

VALUE CREATION

Strategic focus

Our overall focus lies on long-term value creation by pursuing sustainable and profitable growth. In 2019 we initiated a review of our multiple year strategy to keep in tune with market developments and capture growth opportunities both organically and through strategic M&A. This resulted in four strategic focus areas with corresponding direction for the coming years.

Strategic focus areas

Centralisation of operations

- With close commercial involvement further centralise IT and Logistics towards creating a more lean and focused organisation
- Cluster overlapping segmental business activities to simplify the supply chain and optimise inventory management
- Intensify segmental collaboration by optimising internal processes

Digital transformation

- Use data driven insights to optimise internal processes and identify commercial opportunities
- Digitise the supply chain with commercial tools that support centralised operations
- Continued innovation by embedding digital capabilities in our organisation

Focus on growth markets

- Focus on niche markets driven by mega trends (digitisation, globalisation, market disruption)
- Invest in unique positions with compelling advantage
- Complemented by selective M&A to strengthen niche positions

Organic expansion

- Capture opportunities for geographical expansion in all business segments
- Explore new PMCs in adjacent channels or product / category per segment
- Drive organic growth through data driven customer services

Acquisition strategy

Selected acquisitions are an integral part of our growth strategy and further complement our four strategic focus areas. Many markets in which we are active are very sizable but highly fragmented by nature, providing ample opportunity for targeted acquisitions that support our philosophy. We maintain a regular dialogue with various market participants to ensure that we are ready to execute on the right opportunities when they occur.

We believe it is important to enter into acquisitions as partnerships or joint ventures, keeping management on board and fostering the entrepreneurship and co-ownership that characterises the Group's DNA. Strict criteria are applied when evaluating and selecting potential acquisition candidates. We remain disciplined on price, offered in combination with an attractive proposition to the selling management and shareholders. This includes their continued involvement and investment in the combined company, ensuring we maximise the benefits of growth and synergies. This secures their business acumen at the front end, while we put our immediate focus on the integration of back offices and controls.

All our acquisitions to date were executed to further strengthen our position in the value chain either by adding complementary sourcing routes, by entering into new product categories / regions as an extension to our existing business, or by expanding our role as distributor towards the end-consumer. To date, all our acquired companies form an integral part of the Group while keeping their front face to the market, and with continued involvement from original management that co-invests in the growth of their company as part of the Group.

Going forward, we look to further execute our acquisition strategy and build our position in the value chain with carefully targeted companies that match both our business model and our entrepreneurial culture, and that show potential for further organic growth.

Business priorities

In executing our strategy, we are committed to three business priorities that support long-term value creation. The principles per business priority and progress we made during 2019 are presented in the report of the Executive Board.



Financial performance



Empowered people



Sustainable value chain



Strategic context

We continuously adapt and develop our organisation to benefit from changing conditions in our business environment that support sustainable and profitable growth. To ensure that our strategic direction continues to match the development in our markets, we consider the following trends and developments to be most relevant to our operations.

Global trends & developments

Globalisation

Globalisation asks for distribution partners that can work seamlessly around the globe. With operations in Europe, Asia, Africa and the US we can use our global network to support our suppliers and customers in nearly any location. This further supports our diversification strategy and focus on expansion into new geographies and adjacencies.

Digitisation

Digital technologies open new possibilities to serve customers more efficiently and change the way we work. These technologies also provide opportunities for additional services to our current customer portfolio as well as new business opportunities in our diversified markets, with the main growth driver being e-commerce. However, it also creates more vulnerability to cyberattacks and requires increasing investments to keep up with cyber security threats.

Geopolitical tension and trade wars

Geopolitical factors such as the Brexit, the trade war between the US and China and the political turmoil in Hong Kong have a noticeable impact at a macroeconomic level. Because of our highly fragmented activities in diverse geographies and markets, the impact of these developments are restricted to specific parts of our operations.

Selected distribution

In general, there is a clear demand from A-brand suppliers and manufacturers for distribution partners that can offer supply chain simplification and sustainable growth in both emerging and developed markets. The markets and channels in which we operate are highly fragmented and require a distribution partner that can offer a one-stop-shop solution with a wide and relevant range of products.

Suppliers in developed markets are increasingly looking to centralise (parts of) their distribution with selected key partners. Entering into selected partnerships with a reliable and long-term focused distribution partner enables them to outsource their

business operations in selected geographical areas and significantly simplify their route-to-market.

Additionally, the specific distribution requirements to various end markets in terms of delivery times and reliability are expected to continue to drive the trend among suppliers and manufacturers of outsourcing part of their sales to a smaller number of specialty distributors.

Retail value chain redesign / disruption

In our Health & Beauty distribution to both retail chains and end-customers, the increasing delivery time and quality demands from end-customers require continuous IT and automation development to provide efficient and innovative distribution solutions.

The rise of value channels and shift from physical stores to online platforms has further increased customer concentration into these non-traditional channels and into the winning retailers within these channels. This redesign of the retail value chain asks for new capabilities and services along the value chain such as digital leads generation, offering marketing as a service to brand owners and offering data analytics insights to both supplier and customers in these channels.

Additionally, more intense and more rapid communications allow customers everywhere to purchase products made anywhere around the globe and to access information about what to buy. This requires a wide and varied online product range that is always in stock and available on demand at attractive pricing.

Increasing compliance standards

In food distribution to the remote and maritime sectors, increasing regulation and demand for product information transparency requires continuous upgrades of facilities and processes related to food safety, quality controls and customs compliance.

Stakeholders and material focus areas

To identify key material topics that support sustainable and profitable growth, we rely on frequent and open communication with our stakeholders. We are committed to mitigating environmental and social risks related to our operations and creating opportunities for a sustainable and innovative supply chain, while at the same time seizing business opportunities that support our growth strategy.

In 2019 we conducted a stakeholder analysis which resulted in six key stakeholder groups.

Employees

Our people are our most important asset. Our experienced and highly-qualified employees are making the difference when it comes to serving our customers, suppliers and other stakeholders. Professional development of our people is key to our future growth and focus on providing an inspiring work environment. We encourage employees to speak their minds and we inform and consult them on key developments regularly both directly and through our worldwide Works Councils.

Customers

Our global customer base is widely spread, and in order to align interests we foster a climate of mutual awareness and understanding. We focus on long-term partnerships based on expertise and engagement, which enables us to embed sustainable practices that meet diverse customer needs.

Suppliers

We maintain relationships with over 1,200 suppliers globally, engaging in mutually beneficial relationships to simplify the supply chain. All our suppliers are subject to strict KYR (Know Your Relation) procedures to ensure that our supply chain is transparent, not in breach with any regulations and that we are not infringing any intellectual property or trademarks.

Investors

Our financial stakeholders play an important role in our long-term strategy to create value. We strive to inform them as completely and transparently as possible on our strategy and financial performance through a variety of communications such as AGMs, conferences, roadshows, press releases, site visits, emails and calls.

Authorities

Ensuring food safety, customs compliance and adherence to local rules and regulations in all our international (logistics) operations is of utmost importance to us. That is why we emphasise on upholding good relations with authorities and governmental bodies throughout our value chain by maintaining close contact and adhering to all relevant rules and regulations.

Society

Although our activities vary widely in their potential impact, we aim to add value for both the Group and society. We are involved in numerous partnerships and collaborations with educational institutions, human rights organisations and sector associations to share our knowledge and know-how and to provide better living conditions for those in need.

'We focus on long-term partnerships based on expertise and engagement'

Materiality survey

Based on our stakeholder analysis in 2019, we conducted a materiality survey among stakeholder representatives that was based on a list of 12 material topics. These material topics were the result of an assessment of 21 initial topics drawn up together with an independent third party and based on ESG benchmarks combined with a media and peer analysis.

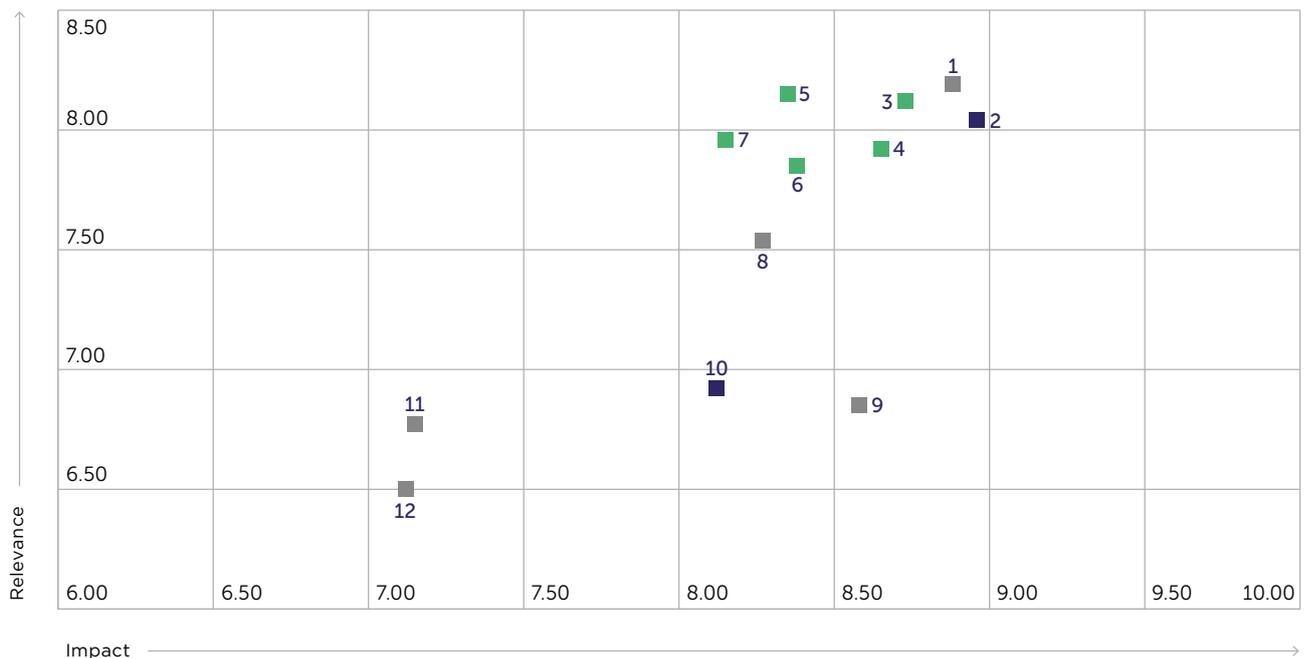
The assessment took into account the concept of materiality as defined by the Global Reporting Initiative (GRI). Stakeholder representatives were asked to take a survey to rate all 12 material topics on a scale from 1 to 10 based on importance in relation to how they impact these stakeholders, society, the environment and the economy.

Material topic	Description	Business priority	Relevant to
Governance & accountability	Implementing policies and practices to ensure accountability and risk management by the board and meet stakeholders expectations		Investors, authorities
Long-term partnerships	Upholding good reputation with business partners and focusing on adding value to our partners' businesses to support their growth and our own		Investors, suppliers, customers
People development	Committing to hire, manage, develop and retain talented employees		Employees, society
Employee well-being	Promoting and protecting the physical and mental well-being of employees and helping employees make more informed decisions to achieve and maintain a healthy lifestyle		Employees
Safety in the workplace	Targeting zero accidents in the workplace and promoting safe employee behaviours in every location where we conduct business		Employees
Cyber security & data privacy	Setting up and adhering to the right policies and control framework to keep business, customers and employees' data safe		Employees, customers, suppliers, Investors
Business ethics	Upholding ethical principles in the business relationships and activities by adhering to strict internal policies and guidelines to avoid corruption, bribery, fraud and other unethical behaviour		All stakeholders
Waste management	Reducing waste and optimizing opportunities for recovery, reuse or recycling of by-products, and disposing of waste appropriately		All stakeholders
Innovative supply chain	Promoting innovative technology to create new ways of conducting business		All stakeholders
Customs compliance	Ensuring compliance with all relevant rules and regulations to uphold our relationship and status with customs authorities		Authorities, suppliers, customers
Food safety	Ensuring a high-quality product and preventing health risks arising from use, consumption, handling, preparation and storage throughout the value chain		Authorities, customers
Energy use	Implementing energy saving /energy efficient ways of working and using energy responsibly in our premises and in the value chain		All stakeholders

Materiality matrix

Based on the materiality survey and the dialogue that emerged from it, we identified the main topics of importance to our stakeholders and our Board members.

These topics were connected to corresponding business priorities that support the strategic growth areas we identified for the coming years.



Material topic



Financial performance

- 2** Long-term business relationships / partnerships (value adding services, grow with our partners)
- 10** Governance & accountability (board effectiveness, succession planning, transparent reporting)



Empowered people

- 3** Business ethics (ethical decision making, AML policies, FCPA, KYR)
- 4** Cyber security & data privacy (cyber security, data protection, GDPR)
- 5** Safety in the workplace (working conditions, incident rates, prevention measures)
- 6** People development & talent development (trainings, educational programs, career opportunities / promotions)
- 7** Employee well-being (remunerations, rotational opportunities, healthy lifestyle support)



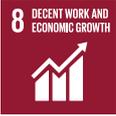
Sustainable value chain

- 1** Customs compliance (AEO Status, adherence to Union Customs Code)
- 8** Innovative supply chain (automation & robotization, data-driven services)
- 9** Food safety (licensing, transparent product information, quality controls (NVWA))
- 11** Energy use (renewable energy use, energy-efficient offices, efficiency of operations)
- 12** Waste management (recycling procedures, waste reduction, sustainable packaging)

Sustainable Development Goals

We support the Sustainable Development Goals (SDGs) directed at sustainable development around the world as defined by the United Nations in 2015. In 2019, we initiated a high-level analysis of our contribution to the SDGs based on our main business activities and sustainable growth priorities.

As the B&S Group conducts business in numerous niche markets around the globe, the selected SDGs are a general representation of the key areas where we contribute as a Group rather than in all the business activities we undertake. We plan to create a more detailed visibility on our contribution to the SDGs in the years to come.

SDG	Contribution by
	<p>When it comes to our employees and all people involved in our operations, focus lies on providing an environment that is safe and healthy and stimulates well-being in all its facets; from food safety throughout the value chain to supporting local first initiatives and from strict safety procedures in our premises to motivational support in maintaining a healthy lifestyle.</p>
	<p>We employ over 2,500 people globally and reach a wide range of suppliers and customers in diversified markets all over the world. This way, we play a key role in generating rewarding work opportunities, high level working conditions and a contribution to economic growth.</p>
	<p>Developing an innovative and sustainable distribution solution that connects FMCG suppliers and customers, reduces inefficiencies in sourcing, services and distribution in the sector. With our robotised and digitised warehousing platform, we contribute to the innovation and efficiency of the supply chain in which we operate and facilitate further economic growth.</p>
	<p>As long year member of the UN Global Compact, we contribute to the development and implementation of international norms and standards. By focussing in the areas of anti-corruption, labor rights and human rights in all our operations and by our distribution activities to government, defence and peacekeeping operations, we contribute to advancing peace and development.</p>

Value creation model

