

REPORT OF THE SUPERVISORY BOARD

Report of the Supervisory Board

This report of the Supervisory Board sets out how the Supervisory Board fulfilled its duties and responsibilities during 2019, the first full year in which B&S Group was listed on Euronext Amsterdam. Details on the organisational structure can be found in the Governance section of this Annual Report. The activities of the Executive Board are described in the Report of the Executive Board, the letter of the CEO and Value Creation chapters in this report.

Main topics in 2019

In exercising its tasks in 2019, the Supervisory Board after consultation with the Executive Board and selected members of senior management, focused on logistics performance reviews and geopolitical and markets developments, the development of strategic initiatives and management succession.

Performance & market developments

The Supervisory Board discussed the logistical performance of the B&S Segment during 2019 with the Executive Board, as well as the costs related to quality improvements of existing processes. This followed the logistical constraints that impacted the segment in late 2018. We were pleased with the updates and actions taken by logistics management, as initiated by the Executive Board.

In the third quarter of 2019, the trade war between the USA and China and the political turmoil in Hong Kong led to a decline in demand for luxury products in Asia. This resulted in margin pressure on the Liquor category in Asia. As these circumstances advanced further in Q4, the impact expanded into the FMCG market in Asia as well. Possible approaches to diminish the effect of these developments on Group results were items of extensive discussion between the Boards. The Supervisory Board shared their views on long-term value

creation and stimulated the Executive Board to pursue its decision-making on how to approach the declining demand in its Asian markets. The Supervisory Board has fully endorsed the focus of the Executive Board in maintaining volumes in Asian markets as much as possible at the expense of lower margins, keeping the business positioned to pick up as soon as market conditions improve while simultaneously generating strong cash flow for the year.

Strategy development

During the quarterly Supervisory Board and Executive Board meeting in August, the Executive Board shared its vision on updating the multi-year company strategy in light of mega trends such as digitisation and retail re-design as well as market specific developments. We supported the Executive Board's initiative in the second half of 2019 to organise company-wide sessions facilitating the 2020-2022 strategic initiatives.

The Supervisory Board was involved by sharing experiences and suggestions, and Supervisory Board members attended one or more sessions with key personnel and the Executive Board. We were impressed by the commitment of all staff in these sessions and the level of participation as created by the Executive Board. The Supervisory Board stresses the importance of swift roll out of concrete action plans throughout the

'The Supervisory Board fully supports the Executive Board in executing the strategic focus initiatives as identified in the 2020-2022 strategy.'

Jan Arie van Barneveld
Chairman of the Supervisory Board



organisation in 2020. In particular, the Supervisory Board believes that digitisation is a decisive aspect in providing the Company with a sustainable growth path. We fully support the Executive Board in executing the strategic focus initiatives as identified in the 2020-2022 strategy.

Management succession

In the second half of 2019, the search for a new CFO became one of the Supervisory Board's priorities following the announced retirement of Gert van Laar. The Supervisory Board extensively discussed and considered candidates, taking the principles for the composition of the Executive Board into account to create a diverse mix of knowledge, skills, expertise and personal characters in the Executive Board. In January 2020, following the recommendation of the Executive Board, Peter Kruithof was nominated as member of the Executive Board and CFO for a period of four years, pending shareholder approval in the AGM scheduled for May 19, 2020. The terms and conditions of Peter Kruithof's contract comply with the remuneration policy of B&S Group.

Meetings

In our scheduled meetings in 2019 we addressed the topics as described earlier in this report, as well as further development of the Groups financial position, capital allocation and in particular M&A, progress on the digital and logistics infrastructure and governance related topics such as risk management and remuneration of the Boards.

In 2019, the Chairman met with the Executive Board on multiple occasions, both pre-scheduled in preparation for meetings between the Supervisory Board and the Executive Board, as well as in impromptu meetings. The full Supervisory Board in its current form met seven times and met an additional five times in the presence of the Executive Board.

In 2019 we focused on direct interaction not just with the Executive Board but also Segmental managers, as well as Works Councils and staff within the operating segments. This included one-on-one discussions, presentations, site visits to various company locations and social and / or educational events organised by the company. We believe that these various interactions have improved the quality of our committee tasks and our meetings and interaction with the Executive Board, and plan to continue this in 2020.

Functioning of the Supervisory Board

2019 was the first full year of the Supervisory Board in its current form. In August 2019, we performed an annual assessment of the performance of the Supervisory Board that addressed various aspects of the performance of itself, its committees and individual members. In this meeting in August, we decided to continue our meetings with Segmental managers and other

key personnel to maintain the quality of our tasks and interactions with the Executive Board.

Composition of the Boards

In the composition of the Boards, the Group strives for sufficient complementarity, pluralism and diversity with regard to age, gender and background. The main aim is to create a diverse mix of knowledge, skills, expertise and personal characters. At the same time, the knowledge the Group requires in its key markets is still a key appointment criterium. The composition of the Supervisory Board is such that its members are able to act independently of one another and provide the Executive Board with optimum support in any particular field of interest. Each member of the Supervisory Board has his or her own field of expertise, including expertise in retail markets, international trade, IT and online consumer behaviour, general management, finance and law.

Committees

The Supervisory Board has installed two committees, an Audit and Risk Committee and a Selection, Appointment and Remuneration Committee. These committees are also subject to the regulations that are available on the [corporate website](#). The task of these committees is to support and assist the Supervisory Board in the performance of its designated tasks and to prepare the ground for the Supervisory Board's supervision of the Executive Board. The Supervisory Board as a whole remains responsible for how it exercises its tasks, including the preparatory activities carried out by the Audit and Risk Committee and the Selection, Appointment and Remuneration Committee.

Independence of the Supervisory Board members

The Supervisory Board meets the requirements of the Dutch Corporate Governance Code with regards to independence of the Chairman. Three out of five members of the Supervisory Board do not qualify as independent members of the Supervisory Board within the meaning of the Code, it concerns Mr Beerman, Mr Blijdorp and Mr Cornelisse. Under the chapter Governance in this report, the governance structure of the Company as well as the deviations from the Dutch Corporate Governance Code are described in detail.

Audit and Risk Committee Report

The Audit and Risk committee (the Committee) supports the Supervisory Board to monitor the systems of internal controls, the quality and integrity of financial reporting and the content of the financial statements and reports. The Committee is responsible for interactions and meetings with the external auditor as well as establishing the procedure for the selection of the external auditor. It holds responsibility for recommendations to the Supervisory Board of an external auditor for nomination for appointment and its compensation, or dismissal by the General Meeting. In addition, the Committee assists

the Supervisory Board in making recommendations to the General Meeting for the retention, oversight and termination of the external auditor. It also interacts with several financial and internal audit executives and assists in assessing and mitigating the business and financial risks of the Group.

In the year under review, the Committee met four times. The highlights and the minutes of these meetings were shared with the full Supervisory Board. The Committee's feedback to the Supervisory Board included advice regarding topics to be approved by the Supervisory Board amongst others the re-appointment of the external auditor. The Committee convened several additional meetings with the Executive Board and/or support teams, to address specific developments such as the acquisition of Lagaay Medical Group and the risk assessment performed by Internal Audit. The members of the Committee are Mr Beerman (chairman) and Mr Van Barneveld.

Internal Audit and Risk Management

As per October 1, 2019, a Director Internal Audit was appointed. The Committee was kept informed during the recruitment process and advised positively in respect of the appointment. During the Audit and Risk Committee meeting in October 2019, the scope and effectiveness of the Group's risk management and control systems were discussed with the Executive Board and the support team involved in risk management and internal audit. The Director internal Audit presented the results of the performed risk assessment, after which views on further development of both risk management and internal audit within the Group were exchanged. The Audit Committee concluded that the agenda, program and tasks of the internal audit function assumed all required internal control elements and therewith agreed on the 2020 audit process.

Financial statements 2019

The financial statements were prepared by the Executive Board and the external auditor subsequently issued an auditor's report on said financial statements. This report is included in the independent auditor's report. The Committee discussed the financial statements in detail with the Executive Board and the Supervisory Board and the audit of the financial statements with the external auditor.

Financial statements and dividend

The Supervisory Board has approved the 2019 financial statements and recommends that the Annual General Meeting to be held on May 19, 2020 adopt these financial statements. The Supervisory Board also recommends that the Annual General Meeting discharge the members of the Executive Board for their management of the company and the members of the Supervisory Board for their supervision of said management for the financial year 2019.

Following the 9M 2019 trading update on 4 November 2019, the Executive Board, after approval of the Supervisory Board, distributed an interim dividend of € 0.13 per share (subject to withholding tax if applicable). In accordance with the Executive Board's proposal, we recommend that the General Meeting approve to distribute a total dividend of € 0.22 per share for 2019. In line with the dividend policy, this translates into a pay-out ratio of 40% of the 2019 results attributable to the owners of the Company.

Remuneration report

The remuneration of the members of the Executive Board is determined by the Supervisory Board in accordance with the remuneration policy, as approved by the General Meeting of Shareholders. The General Meeting of Shareholders also approves the remuneration of the members of the Supervisory Board. This report outlines the remuneration policy for the Executive Board as applied in 2019, as well as the performance criteria and actual performance; moreover it outlines the remuneration for the Supervisory Board in 2019.

Executive Board remuneration policy

The remuneration of the members of the Executive Board is the responsibility of the Supervisory Board. The objective of the remuneration policy for members of the Executive Board is to provide a remuneration structure that will allow the company to attract, reward and retain highly qualified members of the Executive Board and provide and motivate them with a balanced and competitive remuneration that is focused on sustainable results aligned with the long-term strategy of the company. The remuneration policy was proposed by the Supervisory Board and adopted by the General Meeting of Shareholders on March 22, 2018.

The remuneration policy follows best practice provision 3.1.2 of the Dutch Corporate Governance Code. The pay ratios within the Group are taken into consideration. The Supervisory Board believes that the remuneration policy expedites the short-term operational performance and the objectives of the strategy for long-term value creation within the meaning of best practice provision 1.1.1 of the Dutch Corporate Governance Code. Furthermore, the Supervisory Board believes that the value of the remuneration for the members of the Executive Board for 2019 also contributes to the aforementioned objectives and meets the remuneration policy. All substantial future changes to the remuneration policy will be submitted to the General Meeting of Shareholders for approval.

Employment contracts

The effective dates of employment contract for members of the Executive Board and their contract term shown in Table 1:

Table 1: Effective dates of employment contracts of the Executive Board members and their contract term

Name	Effective date contract	Contract term
Mr. Meulman, CEO	January 1, 2018	4 years
Mr. van Laar, CFO	January 1, 2018	3 years ¹
Mr. Schreuders	January 1, 2018	2 years
Mr. Groen	January 1, 2018	2 years

The agreements with the CEO and CFO include a termination agreement. The Group deviates from provision 3.2.3 for the CEO and CFO with regards to the exceeding of the fixed remuneration component in the event of dismissal. Severance payment for CEO and CFO are set at one year's salary and 50% of the applicable annual cash bonus as awarded in the preceding financial year. The terms of the agreement with the Executive Board members are in line with B&S Group's remuneration policy.

Remuneration structure and components

The remuneration structure for the Executive Board focuses on achievement of both short-term results and long-term value creation by pursuing growth opportunities through B&S Group's capabilities as distribution partner in complex supply chains.

The total remuneration and the remuneration components are based on the going rates of what the Supervisory Board considers to be in line with international trade and distribution services market and globally benchmarked against companies which are similar to B&S Group in terms of scale and complexity.

The Supervisory Board has designed a system of Performance Incentives (PI's) for the Executive Board members. These PI's consist of collective and individual targets. Quantitative targets are related to the Group's financial performance while qualitative targets reflect the Group's strategic and operational priorities.

¹ Note: Mr Van Laar will retire after the Annual General Meeting of 2020.

Before the level of remuneration of individual board members is determined, scenario analyses with regards to the variable remuneration components are conducted to determine their consequences on the level of remuneration of these board members.

The level and structure of the remuneration takes into account the previously described scenario analyses and the pay differentials within the company as well as financial and non-financial indicators relevant to the long-term objectives of the company.

The members of the Executive Board express their views of their remuneration packages with the Selection, Appointment and Remuneration Committee (the Committee) at least once a year. The Committee includes all feedback when evaluating the Remuneration Policy. For the financial year 2019, the Supervisory Board did not make use of its right to perform discretionary adjustments to the Executive Board remuneration. The remuneration package for members of the Executive Board, following the adoption of the remuneration policy, consists of the following components:

Fixed compensation

The annual base pay salary of the members of the Executive Board was set by the Supervisory Board, taking into account a variety of factors such as scale and complexity of the company. The aggregate annual base pay in 2019 for the members of the Executive Board was € 1,114,000. The Supervisory Board decided not to change the bases salaries of the members of the Executive Board in 2019.

Performance Incentive (PI)

The PI is an annual cash bonus that is applicable to the CEO and CFO of the company. The objective is to incentivise performance in line with the Group's long-term strategy and defined targets. The bonus for both CEO and CFO is linked to the result

of the Group before taxation, provided that the total amount of the bonus will not exceed 0.6% and 0.2% for CEO and CFO respectively, of the Group's consolidated profit for the year (from continuing operations) before taxation.

Performance criteria and targets that underlie the PI, are set yearly by the Supervisory Board based on the strategy aspirations and annual business plans and reviewed annually. The performance targets are challenging, yet realistic and measure the success of the execution of the strategy of B&S Group. The performance targets that have been agreed, contribute to long-term value creation and the PI is linked to measurable performance criteria determined in advance.

The final assessment of the performance, based on the audited financial results at the end of the fiscal year, is done by the Committee and proposed for decision making by the Supervisory Board. In preparation for that final assessment, the Supervisory Board members review the final outcomes as reported by the Committee and the Audit and Risk Committee, to ensure complete alignment on performance by both committees.

For 2019, the Supervisory Board has determined PI criteria for the CEO and CFO, a combination of quantitative and qualitative criteria. The financial targets are turnover growth, profit before tax growth and working capital as a percentage of turnover. The qualitative targets are the successful execution of the M&A strategy and the working relationship with the Supervisory Board. Besides these collective PI's, one individual PI criterium was determined for both the CEO and CFO. For the CEO the individual PI for 2019 was 'take important steps with the digital aspects of the B&S Group Strategy'. For the CFO individual PI for 2019 was 'Support the Supervisory Board whilst it prepares a successful succession of the new CFO'. These criteria are measured as follows:

Table 2: PI achievement for 2019

	% of total	Realised	Bandwidth	% achieved	Achieved CEO	Achieved CFO
PI criteria for CEO and CFO						
Turnover growth of 10% (realised / target = % achieved)	20%	13.3%	80% – 120%	120%	24.0%	24.0%
Profit before tax growth of 15% (realisation / target = % achieved)	20%	-14.7%	80% – 120%	0%	0.0%	0.0%
Working capital as % of turnover < 28% (28% / realised = % achieved)	20%	23.9%	80% – 120%	117%	23.4%	23.4%
Successful execution of M&A strategy	15%		0% – 100%	100%	15.0%	15.0%
Working relationship with Supervisory Board	10%		0% – 100%	100%	10.0%	10.0%
Individual PI criterium CEO						
Take important steps with the digital aspects of the B&S Group Strategy	15%		0% – 100%	100%	15.0%	
Individual PI criterium CFO						
Support the Supervisory Board whilst it prepares a successful succession of the new CFO	15%		0% – 100%	100%		15.0%
Total PI realisation					87.4%	87.4%

The PI achievement for 2019 for the Executive Board was subject to approval of the Supervisory Board in its meeting of February 21, 2020. Considering the performance regarding the PI criteria for 2019 the resulting PI pay-out for 2019 will be € 406,000 for the CEO and € 135,000 for the CFO. The PI amount is paid in 2020 after approval of the Annual Accounts 2019 by the Annual General Meeting.

is only provided in the event of termination on the day after which the Annual General Meeting is held in the year the current term expires, or termination before that date other than as a result of seriously culpable or negligent behavior. Employment agreements for other members of the EB are subject to statutory notice period and require payment of statutory severance payment.

Severance arrangements

The service agreements with CEO and CFO contain a severance payment equal to twelve months fixed salary and 50% of the cash bonus as awarded in the preceding financial year. Payment

Pension contribution

The pension scheme for the CEO is a defined contribution plan. The contribution is fully born by the company.

Overview remuneration Executive Board 2019

Table 3: Remuneration of Executive Board members for 2019³

€ x 1,000

Name of Director	1 Fixed Remuneration – annual base pay			2 PI – annual cash bonus plan	5 Pension expense	6 Remuneration	7 Proportion of fixed and variable remuneration
	Base salary	Fees	Fringe benefits				
J.B. Meulman	600	–	15	406	100	1,121	64/36
G. van Laar	300	–	32	135	-	467	71/29
B.L.M. Schreuders	123	–	26	-	10	159	100/0
N.G.P. Groen	91	–	25	24	11	151	84/16

³ including payments from undertakings belonging to the same group with the meaning of Article 1711-1 of the amended law of 19 August 1915.

Loans

The company has issued no loans or guarantees to members of the Executive Board.

Comparative information on remuneration and company performance

According to the Supervisory Board, the Executive Board remuneration is proportional and acceptable compared to the company performance and the average remuneration of employees on a full-time equivalent basis.

Table 4: Comparative table over the remuneration and company performance over the last reported financial years after the company's listing (RFY)

€ x 1,000

Annual Change	Information regarding the RFY	RFY-1
Director's remuneration		
J.B. Meulman	1,121	1,245
G. van Laar	467	508
B.L.M. Schreuders	159	131
N.G.P. Groen	151	127
Company Performance		
Financial metric: Profit before tax	77.5	90.8
Average remuneration on a full-time equivalent basis of employees		
Employees of the group	58	58

Supervisory Board remuneration

The Annual General Meeting of Shareholders determines the remuneration of the Supervisory Board members, and it may be reviewed annually and thereafter proposed to the Annual General Meeting of Shareholders. The remuneration of the members of the Supervisory Board consists of fixed annual fees for their role as Supervisory Board member. In addition, the Chairman receives a fixed annual fee for this role. The Group does not grant variable remuneration to the members of the Supervisory Board. Members of the Supervisory Board do not receive any performance or equity-related compensation and do not accrue any pension rights with the company. The company does not grant stock options or shares to the members of the Supervisory Board.

As per December 31, 2019, the members of the Supervisory Board have no loans outstanding with the Group.

Supervisory Board remuneration in 2019

The annual base pay in 2019 for every Supervisory Board member was € 50,000. The Chairman of the Supervisory Board received an additional annual fee of € 5,000.

Table 5: Supervisory Board remuneration 2019

€ x 1,000

Supervisory Board member	Amount
Jan Arie van Barneveld (Chairman)	55,000
Willem Blijdorp (Vice-chairman)	50,000
Coert Beerman	50,000
Kitty Koelemeijer	50,000
Rob Cornelisse	50,000
Total	255,000

In 2020 the remuneration policy for members of the Supervisory Board shall be proposed to the General Meeting of Shareholders, which shall be based on the same principles as stated above under 'Supervisory Board remuneration'.

Appreciation

We believe 2019 was a challenging year for the company due to unfavorable market developments as well as the ongoing development of the digital and operational infrastructure. With the initiation of an updated strategy in the latter part of the year, it is our belief that the company has captured the right strategic direction to deliver long-term value for all its stakeholders. We are fully supportive of the identified 2020-2022 strategic focus areas and accompanied business priorities. We want to thank the Executive Board, senior management and all staff for their contribution and commitment in 2019 and look forward to the upcoming year.

On behalf of the Supervisory Board

Jan Arie van Barneveld

Chairman



Long-term partnerships

Long-term partnerships

Material topic 2

 financial performance

Read more on page 40 in this report