



## Digital Annual Report 2017

Welcome to our Annual Report 2017! This contains our review of the year 2017. In this, we discuss our mission, vision and strategy and the most important financial figures, including the accountant-audited financial statements. You'll also find the reports from the reports from the Supervisory Board and the General Members' Meeting Committee.

We include sustainability in our reporting for the second year in a row. For this, we use GRI (Global Reporting Initiative) Standards. These Standards are designed to be used as a set, for purposes of reporting the effects of our activities on the economy, the environment and society. Here we clarify our ambition for sustainability and our sustainable role in the floriculture industry. This annual report is based on the 'Core' GRI option. A GRI table is included at the end of the report, with page references to the particular GRI components.

In addition to this annual report presented as an interactive .pdf, we also offer a reporting website with our most important facts and figures for 2017. We present the most important key figures here in accessible and easy-to-navigate format.

This annual report includes the following concepts: 'Coöperatie Royal FloraHolland U.A.', 'Royal FloraHolland', 'RFH' and 'the coöperatie'. These all refer to Royal FloraHolland as a cooperative organisation.

The board of the cooperative drew up Royal FloraHolland's annual report on 11 April 2018. The Supervisory Board approved this report on 11 April 2018. The annual report will be submitted to the General Members' Meeting on 31 May 2018 for adoption. Royal FloraHolland publishes its annual report each year. The cooperative's board drew up the annual report for the 2016 financial year on 12 April 2017, which was adopted in the general meeting of shareholders on 1 June 2017.

## Disclaimer

This annual report contains statements about the future. These statements are based on Royal FloraHolland management's current expectations, estimates and projections. The information available at the time that this annual report was composed offers no certainty that the expectations, estimates and projections will be achieved.

This annual report has not been audited and solely constitutes a translation of the Dutch annual report, which has been audited.

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## 2017: the year of 'Action and Connection'

I started as CEO of Royal FloraHolland on 1 January 2018. Still, considering my previous role as CFO, I can reflect on last year together with you. 2017 was started as the year of 'Action and Connection' and this was successful in many aspects. Both Royal FloraHolland and the floriculture industry have taken important steps toward implementing the 2020 strategy.

### Improving daily services

First, we took important steps toward improving our daily services. Each day, Royal FloraHolland services the daily logistical and financial processing for our 4,100 members, for nearly 1,600 other suppliers, and also for our 2,500 customers. This service improved at the end of 2017, but remained under considerable pressure throughout certain peak periods. This was because increasingly smaller lots were sold. More trolleys were processed and the number of transactions per trolley increased substantially. Therefore, at certain times, no stacking carts or containers were available at certain places. We responded to this appropriately. We improved our logistical performances (turnaround times, margins for error, deadlines, etc.), purchased 13,000 new stacking carts (an increase of 5%).

We want to update these services, make them more reliable and efficient in response to the newly demanded service concepts of smaller order quantities and more rapid deliveries. And we want to do this in a world that never stands still. The objective is to have our members and their customers respond better to changing market demands based on our services. So updating our services fits seamlessly into our vision of the future: creating worldwide opportunities for growth for the floriculture sector.

### Reinforce cooperative collaboration

We took a second important step in the area of member loyalty. The involvement of our members has been an important topic. Within Cooperative 2020, the members discussed important themes with each other that affect this involvement and loyalty. For example, the importance of the cooperative and of governance were discussed. During a regular member meeting, a vote was held about a new rate and membership structure. This was in response to the differences in size and service requirements of our members. This way, the cooperative collaboration can – despite those differences – be retained, monitored and reinforced. In short, the cooperative participation worked: the connection with our members was reinforced and



**'We concentrate on continuing the success of Floriday, on optimal Integral Logistical Control and on further improving the daily services to our members and customers.'**

considerable buy-in was achieved for our joint future. The improved interaction that this generated between the cooperative and our members and customers contributes to making Royal FloraHolland future-proof.

### **Milestone: the launch of the digital platform Floriday**

A third important step was taken with the implementation of our digital strategy. The ambitions in this area were considerable and they have been achieved. The most important milestone was the launch of our digital supply platform Floriday. Our members, along with other growers, are not well served by all sorts of differing systems; we resolve this with this digital supply platform. The first growers have now been connected and their number is quickly increasing.

We also entered into a collaboration with FloraXchange, a large digital trade channel, primarily for plants. FloraMondo, our own online transaction channel, is part of this. With all of these initiatives, the digitisation of our services is increased considerably.

### **Decisive organisation**

Another important step was the completion of the previously announced reorganisation. By reorganising the commerce and staff departments, along with the departure of approximately 100 employees, we increased our efficiency and improved our effectiveness. Within the cooperative nature of our organisation, we paid extra attention to the completion of this reorganisation. This was necessary in order to be able to make investments for the future in other areas in the organisation and to improve our services further. Part of this reorganisation was also outsourcing a number of business units.

For example, part of our IT support has gone to Conclusion and OGD. These IT service providers support Royal FloraHolland with the modernisation and management of primary IT processes and the application landscape. In parallel with this, together with our partners, we worked hard on the new cloud-based workplace concept 'Royal FloraHolland AnyWhere'. The goal is to bring about better cooperation between internal and external employees on all possible devices, at lower and more manageable cost. This also has demonstrated that outsourcing contributes to our organisation's improved effectiveness.

### **Huge increase in employee involvement**

The involvement and engagement of our employees improved considerably in 2017. With a score of 74% (the goal was 70%; in 2016 this was 65%) we took great steps forward. We can now note that our employees' trust in a successful implementation of the strategy has hugely increased. This is important because our employees play a large role in this. Our team managers, in particular, made an important contribution to this higher score. The results include an improved atmosphere with greater drive and energy in the organisation.

### **Sustainability**

Sustainability is a precondition to a healthy future. Royal FloraHolland works continuously on the improvement of its own sustainability profile and plays an important role in encouraging supply chain sustainability and chain transparency. We've applied additional priorities to our objectives and the results of these are becoming visible step-by-step. For example, we are one of the founders of the Floriculture Sustainability Initiative (FSI), a cooperation of supply chain partners in the floriculture sector and NGOs. FSI's ambition for 2020 is to have 90% of the members' flowers and plants production or trading be done

sustainably. In 2017, 33% of the flowers and 53% of all plants were produced or traded sustainably. This result is higher than 2016's result (flowers: 29%, plants: 48%), partly due to Royal FloraHolland's transparent management of the supply chain.

## Higher turnover, solid financial basis

2017 saw a decrease in quantities. Royal FloraHolland traded 11.7 billion units, a decrease of 1.8%. By contrast, the product turnover increased by 1.2% - to nearly €4.7 billion, proof that we are headed toward achieving our growth ambitions step-by-step. This turnover increase was caused by higher prices. On average, the price level of flowers and plants increased by 3.9%.

Royal FloraHolland's revenue decreased slightly by 0.3% to €377 million and the operational result (excluding the RFH 2020 programme, reorganisation costs and profits from participations) decreased by 18.5% to €22 million. The level of investment amounted to €71.7 million. Financial ratios are and will remain at constant levels. Further focus helps control the costs well. An agreement was concluded concerning new long-term financing. We have a solid financial basis. All of this provides for faith in the future.

## Integral logistical Control: priority

As mentioned, our services encountered peak-moment problems during the course of 2017. This is reflected in lower levels of satisfaction among our members and their customers. In addition, the implementation of new auction methods is going more slowly than was expected. This is primarily due to the status of our logistical IT systems, which allow for less innovation than we had previously estimated.

We will have to make all of these systems uniform in all of our locations and then replace them before we can continue with our plans. We have given this project the name of 'Integral Logistical Control', an important priority for the coming years and a precondition to our future success.

## Preview

We are financially healthy, we have a good team and we have a clear plan. At the same time, we have a clear focus on three important topics that we wish to achieve in 2018 with respect to our growth strategy. These three topics are: further improvement of the daily services to our members and customers; continuing the success of Floriday, and an optimal Integral Logistical Control. We are fully committed to this. This way, we will make Royal FloraHolland future-proof!

On behalf of the management team, I would like to thank our members, customers, employees and all other stakeholders involved. And a particular word of thanks goes out to our former CEO Lucas Vos. In the last four years, he has brought about a further connection with our stakeholders and provided guidance to our future perspective. This is been of huge value to the cooperative.

I look forward to the future with confidence.

## Steven van Schilfgaarde

CEO Royal FloraHolland

A photograph of a man with a beard and a young child, both wearing striped shirts, looking at plants in a greenhouse. The man is standing behind the child, who is holding a red watering can. They are surrounded by lush green foliage.

**Ambition: becoming the leading digital marketplace for the floriculture sector worldwide**

## About Royal FloraHolland

**With more than 100,000 transactions each day and tens of thousands of types of flowers and plants, Royal FloraHolland is the premier international marketplace and knowledge partner contributing to the success of our members and their customers.**

Royal FloraHolland has annual turnover of €4.7 billion and more than 4,100 members, 600 of whom are foreign. There are approximately 2,500 customers. At the moment, we have 38 auction clocks distributed among five locations (Aalsmeer, Naaldwijk, Rijnsburg, Eelde and the Rhein-Maas auction). Most of the members are from the Netherlands, but there is also an increasing number of partners from Israel and Africa.

Royal FloraHolland's ambition is to become the leading digital marketplace for the floriculture sector worldwide. Our business strategy focuses fully on the application of digital and data. Examples of this include the establishment of the digital platform Floriday, our digital transaction channel FloraMondo, and the cooperation with FloraXchange, the largest digital transaction channel for plants.



**Our dot on the horizon is  
that the floriculture sector  
blooms and cultivates more  
than ever in the future**

## Vision

**For consumers, plants and flowers are the best way  
to express emotion.**

With their exuberant colours and shapes, flowers stand for beauty, for emotion. Plants contribute to beautiful and healthy surroundings. Together with our members and their customers, we make the world more beautiful and more healthy with all those lovely flowers and plants. Our dot on the horizon is that the floriculture sector flourishes and cultivates more than ever in the future.



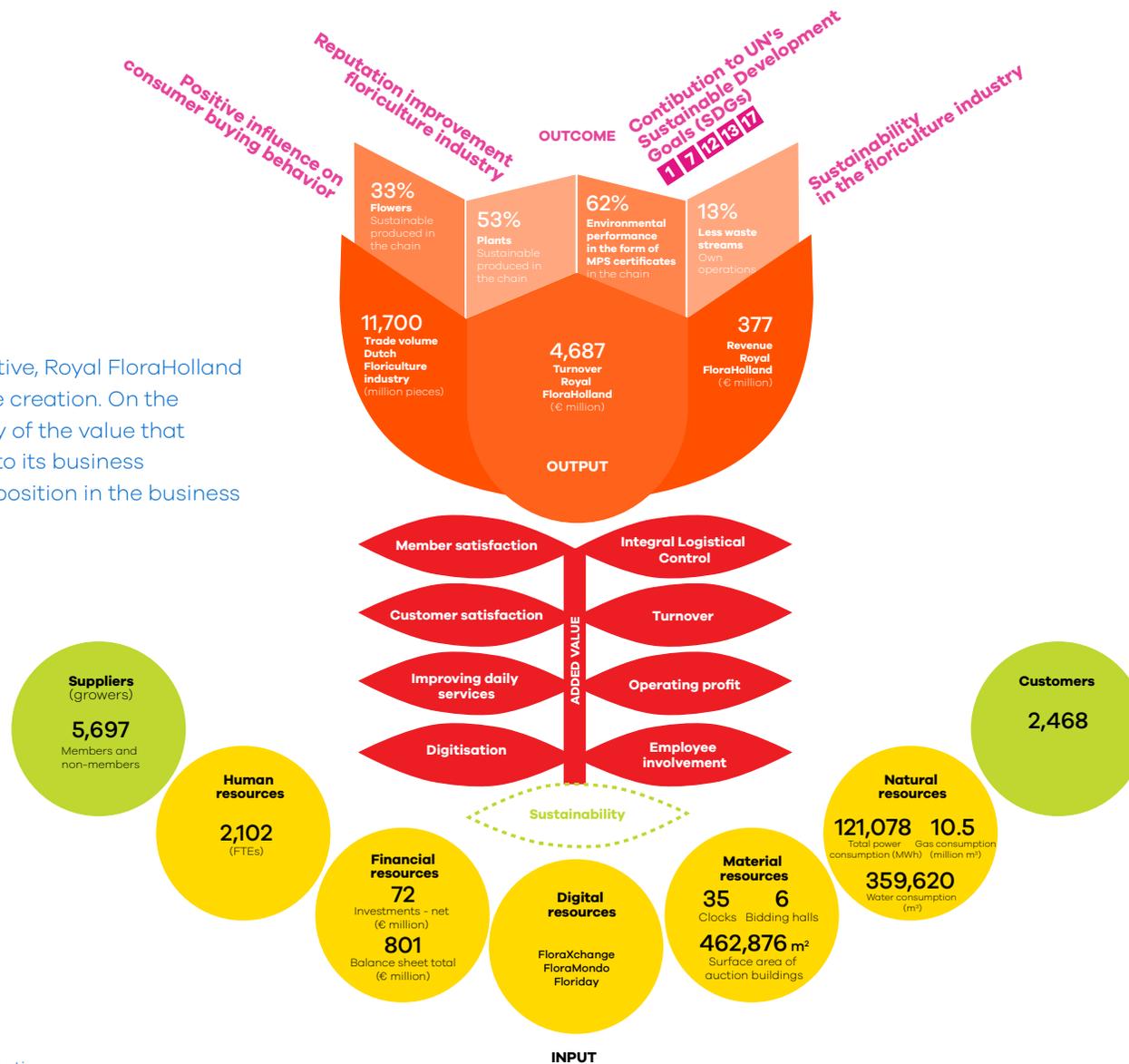
**For more than 100 years, Royal FloraHolland has made the world a more beautiful and healthy place with flowers and plants**

## Mission

### **Flowering the World Together, Planting Seeds of Opportunity for our Members.**

Together with growers and their customers, Royal FloraHolland has made the world a more beautiful and healthy place with flowers and plants. We are the premier international marketplace and knowledge partner contributing to the success of our members and their customers. Each day, some 100,000 transactions take place at Royal FloraHolland, with more than 30,000 differing types of flowers and plants. Thanks to our streamlined logistics, these beautiful products find their way around the world quickly. Our flowers and plants make consumers happy. They also provide them with the opportunity to give value to special moments, by reinforcing their feelings of gratitude, love, apology, happiness and consolation.

From a strategic perspective, Royal FloraHolland gives importance to value creation. On the facing page is a summary of the value that Royal FloraHolland adds to its business processes, along with its position in the business chain and in society.





**The primary focus is being the worldwide leading platform in floriculture**

**Royal FloraHolland is a marketplace for plants and flowers. This marketplace, in both physical and digital form, focuses on the worldwide business to business floriculture market and it enables access to an as large as possible international supply from members and suppliers.**

To do this, Royal FloraHolland organises a number of logistical activities at multiple locations worldwide that make it possible to get flowers, house plants and garden plants to customers in a timely manner. Royal FloraHolland also provide services in the area of standardisation in the supply chain (product, trade, logistical resources, sustainability standards, etc.), for the purpose of enabling efficient and digital trading worldwide. Supply chain sustainability is an integral part of this and it is the most important material sustainable topic. See page 60.

The primary focus Royal FloraHolland is being the worldwide leading platform in floriculture. The objective is to arrive at maximum deliveries with optimal pricing for our members. All core activities in the areas of services, logistics and financial processing, along with the organisational set up are done to serve this objective.

Royal FloraHolland's strategy for 2020 is characterised by two serious ambitions:

Better margins for members and customers through:

- Improving the efficiency of the logistical chain.
- Significantly reducing the costs at Royal FloraHolland: back to the core.
- Servicing an open marketplace in which good, stable pricing takes place.

More consumers purchase more flowers and plants due to:

- Processing superior knowledge of markets and consumers in-house.
- Playing a supporting role in the promotion of flowers and plants.
- Being the innovation centre for the international floriculture sector.

Starting from 2018, Royal FloraHolland will have an increasing focus on substantiating the first ambition. The second ambition will not be forgotten, but will be substantiated more in cooperation with our customers and supply chain partners. The special strategic programmes that were organised separately in 2017 will be integrated into the regular organisation, partly due to the stronger focus on operational excellence.

To enable the strategic focus, Royal FloraHolland has established a number of strategic pillars. These pillars are:

- Improving daily services.
- Member satisfaction.
- Customer satisfaction.
- Digitisation.
- Integral Logistical Control.
- Turnover and operating profit.
- Employee involvement.

The progress achieved from these strategic pillars is briefly explained below.



## Improving daily services

Our daily services encountered peak-moment problems during the course of 2017. Each day, Royal FloraHolland services the daily logistical and financial processing for more than 4,100 members, nearly 1,600 other suppliers, and for our roughly 2,500 customers. These services improved at the end of 2017, but were under pressure throughout certain peak periods. This came about because of greater transaction volume and because smaller and smaller lots were sold. More trolleys were processed and the number of transactions per trolley increased substantially.

During peak moments stacking carts and containers were available at the wrong places. We responded to this appropriately. We improved our logistical performance (turnaround times, margins for error, etc.), and purchased 13,000 new stacking carts (an increase of 5%). We want to update these services, make them more reliable and efficient in response to the newly demanded service concepts of smaller order quantities and more rapid deliveries.



## Member satisfaction

In 2017, member satisfaction scores were 50%; well under the objective of 55% for 2017. The score is nearly the same as the score achieved in 2016 (51%). The score was caused primarily by the lagging logistical services performance at peak moments in the spring of 2017. During the course of the year, adequate measures were taken to improve this. Nonetheless, satisfaction with involvement increased. In Q4 2017, members were slightly more satisfied with the help in achieving their company goals in comparison with Q1 2017. Members also became more positive about the degree of participation in comparison with that of Q1 2017 – e.g., that there are sufficient opportunities for participatory inclusion. Since members consider 'the future of Royal

FloraHolland' and 'the rate structure' important subjects for exercising influence on the cooperative, we expect a higher members' satisfaction score in 2018, partly due to the improvements that have been implemented.



## Customer satisfaction

The relationship between Royal FloraHolland and its members is evaluated four times each year in the form of an in-depth study of customers' satisfaction and confidence. In 2017, the score averaged 26; the objective was 33. This relatively low score was related particularly to the delay in the logistical services that arose in 2017 (just as with member satisfaction) and to complaint-handling. Therefore, Royal FloraHolland has placed complaint-handling on the agenda as an important area of improvement. For example, activities will be concentrated, employees will receive extra training and periodic internal evaluations will be done.



## Digitisation: Floriday, a worldwide online marketplace

Royal FloraHolland's primary focus is on being the leading platform worldwide in floriculture. For this reason, Royal FloraHolland and FloraXchange joined forces as of 1 July 2017 in the digitisation of the floriculture industry. In addition to FloraXchange, we set up the digital supply platform Floriday. With Floriday, Royal FloraHolland wishes to make the global trade in the floriculture industry more accessible and simpler, and to accelerate the required innovation.

The same time, we linked the digital transaction channel FloraMondo to Floriday. In 2017, between 1,000 and 1,500 growers were active each day on FloraMondo, and there were between 500 and 650 active purchasers. They achieved turnover of €157.2 million. Of this, nearly €70.2 million was sold via clock pre-sales and more than €87 million was sold directly. 250 customers imported the supply directly into their purchasing systems or into their own web shops. Various improvements were implemented throughout 2017 – e.g. filtering on stage of maturity, error resolution within five minutes, automatic highlighting of the supply, setting price warnings for clock pre-sales, installation of a social media link for promotional

and customer feedback purposes, along with expansion of the server capacity. The new and responsive user design that was prepared in 2017 and optimised for mobile became operational in 2018. Direct purchase by final customers was also enabled. The link between FloraMondo and Floriday, expected in 2018, will make it possible to make the entire auction clock supply available to customers.

The result is that we are transforming from a physical marketplace to a digital platform at a rapid pace. This represents not only the digitisation of our own services, but especially the digitisation of the entire sector as well. We are doing this together with our members and our customers, with Royal FloraHolland playing the role of facilitator. With our scale and our worldwide network, we are changing the floriculture industry and taking the sector along toward a digital future. In this way, we are further substantiating our strategy and our promise to customers that we are a worldwide, efficient marketplace that facilitates, unburdens and inspires. Floriday will be a worldwide digital supply platform.

Floriday will be a worldwide digital supply platform. Growers manage their supply from a single location, assign this supply at a single location to the linked

trade channels and process all orders at a single location. Floriday makes online trading easy and efficient. Buyers and exporters trade in one of the associated trade channels – FloraMondo or FloraXchange. Floriday offers a broad, deep and up-to-date supply in all associated trade channels. Floriday bundles together the knowledge, network and efficiency of FloraXchange and the Cooperative of Royal FloraHolland – with its more than 4,100 members, nearly 1,600 other suppliers and approximately 2,500 customers – in order to make this marketplace the most powerful and efficient worldwide online marketplace. Floriday stands for clear, unambiguous digital standards and will avoid unnecessary work.

Floriday stands for clear, unambiguous digital standards and will avoid unnecessary work. Royal FloraHolland is linking not only its trade channels to Floriday, but also invites commercial platforms outside the Cooperative to do this as well. The Floriday approach is exemplary for the role that Royal FloraHolland views for itself in the year 2018. No proprietary trading activities, no large-scale horizons. But indeed providing adequate services so that the members' companies and those of their customers can function better.



## Integral Logistical Control

To an increasing degree, our provision of services depends on a seamless integrated IT landscape. Royal FloraHolland places the highest priority on the creation of Integral Logistical Control (Dutch acronym: ILB) with an integrated IT landscape. Strategically, this is a top priority. In 2017, we booked significant progress focusing on the guarantee of ICT operations and the required rationalisation of applications. One bottleneck within the IT infrastructure is that disparate automation systems are in use in Aalsmeer, Naaldwijk and Rijnsburg. This made sense at the time these were three separate organisations, but these systems are now being integrated at an accelerated pace. Unity in automation will help the organisation implement new auction systems and new logistical solutions for members and customers. In an integrated IT landscape, Royal FloraHolland can achieve integral transaction processing. Here, too, the focus is on further improvement of services. Members and customers can build their company operations on these.



## Turnover and operating profit

Royal FloraHolland is a cooperative serving its members and their customers.

The cooperative concept implies that this is a non-profit organisation and that we do not work to achieve profit. However, because of both continuity considerations and the need to achieve growth strategy, a certain amount of operating profit is necessary. In addition, the balance sheet, solvency and cash flow must also be at proper levels, along with the financing. This requires a given scale. Therefore, healthy turnover with a corresponding operating profit is desirable. All of this serves as a leverage for the further growth of both the floriculture industry, the members and our own organisation. And all of this in accordance with the strategy. After all, only then can investments be made for the future. The turnover growth objective in 2017 amounted to €4.8 billion. The realised turnover of €4.687 billion did not achieve this goal. The objective for operating profit amounted to €31.7 million. The realised operating profit of €22 million did not achieve this objective. See also pages 22-25.



## Employee involvement

The involvement and engagement of our employees are important conditions for achieving strategy objectives. This is because Royal FloraHolland believes that engaged and involved employees provide

that extra bit of effort needed to bring the services to customers and members to the next level. Positive energy within the company makes a huge difference in this. For these reasons, the focus has been on improving this involvement and engagement for a number of years. Employee engagement is therefore measured twice each year in order to establish whether we are making sufficient progress in this.

For several years now, the goal has been to have a score of 70 employee engagement. We achieved this goal for the first time in 2017. Halfway through 2017, the score increased from 64 to 66, and ended up at 74 at the end of 2017. The team managers played a key role in this. Improvements are a result of their efforts to a great degree. Each team manager, supported by a team coach, established concrete areas of improvement for his or her own team. We guided actively toward this – by sharing the progress in strategy results with employees during departmental meetings each week, for example – along with the larger and smaller successes associated with this. These so-called ‘Keek op de Week’ weekly sessions were successful. This approach enabled us to take steps forward. So this will also be continued in 2018.

## Menno Lanting, innovation and organisation expert, about the rapidly changing world

Menno Lanting is an author and in high demand as a speaker about innovation and organisational change. How does he view the digitisation started by Royal FloraHolland in 2017?

'The fact that Royal FloraHolland is on the right path is demonstrated by the fact that CDO (Chief Digital Officer) Gerhard van der Bijl won the 2017 Digital Transformers Award. This is an achievement, especially because an established, yet partly traditional company, makes the transformation to the new world in this way.'

### Organisational loyalty

'Experience shows that digital platforms are becoming increasingly important. It demands other qualities and business models. The most important thing about this - if you are encouraging innovation - is that the employees in your organisation also 'live and breathe' innovation. That gets forgotten sometimes. You must first ask yourself: what does this

innovation mean to our own organisation? And what will our company look like in 15 years? The success of a platform strategy is organisational loyalty.'

### Oil tanker and speedboat

Menno indicates that, when it comes to digitisation, Royal FloraHolland is facing both the 'old' and the 'new' world. The author uses the analogy of an oil tanker and a speedboat. 'Both of these worlds must be included in the innovations. You already have the new world, but what do you do with the old world? What does digitisation mean to the rest of the floriculture business? This involves a huge amount of strategy. This is the greatest challenge surrounding Royal FloraHolland.'



**'Digitisation brings old worlds and new worlds together'**

**In addition to progress in terms of the strategic pillars, 2017 also saw the following important developments.**

## International

Royal FloraHolland is and important an active player within the 'hub' that the Netherlands forms in the international floriculture industry. Dutch exports of flowers and plants grew to a record level of €6 billion in total. This is 4.6% more than last year. Exporters expect this positive line to continue in 2018. Germany is and will remain the largest market for Dutch flowers and plants. Here, export grew by 4.0% to €1.7 billion, which represented 25% of total export growth. Exports to other European countries also increased, with the exception of the UK, where the Brexit has also had consequences for the trade in flowers and plants. Eastern Europe developed well. In that region, middle class purchasing power is increasing, and this has traditionally been characterised as being a strong 'flowers' culture. Turkey is also a promising market, with many young, wealthy consumers. This provide bridge heads to other markets in the region. In 2017, we lobbied for lower import duties and helped customers with their activities. China is developing

well. Royal FloraHolland is helping develop the Chinese market in terms of logistics and infrastructure.

## Commerce

One important step was closing the florists' clock. By paying extra attention to (communications concerning) the transition to the digital trading platform, this went smoothly. By actively supporting growers and customers, we substantially reduced the number of digital hiccups in this platform. This improved services. Together with the members, we committed successfully to clock pre-sales. By 'auctioning before the clock', customers are better served. After all, they can commit beforehand to products to be traded and are not dependent on the clock. There was considerable interest in this privilege. The consequence was a doubling of the transaction volume and a substantial increase in price. Growers were very pleased about this. One important project was the support of large members. These growers are sometimes quite critical about the services offered. By actively supporting them in the commercial retail channel and through additional training, their turnover increased and there was a certain increase in pricing levels. Partly due to this, and partly due to the new rate

and membership structure, member course was extremely low. The start of 2018 was even characterised by an increase in the number of new members.

## Information technology

Conclusion was selected as an IT partner that will assist Royal FloraHolland in the modernisation and management of the primary IT processes and application landscape. This supports the new Business Technology Organisation (BTO) and the corresponding digital roadmap. Naturally, this also supports the continued success of Floriday. The ultimate objective is to improve both services to members and customers and to reduce total expenses by using standard solutions and an optimum deployment of the opportunities offered by the use of cloud computing and big data, among other methods. Paramount in this new digital strategy for the flower auction organisation is a transformation into a digital marketplace for flowers and plants. With more than 100,000 transactions each day and tens of thousands of types of flowers and plants, the Cooperative is the largest physical marketplace for floriculture products in the world. But with respect to far-reaching international

digitisation and digital challengers looking for new ways to disrupt the markets with new technology and business models, Royal FloraHolland will also achieve its prominent position in the digital world.

In parallel with this, we worked hard on the new cloud-based workplace concept 'Royal FloraHolland AnyWhere' with the goal of bring about better cooperation between internal and external employees on all possible devices, at lower and more manageable cost. This project was outsourced to IT service provider ITS and workplace management was transferred to the IT service provider OGD.

During the course of various outsourcing projects, FloraHolland employees were taken over by the IT service providers. This guarantees the IT continuity and knowledge of the systems. This aligns with the goal of further efficiency. The objective is ultimately to create our own compact and high-value IT organisation that, together with the three IT service providers, ensures an optimally integrated IT landscape.

## Robotisation

For the time being, robotisation turns out to offer only limited added value to the development of new logistical solutions. By definition, automated logistic systems are expensive and are profitable only if these can be used nearly 24/7. The logistical processes at Royal FloraHolland focus mainly on the period between 6-11 AM; for this reason, the use of robots for these processes turns out not to be profitable. Nonetheless, what can indeed make logistics more efficient is having that logistical supply in the morning peak disappear that need not per se be distributed during that peak. The focus is on this for the time being.

## Retaining traditional auction systems for as long as this makes sense

In 2017, there was a discussion of the use and necessity of physical auction clocks and about their costs. This important topic was discussed with the members in an extra General Members' Meeting. Some of the members of Royal FloraHolland emphasised that the cooperative should encourage keeping as broad and deep a supply as possible available to everyone. Other members argued for maximum efficiency in sales. This had to do with

the diversity within the group of members. Large and small(er) members are essential to retaining the 'hub' function of the Netherlands as a country of floriculture. In preparation of the further implementation of Floriday and of the creation of the integrated IT landscape, physical clocks will be preserved as long as this makes sense.

## Setting up new auction methods (The New Auctioning)

The first experiment in the context of 'Today for Tomorrow' took place in 2017. This experiment focused on a limited number of product groups, only at the Aalsmeer location. For a number of weeks, members, customers and the organisation gained experience with this new method of auctioning. The goal was to obtain a clear view of the impact of this. The experiment made clear that the concept is promising. It also became evident that the current set up and structure of the logistical IT systems hinder a national implementation of this. Setting up new auctioning methods, including the necessary and desired national auction variants, is simply not feasible at this moment. Further unity in automation is first necessary for this, along with an integrated IT

landscape in order to achieve integral transaction processing. This means that the complete implementation of new auctioning methods will be able to take place only after the completion of the Integral Logistical Control priority. A second experiment will nonetheless take place in 2018, after the annual peak moments. The objective is to gain further experience with a larger number of product groups at locations other than Aalsmeer.

## Successful outsourcing of Facility Management projects

Two successful Facility Management outsourcing projects were also implemented in 2017: Waste management and Post & Repro. A contract was signed with the circular service provider Milgro for the treatment of waste streams with an eye to sustainability and with the objective of substantiating Royal FloraHolland's zero-waste ambition. For this, a number of employees transferred to Milgro. We also concluded a contract with Canon to handle mail, repro and printing services, in which we also took a step toward digitising these services at the same time. This also improved services.





**'Clock pre-sales  
unburden us'**

## David van Tuijl, chrysanthemum grower, about daily services

David van Tuijl grows chrysanthemums at Linflowers (Zuilichem, Gelderland province) and sells 80% of this via regular auction sales and part of it in pre-clock sales. What does he think of the changes to our marketplace?

'It's really good that pre-clock sales have been added to the regular provision of services. This provides us with slightly higher pricing and we ourselves have no extra handling burden from this. We're not looking for a mini-auction at a nursery with mini-orders. Pre-clock sales unburden us.'

### **No flexibility**

What are your wishes in terms of daily services? David: 'We have indicated it multiple times, but we want to determine ourselves the times at which we can switch off pre-clock sales. We do this for reasons of principle because we don't want to work on Sundays. Right now, we don't have the flexibility ourselves to determine the moment at which we can briefly turn off the system. The result of this is that we place no more products in the pre-clock sales

starting from Saturday evening. It would be easier if growers could determine this themselves.'

### **Royal FloraHolland's raison d'être**

Where do you think our marketplace is headed? 'We are true proponents of the clock and we have considered it important for many years. Digitisation is a good development; at the same time physical flows will always remain. Ultimately, it's the reason that Royal FloraHolland exists: the clock system and the logistics built around this. I am concerned about whether we, together, can keep the clock interesting enough. I think this can be done by giving loyal suppliers another place in the auction then growers who auction lots only incidentally.'

## Turnover

(in € millions)

2017	<b>4,687</b>
2016	<b>4,633</b>
	<b>↑1.2%</b>

## Revenue

(in € millions)

2017	<b>377</b>
2016	<b>378</b>
	<b>↓0.3%</b>

## Balance sheet total

(in € millions)

2017	<b>801</b>
2016	<b>910</b>
	<b>↓15.4%</b>

## Profit after tax

(in € millions)

2017	<b>2</b>
2016	<b>3</b>
	<b>↓33.3%</b>

## Total expense

(in € millions)

2017	<b>380</b>
2016	<b>384</b>
	<b>↓1.0%</b>

## Solvency

(in %)

2017	<b>27.7</b>
2016	<b>25,1</b>
	<b>↑10.4%</b>

## Cost-covering commission

(net in %)

2017	<b>3.5</b>
2016	<b>3.6</b>
	<b>↓2.8%</b>

## Investments - net

(in € millions)

2017	<b>72</b>
2016	<b>53</b>
	<b>↑35.8%</b>

## Risk-bearing capital

(in %)

2017	<b>55.7</b>
2016	<b>54.9</b>
	<b>↑1.5%</b>

## 2017 results



Turnover (total)  
(in € millions)

**4,687**



Revenue  
(in € millions)

**377**



Operating profit  
(in € millions)

**22**

Royal FloraHolland traded **11.7 billion products, a decrease of 1.8%. On a positive note, turnover increased by 1.2% to nearly €4.7 billion (2016: €4.6 billion). This shows that we are well on our way toward achieving our growth ambitions. Revenue decreased slightly by 0.3% to €377 million (2016: €378 million) and operating profit decreased by 18.5% to €22 million (2016: €27 million). The financial ratios are and will remain constant, an excellent foundation for the future.**

### **Turnover increase, fluctuating conditions per segment, average price level increases**

The increase in turnover to €4.7 billion was caused by higher prices (an average of +3.9%) for flowers and plants. The volume was more than 1% lower, primarily from lower supply from Africa resulting from poor weather conditions. The average unit price increased to more than €0.37 (2016: €0.36).

The unit price of cut flowers was slightly higher (€ 0.24), the price of house plants increased to € 1.70 per unit (an increase of 0.4%) and the price of garden plants increased by 10% to €1.22 per unit. The total turnover of cut flowers sold via our marketplace in 2017

amounted to €2.7 billion, an increase of 0.4% compared to the previous year. The volume of cut flowers decreased by 2.0%. The house plant product group saw an increase in turnover of 1.1% to €1.6 billion. This can be attributed to higher average prices. The number of units supplied was the same as last year. Garden plant turnover increased to €395 million, an increase of 7.1% over 2016. However, the volume decreased by 2.5%.

### **From regular auction sales to direct sales**

2017 once again showed a shift from regular auction sales to direct sales between growers and customers. This shift amounted to 2.1%, more pronounced than the prior year. In 2017, regular auction sales were good for 43.7% of total turnover (2016: 45.8%) and 56.3% was sold via direct flows (2016: 54.2%). We note a total increase of 5.1% in direct sales, with 5.7% of this from cut flowers, 3.1% from house plants and 11.9% from garden plants. The direct flows are expected to grow. Royal FloraHolland is responding to this with its digital strategy.

## Lower costs

Total operational expenses decreased by 1.0% in €2017 to €380 million (2016: €384 million). Underlying this are lower salary expenses resulting from lower staffing, increases costs for outsourcing and higher general expenses, primarily in the area of IT.

The costs for achieving Royal FloraHolland's objectives decreased from €22 million in €2016 to €18 million in 2017. Programme costs decreased and regular costs increased slightly.

## Operating profit development

At €22 million, regular operating profit ends up €5 million lower when compared with the previous year.

Relevant developments related to this lower profit are:

- With an increase in total turnover, a shift from regular to direct sales nonetheless provides for a decrease in revenue. The reason for this is that the direct transactions require less handling and therefore have lower rates.
- Operational expenses are lower compared with last year because we started in 2017 with the outsourcing of processes in ICT and Facility Management.

## Income statement in accordance with financial statements (in € millions)

	2017	2016
<b>Product turnover</b>	<b>4,687</b>	<b>4,633</b>
<b>Revenue</b>	<b>377</b>	<b>378</b>
Salary expenses	182	193
General expenses	116	108
Interest and depreciation	82	83
<b>Operational expense</b>	<b>380</b>	<b>384</b>
<b>Operating profit</b>	<b>-3</b>	<b>-6</b>
Participating interests	5	8
Corporation tax	0	1
<b>After-tax profit</b>	<b>2</b>	<b>3</b>

## Cash flow from operating activities increased

The cash flow from operating activities increased to €97.0 million (2016: €65.8 million) as a result of the improvement of the working capital position.

In 2017, cash flow out for investments amounted to €60.1 million (2016: €22.9 million), primarily due to investments in (in-)tangible assets. Cash flow from

financing activities ended up at €-117.0 million (2016: €13.0 million). The decrease in 2017 is the results of refinancing the cooperative's bank loans, and which long-term loans were paid off.

**Operating profit and transformation costs**

(in € millions)

	2017	2016
<b>Product turnover</b>	<b>4,687</b>	<b>4,633</b>
<b>Revenue</b>	<b>377</b>	<b>378</b>
Salary expenses	166	175
General expenses	107	93
Interest and depreciation	82	83
<b>Regular operational expense</b>	<b>355</b>	<b>351</b>
<b>Regular operating profit</b>	<b>22</b>	<b>27</b>
RFH 2020	-18	-22
Reorganisation expense	-7	-11
Participating interests	5	8
Corporation tax	0	1
<b>After-tax profit</b>	<b>2</b>	<b>3</b>

**Ratios at proper levels**

Members' financing is and remains the primary foundation of the cooperative. Partly due to this, clear principles for the financial ratios are desired. We attempt to have solvency end up at a level of at least 30%.

The desired bandwidth for risk-bearing capital is between 45% and 55%. Liquidity must be such that the ratio between bank financing/EBITDA cash flow remains at a level under 3. This ratio indicates the rate at which bank financing can be repaid from the free

cash flow. At the end of 2017, these ratios were as follows:

- Solvency 27.7%.
- Risk-bearing capital base 55.7%.
- Liquidity 0.3.

**Bank financing secured for the long-term**

The Cooperative's bank financing has improved since October 2017. We reached an agreement with our three house bankers about new financing with the maximum term of seven years and a credit line of €195 million, issued in the form of a syndicate, for the coming five years. This line of credit demonstrates that the banks have full confidence in Royal FloraHolland and it enables us to execute the investment programme in the coming years.

**Status of participations and real estate positions**

In 2017, new participations/interests were started and disposed of. A new participation was started in China to support the execution of the strategy. In support of digitisation, a cooperation with FloraXchange was initiated in which Royal FloraHolland has obtained an interest of 50% plus 1 one of the shares for an amount of €11.9 million. Further explanation is included on pages 107 and 108. The participation Floriworld was established with sector partners for the promotion of the floriculture industry. Other participations sold include real estate in FloraZon and the 30% interest in ABC Poeldijk,

a subsidiary of FH Vastgoed Holding. Revenue from these transactions amounted to €3 million.

### Taxes

The Finance department is responsible for the tax position of Royal FloraHolland. RoyalFloraHolland uses key controls for the accuracy and completeness of sales tax, wage tax and corporation tax. Royal FloraHolland has signed a covenant (horizontal supervision) with the Dutch tax authority. The purpose of the covenant is to achieve an effective and efficient working method between parties on the basis of transparency.

### Balance sheet total and investments

The balance sheet total decreased by €109 million to €801 million. The decrease was caused primarily by the refinancing implemented in 2017. The difference between investment levels and appreciation has only a slight influence on the balance sheet total.

<b>Investments (activated)</b> (in € millions)	<b>2017</b>	<b>2016</b>
<b>Intangible fixed assets</b>		
Goodwill	7.9	–
Software	15.3	2.8
Consolidation of FloraXchange B.V.	5.8	–
	<b>28.9</b>	<b>2.8</b>
<b>Tangible fixed assets</b>		
Grounds and related facilities	4.1	2.5
Buildings	25.4	16.9
Equipment	3.7	0.9
Packaging and logistical resources	8.3	3.4
Other fixed operating assets	4.0	9.8
Land and buildings available for sale on the open market	7.0	0.9
Deconsolidation of Hobaho Horti Groep B.V.	–	-2.1
Changes to company assets in execution	-2.6	32.8
	<b>49.8</b>	<b>65.1</b>
<b>Total investments</b>	<b>78.7</b>	<b>67.9</b>
Divestments	-7.0	-15.2
<b>Net investments</b>	<b>71.7</b>	<b>52.7</b>

A higher level of investment is expected in 2018, primarily through further investment in digitisation of the trade platform (Floriday) and in the logistical processes.

### **New rate and membership structure**

2017 can be characterised as the year of 'Action and Connection'. After all, considerable attention was paid to improving the relationship with our members and customers in 2017. During the General Members' Meeting (GMM) of 7 December 2017, the members approved a number of proposals that had been prepared in the Cooperative 2020 programme. The proposals related to the membership and rate structure of the cooperative. The special part of this programme was not only the result, but particularly the process. In that process, the members themselves determined the cooperative future. A directing team of members was paramount in this; they organised a large number of member meetings in the Netherlands, Israel and Africa. The meetings were attended by a total of more than 1,100 unique members. Members spoke with each other there in all openness. Despite the fact that member companies are of extremely differing sizes, they reconfirmed that they wish to have their sales run via a sales cooperative. This statement was linked to the implementation of a new rate and membership structure. The membership fee now consists of three components: cooperative, financial service & sales, and logistics. This system respond

flexibly to the differences in scale and the service needs of the members.

Thanks in part to the in-depth discussions in the members' meetings, a large majority (73%) approved the rate proposals in the General Members' Meeting. This reinforced the links with them and created buy-in for the future. After all, Royal FloraHolland wants to be there for everyone and can be there for everyone with appropriate services.

### **Compliance**

In 2017, the compliance programme was expanded with GDPR (Governance Data Protection and Risk). Employees and stakeholders received active support in complying with all of the compliance guidelines.

### **Solid financial basis for the future**

Royal FloraHolland is and remains the largest international marketplace for flowers and plants in the world. The operating profit, along with the results from participations in the sale of real estate, provide sufficient financial capacity to further substantiate our strategy. Turnover shows a positive trend line. The financial ratios are and will remain constant. Further focus helps control the costs well. We have a solid financial basis. This gives us confidence in the future.

**2018 will be an important year for Royal FloraHolland in which the improvements initiated in 2017 will be forcefully continued. Three main priorities have been established for this: successful continuation of Floriday, implementation of Integral Logistical Control and further improvement of daily services to our members and customers. Furthermore, Royal FloraHolland has formulated three concrete strategic objectives for 2018.**

### Successful continuation of Floriday

The successful continuation of Floriday is important. Far-reaching digitisation is the only way in which Royal FloraHolland can both retain and reinforce its position. This constitutes a precondition to further growth. Floriday's foundation with the trade channels FloraXchange and FloraMondo is solid. We will continue to build on this with full focus.

### Integral Logistical Control

The implementation of Integral Logistical Control is the next priority. With an integrated IT landscape, powerful system architecture and robust IT systems, the digital logistical services can be safeguarded both now and in the future. This also implies further standardisation

using unambiguous planning and supply procedures. This is a precondition for implementation of The New Auctioning and for providing optimal logistical services to all members and customers. It should be noted here that this complex process has a long turnaround time and will therefore be implemented step-by-step on the basis of clear milestones.

### Further improvement of daily services

Further improvement of daily services to our members and customers is an important topic. Royal FloraHolland auctions, provides professional logistics processing and adequate financial servicing. This is done to the full satisfaction of our members and their customers. This means that we manage logistical processes optimally, and adequately resolve any gaps in services and peaks.

### 2018 objectives

The strategy has been translated into the following concrete objectives for 2018:



Improved daily services: at least 95% within the agreed to turn around time.



An increase in member satisfaction.



Substantially increased customer satisfaction.



Further progress with respect to Integral Logistical Control based on the milestones to be achieved.



Further digitisation progress based on the milestones to be achieved within Floriday.



Profit before tax: a minimum of €1 million.



Employee involvement 75%.

Based on the current state of affairs and the expected progress in achieving these concrete strategic objectives, Royal FloraHolland – with the expected growth in trading volume based on average favourable global economic conditions – faces the future with confidence.

Since sustainability has been included in the strategy as a precondition, progress in the objectives to be achieved concerning the management role in the area of chain sustainability (see page 60) and the improvement of our sustainability profile (see pages 65, 67 and 68) will be monitored actively.



Turnover



Garden Plants



Imports & Exports



House Plants



Facilities



Cut Flowers



# Turnover (total)

Strategic progress

Operational progress

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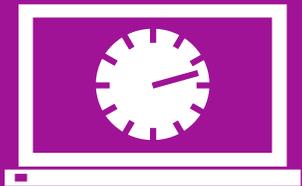
Financial statements

Turnover from  
(in € millions)



## 2,050

Regular auction sales  
↓3.5%



## 2,637

Direct ↑5.1%

Total turnover ↑1.2%  
(in € millions)

## 4,687



## 2,738

Cut flowers  
↑0.4%



## 1,554

House plants  
↑1.1%



## 395

Garden plants  
↑7.1%

Units supplied via regular auction sales ↓3.2%  
(quantity x million)

## 6,701



## 6,315

Cut flowers  
↓2.9%



## 257

House plants  
↓6.9%



## 129

Garden plants  
↓10.4%



Total number of suppliers

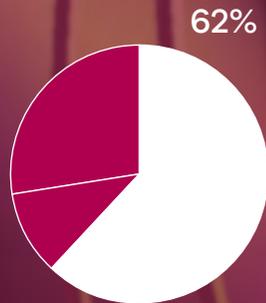
↓3.6%

**5,697**

Of which:  
Dutch members

↓3.7%

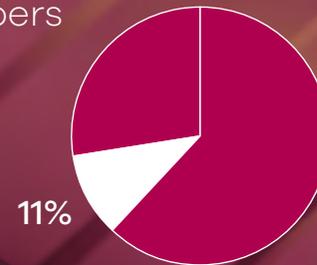
**3,539**



Of which:  
abroad members

↓2.1%

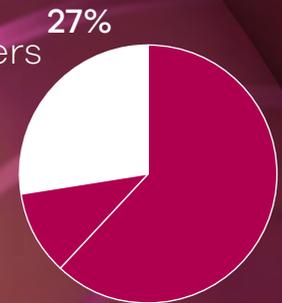
**602**



Of which:  
non-members

↓3.8%

**1,556**



Total number of customers

↓1%

**2,468**



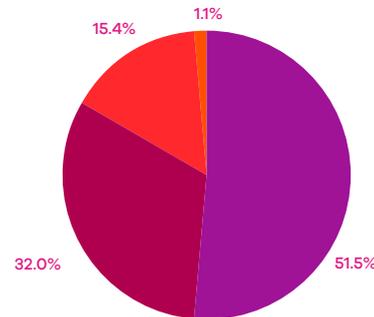
## Turnover and quantity sold as units by clocks per day

	2017
Turnover per day (in € millions) ↓8.3%	8.1
Number of units of flowers per day (clocks) (number x million) ↓6.8%	25.3
Number of units of plants per day (clocks) (number x million) ↓22.9%	1.5

## Turnover by site (in € millions)

	2017
Aalsmeer ↓2.5%	1,054
Naaldwijk ↓5.5%	658
Rijnsburg ↓2.7%	316
Eelde ↓2.6%	22
Turnover from clock auctions ↓3.5%	2,050
Connect ↑2.9%	2,637
<b>Total ↑3.3%</b>	<b>4,687</b>

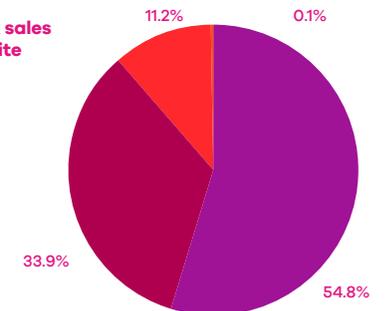
### Regular auction sales by site



## Turnover remote purchase (in € millions)

	2017
Aalsmeer	793
Naaldwijk	491
Rijnsburg	162
Eelde	1
Turnover from clock auctions	0
Connect	0
<b>Total</b>	<b>1,447</b>

### KOA sales by site





# Most important export destinations (in € millions)

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	2017 export value	Share of total export	2016 export value	Share of total export
Germany	1,727	28.8%	1,661	28.9%
United Kingdom	837	13.9%	883	15.4%
France	785	13.1%	777	13.5%
Other countries	625	10.4%	527	9.2%
Italy	320	5.3%	311	5.4%
Belgium	263	4.4%	256	4.5%
Poland	230	3.8%	180	3.1%
Switzerland	191	3.2%	188	3.3%
Sweden	179	3.0%	185	3.2%
Russia	165	2.8%	133	2.3%
Austria	138	2.3%	126	2.2%
Denmark	115	1.9%	119	2.1%
Czech Republic	108	1.8%	89	1.5%
United States	98	1.6%	99	1.7%
Spain	90	1.5%	86	1.5%
Norway	70	1.2%	65	1.1%
Finland	63	1.0%	58	1.0%

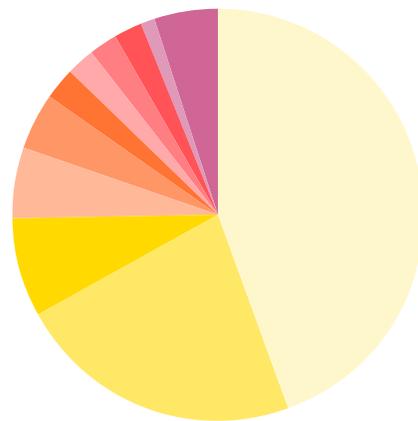
Percentage distribution by country



**€ 6,006** million

Total export

↑5%



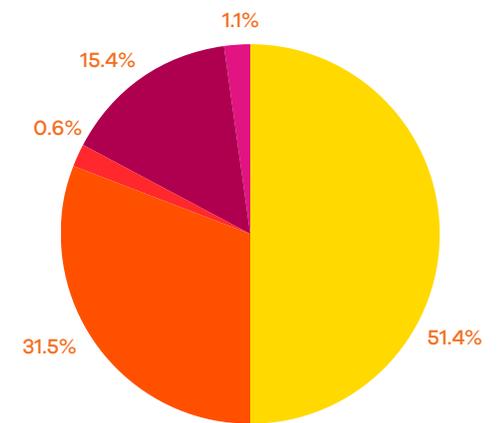
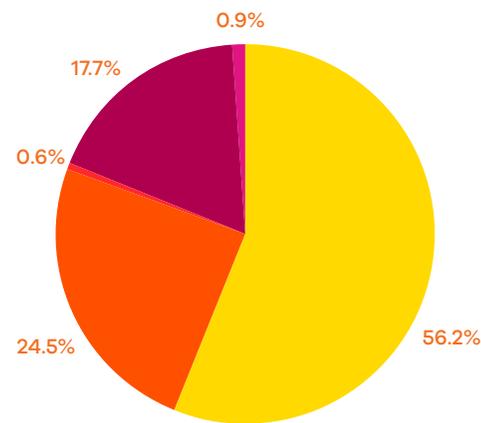
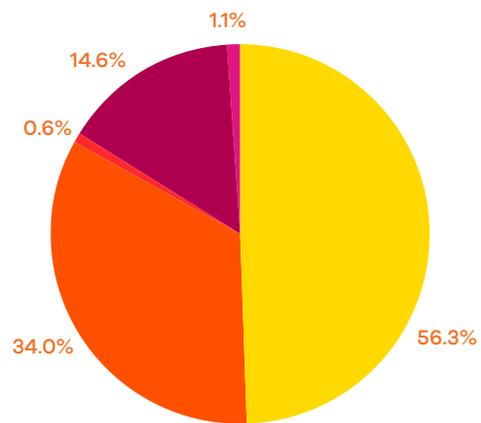


### The Netherlands

### Import

### Total

	2017	Changes	2017	Changes	2017	Changes
Aalsmeer	755	↓4%	298	↑2%	1,053	↓2%
Naaldwijk	516	↓4%	130	↑1%	646	↓3%
Naaldwijk Florist's clock	9	↓55%	3	↓63%	12	↓57%
Rijnsburg	222	↓4%	94	0%	316	↓3%
Eelde	17	↑9%	5	↓39%	22	↓8%





# Share of import by site

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progress

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progress

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(in % of total turnover by site)

Naaldwijk  
**20.1%**

Rijnsburg  
**29.7%**

Eelde  
**22.0%**

Aalsmeer  
**28.2%**



# Top 10 import countries (in € millions)

Strategic  
progress

Operational  
progress

Finance

Facts and  
figures

Human  
Resources

Sustainability

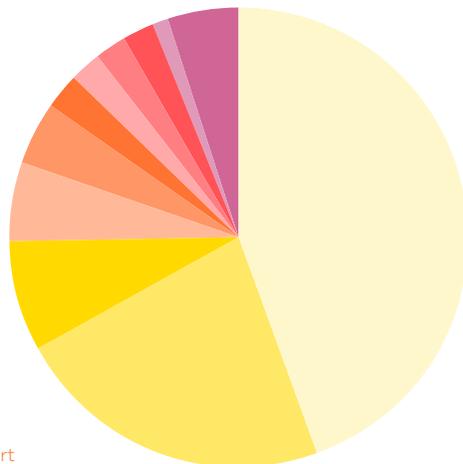
Supervisory  
Board Report

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	2017 turn- over	Change in turn- over 2017	Share of import 2017	2016 turn- over	Change in turn- over 2016
Kenya	358	↑1.3%	44.4%	353	↑7.3%
Ethiopia	178	↓0.4%	22.1%	179	↓0.4%
Israel	65	↑3.3%	8.1%	63	↑6.3%
Belgium	42	↓3.1%	5.2%	43	↑10.4%
Germany	33	↓4.6%	4.1%	35	↑7%
Spain	24	↑18.5%	2.9%	20	↓14.6%
Italy	21	↑9.2%	2.6%	19	↓10.2%
Zimbabwe	19	↑9.0%	2.3%	17	↑40.2%
Denmark	13	↓23.6%	1.6%	17	↑8.8%
Ecuador	9	↓12.7%	1.1%	10	↓3.4%
Other	44	↑15.9%	5.5%	38	↑8.3%

Percentage distribution by country



**€ 805** million  
Total of top 10  
import countries  
↑1.4%

# Top 10 import products

Strategic progress

Operational progress

Finance

Facts and figures

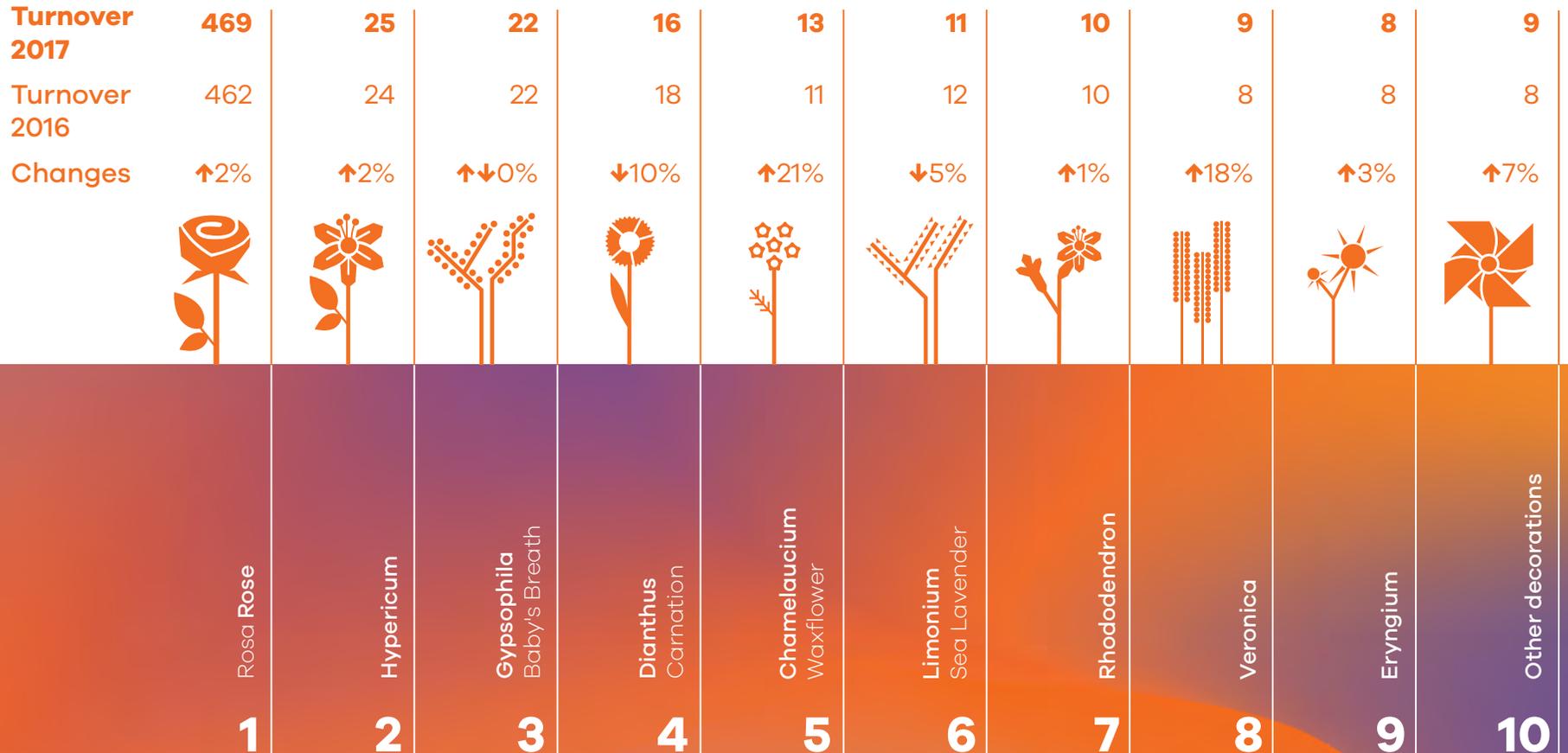
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(in € millions)





# Facilities (key figures)

Strategic  
progress

Operational  
progress

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figures

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Resources

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# 35

Clocks  
↓7.9%



# 2,374,000

Surface area of  
auction buildings in m<sup>2</sup>  
↓1.0%



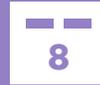
# 462,876

Surface area of  
own buildings for  
trade in m<sup>2</sup> 0%



# 720

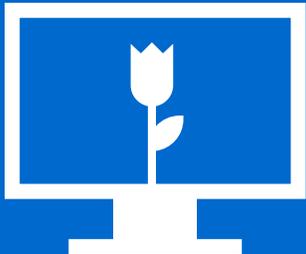
Number of  
customers with an  
accommodation on  
auction grounds ↑1.6%



# 1,140

Number of docks 0.0%

# 6

 Bidding halls  
↓14.3%

# 6,798,021

Number of  
trolleys and  
CC containers  
processed  
↓0.5%



# 138,667

Service area of  
refrigerated cells in m<sup>2</sup>  
0.0%





## Average number of clock transactions per day

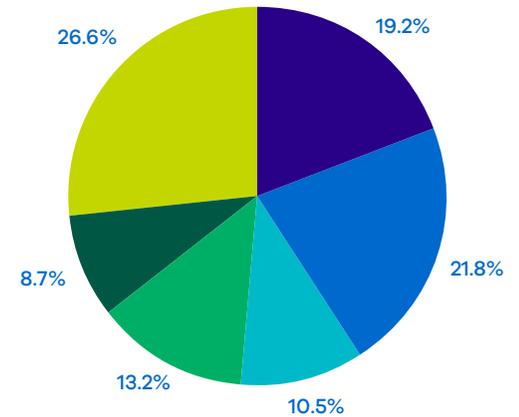
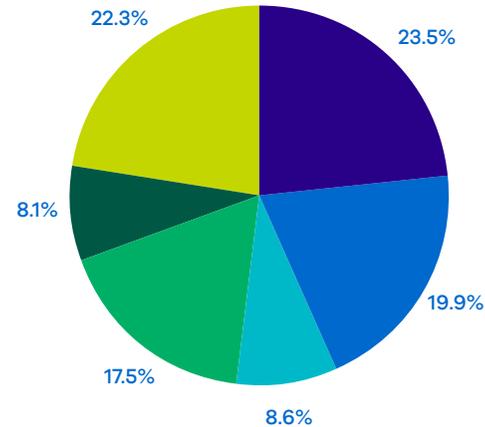
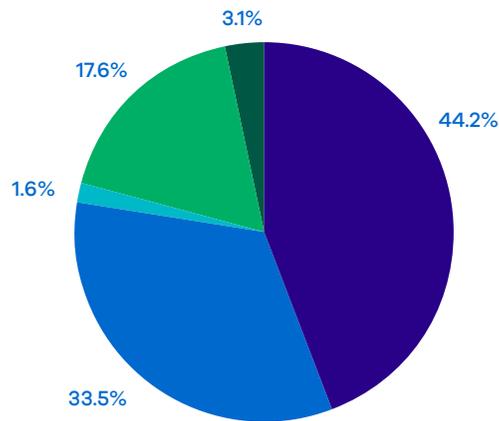
## Number of active suppliers (including duplications counts)

## Number of active traders (including duplications counts)

	2017	Changes
Aalsmeer	47,990	↓4.8%
Naaldwijk	36,350	↓13.4%
Naaldwijk Florist's clock	1,745	↓58.5%
Rijnsburg	19,101	↓7.4%
Eelde	3,413	↓9.4%
Direct		

	2017	Changes
Aalsmeer	3,766	↓4.4%
Naaldwijk	3,193	↓4.3%
Naaldwijk Florist's clock	1,371	↓2.7%
Rijnsburg	2,799	↓0.3%
Eelde	1,303	↓18.2%
Direct	3,578	↓3.4%

	2017	Changes
Aalsmeer	666	↓27.7%
Naaldwijk	755	↑18.0%
Naaldwijk Florist's clock	363	↓16.2%
Rijnsburg	458	↑13.1%
Eelde	300	↓14.5%
Direct	922	↑10.7%





## Top 10 cut flowers sold

**Average price (in €)**  
 2017 **0.22** ↓4.3%  
 2016 **0.23**

Turnover*	731	305	281	151	140	81	64	54	53	51
Changes	↓2.0%	↓0.7%	↓0.5%	↓6.2%	↓1.3%	↑16.7%	↑1.4%	↑12.0%	↑0.8%	↓0.2%
Units**	3,286	1,263	1,894	300	1,074	182	149	108	305	39

\* in € millions  
 \*\* in millions



Rosa Rose

1

Chrysanthemum Ind Grp GE  
Chrysanthemum (spray)

2

Tulipa Tulip

3

Lilium Lily

4

Gerbera

5

Eustoma russellianum  
Lysianthus

6

Chrysanthemum  
Ind Grp GE Chrysant  
(disbudded)

7

Paeonia Peonies

8

Freesia

9

Hydrangea Hortensia

10



## Cut flowers sold by regular auction (Dutch products)

(units in millions)

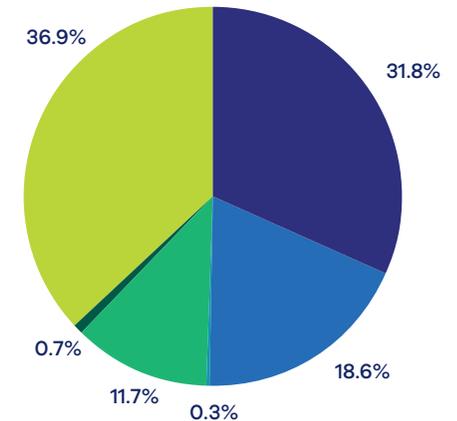
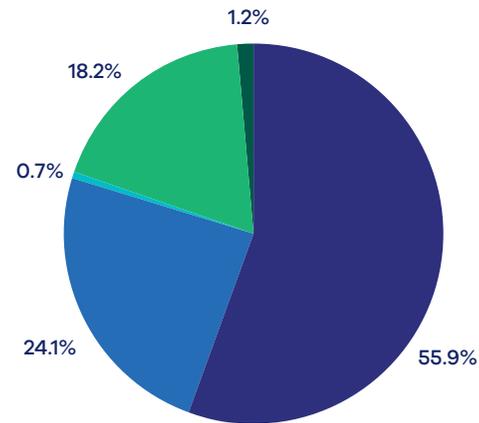
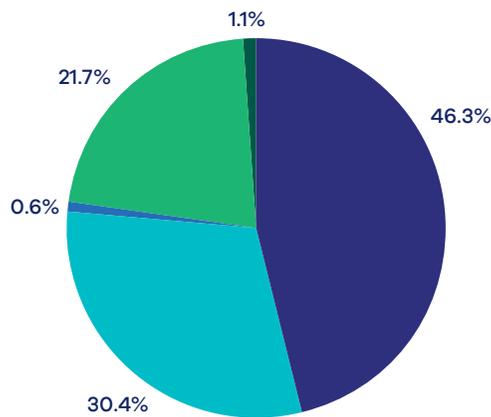
## Cut flowers sold by regular auction (imports)

(units in millions)

## Turnover from cut flowers by site

(turnover in € millions)

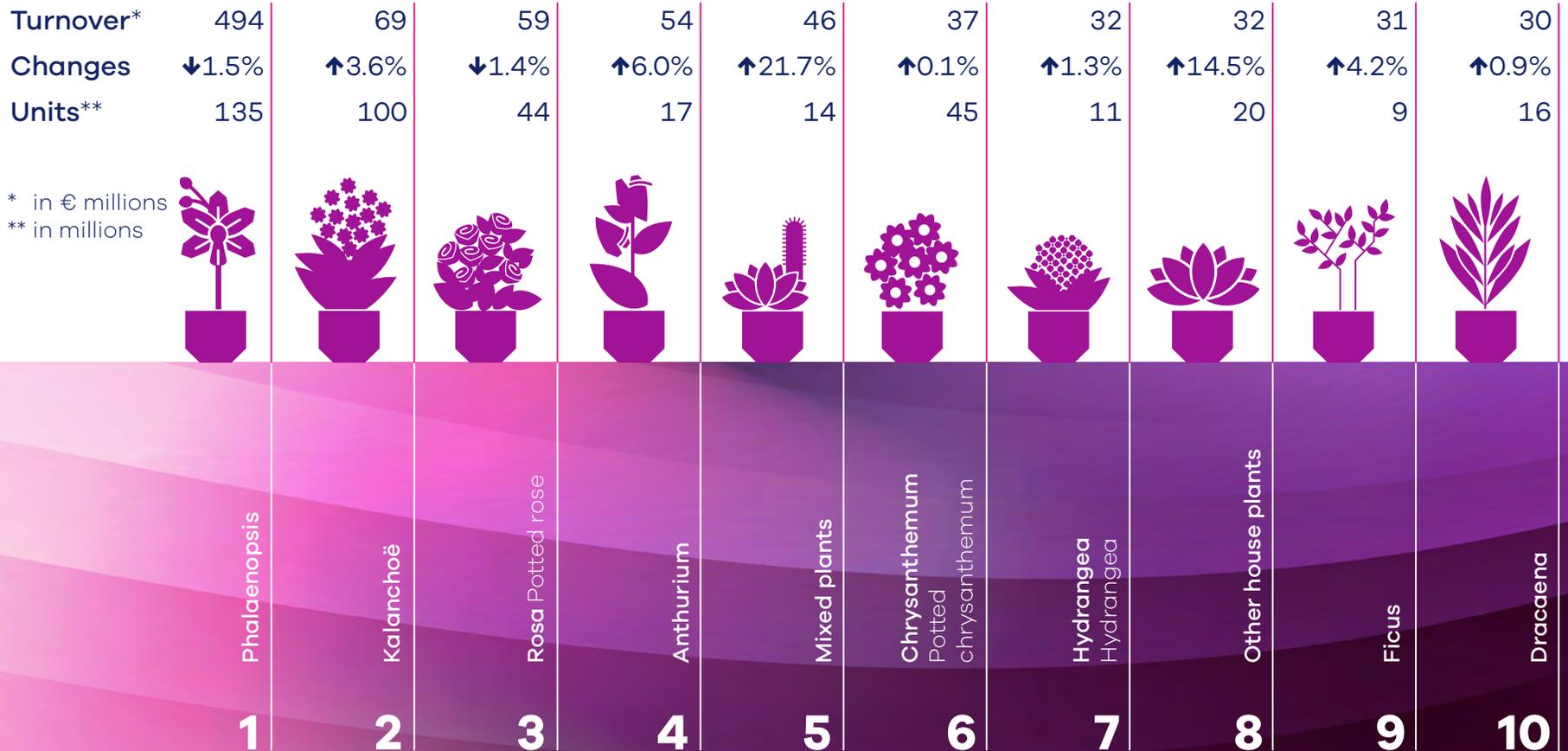
	2017	Changes	2017	Changes	2017	Changes
Aalsmeer	1,925	↓3.3%	1,206	↑2.6%	820	↓1.2%
Naaldwijk	1,262	↓4.8%	519	↓1.1%	479	↓4.2%
Naaldwijk Florist's clock	24	↓61.1%	15	↓55.9%	7	↓63.2%
Rijnsburg	902	↓4.0%	392	↑0.8%	303	↓2.3%
Eelde	45	↓20.5%	25	↓37.5%	19	↓5.0%
Direct					951	↑4.9%





## Top 10 house plants sold

**Average price** (in €)  
 2017 **2.16** **↑33.3%**  
 2016 **1.62**

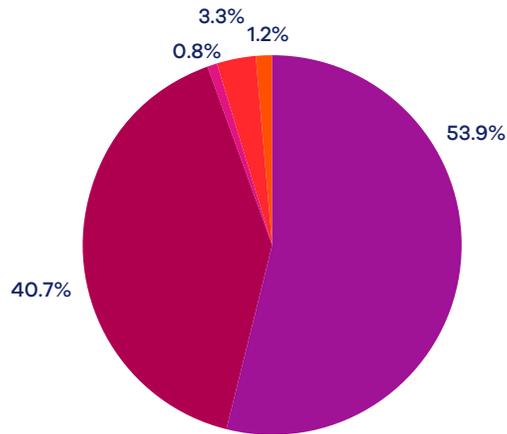




## House plants sold by regular auction (Dutch products)

(units in millions)

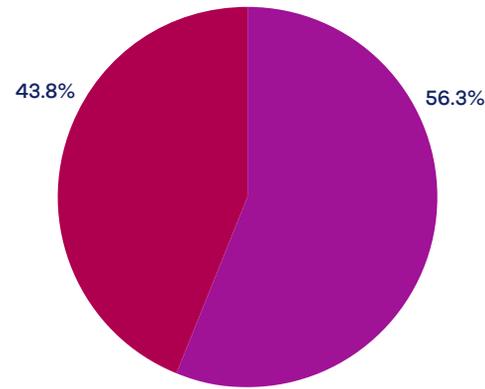
	2017	Changes
Aalsmeer	130	↓8.5%
Naaldwijk	98	↓1.0%
Naaldwijk Florist's clock	2	↓77.8%
Rijnsburg	8	↓11.1%
Eelde	3	↓40.0%
Direct		



## House plants sold by regular auction (imports)

(units in millions)

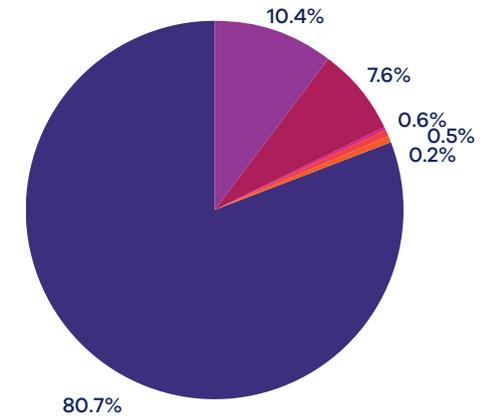
	2017	Changes
	9	↓18.2%
	7	↑↓0,0%



## Turnover from house plants by site

(turnover in € millions)

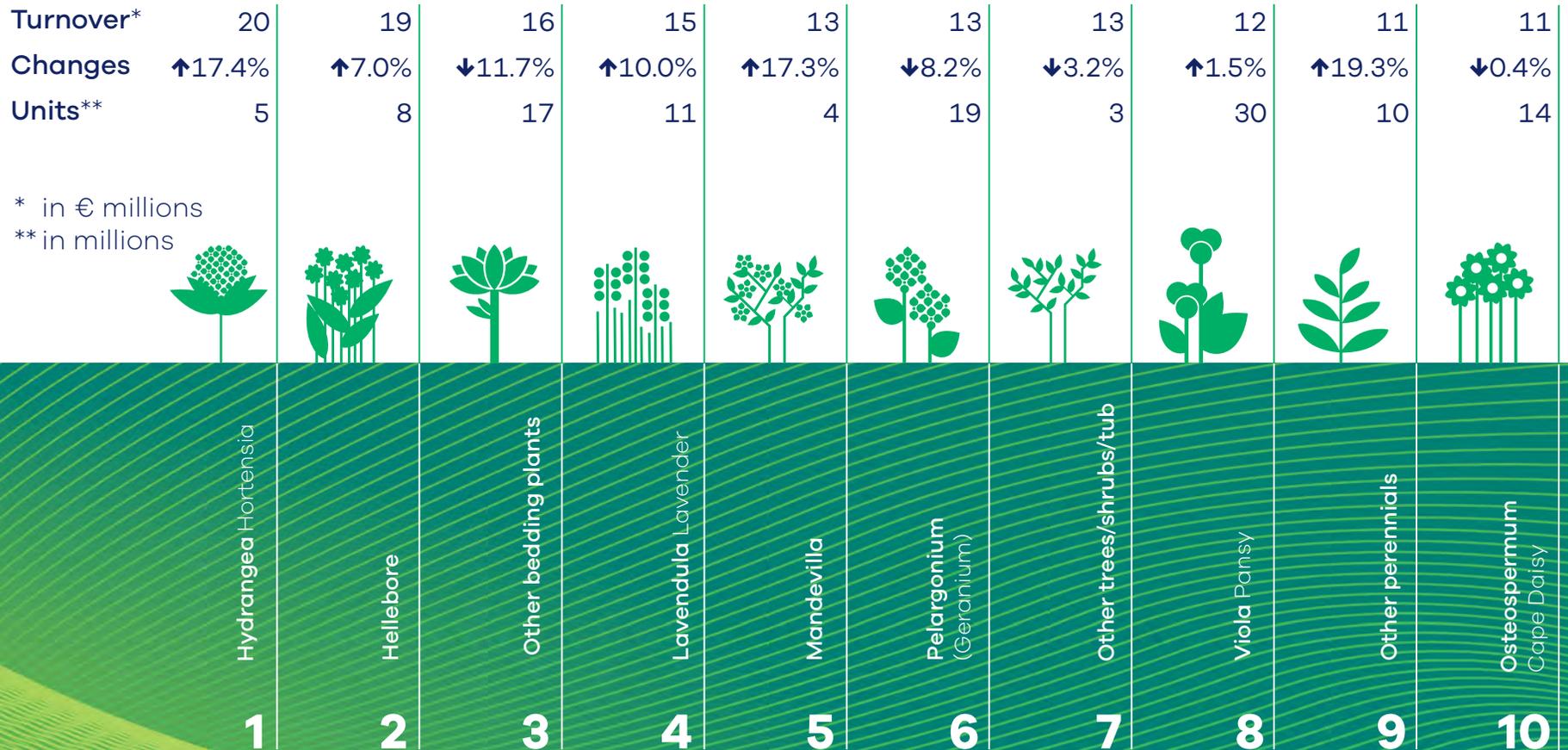
	2017	Changes
	172	↓7.0%
	126	↑0.8%
	3	↓78.6%
	10	↓9.1%
	8	↓11.1%
Direct	1,333	↑6.0%





## Top 10 garden plants sold

**Average price** (in €)  
 2017 **1.18** **↑9.3%**  
 2016 **1.08**

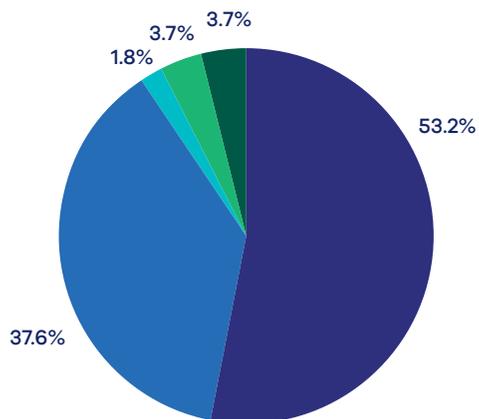




## Garden plants sold by regular auction (Dutch products)

(units in millions)

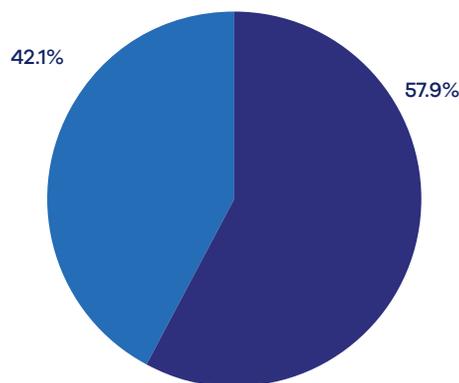
	2017	Changes
Aalsmeer	58	↓9.4%
Naaldwijk	41	↓4.7%
Naaldwijk Florist's clock	2	↓71.4%
Rijnsburg	4	↑↓0.0%
Eelde	4	↓33.3%
Direct		



## Garden plants sold by regular auction (imports)

(units in millions)

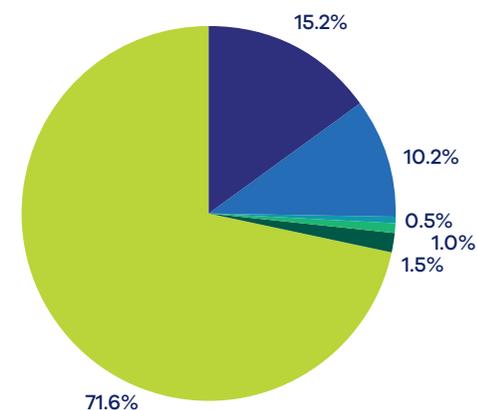
	2017	Changes
Aalsmeer	11	↓8.3%
Naaldwijk	8	↑↓0.0%
Naaldwijk Florist's clock	0	↓100.0%
Rijnsburg		
Eelde		↓100.0%
Direct		



## Turnover from garden plants by site

(turnover in € millions)

	2017	Changes
Aalsmeer	61	↓7.6%
Naaldwijk	41	↑↓0.0%
Naaldwijk Florist's clock	2	↓66.7%
Rijnsburg	4	↑↓0.0%
Eelde	6	↓14.3%
Direct	288	↑9.1%





**Royal FloraHolland invests in the development of all of its employees**

## HR policy

Royal FloraHolland's employees are what make the difference – both in daily services and in achieving strategic priorities and objectives. Employees help our members and their customers every day. Therefore, Royal FloraHolland invests in the development of all of its employees, for today and for tomorrow. The principle is that the opportunities for employees (either at our organisation or possibly elsewhere) must be as great as possible and that the employees work on these opportunities and their own personal development actively and at their own direction.

### Continuous development

The organisation is adapted continuously in order to be an attractive, efficient and more international cooperative for the members. The focus is on setting up work processes differently and improving daily services. This means that jobs disappear and change. Also, more activities are outsourced and new jobs arise. Partly due to natural development and organisational changes, total staffing decreased at the end of 2017 by 13% to 2102 employees (FTEs).

At the same time, 70 new employees (FTEs) were welcomed. This is necessary for further innovation of the business operation and for improvement of the services to members and customers, e.g. in the areas of digitisation, sustainability, smart operations and (international) commerce. In this context, a notification of collective dismissal was done in January 2017 and the Works Council was asked for a recommendation.

Partly due to natural development and organisational changes, total staffing decreased at the end of 2017 by 13% to 2102 employees (FTEs). Approximately 100 employees were made redundant in the Commerce, Business Technology Organisation (previously ICT) and several staff departments. We went through a careful process together with the Works Council.

Considerable attention was paid to the emotions associated with these uncertain times; this attention was paid to both departing employees and those who remained. In the Future Square, we take an active look together with employees at the training and career opportunities that fit best with their positions and experience, along with the development they desire and that is possible. In focused team sessions, employees were able to discuss their emotions and could work on themselves in order to remain confident

in their work and their lives. All of this resulted in a reorganisation that went reasonably well. One dilemma in this regard is that the balance among reorganisation, new hires and outsourcing must be monitored carefully.

### Investing in employee development

On the other hand, everyone in the organisation is encouraged to deal with his or her personal development and future career opportunities with awareness. The use of the Future Square for this increased: from 323 employees in 2016 to 879 employees in 2017. An increasing number of employees also use the possibilities for expanding their opportunities in the future.

Royal FloraHolland invests in employees' own direction concerning their personal development. The objective is to have employees be able to grow and to develop their talents fully. This is done by making choices themselves that align with their own growth and career wishes. Royal FloraHolland considers this important. Despite the need for cost control, the budget for training remained up to par. A total of more than €2 million was invested. For example: to support the achievement of necessary or desired diplomas or to obtain new skills and competences. Nearly 1,200

employees took a training course and more than 1,500 individual coaching sessions took place, including CV checks. Financial advisory discussions were conducted with multiple employees.

### New Collective Labour Agreement (CAO) and social plan

Royal FloraHolland's corporate Collective Labour Agreement (CAO) lapsed on 1 July 2017 and the social plan ended on 1 October 2017. Together with the trade unions FNV and CNV Vakmensen.nl, an intensive negotiating process was conducted in order to achieve agreements for both parts that align better with social developments. This means that a new social plan was concluded at the start of 2018 for a period of one year (from 1 October 2017 to 1 October 2021), in which an important shift takes place from dismissal compensation to investing in development by means of the Future Square; this, in accordance with HR policy. In addition, a short-term Collective Labour Agreement (CAO) was concluded for the period of one year (from 1 July 2017 to 1 July 2018) with a 1.75% salary increase effective 1 January 2018, and a number of protocol agreements. The new Collective Labour Agreement (CAO) negotiations will start in the short term. In these, Royal FloraHolland is committed to

expanding flexibility in order to support developments in further improvement of services.

### **Temps employed permanently**

At the end of 2017, the decision was made to offer permanent contracts to temporary employees in the logistics operation. This was done because Royal FloraHolland wants to keep the personnel structure healthy and future-proof. Also because we would like to retain the temps within the cooperative and offer them perspective concerning their careers. The result of this is that the first 40 job openings were already filled in 2017 and that, at the end of 2017, the next 40 job openings were posted. There is considerable interest in this option, and we will follow up on this in the coming years. Offering permanent employment to temporary employees also contributes to better daily services to our members and customers.

### **Employee involvement**

The involvement and engagement of our employees are important conditions for achieving strategy objectives. This is because Royal FloraHolland believes that engaged and involved employees provide that extra bit of effort needed to bring the services to customers and members to the next level. Positive

energy in the company makes a huge difference to this. For these reasons, the focus has been on improving employee involvement and engagement for a number of years. Our team managers play a key role in this. They have a concrete (80% or more) effect on further improvement of employee engagement.

So our action plan focuses primarily on these team managers and on the support they require to improve the engagement of their own teams.

### **Core values and culture**

Culture is hugely important in increasing employee engagement. In 2017, Royal FloraHolland jointly redefined its core values. Jointly - more than 350 employees helped to define new values that state who we are and who we wish to become. Our new core values can be expressed in the Dutch acronym STAP. STAP: further, as Team players, Ambitious and with Passion. And there's a reason for the period in STAP. With these core values, the organisation puts an end to the elements in our culture that we wish to leave behind. The new core values will help us use our culture as a force. This is being done to improve services further and to enable the strategy. Management was actively involved in this.

### **Diversity policy**

Royal FloraHolland wishes to have its personnel list be a good reflection of society. Employees from 30 differing nationalities work at Royal FloraHolland. The male/female ratio in supervisory positions is 73%/27%. Of total personnel, 72% are men and 28% are women.

Royal FloraHolland is a proponent of an honest and transparent HR policy and encourages diversity wherever possible: not only in terms of gender, but also nationality or faith, for example.



Total number of FTEs

**2,102**

(2016: 2,379)  
↓13.0%



Total number of employees

**2,628**

(2016: 2,956)  
↓11.0%

Male/female ratio



1,926  
(73%)

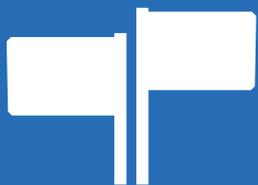
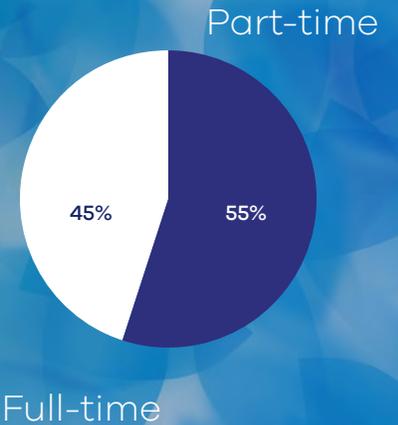


702  
(27%)

Average age

**49.3**

(2016: 49.2)



Differing nationalities

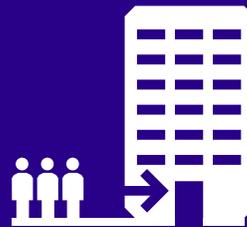
**38**



Absenteeism due to illness

**6.1%**

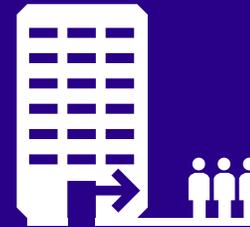
(2016: 5.3%)



Employed FTEs

**70**

(2016: 128)



FTEs departed

**330**

(2016: 212)



Training and education investment

**€ 2,470,793**

(2016: €2,312,474)

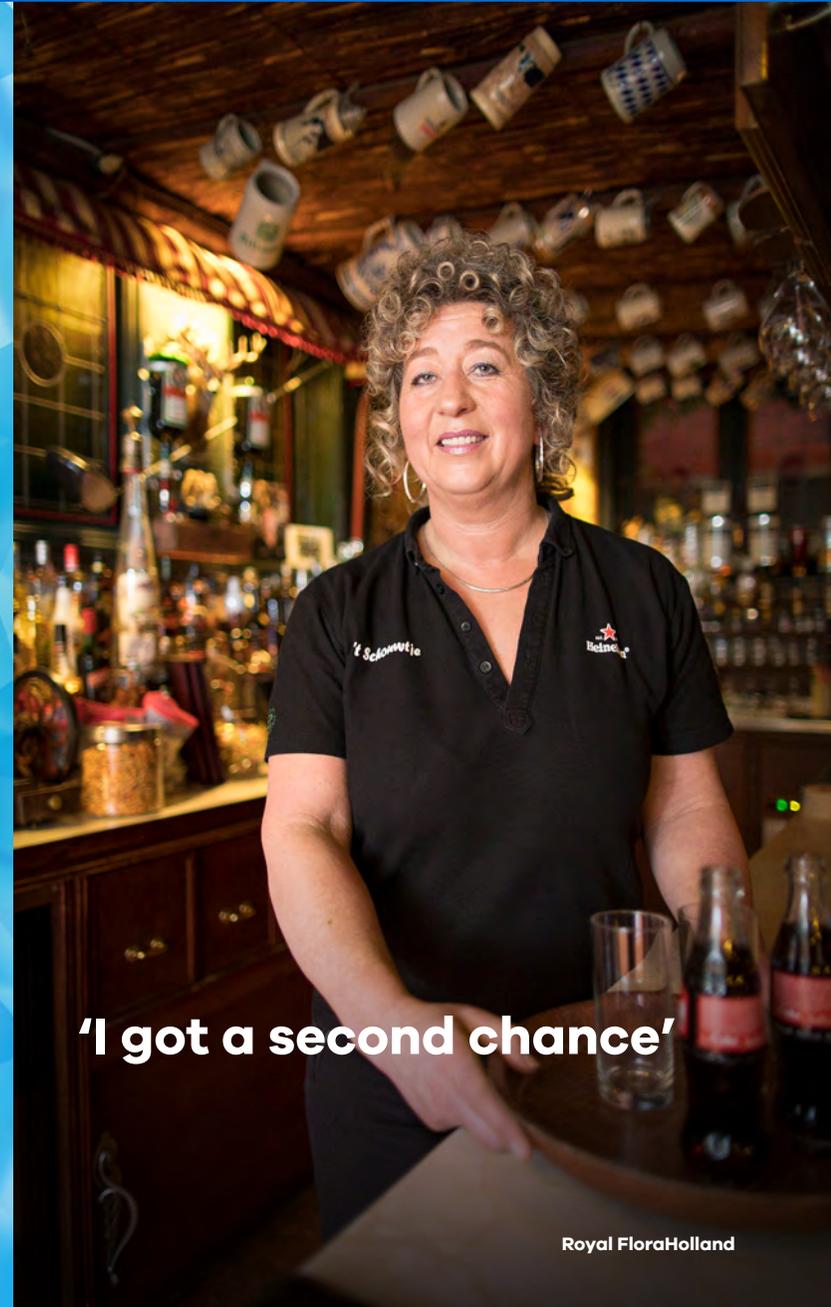
## Caroline de Vreugd, employee, talking about the Future Square

Due to the sudden death of her brother-in-law Sjaac, Caroline de Vreugd stepped into the position of hostess at the 'Het Schouwtje' restaurant in Wassenaar. She still combines this with the number of hours at the clock for Royal FloraHolland in Rijnsburg. This work is decreasing, so Caroline will soon cut the ties completely in order to focus completely on her new job in the hospitality sector.

After having worked for Royal FloraHolland for 23.5 years, she looks forward to this new step with a positive feeling. She came to this conclusion partly through discussions with somebody at the Future Square. 'I got a second chance in terms of work and now have a job that many people would really dream of. It fits really well with me and I like dealing with various people; it's also a beautiful workplace. My heart is really with my sister Alinda and this business. Her oldest daughter Jamie also works in the business. We are continuing Sjaac's life's work. This business meant everything to him: he spent lots and lots of time on the company. We now know why,' Carolyn laughs, who feels very involved with everything that goes on in the restaurant.

### Worked in the flower sector with pleasure

How does she view her years at Royal FloraHolland? 'I enjoyed really fine times there with great colleagues. Up and out early each day at 5 AM to get to the clock on time. I always worked with pleasure in the flowers. There's now less work at the auction and I think that's a pity, of course. But I'm jumping at this new opportunity.' And how does she view the future? 'I'll soon cut the ties completely and will truly stop at Royal FloraHolland in order to give my all to the restaurant. I can then take some of the tasks off my sister's hands, such as administration. I now work as a server, making sure that the business keeps running a few evenings each week'.



**'I got a second chance'**



**Sustainability is  
a precondition to  
a healthy future**

Royal FloraHolland's sustainability mission is a future-proof floriculture industry in which flowers and plants are cultivated and traded in a manner that respects humanity and the environment. Together with its members, customers and supply chain partners, Royal FloraHolland is thus achieving a sustainable supply, aligned with the market. An important indicator of this is the Floriculture Sustainability Initiative (FSI). See page 60.

Royal FloraHolland encourages innovation so that growth and renewability go hand in hand. The cooperative improves its environmental footprint based on continuous policy and active engagement from employees. A separate Sustainability department has been set up in order to achieve the sustainability objectives. This department's primary responsibility is elaborating proposals concerning the sustainability policy and the achievement and monitoring of objectives linked to this. The specialists working there report periodically to the management team about the progress in both material and non-material topics. There is also periodic consultation with the CEO. An internal sounding board group will act as a critic concerning the choices and the decisions to be made within the policy. This group is also an ambassador for the organisation in evincing the philosophy of sustainability. The results of the progress are also discussed with the Supervisory Board.

The goal is to encourage Royal FloraHolland's sustainability performance and to bring about a sustainable floriculture industry. A positive and sustainable experience of flowers and plants among customers and consumers will also be brought about.

## Relevant sustainable developments and the role of Royal FloraHolland in these

Royal FloraHolland is primarily responsible for its own business operation and processes. In the area of sustainability, Royal FloraHolland also has an important management role in the supply chain, but it does not have direct authority about the products of members and other suppliers or the degree of their sustainability. Nonetheless, this role does exist indirectly. We note here that interest groups are conducting intensive discussions with market parties about producing more sustainably and that sustainability is increasingly becoming a purchasing reason for consumers. Therefore, sustainability is also acknowledged as a precondition to a healthy future and a license to operate in the floriculture industry. It should be noted here that the interest in sustainability differs considerably from one grower to the next.

The reasons for this include:

- The investments in becoming sustainable can't always be included in the selling price.
- The floriculture industry still needs time to phase out the chemical resources it uses and to shift toward integrated crop protection.
- Feasible sustainable alternatives are not always available for certain chemical resources.

The UN's Sustainable Development Goals (SDGs) constitute another important development. Until 2030, these goals provide the international framework for sustainable development for the 193 member nations of the United Nations. Royal FloraHolland contributes to this (modestly). Sustainable management and efficient use of natural resources is encouraged in the supply chain – by decreasing the use of chemicals and other waste in the air, water and soil, for example. These are contributions to SDG 12 and SDG 17. Royal FloraHolland is also committed to making its own energy consumption sustainable. The impact of this is a substantial decrease in the current footprint. This is a contribution to SDG 7 and SDG 13. Furthermore, international members of Royal FloraHolland contribute to social and economic developments in developing countries in accordance with SDG 1.

The following SDGs are relevant to Royal FloraHolland:

	Ending poverty everywhere and in all its forms.
	Ensuring access to affordable, reliable, sustainable and modern energy for everyone
	Responsible use of resources, ensuring sustainable patterns of consumption and production
	Taking urgent measures to combat climate change and its consequences
	Reinforcement of implementation resources and revitalising worldwide partnership for sustainable development

Another factor of some importance to the floriculture industry is the 'Ruggie Framework' adopted by the UN Human Rights Council in which the 'Responsibility to Respect' is paramount for businesses active in international supply chains. Companies must create insight into possible negative social and environmental effects to those involved in their supply chain and must address these (international CSR).

This creates a new instruments for substantially tackling the risks of human rights violations and environmental damage and, consequently, to contributing to the SDGs. The floriculture industry has been working on such a covenant since September 2016.

The results of the Paris Climate Agreement also demand an acceleration of the energy transition in order to achieve a climate-neutral society.

The EU is busy developing the Product Environmental Footprint (PEF) and the floriculture industry is aligned with this in its development of a footprint methodology accepted by the supply chain. This methodology visualizes the entire life cycle of a product – from raw material to waste phase. This shall result in a higher

degree of circularity and will also ensure transparency for producers and consumers. Finally, there is a huge need in urban areas for 'nature-based solutions' in the context of the development of healthy and livable cities. Green solutions can contribute at every level: building and home (interior and exterior), street and square, neighbourhood and district, and at the level of village and city. This offers opportunities to the green sector for market development in the Netherlands and Europe.

### Sustainability strategy

Royal FloraHolland's sustainable vision is substantiated primarily along three lines.

### Sustainable supply chain

Royal FloraHolland creates a better market position for its members and customers by providing insight into its sustainability requirements. The reputation of the floriculture industry is also reinforced through active participation in sustainability initiatives and by starting new initiatives – e.g. the Platform for Sustainable Floriculture (Dutch acronym: PDS) and the Floriculture Sustainability Initiative (FSI). The policy focuses on aligning the sustainable supply with the

90% FSI objective. FSI is a cooperation between supply chain partners in the floriculture industry and NGOs. The FSI objective is to have 90% of the plants and flowers produced or traded by the members be created in a sustainable manner by 2020. Royal FloraHolland is also committed to the improvement of internal and external cooperation in the supply chain. The role in the IMVO covenant also offers opportunities to link Dutch members with materials from risky countries and international members and customers more closely to the sustainability objectives.

### Sustainable company

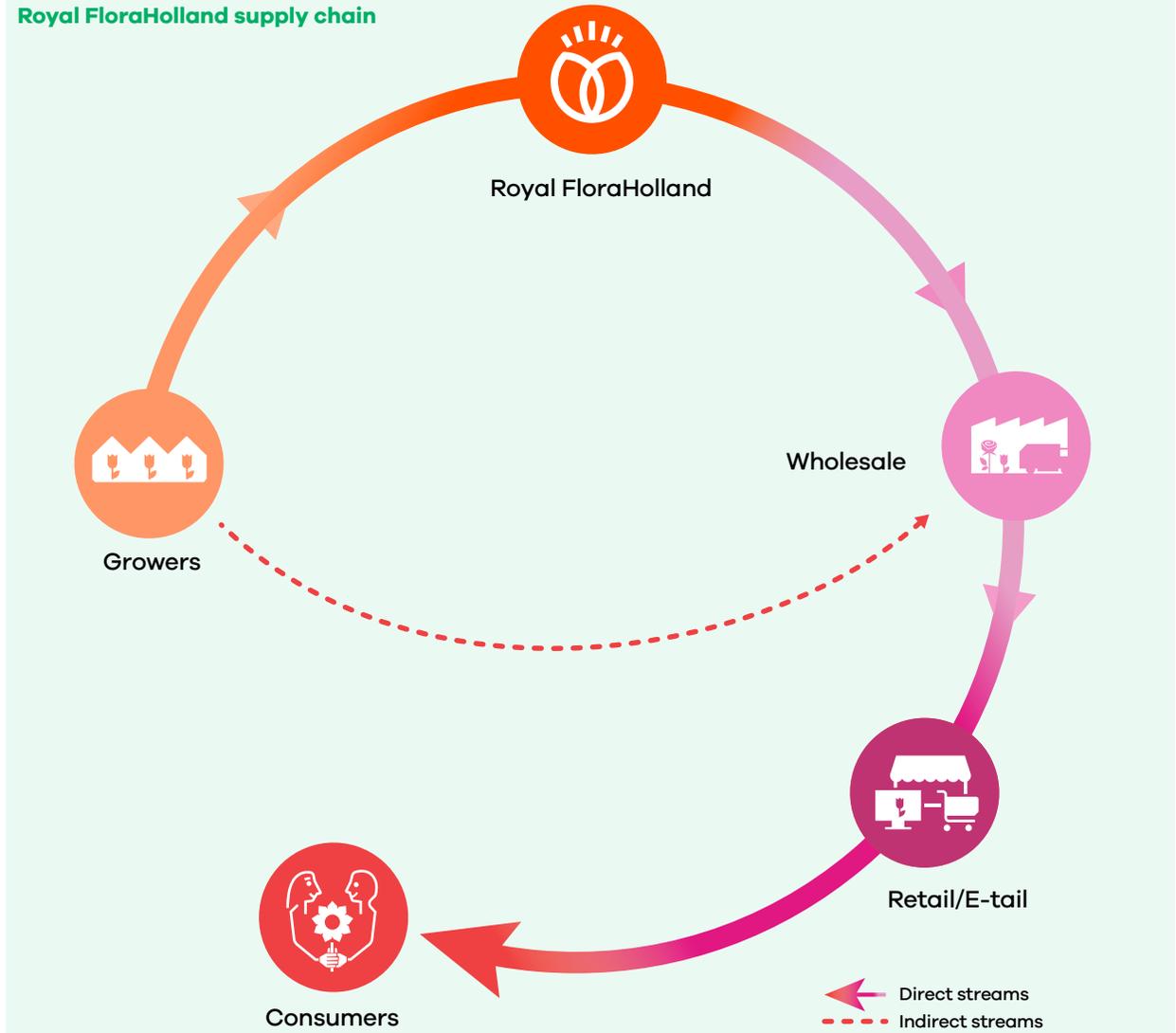
Royal FloraHolland reinforces its position by continuous improvement of its own sustainability profile and by communicating this actively and transparently. The objective is an improved footprint with the ambition of a CO<sub>2</sub> neutral business operation at lower operational costs and with higher added value. See also the value creation model on page 10. We also strive toward higher valorisation (utilisation) of waste streams and performing transparent management of the supply chain toward making transport packaging for plants sustainable.

## Green innovation

Royal FloraHolland encourages innovation so that growth and sustainability go hand in hand. Society will change in coming decades due to more extreme weather conditions, ageing populations and increased urbanisation. Furthermore, the quality of living and working environments is decreasing, yielding a negative effect on human health and well-being. Green can contribute to solving these types of problems. The positive effects of green have been demonstrated in various studies. The 'Green Agenda' programme transposes this knowledge into expertise and brings knowledge institutions together with entrepreneurs in the green sector. Active support is provided in the search for new business models for the sector. The collaboration with knowledge institutions forces the sector to look first at the market and market needs. The goal is to find an optimal alignment between innovative green concepts and market demand. The sector-focused approach results in intensive collaboration among the entrepreneurs in the sector.

## Supply chain transparency

Royal FloraHolland operates in a supply chain. The primary process, the members and our customers are paramount in this. Supply chain partners are transactional parties who shoulder joint responsibility for the quality and sustainability of the products in the chain. See the illustration below.

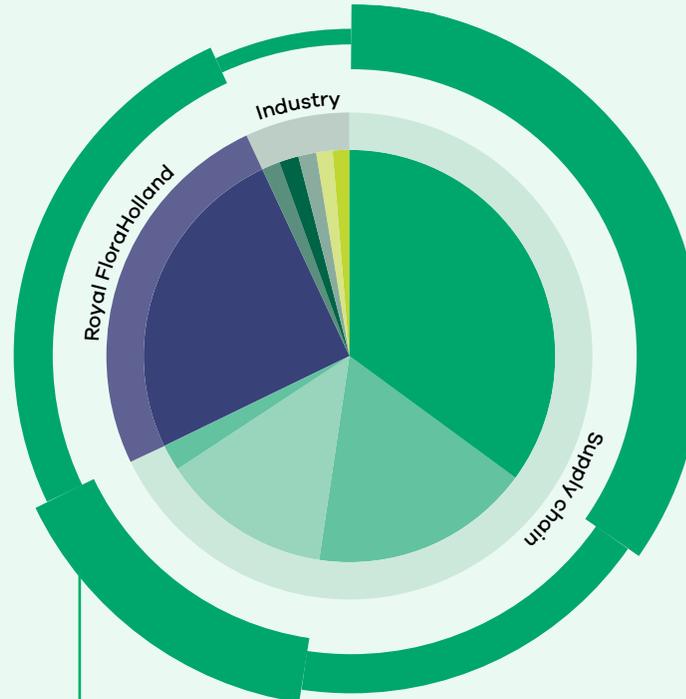


## Stakeholder dialogue

Active stakeholder dialogue is an important measure for mitigating risks in the execution of the sustainability policy and for seizing opportunities to increase stakeholders' engagement. The priorities in the sustainability policy are determined on the basis of their materiality (material topics). Materiality is a consideration of the interests of stakeholders and of the actual impact that Royal FloraHolland can have on the topic. We note from this that stakeholders expect Royal FloraHolland to conduct its business sustainably. On the one hand by addressing its management function in the supply chain actively and, on the other, by making our own processes as sustainable as possible. The various stakeholders have varying degrees of influence in this. The following illustration provides an overview of our most important stakeholders and their (sphere of) influence on our processes and on sustainability priorities in the supply chain.

Extensive rounds of consultation were held with stakeholders in 2016. In 2017, more than 20 discussions were held with stakeholders for further assessment of the materiality. The frequency of the interaction with all types of stakeholders is quite regular, sometimes multiple times each week. In this, Royal FloraHolland management acts actively as one of the dialogue partners. Dialogue with all types of stakeholders will once again take place in 2018.

## Overview of stakeholders and their sphere of influence



Degree of influence on sustainability policy Royal FloraHolland

- Considerable influence
- Average influence
- Relatively little influence

### Legend

- Supply chain
- Suppliers, members
- Suppliers, non-members
- Customers (traders)
- Retail
- Royal FloraHolland
- Management & employees
- Sector
- NGOs
- Governments
- Sector associations
- Knowledge institutions
- Certifying organisations

## Summary of 2017 stakeholder dialogue

Stakeholder	Who?	Communication resources and channels	Topics discussed	Importance to Royal FloraHolland's CSR policy
Members	All members	<ul style="list-style-type: none"> <li>• General Members' Meeting</li> <li>• Advisory Councils</li> <li>• FPCs (FloraHolland Product Committees)</li> <li>• Member satisfaction survey</li> <li>• Account discussions</li> <li>• GROW magazine</li> <li>• Online newsletters</li> <li>• Business networks</li> </ul>	<ul style="list-style-type: none"> <li>• Digitisation</li> <li>• Integral Logistical Control</li> <li>• Daily services in order</li> <li>• Clock pre-sales</li> <li>• FSI2020</li> <li>• Image auctioning</li> <li>• Strategy</li> <li>• Quality</li> <li>• Certification</li> <li>• Sustainability</li> <li>• Crop protection</li> <li>• Logistics</li> <li>• Cooperative 2020</li> <li>• The New Auctioning</li> </ul>	<ul style="list-style-type: none"> <li>• Sustainable supply chain management</li> <li>• Constant improvement of our services</li> <li>• Durable relationships with members</li> <li>• Unburdened members</li> <li>• Transparency</li> <li>• Financial stability</li> </ul>
Employees	<ul style="list-style-type: none"> <li>• All employees</li> <li>• Employees' representative bodies</li> </ul>	<ul style="list-style-type: none"> <li>• General meeting</li> <li>• Meetings</li> <li>• Consultation with Works Councils</li> <li>• Workshops</li> <li>• Training</li> <li>• Personnel newsletter</li> <li>• E-mail newsletters</li> <li>• Intranet</li> </ul>	<ul style="list-style-type: none"> <li>• Digitisation</li> <li>• Integral Logistical Control</li> <li>• Daily services in order</li> <li>• Code of Conduct</li> <li>• Social plan and Collective Labour Agreement (CAO)</li> <li>• Safety</li> <li>• Sustainable deployment of employee</li> <li>• Schooling and training</li> <li>• Employee involvement</li> <li>• Air quality</li> <li>• Absence</li> <li>• Privacy policy</li> <li>• Logistics</li> <li>• Outsourcing</li> <li>• Future Square</li> </ul>	<ul style="list-style-type: none"> <li>• Safeguarding the health and safety of employees</li> <li>• Vitality</li> </ul>

Stakeholder	Who?	Communication resources and channels	Topics discussed	Importance to Royal FloraHolland's CSR policy
Customers	<ul style="list-style-type: none"> <li>• Trade</li> <li>• Exporters</li> </ul>	<ul style="list-style-type: none"> <li>• Account discussions</li> <li>• Auctioning</li> <li>• Customer Platform</li> </ul>	<ul style="list-style-type: none"> <li>• Accelerators' initiative</li> <li>• FSI2020</li> <li>• Crop protection</li> <li>• Certification</li> <li>• Supply chain initiative for transport packaging</li> <li>• Supply chain transparency</li> </ul>	<ul style="list-style-type: none"> <li>• Sustainable supply chain management</li> <li>• Insight into CSR policy</li> <li>• Durable customer relationships</li> </ul>
Retail	<ul style="list-style-type: none"> <li>• Retail</li> <li>• Florists</li> <li>• Cash and Carry</li> </ul>	<ul style="list-style-type: none"> <li>• Consortia</li> <li>• Seminars</li> <li>• Meetings</li> </ul>	<ul style="list-style-type: none"> <li>• Crop protection</li> <li>• Chain management</li> </ul>	<ul style="list-style-type: none"> <li>• Market preferences</li> </ul>
Sector	<ul style="list-style-type: none"> <li>• Governments</li> <li>• Greenport</li> <li>• FSI2020</li> <li>• Platform Duurzame Sierteelt (Platform for Sustainable Floriculture)</li> <li>• MPS</li> <li>• LTO</li> <li>• Dutch garden sector</li> </ul>	<ul style="list-style-type: none"> <li>• Transparency benchmark</li> <li>• Boards</li> <li>• Consortia</li> <li>• Meetings</li> </ul>	<ul style="list-style-type: none"> <li>• Crop protection</li> <li>• Logistics</li> <li>• Transport</li> <li>• Energy</li> <li>• Packaging</li> <li>• Footprint methodology</li> </ul>	<ul style="list-style-type: none"> <li>• Sustainable image for the sector</li> <li>• Supply chain transparency</li> </ul>
NGOs	<ul style="list-style-type: none"> <li>• Nature &amp; Environment</li> <li>• HIVOS</li> <li>• Plastic Soup Foundation</li> <li>• Fair trade</li> </ul>	<ul style="list-style-type: none"> <li>• Stakeholder engagement discussions</li> </ul>	<ul style="list-style-type: none"> <li>• Crop protection</li> <li>• Logistics</li> <li>• Transport</li> <li>• Energy</li> <li>• Packaging</li> <li>• Working conditions</li> </ul>	<ul style="list-style-type: none"> <li>• Transparency</li> <li>• Insight into sustainability policy</li> </ul>

## Summary of the topics discussed in 2017 with the most important groups of stakeholders

Stakeholder group	Topics discussed that are important to the particular interest of the stakeholder group	Most important results
Members	Unifying role in the supply chain, green crop protection, transport, logistics, image auctioning, transport packaging, decorative packaging, relation to RFH, sustainability initiatives, geothermal, strategic programmes, focus and direction of RFH, rate structures, innovative concepts with green	Image auctioning, introduction of Floriday, supply chain transparency
Customers, including trade	Scaling up the sustainable supply, logistical handling, transport packaging, density of coverage, organic cultivation, relation to RFH, customer objectives, variety, visibility of certificates on the clock and quality of supply, participatory authority	On-time delivery, Floriday, supply chain transparency, accelerators' initiative, supply chain initiative concerning transport packaging
Retail	Crop protection, logistics, packaging, supply chain sustainability	90% sustainable trade in 2020, supply chain transparency
NGOs	Crop protection, working conditions, energy, sustainable packaging, governmental policy, market-driven sustainability requirements, quality seals, certification, transparency, conjoining role in the supply chain	90% sustainable trade in 2020, supply chain initiative concerning transport packaging
Works council	Sustainable deployment of employees, schooling, training, employee engagement, air quality, safety, absenteeism, privacy policy, change of work location, outsourcing, whistleblowers scheme, good employment practices	Collective Labour Agreement (CAO) and social plan
Sector organisation and governments	Crop protection, energy, sustainable transport packaging, government policy, admissions policy, certification, transparency, management in the supply chain, purchasing policy, IMVO covenant	Platform for Sustainable Floriculture
Supervisory Board and Advisory Councils	Improving the sustainability Royal FloraHolland, safety, certification, transparency, influence and role in the supply chain, business/economic aspects, finance, HR policy, integrity, supply requirements	Strategy, joint venture with FloraXchange, the introduction of Floriday, new system of rates, image auctioning

The results of the stakeholder dialogues in 2017 were partially responsible for Royal FloraHolland's decision to apply further prioritisation to its sustainability ambitions. See page 58.

## GRI Standard

Royal FloraHolland reports based on GRI (Global Reporting Initiative) Standards. The purpose of this guideline is to report about the effects on the economy, the environment and society. This annual report is based on the 'Core' GRI option.

## Information sources and the process of collection

The information in this report relates to all of the components of Royal FloraHolland. Information was collected by means of discussions with members of the board and other internal and external stakeholders, along with information from central information systems or sources. The Sustainability department is

responsible for collecting the data and is supported by the Facility Management and Human Resources departments. Data from the central management information systems is also used. The Finance department audits the final collection of information. No external assurance has (yet) been made of the sustainability data by an external accountant.

## Dilemmas

In the execution of its sustainability policy, Royal FloraHolland recognises multiple dilemmas.

Two important dilemmas are:

- **The sphere of influence:** the management and unifying role that Royal FloraHolland has in relation to the absence of ownership of the supply of products makes it difficult to get all of the many actors in the supply chain and in the sector on the same page.
- **Use of crop protection:** Dutch ornamental growers are leading in the responsible use of crop protection through increasing application of Integrated Pest Management (IPM). Even so, there is a societal concern about the use of chemical

crop protection resources in relation to their ability to damage the environment and to bees in particular. This societal concern led to both discussion and occasionally drastic measures in the market. Various food and garden retail change now require the absence of (legally permitted) substances on plants and flowers. If this requirement is not met, then the ornamental plants or flowers are removed from the stores. According to the members of the Platform for Sustainable Floriculture, forbidding these substances is not the right road to take toward less environmental damage. Instead, maximum deployment of IPM and preventing environmental emissions is, indeed, the right way. IPM still does

not represent a total solution with only strong crops, biological combatants, green crop protection and mechanical and physical measures. Chemical corrective resources that support the IPM system without destroying the biological balance remain necessary. It is precisely the possibility of being able to use appropriate corrective resources within IPM in extreme cases prevents the necessity of having to shift completely to chemical alternatives. In this manner, chemical corrective resources indeed contribute to decreased burdens on the environment.

## Materiality matrix

A materiality matrix was drawn up in 2016 and 2017 partly on the basis of an active dialogue with stakeholders. The material topics included in this are elaborated into Key Performance Indicators (KPIs) and qualitative descriptions. KPIs – formulated as ratios or averages – make it possible to monitor development and performance over the course of time. In this regard, KPIs differ from quantitative information that describes progress but does not measure.

Long-term action plans are drawn up on the basis of KPIs and qualitative descriptions that have now gained a place in policy programmes. These plans were presented to the management team and discussed in the Supervisory Board in September 2017. Royal FloraHolland communicates actively and transparently.

## Prioritisation

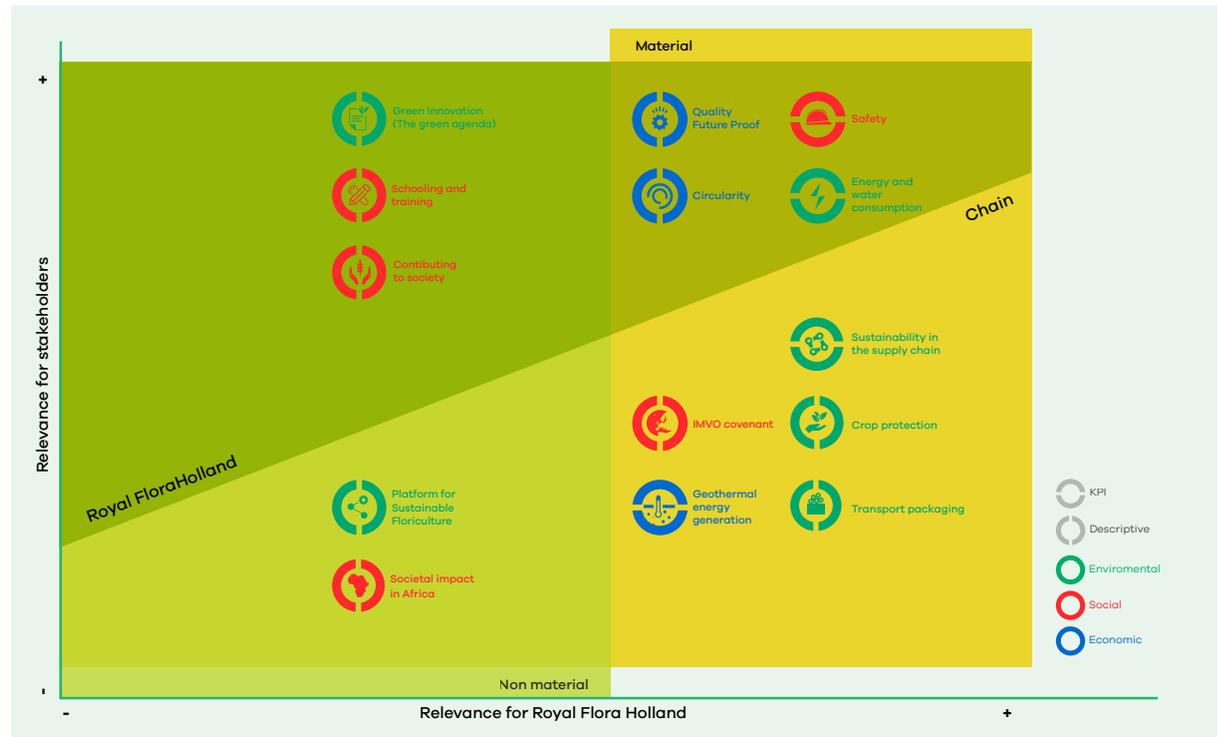
Looking back at 2017, we note that there were too many priorities and that Royal FloraHolland's influence on achieving certain objectives was limited. For this reason, the number of material and non-material topics has been reduced. From the point of view of operational

excellence and partly on the basis of the stakeholder discussions, Royal FloraHolland focuses on:

- **Material topics** related to the core of the business operation and on which the organisation itself has an effect, or material topics that relate to the core of chain sustainability.

- **Non-material topics** related to sustainability in both the organisation and the supply chain and on which Royal FloraHolland exercises limited influence or conducts limited supply chain management.

For 2017, this results in the following materiality matrix.

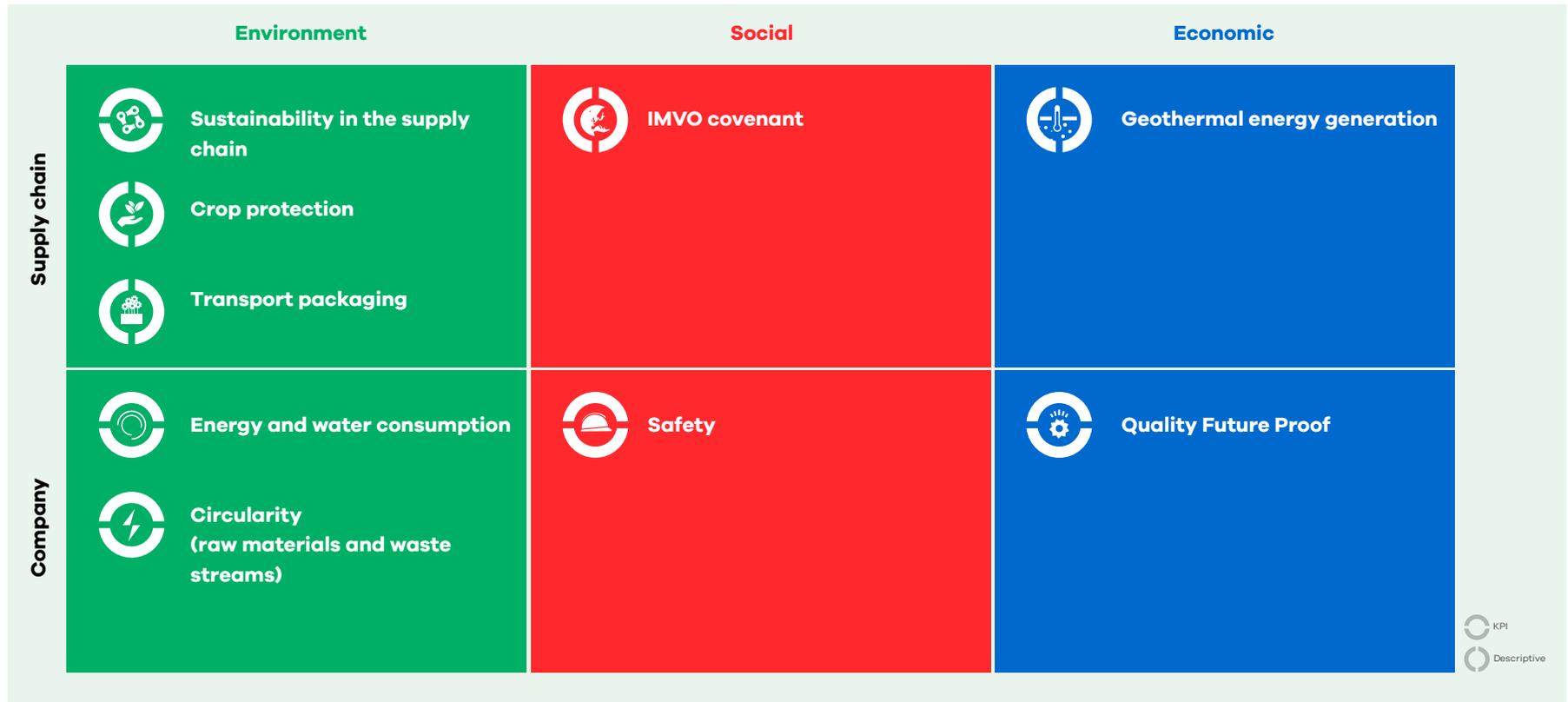


## Material topics

The boundary is shown for each material topic. This indicates who carries the primary responsibility for the process for the particular topic. Finally, the management approach states the role of Royal FloraHolland's management in relation to the particular material topic.

## Explanation of Topic Specific Disclosures

The substantiation of the topic of Specific Disclosures concerning the material topics is based on multiple sources. Royal FloraHolland's energy invoices were used for all energy data. FSI data was used for supply chain sustainability. MPS data was used for crop protection. Data from SER/imvoconvenanten.nl was used for the IMVO covenant. Market research on plant trays and LCA data from the consultancy Blonk was used for transport packaging. Data published on [www.triaswestland.nl](http://www.triaswestland.nl) was used for geothermal energy and the data from our waste partner Milgro was used for remainder streams.





## Sustainability in the supply chain



### Boundary and approach

Consumer demand for honest, reliable and particularly sustainably produced flowers and plants is increasing. Retailers, including the large international supermarkets, garden centres, DIY shops and e-commerce companies place increasingly stringent requirements in the area of sustainability. Royal FloraHolland is one of the founders of the Floriculture Sustainability Initiative (FSI), a cooperation of supply chain partners in the floriculture industry and NGOs. This international multi-stakeholder platform is the leading initiative for sustainability in the international floriculture supply chain. For Dutch growers of plants and flowers, the minimum requirement is the MPS-Gap. MPS-GAP is suitable for growers who deliver to the supermarket segment and is based on criteria formulated by the European supermarket organisations (EUREP) for safe, sustainably grown, qualitatively good and traceable products. Sometimes, GlobalGAP is also required as a certificate of supply chain sustainability. These certificates are suitable for purchasers of flowers and plants and agricultural products who wish to safeguard food safety aspects in the production process. The European bio label (Skal) is an alternative certificate providing evidence that biological products also actually comply with biological legislation.



### KPI

KPI In 2020, 90% of the flowers and plants produced or traded by the members must be sustainable. Royal FloraHolland contributes to SDGs 12, 13 and 17 in this way.



### Progress

In June 2017, Royal FloraHolland, Dutch Flower Group, Royal Lemkes, Waterdrinker and FleuraMetz signed the manifesto 'Accelerating Sustainability and Transparency Together'. All certifications in the floriculture industry are benchmarked against international references and legislation. The range of FSI standards arose from this and this is the international reference point for sustainable procurement. The progress of the sustainability percentage is measured each year and we wish to have this audited by an independent accountant in order to have this become a reliable indicator. Royal FloraHolland sits on the board and represents the producers in the northern hemisphere. Royal FloraHolland performs supply chain management for purposes of achieving this objective together with its members. For example, certification is actively encouraged at growers' meetings, and growers are approached actively at the IPM Essen (Internationale Pflanzenmesse) to start obtaining a sustainability certificate. This is all done under the motto of 'Toward a Sustainable Future Together!'



### 2017 status

The percentage of sustainably produced or traded flowers in 2017 was 33%; for plants this amounted to 53%. These 2017 results for the supply chain are far above those of 2016 (29% for flowers and 48% for plants).



### Topic Specific Disclosure



Flowers

**33%**

2016: **29%**



Plants

**53%**

2016: **48%**



Ambition in 2020 **90%**  
(Flowers and plants)



## Crop protection



### Boundary and approach

Limiting the use of chemical resources, managing toward environmental impact, in which Royal FloraHolland commits to a supply-chain approach resulting in a broadly accepted range of green and low-risk resources. The idea of extracting nature-friendly crop protection resources from ornamental flowers and plants came originally from Royal FloraHolland. The auction has huge green waste flows that actually contain all kinds of useful substances. It may be possible to cultivate the crops specifically for those or to transform these to double-purpose crops: with an eye to both its ornamental value and to the substances they contain. By nature, plants protect themselves using all kinds of antibodies. Some of these can be harvested and enhanced to become green crop protection resources. Other flavonoids offer perspective since they kill thrips and/or mildew. The effectiveness of this has been demonstrated in an experimental greenhouse. The next step is continued development into pragmatic and effective resources.



### Crop protection objective

The Dutch decorative cultivation sector wants to deliver flowers and plants that are free of residue as possible and in which no emissions of resources from the cultivation take place to the environment. Royal FloraHolland contributes to SDGs 12, 13 and 17 in this way.



### Crop protection 2017 status

In 2017, 61 growers were members and 94 products were MPS-proof. There was a concrete market demand from (retail garden centre chain) Intratuin. A registration app was launched to improve monitoring. Three meetings were organised for growers, customers and final customers, and two releases were launched in the customer portal. Royal FloraHolland was active with recommendations in three countries (the Netherlands, Belgium and Kenya). There were also special communication efforts at trade shows, in the Grow! Programme and in MPS news flashes.



### Integrated Pest Management objective

In order to market beautiful and healthy flowers and plants, growers must protect their crops from pests and diseases. This care for plant health is done in the

Netherlands on the basis of Integrated Pest Management (IPM). IPM is based on prevention in combination with monitoring and decisions based on threshold values. The principle is limiting the use of resources to the required level and exchanging resources to prevent resistance. The use of chemical resources is minimised by deploying these only if the system is out of balance and if correction is required. The emission of resources to the environment is prevented by using closed water cycles, wastewater purification and drift-reduction measures.



### 2017 status and Topic Specific Disclosure Integrated Pest Management

Growers' environmental performance in the form of MPS certificates A+, A, B and C

Total **62%**  
(Flowers, house plants, garden plants)

**57%**



Flowers

**70%**

MPS-certified products as a percentage of Royal FloraHolland turnover

**68%**



House plants

**94%**

**66%**



Garden plants

**79%**



## IMVO covenant: making international chains more sustainable



### Boundary and approach

Royal FloraHolland is an important party in the international CSR covenant (Dutch acronym: IMVO) for the floriculture industry.



### Objective

Promoting sustainability in the international supply chain by inventorying environmental risks and social risks. Attention is also focused on encouraging cooperation with stakeholders and on reducing risk. The primary objective is to sign the IMVO covenant in 2018. With this, businesses create insight into the possible negative social and environmental effects in their supply chains and they address these actively. This creates a new instrument to address human rights violations and environmental damage substantively in the floriculture supply chain, thus contributing to SDG 17.



### Progress

Since September 2016, the floriculture industry as worked on the creation of this covenant. Under the direction of the Social/Economic Counsel, all stakeholder interests and participating organisations were brought into a single line in 2017.



### 2017 status

The covenant is expected to be signed in the second quarter of 2018.





## Transport packaging



### Boundary and approach

Making transport packaging sustainable, in which Royal FloraHolland plays a management role in the supply chain in order to offer members and customers the most efficient and sustainable packaging. By sharing information about the environmental performance of the plant trays, we inform users in their selection of the most sustainable transport packaging. Royal FloraHolland also takes a leading position in the supply chain initiative.



### Objective

Objective: formulate a supply chain initiative with joint ambition and strategy. Royal FloraHolland contributes to SDGs 12 and 13 in this way.



### Progress

Royal FloraHolland participates actively in sector sustainability plans initiated by the knowledge institute 'Sustainable Packaging'. We have also commissioned three studies:

- An independent life cycle analysis study (LCA) revealed that multiple-use plant packaging scores better than single-use transport packaging. The LCA makes clear how the various types of trades score on environmental topics such as climate change and water use.
- Recycling monitor: this study showed that 50% of the single-use plant trays in the Netherlands and Germany were recycled after use. In total, single-use plant trays are made of 90% recycled material. So recycled plant trays are immediately useful in new plant trays.
- Customer study: our growers and customers believe that the need to become sustainable is increasing. This was the result of a questionnaire filled in by more than 200 growers and customers. Nonetheless, the use of multiple-use plant trays is decreasing. The questionnaire investigated why customers and growers choose particular types of packaging. Most important results:
  - 80% of the customers and growers consider the sustainability of packaging use important.
  - Customers (2/3) determine more often than the growers do (1/3) which type of trays used.
  - Export-focused customers, in particular, consider the administration and return flows of multiple-use trays to be disadvantages.



### 2017 status

Supply chain initiative: together with our supply chain partners, we will get busy using the aforementioned results. In the sector sustainability plan for 2019 – 2022, we translate the results into concrete actions and ambitions in order to make the use of packaging as efficient and sustainable as possible.



### Topic Specific Disclosure



**90%**

Single-use plant trays consist for 90% of recycled material



**80%**

of the customers and growers consider the sustainability of packaging use important



## Geothermal energy: making energy consumption supply chain sustainable



### Boundary and approach

Making heating demand more sustainable.

Trias Westland, in which Royal FloraHolland is a shareholder, is investigating whether sufficient recoverable heat is available in the 4 km-deep Trias soil layer to meet a majority of the Westland demand for heating. 49 greenhouse companies are associated with this project. Other shareholders include HVC and Capturam.



### Objective

With this geothermal energy product, Royal FloraHolland can make a potential 20% of its own gas consumption sustainable; this is 55% of the consumption of gas in Naaldwijk. Royal FloraHolland contributes to SDGs 12 and 13 in this way.



### Progress

The demand for heat in Westland is huge because of the production of vegetables, fruit, plants and flowers. Green houses can be heated sustainably using the earth's heat. In order to use this heat, two boreholes are drilled. One for a pipeline that brings the water to the surface and a second pipeline to pump the cooled water back to the depths. Once it is at the surface, the warm water is transferred to a distribution network via a heat exchanger that then transports the water to the customers.



### 2017 status

Drilling started in November 2017. The source test in the Trias layer was performed in February 2018. This showed that this source cannot provide any heat due to a lack of permeability. The next plan consists of heat production at exactly the same location, but then at depths of 2.3 and 2.7 km.





## Safety



### Boundary and approach

Reducing the number of accidents at work, with own business operations being paramount. Active monitoring and management's of the approach must result in a decrease in the number of incidents



### KPI

Incident frequency index (IF rate): Accidents at work involving at least one day of absenteeism divided by the number of hours worked (permanent employees and temps/seconded), in millions.



### Progress

The approach to incidents will become more preventive in nature, with additional attention focused on frequent, small incidents, by means of notification using an app. This app will become operational in 2018. As a supplement to the IF rate, we will also use a KPI in 2018 that guides toward Prevention Frequency (PF). In 2017, 77 employees or seconded temporary personnel suffered incidents at work involving at least one day of absenteeism (2016: 79). When making investment decisions, safety effects will be included in the decision-making even more. The set up of an OHS & Environmental Care system has started and significant steps have been made toward the completion of the master plans for fire safety, including the installation of approximately 100,000 m<sup>2</sup> of sprinkler installations. The use of Risk Inventory & Evaluation (RI&E) will be improved in 2018 so that risks can be better monitored.



### Topic Specific Disclosure



IF rate

# 21.8

2017 standard 2017: **15**

IF rate 2016: **22.6**

# -0.8 ↓

Days of absenteeism exceeding one day divided by the number of hours worked (permanent employees and temps/seconded), in millions



### 2017 status

#### IF rate departments within Operations

	2017 status	2017 standard	2016 status	2016 standard
Logistics Aalsmeer	27.8	13	23.9	13
Logistics Naaldwijk	29.9	25	39.4	25
Logistics Rijnsburg	14.5	10	10.3	10
Supply Chain & Logistic Means	6.6	4	8.3	4
Facility Management	2.3	4	6.0	4





## Q-Future-Proof



### Boundary and approach

The 'Q' stands for 'Quality' and 'Future-Proof' refers to the future and the focus on digitisation and internationalisation. The Q-Future-Proof team is working on determining Royal FloraHolland's futureproof role with respect to aspects of quality and sustainability. This is done with the associated responsibilities and authorities and with the precondition of operating as a global and digital marketplace. Q-Future-Proof is also working on designing and implementing Royal FloraHolland's quality system with the associated and appropriate (digital) instruments and tools to safeguard the required quality level in this marketplace.



### Objective

Together with Royal FloraHolland, suppliers and customers can grow in a sustainable manner and can rely on the quality of the products, services and information supplied. Royal FloraHolland contributes to SDGs 12 and 13 in this way.



### Progress

Q-Future-Proof is a new initiative for safeguarding the quality level of the digital marketplace.



### 2017 status

Royal FloraHolland is changing from a physical marketplace to an international digital marketplace. Floriday was launched with success. See page 13.





## Energy and water consumption



### Boundary and approach

Improving the ecological footprint, primarily through purchasing sustainably generated energy and producing this ourselves wherever possible.



### 2017 status

The 2017 baseline measurement showed that the total footprint for the year 2016 (scope 1 and 2) is primarily due to energy demand: 63% electricity and 33% gas. With the proposal to make energy policy sustainable and to reduce the dependence on gas further, the internal Energy Advisory Group is working on strategic substantiation of these sustainability objectives.

Regarding the improvement of potable water consumption, a business case has recently demonstrated that approximately 50% of the potable water demand in Aalsmeer can be met by replacement through the delivery of industrial water. Industrial water is characterised by a CO<sub>2</sub>-emissions level that is 13 times lower than that of potable water. In 2018, we will investigate whether this business case can be substantiated in practice.



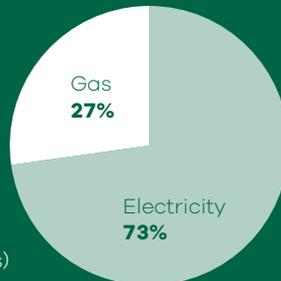
### KPI

Strategic substantiation of the energy policy to be made more sustainable, based on CO<sub>2</sub>-neutral energy consumption by 2025. Royal FloraHolland contributes to SDGs 12 and 7 in this way.



CO<sub>2</sub> emissions from energy consumed in 2017

**73,457** (tonnes)



### Topic Specific Disclosure



Total power consumption (MWh)

**121,078**

↓ 4.4%

2016 **116,017**



Proprietary generation (kWh)

**276,843**

↓ 8.1%

2016 **301,134**



Gas consumption (m<sup>3</sup>)

**10,515,906**

↓ 1.1%

2016 **10,629,979**



Royal FloraHolland consumption (MWh)

**82,558**

↓ 4.4%

2016 **79,114**



Water consumption (m<sup>3</sup>)

**359,620**

↓ 1.6%

2016 **365,430**



Tenants consumption (MWh)

**38,520**

↓ 4.4%

2016 **36,903**



## Circularity (raw materials and waste streams)



### Boundary and approach

Since 1 September 2017, circular service provider Milgro has had full management over the internal waste streams and processes, along with the management of external waste service providers. In collaboration with Royal FloraHolland, Milgro works on the achievement of the zero-waste ambition formulated by Royal FloraHolland.



### Objective

Achieve added value from raw materials at least equal to the costs of waste management for Royal FloraHolland, its members and customers. Royal FloraHolland contributes to SDGs 7, 12 and 13 in this way.



### Progress

In 2017, Royal FloraHolland selected Milgro as its outsourcing partner for waste management. Innovation focused on further sustainability and lower costs come together in this. By deploying the digital waste management system, Milgro and Royal FloraHolland arrive at a controlled circularity process with conclusive data and clear KPIs. On the basis of data and knowledge, parties then manage continuously toward the improvement of services and performance, optimisation of recycling and reuse of raw materials.



### 2017 status

2017 is a transition year, particularly in the management of waste flows by Milgro. The recycling percentage remained the same at 80%.



### Topic Specific Disclosure Waste streams (in kg)



Board

**15,176,120**

↓ 22%

2016 **19,495,000**



Organic

**12,253,578**

↓ 2%

2016 **12,543,000**



Plastics

**2,466,787**

↓ 17%

2016 **2,986,000**



Other

**853,352**

↓ 2%

2016 **870,000**



Residual waste/  
sweeping waste

**8,332,130**

↓ 7%

2016 **8,921,000**



Total

**39,081,967**

↓ 13%

2016 **44,815,000**

2016 on the basis of measurements by Royal FloraHolland, 2017 on the basis of measurements by Milgro

## Non-material topics in the supply chain

### Management of Dutch supply chain sustainability (Platform for Sustainable Floriculture)

- Objective: more effective collaboration with further sustainability in the floriculture industry.
- Setting conditions for the FSI objective.
- Members are supply chain partners: industry associations and their members.
- 2017: position paper regarding responsible crop protection. Royal FloraHolland contributes to SDGs 7, 12 and 13 in this way.



## Societal impact in Africa

- Dialogue with international members/leaders with respect to honest wages and gender equality.
- The international floriculture industry would appear to contribute well to social and economic developments in such countries as Kenya and Ethiopia and provides opportunities here for further economic development. This is a concrete contribution to SDG 1.



## Non-material topics in the business

### Green innovation The Green Agenda

- 'Green' can be a solution to a number of social problems such as urbanisation, ageing populations and climate.
- The Green Agenda has started various projects together with entrepreneurs and knowledge institutions to provide solutions to these problems. The results of these projects provide various services that are immediately usable in the sector.
- Green innovation: encourages innovation so that growth and renewability go hand in hand. Royal FloraHolland has a leading and facilitating role in the Agriculture Knowledge and Innovation and Raw Materials Top Sector (Dutch acronym: TKI T&U) and the Green Agenda programme. Royal FloraHolland contributes to SDGs 7, 12 and 13 in this way.



## Contributing to society

Royal FloraHolland views sponsoring and donations as an appropriate manner to support the sector. As an extension of the growth strategy, encouraging entrepreneurship and in support of innovations by our members and customers, sponsor contributions and donations were also given in 2017. Even if the budget was modest, the sponsor contribution received by the 15 organisations in 2017 was a welcome supplement to their budgets and an encouragement for the particular event. These included:

- Main sponsor of the International Grower of The Year prize.
- Ride for the Roses.
- Flower Parade Rijnsburg.
- Bloemencorso Eelde.
- Kom in de Kas.
- Westland regional promotion.

## Michiel de Haan, General Manager of Royal Lemkes, about sustainability.

Royal Lemkes is a leader in the area of sustainability. Michiel de Haan, General Manager, is pleased with the collaboration that has arisen with Royal FloraHolland, Waterdrinker, DFG and FleuraMetz since 2016. 'We signed a manifesto together and organised various meetings for growers with the joint objective of encouraging sustainability in the sector.'

'Precisely in a sector with this much diversity, it's good that we - as the decorative floriculture industry - acts together in this regard. All of the growers are snowed under by sustainability requirements from the retail sector. Together, we take a leading role in this. We encourage them to accelerate even more in the areas of biodiversity and the use of crop protection.'

### Sustainability in the DNA

In January 2018, Royal Lemkes won the Agricultural Entrepreneurs Prize. The employees at this company do their jobs with green hearts and believe that plants contribute to a better life. Sustainability is in the DNA of this 135-year-old family business.

Michiel: 'We don't strive for profit maximisation, but we do want to make a difference by contributing together to a more beautiful world in our business operation.'

### Largest roof full of solar panels in the Netherlands

Royal Lemkes has been working sustainably since the 1980s. That is when Royal Lemkes started storing heat in the soil. In 2011, the building was given the largest roof full of solar panels in the Netherlands and LED lighting and heat pumps have been used to cut the CO<sub>2</sub> footprint in half. Employees can get their electricity at home from Lemkes' roof.



**'It's positive that we act on sustainability together as floriculture industry'**

## Statutory Management Board and structure (1-1-2017 to 31-12-2017)

### Statutory Management Board

**Steven van Schilfgaarde** (25 August 1964), Dutch nationality, CEO as of 1 January 2018.

Ancillary position:

- Board member at LeasePlan Corporation NV.

Until 31 December 2017, Lucas Vos was the CEO and Steven van Schilfgaarde was the CFO. There is currently a job opening for the CFO position.

### The structure of Royal FloraHolland

The company is led by the Management Board, which is comprised of the CEO and the CFO. Together with the leaders of the most important operational functions, they form the Royal FloraHolland management team. The Supervisory Board actively monitors the activities of management. The General Members' Meeting (GMM) is the highest decision-making body cooperative.

Royal FloraHolland has an extensive consultation structure in place, including Advisory Councils, Royal FloraHolland Product Committees (FPCs) and Regional Advisory Committees (RACs). Regular meetings are also held with customers. Members can submit their individual issues directly to the particular departments in the company. In this manner, we ensure broad buy-in among the members of the cooperative.

The Corporate Governance section contains a further explanation of the operation of this structure.



## Composition of management and the management team of Royal FloraHolland

### From left to right

Servaas van der Ven, Chief Commercial Officer (CCO)

Mark van den Biggelaar (Interim Chief Financial Officer (CFO)

Steven van Schilfgaarde, Chief Executive Officer (CEO)

Yme Pasma, Chief Operating Officer (COO)

Anja de Bree, Chief Human Resources Officer (CHRO)

Gerhard van der Bijl, Chief Digital Officer (CDO)

## Customer Platform

### From left to right

Reinier Weerman  
Matthijs Mesken  
Rick van der Eijk  
Marius Dekker  
Yme Pasma  
Steven van Schilfgaarde  
Gert-Jan Schoneveld  
Servaas van der Ven  
Marco van Zijverden  
Marco Maasse  
Hans v.d. Plas  
Hendrico de Brabander  
Cees Heemskerk



## Members' Council pilot

### From left to right

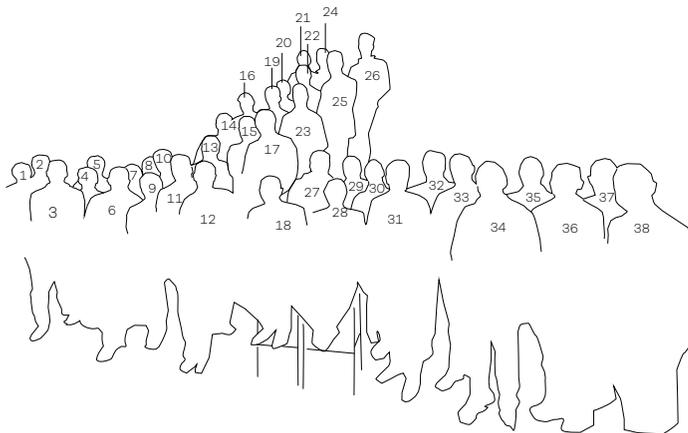
- 1 Peter Varekamp
- 2 Bram Bernhard
- 3 Wouter Duijvestein
- 4 Peter Smak
- 5 Marcel v/d Lugt
- 6 Frans v/d Bos
- 7 Fred Bunnik
- 8 Rob van Haaster
- 9 Goos Hofland
- 10 Remco v/d Arend
- 11 Herman de Jong
- 12 Ben Olsthoorn
- 13 Paul Koenraadt
- 14 Bernard Zuidgeest
- 15 Niels de Groot
- 16 Robin van Dijk
- 17 Steef de Lange

- 18 Sjaak Buijs
- 19 Evert van Helvoort
- 20 Tom v/d Houwen
- 21 Marcel van Tol
- 22 Ed Stofbergen
- 23 Marco Mol
- 24 Robin v/d Knaap
- 25 André Zuidgeest
- 26 Martin Zwinkels
- 27 Maarten v/d Hoorn
- 28 Jan Mantel
- 29 Frans Meeuwisse
- 30 Arnoud v/d Knaap
- 31 Steven van Schilfgaarde
- 32 Peter v/d Pol
- 33 Leo van Holstein
- 34 Carlo Elia

- 35 Uri Bruck
- 36 Wim Brouwer
- 37 Martien Middelburg
- 38 Servaas v/d Ven

### Not in the picture

- Frank Ammerlaan  
Leon Ammerlaan  
Yidnekachew Ayele  
Simon v/d Burg  
Wim Koolhaas  
Ewoud Meeuwissen  
Ronald Olsthoorn  
Rick van Woudenberg  
Walter Zuidervijk  
Jaap Evers  
Corstiaan Stolk



Royal FloraHolland has started a pilot for the members' council. The objective: increasing members' engagement and improving the discussion about cooperative topics among members, management and the Supervisory Board. The members' Council consists of members of the current Plants and Flowers Advisory Councils. Within the pilot, the Advisory Councils currently function as a members' council.

## Corporate Governance

**Due to its size, Royal FloraHolland is a structure cooperative with a Supervisory Board and a Works Council. The General Members' Meeting (GMM) is the highest decision-making body. The GMM appoints the Supervisory Board members and the members of the GMM Committee. Furthermore, the GMM adopts the annual report and most important member fees, and has right of approval with respect to investments greater than €20 million.**

Members' voting rights are based on the membership capital (certificates A and B) accumulated during the years of membership, along with the turnover achieved in the past. The GMM met twice in 2017 in a regular meeting and once in an extra meeting (21 September) that was called at the initiative of a group of members representing voting rights of at least 5% of the cooperative's total voting rights.

The GMM Committee, consisting of members who are not active in another Committee within Royal FloraHolland, makes recommendations for or objects to new Supervisory Board members and establishes the remuneration of the Supervisory Board and the remuneration policy for management.

The Management Board constitutes the management of Royal FloraHolland under the company's articles of association and has ultimate responsibility for the management of the cooperative. In 2017, our management consisted of a general manager (CEO) and a financial director (CFO). They met at least every four weeks together with four managers in the management team (MT) of Royal FloraHolland.

The management is appointed and dismissed by the Supervisory Board. On 31 December 2017, we bade farewell to the sitting CEO, Lucas Vos. On 1 January 2018, the position of CEO was filled by Steven van Schilfgaarde, who was previously the CFO. There is currently a job opening for the CFO position.

The Supervisory Board monitors management's policy and the general course of affairs within the cooperative. The Supervisory Board also has an advisory function toward the management. The Board has appointed an Audit Committee, a Cooperative Committee and a Selection and Remuneration Committee from among its members. A Digital Committee was also started in 2017. Certain topics are dealt with in somewhat more depth during Committee meetings. The Committees have no decision-making

authority and prepare the topics addressed on the agenda in the Supervisory Board.

Royal FloraHolland's advisory structure safeguards the influence of the members on the management's policy. This influence from the members runs via FloraHolland Product Committees (FPC), Regional Advisory Committees (RAC) and Flowers and Plants Advisory Committees. Each product group maintains an FPC of cooperative members who advise the management about product-related topics. Outside the Netherlands, RACs from Israel, Kenya and Ethiopia advise the Management Board about regional topics. The Advisory Councils discuss general policy issues and other Board issues that affect a wider range of products. The Council consist of members from the FPCs supplemented by a number of other members appointed by the Advisory Councils themselves. The Management Board discusses issues on the strategic agenda together with the Advisory Councils. In addition, the Advisory Councils also provide solicited and unsolicited advice on strategic and policy issues. The Management Board implements the recommendations and gives reasons if it decides not to do so.

Extensive discussions with the members were conducted in 2017 about Royal FloraHolland's governance structure. This was an important part of the Cooperative 2020 strategic programme. This programme was led by a directorate of 12 members and was supported by the company in the form of a programme team. More than 100 member meetings were held in 2017 in the context of Cooperative 2020. In many of these, we discussed with the members how member involvement and decision-making can be optimised further. The results of these discussions were shared with the Supervisory Board. The idea of appointing a Members' Council as an alternative to the combination of the GMM and the Advisory Councils was a serious alternative arising from these discussions. The Supervisory Board has set up a pilot in which members of the Advisory Councils are requested to act as if they were a members' council. This method attempts to find a deepening of all aspects of working with a members' council. The first experiences with the pilot were shared in the GMM of 7 December 2017. In the first half of 2018, the pilot will be continued and the Supervisory Board shall elaborate a proposal for the GMM of 31 May 2018.

Another result of Cooperative 2020 was the set-up of a Youth Platform within Royal FloraHolland. Several

members of the directing team took the initiative for this and were supported by the programme team. The first meeting of this new platform took place at the end of 2017. A Youth Council was also set up. The most important objective is to reinforce the connection between youth and the cooperative. Another result of Cooperative 2020 was the set-up of a Youth Platform within Royal FloraHolland.

Royal FloraHolland complies with the Corporate Governance Code intended for cooperatives, as set by the National Cooperative Council (NCR). Based on the 'Comply or explain' principle applied, we specify in which areas we depart from the code and explain the reasons on our website. The measurement of Royal FloraHolland's compliance with this code is conducted based on the NCR checklist and was discussed in the Audit Committee.

After the publication of the updated Dutch Corporate Governance Code (NCG code), the Supervisory Board concluded that it is desirable for the management and supervision of Royal FloraHolland to have the most recent and actual insights in the area of Corporate Governance be applied, even if Royal FloraHolland is not required to do so. This implies that Royal

FloraHolland must also take account of the principles and best practices included in the NCG code. Important elements of this include long-term value creation and increased attention to risk management.

## Strategic policy formation

Strategic policy formation process is executed each year in the following manner:

- The Management Board prepares the strategic policy, translates this into plans and is responsible for implementation.
- The Advisory Councils check the proposed policy decisions made by the Management Board. In some cases, this may result in a formal recommendation made to the Management Board. In other instances, a committee made up of members of the various Advisory Councils performs the preliminary work.
- The Management Board involves the Supervisory Board in the preparatory process and discusses the results in annual meeting with the Supervisory Board, which then gives its approval.

## Remuneration policy

Royal FloraHolland pursues a transparent remuneration policy. The General Members' Meeting Committee sets the amount of the compensation

paid to Supervisory Board members as well as setting parameters for the remuneration policy for top executives in the organisation. Supervisory Board members receive fixed annual remuneration in compensation rather than a variable remuneration.

An external agency performs a benchmark every three years to determine whether the management's remuneration still aligns with the policy. For years, we have used the guideline of the median for the general market for boards carrying ultimate responsibility. In practice, remuneration ends up being slightly below the median of the benchmark. The Supervisory Board effectively sets the Board's remuneration. The management's remuneration then follows the salary increases of the Collective Labour Agreement (CAO) of Royal FloraHolland. Management's remuneration has both a fixed and a variable component. The CEO's maximum variable remuneration amounts to 30% of his fixed salary. The CFO's maximum variable remuneration amounts to 20% of his fixed salary. In addition to salary, board members also have the same supplemental benefits as other employees. The amount of remuneration for the management and Supervisory Board is stated in the financial statements on pages 123 and 124.



## Risk Management and risk control

Royal FloraHolland has set clear ambitions for itself that it wishes to achieve by means of the Royal FloraHolland 2020 strategy. This is associated with both risks and opportunities. Royal FloraHolland wishes to capitalise optimally on the opportunities and to prevent risk as much as possible. Because of its position in the floriculture industry, the enterprise is exposed to various types of risk. In order to protect the interests of its members carefully, Royal FloraHolland attempts to be prudent when taking risk. Therefore, recognising risk in a timely manner and responding to this in an appropriate manner is crucial. Wherever necessary, immediate measures are taken to manage the risks as well as possible.

### Risk management approach

Royal FloraHolland strives toward an approach that contributes to reinforcing the risk culture and that takes a responsible approach to managing and controlling risk. The skill, attitude and control awareness of the employees all play an important role in this. It is important to create risk awareness in all layers of the organisation. In 2017, the risk



management approach was further developed and the following improvements were implemented:

- A clear 'risk appetite' was formulated. Royal FloraHolland's risk appetite can be characterised as being restrained. Various risks in the area of strategy, operations, finances and laws and regulations (compliance) are taken into account.
- There is an updated approach with respect to the risk assessment sessions that are then held with the top of the enterprise (such as the Supervisory Board and Royal FloraHolland's management team). Insight has been created into the most important risks and we looked at the extent to which risks fall within the risk appetite. For those risks that go beyond the risk appetite, various actions have been put into place. Progress is monitored by means of periodic sessions.
- The Governance, Risk, Security and Compliance programme – started in 2016 – was continued in 2017. A substantial portion of the operating and sharing codes were delivered in 2017. The whistleblower's scheme has now been formalised and embedded. By launching an online training course, we are also working on creating awareness.
- In the second half of the year, we started with the set-up of a so-called 'Internal Control Framework'. The ultimate goal of this is to encourage risk awareness and ownership of 'being in control' throughout the entire organisation. This project will be continued in 2018.



## Management of strategic risks

Royal FloraHolland has developed a strategy that establishes the position and direction for the coming years. In order to achieve the strategy and to manage the associated risks (e.g. with respect to competitors, added value, culture, personnel and sustainability), various strategic 2020 programmes have been set up. Specific organisational and guidance structures have been set up for general control. Important changes were implemented in mid-2017. Strategic programmes were included in the existing line organisation. Furthermore, we work specifically on concrete objectives, with more focus on the scope and closer monitoring of progress. In 2018, the strategy will be recalibrated and honed wherever applicable.



## Control of operational risks

Important operational risks relate to accidents and disasters. These risks are covered for each location in cooperation with corporate emergency response, corporate security and the local fire department. Company emergency plans are in place and there is a crisis management team that will take responsibility in the event of emergencies. In addition, the insurance portfolio is managed actively in order to limit any consequential damages as much as possible.

Another important operational risk concerns ICT risk. In 2017, considerable attention was paid to improving the reliability of the ICT environment. This is one of the

most important pillars for the new digital corporate strategy of the Business Technology Organisation. The migration of IT processes now under way to the outsourcing partner Conclusion and further rationalisation of applications shall result in further decreasing ICT risks.

In order to improve ICT continuity, various activities have been undertaken including an (internal) audit of the effectiveness of control measures, setting up an operational control centre and setting up an infrastructure task force. In the area of cyber security, improvements were implemented on the basis of previous security audits. New security audits were also conducted in 2017; follow-up to the conclusions of these audits will be done as quickly as possible. The effectiveness of the follow-up will be established in subsequent audits.



## Control of financial risks

At Royal FloraHolland, various multidisciplinary teams are charged with controlling specific financial risks. These can include risks in the area of accounts payable, tax, treasury, real estate and participations. Considering the complexity concerning tax issues and treasury, Royal FloraHolland has hired external expertise to control the related risks.

In order to manage debtor risk, specific measures were taken by combining collections via SWIFT and SEPA with bank guarantees. Credit insurance is used to minimize the financial consequences. Further, important supporting applications for financial processing of the operational processes were replaced and modernised in 2017. This improved the quality of these processes. Steps were also taken to provide better and earlier insight into obligations.

Each year, (financial) risk analyses are conducted to assess the evaluation of any significant participations of Royal FloraHolland. Important findings arising from this are followed up on closely Royal FloraHolland as a structured real estate consultation in which the most important risks concerning real estate are monitored. Since various disciplines are represented in this, Royal FloraHolland is able to respond in an effective manner.



## Control of compliance risk

By means of the Governance, Risk, Security and Compliance, we respond to the control of compliance related subjects. We pay constant attention to trends and developments in the area of laws and regulations. The programme then starts initiatives for taking appropriate measures.

A Compliance Officer was appointed on 1 January 2018 in order to provide this with further structure.

Using (online) training, employees are made aware of their responsibility for complying with procedures and for the functioning of internal control measures in their work environments.

Important steps were also taken in proper preparation for the implementation of the new privacy legislation, the so-called General Data Protection Act. Royal FloraHolland started in a timely manner with preparations in order to have the required effort be clear and in order to make the adjustments on time so that compliance with this new regulation will ultimately be complete on 25 May 2018.

## Impact in the event of the occurrence of risks and uncertainties

Royal FloraHolland strides toward reducing the risk of errors, poor decisions and surprises from unexpected circumstances as much as possible. Royal FloraHolland has a low risk appetite and implement risk-mitigating measures wherever necessary.

The updated approach providing insight into the most important risks and the (required) measures provides the necessary support for this. Nonetheless, uncertainties remain in the system for risk control and internal control provides no absolute certainty that loss, fraud and the infraction of laws and regulations may occur.

We cannot exclude the possibility that we are exposed to risks that are unknown at this moment or that are not yet considered important. Still, we can ensure that the consequences remain limited as much as possible. In this regard, Royal FloraHolland has aligned its Royal FloraHolland 2020 programmes in the last year with new and improved insights in order to control strategic risks. Due in part to this, the programmes were implemented in the line in 2017 and programme management was changed. Strong information security and a strong ICT landscape are increasingly a part of our operations. For this reason, we made various investments in digitisation throughout 2017; we will continue to do so for purposes of continued improvement of IT security.

## Explanation

Considering the aforementioned, we believe that the systems for risk control and internal control provide a reasonable degree of certainty about financial reporting risks and that the financial reporting contains no errors of material importance. In 2017, the existing risk management and control systems worked properly and no substantive shortcomings were noted.

## Steven van Schilfgaarde

CEO Royal FloraHolland

## Supervisory Board Composition

**The members of the Supervisory Board are listed on pages 81-82. In compliance with NCR code line 4.2.2.1, the floriculture company with which each member is affiliated is specified, along with any additional positions they hold.**

**Mariëlle Ammerlaan (2-6-1968)**

**Deputy chair of the Supervisory Board since 2014, active board member at FloraHolland since 2003, chair of the Cooperative Committee.**

Member company: Plaza Orchids Ammerlaan, De Kwakel.

Additional functions:

- none.

**Jan Andreae (25-4-1946)**

**Member of the Supervisory Board since 2010, member of the Cooperative Committee.**

Additional functions:

- Director Advanced Technology Industries.
- Advisory Board member of the Dirkzwager Groep.
- Advisory Board member of Amsterdam Village Company.
- JOC Supervisory Board member.

**Emiel Barendse (3-6-1968)**

**Member of the Supervisory Board since 2016, member of the Cooperative Committee.**

Member company: BK Plant B.V. Westland, Honselersdijk.

Additional functions:

- none.

**Joris Elstgeest (2-8-1976)**

**Member of the Supervisory Board since 2014, active board member at FloraHolland since 2006, member of the Selection and Remuneration Committee.**

Member company: Elstgeest Potplanten B.V., Nieuwe Wetering.

Additional functions:

- Treasurer for Platform Tuinbouw Veenstreek.
- Member of the citizens council in the municipality of Kaag & Braassem.

**Jack Goossens (18-3-1969)**

**Member of the Supervisory Board since 2016, active board member at FloraHolland since 2012, member of the Selection and Remuneration Committee.**

Member company: Gova B.V., Nispen.

Additional functions:

- Decorum Plants member.

**Caroline Princen** (9-11-1966)

**Member of the Supervisory Board since 2015,  
chair of the Selection and Remuneration  
Committee.**

Additional functions:

- Director of Boardroom Consultancy.
- Vice chairman of the Supervisory Board at UMC Utrecht.
- Member of the Supervisory Board of Filminstituut EYE.
- Chairman of the Monitoring Committee at the 'Talent naar de Top' foundation.
- Board member at the VUMC Alzheimer Support Centre.
- Member of the IMD Foundation Board.

**Gerben Ravensbergen** (16-10-1974)

**Member of the Supervisory Board since 2014,  
member of the Audit Committee.**

Member company: Gebr. P. & J. Ravensbergen C.V.

Additional functions:

- Member of the Board of Directors of Accon avm.

**Pascal Visée** (11-7-1961)

**Member of the Supervisory Board since 2017,  
member of the Cooperative Committee.**

Additional functions:

- Member of the Supervisory Board of Plus Retail.
- Member of the Supervisory Board at Rabobank.
- Member of the Board of Directors at Erasmus Universiteit Rotterdam.
- Member of the Supervisory Board at Mediq.
- Member of the Supervisory Board at Albron.
- Member of the Board of Trustees Municipal museum Schiedam.
- Board member and treasurer of the Prins Claus Fonds.
- (External) senior advisor to Genpact and McKinsey.

**Rosaline Zuurbier** (26-05-1977)

**Member of the Supervisory Board since 2014,  
member of the Audit Committee.**

Member company: Zuurbier & Co. International B.V./

Bilashaka Flowers Ltd., Naivasha, Kenia.

Additional functions:

- none.

All board members are of Dutch nationality.

When composing the Supervisory Board, a balanced ratio and/or representation of the following are taken into account:

- Knowledge and experience.
- Members and non-members of Royal FloraHolland: 6 : 3.
- Male and female: 6 : 3.
- Domestic and international production: 5 : 1 (only Supervisory Board members)
- Distribution of flowers/plants growers within the Supervisory Board: 3 : 3 (only Supervisory Board members)



## Supervisory Board, from left to right

Pascal Visée

Jack Goossens

Jan Andreae

Mariëlle Ammerlaan

Joris Elstgeest

Emiel Barendse

Rosaline Zuurbier

Caroline Princen

Gerben Ravensbergen

## Supervisory Board Report

**The Supervisory Board reflects on a turbulent 2017. It was a year in which everyone felt what it meant to change. This applied to the members, to the customers and to Royal FloraHolland employees. Expectations are needed to prepare well for the future.**

Still, the most important development of 2017 was the collaboration with FloraXchange and the subsequent introduction of the Floriday trade ecosystem. With this, the management gave concrete substantiation to the digitisation of our sector. The fact that change doesn't happen all by itself became clear during the extra GMM in September 2017. This GMM was organised at the initiative of a group of members. It was a unique event in the history of the cooperative, but was indeed proof that members have the possibility of having their voices heard. Another important development in the cooperative is the new rate structure. The approval of this proposal during the GMM in December was a sign for the Supervisory Board that members wish to have the increasingly large differences among the members be taken into account within the cooperative. The Supervisory Board is extremely pleased with the fact that nearly 75% of the members present voted positively during a GMM, with the highest attendance since the merger.

Another important change for the Supervisory Board and the cooperative was the departure of CEO Lucas Vos in 2017. After four years, he decided to continue his career outside Royal FloraHolland. Lucas Vos was the first CEO who was also a statutory manager of Royal FloraHolland. He laid the foundation for the current strategic course and the Supervisory Board is grateful to him for this.

The Supervisory Board is also pleased that CFO Steven van Schilfgaarde was available to take over the CEO position as of 1 January 2018. The Supervisory Board views him as a decisive manager who is now fully on board in the floriculture industry and who has brought significant knowledge and experience with him from outside the sector. The finance portfolio is temporarily under the management of an interim professional. The Supervisory Board believes that a good team is currently in place to manage the necessary innovation and to guide the implementation of the strategy.

Naturally, the Supervisory Board has paid considerable attention to the strategic developments and course of affairs within the company. One important indicator of operational performance is the set of the most important objectives, the KPIs. Not all of the KPIs were met throughout 2017. Nonetheless, the Supervisory

Board wishes to express its appreciation to the board, management and employees for all of the work that was performed in 2017. The Supervisory Board is, of course, aware that a significant reorganisation also took place in 2017, this time in the staff departments, Commerce and BTO (IT). And, furthermore, that a considerable number of employees were outsourced. During this transition, current employees were employed by suppliers.

The Supervisory Board met five times in a regular meeting throughout 2017. There were also three extra meetings - i.a., in connection with the orientation to the consequences of setting up a Members' Council, the acquisition of shares in FloraXchange and the change of CEO. Two conferences were also held, one without the management and one with the management. The conference without management is an annual 24 hour session which discusses the administrative structure of Royal FloraHolland in depth, the functioning of the Supervisory Board and the management, and the mutual cooperation. The conference with management concerned the annual strategy session. Finally, the Supervisory Board started its own training and orientation programme called 'RvC on tour'. In this, the Board takes two days to hold discussions with business units or external parties that can lead to

deeper or newer insights. The Supervisory Board held 12 plenary meetings in total.

Furthermore, the Supervisory Board attended three GMM meetings and Committee members were present (successively) at meetings of the advisory Council, regional meetings and member sessions of Cooperative 2020. Supervisors also attended the international regional meetings. These travels were always combined with other business visits so that a proper view could be obtained of international developments. One special trip was the orientation in China in which two Supervisory Board members, together with a group of African members, visited a market and the local office. In 2017, the Supervisory Board itself organised a number of meetings with members in so-called canteen discussions. Two Supervisory Board members were always present for these.

Each regular meeting of the Supervisory Board takes place with the management attending. Prior to the regular meeting, there is first a joint consultation in which the agenda of the Supervisory Board meeting is discussed, along with any current issues from the chairman or from the Board Committees. During the

Supervisory Board meeting, the management provides an update of the most important developments in the strategy programmes and of current issues within the company. In addition, regular topics are noted on the agenda that can result in new policy, such as sustainability and IT. In some cases, separate agreements are also made with managers or departments to dive deeper into a topic for which that party/department is responsible. Four Supervisory Board members were unable to attend a meeting during the course of 2017. On occasion, a Supervisory Board member was also either late for a meeting or needed to leave earlier.

Otherwise, the Supervisory Board members were regularly present at various member, employee and customer meetings, including the regional meetings in Kenya, Ethiopia and Israel. Throughout the course of 2017, the Supervisory Board also had contacts at several times with the Works Council and with the GMM Committee.

During the GMM in December 2017, Cees van Rijn stepped down. He had been a board member since June 2012 and was chairman of the Audit Committee since 1 January 2014. Cees van Rijn's successor is Pascal Visée. The Supervisory Board is extremely

grateful to Cees van Rijn for his contribution in the last years and awarded him the RFH Diamond as a token of its appreciation. In the autumn meeting, Joris Elstgeest was reappointed for his last term.

## **Audit Committee report**

The Audit the Committee discussed various topics in 2017. One of the most important topics concerned the proposal to conclude a cooperation between Royal FloraHolland and FloraXchange. With this, Royal FloraHolland officially kicked off the development of a single joint digital platform for our growers. The collaboration made it possible to introduce the new Floriday platform in November 2017. The Committee has confidence in this digital development and believes that this provides a solid foundation for the future of Royal FloraHolland.

Another important topic concerned external financing of the cooperative. Royal FloraHolland has concluded a new credit facility with three banks. This provides the cooperative with sufficient financial to make investments in capacity in the coming years digitisation and daily services, among other things.

This increases financial flexibility and costs decreased with respect to the previous credit facility. This new line

of credit shows that the banks have considerable confidence in our strategy.

The new membership and rate structure were discussed in the second half of the year. The Audit Committee was informed about the most important principles and the background for this. The rate structure came about after an extensive consultation with the members. Considerable discussion was held among the members themselves and between the members and management. The proposal was finally approved in the GMM of 7 December 2017.

The Committee also focused on the 2016 annual figures, the progress of financial performance in 2017 and the 2018 annual plan and budget. The calculation of the financial results of the strategy was also given attention. Various scenarios were elaborated and the management provided an explanation of the various underlying principles.

Throughout the year, the Committee was brought up to date about the progress of the Governance, Risk, Security & Compliance programme. Considerable progress is made, particularly in the area of the company codes and whistleblower's scheme.

Nonetheless, much work remains to be done in terms of getting internal processes in line. The focus on better control of risk is hugely important to this. The findings of both the external accountant (such as the auditor's report and the management letter) and of the internal audit were discussed extensively. Follow-up to the audit finding is an important focal point and will be monitored closely by the Audit Committee.

In 2017, the Audit Committee consisted of Cees van Rijn (Chairman), Rosaline Zuurbier and Gerben Ravensbergen. The external auditor (EY), the CFO and the manager of internal audit (amanuensis) were also always present at the meetings.

The Audit Committee met seven times in 2017. All of the Committee members were present each time and, depending on the topic, external experts and/or employees from the organisation were also invited. After the meeting, private meetings regularly took place with the external auditor. The Audit Committee reflects with satisfaction on 2017 and has forwarded topics to the Supervisory Board Meetings with a positive recommendation wherever necessary.

## **Selection and Remuneration Committee report**

The Selection and Remuneration Committee (Remco) paid considerable attention to the KPIs in 2017. This concern both the achievement of the KPIs for 2016, formulating and monitoring the KPIs for 2017 and drawing up the KPIs for 2018. The degree of achievement of the KPIs is the basis for management's variable remuneration. The Supervisory Board establishes the KPIs for management each year. In 2017, individual KPIs also applied to the members of management. Company KPIs account for 80%; individual KPIs for 20%. With a 100% score, the CEO is entitled to variable remuneration of 30% of his fixed salary and the CFO is entitled to 20%.

The achievement of the KPIs in 2017 was as follows:

KPI	Objective	Achievement	Weighting	Result
<b>Company KPIs</b>				
Turnover	€4,800 mln.	€4,687 mln.	10%	0%
Operating profit	€31.7 mln.	€ 22 mln.	10%	0%
Member satisfaction	51 - 55	50	10%	0%
Customer satisfaction	29 - 33	26	10%	10%
Employee involvement	> 70	74	20%	20%
The New Auctioning programme	Progress of programmes		20%	0%
Floriday programme			20%	20%
<b>Total company KPIs</b>			80%	30%
<b>CFO's individual KPIs</b>			20%	20%

The 2017 Remco also included the appointment of new managers and the composition of management and the MT. This was primarily due to the departures of the CEO, Lucas Vos, and the COO, Marcel Claessen. The Remco appointed Steven van Schilfgaarde to be the new CEO of Royal FloraHolland and it was involved with the appointment of Yme Pasma as the new COO (as of 1-12-2017). The Remco also occupies itself with the recruitment and selection of a new CFO and statutory manager in connection with the job that

opened up as a result of Steven van Schilfgaarde's appointment. Throughout the course of the search, the finance portfolio will be temporarily handled internally. The Remco believes that a good team is now once again in place that can manage the necessary innovations in the organisation and that can substantiate the implementation of the strategy.

Partly as a result of the updated Corporate Governance Code (the Van Manen Committee), the Remco has worked on a new management scheme which pays particular attention to the question of the extent to which the Supervisory Board must not only oversee management, but also the entire MT. This resulted in a Supervisory Board decision which establishes, among other things, that the Supervisory Board must be formally involved with the appointment and dismissal of managers and MT members. The Supervisory Board shall also hold an annual progress discussion with the individual MT members. The complete management scheme is published on the Royal FloraHolland website.

In 2017, the Remco was kept informed of the most important developments with respect to management and employees. Leadership development and succession planning were discussed, along with culture and core values and change management. All of these aspects are vital to the success of change processes that the Royal FloraHolland operation must undergo in order to be successful in the future. The topic of secession planning, including the MT, was also discussed in a meeting with all of the Supervisory

Board members. The Remco can concur with the updated core values rolled out in the company in the STAP programme.

The Remco meetings also addressed the group of employees at Royal FloraHolland. Among other topics, the meeting considered the reorganisations of a number of (staff) departments, the inflow and outflow of employees, the age groups of personnel (the average age 2018 is just under 50) and the results of the employee engagement study. The Remco discussed the score of the employee engagement study and was pleased about its increase. In this context, the Remco also discussed the high percentage of absenteeism due to illness. The Remco is indeed impressed by the extensive programme put together by the employees in connection with the reorganisation, which not only includes a focus on those departing, but also on those remaining. This programme is known within the company as the Future Square.

The Remco then discussed the level and development of wages and employment terms a number of times. Royal FloraHolland has its own Collective Labour Agreement (CAO) and a social plan. Both schemes

lapsed in 2017. The Remco supports management in its having used these moments to enter into discussions with the social partners about modernisation and about harmonisation of the conditions. The goal is to make the conditions more flexible and to have them align with a changing labour market. This means that existing agreements, which were often made in other times, must sometimes be rescinded. The pension scheme was also discussed in this context. Royal FloraHolland also has its own facility for this in the form of an insured scheme. The decisions to be made concerning the pension scheme will be considered further in the coming year.

The 2017 Selection and Remuneration Committee was formed by Caroline Princen (chair), Jack Goossens and Joris Elstgeest.

The Remco met five times in 2017. Meetings are always attended by the CEO and the CHRO. In 2017, all Committee members were present at all of the meetings.

## Cooperative Committee report

In 2017, the Cooperative Committee was comprised of Mariëlle Ammerlaan (chair), Jan Andreae and Emiel Barendse. It met five times in 2017.

The meetings always took place in the presence of the CEO, the CCO, the Cooperative Affairs manager (secretary) and the amanuensis of the Supervisory Board. Other managers were invited dependent on the topic. In 2017, this mainly concerned the manager of the Cooperative 2020 programme team. In 2017, all Committee members were present at all of the meetings.

The Committee's most important task is safeguarding the interests of the cooperative and of the members in all of the management's policy decisions. Members' policy and member engagement are important topics for the Cooperative Committee. Member rates also fall within the scope of the Committee, as do the commercial regulations. In this latter case, this concerns both the internal procedures, management and transparency. The Committee also acts as a body of appeal for disputes between members and the management. In 2017, one claim was at issue and was settled to the satisfaction of both parties.

The chairman of the Cooperative Committee is also the chairman of a working group that supervises the development of the administrative framework at Royal FloraHolland. Among other things, this focuses on training and development of members of FPCs, RACs and Advisory Councils. This working group also contains a representative from the advisory Council.

In 2017, the Cooperative Committee's agenda was determined largely by the Cooperative 2020 strategic programme; it was led by the directing team consisting of 13 members from Royal FloraHolland and with the support of the programme team led by programme director Leo Keijzer. This programme focused on Royal FloraHolland governance, membership and rates. The governance portion resulted in the Members' Council pilot and the establishment of a Youth Council.

The Flowers and Plants Advisory Councils function together with the Members' Council in the Members' Council pilot. Since responsibility for Royal FloraHolland's governance also lies with the Supervisory Board, the chairman of the Cooperative Committee is also the chairman of the steering group of this Cooperative 2020 component. The Members' Council pilot has three functions: consultation

(obtaining the wishes and opinions of members in member sessions in the various regions throughout the Netherlands and abroad), advisory (to the management about the strategic programmes) and decisions (taking over the decision-making from the General Members' Meeting, including decisions concerning the budget, the financial statements, large investments and the composition of the Supervisory Board). Five subcommittees (design, designation, member loyalty and consultation, finance and strategy), composed of members of the Members' Council pilot have been designated to set up the Members' Council. The Members' Council pilot must ultimately result in decision-making in the General Members' Meeting about the installation of a Members' Council in 2019. There is regular coordination with the programme team, sharing thoughts and guiding the design of the pilot.

The Youth Council, with 13 young members of the cooperative, was installed in the fall of 2017. On 30 November 2017, the Youth Council held a successful youth day in the Muntgebouw in Utrecht with a large number of young entrepreneurs. The Youth Council has an advisory function for the management, particularly about the future of their

cooperative. The daily management of the Youth Council provided an explanation of the progress of its own process to the Cooperative Committee. The Cooperative Committee is pleased about this development.

The part on rates and membership based on multiple member sessions led by the directing team supported by the programme team resulted in a proposal to management. During the member sessions, members were able to exercise influence on the ultimate proposal to management in a number of steps. In this manner, the proposal to management could count on the support of a majority of the members during the vote in the General Members' Meeting on 7 December 2017. During the process, the Cooperative Committee was informed about the progress and content of the (draft) proposals.

Other topics discussed by the Cooperative Committee include: the preparation and evaluation of the regional meetings and General Members' Meetings, including an extra General Members' Meeting about the plant clock in September 2017; the internationalisation of Royal FloraHolland, including progress with the World Flower Exchange in China, supervision and audit of commercial regulations, partly due to questions posed during the General Members' Meeting of December 2016, reports about cooperative issues and the improvement process in FloraHolland Product Committees (FPCs).

## Supervisory Board advisory

The Supervisory Board has taken note of the 2017 financial statements drawn up by Royal FloraHolland management and audited by the accountant. This financial statement consist of the balance sheet as of 31 December 2017 and the income statement for the 2017 financial year with explanation.

On the basis of the supervision it conducted, the board approved the annual report included in this financial statement and signed this.

A proposal was made to the General Members' Meeting to adopt the 2017 financial statement, to grant discharge to management members for the policy conducted in the 2017 financial year and to grant Supervisory Board members for their supervision of this.

The Supervisory Board members wish to express their appreciation to the management and employees for the results achieved and for the way in which the company functioned in 2017.

**Jack Goossens**, Chairman

Aalsmeer, 11 April 2018

# GMM Committee Report

## In 2017, the GMM Committee was involved with a number of important developments at Royal FloraHolland.

At the start of the year, the Committee made a decision about supervisory board members' compensation. The amount of this compensation is established each time for a period of three years (2017-2019). Compared to the previous period, the compensation was changed on the basis of inflation and therefore increased by 5%. In addition, compensation for Committee activities were made equivalent. This took account of the responsibility of the function, the amount of time involved and the market. It is a fixed amount that does not grow along with the Collective Labour Agreement (CAO) throughout the term. Considering the changing and complex environment of Royal FloraHolland, and the Committee's impression has of the issues faced by the Board of Supervisor, the Committee considers this appropriate compensation.

Throughout the year, the Committee was brought up to date a number of times about developments within Cooperative 2020, particularly with respect to the discussion about the Members' Council. After all, this

can also have consequences for the Committee itself. It is not yet known how this will end up, but the Committee is convinced that it is going through a careful process and that all members will be given sufficient opportunity to provide their viewpoints. The Committee is also impressed by the energy expended by both the Advisory Councils and the company in the Members' Council pilot.

The Committee spoke with several board members throughout the course of 2017. An exit interview was held with Jos ten Have and a progress discussion was held with Jack Goossens, the chairman of the Board of Supervisors. Discussions were also held with Joris Elstgeest in the context of his reappointment and an introductory meeting was held with Pascal Visée. The Committee made positive recommendations about both candidates and both have now been appointed during the General Members' Meeting of 8 December 2017. Discussions were held with Mariëlle Ammerlaan about the progress of Cooperative 2020 and about the work of the Supervisory Board's Cooperative Committee.

Ad van Marrewijk, Chairman, was present on behalf of the Committee at a preliminary discussion with the

initiators of the extra GMM of 21 September 2017. This was a special situation within the cooperative. On the one hand because the initiative came from the members; on the other, due to the fact that no vote could be held about the topic. The Committee considers it a pity that this GMM had to be organized, but believes that the meeting itself was conducted well.

In the last meeting of the year, the Committee had a discussion with Steven van Schilfgaarde. The discussion was about his new role as CEO of Royal FloraHolland. The Committee was left with a good impression of his background and his vision about the challenges facing Royal FloraHolland. By conducting such discussions, the Committee is able to form a picture of the responsibilities of the policy makers at Royal FloraHolland and of their joint cooperation.

Naturally, the Committee performed its other tasks before, during and after the GMMs, including the discussion of the agendas, supervising the application and voting process and studying the reports. The Committee was well-informed in this regard and was impressed by the organisation of each GMM. A considerable number of technical facilities are involved and the Committee members are updated

about this regularly. Nonetheless, the Committee did express its concern about the possibility for members to cast their votes. Partly because of the international character of the group of members, this is not always easy for everyone. This has to do with time zones and technology. The Committee asked the company to present a proposal for improvement.

In connection with the developments concerning the Members' Council, the Committee decided to deviate from the schedule of replacements. According to the schedule, Matthijs Barendse would step down and not be re-electable in the GMM of 8 December 2017. But considering the fact that it is not yet clear how the Committee will continue to exist, the Committee decided to delay the search for a successor. Based on the articles of incorporation and the Committee's regulations, the maximum term for Committee members is six years. Matthijs has been in the Committee since 2014, so still has some latitude through 2019.

The GMM Committee met five times in 2017. Meetings are attended by the secretary of the Supervisory Board, who is also the secretary for the GMM Committee.

**Ad van Marrewijk,**

Chairman, GMM Committee



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**Financial statements 2017**

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## Consolidated balance sheet as at 31 December 2017

(After proposed profit allocation (amounts x €1,000))

	Notes	2017	2016
<b>ASSETS</b>			
<b>Fixed assets</b>			
<b>Intangible fixed assets</b>	(1)	<b>29,752</b>	<b>2,774</b>
<b>Tangible fixed assets</b> (2)			
Land		110,804	103,044
Buildings		318,908	328,538
Equipment, packaging and logistics resources		58,997	66,065
Other fixed operating assets		54,647	65,460
Not used in business operations		117,795	126,774
		<b>661,151</b>	<b>689,881</b>
<b>Financial fixed assets</b> (3)			
Participating interests		8,798	10,322
Amounts owed by participating interests		–	3,025
Other receivables		2,535	419
		<b>11,333</b>	<b>13,766</b>

	Notes	2017	2016
<b>Current assets</b>			
<b>Receivables</b>			
Trade receivables		47,811	60,965
Amounts owed by participating interests		222	235
Deferred tax assets		374	1,151
Other receivables and accrued assets	(4)	20,394	31,316
		<b>68,801</b>	<b>93,667</b>
Liquid assets	(12)	30,203	110,310
<b>Total</b>		<b>801,240</b>	<b>910,398</b>

 [For a vertical view of the consolidated balance sheet, click here.](#)

	Notes	2017	2016
<b>LIABILITIES</b>			
<b>Group equity</b>			
Equity	(5)	219,490	226,650
Minority interests	(6)	2,527	2,366
		<b>222,017</b>	<b>229,016</b>
<b>Provisions</b>			
	(7)		
Provision for deferred tax		2,883	1,759
Reorganisation provision		4,719	11,610
Other provisions		6,528	5,750
		<b>14,130</b>	<b>19,119</b>
<b>Long-term liabilities</b>			
Certificates B *	(8)	200,061	202,830
Certificates C *	(9)	2,234	3,620
Certificates D *	(10)	6,640	6,057
Debts to related parties	(1)	6,119	–
Long-term bank loans	(11)	5,005	115,531
		<b>220,059</b>	<b>328,038</b>

	Notes	2017	2016
<b>Current liabilities</b>			
Credit institutions	(12)	54,751	25,694
Debts to members/non-members	(13)	54,973	62,313
Repayment obligations to members/non-members	(13)	50,340	74,160
Debts to related parties	(1)	1,914	–
Creditors		36,284	26,562
Deposits		91,357	85,186
Other liabilities and accrued liabilities	(14)	55,415	60,310
		<b>345,034</b>	<b>334,225</b>
<b>Total</b>		<b>801,240</b>	<b>910,398</b>

\* Subordinated loans. Together with the equity, these form the guaranteed capital. The guaranteed capital at year-end 2017 amounts to €428.4 million (2016: €439.2 million) after a proposed additional payment.



[For a vertical view of the consolidated balance sheet, click here.](#)

## Consolidated profit and loss account for 2017

(amounts x €1,000)

	Notes	2017	2016
<b>Operating income</b>			
Commission payments		88,778	94,942
Contributions		9,279	9,541
Lot and auction trolley levies		64,698	64,706
Transaction and service levies		30,348	24,269
Packaging		52,444	53,067
Trolley and CC (container) rentals		26,817	25,333
Subletting of real estate		53,136	52,461
Miscellaneous revenue		51,108	54,050
		<b>376,608</b>	<b>378,369</b>
<b>Operating costs</b>			
Wages and salaries	(15)	152,880	162,604
Social security expenses		16,766	17,818
Pension contributions		12,337	13,053
Depreciation and amortization	(16)	72,098	68,131
Miscellaneous operating costs	(17)	115,380	108,231
		<b>369,461</b>	<b>369,837</b>
<b>Operating result</b>		<b>7,147</b>	<b>8,532</b>

	Notes	2017	2016
<b>Financial income and expenses</b>			
Interest expense and similar expenses		-11,931	-16,327
Interest income and similar income		1,772	1,820
		<b>-10,159</b>	<b>-14,507</b>
<b>Profit before tax</b>		<b>-3,012</b>	<b>-5,975</b>
Profit of participating interests	(3)	5,579	8,720
Corporation tax	(18)	-223	607
Minority interests	(6)	-278	-277
<b>Profit after tax</b>		<b>2,066</b>	<b>3,075</b>

## Consolidated cash flow statement for 2017

(amounts x €1,000)

	Notes	2017	2016
<b>Operating activities</b>			
Operating result		7,147	8,532
Depreciation and amortization		72,097	68,131
Change provisions		-6,051	10,533
		<b>73,193</b>	<b>87,196</b>
<b>Change in working capital</b>			
Decrease/increase trade receivables		13,154	-6,181
Decrease/increase receivables on participating interests		13	24
Decrease/increase other receivables		12,594	-9,478
Decrease/increase debts to members/non-members		-8,372	7,629
Decrease/increase creditors		11,882	-885
Decrease/increase deposits		6,171	2,250
Decrease/increase other debts		-2,191	1,226
Decrease/increase discontinued consolidation of trade receivables		-	-55,560
Decrease/increase discontinued consolidation of creditors		-	56,078
		<b>33,251</b>	<b>-4,897</b>

	Notes	2017	2016
Interest received		1,772	1,806
Dividend received		2,250	2,388
Interest paid		-14,635	-16,553
Corporation tax paid		1,208	-4,180
		<b>-9,405</b>	<b>-16,539</b>
<b>Cash flow from operating activities</b>		<b>97,039</b>	<b>65,760</b>



[For a vertical view of the consolidated cash flow statement, click here.](#)

	Notes	2017	2016
<b>Investment activities</b>			
Investments in tangible fixed assets		-53,150	-45,017
Divestments of tangible fixed assets		8,428	15,242
Investments in tangible fixed assets		-14,983	-2,774
Repayment long-term receivables	(3)	3,025	639
Disposals of long-term receivables		-2,317	-487
Acquisition of group companies	(1)	-3,450	-
Investment in the financial fixed assets	(3)	-1,075	-
Divestment of financial fixed assets		3,429	9,540
<b>Cashflow from investment activities</b>		<b>-60,093</b>	<b>-22,857</b>

	Notes	2017	2016
<b>Financing activities</b>			
Change in current account credit	(12)	54,752	-
Repayment of long-term loans	(11)	-136,220	-1,703
Additional repayments during the year		-	-5,000
Liquidity and capital contributions		48,700	48,120
Payouts of Certificates A and E		-6,001	-6,264
Payouts of Certificates B, C and D		-78,284	-22,147
<b>Cash flow from financing activities</b>		<b>-117,053</b>	<b>13,006</b>
<b>Net cash flow</b>		<b>-80,107</b>	<b>55,909</b>

Liquid assets at 1 January	110,310	54,401
Liquid assets at 31 December	30,203	110,310
<b>Change in liquid assets</b>	<b>-80,107</b>	<b>55,909</b>



For a vertical view of the consolidated cash flow statement, [click here.](#)

## Consolidated statement of comprehensive income for 2017

(amounts x €1,000)

	2017	2016
Consolidated net profit after tax	2,066	3,075
Total of direct changes in equity as part of group equity	-	-
<b>Total comprehensive income</b>	<b>2,066</b>	<b>3,075</b>

# Notes to the consolidated figures for 2017

## GENERAL NOTES

### Objectives

Coöperatie Royal FloraHolland U.A., hereinafter Royal FloraHolland, is a cooperative with excluded liability for its members.

The cooperative aims to achieve the highest yields at the lowest realisable sales costs for its members by organising a series of marketplaces, both virtual and physical, and related services and facilities.

Members of the cooperative can be natural persons and legal entities active in one or more companies that grow ornamental plants or flowers. Royal FloraHolland's registered office is in Aalsmeer and the office address is: Legmeerdijk 313, 1430 BA Aalsmeer, the Netherlands; the cooperative is registered with the Chamber of Commerce under number 34284016.

### Liability of the members of the cooperative

Royal FloraHolland has a statutory exclusion of liability in favour of its members. This means that the members of the cooperative are not to be held responsible for unrecoverable losses other than cooperative financing in the form of a participation reserve and subordinated members' loan.

The Certificates A formed from the profit realised in the name of its members are part of the equity of the cooperative.

In addition, each member of the cooperative participates in Certificates B by contributing a percentage of the turnover of their products settled via the cooperative. This percentage is based on a proposal by the Management Board and determined by the General Members' Meeting. Certificates are subordinated to claims of creditors and other providers of debt capital. The distribution of Certificates B can be effected, if proposed by the Management Board and subject to approval by the General Members' Meeting, on the expiration of the loan term of the respective year, if the risk-bearing capital base amounts to at least 45%. The financial statements were drafted after the proposed result determination. For this reason, the result of the current financial year has been added to the general reserve, certificates A and debts to members.

### Standards applied

The financial statements have been prepared in accordance with Part 9 of Book 2 of the Dutch Civil Code (BW) and the Guidelines for Financial Reporting. For the sake of clarity, the presentation of the profit and loss account deviates from the prescribed models in the Annual Accounts Models Decree because of the special character of the operating activities. The model used is more extensive than the one prescribed.

The amounts included in the notes are expressed in thousands of euros, unless stated otherwise.

## Comparative figures

The figures for the previous year have been adjusted, where necessary, for the purpose of comparison.

## Consolidation principles

Royal FloraHolland and its group companies, with which it forms an organisational and economic entity (collectively known as 'the group'), are included in the consolidated financial statements 2017. Group companies are companies in whose governance and financial policies Royal FloraHolland has a direct or indirect controlling interest.

A controlling interest is assumed if Royal FloraHolland owns more than 50% of the share capital or owns particular and special rights, such as potential voting rights that can be exercised directly so that such a company must be considered a group company.

The group companies are fully consolidated. Minority interests in the equity and results are listed separately. Inter-company transactions and mutual claims and liabilities are eliminated. Consolidation and de-consolidation take place as from the date on which control is obtained until the date that control no longer exists.

The group companies are included in the consolidated financial statements according to Royal FloraHolland's accounting policies for valuation and determination of the result.

In the organisational structure, Royal FloraHolland has chosen to include the activities that are directly subservient to its core activities within the cooperative. Subservient activities not directly linked to the company's auction activities, together with a number of other financial interests, were included in participating interests. The consolidation base is shown in Appendix 1. In 2017, participations in Toussaint Vastgoed B.V., ABC Westland Beheer B.V., ABC Westland Beheer C.V. and FloraZon Vastgoed B.V. were disposed of and the participations Floriworld B.V., Royal FloraHolland Hong Kong Ltd. and Royal FloraHolland Co. Ltd. were established and added to the group. In addition, FH Diensten Holding B.V. obtained a share interest of 50% + 1 share as of 22 June 2017 in FloraXchange B.V. giving Royal FloraHolland a controlling interest and FloraXchange B.V. is now fully included in Royal FloraHolland's consolidation. A right and an obligation have also been agreed for the remaining interest, which is completely accounted for as a debt in the financial statement. The 'purchase pricing' method was used for the initial valuation and processing of this interest obtained.

The 'purchase pricing' method means that the assets and obligations acquired are valued at their fair values on the acquisition date. The difference between the acquisition price and the company's share in the fair values of the participation's acquired and identifiable assets and obligations at the moment of the transaction is recorded as goodwill.

## ACCOUNTING POLICIES FOR THE VALUATION OF ASSETS AND LIABILITIES, RESULT DETERMINATION AND CASH FLOWS

### General

The accounting policies for the valuation of assets and liabilities and the result determination are based on historical costs.

The assets and liabilities are recorded at amortised cost, unless stated otherwise. An asset is recorded in the balance sheet when it is probable that future economic benefits will flow to the company and its value can be reliably determined. A liability is recorded in the balance sheet when it is probable that its settlement will go hand in hand with the outflow of resources and the amount can be reliably determined.

### Currency conversion

Transactions in foreign currencies are valued at the functional exchange rate on the transaction date when they are first recorded.

Monetary balance items in foreign currencies are converted using the functional exchange rate on the date of the balance sheet.

Non-monetary balance items in foreign currencies that are valued on the basis of historical costs are converted using the functional exchange rate on the transaction date.

### Intangible fixed assets

An intangible fixed asset is recorded on the balance sheet if:

- it is likely that the future economic benefits embodied in an asset will redound to the group; and
- the costs of the asset can be reliably determined.

Intangible fixed assets are carried at cost of acquisition net of amortization and any impairment of assets. The annual linear amortization is based on the estimated useful life of five to ten years. Impairment can occur if changes or circumstances arise which suggest that the carrying amount of an asset will not be (fully) recovered.

The costs of software development are capitalised if the conditions placed on it are satisfied in terms of technical, commercial and financial feasibility.

A legal reserve is retained in the amount of the balance sheet value. In the context of special impairment loss, any goodwill that has come about in an acquisition is assigned, from the date of its acquisition, to the cash flow-generating marketplace entity that will benefit from the acquisition from the acquired activities in combination with the development of software by Royal FloraHolland.

### Tangible fixed assets

Tangible fixed assets are carried at the cost of acquisition or production net of depreciation and any applicable impairment of assets. The annual linear depreciations are based on the expected economic useful life of buildings and site facilities of 10–33 <sup>1</sup>/<sub>3</sub> years, and of machinery and equipment and other fixed operating assets of 5 to 10 years, taking account of residual value. Assets not used in business operations are not depreciated.

Costs of major maintenance are recognised under cost when incurred and if the recognition criteria are met. These costs are

written off over the estimated maintenance term. All other repair and maintenance costs are taken directly to the profit and loss account. Impairment losses can occur if changes or circumstances arise which suggest that the carrying amount of an asset will not be (fully) recovered. (See also the note on page 106, risks on impairment of fixed assets.)

Land available for sale on the open market allocated for sale to third parties is not considered economically interchangeable and is valued at historical cost of acquisition per location less any impairment of assets.

Of the land available for sale on the open market in Aalsmeer, 73% is allocated for sale to third parties and 27% is kept either for future sale to trading partners or for the cooperative's own use. Of the land available for sale on the open market in Naaldwijk (TPW Mars), 31% is allocated for sale to third parties and 69% is kept either for future sale to trading partners or for the cooperative's own use. Of the land available for sale on the open market in Rijnsburg, 42% is allocated for sale to third parties and 58% is kept either for future sale to trading partners or for the cooperative's own use.

The land either allocated for sale to trading partners or for own use in Aalsmeer, Naaldwijk and Rijnsburg is considered economically interchangeable.

## Financial fixed assets

On each balance sheet date, the group assesses whether a financial asset or group of financial assets has incurred

impairment. For all categories of financial assets valued at the (amortised) cost of acquisition, in the event of objective indications for value impairment, the scale of the loss pursuant to the impairment is determined and is recorded in the income statement. For those financial assets valued at the amortised cost of acquisition, the scale of the loss is determined as being the difference between the financial value of the asset and the best possible estimate of the future cash flows, NPV, using the effective rate of interest for the financial asset that was determined in the first recording of the instrument.

Participations in which depreciable influence is exercised on the financial and business policy are valued according to net asset value. Significant influence is in any case assumed to be present with a shareholders' interest of more than 20%. The net asset value is calculated in accordance with the accounting policies that apply to these financial statements. If the net asset valuation of a participating interest is lower than zero, the carrying value will be kept nil. A provision is formed if and to the extent the company could be held liable for all or part of the debts of the participating interest or if it has a constructive obligation to enable the participating interest to repay its debts.

Participating interests over whose financial and operating policies no significant influence is exercised are carried at cost less any impairment. Receivables recognised under financial fixed assets are carried at amortised cost price, less a provision for doubtful debts.

## Receivables and liquid assets

Receivables are stated at their nominal value, less provision for doubtful debts. Receivables and liquid assets are at the cooperative's free disposal. Inventories are carried at acquisition cost, net for provisions for unmarketable stocks.

## Provisions

Provisions are formed for obligations and losses that existed at the balance sheet date, the amount of which is uncertain but can reliably be estimated. The amount of the provision is determined based on a best estimate of the amounts required to settle the liabilities and losses concerned.

## Pensions

Royal FloraHolland has a defined benefit pension plan (a career average pension scheme), the nominal entitlements of which have been insured using a separate investment portfolio administered by an insurer. The defined benefit pension entitlements will be funded by way of annual pension payments to the insurer. At the end of 2017, the coverage rate amounted to 114.1% (2016: 114.4%). The coverage ratio is well above the minimum target of 104.2% set by the Dutch Central Bank.

Pensions were not indexed in 2017. For the pension plans, the contributions are recognised as an expense in the year to which they relate.

## Anniversaries

The anniversaries provision concerns costs of future anniversary benefits attributable to past years of service, taking into account

the risk of interim retirement and death. The cash value is based on a discount rate of 1.1%.

## Reorganisation

The reorganisation provision relates to the costs attributable to the redundancy plan.

## Deposits

Deposit liabilities are carried at the deposit value of reusable packaging in circulation at the balance sheet date, after deduction of an estimated amount for packaging that will not return.

## Bank debt

Short-term liabilities are stated at fair value upon first recognition. In the event that subsequent valuations are not made at fair value with the inclusion of value adjustments in the income statement, the fair value is decreased by the directly attributable transaction costs upon first evaluation.

## Leasing

The assessment of whether an agreement contains a lease is based on the substance at the inception date of the agreement. In the case of financial leasing (whereby the advantages and disadvantages relating to ownership of the lease object are completely or nearly completely borne by the lessee), the lease object and the related debt are charged to the balance sheet when entering into the agreement at the actual value of the lease object, or, if this is lower, at the cash value of the minimum lease payments. The initial direct costs of the lessee are added to the initial

processing of the asset. The lease payments are split into interest costs and payment of the outstanding balance, so as to achieve a constant interest rate on the finance net balance outstanding. In the case of operational leasing, the lease payments are to be charged to the profit and loss account on a linear basis over the term of the lease.

## Result determination

The result, the net amount of the company's operating income and expenses for the financial year, is allocated to the year to which it relates. Operating income ('profits'), i.e., income not from product turnover, is taken into account insofar as it is realised at the balance sheet date. Operating expenses ('losses') which originate before the end of the year under review are recognised if and insofar as they are known before completion of the financial statements.

## Profit of participating interests

The group's share in participating interests, over whose financial and operating policies the group has no controlling interest is taken to the profit and loss account based on net asset value. To the extent the net asset value is not applied, the profit concerns dividends received and any value adjustments during the year under review.

## Taxes

Corporation tax is calculated on the profit as disclosed in the profit and loss account, allowing for tax-exempt items and wholly or partially non-deductible expenses. For taxable timing differences,

a deferred tax liability or deferred tax asset is recognised.

The deferred tax asset will be recognised under current assets if it is deemed to be eligible for future settlement. Insofar as a taxable profit is available for settlement purposes in the future, a deferred tax liability for available carry-forward losses was recognised.

The deferred tax assets and liabilities are stated at non-discounted value, based on the current 25% tax rate.

## Cash flow statement

The cash flow statement has been prepared in accordance with the indirect method. The liquid assets in the statement consist of cash at bank and in hand. Interest and taxes received and paid are included under cash flow from operating activities.

## Derivatives and financial risks

### Derivatives

Royal FloraHolland neither holds nor issues financial instruments for trading purposes.

### Management of foreign currency risk

Transactions in foreign currencies take place only to a limited extent. Assets and liabilities are also generally denominated in euros. Accordingly, the foreign currency risk is limited.

### Management of interest rate risk

Royal FloraHolland follows market interest rate developments closely. Its interest rate risk policy is intended to provide an early awareness of interest rate fluctuations.

Interest rate swaps are part of an effective hedging relationship in which cost-price hedge accounting is applied based on individual documentation. Cost-price hedge accounting involves valuation of the interest rate swaps during the term at historical cost. Value adjustments are not accounted for in the profit and loss account except if the ineffectiveness results in a loss on a cumulative basis on the date of the balance sheet.

### Management of liquidity risk

Supplementary agreements on Royal FloraHolland's credit ratings have been made with credit institutions in the bank covenant. No collaterals have been issued as security for the credit facility.

### Management of debt risk

To manage the risk of irrecoverable trade receivables, these receivables are continuously monitored. Since the services provided by Royal FloraHolland are spread over a large group of customers, there is no question of a large concentration of trade receivable. A predominant portion of the trade receivables are covered by (un)limited non-reversible statements, bank guarantees and a credit insurance policy has been provided in case 14-day credit is granted for Royal FloraHolland Connect transactions.

### Risks of impairment of fixed assets

An important component in the strategy of Royal FloraHolland is to offer attractive physical marketplaces in order to optimally facilitate and bind 'the trade'. This strategy calls for significant investments in assets, in particular buildings and land. In this regard, Royal FloraHolland has developed a long-term vision;

however, due to market conditions and developments in the financial and real estate markets, medium and long-term fluctuations in the valuation of fixed assets cannot be ruled out. Despite this long-term vision, these fluctuations can therefore lead to impairments.

Royal FloraHolland periodically assesses its policies on depreciation, valuation principles and investments, in particular in relation to investments in buildings and land, in order to reduce the risk of impairment of assets. To assess whether impairment of assets is required, Royal FloraHolland periodically assess the carrying amount with the cash flows to be realised for each of the following asset categories: 1) market centres; 2) domestic market centres; 3) land available for sale to trading partners; 4) land available for sale to third parties; and 5) individual properties at the marketplaces that can be identified and exploited separately.

## Notes to the consolidated balance sheet for 2017

(amounts x €1,000)

### FIXED ASSETS

#### (1) Intangible fixed assets

The carrying value at the balance sheet date and its development were as follows:

	Goodwill	Software	Concessions	2017	2016
<b>Balance at 1 January</b>	–	2,774	–	<b>2,774</b>	55
<b>Changes</b>					
Investments	7,869	15,255	–	<b>23,124</b>	2,774
Amortization	–413	–1,530	–	<b>–1,943</b>	–6
Consolidation of FloraXchange B.V.	–	5,797	–	<b>5,797</b>	–
Deconsolidation of Hobaho Horti Groep B.V.	–	–	–	<b>–</b>	–49
<b>Balance at 31 December</b>	<b>7,456</b>	<b>22,296</b>	–	<b>29,752</b>	<b>2,774</b>
Cumulative cost	7,869	24,148	6,361	<b>38,378</b>	9,135
Cumulative amortization and impairments	–413	–1,852	–6,361	<b>–8,626</b>	–6,361
<b>Balance at 31 December</b>	<b>7,456</b>	<b>22,296</b>	–	<b>29,752</b>	<b>2,774</b>

Investments relate to software and goodwill. The 'concessions' item concerns packaging concessions written off in 2015.

On 22 June 2017, FH Diensten Holding B.V. obtained the shares of FloraXchange B.V. and its affiliate FloraXchange Services B.V. Starting from the acquisition date, the activities are recorded in the Royal FloraHolland financial statements. The acquisition price contains estimates with respect to the technical functionality and future turnover to be delivered (so-called 'conditional purchase price obligation'). The acquisition price was determined to be €11.9 million as of the processing date and the maximum remaining conditional purchase price obligation is €4.1 million. €8 million of this acquisition price is still owed as of 31 December 2017, of which €6.1 million has a term of longer than one year. The amounts owed are included under the debts to associated parties. The acquisition results in €7.9 million of goodwill.

Intangible fixed assets are depreciated on the basis of their estimated useful lives:

- Software: depreciation over 5 years.
- Goodwill: Depreciation over 10 years.

The estimated useful life of goodwill is based on 10 years because the activities related to FloraXchange B.V. or acquired for a long-term period.

## (2) Tangible fixed assets

The carrying value at the balance sheet date and its development were as follows:

	Carrying amount at beginning of year	Investments	Transfers	Discontinued consolidation	Depreciation & impairments*	Divestments	Carrying amount at year-end
<b>Land</b>							
Land	74,417	–	6,027	–	–	–	80,444
Site facilities	28,627	–	4,086	–	–2,353	–	30,360
<b>Subtotals</b>	<b>103,044</b>	<b>–</b>	<b>10,113</b>	<b>–</b>	<b>–2,353</b>	<b>–</b>	<b>110,804</b>
<b>Buildings</b>							
	<b>328,538</b>	<b>–</b>	<b>25,374</b>	<b>–</b>	<b>–35,004</b>	<b>–</b>	<b>318,908</b>
<b>Equipment, packaging and logistics resources</b>							
Equipment	19,247	19	3,677	–	–5,617	–14	17,312
Packaging and resources used in the logistics process	46,773	–	8,271	–	–13,404	–	41,640
<b>Subtotals</b>	<b>66,020</b>	<b>19</b>	<b>11,948</b>	<b>–</b>	<b>–19,021</b>	<b>–14</b>	<b>58,952</b>
<b>Other fixed operating assets</b>							
	<b>65,505</b>	<b>4</b>	<b>4,023</b>	<b>–</b>	<b>–14,117</b>	<b>–723</b>	<b>54,692</b>
<b>Not used in business operations</b>							
Land and buildings available for sale on the open market	90,528	–	946	–	–1,020	–6,294	84,160
Assets under construction	36,246	49,793	–52,404	–	–	–	33,635
<b>Subtotals</b>	<b>126,774</b>	<b>49,793</b>	<b>–51,458</b>	<b>–</b>	<b>–1,020</b>	<b>–6,294</b>	<b>117,795</b>
<b>2017 totals</b>	<b>689,881</b>	<b>49,816</b>	<b>–</b>	<b>–</b>	<b>–71,515</b>	<b>–7,031</b>	<b>661,151</b>
<b>2016 totals</b>	<b>725,225</b>	<b>49,911</b>	<b>–</b>	<b>–2,063</b>	<b>–67,952</b>	<b>–15,242</b>	<b>689,881</b>

\*Including the reversal of a past value impairment of €1.3 million on land.

	Land	Buildings	Machinery & equipment	Other fixed operating assets	Not used in business operations	2017	2016
Cumulative cost	139,421	864,305	221,028	148,887	156,526	1,530,167	1,491,512
Cumulative depreciation and impairments	-28,617	-545,397	-162,031	-94,240	-38,731	-869,016	-801,631
<b>Balance at 31 December</b>	<b>110,804</b>	<b>318,908</b>	<b>58,997</b>	<b>54,647</b>	<b>117,795</b>	<b>661,151</b>	<b>689,881</b>

The carrying amount at the balance sheet date of land available for sale on the open market can be broken down as follows:

	Number of m <sup>2</sup> (x 1.000)	Carrying amount
Royal FloraHolland	845	68,152
Greenparc V.O.F.	108	1,402
<b>Balance at 31 December</b>	<b>953</b>	<b>69,554</b>

The land available for sale on the open market consists of land that is free to be sold to trading partners and third parties who are not trading partners. Land available for sale to trading partners on the open market is kept for future issuance to Royal FloraHolland customers in support of the position as a central marketplace.

Assets under construction relate to assets which were not yet in use at the balance sheet date. The assets taken into use during the year are allocated to the applicable asset category via the 'transfers' column. Assets taken into use in 2017 include assets relating to fire safety, major maintenance for buildings, packaging and IT. Investments that were not yet put into use at the end of 2017

include: renovation of the parking roof, ICT infrastructure outsourcing, reconstruction of Fleurcenter, fire safety at Aalsmeer and a contribution to the improvement of infrastructure (N222 Naaldwijk).

In 2017, the largest divestments are the sale of land and buildings in Rijnsburg and the impairment incurred for the florists' clock in Naaldwijk.

The carrying amount for tangible fixed assets over which Royal FloraHolland has no legal ownership amounts to €7.2 million (2016: € 7.5 million).

Tangible fixed assets are depreciated on the basis of their estimated useful lives:

- Assets not used in business operations will not be depreciated.
- Buildings and site facilities: depreciation over 10-33 <sup>1</sup>/<sub>3</sub> years.
- Machinery and equipment & other fixed operating assets: depreciation over 5-10 years.

### (3) Financial fixed assets

The carrying value at the balance sheet date and its development were as follows:

	Participating interests	Amounts owed by participating interests	Other receivables	2017	2016
<b>Balance at 1 January</b>	10,322	3,025	419	13,766	15,767
<b>Changes</b>					
Divestments	-2,679	-	-	-2,679	-1,995
Investments	1,076	-	-	1,076	-
Profit of participating interests	2,329	-	-	2,329	2,125
Disposals	-	-	2,817	2,817	488
Repayments	-	-3,025	-701	-3,726	-739
Impairments of assets	-	-	-	-	500
Dividend distribution	-2,250	-	-	-2,250	-2,380
<b>Balance at 31 December</b>	<b>8,798</b>	<b>-</b>	<b>2,535</b>	<b>11,333</b>	<b>13,766</b>

## Participating interests

The profit of participating interests in the consolidated profit and loss account amounts to €5.6 million. This includes a justification of the results of sales transactions during 2017 for an amount of €3.3 million.

## Amounts owed by participating interests and other receivables

This item includes loans to participating interests and other associated enterprises. These loans bear an average interest rate of 5.0% (2016: 4.6%) and have a remaining term of less than five years.

## Transactions with related parties

All transactions with participating interests are effected at normal market conditions.

## CURRENT ASSETS

### RECEIVABLES

(4) Other receivables and accrued assets	2017	2016
Taxes and social security contributions	5,852	4,541
Prepaid expenses	6,188	4,722
Inventory and projects in progress	658	698
Other receivables	6,747	5,813
Accrued assets	949	15,542
<b>Balance at 31 December</b>	<b>20,394</b>	<b>31,316</b>

The increase in accrued assets is attributable to the prepaid pension contribution 2017 paid in 2016 of €14.9 million.

## EQUITY

### (5) Equity

The equity amounts to €219.5 million at the balance sheet date (2016: €226.7 million).

For a detailed explanation, reference is made to the notes to the company balance sheet.

### (6) Minority interests \*

	2017	2016
<b>Balance at 1 January</b>	<b>2,366</b>	2,278
<b>Changes</b>		
Share in net profit of financial year	278	277
Dividend distribution	-117	-189
<b>Balance at 31 December</b>	<b>2,527</b>	2,366

\* Minority interests relate to third parties who have a minority share in Royal FloraHolland.  
For a summary of participating interests, refer to page 154.

### (7) Provisions

	Provision for deferred tax liabilities	Reorganisation provision	Other provisions	2017	2016
<b>Balance at 1 January</b>	<b>1,759</b>	<b>11,610</b>	<b>5,750</b>	<b>19,119</b>	9,017
<b>Changes</b>					
Additions	1,180	4,781	1,416	7,377	11,649
Withdrawals	-56	-9,473	-595	-10,124	-884
Releases	-	-180	-43	-223	-137
Reclassification to short-term liabilities	-	-2,019	-	-2,019	-526
<b>Balance at 31 December</b>	<b>2,883</b>	<b>4,719</b>	<b>6,528</b>	<b>14,130</b>	19,119

The provision for deferred tax liabilities originates from differences between the valuation of tangible fixed assets for financial accounting and tax purposes and a recorded cost equalisation reserve. The provision for deferred tax liabilities was calculated on the basis of a corporation tax rate of 25.0% (2016: 25.0%).

The remaining provisions concern provisions for holidays, long-term illness and loss-generating contracts. The reorganisation provision generally has a remaining term of less than 1 year while the other provisions generally have a remaining term of more than one year.

## LONG-TERM LIABILITIES

### (8) Certificates B

	2017	2016
<b>Balance at 1 January</b>	<b>202,830</b>	–
<b>Changes</b>		
Added from members' loans due to amendment of articles of association	–	198,045
Payout throughout the current financial year	–7,874	–
Addition for liquidity contribution	40,605	35,097
Repayment liability for next financial year recognised under current liabilities	–35,500	–30,312
<b>Balance at 31 December</b>	<b>200,061</b>	<b>202,830</b>

Article 39 'Transitional provisions 2016' article 'II. Members' loan/Certificates B' of the new articles of association provides that the balance of €198.0 million of the members' loans will be converted in full into Certificates B.

Article 17 (4) (e) of the new articles of association provides that if the ratio for the Risk-bearing Capital Base exceeds the upper threshold, the GMM can decide, following a proposal of the Management Board, to proceed to early repayment of other annual tranches. The General Members' Meeting of June 2016 decided to retain the upper limit for Risk-bearing Capital at 55%.

The equity contribution consists of a withheld contribution of 1.0% of the product turnover from both members and non-members. In 2017 the total amount of the withheld liquidity contribution was €48.7 million (2016: €48.1 million). Article 39 'Transitional provisions 2016' article 'III. Liquidity contribution 2016' of the new articles of association provides that the liquidity contribution withheld in 2016 of members as at 31 December 2016 will be used for members to fully pay up Certificates A and/or B. On the basis of the decision by the Management Board following the amendment of the articles of association, it has been decided to convert the liquidity contribution withheld of non-members into Certificates D.

The additions on supplier loans became interest-bearing on 1 January following the year in which they were added. An amount of €35.5 million will be paid out in 2018 for the early repayment of annual tranches 2011 and 2010 of Royal FloraHolland. In 2017, 1.0% was withheld. The Risk-bearing Capital Base for the repayment of small balances for old members amounts to 56.8% and, after this disbursement, 55.7%. Over 2017, interest was paid at a rate of 0.1% (2016: 0.5%).

The wages and salaries item of €200.1 million includes an amount of €47.2 million (2016: €42.2 million) with a remaining term of less than five years.

Article 17 (4) (h) of the new articles of association provides that the Certificates B are subordinated to all third-party claims against Royal FloraHolland.

(9) Certificates C	2017	2016
<b>Balance at 1 January</b>	<b>3,620</b>	–
<b>Changes</b>		
Converted into Certificates C due to decision of the Management Board	–	3,620
Payout throughout the current financial year	–876	–
Deposits throughout the current financial year	50	–
Repayment liability for next financial year recognised under current liabilities	–560	–
<b>Balance at 31 December</b>	<b>2,234</b>	<b>3,620</b>

On the basis of the 2016 amendment of the articles of association, it has been arranged for the balance of €3.6 million of the voluntary members' loans to be converted in full into Certificates C at the end of 2016. The amounts paid in on Certificates C are repayable after five years. The wages and salaries item of €2.2 million includes an amount of €0.2 million (2016: €0.2 million) with a remaining term of less than one year. The balance of €2.2 million has a remaining term of less than five years. Over 2017, interest was paid at a rate of 0.6% (2016: 1.0%).

Article 17 (5) of the new articles of association provides that the Certificates C are subordinated to all third-party claims against Royal FloraHolland and all claims of holders of Certificates B.

(10) Certificates D	2017	2016
<b>Balance at 1 January</b>	<b>6,057</b>	–
<b>Changes</b>		
Added from supplier loan due to decision of the Management Board	–	5,419
Addition for liquidity contribution	1,562	1,388
Payout throughout the current financial year	–169	–
Repayment liability for next financial year recognised under current liabilities	–810	–750
<b>Balance at 31 December</b>	<b>6,640</b>	<b>6,057</b>

On the basis of the 2016 amendment of the articles of association, it has been arranged for the balance of €5.4 million of the supplier loans to be converted in full into Certificates D at the end of 2016. The amounts paid in on Certificates D become interest-bearing on 1 January following the year in which they were added. On the basis of the decision of the Management Board, it has been decided to proceed to early repayment of the annual tranches for 2011 for an amount of €734,000 (2016: €750,000). Of the balance of €6.6 million, an amount of €1.6 million (2016: €1.4 million) has a term of more than five years. An amount of €76,000 is expected to be paid to former non-members in 2018. Over 2017, interest was paid at a rate of 0.1% (2016: 0.5%).

Article 17 (5) of the new articles of association provides that the Certificates D are subordinated to all third-party claims against Royal FloraHolland and all claims of holders of Certificates B.

(11) Long-term bank loans	2017	2016
<b>Balance at 1 January</b>	<b>115,531</b>	<b>146,225</b>
<b>Changes</b>		
Repayment liability for next financial year recognised under current liabilities	–	-25,694
Repayment in the current financial year	<b>-110,526</b>	–
Additional repayment during the year	–	-5,000
<b>Balance at 31 December</b>	<b>5,005</b>	<b>115,531</b>

Royal FloraHolland's long-term bank loans were repaid in 2017 and refinanced by means of a credit facility obtained from a syndicate of banks (12). Of the balance of in long-term bank loans as of 31 December 2017, an amount of €3.2 million has a term of greater than five years. For this bank loan of €5 million a mortgage surety was placed on the real estate, and the rental income and receivables were mortgaged.

## CURRENT LIABILITIES

### (12) Credit institutions

The credit facility from the banks is included below. In 2017, Royal FloraHolland performed a refinancing in which bank loans with three banks were repaid and a credit facility was obtained from a syndicate of banks stop for a total of €195.0 million. The term of the facility is five years (2022), which can be extended twice for a period of a year. The most important conditions for the availability of this credit facility are a leverage ratio in which net debt may not exceed 3.5 times EBITDA (to be tested twice each year) and that risk-bearing capital may not exceed 35%. As of 31 December 2017, Royal FloraHolland satisfies these ratios as agreed in the bank covenant.

## (13) Debts and repayment obligations to members/non-members

These debts include the product turnover of 27, 28 and 29 December 2017 and the profit distribution 2017. The repayment obligations to members/non-members include the proposed 2018 repayment liabilities on the Certificates A, B and D (added 2011) and final balance in the participation reserves and the intended repayment obligation of small balances to old members of €8.7 million.

## (14) Other liabilities and accrued liabilities

	2017	2016
Taxes and social security contributions	4,554	4,245
Holiday allowance and days off	11,875	13,610
Interest costs bank and members' loans	1,883	4,587
Accrued liabilities	5,312	6,532
Other liabilities	31,791	31,336
<b>Balance at 31 December</b>	<b>55,415</b>	<b>60,310</b>

## Financial instruments

As of 31 December 2017, the nominal value of Royal FloraHolland's interest rate swap contracts amounted to €168.9 million (2016: €243.9 million) for the coverage of the credit facility in the banks and the balance of Certificates B. Under these swaps, Royal FloraHolland receives a variable interest rate and pays a fixed interest rate.

As of 31 December 2017, the balance of Royal FloraHolland's bank credit amounted to €36.0 million (as of 31 December 2016, bank financing amounted to €141.2 million) with variable interest. To cover this, interest rate swap contracts have been concluded. The average fixed interest rate of 3.1% (2016: 3.8%) is above the market level at year-end 2017, so that the fair value of the swaps is negative at the balance sheet date.

As at 31 December 2017, Royal FloraHolland's Certificates B totalled €200.0 million (2016: €202.8 million).

The interest rate is determined annually and is derived from the yield on 8-year government bonds. To cover the Certificates B, interest rate swap contracts have been concluded.

The fixed interest rate was 3.6% on average at year-end 2017 (2016: 3.6%).

The interest rate swaps have a negative fair value of €13.4 million at the balance sheet date (2016: €21.4 million negative).

At the balance sheet date, Royal FloraHolland had interest rate swap contracts with maturities through 2021.

Royal FloraHolland has no margin calls included in interest rate swap contracts.

Therefore, there is no possible liquidity risk pursuant to interest rate swaps.

## ARRANGEMENTS AND OBLIGATIONS NOT SHOWN IN THE BALANCE SHEET

### Investment obligations

As of 31 December 2017, the investment obligations from projects in progress amounted to €31.5 million (2016: €17.0 million).

For infrastructural adjustments aimed to improve the opening up of the marketplaces, Royal FloraHolland entered into obligations with government bodies and third parties for an 'undisturbed logistical connection' (OLV) (location Aalsmeer), reconstruction of the Middel Broekweg/Veilingroute crossing, and the construction of noise barriers on and the broadening of the N213 (location Naaldwijk) for a total of €2.6 million (2016: €2.6 million).

In 2017, land with a building was purchased that was sold immediately in 2017 to a third party with the obligation to deliver it to Royal FloraHolland 2018 in the agreed condition. With this, Royal FloraHolland concluded a total of €5.1 million in commitments and is entitled to delivery of the land with buildings for €4.0 million.

## Repurchase obligations

In the past Royal FloraHolland entered into contingent repurchase obligations for real estate for a total of €3.5 million (2016: €3.5 million).

## Lease obligations

As of 31 December 2017, lease obligations with a term of less than one year amounted to €1.4 million (2016: €1.6 million) and lease obligations with a term of one to five years amounted to €1.8 million (2016: €2.7 million).

## Rental obligations

As of 31 December 2017, rental obligations amounted to €2.2 million (2016: €2.2 million), of which €0.7 million (2016: €0.7 million) has a remaining term of less than one year.

## Guarantees

Royal FloraHolland has issued various guarantees for a total of €2.1 million, including for Greenpark Boskoop (2016: €2.1 million). Royal FloraHolland also issued bank guarantees for a total of €1.8 million (2016: €1.8 million).

## Other service contracts

As of 31 December 2017, these obligations amounted to €73.5 million (2016: €20.4 million), of which €31.9 million (2016: €14.4 million) has a remaining term of less than one year.

## Notes to the consolidated profit and loss account for 2017

(amounts x €1,000, unless otherwise stated)

### PRODUCT TURNOVER (x €1 million)

	2017	2016
<b>Clock turnover</b>		
Aalsmeer	1,054	1,080
Naaldwijk	658	693
Rijnsburg	316	325
Eelde	22	25
<b>Total clock turnover</b>	<b>2,050</b>	<b>2,123</b>
Direct sales	2,637	2,510
<b>Total turnover Royal FloraHolland</b>	<b>4,687</b>	<b>4,633</b>
Hobaho Horti Groep B.V.	–	102
<b>Total group turnover</b>	<b>4,687</b>	<b>4,735</b>

Royal FloraHolland's total share in clock turnover was 43.7% in 2017 (2016: 45.8%). The share of direct sales in 2017 was 56.3% (2016: 54.2%). The product turnover realised by Royal FloraHolland's members amounted to €4,453 million in 2017 (2016: €4,403 million) and product turnover coming from other suppliers totalled €233 million in 2017 (2016: €230 million).

In 2017, members used the Temporary Exemption from Member Obligations (TEMO) scheme, on which commission payments are charged by Royal FloraHolland. Over an amount of €174 million (2016: €103 million) product turnover, a retrospective TEMO commission payment was paid by members to Royal FloraHolland in 2017.

## OPERATING COSTS

<b>(15) Wages and salaries</b>	<b>2017</b>	<b>2016</b>
Salaries of own employees	113,766	132,829
Third-party staff	39,114	29,775
	<b>152,880</b>	<b>162,604</b>

The wages and salaries item of €113.8 million includes an amount of €4.8 million (2016: €11.1 million) for purposes of the reorganisation facility.

## Compensation of the Supervisory Board, and Management Board remuneration

The compensation of the Supervisory Board and the remuneration of the Management Board are based on the amounts that were charged to the results in the financial year.

The compensation for the Supervisory Board (9 persons) amounted to €415,000 (2016: €465,000). This concerns a fixed compensation for their activities. The Chair of the Supervisory Board receives €50,000 per year plus an amount of €50,000 for recruiting a replacement for the production business.

The Vice Chairman receives €37,000 per year. The members receive €32,000 per year. For membership of the committees, the Chair receives €10,000 and the members receive €5,000.

The Supervisory Board members are also reimbursed for travel and accommodation expenses. The cooperative bears the costs of any training for members of the Supervisory Board or advice to the Supervisory Board.

The total remuneration for the Management Board totalled €1,189,000 in 2017 (2016: €1.066,000). The variable remuneration for the members of the Management Board together was €139,000. For L.B. Vos, this was the average of variable compensation over the past three years and for S. van Schilfgaarde 10.0% of fixed salary. The salary expenses for Mr L.A.C. Buchwaldt in 2016 are reflected until the end date of his employment on 1 March 2016 and salary expenses in 2016 for Mr S. S. van Schilfgaarde as of 17 May 2016.

Remuneration of the Management Board*	2017	2016	2017	2016	2017	2016	2017	2016
	Fixed	Fixed	Variable	Variable	Pension	Pension	Total	Total
L.B. Vos	568	550	97	100	11	11	676	661
S. van Schilfgaarde (as of 17 May 2016)	460	272	42	40	11	6	513	318
L.A.C. Buchwaldt	–	85	–	–	–	2	–	87
	<b>1,028</b>	<b>907</b>	<b>139</b>	<b>140</b>	<b>22</b>	<b>19</b>	<b>1,189</b>	<b>1,066</b>

\* This table excludes the employer's contribution to social security expenses withheld by Royal FloraHolland. The employer's contribution to social security expenses withheld for L.B. Vos in 2017 was €22,000 (2016: €22,000), for S. van Schilfgaarde it was €22,000 (2016: €14).

From 2015 it is no longer possible to accrue pension on annual income in excess of €100,000. Royal FloraHolland has decided to compensate the pension contribution and add this to the salary. The pension compensation for L.B. Vos in 2017 was €50,000 (2016: €42,000), for S. van Schilfgaarde it was €40,000 (2016: €24,000). No variable remuneration is paid on this part of the fixed salary.

Average number of employees and FTEs	2017	2016	2017	2016
	Number of employees	Number of employees	FTEs	FTEs
Operations	1,914	1,986	1,469	1,541
Commerce	523	492	453	429
Strategy, Marketing & Business Development	–	140	–	131
Staff	358	340	327	337
<b>Royal FloraHolland</b>	<b>2,795</b>	<b>2,958</b>	<b>2,249</b>	<b>2,438</b>
Participating interests	57	66	53	57
	<b>2,852</b>	<b>3,024</b>	<b>2,302</b>	<b>2,495</b>

\* Of which 46 employees (45 FTEs) work abroad.

<b>(16) Depreciation and other impairments</b>	<b>2017</b>	<b>2016</b>
Intangible fixed assets	1,943	–
Tangible fixed assets	68,701	67,959
Value adjustments and reversal of value adjustments	1,454	172
	<b>72,098</b>	<b>68,131</b>

## (17) Miscellaneous operating costs

Miscellaneous operating costs in 2017 amounted to €115.4 million (2016: €108.2 million).

The fees charged in the financial year to the group for the external auditor and the audit firm and the entire network to which this audit firm belongs are as follows:

<b>Audit fees</b>	<b>2017</b>	<b>2016</b>
Audit of the financial statements	515	342
Other audit costs	217	91
Tax advisory services	285	125
	<b>1,017</b>	<b>558</b>

The above audit fees of the financial statements are based on the total audit fees of the Financial statements 2017, regardless of whether the activities were already carried out in 2017 or not.

## (18) Corporation tax

	<b>2017</b>	<b>2016</b>
Tax on profit current financial year	497	512
Changes in deferred tax assets/liabilities	-720	95
	<b>-223</b>	<b>607</b>

## Tax burden

	<b>2017</b>	<b>2016</b>
Applicable tax rate	25.0%	25.0%
Effective tax rate	-7.4%	10.2%

The lower effective tax rate in 2017 to the applicable rate is primarily the result of non-deductible expenses, taxed profit of participating interests (-23.9%), withholding tax (-12.2%) and other differences (3.7%).

# Company balance sheet as at 31 December 2017

(After proposed profit allocation (amounts x €1,000))

	Notes	2017	2016
<b>ASSETS</b>			
<b>Fixed assets</b>			
<b>Intangible fixed assets</b>	(1)	<b>17,015</b>	<b>2,774</b>
<b>Tangible fixed assets</b>	(2)		
Land		103,170	95,410
Buildings		315,081	324,425
Equipment, packaging and logistics resources		58,786	65,805
Other fixed operating assets		54,629	65,412
Not used in business operations		112,156	121,135
		<b>643,822</b>	<b>672,187</b>
<b>Financial fixed assets</b>	(3)		
Participating interests in group companies		37,579	33,460
Amounts owed by participating interests		–	2,950
Other receivables		2,535	419
		<b>40,114</b>	<b>36,829</b>

	Notes	2017	2016
<b>Current assets</b>			
<b>Receivables</b>			
Trade receivables		45,104	58,603
Amounts owed by group companies		11,472	13,191
Amounts owed by participating interests		10	235
Other receivables and accrued assets	(4)	13,608	26,731
		<b>70,194</b>	<b>98,760</b>
Liquid assets		24,657	107,698
<b>Total</b>		<b>795,802</b>	<b>918,248</b>



[For a vertical view of the company balance sheet,  
click here.](#)

	Notes	2017	2016
<b>LIABILITIES</b>			
<b>Equity</b>	(5)		
General reserve		137,552	150,823
Legal entities reserve		2,634	2,634
Certificates A		43,043	36,594
Final balance		17,407	32,049
Statutory reserve for participating interests		18,854	4,550
		<b>219,490</b>	<b>226,650</b>
<b>Provisions</b>	(6)		
Provision for deferred tax		1,703	1,759
Reorganisation provision		4,719	11,610
Other provisions		5,762	4,984
		<b>12,184</b>	<b>18,353</b>
<b>Long-term liabilities</b>			
Certificates B *		200,061	202,830
Certificates C *		2,234	3,620
Certificates D *		6,640	6,057
Long-term bank loans	(7)	–	110,526
		<b>208,935</b>	<b>323,033</b>

	Notes	2017	2016
<b>Current liabilities</b>			
Credit institutions including repayment obligations		54,751	25,330
Debts to members/non-members		54,973	62,313
Repayment obligations to members/non-members	(14)	50,340	74,160
Debts to group companies		15,226	19,514
Creditors		34,626	24,616
Deposits		91,357	85,186
Other liabilities and accrued liabilities	(8)	53,920	59,093
		<b>355,193</b>	<b>350,212</b>
<b>Total</b>		<b>795,802</b>	<b>918,248</b>

\* Subordinated loans. Together with the equity, these form the guaranteed capital. The guaranteed capital at year-end 2017 amounts to €428.4 million (2016: €439.2 million).



[For a vertical view of the company balance sheet, click here.](#)

## Company profit and loss account for 2017

(amounts x €1,000)

	2017	2016
Company profit after tax	-2,706	-5,294
Result from participating interests after tax	4,772	8,369
<b>Profit after tax</b>	<b>2,066</b>	<b>3,075</b>

## Notes to the company figures for 2017

### GENERAL NOTES

The accounting policies used for valuation and for the result determination in the company and consolidated financial statements are the same. For more information on the accounting policies, please consult the notes to the consolidated financial statements. The notes to the company financial statements 2017 include only those items that deviate from the consolidated balance sheet.

The exemptions in Section 402 of Book 2 of the Dutch Civil Code have been used in preparing the company profit and loss account.

## Notes to the company balance sheet as at 31 December 2017

(amounts x €1,000)

### FIXED ASSETS

#### (1) Intangible fixed assets

The carrying value at the balance sheet date and its development were as follows:

	Software	Concessions	2017	2016
<b>Balance at 1 January</b>	2,774	–	2,774	–
<b>Changes</b>				
Investments	15,055	–	15,055	2,774
Amortization	–814	–	–814	–
<b>Balance at 31 December</b>	<b>17,015</b>	–	<b>17,015</b>	<b>2,774</b>
Cumulative cost	17,829	6,361	24,190	9,135
Cumulative amortization and impairments	–814	–6,361	–7,175	–6,361
<b>Balance at 31 December</b>	<b>17,015</b>	–	<b>17,015</b>	<b>2,774</b>

Intangible fixed assets are depreciated on the basis of their estimated useful lives:

– Software: depreciation over 5 years.

## (2) Tangible fixed assets

The carrying value at the balance sheet date and its development were as follows:

	Carrying amount at beginning of year	Investments	Transfers	Depreciation & impairments*	Divestments	Carrying amount at year-end
<b>Land</b>						
Land	66,783	–	6,027	–	–	72,810
Site facilities	28,627	–	4,086	–2,353	–	30,360
<b>Subtotals</b>	<b>95,410</b>	<b>–</b>	<b>10,113</b>	<b>–2,353</b>	<b>–</b>	<b>103,170</b>
<b>Buildings</b>	<b>324,425</b>	<b>–</b>	<b>25,374</b>	<b>–34,718</b>	<b>–</b>	<b>315,081</b>
<b>Equipment, packaging and logistics resources</b>						
Equipment	19,032	–	3,677	–5,549	–14	17,146
Packaging and resources used in the logistics process	46,773	–	8,271	–13,404	–	41,640
<b>Subtotals</b>	<b>65,805</b>	<b>–</b>	<b>11,948</b>	<b>–18,953</b>	<b>–14</b>	<b>58,786</b>
<b>Other fixed operating assets</b>	<b>65,412</b>	<b>–</b>	<b>4,023</b>	<b>–14,083</b>	<b>–723</b>	<b>54,629</b>
<b>Not used in business operations</b>						
Land and buildings available for sale on the open market	85,013	–	946	–1,020	–6,294	78,645
Assets under construction	36,122	49,793	–52,404	–	–	33,511
<b>Subtotals</b>	<b>121,135</b>	<b>49,793</b>	<b>–51,458</b>	<b>–1,020</b>	<b>–6,294</b>	<b>112,156</b>
<b>2017 totals</b>	<b>672,187</b>	<b>49,793</b>	<b>–</b>	<b>–71,127</b>	<b>–7,031</b>	<b>643,822</b>
<b>2016 totals</b>	<b>705,261</b>	<b>49,293</b>	<b>–</b>	<b>–67,125</b>	<b>–15,242</b>	<b>672,187</b>

\* Including the reversal of a past value impairment of €1.3 million on land.

	Land	Buildings	Equipment, packaging and logistical resources	Other fixed operating assets	Not used in business operations	2017	2016
Cumulative cost	131,787	857,152	214,173	148,640	150,528	1,502,280	1,460,285
Cumulative depreciation and impairments	-28,617	-542,071	-155,387	-94,011	-38,372	-858,458	-788,098
<b>Balance at 31 December</b>	<b>103,170</b>	<b>315,081</b>	<b>58,786</b>	<b>54,629</b>	<b>112,156</b>	<b>643,822</b>	<b>672,187</b>

The land and buildings available for sale on the open market consist of land that is free to be sold to trading partners and third parties who are not trading partners and the tangible fixed assets of the Bleiswijk location. Land available for sale to trading partners on the open market is kept for future issuance to Royal FloraHolland customers in support of the position as a central marketplace.

In 2017, the largest divestments are the sale of land and buildings in Rijnsburg and the impairment incurred for the florists' clock in Naaldwijk.

The carrying amount for tangible fixed assets over which Royal FloraHolland has no legal ownership amounts to €7.2 million (2016: € 7.5 million).

Assets under construction relate to assets which were not yet in use at the balance sheet date. The assets taken into use during the year are allocated to the applicable asset category via the 'transfers' column. Assets taken into use in 2017 include assets relating to fire safety, major maintenance for buildings, packaging and IT. Investments that were not yet put into use at the end of 2017 include: renovation of the parking roof, ICT infrastructure outsourcing, reconstruction of Fleurcenter, fire safety at Aalsmeer and a contribution to the improvement of infrastructure (N201 Naaldwijk).

Tangible fixed assets are depreciated on the basis of their estimated useful lives:

- Assets not used in business operations are not depreciated.
- Buildings and site facilities: depreciation in 10-33 1/3 years.
- Equipment, packaging, logistics resources & other fixed operating assets: depreciation in 5-10 years.

Carrying value per cash-generating unit*	Land	Buildings	Other	Total	m <sup>2</sup> land (x 1,000)
Market centres	50,580	283,198	194,298	528,076	2,467
'Separate' buildings on the marketplaces	22,230	31,886	–	54,116	159
Land available for sale on the open market	68,152	10,493	–	78,645	845
<b>Totals</b>	<b>140,962</b>	<b>325,577</b>	<b>194,298</b>	<b>660,837</b>	

\* Concerns the sum of the carrying value for intangible fixed assets (€17.0 million) and tangible fixed assets (€643.8 million).

## (3) Financial fixed assets

The carrying value at the balance sheet date and its development were as follows:

	Amounts owed by			2017	2016
	Participating interests	participating interests	Other receivables		
<b>Balance at 1 January</b>	<b>33,460</b>	<b>2,950</b>	<b>419</b>	<b>36,829</b>	<b>29,212</b>
<b>Changes</b>					
Profit of participating interests	4,772	–	–	4,772	8,368
Repayments	–	–2,950	–701	–3,651	–539
Disposals	–	–	2,817	2,817	488
Dividend distribution	–653	–	–	–653	–700
<b>Balance at 31 December</b>	<b>37,579</b>	<b>–</b>	<b>2,535</b>	<b>40,114</b>	<b>36,829</b>

Breakdown of the carrying amount of participating interests at the balance sheet date:

	2017	2016
FH Diensten Holding BV	7,029	7,703
FH Vastgoed Holding BV	14,768	11,860
FH Deelnemingen Holding BV	7,502	5,718
Other participating interests	8,280	8,179
<b>Totals</b>	<b>37,579</b>	<b>33,460</b>

## Participating interests

For a summary of all participating interests, refer to the Appendix.

## Amounts owed by participating interests and other receivables

This item includes loans to participating interests and other associated enterprises. These loans bear an average interest rate of 5.0% (2016: 4.6%) and have a remaining term of less than five years.

## Transactions with related parties

All transactions with related parties are effected at normal market conditions.

## CURRENT ASSETS

### RECEIVABLES

(4) Other receivables and accrued assets	2017	2016
Taxes and social security contributions	4,980	3,923
Prepaid expenses	6,188	4,712
Inventories	542	589
Other receivables	829	1,993
Accrued assets	1,069	15,514
<b>Balance at 31 December</b>	<b>13,608</b>	<b>26,731</b>

The increase in accrued assets is attributable to the prepaid pension contribution 2017 paid in 2016 of €14.9 million.

## (5) Equity

### General reserve

	2017	2016
<b>Balance at 1 January</b>	<b>150,823</b>	<b>152,092</b>
<b>Changes</b>		
Change to statutory reserve for participating interests	-14,304	-2,807
Addition of profit of current financial year	1,033	1,538
<b>Balance at 31 December</b>	<b>137,552</b>	<b>150,823</b>

In anticipation of the adoption by the General Members' Meeting, the profit after tax for the financial year 2017 has been accounted for as follows:

	2017	2016
Addition to the General reserve	1,033	1,538
<b>To be paid out to members*</b>	<b>1,033</b>	<b>1,537</b>
<b>Total profit after tax</b>	<b>2,066</b>	<b>3,075</b>

\* The amount to be disbursed to members is the amount after the deduction of a limited amount for addition to Certificates A if these are not yet fully paid up.

### Legal entities reserve

These 'reserve legal entities' referred to in article 35 of the articles of incorporation, which amounted to €2,634 million as of December 31, 2017 (2016: €2,634 million) was recorded in previous years from the corporation tax disadvantage settled with the member legal entities which resulted from the fact that auction commission payments refunded to member legal entities are not tax deductible. In the current financial year, no changes occurred.

## Certificates A

	2017	2016
<b>Balance at 1 January</b>	<b>36,594</b>	–
<b>Changes</b>		
Added from participation reserve due to amendment of articles of association	–	24,709
Addition for 2017 liquidity contribution	<b>6,733</b>	11,635
Payouts throughout the current financial year	<b>–180</b>	–
Disbursements in the next financial year, recognised under current liabilities	<b>–70</b>	–
Other changes	<b>–34</b>	–
Profit for the current financial year	–	250
<b>Balance at 31 December</b>	<b>43,043</b>	<b>36,594</b>

Article 39 'Transitional provisions 2017' article 'I. Participation reserve' of the new articles of association provides that with effect from 31 December 2016, the credit balance existing at that time of a member in his participation account will be used to fully pay up their Certificate A. To the extent that the credit balance exceeds twenty thousand euros (€20,000), the excess of the credit balance has been added to the 'Final Balance'.

The participation deposits as of 31-12-2016 consisted of the amounts credited by the Aalsmeer flower auction from 1997 through 2015 and amounts credited from the former FloraHolland from 1997 through 2015.

Article 17 (3) (e) of the new articles of association provides that the amount added to the Certificate A can only be paid out after the adoption of the financial statements for the third financial year after the financial year in which the membership of the member ended, and only subject to the condition that the general meeting, following a proposal by the Management Board, decides to make the Certificates A payable that are eligible for this pursuant to the articles of association.

Final balance	2017	2016
<b>Balance at 1 January</b>	<b>32,049</b>	–
<b>Changes</b>		
Added from participation reserve due to amendment of articles of association	–	36,627
Disbursements in the current financial year	–1,242	–
Disbursements in the next financial year, recognised under current liabilities	–13,400	–4,578
<b>Balance at 31 December</b>	<b>17,407</b>	<b>32,049</b>

The final balance of a member or old member are disbursed in eight equal annual instalments to that member or old member, still under the condition that the general meeting, at management's proposal, shall move to disburse and make the intended instalment payable each time in the context of adopting the financial statements for the previous financial year.

Statutory reserve	2017	2016
<b>Balance at 1 January</b>	<b>4,550</b>	1,743
<b>Changes</b>		
Transfer from general reserve - participating interests	64	33
Transfer from general reserve - intangible fixed assets	14,240	2,774
<b>Balance at 31 December</b>	<b>18,854</b>	<b>4,550</b>

The legal reserve is formed for participating interests (€1.8 million) and intangible fixed assets (€17.0 million). The statutory reserve for participating interests is formed for participating interests which are valued at net asset value, but in which Royal FloraHolland does not have a controlling interest. It was formed for intangible fixed assets for capitalised software as these can largely be considered development costs. The statutory reserve for participating interests is equal to the change in the value of the holdings pro rata to the share in the profits of these holdings, minus dividends distributed. For intangible assets it is equal to the historic cost, minus amortization.

<b>(6) Provisions</b>	Provision for deferred tax liabilities	Reorganisation provision	Other provisions	<b>2017</b>	<b>2016</b>
<b>Balance at 1 January</b>	<b>1,759</b>	<b>11,610</b>	<b>4,984</b>	<b>18,353</b>	<b>8,251</b>
<b>Changes</b>					
Additions	–	4,781	1,416	<b>6,197</b>	11,649
Withdrawals	–	–9,473	–595	<b>–10,068</b>	–884
Releases	–56	–180	–43	<b>–279</b>	–137
Reclassification to short-term liabilities	–	–2,019	–	<b>–2,019</b>	–526
<b>Balance at 31 December</b>	<b>1,703</b>	<b>4,719</b>	<b>5,762</b>	<b>12,184</b>	<b>18,353</b>

The provision for deferred tax liabilities originates from differences between the valuation of tangible fixed assets for financial accounting and tax purposes and a recorded cost equalisation reserve. The provision for deferred tax liabilities was calculated on the basis of a corporation tax rate of 25.0% (2016: 25.0%).

The remaining provisions concern provisions for holidays, long-term illness and loss-generating contracts. The reorganisation provision generally has a remaining term of less than 1 year while the other provisions generally have a remaining term of more than one year.

(7) Long-term bank loans	2017	2016
<b>Balance at 1 January</b>	<b>110,526</b>	<b>140,856</b>
<b>Changes</b>		
Repayment liability for next financial year recognised under current liabilities	–	–25,330
Repayments during financial year	<b>–110,526</b>	–5,000
<b>Balance at 31 December</b>	<b>–</b>	<b>110,526</b>

Bank loans were refinanced in 2017 by means of a credit facility obtained from a syndicate of banks. For a detailed explanation, reference is made to note 11 to the company balance sheet.

## CURRENT LIABILITIES

(8) Other liabilities and accrued liabilities	2017	2016
Taxes and social security contributions	<b>3,996</b>	3,827
Holiday allowance and days off	<b>11,860</b>	13,595
Interest costs bank and members' loans	<b>1,813</b>	4,561
Accrued liabilities	<b>4,805</b>	6,036
Other liabilities	<b>31,446</b>	31,074
<b>Balance at 31 December</b>	<b>53,920</b>	<b>59,093</b>

## Financial instruments

As of 31 December 2017, the nominal value of Royal FloraHolland's interest rate swap contracts amounted to €165.0 million (2016: €243.9 million) for the coverage of the credit facility in the banks and the balance of Certificates B. Under these swaps, Royal FloraHolland receives a variable interest rate and pays a fixed interest rate.

As of 31 December 2017, the balance of Royal FloraHolland's bank credit amounted to €36.0 million (as of 31 December 2016, bank financing amounted to €141.2 million) with variable interest.

To cover this, interest rate swap contracts have been concluded. The average fixed interest rate of 3.1% (2016: 3.8%) is above the market level at year-end 2017, so that the fair value of the swaps is negative at the balance sheet date.

As at 31 December 2017, Royal FloraHolland's Certificates B totalled €200.0 million (2016: €202.8 million).

The interest rate is determined annually and is derived from the yield on 8-year government bonds. To cover the Certificates B, interest rate swap contracts have been concluded. The fixed interest rate was 3.6% on average at year-end 2017 (2016: 3.6%).

The interest rate swaps have a negative fair value of €13.3 million at the balance sheet date (2016: €21.4 million negative). At the balance sheet date, Royal FloraHolland had interest rate swap contracts with maturities through 2021.

Royal FloraHolland has no margin calls included in interest rate swap contracts. Therefore, there is no possible liquidity risk pursuant to interest rate swaps.

## ARRANGEMENTS AND OBLIGATIONS NOT SHOWN IN THE BALANCE SHEET

### Investment obligations

As of 31 December 2017, the investment obligations from projects in progress amounted to €22.1 million (2016: €12.3 million). For infrastructural adjustments aimed to improve the opening up of the marketplaces, Royal FloraHolland entered into obligations with government bodies and third parties for an 'undisturbed logistical connection' (OLV) (location Aalsmeer), reconstruction of the Middel Broekweg/Veilingroute crossing, and the construction of noise barriers on and the broadening of the N213 (location Naaldwijk) for a total of €2.6 million (2016: €2.6 million).

In 2017, land with a building was purchased that was sold immediately in 2017 to a third party with the obligation to deliver it to Royal FloraHolland 2018 in the agreed condition. With this, Royal FloraHolland concluded a total of €5.1 million in commitments and is entitled to delivery of the land with buildings for €4.0 million.

### Repurchase obligations

In the past Royal FloraHolland entered into contingent repurchase obligations for real estate for a total of €3.5 million (2016: €3.5 million).

## Lease obligations

As of 31 December 2017, lease obligations with a term of less than one year amounted to €1.4 million (2016: €1.6 million) and lease obligations with a term of one to five years amounted to €1.8 million (2016: €2.7 million).

## Rental obligations

As of 31 December 2017, rental obligations amounted to €2.1 million (2016: €2.0 million), of which €0.7 million (2016: €0.7 million) has a remaining term of less than one year.

## Guarantees

Royal FloraHolland has issued various guarantees for a total of €2.1 million, including for Greenpark Boskoop (2016: €2.1 million). Royal FloraHolland also issued bank guarantees for a total of €1.8 million (2016: €1.8 million).

## Other service contracts

As of 31 December 2017, these obligations amounted to €73.5 million (2016: €20.4 million), of which €31.9 million (2016: €14.4 million) has a remaining term of less than one year.

## FISCAL UNIT

Royal FloraHolland is independently liable for corporation tax at year-end 2017. For purposes of value added tax, Royal FloraHolland is part of a fiscal unit with its subsidiaries FH Diensten Holding B.V., FloraHolland Flower Combination B.V., Flowerdome B.V., Groen Groep Eelde B.V. and Siervast B.V.

Each of the entities belonging to the fiscal unit is jointly and severally liable for the value added tax debts of the fiscal unit.

Aalsmeer, 11 April 2018

[Steven van Schilfgaarde](#)

**CEO Royal FloraHolland**

## Other information

### STATUTORY PROVISIONS PROFIT ALLOCATION

Article 33 of the articles of association of the cooperative specifies the following regarding profit allocation:

#### Article 33

1. If the operating account indicates a net profit, the General Members' Meeting, following a proposal by the Management Board, will determine whether this balance or part thereof will be added to the general reserve and which portion is available for distribution.
2. The portion of the net profit that is not added to the general reserve will be paid to the members and to those whose membership ended in or at the end of the financial year concerned, in proportion to the commission payment that became payable by them in the financial year concerned. The aforesaid amounts will be paid within three months after adoption of the financial statements, on the understanding that if a member has not yet fully paid up his Certificate A, that amount or portion thereof will be added to his Certificate A.
3. If the operating account shows a deficit, such deficit will be charged to the general reserve.
4. If a deficit cannot owing to serious reasons or reasonably be offset by the means indicated in the preceding section, the General Members' Meeting, following a proposal by the Management Board, will decide how and the measures according to which the deficit is to be offset.
5. Pursuant to article 23(2) (i) of these articles of association, motions by the Management Board under this article require approval from the Supervisory Board.

## APPENDIX: LIST OF PARTICIPATING INTERESTS

Royal FloraHolland has a full or partial, direct or indirect interest in the following companies:

	Registered office	Shareholding (in %)
<b>FH Diensten Holding B.V.*</b>	Honselersdijk	100
Agricultural Fulfilment Center B.V.*	Honselersdijk	100
Greenparc Ontwikkeling B.V.*	Honselersdijk	100
Greenparc Ontwikkeling v.o.f.*	Bleiswijk	50
Servi FloraHolland 2002 SL*	Valencia, Spain	100
FloraHolland Flower Combination B.V.*	Honselersdijk	100
FH Consultancy Services Plc.*	Addis Abeba, Ethiopia	50
FH Services Colombia*	Bogota, Colombia	50
Royal FloraHolland Kenya Ltd*	Nairobi, Kenya	1
Sierteelt Verpakkings Pool B.V.*	Honselersdijk	100
De Verenigde Koelhuizen Hobaho B.V.*	Honselersdijk	100
Groen Groep Eelde B.V.*	Eelde	100
Flowerdome B.V.*	Eelde	100
FH Logistics Kenya B.V.*	Honselersdijk	100
Q7 Air Cargo Broker Fzco. (Dubai)*	Dubai Airport Free Zone	80
FH Consultancy Services Plc.*	Addis Abeba, Ethiopia	50
FH Services Colombia*	Bogota, Colombia	50
Royal FloraHolland Kenia Ltd.	Nairobi, Kenya	99
FH Services Italy S.r.l.*	Milan, Italy	100
Royal FloraHolland Hong Kong Ltd.*	Hong Kong, China	100
Royal FloraHolland Co. Ltd. (WFOE)*	Hong Kong, China	100
Trias Westland B.V.	Poeldijk	33.33
Stichting administratiekantoor Hubways N.V.	Bunnik	25
Hubways N.V.	Bunnik	25

\* Participating interest to be consolidated.

	Registered office	Shareholding (in %)
FloraXchange B.V.*	Honselersdijk	50.056
FloraXchange Services B.V.*	Honselersdijk	100
Ethiopian Perishable Logistics Plc.	Ethiopia	10
Fresh Port Plc.	Ethiopia	99
<b>FH Vastgoed Holding B.V.*</b>	Honselersdijk	100
Siervast B.V.*	Rijnsburg	100
FH Vastgoed V B.V.*	Honselersdijk	100
D.Z.F. Naaldwijk	Honselersdijk	20
Cash & Carry Bleiswijk Vastgoed B.V.*	Bleiswijk	100
Metz Vastgoed II B.V.	Honselersdijk	90
Metz Vastgoed II B.V.	Honselersdijk	90
Javado Vastgoed B.V.*	Honselersdijk	51
Plant Port I B.V.	Aalsmeer	49.5
Greenpark Boskoop B.V.	Hazerswoude-Dorp	50
HBC Beheer B.V.	Naaldwijk	30
HBC Vastgoed B.V.	Naaldwijk	100
HBC Vastgoed 2 B.V.	Naaldwijk	100
Floriworld B.V.	Aalsmeer	33.33
<b>FH Deelnemingen Holding B.V.*</b>	Naaldwijk	100
Plantion Holding B.V.	Bemmel	35
Veiling Rhein Maas GmbH & Co KG	Herongen, Germany	25
<b>Sivepo C.V.*</b>	Leiden	100
<b>Greenparc Ontwikkeling v.o.f.*</b>	Bleiswijk	50

\* Participating interest to be consolidated.

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**Bidding hall:** A reverse auction or Dutch auction is an auction in which a product is priced too high, and the price then falls until someone agrees.

**BVP:** Best Value Procurement.

**EBG:** Energie Besparingssysteem Glastuinbouw (Greenhouse Agriculture Energy-saving System).

**FLOW:** Floricultural Logistics Optimization Worldwide

**FPC:** Royal FloraHolland ProductCommissie (Royal FloraHolland Product Committee).

**FSI:** Floriculture Sustainability Initiative.

**GRI:** Global Reporting Initiative.

**GRSC:** Governance, Risk, Security & Compliance programme.

**HNV:** Het Nieuwe Veilen (The New Auctioning).

**IMVO:** Internationaal Maatschappelijk Verantwoord Ondernemen (International Socially Responsible Enterprise).

**IPM:** Integrated Pest Management.

**Clock pre-sales:** Via FloraMondo, Royal FloraHolland's online trade platform, members are well-prepared and flexible in their purchases. They can view the total clock supply and can immediately purchase small quantities of flowers and plants via pre-clock sales. They can also purchase products that they certainly wish to have prior to the auction. This limits their inventory risk and they avoid purchasing stress at the auction.

**KOA:** Kopen Op Afstand (Distant Sales). With KOA, members have access to all Royal FloraHolland flower and plant clocks in Aalsmeer, Eelde, Naaldwijk and Rijnsburg. LTO: Agriculture and Horticulture Organisation. Material issues/topics: the topics relevant to the stakeholders.

**LTO:** Land- en TuinbouwOrganisatie (Agriculture and Horticulture Organisation).

**Material issues/topics:** the topics relevant to the stakeholders. GRI refers to these as material topics. The word 'material' has to do with the topics 'mattering' to the stakeholders – i.e., they make a difference.

Issues that matter: the idea is that that is what we should report about in particular. Organizations that focus on this gain in terms of transparency.

**MPS:** Milieu Programma Sierteelt (Floriculture Environmental Programme).

**MVO:** Maatschappelijk Verantwoord Ondernemen (Corporate Social Responsibility/CSR).

**NCR:** Nationale Coöperatieve Raad (National Cooperative Council).

**NEV:** Nationale Energie Verkenning (National Energy Reconnaissance).

**NGO:** Non-Gouvernementele Organisatie (Non-governmental organisation).

**OCAP:** Organic Carbondioxide for Assimilation of Plants.

**RAC:** Regio Adviescommissie (Region Advisory Committee).

**Remco:** Selection and Remuneration Committee.

**SDG:** Sustainable Development Goals.

**SWIFT:** Society for Worldwide Interbank Financial Telecommunication.

**VBN:** Vereniging van Bloemenveilingen in Nederland (Dutch Association of Flower Auctions).

**VBS:** Veiligheidsbeheerssysteem (Safety Management System).

**VBW:** Vereniging Bloemist Winkeliers (Floral Retailers Association).

**VVI:** Veiling Volmacht Incasso (Auction's Collection Proxy).

## Publication

Royal FloraHolland

## Text and final editing

C&F Report in cooperation with Royal FloraHolland

## Photography

Erik van der Burgt - Verbeeld fotografie

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