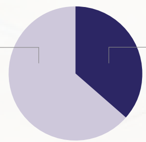
REPORT OF THE EXECUTIVE BOARD

Financial performance

€1978.8 mln
Turnover



€114.6 mln
EBITDA

5.8%
EBITDA margin

€114.7 mln
Net cash from operations

€60.3 mln
Profit for the year

Inventory in days
80

Working capital in days
95

Net debt / EBITDA
2.8
pre-IFRS 16

Earnings per share
€0.56

Dividend per share
€0.22

We aim to create **long-term value for our stakeholders** by pursuing sustainable and profitable growth. With **clear focus** on building and expanding **unique positions** in **diversified markets**, we continue to **expand our role in the value chain** while limiting our dependency on a single market.

2019 performance drivers

Growth in Health & Beauty

In our Health & Beauty category, we identified new business opportunities in our B2B distribution to value retailers and e-commerce platforms and initiated new partnerships in these fast-growing markets. The 2019 investments in our infrastructure were primarily focused at growth in our Health & Beauty e-commerce markets in Europe and the USA. By reorganising and expanding our robotised warehousing infrastructure and automated processes we are equipped for further organic growth as well as the roll out of the B2C model to Europe. In addition, our FragranceNet.com model in the USA further benefitted from the opening of their second warehouse in the West Coast of the USA that facilitated faster delivery services at lower costs, and further steps were taken in preparing the roll out of our B2B model to the USA.

Developments in Asian markets

The trade war between the USA and China and the political turmoil in Hong Kong had an effect on demand for luxury products in Asia. The effect of these market circumstances became evident for the Group from Q3 onwards, advancing beyond the level we anticipated in the latter part of Q4 - the quarter where we historically realise high turnover and gross profit given the holiday gifting season as well as preparations for Chinese New Year. As a result, gross profit for the year in both in our Liquor category in Asia as well as in our fast-moving consumer goods activities in the B&S Segment were impacted. The performance improvement we noted after Q2 in the B&S Segment consequently did not further materialise in Q4.

Selective M&A

in July 2019 we acquired Lagaay Medical Group, a specialty distributor of medical and pharmaceutical products to maritime, offshore and remote locations. This complements our unique position to remote and maritime markets and strengthen our single source supply concept in the B&S Segment, We made good progress in integrating the business in our B&S Segment and in capturing synergies from customer penetration and product offering. The acquisition of two regional airport shops in Rotterdam and Weeze last May further built our European footprint in this specialty channel and supports our strategy in the Retail segment to expand presence at regional airports.

Financial performance

Non-IFRS financial measures

The table below presents an explanation on non-IFRS financial measures used. These measures are not recognised measures of financial performance, financial condition or liquidity under IFRS. We present these non-IFRS financial measures because we consider them an important supplemental measure of our performance and believe that they and similar measures are widely used in the industry in which we operate as a means of evaluating a company's operating performance, financial condition and liquidity. The measures are used by management to monitor the underlying performance of our business and operations.

EBITDA	EBITDA is defined as earnings before interest, taxes, depreciation and amortisation
EBITDA Margin	EBITDA Margin is defined as EBITDA as a percentage of turnover
Solvency	Solvency is defined as group equity as a percentage of total assets
Working capital	Working capital is defined as Inventory plus Trade receivables minus Supplier finance arrangements minus Trade payables
Net Debt	Net debt is defined as interest bearing liabilities minus cash and cash equivalents

Profit or loss performance

€ million (unless stated otherwise)	FY 2019 reported		FY 2019 pre IFRS 16	FY 2018 reported		Δ (%) reported
Profit or loss account						
Turnover	1,978.8		1,978.8	1,746.5		13,3%
Gross profit (margin)	271.9	13.7%	271.9	242.3	13.9%	12,2%
EBITDA (margin)	114.6	5.8%	104.6	109.0	6.2%	5,1%
Depreciation & Amortisation	26.6		16.9	10.7		148.6%
Profit before tax	77.5		78.2	90.8		(14.7%)
Profit for the year	60.3		60.8	71.4		(17.2%)
EPS (in euro)	0.56			0.72		(23.6%)
Inventory in days	80			92		
Working capital in days	95			113		
Net cash from operations	114.7			3.5		
Financial position						
Solvency Ratio	31.9%		34.6%	34.3%		
Net Debt	367.4		296.0	312.7		
Net Debt/EBITDA	3.2		2.8	2.9		

Turnover

The 2019 turnover growth of 13.3% (11.8% on a constant currency basis) was mainly driven by e-commerce and value retail in the Health & Beauty category, the focus on volume contracts in the B&S segment and the effect of the inclusion of nine months FragranceNet.com and five months Lagaay.

Turnover split per segment

€ million (unless stated otherwise)	FY 2019 reported	FY 2018 reported	Δ (%) reported
HTG Segment	1.408,2	1,196.7	17.7%
▪ Liquors	497.3	483.5	2.9%
▪ Health & Beauty	914.2	713.1	28.2%
▪ Other	(3.3)	0.1	
B&S Segment	497.8	445.6	11.7%
Retail Segment	140.0	136.6	2.5%
Holding & Eliminations	(67.3)	(32.4)	107.5%
Total turnover	**1,978.8**	**1,746.5**	**13.3%**

Gross profit

Gross profit came in at € 271.9 million (2018: € 242.3 million). As a percentage of turnover, this was a decline to 13.7% from 13.9% in 2018, being the net effect of the lower margins in our Liquor category and FMCG activities in Asia.

Operating expenses

Operating expenses increased from € 144.2 million to € 184.2 million. The increase of € 40 million is the outcome of:

- Increase of staff costs (€ 24.4 million) primarily related to the full year consolidation of FragranceNet.com and the increase in staff costs in the B&S Segment;
- Increase of amortisation (€ 4.6 million) following the full year inclusion of FragranceNet.com and the acquisition of Lagaay Medical Group B.V.;
- Increase of depreciation (€ 1.6 million) following investments in our warehouse infrastructure;
- Increase of other operating expenses and depreciation right of use assets (€ 9.3 million) mainly following the first time inclusion of FragranceNet.com. The depreciation right-of-use assets is the result of the first-time adoption of IFRS 16 in 2019. As a result of the adoption of IFRS 16 the rental charges for the offices and warehouses that were previously presented under other operating expenses are now activated as right-of-use assets and depreciated.

EBITDA

EBITDA amounted to € 104.6 million pre IFRS 16 (2018: € 109.0 million). Post IFRS 16, EBITDA came in at € 114.6 million and EBITDA margin was 5.8% (2018: 6.2%). The decrease was mainly the result of the lower gross profit and the increased staff costs.

Group result for the year

Depreciation of right-of-use assets increased with € 9.7 million as a result of the first-time adoption of IFRS 16 in 2019. Amortisation of intangible fixed assets amounted to € 9.6 million (2018: € 5.0 million) mainly as an effect of the full year inclusion of FragranceNet.com. Financial expenses increased to € 9.7 million (2018: € 7.6 million) as a result of the FragranceNet.com acquisition and an increased USD lending rate (average USD LIBOR interest rate of 2.22% in 2019 vs 2.02% in 2018). This resulted in profit before tax of € 77.5 million (2018: 90.8 million).

The effective tax rate stood at 22.2% compared to 21.4% FY 2018 as an effect of the full year consolidation of FragranceNet.com which significantly increases our share of business in the US, a high tax jurisdiction. As a result, net profit from continuing operations amounted to € 60.3 million (2018: € 71.4 million). Profit for the year from non-controlling interests increased in 2019 as a result of clear focus on e-commerce (FragranceNet.com) and value retail markets (Topbrands), and both companies benefitting from gross profit margin increase resulting from Group sourcing synergies. Net profit attributable to the owners of the Company came in at € 47.0 million (2018: € 60.4 million).

Segmental performance[1]

HTG segment Total

€ million (unless stated otherwise)	FY 2019 reported	FY 2019 pre IFRS 16	FY 2018 reported	Δ (%) reported
Turnover	1,408.2	1,408.2	1,196.7	17.7%
Gross profit	176.3	176.3	148.8	18.4%
EBITDA	88.2	83.6	79.7	10.6%
EBITDA margin	6.3%	5.9%	6.7%	(0.4%)

The HTG segment realised a turnover growth of 17.7% to € 1,408.2 million (16.4% on a constant currency basis) with a gross profit growth of 18.4% in FY 19 compared to FY 18. EBITDA amounted to € 88.2 million, resulting in an EBITDA margin of 6.3%.

The growth in turnover was mainly attributable to increased focus and demand from the value retail in Europe and Health & Beauty markets in Europe and USA, resulting in substantial contribution to Group results from Topbrands and FragranceNet.com. In addition, our Liquor category in Europe realised growth in line with expectations.

The decline in EBITDA margin is due to the impact of the USA – China trade war and turmoil in Hong Kong on our Liquor category that became evident in Q3 and amplified in Q4. This offset the margin increase in our Health & Beauty category. Further to this, staff costs increased with the full year consolidation of FragranceNet.com as well as organic company growth.

[1] Reported turnover per segment includes intercompany sales

HTG Liquors

€ million (unless stated otherwise)	FY 2019 reported	FY 2018 reported	Δ (%) reported
Turnover	497.3	483.5	2.9%
Gross profit	30.1	42.1	(28.5%)
EBITDA	12.6	24.7	(48.9%)
EBITDA margin	2.5%	5.1%	(2.6%)

HTG Health & Beauty

€ million (unless stated otherwise)	FY 2019 reported	FY 2018 reported	Δ (%) reported
Turnover	914.2	713.1	28.2%
Gross profit	143.3	104.7	36.9%
EBITDA	76.5	56.4	35.7%
EBITDA margin	8.4%	7.9%	0.5%

B&S segment

€ million (unless stated otherwise)	FY 2019 reported	FY 2019 pre IFRS 16	FY 2018 reported	Δ (%) reported
Turnover	497.8	497.8	455.6	11.7%
Gross profit	60.5	60.5	59.3	1.9%
EBITDA	19.3	13.9	21.4	(9.8%)
EBITDA margin	3.9%	2.8%	4.8%	

Our focus on serving volume contracts resulted in organic turnover growth for the B&S Segment. The acquisition of Lagaay Medical Group further contributed to turnover growth from August onwards by enhancing our position to remote and maritime markets and strengthening our single source supply concept. This resulted in turnover of € 497.8 million, an increase of 11.7% (9.0% on a constant currency basis) for FY 2019 compared to FY 2018.

Gross profit margin amounted to 12.1% (FY 2018: 13.3%). This is due to the impact of the USA – China trade war and turmoil in Hong Kong, which in Q4 impacted margins of the Asian FMCG business in this segment.

EBITDA margin decreased to 3.9%. This is related to the higher than expected staff costs we endured from the delay in taking the automated warehouse into operation in the B&S Segment (as communicated in our HY 2019 results). While these cost levels remained in Q3, we focused on volume contracts which resulted in noticeable performance improvement in this quarter. We anticipated this performance improvement to continue in Q4, however this did not materialise due to the developments in our Asian market in this segment.

Retail segment

€ million (unless stated otherwise)	FY 2019 reported	FY 2019 pre IFRS 16	FY 2018 reported	Δ (%) reported
Turnover	140.0	140.0	136.6	2.5%
Gross profit	35.9	35.9	34.7	3.7%
EBITDA	9.5	9.5	10.6	(10.1%)
EBITDA margin	6.8%	6.8%	7.8%	

The Retail segment showed a turnover increase of 2.5% to € 140 million (2.3% on a constant currency basis) with an increased gross profit to € 35.9 million following new shop openings of multi-category stores at regional airports and the addition of the acquired Rotterdam and Weeze airport shops to this portfolio.

EBITDA and EBITDA margin were impacted by staff costs and operating expenses related to the new shop openings.

Balance sheet

€ million (unless stated otherwise)	31.12.2019	31.12.2018	Change
Intangible fixed assets	135.4	121.6	13.8
Tangible fixed assets	39.3	31.0	8.3
Right-of-use assets	71.5	–	71.5
Financial fixed assets	6.2	4.7	1.5
Non-current assets	252.4	157.3	95.1
Inventory	375.6	377.9	(2.3)
Trade receivables	201.3	205.7	(4.4)
Cash and cash equivalents	50.9	26.9	24.0
Other current assets	34.3	29.4	4.9
Current assets	662.1	639.9	22.2
Total assets	**914.5**	**797.2**	**117.3**
Equity	291.8	273.1	18.7
Non-current liabilities	172.6	92.7	79.9
Current liabilities	450.1	431.4	18.7
Total equity and liabilities	**914.5**	**797.2**	**117.3**

Non-current assets

Non-current assets increased to € 252.4 million at year-end 2019, compared to € 157.3 million at the end of 2018. The increase is the outcome of:

- an increase of intangible fixed assets following the acquisitions of Lagaay Medical Group and airport shops at Rotterdam and Weeze as well as investments in digitisation;
- an increase of tangible fixed assets mainly related to investments in our warehouse infrastructure;
- the adoption of IFRS 16 Leases that requires the Group to recognise most of its operating leases in the balance sheet resulting in a right-of-use asset of € 71.5 million as per year-end 2019.

Current assets

Current assets stood at € 662.1 million at year-end 2019, compared to € 639.9 million at year-end 2018.

While we realised a growth in turnover, inventory decreased to € 375.6 million at year-end 2019, compared to € 377.9 million at year-end 2018. This is the result of our focus on working capital reduction. The number of inventory days significantly improved from 92 days in 2018 to 80 days in 2019.

Trade receivables also decreased, from € 205.7 million at year-end 2018 to € 201.3 million at year-end 2019. The number of debtor days improved from 43 days in 2018 to 37 days in 2019.

Net working capital decreased to € 472.2 million at year-end 2019, compared to € 492.8 million at year-end 2018, as a result of the aforementioned focus on working capital reduction. Working capital in days improved from 113 days in 2018 to 95 days in 2019.

Group equity

The Group's equity increased to € 291.8 million at year-end 2019, compared to € 273.1 million at the end of 2018. During 2019, the Group paid € 31.0 million dividend, of which € 13.5 million related to the year 2018 and € 6.5 million to non-controlling interests.

Non-current liabilities

Non-current liabilities stood at € 172.6 million at the end of 2019, compared to € 92.7 million at year-end 2018. The first-time inclusion of lease liabilities as required by IFRS 16 was the main reason for this increase, the impact on the balance sheet as per year-end 2019 amounted to € 61.8 million.

As part of the acquisition of 75% of FragranceNet.com, two put and two call options have been written on the remaining 25% of the shares. The fair value of these options, included in "Other liabilities", increased from € 23.8 million as per year-end 2018 to € 40.9 million as per year-end 2019 following (1) the performance of the company and (2) the decreased discount period.

Current liabilities

Current liabilities increased to € 450.1 at year-end 2019, compared to € 431.4 million at the end of 2018, mainly as a result of the first-time inclusion of lease liabilities due within one year, having an impact of € 9.0 million.

Liability to credit institutions increased from € 271.5 million at year-end 2018 to € 280.5 million at year-end 2019, however this was more than offset by the increase in cash and cash equivalents to € 50.9 million in 2019, compared to € 26.9 million in 2018. During the financial year 2019 the supplier finance arrangements have been terminated and have been replaced by bank financing to facilitate cost savings.

Financing

B&S Group is mainly financed through short-term working capital credit facilities. These facilities allow for growth as a result of healthy working capital. Net debt pre-IFRS 16 decreased from € 312.7 million as per year-end 2018 to € 296.0 million as per year-end 2019. Taking the effect of the repayment of the supplier finance repayments into consideration net debt improved with € 37.9 million. Including the effect of IFRS 16 net debt stood at € 367.4 million. Net debt / EBITDA ratio on a like-for-like basis (pre-IFRS 16) stood at 2.8 (FY 2018: 2.9). Post IFRS 16, net debt / EBITDA stood at 3.2.

Cashflow

€ million (unless stated otherwise)	2019	2018
Net cash from operations	114.7	3.5
Net cash from investing activities	(34.2)	(100.6)
Net cash from financing activities	(56.5)	(106.6)
	24.0	**9.5**

As a result of our decision to sustain sales volumes despite the earlier described market circumstances in Asia as well as our continuous focus on working capital, net cash from operations increased from € 3.5 million in 2018 to € 114.7 million in 2019, back in line with years prior to 2018.

The investments in the acquisitions of Lagaay Medical Group and two airport retail shops, as well as in warehouse infrastructure and digitisation in the HTG and B&S Segments amounted to € 34.2 million.

Net cash from financing activities mainly related to dividend distribution and the termination of supplier finance arrangements which were replaced by bank financing.

Dividend

At the Annual General Meeting to be held on May 19, 2020, B&S Group will propose the payment of a dividend of € 0.09 per share, in cash (subject to withholding tax if applicable). On December 9, 2019, B&S Group paid an interim dividend of € 0.13 per share, representing 40% of the semi-annual 2019 results attributable to the owners of the Company. This brings the total dividend to € 0.22 per share. In line with the dividend policy, this translates into a pay-out ratio of 40% of the annual Group results attributable to the owners of the Company (similar to prior year pay-out ratio).

Outlook

Although the effects of the protests in Hong Kong and the trade war between USA and China affected our FY 2019 results, we are optimistic that these circumstances will not last throughout 2020. The outbreak of the corona virus will have an impact on general demand for luxury brands in Asia in the coming period, however we remain positive about this market for the medium and long term. We continue to closely follow the developments in these Asian markets to determine the potential impact on our performance in 2020.

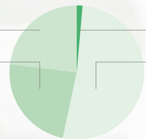
We are confident about the overall growth opportunities in Europe and USA, especially for our Health and Beauty segment in the B2B and B2C platform business and our liquor distribution business, both for which we expect short and medium term performance levels to increase by growth from geographical expansion.
In our B&S Segment, the increased operational effectiveness and cost reductions in our logistics operations combined with growth in our volume contract business, is expected to result in increased profitability from 2020 onwards.

In the coming period, our commercial focus areas are aimed at long-term value creation in key growth markets and designed to benefit from global developments and market trends like digitisation, retail re-design and supply chain simplification. Emphasis will further lie on further solidifying our financial position by operational effectiveness and cost reductions following our investments in digitisation and automation. Overall, we will continue our focus on growing our business profitably by executing on our 2020-2022 strategic initiatives and leveraging our positions in the unique channels and markets that we serve.

Empowered people

2.541

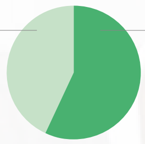
employees



Retail **584***
B&S **599**
Group **37**
HTG **1.321**

* Including shop employees

Male to female ratio

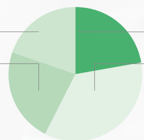


Female **42.8%**
Male **57.2%**

Average age

35.5

Age division



35-45 yr **19.5%**
>45 yr **22.9%**
<25 yr **22.3%**
25-35 yr **35.2%**

Average employee tenure of

7 years

Commitment to

UNGC

since 2010

20

nationalities on

4

continents

The **success of our business** is directly linked to the expertise and well-being of our workforce. We aim to provide an **entrepreneurial** and **inspiring environment** that attracts (young) professionals with a focus on identification and the pursuit of **new commercial opportunities** that support our growth strategy. The continuance of that success lies in **maintaining high ethical standards across our business** and with all our stakeholders.

People development

Material topic 6

Talent attraction

Our recruitment policy is primarily aimed at young professionals, typically recruited straight from university. We maintain close relationships with universities and select business schools and provide guest lectures, career days, internships and dedicated learning projects that add value to academic programs. This also helps us identify, attract and select talent early on.

For senior roles, recruitment takes place at Group level and is based on relevant work experience, qualifications and organisational fit. The same standards and application procedures are adhered to in all our business segments in all locations.

Development, retention and mobility

Through our B&S Academy, we train new recruits to identify unique sourcing opportunities and support customers with tailor-made solutions in the complex environment in which we operate. This is supported by on-the-job training, where new recruits partner with experienced employees. In 2019, we enrolled 70 trainees in the B&S Academy.

As well as our educational program, we offer attractive remuneration programs and rotational opportunities across different disciplines within all our business segments and locations. Providing high-potential employees with a management career path is a priority, and helps us meet the constantly changing demands of our stakeholders and the markets in which we operate. We identify the next generation of leaders through our B&S Academy, focusing on the right intellect and fit. We train and develop them with future leadership roles in mind and offer internal training, and access to external management programs and Master's programs in their area of expertise. In 2019, the average employee retention rate was seven years.

Through this program we have developed an entrepreneurial and highly motivating management culture throughout the Group, evidenced by a vast majority of current management that started their careers with us. They set an example and act as inspiration for new recruits, illustrating the career opportunities open to them at B&S Group.

Inspiring work environment

Employees at all levels are trained, encouraged and incentivised to identify new markets, new products, new sources of supply and new ways to expand our business profitably. Over the years this has resulted in a global presence with offices in Europe, Dubai, Hong Kong and the USA.

We stimulate our people to take initiative and encourage them to act as pioneers and entrepreneurs. To ensure a high-quality working environment, we provide direct access to senior management, encourage employees to speak their minds, and inform and consult with them on key developments regularly.

In 2019 we launched an office restyle that promotes an open, inspiring work environment that further boosts cross-communication between departments.

Equal opportunities & inclusion

The principles of equal opportunities are embedded in our company's approach and objectives. We recruit based on equal opportunity, and hire the best candidate irrespective of gender, marital status, sexuality, colour, sex, ethnic origin, religion or physical ability.

We strive to provide equal opportunities to all staff and potential staff in terms of remuneration, recruitment, promotion, training and access to opportunities. All staff involved in recruitment, selection and remuneration are made familiar with their responsibilities with regards to ensuring equality of opportunity for both current and prospective employees.

We also work to improve inclusion in the societies in which we operate. For example, we support 'local first' initiatives at our operations in Mali. While at our logistics operations in the Netherlands we provide guided work placements to people with a distance to the labour market. In our food distribution services, we work with local food banks to ensure that food items that can no longer serve commercial purposes but are still fit for consumption are distributed to those in need.

Employee well-being

Material topic 7

We work hard to maintain the health and well-being of our employees, providing our people with access to high-quality facilities across the company. As well as catering facilities, our offices have modern fitness facilities that are freely available to all employees to train under professional supervision in order to keep fit and maintain a healthy lifestyle. We also promote, support and sponsor employee participation in external sport events, such as soccer tournaments and marathons.

Sustainable employability

Our aim is to support the continued employability of our staff through to retirement, by ensuring they remain healthy and motivated. In 2019, we drafted a long-term plan to increase employability based on a healthy work-life balance and the increasing pensionable age in the Netherlands. In the year under review we prioritised the topics 'generation policy' and 'absenteeism', which involved rolling out a vitality scan pilot in selected parts of the organisation. This focuses on employees' health, lifestyle and sustainable employment and encourages them to work on their own well-being.

Looking ahead, we plan to roll the plan out across the company, and extend the scope to cover such topics as employee development, healthy lifestyle support and employee satisfaction.

Safety in the workplace

Material topic 5

We are committed to keeping our employees safe and secure and providing an environment that is free from discrimination, harassment and victimisation and in which everyone is treated equally.
The safety of our employees in our warehouses, in operational activities and at our operations in higher risk areas (related to our activities in remote markets) is crucial.

We provide employees with the right knowledge and tools to help eliminate injuries and illness at work and at home. At our warehouses, this involves proactive hazard recognition, risk assessment, and risk control to prevent accidents. Employees are trained to use equipment both safely and in strict adherence to our food safety and customs compliance processes. And we ensure this is done in accordance with local culture, the types of products handled in the warehouse and relevant regulations.

Employees in higher risk regions and countries are given extensive training on how to operate in such environments, with specialised training courses in areas such as food safety, security, personal health and hygiene.

Our Corporate Safety & Security (S&S) department is committed to safety management, security management and integrity & review, and works to guarantee safety in the workplace. The ongoing development and implementation of our safety policy is the responsibility of the S&S department, working alongside the HR, Facility, Logistics and Quality departments at both Group and segment levels, with direct reporting to the Executive Board.

In 2019, the S&S department devoted substantial time to employee awareness for safety management. By initiating multi-disciplinary meeting structures and segmental core teams that meet on a regular basis, we have facilitated the identification of key attention areas and prevention controls that can be implemented from 2020 onwards.

In 2019 we also initiated the roll out of extended ISO certification in our food distribution operations in the areas of Quality Controls, Working Conditions and Environmental Management Systems.

Business ethics

Material topic 3

We maintain credibility with our stakeholders by realising our commitments, acting with honesty and integrity, and pursuing our company goals ethically and professionally.

Know Your Relations (KYR)

We have strict Know Your Relations (KYR) procedures in place when accepting new customers, suppliers and other business relations. We have anti-bribery, anti-corruption and anti-money laundering (AML) policies in place that apply to all our staff, and we expect our suppliers, customers and business partners to adhere to the same standards. Creditworthiness of new relations is checked upfront and their Ultimate Beneficial Owner(s) data is checked against the OFAC and the EU Sanctions list. Established relationships are monitored on compliance standards by an automated check that is performed on all business relations every two weeks.

Extensive knowledge of the substance and impact of the Foreign Corrupt Practices Act (FCPA) is embedded at every level of the company, and our anti-bribery and anti-corruption policy is embedded in our Code of conduct.

Human rights

Respecting human rights is a core part of our daily business, as we have many international operations and source and distribute our assortment globally. Our human rights procedures are firmly embedded in our Code of Conduct and all employees are expected to work in the spirit of these principles, irrespective of their working location. In some of the countries in which we operate human rights conditions deviate from those in Europe, we work to ensure that the same principles are adhered to in these operations as to those applicable in the Netherlands.

We have been a member of the UN global compact (UNGC) since 2010, highlighting our commitment to the 10 universally accepted principles in the areas of human rights, labour rights, the environment and anti-corruption. As a signatory, we submit a communication on progress to the UNGC on an annual basis.

Whistle-blower policy

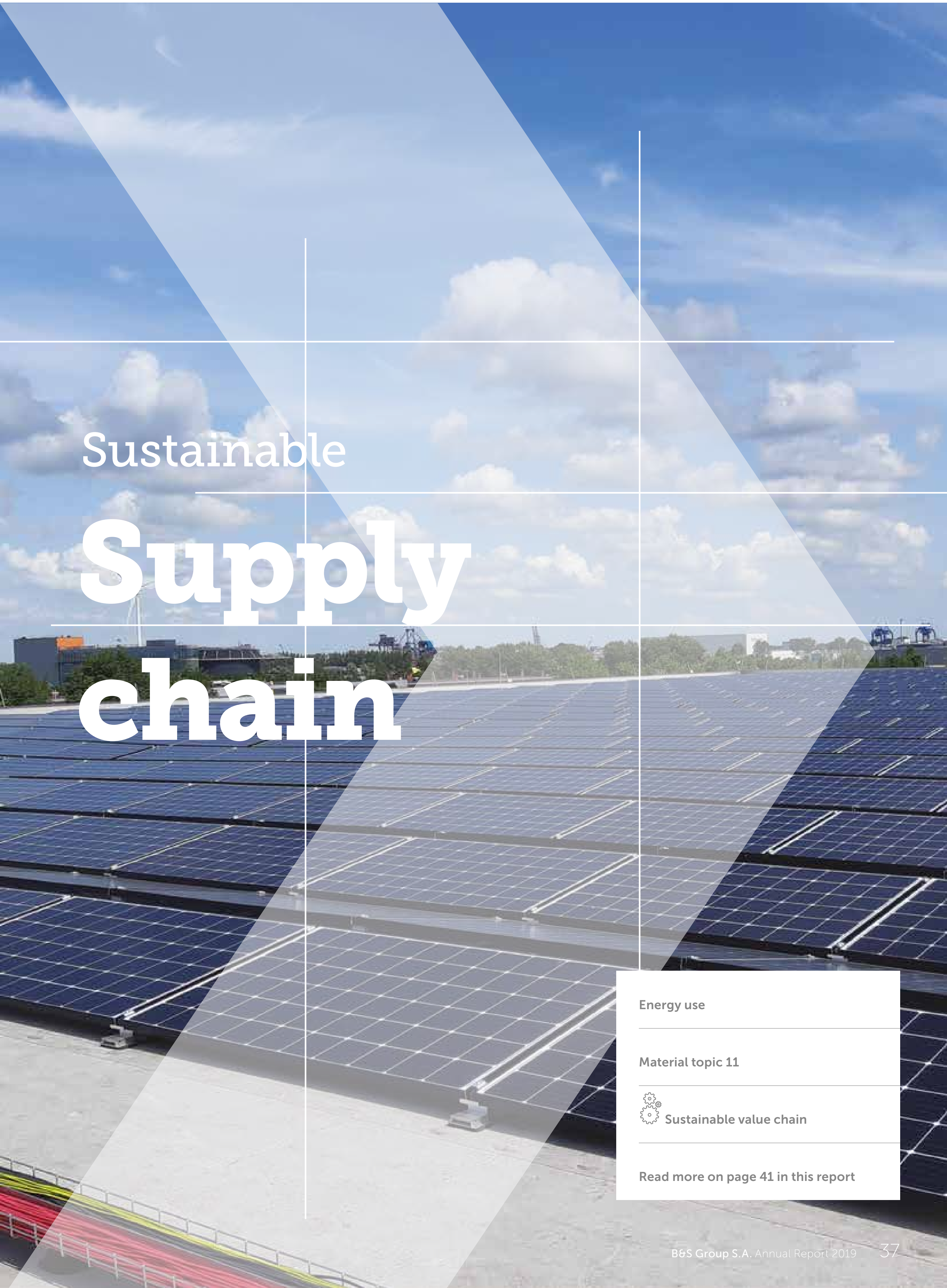
We have a whistle-blower policy in place offering the possibility to report suspected misconduct within the company. The policy can be found on our corporate website. In 2019, no matters were reported.

Data protection & Cyber security

Material topic 4

We focus on ensuring that appropriate privacy and information security controls are in place to safeguard critical business and personal information. We respect the personal information of our people and our customers, and take steps to protect it from loss, misuse or alteration from technical measures, for example by using firewalls, intrusion detection and prevention systems, as well as passwords and encryption. Organisational measures were taken such as training staff on cyber security, identifying data incidents and risks, and restricting staff access to personal information.

Based on our cybersecurity roadmap, we have executed several actions during 2019 that address cybersecurity topics either directly or indirectly. For example, migrating the majority of our primary applications to an external data center during 2019 increased our availability and security setup. Our cybersecurity controls were further improved by implementing cloud-based solutions for office automation, email, and our e-commerce operations. We have continued and expanded our cybersecurity awareness program amongst employees with dedicated company-wide project updates and explanatory messaging.



Sustainable

Supply chain

Energy use

Material topic 11

Sustainable value chain

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AEOS &
AEOC
status since 2008

ISO 22000
& HACCP
certified

Officially registered supplier to
UN
Global Marketplace

Approved
USAPHC

We take **our responsibility** towards our various stakeholders in the value chain **very seriously**. Our fundament for creating a sustainable value chain is built on being a **responsible**, **well-respected** and **reliable** organisation while at the same time seizing business opportunities that support our growth strategy.
Our commitment includes mitigating environmental risks related to our operations, complying with all relevant food safety standards and customs regulations and **creating opportunities** for a **sustainable** and **innovative supply chain**.

Safety & compliance

Material topic 9 and 1

Food safety

We adhere to the strictest food safety standards to ascertain the safety of the food supply chains we are active in. We actively promote transparency of product information and comply with the most stringent international regulations. Our warehouses are ISO 22000 and HACCP certified, and apply a high-level processing risk management system. These certifications allow us to demonstrate to our stakeholders that we comply with international food safety standards.

In the Netherlands, we are subject to the supervision of the Netherlands Food and Consumer Product Safety Authority (NVWA), which performs audits of our compliance with the HACCP system. To comply with food safety and transparency requirements, we constantly monitor our compliance and safety procedures, devoting specific attention to high-risk products, such as poultry and meat. Food products received at our warehouses are subject to comprehensive quality controls and are stored in climate-controlled environments.

We are approved by the US Army Public Health Command (USAPHC) for our food distribution to military operations, which enables us to supply US Army caterers. Additionally, we are an officially registered supplier to the United Nations Global Marketplace (UNGM), the common procurement portal of the United Nations system of organisations. This enables us to participate in tender processes for United Nations contracts.

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Storage of dangerous goods

With regards to the storage of flammable household liquids that form part of the assortment of our Health & Beauty operations in our HTG Segment (such as hair spray), we adhere to Seveso-III. This is the directive that applies to establishments in the European Union where dangerous substances are used or stored in large quantities and contributes to achieving a low frequency of major accidents. In distributing these goods, we adhere to The European Agreement concerning the International Carriage of Dangerous Goods by Road (ADR).

Customs compliance

As we are a vital part of the international supply chain and are involved in customs-related operations, we adhere to a range of criteria that grants us the status of Authorised Economic Operator. This status allows us to work in close cooperation with customs authorities to assure the common objective of supply chain security based on the principles of mutual transparency, correctness, fairness and responsibility. We are subject to the Union Customs Code (UCC), the EU regulation that provides rules and procedures for products that are brought into or are taken out of the customs territory of the European Union.

To ensure that our operations continuously meet all criteria for both customs simplification (AEOC) and security and safety (AEOS), our focus lies on complying with customs legislation and taxation rules, appropriate record keeping, financial solvency, proven practical standards of competence and appropriate security and safety measures.

Long-term relationships

Material topic 2

Integrity and transparency are key to our business and our long-term partnerships. These principles ensure that we promote trust and respectful relations with our customers and suppliers, as well as with our other stakeholders, such as shareholders, governmental and non-governmental bodies and other authorities.

We seek to maintain open and constructive dialogues with national and local authorities, meeting relevant legislative requirements and complying with health, safety and environmental requirements. We pursue a principled and transparent tax strategy that aims to support our overall business strategy. In this respect, regular meetings are conducted with tax authorities to discuss duties, customs, corporate income tax and VAT. Furthermore, we maintain good relations with the Dutch customs authority with regards to our status as an Authorised Economic Operator.

To ensure that relevant information is shared with and accessible to all our stakeholders, we provide quality information on company developments promptly, simultaneously and fully via our corporate website and through market regulators. Specifically, with regards to the investor community we disclose material information in a regulated manner focused on providing them with the information they need to assess their investment. We aim to deliver sustainable shareholder returns and to be a solid business partner to banks and other providers of credit facilities.

Innovative supply chain

Material topic 8

Digital technologies are changing warehouse operations and office environments in a rapid pace, providing new opportunities to implement digitised work processes and automated procurement solutions that support an innovative supply chain.

In 2012 we laid the groundwork for our current automated procurement services to e-commerce platforms and end-customers by implementing the Autostore system in our HTG operations.

Since then, we have continued to invest in scaling our existing technologies and integrating complementary automated solutions that enable us to expand our role as value adding distributor. In 2019, investments in our infrastructure focused on growth in our Health & Beauty e-commerce markets in Europe and the USA. Our investments over the past years in the HTG infrastructure combined with the technology that was already operational at FragranceNet.com when we acquired the company in 2018, provided us with a robust robotised logistics platform for our e-commerce operations. To further enhance our position, in 2019 we expanded and restructured our robotised warehousing infrastructure in our Health & Beauty e-commerce operations, with increased drop shipment capacity and automated packing lanes in preparation for the roll out of the FragranceNet.com B2C model in Europe.

Based on our strategic review in 2019 through a bottom-up and multidisciplinary approach, we marked digital transformation as one of our key growth areas for the coming years. One of our priorities in this area is to further develop our digital supply chain, by continuing to digitise our warehousing operations throughout the Group.

We will also focus on making our operations future fit by upgrading buying and sales processes at Group level, helping to generate data-driven insights between our segments and to digitise internal processes for integrated communication with our various stakeholders throughout the supply chain.

As part of our digital transformation, our intention from 2020 onwards is to develop and start tracking performance indicators based on data outcomes. In the coming year, we will also initiate the identification of commercial priorities in consultation with our suppliers and customers that evolve around value propositions and business models driven by market data insights.

Energy use & waste management

Material topic 11 and 12

We aim to reduce our CO_2 footprint through energy efficient warehouses and offices. As an example, we use geothermal energy as a heating / cooling source and motion detection lightning to reduce energy consumption. In 2019 we started implementing solar panels on selected warehouses in the Netherlands. We aim to expand the use of this renewable energy source at other warehouses in the coming years. We are also working to reduce CO_2 emissions by improving efficiency through automation and robotisation of our warehousing activities.

In our day-to-day operations we seek to reduce waste in a number of ways, such as promoting a paperless office, by using reusable drinking cups from recycled material, and by reducing, reusing and recycling packaging material in our warehouses.

Our approach to date is characterised by our decentralised operations, where initiatives to reduce energy use, emissions and waste are initiated and executed on segment level. For example, in 2019 we assessed the 2018 performed energy audit in the B&S Segment to identify relevant areas in mitigating adverse effects from our activities in our food distribution operation.

For the coming years, we plan to advance our approach in selecting, measuring and reporting on energy and emissions matters deemed relevant to our various business activities. Given the decentralisation of our operations, we aim to develop a blue print approach at Group level with a multidisciplinary project team. Our goal is to develop a blue print with centralised key topics to report on at Group level, while leaving room for business specific focus areas on segment level.

Executive Board

Bert Meulman, CEO
Gert van Laar, CFO
Bas Schreuders, Senior Counsel
Niels Groen, Finance Director