made major efforts in 2011 to ensure the various reorganisation and integration projects within the group proceeded smoothly. The main focus during the year was on closing the Sanders head office and converting its retail distribution centre into a foodservice distribution centre (in other words, converting it from a large-scale logistics centre to a small-scale logistics and commercial centre) and on the decision to close the Culivers production facilities in Amsterdam. More information on these projects can be found on pages 24 and 31 respectively. In the event of major changes such as these, we always agree a social plan with the trade

unions and keep the Works Council informed on and actively involved in the reorganisation process. This involvement starts with requests for advice and continues until the entire process has been completed. The social plans always build on previous plans, which are updated to accommodate specific situations. 'From work to work' is the guiding principle, both for us and for the trade unions. We are always able to offer people suitable jobs within the organisation, but relocating can sometimes be a problem because people in this country can be reluctant to move to other areas. In the case of Sanders, some 20 employees took the option of voluntary redundancy under the social plan. As most of these employees had worked for Sanders for relatively long periods of time, the redundancy payments were considerable, albeit non-recurring. As explained on page 24, flexible deployment of employees during the conversion of the distribution centre meant that the process could be completed successfully with few if any adverse consequences for employment. Action to close Culivers Amsterdam and integrate it into Culivers Eindhoven started towards the end of 2011 and will continue in the first half of 2012. Before Christmas,

each employee was offered a suitable job at another Sligro Food Group business unit in the region. In almost all cases these offers were accepted, with fewer than ten employees opting for voluntary redundancy.

ILLNESS-RELATED ABSENTEEISM

Management of illness-related absenteeism is an issue that receives our constant attention. The absenteeism rate was 4.4% in 2011, compared with 4.0% in 2010. Our all-time low was 3.5% and our medium-term absenteeism target must not exceed this. If there is one area in HR in which the government has not proved helpful it is in the broad field of management of absenteeism and incapacity for work. We have no objection to the financial risks being borne by the business, provided we also receive the revenues (or bear the costs) of this and, most importantly, are allowed to discharge our responsibilities

in this respect in a meaningful and effective manner. We understand that the government has to ensure compliance with various basic principles, but that is no reason for drowning in bureaucratic rules. We have chosen to insure the risk of partial disability privately, which involves accepting a higher share of the risk for ourselves. All the files have been transferred to us and have been cleaned up and reassessed, which has resulted in applications for reassessment and adjustments to benefits. We have reviewed our own processes for dealing with long-term sickness so that we can identify the risk of long-term incapacity for work at an earlier stage. We see targeted case management as a way of achieving faster reintegration of employees into work, either inside or outside our organisation.

During the year we also worked with line management at two locations to achieve more effective structuring of our approach to dealing with (short-term) absenteeism. Our main aim is to focus more on what people can do, rather than on what they are unable to do: in other words,

*We always have a lot of fun
with our workmates*

RAPHAEL WOLFS



looking at opportunities rather than limitations. This approach can sometimes produce surprising outcomes, enabling us to free employees from their psychological isolation and help them to lead normal lives again. People sometimes see sick leave as a means of escape and the barriers to returning to work can become increasingly difficult to surmount. Getting them back into circulation can produce heart-warming responses from employees and these responses are reason enough in themselves for us to continue our efforts. The fact that our efforts also save a lot of money makes them all the more worthwhile.

TRAINING AND DEVELOPMENT

We always have large numbers of staff changes to process, particularly in our supermarkets, because many school pupils take temporary or holiday jobs in our stores. We needed a better, more intelligent and more effective induction process. What could be better than communicating with these young people via the system that has become second nature to them: the internet? Anyone wanting to work for us first has to complete an e-learning module. This also serves as a selection tool, because those who are not really interested will not bother to complete the module. The response to date has been very positive and our initial impressions are extremely good. Linking this to a new automated system for recruits has created a very smooth and predictable process, although there are some aspects that still need improvement. When new employees join us, they also have to complete a standardised familiarisation programme.

A special module has now been developed for cashiers which has proved to be highly effective. This has substantially reduced the time needed to familiarise staff with our operating procedures and the quality of work has improved. We will be examining ways of extending this concept to other training courses during 2012 because we believe there is a lot more that can be achieved using it.

We work together with conventional educational institutions in many areas, sometimes to develop training courses meeting the requirements for generally recognised diplomas and sometimes in providing internships and work experience opportunities. In recognition of its work in this field, our delivery-service outlet in The Hague won an award as the year's best provider of internships. During 2011, we provided internships in various parts of our business for around 230 students of upper secondary vocational (MBO) to higher professional (HBO) level. Although many relatively highly trained people have joined our workforce in

recent years, we have not always been successful, despite all our efforts, in properly overseeing and guiding these ambitious employees in developing their careers within our organisation. A proper balance has to be found between enabling them to accept and learn from new challenges and giving them the time they need to mature. We have therefore redesigned our SJID (literally, Sligro Young Intellectual Thinktank) programme. It now includes a new element from outside the organisation, in the form of various inspirational and motivational speakers and opportunities for new experiences, combined with time spent explaining Sligro Food Group's strategy and the values we stand for. The fourth SJID programme, in which around twenty recent graduates are participating, started in mid-2011 and we hope that the changes we have introduced in this programme will help these recruits to develop their careers within our business. The focus in this respect will be on development, culture and insight and on encouraging them to be receptive to what is happening in the world around them. This will enable the group and the individual participants to see links and relationships with their day-to-day work, the object being for them to gain inspiration, build networks and learn how to work together effectively. The initial results of this two-year project have been positive.

WORKS COUNCIL

Elections for a new Works Council were held in the second quarter of 2011. We are pleased to report that the new Works Council wishes to continue and subscribes to the existing consultative structures, based on the principle of 'Working together means winning together'. We have a single Works Council within the group, 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. 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. The new members of the Works Council obviously faced quite a challenge when, soon after being elected, they were asked to advise on the planned closure of the Culivers production facilities in Amsterdam and then accept partial responsibility for the process. The Works Council was equal to that challenge, undoubtedly helped by the knowledge that we always communicate openly about matters such as these and that the Executive Board always sticks to what it has agreed and undertaken

to do. In this way, employee co-determination adds substantial value to the organisation. We also know from our experience of acquisitions that a lot of energy can be wasted in this area, which is why it is important to understand that we all have our own responsibilities and are not each other's opponents.

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 and that new agreements are not reached until long after old agreements have expired. Another similarity is that these new agreements generally contain little in terms of innovation and addressing difficult issues such as pensions is all too easily postponed until a future date.

The Collective Labour Agreement for the Food Wholesale Sector expired on 1 October 2010. Although a new agreement was not reached until September 2011, the employers unilaterally awarded a 1.5% pay increase as from 1 May 2011. Employers suspect the trade unions of being unnecessarily slow in negotiating new agreements

in order to foster discontent about delays in pay rises in the absence of other relevant issues. The above pay increase was incorporated retrospectively into the new agreement, which also provides for a further increase of 1.5% from 1 February 2012. The new agreement will run until 1 April 2012 and we will then have to start negotiations all over again, in a game in which few people now seem to understand the rules.

Matters are not much different in the supermarket sector, where the collective labour agreement expired on 1 April 2011 and a new agreement was not finalised until December 2011. Here, too, the employers unilaterally awarded a 1.7% pay rise on 1 October 2011. The new agreement, which runs until 1 April 2013, provides for an increase of 1.8% from 1 October 2011 and 2% from 1 August 2012. As in the wholesale sector, a committee has been set up to examine the sustainability of pensions in the supermarket sector, and we hope this proves more successful.

Various measures had to be taken during the year to ensure that we comply with the requirements of the pension regulators in 2012. When negotiating the collective labour agreements, the trade unions placed great emphasis on extra pay rises for younger people and some of their demands were met. It should be noted, however, that these demands were not driven primarily by the interests of those younger people (who are not usually trade union members), but rather by the perceived indirect effect of such increases on older people.

Average staff numbers in the past three years are as follows:

	FTEs (average)			Individuals (average)		
	2011	2010	2009	2011	2010	2009
Food retail						
Wholesale ¹⁾	303	317	346	479	477	485
Supermarkets	2,692	2,344	2,163	5,991	5,146	4,831
	<u>2,996</u>	<u>2,661</u>	<u>2,510</u>	<u>6,470</u>	<u>5,623</u>	<u>5,316</u>
Foodservice²⁾	<u>2,884</u>	<u>2,852</u>	<u>3,042</u>	<u>3,610</u>	<u>3,552</u>	<u>3,653</u>
Total	<u>5,880</u>	<u>5,513</u>	<u>5,552</u>	<u>10,080</u>	<u>9,175</u>	<u>8,969</u>
Outlets ³⁾	3,807	3,545	3,469	7,532	6,785	6,510
Production companies	212	191	211	234	203	224
Distribution centres ⁴⁾	1,321	1,267	1,324	1,728	1,630	1,635
Head offices	540	510	548	587	557	599
Total	<u>5,880</u>	<u>5,513</u>	<u>5,552</u>	<u>10,080</u>	<u>9,175</u>	<u>8,969</u>

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



The average number of employees rose by 367 FTEs in 2011. The main reason for the increase in the number of employees in food retail is that this figure includes the former Sanders staff for the whole year in 2011, but only for the fourth quarter of 2010. The limited increase in the number of foodservice employees is attributable largely to the efficiency gains achieved through the PLOP project and improvements at the Amsterdam delivery-service centre. It should be noted that the above table shows only the numbers of our own employees and that 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 332 FTEs (2010: 354 FTEs).

PENSION FUND

Detailed information on the pension problems facing us can be found in 'Pensions and pensions accounting' on page 69, where we explain that there are substantial differences between the way in which the group pension fund (Stichting Pensioenfonds Sligro Food Groep) accounts for pensions and the way in which Sligro Food Group accounts for pensions under IFRS. Unfortunately the unprecedented fall in interest rates that the fund has to use to calculate its obligations meant that the extra measures taken in 2010 failed to achieve the desired effect on the coverage ratio and did not allow the fund to award indexation.

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. We are pleased to report that the percentage rose again to 2.7% in 2011 after a fall of 0.2 percentage points to 2.5% in 2010. This increased the total payout from €3.6 million to €4.2 million, including the employer's levy. 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 now hold 1,614,000 shares (2010: 1,560,000).

In operating this profit-sharing scheme, we have in the past used an additional facility under the national salary savings scheme, but that facility has been discontinued from 1 January 2012. This means that the only state scheme facilitating employee participation in this way has been abolished, even though the sums involved amounted to a maximum of around €613 per employee, on which the employer also paid a levy of 25%. This has pushed the Netherlands to the bottom of the international league in this respect, which is a great pity.

We are very committed to the principle of employee co-determination, as reflected in our policy of 'Working together means winning together'. That is why we have decided not to start paying future profit-shares in cash, even though that would save us, as an employer, around €0.4 million a year. Instead we have decided to share with our employees the total extra levy payable to the government, to enable them as far as possible to continue participating in Sligro Food Group through share ownership. This decision will cost both the business and our employees around €0.4 million. Full details of our profit-sharing scheme can be found at www.sligrofoodgroup.com, where everyone can see how we communicate our approach and, moreover, how important the issue is to our employees.



ELS BROENS

*As a cashier,
you perform a
social function*

SOCIAL RESPONSIBILITY



For several years our annual report has also included information on corporate social responsibility. In this section we report on how we operate in this respect, the particular issues to which we devoted attention in 2011 and how they fit into our long-term plan.

Having published a number of annual reports on this subject, we have concluded 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. As announced last year, therefore, we started publishing more regular information on this subject in 2011 in the form of quarterly updates. These quarterly sustainability reports detail the progress of our activities in this respect, as well as providing information on various short-term and current projects within the group. The style and format of these reports is very much in line with 'slim', our monthly staff magazine, as our own employees are a very important target group for our communications on sustainability. We firmly believe that sustainability has to

come from within and to be shared and assured throughout the group. We therefore send our quarterly CSR reports to all our employees so that the idea of corporate social responsibility increasingly gains a place and a face within our organisation

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. For us, corporate social responsibility is a key element of professional and sustainable business practices.

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 and co-determination, energy and environmental and social issues.

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 lower tax revenues.

You can find full details of our vision of corporate social responsibility and examples of how we put these principles into practice, the choices we make and the goals we set on www.sligrofoodgroup.com, while this annual report provides an outline of that vision.

We achieved substantial progress over the past year in developing and achieving our CSR objectives. In doing so we demonstrated that emotions and, therefore,

authenticity can certainly go hand in hand with quantifiable goals. We see this combination as important because setting goals should not be an end in itself. What ultimately matters is the targeted and specific steps we take to improve our CSR performance, and this process of taking specific action, readjusting and once again refocusing creates a great deal of energy and enthusiasm within our organisation.

PRIORITIES AND OBJECTIVES

Our CSR steering group set the priorities for 2011 and beyond and translated them into a series of spearhead projects based on firm, measurable targets. These spearhead projects reflect the principal areas of CSR that the Sligro Food Group steering group has defined:

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

We launched all the spearhead projects in 2011 and some of these are now at the implementation stage. Other CSR-related activities currently under way at many places within the organisation may also evolve into spearhead projects in the coming years.



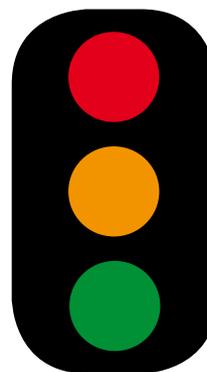
Progress and reporting Each member of the new steering group has set up a working group to oversee implementation of the various spearhead projects, while still bearing final responsibility for monitoring progress and reporting back to the CSR steering group. We use a

'traffic light model' to show the progress achieved in reaching the targets that have been set. Full details of the spearhead projects can be found on the CSR pages at www.sligrofoodgroup.com.

Progress of CSR spearhead projects

SPEARHEAD PROJECT

1. Affiliation with BSCI
2. Covered freezers in our supermarkets and cash-and-carry stores
3. Video conferencing
4. New transport technologies (longer, higher, quieter)
5. Piloting 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



GROEN	on schedule
AMBER	needs attention
RED	not on schedule

MORE INFORMATION ON STATUS OF PROJECTS

1. AFFILIATION WITH BSCI (BUSINESS SOCIAL COMPLIANCE INITIATIVE)

BSCI is a non-profit organisation dedicated to setting clear rules and monitoring corporate social responsibility. BSCI members are committed to improving working conditions in their worldwide supply chain. BSCI's code of conduct, which prescribes what is expected of suppliers, advocates a development-centred approach and, if necessary, can be further refined by the members. We became a member of BSCI towards the end of 2010. A total of 23 of our suppliers are currently in or have completed the BSCI process. Four suppliers have taken the first steps by conducting a self-assessment and are now moving on to the external audit phase. In October 2011 we joined BSCI's Chinese representatives to give a presentation to 80 Chinese suppliers in Guangzhou.

2. COVERED FREEZERS IN OUR SUPERMARKETS AND CASH-AND-CARRY STORES

Signing the Supermarket Energy Savings Covenant means EMTÉ has agreed to achieve significant energy savings by fitting its refrigerators and freezers with covers. We have now started installing the appropriate covers. By the end of 2011 we had fitted them at 66% of our EMTÉ supermarkets and so are well on track. Initial results show energy savings of 50%.

Our cash-and-carry stores demand a different solution, which has been found in the form of semi-enclosed island freezers with hot-gas defrosting. This system has been tested in conjunction with TNO, and tests have shown that it delivers similar savings to those achieved in our supermarkets. We have also started installing this system and had fitted them in 33% of Sligro stores by the end of 2011.

3. VIDEO CONFERENCING

Our organisation has now attained a size and national coverage that makes it practical to use technology such as video and teleconferencing to reduce time spent travelling to meetings and increase labour productivity. Cutting the number of business kilometres travelled will also reduce both our environmental footprint and our costs. We started two pilot projects at three locations in 2011 and will decide in mid-2012, based on users' experience, whether and how to roll out the facilities elsewhere in the organisation.

4. NEW TRANSPORT TECHNOLOGIES

Several new technologies and vehicle designs are now available to help reduce the number of transport streams. This in turn will reduce the number of kilometres travelled, as well as the related CO₂ emissions, emissions of hazardous substances and noise nuisance. Sligro requires its transport operators to monitor developments in these technologies and to adopt them wherever possible.

We are also committed to using PIEK-certified vehicles (PIEK is a nationally recognised quality mark for quiet vehicles). In 2011 we were able to achieve significant improvements through the use of new technologies and techniques, including:

- Concentrating deliveries in the Amsterdam region. Even though sales were up by more than 20%, we were able to reduce the number of kilometres driven by over 6%.
- Using larger vehicles for deliveries from the central distribution centre in Veghel so that more goods can be transported without any increase in the number of kilometres driven. Replacing standard vehicles with LZVs (Long Heavy Vehicles) has enabled us to reduce the total number of kilometres driven by over 300,000 a year.

- Using double-deckers for deliveries from our food retail distribution centres in Kapelle and Putten has enabled us to reduce the total number of kilometres driven by over 500,000 a year.
- By using city trailers for local deliveries in urban areas Sligro Delivery Service has been able to increase its loading levels by around 40%.

5. PILOTING ALTERNATIVE FUELS

The automotive industry is developing increasingly clean and more fuel-efficient engines. Sligro wants to be involved in these developments and so has set up various trials and pilot projects in association with its transport operators. We are thus among the leaders in the sector. The various trial locations, timescales and fuels under test are as follows:

- A biogas-fuelled refrigerated/freezer truck is being used at Sligro's delivery-service centre in Haps which reduces CO₂ emissions by 75%. This truck is much quieter than its predecessor and is PIEK-certified. The refrigerator systems are also powered by biogas. This unique experiment in the Netherlands is having a clearly positive effect on the environment. However, the higher fuel consumption and the price of biofuel mean that further development is needed for a positive business case.
- The Sligro delivery-service centre in Haps is testing a dual-fuel truck with CNG injection. The main benefit of this dual-fuel engine is its lower emissions of hazardous substances. At least one more dual-fuel truck will enter service in 2012. Providing our experience remains positive, the number of dual-fuel trucks in use will then be increased to six.
- The Sligro delivery-service centre in Nieuwegein started testing a hybrid truck and a fully electric truck for urban deliveries in 2011, but this technology is still



at the experimental stage and the trial will not be followed up for the time being.

- The distribution centre in Veghel has started using a truck powered by natural gas. This truck meets the strictest noise-nuisance standards and also has very low emissions of hazardous substances. We expect to do far more with gas in 2012; thirteen trucks are due for replacement and we will explicitly include environmental performance as a criterion when selecting the new vehicles.

GOVERNMENT PLANS TO INCREASE DUTY ON 'GREEN' GAS. WHAT ARE THEY DOING?

Following a motion by Frans Weekers, State Secretary of Finance, the Dutch government plans to increase the duty payable on 'green' gas. Until now gas has been taxed at a lower rate than petrol and diesel on environmental grounds. According to Weekers, petrol and diesel engines are now so much cleaner than before that it is no longer appropriate to make this distinction. The plans he announced earlier have now been worked out in detail and included in the National Tax Plan for 2012. Implementation of these plans will have a severely adverse impact on innovation and developments in the use of green gas by the transport sector, because it is precisely the lower duty on gas that has created opportunities for the sector to develop cleaner and hence more environmentally friendly engine and fuel combinations. Sligro Food Group and our logistics partners have been conducting various pilot projects to test these environmentally friendly innovations in practice. The government expects the increase in duty to generate €1 million of extra revenues each year, but at the cost of placing €100 million of investments in jeopardy. By focussing primarily on extra income from fuel duties, particularly in a period in which the sector is making major efforts to invest in measures to improve the environment, the government is showing itself to be an unreliable partner in the field of sustainability. That is not only disastrous from the perspective of this project, but also because it will not exactly encourage businesses to embark on new projects with enthusiasm and together discover the right way to achieve more sustainable transport.

6. PROJECTS FOR A SUSTAINABLE PRIMARY SECTOR

Although Sligro Food Group is not itself a primary-sector organisation, it works closely with many suppliers of



primary products and primary raw materials are also used by our production companies and in the production processes operated by our Fresh Partners. Sligro therefore shares responsibility for the primary sector's impact on people and on the environment in which they operate. Our guiding principle is that a product should not harm the consumer or the environment. We worked on the following projects in 2011:

- Adding 3,300 Sligro items to the 'Ps in Foodservice' database (www.psinfoodservice.nl).
- Sending all suppliers of our own-label brands a copy of the Sligro Quality Conditions to encourage them to use only primary products produced in compliance with the Global Gap standards. In 2012 we will be asking our suppliers to show certificates demonstrating their compliance with the Global Gap standards.
- Active participation, via the Dutch Food Retail Association (CBL), in the Expert Consultations on Product Reformulation. These consultations seek to encourage initiatives between retailers and manufacturers in areas such as reducing salt in tinned vegetables, bread and meat products. In 2011 we started a project to reduce the amount of salt in bread from 1.8% to 1.5% without using any salt replacements. This goes further than the statutory norm of 1.8% NaCl in dry matter by 1 January 2013.
- The declaration of intent on promoting the use of sustainable soya which we signed as a member of Superunie which seeks to ensure that, from 2015, all soya used in producing meat, dairy products, eggs and other foodstuffs consumed in the Netherlands will be from sustainable sources.
- Signing the 'Den Bosch Manifesto', which aims to ensure that all meat comes from sustainable sources by 2020.



7. EERLIJK & HEERLIJK

Sligro Food Group's Eerlijk & Heerlijk (literally, Fair & Delicious) range of sustainably produced items is built on four main pillars: organic, fair trade, sustainable and local. The objective is to offer the widest possible range of sustainable products. Every effort is also made to use the most sustainable packaging for the products. Eerlijk & Heerlijk is not a brand, but a concept that encompasses generally accepted independent quality marks such as the European organic quality mark, Fairtrade/Max Havelaar, UTZ-certified or Rainforest Alliance.

The Eerlijk & Heerlijk range currently comprises some 1,500 items and this number is increasing by the week. We achieved our goal of having Eerlijk & Heerlijk products in all our fresh product and other food lines in 2011 and in February we also launched the website <http://www.eerlijk-heerlijk.nl>. The biggest challenge as far as the success of this concept is concerned is communicating the concept successfully in our stores. The further improvements needed in this respect are the main reason why this spearhead project still has an amber light. It is then up to Sligro Food Group's customers to show whether Eerlijk & Heerlijk is able to influence sustainability choices and achieve the goals that have been set for these products in the future.

In December 2011 our Eerlijk & Heerlijk range was nominated for the 'Groene Twinkeling' prize, which is awarded to the company that has done most for biodiversity.

This is a joint initiative of various nature and environmental organisations, including Natuurmonumenten, Natuur en Milieu Overijssel, Staatsbosbeheer and Landschap Overijssel. With this prize, these 'green' organisations can show that biodiversity and business can be successfully combined and encourage businesses to make extra efforts to benefit nature and the landscape.

8. HEAT-RECOVERY TRIAL PROJECT

By switching to refrigerators and freezers using CO₂ as the refrigerant at our larger cash-and-carry stores, we can use heat recovered from the refrigeration equipment to heat the building. We started a two-stage trial of this at our Sligro cash-and-carry store in Tilburg in 2010. This involved carefully measuring and monitoring the reliability, costs and savings (both financial and environmental) so as to establish a basis for possible upscaling in the future. The initial results in Tilburg show a saving of around 50,000 m³ of gas year. This is promising and suggests there is potential for further refinement of this technology and its application in our cash-and-carry outlets, distribution centres and supermarkets.

9. ENERGY SAVING AT FROZEN-FOOD DISTRIBUTION CENTRES

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 usual insulation measures, the refrigeration technology employed can also have a significant effect

on energy consumption. There are a number of changes we can still make in our food retail distribution centres to save energy, including using 'direct' refrigeration systems. We started testing such systems in 2011.

10. HIGH-FREQUENCY LIGHTING AT DISTRIBUTION CENTRES

There are opportunities for saving more energy by combining high-frequency lighting with sensors and dimmers in our distribution centres of over 40,000m². We started installing such systems in 2011. By now, a total of 30,000m² of the floor area at these centres has been fitted with this new lighting, which will yield savings well in excess of the target of 20%.

11. 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. This does not simply mean being members of large charitable organisations, but rather setting up or personally participating in voluntary projects close to home or far away. In order to encourage and support these private initiatives, we set up a support fund (Sligro Stimuleringsfonds) in 2011.

Before mentioned spearhead and other projects have specific goals set for the coming years. You can find this information on our corporate website.

GREEN GOALS

Following our initial experience with a more structured approach to CSR in 2011, we are planning to use the knowledge and results that this has generated to set more explicit goals for ourselves, at a slightly higher level of abstraction, during 2012. These objectives will be formulated in relative terms and convey our ambitions and the direction in which we are seeking to move. We believe these to be more important than 100%-accurate definitions and calculation methods, because everything we are able to do in this respect is dependent on the growth that our organisation is able to achieve, on opportunities (and lack of opportunities) at central and local government levels and on the various technological options. We believe that direction, focus, ambition and, above all, action are more important at this stage than getting bogged down in questions of definitions. We expect this to allow us to raise the bar in our CSR policy, as a logical follow-on from the major steps taken in the past year.



INDIVIDUAL PROJECTS AND INITIATIVES

In addition to the various spearhead projects discussed above, we also devised and undertook a number of stand-alone sustainability initiatives during 2011. Some of these were one-offs, but others proved to be of a more ongoing nature and so have been assigned a place within the organisation.

EMPLOYEES FACING BARRIERS IN THE LABOUR MARKET

Given the wide range of jobs available in our organisation, together with the geographical spread of our activities and in particular the fact that we have many jobs demanding basic rather than highly specialised skills, we believe we have a duty to society to help actively in identifying solutions for people with a disability or facing barriers in the labour market. We have consistently sought to live up to this responsibility over many years because we regard it as consistent with our tradition of responsible entrepreneurship at a local level. One of the ways in which we do this is by actively supporting the Lucille Werner Foundation's CAP100 initiative. This foundation seeks to put people with a physical disability in contact with employers and to encourage these employers to come together and comply with best practices.

We also participate in the national 'Werken naar vermogen' (literally, Working to your Abilities) project group set up by the Ministry of Social Affairs and Employment and designed to help find work for the large numbers of young disabled people receiving welfare benefits and for people in sheltered employment. Over the years Sligro Food Group has recruited some 60 young disabled people and has provided 15 other subsidised jobs and 10 work experience positions or activities for people with a mental handicap. We are working to establish whether a more targeted policy will allow us to increase these numbers. Employers have often looked long and hard at the obstacles to providing more support, but adopting a more active policy will increase the levels of creativity needed to achieve generally more sustainable deployment of employees.

PROGRESS OF AGOITA PROJECT IN BENIN

In late 2009, Sligro Food Group helped the Liliane Fund to launch a long-term project in Agoita, a village in the West African country of Benin. Funds contributed by Sligro Food Group, its employees and its customers are now being used to build and operate a rehabilitation and

reintegration centre for young people with epilepsy or a mental disability. The ultimate objective of the project is to enable them to reintegrate into society and build useful lives for themselves.

Two years after the start of the project, the first phase – putting the required infrastructure in place and ensuring sufficient water – has now been completed. The various buildings scheduled for the second phase of the project are now also largely complete, around 20 hectares of palm trees have been planted and an area for growing fruit and vegetables has been created. Beehives are also being set up, along with pens and sheds for keeping sheep, pigs and chickens. The next stage will focus on day-to-day activities for the young farmers.

INCOMPANY 200: SLIGRO ONCE AGAIN IN TOP THREE

Each year the market research agency Blauw Research conducts a satisfaction survey among employees at the largest organisations in the Netherlands. Employees are asked to rate their employer on eighteen different aspects, covering their job, terms and conditions of employment, career and organisational culture.

Sligro was rated third in the retail and wholesale sector. As we came third in 2009 and second in 2010, this represents a good, stable ranking.

MSC-CERTIFICATION CONTINUED

Sligro Food Group has been certified under the MSC (Marine Stewardship Council) Chain of Custody Standard since 1 November 2008. This means that we can demonstrate that all MSC-products are fully traceable throughout our group. Our customers can therefore be assured that no MSC-fish within our internal supply chain (in other words, from the production process at SmitVis to the time it reaches the Sligro or EMTÉ stores) has been in contact with any non MSC-certified products.

Following the most recent audit, SGS Nederland B.V. confirmed on 31 March 2011 that Sligro Food Group had once again demonstrated compliance with the MSC-conditions and could therefore remain certified. MSC-certificates are awarded for periods of three years. Sligro now sells a total of 53 MSC-certified products.

More information on the MSC-certificate held by Sligro Food Group Nederland B.V. can be found on www.msc.org.

MSC-certification is available only for fish caught in the wild. Fish farmers are currently developing a system (the

ASC label) for certifying sustainable aquaculture. This will mean yet another sustainability logo in communications with consumers. Thinking in supplier-driven terms will not help create greater clarity or transparency. We would therefore prefer a single logo for sustainable fish, whether wild or farmed, because that will be of more value to consumers.

NO GAS CONNECTION AT SLIGRO DELIVERY-SERVICE IN ENSCHEDE

The major expansion and conversion of the former Sanders distribution centre in Enschede to a Sligro delivery-service wholesale store have enabled us to invest in a state-of-the-art 'green' heating system. This system recovers energy used in the refrigeration systems and uses it to heat the 5,500m² building via a low-temperature heating system. Operating the premises in this way will save around 40,000m³ of natural gas each year, thus reducing CO₂ emissions by 70,800kg.

Fairtrade chocolate letters and Easter eggs

Our Bonbiance chocolate letters and Easter eggs are made wholly from Fairtrade ingredients and are therefore Max Havelaar or UTZ-certified. These two independent quality marks show that the products have been produced and traded under fair conditions. Sligro Food Group has now opted to market all this own-label's seasonal products as Fairtrade items.

EMTÉ and Van Kaathoven greener together

In 2011 EMTÉ Supermarkets and the Van Kaathoven Group started a pilot project involving one-stop waste collection from EMTÉ supermarkets. What is new and unique about this project is that a single vehicle collects three waste flows at once. Packaged products that have passed their sell-by dates, meat and unrecyclable waste are separated by the individual stores and before collection.

There are a number of advantages to this new approach, because one-stop collection means that only one vehicle is needed to collect all the waste flows generated by the

stores. As well as cutting costs, this system also delivers a substantial contribution in terms of sustainability, because valuable raw materials are no longer incinerated, packaged products that are past their sell-by date are sustainably reprocessed into biogas and fertilisers and fewer truck journeys help reduce CO₂ emissions.

This unique new approach has been developed in-house by the Van Kaathoven Group and complies with current and future VWA (Dutch Food and Commodities Authority) requirements.

The pilot started at twelve stores in September 2011 and will later be expanded to 25 EMTÉ supermarkets in North Brabant. We ultimately expect to be able to roll out one-stop waste collection at all our EMTÉ stores.

SLIGRO FOOD GROUP PARTICIPATING IN STARS4FOOD

In late September the municipalities of Veghel, Uden and Bernheze launched a project offering short training courses, with guaranteed jobs on completion, for people registered with any of the three social services agencies in the region. During the course, participants can be awarded certificates for process technology, safety, hygiene, food production and various other skills and are guaranteed a job upon completion.

Stars4Food is an initiative of Food & Feed, an alliance of thirty companies in the food and animal feed sectors in North-East Brabant. The aim is to ensure that sufficient numbers of people are available to work in these sectors, both now and in the future. Sligro Food Group and the other participating companies are working with the local authorities and educational institutions to optimise the content of these training and work programmes.

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.





*I love the job,
if I didn't
I wouldn't be here*

FRANK WIJDEMANS

