Sligro Food Group N.V.

Moving forward together!

2022 annual report

Sligro Food Group

Foreword by Koen Slippens

Moving forward together!

5

Developments in 2022

23

Financial results

29

Social

73

Sustainability

58

Contents

Key figures for 2022 **4**
Foreword **5**
Key data **10**

Sligro Food Group **11**

History **12**
Our strategy **13**
How we add value **16**
Market approach **17**
Synergies **21**

Developments in 2022 **23**

Financial results **29**

Outlook **37**

Risk management **41**

Corporate governance **49**

Executive Board member details **49**
Supervisory Board member details **50**
Corporate governance **52**
Corporate governance statement **55**
Statement of directors' responsibilities **56**

Sustainability **58**

Environment **66**
Social **73**
Governance **87**

Supervisory Board

Report of the Supervisory Board **91**
Remuneration report **95**

Financial statements

Consolidated
Consolidated statement of profit or loss **106**
Consolidated statement of comprehensive income **107**
Consolidated statement of cash flows **108**
Consolidated statement of financial position **109**
Consolidated statement of changes in shareholders' equity **110**
Notes to the consolidated financial statements **111**

Company
Company statement of profit or loss **149**
Company statement of financial position before profit distribution **150**
Notes to the company financial statements **151**
Other notes **153**

Other information
Independent auditor's report **154**
Profit distribution policy in the articles of association **165**

Other information

Five-year overview **166**
EU taxonomy tables **167**
Profile **169**
Key dates **170**
Sligro shares and dividend policy **171**

Disclaimer
This copy of the Sligro Food Group N.V. annual report for the 2022 financial year is not the version compiled in accordance with the ESEF requirements as put together by the European Commission in the ESEF Regulatory Technical Standard. The ESEF report is available at https://jaarverslag.sligrofoodgroup.nl/en. The 2022 annual report of Sligro Food Group N.V. is available in Dutch and English. The original financial statements were drafted in Dutch. In any case of discrepancies between the two, the Dutch text will prevail.

Key figures for 2022

x € million

'Managing inflation was a dominant issue during the year, as inflation had a major impact on the purchase price of products and on costs.'

Rob van der Sluijs
CFO

2,483
Revenue

2021:	1,898
Change:	30.8%

126
EBITDA

2021:	109
Change:	15.2%

39
Net profit

2021:	20
Change:	93.6%

43
EBIT

2021:	25
Change:	71.1%

6
Free cash flow

2021:	15
Change:	-59.0%

0.55
Dividend per share proposed (x €1)

2021:	0.00

-33.4
Carbon reduction compared to 2010 (% of revenue)

2021:	-19.5

11.8
Sustainable product range (% of revenue)

2021:	10.8

4,113
Number of employees (FTEs)[1]

2021:	3,987
Change:	3.1%

70/30
Male/female ratio [1] (%)

2021:	71/29

[1] As at year-end.

Foreword Koen Slippens, CEO

‘Despite all the challenges that came our way in 2022, we are delighted with the recovery in the sectors in which we operate and the market share gains we have made.’

Economy and market

The year 2022 began with a lockdown that was eventually lifted completely in February. As a result, over the course of the first quarter, the markets in the Netherlands and Belgium steadily picked up, and at the end of March we achieved revenues close to pre-COVID-19 levels in most customer segments. In the subsequent quarters, our customers were happily operating at full capacity again as consumers resurfaced to enjoy their 'newly regained freedom' and flocked in droves to visit cafés, bars and restaurants, amusement parks and events. The dreaded COVID-19 autumn wave fortunately did not materialise, allowing us to enjoy the Saint Nicholas and Christmas season to the full as well. Two years of COVID-19 led to a major disruption in the global supply chain, and that effect was compounded by the impact of the war in Ukraine. We had to deal with shortages and severe scarcity in areas of our product range, which made it difficult for us, and the rest of the market as well, to keep up with increasing demand. Where possible, we solved this by increasing our buffer inventories, but we still had to decline orders more often than customers would expect based on our past track record. Towards the end of the year, we did see some improvement.

The year was also characterised by scarcity in the labour market and bottlenecks in transport. In contrast to many sectors, such as public transport, aviation, healthcare and also the hospitality industry, which were forced by necessity to downsize, we chose to maintain maximum service continuity. We managed to achieve reasonably timely delivery by using couriers and foreign drivers, but at a high cost.

Inflation increased by large increments throughout 2022. The scarcity in products, people and transport services we mentioned earlier had already driven prices up, and this upward effect was compounded and strengthened by the war in Ukraine and the related energy crisis. Although we were able to absorb part of these costs through efficiency improvements, we also had to charge part of the costs to the result and pass on the price increases to some extent in the selling prices to our customers. Although most of our customers choose to pass that price increase on in their prices to consumers, the resulting impact on sales volumes in 2022 seems to be limited.

Despite all the challenges that came our way in 2022, we are delighted with the recovery in the sectors in which we operate and the market share gains we have made. Our customers were able to focus on running their businesses profitably again and our employees showed their usual excellence by expertly helping our customers whenever possible. So, thankfully, we are again **Moving forward together!**

Our strategic agenda

As stated in the previous, we experienced several unusual challenges in our day-to-day operations due to the unrest in the world. Although we were not able to meet the performance standards for full and timely delivery at the 'normal' level in parts of the year, we believe that we have performed very well under the circumstances. After the relaunch, we were also able to test for the first time what our partnership with Heineken was actually going to bring us in terms of more sales to existing customers. Early on in the year, we were pleased to note that the goals we had set for this (€100 million in additional sales to existing customers after four years) would clearly be exceeded.

In addition to our product offering, we also look for services relevant to our customers that help them trade successfully and be successful and facilitate them in their daily operations. In 2022, we successfully focused on capitalising on the propositions developed in previous years. The solutions we offer under "Slimme Keuken" (smart kitchen) and "Kleinste Keuken" (smallest kitchen) offer our customers a helping hand, especially in times of staff shortages.

Our digital environment is increasingly the place where customers interact with Sligro Food Group. Regardless of whether they choose delivery or cash-and-carry, customers orientate themselves and look for information on our website. Our digital ambition is to increase customer convenience in that environment and to add information and solutions there that truly help our customers get ahead.

In a growing organisation that now operates in two countries, putting effort into making processes and their control uniform is a worthwhile investment. Although greater formalisation is needed, we are careful to preserve balanced entrepreneurship within the organisation. In addition to a strong and entrepreneurial corporate culture, that requires clear frameworks, a clear division of roles and process uniformity, which needs to be supported by uniform systems and data. We took an important step towards achieving this in 2022 when we completed the first SAP go-live in Antwerp. For Sligro Food Group as a whole, our decision to go live at a single site for the first time proved to be the right one. The start-up problems that are still ongoing

now in Antwerp will be solved in the hypercare phase, ensuring that they will not occur again during a further roll-out. This does, however, mean that the employees and especially delivery service customers of Sligro-ISPC Antwerp are experiencing the knock-on effects of those start-up difficulties. They are progressively being resolved though, and the operation is settling back into a smooth-running routine. The hypercare and operational recovery costs incurred in this phase are substantial.
Due to unavoidable workforce downsizing in recent years and the tight labour market after COVID-19, we saw increased pressure in many parts of the organisation as demand recovered. In operations, we spent much of the year working with an excessive number of agency workers, due to a lack of permanent staff.
We would prefer a larger percentage of permanent staff. We have several vacancies open at the service office in Veghel and a number of departments sometimes had to operate at 80% of normal permanent staffing capacity. In 2022, we therefore strengthened our recruitment & selection department and increased our efforts to attract an adequate influx of talented people to Sligro Food Group. This is now paying off.

Sustainability
For a family-owned listed company like Sligro Food Group, sustainability practices are a matter of course and, therefore, an integral part of our strategic ambition. In 2022, much of the attention and energy devoted to this area went into preparing for the new European legislation on sustainability reporting. We welcome the initiatives to create more transparency and comparability in the value chain and are carefully preparing for them. However, we need to be vigilant to ensure that the resulting strong focus on reporting does not come at the expense of actually improving our performance in the area of sustainability. To monitor that balance, we introduced our CSR Steering Committee in 2022, which besides focusing on all the reporting requirements of the CSRD and EU Taxonomy, also looks at initiatives to improve performance.
And there were indeed improvements in 2022. With a 33.4% reduction in our carbon emissions in relation to revenue last year, we are on track to achieve our target of 40% by 2025 compared to 2010. This year, the revenue share of our sustainable product range rose from 10.8% to 11.8% in the Netherlands, while employee satisfaction as measured using StakeholderWatch was up from 62 to 66.

Results
In 2022, our net profit came in at €39 million, which was a €19 million improvement on last year. Compared to last year, extraordinary income and exceptional expenses had a positive impact of €8 million on net profit (book profits, divestments and acquisitions). This represents an operational improvement in the result of €11 million compared to a year earlier.
That improvement was the net result of a substantial recovery in revenue on the one hand and a strong rise in costs on the other. New growth and inflation forecasts meant that we were constantly adjusting our view of the impact of these two factors over the course of the year. After a good summer, we revised our own forecasts upwards, but ultimately we were obliged to bear additional logistics costs for a longer period than expected, as well as the costs of the SAP go-live in Antwerp. Despite the fine year-on-year improvement, the result was lower than our post-summer expectations.
We had a positive free cash flow of €6 million in 2022. Together with the proceeds from divestments of €19 million, the incoming cash flow amounted to €25 million. This was used to pay an interim dividend for 2022 of €13 million and reduce debt by €12 million, thereby strengthening our financial position.

Dividend
In 2022, we were able to resume our dividend policy. On the basis of that policy and a net profit of €0.88 per share, we are proposing a dividend of €0.55 per share for 2022, i.e. a distribution of 63%. An interim dividend of €0.30 per share was already paid in 2022, leaving a final dividend of €0.25 per share.

Acquisition of Metro Belgium
At the end of 2022, with regard to the court-supervised restructuring process in relation to Makro Cash & Carry Belgium N.V., we were pleased to report that the court in Antwerp had authorised the judicial trustees appointed in the case to sell most of Metro's business activities in Belgium to Sligro Food Group.
Effected on 3 January 2023, this transaction saw us acquire the nine Metro wholesale outlets in Antwerp South, Wevelgem, Liège, Hasselt, Middelkerke, Namur, Sint-Katelijne-Waver, Brussels and Vorst. The real estate associated with the Liège site was also acquired. In addition to the employees at those sites, about 100 employees in the regional network and at head office are included in the acquisition, and we offered the employees at the Antwerp North site, which was not acquired, a position at the nearby Sligro-ISPC site in Antwerp. We briefly closed the outlets in the first week of January and reopened them one by one within a few days, with Group technical infrastructure and product ranges in place. Revenue is expected to return to the previous level within a few years.

'The year 2023 will revolve around 'Smarter Together'. We need that smartness to utilise the opportunities and deal with the challenges we face as a society, as an industry, as people and as a company.'

Koen Slippens
CEO

New reporting requirements
In November 2022, the European Union adopted the Corporate Sustainability Reporting Directive (CSRD). This new Directive requires businesses to report on the environmental and social impact of their activities. The CSRD is intended to create greater transparency and an improved quality of sustainability information.

Under the CSRD, large businesses must report on matters such as carbon emissions and social capital, as well as on the impact that they as businesses have on biodiversity and human rights abuses in their supply chains. The Directive is an expansion of the Non-Financial Reporting Directive (NFRD), the EU's previous directive on sustainability reporting. Sligro Food Group forms part of the first group of businesses whose reports for the 2024 financial year must comply with the CSRD. We began the necessary preparations in collaboration with an external advisor in 2021.

Since 2010, we have adopted a joined-up approach in our financial and sustainability reporting. This best matches our vision of active sustainability management, prevents duplication and keeps our annual report readable. The CSRD not only sets out the sustainability issues to be reported on but also the manner and the format in which the reporting must take place. In this annual report, we have already applied these principles wherever possible. As a result, the order of the chapters differs from last year and certain topics are now discussed in different sections.
In this way, we are leading our organisation and all our stakeholders step by step towards the mandatory CSRD reporting requirements that take effect in 2024. By doing this, we are also responding to demands in this area from a number of our shareholders and rating agencies.

Risk management
As in previous years, we also reassessed the main risks and focus areas in the light of our redefined strategic aims in 2022. Our International Board and Supervisory Board regularly examine the opportunities and threats in the market in which we operate, and the impact they have on our business model.

Outlook
As we have often pointed out, predicting what will happen in our markets in the coming year is no simple matter. For some years now, the correlation that used to exist between consumer confidence, unemployment figures and food service market development no longer seems to apply. Consumer spending in the 'out of home' channel also held up well last year, despite the lack of confidence, and we assume that this situation will continue for most of 2023.
Inflation will remain high, leading to further price increases in the wholesale market, which will eventually filter down to consumers. The extent to which this will put a brake on spending remains to be seen, as schemes to compensate rising energy costs, tax relief measures and wage increases will have a counterbalancing effect.

The conclusion for Sligro Food Group is that we must be flexible. We expect volume growth due to market outperformance, which, in combination with high inflation, will have to lead to a welcome increase in revenue. So properly managing inflation in our pricing decisions, and controlling costs, are key themes on our agenda for 2023.

In 2023, we expect to be able to make further progress in selling more to existing customers, based on the partnership with Heineken and the improved approach in the area of fresh produce and wines; i.e. ‘filling’ customers. The expectation is therefore that, after several challenging years, we will restore our operational performance thanks to the relative calm that has returned to the organisation.

Also, when it comes to smart solutions for our customers, we will continue in 2023 to implement the approach that we started in the past year. We want to intensify our communication so that our customers, particularly in these dynamic times, have an even better idea of what they can expect in terms of products and services and, where possible, give them even more tools for finding and purchasing appropriate solutions themselves.

On the digital front, we will focus on solutions that not only help our customers, but also increase the efficiency of our own operations. We will also add processes such as self-service to make it easier for our customers to do business with us.

After the first go-live in 2022, we will further optimise the current SAP solution and plan for the further roll-out to the rest of Belgium and the Netherlands. Independently of the technology implementation activity, we will also focus strongly on changing the organisation and processes in line with the standards we wish to see across the group in the future. Working uniformly with the support of the systems and data will ensure that we can continue to grow in a controlled manner in the coming years.

In a tight labour market, our efforts to be unique and stand out will need to be intensified. Creative and effective recruitment, restyled labour market communications, onboarding and greater visibility at relevant educational institutions are areas in which we want to accelerate our activities in 2023. We will continue to focus just as strongly on the employees already working for us, and devote extra attention to talent development, sustainable employability and training.

Our initiatives in the areas of people, the environment and our product range are set out in a clear roadmap and increasingly tied to concrete and measurable KPIs. The carbon reduction will come from the renovations we are going to carry out in 2023, the use of electric vehicles and the additions to our solar farm. In addition, we are investigating the possibility of greening the energy we procure to supplement our own energy generation flow. In 2023, we must and will devote significant resources to modifying our sustainability reporting in line with the requirements of the Corporate Sustainability Reporting Directive, which comes into effect on 1 July 2023.

We took control of nine Metro outlets in Belgium in early 2023. The outlets have lost revenue since the start of the court-supervised restructuring exercise and we also closed them for a short period of time in the early weeks of 2023 in order to convert them to Sligro Food Group’s systems, operating procedures and product range. When they reopen, revenue will be much lower than the level achieved prior to the court-supervised restructuring exercise. Due to one-time costs and start-up losses, we expect these activities to generate an operating loss (EBITDA) in 2023. In 2024, we expect to achieve a positive EBITDA and thereby significantly strengthen our position in the Belgian food service market.

The year 2023 will revolve around ‘Smarter Together’. Together as teams within Sligro Food Group. The Netherlands and Belgium, existing colleagues and the many new Metro colleagues, the service office and colleagues in the field, functional teams and cross-functional teams, digital and analogue, Supply Chain and sales. But also outside Sligro Food Group in collaboration with partners, suppliers, customers and our business environment, because together we are smarter. And we urgently need that smartness to utilise the opportunities and deal with the challenges we face as a society, as an industry, as people and as a company.

We certainly don’t see this as a dark cloud, but rather as a stimulating challenge and a responsibility that we are happy to embrace as a collective. Smarter Together, in other words!

Koen Slippens
CEO

Key data[1]

x € million	2022	2021	Change (%)
Result			
Revenue	2,483	1,898	30.8
EBITDA	126	109	15.2
EBITA	67	49	38.1
EBIT	43	25	71.1
Net profit	39	20	93.6
Net cash flow from operating activities	91	73	24.1
Free cash flow	6	15	(59.0)
Dividend proposed	24	0	
Closing capital balance			
Shareholders' equity	479	453	5.8
Net invested capital[2]	800	805	(0.6)
Net interest-bearing debts	365	382	(4.5)
Total equity	1,421	1,233	15.2
Employees			
Number of employees (FTEs)[3]	4,113	3,987	3.1
Workforce male/female ratio[3]	70/30	71/29	
Senior management male/female ratio[3]	72/28	70/30	
Executive Board male/female ratio[3]	100/0	100/0	
Supervisory Board male/female ratio[3]	67/33	100/0	
Employee expenses[4]	228	211	
Revenue per employee[9] (x €1,000)	618	477	29.4
Employee expenses per employee[9] (x €1,000)	57	53	6.8
Sustainability			
Carbon reduction compared to 2010 in %	(33.4)	(19.5)	
Sustainable product range as % of revenue[5]	11.8	10.8	
Customer satisfaction[6]	68	69	
Employee satisfaction[6]	66	62	
Supplier satisfaction[6]	63	66	
Investments			
Net investments[7]	59	47	26.0
Depreciation and amortisation[8]	(48)	(49)	2.9

	2022	2021	Change (% point)
Ratios			
Revenue growth as %	30.8	(2.5)	33.3
Organic revenue growth as %	30.8	(2.5)	33.3
Profit growth as %	93.6	128.5	(34.9)
Gross profit as % of revenue	26.7	26.3	0.4
EBITDA as % of revenue	5.1	5.8	(0.7)
EBITA as % of revenue	2.7	2.6	0.1
EBIT as % of revenue	1.7	1.3	0.4
Profit (loss) as % of revenue	1.6	1.1	0.5
Net profit (loss) as % of average shareholders' equity	8.3	4.5	3.8
EBIT as % of average net invested capital	5.3	3.1	2.2
Net interest-bearing debts/EBITDA[8] as %	1.4	1.8	(0.4)
Shareholders' equity as % of total equity	33.7	36.7	(3.0)

Details per share with nominal value of €0.06

x €1	2022	2021	Change (%)
Number of shares in issue (x million)	44.19	44.17	0.0
Shareholders' equity	10.84	10.25	5.8
Profit	0.88	0.45	93.6
Dividend proposed	0.55	0.00	

1) Continuing operations.
2) Excluding associates.
3) As at year-end.
4) Salaries, social security costs and pension expenses.
5) Concerns the sustainable product range in the Netherlands, improved 2021 data.
6) Data based on StakeholderWatch, average of the last 90 days, including Belgium from 2021.
7) In property, plant and equipment, assets held for sale, and software (on a transaction basis).
8) Excluding impairments and depreciation of other intangible assets and right-of-use assets.
9) Based on the average number of employees.

Sligro Food Group

B2B food service companies in the Netherlands and Belgium

Wholesale outlets for food and beverage enthusiasts

Cash-and-carry
Delivery

Our formats/ market approach
Sligro
De Kweker
Van Hoeckel
Bouter
Tintelingen
Sligro-ISPC
JAVA Foodservice

Our production companies
SmitVis
Culivers

Our fresh partners
Kaldenberg, Butchers
Ruig, Game & Poultry
Verhoeven, Bakery

Partnerships
Heineken Nederland

Wide product range
Food (dry groceries, fresh produce, frozen food)
Beverages
Non-food (food-related)

Number of items
approx. 75,000

Number of employees
5,185

Channels

Delivery 66%
Cash-and-carry 34%

Revenue
(x € million)

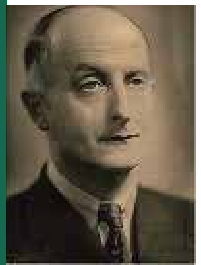
2,483
Sligro Food Group

90% Netherlands
10% Belgium

History

1935

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



1961

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

1987

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

1989

Sligro Food Group is listed on **the Amsterdam stock exchange**

1992

The first wholesale outlet to combine cash-and-carry with delivery opened its doors.

1996

With the acquisition of Van Hoeckel, the Group became active in the institutional segment of the food service market.

2001

Start in food retail with franchise supermarkets **through the acquisition of Prisma Foodretail**.

2002

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

2004

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

2014

The first Sligro 3.0-format cash-and-carry outlet opened in Maastricht.

2016

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

2017

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

2018

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

2019

Acquisition of the operations of De Kweker, a wholesaler in Amsterdam.

2022

Permission to **acquire Metro wholesale outlets** in Belgium.

Our strategy

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

Targets

Organic revenue growth*

approx. 3%

Target profit growth

in line with revenue growth

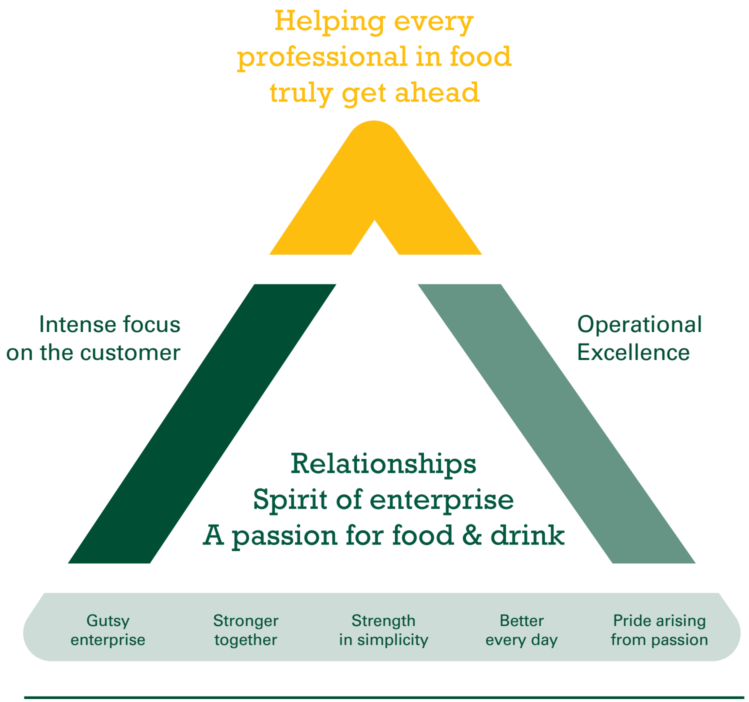
Carbon reduction in 2030**

50%

expressed as a percentage

* The 3% figure is based on a multi-year average over the economic cycle, in combination with expected inflation at 1.5% per year and volume growth also at 1.5% per year. In light of the current inflation levels and market movements brought about by COVID, growth is expected to be higher in the coming years.

** Based on the scope definition used by Sligro Food Group since 2010, as a percentage of revenue.



Our purpose

We see **helping every professional in food truly get ahead** as our role. Increasingly, our business is not just about supplying our customers with food and food-related non-food products correctly, at the right price, on time and completely; our customers expect more from us. People want maximum convenience through an extensive range of services, and data and digitalisation are increasingly an important basis for this.

In meeting this expectation, we try to strike an optimum balance between **customer intimacy (extreme customer focus)** and **operational excellence**. We want to be an organisation in which everybody always goes the extra mile for a customer and understands how crucial our role is to our customers' operations and fully realises the responsibility that entails. At the same time, our customers demand an efficient supply chain and we see that data, (digital) platforms, systems and innovation are increasingly important.

The organisation is managed based on our results-oriented, entrepreneurial culture, which focuses unwaveringly on building and maintaining long-term relationships with customers, employees, suppliers and other stakeholders. Our shared passion for delicious, good and honest food is also anchored in our company's DNA.

In a growing organisation, preserving and further conveying our signature culture is a constant focus of attention for us. The influx of new talent, and therefore new experience, and know-how of employees who have been working at Sligro Food Group for years creates an engaging and powerful mix of people.

We will further strengthen this in the coming years through our efforts in relation to themes such as diversity and inclusiveness. Building balanced, diverse teams and ensuring that they work together effectively are among the main priorities of our leadership programme.

Sligro Food Group operates in a highly competitive environment where rising costs can only be passed on in part to customers. We absorb the remaining cost impact by continually improving the efficiency of our operations with measures such as effective logistics and communication, data and information systems.

The Group handles most of its own procurement for both the Dutch and the Belgian business units. Stacking volumes internationally where possible and purchasing locally where desired gives us a nice mix of synergy and local fit within this process. Being a member of the Superunie procurement cooperative also gives us access to economies of scale through joint procurement with our fellow members.

'We see helping every professional in food truly get ahead as our role.'

Dirk van Iperen
Executive Managing Director for Delivery Services in the Netherlands

We target annual average organic revenue growth over the economic cycle of around 3%, assuming an inflation rate of around 1.5%. In light of the current inflation levels and market movements brought about by COVID-19 and other factors, growth is expected to be higher in the coming years. We expect to accelerate our growth through acquisitions, although this growth will be more sudden and sporadic in nature. Our aim is for our profit to grow at least at the same pace as our revenue.

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

Our strategy focuses on being able to offer shareholders attractive long-term returns. In achieving this, we are committed to our corporate social responsibility and we report on our CSR performance. As the new reporting rules relating to sustainability are introduced, that transparency will increase even further. This aspect is discussed in more detail later in this report. At our listed family-run company, business and social returns have been going hand in hand for years, underpinning an independent position in the market that Sligro Food Group aims to hold on to for many years to come.

Our company, the purpose for Sligro Food Group

Our ambition is to be the undisputed market leader in food service and set the tone in good food in the Benelux countries. By combining our customer intimacy (extreme customer focus) with operational excellence, we aim to help **every professional in food truly get ahead**. Through our core values, the power of our people, our infrastructure and collaboration with our partners, we create value for all stakeholders.

Helping every professional in food truly get ahead

What will help us along?

- Intense focus on the customer
- Operational excellence

Who are we?

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

What do we stand for?

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

Where are we active?

- Netherlands/Belgium

How do we add value?

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

Strategies for 2022-2025

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

How we add value

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

Resources

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

Centralised IT infrastructure
with integrated online & data capabilities.

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

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

Committed employees
united in our entrepreneurial culture.

Long-term partnership
with Heineken.

Trends & developments

Digitalisation
Digitalisation and its effects on the food service market.

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

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

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

Helping every professional in food truly get ahead

Strategies

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

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

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

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

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

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

Outcomes in 2025

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

Employees
Employee satisfaction
Complete digital ambition 2 preparations
Ready for 'country 3' in 2025
ERP roll-out in the Netherlands and Belgium completed in 2025

Suppliers and partners
Supplier satisfaction
Upsell Heineken
Increase JAVA market share

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

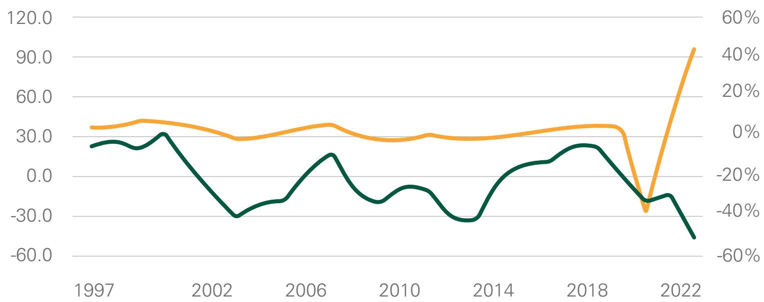
Shareholders
Organic revenue growth
Rising returns
Revenue growth > overhead growth

Market approach

Sligro Food Group focuses on the market for food and drink. Sligro Food Group is active in all key food service market segments in the Netherlands and Belgium – from restaurants to fast food, from hospitals to hotels, from caterers to convenience stores, from amusement parks to sports clubs, from SMEs to multinationals, from bars to cinemas. This market is known as the ''out-of-home'' channel.

Link between consumer confidence and the growth of food service

Consumer confidence
Food service revenue growth (as %)



We are indirectly dependent on the food spending of consumers. Economic indicators such as consumer confidence and the unemployment rate are important indicators for developments in our markets. FoodService Instituut Nederland (FSIN) traditionally plots the correlation between consumer confidence and the development of food service revenue in the Netherlands over a period of several years. This correlation has become increasingly less clear over the past years.

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

'Operations ''behind the scenes'' are managed centrally to the maximum degree possible.
We have adopted this structure in both the Netherlands and Belgium.'

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

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

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

Market share

Food service market leader in the Netherlands

25.6%

Food service top five in Belgium

2.6%

'The cash-and-carry outlets are ideally suited as a source of inspiration and inventory/cash-and-carry centre for smaller food service customers.'

Kees Kiestra
Executive Managing Director of Cash-and-Carry Outlets in the Netherlands

We believe in the power of a strong network consisting of an integrated group of cash-and-carry and wholesale delivery service outlets, combined with a digital environment, where our people make the difference. The power of the network lies in mutual collaboration. For example, 70% of our delivery customers visit a cash-and-carry outlet twice per month on average for inspiration and advice, or for a last-minute or forgotten purchase. The cash-and-carry outlets are ideally suited as a source of inspiration. They also function as showrooms and stock/cash-and-carry centres for smaller food service customers, who can easily switch to delivery as they grow and if they wish to do so.

There are also relatively large cash-and-carry customers who prefer to do their own purchasing and select their fresh and other products themselves. They also enjoy having the opportunity to talk shop and bounce ideas off our specialists. As such, while the operations are separate in the interests of efficiency and meeting customer demands, collaboration on a commercial level is solidly anchored in our business. This is also reflected in the unified pricing, loyalty offers and management information structure for our customers, which makes purchasing through both channels equally convenient for them.

In the Netherlands, we are the market leader in food service with a market share of 25.6% (source: FSIN). In Belgium, we have a place in the top five with our JAVA Foodservice and Sligro-ISPC formats. Our market share is 2.6% (own estimate, based in part on data from Foodservice Alliance).

Food service market parties[1)]

as a %	2022	2021	2020
Sligro Food Group	25.6	24.9	25.3
Hanos	11.1	11.7	11.7
Pascal Groep	10.2	10.0	9.2
Bidfood	10.9	9.0	9.1
Makro	5.1	6.4	6.7
Drinks wholesalers	12.7	10.9	11.3
Other wholesalers	11.8	13.2	13.2
Subtotal wholesalers	**87.4**	**86.2**	**86.4**
Logistics service providers	6.5	7.3	7.3
Supply via retailers	6.1	6.4	6.2
	100.0	**100.0**	**100.0**

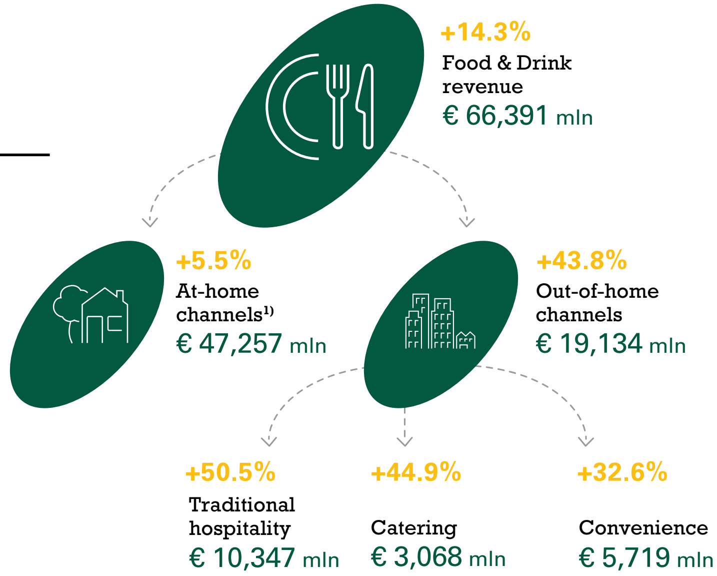
1) Source: FSIN.

Revenue in the Netherlands[2)]
Source: FoodService Instituut Nederland (FSIN)

■ % growth 2021-2022

1) Excluding non-food and supplies to hospitality

2) Consumer spending incl. VAT



6.9 billion
Market size in wholesale value in the Netherlands

17.8 million
Population of the Netherlands

Consumer confidence, Netherlands

source: CBS

Market and market size in the Netherlands

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

For 2022, FSIN estimates that the food service market in terms of consumer spending has grown by 43.8% on the previous year, measured based on a calendar year. This puts market size in terms of consumer spending at approximately €19.1 billion. On that basis, FSIN estimates the value of the wholesale market at €6.9 billion, which would represent a 38% drop on the previous year. Compared to 2019, when FSIN estimated market size in terms of consumer spending at €19.8 billion, the market has all but returned to its former level.

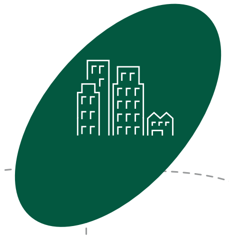
FSIN estimates the total net revenue from food and drink sales by wholesalers to their business customers in the Netherlands, i.e. not including revenue from SMEs, excluding the following components:

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

In total, the FSIN market definition excludes over 20% of our net revenue.

Revenue in Belgium
Source: Foodservice Alliance

% growth 2020-2021



+73.0%
Out-of-home channels
€ 23,733 mln

+83.8%
Traditional hospitality
€ 15,550 mln

+51.6%
Catering
€ 2,065 mln

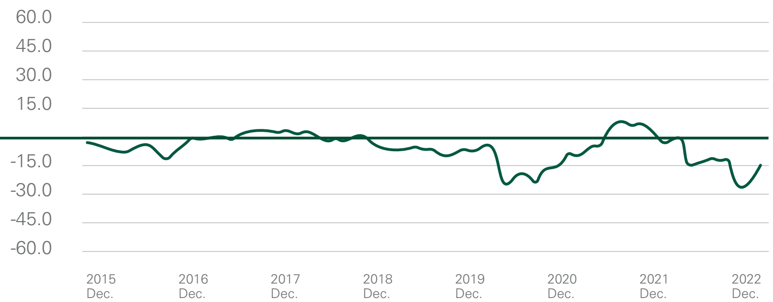
+57.1%
Convenience
€ 6,119 mln

9.6 billion
Market size in wholesale value in Belgium

11.6 million
Population of Belgium

Consumer confidence Belgium

source: NBB.stat



Market and market size in Belgium

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

For 2022, Foodservice Alliance estimates for Belgium that the food service market in terms of consumer spending has grown by 73.0% on the previous year, measured based on a calendar year. This puts market size at approximately €23.7 billion. On that basis, Foodservice Alliance estimates the value of the wholesale market at roughly €9.6 billion, which would represent a 92% increase.

The market shares and players have not been measured consistently in recent years, meaning that there is no clear picture of market gainers and losers. The picture becomes even less clear if you consider, as Foodservice Alliance suggests, that almost 60% the market is still supplied through traditional supermarkets and fresh produce and other specialists, including all specialist wholesalers that do not offer a "full" product range, meaning that 40% of the market is left for wholesalers that do offer a full product range.

In Belgium, our market share based on 2022 market figures is around 2.6%.

Synergies

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

1
integrated company

Passion
for food and drink

Unique
entrepreneurial company culture

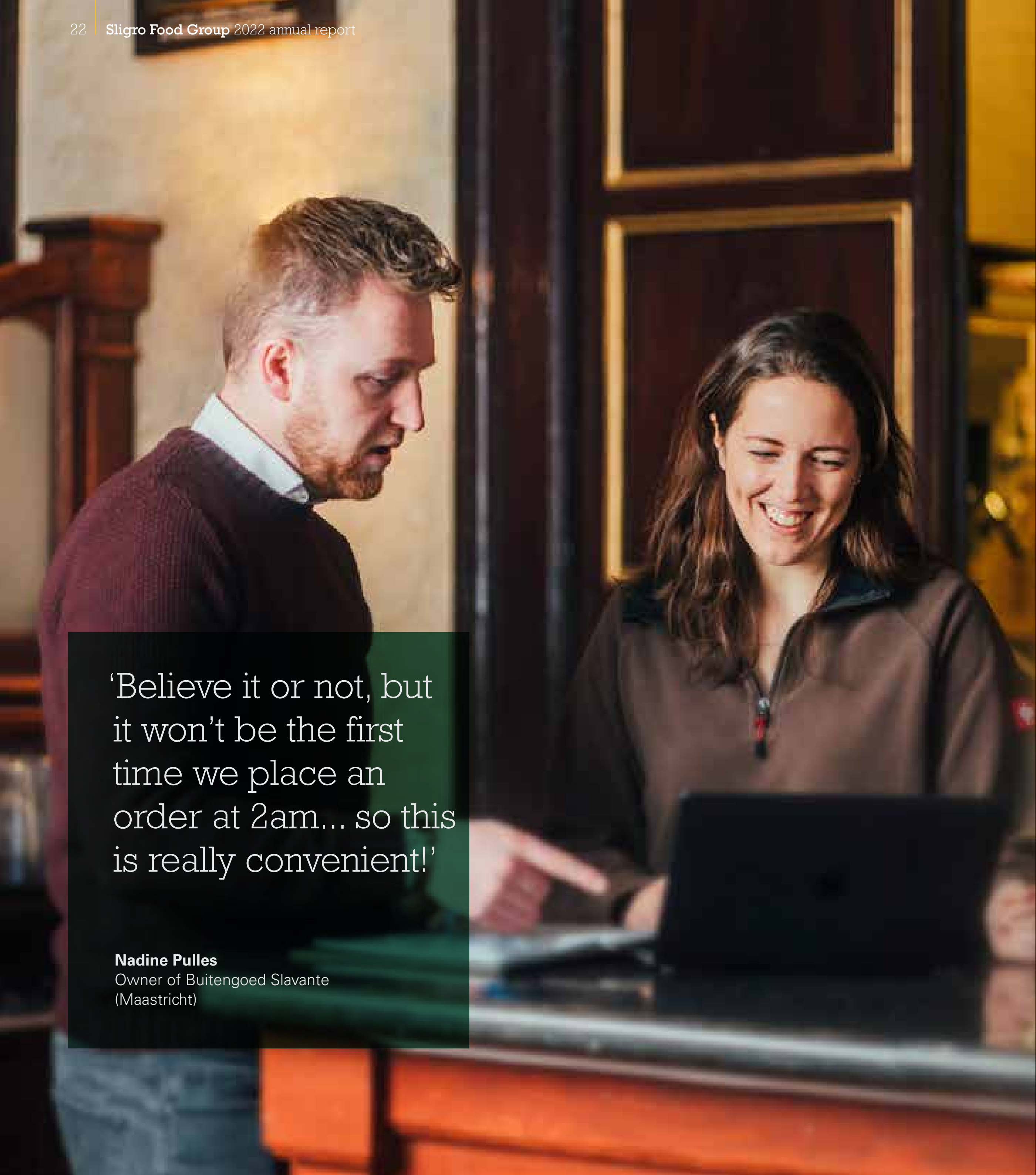
We already serve a large number of customers in both countries through our full network. The know-how and skills of both our Dutch and our Belgian employees are deployed on a broad scale across the organisation, and we have been pleased to see that employees in both countries are highly committed to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

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

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

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

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



‘Believe it or not, but it won’t be the first time we place an order at 2am... so this is really convenient!’

Nadine Pulles
Owner of Buitengoed Slavante (Maastricht)

Boundless energy is something we really appreciate

‘Sligro’s online ordering platform lets us order at any time of the day. Believe it or not, but it won’t be the first time we place an order at 2am... so this is really convenient! And no matter what time it is, you always get up-to-date product information and availability details.

What is also great about it is that every order is personal. That’s convenient because it means I won’t have to check the whole list of products for our kitchen to make sure the order for the bar is complete.

Besides the practicality, I also find Sligro.nl an inspiring environment. I particularly like the recommendations that you often get with your order. Slightly more gourmet chocolate curls for that exclusive party you’re throwing, for example, can make all the difference.

We have a very pleasant working relationship with our account manager at Sligro, Kevin Verweij (left). He just gets what customers need. He is very easy to get hold of and he delivers on his promises. Plus: he has that boundless puppy dog energy, he always goes the extra mile to help you. I really appreciate that.’

Developments in 2022

‘We chose to maintain maximum service continuity, even if it meant incurring more costs.’

Gerrit Buitenhuis
Chief Supply Chain Officer

Reopening our sales markets

The year 2022 began with a lockdown that was eventually lifted completely in February. As a result, over the course of the first quarter, the markets in the Netherlands and Belgium steadily picked up, and at the end of March we achieved revenues close to pre-COVID-19 levels in most customer segments. In the subsequent quarters, our customers were happily operating at full capacity again as consumers resurfaced to enjoy their ‘newly regained freedom’ and flocked in droves to visit cafés, bars and restaurants, amusement parks and events. The dreaded COVID-19 autumn wave fortunately did not materialise, allowing us to enjoy the Saint Nicholas and Christmas season to the full as well.

Two years of COVID-19 led to a major disruption in the global supply chain, and that effect was compounded by the worldwide impact of the war in Ukraine. We had to deal with shortages and severe scarcity in areas of our product range, which made it difficult for us, and the rest of the market as well, to keep up with increasing demand. Where possible, we solved this by increasing our buffer inventories, but we still had to decline orders more often than customers would expect based on our past track record. We did see some improvement toward the end of the year, but we have still not yet completely returned to ‘normality’. With that in mind, we have not yet reduced our inventory position and continue to maintain higher-than-normal buffers.

The year was also characterised by scarcity in the labour market and bottlenecks in transport. We have seen signs of these trends in our markets for a number of years now, but the situation seems to have worsened considerably after COVID-19. In contrast to many sectors, such as public transport, aviation, healthcare and also the hospitality industry, which were forced by necessity to downsize, we chose to maintain maximum service continuity. We managed to achieve reasonably timely delivery by using couriers and foreign drivers, but at a high cost. In addition to expenses for overnight accommodation, each foreign driver had to be accompanied by a co-driver capable of communicating with our customers in Dutch.

Despite all the challenges that came our way in 2022, we are delighted with the recovery in the sectors in which we operate and the market share gains we have made in the Netherlands. Our customers were able to focus on running their businesses profitably again and our employees showed their usual excellence by expertly helping our customers whenever possible. So, thankfully, we are again **Moving forward together!**

Cost inflation

Inflation increased by large increments throughout 2022. The scarcity in products, people and transport services we mentioned earlier had already driven up prices, and this upward effect was compounded and strengthened by the war in Ukraine and the related energy crisis. In contrast to the normal practice of agreeing prices with our suppliers just once a year, price increases, which sometimes amounted to dozens of percent all at once, were announced and imposed up to five times during the year. Our own costs for labour, transport, energy and rent also increased, alongside the increased procurement prices. These effects could not be offset completely through efficiency gains. We were forced to absorb part of these costs, which impacted our bottom line, but we also managed to pass on the price increases to some extent in the selling prices to our customers Although most of our customers choose to pass that price increase on in their prices to consumers, the resulting impact on sales volumes in 2022 seems to be limited.

Our strategic agenda

In addition to focusing on the relaunch of our operations, 2022 was dominated by our six strategic pillars in the period up to 2025.

Reaping, growing and improving returns
This strategic pillar focuses on maintaining our operational performance at the desired level. As already stated, we experienced several unusual challenges in our day-to-day operations due to the unrest in the world. Although we were not able to meet the performance standards for full and timely delivery at the ‘normal’ level in parts of the year, we believe that we

have performed very well under the circumstances. However, our customers demand and expect more from us and we are always committed to achieving that. Here too, we choose to always be there for our customers. We do not cancel flights, adjust schedules, or close down on specific days. Naturally, that leads to pressures and stress in various areas, but thanks in part to the tremendous efforts of our colleagues, our partners and the flexibility and cooperation of our customers, we still all made 2022 a wonderful year.

After the relaunch, we were also able to test for the first time what our partnership with Heineken was actually going to bring us in terms of more sales to existing customers. Early on in the year it became clear that the goals we had set for this (€100 million in additional sales to existing customers after four years) would be exceeded. The event season also exploded into life again and we used our integrated infrastructure for the first time to serve these customers. We still see a few areas where improvements can be made, but had a successful festival season overall.

Together with our fresh partners, we are working hard to increase our revenues from fresh produce and wine. Our revamped approach is clearly successful here too, and more and more customers are also concentrating their purchases of fresh produce and wine with us.

Our Exclusive Brands play an important role in our offering. Their share at cash-and-carry outlets has already risen above 30%, but we see further significant opportunities for them in the delivery service activity. Especially now that smart business is more important than ever for many of our customers due to inflation and shortages, Sligro Food Group's Exclusive Brands can provide solutions in that respect. The launch of our new Meyerij dairy line and the additional focus on our proposition in cash-and-carry and delivery have led to an increased share of revenue.

Our total proposition is well suited to large customers that operate nationally or internationally. In both the Netherlands and Belgium, we succeeded in renewing many of the expiring contracts for several more years and also landed some very attractive customers in both countries, which accelerated growth. Optimising our infrastructure in the Netherlands and Belgium has our attention, in order to continue to shape growth in the coming years in a worthwhile way, both for our customers and ourselves. We will see the benefits of our optimisation programme in Belgium in particular in the coming years, as all the associated preparatory work was rounded off in 2022, including the live roll-out of SAP and the construction of a delivery service site in Evergem (Ghent region).

Intense customer focus

Our proposition to customers is the main theme within this strategic pillar. In addition to our product offering, we also look for services relevant to our customers that help them trade successfully and be successful and facilitate them in their daily operations. In 2022, we successfully focused on capitalising on the propositions developed in previous years. The solutions we offer under "Slimme Keuken" (smart kitchen) and "Kleinste Keuken" (smallest kitchen) offer our customers a helping hand, especially in times of staff shortages. We have seen a sharp increase in the number of customers using these solutions.

To ensure a consistent customer experience across all Sligro Food Group environments, it is important that we constantly optimise and harmonise our layout and product range set-up and presentation. Both the Netherlands and Belgium have made major progress in this respect, and we can expect further improvements in Belgium as soon as all the sites have migrated to the same system. Both our brand strategy and format policy are being updated in the course of that same process, which will reach completion in 2023. The renewed focus on Culivers products and our Exclusive Brands in Belgium has already paid dividends.

To better serve our customers, we have integrated customer service for cash-and-carry and delivery. From the customer's point of view, this was a logical step and has cleared up a lot of ambiguity for customers.

Digital ambition

Our digital environment is increasingly the place where customers interact with Sligro Food Group. Regardless of whether they choose delivery or cash-and-carry, customers orientate themselves and look for information on our website. Our digital ambition is to improve customer convenience in that environment and to add information and solutions there that truly help our customers get ahead. In 2022, we added the modules for recommendations and availability and put the first APIs (Application Programming Interfaces) for facilitating links between our environment and other solutions into live operation. Those APIs allow us to link our systems with those of our customers, partners and suppliers, further increasing convenience in the supply and value chain. In 2022, we also formulated our digital ambitions for the period up to 2025 in more detail and established concrete goals and plans in terms of data, systems, processes and the organisation.

Uniform working method

In a growing organisation that now operates in two countries, putting effort into making processes and their control uniform is a worthwhile investment. Our business model is built on generating and monetising scale through controlled growth and future international expansion. Although greater formalisation is needed, we are careful to preserve balanced entrepreneurship within the organisation. In addition to a strong and entrepreneurial corporate culture, that requires clear frameworks, a clear division of roles and process uniformity, which needs to be supported by uniform systems and data.

We took an important step towards achieving this in 2022 when we completed the first SAP go-live in Antwerp. That environment is built on uniform end-to-end processes for the Group as a whole, so in addition to setting up a technical environment there, we have also directly implemented the uniform processes and working methods that will eventually apply to all the business units in the Netherlands and Belgium. For Sligro Food Group as a whole, our decision to go live at a single site for the first time proved to be the right one. The start-up problems that are still ongoing now in Antwerp will be solved in the hypercare phase, ensuring that they will not occur again during a further roll-out.
A highly committed team of Sligro Food Group employees and our partners contributed to the go-live and are now overseeing improvement of the solution in the hypercare phase. This does, however, mean that the employees and especially delivery service customers of Sligro-ISPC Antwerp are experiencing the knock-on effects of those start-up difficulties. This also complicated the tracking of goods movements (from Antwerp) and the processing of invoices relating to other operating costs (for Belgium as a whole) over the last month of the year. They are progressively being resolved though, and the operation is settling back into a smooth-running routine. The hypercare and operational recovery costs incurred in this phase are substantial, but necessary to stabilise the solution and progressively return performance in respect of our customers to the level they were used to in the past.

Our manufacturing companies have a different business process and will not migrate to the SAP ERP part of our technical environment for this

'Extra focus on long-term employability.'

reason. In some of these companies, however, there is a clear need to replace or update the technical environment. An ERP implementation was prepared in 4PS Business Control for Bouter in 2022 and went live on 1 January 2023.

People and organisation

Sligro Food Group's success is based on satisfied, engaged and motivated employees. The COVID-19 pandemic and the pressure it put on our operations has had an impact on many of our people. Due to unavoidable workforce downsizing in recent years and the tight labour market after COVID-19, we saw increased pressure in many parts of the organisation as demand recovered.

In operations, we spent much of the year working with an excessive number of agency workers, due to a lack of permanent staff. We have several vacancies open at the service office in Veghel and a number of departments sometimes had to operate at 80% of normal permanent staffing capacity. So we strengthened our recruitment & selection department and expanded our recruitment campaigns in 2022 to attract an adequate influx of talented people to Sligro Food Group. Although labour market scarcity remains a challenge, the progress we are making in the area of recruitment and selection is positive. We also paid extra attention to sustainable employability to keep the employees already with us fit and healthy and to avoid absenteeism. The focus there is not just on physical health; mental health and creating a safe working environment for everyone

> 'Sustainability practices are an integral part of our strategic ambition.'

are also priorities. Our strong corporate culture is the defining factor in everything we do for our people and in how we communicate with the labour market. This requires continuous reaffirmation, so we have devoted a great deal of effort in the past year to emphasising the core values in communications to our employees. Our organisation is always on the move and changes continue to emerge in increasingly rapid succession. This requires us to make our organisation agile as well, to the point where change feels increasingly natural. Converting our accumulated experience into workable, simple processes and structures is an effective way of organising this. With that in mind, we gave our roadmap for post-acquisition integrations another thorough update, which we then put to good use in preparing for Metro's integration.

Sustainability
For a family-owned listed company like Sligro Food Group, sustainability practices are a matter of course and are an integral part of our strategic ambition. In 2022, much of the attention and energy devoted to this area went into preparing for the new European legislation on sustainability reporting. We welcome the initiatives to create more transparency and comparability in the value chain and are carefully preparing for them. However, we need to be vigilant to ensure that the resulting strong focus on reporting does not come at the expense of actually improving our performance in the area of sustainability.
To monitor that balance, we reintroduced our CSR Steering Committee in 2022, which looks at both the reporting requirements of the CSRD and EU Taxonomy, as well as the initiatives to improve performance. We organised several workshops across the organisation to conduct a 'double materiality analysis' and identify the list of topics relevant to Sligro Food Group. Needless to say, this list overlaps with many of the initiatives that we have been working on for years. In terms of content, we paid close attention to the existing People, Planet and Product Range initiatives, which we present in more detail elsewhere in this report.

EMTÉ court case finally closed

In the 2021 report, we stated that the Court of Amsterdam had dismissed all of Jumbo and Coop's claims in full. The deadline for a possible appeal expired on 10 February 2022 and the consortium decided against continuing these proceedings. This means that the matter is now officially closed and Sligro Food Group has been exonerated of any blame, which is the only possible and just outcome. A lot of needless negative energy, but all's well that ends well...case closed!

Acquisition of Metro Belgium

At the end of 2022, with regard to the court-supervised restructuring process in relation to Makro Cash & Carry Belgium NV, we were pleased to report that the court in Antwerp had authorised the judicial trustees appointed in the case to sell most of Metro's business activities in Belgium to Sligro Food Group. This encompasses the nine Metro wholesalers in Antwerp South, Wevelgem, Liège, Hasselt, Middelkerke, Namur, Sint-Katelijne-Waver, Brussels and Vorst. The real estate associated with the Liège site was already acquired on 28 December 2022. In addition to the employees at those sites, about 100 employees in the regional network and at head office are included in the acquisition, and we offered the employees at the Antwerp North site, which is not part of the acquisition deal, a position at the nearby Sligro-ISPC site in Antwerp.

Before the announcement of the court-supervised restructuring, the Metro sites and associated delivery services acquired by Sligro Food Group generated an annual revenue of approximately €300 million. Since the start of the restructuring proceedings, it has proven challenging to maintain inventory levels in the stores, and the unrest surrounding this process has had a significant impact on Metro's staff and customers. Furthermore, Sligro Food Group will briefly close the outlets immediately after the acquisition and will reopen them one by one within a few days, with Sligro Food Group's technical infrastructure and product ranges in place. Initially, significantly lower revenue is expected once all the outlets have been reopened by mid-January 2023, though this is expected to return within a few years to the level revenue was at prior to the announced restructuring.

This transaction requires the approval of the Belgian Competition Authority (BCA). The BCA has already invested a great deal of time and energy in investigating the market consequences during the course of the court-supervised restructuring. On the basis of its investigation, the BCA has issued an 'unconditional decision to grant an exemption', which means that this transaction can go ahead immediately. The BCA will formally complete its investigation in the near future; at this time no significant obstacles are expected to emerge from this investigation.

The activities were transferred on 3 January 2023. One of the parties involved in the case has appealed the court's decision. This appeal procedure will be heard in 2023.

Netherlands

Sligro/De Kweker
Cash-and-carry outlets
51

Culivers/SmitVis
Production companies
2

Sligro/Van Hoeckel
Delivery service sites
9

Sligro distribution hubs
3

Specialists

Bouter
Institutional kitchen specialist

Tintelingen
Online gift concepts and Christmas gifts

ZiN
Inspiration lab

Stores in the Netherlands

- Sligro Food Group head office
- Central distribution centre
- Production sites
- Cash-and-carry sites
- Delivery service sites
- Sligro distribution hubs
- Bouter
- Van Hoeckel
- ZiN Inspiration Lab
- Tintelingen

Belgium

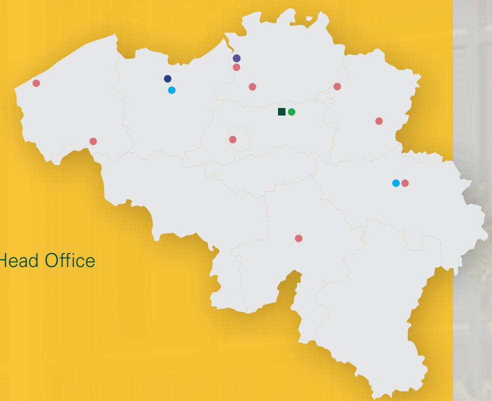
JAVA Foodservice
Delivery service site
1

Sligro-ISPC
Cash-and-carry and delivery service site
2

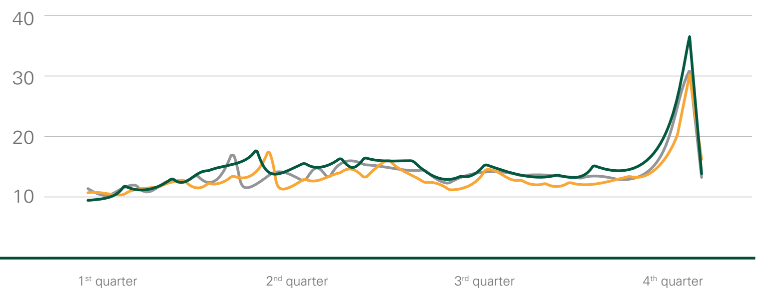
Sligro-ISPC
Delivery service with pick-up option
1

Stores in Belgium

- Sligro Food Group Head Office Belgium
- JAVA Foodservice
- Sligro-ISPC
- ISPC
- Sligro Food Group Delivery Service
- Sligro-M (from 2023)



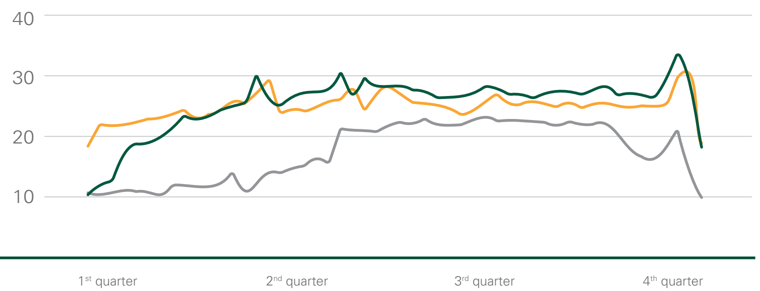
Cash-and-carry outlets in the Netherlands



Weekly development in revenue compared to 2019-2022
(x € million)

2022
2021
2019

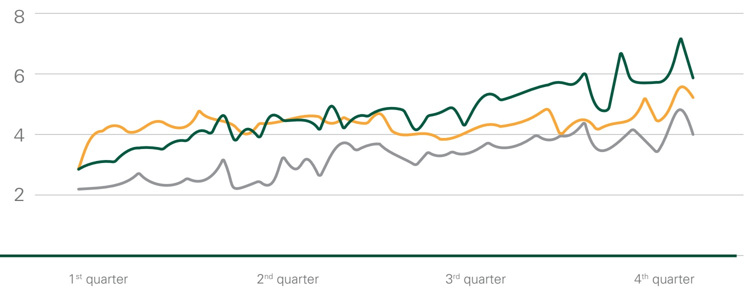
Delivery service sites in the Netherlands



Weekly development in revenue compared to 2019-2022
(x € million)

2022
2021
2019

Belgium cash-and-carry & delivery service



Weekly development in revenue compared to 2019-2022
(x € million)

2022
2021
2019

Cash-and-carry revenue in the Netherlands increased for the third year in a row.

In Belgium, cash-and-carry revenue increased, but the strongest growth was in delivery.

Cash-and-carry revenue increased for the third year in a row. This was driven by inflation and only limited pressure on volumes was noticeable. In delivery, growth was much higher than last year, partly because the impact of COVID-19 on the previous year's revenue was much greater than in 2022. We also reaped the benefits of the partnership with Heineken through increased sales to existing joint customers. In addition, we retained our large accounts and renewed contracts with them, and also landed some large new customers.

In Belgium, cash-and-carry revenue increased once again. However, the strongest growth in Belgium was in delivery where growth rocketed due to a major influx of new customers. As in the Netherlands, the impact of COVID-19 on the comparative basis magnified the growth figures in comparison to the previous year.

Cash-and-carry sites with pick-up option

	Number of sites as at financial year-end		**x 1,000m² sfa[1] as at financial year-end**	
	2022	**2021**	**2022**	**2021**
Cash-and-carry 2.0 style	21	24	132	152
Cash-and-carry 3.0 style	29	26	211	194
De Kweker	1	1	12	12
Netherlands	**51**	**51**	**355**	**358**
Cash-and-carry	2	2	15	15
Delivery site with pick-up option	1	1	11	11
Belgium	**3**	**3**	**26**	**26**
Total	**54**	**54**	**381**	**384**

[1] Sales floor area

Financial
(x € million)

Revenue
2,483

‘Coming in at €39 million, our net profit was up €19 million on 2021.’

Rob van der Sluijs
CFO

EBITDA
126

EBIT
43

Net profit
39

Shareholders’ equity
479

Free cash flow
6

Net investments
59

Dividend proposed per share (x €1)
0.55

Financial results

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

‘Internal benchmarking creates focus and encourages the feeling of continuous improvement and healthy competition.’

Governance model and policy

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

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

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

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

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

To keep improving the service we provide to our customers, we permanently invest in improvements to our online environment, data quality, logistics and store networks, and our retail brands.

We finance investments through long-term and short-term credit facilities, and aim for a comfortable margin in respect of the financing covenants we have negotiated. By reducing capital lock-up in operating capital, we are able to free up funds for our investments. Only if, as a result of (major) acquisitions, the margin on the financing covenants is deemed to be inadequate, we may decide to use the option of issuing shares to raise funds for investments. We have shown that we can persevere with this vision, even in the challenging times of the COVID-19 pandemic. In the long term, the Group’s net investment scope totals approximately 2.5% of revenue.

Results

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

x € million	2022	2021	As % of revenue 2022	As % of revenue 2021
Revenue	2,483	1,898	100.0	100.0
Cost of sales	(1,820)	(1,400)	(73.3)	(73.7)
Gross profit	**663**	**498**	**26.7**	**26.3**
Other operating income	18	7	0.7	0.3
Total operating costs excluding depreciation, amortisation and impairment	(555)	(396)	(22.3)	(20.8)
Gross operating result (EBITDA)	**126**	**109**	**5.1**	**5.8**
Depreciation and impairment of property, plant and equipment and right-of-use assets	(59)	(60)	(2.4)	(3.2)
Operating result before amortisation (EBITA)	**67**	**49**	**2.7**	**2.6**
Amortisation and impairment of intangible fixed assets	(24)	(24)	(1.0)	(1.3)
Operating result (EBIT)	**43**	**25**	**1.7**	**1.3**
Financial income and expenses	0	1	0.0	0.1
Pre-tax profit	**43**	**26**	**1.7**	**1.4**
Income taxes	(4)	(6)	(0.1)	(0.3)
Net profit	**39**	**20**	**1.6**	**1.1**

Development of revenue

In 2022, we generated €2,483 million in revenue, up 30.8% on last year. In the Netherlands, revenue was up by 29.3%. In Belgium, the increase in revenue amounted to 46.3%. These changes were entirely organic, meaning that we have gained substantial market share in both countries.

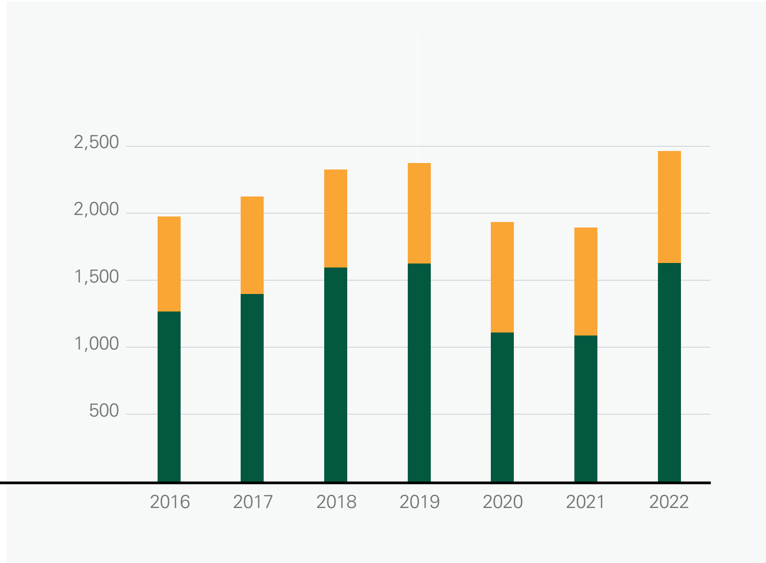
Partly as a result of tobacco legislation, revenue from tobacco products decreased by €16 million compared to a year earlier. The share of revenue derived from tobacco fell to 7.9% because of this.

Inflation was considerable in 2022. Although we offset or absorbed the increased costs where possible, we passed on part of them in our prices. The ensuing price effect for 2022 was around 9.7%.

The changes in revenue composition, particularly the decline in tobacco products, together with the high inflation, have an effect on our (relative) gross profit and costs. The lower share of revenue from tobacco sales led to a relatively high gross margin as a percentage of revenue, and this also goes for the costs. Rising purchase prices due to inflation and passing this on in the prices we charge our customers has a negative effect on the gross profit margin. Passing increased costs on in the prices we charge customers, on the other hand, pushes up the gross profit margin.

Food service revenue split (x € million)

- Cash-and-carry
- Delivery service



Gross profit

Expressed as a percentage of revenue, gross profit increased by 0.4% to 26.7%.

Managing inflation was a dominant issue during the year. Inflation had a major impact not only on the purchase price of products and on costs, but also on supplier contributions and customer bonuses. Where possible, we compensated for the increased costs through efficiency improvements, and to some extent we absorbed the rises at the cost of our own margins, but a portion was passed on in the prices charged to our customers.

To the extent possible, rises in purchase prices were passed on euro for euro; this had the effect of slightly reducing our relative margin. Price rises to offset increases in other costs led to an increase in the relative margin.

As every year, we made efforts to reach better agreements on purchasing and promotions with our suppliers and partners. Although that led to an underlying increase in the gross margin, the improvement was not clearly visible due to the substantial impact of inflation-driven price adjustments. It served partly to compensate for price effects.

Costs, depreciation and amortisation

Costs, including depreciation and amortisation, rose to 25.7% of revenue, an increase of 0.4% relative to the previous year.

Costs include acquisition-related costs of €4 million in relation to the Metro outlets we purchased in Belgium. These mainly comprise legal and advisory costs for the transaction and due diligence process. Although the transaction was not effected until 3 January 2023, these costs were recognised in the 2022 financial year because that was the year when the costs were incurred.

We incurred certain one-off expenses in connection with the launch of our new ERP package in Antwerp. These included an impairment of €3 million on certain components of the built solution that we will not use, while the costs of hypercare and operational disruptions in relation to the launch itself came to a further €3 million. This was more than we had estimated for the year.

Logistics costs rose by 0.2% as a percentage of revenue from deliveries. Shortages of drivers and transportation drove prices up, an effect that was exacerbated by the energy crisis following the war in Ukraine and by general inflation. Moreover, in these times of scarcity combined with high demand, we invariably put the emphasis on continuity of supply to our customers. As a result, we incurred substantial additional costs for foreign drivers, hotel stays and Dutch-speaking co-drivers. Although we had expected the need for this to diminish after the summer, we had to continue in the same vein until well into the fourth quarter. In total, 'additional' expenses of around €12 million were incurred for the use of co-drivers and hotel stays in respect of foreign drivers, and €5 million for the use of couriers to plug the shortfalls in regular transport. In the last few months of the year, logistics costs fell back as pressure on the supply chain diminished.

Selling costs this year reverted to a level in line with the ‘normal’ level for our business model. Nevertheless, they are substantially higher in comparison to the previous year, as we incurred far fewer costs last year for customer events and similar activities due to COVID-19 and our response to it. Happily, we were able to resume all of these events this year.

Premises costs increased relative to the previous year. Although the tariffs for the majority of our energy consumption are fixed under multi-year deals until the end of 2023, our additional purchases forced us to confront the movements in market prices, which led to €2 million in extra costs. Moreover, during the COVID-19 period only necessary maintenance was carried out. This year we worked to reduce the backlog, which led to an additional €2 million in costs.

Depreciation and amortisation decreased by €1 million compared to a year earlier. The brake on investments in the past few years led to an underlying decrease in depreciation charges. However, this year our capital expenditure reverted to its normal level.
Now that our ERP environment has entered into service, we have begun to amortise it over a five-year period. Amortisation charges have therefore increased by €1 million per month as of December 2022.

Other operating income

Other operating income increased by €11 million compared to the previous year. This year we sold our minority stake in Smeding, resulting in a one-off non-taxable gain of €16 million. Last year, we sold unoccupied real estate and received a one-off payment in settlement of certain administratively burdensome regular invoices in connection with our partnership with Heineken.

EBIT

The operating result increased by €18 million to €43 million. This figure rises to €47 million if we disregard the costs incurred in relation to the Metro acquisition. Although we are pleased with the ongoing recovery of our sales markets and with our profitability, we would have liked to have made more progress on the road to our medium-term profitability target. However, the additional logistics costs and the (one-off) costs in relation to the SAP launch put more pressure than expected on results in 2022.

Financiële baten en lasten

Financial income and expenses decreased by a net €1 million compared to last year. This is entirely due to a slight decrease in the income from associates.

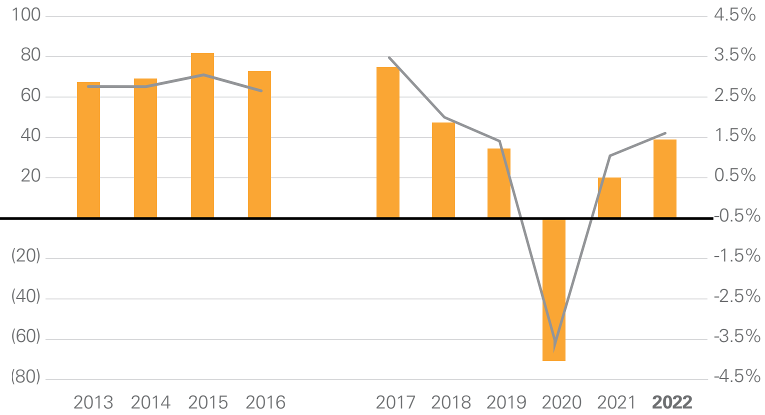
Taxation

The income tax expense is relatively low in comparison with the pre-tax profit. This is principally due to the non-taxable gain recognised on the sale of our interest in Smeding. We also obtained tax income of €1 million in relation to the settlement of previous years.

Net profit

As a result of the above, net profit came in at €39 million in 2022, an improvement of €19 million compared to last year. Earnings per share are calculated on the average number of shares in issue (externally) and amount to a profit of €0.88 (2021: €0.45) per share.

Food service and food retail 2013-2016
Food service 2017-2022



Net profit
As % of revenue

Investments

Gross investment rose in 2022, by €12 million to €59 million.
This includes the €5 million purchase of the former Metro site in Liège, which we acquired at the end of 2022 prior to the completion of the takeover in early 2023. Costs as a percentage of the investments increased by 2.4%. or 2.2% if the acquisition of the property in Liège is excluded. We invested €16 million in the conversion of our cash-and-carry outlets to the 3.0 format, €2 million in our delivery infrastructure and €7 million in our central distribution centre complex. The investments in our new ERP landscape amounted to €16 million. The remainder of the investments involved small commercial vehicles, licences, hardware and inventory.

Net change in fixed assets

x € million	2022	2021
Intangible assets	22	24
Property, plant and equipment	37	25
Divestments	0	(2)
Net investments	**59**	**47**
Depreciation of property, plant and equipment	(38)	(40)
Impairments	(3)	0
Amortisation of software	(10)	(9)
Amortisation and depreciation	**(51)**	**(49)**
Net change in fixed assets	**8**	**(2)**

Operating capital and cash flow

Our operating capital position moves in line with business levels, so all operating capital items increased substantially over the course of the year. Overall, net operating capital at the end of 2022 was €8 million higher than it had been a year earlier. In revenue terms, operating capital was equal to six days' sales, which was lower than last year.

The choice we made last year to hold extra inventories in anticipation of the restart proved to be the right one. Thanks to the additional buffer inventories, we were able to meet the explosive rise in demand at the start of the year. During the course of the year, we also found that the shortages had not yet cleared in all product groups, and to compensate for that we continue to hold more inventories than 'normal'. Furthermore, we purchased additional volumes towards the year-end in anticipation of price trends, and built up inventories at the central distribution centre in Veghel to prepare for the flow of inventories to the Metro outlets we acquired in Belgium in early 2023.

We achieved a net free cash flow of €6 million. In addition to the free cash flow, we recorded a one-off receipt of €19 million from disposals of operating activities, including in particular the proceeds from the sale of our minority stake in Smeding. We reinstated our dividend policy in 2022 and paid an interim dividend of €13 million to our shareholders for the first time in three years. Our other income also enabled us to reduce our net debt position.

Development of working capital

x € million	2022	2021	2020	2019	2018
Current assets, excluding cash and cash equivalents	546	395	332	498	502
Current liabilities, excluding interest-bearing items	(504)	(361)	(327)	(475)	(448)
	42	**34**	**5**	**23**	**54**
As days of revenue	6	7	1	4	8

Abridged statement of cash flows

x € million	2022	2021	2020	2019	2018
Net cash flow from operating activities[1]	91	73	101	132	119
Lease liabilities paid	(25)	(23)	(23)	(18)	0
Net cash flow from investing activities, excluding the net effect of acquisitions	(60)	(35)	(11)	(76)	(17)
Free cash flow	**6**	**15**	**67**	**38**	**102**
For comparison, net profit (loss) from continuing operations	39	20	(70)	34	46
Cash conversion as %	16	75		103	61
Free cash flow has been used as follows:					
Net acquisitions	19	0	1	(51)	0
Dividend payment and share repurchase[2]	(13)	1	1	(63)	(59)
Balance of change in debt and liquidity	(12)	(16)	(69)	76	(43)
	(6)	**(15)**	**(67)**	**(38)**	**(102)**

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

[2] In 2018, this excluded a one-off special dividend

Financing

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

Due to the recovery of our sales markets, our net interest-bearing debt has further diminished. In combination with the improvement in EBITDA, this led to a ratio of net interest-bearing debt to EBITDA of 1.4 at the year-end (year-end 2021: 1.8).

Halfway through 2022, we reduced our committed credit line with Rabobank from €160 million to €100 million, as we were incurring costs for the commitment without making use of the headroom provided. The Metro acquisition process began a few months later and we consequently reversed this decision to reduce the facility by €60 million before the year-end.

In the first quarter of 2023, we will implement a refinancing plan in order to establish our financing structure for the next few years. As we do so, we will also take into account the acquisition opportunities that we expect to arise in the coming years. In view of the constructive attitude of the parties who finance us and the way they have supported us in recent years, we are confident that we will be able to agree appropriate solutions.

Outlook

‘So properly managing inflation in our pricing decisions, and controlling costs, are key themes.’

Dries Bögels (49)
Executive Managing Director of Food Service Netherlands

General

As we have often pointed out, predicting what will happen in our markets in the coming year is no simple matter. For some years now, the former correlation between consumer confidence, unemployment figures and food service market development no longer seems to apply. So we cannot make any projections based on those indicators at this time. Consumer spending in the ‘out of home’ channel also held up well last year, despite the lack of confidence, and we assume that this situation will continue for most of 2023.

Inflation will continue to increase, leading to rising prices in the wholesale market, which will eventually filter down to consumers. The extent to which this will put a brake on spending remains to be seen, as schemes to compensate rising energy costs, tax relief measures and wage increases will have a counterbalancing effect.

The conclusion for Sligro Food Group is that we must be flexible. We expect volume growth, which - in combination with high inflation - will lead to a welcome increase in revenue. So properly managing inflation in our pricing decisions, and controlling costs, are key themes on our agenda for 2023. If the volumes are affected to a greater extent by economic developments in the Netherlands and Belgium, we will immediately adjust our spending pattern to suit. That flexibility is a strategic skill that we more than mastered in the COVID years.

Annual plans

In 2023, we expect to be able to make further progress in selling more to existing customers, based on the partnership with Heineken and the improved approach in the area of fresh produce and wines; i.e. ‘filling’ customers. After several challenging years, the lack of disruption in operations will allow us to bring operating performance back up to the desired level. Not only will we serve our customers better as a result, we will also save substantially in respect of the extra costs we had to incur last year for co-drivers, hotel accommodation and couriers.

By deploying our network more effectively and by better managing delivery times and drop sizes, we can reduce logistics costs to offset the price increases in the logistics sector, which are still very substantial. We will accelerate the roll-out of our 3.0 format to some extent in the coming year in order to get this format in place at all sites by the end of 2026. The further gradual roll-out of SAP to all sites in Belgium in 2023 will further optimise our logistics network there and provide access to the functionality for serving customers from all sites, a feature that we have used in the Netherlands for many years.

Also, when it comes to smart solutions for our customers, we will continue in 2023 to implement the approach that we started in the past year. We want to intensify our communications so that our customers have an even better idea of what they can expect in terms of products and services and, where possible, give them even more tools for finding and purchasing appropriate solutions themselves. We will also introduce new product information initiatives to inform customers more completely about the quality and origin of our product ranges. The focus on fresh produce and Exclusive Brands will remain in 2023 and we are preparing to make a wide range of non-food items available online in the coming years.

On the digital front, we will focus on solutions that not only help our customers, but also increase the efficiency of our own operations. We will also add processes such as complaint handling and self-service to make it easier for our customers to do business with us. In 2023, robust action is planned to bring all the data in the organisation together in a single data lake. This requires new technology, as well as changes in our organisation and processes. We will continue to expand our deployment of APIs to simplify the structure of our landscape and make it easier to add new digital services for our customers.

After the first go-live in 2022, we will further optimise SAP and plan for the further roll-out to the other sites in Belgium and the Netherlands. Independently of the technology implementation activity, we will also focus strongly on changing the organisation and processes in line with the standards we wish to see across the group in the future. Working uniformly with the support of the systems and data will ensure that we can continue to grow in a controlled manner in the coming years. As we build up to this ideal situation, we intend to take good care of the existing landscape and will simplify and scale down where possible to keep the overlapping period of existing and new technology manageable in terms of cost. After going live with Bouter's new ERP, we will also take the next step in improving the ERP landscape for Sligro Food Group's other manufacturing companies in 2023.

In a tight labour market, our efforts to stand out will need to be strengthened. Creative and effective recruitment, restyled and intensified labour market communications, onboarding and increased visibility at relevant educational institutions are areas in which we want to accelerate our activities in 2023. We will continue to focus just as strongly on the employees already working for us, and devote extra attention to talent development, sustainable employability and training. In consultation with our partners, we are taking action to extend our control over and grip on the use of flexible labour and we want to achieve a better balance between our permanent staff and flexible workers. This is beneficial for continuity and has a positive effect on costs. In the area of transport, we are taking positive steps within our own freight company to reduce our dependence on external partners to some degree on the one hand, and also to accelerate greening of our transport fleet.

Our initiatives in the areas of people, the environment and our product range are set out in a clear roadmap and increasingly tied to concrete and measurable KPIs. The carbon reduction will come from the renovations we are going to carry out in 2023, the use of electric vehicles and the additions to our solar farm. In addition, we are investigating the possibility of greening the energy we procure to supplement our own energy generation flow. We have achieved steady expansion of our 'Eerlijk & Heerlijk' revenue for years and see opportunities to accelerate the rate of growth for these products in the Netherlands and Belgium. In 2023, we must and will devote significant resources to modifying our sustainability reporting in line with the requirements of the Corporate Sustainability Reporting Directive, which comes into effect on 1 July 2023. In the materially important areas we have identified, we will move incrementally toward ambitious goals, track performance against the associated KPIs and roll out sufficient initiatives to achieve those goals.

Specific financial aspects

Without making concrete statements about the results forecast for next year, we would like to touch on a few specific financial aspects that need to be taken into account in 2023.

A partial lockdown was still in force in the first quarter of 2022. In 2023, we assume that no restrictive measures will be imposed in order to control COVID-19. This means that the comparison baseline is low, particularly in the first quarter.

The share of tobacco in our revenue will continue to decline to under 8%, improving the composition of our revenue in terms of quality. In combination with the effects of inflation, the gross profit margin as a percentage of sales will continue to increase.

When SAP went live in November 2022, we started to amortise the associated investment. In 2023, this will lead to an increase in amortisation of approximately €11 million compared to 2022. The licence and maintenance costs will be recognised directly in general expenses, representing an increase of approximately €6 million. Despite these cost increases, we believe that we will be able to limit the increase in costs as a percentage of revenue in 2023, compared to 2022.

In 2022, we sold our interest in Smeding and some real estate properties that we no longer used ourselves. In 2023, we do not expect any significant transactions of this nature.

Metro

We gained control of nine Metro outlets in Belgium in early 2023. The outlets have lost revenue since the start of the court-supervised restructuring exercise and we will also close them for a short period of time in the early weeks of 2023 in order to convert them to Sligro Food Group's systems, operating procedures and product range. When they reopen, revenue will therefore be much lower than the €300 million or so per year that was achieved prior to the court-supervised restructuring exercise. We estimate that we will be back at 70% of the original revenue figure by the end of 2023, and expect to achieve a further increase to 90% a year later. Due to one-time costs and start-up losses, we expect these activities to generate an operating loss (EBITDA) of approximately €20 million in 2023. We believe that we can achieve a positive EBITDA as early as 2024.

Smarter Together

To sum up, we are energetically preparing for a year in which we will have no time to get bored, bursting at the seams with ambitious plans as part of our roadmap towards 2025 and in many cases based on the strong foundations we laid in 2022. By acquiring Metro in Belgium, we are also utilising a unique opportunity that gives us a nationwide network of cash-and-carry outlets and a powerful market position in one fell swoop. That in itself is enough to get the green blood in all Sligro veins pumping faster and gives our teams in Belgium, and in the Netherlands as well, an incredible amount of energy.

The year 2023 will revolve around 'Smarter Together'. Together as teams within Sligro Food Group. The Netherlands and Belgium, existing colleagues and the many new Metro colleagues, the service office and colleagues in the field, functional teams and cross-functional teams, digital and analogue, supply chain and sales. But also in collaboration with partners, suppliers, customers and our business environment, because together we are smarter. And we urgently need that smartness to utilise the opportunities and deal with the challenges we face as a society, as an industry, as people and as a company.

We certainly don't see those opportunities and challenges as a dark cloud, but rather as a stimulating challenge and a responsibility that we are happy to embrace as a collective. Smarter Together, in other words!

'The acquisition of Metro in Belgium has energised our teams tremendously.'

Rudi Petit-Jean
Executive Managing Director of Food Service Belgium

‘Slimme Keuken” saves us time and employee expenses, and ensures consistent quality.’

Robin Wijnen
Quisine Restaurant (Oosterhout, Veldhoven, Oss)

Good for us and for Sligro

‘At their “Slimme Keuken” (smart kitchen), Culivers prepares various soups and sauces for us. To our own recipe, accurate to the gram. This way, every soup and sauce made by Culivers has that unmistakable Quisine flavour.

“Slimme Keuken” saves us time, but there are more benefits, such as a reduction in employee expenses and consistent quality. And let’s not forget that we don’t need as much storage capacity any more. Culivers also preserves our products by deep-freezing them, meaning that we don’t lose any of the quality and the shelf life is maintained.

We now have more time to spend on our guests. And that’s exactly what we’re doing! Our chefs, for example, now regularly venture out into the front of the house. They and our guests greatly appreciate that personal contact.

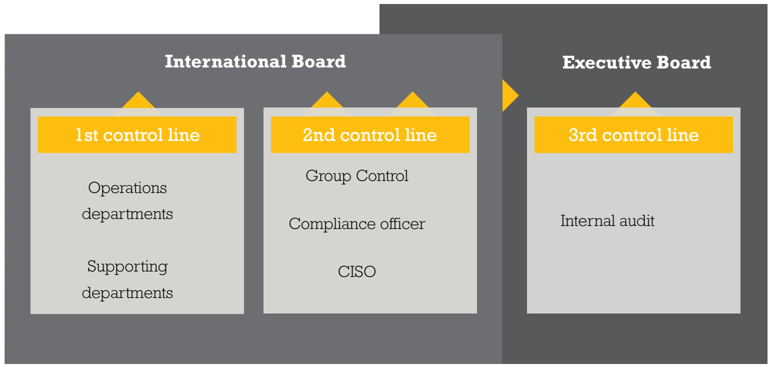
To us, our account manager at Sligro, Pascal van den Barselaar (right), is part of our concept, because partly thanks to him we are able to further develop Quisine, Pascal always puts the customer first and does everything he can to make sure that Sligro delivers. Good for us and for Sligro.’

Risk management

Risk management responsibility

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

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



The operations and support departments focus on the delivery of goods and services to our customers, and are also the first line of defence for risk management. The second-line positions provide additional expertise, support and supervision to the operations and support departments in relation to risk management, and challenge them when necessary.
Group Control supports the International Board with the definition of risks, the operational implementation of the associated control measures and the overall handling of strategic, tactical and operational risk management. The team manages the Internal Control Framework of Sligro Food Group and assesses the set-up, maintenance and functioning of the control measures it contains.

The Compliance Officer is the officer in charge of ensuring compliance with laws and regulations. He ensures that the company's operations and the conduct of its employees are in line with requirements set by the legislator, and that new laws and regulations are implemented on time and in full.

The Corporate Information Security Officer (CISO) supports the Executive Board with the definition and monitoring of the information security policy. Group Control, the Compliance Officer and the CISO work closely together in supporting departments such as Legal, IT, Finance, and Programme and Process Management.

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

Risk management and control systems

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

We approach risk management from a strategic perspective, and subsequently translate risk management efforts to processes, people and systems on an operational level. During the past year, Group Control supported management with the overall handling of risk management. Attention was devoted to assessing and managing our most significant strategic risks and to translating them into measures and actions. The status and progress of these risks and action points are regularly assessed by the risk owners and reported to the International Board and Audit Committee.

During the past year, Group Control made further progress with the roll-out of the Internal Control Framework (ICF). The ICF covers the risks and the associated controls for the primary and support business processes of Sligro Food Group. In 2022, Group Control provided support with determining and assessing the existence of part of the controls in the Netherlands. The International Board and Audit Committee are regularly informed about progress and points for improvement in relation to the controls that are assessed. A number of new controls were set up in 2022. The implementation plans for controls that are not yet in place were updated by the responsible Executive Board members and their teams. For the coming year, the most important points will again be IT controls, the updating and communication of policy, and the management of authorisations. This year, a reassessment has been performed of the most significant fraud risks and the associated controls in our Internal Control Framework.

In the coming year, Group Control will assist with an assessment of the business process controls in Belgium, which have been substantially adjusted in connection with the new ERP landscape and will form the basis for all future processes. At the same time, an approach will be designed and implemented for the regular testing of the operation of the controls and their assessment by Group Control. As before, the basic premise will be that controls should be integrated into or form part of daily business processes, and that people should continue to think about and understand why individual controls matter and what roles and responsibilities they themselves have in this regard.

Further progress was also made last year with the optimisation and monitoring of the Tax Control Framework (TCF) by the Finance department in the Netherlands. Based on the identified tax risks and the risk appetite associated with the tax policy, the internal controls for the applicable processes were laid down in the TCF and implemented in practice.

In principle, the TCF includes all taxes applicable to us within the Netherlands, the most important of which are corporation tax, VAT, payroll tax, import duties and excise duties. The design and existence of the control measures have been reviewed by the Dutch tax authorities. We use data analysis and sample testing of administration and tax process to ensure compliance with laws, regulations and internal procedures. In 2022, follow-up steps were performed in the set-up, execution and monitoring for VAT and payroll taxes.

In 2022, the Internal Auditor enacted the 2022 Internal Audit plan that had been approved by the Executive Board and the Audit Committee the previous year. Several audits were formally reported and the findings were shared with the auditees, the Executive Board and the Audit Committee. Feedback on the follow-up of audit findings took place as from the fourth quarter. During the year, the Internal Auditor attended all the meetings of the Audit Committee and held regular discussions with the external auditor.

The International Board has laid down an information security vision, which the CISO has translated into a multi-year information security improvement programme. Work was also carried out on recalibrating the information security policy.

Our main risks

In 2022, the International Board devoted time and attention on a quarterly basis to monitoring the main risks that could potentially impact the realisation of the 2025 strategic objectives, and the potential additional controls and actions that need to be implemented to manage these risks and also to utilise any opportunities that might arise if the risks were to materialise. In this way, sustainability issues such as developments in electric transport, the transition to a circular economy and the increasing laws and regulations on sustainability were fully incorporated into the risk assessment. For more information about these risks, please refer to the 'Sustainability' section.

Some changes have occurred with respect to our most important risks.

- Last year, information and data security risk was not recognised as a risk in its own right, but as a component of business continuity risk. However, given the increasingly rapid evolution of cybercrime and the growth and restructuring of our organisation, we believe it is now important to treat this risk separately as one of our most important risks and to take specific measures to counter it.
- We have allowed for a slightly higher level of risk in acquisitions and integration processes, as the current market conditions have led to a number of ongoing acquisition opportunities and more are to be expected.
- We have seen our influence over social developments diminish, due to the globalisation of interest groups and increasingly complex European and national laws and regulations.

No major incidents occurred in relation to these important risks in 2022. However, the combination of the risk in relation to transformation programmes and the availability of certain competencies prompted us to look critically at the impact of the acquisition and integration of the Metro operations on the current portfolio of programmes and the availability of people and competencies. In this regard, conscious choices were made to temporarily delay or postpone projects in favour of the acquisition and integration process, in order to prevent strain on the organisation and employees.

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

Our responsibility is to set up control measures and perform internal audits to reduce known risks (including the eleven risks specified here) to a level that we consider acceptable.

Sligro Food Group risk areas

Strategic risks

1. Loss of the Sligro Food Group culture
2. New business models and diversification
3. Competition accelerates international consolidation in food service
4. Transformation programmes

Operational risks

5. Availability of competencies and sustainable employability
6. Raw materials and commodities shortages
7. Information and data security
8. Interruption of business continuity

Financial and compliance risks

9. Acquisitions and integration processes
10. Unpredictable developments in society
11. Food safety

• Low ••••• High

1. Loss of the Sligro Food Group culture

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

Risk
The Group has traditionally had a strong culture in which flexibility, entrepreneurship, trust, collaboration and high consideration for our colleagues in operational roles feature prominently. In recent years, a great deal of attention has been devoted to further establishing a structure in line with our international ambitions. The important thing now is to maintain the good balance between culture and structure.

Control measures
Besides being the driving force behind our company, our culture is also an important control measure in our risk management efforts. In a growing and increasingly international organisation, preserving this culture is something we focus on heavily. The People Strategy offers a solid basis for ensuring its preservation both now and in the future. The Executive Board and management should set an example, but it is also important to explicitly anchor the connection between Group functions and the regions in consultative structures and job profiles.

Opportunities and possibilities
Our growing, international organisation and the transformation towards the new IT landscape call for new skills and changes to responsibilities. We have a constantly improving mix of experienced staff members steeped in our culture and relatively new employees, working together in a healthy balance to transform Sligro Food Group into an organisation that is ready to fulfil our international food service ambition while also preserving our culture.

2. New business models and diversification

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

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

Control measures
We closely monitor the various initiatives, assessing to what extent they impact on the course we have charted as a Group. By benchmarking against new concepts and using monitoring tools, we obtain insights on which we can take further action. We have opted to primarily follow our own path and develop initiatives that suit us, such as looking for strategic partnerships.

Opportunities and possibilities
Whenever market developments are going faster than expected, we have the kind of flexibility and scope needed to increase the pace in our strategy accordingly. We take a proactive stance to building contacts with industry peers and food service operators.

3. Competition accelerates international consolidation in food service

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

Risk
In Europe, only a limited number of parties are internationally successful in the food service market. Some of these parties have, like us, international growth ambitions, but there has been little movement over the past few years. The risk of recession, high inflation, and rising interest rates may lead to further international consolidation, but acquisition opportunities may also arise among (smaller) national operators.

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

Opportunities and possibilities
By opting to focus fully on food service in an international context, we have broadened the approach to our competitive position and are taking active steps on the acquisition market in the Netherlands and Belgium. In Europe, the landscape is still fragmented, with only a few parties operating (successfully) in multiple countries and few new entrants.

4. Transformation programmes

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

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

Control measures
In recent years, we have taken steps in respect of leadership and skills management in order to strengthen the organisation. The ongoing enhancement and development of skills and methods in relation to transformation and to programme and portfolio management remains a priority, in which the uniform approach to selecting, monitoring and evaluating programmes and projects through our International Transformation Consultation contributes towards the better management and assurance of future changes.

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

5. Availability of competencies and sustainable employability

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

Risk
We are experiencing a tight labour market across the board. Finding good personnel was difficult and time-consuming in 2022. Supply was low throughout the year, although we have recently been seeing more stabilisation. In addition, the average age of our workforce is continuing to increase. Given the physically strenuous work carried out in large parts of our organisation, the ageing of our workforce is a matter that will continue to demand a great deal of attention.

Control measures
Over the next few years, we will be preparing for a future in which finding staff will become more and more challenging. We are increasingly automating our supply chain, standardising our IT systems and processes and using alternative forms of transport. We are also making our HR policy, labour market communications and recruitment & selection activities more target-group-oriented, with a proactive vitality and job rotation policy to ensure better alignment with specific needs in different segments of the labour market. Competency development for our staff remains highly important in this regard.

Opportunities and possibilities
We are also focusing on developing solutions that allow us to serve our customers using other means of transport. Using smaller (electric) vehicles will enable us to appeal to a larger pool of people who can play a role in our retail distribution. Automating distribution centres reduces our dependence on staff. We are working to continue improving our attractiveness as an employer. However, this will require a target group-oriented approach.

6. Raw materials and commodities shortages

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

Risk
The COVID-19 crisis, the war in Ukraine, the energy crisis and the associated economic fallout are having a severe impact on the availability of raw materials and commodities and thus on the availability of our products, packaging and construction materials. Climate change, globalisation, and laws and regulations can also lead to shortages in the longer term.

Control measures
A clear procurement strategy, including in terms of geographical diversification, increases our flexibility. Good coordination between the procurement and supply chain departments ensures the right level of inventories. Through good communication with the customer about possible alternatives, we can maintain or increase customer satisfaction.

Opportunities and possibilities
Where necessary, we will adjust or refine the procurement strategy to minimise the risk of not receiving certain raw materials or commodities. We will continue to devote attention to diversifying this risk, both geographically and within our supplier network, and to increasing our understanding of how our suppliers deal with these potential shortages.

7. Information and data security

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

Risk
The quality, integrity and reliability of data about our products, locations and internal and external stakeholders are extremely valuable to our operational management. The growth of our organisation may increase our vulnerability in this area. The many forms and rapid evolution of cybercrime constitute a serious threat. The speed of these developments is constantly increasing, with the result that we need ever more highly specialised expertise, as well as sufficient capacity, in order to protect ourselves.

Control measures
We devote constant attention to implementing new techniques and software for the protection of our systems and data. We regularly have internal and external audits performed on our safety measures. In 2022, we made further progress in cybersecurity measures and the recalibration of the IT security policy. A wide-ranging awareness campaign is set to be rolled out over the coming year.

Opportunities and possibilities
Ensuring the quantity and quality of available data requires a great deal of responsibility, but offers us a competitive advantage and promotes data-driven decision-making. The proper management of data processing also confers reputational benefits.

8. Interruption of business continuity

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

Risk
Breakdowns or shortcomings in our systems, online platforms or logistics may threaten the continuity of our entire business within a relatively short time span. The continuity of both data processing and the delivery of goods have a major impact on the satisfaction of our customers and other stakeholders. The shift to the new IT landscape increases our dependence on external partners to ensure system availability. Ever busier roads and increasing congestion are adding to the challenge of ensuring on-time delivery.

Control measures
We have taken further steps in working out preventive and response plans with respect to power supply continuity, and have begun the development of an overall business continuity plan tailored to our new IT landscape.

Opportunities and possibilities
Preventive plans and measures in respect of business continuity also enable us to be flexible and adapt quickly to changing situations when unexpected developments occur. This will be more important in the future.

9. Acquisitions and integration processes

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

Risk

We consider acquisitions an essential part of our (growth) strategy. Despite all the precautions and due diligence, acquisitions generally involve more risk than organic growth does. For instance, the reallocation of resources from day-to-day operations to acquisition and integration projects may have an impact on operational continuity and other ongoing programmes.

Control measures

We always set the same high demands for an acquisition process, so that we can form a picture of the risks and opportunities at an early stage. This pre-acquisition process always includes due diligence. We also carry out an impact analysis of the effects the integration will have on the organisation. Immediately after a takeover, we put together a multidisciplinary integration team with members from our organisation and the company we have acquired. Conveying the Group's cultural values is a key part of the integration process. In addition, we make as much use of possible of playbooks that safeguard the knowledge and experience gained in the past, we ensure that resources are temporarily bolstered and we establish a carefully designed programme portfolio for the transaction.

Opportunities and possibilities

Growth and greater scale are at the heart of our economic model, and through acquisitions we ensure profit growth and strengthen our position as an autonomous business. An acquisition also brings new products, customers and ideas that we as a Group embrace.

10. Unpredictable developments in society

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

Risk

Regularly and to an increasing greater extent, governments in the countries where we operate, or the authorities at European level, implement far-reaching and sometimes unpredictable measures that can have a major impact on our business operations or results. The complexity of these measures and regulations continues to increase. Furthermore interest groups, stakeholder groups or society as a whole, each with its own diverse interests, may also form opinions to which we as an organisation must adjust our policies or practices. These interests are not always economically justified. In the coming years, we will have to devote considerable attention to developments in sustainability and the proliferation of laws and regulations in that sphere.

Control measures

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

Opportunities and possibilities

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

11. Food safety

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

Risk

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

Control measures

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

Opportunities and possibilities

Knowledge of food safety and quality is also very important for our customers. Inspiring customer trust by delivering goods with a guaranteed high level of quality and giving our customers the right attention fast in case of emergencies are among our specific strengths. Commitment to quality is part of our culture, something which makes a positive contribution to the Group's reputation and the trust people place in us.

Specific financial risks and contingent liabilities

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

In-Control Statement

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

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

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

Corporate Governance

Executive Board member details

Koen Slippens (55), CEO
Employment start date: 29 July 1998
Current position since: 21 September 2008
Education: Business Economics

Rob van der Sluijs (46), CFO
Employment start date: 1 October 2007
Current position since: 18 March 2015
Education: Business economics, Registered controller

Company secretary

Gerrie van der Veeken (61)
Company secretary
Employment start date: 1 March 2005
Current position since: 1 March 2005
Education: Dutch law and tax law

International Board

Dries Bögels (50)
Executive Managing Director of Food Service Netherlands
Employment start date: 1 October 2014
Current position since: 1 January 2019
Education: Economics, Management & Organisation

Anja de Bree (51)
Chief Human Resources Officer (CHRO)
Employment start date: 1 March 2023
Current position since: 1 March 2023
Education: Industrial Engineering & Management

Gerrit Buitenhuis (58)
Chief Supply Chain Officer (CSCO)
Employment start date: 1 May 2016
Current position since: 1 January 2019
Education: National Diploma in Business Studies/ Economics

Bart Luijten (54)
Chief Information Officer (CIO)
Employment start date: 1 January 2023
Current position since: 1 January 2023
Education: Industrial Engineering & Management

Bert Vanmoortel (41)
Chief Buying & Merchandising Officer (CBMO)
Employment start date: 1 November 2019
Current position since: 1 January 2021
Education: Applied Economic Sciences

Dirk van Iperen (48)
Executive Managing Director for Delivery Services in the Netherlands
Employment start date: 16 August 2013
Current position since: 16 August 2013
Education: Business economics

Kees Kiestra (54)
Executive Managing Director for Cash-and-Carry Wholesale in the Netherlands
Employment start date: 1 June 2012
Current position since: 23 August 2018
Education: Logistics Management

Rudi Petit-Jean (56)
Executive Managing Director of Food Service in Belgium
Employment start date: 15 October 2017
Current position since: 1 June 2018
Education: Commercial Information Technology, Marketing and Business Studies.

Supervisory Board member details

Freek Rijna, Chair (67)
Supervisory Board member, Dutch nationality (m). Appointed in 2016 for four years and then reappointed to a second and final four-year term in 2020. Chair of the Holland Opera Supervisory Board, member of the CRV Holding B.V. Supervisory Board and member of the Royal Cosun Executive Board.

Hans Kamps (63) Supervisory Board member, Dutch nationality (m). Appointed in 2015 and then reappointed to a second and final four-year term in 2019. Member of the Supervisory Board at Van Wijnen Holding B.V., vice-chair of Stichting Pensioenfonds PGB and member of the Supervisory Board at Jumbo Holding B.V. (heavy lift shipping, Schiedam).

Inge Plochaet (54) Supervisory Board member, Belgian nationality (f). Appointed for an initial four-year term in 2022. Chairman of the Board of B-Steel, non-executive director of Ter Beke, non-executive director of Colmar Restaurants.

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

Gert van de Weerdhof (56) Supervisory Board member, Dutch nationality (m). Appointed in 2017 for four years and then reappointed to a second and final four-year term in 2021. CEO of Mercy Ships International and Non-Executive Director at Safestore Ltd.

Angelique de Vries (54) Supervisory Board member, Dutch nationality (f). Appointed for an initial four-year term in 2022. President of EMEA at Workday and member of the Supervisory Board of Het Noordbrabants Museum.

Aart Duijzer (59) Supervisory Board member, Dutch nationality (m). Appointed for an initial four-year term in 2022. Member of the Supervisory Board at Koninklijke Sanders and Koninklijke Barenbrug.

Executive Board changes

The role of Chief Information Officer was fulfilled by Maurice van Veghel until 31 December 2022. Bart Luijten joined Sligro Food Group as Chief Information Officer with effect from 1 January 2023.

Jacqueline Touw-Conradi served as Chief Human Resources Officer until 15 September 2022. Anja de Bree will join Sligro Food Group in this role with effect from 1 March 2023.

Supervisory Board changes

At the General Meeting of Shareholders held on 23 March 2022, the following persons were appointed as members of the Supervisory Board of Sligro Food Group: Angelique de Vries, Inge Plochaet and Aart Duijzer. At this meeting, Pieter Boone stepped down as a member of the Supervisory Board of Sligro Food Group, on the grounds that his work as CEO of Pick n Pay Stores Ltd left him with insufficient time to fulfil his role as a Supervisory Board member to his usual high standard.

At the General Meeting of Shareholders to be held on 22 March 2023, the second term of office of Hans Kamps as a member of the Supervisory Board of Sligro Food Group will come to an end. As of that date, he will be succeeded by Aart Duijzer as Chair of the Audit Committee. With effect from 22 March 2023, the Supervisory Board will again consist of five members.

Corporate Governance

Main points regarding the corporate governance structure

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

Executive Board

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

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

Supervisory Board

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

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

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

The Audit Committee advises the Supervisory Board and prepares its decision-making regarding the integrity and quality of the company's financial reporting and the effectiveness of the internal risk management and control systems.

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

Diversity policy and reporting on diversity

When selecting members of the Executive Board and the Supervisory Board, Sligro Food Group aims to choose the best candidate and achieve a balance of age, gender, work experience and educational background, while observing its general diversity policy and the applicable statutory target for gender balance.

As of the end of 2022, the Sligro Food Group's Executive Board comprised two men, while the Supervisory Board comprised two women and four men.

The composition of the Executive Board has arisen through a combination of long-term employment which leads to relatively few vacancies, a preference for recruiting from within the company, and the result of recruitment and selection based on the recruitment and selection policy applied in the past, which was largely in line with the policy described above.

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

General Meeting

The General Meeting of Shareholders is held within six months of the end of each financial year. Extraordinary general meetings may be convened as necessary by the Supervisory Board, the Executive Board, or one or more shareholders jointly representing at least 10% of the issued share capital. The agenda of the General Meeting of Shareholders covers the items stipulated by the articles of association and other resolutions proposed by the Supervisory Board, the Executive Board, or shareholders jointly representing at least 1% of the issued share capital.

The principal powers of the General Meeting of Shareholders comprise the right to:
- appoint Supervisory Directors and approve the remuneration policy;
- adopt the financial statements and grant the Executive Board discharge from liability in respect of its management and the Supervisory Board in respect of its supervision during the previous year;
- resolve to amend the company's articles of association or wind up the company by a two-thirds majority of the votes cast, representing more than half of the issued share capital;
- issue shares (up to 10% of the issued share capital, plus 10% if the issue is in the context of a merger or acquisition) and restrict or exclude shareholders' pre-emptive rights (up to a maximum of 10% of the issued share capital). Subject to the approval of the Supervisory Board, the Executive Board has been granted the authority to issue shares not yet issued until 23 September 2023;
- repurchase and cancel shares (the Executive Board has been granted the authority, until 23 September 2023, to purchase paid-up shares either on the stock exchange or privately up to a maximum of 10% of the issued share capital, as stipulated in the articles of association, for a price of no more than 10% above the market price at the time of the transaction);
- approve decisions by the Executive Board on any substantial change to the identity or character of the company or the business.

Anti-takeover measures

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

Conflicts of interest

In 2022, there were no material transactions involving possible conflicts of interest with any member of the Executive Board or Supervisory Board, nor were there any transactions with shareholders owning more than 10% of the shares.

Compliance with the Code

The current version of the Dutch Corporate Governance Code (the 'Code') dates from 2016. This Code is available on the following website: www.mccg.nl. Compliance with the Code is based on the 'comply or explain' principle. Sligro Food Group complies with the Code, but deviates from the following best practice provisions:

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

- **Best practice provision 3.2.3 ('Severance payments')**
  Sligro Food Group has not entered into agreements on the level of severance pay with any members of the Executive Board. This should be seen in the light of the fact that Executive Board members are appointed for an indefinite period and that such appointments may follow employment with Sligro Food Group in a position other than one at Board level.

Neither deviation is new or of a temporary nature: Sligro Food Group also deviated from these parts of the equivalent provisions in the Corporate Governance Codes of 2004 and 2008. Both deviations are appropriate to the culture of Sligro Food Group as a listed family company.

An updated version of the Dutch Corporate Governance Code was published on 20 December 2022. This Code is effective for financial years beginning on or after 1 January 2023.

Corporate governance statement

The Dutch Corporate Governance Code requires businesses to publish a statement on their approach to corporate governance and their compliance with the Code. This is referred to in Article 2a of the Decree on additional requirements for directors' reports (Decree on the Content of Directors' Reports – Besluit inhoud bestuursverslag), last amended on 1 July 2022 (the 'Decree'). The information that must be included in this Corporate Governance statement as described in Sections 3, 3a and 3b of the Decree, which is incorporated herein and repeated here by way of cross-reference, can be found in the following sections of this annual report:

- information on compliance with the Dutch Corporate Governance Code, as required under Section 3 of the Decree, is provided in the paragraph 'Compliance with the Code' (page 54);
- information on the principal features of the management and control system in connection with the Group's financial reporting process, as required under Section 3a(a) of the Decree, is provided in the paragraph 'Risk management and control systems' (page 41);
- information on the functioning of the General Meeting of Shareholders and its principal powers, and on the rights of shareholders and how they can be exercised, as required under Section 3a(b) of the Decree, is provided in the paragraph 'General Meeting' (page 53);
- information on the composition and performance of the Executive Board, as required under Section 3a(c) of the Decree, is provided in the paragraphs 'Executive Board member details) (page 49), 'Executive Board' (page 52) and 'Executive Board conditions of employment' (page 94);
- information on the composition and performance of the Supervisory Board and its committees, as required under Section 3a(c) of the Decree, is provided in the paragraphs 'Supervisory Board member details' (page 49) and 'Report of the Supervisory Board' (page 91);
- information on the policy on diversity in the composition of the Executive and Supervisory Boards, as required under Section 3a(d) of the Decree, is provided in the paragraph 'Diversity and inclusiveness' (page 80);
- information on the inclusion of information required under the Decree implementing Article 10 of the Takeover Directive, as required under Article 3b of the Decree, can be found in the section on the Decree implementing Article 10 of the Takeover Directive.

Decree implementing Article 10 of the Takeover Directive

Insofar as applicable, references are given below to information included pursuant to the Decree implementing Article 10 of the Takeover Directive [Besluit artikel 10 overnamerichtlijn]:

- information on the capital structure, the existence of different types of shares and the associated rights and obligations and the percentage of issued share capital represented by each type is provided in Note 19 'Shareholders' equity' on page 141 of the financial statements;
- information on limitations imposed on the transfer of shares or depositary receipts issued with the Group's cooperation is provided in the paragraph 'Anti-takeover measures' (page 53);
- information on the mechanism for auditing the scheme that assigns rights to employees to take or acquire shares in the capital of the company is provided in Note 5 'Employee Benefits' on page 123 the financial statements;
- information on limitations on voting rights, deadlines for exercising voting rights and the issue of depositary receipts with the Group's cooperation is provided in the paragraph 'Corporate Governance' on page 52;
- information on the regulations regarding appointment and dismissal of Executive Board and Supervisory Board members and changes to the articles of association is provided in the paragraph 'Supervisory Board' (page 52);
- information on the powers of the Executive Board, in particular to issue shares in the Group and to repurchase Group shares, is provided in the paragraph 'Executive Board' (page 52);
- information on important agreements to which the Group is party and that are made, altered or dissolved subject to a change of control over the Group is provided in Note 22 'Loans' on page 142 of the financial statements.

Statement of directors’ responsibilities

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

1. the financial statements, as shown on pages 105 to 153 of this report, give a true and fair view of the assets, liabilities, financial position, and profit or loss over the financial year of Sligro Food Group N.V. and the undertakings included in the consolidation taken as a whole; and
2. the Directors’ Report, as shown on pages 13 to 89 of this report, is a true and accurate representation of the position at the balance sheet date, the development and performance of the business during Sligro Food Group N.V.’s financial year, and of the undertakings associated with Sligro Food Group N.V. as included in the financial statements, together with a description of the principal risks and uncertainties faced by Sligro Food Group.

Veghel, 6 February 2023

Koen Slippens, CEO
Rob van der Sluijs, CFO

Together we make a real impact

'We fulfil a strategic and operational role for Sligro in the area of sourcing disposables and packaging materials. We coordinate, for example, the procurement of a large part of the Take Dis range. But there is more to our relationship than that: it is an equal partnership that sees us jointly take on challenges.

Coralie Oerbekke (right), buyer and product range manager, is a vital link for us. With her, we discuss outstanding orders, monitor laws and regulations, look into innovations, and explore commercial opportunities.

What the future holds? The challenges on a global scale are huge. When it comes to disposables, we are seeing a clear evolution, partly on the back of laws and regulations and the focus on sustainability.

What is important, however, is that 'disposable' does not become a dirty word. It is better to take a more intensive approach to recycling processes, i.e. to create truly effective and efficient waste streams with a healthy revenue model. We see great value in the way we are doing exactly that with Sligro Food Group. Together we can make a real impact.''

> 'Our relationship with Sligro is an equal partnership that sees us jointly take on challenges.'

Ruben Quant
General Manager, Halma Solutions (Wijchen)

Sustainability

Solar energy

Number of solar panels
50,969
(+5,344)

Output
13,529 MWh
(+8%)

Change in satisfaction scores

StakeholderWatch 0-100

Customers
68
(-1)

Employees
66
(+4)

Suppliers
63
(-3)

Carbon reduction compared to 2010

-33.4%

Share of sustainable product range

11.8%
Netherlands
(+1.0% point)

6.2%
Belgium

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

Bert Vanmoortel
Chief Buying & Merchandising Officer

Sustainability

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

CSR vision: how we work

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

‘As a centrally managed organisation, we pursue a single sustainability policy for the whole Group.’

Policy

As a centrally managed organisation, we pursue a single sustainability policy for the whole Group, meaning our key focus areas, ambitions and goals apply to our activities in both the Netherlands and Belgium. The roadmap and how we progress along it, however, may differ per country. We are working to gradually harmonise the measurement and recording methods used in the two countries. We share our sustainability policy with the companies in which we hold a stake, and also put it on their agendas. They subsequently pursue the policy based on values that are relevant both to them and to us.

New reporting requirements and developments

In November 2022, the European Union adopted the Corporate Sustainability Reporting Directive (CSRD). This new Directive requires businesses to report on the social, environmental and business conduct impact of their activities. The CSRD is intended to create greater transparency and an improved quality of sustainability information.
Under the CSRD, large businesses must report on matters such as greenhouse gas emissions and social capital, as well as on the impact that they as businesses have on biodiversity and human rights abuses in their supply chains. The Directive is an expansion of the Non-Financial Reporting Directive (NFRD), the EU’s previous directive on sustainability reporting.

Sligro Food Group forms part of the first group of businesses whose reports for the 2024 financial year must comply with the CSRD. We began the necessary preparations in collaboration with an external advisor in 2021.

About this report

Since 2010, we have adopted a joined-up approach in our financial and sustainability reporting. This best matches our vision of active sustainability management, prevents duplication and keeps our annual report readable. The CSRD not only sets out the sustainability issues to be reported on, but also the manner and the format in which the reporting must take place. In this annual report, we have taken the first steps towards this new format. As a result, the order of the chapters differs from last year and certain topics are now discussed in different sections.
In this way, we are leading our organisation and all our stakeholders step by step towards the mandatory CSRD reporting requirements that take effect in 2024. By doing this, we are also responding to demands in this area from a number of our shareholders and rating agencies.

Approach and organisational embedding

CSR/sustainability is one of the six strategies of the Group. This ensures that the right level of attention and assurance is given to our sustainability development. To this end, we make use of a CSR steering committee. The steering committee makes policy decisions and its individual members are responsible for their operational implementation, the associated improvement measures and for embedding them in their respective fields. The CSR steering committee as a whole monitors progress and makes adjustments where required.

In 2022, we also set up the ESG Reporting steering committee to ensure timely implementation of new CSRD reporting requirements.

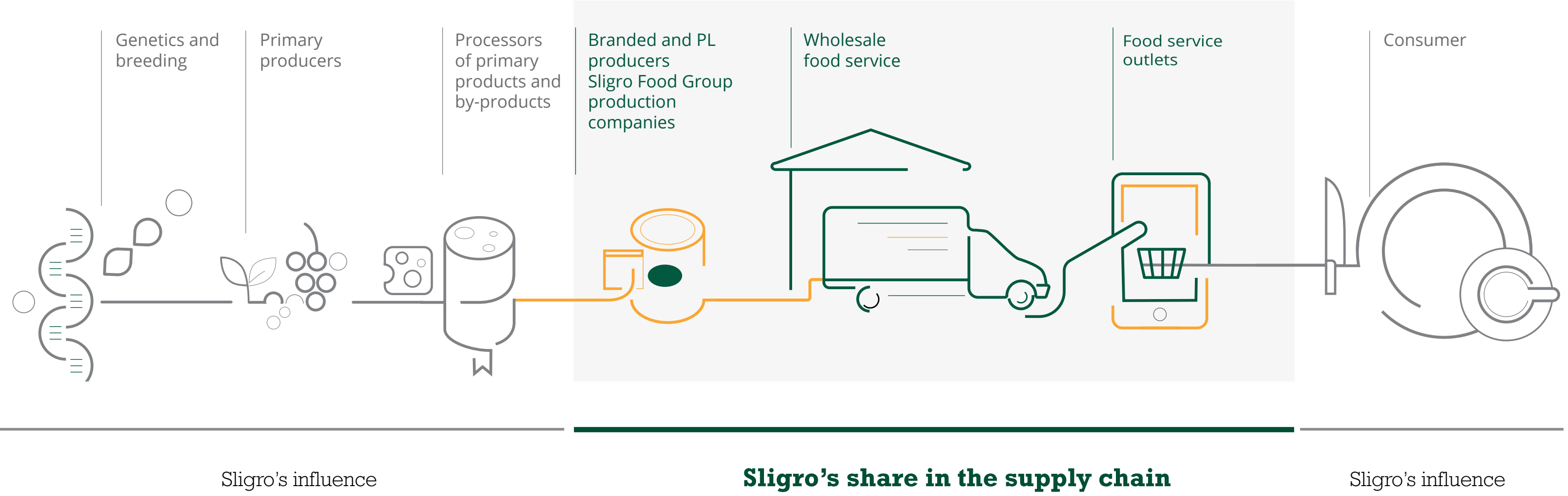
Our place in the chain

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

Transparent supply chains

In 2022, the Suppliers' Manual was completely rewritten and the new version was shared with our suppliers. Besides providing the operational information required for suppliers to do business with us, the manual focuses strongly on our vision of socially responsible business, our codes of conduct, quality & traceability, sustainable trading, audits, and supply chain transparency, as well as working conditions and human rights.

Our supply chain



Every supplier must provide Sligro Food Group with transparency about the supply chain to at least the "last point of assembly", i.e. the production sites that form the final link in the chain behind the first-tier suppliers. By making our supply chains more transparent, we can understand them better, which in turn allows risks to be identified and analysed.
Every supplier with a producer based in a country classified as high risk by amfori BSCI must provide transparency about how good working conditions are assured.

Stakeholders and engagement

In 2022, we again conducted talks about our sustainability approach and the progress we have made with various stakeholders, including a specially formed group of employees, major and other shareholders, suppliers, NGOs, an additional in-depth meeting with the Supervisory Board, our auditor and external advisers.

Customers:
For customers, we organised, for the third year, a themed day at our ZiN Inspiration Lab under the motto 'Going for sustainability together'. This included inspirational masterclasses on topics such as the CSRD, the future of waste, transport of the future, 'from waste to wonder', food waste, the menu of the future, 'how do I incorporate the SDGs into my organisation?', climate-positive enterprise, single-use plastics legislation and the ban on disposable cups and packaging in the hospitality sector from 2024.

Suppliers:
At our Suppliers' Day in November, our sustainability plans were shared with around 800 suppliers, with particular attention being paid to our collective role and responsibility in the supply chain.

Internally:
For our 'Core Group', a sustainability day was organised at which we shared our vision and strategy in an interactive way. We also held talks with some major customers, who shared their own sustainability approaches with us and indicated the role that we can play in them. A similar day was organised for the Procurement and Product Range Management team, at which the focus lay on our own brands, sustainable product range and packaging. We also further tuned in to our vision, strategy, and approach in an in-depth session with our Supervisory Board.

Shareholders:
Meetings were held with shareholders throughout the year about progress in relation to our sustainability goals and how we are preparing for the CSRD.

Assessing the materiality of sustainability effects, risks and opportunities

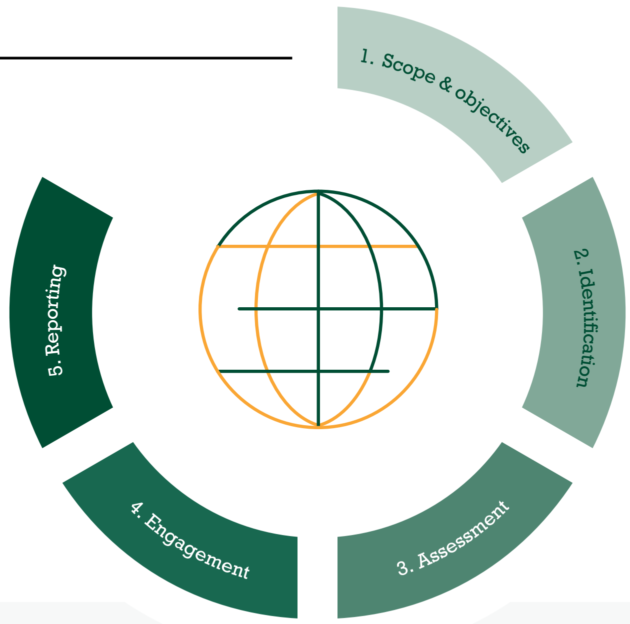
Over the past financial year, the Group began implementing the requirements of the Corporate Sustainability Reporting Directive (CSRD) and the associated European Sustainability Reporting Standards (ESRS). A plan has been put together for CSRD implementation in the run-up to 2024, so as to be ready in time for the new reporting requirements. As reporting on sustainability matters is to be based on the double materiality principle, this analysis took priority.

We have taken the first steps towards determining which environmental, social and governance (ESG) issues are likely to be material from a financial and/or impact perspective. An issue is material from a financial perspective if it has or could have material financial consequences for us as a business. From the impact perspective, an issue is material if the actual or potential positive or negative effects on society or the environment of our activities or of activities in our supply chain is material in the short, medium or long term. We have split this 'double materiality' assessment into five phases. The first three were completed in 2022.

For the purpose of the analysis, we considered the list of sustainability issues that are addressed in the draft ESRSs. The results of this initial analysis, which was primarily conducted through a desk-based investigation with approval by the CSR Steering Committee and the newly established ESG Reporting Steering Committee, are summarised below. In addition, we indicate which of the draft ESRSs applies to each issue and will therefore be applied by us with effect from 2024.

In 2023, we will validate these results with a broader group of affected external stakeholders (step four) and begin incorporating the effects, risks and opportunities pertaining to each issue in the relevant processes, insofar as they are not already embedded in the organisation.

Double materiality assessment



1. Scope and objectives
What materiality means for Sligro Food Group and what our targets are.

2. Identification
Identify and define potential material issues.

3. Assessment
Perform an assessment to investigate which issues are likely to be material from an impact perspective and/or financial perspective.

4. Engagement
Validate the results of step 3 with external stakeholders (2023).

5. Reporting
Document the results and process of the materiality assessment.

Accepted policy on material sustainability issues

Our CSR policy is based on three key focus areas that have particular relevance for us, where the most important opportunities and challenges can be found and for which our responsibility in the chain is most self-evident: people, planet, and product range. Targets for 2030 have been formulated for these three key focus areas, with intermediate targets set for 2025 in order to make them more immediate and indicate their urgency.

Our key focus areas and targets for 2030 are unaffected by the advent of the CSRD. However, they will be incorporated into the ESG (Environment, Social, Governance) structure for reporting purposes.

‘For customers, we organised, for the third year, a themed day at our ZiN Inspiration Lab under the motto “Going for sustainability together.’

As part of the CSRD implementation process, in the final quarter of 2022 the CSR Steering Committee began setting future actions and targets for all material topics emerging from the initial analysis. These will be further refined in 2023. Measuring the effectiveness using KPIs and policies of all actions will also be a high priority, to ensure that all disclosure requirements can be met as from financial year 2024. This extends to defining KPIs, identifying data points, collecting the required data, and streamlining processes and controls.

The policies, targets and actions that we already have for various material topics are set out in more detail in this report on 2022. The results for 2022 will be reported in the same way and on the same comparative basis with previous years.

The connectivity matrix on the next page shows 'old' and 'new', including a link to the relevant Sustainable Development Goal (SDG).

Material sustainability issues

Environment

Climate change — ESRS E1
- Greenhouse gas emissions
- Energy consumption

Pollution — ESRS E2

Water and marine resources — ESRS E3
- Management of fish species

Biodiversity and ecosystems — ESRS E4
- Animal welfare
- Biodiversity
- Deforestation

Resource use and circular economy — ESRS E5
- Waste and packaging materials

Social

Own workforce — ESRS S1
- Employment and working conditions
- Employee satisfaction and development

Workers in the value chain — ESRS S2
- Employment and working conditions in the value chain

Affected communities — ESRS S3

Consumers and end users — ESRS S4
- Consumer health and nutrition
- Responsible marketing
- Food safety

Governance

Business conduct — ESRS G1
- Business ethics and integrity
- Information security and privacy
- Animal welfare

Connectivity matrix en route to CSRD 2024

	Material topic	Material issues	SDG[1]	Current key performance indicators	Current strategic target for 2025	2022	2021
Environment	Climate change	Greenhouse gas emissions Energy consumption	13 CLIMATE ACTION	Carbon reduction (as % of revenue)	40% carbon reduction compared to 2010	-33.4%	-19.5%
				Number of solar panels		50,969	45,625
				Surface area of gas-free buildings (m^2)		377,000	354,000
	Water and marine resources	Management of fish species	14 LIFE BELOW WATER		target under development		
	Biodiversity and ecosystems	Animal welfare	15 LIFE ON LAND		target under development		
		Biodiversity			target under development		
		Deforestation			target under development		
	Resource use and circular economy	Waste and packaging materials	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Total quantity of waste (tonnes)	target under development	12,854	10,534
				Food waste (tonnes)		4,241	3,491
Social	Own workforce	Employment and working conditions	8 DECENT WORK AND ECONOMIC GROWTH	Workforce male/female ratio		70/30	71/29
				Senior management male/female ratio	Minimum 35/35	72/28	70/30
				Absenteeism (%)		NL 5.5% BE 11.2%	NL 5.5% BE 9.5%
				Number of workplace accidents		101	56
		Employee satisfaction and development		Number of training courses completed		23,708	15,473
				Employee satisfaction	Improve employee satisfaction	66	62
	Employees in the supply chain	Employment and working conditions in the value chain			target under development		
	Consumers and end users			Supplier satisfaction	Improve supplier satisfaction	63	66
				Customer satisfaction	Improve customer satisfaction	68	69
		Consumer health and nutrition	3 GOOD HEALTH AND WELL-BEING	Sustainable product range (as % of revenue)	NL 15.0% BE 10.0%	NL 11.8% BE 6.2%	NL 10.8%
		Responsible marketing			target under development		
		Food safety		Number of supplier audits	target under development	8	10
Governance	Business conduct	Business ethics and integrity	16 PEACE, JUSTICE AND STRONG INSTITUTIONS		target under development		
		Information security and privacy			target under development		

[1] **SDGs – revision of previous selections** The double materiality assessment has led to a revision of our previous SDG selections. We have linked our material issues to the relevant SDGs in the above connectivity matrix.

Our cheeses make customers happy

‘My dad Jan already did business with Louis Slippens, back when he had only three dairy shops. Our business has grown with Sligro over the years. When Louis’ son Abel came up with the idea of launching their own cheese brand, my dad was instantly on board with the idea. He was confident that it could grow into something big.

Today, we make around eighty different cheese products for Sligro, under the Goudse Waegh and De Rooij Kaaskampioen brand names. Each and every one are well-aged cheeses with excellent repeat purchase potential. In other words: our cheeses make customers happy and they come back for more.

What is key in any partnership is that you put yourself in the other’s shoes. Take Philip van Binsbergen (left), the buyer and product range manager, for example. Just like us, he wants to keep improving Sligro’s cheese offering. Our relationship is so strong that we not only want to innovate, but can actually do it. As far as I’m concerned, our collaboration can go on for years and years. I hope we will find many more opportunities together to keep surprising and inspiring the market.’

‘I expect us to find many more opportunities together to keep surprising and inspiring the market.’

Rien van den Wijngaard
Director, Wijngaard Kaas (Woerden)

Environment

Climate change
Water and marine resources
Biodiversity and ecosystems
Resource use and circular economy

Environment

Climate change

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

Energy consumption

MWh	2022	2021
Electricity	93,419	90,518
Gas	30,938	35,109
Solar panels	9,121	8,835
Total energy consumption	**133,478**	**134,462**

In 2022, our electricity consumption rose by just 3% relative to 2021, while revenue rose by around 30%. Gas consumption fell by 12%. This improvement is due to our expansion into two 'gas-free' buildings, namely our cash-and-carry outlet in Haarlem and the new Dievers DC in Veghel, as a result of which we now have gas-free buildings with a surface area of 377,000m², 6.5% more than in 2021. Another major part of this saving is the result of warmer weather (2,512 degree days in 2022 compared with 2,820 degree days in 2021).

A total of 5,344 solar panels were installed at the new Dievers DC in Veghel and at the cash-and-carry outlet in Nijmegen. This raises the total to 50,969 panels, which generated more than 13.5 million kWh of solar power in 2022. This green power generation is comparable to the annual consumption of more than 3,800 homes.

Meanwhile, the use of electric vehicles (EVs) continues to increase. As well as charging the cars of our customers and staff, we are increasingly charging EVs to transport our goods in towns and cities. Last year, we charged EVs with 145,000 kWh of power.

Carbon emissions

tCO_2eq	2022	2021
Gas	5,780	6,559
Electricity	44,683	43,499
Fuel	25,690	20,350
Carbon emissions	**76,152**	**70,408**

Carbon emissions in relation to revenue

Carbon reduction compared to 2010	2022	2021	2020	2010
Carbon emissions (tCO_2eq)	76,152	70,408	69,307	105,291
Revenue (€ million)	2,483	1,898	1,946	2,286
Carbon emissions (tCO_2eq/€ million of revenue)	30.7	37.1	35.6	46.1
Carbon reduction compared to 2010	**-33.4%**	**-19.5%**	**-22.7%**	

Reduction compared to 2010

2021

-19.5%

2022

-33.4%

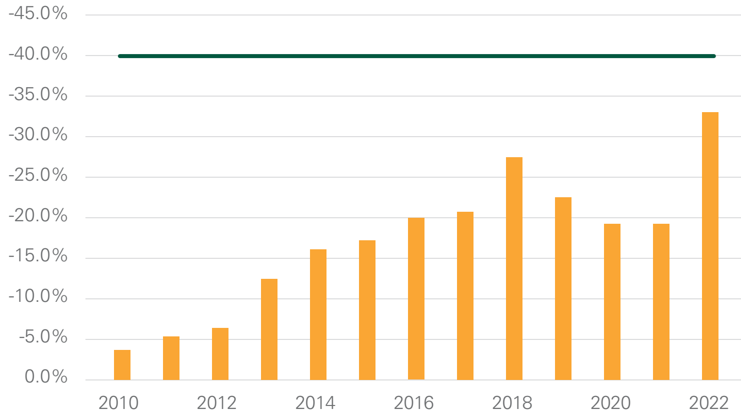
The environment & carbon reduction

Our mission obliges us to continuously show both boldness and common sense in our innovation drive, while also always seeking to strike a balance between environmental and economic returns. For maximum transparency of our efforts, we calculate the carbon emissions from our operations. To be able to relate the resulting figure to the development of our company and to be able to extrapolate a realistic multi-year trend, we show our carbon emissions in relation to our revenue.
All the improvements we have made are especially evident in our carbon emissions relative to revenue. Here, too, we have left the temporary setbacks caused by COVID behind us and resumed the pre-COVID trend towards improvement. With a 33.4% reduction in relation to revenue compared with 2010, we have come a good step closer to our targets for 2025 (40%) and 2030 (50%).

Future scope 1-2-3 classification

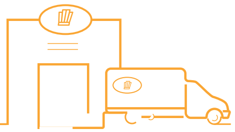
Calculating and allocating our greenhouse gas emissions across the ‘scopes’ prescribed in the Greenhouse Gas (GHG) Protocol forms part of our preparations for reporting under the CSRD in 2024. Gas consumption, refrigerants and fuel for the lorries, vans and other vehicles we own and lease fall under scope 1. Energy purchases for our own use, which in our case mainly comprise electricity, fall under scope 2. The majority of our transport is outsourced and falls under scope 3. Over the past years, these transport emissions were reported under scope 1. In connection with the CSRD, we are beginning an analysis to map our other scope 1 and 3 emissions.

Carbon emissions in relation to revenue



Actual reduction
Target for 2025

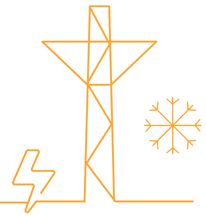
GHG emissions
Scope 1,2, 3



Scope 1

Direct emissions

Gas consumption, refrigerants and fuel
for our own means of transport



Scope 2

Indirect emissions

Electricity purchased
for our own use

Scope 3

Indirect emissions

Fuel for outsourced transport
Emissions in the supply chain

Environmentally sustainable activities under the EU Taxonomy

Background
The EU Taxonomy Regulation entered into force in mid-2020. The Taxonomy Regulation aims to encourage and increase the understanding of 'sustainable finance and investment'. The EU taxonomy contains environmentally sustainable ('green') activities on which annual reporting is mandatory.

Six environmental objectives under the EU taxonomy:
1. Climate change mitigation
2. Climate change adaptation
3. Sustainable use and protection of water and marine resources
4. Transition to a circular economy
5. Pollution prevention and control
6. Protection and restoration of biodiversity and ecosystems

The EU has adopted the first two delegated acts on climate change mitigation and adaptation. These delegated acts set out which economic activities are regarded as 'eligible'. For an economic activity to be classed as 'environmentally friendly' under the EU taxonomy, it must first be determined whether it is 'taxonomy-eligible' and then whether it is 'taxonomy-aligned'.

The first step is to check whether the activity appears in the delegated act, since only activities that are described in the delegated act are 'taxonomy-eligible'. Next, the second step is to conduct an analysis to establish whether or not an activity is aligned. This alignment determines whether or not the eligible activities are in fact sustainable.

Analysis of economic activities

We have identified the following activities as eligible under the EU taxonomy, all with respect to the environmental objective of climate change mitigation:

Activity in climate change mitigation 'delegated act'	Activity concerns
6.5 Transport by motorbikes, passenger cars and light commercial vehicles	Capital expenditure, maintenance and repair in respect of cars, forklifts and light commercial vehicles
6.6 Freight transport services by road	Capital expenditure, maintenance and repair in respect of lorries
7.1 Construction of new buildings	Construction of new central distribution sites, new delivery service sites or new cash-and-carry outlets, office buildings or production sites and maintenance thereof
7.2 Renovation of existing buildings	Major conversion, rebuilding and renovation of existing central distribution sites, new delivery service sites or new cash-and-carry outlets, office buildings or production sites and maintenance thereof
7.3 Installation, maintenance and repair of energy-efficient equipment	Capital expenditure, maintenance and repair in respect of refrigeration and freezer equipment and LED lighting
7.4 Installation, maintenance and repair of charging stations for electric vehicles	Capital expenditure, maintenance and repair in respect of charging stations for electric vehicles
7.6 Installation, maintenance and repair of renewable energy technologies	Capital expenditure, maintenance and repair in respect of solar panels
7.7 Acquisition and ownership of buildings	Acquisition, maintenance and repair of buildings

An economic activity is ‘aligned’ if it meets the performance requirements (‘technical screening criteria’). These technical screening criteria are based on the notion that an economic activity must make a ‘substantial contribution’ to environmental objectives and must also ‘do no significant harm’ to the remaining environmental objectives. On top of that, we as a Group have to meet the minimum safeguards in relation to human rights and good business conduct in the area of bribery and corruption, fair competition and tax.

For the 2022 financial year, we are obliged to report on both eligible and aligned activities with respect to climate change mitigation and climate change adaptation. Reporting on the other four environmental objectives will become mandatory later on.

The results are summarised below.

EU taxonomv KPIs

x € million	Revenue	CapEx	OpEx
Scope of activity	2,483	61	24
of which:			
Eligible and aligned	N/A	0%	0%
Eligible but not aligned	N/A	49%	49%
Not eligible	100%	51%	51%
Total	**100%**	**100%**	**100%**

EU taxonomy revenue
At present, none of our revenue-generating activities is described in the delegated acts on climate change mitigation and climate change adaptation. This means that they are not ‘eligible’. This report therefore does not contain an EU taxonomy revenue table.

If and when the specific economic activity of ‘wholesale in food and food-related non-food products’ is added to the delegated acts, Sligro Food Group’s eligibility percentage in relation to the revenue KPI will significantly increase.

EU taxonomy CapEx

Total CapEx under the EU taxonomy definition is summarised below:

x € million	2022	2021
Intangible assets	22	21
Property, plant and equipment	37	25
Right-of-use assets	2	1
EU taxonomy CapEx	**61**	**47**

The full EU taxonomy CapEx table is shown in ‘Other information’.

49% of capital expenditure in the 2022 financial year qualified as eligible but not aligned. These investments primarily concerned the conversion of existing cash-and-carry outlets, the construction of our Dievers DC and the purchase of a building in Liège as part of the acquisition of the Metro activities.

During 2022, we examined a selection of the investments to determine whether they complied with all the conditions for classification as ‘aligned’. Our conclusion was that none of the investments currently complied with all the criteria. This was due specifically to the very strict criteria in respect of the ‘do no significant harm’ rule that apply both to new-builds and the renovation and purchase of buildings. Meeting the criteria would involve considerable costs that relate mainly to documentation and have little to no bearing on the nature of the investments. Partly given this fact, we opted not to conduct the analysis of climate risks and vulnerabilities this year, as required to meet the ‘do no significant harm’ criteria, but to do it in 2023 instead, and to make this a factor in investment decisions on future investments.

However, it was found that the construction and renovation of five buildings wholly or partly built or renovated in 2022, representing capital expenditure of €9 million, did comply with the criteria for a substantial contribution. For renovations, this means that the renovation enables a reduction of the primary energy need by at least 30%.

For new-builds, energy consumption must be at least 10% below the threshold for nearly-zero-energy buildings to meet the substantial contribution criterion[1]. We also made €2 million of smaller investments in 2022, including electric vehicles, solar panels and charging points, which also satisfied the criteria for a substantial contribution. In total, these investments represent €11 million of eligible CapEx (36% of our total investments).

In 2021, 34% of our CapEx qualified as eligible for the EU taxonomy. In this regard, renovations were only considered to be eligible where they led to an energy saving of more than 30%. We revised this methodology this year based on further clarification of the EU delegated act and now classify all renovations of buildings as eligible. Based on the revised definition, 41% of CapEx was eligible in 2021, rather than 34%. This comprised investments in the same categories (economic activities) as in the 2022 financial year, except for the fact that the 2022 analysis also included investments in vehicles.

EU taxonomy OpEx

Total OpEx under the EU taxonomy is summarised below:

x € million	2022	2021
Maintenance and repair expenses	16	14
Short-term leases	2	1
Other direct costs of fixed assets	6	3
EU taxonomy OpEx	**24**	**18**

The full EU taxonomy OpEx table is shown in 'Other information'.

In 2022, 49% of EU taxonomy OpEx qualified as eligible but not aligned. These costs primarily relate to maintenance and repair expenses on buildings, refrigeration equipment and electric vehicles such as forklifts.

During 2022, we examined a selection of operating expenses to determine whether they complied with all the technical screening criteria and could be reported as aligned. Our conclusion was that this was not the case, as almost all of the expenses related to the maintenance of assets that do not yet qualify as aligned.
In 2021, 10% of our OpEx qualified as eligible for the EU taxonomy. However, maintenance expenses were only considered to be eligible where they related to assets classified as aligned. We revised this methodology this year based on further clarification of the EU delegated act and now classify all maintenance and repair expenses as eligible where they concern assets that are classed as eligible. Based on the revised definition, 48% of operating expenses were eligible in 2021, rather than 10%.

Minimum safeguards

The minimum safeguards concern criteria on human rights and good business conduct in relation to bribery and corruption, fair competition and tax. We have taken note of the recommendations of the Platform on Sustainable Finance and concluded that the Group complied with the minimum safeguards in the 2022 financial year.

Expectations for the coming year

In 2023, we will take steps to ensure that, when preparing for site constructions and renovations, we assess whether it will be possible to comply with all of the 'do no significant harm' criteria that are set under the EU taxonomy. Over the next few years, we expect that the construction industry will become more accustomed to the strict requirements that are set. We will closely monitor developments in this field. We will also carry out the required climate risk analysis this year.

[1] Directive 2010/31/EU

Resource use and circular economy

Sustainable packaging

The packaging of a product has several important functions.
It contributes to food safety, prevents wastage and provides information about the product to the user. The most sustainable packaging does all of these things. For premium brand products, these choices are made by the manufacturer. For our Exclusive Brands (own brands), we ourselves weigh up the pros and cons of packaging on a product-by-product basis. The focus is mainly on reducing resource use, as this generates an immediate profit. For example, the lids on packs of
nuts under our ‘Daendels’ Exclusive Brand were replaced with a resealable seal, thereby cutting the amount of plastic by 20%. We will continue along the same path in 2023 and extend this to our other Exclusive Brands.

Together with the CBL, FNLI and the Groenten en Fruit Huis, common targets are set for the packaging used on the Dutch market. The 2025 targets for the Netherlands are:
- 95% of all packaging materials to be recyclable
- 50% rPET and 25% post-consumer recycled content for other plastics
- 100% FSC/PEFC certified or recycled paper and cardboard
- 20% less packaging material

Single-use plastics

The European Single-Use Plastics Directive (SUP Directive) came into force on 3 July 2021. The Directive bans disposable plastic products such as straws, plates, cutlery and stirrers. The measures in the SUP regulations are aimed at cutting the amount of disposable plastic in litter and thereby reducing the impact it has on the environment. In 2022, we worked on further increasing the sustainability of our product range and on preparing for the upcoming expansion of the regulations. As of 1 July 2023, new measures will apply to disposable cups and disposable food packaging made of plastic or with a plastic coating.
The next step will be taken on 1 January 2024, when disposables will be banned and reuse will become standard. We are engaged in a search for plastic-free coatings/disposables. Although these are not currently available for all applications, the industry is working hard to develop plastic-free products and coatings.

Waste

Waste from our activities in the Netherlands is separately collected, recorded and processed, with the goal of extracting the maximum possible amount of potential new raw materials.
In the table showing the year-by-year figures for our waste flows, the effects of the COVID lockdowns are clearly visible in the proportion of ODP (Out-of-Date Products) for 2020 and 2021. The huge increase in ODP in 2020 reflects the unavoidable dumping of inventories due to the sudden collapse of demand from our hospitality and catering customers. In 2021, we were able to sharply reduce this problem due to adjustments in our inventory management.
In 2022, we saw waste levels beginning to creep up again.

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

	Netherlands and Belgium	Netherlands	Netherlands
Total quantity of waste (in tonnes)	12,854	10,534	11,129
%	**2022**	**2021**	**2020**
Out-of-date products	33.0%	33.1%	40.7%
Household waste	30.5%	29.8%	24.1%
Recovered paper and cardboard	28.7%	29.0%	28.6%
Film	2.7%	2.4%	2.2%
Production company waste in the form of cooked food scraps (swill)	2.5%	2.2%	1.2%
Glass	1.3%	1.6%	1.6%
Non-processable production company waste	0.9%	1.3%	1.2%
EPS	0.3%	0.4%	0.3%
Deep-frying fat	0.1%	0.1%	0.1%
Total	**100.0%**	**100.0%**	**100.0%**

Food waste

We are working hard to help prevent food waste. Purchases and sales of products are matched to each other as closely as possible, a process that involves collaboration across multiple disciplines such as procurement and product range management, supply chain and IT. Data plays a crucial role, including with regard to improving forecasts and centralised replenishment. Improvements are carried out and initiatives are taken all along the supply chain in order to reduce food waste. Despite these efforts, there will always be some products left over. We have therefore been working for many years with the Voedselbanken Nederland (Dutch Food Banks), which collect these products from us. Only if products can no longer be used or reprocessed for human consumption are they disposed of as waste. In 2022, this applied to 4,241 tonnes, of which 3,956 in the Netherlands (2021: 3,491 in the Netherlands).

Social

Diversity

Male 70%

Female 30%

Nationalities

55

Employment

Average number of years

8.9

Number of employees

5,185

Number of employees (FTEs)

4,113

Learning and development

Training courses attended

23,708

'Satisfied, engaged and professionally strong employees are the basis for further growth and professionalisation.'

Social

Own workforce
Employees in the supply chain
Consumers and end users

Four pillars

people & teams
leadership
culture
organisation

Own workforce

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

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

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

Where necessary, our HR policy caters to specific target groups, to keep it aligned with the specific needs of different segments of the labour market and of groups of employees. This is necessary in the current tight labour market, but also with a view to promoting diversity and inclusiveness within the various teams.

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

People & Teams

Our goal

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

We set ourselves the target of continuously improving employee satisfaction. Having committed staff in an open atmosphere will contribute to the ongoing professional improvement of our organisation.

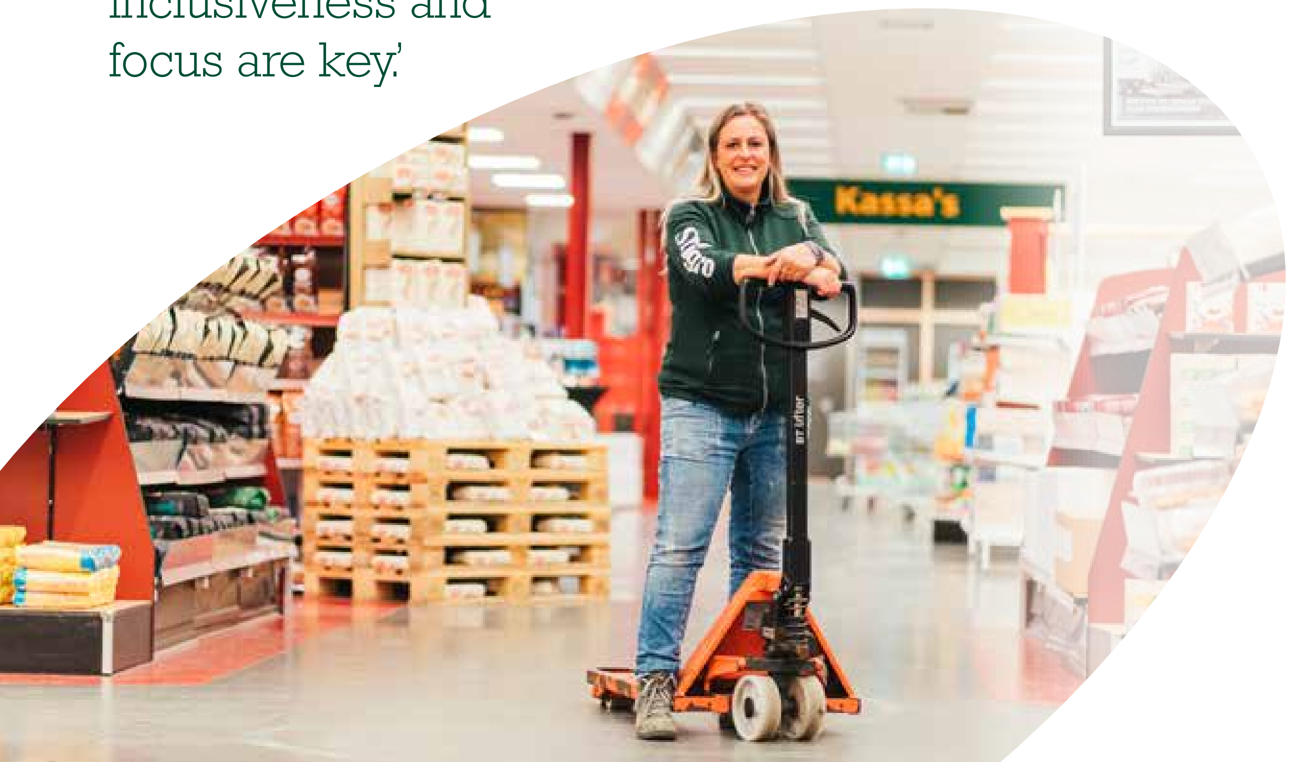
Continuous learning and development is key for all Sligro Food Group employees. Changes within and outside the organisation mean that activities and jobs are subject to constant change.

During the annual learning and performance cycle, managers discuss goals and performance with employees, who also have the opportunity, where it is desired or important, to have a specific development meeting and a progress meeting. The new cycle ensures that we talk frequently to our employees about their well-being, development needs and performance. This process is digitally supported, although the added value naturally comes primarily from a good face-to-face discussion.

Diversity has been an open and discussable topic in our organisation for a long time. Diversity at Sligro, and specifically the ratio of men to women in management positions, has steadily improved in the past few years. This is a great example that proves the effectiveness of intrinsic motivation. Overall, we also see a wide variety of nationalities and cultural backgrounds among our employee population. However, this is true to a lesser extent of our head office positions, and we want to continue to develop this situation in the coming years. The principles behind inclusiveness fit well with our corporate culture. We do not want to exclude anyone and we launch specific initiatives (together with our customers in many cases) to offer employment to people with poor job prospects. We see the legislation and the call for greater transparency on these issues as an encouragement to continue these actions.

It is key that employees feel comfortable and experience their workplace as a safe and healthy environment. To achieve that, we have to keep investing in measures and tools to increase workplace safety. We raise employees' awareness of safety through training courses and communication and make it a constant priority. With our 'Trust in Sligro' code of conduct and the associated e-learning course, we make sure that all our staff are fully aware of the importance of a safe and healthy working situation.

'We foster a safe learning and performance environment where connection, inclusiveness and focus are key.'



Leadership

Our goal

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

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

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

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

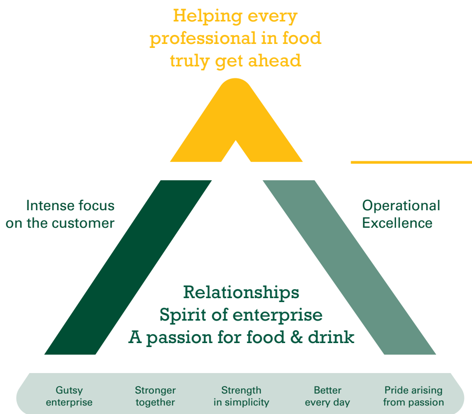
Apart from creating a framework, we also help managers as they develop in their role by offering them a specific training and development programme. Managers attend workshops on learning & performing, coaching, effective communication and sustainability & vitality. They also have the option of following individual learning pathways with continuous coaching and guidance, depending on their specific learning targets. To bring these learning targets into focus, we use an online 360-degree feedback instrument for all managers.

Communication is an important aspect of leadership. Up to and including the start of this year, we communicated regularly on our policy and measures in response to COVID-19. Not just to keep people well-informed, but also to motivate and reassure them as much as possible. We have also paid attention to our purpose and our core values, the 'Strategie 2025' (2025 Strategy) and the annual plans for 2023, which we presented to a large group of colleagues.

Culture

Our goal

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



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

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

In a fast-changing environment, culture requires active focus and maintenance. So in 2022, we constantly brought our purpose and our core values to the attention of employees. It is important that we continue to engage in dialogue with our employees. We do this on the basis of StakeholderWatch results and the ensuing round-table discussions with employees. This allows us to obtain valuable information and opinions from our employees, customers and suppliers.

Organisation

Our goal

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

As a wholesaler with extensive logistics operations and a large number of stores, it is key that we keep growing and convert increased scale into greater efficiency. Our ongoing work to standardise and, where possible, reduce the complexity of processes forms part of our 'continuous improvement' approach. We also work with an international organisational structure, which combines centralised governance and support with local responsibility for markets and customers.

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

It continues to be our ambition to grow even more internationally in the longer term. Over the next few years, however, our focus will be on the Netherlands and Belgium. A move to an additional country, which we do not aspire to before 2026, requires more preparation and adjustment within our organisation. We are set up as a BeNe organisation, with a joint central Executive Board for the Netherlands and Belgium (International Board) and an efficient consultative and communicative structure below it for translation into and management of action plans at tactical and operational level.

Workforce

Number of employees at year-end

5,185 2022

5,020 2021

Netherlands
Belgium

Number of employees (FTEs) at year-end

4,113 2022

3,987 2021

Netherlands
Belgium

We also provide tools for this through a clear and integrated planning process from our group purpose to the multi-year strategy and the annual plan; the latter two are translated into local versions at both country and department level. In addition, we have a clear training process.

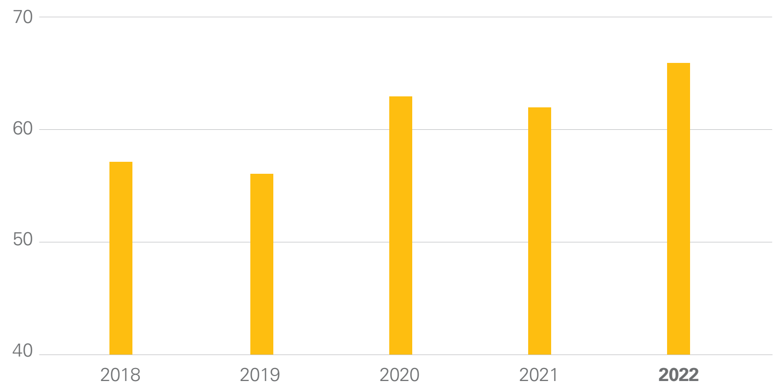
Recruitment and selection

Due to the tightness of the labour market, we have increased our focus on recruitment activities. We have established an extended set of recruitment channels to gain access to a broader market. Last year, we strove to inject more creativity into our recruitment and selection and developed a new approach to job market communication. Open house and recruitment events are being held, we have begun campus recruitment and we have improved our job market communications in order to reach out more effectively to specific target groups. In 2022, we also started a pilot programme to enable candidates to apply without a CV or cover letter. By looking beyond the traditional steps in the recruitment process, we expect to reach a broader range of candidates, so that we can select applicants based on their skills and experience rather than solely on the basis of their CV. We believe that this is an innovative and effective way to find the right candidates. Where two candidates are equally suitable for a position, we will give priority to the candidate who best fits with our diversity aims at the time in question. Our aim is to accept candidates within a few days, so that we can have the right people on board as soon as possible. In 2022, we welcomed 1,438 new permanent employees.

Employee engagement

Satisfaction
The level of employee, customer and supplier satisfaction is an important indicator for our performance. We measure satisfaction among these stakeholder groups by means of StakeholderWatch, a research method in which these groups are surveyed on a daily basis. This enables us to constantly ‘take the temperature’ in the organisation, so that we can identify trends sooner and respond to them where required. It provides both quantitative and qualitative information. StakeholderWatch captures stakeholder satisfaction on a scale of 0 to 100. StakeholderWatch scores are also used as KPIs when setting targets for managers and teams.

Employee satisfaction
Our employee satisfaction scores are discussed by management and developed in more detail by holding frequent round-table discussions with employees. The outcomes of these round-table discussions are translated into specific improvement actions. In the Netherlands, the satisfaction of our workers rose in the first quarter of 2022, then trended downwards in the second quarter during the hectic reopening of the hospitality industry, followed by a rise in the third and fourth quarters. Employee satisfaction in the Netherlands rose from 62 to 67, in line with our aim of continuously improving employee satisfaction.



In Belgium, we used StakeholderWatch to measure satisfaction among customers, employees and suppliers over a whole year for the first time. As in the Netherlands, the results provide clear starting points to get to work on continuous improvement on the basis of a good dialogue with our staff.

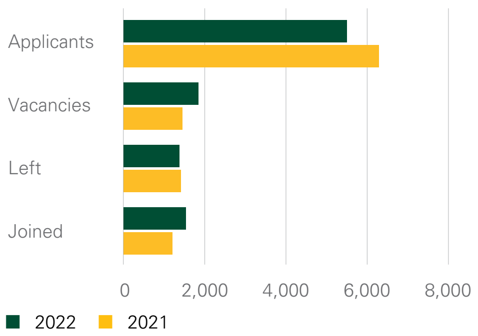
Works Council

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

New employees

We have brought in a revised onboarding programme for new employees, which enables them to gain a good understanding of the organisation, their colleagues and the most important business processes in a relatively short time. In comparison to the previous, primarily physical approach, which was based on a long series of introductory meetings, the onboarding process is now partly supported by introductory activities online. Learning on the job in an operational setting and physically visiting colleagues and sites will, of course, remain an important part of the programme. The new onboarding programme has now been rolled out in the Netherlands, and will also be used in Belgium. In 2022, 181 employees successfully completed the programme in the Netherlands.

Staff turnover in numbers



To increase our attractiveness to new young professionals, we have offered a trainee programme for several years, which has proven to be very successful. In 2022, six new Dutch or Belgian trainees began work at our company. For the first time, they will work on an international basis, with trainee assignments in both the Netherlands and Belgium.

Internal advancement and outflow

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

Workforce

Sligro Food Group is a relatively large employer in the Netherlands (4,609 employees) and Belgium (576 employees). and we expect our workforce to continue to grow steadily in the coming years, after adjusting for the impact of COVID-19 in 2020-2022. Our employee population is characterised by a high level of skill, which is utilised with great passion. Digitalisation calls for different expertise and skills that we are both developing internally and recruiting from outside.

We have a large number of employees on permanent contracts and aim to limit the number of agency workers. In 2022, we fell short of our targets in this regard and the number of agency workers was greater than desired. This puts pressure on operational effectiveness, especially in holiday periods, and also impacts solidarity among teams. In 2022, we had an average of over 1,300 agency workers working in our logistics operation. Due to the relatively low availability of permanent staff and relatively high staff turnover in logistics, we are increasingly using flexible and agency workers in our logistics operation, who generally hail from eastern European countries. Given that these workers generally stay with us for a limited period, we are also working to accelerate the onboarding process, improve operational management, create a good day-to-day work atmosphere, and

2022 service anniversaries

2
50 years

11
40 years

96
25 years

87
12.5 years

reduce training to short e-learning programmes. We also offer colleagues from eastern Europe specifically opportunities for permanent employment and further growth to make it more attractive for them to stay with Sligro Food Group for longer and benefit from the opportunities that normally come with permanent employment. It is pleasing to note that a clear positive trend was visible last year in the length of time our Euroflex colleagues remained with the company. We want to keep up this positive trend into the future.

Diversity and inclusiveness

At the end of 2022, our workforce was 70% male and 30% female. The proportion of men to women is relatively high in more physically demanding roles such as distribution and transport, as well as, for historical reasons, in the cash-and-carry outlets.

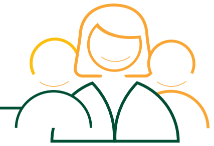
We have defined senior management as the group of managers working at the two levels below the Executive Board in the Netherlands and Belgium combined. At the end of 2022, this group comprised 70 positions (2021: 71). This group is characterised by a relatively low staff turnover rate historically speaking, so any change in the male-female ratio will be gradual. We aim to have both men and women represented within this group for at least 35% by the end of 2025. This group was 28% female at the end of 2022 (2021: 30%).

The targets stated here for 2025 have been translated into annual objectives by the executive board and the various management teams. These targets will also be expressed as an ambition at all levels within the organisation to increase overall diversity and inclusiveness, including the more junior levels.

Our Supervisory Board is made up of six persons, of whom four are men and two are women, meaning that we meet the quota of at least a third male and at least a third female.Our Executive Board comprises two directors who have both worked for Sligro Food Group for a very long time. We do not expect any changes here in the coming years, so we have not defined a different target in respect of the Executive Board for 2025.

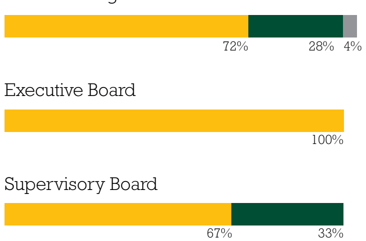
However, diversity has more dimensions than just the male/female ratio, and we want to focus our efforts more in those areas as well in the coming years. A broader, diverse and inclusive workforce requires a focused approach in four areas: recruitment & selection, terms and conditions of employment, internal advancement & outflow, and KPIs. In 2021, we established a policy-based approach for people with poor job prospects.

Our workforce is ageing, so the sustainable employability of employees is an important issue for us. We aim to promote the employability of our employees through mechanisation at our distribution centres, the ongoing automation of tasks, job rotation and paying attention to staff vitality.



Diversity
as % of total

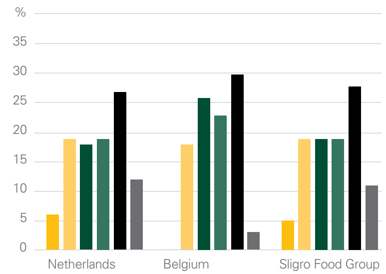
Male/female ratio



Men
Vacancies
Women

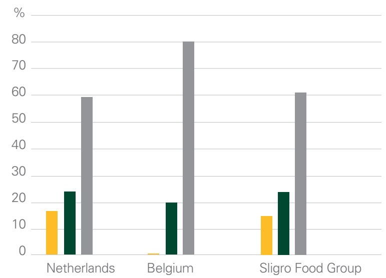
Sligro Food Group

70% Men
30% Women



Age

< 20
20-30
30-40
40-50
50-60
≥ 60



Type of contract

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

Terms and conditions of employment

When it comes to general terms and conditions of employment, we follow the pay structures that are normal in the relevant industries. In the Netherlands, we adhere to the collective labour agreement for the food wholesale industry, while in Belgium we have adopted the terms and conditions agreed on by joint committees 119 and 200. Our aim furthermore is to make the employment terms and conditions that we can establish ourselves the same for all employees. Depending on what is possible and customary in a country, these terms and conditions may differ per specific country. For the majority of our employees, our pay policy is dictated by the collective labour agreement for the industry in question.

Given that we are not bound by a specific collective labour agreement, we offer average market level pay, as well as benefits that are appropriate at Sligro Food Group, including equal pay for the same job, irrespective of gender and/or ethnic origin. Different structures operate in Belgium and the Netherlands. For a number of jobs, mostly commercial ones, we operate a bonus system. By ensuring that the amount of the bonus is nice to have and not a need-to-have, we avoid perverse incentives. In the coming years, we will be working on a job framework to further ensure the consistency of pay and a good fit with the position and required competencies.

In recent years, we have (temporarily) operated different policies in many areas relating to employment conditions. Always in good consultation with the trade unions, but we also experienced broad involvement and support on the part of our employees in the choices we had to make in the interests of Sligro Food Group and our employees as a collective. We are proud of this and grateful to all our colleagues for their unwavering loyalty, which is not to be taken for granted. The sudden advent of high inflation has made life significantly more expensive, so at this time especially it is important that we look out for each other and shoulder the burden together. This is also in line with our culture: we do things together. Under the slogan 'Go green', we introduced a number of timely measures at the end of 2022 to help each other in these times. Some of the measures apply to everyone, such as a December shopping voucher. Others are intended for a specific group of employees, such as the payment of an extra 2.5% salary increase in the Netherlands as from 1 January 2023 in advance of the revision of the collective labour agreement.

People with poor prospects in the job market

We aim to be a reflection of society and we believe that everyone should have a chance to take part in the labour process and work in a pleasant organisation. We therefore offer people with poor prospects in the job market the chance to join us and remain with us. As a listed family business, we have long paid attention to this form of social entrepreneurship. In 2022, we obtained certification under the PSO (PSO ('Prestatieladder Socialer Ondernemen', More Social Enterprise Performance Ladder) scheme with retroactive effect from 1 December 2021. This means that a certain proportion of our work is carried out by employees in the PSO target group.

Learning & development

Anyone who fails to keep up with changes and does not keep challenging themselves will be left behind in the long run. The Sligro Academy therefore offers a range of learning programmes for employees from all levels of our organisation, which focus both on skills for specific jobs and general competency levels. In 2022, 92 new training courses were added to the catalogue, include 46 online courses. The number of completed e-learning courses was 20,770, higher than the previous year (2021: 11,550). This increase is largely due to the roll-out of the new e-learning courses on Trust in Sligro Food Group (Code of Conduct), Safe Working at Sligro and Responsible Awareness. Besides the courses we have developed in-house, we use a range of individual and group training options from outside training institutions for specific domains or competency-based training. In 2022, 23,708 training courses were completed in relation to skills-related, personal development, leadership and vitality & safety topics.

We are committed to training and developing new talent, such as by offering internships and professional placements for students from various educational programmes. This works both ways, as having students work at our organisation brings in new and fresh insights.

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

Last year, we completed the learning and performance cycle, a process that identified learning and development needs for our employees on an individual basis. This information was then fleshed out in consultation with the manager, leading to changes in job content, coaching and internal and/or external training. Opportunities for internal advancement were also discussed and, where possible, effected.
We believe in continuous improvement and accordingly like to tackle major changes in a professional manner.

In 2022, we partnered with the SVO Vakopleiding Food trade school to develop three vocational training courses around fruit & vegetables, fish, and cheese. Under the heading of 'focus on the trade', we offer current and future employees the opportunity to amplify their skills in a specific trade. Especially in those trades that few, if any, students in education today are studying, while these are precisely the trades where we urgently need skilled colleagues. The programmes have generated great interest, and the first students will start in 2023.

In 2022, a number of employees entered a dual higher professional education programme that sees them study at Avans University of Applied Sciences in 's-Hertogenbosch alongside their job at Sligro. Additionally, dozens of employees from the operation attend the intermediate vocational programme for Food or Logistics that Sligro runs in partnership with De Leijgraaf regional training centre. These programmes are all highly practice-based and cater to our employees' and teams' specific learning needs.

Health and safety

In 2022, we took some major steps in relation to safety in the Netherlands. An overarching Health & Safety policy was drawn up in consultation with our Works Council. In Belgium, this issue was also tackled in further consultation with the Works Council and Safety Committee. Keeping control over hazardous substances, and ensuring a safe workplace for every staff member in that regard, were high on the agenda. This year, we will continue working on procedures and guidelines for prevention officers, personal protection equipment and working at heights.

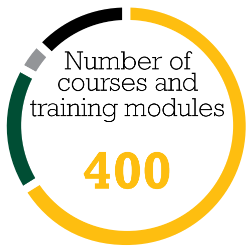
It is also important to create a mentally safe environment for employees in addition to a physically safe environment. We see this as one of the responsibilities of each manager in the organisation, but we are also all jointly responsible.
As well as coaching and mentoring for managers, we also called attention to our code of conduct, which was revised in 2021. This was brought to the attention of all employees through intensive communications and an online training course. Lastly, in 2022 we also conducted an inquiry into the mental condition of our employees, under the title 'Whistle While You Work'. Broadly speaking, the inquiry showed that we as an organisation are healthy, in accordance with the benchmark.

Learning and development at Sligro

Training courses attended
23,708

E-learning courses
88%

Classroom
12%



- 67% Online
- 17% Classroom
- 4% Academy programmes
- 13% Individual

- 212 MBO (vocational education)
- 77 HBO (higher vocational education)/WO (university education)

We have set ourselves a number of additional targets for 2023 in order to continue improving employee mental health and to do better on this front than other businesses of a comparable nature and size.

To improve our absenteeism management, we have worked to improve the recording of the causes of absenteeism, the problems behind it, the associated costs and our understanding of absenteeism. It goes without saying that we respect the privacy of everyone within the framework of the law.

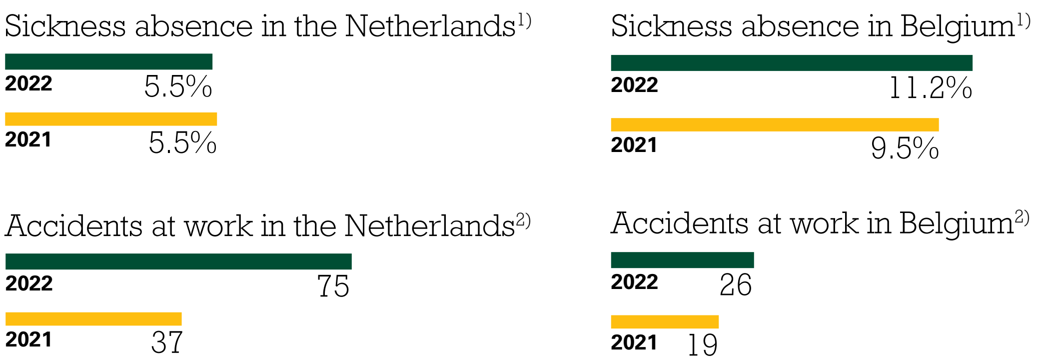
We encourage our colleagues to adopt healthy habits. We offer free fruit and snack vegetables and also serve healthy alternative foods in our company canteens. For example, we supported the national ‘Stoptober’ campaign by actively promoting ‘quit smoking’ initiatives. We have also changed the smoking facilities on the back of new legislation.

Absenteeism in the Netherlands remained at the same level as last year. We have been able to keep our absenteeism under relatively good control, despite COVID-19 and rising absenteeism in the sector as a whole. The plan to structurally reduce absenteeism again, including concrete objectives per year, is ready and we expect it to bring about a further reduction in the coming years. The goal is and remains to continue striving for lower absenteeism rates than the averages for the sectors in which we operate. Last year, we expanded our structure to include a case management organisation, to provide specialist help to our managers on prevention, managing absences and preventing long-term inability to work. We are also working to reduce the number of new disability benefit cases. To assist managers in this regard, we gave everyone training on ‘Controlling absence’, followed by the mental health course ‘From work pressure to work pleasure’ later in the year.

Human rights

We are signatories to the OECD principles on CSR and the UN ‘Guiding Principles for Business and Human Rights’. To give substance to that, we have laid down the specific conduct we want to see within Sligro Food Group in a ‘Code of Conduct and Whistle-blower Policy’. Three internal confidential counsellors are available in the organisation. An Internal Complaints Policy and Complaints Committee was also introduced in 2022, with a specific focus on the communication of these topics.

Staff turnover and sickness absence



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

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

Employees in the supply chain

We work closely with a number of service providers, specifically in respect of distribution and the supply of fresh produce, but also in data and IT.

Drivers

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

Fresh partners

Employees of our fresh partners Kaldenberg and Ruig work at our cash-and-carry outlets. Just as much as our 'own' staff, they act as ambassadors towards our customers and assure our customers of the skill and professionalism they value so much. Because we want to be there for our customers as a total team, we also involve these colleagues as much as possible in our business, our events and our social occasions.

Employees in the supply chain

Sligro Food Group has been a member of the Business Social Compliance Initiative (BSCI) since 2010. BSCI is a business-driven platform that encourages members and supply chain partners to reach agreement on improved working conditions. Sligro Food Group strives to follow the BSCI principles, as set out in the BSCI Code of Conduct. Our procurement terms stipulate that the commitment of our suppliers to BSCI principles is a precondition of supply. Where our suppliers have production sites in countries that BSCI classifies as high-risk, these sites are regularly audited to check for acceptable working conditions. These audits result in a score from A to E, where A is the highest score obtainable and E the lowest. We set a minimum score of C. Production sites with an inadequate score (D or E) must supply an improvement plan within 60 days based on the deficiencies identified in the audit report. The production sites are also re-audited within six to twelve months. The detailed approach, process and requirements that we set can be found in our suppliers' manual,

BSCI has drawn up a zero-tolerance protocol for four performance areas (occupational health & safety, child labour, forced labour and unethical behaviour). If one or more of the above issues are identified during a BSCI audit, the audit organisation will immediately suspend the audit. The BSCI secretariat will inform the relevant BSCI members within 24 hours. At Sligro Food Group, the Procurement and Product Range Management Director, the relevant unit manager and the buyer determine the next steps. We decide on a case-by-case basis whether the production site should be given the chance to implement improvements in the short term or to terminate the relationship, either temporarily or permanently.

Since 2022, audits have also been performed at production sites in high-risk countries for the Food, Fresh Produce and Wine & Spirits units, as well as for those in the Non-Food unit.
Currently, 141 production sites belonging to our suppliers hold a valid BSCI certificate. Six production sites received a score of D in their BSCI audit in 2022. Three of these six sites have since obtained a score of C in their follow-up audits, while two are scheduled to undergo a follow-up audit in 2023 and one has shut down. In 2022, we did not part company with any suppliers as a result of non-compliance with our BSCI requirements.

Consumers and end users

Satisfaction

We use 'StakeholderWatch' not only to measure the satisfaction of our employees, but also of our customers and suppliers.

The overall customer satisfaction score is the weighted average (by revenue) of the satisfaction scores for cash-and-carry outlets and delivery service sites in the Netherlands and Belgium. In 2022, customers of our cash-and-carry outlets remained highly satisfied, with figures in the Netherlands consistently remaining just under the 80-point mark, which is an extremely high score. The trend for our delivery service sites was more variable during the year, with satisfaction rising to 67 points in the first quarter and then falling to 59 points in the summer, before recovering to 64 in the fourth quarter. Although the satisfaction score of 68, compared to 69 in 2021, suggests that satisfaction has decreased, this is not the case. Due to the recovery of our delivery service revenues in 2022, the proportion of the weighted average calculation attributable to the delivery service rose substantially.

Satisfaction among our suppliers of trading goods fell slightly over the year from 66 to 63. We also measure the satisfaction of our suppliers of non-trading goods and services. We will include them in our figures as from 2023.

Sustainable product range

We have an immense range of around 75,000 items. We have a clear sustainability focus for this range: we encourage customers to make a sustainable choice. We do this by making products that are produced with consideration for people, health and the environment accessible and clearly recognisable. In 2010, we brought them together in the ‘eerlijk & heerlijk’ concept (a name that translates as ‘fair & delicious’). This is not a quality mark, but a classification method we use to help our customers make a responsible choice. ‘Eerlijk & heerlijk’ is based on four pillars: organic, sustainable, fair trade and regional. Items that we stock are classed as ‘eerlijk & heerlijk’ if they have at least one independent, transparent and audited quality mark as defined by Milieu Centraal. We track 11 of Milieu Centraal’s 12 top quality marks, plus some other quality marks that appear in their Keurmerkenwijzer (certification mark guide), depending on the score for transparency, auditing and independence of the ‘animals’, ‘environment’ or ‘people’ mark. The top quality marks set the toughest requirements in relation to the environment, animal welfare and people & labour.

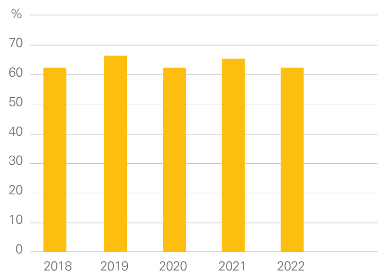
Eerlijk & Heerlijk

The items in our range with the ‘eerlijk & heerlijk’ label are used to calculate what proportion of revenue we earn from our sustainable product range. In 2022, that proportion rose to 11.8% in the Netherlands, a percentage that is now higher than in 2019, before COVID-19. In 2022, we also introduced this methodology in Belgium. The proportion in Belgium is 6.2%.

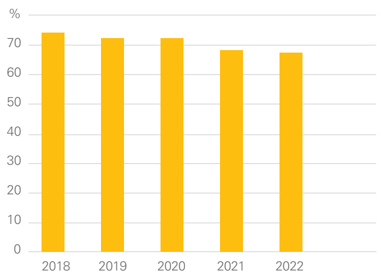
SRP monitor

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

Supplier satisfaction

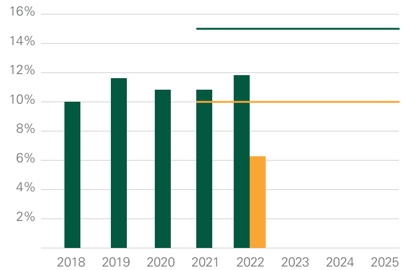


Customer satisfaction



Sustainable product range[1]

(as % of revenue)



1) % in the Netherlands
% in Belgium

Target for 2025
Netherlands
Belgium

Food safety and product quality

Control over food safety in our processes is ensured by internal and external audits performed in accordance with national and international legislation and standards. International food safety standards increasingly require companies to maintain a food safety culture. Within the Group, food safety has top priority. If any doubt exists about the food safety of a product, we take no chances, removing the products from sale and informing customers of the potential risks immediately. Our food safety culture is also manifest in the discussion of the annual assessment of the management system at the International Board, the introduction of new e-learning modules for all site employees on the HACCP (hazard identification system), the formation of local and inter-site HACCP teams with employee representatives, and the celebration of successes such as achieving required certifications.

Certification

All sites possess the relevant food safety certifications. The head office, central distribution centre, delivery sites and production companies are certified under FSSC 22000, an international standard recognised by the GFSI. Food safety at the cash-and-carry outlets and within the format framework is ensured in accordance with the CBL and Hospitality Industry hygiene codes respectively, and is subject each year to internal audits by Quality Control and external audits by the Netherlands Food and Consumer Product Safety Authority (NVWA).

Supplier audits

Our suppliers are evaluated annually on the basis of the number of recalls, complaints, and microbiological and chemical laboratory analyses. The cause is not certain, but it is suspected that staff shortages are affecting the ability of suppliers to ensure food safety and product quality.

Supplier audits

	2022	2021
Number of audits	8	10
Number of non-conformities	49	24

Recalls

In 2022, there were 159 product recalls, covering both food and non-food. That was three fewer than in 2021. However, in 2021, there were 42 recalls for products contaminated with ethylene oxide, whereas there was only one recall for this reason in 2022. If the recalls due to ethylene oxide are disregarded, then we are looking at a rise of 31% relative to 2021. This rise is due among other things to matters such as the effects of manual handling (contamination and incorrect packaging), in which staff shortages in the value chain also played a role. There were also a number of non-food recalls (including for chairs, lamp oil and parasols) as a result of increased product quality requirements.

Information for investors on the share of revenue

Sustainable product range ('eerlijk & heerlijk')	11.8%	Organic, sustainable, fair trade, and locally sourced products
Tobacco	7.9%	All tobacco-containing products
Alcohol	9.5%	All alcohol-containing products fit for human consumption
Pork	2.1%	Fresh pork from butcher, meat, and charcuterie sections

2022 certifications

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

Governance

Business conduct

The business conduct of Sligro Food Group is primarily determined by the culture within our business. As culture is a rather abstract term, prone to change and not always interpreted by everyone the same way, we have given our corporate culture a specific name, elaborated it in detail and put it down in writing. Central to our culture are our purpose and our core values. In line with this, many elements of our culture are also to be found in our code of conduct, 'Trust in Sligro Food Group'. We realise that conduct is determined not so much by how the rules of conduct are defined, but mainly by how those rules are applied in practice. As well as the commitment, engagement and intrinsic motivation of our staff, what matters is that the right guidance is provided by our management. Enabling our employees to conduct themselves well requires the right information, the right analyses, the right plans, the right processes, the right actions and the right evaluations.

Both the purpose and the core values are discussed in detail in other sections of this annual report. Below, we go into greater detail about our code of conduct, 'Trust in Sligro Food Group', and the documents that are closely connected to it.

Our code of conduct: 'Trust in Sligro Food Group'

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

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

'Trust needs to be constantly lived up to and maintained through appropriate behaviour.'

Gerrie van der Veeken
Company Secretary/Compliance officer

The code of conduct connects seamlessly to our purpose and core values. In the code of conduct, the core values are expressed in terms of specific rules of conduct. The aim of the code of conduct is to help find specific answers to specific questions, for instance in relation to our core value of being 'Stronger Together': 'What conduct should I expect from my colleagues?' and 'What conduct should my colleagues expect from me?

The code of conduct is made up of three parts:

Trust in Sligro Food Group, by adopting the right behaviour towards one another

The rules of conduct in this section are aimed at how employees conduct themselves towards each other. This concerns 'Respect for one another', 'A safe working environment' and 'A pleasant and productive working environment'. For instance, we set out specifically how we deal with mistakes and how we help each other. A Complaints Policy is in place for undesirable behaviour. Employees are also able to contact one of the Sligro Food Group internal confidential counsellors. Mutual respect also means respect for privacy, including the privacy of fellow employees.

Trust in Sligro Food Group, by adopting the right behaviour towards customers, suppliers, competitors and government bodies

This part of the code of conduct sets out how Sligro Food Group employees should conduct themselves towards customers, suppliers, competitors and public bodies. It explicitly states that all forms of support for political parties are prohibited.

Our conduct towards our customers is tightly interwoven with our purpose: 'Helping every professional truly get ahead'. We do that based on two axes, 'Customer intimacy (extreme customer focus)' and 'Operational excellence'. In so doing, we take care to ensure the privacy of our customers, in accordance with the Privacy Statement that can be found on our website.

We expect our suppliers to make an optimum contribution to improving our services for customers, in areas such as sustainability, food safety, quality, price and innovation. This requires that we and our suppliers work together in a fair and professional manner. To encourage that, all our suppliers receive our Suppliers' Manual, which contains, alongside general information about Sligro Food Group and our vision of the market, our vision of corporate social responsibility and our vision of procurement, detailed guidelines regarding quality, sustainability, data, electronic data exchange, invoicing, payments and payment terms, deliveries, our Exclusive Brands and key performance indicators. In 2022, we had no debt recovery or litigation cases with suppliers in relation to late payments or disputes.

The code of conduct explicitly states that Sligro Food Group will not tolerate bribery or fraud. This rule of conduct includes a cross-reference to the Sligro Food Group Whistle-blower Policy. The whistle-blower policy sets out the procedures for reporting and acting on suspicions of abuse and irregularities. Fraud cases and investigations into suspected fraud cases reported in the Sligro Food Group are included in a six-monthly fraud report. Each of these reports is discussed at meetings of the International Board and of the Audit Committee of the Supervisory Board.

The code of conduct includes rules on how we deal with gifts (we accept no gifts with a value in excess of €50), hospitality, sponsoring and supporting good causes. What we do is collect these gifts centrally and use them as bingo night prizes for employees. This way, all employees have an equal chance of landing a gift and receiving gifts ceases to be the sole preserve of a select group of employees. After all, 'stronger together' is one of our core values.

Trust in Sligro Food Group, by adopting the right behaviour in relation to assets and interests of Sligro Food Group

This part of the code of conduct deals with conduct in relation to 'Use of company assets', 'Conflict of personal and business interests' and 'Handling information: confidentiality, press, social media and stock market'.

In connection with Sligro Food Group's stock market listing, this section covers the rules in relation to trading in the shares of Sligro Food Group N.V. and insider knowledge. The rules on that topic are set out in more detail in the Regulations on ownership of and transactions in financial instruments Sligro Food Group N.V. 2017.

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

Lastly, this section of the code of conduct links the code to the ‘Legislation and regulations and internal policy rules of Sligro Food Group’. We abide by all the current legislation and regulations applicable to Sligro Food Group, as well as the Group’s own internal policy rules, on matters such as sustainability, (food) safety and the environment.

Compliance with the code of conduct

The code of conduct is no more and no less than a means to help promote proper conduct. The most important factor in promoting good conduct among Sligro Food Group employees is the Sligro Food Group culture. Our culture is not only the driving force behind our business, but also an important control in the context of risk management[1]. To a large degree, that culture ensures the good conduct of very many of our employees. But it is not always enough. Moreover, it may be argued that numerous developments within and outside Sligro Food Group (social changes, complexity of systems and processes, diversity, internationalisation, the speed of change) mean that good conduct cannot be taken for granted as much as it was in the past. For these reasons, it has become more important to have a code of conduct, as a supporting instrument alongside the primary role of our culture to promote good conduct.

With all this in mind, the previous code of conduct was replaced in 2021 by the current code of conduct, entitled ‘Trust in Sligro Food Group’. By giving this name to our code of conduct, our intention is to make the essence of the code of conduct clear. Considerable attention has meanwhile been paid to the code of conduct within Sligro Food Group organisation in the Netherlands and Belgium. Alongside structural communications on standards, values and behaviour, the code of conduct has also become a fixed component of the HR toolbox. For instance, the code is included in the onboarding process for new employees and an accessible e-learning module on the code has been produced. Every employee must follow this ‘Trust in Sligro Food Group’ module every two years, the aim being to increase awareness of conduct and standards of conduct. Through greater awareness, we want to ensure that the difference between proper and improper conduct is always ‘top of mind’ for everyone and that conduct is always an issue that employees are willing to talk about openly among themselves and with their managers. As of 2022, 3,798 employees (or around 75% of the total) have already followed this e-learning module.

Lastly, the code of conduct has been even more emphatically adopted as an explicit component of Sligro Food Group governance: all members of the International Board now explicitly commit themselves to the code of conduct by means of an annual written declaration. This not only requires them to consider the standards of conduct in their own behaviour, but also to actively promote the application of those standards by everyone to whom the code applies.

1) See section on ‘Risk management’, especially the first strategic risk, ‘Loss of the Sligro Food Group culture’.

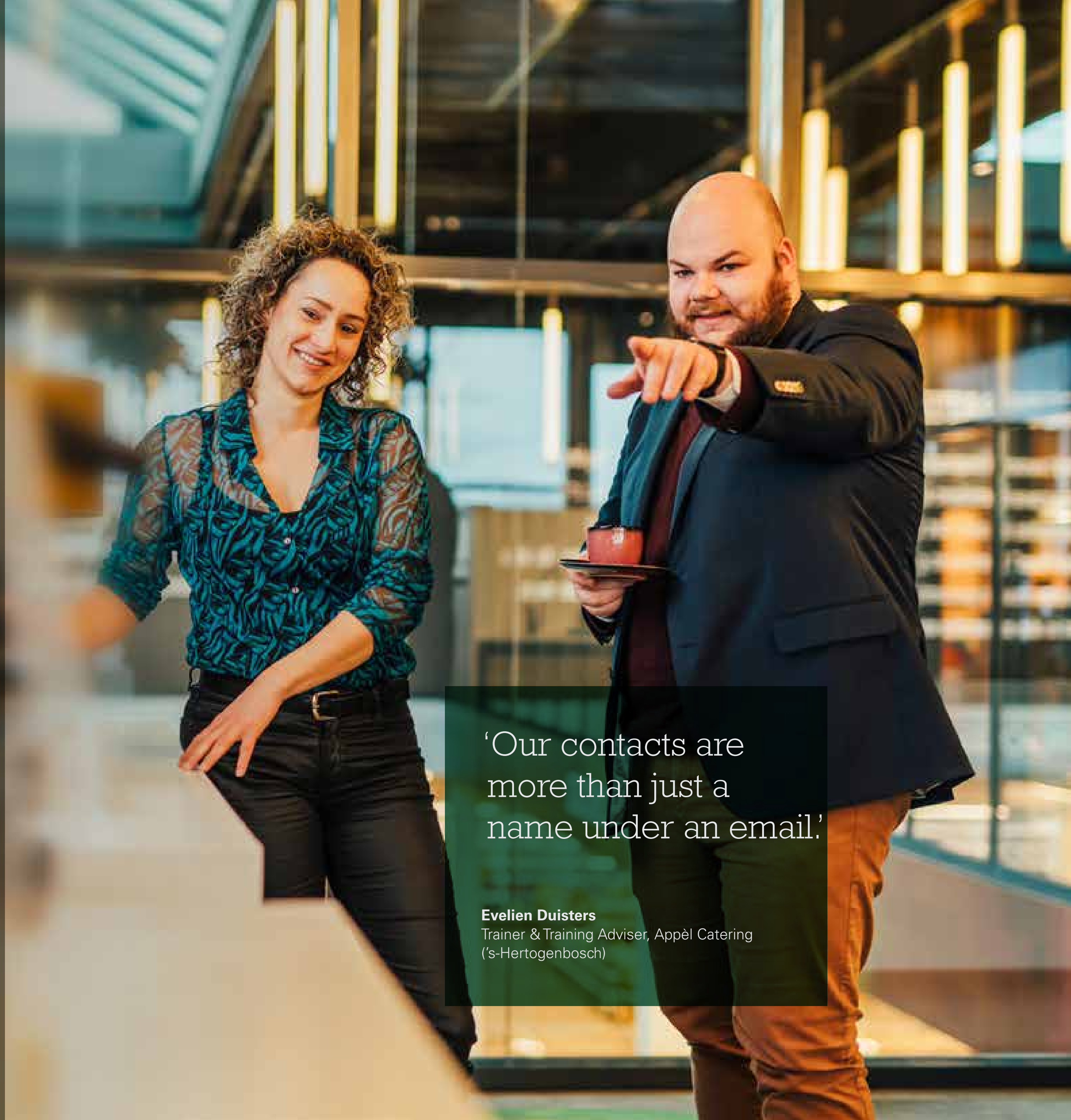
Sligro is genuinely committed

'We have been working together with Sligro Food Group for years. Even though we are a delivery service customer, we mainly use the opportunities offered by the ZiN Inspiration Lab. Training, courses, inspiration tours… you name it.

We have a very pleasant working relationship with our contacts at ZiN. Kristel Heerkens and Stefan Vermeulen (on the right) are much more to us than names under an email, they are genuinely committed and never fail to demonstrate that they want only the very best for our company and our people.

This leads to, among other things, constructive consultations on ZiN's training offering. Together, we look for opportunities to customise that offering more to the catering trade. Chefs from ZiN also regularly help us design our own inspiration weeks.

In short: Sligro supports us by meeting an important need, because we all know how important employee development is. Our partnership with Sligro means that we simply have more to offer our people.'



'Our contacts are more than just a name under an email.'

Evelien Duisters
Trainer & Training Adviser, Appèl Catering ('s-Hertogenbosch)

Report of the Supervisory Board

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

Operation

The year began with several weeks of lockdown, after which operations had to be restarted quickly. The Executive Board had previously examined the various scenarios and made tactical choices, based on previous experience from the COVID-19 period, to ensure the availability of inventories, people and transport for a rapid restart. This proved to be a correct assessment, allowing the start-up to proceed quickly and scale up in a very short time.

The existing scarcity of goods, people and transport was exacerbated by the start of the war in Ukraine. The challenging circumstances required huge effort on the part of the Executive Board and its teams in order to maintain the level of service to customers.
Due to inflation, we were forced to pass on the sharp increases in costs to the market wherever possible. In comparison with the rest of the market, our view is that Sligro Food Group succeeded in serving its customers and winning market share. However, the impact of the rises in costs on the result, which could not be passed on in full, was still considerable. The conscious choice to put customer service first, in spite of the associated higher costs, is something we support.

Despite all the operational challenges, Sligro Food Group achieved strong growth in 2022 and won market share in the Netherlands. The success of the collaboration with Heineken, new and renewed contracts with major customers, and the focus on the brand and the network of outlets enabled the company to outperform the market in the Netherlands, which is a result to be proud of. As operations slowly return to normal over the coming period, cost control will be a subject that requires attention and will continue to be a frequent topic of discussion.

New IT landscape, digitisation and cybersecurity

Following on from the introduction of the new web environment and the item data system in previous years, November 2022 saw the new ERP landscape go live at the Antwerp site. This was an important milestone on the road to standardising processes and workflows within Sligro Food Group, which is intended to facilitate controlled (international) growth for the future. The launch went well, although, inevitably, problems revealed themselves immediately after the start. This caused operational bottlenecks and complicated closure of the year-end accounts, particularly as the administrative processes associated with the movement of goods and booking and settling invoices for other operating expenses were hampered for part of Belgium in the last month of this year.
In the hypercare phase following the go-live, all these problems will be fixed one by one to prevent their recurrence when rolling out the system to other sites.

From a group perspective, the choice to go live at one site only was a wise one. The Executive Board realises that, in the short term, these initial problems may inconvenience staff and customers of the Antwerp site and we share the appreciation and the understanding that both customers and employees have shown for the efforts involved.
As regards digitisation, the Executive Board has further elaborated its plans for the coming years and explained them to us. Substantial progress will be made in the next few years on an organisational, process, data and technical front to ensure that Sligro Food Group continues to be a leading player in a changing and increasingly digital and data-driven market. Wholesale operations will remain central to the proposition, but will be increasingly supported and run from a digital perspective; this is anticipated in the company's plans.

Sadly, we see no let-up in the pressure of cybercrime in the world around us. Sligro Food Group and its operating processes and systems are regularly targeted by attacks and attempts to disrupt business continuity. Constant attention is paid to cybersecurity or, to be more precise, ensuring business continuity by a department set up specifically for that purpose, in combination with support from a network of specialist parties. In the

Supervisory Board, we discussed the current efforts and the plans for further expansion and consolidation in the upcoming years. In our view, Sligro Food Group is taking a sufficiently attentive and realistic approach to this issue.

Results in Belgium
Developments in Belgium were a regular topic of discussion. Upscaling in Belgium is proceeding steadily, but thus far at an insufficient pace to achieve a positive financial result. It is clear that the set-up chosen at the time for the Belgian operations anticipated rapid growth and that in the past few years, scaling-up has not occurred at the pace originally intended, partly due to the impact of COVID-19 in 2020 and 2021.

We saw signs of improvement in 2022: the arrival of a number of large new customers, in combination with the increase in scale resulting from the acquisition of Metro, boosted activity to the level required to make the existing infrastructure profitable. The initial implementation of the new ERP landscape is the prelude to a uniform landscape that will allow the current network in Belgium to be optimised. Over the next few years, this will lead to greater efficiency within the network and thus to cost savings. The costs associated with the SAP implementation weighed down on results in Belgium. The Executive Board is convinced that the steps planned will lead to a profitable operation in Belgium in the near future. The Supervisory Board also considers this to be potentially positive and will continue its critical oversight of the progress of the plans.

Sustainability
The sustainability plans, which were transposed over all the business units in 2022 in order to set long-term sustainability goals, and the initiatives currently being worked on to achieve structural improvements, are being energetically pursued by the Executive Board. Preparations have also begun for the new reporting rules on sustainability, which will apply to Sligro Food Group from 2024.

Metro Belgium
We discussed developments in the process surrounding the Metro acquisition with the Executive Board, both in the regular meetings and on numerous other occasions. Extensive consideration was given to the strategic fit of these activities with those of Sligro Food Group and the importance of the additional scale this acquisition would provide. The risks and financial consequences of different deal scenarios were extensively discussed, which resulted in the support of the Supervisory Board for a bid for the Metro operations.
The Supervisory Board is of the view that a thorough process has been followed and that the preparations for a rapid and successful start have been made. This represents a fine combination of entrepreneurship with clear business considerations.

Strategy for 2025
For a number of years, the strategy has been set by the Executive Board and progress with respect to the strategic ambitions and goals has been regularly discussed with the Supervisory Board. While sometimes focusing on individual aspects such as Sustainability or Digitisation, this also includes an overall evaluation of the preceding year and the presentation of the annual plans for the year to come. We are pleased to see that the Executive Board and its teams are structurally focused on the long-term strategy and that this is translated into specific plans that are laid down each year. This creates an appropriate balance between short-term focus areas and the achievement of the long-term goals.

Supervision
In 2022, the Supervisory Board convened on its own for five sessions and together with the Executive Board for one additional session. This additional in-depth meeting covered CSR (sustainability) and the annual plans for 2023. The nature of the Metro Belgium acquisition process led to intensive contact between the Executive Board and the Supervisory Board in the second half of the year with respect to developments in the acquisition.
In addition to the physical meetings mentioned above, the Executive Board and the Supervisory Board held online discussions on Metro Belgium on eight occasions in the period from September to December.

In addition to the scheduled meetings, the Chair of the Supervisory Board holds regular talks with the Executive Board, and the Chair of the Audit Committee meets with the CFO and the Internal Auditor. The Supervisory Directors also held individual meetings with key company staff in consultation with the Executive Board. A member of the Supervisory Board was present as an observer at a meeting of the Dutch Works Council on one occasion in 2022.

The Audit Committee (AC) held five regular meetings in 2022, during which above all the financial reporting and the internal risk management and control systems, and the topic of fraud were discussed at length. In addition to the regular meetings, the Audit Committee met on one further occasion in connection with the selection procedure for a new external auditor with effect from 1 January 2024.

The Remuneration and Appointments Committee (R&AC) held two regular meetings. The first meeting mainly concerned the assessment of the achievement of bonus targets for the Executive Board in 2021 (in respect of which it should be noted that the bonus for 2021 was not awarded due to the NOW wage subsidy scheme, despite the fact that the bonus targets were clearly met). The agenda for this meeting also included the setting of new bonus targets for the Executive Board for 2022, the remuneration report, the diversity policy and the three-yearly reassessment of Executive Board pay. The second meeting focused on the preparatory work for updating the remuneration policy and its future monitoring by the Board. In addition to these two regular meetings, the Remuneration and Appointments Committee met on one further occasion in connection with these matters.

In 2022, all members of the Supervisory Board attended all the regular meetings as well as the in-depth meeting of the Board and the meetings of the committees of which they were members. On three occasions in total, a Supervisory Board member was unable to attend one of the eight online sessions on Metro Belgium. The table below shows the percentages of attendance at the meetings (excluding the eight online sessions on Metro Belgium). The Supervisory Board carried out a self-evaluation, examining and assessing its own performance and that of the committees and individual Supervisory Directors. The Supervisory Board also evaluated the performance of the Executive Board and individual Executive Board Directors.

Attendance at meetings

	Supervisory Board meetings	**AC meetings**	**R&AC meetings**
Mr Rijna	100% (6/6)	100% (1/1)	100% (3/3)
Mr Kamps	100% (6/6)	100% (6/6)	
Mr Van de Weerdhof	100% (6/6)		100% (3/3)
Mr Boone	100% (1/1)		
Ms De Vries	100% (5/5)		
Ms Plochaet	100% (5/5)		
Mr Duijzer	100% (5/5)	100% (5/5)	

Relationship with the external auditors

The Supervisory Board is responsible for engaging the auditors and supervising their performance. The Supervisory Board's Audit Committee, along with the company's Executive Board, assessed the performance of the auditors during 2022. The Audit Committee discussed the 2022 audit plan, which includes the materiality and scope of the audit and the principal risks in the annual reporting, with the external auditors. It also discussed the findings and results of the audit and the content of the auditor's management letter. In the management letter for 2022, the auditor included its observations and recommendations with regard to activities at Group level, the two countries in which Sligro Food Group operates, and the IT environment.

From the observations and recommendations at Group level, it is evident that progress has been made in the areas identified in previous years. Attention is drawn to the roll-out of the new ERP landscape and the monitoring of costs during the further roll-out in Belgium and the Netherlands over the next few years. Moreover, until the current ERP landscape is replaced by the new one, attention will be needed for management measures and mitigating actions in relation to this existing landscape. Mitigating actions are being taken during this phase in order to respond to the observations. Additional care was also requested in respect of the monitoring of transactions with related parties. Although there are no indications of shortcomings in this regard at Sligro Food Group, this issue has become increasingly prominent due to recent incidents in other parts of the world.

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

The complete Supervisory Board held a consultation session with the auditor without the Executive Board being present. The Supervisory Board notes that the consultation between the auditor and the Executive Board concerning the auditor's management letter (and the associated follow-up) is constructive and that appropriate progress in improvement initiatives has resulted from this. The Supervisory Board also notes, once again, that the auditor reported no material audit issues relating to the 2022 financial year requiring follow-up on the part of the Executive Board and/or the Supervisory Board.

The Supervisory Board endorses the Executive Board's conclusions as regards risk management and control systems as set out on page 41.

As from 1 January 2024, Sligro Food Group must carry out a mandatory rotation of its external auditor. The selection process carried out in 2022 for the new auditor, including the outcome of that process and the recommendation made by the Supervisory Board, will be put to the vote at the General Meeting of Shareholders in 2023.

Executive Board conditions of employment

The remuneration report of the Executive Board is set out in the next section of the annual report.

At the General Meeting of Shareholders in 2022, it was announced that the remuneration policy would be reassessed from a broad perspective in the course of 2022, including the relative proportion of fixed and variable components of pay and the relationship between short and long-term remuneration. Based on this assessment, a new remuneration policy has been drawn up, which will be put to the vote at the General Meeting of Shareholders in 2023.

Financial statements

The 2022 financial statements have been prepared by the Executive Board. They were discussed at a meeting attended by the external auditor, who provided further information on them. The financial statements have been audited by Deloitte, whose unqualified report can be found in 'Other Information' on page 154.

The Supervisory Board has approved the financial statements as prepared by the Executive Board for the financial year 2022. Payment of a dividend of €0.55 per share is proposed in respect of 2022 (2021: €0.00) per share.

We propose that the shareholders:
- adopt the 2022 financial statements;
- approve the profit distribution;
- grant full discharge from liability to the members of the Executive Board in respect of their management;
- grant full discharge from liability to the members of the Supervisory Board in respect of their supervision.

Resilience, strength and entrepreneurship
In the past turbulent year, not only the Executive Board but also the International Board and all other employees of Sligro Food Group again demonstrated a high degree of resilience, strength and flexibility, as well as entrepreneurship. The Supervisory Board compliments them on this.

Veghel, 6 February 2023

Freek Rijna, Chair
Aart Duijzer
Hans Kamps
Inge Plochaet
Angelique de Vries
Gert van de Weerdhof

Remuneration Report

This report explains how the remuneration policy approved by the General Meeting of Shareholders has been put into practice over the past financial year (2022), and it details the remuneration that has been paid to or accrued by the individual members of the Executive Board. Members of the Executive Board and Supervisory Board are considered key Group staff members.

Composition and results of the remuneration policy

The remuneration policy is published on the company website. There were no changes to this policy in 2022. The details of the Executive Board's remuneration are given each year in the financial statements. The key points of the remuneration policy are that:

- the policy extends to the remuneration of both the Executive Board and the Supervisory Board;
- the Supervisory Board drafts the policy and the General Meeting of Shareholders adopts it;
- the remuneration policy must be put to the General Meeting of Shareholders for re-adoption within four years of adoption of the existing policy;
- the Works Council is given the opportunity to provide its formal opinion to the Supervisory Board on the remuneration policy to be adopted;
- the policy provides the framework for attracting qualified candidates for the Executive Board;
- the remuneration policy must be competitive while also reasonable in comparison to that of the other members of management and the pay and benefits package of the other employees in the company must also be taken into account. The starting point is competitive remuneration for members of the Executive Board and other employees.

The remuneration package comprises:
- a fixed annual salary;
- participation in a short-term bonus scheme;
- participation in a long-term bonus scheme;
- participation in a share option scheme;
- pension accrual and other fringe benefits.

Remuneration of Executive Board members in office in 2022 that was charged to the result amounted to €2,019 thousand (2021: €1,294).

At the General Meeting of Shareholders held on 23 March 2022, the Remuneration Report for 2021 was put to an advisory vote. Around 97% of the votes were in favour of the Remuneration Report for 2021, which the Executive Board and the Supervisory Board considered to be a significant vote of confidence in the operation of the remuneration policy. As was discussed at the General Meeting of Shareholders on 23 March 2022, due to greater insight into certain elements of the remuneration policy, a proposal for the amendment of the remuneration policy will be presented to the shareholders for approval at the 2023 General Meeting of Shareholders. Given the contents of the Remuneration Report for 2022, it may be concluded that the total amount of remuneration is in line with the remuneration policy and contributes to the long-term performance of the company.

Owing to the influence of COVID-19 on the Group's operating activities and in order to comply with the conditions of the NOW wage subsidy scheme[1)], the Executive Board elected not to award the short-term and long-term bonus due to the Executive Board members in respect of 2021. In 2022, COVID-19 did not have a material influence on operating activities and the Group made no further use of the NOW wage subsidy scheme.

[1)] Tijdelijke Noodmaatregel Overbrugging Werkgelegenheid (Dutch wage subsidy scheme)

Consequently, there were no deviations from the remuneration policy or the decision-making process regarding the remuneration policy this year. Executive Board and Supervisory Board remuneration is not charged to subsidiaries. In 2022, a negligible management fee was charged to Sligro-MFS Belgium N.V. for acquisition activities.
The remuneration can be broken down as follows:

	Koen Slippens		Rob van der Sluijs		Total	
x €1,000	2022	2021	2022	2021	2022	2021
Fixed pay	603	551	525	479	1,128	1,030
Short-term bonus	157	0	136	0	293	0
Long-term bonus	157	0	136	0	293	0
Pension premium and compensation	170	155	115	89	285	244
Value of options	0	0	0	0	0	0
Statutory social security costs	10	10	10	10	20	20
Total	**1,097**	**716**	**922**	**578**	**2,019**	**1,294**

Fixed pay

The fixed annual pay is reviewed in a three-year cycle, meaning that the remuneration package is benchmarked against a reference group of around twenty companies once every three years, with the help of an external expert. This was last done in 2021. The benchmark study performed was presented at the General Meeting of Shareholders[2)] of 2022.

Based on the benchmark study results from 2021, the fixed remuneration for both Executive Board members was increased by 10% as per 1 January 2022[3)]. In the years 2020 and 2021, an increase was granted during the year as per the collective labour agreement/general pay increase (lowest increment used for Group employees). As a result, the average annual pay rise awarded over the 2020-2022 period is 4.27%:

2020-2022	Average	2022	2021	2020
Increase[3)]	4.27%	10.00%	0.00%	2.80%

[2)] See website: www.sligrofoodgroup.nl - Investor relations > AGM > AGM 23 March 2022 > Presentation > sheets 50 to 53

[3] On 1 January 2022, the fixed salary was increased by 10% following the three-yearly benchmark study. In the years 2020 and 2021, the increase granted during the year amounted to the lowest increment used for that group of employees. This increment was zero in 2021. The fixed salary was, however, indexed for pension compensation and there was a change to the age-related scale.

Short-term and long-term bonus

There is one bonus scheme for the Executive Board that offers both a short-term cash bonus and a long-term bonus in the form of shares. The short-term and the long-term components of the variable remuneration are structured identically. Half of the variable remuneration depends on the extent to which the annual budgeted profit target set by the Supervisory Board has been achieved, and the other half depends on specific, short-term targets set annually by the Supervisory Board on the recommendation of the Remuneration and Appointments Committee. The short-term and long-term bonuses are both awarded based on performance in the year in question, albeit that quality-related targets have a longer horizon, as they are linked to programmes that contribute to the company's long-term strategy and value creation. Bonuses are paid out in the following year.

When 100% of the 'at-target' level is met, a short-term bonus is paid out in cash, amounting to 30% of the fixed salary, as well as a long-term bonus of 30% of the fixed salary, which (after deduction of tax) must be used to purchase Sligro Food Group shares. These shares are locked up for a period of five years (four years up to 2019).

Bonus structure for 100% at target:

	Budgeted net profit	Quality targets	Total	Payment
Short term	15%	15%	30%	In cash
Long term	15%	15%	30%	In shares
Total	**30%**	**30%**	**60%**	

The budgeted profit target and other targets were set based partly on remuneration scenario analyses. Each percentage point by which the actual profit falls short of the profit target reduces both the short-term and long-term component of the bonus by 1.5 percentage points. No bonus will be paid if the actual profit is below 90% of the target. Each percentage point by which the actual profit exceeds the annual budgeted profit increases both the short-term and long-term component of the bonus by half a percentage point. Although there is no cap on the amount by which the target can be exceeded, there is a dampening effect.

The combination of ambitious targets, correction for excessive one-off items and the dampening mechanism when the target is exceeded has in the past never led to extensive exceeding (>10%) of the bonuses.

Quality targets have been set for 2022 for which the bonus percentage is determined on the basis of achieving:

1. ERP implementation: first version of the new ERP landscape to go live in Antwerp, Ghent and Liège in 2022.
2. Set-up and structure ready to report on 2022 in accordance with the NFRD, CSRD and EU Taxonomy standards in the 2022 report.
3. Elaboration of Sligro Food Group's digital transformation vision with step-by-step plans on an organisational (structure, people and skills), process, data and technical level.
4. 2025 CSR plan completed, embraced and upheld in the organisation, including step-by-step plans to achieve our goals, including the transition to electric transport in 2030.

Result on bonuses

In 2022, the variable remuneration was 86% of the 'at-target' level. (2021: 143%).

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

The main reason why the at-target level was not met was non-achievement of the qualitative target in respect of the ERP implementation.
The site in Antwerp was the first to go live with the new ERP landscape in November 2022. This was a substantial milestone after a long and sometimes difficult build-up. However, the target that had been set for this year was more ambitious, and was not met.

With the advent of the new reporting rules on sustainability, a substantial change is needed to the design and structure of reporting and the framework that underlies it. The impact and scope of these new rules has been taken very much to heart and a brisk start was made with all necessary preparations to achieve compliance on time.

Digitisation is a topic that has been on the agenda at Sligro Food Group for several years. In its strategy, Sligro Food Group recognises that changes in this area are taking place at an ever-growing pace and that digitisation is set to play a dominant role in an increasing number of business areas and processes. These changes are not merely technical: they also have consequences for the organisational set-up, business processes and data structures that it works with. The vision that is now in place and the step-by-step plans in place to achieve it in all these areas are robust and reinforce the long-term aims in this field.

Sustainability is a topic that is widely embraced within the organisation. In 2022, an overarching plan covering all parts of the business was drawn up and partly enacted with a view to achieving long-term sustainability goals. Although, under the impetus of new regulations, targets in a range of areas will be further refined over the years to come, Sligro Food Group is not waiting to develop initiatives to make structural improvements on the level of people, planet and product range. The establishment of an in-house transport business is under way and the first 25 electric vehicles have been purchased. At the end of 2023, Sligro Food Group and its transport partners together aim to have some 75 electric vehicles on the roads, accounting for over 10% of its fleet.

Target	Result	Allocation
ERP implementation	Not achieved	0.0
ESG legislation structure	Achieved	1.0
Digital transformation	Achieved	1.0
CSR plan 2025	Achieved	1.0
Total		**3.0**

Options and shares

The Group operates a share option scheme that applies to the Executive Board, among others. Share options are allocated to Executive Board members based on a calculation where the board members' average salary is divided by the strike price and the result is multiplied by a factor that depends on the development of the total shareholder return compared to a peer group. This factor can be anywhere between 0% and 150%. The peer group composition is part of the scheme adopted by the General Meeting of Shareholders and has been published on the website).[4)]

Share options allocated

The value shown is the value of the shares at the grant date. Whether options represent actual value becomes clear only at the end of the four-year term. Any net gain on the options must be used in full to purchase Sligro Food Group shares, which are subsequently locked up for a further four years. Seeing as value is created only by adding shareholder value over a period of four consecutive future years and there is a four-year lock-up period after that, we consider this scheme a valuable extra incentive for a long-term perspective.

The value of the share options is determined by taking the number of share options allocated during the financial year and multiplying it by the value of each share option, as calculated using the formula specified in 5.C of the financial statements. Share and share option transactions are subject to rules to prevent insider trading, and share transactions are permitted only over a period of two weeks after publication of the annual figures, interim figures, and the shareholders' meeting, and only if there is no insider knowledge during that period.

The peer group test in 2022, which compared price gains including dividend yield to that of the peer group over the 2019-2021 period, returned a factor of 0% (2021: 0%), which meant that no share options were allocated in 2022.

[4)] www.sligrofoodgroup.nl > About us > Corporate Governance > Remuneration.

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

Shares

x 1	Koen Slippens	Rob van der Sluijs
Opening balance	107,402	12,000
Purchase	0	0
Sale	0	0
Closing balance	**107,402**	**12,000**

Options

x 1	Koen Slippens	Rob van der Sluijs
Opening balance	21,100	21,100
Lapsed	0	0
Granted	0	0
Closing balance	**21,100**	**21,100**

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

Options

x 1	Strike price	Koen Slippens	Rob van der Sluijs
Valid through to 1 April 2023[5]	31.50	21,100	21,100
Closing balance		**21,100**	**21,100**

[5] Valid until the date of the 1st ex-dividend listing following the General Meeting of Shareholders in which the financial statements for the past year are approved.

Long-term value creation

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

Expense allowance

In addition to the above, members of the Executive Board also receive an expense allowance, as well as a kilometre allowance for driving a private car for business purposes. The breakdown of these allowances is as follows:

	Koen Slippens		Rob van der Sluijs	
x € thousand	2022	2021	2022	2021
Expense allowance	8	8	8	8
Kilometre allowance	33	18	26	12

Pay ratio

The pay ratio is the ratio between the pay of the Executive Board members and that of the other employees of the Group. To calculate the pay ratio, we use the total remuneration, comprising fixed salary, bonuses, share options, and pension accrual, as well as the social security costs paid on this remuneration package. We compare the average pay of the two Executive Board members (three up to and including 2018) with the average pay of all other employees of Sligro Food Group. We have explicitly opted not to take a random sample from among the employee population.

The table below shows the pay ratio over the last five years and how this was calculated:

x €1,000	2022	2021	2020	2019	2018
Executive Board					
Average number of FTEs	2.0	2.0	2.0	2.0	3.0
Remuneration for individual EB members					
Koen Slippens	1,097	716	705	752	734
Rob van der Sluijs	922	578	571	615	603
Willem-Jan Strijbosch					619
Employee expenses	2,019	1,294	1,276	1,367	1,956
Average remuneration (A)	1,010	647	638	684	652
Other employees					
Average number of FTEs	4,015	3,973	4,114	4,098	4,053
Employee expenses	225,897	209,889	217,583	216,456	206,816
Average remuneration (B)	56	53	53	53	51
Total					
Average number of FTEs	4,017	3,975	4,116	4,100	4,056
Employee expenses	227,916	211,183	218,859	217,823	208,772
Average remuneration	57	53	53	53	51
A/B pay ratio	**17.9**	**12.2**	**12.1**	**12.9**	**12.8**

The increase in directors' pay in 2022 was due to the 10% pay rise which took effect from 1 January 2022. In addition, both Executive Board members elected not to take their short-term and long-term bonus in 2021, on account of the COVID-19 outbreak. If they had not waived these bonuses, the pay ratio in 2021 would have been 20.7 (2020: 14.2).

The calculation of the average remuneration of the other employees for 2021 did not factor in the NOW and TWO wage subsidy schemes[6], provided by the Dutch and Belgian government respectively, because employees continue to be employed by the Group under these schemes.

[6] Tijdelijke Werkloosheid door Overmacht (Belgian wage subsidy scheme).

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

x € million	2022	2021	2020	2019	2018
Revenue	2,483	1,898	1,946	2,394	2,346
EBITDA	126	109	75	127	114
EBIT	43	25	(76)	44	53
Dividend	24	0	0	24	62
Sustainable product range (% of total revenue)	11.8	11.2	10.8	11.6	10.0
Carbon reduction since 2010 as %	33.4	19.5	22.7	27.7	20.9
Customer satisfaction[7]	68	69	73	73	75

Supervisory Board remuneration

The annual remuneration for the chairman of the Supervisory Board amounted to €58 thousand (2021: €58) while the other Supervisory Board members were paid €40 thousand for a full year's service (2021: €40). Supervisory Board members also received compensation for attending Supervisory Board meetings amounting to €45 thousand (2021: €45). Supervisory Board chairman and member remuneration does not depend on the company's results. Total remuneration amounted to €276 thousand (2021: €246). Supervisory Board members are not awarded shares and/or share options. No loans, advances and/or guarantees have been granted to Executive Board and Supervisory Board members. Total remuneration per Supervisory Board member can be broken down as follows:

x € thousand	2022	2021	2020	2019	2018
Freek Rijna, Chair	68	73	65	63	61
Hans Kamps	55	53	50	53	51
Gert van de Weerdhof	48	50	48	42	39
Aart Duijzer	44	0	0	0	0
Inge Plochaet	31	0	0	0	0
Angelique de Vries	31	0	0	0	0
Marianne van Leeuwen	0	31	50	53	51
Pieter Boone	0	40	22	0	0
Bart Karis	0	0	20	42	44
Total	**276**	**246**	**255**	**253**	**246**

7 StakeholderWatch.
Including Belgium from 2021.


DAENDELS

Financial statements

Consolidated statement of profit or loss

x € million

	Notes	2022	2021	2020
Revenue	2, 3	**2,483**	**1,898**	**1,946**
Cost of sales		(1,820)	(1,400)	(1,478)
Gross profit		**663**	**498**	**468**
Other operating income	4	**18**	**7**	**4**
Employee expenses	5	(314)	(226)	(230)
Premises costs		(34)	(29)	(31)
Selling costs		(22)	(10)	(17)
Logistics costs		(140)	(91)	(86)
General and administrative expenses		(45)	(40)	(33)
Depreciation of property, plant and equipment and right-of-use assets	11, 12	(59)	(60)	(68)
Amortisation of intangible assets	10	(21)	(21)	(21)
Impairment of property, plant and equipment	11	0	(0)	0
Impairment of goodwill and other intangible assets	10	(3)	(3)	(62)
Total operating costs		**(638)**	**(480)**	**(548)**
Operating result	2	**43**	**25**	**(76)**
Finance income	8	0	0	0
Finance costs	8	(7)	(7)	(9)
Share in the result of associates	13	7	8	7
Pre-tax profit (loss)		**43**	**26**	**(78)**
Income taxes	9	(4)	(6)	8
Net profit (loss)		**39**	**20**	**(70)**
Profit (loss) attributable to shareholders of the company		**39**	**20**	**(70)**

Details per share (x €1)		**2022**	**2021**	**2020**
Basic earnings (loss) per share	20	0.88	0.45	(1.59)
Diluted earnings (loss) per share	20	0.87	0.45	(1.58)
Dividend per share proposed	19	0.55	0.00	0.00

Consolidated statement of comprehensive income

x € million

	2022	2021	2020
Net profit (loss)	39	20	(70)
Items that have been or may be reclassified to profit or loss:			
Cash flow hedges, after tax	0	0	1
Other comprehensive income that will be reclassified to profit or loss, after tax	0	0	1
Comprehensive income	**39**	**20**	**(69)**
Comprehensive income attributable to shareholders of the company	**39**	**20**	**(69)**

Consolidated statement of cash flows

x € million

	Notes	2022	2021	2020
Receipts from customers		2,739	2,162	2,312
Receipts from other operating income		1	3	0
		2,740	**2,165**	**2,312**
Payments to suppliers		(2,308)	(1,802)	(1,936)
Payments to employees		(132)	(128)	(129)
Payments to the government and pension fund[1]		(200)	(164)	(150)
		(2,640)	**(2,094)**	**(2,215)**
Net cash flow from business operations	29	100	71	97
Interest paid		(3)	(2)	(5)
Dividends received from participations	13	6	5	4
Income tax received (paid)		(12)	(1)	5
Net cash flow from operating activities		**91**	**73**	**101**
Acquisitions of subsidiaries	1	0	0	0
Proceeds from sales of subsidiaries	1	1	0	1
Purchase of property, plant and equipment	11	(40)	(21)	(45)
Proceeds from disposal of property, plant and equipment		1	7	62
Purchase of intangible assets	10	(21)	(23)	(27)
Purchase of interests in and loans to associates	13	0	0	(2)
Other receipts from sales of interests in and repayment of loans by associates	13	18	2	1
Net cash flow from investing activities		**(41)**	**(35)**	**(10)**
Long-term borrowings drawn	22	0	0	0
Repayments on long-term borrowings	22	(20)	0	(67)
Change in treasury shares		1	1	1
Lease liabilities paid		(25)	(23)	(23)
Dividend paid		(13)	0	0
Net cash flow from financing activities		**(57)**	**(22)**	**(89)**
Change in cash, cash equivalents and short-term borrowings		**(7)**	**16**	**2**
Opening balance		11	(5)	(7)
Closing balance		**4**	**11**	**(5)**

[1] Includes the payment of €4 million received from the government under the NOW wage subsidy scheme (2021: €28).

Consolidated statement of financial position

x € million

	Notes	31 December 2022	31 December 2021	31 December 2020
Assets				
Goodwill	10	125	125	125
Other intangible assets	10	144	146	149
Property, plant and equipment	11	281	282	299
Right-of-use assets	12	203	211	216
Investments in associates	13	56	55	54
Other non-current financial assets	13	6	7	8
Deferred tax assets	9	1	0	2
Total non-current assets		**816**	**826**	**853**
Inventories	14	266	226	188
Trade and other receivables	15	240	131	111
Other current assets	16	39	36	30
Income tax	9	0	0	1
Cash and cash equivalents	17	59	12	13
		604	**405**	**343**
Assets held for sale	18	1	2	2
Total current assets		**605**	**407**	**345**
Total assets		**1,421**	**1,233**	**1,198**

	Notes	31 December 2022	31 December 2021	31 December 2020
Liabilities				
Paid-up and called-up capital		3	3	3
Share premium		31	31	31
Other reserves		(4)	(4)	(5)
Retained earnings		449	423	403
Total equity	19	**479**	**453**	**432**
Deferred tax liabilities	9	12	22	22
Employee benefits provision	5	2	2	2
Other non-current provisions	21	0	0	0
Long-term borrowings	22	110	160	160
Non-current lease liabilities	12	208	214	218
Total non-current liabilities		**332**	**398**	**402**
Current provisions	21	0	0	3
Current portion of long-term borrowings	22	30	0	0
Short-term borrowings	22	55	1	18
Current lease liabilities	12	21	20	19
Trade and other payables	31	364	255	217
Income tax	9	7	3	1
Other taxes and social security contributions	23	29	22	37
Other liabilities, accruals and deferred income	24	104	81	69
Total current liabilities		**610**	**382**	**364**
Total liabilities		**1,421**	**1,233**	**1,198**

Consolidated statement of changes in shareholders' equity

x € million

	Paid-up and called-up capital	Share premium	Other reserves	Retained earnings	Total
Balance as at 31 December 2020	**3**	**31**	**(5)**	**403**	**432**
Share-based payments					
Dividend paid	0	0	0	0	0
Change in treasury shares	0	0	1	0	1
Transactions with owners	0	0	1	0	1
Profit (loss) for the financial year	0	0	0	20	20
Total realised and unrealised results	0	0	0	20	20
Balance as at 31 December 2021	**3**	**31**	**(4)**	**423**	**453**
Share-based payments					
Dividend paid	0	0	0	(13)	(13)
Treasury share transactions	0	0	0	0	0
Transactions with owners	0	0	0	(13)	(13)
Profit (loss) for the financial year	0	0	0	39	39
Total realised and unrealised results	0	0	0	39	39
Balance as at 31 December 2022	**3**	**31**	**(4)**	**449**	**479**

Notes to the consolidated financial statements

Summary of accounting principles

A. General 112
B. Changes in presentation 112
C. Statement of compliance 112
D. Accounting policies applied in the preparation of the consolidated financial statements 112
E. New standards and interpretations 113
F. IFRS accounting policy choices 114
G. Critical accounting policies 114
H. Other accounting policies 116
I. Consolidation principles 118
J. Segment reporting 119
K. Earnings per share 119
L. Discontinued operations 119

List of notes

1. Acquisition, participation and disposal of operations 120
2. Segment reporting 121
3. Revenue 123
4. Other operating income 123
5. Employee-related items 123
   5.A Employee expenses 123
   5.B Employee benefits provision 124
   5.C Share-based payments (share option scheme) 124
   5.D NOW and TWO wage subsidy schemes 125
6. Executive Board and Supervisory Board remuneration 125
7. Audit fees 127
8. Finance income and costs 128
9. Taxation 128
   9.A Taxation (income tax) 128
   9.B Effective tax rate 129
   9.C Income tax on receivables and payables 130
   9.D Deferred tax assets and liabilities 130
10. Goodwill and other intangible assets 132
11. Property, plant and equipment 135
12. Right-of-use assets and lease liabilities 137
13. Investments in associates and other non-current financial assets 138
14. Inventories 139
15. Trade and other receivables 140
16. Other current assets 140
17. Cash and cash equivalents 140
18. Assets held for sale 140
19. Shareholders' equity 141
20. Earnings per share 141
21. Other non-current provisions 141
22. Loans 142
23. Other taxes and social security contributions 143
24. Other liabilities, accruals and deferred income 143
25. Risk management 143
26. Investment liabilities 145
27. Contingent liabilities 146
28. Estimates and judgements by the Executive Board 146
29. Consolidated statement of cash flows 146
30. Related parties 147
31. Supply Chain Finance 147
32. Events after the balance sheet date 148

Notes to the consolidated financial statements

A. General

Reporting entity

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

Financial year

The Group amended the articles of association of Sligro Food Group N.V. and all its wholly-owned subsidiaries in 2020 and switched from a financial year based on the international week numbering system to a financial year based on the calendar year. This change means that the 2020 financial year comprises the period from 29 December 2019 to 31 December 2020, which amounts to 52 weeks and five days. The 2021 and 2022 financial years each cover a full calendar year.

B. Changes in presentation

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

C. Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS). The Executive Board approved the financial statements for publication on 6 February 2023.

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

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

Judgements, estimates and assumptions

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

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

Impairments

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

E. New standards and interpretations

E.1 New and amended standards effective from the 2022 financial year onwards

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

Accounting policy changes as of the 2022 financial year

The European Commission did not approve any new IFRS standards in 2022. The following amendments to existing standards applied from 2022:

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

None of these amendments has a direct material impact on the Group.

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

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

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

- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors - clarification of the difference between amendments to accounting policies and accounting estimates.
- Amendments to IAS 12 Income Taxes – the amendments limit the scope
- of the recognition exemption for deferred tax related to assets and liabilities from a single transaction with equal amounts of deductible and
- taxable temporary differences on initial recognition.

The following amendments to the existing standards have been approved by the IASB but will not take effect until 1 January 2024:

- Amendments to IAS 1 Presentation of Financial Statements - clarification of whether liabilities in the financial statements are to be classified as current or non-current and further clarification of which accounting policies should be disclosed in the financial statements.
- Amendments to IFRS 16 Leases – clarification of the measurement of gains and variable lease payments in relation to a sale-and-leaseback transaction.

Aside from that, amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures have been approved, but an effective date has not yet been announced.

F. IFRS accounting policy choices

Statement of cash flows

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

G. Critical accounting policies

G.1 Revenue

Performance obligation fulfilment

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

Nature of the goods and services

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

Food service

The food service companies in the Netherlands and Belgium offer a comprehensive range of food and food-related non-food products. Revenue from the sale of these goods is recognised at the agreed transaction price, exclusive of sales tax, factoring in volume bonuses, the value of loyalty programme benefits, and any other agreed variable elements. Agreed variable elements are recognised to the extent that a significant reversal in cumulatively recognised income is highly unlikely to occur in the future. At the cash-and-carry outlets, revenue is achieved when customers pay for their purchases at the checkout, because this is when the buyer takes actual possession of the goods. If goods are delivered to the customer, the transfer of title takes places when the goods are physically handed over to the customer. Revenue also includes revenue generated through collaboration with fresh partners.

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

Services

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

G.2 Cost of sales

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

- Temporarily lower purchase prices, which are generally related to special offers to buyers, with a view to increasing the direct volume sold. In most cases, the supplier immediately applies the lower purchase prices during the agreed period.
  Sometimes, however, a supplier charges the normal price and the Group bills the supplier for the discount based on the volume sold. The benefit obtained through lower purchase prices is immediately deducted from the purchase value and, therefore, constitutes (partial) compensation for the lower selling price charged to customers.

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

G.3 Goodwill and other intangible assets

Goodwill

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

Other intangible assets

All other intangible assets are measured at cost less linear amortisation over the estimated service life. For customer relationships, trademarks and places of business, the economic life is estimated. If there are indications of impairment, an impairment test is performed. Expenditure for internally generated trademarks is charged to the result directly.

Software developed by third parties is capitalised at cost. Both external and internal expenditure incurred for the design, building and testing of internally developed and configured software are capitalised, provided a number of criteria, including technical feasibility, are met. Costs relating to licence agreements and maintenance contracts incurred before the software that is to be configured is taken into use are capitalised. After it has been taken into use, these costs are only capitalised if they are inextricably linked to the capitalised software. If there are indications of impairment, an impairment test is performed. This applies both to software already in use and to software under development. Capitalised software is amortised over the estimated service life as per the linear method. The new SAP-based ERP environment, which went live within the Group in 2022, is being amortised over five years.

The following amortisation percentages are used:

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

G.4 Property, plant and equipment

Property, plant and equipment are measured at cost, less linear depreciation, based on an estimation of service life, taking any residual value into account. Attributable finance costs have been factored into the cost, provided that the effect can be considered material in terms of scope or term. If property, plant and equipment consist of components with different service lives, these will be recognised as separate items (component approach).
The depreciation term of leasehold improvements is capped at the term of the leases. If necessary, impairments are applied. Costs involved in construction and production work performed by our construction departments are allocated to the individual construction projects. These costs are capitalised and depreciated under property, plant and equipment as part of the ‘buildings’ category.

The following depreciation percentages are used:

Land	Nil
Buildings	3-12½
Machinery and equipment	12½-33⅓
Other	12½-33⅓

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

Leases under which the Group is the lessee

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

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

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

Leases under which the Group is the lessor

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

H. Other accounting policies

H.1 Foreign currency

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

H.2 Financial instruments

Non-derivative financial instruments

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

Impairment of financial assets

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

H.3 Other operating income

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

H.4 Costs in general

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

H.5 Employee benefits

Defined contribution plans

Liabilities relating to contributions to defined contribution pension plans are recognised in the statement of profit or loss as expenses as and when they

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

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

Defined benefit plans
The Group currently does not have any defined benefit plans.

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

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

Government facilities in respect of employee expenses
Financial concessions from the government in connection with COVID-19 to compensate the payroll costs are deducted from the employee expenses.

H.6 Finance income and costs
This concerns interest payable to third parties and comparable costs, less interest receivable from customers for loans granted and/or deferred payments. Interest expenses on leases are also recognised under this item. Finance income and costs are recognised in the statement of profit or loss, unless these can be allocated directly to the acquisition, construction or production of an eligible asset. Calculation is based on the effective interest method.

H.7 Results of associates
This refers to the Group's share in the net result. Proceeds from the sale of shares in associates will be recognised in 'Other operating income'.

H.8 Income taxes
Taxes recognised in the statement of profit or loss concern income tax payable for the financial year, as well as movements in deferred taxation, unless these taxes relate to items that are included in shareholders' equity directly. Taxes payable for the financial year are the projected taxes payable on the taxable profit and also include corrections for taxes payable for prior years. The effective tax rate is affected by tax incentives and items that are not or only partly tax-deductible. The provision for deferred tax liabilities ensues from temporary differences between fiscal and financial accounting policies. No provisions have been created either for goodwill that is not tax-deductible, or for participations that qualify for the participation exemption. The provision is calculated at the tax rate as on the balance sheet date or at the rate that has already been decided on the balance sheet date. As agreed with the Dutch and Belgian tax authorities, the Group applies an 'arm's length' transfer pricing method between the two countries that conforms with the transactional net margin method as recommended under the OECD Transfer Pricing Guidelines.

H.9 Non-current financial assets
Associates are measured based on the equity method and are, upon initial recognition, measured at cost, including the goodwill established upon acquisition, but excluding acquisition expenses. The measurement will not be below nil, unless the Group is under an obligation to fully or partially make up losses, and/or has raised realistic expectations that it will do so. Unrealised results between entities within the Group are eliminated. Other non-current financial assets concern, among other things, subleases for property let by the Group. These leases are measured at the present value of the future cash flows. Aside from that, mainly interest-bearing loans to customers and loans to associates are recognised under other non-current financial assets. These are measured at amortised cost, less impairments.

H.10 Inventories
Inventories are measured at cost, calculated on a FIFO basis, or lower market value. The market value is the estimated sale value under normal circumstances, less selling costs. The measurement includes internal distribution costs, while bonuses are deducted.

H.11 Trade receivables and other current assets
Upon initial recognition, trade receivables are recognised at the transaction price and subsequently at amortised cost, less impairments. Impairments are determined based on the expected credit loss (ECL) model, as per IFRS 9. Debtors in major financial difficulty and accounts receivable where the due date of outstanding invoices has been exceeded significantly are classified as doubtful debts. For trade receivables from doubtful debts, a separate provision is created, without using the ECL model. If there is no reasonable expectation that doubtful debts will be paid, they are written off.

H.12 Assets held for sale and directly related liabilities
Assets are classified as 'held for sale' if it is highly likely that their carrying amount will be realised primarily through their sale and not through the continued use of these assets. Such assets are generally measured at the carrying amount or lower fair value less selling costs. Impairment losses on a group of assets and liabilities that are to be disposed of will initially be allocated to goodwill and subsequently to the remaining assets and liabilities on a pro rata basis, on the understanding that impairment losses will not be allocated to inventories, financial assets, deferred tax assets or assets under employee benefits, which will continue to be measured in accordance with the Group's other accounting policies. Impairments ensuing from the initial classification as 'held for sale' and gains or losses produced by revaluation after initial recognition are recognised in the result. Once they have been classified as held for sale, intangible assets and property, plant and equipment are no longer amortised or depreciated.

H.13 Cash and cash equivalents
Cash and cash equivalents consist of cash and bank balances, as well as deposits, and are measured at their nominal value. Bank overdrafts that are repayable on demand and that are an integral part of the Group's cash management, are part of the cash, cash equivalents, and short-term borrowings in the statement of cash flows.

H.14 Provisions
The provision for deferred tax liabilities is recognised at nominal value based on the rate at which the liability is expected to be settled and is detailed in the note to Income taxes. The employee benefits provision is detailed in the note to Employee Benefits. The other non-current provisions concern existing liabilities for guarantee provisions estimated at the amounts that will probably be payable for them in the future, as well as restructuring provisions, insofar as applicable.

A restructuring provision is recognised when the Group has approved a detailed and formalised restructuring plan and the restructuring has either already commenced or been announced publicly. If the effect is material, these provisions are calculated at net present value. Future operating losses are not expected.

H.15 Interest-bearing loans
Upon initial recognition, interest-bearing loans are measured at fair value, less attributable transaction costs. After that, they are measured at amortised cost based on the effective interest method.

H.16 Other liabilities, accruals and deferred income
Upon initial recognition, these are recognised at the transaction price and subsequently at amortised cost.

I. Consolidation principles

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

Sligro Food Group International B.V., Veghel

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

- **Sligro Food Group Belgium N.V., Rotselaar**

- **Sligro-MFS Belgium N.V., Rotselaar**

The effectiveness of the Group's legal structure is assessed on an annual basis, whereby simplicity is the primary criterion.

Associates are entities where the Group has significant influence over the financial and operating policy, but over which the Group does not have control. The consolidated financial statements include the share in the comprehensive income of the associates based on the ‘equity’ method. Subsidiaries and associates are included in the consolidated financial statements from the start date of control or significant influence and until the date on which such control or influence ends.
Intra-group items and any unrealised profits or losses on these transactions are eliminated upon preparation of the consolidated financial statements.

J. Segment reporting

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

K. Earnings per share

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

L. Discontinued operations

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

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

1. Acquisition, participation and disposal of operations

On 3 January 2023, the Group acquired control over various assets and liabilities that mainly reflect the activities of nine Metro wholesale outlets. The acquisition is regarded as a business combination on the basis of IFRS 3. The transaction occurred in the context of the court-supervised restructuring of Makro Cash & Carry Belgium N.V. On the basis of its investigation, the Belgian Competition Authority (BCA) issued an ‘unconditional decision to grant an exemption’ on 17 November 2022, which enabled the transaction to go ahead.
The BCA will formally complete its investigation in the near future; at this time no significant obstacles are expected to emerge from this investigation.

The wholesale outlets are a prominent supplier of food and food-related non-food products to the hospitality industry, healthcare facilities and other food professionals. Acquisition of these outlets will support the Group’s continuing growth in the Belgian market.

The assets and liabilities acquired are analysed in the table below, which reflects the assets and liabilities that have been identified at fair value to the extent that can currently be determined. This is due to the limited time between the acquisition date of 3 January 2023 and the preparation of the financial statements, as well as to the limited information that has been obtained to date in order to determine the figures more precisely.

x € million	**Metro**
Goodwill	*
Other intangible assets	*
Property, plant and equipment	1
Right-of-use assets	*
Trade and other receivables	3
Inventories	1
Cash and cash equivalents	0
Non-current lease liabilities	*
Current lease liabilities	*
Other liabilities, accruals and deferred income	*
Total identifiable net assets	*****

Please note that the initial valuation of the business combination has not yet been completed and these values are therefore not final. We intend to provide an update at the presentation of the half-yearly figures for 2023.
Metro’s assets and liabilities were acquired for an initial purchase price of €47 million, which includes €5 million as the designated acquisition price for the land and buildings in Liège. Through a separate transaction, the Group acquired control of the land and buildings in Liège as of 28 December 2022 for €5 million.
The land and buildings in Liège are recognised under property, plant and equipment as at 31 December 2022.

The initial purchase price will be increased by the value of inventory and cash balances present in the wholesale outlets on 3 January 2023.
The start-up and acquisition costs amounting to €4 million are recognised in the statement of profit or loss under general and administrative expenses in accordance with IFRS 3.

As of 31 December 2022, an escrow account is available relating to the acquisition of the Metro activities, which serves as a guarantee for the Group. The balance of this escrow account was €5 million at the end of 2022. That balance represents the amount already paid to the notary by the Group in respect of the land and buildings in Liège. The escrow amount will be transferred to the seller, Makro Cash & Carry Belgium N.V., when the sale transaction has become irrevocable.

Other intangible assets are expected primarily to concern places of business and customer relationships. The property, plant and equipment in the table comprise other property, plant and equipment. The acquired right-of-use assets and the associated lease obligations primarily relate to rental contracts for the buildings at the various sites. A small part relates to leases of cars for employees. Trade and other receivables comprise receivables owed by trade debtors, net of a downward revaluation to fair value, and supplier bonuses. Other liabilities, accruals and deferred income consist of payables to employees and customer bonuses. No contingent liabilities have been identified to date. The final purchase price allocation is not yet complete and the goodwill arising on the transaction will be determined at the same time as the fair value of the other assets and liabilities.

Sligro-Metro's (start-up) activities are not currently allocated to any of the Group’s segments, but are included in the Belgium segment, as explained in note 2.

* Still to be determined

2. Segment reporting

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

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

The Belgium segment includes the cash-and-carry and delivery service operations under the trademarks Sligro-ISPC and JAVA Food service. Sligro-M's (start-up) activities, which are included in the legal entity Sligro-MFS Belgium N.V., are currently not allocated to any of the segments, but are included in Belgium in the segment reporting table. This also applies to the assets present at the balance sheet date, specifically the cash on hand amounting to €45 million and the building purchased in Liège, valued at €5 million.

The information used by the Executive Board to assess progress and make operational decisions is based on these segments. The Group submits a monthly financial report to the Executive Board and Supervisory Board. The Executive Board assesses the operating result based on this report, which contains primarily the consolidated and segment information with respect to the statement of profit or loss and related KPIs, the statement of cash flows, the balance sheet, and the operating capital. The annual budget and forecasts are also made on the level of these segments and the Chief Operating Decision Maker allocates resources on this level.

The main performance indicator that the Group uses is EBIT. In this report, the local management teams disclose details of their segment's performance. The report is compiled based on the same accounting policies as the financial information in the financial statements.

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

Segment reporting

x € million	Netherlands 2022	Netherlands 2021	Belgium 2022	Belgium 2021	Group 2022	Group 2021
Revenue [1]	**2,238**	**1,730**	**245**	**168**	**2,483**	**1,898**
Other operating income	18	7	0	0	18	7
Total income	**2,256**	**1,737**	**245**	**168**	**2,501**	**1,905**
Gross operating result (EBITDA)[6]	**134**	**110**	**(8)**	**(1)**	**126**	**109**
Depreciation and amortisation[2]	(75)	(72)	(8)	(12)	(83)	(84)
Operating result (EBIT)[6]	**59**	**38**	**(16)**	**(13)**	**43**	**25**
Finance income and costs	(7)	(7)	0	0	(7)	(7)
Share in the result of associates	7	8	0	0	7	8
Income taxes[6]	(8)	(8)	4	2	(4)	(6)
Net profit (loss)[6]	**51**	**31**	**(12)**	**(11)**	**39**	**20**
Total assets[6]	**1,233**	**1,131**	**188**	**102**	**1,421**	**1,233**
Segment liabilities[6]	655	556	91	64	746	620
Non-allocated liabilities					675	613
Total liabilities					**1,421**	**1,233**
Net invested capital[3] [6]	745	753	55	52	800	805
Net interest-bearing debts, provisions and associates					(321)	(352)
Group capital					**479**	**453**
Employee expenses[6]	272	196	42	30	314	226
Average number of employees[4] (FTEs)	3,489	3,450	528	525	4,017	3,975
Investments[6]	52	48	7	1	59	49
Divestments	0	(2)	0	0	0	(2)
Cash flows						
Payments to the government[5]	(156)	(159)	(46)	(22)	(202)	(181)

1) Transfers between segments amounted to €54 million (2021: €33) from the Netherlands to Belgium.

2) Including impairments.

3) Less free cash.

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

5) Includes, besides tax and excise duties paid to the government, the payment of €4 million received from the government under the NOW wage subsidy scheme (2021: €28; 2020 €19) in the Netherlands.

6) The Belgium segment in 2022 also includes the unallocated (start-up) activities of Sligro-M.

3. Revenue

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

	Netherlands		Belgium		Group	
x € million	2022	2021	2022	2021	2022	2021
Deliveries of goods	2,193	1,703	245	168	2,438	1,871
Deliveries of services	45	27	0	0	45	27
	2,238	**1,730**	**245**	**168**	**2,483**	**1,898**

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

4. Other operating income

x € million	2022	2021
Rental income	1	1
Book result on sale of property, plant and equipment	1	4
Other non-recurring results	16	2
	18	**7**

This year, a one-off non-taxable book profit of €16 million was realised on the sale of the Group's minority stake in its associate, O. Smeding & Zn. B.V., which is recognised in other non-recurring results.

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

5. Employee-related items

5.A Employee expenses

Employee expenses break down as follows:

x € million	Notes	2022	2021
Salaries		176	165
Social security costs		31	28
Premiums for defined contribution plans		14	14
Share-based payments	5.C	4	1
Insourced staff and temporary agency workers		70	26
Other employee expenses		19	19
NOW wage subsidy scheme	5.D	0	(27)
		314	**226**

Movements in the restructuring provision can be shown as follows:

x € million	2022	2021
Opening balance	0	3
Additions	0	0
Withdrawals	0	(3)
Release	0	0
Closing balance	**0**	**0**

5.B Employee benefits provision

This provision relates to service anniversary schemes.

x € million	2022	2021
Opening balance	2	2
Benefits	0	0
Additions	0	0
Actuarial result (also result for financial year)	0	0
Closing balance	**2**	**2**

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

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

The target group for the first scheme is made up of roughly 50 people who are awarded four-year share options that are conditional on continuation of employment and cannot be exercised before the end of the four-year term. Share options are allocated to Sligro Food Group N.V. Executive Board members based on a calculation where the board members' average salary is divided by the strike price and the result is multiplied by a factor that depends on the development of the total shareholder return compared to a peer group and can be anywhere between 0% and 150%. The peer group composition is part of the scheme adopted by the General Meeting of Shareholders and has been published on the website. The peer group test led to a factor of 0% for 2022 (2021: 0%), which meant that no share options were allocated in 2022.
Depending on their job category, the other members of the target group receive 50% or 25% of the share options awarded to Executive Board members. No shares were allocated to these members in 2022. Any post-tax profits from the share option schemes must be used in full to purchase Sligro Food Group shares. Such shares will (once again) be locked up for four years for Executive Board members. For other participants, a lock-up term of one year applies to the shares purchased.

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

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

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

x 1	2022	2021
Opening balance	766,185	1,015,071
Exercised	0	0
Redeemed	0	0
Lapsed	(132,578)	(217,642)
Voided on account of termination of employment	(62,408)	(31,244)
Granted	0	0
Closing balance	**571,199**	**766,185**

The share options allocated in 2018 have not been exercised and have therefore lapsed, because the actual price on the strike date was lower than the strike price. No options were issued in 2020 and 2021.

Share options in issue at year-end 2022 break down as follows:

	Term	Strike price	Number
22 March 2019	1 April 2023	31.50	571,199

For the exact number of share options allocated to individual Executive Board members, please see Note 6.
Gross expenses ensuing from this scheme have been calculated by external specialists using the Black-Scholes pricing model and amount to €0.0 million for the allocation in March 2022 (2021: €0.0) over the full 4-year term. Costs recognised in 2022 relating to the current option series total €1 million (2021: €1).

5.D NOW and TWO wage subsidy schemes

In the Netherlands, the Group made use of the NOW temporary wage subsidy scheme in 2020 and 2021.

In 2022, our application for a subsidy under NOW 3.1-3.3 was finalised and the final settlement was made, which did not result in any material differences with respect to the balance recognised in the 2021 financial statements.

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

x € million	2022	2021
Opening balance	4	3
Payment calculated	0	27
Advance payments received	0	(28)
Settlement	(4)	2
Closing balance	**0**	**4**

In Belgium, the Group took advantage of the Belgian wage subsidy scheme TWO in 2022 as well, resulting in lower salary costs and social security expenses amounting to €0 million (2021: €2). This form of support sees the Belgian government pay part of the personnel costs directly to the employee. This means that, rather than a wage subsidy, this is a reduction of the salary costs and social security expenses.

6. Executive Board and Supervisory Board remuneration

The following provides an outline of how the remuneration policy has been put into practice over the past financial year. Members of the Executive Board and Supervisory Board are considered key Group staff members. The remuneration of Executive Board members in office in 2022 that was charged to profit or loss amounted to €2,019 thousand (2021: €1,294).

The COVID-19 outbreak affected the Group's operations. In response to this and in compliance with the conditions for the NOW 3.2 and 3.3 wage subsidy schemes, the Executive Board decided in 2021 not to take the short-term and long-term bonuses awarded to them for that year.

The remuneration can be broken down as follows:

x €1,000	Koen Slippens 2022	Koen Slippens 2021	Rob van der Sluijs 2022	Rob van der Sluijs 2021	Total 2022	Total 2021
Fixed pay	603	551	525	479	1,128	1,030
Short-term bonus	157	0	136	0	293	0
Long-term bonus	157	0	136	0	293	0
Pension premium and compensation	170	155	115	89	285	244
Value of options	0	0	0	0	0	0
Statutory social security costs	10	10	10	10	20	20
Total	**1,097**	**716**	**922**	**578**	**2,019**	**1,294**

There is one bonus scheme for the Executive Board that offers both a short-term cash bonus and a long-term bonus in the form of shares. The short-term and the long-term component of the variable remuneration are structured identically. Half of the variable remuneration depends on the extent to which the annual budgeted profit target set by the Supervisory Board has been achieved and the other half depends on specific, short-term targets set annually by the Supervisory Board on the recommendation of the Remuneration and Appointments Committee. The short-term and long-term bonuses are both awarded based on performance in the year in question, albeit that quality-related targets have a longer horizon, as they are linked to programmes that contribute to the company's long-term strategy and value creation. Bonuses are paid out in the following year.

When 100% of the 'at-target' level is met, a short-term bonus is paid out in cash, amounting to 30% of the fixed salary, as well as a long-term bonus of 30% of the fixed salary, which (after deduction of tax) must be used to purchase Sligro Food Group shares. These shares are locked up for a period of five years.

The budgeted profit target and other targets were set based partly on remuneration scenario analyses. Each percentage point by which the actual profit falls short of the annual budgeted profit reduces both the short-term and long-term component of the bonus by 1.5 percentage points. No bonus will be paid if the actual profit is below 90% of the target. Each percentage point by which the actual profit exceeds the annual budgeted profit increases both the short-term and long-term component of the bonus by half a percentage point. Although there is no cap on the amount by which the target can be exceeded, there is a dampening effect. The combination of ambitious targets, correction for excessive one-off items and the dampening mechanism when the target is exceeded has in the past never led to extensive exceeding (>10%) of the bonuses.

Quality targets have been set for 2022 for which the bonus percentage is determined on the basis of achieving:
1. ERP implementation: first version of the new ERP landscape to go live in Antwerp, Ghent and Liège in 2022.
2. Set-up and structure ready to report on 2022 in accordance with the NFRD, CSRD and EU Taxonomy standards in the 2022 report.
3. Elaboration of Sligro Food Group's digital transformation vision with step-by-step plans on an organisational (structure, people and skills), process, data and technical level.
4. 2025 CSR plan completed, embraced and upheld in the organisation, to include step-by-step plans to achieve our goals, including the transition to electric transport in 2030.

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

Shares

x 1	Koen Slippens	Rob van der Sluijs
Opening balance	107,402	12,000
Purchase	0	0
Sale	0	0
Closing balance	**107,402**	**12,000**

Options

x 1	Koen Slippens	Rob van der Sluijs
Opening balance	21,100	21,100
Lapsed	0	0
Granted	0	0
Closing balance	**21,100**	**21,100**

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

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

In addition to the above, members of the Executive Board also receive an expense allowance, as well as a kilometre allowance for driving a private car for business purposes. The breakdown of these allowances is as follows:

	Koen Slippens		Rob van der Sluijs	
x € thousand	2022	2021	2022	2021
Expense allowance	8	8	8	8
Kilometre allowance	33	18	26	12

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

Supervisory Board remuneration

The annual remuneration for the chairman of the Supervisory Board amounted to €58 thousand (2021: €58) while the other Supervisory Board members were paid €40 thousand for a full year's service (2021: €40). Supervisory Board members also received compensation for attending Supervisory Board meetings amounting to €45 thousand (2021: €45). Supervisory Board chairman and member remuneration does not depend on the company's results. Total remuneration amounted to €276 thousand (2021: €246). Supervisory Board members are not awarded shares and/or share options. No loans, advances and/or guarantees have been granted to Executive Board and Supervisory Board members.

7. Audit fees

Recognised in the general and administrative expenses, fees paid for the audit of the financial statements totalled €959 thousand in 2022 (2021: €986). The fees for 2022 include an amount of €14 thousand in additional costs relating to the audit from the previous financial year (2021: €93). Other assurance-related services consist mainly of other activities, including assurance and audit services for respectively customer-related arrangements and the NOW2 wage subsidy schemes, which the Group used in the Netherlands in 2020 and 2021. The auditor charged €145 thousand for this in 2022 (2021: €157 thousand). The auditing firm is not engaged for advisory services.

1) Valid until the date of the 1st ex-dividend listing following the General Meeting of Shareholders in which the financial statements for the past year are approved.

2) Temporary wage subsidy (NOW).

Audit fees break down as follows:

x € million	2022 Deloitte Accountants B.V.	2022 Deloitte network	2021 Deloitte Accountants B.V.	2021 Deloitte network
Audit of the parent company's financial statements	860	0	867	0
Audit of subsidiaries	0	113	0	119
Subtotal of consolidated financial statements	**860**	**113**	**867**	**119**
Other assurance-related services	145	0	157	0
	1,005	**113**	**1,024**	**119**

8. Finance income and costs

x € million	2022	2021
Finance income	**0**	**0**
Finance costs on leases	(4)	(4)
Finance costs on other financial liabilities	(3)	(3)
Finance costs	**(7)**	**(7)**

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

9. Taxation

9.A Taxation (income tax)

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

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

Where appropriate, we proactively engage with the relevant tax authorities. Since 2020, we have formalised this liaison with the Dutch tax authorities in an Individual Monitoring Plan with the Tax Administration, which includes mutual agreements on how to ensure a transparent relationship. This plan furthermore includes specific arrangements on the efforts the company will go to in making tax controlling part of its overall control measures, which is something we are continuously working on. In doing so, we make use of the Group's Internal Control Framework and data analyses using samples to monitor correct application of tax legislation. Progress in this respect is

monitored through regular meetings with the tax authorities, which includes a continued focus on making sure we pay our fair share of taxes and do not push the limits of tax legislation.
The Individual Monitoring plan for 2023 was finalised in December 2022.

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

The justification and definition of the transfer pricing method used is an integral part of our tax control practices. We therefore comply with current additional documentation obligations as part of country-by-country reporting and in submitting the group file and local file. Furthermore, the Group reached an agreement with the Dutch and Belgian tax authorities in 2021 about the transfer pricing method between Sligro Food Group Nederland B.V. and Sligro Food Group Belgium N.V. in the context of MLC (Multilateral Control) up to the end of the 2019 tax year. In 2022, an agreement was reached with both tax authorities on the BAPA (Bilateral Advanced Pricing Agreement) application submitted for 2020 to 2025.

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

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

x € million	2022	2021
Payable (receivable) for financial year	6	7
Prior-year corrections	(2)	0
Liability (receivable) for financial year	**4**	**7**
Change in and release from deferred tax liabilities	0	(1)
Tax expense (income) from continuing operations	**4**	**6**

The tax expense per share is €0.10 (2021: €0.14)

9.B Effective tax rate

The effective tax rate can be explained as follows:

x € million	2022	2021
Pre-tax profit (loss)	**43**	**26**
Nominal tax rate (Netherlands 25.8%, Belgium 25.0%)	11	6
Prior-year corrections	(1)	1
Energy-saving investment and similar tax credits	0	0
Change from deferred tax liabilities	0	0
Untaxed results	(4)	0
Rate change	0	1
Other, including tax facilities and non-deductible amounts, untaxed results of associates	(2)	(2)
Effective tax rate 10.4% (2021: 23.0%)	**4**	**6**

As part of sustainability, we are investing in more sustainable cooling and heating systems at our sites, for which we use the available tax credits.

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

At the end of the financial year, we make an estimate for a number of tax-related items. When filing our tax returns, the actual outcomes may deviate from these estimates, causing (minor) inconsistencies. The subsequent corrections from prior years are recognised in the current financial year. The transfer pricing method agreed on and applied within the context of MLC and the BAPA led to the following tax netting between the segments in 2022:

	Netherlands	Belgium	Group
Financial tax expense (income) for the financial year	(4)	0	(4)
Settlement as per transfer pricing method for 2022	(4)	4	0
Tax expense (income) per segment	**(8)**	**4**	**(4)**

In addition, a settlement amounting to €25 million was made from the Netherlands to Belgium for the transfer pricing for the years 2020 and 2021.

9.C Income tax on receivables and payables

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

x € million	2022	2021
Receivables	0	0
Payables	(7)	(3)
Net closing balance	**(7)**	**(3)**

As at year-end 2022, all Dutch wholly-owned subsidiaries are included in the fiscal unity for corporation tax purposes, meaning that taxes are levied as if it concerned one single company. This also means that all companies in the fiscal unity are liable for the entity's tax debt.

In 2022, an agreement was reached with the Dutch and Belgian tax authorities on the BAPA (Bilateral Advanced Pricing Agreement) application submitted for 2020 to 2025. This left the Group's tax position for previous years unchanged, but resulted in a tax gain of €0 million (rounded figure) in the Netherlands and a tax charge of the same amount in Belgium.

9.D Deferred tax assets and liabilities

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

x € million	2022	2021
Deferred tax assets	1	0
Deferred tax liabilities	(12)	(22)
Net closing balance	**(11)**	**(22)**

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

		2022		2021
x € million	Asset	Liability	Asset	Liability
Intangible assets	1	10	0	10
Property, plant and equipment	0	10	0	18
Right-of-use assets	0	52	0	51
Lease liabilities	59	0	57	0
Inventories	0	1	0	0
Tax loss carryforward	1	0	0	0
Other	1	0	0	0
Closing balance	62	73	57	79
Net liability as at the end of the financial year		**11**		**22**

The deferred tax liabilities relate primarily to the recognition of intangible assets from acquisitions, right-of-use assets and related lease liabilities, and deviating measurement of property, for which fiscally specific rules are used.

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

Movements over the financial year were as follows:

x € million	2022	2021
Net liability as at the beginning of the year	22	20
Acquisitions	0	0
Release added to result	0	(3)
Change during financial year	(8)	(1)
Prior-year change	(3)	6
Transfer from/to liabilities relating directly to assets held for sale	0	0
Net liability as at the end of the year	**11**	**22**

Losses from past acquisitions have been recognised on the balance sheet, as we expect to be able to utilise them in the future. Receivables and liabilities are offset per tax entity.

10. Goodwill and other intangible assets

Movements in this item can be broken down as follows:

x € million	Goodwill	Other intangible assets			
		Places of business, customer relation-ships, trademarks and other	Software	Assets in progress	Total
Cost	168	180	48	40	268
Cumulative amortisation and impairment	(43)	(82)	(37)	0	(119)
Balance as at 31 December 2020	**125**	**98**	**11**	**40**	**149**
Investments	0	0	7	17	24
Divestments	0	0	(0)	0	(0)
Acquisitions	0	0	0	0	0
Transfers	0	0	4	(5)	(1)
Amortisation	0	(11)	(10)	0	(21)
Impairments and inefficiencies	0	(3)	(0)	(2)	(5)
Total changes	0	(14)	1	10	(3)
Cost	168	180	43	50	273
Cumulative amortisation and impairment	(43)	(96)	(31)	0	(127)
Balance as at 31 December 2021	**125**	**84**	**12**	**50**	**146**
Investments	0	0	11	11	22
Divestments	0	0	0	0	0
Acquisitions	0	0	0	0	0
Transfers[1]	0	0	58	(58)	0
Amortisation	0	(11)	(10)	0	(21)
Impairments and inefficiencies	0	0	(3)	0	(3)
Total changes	0	(11)	56	(47)	(2)
Cost	168	180	109	3	292
Cumulative amortisation and impairment	(43)	(107)	(41)	0	(148)
Balance as at 31 December 2022	**125**	**73**	**68**	**3**	**144**

[1] Concerns the start of use of the new SAP-based ERP environment in Belgium.

Breakdown of intangible fixed assets by cash-generating units

The goodwill is distributed across the segments as follows:

Cash-generating unit

x € million	2022	2021
Netherlands	125	125
Belgium	0	0
Closing balance	**125**	**125**

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

The assessment of the annual impairment testing results was threefold:
1. the annual assessment of the goodwill of cash-generating units in the Netherlands
2. the annual assessment of the goodwill of the Belgium cash-generating unit
3. the annual assessment of the corporate assets in progress, which are allocated to the net invested capital of the Netherlands and Belgium cash-generating units based on the 'revenue' allocation formula

The recoverable amount of the cash-generating units, i.e. the Netherlands and Belgium, is based on an enterprise value calculation and determined by calculating the net present value of estimated future cash flows generated through the continued use of these cash-generating units.
Given the impact of COVID-19 on the Group's revenue and result, the conclusion drawn on 30 June 2020 based on a recalculation of the recoverable amount was that the recoverable amount of the Belgium cash-generating unit was lower than the net invested capital and therefore an impairment loss of €60 million has been recognised, comprising €43 million in goodwill and €17 million in customer relations. At year-end 2021, the recoverable amount for Belgium was reassessed and an additional impairment of €3 million was recognised, which was allocated to the 'trademarks' intangible asset.

The going-concern assumption was used in measuring the assets. Given the Group's current liquidity and solvency, it sees no reason to assume that it will be unable to continue its operations in the foreseeable future. This assessment is based on the realised operating result (EBIT) for the Netherlands and Belgium in the past year, the 2023 budget for the Netherlands and Belgium, projections for the 2024-2027 period for the Netherlands and the 2024-2052 period for Belgium, and projections based on the terminal growth rate for the years beyond 2027 for the Netherlands and beyond 2052 for Belgium, which are based partly on empirical figures.

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

On account of the fact that Belgium is still in the set-up phase, the expectation is that this segment will need more than five years to reach a stable investment cash flow situation. This is why the management has, like in previous years, opted to use an extended forecast period of 30 years. Management's estimate is that stable EBITDA cash flow will be reached after five years. As a precaution, however, management therefore assumes EBITDA at a constant level over the years after 2027 and capital expenditure is based on past figures from the Netherlands.

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

The assumptions are the following:

Assumptions used at year-end 2022

in %	Netherlands 2023-2027	Belgium 2023-2027
Pre-tax discount rate	11.1	11.5
Terminal growth rate[1]	2.0	2.0
Revenue growth	7.4	13.0
Gross profit percentage improvement (% point)	0.3	0.5
EBITDA percentage improvement (% point)	0.5	1.5
WACC	8.3	8.6

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

The conclusion drawn from this calculation is that the realisable value of both cash-generating units is higher than the net invested capital and therefore no impairment has been recognised. The headroom for the Belgium cash-generating unit is €85 million, compared to net invested capital of €59 million. This is mainly due to a higher terminal growth rate, higher and faster than expected revenue growth in the coming years and a greater improvement in both gross profit margin and the EBITDA to revenue ratio, compared to the expectations one year ago.

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

x € million	2022	2021
Intangible assets relating to acquisitions		
Customer relationships	56	65
Places of business	12	13
Trademarks	5	6
	73	**84**
Intangible assets not relating to acquisitions		
Software	68	12
Assets in progress	3	50
	71	**62**
Closing balance	**144**	**146**

Impairments relating to software and assets in progress

The €3 million impairment on software (2021: €0) concerns licences included in the new ERP landscape which will not be put into use. The €2 million change in 'impairments and inefficiencies' relating to assets in progress in 2021 concerns unused licences and the associated configuration costs of the Group's new ERP landscape.

In 2022, the Group again conducted a review to determine whether there are inefficiencies that can be reliably identified in relation to the new ERP landscape that went live in November. Based on the outcome, the Group has determined there are none in 2022.

[1] After 2027 for the Netherlands and after 2052 for Belgium.

11. Property, plant and equipment

Movements in this item can be broken down as follows:

x € million	Land and buildings	Machinery and equipment	Other fixed operating assets	Assets in progress	Total
Cost	405	71	185	1	662
Cumulative depreciation	(166)	(53)	(144)	0	(363)
Balance as at 31 December 2020	**239**	**18**	**41**	**1**	**299**
Investments	6	3	3	13	25
Divestments	(2)	0	(0)	0	(2)
Acquisitions	0	0	0	0	0
Transfers	0	0	1	(1)	0
Depreciation	(16)	(5)	(19)	0	(40)
Impairments	0	0	(0)	0	(0)
Transfers to assets held for sale	0	0	0	0	0
Total changes	(12)	(2)	(15)	12	(17)
Cost	408	75	185	13	681
Cumulative depreciation	(181)	(59)	(159)	0	(399)
Balance as at 31 December 2021	**227**	**16**	**26**	**13**	**282**
Investments	13	2	11	11	37
Divestments	0	0	0	0	0
Acquisitions	0	0	0	0	0
Transfers	12	1	3	(16)	0
Depreciation	(16)	(6)	(16)	0	(38)
Impairments	0	0	0	0	0
Transfers to assets held for sale	0	0	0	0	0
Total changes	9	(3)	(2)	(5)	(1)
Cost	432	75	185	8	700
Cumulative depreciation	(196)	(62)	(161)	0	(419)
Balance as at 31 December 2022	**236**	**13**	**24**	**8**	**281**

In 2022, one property was purchased in relation to the acquisition of the Metro activities in Belgium. Further information on this is included in note 1. In addition, several cash-and-carry outlets were remodelled and the new Dievers distribution centre in Veghel was completed and put into operation. Two business premises and a plot of land were sold in 2021.

Assets in progress

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

Cash-and-carry outlets and distribution centres

The land and buildings item breaks down as follows:

x € million	2022	2021
Land	54	54
Buildings	118	108
Freehold land and buildings	**172**	**162**
Leasehold premises	2	2
Leasehold improvements	62	63
Rented property and premises	**64**	**65**
Closing balance	**236**	**227**

The land covers a total surface of 638,000m² (2021: 639,000m²), of which 288.000m² is used for the central complex (2021: 288.000m²).

	Number		GFA[1]		Carrying amount (x € million)	
	2022	2021	2022	2021	2022	2021
Cash-and-carry outlets[2]	29	28	196	177	98	95
Delivery service sites	1	1	13	13	8	9
Production sites	2	2	10	10	5	5
Central complex	1	1	155	140	59	50
Decommissioned assets	0	0	0	0	0	0
Other	2	2	5	5	2	3
Financial year-end	**35**	**34**	**379**	**345**	**172**	**162**

1) Gross floor area x 1,000m².

2) Increase of one cash-and-carry outlet concerns the former Metro site in Liège, with a gross floor area of 18,000m².

12. Right-of-use assets and lease liabilities

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

x € million	Buildings	Other operating assets	Total
Cost	332	6	338
Cumulative depreciation	(119)	(3)	(122)
Balance as at 31 December 2020	**213**	**3**	**216**
Additions	0	1	1
Renewals	12	0	12
Terminations	(0)	(0)	(0)
Depreciation	(18)	(2)	(20)
Indexation	2	0	2
Total changes	**(4)**	**(1)**	**(5)**
Cost	344	6	350
Cumulative depreciation	(135)	(4)	(139)
Balance as at 31 December 2021	**209**	**2**	**211**
Additions	0	2	2
Renewals	1	0	1
Terminations	0	0	0
Depreciation	(19)	(2)	(21)
Indexation	10	0	10
Total changes	**(8)**	**0**	**(8)**
Cost	355	6	361
Cumulative depreciation	(155)	(3)	(158)
Balance as at 31 December 2022	**200**	**3**	**203**

The lease liabilities have the following term:

x € million	2022	2021
Non-current lease liabilities	208	214
Current lease liabilities	21	20
Closing balance	**229**	**234**

The total outflow of cash was:

x € million	2022	2021
Lease liabilities paid	25	23
Finance costs	4	4
Closing balance	**29**	**27**

The term of the contractual future lease liabilities calculated at net present value is as follows:

x € million	2022	2021
Under one year	21	20
One to five years	79	77
Over five years	129	137
Contractual future lease liabilities	**229**	**234**

The statement of profit or loss contains the following items:

x € million	2022	2021
Finance costs under leases	(4)	(4)
Variable lease expenses not recognised as lease liabilities	(1)	(1)
Income from subleases	1	1
Costs of short-term lease contracts	(1)	(1)
Costs of low-value lease contracts	(1)	(1)

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

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

x € million	2022	2021
Under one year	1	1
One to five years	1	2
Over five years	0	0
Contractual future income from subleases	**2**	**3**

Leases with an intrinsic term of less than 15 years and an option for renewal have been included for up to a maximum of 15 years. If the contracts with a renewal option were included for 20 years rather than 15, this would result in an increase of both the right-to-use asset and the lease liability of approximately €13 million (2021: €18). The impact on EBIT and EBITDA is not material.

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

x € million	2022	2021
Associates	**56**	**55**
Other non-current financial assets		
Loans to customers	5	6
Financial subleases	1	1
Closing balance	**6**	**7**

Associates

The associates can be broken down as follows:

Ownership percentage as at year-end	2022	2021
O. Smeding & Zn. B.V., Sint Annaparochie	0%	49%
M. Ruig & Zn. B.V., Oostzaan	25%	25%
G. Verhoeven Bakkerij B.V., Veldhoven	25%	25%
Slagerij Kaldenberg B.V., Herwijnen	33%	33%
Vemaro B.V., Venlo	40%	40%
Spar Holding B.V., Waalwijk	45%	45%
Coöperatie Inkoopvereniging Superunie B.A., Beesd [1]		

Measurement is based on associates' last-known figures. All participations held are of a strategic nature. Voting rights equal the ownership percentage. The stake in Smeding, which was transferred to Assets held for sale in 2021, was sold in 2022.

Movements in associates were as follows:

x € million	2022	2021
Opening balance	55	54
Investments/divestments	0	0
Transfers to assets held for sale	0	(2)
Result	7	8
Dividend	(6)	(5)
Closing balance	**56**	**55**

The summarised financial details of the associates, based on 100% ownership, as presented in their most recent financial statements (i.e. 2021 and 2020 respectively):

	Spar Holding B.V.		Other associates	
x € million	2022	2021	2022	2021
Assets	136	126	61	62
Liabilities	83	79	48	50
Shareholders' equity as at financial year-end	53	47	13	12

	2022	2021	2022	2021
Revenue	692	692	657	845
Profit (loss)	16	15	3	1

Other non-current financial assets

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

14. Inventories

The inventories item breaks down as follows:

x € million	2022	2021
Central Distribution Centre Veghel	95	83
Sites	162	132
Packaging	7	7
Inventories in transit	2	4
Closing balance	**266**	**226**

The measurement of inventories includes a write-down of €5 million (2021: €5). Additional inventories were built up at the end of 2022 in preparation for the acquisition of the Metro activities.

[1] Concerns membership of procurement organisation

15. Trade and other receivables

x € million	2022	2021
Accounts receivable	188	93
Suppliers	52	38
Closing balance	**240**	**131**

Receivables from suppliers concern bonuses, promotional benefits and outstanding credit notes. Details of the Group's exposure to credit and market risks and the age analysis for trade receivables are provided in Note 25.
The accounts receivable item includes a provision for doubtful debts of €5 million (2021: €6). This provision was formed under IFRS 9 based on the model for calculation of the provision for expected credit losses. Given that the Group assesses supplier bonuses separately, these were not deducted when setting the provision.

Movements in this item were as follows:

x € million	2022	2021
Opening balance	6	7
Items written down	(3)	(1)
Added through profit or loss	2	0
Closing balance	**5**	**6**

16. Other current assets

x € million	2022	2021
Contract assets	4	4
NOW wage subsidy to be received	0	4
Other receivables and prepayments	35	28
Closing balance	**39**	**36**

Specific signing fees with customers are recognised under contract assets. Other receivables and prepayments concern, among other things, loans to employees and purchasing discounts for promotion periods that have already expired. The contract assets item includes a provision of €0 million (2021: €0).

The payment of €4 million receivable under the NOW scheme at the end of 2021 was received in 2022. Information on the NOW wage subsidy payment can be found in Note 5.D.

17. Cash and cash equivalents

x € million	2022	2021
Cash balances in transit	7	5
Free bank balances	52	7
Closing balance	**59**	**12**

In preparation for the acquisition of the Metro activities, a bank facility was drawn down in late 2022, resulting in a higher than usual cash balance.

18. Assets held for sale

Fixed assets held for sale

In 2021, one property in the Netherlands was first transferred from property, plant and equipment to assets held for sale and subsequently sold. In addition, a Dutch property that was recognised under assets held for sale at the start of the 2021 financial year was sold. In 2022, the minority stake in Smeding, which had a carrying amount of €2 million, was sold. In 2022, one property was transferred from property, plant and equipment to assets held for sale.

Movements in this item were as follows:

x € million	2022	2021
Opening balance	2	2
Transfers	1	2
Sales	(2)	(2)
Closing balance	**1**	**2**

19. Shareholders' equity

Paid-up and called-up capital

The authorised share capital of €12,000,000 consists of 200,000,000 shares with a nominal value of €0.06 each.
As at 31 December 2022, the number of shares in issue and paid up was 44,255,015 (2021: 44.255.015), representing capital of €2,655,300.90 (as at 31 December 2021: €2,655,300.90).

Movements in the number of share options outstanding were as follows

x 1	2022	2021
Opening balance	44,170,415	44,143,415
Effect of treasury share transactions	15,900	27,000
Closing balance	**44,186,315**	**44,170,415**
Average number of shares in issue	44,181,015	44,161,415

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

Share premium

This includes amounts paid on shares above the nominal value.

Other reserves

An amount of €22 million (2021: €20) of this reserve is not distributable. This relates to the difference between the retained earnings calculated based on the parent company's accounting policies and the direct changes in equity as a result of revaluations of the participations on the one hand and the part thereof that the parent company could have distributed on the other.

Treasury share reserve

This concerns the purchase value of 68,700 (2021: 84,600) shares repurchased as part of the share option scheme.

Undistributed profit/dividend

The dividend for 2021 was set at nil in the General Meeting of Shareholders held on 23 March 2022.
After the balance sheet date, the Executive Board, with the approval of the Supervisory Board, has proposed the following distribution of the profit realised in 2022:

x € million	2022	2021
Interim dividend paid (2022: €0.30 per share; 2021 €0)	13	0
Available for final dividend (2022: €0.25 per share; 2021 €0)	11	0
Transfer to other reserves	15	20
Profit for the financial year	**39**	**20**

20. Earnings per share

x €1	2022	2021
Basic earnings per share	0.88	0.45
Diluted earnings per share	0.87	0.45

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

21. Other non-current provisions

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

22. Loans

x € million	Interest	Remaining term (years)	2022	2021
€30 million loan (Bullet)	1.33%	1	30	30
€40 million loan (Bullet)	1.67%	3	40	40
€70 million loan	Euribor + variable markup	2	40	40
€50 million loan	Euribor + variable markup	2	30	50
Long-term borrowings			**140**	**160**
Short-term borrowings			55	1
Closing balance			**195**	**161**
Repayment obligations				
Within 1 year			30	0
Between 1 and 5 years			110	160
After 5 years			0	0
Closing balance			**140**	**160**

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

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

Furthermore, an acquisition loan of €50 million was taken out with Rabobank in 2019, with a 5-year term. Interest is paid on this loan at a variable Euribor-linked rate of interest. An interim repayment of €20 million was made against this loan this year. The remainder will be repaid in full on the maturity date.
An acquisition bank facility was also negotiated in 2019. This is a non-committed facility with a ceiling of €200 million, which will be available to the Group for a period of five years. The interest rate is determined on the date of the drawdown. The Group had not yet made use of this facility.

Short-term borrowings

As at year-end 2022, the Group has short-term credit facilities available totalling €166 million, of which an amount of €55 million was in use at the end of the financial year. In mid-2022, the commitment amount under the short-term committed credit facility with Rabobank was reduced from €160 million to €100 million. This €60 million reduction was then reversed in connection with the acquisition of the Metro activities, in order to finance the acquisition and integration activities. In 2023, we will carry out a refinancing plan in order to establish our financing structure for the next five-year period. Collateral totalling €1 million and guarantees totalling €4 million have been provided for long-term and short-term borrowings from credit institutions.

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

1. Based on the figures reported in the financial statements on 31 December 2022:

	Condition	Actual
Rabobank: Net interest-bearing debts/EBITDA	< 3.5	2.9
USPP: Net interest-bearing debts/EBITDA	< 3.0	2.9

2. Based on the normalised figures, on 31 December 2022, not including application of IFRS 16.

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

	Condition	Actual
Rabobank: Net interest-bearing debts/EBITDA	< 3.5	1.4
USPP: Net interest-bearing debts/EBITDA	< 3.0	1.4

The designated ratios were met in accordance with method 1 and method 2 at the end of the financial year.

23. Other taxes and social security contributions

x € million	2022	2021
VAT, excise duties and waste management charge	22	16
Income tax and social security contributions	7	6
Pension premiums	0	0
Closing balance	**29**	**22**

24. Other liabilities, accruals and deferred income

x € million	2022	2021
Employees	23	21
Customer bonuses	31	18
Packaging	9	8
Other	41	34
Closing balance	**104**	**81**

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

25. Risk management

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

Credit risk

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

At year-end 2022, receivables from food service customers, as recognised under financial assets, amounted to approx. €5 million (2021: €6).

The credit risk the Group is exposed to, particularly in relation to receivables from food service customers, has been reassessed.

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

x € million	2022	2021
< 1 month	159	74
1-3 months	24	19
3-12 months	5	0
> 12 months	0	0
Closing balance	**188**	**93**

At year-end 2022, the Group's receivables from suppliers amounted to €52 million (2021: €38). These receivables relate mainly to procurement-related annual arrangements that are paid out after the end of the year. In the event of non-payment by the supplier, the Group is generally able to set off these items against outstanding liabilities.

Expected credit loss calculation

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

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

x € million			2022
	Average weighted loss rate	Gross carrying amount	Expected credit loss
< 1 month	0.17%	159	0
1-3 months	0.99%	24	0
3-12 months	7.25%	6	1
> 12 months	52.36%	0	0
Doubtful debtors	102.38%	4	4
Closing balance		**193**	**5**

x € million			2021
	Average weighted loss rate	Gross carrying amount	Expected credit loss
< 1 month	0.21%	74	0
1-3 months	1.01%	19	0
3-12 months	10.65%	0	0
> 12 months	109.32%	0	0
Doubtful debtors	96.11%	6	6
Closing balance		**99**	**6**

Expected credit losses on contract assets, receivables from food service customers and suppliers are measured based on the general approach, factoring in the creditworthiness of the customers and suppliers in question, and amount to €1 million as at the end of the year (2020: 1).

Liquidity risks

The Group aims to maintain sufficient liquidity (partly in the form of commitments from financial institutions) to be able to meet its financial liabilities at all times. The Group does so by, among other things, making relatively extensive use of medium to long-term credit facilities with spread repayment schedules to finance its business operations. Besides that, the availability of €166 million in short-term facilities is legally enforceable.

The following breaks down the financial liabilities, including estimated interest payments.

x € million	Non-current liabilities[1]	Current liabilities
< 1 year	31	580
1-5 years	112	0
> 5 years	0	0
Contractual cash flows	**143**	**580**
Carrying amount as at 31 December 2022	**140**	**580**

Market risk (interest and currency risk)
Part of the risk of fluctuations in foreign currency exchange rates and interest rates is hedged using derivatives.

Interest rate risk
Note 22 explains the long-term financing and associated interest rate conditions.

Currency risk
The Group is exposed to a currency risk on procurement. The annual USD-denominated procurement volume amounts to approx. USD 24 million, with an average term of approximately two months. Hedge accounting is not applied to forward exchange contracts for procurement commitments. The currency impact is recognised in the cost of sales.

Capital management
Where possible, the Group aims to make maximum use of its credit facilities for its financing, provided the associated covenants can be met comfortably. The Group does not have an explicit return objective with respect to the capital used.
Instead, the Group targets average net profit growth that is at least on a par with the targeted average revenue growth.

Fair value
The carrying amount of financial instruments is virtually equal to the fair value. In terms of the measurement method, financial instruments recognised at fair value fall into 'level 2', meaning that measurement is based on inputs from a financial institution that are partly based on observable market data. Assets held for sale are also measured at fair value and fall into 'level 3' (own measurement method based on knowledge available at the Group, as explained under F in the accounting policies).

Sensitivity analyses
The following shows for a number of external factors how changes to these factors impact on the Group's pre-tax profit. The following table provides a simplified rundown of the results:

x € million	Percentage increase	Effect on pre-tax profit in millions of €
Interest	1% point	(1)
Currency (USD)	1%	0
Wages	1%	(3)
Oil/energy	5%	(1)
Rents	5%	(1)

26. Investment liabilities

At year-end 2022, investment liabilities totalled approx. €19 million (2021: €9). The investment liabilities mainly relate to investments in the distribution centre under construction in Evergem, a number of cash-and-carry outlets that will be converted in 2023 and electric lorries that are already on order.

[1] Contractual cash flows are recognised at the swap price on the due date of the liabilities.

27. Contingent liabilities

Claims

On 10 November 2021, the Court of Amsterdam returned a ruling on the case brought against Sligro Food Group by the Jumbo & Coop consortium in relation to the transaction regarding the sale of EMTÉ in 2018. The court dismissed all claims by the consortium and ordered Jumbo & Coop to pay the costs involved in the proceedings. This ruling was wholly in line with the expectations previously expressed by Sligro Food Group.

The Jumbo & Coop consortium did not avail itself of the option to bring an appeal, the deadline for which expired on 10 February 2022. The proceedings have therefore ended.

28. Estimates and judgements by the Executive Board

For a number of items in the financial statements, the Executive Board has made estimates. Although these are supported by analysis and calculations to the greatest degree possible, they always include some level of uncertainty, particularly in impairment testing on goodwill and other intangible assets. Historically, these estimates have not led to material misstatements.

Goodwill and other intangible assets

Note 10 goes into the measurement of goodwill and intangible assets and the associated impairment testing. It also includes information about the measurement of software and the assets in progress and the associated impairment and inefficiency testing.

Credit, liquidity and other market risk

Note 25 contains information about these risks, including a sensitivity analysis.

Procurement and sales bonuses

Estimation of purchasing bonuses is based on a bottom-up calculation of purchasing volume and conditions on the one hand and based on inputs from our procurement association, Superunie, on the other. Customer bonuses are estimated based on sales combined with contractual arrangements with our customers.

Inventories

In connection with the go-live of the new ERP system at the Group’s Antwerp site shortly before year-end, the determination of the value of the inventory of this branch, as of the balance sheet date, involves a high degree of estimation and judgement. The value of the inventories could not be fully determined based on underlying transactional data and was therefore estimated by the Executive Board, based on knowledge, experience and data available within the Group. This estimated value of the inventories at the Antwerp site amounts to 1.3% of the Group’s total inventory.

Provision for obsolete inventories

When it comes to the inventory, an estimate is made of potentially obsolete inventory included in the inventory at year-end. For food, we also base this estimate in part on historical write-downs.
For non-food, we base this estimate on judgements made by our procurement and retail assortment managers in combination with an analysis of the turnover ratio of the available inventory.

Property, plant and equipment and assets held for sale

The Group owns a relatively large number of properties that it uses for its operations, as well as assets held for sale. At year-end 2022, these items, excluding investments in rented property, amounted to approx. €173 million (2021: €165). This is based on the assumption that these properties will be continued to be used for the same purposes, unless these assets have been designated to be sold. Any changes to this assumption, such as in case of relocations, may prompt a downward revision of the measurement to a lower direct net realisable value. The net realisable value may also turn out to be higher than the carrying amount.

The Executive Board makes judgements when measuring property, plant and equipment during preparation of the financial statements.

29. Statement of cash flows

The statement of cash flows has been prepared using what is known as the direct method. The statement of cash flows shows cash receipts and disbursements instead of income and expenditure. Acquisitions are recognised in the statement of cash flows at the purchase price, less cash and cash equivalents. Receipts from customers concern revenue inclusive of VAT and the change in receivables from customers. Payments to the government include both VAT and excise duty payments and payments of income tax, social security contributions and pension premiums, as well as the payment received under the NOW wage subsidy scheme. Income tax paid is recognised separately.

The following statement shows the reconciliation of cash flow from business operations to the operating result:

x € million	2022	2021
Operating result	43	25
Amortisation and depreciation	80	81
Impairments	3	3
EBITDA	**126**	**109**
Other operating income included in cash flow from investing activities	(17)	(4)
	109	**105**
Movements in working capital and other changes:		
Inventories	(40)	(38)
Trade receivables and other current assets	(112)	(25)
Current liabilities	143	27
Current provisions	0	0
Shareholders' equity	0	0
	(9)	**(36)**
Net cash flow from business operations	**100**	**69**

The cash, cash equivalents and short-term borrowings item is reconciled to the balance sheet as follows:

x € million	2022	2021
Cash and cash equivalents	59	12
Short-term borrowings	(55)	(1)
Closing balance	**4**	**11**

Short-term borrowings are bank overdrafts which are due on call and are an integral part of the Group's cash management.

30. Related parties

In the fresh produce segment, the Group has struck up partnerships with and acquired participations in the fresh produce companies listed in Note 13. In 2022, these partnerships and participations represented a total procurement value of €134 million (2021: €151) at prices that were in line with market conditions. At year-end 2022, net trade payables to these companies amounted to €30 million (2021: €27). Given the nature of these payables, they are recognised under trade and other payables.

The Group has a 40% stake in Vemaro B.V. for tobacco products. The Group guarantees Vemaro's receivables from certain customers without limits. At year-end 2022, net trade payables to Vemaro amounted to €5 million (2021: €5). Given the nature of these payables, this item is recognised under trade and other payables. The Group is a member of the Superunie procurement cooperative, which covers a significant part of the Group's procurement needs. In 2022, the procurement value amounted to €589 million (2021: €451). At year-end 2022, net trade payables amounted to €48 million (2021: €25). Given the nature of these payables, they are recognised under trade and other payables.

Please refer to Note 6 for details of the relationship with members of the Executive Board and members of the Supervisory Board. On balance, 20,000 shares in Sligro Food Group were bought in 2022 (2021: 30,000 bought) from Stichting Werknemersaandelen Sligro Food Group at the going market rate.

31. Supply Chain Finance

The Group has a Supply Chain Finance programme that offers participating suppliers the option to get credit up to the amount of their invoices at a participating bank at an interest rate of the 1-month Euribor rate plus 1.15% on an annual basis. The trade and other payables item included an amount of €104 million at year-end 2022 (2021: €58) relating to the participating suppliers. Sligro Food Group receives a (small) consideration under this programme, which has been recognised under Other operating income.

32. Events after the balance sheet date

At the end of 2022, with regard to the court-supervised restructuring process in relation to Makro Cash & Carry Belgium NV, the court in Antwerp authorised the judicial trustees appointed in the case to sell most of Metro's business activities in Belgium to Sligro Food Group. On 3 January 2023, the Group completed the acquisition of these Metro activities and paid the acquisition price due. See Note 1 for more information. One of the parties involved in the case has appealed the court's decision. This appeal procedure will be heard in 2023.

Company statement of profit or loss

x € million

	2022	2021	2020
Net result from group companies	0	0	0
Result from participations	39	20	(70)
Pre-tax profit (loss)	**39**	**20**	**(70)**
Income taxes	0	0	0
Profit (loss) for the financial year	**39**	**20**	**(70)**

Company statement of financial position before profit distribution

x € million	31 December 2022	31 December 2021	31 December 2020
Assets			
Non-current financial assets	475	449	432
Total non-current assets	**475**	**449**	**432**
Receivables from group companies	4	4	0
Total current assets	**4**	**4**	**0**
Total assets	**479**	**453**	**432**

x € million	31 December 2022	31 December 2021	31 December 2020
Liabilities			
Paid-up and called-up capital	3	3	3
Share premium	31	31	31
Other reserves	384	379	451
Legal reserves	22	20	17
Undistributed profit (loss)	39	20	(70)
Total equity	**479**	**453**	**432**
Payables to group companies	0	0	0
Total current liabilities	**0**	**0**	**0**
Total liabilities	**479**	**453**	**432**

Notes to the company financial statements

General

Sligro Food Group N.V. is based in Veghel and registered with the Chamber of Commerce under number 160.45.002 and LEI code 724500YLB8OA6WK5CH48. The company financial statements were prepared in compliance with Title 9, Book 2 of the Dutch Civil Code based on the accounting policies specified in Section D of the summary of accounting policies, whereby shares in group companies over which dominant control is exercised were measured based on net asset value, while applying the accounting policies of the consolidated financial statements.

Taxation

Sligro Food Group N.V. is the head of the Group's Dutch fiscal unity. The Group has opted to recognise the chosen tax positions at the level of the Group entity where agreements are entered into and transactions are concluded. This goes for both the transfer pricing method with Belgium, which was agreed by Sligro Food Group Nederland B.V., and the tax positions based on the Group entities' taxable results. This means that neither tax positions nor payable positions with the Dutch Tax and Customs Administration in the context of the transfer pricing method have been recognised in the company financial statements for Sligro Food Group N.V., because these are settled by Sligro Food Group Nederland B.V.

Non-current financial assets

x € million	**2022**	**2021**
Share in group companies	450	424
Receivables from group companies	25	25
Closing balance	**475**	**449**

Share in group companies

Movements in this item can be broken down as follows:

x € million	**2022**	**2021**
Opening balance	424	403
Result	39	20
Share-based payments	0	0
Net result recognised directly in shareholders' equity	0	0
Change in treasury shares	0	1
Dividend	(13)	0
Closing balance	**450**	**424**

Receivables from group companies

A loan granted with a total principal of €25 million and a term that was extended through to 22 June 2027 this financial year is recognised under this item. The loan will be repaid in full on the maturity date and bears interest at an annual rate of 1%.

Shareholders' equity

Changes in shareholders' equity are detailed on Page 97. For further details on shareholders' equity, please see Note 19 to the consolidated financial statements.

The reserves in the company financial statements reconcile to the consolidated financial statements as follows:

x € million	2022	2021
Consolidated		
Other reserves	449	423
Treasury share reserve	(4)	(4)
	445	**419**
Company		
Other reserves	384	379
Legal reserves	22	20
Undistributed profit (loss)	39	20
	445	**419**

Other reserves

Movements in other reserves were as follows:

x € million	2022	2021
Opening balance	379	451
Result on previous reporting period	20	(70)
Change in legal reserves	(2)	(3)
Other changes	(1)	0
Change in treasury shares	0	1
Dividend	(13)	0
Closing balance	**383**	**379**

Legal reserves

The statutory reserves of €22 million (2021: €20) relate to the difference between the retained earnings calculated based on the parent company's accounting policies and the direct changes in equity as a result of revaluations of the participation on the one hand and the part thereof that the parent company could have distributed on the other. The legal reserves are determined on an individual basis.

Employee expenses and number of employees

Sligro Food Group N.V. has no employees. Its employee expenses are nil.

Proposed appropriation of profit

As stated in note 19, the Executive Board, with the approval of the Supervisory Board, has proposed the following profit appropriation:

x € million	2022	2021
Interim dividend paid (2022: €0.30 per share; 2021 €0)	13	0
Available for final dividend (2022: €0.25 per share; 2021 €0)	11	0
Transfer to other reserves	15	20
Profit for the financial year	**39**	**20**

Other notes

Contingent liabilities

Being the head of the fiscal unity of the Group in the Netherlands as a whole, the company is liable for the tax liability of the fiscal unity as a whole.

The company has assumed joint and several liability for debts ensuing from the legal acts of its direct and indirect subsidiaries (Section 403, Book 2, Dutch Civil Code), as specified on Page 119.

As approved for publication, Veghel,

6 February 2023

The Supervisory Board

Freek Rijna, Chairman
Hans Kamps
Gert van de Weerdhof
Angelique de Vries
Inge Plochaet
Aart Duijzer

The Executive Board

Koen Slippens, Chairman
Rob van der Sluijs

Other information

Independent auditor's report

To the shareholders and the Supervisory Board of Sligro Food Group N.V.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS 2022 INCLUDED IN THE ANNUAL REPORT

Our opinion

We have audited the accompanying financial statements 2022 of Sligro Food Group N.V. (the Group), based in Veghel. The financial statements include the consolidated financial statements and the company financial statements.

In our opinion:

- The accompanying consolidated financial statements give a true and fair view of the financial position of Sligro Food Group N.V. as at December 31, 2022, and of its result and its cash flows for 2022 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.
- The accompanying company financial statements give a true and fair view of the financial position of Sligro Food Group N.V. as at December 31, 2022, and of its result for 2022 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:

1. The consolidated statement of financial position as at December 31, 2022.
2. The following statements for 2022: the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in shareholders' equity and the consolidated statement of cash flows.
3. The notes to the consolidated financial statements comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:

1. The company statement of financial position as at December 31, 2022.
2. The company statement of profit or loss for 2022.
3. The notes to the company financial statements comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of Sligro Food Group N.V. in accordance with the EU regulation on specific requirements regarding statutory audits of public-interest entities, de Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information in support of our opinion

We designed our audit procedures in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The following information in support of our opinion was addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

Materiality

Based on our professional judgement we determined the materiality for the financial statements as a whole at € 6,1 million (2021: € 6.0 million). The materiality is based on 5.5% of EBITDA and takes in to consideration incidental income and expenses. We also consider misstatements and/or possible misstatements which in our view could be qualitatively material for the users of the financial statements. For some elements in the financial statements, we have applied a lower materiality (e.g. Executive Board Remuneration), as in our opinion these elements are material for the users of the financial statements for qualitative reasons.

We agreed with the Supervisory Board that misstatements in excess of € 0,3 million, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

Sligro Food Group N.V. is at the head of a group of entities. The financial information of this group is included in the consolidated financial statements of Sligro Food Group N.V.

Our group audit focused on the Dutch and Belgian activities of Sligro Food Group N.V. We performed audit procedures ourselves at all Dutch group entities of Sligro Food Group N.V. We used the work of Deloitte Belgium for the Belgian activities.

For both components we performed an audit of the financial information using the component materiality. We divided the group materiality over the Dutch and Belgian components based on professional judgement and qualitative factors. We have considered the relative size in relation to EBITDA and revenues of the Group. We have provided the Belgian component auditor with audit instructions and held several meetings with Belgian management and the Belgian audit teams during the planning, interim and year-end audit. We have also reviewed the audit files of, and the procedures performed by the component auditor.

By performing the aforementioned procedures at group and component entities, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the consolidated financial statements.

Audit approach fraud risks

We identified and assessed the risks of material misstatements of the financial statements due to fraud. During our audit we obtained an understanding of the entity and its environment and the components of the system of internal control, including the risk assessment process and management’s process for responding to the risks of fraud and monitoring the system of internal control and how the supervisory board exercises oversight, as well as the outcomes. We refer to section Risk management of the management report for management’s fraud risk assessment and the supervisory board report in which the supervisory board reflects on this fraud risk assessment.

We evaluated the design and relevant aspects of the system of internal control and in particular the fraud risk assessment, as well as among others the code of conduct, whistle blower procedures and incident registration. We evaluated the design and the implementation and, where considered appropriate, tested the operating effectiveness, of internal controls designed to mitigate fraud risks.

As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption in close co-operation with our forensic specialists. We evaluated whether these factors indicate that a risk of material misstatement due to fraud is present. Based on this evaluation, we have not identified additional fraud risks, next to the presumed fraud risk on management override of controls.

The presumed fraud risk on revenue recognition is rebutted considering that the revenues of Sligro Food Group N.V. are spread amongst multiple locations, where the average revenues per transaction are relatively low. Revenue recognition takes place based on an automated process, with the use of a scanning system. Prices are registered in the system as part of this automated process, and customer discounts and customer bonuses form an integral part of this. These discounts and bonuses are based on underlying contracts, which contain limited complexity or subjectivity. Risks and rewards are shifted to the customer upon delivery of the goods and the related performance obligation are non-complex or subjective.

The identified fraud risk and the specific procedures performed to address this risk are included below:

Identified fraud risk

The risk of management override of controls

Description

Management is in a unique position to perpetrate fraud, because of management's ability to manipulate financial records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively, such as reporting fictitious journal entries.

How this matter is addressed in our audit
We evaluated the design and the implementation of internal controls and processes related to creating and processing journal entries and preparing management estimates, based on the risk of override within these processes. We also evaluated the processes around the preparation of the financial statements and the identification of significant transactions outside the normal course of business. We paid specific attention to access security in the IT systems and the potential to override segregation of duties within the IT systems.

We paid further specific attention to:

Preparing and processing journal entries
We selected and evaluated journal entries based on risk criteria, such as manual journal entries in the revenue recognition, manual journal entries related to the project for the development of SAP and manual journal entries with fraudulent descriptions.

Management estimates
Key management estimates, amongst which estimates in relation to the determination of the impairment of (im)material fixed assets, inappropriate capitalization of inefficiencies in the development of SAP, the estimate for supplier bonuses, provisions around the obsolescence of inventory, the inventory of the location in Antwerp and the doubtful debt provision. In relation to the estimate for supplier bonuses, we paid specific attention to the subsequent receipt of the bonus estimate of 2021 in 2022 and the manual corrections from Management. We further paid attention to possible tendencies of management in preparing these estimates.

Significant transactions outside the normal course of business
For 2022 this concerns the sale of the of the stake in Smeding and the acquisition of the property in Luik before the end of the fiscal year as part of the acquisition of the activities of Metro Food Group Belgium after fiscal year-end. We assessed whether the transactions were at arm's length and paid attention to potential fraud risk factors.

We evaluated the risk paragraph in the annual report. The Executive Board describes its fraud risk analysis in the annual report, chapter Risk Management. We evaluated the disclosures in the annual report around significant estimates. In chapter 28. Estimates and judgements by the Executive Board, Sligro discloses the uncertainty and estimates.

We incorporated elements of unpredictability in our audit. We also considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or noncompliance.

We considered available information and made enquiries of Executive Board, Audit Committee and Supervisory Board as well as other employees within the Group, including the legal counsel and head of the central purchasing department.

We have not identified any signals of fraud which indicated a possible material misstatement due to fraud.

Audit approach compliance with laws and regulations

We assessed the laws and regulations relevant to the Company through discussion with the Executive Board and legal counsel, reading minutes and reports of internal audit. We involved our forensic specialists in this evaluation.

As a result of our risk assessment procedures, and while realizing that the effects from non-compliance could considerably vary, we considered the following laws and regulations: adherence to (corporate) tax law and financial reporting regulations, the requirements under the International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and Part 9 of Book 2 of the Dutch Civil Code with a direct effect on the financial statements as an integrated part of our audit procedures, to the extent material for the related financial statements.

We obtained sufficient appropriate audit evidence regarding provisions of those laws and regulations generally recognized to have a direct effect on the financial statements.

Apart from these, the Group is subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts and/or disclosures in the financial statements, for instance, through imposing fines or litigation.

Given the nature of the Group’s business and the complexity of laws and regulations, there is a risk of non-compliance with the requirements of such laws and regulations. In addition, we considered major laws and regulations applicable to listed companies.

Our procedures are more limited with respect to these laws and regulations that do not have a direct effect on the determination of the amounts and disclosures in the financial statements. Compliance with these laws and regulations may be fundamental to the operating aspects of the business, to the Group's ability to continue its business, or to avoid material penalties (e.g., compliance with the terms of operating licenses and permits or compliance with environmental regulations) and therefore non-compliance with such laws and regulations may have a material effect on the financial statements. Our responsibility is limited to undertaking specified audit procedures to help identify non-compliance with those laws and regulations that may have a material effect on the financial statements. Our procedures are limited to: (i) inquiry of management, the Supervisory Board, the Executive Board and others within the Group as to whether the Group is in compliance with such laws and regulations; and (ii) inspecting correspondence, if any, with the relevant licensing or regulatory authorities to help identify non-compliance with those laws and regulations that may have a material effect on the financial statements.

Naturally, we remained alert to indications of (suspected) non-compliance throughout the audit.

Finally, we obtained written representations that all known instances of (suspected) fraud or non-compliance with laws and regulations have been disclosed to us.

Audit approach going concern

Management has prepared the financial statements of Sligro Food Group N.V. based on the going concern assumption of going concern and that it will continue its business for the foreseeable future. Our audit approach to evaluate this going concern assessment by management included:

- Consider whether management's assessment of going concern contains all relevant information of which we are aware as a result of our audit. In addition, we inquired with management about the key assumptions underlying the assessment of going concern.
- Evaluate whether management's assumptions are reasonable and whether plans for future action by management are feasible under the given circumstances. In addition, we determined the impact of these assumptions and future actions on the going concern assumption by evaluating various scenarios.
- Assess whether management has identified events and/or circumstances that may cast reasonable doubt on the entity's ability to continue as a going concern.
- Inquire with management regarding their knowledge of events and/or circumstances beyond the period of management's assessment.
- Reviewing the Outlook section as part of our work on the Annual Report. In the Annual Report section Outlook, the Executive Board described its vision for the future.

Our audit procedures did not produce results that were inconsistent with management's assumptions and judgments in applying the going concern assumption.

Our key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Supervisory Board. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Description of the key audit matters

1. SAP Accounting and impact on business processes

Description

In 2018 Sligro Food Group N.V. started with the design and implementation of a new SAP S/4HANA ERP system (hereafter referred to as: SAP). The system was ultimately implemented during November 2022 at one location, being Sligro-ISPC Antwerp. The attention for SAP as part of our audit was twofold.

Accounting matters
The implementation of SAP took longer than originally planned. The related costs are exceeding the budget. These facts were reasons to evaluate whether there are investments which will not be used and to assess if there are any inefficiencies capitalized during the build period of SAP. Furthermore, we paid attention to the amortization term (5 years), start of the amortization and the total amount of capitalized costs that should be amortized per the go live date.

Impact SAP on the business processes
Besides the accounting complexities regarding SAP as intangible asset, the go-live of SAP also impacted the business processes.
Area's impacted are: recording and invoicing of deliveries to customers, recording of purchase invoices and the valuation and existence of the inventory in Antwerp.

The SAP go-live also impacted the available capacity on the head office in Belgium for the other locations. Due to this matter the quality of the financial closing process in Belgium was negatively impacted.

How the key audit matter was addressed in the audit

Our audit focused on the design and implementation of the controls around the budget to actual analysis of the SAP implementation. We also gained insight in the processes around initiating and authorization of contracts, statements of work, purchase orders and invoices related to SAP. We also focused on the processes around the allocation of the project costs and the governance around the intangible fixed asset register.

Our audit procedures have mainly focused on:

Accounting matters
- Inspection and evaluation of key contracts and purchase orders related to SAP and KPS (Sligro's external system implementation partner)
- Inquiries with our internal SAP specialists and IT auditors to gain more insight in the average time and spend of comparable SAP projects
- Review and assessment of the budget to actual analysis and cost to come as prepared by management
- Review and assessment of the inefficiency analysis as prepared by management
- Technical consultation with our professional practice department regarding the accounting of the inefficiencies and evaluation of the amortization period of the intangible asset SAP
- Review of the intangible fixed asset to determine the amount of capitalized costs is in use as per reporting date
- Substantive procedures on capitalized external and internal SAP configuration costs

Impact SAP on the business process
- Substantive procedures on the data migration from the legacy systems to SAP
- Close cooperation with our component auditor and monitoring of the audit process
- Frequent contact between the central audit team and the Belgium and Dutch directors from Sligro and the location Antwerp
- Review and assessment of the additional estimates by Sligro due to insufficient functionality and supporting processes around the SAP system
- Extended audit procedures regarding the inventory balance as per year end of the Antwerp location

Observation

Based on the materiality level and our procedures performed, consisting of the testing the design and implementation of controls as well as of substantive audit procedures, we concur with the conclusion of the Executive Board that inefficiencies related to the SAP project cannot be reliably identified. We further refer to disclosure note 10. Goodwill and other intangible assets where this matter is further disclosed. We also concur with management that the intangible asset SAP qualifies as a corporate asset and as such is included in the impairment analysis. We refer to the disclosure which includes the analysis of this matter by management to note 10. Goodwill and other intangible assets in the annual report.

We also concur with the amortization period for the intangible asset SAP which is set at 5 years by management and to start the depreciation as of the first go-live at the Antwerp location.

Due to the go-live of SAP in Belgium management had to make an assessment of the inventory balance at Antwerp as per year-end. In note 28 Estimates and Judgements by the Executive Board in the annual report management discloses the uncertainty and estimates related to the inventory balance. We have assessed the estimates and concur with the estimates made by management.

2. VALUATION OF (IN)TANGIBLE FIXED ASSETS CASH GENERATING UNIT BELGIUM

Description

Belgium is one out of two cash generating units of Sligro Food Group N.V. (hereafter: Sligro Food Group N.V. or Sligro).

The results in 2022 in Belgium were lower than expected. In 2022, as in the previous year, there is an operating loss in Belgium.

The remaining net investment is EUR 59 million per December 31, 2022. Based on the impairment analysis performed by management, the recoverable amount is higher than the next investment and therefore it is concluded that a further impairment is not necessary.

Considering that the results in Belgium stay behind for consecutive years, this topic got continuous significant attention in our current audit and in previous audits.

The aforementioned resulted in us identifying the valuation of the (in)tangible assets of Belgium as a key audit matter.

The results of the value-in-use calculation that was used to value the cash generating unit was most sensitive to:
- Net sales growth;
- Gross profit margin;
- EBITDA margin;
- WACC.

How the key audit matter was addressed in the audit

Based on our materiality level, the requirements in IFRS and the applicable auditing standards, we have audited the impairment analysis in relation to the valuation of the (in)tangible assets of the Belgian segment. We have gained insight in the process and regarding this management estimate as well as evaluated the design and implementation of the relevant internal controls. We have, considering the risk, mainly adopted a substantive audit approach and did not rely on internal controls.

Our audit procedures have mainly focused on:
- Obtaining and evaluating the budget of 2023 that is approved by the Supervisory Board and the long-term forecast up to 2027.
- Assessment of the key assumptions in the impairment model and discuss the results thereof with management of the Belgian segment and the Executive Board.
- Assessment of the management estimate in relation to the budget of prior years based on the actual financial results until 2022.
- Assessment of the impairment model, the calculated WACC and the long-term growth percentage, using internal valuation experts.
- The accuracy and completeness of the related disclosures in the annual report.

Observation

Based on the materiality level and our procedures performed, consisting of testing the design and implementation of internal controls as well as of substantive audit procedures, we concur with the estimates of the Executive Board.

We noticed that the higher net realizable value from the impairment analysis as performed by Management is primarily driven by the higher long-term growth percentage, higher and faster expected net sales growth in the coming years and a higher improvement of the gross profit margin as well as the EBITDA margin in the analysis of 2022. We refer to the disclosures of management in relation to the impairment analysis as included in disclosure note *10. Goodwill and other intangible assets*.

In comparison with prior year, we have not included the key audit matters around the impact of COVID-19 and the bonuses and promotional contributions. COVID-19 had a minor impact on the operational activities and financial results of Sligro. Furthermore, Sligro did not obtain any support measures from the government. Next to this, the estimation element in relation to the manual corrections on the supplier bonuses became less significant over the past years. This is the result of further automating the bonus estimation process, as well as a positive trend that we observed in differences in the subsequent receipt of the bonus estimate that are no longer significant.

Emphasis of a matter around disclosures in relation to sustainability

We draw attention to the element "Sustainable Business" in the disclosures from page 58 of the annual report. Our opinion is not modified in respect of this matter.

REPORT ON THE OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- Executive Board Report.
- Other Information as required by Part 9 of Book 2 of the Dutch Civil Code.
- Other information, not belonging to the annual report.

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements.
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

The Executive Board is responsible for the preparation of the other information, including the Executive Board Report and the other information, in accordance with Part 9 of Book 2 of the Dutch Civil

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Engagement

We were engaged by the Supervisory Board as auditor of Sligro Food Group N.V. on March 19, 2014, as of the audit for the year 2014 and have operated as statutory auditor ever since that financial year.

No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

European Single Electronic Format (ESEF)

Sligro Food Group N.V. has prepared its annual report in ESEF. The requirements for this are laid down in the Delegated Regulation (EU) 2019/815 with regulatory technical standards for the specification of a uniform electronic reporting format (hereinafter: the RTS for ESEF).

In our opinion, the annual report prepared in XHTML format, including the partially marked consolidated financial statements as included by Sligro Food Group N.V. in the reporting set, complies in all material aspects with the RTS for ESEF.

The Executive Board is responsible for preparing the annual report including the financial statements in accordance with the RTS for ESEF, whereby the board combines the different parts into a single reporting set.
Our responsibility is to obtain reasonable assurance for our opinion whether the annual report in this reporting package complies with the RTS on ESEF.

Our procedures have been conducted in accordance with Dutch law, including the Dutch auditing standard 3950N 'Assurance-opdrachten inzake het voldoen aan de criteria voor het opstellen van een digitaal verantwoordingsdocument'.

Our procedures included amongst others:

- Obtaining an understanding of the company's financial reporting process, including the preparation of the reporting package.
- Identifying and estimating the risks that the Annual Report may not comply in all material respects with the RTS for ESEF and in response to those risks, determining and performing further assurance procedures as a basis for our opinion, including:
  - o Obtaining the reporting package and performing validations to determine whether the reporting package containing the Inline XBRL instance and the XBRL extension taxonomy files has been prepared in accordance with the technical specifications as included in the RTS on ESEF.
  - o Examining the information related to the consolidated financial statements in the reporting package to determine whether all required mark-ups have been applied and whether these are in accordance with the RTS on ESEF.

DESCRIPTION OF RESPONSIBILITIES REGARDING THE FINANCIAL STATEMENTS

Responsibilities of the Executive Board and the Supervisory Board for the financial statements

The Executive Board is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Executive Board is responsible for such internal control as the Executive Board determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the Executive Board is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Executive Board should prepare the financial statements using the going concern basis of accounting unless the Executive Board either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

The Executive Board should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Executive Board.

- Concluding on the appropriateness of the Executive Board's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures.
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identified during our audit. In this respect we also submit an additional report to the audit committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. Click here to enter text.

We provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Supervisory Board, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Eindhoven, February 6, 2023

Deloitte Accountants B.V.

drs. A.J. Heitink RA

Profit distribution policy in the articles of association

Article 46 of the articles of association stipulates as follows on dividends and reserves:

1) The company can only pay dividend to shareholders and other entitled parties from profits eligible for distribution to the extent that its shareholders' equity exceeds the amount of the paid-up and called-up part of the equity plus reserves that have to be maintained by law or under the articles of association.
2) The Executive Board is authorised to allocate all or part of the profits to the reserves, albeit only with the Supervisory Board's consent. The general meeting of shareholders can reverse such an allocation to the reserves by a two-thirds majority vote at a meeting where over half of the issued share capital is represented.
3) Any profits remaining after the aforementioned allocation to the reserves will be available to the general meeting of shareholders to distribute.
4) If the general meeting of shareholders does not decide to pay out the remaining profits for any financial year, these profits will be added to the reserves.
5) The Executive Board can, albeit only with the Supervisory Board's consent, decide to pay interim dividend, provided the requirement specified in paragraph 1 of this article is met and it is justified by an interim statement of assets and liabilities as specified in Section 2:105, subsection 4, of the Dutch Civil Code. The company shall make such a statement of assets and liabilities available at its offices for inspection within eight days of the announcement of the decision to pay interim dividend. The payment of interim dividend is also subject to paragraph 9 of this article.
6) The general meeting of shareholders can, following a proposal submitted by the Executive Board, opt for profit distribution from a distributable reserve, albeit only with the Supervisory Board's consent.
7) The general meeting of shareholders can, following a proposal submitted by the Executive Board, decide to distribute profits in the form of shares in the company, albeit only with the Supervisory Board's consent. Such distribution shall be without prejudice to share issue stipulations in these articles of association.
8) Dividends will be paid at the time and place defined by the general meeting of shareholders, albeit no later than one month after the relevant decision adopted by the general meeting of shareholders.
9) Dividends that have not been claimed within five years of the date on which they became payable will expire and revert to the company.
10) A deficit may be offset against the statutory reserves only to the extent permitted by law.

Other information

Five-year overview

x € million[1]	2022	2021	2020	2019	2018
Result					
Revenue	2,483	1,898	1,946	2,395	2,346
EBITDA	126	109	75	127	114
EBITA	67	49	7	66	73
EBIT	43	25	(76)	44	53
Profit from continuing operations	39	20	(70)	34	46
Net cash flow from operating activities	91	73	101	132	45
Free cash flow	6	15	67	38	102
Dividend (proposed)	24	0	0	24	62
Equity					
Shareholders' equity	479	453	432	500	537
Net invested capital[2][3]	800	805	802	902	675
Net interest-bearing debts[3]	365	382	402	424	162
Total equity	1,421	1,233	1,198	1,455	1,214
Employees					
Number of employees (FTEs)[4]	4,113	3,987	4,046	4,100	4,056
Workforce male/female ratio[4]	70/30	71/29	71/29	74/26	74/26
Senior management male/female ratio[4]	72/28	70/30			
Executive Board male/female ratio[4]	100/0	100/0	100/0	100/0	100/0
Supervisory Board male/female ratio[4]	67/33	100/0	80/20	80/20	80/20
Employee expenses[5]	228	211	219	218	209

2) Excluding associates.
3) Inclusive of IFRS 16 Leases from 2019.
4) The definition was changed as of 2020 from the average over the year to the average at the end of the year.
5) Salaries, social security costs, and pension costs.
6) Concerns the sustainable product range in the Netherlands, improved 2018-2021 data
7) Data based on StakeholderWatch, average of the last 90 days, including Belgium from 2021.
8) In property, plant and equipment, assets held for sale, and software (on a transaction basis).
9) Excluding impairments and depreciation of other intangible assets and right-of-use assets.
10) Excluding IFRS 16 Leases.
11) Based on the average number of employees.

	2022	2021	2020	2019	2018
Sustainability					
Carbon reduction since 2010 as %	(33.4)	(19.5)	(22.7)	(27.7)	(20.9)
Sustainable product range as % of revenue[6]	11.8	10.8	10.5	10.7	8.8
Customer satisfaction[7]	68	69	73	73	75
Employee satisfaction[7]	66	62	63	56	57
Supplier satisfaction[7]	63	66	63	67	63
Investments					
Net investments[8]	59	47	13	85	74
Depreciation and amortisation[9]	(48)	(49)	(58)	(54)	(50)
Ratios					
Revenue growth as %	30.8	(2.5)	(18.7)	2.1	9.5
Organic revenue growth as %	30.8	(2.5)	(20.5)	(0.9)	1.0
Profit growth as %	93.6	128.5	(304.3)	(25.3)	(39.6)
Gross profit as % of revenue	26.7	26.3	24.0	24.4	24.1
EBITDA as % of revenue	5.1	5.8	3.9	5.3	4.9
EBITA as % of revenue	2.7	2.6	0.4	2.8	3.1
EBIT as % of revenue	1.7	1.3	(3.9)	1.8	2.2
Profit (loss) as % of revenue	1.6	1.1	(3.6)	1.4	2.0
Net profit as % of average shareholders' equity	8.3	4.5	(15.0)	6.4	7.7
EBIT as % of average net invested capital	5.3	3.1	(8.9)	5.0	7.2
Net interest-bearing debts/EBITDA[10] as %	1.4	1.8	2.8	2.2	1.4
Shareholders' equity as % of total equity	33.7	36.7	36.0	34.3	44.2
Revenue per employee[11] (x €1,000)	618	477	473	584	578
Employee expenses per employee[11] (x €1,000)	57	53	53	53	51
Details per share with nominal value of €0.06 (x 1 €)					
Number of shares in issue (x million)	44.2	44.2	44.1	44.1	44.1
Shareholders' equity	10.84	10.25	9.78	11.33	12.16
Profit	0.88	0.45	(1.59)	0.78	1.04
Dividend proposed	0.55	0.00	0.00	0.55	1.40

1) If changes to the accounting system have been implemented, only the figures from the previous year that are shown in the main table have been recalculated. The IFRS 16 accounting policy change is applicable from 2019 onwards.

EU taxonomy CapEx table

				Substantial contribution criteria						DNSH criteria ('Does not significantly harm')										
Economic activities	Code(s)	Absolute CapEx	Proportion of CapEx	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum safeguards	Taxonomy-aligned proportion of CapEx, 2022	Taxonomy-aligned proportion of CapEx, 2021	Category (enabling activity (E))	Category (transitional activity (T))
	%	x € million	%	%	%					Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T
A. Taxonomy-eligible activities																				
A.1 Environmentally sustainable activities (taxonomy-aligned)																				
No taxonomy-aligned activities yet																	0%			
CapEx of environmentally sustainable activities (taxonomy-aligned) (A.1)		**0**	**0%**	**0%**	**0%**															
A.2 Taxonomy-eligible but not not taxonomy-aligned activities																				
Capital expenditure on cars and light commercial vehicles	6.5	2	3%													Y				
Capital expenditure on lorries	6.6	0	0%													Y				
Construction of new buildings	7.1	2	4%													Y				
Renovation of existing buildings	7.2	19	30%													Y				
Capital expenditure on refrigeration and freezer equipment and LED lighting	7.3	1	2%													Y				
Capital expenditure on charging stations of electric vehicles	7.4	0	0%													Y				
Capital expenditure on solar panels	7.6	1	1%													Y				
Acquisition and ownership of buildings	7.7	5	9%													Y				
CapEx of taxonomy-eligible but not taxonomy-aligned activities (A.2)		**30**	**49%**																	
Total (A.1 + A.2)		**30**	**49%**																	
B. Taxonomy-non-eligible activities																				
CapEx of taxonomy-non-eligible activities (B)		31	51%																	
Total (A + B)		**61**	**100%**																	

EU taxonomy OpEx table

Economic activities	Code(s)	Absolute OpEx	Proportion of OpEx	Substantial contribution criteria: Climate change mitigation	Substantial contribution criteria: Climate change adaptation	Substantial contribution criteria: Water and marine resources	Substantial contribution criteria: Circular economy	Substantial contribution criteria: Pollution	Substantial contribution criteria: Biodiversity and ecosystems	DNSH criteria ('Does not significantly harm'): Climate change mitigation	DNSH criteria ('Does not significantly harm'): Climate change adaptation	DNSH criteria ('Does not significantly harm'): Water and marine resources	DNSH criteria ('Does not significantly harm'): Circular economy	DNSH criteria ('Does not significantly harm'): Pollution	DNSH criteria ('Does not significantly harm'): Biodiversity and ecosystems	Minimum safeguards	Taxonomy-aligned proportion of OpEx, 2022	Taxonomy-aligned proportion of OpEx, 2021	Category (enabling activity (E))	Category (transitional activity (T))
		x € million	%	%	%					Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T
A. Taxonomy-eligible activities																				
A.1 Environmentally sustainable activities (taxonomy-aligned)																				
No taxonomy-aligned activities yet																	0%			
OpEx of environmentally sustainable activities (taxonomy-aligned) (A.1)		**0**	**0%**	**0%**	**0%**															
A.2 Taxonomy-eligible but not taxonomy-aligned activities																				
Maintenance and repair of forklifts	6.5	4	14%													Y				
Maintenance and repair of lorries	6.6	1	4%													Y				
Maintenance and repair of new buildings	7.1	1	6%													Y				
Maintenance and repair of renovated buildings	7.2	5	19%													Y				
Maintenance and repair of refrigeration and freezer equipment and LED lighting	7.3	0	0%													Y				
Maintenance and repair of charging stations for electric vehicles	7.4	0	0%													Y				
Maintenance and repair of solar panels	7.6	0	0%													Y				
Maintenance and repair of purchased buildings	7.7	1	6%													Y				
OpEx of taxonomy-eligible but not taxonomy-aligned activities (A.2)		**12**	**49%**																	
Total (A.1 + A.2)		**12**	**49%**																	
B. Taxonomy-non-eligible activities																				
OpEx of taxonomy-non-eligible activities (B)		12	51%																	
Total (A + B)		**24**	**100%**																	

Profile

Sligro Food Group consists of companies that specifically focus on the food service market in the Netherlands and Belgium by offering a comprehensive range of food and food-related non-food products and services in the wholesale market.

Netherlands

In the Netherlands, we are the market leader and operate a nationwide network of Sligro cash-and-carry outlets and delivery service sites serving large and small-scale companies in the hospitality industry, leisure facilities, caterers, large-volume users, company restaurants, petrol stations, small and medium-sized enterprises, small retail businesses, and the institutional market. Van Hoeckel focuses specifically on the institutional market, while Sligro serves all the other segments. We operate in the City Region of Amsterdam under the wholesale format ‘De Kweker’. In a long-term strategic partnership with Heineken, Sligro is responsible for the exclusive distribution of Heineken keg beer in the Netherlands. Sligro/De Kweker and Van Hoeckel each have a dedicated commercial organisation focusing on their specific markets, while they make operational use of joint delivery and other shared networks and the back-office organisation.

Belgium

In Belgium, JAVA Foodservice, based in Rotselaar, focuses primarily on the institutional, corporate catering and hotel chain market segments within the Belgian food service market. Sligro-ISPC supplies high-quality, innovative food and food-related non-food products and services to culinary professionals, the rest of the hospitality market, wholesale customers and small and medium-sized enterprises. Sligro-ISPC operates combined cash-and-carry and wholesale delivery service outlets in Antwerp, Ghent and Liège. Sligro-M is the wholesale formula that targets food professionals through a nationwide network of cash-and-carry outlets (former Metro stores) and a delivery service. The formulas in Belgium have their own commercial organisations and make increasing use of a common delivery structure and shared services.

Sligro Food Group has its own production facilities for specialist convenience products (Culivers) and fresh fish (SmitVis). The company also sources meat, game and poultry, and bread and pastries through its participations in fresh partners, which serve both the Dutch and Belgian market.
Sligro Food Group has two specialist companies: Bouter for advice, design, delivery, installation and maintenance of professional kitchens, kitchen equipment and refrigeration and freezing equipment. Tintelingen is our business unit for online gift concepts and Christmas gifts. Sligro also sells traditional Christmas hampers.

We offer our customers a selection of around 75,000 food and food-related non-food items, together with numerous services to support our customers’ businesses and help them to advance. Most of the procurement for specific food service products is handled directly through the Sligro Food Group, although a portion is arranged through CIV Superunie BA.

Sligro Food Group companies actively seek to share knowledge and make good use of the extensive scope for synergy and economies of scale on a national and international level. Activities that are primarily customer-related are carried out separately in each country and business unit. By combining our central procurement with direct, meticulous category and margin management, we aim to continuously improve our gross margins and offer our customers a unique and innovative product range. Operating expenses are kept under control by having an integrated supply chain and through our constant focus on cost control. Centralised management of our IT landscape, centralised design and control of master data management, and centralised talent and management development all work to further enhance group synergy.

Sligro Food Group strives to be a high-quality business for all its stakeholders that constantly grows in a controlled manner. Sligro Food Group shares are listed on Euronext Amsterdam. The Group’s head office is located in Veghel, Netherlands.

Important dates

Agenda

Scheduled press releases will be published at 7.30 a.m.

4 January 2023	2022 annual revenue
2 February 2023	2022 annual figures
2 February 2023	Press conference, 11.00 a.m.
2 February 2023	Analysts' meeting, 1.30 p.m.
6 February 2023	Publication of the annual report
22 February 2023	AGM registration date
22 March 2023	General Meeting of Shareholders for 2022 at the company's offices, 10.30 a.m.
24 March 2023	Ex-dividend date for 2022 final dividend
27 March 2023	Record date
3 April 2023	Payable date for 2022 final dividend
20 April 2023	First-quarter trading update

20 July 2023	2023 half-year figures
20 July 2023	Analysts' meeting, 1.30 p.m.
19 October 2023	Third-quarter trading update
4 January 2024	2023 annual revenue
8 February 2024	2023 annual figures
8 February 2024	Press conference, 11.00 a.m.
8 February 2024	Analysts' meeting, 1.30 p.m.
8 February 2024	Publication of the annual report
27 March 2024	General Meeting of Shareholders for 2023 at the company's offices, 10.30 a.m.

The company is based in Veghel and registered in the trade register of the Chamber of Commerce and Industry for East Brabant in Eindhoven under number 160.45.002.

Corridor 11, PO Box 47, 5460 AA Veghel, Netherlands
Telephone +31 413 34 35 00 www.sligrofoodgroup.nl

Shares and dividend policy

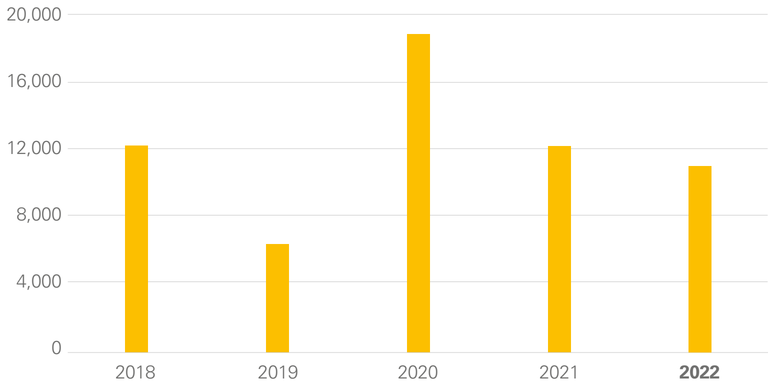
Sligro Food Group N.V.'s shares are traded on the Euronext Amsterdam N.V. stock exchange and are included in the AScX index.

The share

There were 44,186,315 shares in issue at the end of 2022. This is an increase of 15,900 compared with year-end 2021. This increase can be attributed to the change in the number of shares repurchased to cover the share option plan.
The volume of traded shares in the reporting year amounted to 11,181 thousand (2021: 12,004) and the total value of shares traded was €205 million (2021: €272).

Following the change to the Dutch law on converting bearer shares, traditional bearer shares that are not included in the book-entry securities transfer system will automatically be converted into registered shares on 1 January 2020. As a result, physical bearer certificates have automatically ceased to be valid. The amendment to the articles of association on 27 June 2020 in connection with this law gives holders of former traditional bearer shares the opportunity to report to Sligro Food Group by 2 January 2026 to hand in bearer certificates and receive shares that will be included in the book-entry securities transfer system. As at 31 December 2022, Sligro shareholders hold a total of 3,760 (2021: 3,780) former traditional bearer shares.

Number of shares traded
(x 1,000)



The majority of these shares are held by Dutch investors. Market information has been used to estimate the geographical distribution of share capital. This information covers 82% of the capital in 2022 (2021: 88%).

Breakdown of share capital

	Private individuals		Institutions		Total	
in %	2022	2021	2022	2021	2022	2021
Netherlands	49	49	22	22	71	71
USA			5	6	5	6
Norway			2	2	2	2
Canada			2	0	2	0
Australia			0	3	0	3
Other countries			2	6	2	6
Total	**49**	**49**	**33**	**39**	**82**	**88**

Given that shareholders are required by law to report any substantial holding or short position reaching, exceeding, or falling below a certain threshold, this can result in shares being counted more than once, meaning that these notifications do not always provide an accurate view of the number of freely tradable shares. In the table below, where possible this 'double-counting' has been taken into account and corrected.

Substantial participations[1]

Date of most recent disclosure	Subject to reporting obligations	in %
28 April 2021	B.V. 'Hoogh Blarick' investment fund	4.61
2 September 2020	NN Group N.V.	10.15
1 November 2016	APG Asset Management N.V.	10.03
3 July 2015	Boron Holding N.V.	5.03
6 April 2009	Stichting Administratiekantoor Arkelhave B.V.	5.06
1 November 2006	Stichting Administratiekantoor Slippens	33.96

[1] This summary has been compiled on the basis of the 'Register of substantial participations and gross short positions' (www.afm.nl).

We seek to have regular contact with our investors and analysts. Twice a year, with the publication of the half-year report and the annual figures, we organise an analysts' meeting at our cash-and-carry outlet in Amsterdam. Additionally, we actively seek contact with analysts and investors during roadshows and conferences.
The General Meeting of Shareholders will be held on 22 March 2023.

Dividend policy

Sligro Food Group aims to pay a regular dividend of approximately 60% of the result after tax (excluding non-recurring items). A proposal may be made to pay a variable dividend, depending on the solvency and liquidity position. The dividend is paid in two instalments, i.e. an interim dividend in the second half of the year and a final dividend after the General Meeting of Shareholders.

Earnings and dividend per share 2018-2022

x €1	**2022**	**2021[1)]**	**2020[1)]**	**2019[1)]**	**2018**
Profit (loss) from continuing operations	0.88	0.45	-1.59	0.78	1.04
Dividend	0.55	-	-	0.55	1.40

For 2022, the proposed dividend payment amounts to €0.55, which equates to a payment percentage of 63%.
Of the total dividend, €0.30 per share was already paid as an interim dividend on 3 October 2022, leaving a final dividend of €0.25.
On a cash basis, a dividend of €0.30 per share was paid in 2022, being the interim dividend for 2022.

More information about Sligro Food Group

Sligro Food Group's website (www.sligrofoodgroup.nl) provides information about the Group, its financial position, press releases, articles of association, remuneration, directors' shareholdings and share transactions, and corporate governance. This information is available in both Dutch and English.

1) A dividend was not paid for the 2019, 2020, and 2021 financial years because relief provided under the Dutch government's NOW wage subsidy scheme is conditional on not paying out dividends.

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