



Digital annual report 2016

This digital annual report includes the following sections:

- Video preface by Royal FloraHolland CEO Lucas Vos
- ‘Responsive Reporting’ website divided into the following three parts:
 - Strategy 2020, including the incorporated strategic issues
 - Facts and Figures 2016: List of key figures
 - Sustainability: List of the main sustainability issues relevant to Royal FloraHolland (also referred to as ‘material issues’)
- Interactive PDF containing the full annual report for 2016, including the 2016 financial statements

This is the first Royal FloraHolland annual report to include a comprehensive section on sustainability. This section serves to elucidate our sustainability goals and our sustainable role in the floriculture industry, including by defining a clear set of objectives. We apply the Global Reporting Initiative (GRI) Standards, the global best practice used for sustainability reporting. They were designed to be used as a set

by organisations, for the purpose of reporting on their impact on the economy, the environment and society. This report is based on the GRI option ‘Core’. The back section of the report includes a separate GRI table containing page references to the relevant GRI components.

Terms used in this annual report include: ‘Royal FloraHolland Cooperative U.A.’, ‘Royal FloraHolland’ and/or ‘the cooperative’.

The management of the cooperative prepared the Royal FloraHolland annual report 2016 on 12 April 2017. The report was subsequently approved by the Supervisory Board on 12 April 2017. The annual report will be submitted for approval to the General Members’ Meeting on 1 June 2017. FloraHolland publishes a report annually. The management of the cooperative prepared the FloraHolland annual report 2015 on 13 April 2016 and the report was approved by the General Members’ Meeting on 2 June 2016.

Disclaimer

The annual report 2016 contains statements relating to the future. These statements are based on current expectations, estimates and projections of the Royal FloraHolland management. The information which was available at the time this annual report was drafted provides no assurance that the expectations, estimates and projections will be realised.

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Action and Connection

We are pleased to present you with this 2016 Royal FloraHolland annual report. I would first like to thank our members, their customers and our employees for their trust and commitment over the past year. Thanks in no small part to their support we have been able to make some major strides in implementing our Strategy 2020. The active input of our members, customers and employees during the various regional and customer meetings, along with their participation in the Advisory Councils on Flowers and Plants, the FCPs and in the Customer Platform, are highly valued and will help us to further improve our business operations.

Dynamic market

Established 106 years ago, Royal FloraHolland is the world's largest international flowers and plants marketplace. Our *raison d'être* as a cooperative is wholly dependent on the satisfaction of, and our relationships with, our members and customers. This is more important today than ever, as the market in which we operate is in constant flux. Examples of current changes include the digitisation of the floriculture industry, changes in logistics processes and – above all – the transition to a demand-driven supply chain.

We are also seeing a number of shifts in the geopolitical landscape.

Adapting to change

We are better equipped today than in the past to respond to these various changes. For one, we are pressing ahead with the digitisation process, which is essential as the market and technology are undergoing rapid change and growers and customers are becoming increasingly demanding. In order to take the next step successfully and retain a firm grip at the same time, we are in the process of integrating all digital platform innovations into FloraMondo 2.0. In order to facilitate an all-new Digital Trading Platform. Through the FloraMondo online trading and transaction platform, we are currently providing a wide, global selection of flowers and plants. A total of 2,600 growers and 900 customers already subscribe to this platform, while growers offer their products to thousands of customers and end customers through 180 affiliated online stores.

Another example of a successful and dynamic project is 'Let it Grow', an innovative international initiative through which we support and connect 'green' businesses. This is our way of boosting and supporting innovative concepts which meet consumers' changing



'It's a good thing that growers and their customers are coming up with more initiatives to entice consumers.'

demands. Let it Grow reaches new markets and target groups, and through this platform we advertise the emotional and functional value of flowers and plants.

Acceleration, expansion and connection

Our strategic goals have remained unchanged: improving profit margins for our members and their customers and promoting the sale of flowers of plants among consumers. In 2016 we focused on three objectives: acceleration, expansion and connection. As part of our acceleration efforts, we downsized our management team and changed the organisational structure. We also improved operational effectiveness by integrating a number of innovation projects. This has helped us to improve and optimise our processes, resulting in higher quality and lower costs. In order to expand and connect, we took some major steps, in co-creation with our members and customers, in creating a digital marketplace: Het Nieuwe Veilen (The New Auctioning). Digital will inevitably be the standard in the future.

Flourishing year

This has been a particularly successful year for the floriculture industry, in which Royal FloraHolland traded 12.5 billion products (excluding the Hobaho Horti Groep B.V.), an increase of 0.3%. We are on track to achieve our

targets for 2020. Revenue rose by 3.8% to reach €4.6 billion. The main turnover drivers were the higher prices growers received for their flowers and plants. Price levels increased by an average of 4.2%. The unit price of cut flowers remained unchanged at €0.23, while the price of house plants fell slightly to €1.62 per unit (decrease of 1.3%) and the price of garden plants increased by 6.3% to €1.08 per unit. Total turnover from the sales of cut flowers reached €2.7 billion, an increase of 6.7%. In the House Plants product group, turnover fell by 1.3% to €1.5 billion. The turnover of garden plants increased by 4.7% to nearly €0.4 million.

Outlook: Action

In 2017 we will continue to make connections with our members, their customers and our employees. This will be a year of action, including the implementation of several strategic plans. Since sustainability is a key component of these plans, we are publishing an annual report in which we clearly set out our sustainability objectives for the first time this year.

We changed the way we finance the cooperative effective 31 December 2016. This modified financing arrangement will improve and expand our financial basis. A total of 92% of our members have approved

the new arrangement. Our Cooperative 2020 plan focuses on updating the basic principles of our cooperative with the related governance rules, membership types, and rates. In so doing, we are laying the foundation of the cooperative of the future. This was one of the reasons our members approved the new construction/renovation of the central building at our Aalsmeer site. The purpose of this exercise is to create more room for our customers' clientele and for our transport partners. This will also help improve safety: asbestos will be removed, levels of particulate matter will be reduced, and fire safety will be improved.

We have consulted with our members and customers on how to implement our goals and the resulting changes. I am pleased to note that vast numbers of you are supportive of this strategy, for which I am particularly indebted to you. With the outlines of our plans now in place, we can face the future with fresh confidence.



Lucas Vos
CEO, Royal FloraHolland



Vision

Plants and flowers are a way for consumers to express their emotions.

Flowers, with their many exuberant shapes and colours, represent beauty and emotion. Plants contribute to a beautiful and healthy environment. Together with our members and customers we make the world a little bit healthier and more beautiful with all these wonderful flowers and plants. We strive to see the floriculture industry flourish more than ever before.



Mission

Flowering the World Together: Planting Seeds of Opportunity for our Members.

Royal FloraHolland has been working with its growers and customers for more than a century on beautifying the world and making it a healthier place through flowers and plants. We are the leading international marketplace and information partner in the floriculture industry and contribute to the success of our growers and their customers. A total of 100,000 transactions are completed at Royal FloraHolland every day, involving more than 400,000 different plant and flower varieties. Our streamlined logistics system ensures that these high-quality products are transported all over the world in no time at all. Our flowers and plants bring our consumers joy and allow them to make special moments even more special as they enhance their feelings of gratitude, love, regret, happiness and comfort.

Flowering the world.

Strategy 2020

The Royal FloraHolland Strategy 2020 has two clear goals:

1. Improving profit margins for our members and their customers, by:
 - Improving the efficiency of the logistics supply chain.
 - Significantly reducing the costs of Royal FloraHolland, i.e. 'back to basics'.
 - Serving as an open marketplace based on competitive, stable pricing.
2. We can promote sales of flowers and plants among a larger number of consumers in the following ways:
 - Possessing superior knowledge of the market and consumers – the best in the business.
 - Assuming a leading role in promoting the floriculture industry across Europe.
 - Serving as an innovation centre for the global floriculture industry.

The primary goal of this strategy is to increase our market share by 20% by the year 2020 and to increase consumer purchases of flowers and plants by 20% (compared with the reference year 2014).



Royal FloraHolland operates in a rapidly changing market. These changes include increases in scale, changes in distribution and logistics processes, and further digitisation of the auction process. At the same time, consumer behaviour is changing as well: a growing number of consumers are purchasing flowers and plants from garden centres and supermarkets, causing a shift in the retail supply chain. In order to continue adapting to these and other trends, we further refined our strategy in 2016.

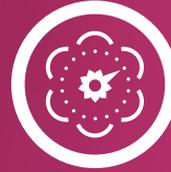
We are currently focusing on:

- Improving the span of control. A number of changes were therefore made in 2016 to the management team, the organisational structure and the governance system.
- We improved our operational effectiveness by integrating projects. The Project Portfolio Board, which was established in 2016, ensures that we maintain the right focus needed to be successful.
- The number of strategic objectives has been reduced from ten to six:
 - Turnover increase in Europe.
 - Turnover increase outside Europe.
 - Increasing consumer spending.
 - Stable and competitive pricing.
 - Operational excellence and cost reduction at Royal FloraHolland.
 - Cost reduction in the floriculture supply chain.

**Our strategy is divided
into seven strategic
programmes:**



Improving Together



The New Auctioning



FloraMondo 2.0



FLOW



Cooperative 2020



Let it Grow



World Flower Exchange



The New Auctioning Digital is the standard



Members and customers are looking for a digital marketplace where they can conduct business effectively and efficiently.

The solution is the New Auctioning, which was created in association with our stakeholders. With digital fast becoming the new standard, this allows for a substantial cost reduction in the operations of Royal FloraHolland. The following three major changes are required in order to create this marketplace of the future:

- Digital Auction Process: introduction of a nationwide, virtual clock ('regular auction') system in Aalsmeer and Naaldwijk combined with a number of physical clocks based on payment. The New Auctioning also means we facilitate 'today's transactions tomorrow'. This literally means 'bought today, delivered tomorrow'. We conducted an investigation in association with Erasmus University Rotterdam into the most efficient way of organising this system.
- Customised logistics: both for the regular clock auctions and for direct flows, we are seeing a persistent trend toward increasingly smaller order units and therefore toward

a more expensive and complex logistics process. Robotisation will help to organise this with Royal FloraHolland more efficiently. We aim to distribute volumes in order to keep expenses in check.

- FloraMondo 2.0: creating a 24/7 online transaction platform. This ensures optimum transaction possibilities and maximum support for pricing.

Partly on the basis of the unanimous recommendation of the Flowers and Plants Advisory Councils, the members have opted to retain the clock for the morning auctions. At the same time, the implementation will start of the full transition to video auctioneering using product images projected onto the clock. The first experiment involving a national clock is scheduled for mid-2017. By the end of the year, a fully video-based auction system will also have been implemented for plants.



FloraMondo 2.0

Evolution from FloraMondo to a Digital Trading Platform

The FloraMondo online trading and transaction platform provides a wide global range of flowers and plants.

The current FloraMondo subscriber base includes more than 2,600 growers and 900 customers. Growers offer their products through 180 affiliated online stores to thousands of customers and end customers. They can view the entire clock supply at the world's largest auction and purchase items directly online through clock pre-sales or direct trading. This gives growers greater control over product pricing online and they are better able to compete through specific products and services. This is also how the best possible price is created.

FloraMondo's turnover through clock pre-sales and direct sales increased by 54% in 2016 to €112.1 million. The number of clock pre-sale transactions, in particular, increased substantially, although direct sales through FloraMondo fell short of the projections. The millionth order was placed in week 28. The number of orders placed per week currently stands at an average of 41,000 (year-end 2015: 19,500), a number that continues to rise. By the end of 2016, the number of weekly users of

the service had reached 1,000 (versus 700 in 2015).

This growth notwithstanding, we aim to further expand the FloraMondo platform. Royal FloraHolland is focusing on further optimisation so as to ensure that the platform in its current format can continue to be used in the immediate and more distant future. This is essential, as market trends and advances in technology are occurring at a fast pace, and growers and customers are becoming increasingly demanding. In order to move to the next level in a way that is both effective and measured, the company decided in late 2016 to integrate the vision of the 24/7 platform, as part of the New Auctioning, into the existing FloraMondo platform. This marked the start of FloraMondo 2.0. Our goal for 2017 is to migrate the existing FloraMondo functionality to a new scalable foundation, based on a new technical architecture. In addition, two new features will be delivered in FloraMondo: an international payment option and a garden product module.



Cooperative 2020

Towards the Cooperative of the Future



The objective of Cooperative 2020 is to strengthen the floriculture industry so that growers can create international growth together and remain ahead of a dynamic market.

The Cooperative 2020 programme focuses on the following four goals:

- The added value of the cooperative. By 2020, Royal FloraHolland will be a flourishing cooperative for members with clearly defined cooperative basic principles and values.
- Control and influence. Royal FloraHolland has a cooperative governance system in place which makes it possible to respond more quickly to changes in the market.
- Membership types. Royal FloraHolland provides various options for membership. The benefits and conditions of the options available are clear, and members know what to expect when they join or leave the cooperative.
- Transparent rating system. Royal FloraHolland employs a transparent and fair rating system that gives its members value for money. We aim to build a thriving cooperative together where customers and members like to meet to conduct business and learn from one another.

The interaction between members is a central focus of this process. In a series of interactive sessions, members provide input regarding cooperative basic principles (the new 'Why' question: What drives us?), including a governance system, membership types, and rates. This is how we are laying the foundation for the cooperative

of the future. A management team, consisting of thirteen members who reflect the composition of the member population, supervises the interactive sessions accompanied by a facilitator. A programme team consisting of technical experts monitors the coordination process.

The first two interactive member sessions focused on the added value of the cooperative. The year 2016 also saw the launch of a debate on governance. A number of sessions were held in the Netherlands, Belgium, Germany and Israel. This will be followed by three or four more sessions in 2017, where the topic of governance will be completed and the debate will turn its focus specifically to membership and rates. In 2017 sessions will be held in Ethiopia and Kenya in addition to Israel. Our objective is to complete the formal decision-making process at the end of 2017.

Attendance at these meetings was high: 810 unique members attended the sessions altogether (we surveyed a total of 965 members, including 810 unique ones). The first two sessions received an average score of 7.5, while the international sessions were awarded with an average score of 8.5. More than 90% of attendees stated that the sessions met their expectations.



World Flower Exchange

The World is Our Playing Field



The World Flower Exchange concentrates on new markets outside Europe, with a special focus on Asia.

Our target is to generate €200 million in additional turnover by 2020 and to increase total turnover to €1 billion. The current focus is on South East Asia, and China in particular. The 800 million people who currently populate China's metropolitan areas have more disposable income than ever, and more than three-quarters of Chinese people are expected to earn an above-average wage by 2022. In addition, 60% of Chinese currently make an online purchase at least once a week (mostly using their smartphone). The Chinese share a love of Western-made consumer goods, as they perceive these to be of high quality. Younger generations of consumers, in particular, are developing an interest in flowers and feel they are a good way to define and enhance their personal lifestyle.

Trials completed

The Chinese floriculture market is worth approximately €6 billion. A number of operational and commercial trials were therefore conducted in 2016, following extensive market research, including in the florists' market, at online retailers and in the retail market in the Greater Shanghai Area. Like many people in the West, the Chinese celebrate Valentine's Day. One of the larger trials conducted focused on investigating how African products could be delivered to end customers (including florists, retailers and consumers) in as fresh a condition as possible using innovative cooling methods. We are developing this new market together with our members, customers and local Chinese partners. For this reason, a proof-of-concept stage was launched in 2017. Volumes are rising, not just in Africa but across Europe as well. In addition, a managed cooling chain has helped open up areas around Guangzhou and Beijing.



Let it Grow

Dynamic and innovative platform

Let it Grow is an international innovation project that supports and connects 'green' businesses in order to meet changing consumer demand through innovative concepts.

The purpose of this initiative is to reach new markets and demographics. By telling the entire world about the emotional and functional value and meaning of flowers and plants, consumers will become more aware of this value. The platform is currently focused on both consumers and businesses, 'early adopters' who want to make urban areas around the world healthier and more beautiful with flowers and plants. In 2016, Let it Grow established itself as a dynamic online platform for innovators.

The platform is developing successfully. With nearly 100 articles and features published on the initiative (worth roughly €1 million in free publicity), Let it Grow has attracted its share of media coverage. More than four million people learned about the initiative, resulting in 15,000 new consumers joining. Half of these members live outside the Netherlands. A total of more than 160 innovations have been collected worldwide. The startups have also been successful. Seven enterprising teams, selected from 130 applications from eight different countries, are now developing into innovative concepts. On the strength of its successful start, the initiative will be expanded in 2017 to include other market players.





FLOW

Collaborating and creating synergy in the floriculture supply chain



The central focus of FLOW is the co-creation of value across the floriculture supply chain as a whole. This is based on the notion that disruption is the new standard in the business world.

In 2016 we laid the foundation for the year 2017. The trends and developments in our industry have been identified and analysed and their impact has been determined. Several analyses have been conducted at the grower, customer, logistics, service provider and consumer level. In addition, a total of 80 interviews have been conducted among supply chain partners in the Netherlands and abroad. This has enabled us to learn where the logistics expenses are concentrated and what logistics challenges we face.

A number of analyses have now been completed. We will draft a supply chain efficiency plan and will release this in 2017, with a clear focus on quick wins. We have set a cost-savings target of 15% for 2018. A well-organised logistics supply chain supports members and their customers in successfully doing business in a market which is becoming increasingly virtual. This increases the competitive strength of the sector over the long term.

This has the following objectives:

- Optimising the transport supply chain and the quality of the transport itself.
- Determining the most effective logistical role for growers and traders outside the marketplace.
- Providing solutions to organise the logistics flows to the Royal FloraHolland marketplace more efficiently and effectively.



Improving Together **Better Every Day**



Improving Together is an internal programme focused on improving the customer focus of Royal FloraHolland employees.

By listening carefully to our members and customers, thinking in terms of processes, and making decisions based on data, we aim to continuously improve our services by applying the following four methods: Lean, Six Sigma, Agile, and Customer Journeys, with the objective of maintaining a constant focus on making Royal FloraHolland a more agile and flexible organisation. This ensures that several improvement processes are permanently integrated into the organisation. This is one of the reasons that damage to flowers and plants has been reduced and the quality of the

information supplied to our customers has been improved. We have also increased safety in customer areas in Naaldwijk.

In the immediate future, we will be reducing lead time following the auction process by making changes to the financial process; this ensures that growers receive their funds more quickly. At the same time, we are also improving the monitoring process of customers' payment arrears, resulting in a mitigation of corporate risks. Cutting costs is another priority.

Objectives for 2017 and implementation in 2016

	Objective for 2016	Result for 2016	Objective for 2017
 Turnover (in € million)	4,550	4,575	4,800
 Operating profit (in € million)	21.0	27.0	30.3
 Customer satisfaction	33%	29%	44%
 Member satisfaction	50%	51%	60%
 Employee engagement	75%	65%	70%

The strategic objectives for 2016 and 2017 are shown above. They are based on KPIs for the main stakeholders of Royal FloraHolland: **customers, members and employees.**

With the exception of employee engagement and customer satisfaction, the objectives for 2016 were attained for all KPIs, which is a good result.

Employee engagement has been affected somewhat by the recent organisational restructuring.

Turnover

(in € million)

2016	4,633
2015	4,465
	↑4%

Revenue

(in € million)

2016	378
2015	383
	↓1%

Balance sheet total

(in € million)

2016	910
2015	895
	↑2%

Profit after tax

(in € million)

2016	3
2015	12
	↓75%

Total costs

(in € million)

2016	384
2015	369
	↑4%

Solvency

(in %)

2016	25.1
2015	24.7

Cost-covering commission

(net in percentages)

2016	3.6
2015	3.8
	↓5%

Investments - net

(in € million)

2016	53
2015	48
	↑10%

Risk-bearing capital

base (in € million)

2016	54.9
2015	57.5

Results for 2016



Total turnover
(in € million)

4,633



Revenue
(in € million)

378



Operating profit*
(in € million)

27

* Excluding Royal FloraHolland 2020 and reorganisation costs.

The year 2016 was characterised by a number of positives and negatives. Royal FloraHolland traded a total of 12.5 billion products, an increase of 0.3%. One positive is that turnover increased by 3.8% to more than €4.6 billion (2015: €4.5 billion). This means we are on track to achieve our objectives for 2020. Revenues fell marginally by 1.3%, to €378 million (2015: €383 million), while operating profit increased by 3.8% to €27 million (2015: €26 million). The financial ratios are at the appropriate level and will remain so, which is an excellent foundation for the future.

At the same time, expenses to achieve our strategic objectives increased substantially: from €12 million in 2015 to €22 million in 2016. In order to reverse this trend we have integrated a number of projects and are focusing the priority on reducing expenses in our business operations. The result of these efforts is that operational costs have decreased slightly this year despite the increase in salary expenses as a result of, among other things, increases under the Collective Labour Agreement: from €357 million in

2015 to €351 million in 2016. We intend to redouble these efforts in 2017.

In order to ensure that our growth objectives for 2020 will be achieved, we will be investing in 'action and connection', and we are well underway to success in this regard. For example, the span of control has been improved by making improvements to the management team, the organisational structure, and our governance system. In addition, several departments were merged with the objective of further improving effectiveness. A corporate reorganisation was announced in 2016, for which a reorganisation provision was made in the amount of €11 million. This is offset by a one-time €6 million increase in income from participating interests as a result of sales transactions.

Year of Focus

The year 2016 can be characterised as the year of focus: this includes a focus on cost and management of regular business operations, as well as on the further prioritisation of our strategic programmes and internal improvement projects. A special Project Board has been established in order to structure and sustain this focus in the future. In addition, we established a separate steering committee which actively monitors the progress of our strategic programmes, making adjustments where necessary.

Operating result (in € million)	2016	RFH 2020	2016 excl. 2020	2015 excl. 2020
Turnover	4,633		4,633	4,465
Revenue	378		378	383
Salary expenses	182	7	175	172
General expenses	108	15	93	95
Interest and depreciation	83		83	90
Operating expenses	373	22	351	357
Operating profit	5	-22	27	26
RFH 2020			-22	-12
Reorganisation costs	-11		-11	
Participating interests	8		8	2
Corporation tax	1		1	-4
Profit after corporation tax	3		3	12

Record-level exports

Dutch exports of flowers and plants increased to record levels in 2016, reaching a total of €5.7 billion, a 3% increase over last year. Exporters expect this positive trend to continue in 2017. Germany remains the largest market for Dutch plants and flowers: exports to Germany increased by 7% to reach more than €1.6 billion, accounting for 61% of total export growth. Exports to other countries also increased, with the exception of the UK, where the sharp fall of the pound sterling had a stagnating effect. Russian exports remain moderate due to the trade restrictions which remain in place.

Mixed results in the various segments; increase in overall price levels

The turnover increase to €4.6 billion is driven – in addition to the growing volumes – largely by higher prices (with average increases of 4.2%) for plants and flowers. Average price per unit increased to €0.37 (2015: €0.36). The unit price for cut flowers remained unchanged (€0.23), while the price of house plants fell slightly to €1.62 per unit (a decrease of 1.3%) and the price of garden plants increased by 6.3% to €1.08 per unit. Total turnover from cut flowers sold through our marketplace in 2016 reached €2.7 billion, representing a 6.7% increase over last year. The volume of cut flowers increased marginally, by 0.4%. Turnover in the House Plants product group fell by 1.3% to €1.5 billion, mainly due to lower average prices. The number of units supplied remained unchanged from the previous year.

Turnover from the sale of garden plants increased by 4.7% from 2015, to €369 million. Volume fell by 1.4%.

Shift from regular auction sales to direct sales

We again saw a shift in 2016 from regular auction sales to direct sales between growers and customers. This shift accounted for 1.9%, making it slightly stronger than the previous year. Regular auctions accounted for 45.8% in 2016 (versus 47.7% in 2015) of total turnover, while 54.2% was sold through direct flows (versus 52.3% in 2015). In direct sales, we are seeing a total increase of 7.5%, including 16.7% in Cut Flowers, 0.1% in House Plants and 9.9% in Garden Plants. Direct sales are expected to continue to increase, which means that Royal FloraHolland will need to respond to this trend. An important part of the Strategy 2020 is focused on this objective.

Stable operating profit

At €27 million, operating profit was €1 million higher than last year. Relevant trends in relation to this profit include:

- Shift from auction sales to direct sales causes a decline in revenue even if total turnover increases. This is because direct transactions require fewer operations and are therefore subject to a lower rate.
- Continuation of the trend to a reduction in the number of transactions: if the amount of work declines (i.e. number of trolleys traded), average transaction fees increase, resulting in a lower operating profit.

- The number of trolleys required for regular auction sales increased by 6% to 5.3 million units, while the number of regular auction (clock) transactions decreased by 0.6%.
- Total expenses were lower than in 2015, mainly due to the sales of specific operations and the sale of assets. This trend began in 2015 and continued more forcefully this year.

Ratios at the appropriate level

Members' financing serves as the cooperative's main foundation; this means clear targets must be set for the financial ratios. The objective is to bring the solvency level to at least 30%. The risk-bearing capital base should preferably have a range of between 45% and 55%. Liquidity should be such that the ratio between bank financing and EBITDA cash flow remains unchanged and below a value of 3. This ratio indicates the speed with which the bank loan can be redeemed from free cash flow resources.

The following conditions applied to these ratios at year-end 2016:

Financial ratio	Status 2016
 Solvency	25.1%
 Risk-bearing capital base	54.9%
 Liquidity	1.8

Cost savings and reorganisations

The reorganisations announced in 2016 will be effected in 2017: the company will let go an estimated 100 employees in the Commerce, Facility Management, IT and support departments.

This number is in addition to the ongoing reduction in current outsourcing processes in IT and Facility Management.

One of the company's strategic objectives is to reduce cost levels by approximately 33% in 2020 (€104 million, based on price levels for 2014). This covers all operating costs, including salary expenses. More jobs are therefore set to be eliminated over the next several years. Some minor reorganisations and modifications will be made in Operations which are necessary in order to achieve objectives relating to safety, quality, lead time and costs in 2017. Reorganisations are always painful, particularly in a close-knit work environment such as ours. However, we are compelled to continue with these redundancies. The employees concerned are receiving personal support, and a redundancy plan has been drafted in association with the unions.

Taxes

The Finance department is responsible for managing and monitoring Royal FloraHolland's tax status. Royal FloraHolland uses key controls in order to guarantee accuracy and completeness. Royal FloraHolland has signed an agreement (for horizontal supervision) with the Dutch Tax. The purpose of the agreement is to create an effective and efficient set of procedures between the two parties.

Employees

The total workforce had fallen by 2% to 2,379 FTE as at year-end 2016, partly as a result of attrition and various organisational changes. The company also welcomed around 100 new employees, who are needed to further update our business operations, including in the areas of sustainability, smart operations and domestic and international commerce.

Balance sheet total

Due to several factors, including increased liquid assets, the balance sheet total increased by €15 million to €910 million. Particularly due to divestments and the fact that investment levels (€53 million) fell below depreciation (€68 million). Investment levels are expected to rise over the next year, particularly as a result of further investment in digitisation.

The total amount in fixed assets was €35 million lower than last year.

Change in the financing of the cooperative

The financing of the cooperative changed on 31 December 2016. This modified financing arrangement will improve and expand our financial basis. Until 2016, the members financed the cooperative by means of members' loans and the participation reserve. These have now been converted into 'A' and 'B' Certificates. The 1% deduction of membership turnover will remain in place. The members will use the deduction first to create an 'A' Certificate worth a maximum of €20,000, which will remain registered in their name and will remain within the cooperative for the duration of the membership period. Once the 'A' Certificate has been fully paid up, the member accumulates the 'B' Certificate. These are also registered by name, but are generally transferred back to the member after eight years. The 'A' Certificates are included in the annual result, while the 'B' Certificates bear interest, as is the case with the current members' loans.

Towards company membership

Under the old financing system, the membership of the cooperative included both natural persons and legal entities. Following the amendment of the articles of association on 31 December 2016, all members only hold company membership, resulting in a significantly simplified registration process.

Increase in equity

For the first time in 2017, growers have the option to redeposit refunded monies into 'A' Certificates. Growers can decide whether or not to pursue this option. Members can also use a portion of the refunded amount to be deposited. This was a specific requirement of the growers who attended the regional meetings in autumn 2016.

Extensive communication and control process

Following a long discussion at the regional meetings held in 2016, the changed financing of the cooperative was adopted by a vote of the General Members' Meeting held on 2 June 2016. A total of 92% of the General Members' Meeting approved. The amendment of the articles of association became effective on 31 December 2016. The financial statements were prepared based on the new articles of association.

Sale of participating interests and real-estate properties

Hobaho Horti Groep, which specialises in brokering and processing flower bulbs, merged with processor Dümme Orange in 2016. Dümme Orange acquired the shares of FH Diensten Holding in Hobaho on 13 September 2016; this is a wholly-owned subsidiary of Royal FloraHolland. The acquisition is a key part of the realisation of Hobaho's strategy to promote innovation in the flower bulb industry and achieve further growth. In addition, 13% of the stake in ABC Poeldijk was sold. ABC Poeldijk is a subsidiary of FH Vastgoed Holding.

Compliance

A compliance programme was launched within Royal FloraHolland in 2016. In establishing this programme, we implemented the recommendations of our external accountant and several external specialists, as well as conducting an audit.

Solid financial basis for the future

Royal FloraHolland is and remains the world's largest international marketplace for flowers and plants. The company's operating profit, along with earnings from participating interests and land sales, provides us with sufficient financial strength to be able to continue implementing our strategic programmes. Our turnover is on an upward trend. The financial ratios are and will remain at the appropriate levels. The further focus will help keep expenses in check. We possess a solid financial basis, which fills us with confidence in the future.



Turnover



Garden Plants



Imports and Exports



House Plants



Facilities



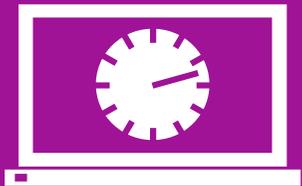
Cut Flowers

Turnover from
(in € million)



2,123

Regular auction sales
↓0.3%



2,510

Direct ↑7.5%

Turnover total ↑3.8%
(in € million)

4,633



2,727

Cut Flowers
↑6.7%



1,537

House Plants
↓1.3%



369

Garden Plants
↑4.7%

Delivered in units by regular (clock) auction ↓2.9%
(number x million)

6,924



6,504

Cut Flowers
↓2.2%



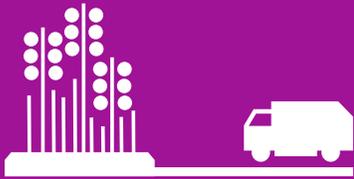
276

House Plants
↓13.2%



144

Garden Plants
↓11.7%



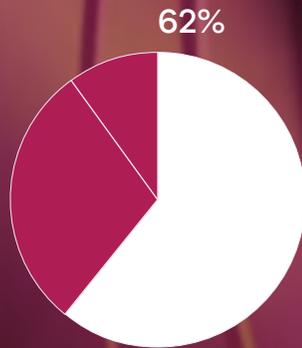
Total suppliers

↓4%

5,908

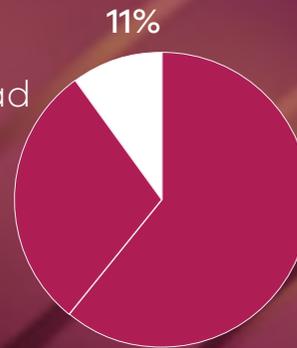
Including: members in the Netherlands
↓3%

3,676



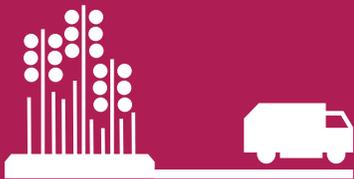
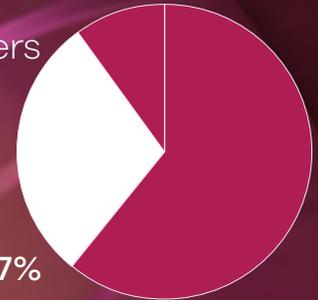
Including: members abroad
↓4%

615



Including: non-members
↓7%

1,617 27%



Total number of customers

↑2%

2,493



Turnover and numbers units of clocks per day (in millions)

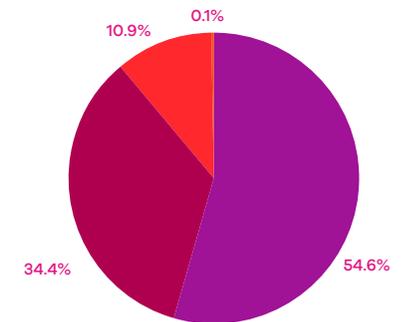
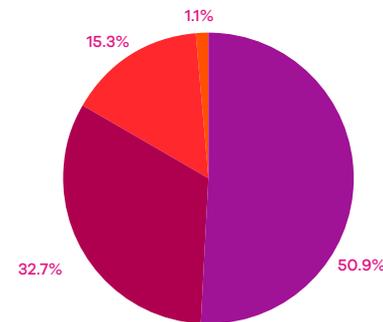
	2016
Turnover per day (in € million) ↑1.1%	8.8
Number of units of flowers per day (clocks) (number x million) ↓0.4%	27.1
Number of units per plants per day (clocks) (number x million) 0%	2.0

Turnover by site (in € million)

	2016
Aalsmeer ↑0.2%	1,080
Naaldwijk ↓1.3%	694
Rijnsburg 0.0%	325
Eelde 0.0%	24
Turnover from clock auctions ↓0.3%	2,123
Connect ↑7.5%	2,510
Total ↑3.8%	4,633

Turnover remote purchase (in € million)

	2016
	787
	496
	156
	1
	0
	0
Total	1,440





Main export destinations (in € million)

Strategy
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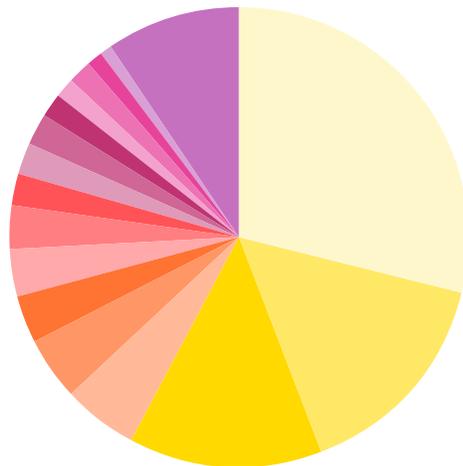
Sustainability

Advisory
Councils and
Committees

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Percentage breakdown by country



€ 5,741 million

Total exports

↑3%

	Export value 2016	Share in total exports	Export value 2015	Share in total exports
Germany	1,661	28.9%	1,557	27.9%
United Kingdom	883	15.4%	925	16.6%
France	777	13.5%	753	13.5%
Italy	311	5.4%	304	5.5%
Belgium	256	4.5%	232	4.2%
Switzerland	188	3.3%	183	3.3%
Sweden	185	3.2%	176	3.2%
Poland	180	3.1%	174	3.1%
Russia	133	2.3%	169	3.0%
Austria	126	2.2%	130	2.3%
Denmark	119	2.1%	113	2.0%
United States	99	1.7%	88	1.6%
Czech Republic	89	1.5%	82	1.5%
Spain	86	1.5%	75	1.4%
Norway	65	1.1%	75	1.3%
Finland	58	1.0%	57	1.0%
Other countries	525	9.2%	484	8.7%

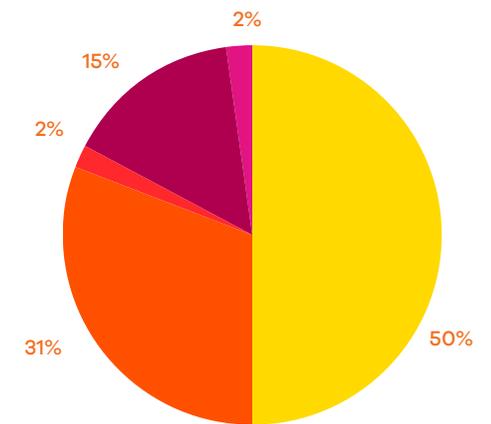
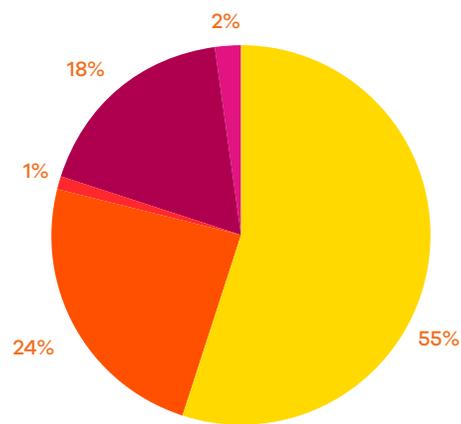
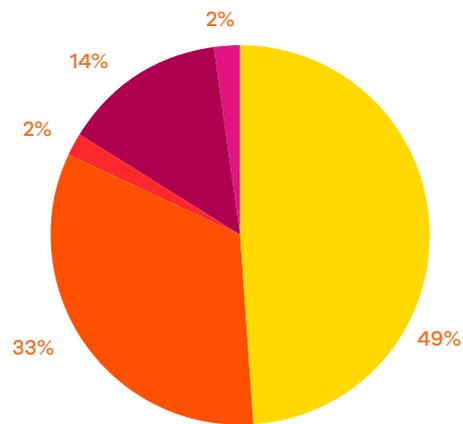


Netherlands*

Imports

Total

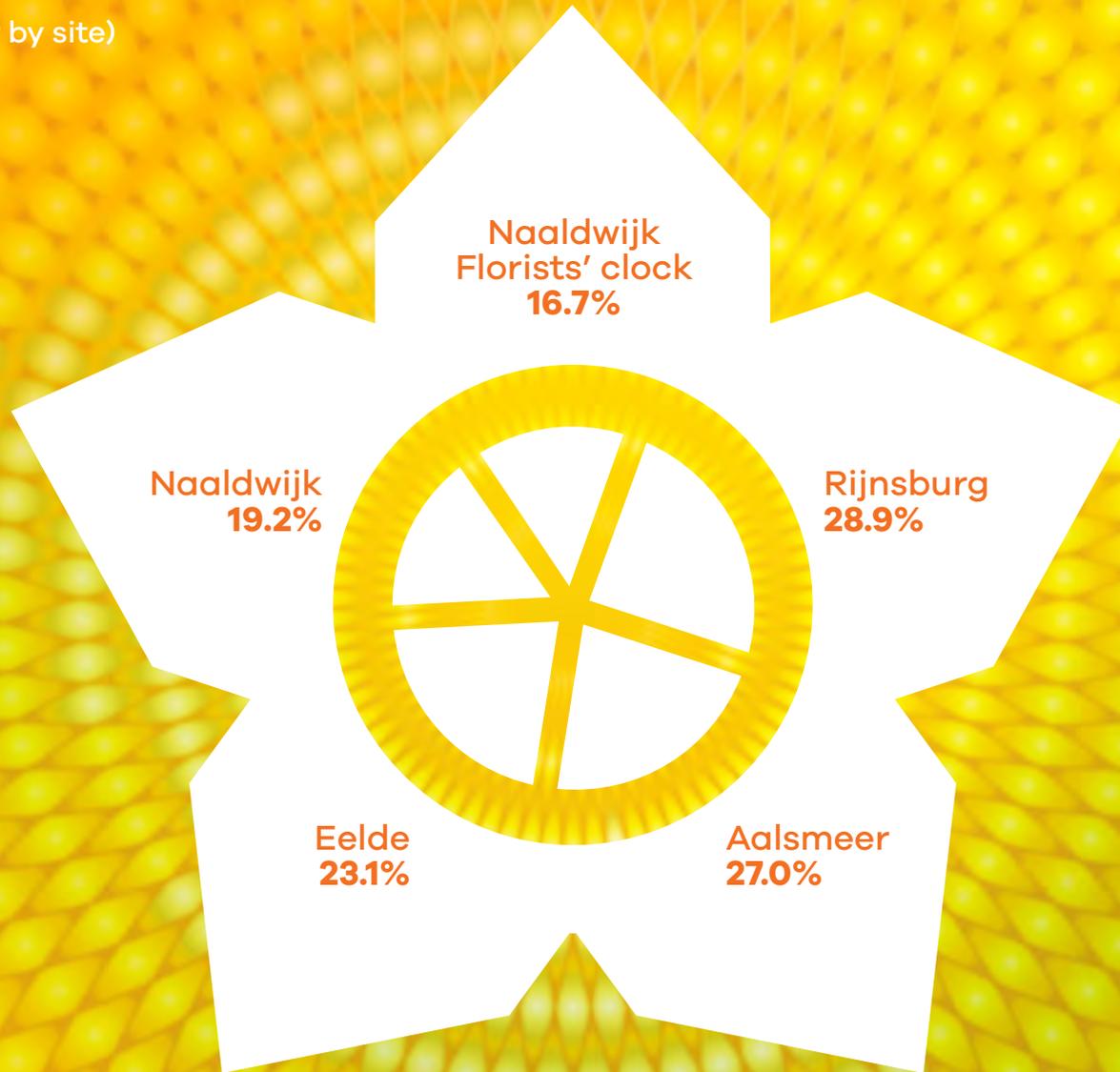
	2016	Change	2016	Change	2016	Change
Aalsmeer	788	↓2%	292	↑7%	1,080	0%
Naaldwijk	538	↓3%	128	↑5%	666	↓1%
Naaldwijk Florists' clock	21	↓3%	7	0%	28	↓2%
Rijnsburg	231	↓2%	94	↑4%	325	0%
Eelde	16	↑8%	8	0%	24	↑6%



* Turnover through digital platform €112.1 million.



(in % total turnover by site)





Top 10 import countries (in € million)

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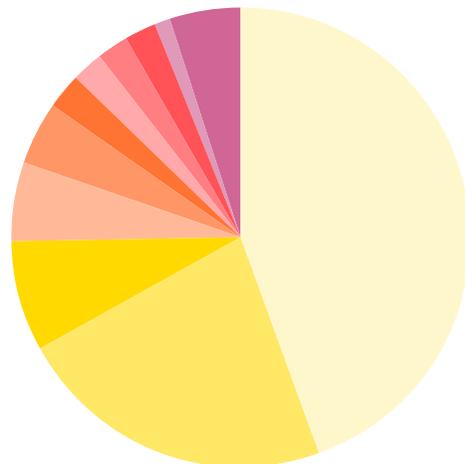
Sustainability

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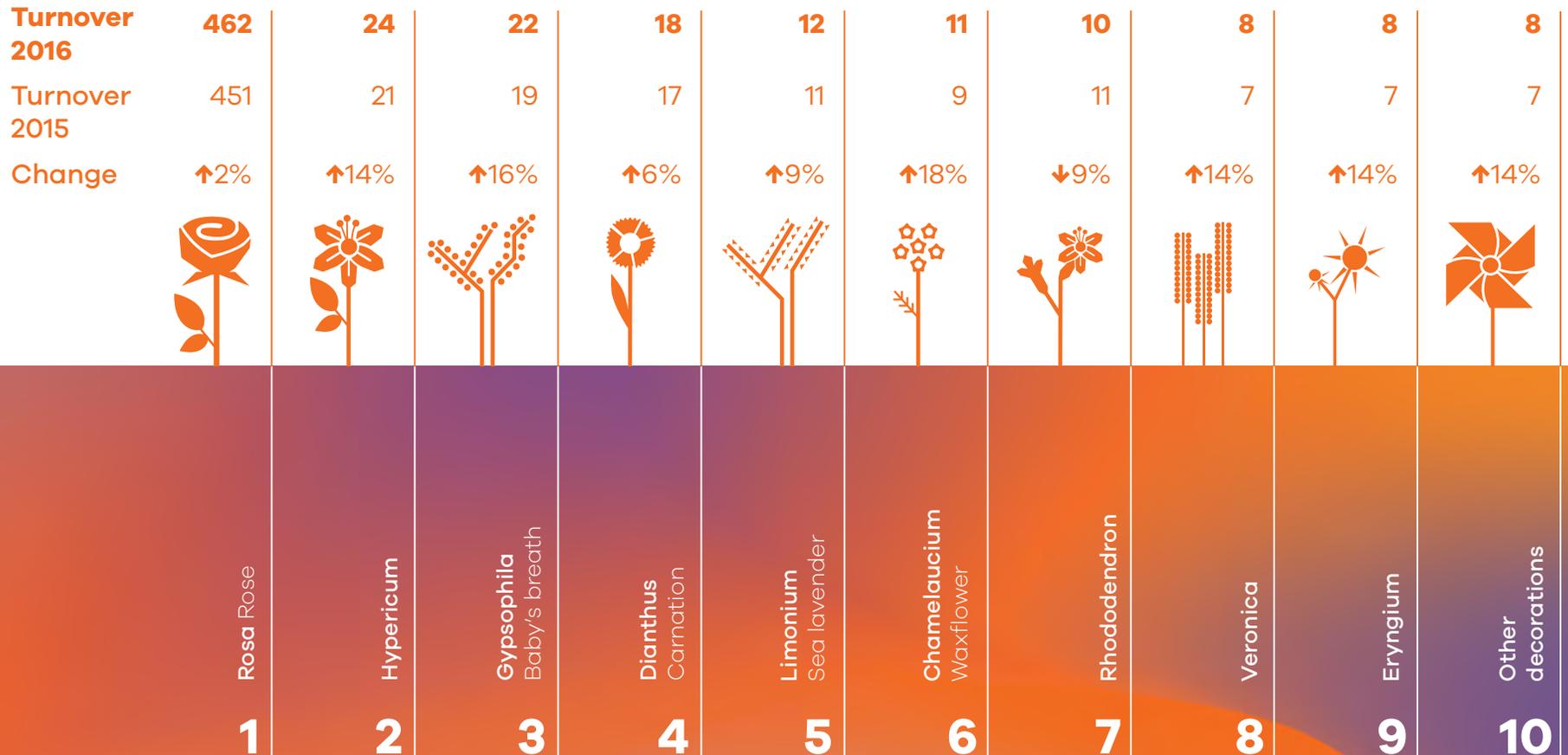
Percentage breakdown by country



€ 794 million
Total top 10
import countries
↑5.2%

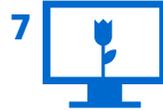
	2016 turnover	2015 turnover	Turnover change	Share of imports
Kenya	353	330	↑7.3%	44.5%
Ethiopia	179	180	↓0.4%	22.5%
Israel	63	59	↑6.3%	7.9%
Belgium	43	39	↑10.4%	5.4%
Germany	35	32	↑7.0%	4.4%
Spain	20	18	↑14.6%	2.5%
Italy	19	13	↑46.2%	2.4%
Zimbabwe	17	20	↓17.6%	2.1%
Denmark	17	18	↓8.8%	2.1%
Ecuador	10	11	↓3.4%	1.3%
Other countries	38	35	↑8.3%	4.8%

(in € millions)





Clocks



Bidding halls



**Surface area of
auction buildings**



**Surface area of
own buildings trade**

	Clocks	Bidding halls	Surface area of auction buildings	Surface area of own buildings trade
Aalsmeer	14	2	1,287,813 m ²	205,530 m ²
Naaldwijk	14	3	743,227 m ²	180,805 m ²
Rijnsburg	7	1	317,342 m ²	74,321 m ²
Eelde	3	1	50,280 m ²	2,220 m ²



**Number of customers with
accommodation on auction
grounds**



**Surface area of
refrigerated cells**



**Number of trolleys
and CC containers
processed**



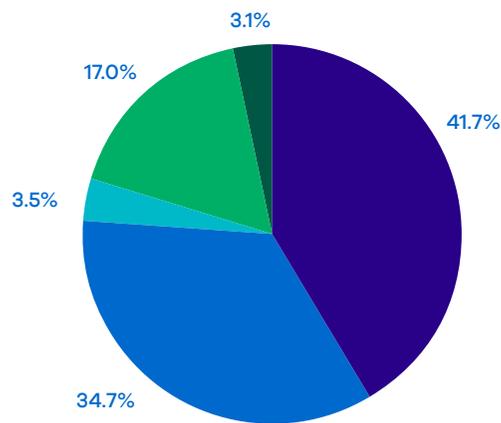
**Number
of docks**

	Number of customers with accommodation on auction grounds	Surface area of refrigerated cells	Number of trolleys and CC containers processed	Number of docks
Aalsmeer	286	55,967 m ²	3,312,032	443
Naaldwijk	224	40,380 m ²	2,612,128	371
Rijnsburg	173	38,880 m ²	830,899	304
Eelde	26	3,440 m ²	70,338	22



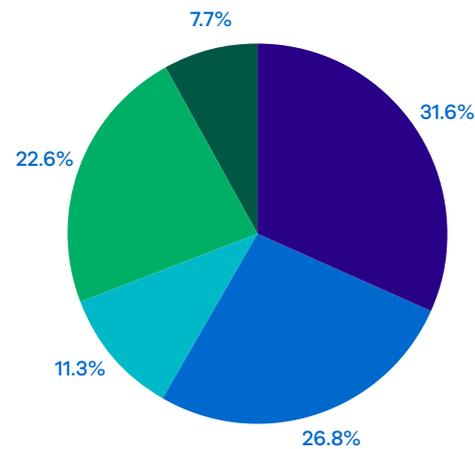
Average number of clock transactions per day

	2016	Change
Aalsmeer	50,405	↓10.1%
Naaldwijk	41,996	↓4.8%
Naaldwijk Florists' clock	4,207	↓3.6%
Rijnsburg	20,629	↓17.3%
Eelde	3,769	↓13.0%



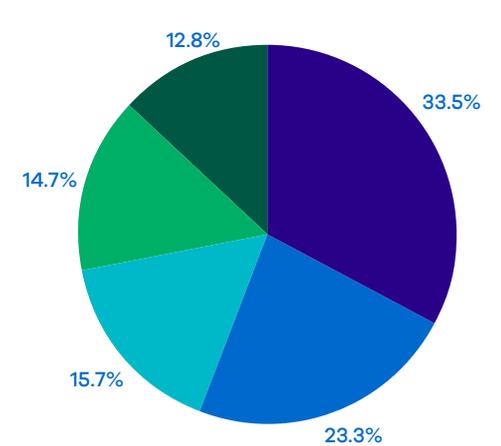
Number of active suppliers (including duplicates)

	2016	Change
Aalsmeer	3,939	↓10%
Naaldwijk	3,336	↓11%
Naaldwijk Florists' clock	1,409	↓28%
Rijnsburg	2,807	↓10%
Eelde	956	↓28%



Number of active traders (including duplicates)

	2016	Change
Aalsmeer	921	↑9%
Naaldwijk	640	↓8%
Naaldwijk Florists' clock	433	↓12%
Rijnsburg	405	↓2%
Eelde	351	↓4%





Top 10 cut flowers sold

Average price (in €)

2016 **0.23** ↑↓0%

2015 **0.23**

	1	2	3	4	5	6	7	8	9	10
Turnover*	746	307	282	161	142	69	63	53	51	51
Change	↑1.5%	↑2.3%	↓4.4%	↑1.3%	↑2.9%	↑32.7%	0.0%	↑1.9%	↓12.1%	↑13.3%
Units**	3,377	1,242	2,038	313	1,027	160	152	297	24	41
										
	Rosa Rose	Chrysanthemum Ind Grp GE Chrysanthemum (spray)	Tulipa Tulip	Lilium Lily	Gerbera	Eustoma russellianum Lysianthus	Chrysanthemum Ind Grp GE Chrysanthemum (disbudded)	Freesia	Cymbidium	Hydrangea Hortensia
	1	2	3	4	5	6	7	8	9	10

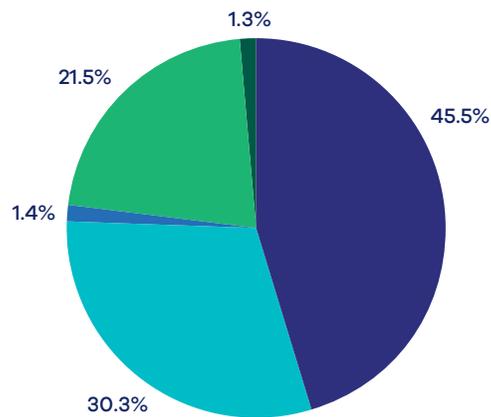
* in € million
** in million



Cut flowers sold by regular auction (Dutch products)

(units in millions)

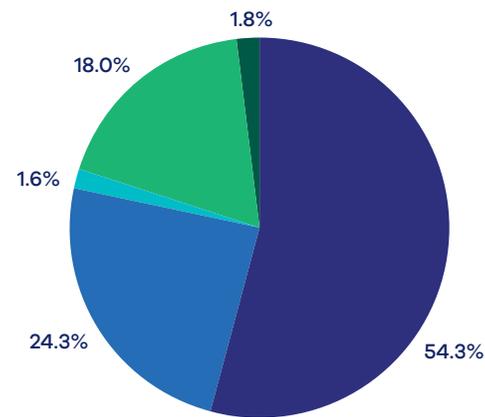
	2016	Change
Aalsmeer	1,991	↓1.8%
Naaldwijk	1,325	↓4.7%
Naaldwijk Florists' clock	63	↓12.5%
Rijnsburg	939	↑0.1%
Eelde	57	↑3.6%



Cut flowers sold by regular auction (imports)

(units in millions)

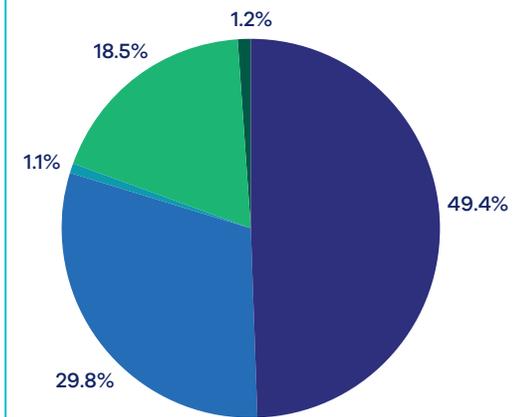
	2016	Change
Aalsmeer	1,175	↓1.2%
Naaldwijk	525	↓0.9%
Naaldwijk Florists' clock	34	↓12.8%
Rijnsburg	389	↓2.3%
Eelde	40	↓7.0%



Turnover from cut flowers by site

(turnover in millions)

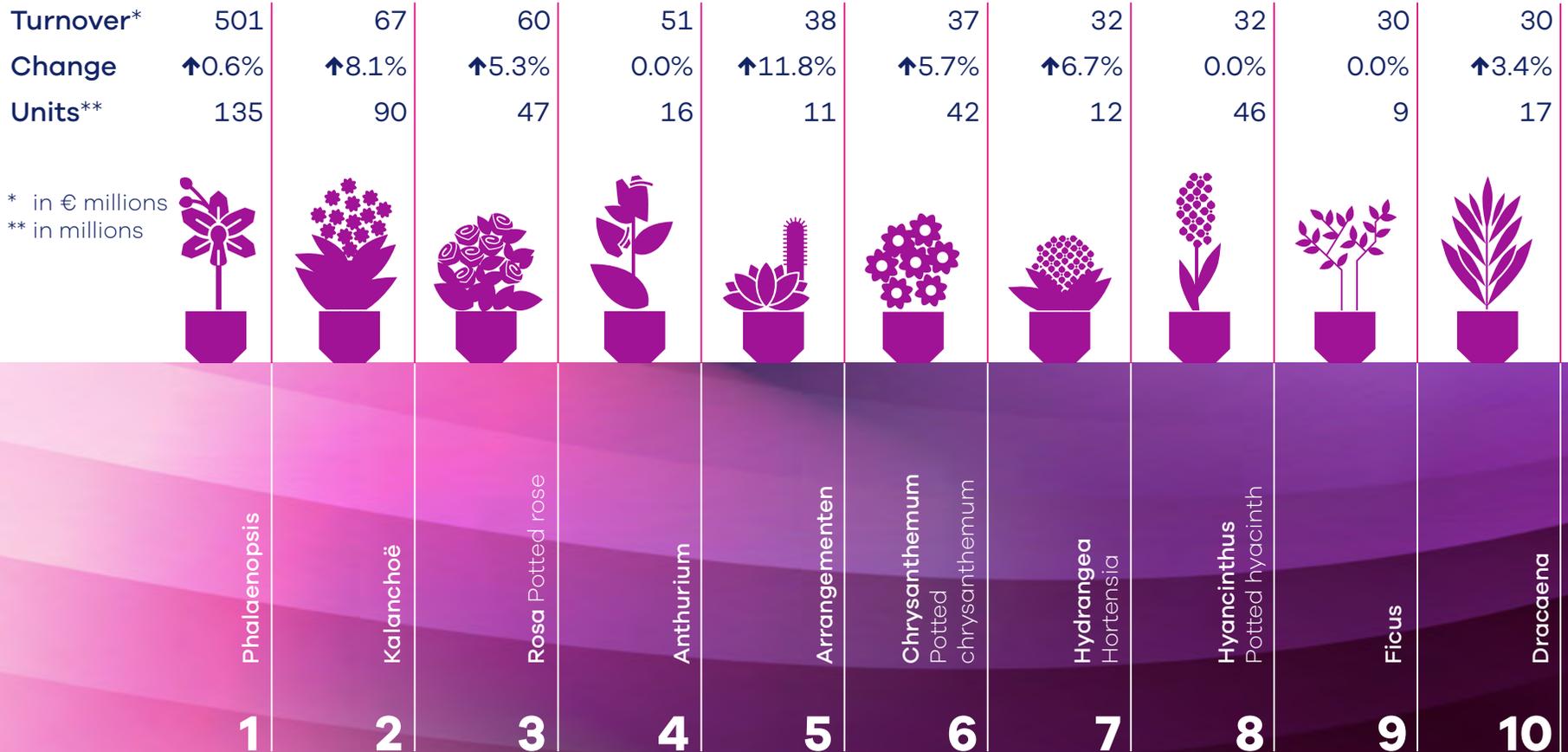
	2016	Change
Aalsmeer	830	↑2.5%
Naaldwijk	500	↓0.2%
Naaldwijk Florists' clock	19	↓9.5%
Rijnsburg	310	↑0.6%
Eelde	20	↑5.3%





Top 10 house plants sold

Average price (in €)
 2016 **1.62** **↓1.3%**
 2015 **1.64**

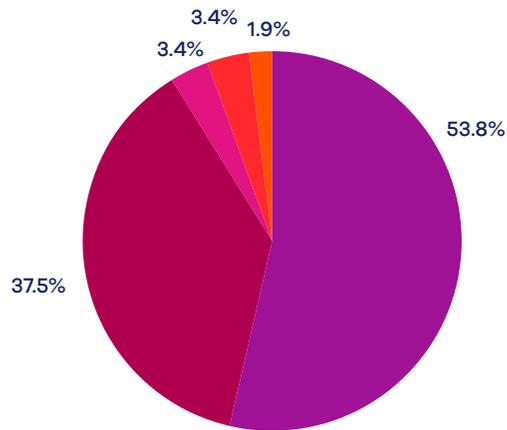




House plants sold by regular auction (Dutch products)

(number of units in millions)

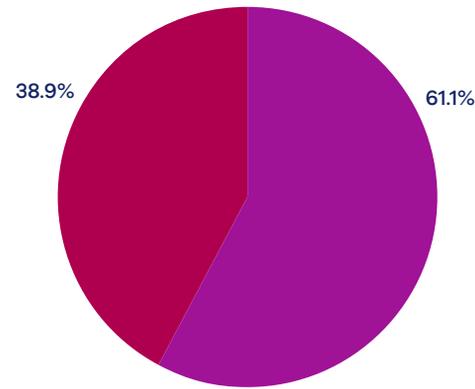
	2016	Change
Aalsmeer	142	↓13.9%
Naaldwijk	99	↓11.6%
Naaldwijk Florists' clock	9	↑50.0%
Rijnsburg	9	↑50.0%
Eelde	5	↑66.7%



House plants sold by regular auction (imports)

(units in millions)

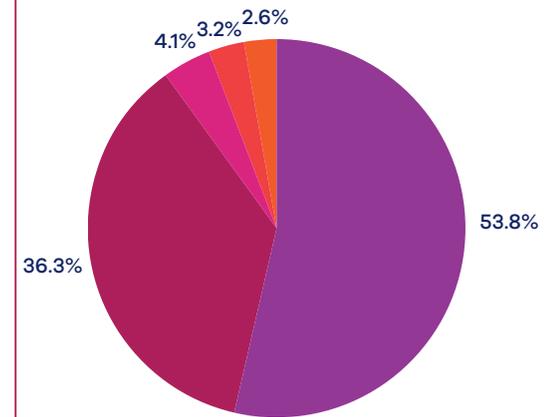
	2016	Change
Aalsmeer	11	↓8.3%
Naaldwijk	7	↓12.5%
Naaldwijk Florists' clock	0	
Rijnsburg	0	
Eelde	0	



Turnover from house plants by site

(turnover in millions)

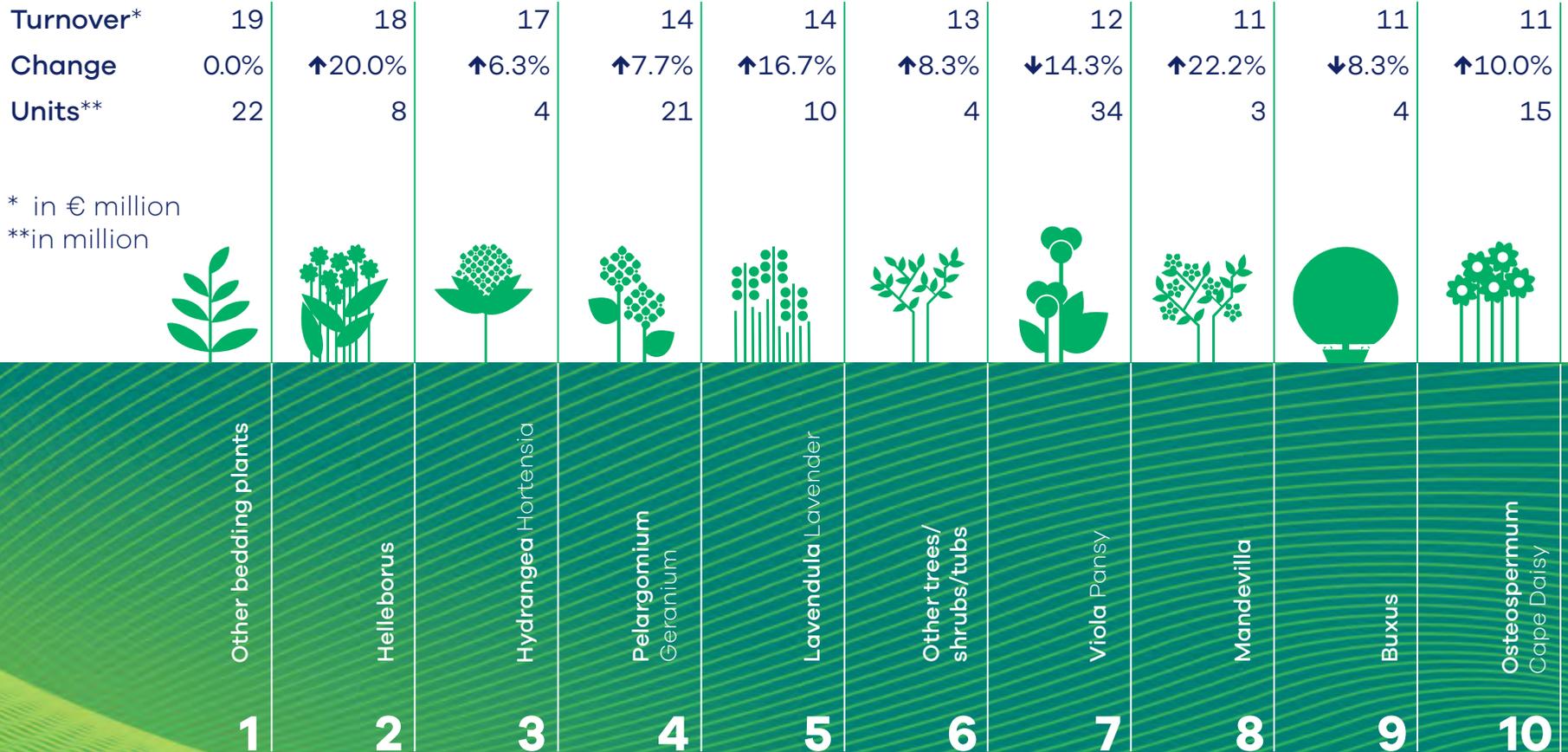
	2016	Change
Aalsmeer	185	↓7.0%
Naaldwijk	125	↓4.0%
Naaldwijk Florists' clock	14	0.0%
Rijnsburg	11	↓15.0%
Eelde	9	0.0%





Top 10 of garden plants sold

Average price (in €)
 2016 **1.08** ↑6.3%
 2015 **1.02**

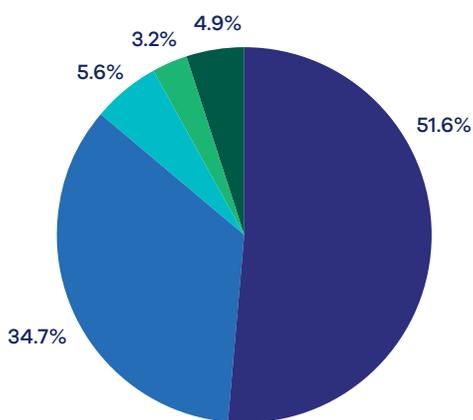




Garden plants sold by regular auction (Dutch product)

(units in millions)

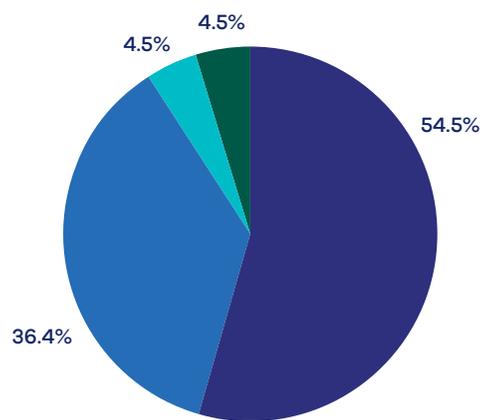
	2016	Change
Aalsmeer	64	↓15.8%
Naaldwijk	43	↓14.0%
Naaldwijk Florists' clock	7	0.0%
Rijnsburg	4	↓20.0%
Eelde	6	0.0%



Garden plants sold by regular auction (imports)

(units in millions)

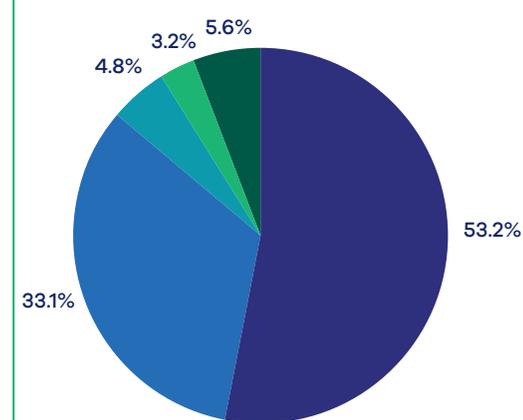
	2016	Change
Aalsmeer	12	↑9.1%
Naaldwijk	8	0.0%
Naaldwijk Florists' clock	1	0.0%
Rijnsburg	0	
Eelde	1	0.0%



Turnover from garden plants by site

(turnover in millions)

	2016	Change
Aalsmeer	66	↓2.9%
Naaldwijk	41	↓4.7%
Naaldwijk Florists' clock	6	0.0%
Rijnsburg	4	0.0%
Eelde	7	↑16.7%





HR Policy

Royal FloraHolland aims to achieve a strong position in the future, and therefore needs top employees.

This is the objective of our strategy, and this is why we need the most talented employees who are engaged and passionate about what they do. For this reason, we invest in training and education. Employee engagement is essential if we are to achieve our strategic objectives sooner. We therefore believe it is important to work on further improving this engagement. Specific learning and personal development processes and training courses enable our employees to develop further. One of our priorities is long-term employability. We invest in the future so that all our people can continue to perform at the top of their abilities.



Total number
of FTEs

2,379

(2015: 2,437)
↓2.0%



Male-female
ratio



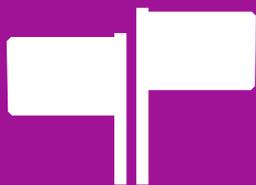
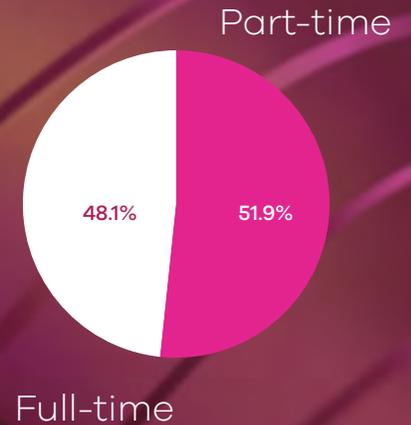
2,143
(72%)

813
(28%)

Average
age

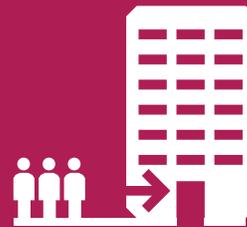
49.2

(2015: 48.5)



Different
nationalities

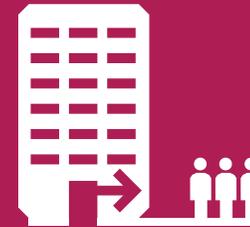
45



In service
FTEs

128

(2015: 94)



Terminated
employment
FTEs

212

(2015: 213)



Training and
education
Investment in euros

€ 2,312,474

(2015: € 2,717,537)

Learning and development

We intend to adapt our organisation – and, by extension, the organisation of the work in 2017 – to Commerce, Facility Management, IT, Finance, Human Resources, Cooperative Affairs, and the administrative departments. This may cause work to change or, in some cases, be eliminated or outsourced. Furthermore, work in specific areas in Operations will change in 2017. We intend to keep changing our organisation in the coming years in order to implement our strategy.

The changes our company is currently undergoing are creating uncertainty. At the same time, we are encouraging everyone within the organisation to adopt an active approach to their personal development and future career opportunities. This can be facilitated, for example, by our Royal FloraHolland Academy, the Improving Together programme, and the Toekomstplein project, which was implemented in 2016. We will ask the following question to all our employees in 2017: what have you done with the opportunities provided to you by Royal FloraHolland in terms of development and training & education? We have seen a sharp rise in the number of employees who enrol in training courses.

We created a leadership course especially for managers which focuses on their personal development. We did this based on the 'Appreciative Inquiry' method (i.e. a valuating approach). This training course is suited both to executive managers

and team managers – the latter are the key to improving engagement within the company, as it is through teams that the company interacts with its employees.

Diversity

Our organisation strives to reflect the wider society. Royal FloraHolland employs people from 45 different nationalities. Women currently account for 33.33% of members of the Supervisory Board. The male-female ratio in managerial positions is 73%-27%.

Long-term employability

Royal FloraHolland organised another Employee Health Week in autumn 2016, the theme of which was 'Strength at work week'. During this week, we draw attention to the various ways in which the physical and mental fitness of employees can be improved. Absenteeism also remains an ongoing focus. We are working together on making the necessary changes to our cooperative, as we believe in a strong and thriving future for Royal FloraHolland – a future in which we will make our world even more beautiful and healthy using flowers and plants.





Sustainable floriculture

The world around us is changing, and we are changing right along with it. Rather than being a passing fad, sustainability is a requirement for a healthy future.

In order to pave the way for this healthy future, we are working on achieving the following objectives:

- Royal FloraHolland is continuously working on improving its sustainability profile and is opening the lines of communication with its stakeholders. Royal FloraHolland is creating sustainable products, adapted to the market, together with its members, customers and supply chain partners.
- We are also dedicated to improving the reputation of the industry as a whole by promoting sustainable and green innovations and actively contributing to sustainability initiatives.
- Finally, we have made improving the sustainability of our own operating processes a priority.

These three elements of our sustainability policy are detailed in our list of material and non-material sustainability topics, including specific examples (see pages 56 up to and including 89).

Examples of the use of environmentally friendly pesticides in the floriculture industry.

Sustainability developments: our context

The following developments are relevant to us in relation to our sustainability policy:

- Royal FloraHolland has primary responsibility for its own business operations and processes. Despite its leading role in the supply chain, the company has no direct control over the products created and their level of sustainability.
- Interest groups are exerting pressure on retailers and the government to adopt more sustainable production practices.
- Certain media outlets have covered our industry in a negative light, e.g. flower production in Africa, the death of bees, water contamination, and packaging waste.
- Stakeholders are requesting that we be transparent about our sustainability policy
- The pressure to adopt sustainable practices is not felt to the same degree by all growers.
- Investments in sustainability are not, or not yet, incorporated into the sale price, resulting in lower margins.
- The industry requires time to phase out chemical substances and switch to integrated crop protection methods.
- Supply chain partners could do a better job of sharing with each other effective and realistic alternatives for improving sustainability.
- Growing awareness and evidence that 'green' is not just aesthetically pleasing: it also represents health in our living and working environment.

- Sustainability is a reason for a growing number of consumers to purchase an item.
- Sustainability is a requirement for a healthy future (licence to operate) in the floriculture industry.

Sustainability strategy

Royal FloraHolland is transparent: we are clear about what we know and what we do, but are equally honest about what we do not (or not yet) know, what we do not do as yet, and what sustainability issues we are faced with. We are in charge of the dialogue: this is not about us but rather about our members and their customers. We act as a uniting force in the floriculture industry and support the sustainable growth of our members and their customers. We listen and seek to interact in order to learn about people's interests and concerns. This makes us a passionate caregiver. It is why Royal FloraHolland actively involves its stakeholders in its sustainability policy: stakeholders are a source of knowledge and new ideas which enrich us as an organisation when working on the major sustainability issues. They keep us on our toes and can help us to improve our programmes and our industry's reputation.

We set clear and concrete objectives for sustainability, appropriate for our role and position in the supply chain. A strong, leading role within the supply chain is necessary in order to embrace complex challenges and more effectively improve the reputation of flowers and plants. This leading role suits us and our stakeholders expect us to adopt this role.

There are also opportunities for the sector to highlight the importance of 'sustainability as a contribution to society', as is the case, for example, with urbanisation, water absorption in urban areas, demographic ageing, health, and improvement of air quality.

Royal FloraHolland encourages these developments and gets businesses involved in special programmes. We innovate in ways that combine sustainable practices with growth. By effectively adapting sustainability requirements to the market and meeting these requirements in our products and services, we improve the market position for our members and customers. At the same time, we are also committed to further improving the sustainability of our processes and reducing the environmental footprint of our operations.

The Sustainable Development Goals (SDGs) are part of the UN 2030 Sustainable Development Agenda and will constitute the international framework for sustainable development between now and 2030.

We explore ways in which we can adapt these goals to our business strategy and relevant activities together with our partners. In the future, we intend to:

- Establish the relationship between the company and the SDGs;
- Set priorities and internalise relevant and high-potential SDGs;
- Make the impact quantifiable.

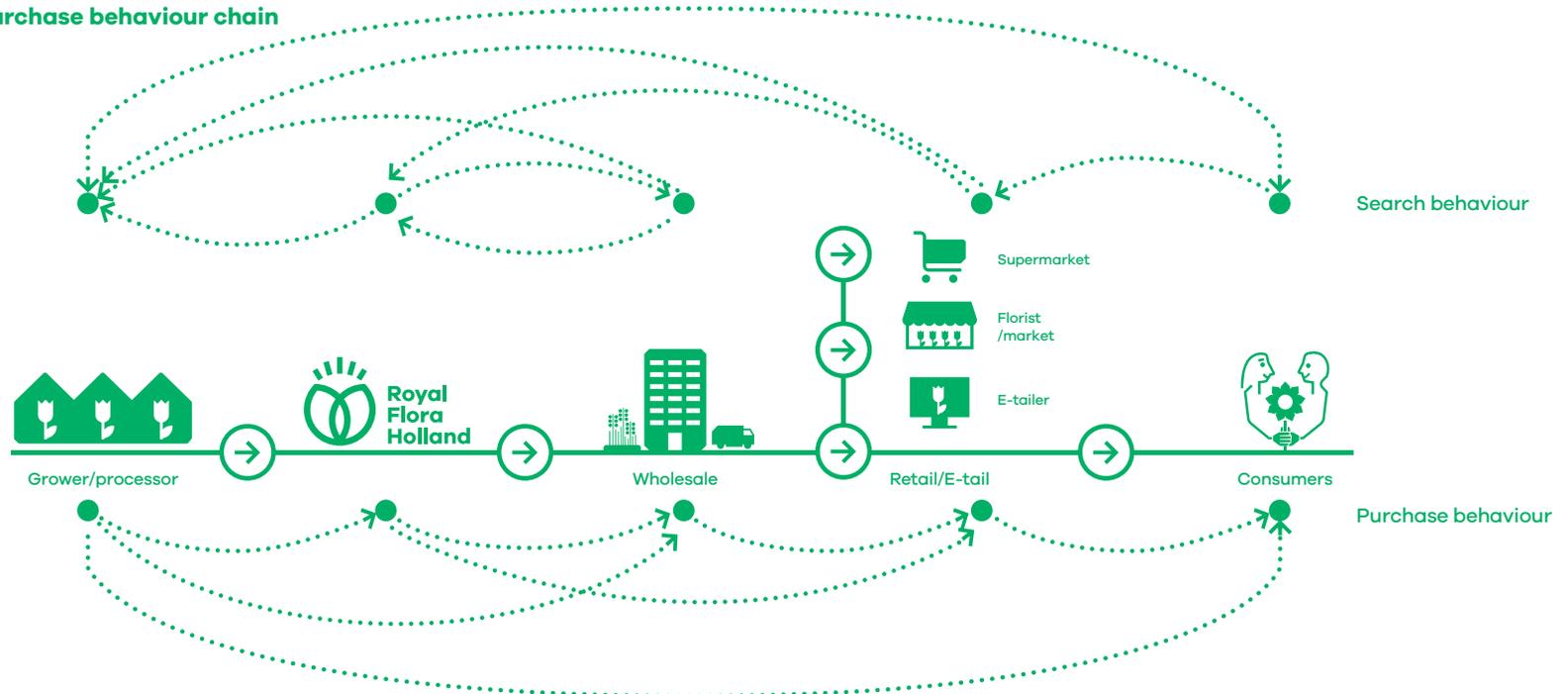
In this report, we establish a link between our material topics and the SDGs in the table containing material topics which are also becoming visible in our value creation model.

Supply chain

Royal FloraHolland operates as part of a supply chain, whereby the primary process and our growers and customers are the central focus. Supply chain partners are transaction partners who are collectively responsible for maintaining the quality and sustainability of the product in the supply chain.

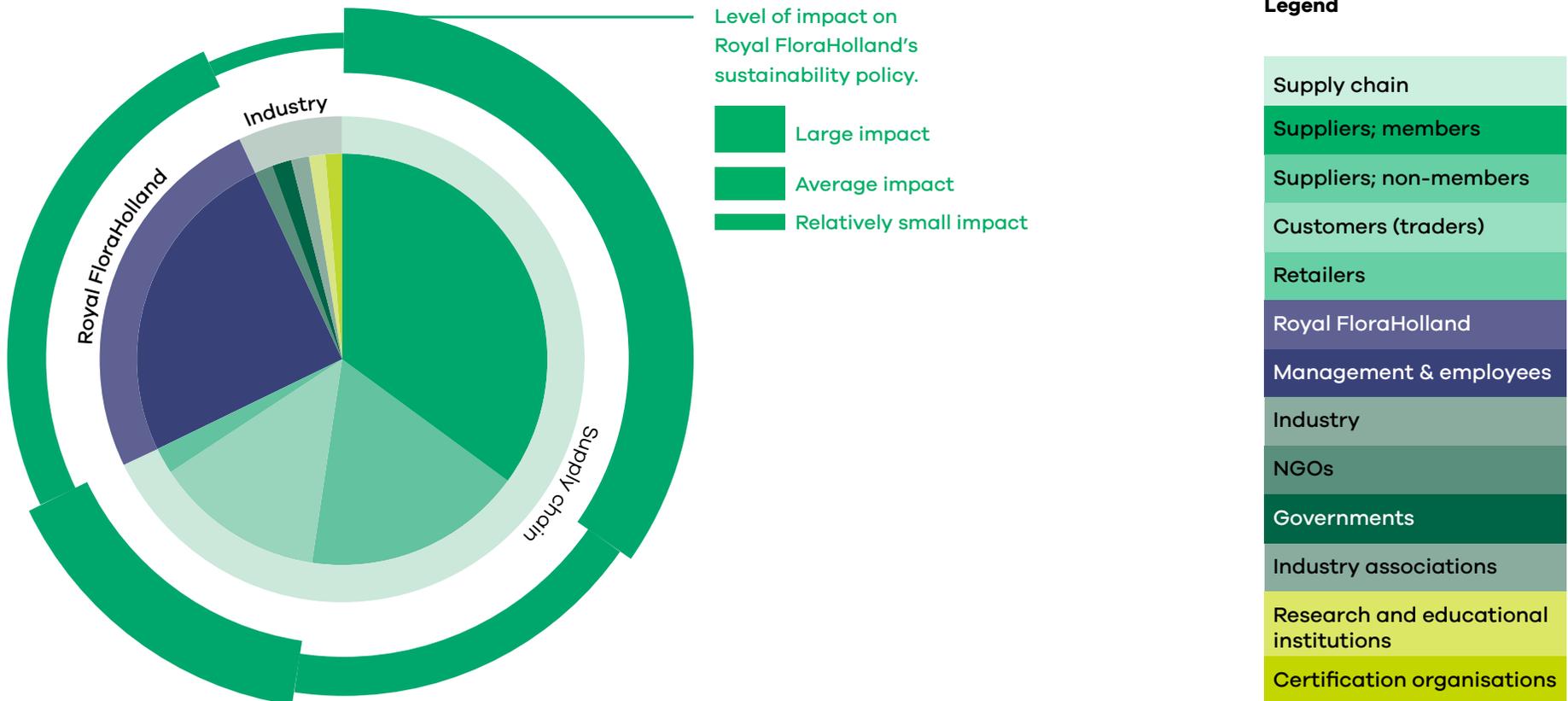
The floriculture industry extends beyond the supply chain alone: it also encompasses the partnership with NGOs (non-governmental organisations), governments and other indirect stakeholders. Together we play a role in addressing major issues that affect the supply chain as a whole and must do so efficiently and effectively.

Search and purchase behaviour chain



List of stakeholders

The illustration below contains a list of our key stakeholders and their impact on our processes and sustainability priorities in the supply chain.



Value creation

Royal FloraHolland has made value creation a strategic priority. The chart below shows the value added by Royal FloraHolland through its business processes and its position in the supply chain and society.

We divide this process into the following areas:

- Input.
- Added value.
- Stakeholders.
- Materiality.
- Output & Outcome.



Stakeholder dialogue and materiality

We regularly discuss our vision and the topicality of the various issues with our stakeholders. The schedule included on this page provides a list of the various stakeholder groups with which Royal FloraHolland liaises.

This overview discusses the communication resources and channels for each stakeholder and their relevance to the company's sustainability policy.

Overview of stakeholder dialogue

Stakeholder	Who?	Communication resources and channels	Topics discussed	Relevance to Royal FloraHolland's CSR policy
Members	All members	<ul style="list-style-type: none"> General Members' Meeting Advisory Councils FPCs Member satisfaction survey Account meetings GROW magazine Online newsletters Business networks 	<ul style="list-style-type: none"> Strategy Quality Certification Sustainability Crop protection Logistics Transport Energy Cooperative 2020 The New Auctioning FLOW 	<ul style="list-style-type: none"> Sustainable supply chain management Continuous improvement of our services Long-term member relationships Fully supported members Transparency Financial stability

Stakeholder	Who?	Communication resources and channels	Topics discussed	Relevance to Royal FloraHolland's CSR policy
Employees	Royal FloraHolland employees Representative employee bodies	General Meeting Meetings Works Council meetings Workshops Training courses Newsflash Email newsletters Intranet	Safety Long-term employability Training & education Employee satisfaction Air quality Absenteeism Privacy policy Change in work location Outsourcing Whistleblower policy Being a good employer	Ensuring employee health and safety Vitality Mobility Career planning
Customers	Trading Exporters	Account meetings Auction	Crop protection Certification Energy Transport Transport packaging	Sustainable supply chain management Understanding of CSR policy Long-term customer relationships

Stakeholder	Who?	Communication resources and channels	Topics discussed	Relevance to Royal FloraHolland's CSR policy
Retail	Retail Florists Cash and Carry	Consortiums Seminars Meetings	Crop protection Supply chain management	Market requirements
Industry	Governments Greenport FSI 2020 Platform for Sustainable Floriculture MPS LTO Tuinbranche Nederland	Transparency benchmark Boards Consortiums Meetings	Crop protection Logistics Transport Energy Packaging	Sustainable image of industry
NGOs	Nature & the Environment HIVOS Plastic Soup Foundation Greenpeace	Stakeholder engagement talks	Crop protection Logistics Transport Energy Packaging Working conditions	Transparency Monitoring our sustainability policy

Our stakeholder dialogue is a key measure we implement in order to mitigate risks and seize opportunities by improving the level of engagement of our stakeholders. Priorities in our policy are determined based on materiality (i.e. material topics). Materiality is a consideration of stakeholder interests and the actual potential impact Royal FloraHolland could have on the topic in question.

Our material topics have been determined in a variety of ways. The table containing stakeholder dialogues (see the table on the right) shows which material issues are most important to our key stakeholders. This outcome has been verified by means of a number of additional checks. External experts, for example, contributed specific industry knowledge, practical analyses, developments in the supply chain and the topics as included in the Global Reporting Initiative. In addition, the analysis of our value creation process and our strategy and business model has had an impact on the materiality factor (i.e. the decision as to whether or not a topic qualifies as material). It is important for us to realise that our customers and stakeholders expect us to adopt sustainable business practices. We do this both by actively assuming our leading role within the supply chain and by ensuring that our processes are as sustainable as possible.

Overview of topics discussed with key stakeholder groups

Stakeholder group	Topics discussed which are of relevance to the relevant stakeholder group
Members (growers)	Unifying role in the supply chain, green crop protection, transport, logistics, waste, energy and water consumption, transport packaging, decorative packaging, relationship with RFH, sustainability initiatives, geothermal energy generation, strategic programmes, RFH focus and strategy, rate structures, innovative and environmentally friendly concepts.
Customers (including trade)	Scaling up to sustainable supply, logistics handling, transport packaging, density, organic cultivation, relationship with RFH, customer objectives, variety, visibility of certificates on the clock, and quality of supply, influence and control.
Retail	Crop protection, logistics, packaging, supply chain sustainability, GAP.
NGOs	Crop protection, working conditions, living wage, gender, energy, sustainable packaging, government policy, market-driven sustainability requirements, quality seals, certification, transparency, unifying role in supply chain.
Works Council	Sustainable deployment of employees, education and training, employee satisfaction, air quality, safety, absenteeism, privacy policy, change in work location, outsourcing, whistleblower policy, being a good employer.
Industry organisation and government authorities	Crop protection, energy, water, environmentally friendly transport packaging, government policy, admission policy, certification, transparency, leading role in the supply chain, purchasing policy, ICSR agreement.
Supervisory Board and Advisory Councils	Improving the sustainability of Royal FloraHolland, safety, certification, transparency, influence and role in the supply chain, business and economic aspects, finances, HR policy, ethics, and supply requirements.

Dilemmas

Some of the dilemmas which might arise in interactions with stakeholders include:

- **Compliance:** for the affiliated parties, the focus is on compliance with the FSI – Floriculture Sustainable Initiative objective of 90% sustainable sourcing in accordance with the FSI Basket of Standards, and the cooperation required in terms of crop protection. The objective is to work with governments and NGOs in order to provide clear and transparent information, and support growers on the one hand and customers and retailers on the other hand. There are several interests that play a role in this respect, which cannot always be reconciled, causing the decision-making process and progress to be impeded.
- **Sphere of influence:** the leading and unifying role Royal FloraHolland plays in relation to the lack of ownership of the product supply makes it challenging to get all players in the supply chain and the industry on the same page. This calls for specialised knowledge and consultation, and this leading role must also be granted by the appropriate parties.
- **Absenteeism management in relation to outsourcing and organisational measures:** since Royal FloraHolland is always exploring ways to improve operational efficiency and

there are reorganisations involved, employees may show a (temporarily) higher absenteeism rate or score lower on the KPI 'Employee Satisfaction' (see page 70). Achieving a good balance between the two presents a dilemma.

Structure of the sustainability organisation

In order to add weight to the sustainability policy and increase focus on this issue, the Sustainability department was established in 2016. This department reports to the CEO, who has managerial responsibility for the sustainability policy. Key components of this policy, including the material topics and policy measures, are discussed by the management team. The Sustainability department is responsible for preparation and execution. The Executive Board is formally responsible for the sustainability policy, for ensuring a sustainable and better market position in the supply chain, and for the objective of contributing within the supply chain to the sustainable reputation in and of the floriculture industry.

GRI Standards

The Global Reporting Initiative Standards represent the global best practice for sustainability reporting. They are designed to be used as a set by organisations in order to report on their effects on the economy, the environment and society. Royal FloraHolland reports on the basis of these new GRI Standards. This report is based on the GRI option 'Core'.

Information sources

The information contained in this report relates to all divisions of Royal FloraHolland. Information has been gathered through meetings with board members and other internal and external stakeholders, as well as from central information systems or sources.

Process of collecting sustainability data

The process of collecting data relating to sustainability in the various business units of Royal FloraHolland is conducted in the same manner as in previous years; however, this year an additional quality assessment was conducted. The Sustainability department is responsible for the content and is supported by the Facility Management and Human Resources departments, while the Finance department verifies the factual information gathering process. The company has not yet received external assurance of the sustainability data from an external auditor.

The sustainability data has been collected by means of qualitative and quantitative surveys. These surveys are based on external guidelines endorsed by Royal FloraHolland and on internal business principles and policy. In addition, data is sourced from central management information systems. If the data supplied is incomplete, it can be extrapolated. Where this is not the case, this is expressly stated in the report.

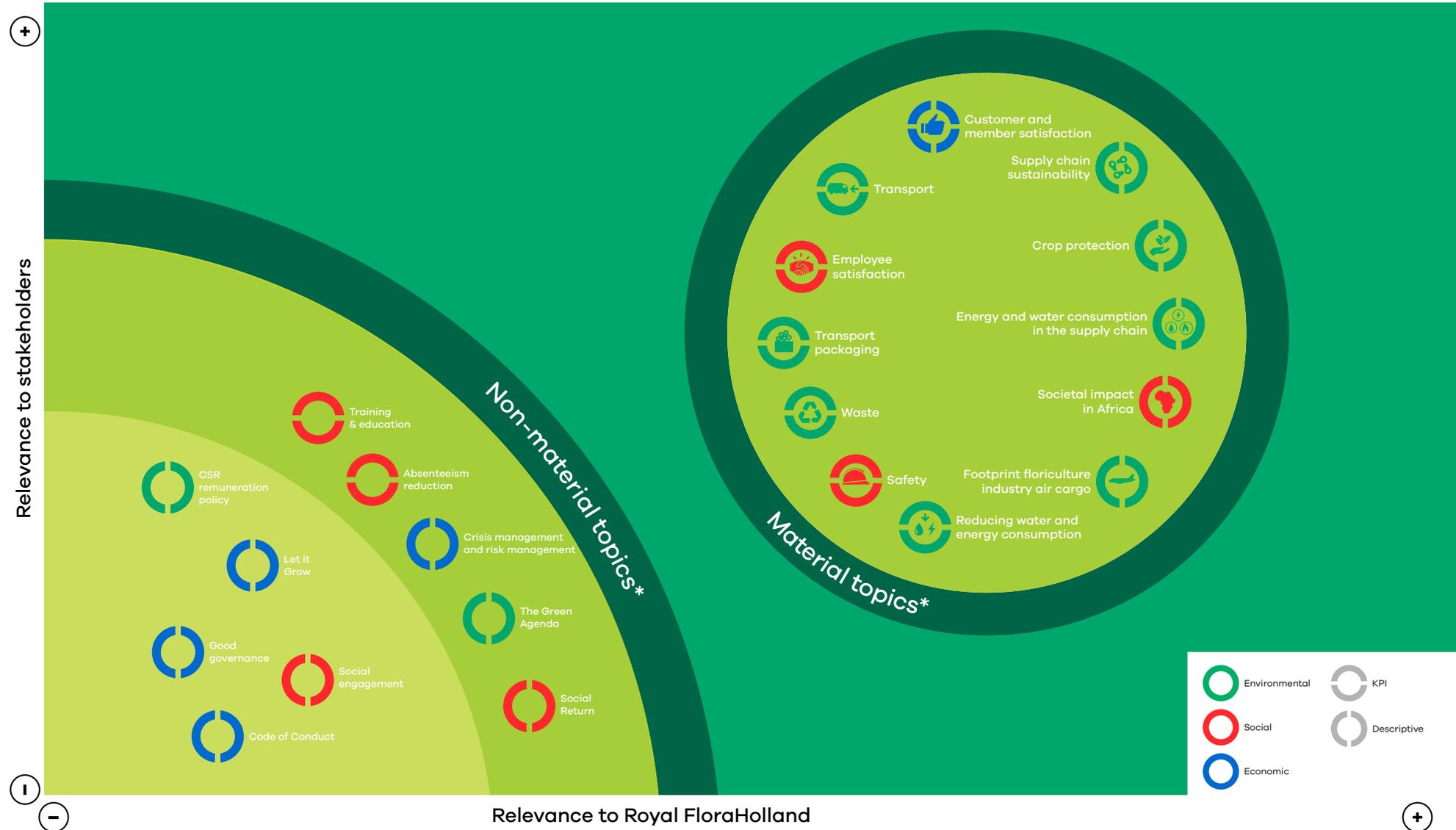
A portion of the sustainability data was collected by means of active dialogue with stakeholders. A materiality matrix was created on this basis (among other criteria). The material topics included therein have been developed into KPIs and qualitative descriptions. A number of multi-year action plans have been drafted on this basis, which have been incorporated into policy programmes. Royal FloraHolland pursues an active and transparent communications policy in this context.

Page 53 details the process involved in selecting material topics. The boundary of each material topic is shown; this serves to indicate who is primarily responsible for the process relating to each topic. The Management Strategy outlines the role of the Royal FloraHolland management in relation to the relevant material topic.



Materiality matrix

The materiality matrix below was created based on the below analysis.



* The situation regarding material and non-material topics is explained on the following pages.



Environment: FSI: Floriculture Sustainability Initiative



Description

Royal FloraHolland is one of the founders of the Floriculture Sustainability Initiative (FSI), a partnership between supply chain partners in the floriculture industry and various non-governmental organisations (NGOs). Together they work on building a healthy, vital and sustainable floriculture industry. Royal FloraHolland sits on the board and represents producers in the Northern Hemisphere.

- International multi-stakeholder platform.
- Founded by international companies who are actively involved in improving the sustainability of their (international) supply chain.
- One common objective: 90% sustainable by 2020.
- Members include domestic and international industry associations, producers and businesses, along with NGOs and government agencies.
- Coordinating, actively managing and with some executive duties.
- Membership and in-kind contributions.
- Individual identity and own administrative department; activities and budget: FSI projects are managed with co-funding from the government.



Boundary

Supply chain partners in the floriculture industry and NGOs



Management Strategy

Managing the supply chain



Topic Disclosure

All certifications in the floriculture industry have been benchmarked against international references and legislation. This has resulted in an FSI* 'Basket of Standards', which qualify as sustainable and are therefore incorporated into the '90% sustainable' target. Progress in the sustainability percentage is measured and verified every year (by PwC). The FSI members invest every year in projects relating to specific issues which are not, or not sufficiently, covered by certification.

* The FSI Basket of Standards is an international benchmark for sustainable sourcing.



Objective

FSI's target is for 90% of all flowers and plants to be produced using sustainable methods by 2020.



SDG17: Improving implementation resources and updating the global partnership for sustainable development.



90% sustainable



Environment

Social



Environment: Sustainable Floriculture Industry Platform



Boundary Supply chain partners



Objective

The objective of the platform is for industry associations in the floriculture industry to work together more effectively on further improving the sustainability of the sector.

Objectives:

- Sustainability policy.
- Stakeholder dialogue.
- Agreement strategy.



Description

In 2016, LTO Glaskracht, Vereniging van Groothandelaren in Bloemkwekerijproducten (VGB, the association of Wholesalers in Flower Cultivation Products) founded the Sustainable Floriculture Industry Platform at the initiative of Royal FloraHolland.



Management Strategy Managing the supply chain



Topic Disclosure

- Platform for the Dutch (comprehensive) floriculture supply chain: creating conditions for FSI objective.
- Created from the need of Dutch supply chain partners for more consultation and direction on sustainability issues.
- Supports the members with its own objectives.
- Members are supply chain partners: industry associations and their members.

The objective is to promote further sustainability in the floriculture industry and improving our reputation among stakeholders:

- Coordinating.
- In-kind contributions only.
- Chairmanship, administrative department and agenda formation directed by Royal FloraHolland.



Environment:
International Corporate Social Responsibility agreement Floriculture Industry



Boundary
 Social Economic Council, supply chain partners



Objective

Promoting sustainability in the supply chain by reconciling the interests of all stakeholders and signing the ICSR agreement in 2017.



SDG15: Protecting, recovering and promoting the sustainable use of ecosystems, sustainable forest management, fighting

desertification, fighting and reversing land degradation, and ending the loss of biodiversity.



Description

The Social and Economic Council (SER) advocates that industries and businesses should take the initiative in entering into international agreements regarding CSR with the government and NGOs. This will result in the creation of a new instrument to take substantial measures against human rights violations and environmental damage in the supply chain.



Management strategy
 Managing the supply chain



SDG16: Promoting peaceful and inclusive societies in order to promote sustainable development, ensuring access to justice for all, and creating effective, responsible and inclusive institutions at every level.



Topic Disclosure

Royal FloraHolland is the initiator and co-implementer of this agreement and encourages as many parties as possible to sign the ICSR agreement for the floriculture industry together with Royal FloraHolland.



SDG17: Improving implementation resources and updating the global partnership for sustainable development.



Environment: Environment Programme for the Floriculture Industry



Boundary Supply chain partners



Objective

Increasing the percentage of certified products auctioned by Royal FloraHolland in 2018. Flowers: 70%, garden plants: 75% and potted plants: 90%.



Description

The Environment Programme for the Floriculture Industry aims to raise quality standards in the industry, develops certification schedules, and manages certificates. This ensures that sustainability becomes increasingly integrated into companies' day-to-day operations. The standards are internationally accepted and serve as the benchmark in the sector. Two Royal FloraHolland employees are represented on the Environment Programme for the Floriculture Industry Board.



Management strategy Managing the supply chain



SDG16: Protecting, restoring and promoting the sustainable use of ecosystems, sustainable forest management, preventing desertification and reversing land degradation, and ending the loss of biodiversity.



Topic Disclosure Percentage of certified products



Flowers
66%

Target 2018 **70%**



Garden plants
70%

Target 2018 **75%**



Potted plants
87%

Target 2018 **90%**



Environment: **Integrated Pest Management**



Boundary Supply chain partners



Objective

Promoting Integrated Pest Management and encouraging the responsible use of crop protection products for cultivation.



Description

Integrated Pest Management, whereby the use of environmentally damaging pesticides to control vermin is reduced to a minimum.



Management strategy Taking a leading role



Topic Disclosure

An initial assessment and investigation was conducted in 2016 into thrip control in cyclamen cultivation by LTO Glaskracht Nederland in association with Royal FloraHolland.





Environment:
Reducing the use of chemical crop protection products



Boundary
Supply chain partners



Management strategy
Playing a leading role



Objective

Improving the use of crop protection products.



SDG2: Ending hunger, achieving food security and improved nutrition; promoting sustainable agriculture.



SDG15: Protecting, restoring and promoting the sustainable use of ecosystems, sustainable forest management, preventing desertification, controlling and reversing land degradation, and ending the loss of biodiversity.



Description

Crop protection involves taking measures to ensure that crops develop normally. This often includes controlling unwanted plant growth and fighting plant diseases. Chemical crop protection products are used in this process which could potentially have a negative effect on biodiversity, public health and wellbeing.





Environment: Product Proof



Boundary Supply chain partners



Objective

- Promoting Product Proof by developing special standards and conducting pilot projects.
- Objective for 2017 is a pilot project in which 100 products participate.
- Participation by growers from four countries with an international product supply (pilot project).



Description

MPS-ProductProof is a transparency tool for active ingredients in products. A regularly updated database (recording data relating to the use of crop protection products) and independent product sampling can make the use of and presence of active ingredients transparent. This also makes it possible to demonstrate that specific active ingredients are not present and were not used in the cultivation.



Management strategy Playing a leading role



Objective 2017:

100

 products

(2016: 50 growers participated)



Topic Disclosure

Initiators MPS and Royal FloraHolland developed MPS-ProductProof in association with the Netherlands Association of Wholesalers in Floriculture Products (VGB). This tool was developed by conducting a pilot among 50 growers and by having the product tested by a benchmark group consisting of stakeholders (customers, end customers and other industry stakeholders). MPS-ProductProof was launched in November 2016 as an MPS product.





Energy consumption in the supply chain

Strategy 2020

Finance

Facts and Figures

Human Resources

Sustainability

Advisory Councils and Committees

Financial Statements



Environment: Carbon emissions in the sector



Boundary
Supply chain partners, LTO Glaskracht, Ministry of Economic Affairs



Objective

The floriculture industry actively contributes to this and could evolve from being an energy consumer to becoming a potential energy supplier. Royal FloraHolland transfers knowledge and engages in promotion.



Description

The Dutch greenhouse industry, including the floriculture industry, consumes a substantial amount of energy. The industry therefore aims to significantly reduce carbon emissions and the consumption of fossil fuels.



Management strategy
Research, connection, supply chain management



SDG13: Undertaking urgent action in order to fight climate change and its impact.



Objective for 2020 total carbon emissions:

6.2 Mton

Implementation of National Energy Agreement

The National Energy Analysis Report revealed that the greenhouse industry will achieve all the climate and energy objectives for 2020. The objectives are achieved thanks to the carbon sector system, the 'Greenhouse as Energy Source' programme and the Energy-Efficiency System for the Greenhouse Industry.

Source: LTO Glaskracht Nederland.



Topic Disclosure

In 2014, the Multi-year Agreement on Energy Transition in Greenhouse Horticulture 2014-2020 was signed between the greenhouse industry and the Dutch government. A central focus of this agreement is total carbon emissions. Total carbon emissions (including electricity sales) were reduced in 2014 to 5.7 megatons (Mton); this is 0.5 Mtons below the target for 2020. Carbon emissions in 2015 remained unchanged from 2014, after a sharp fall during the period from 2010-2014. The share of sustainable energy increased

by more than 20%. At the National Climate Summit held in October 2016, a group of more than 25 companies, NGOs, government agencies and research institutions signed an agreement to investigate shared projects and to work towards a carbon Smart Grid. The first step will be to explore an extension of OCAP with an additional carbon source including a seasonal buffer for supply to the greenhouse industry.



Energy consumption in the supply chain

Strategy 2020

Finance

Facts and Figures

Human Resources

Sustainability

Advisory Councils and Committees

Financial Statements



Environment: Geothermal energy generation



Boundary
Supply chain partners
Westland Infra and HVC



Objective

Test drillings will be conducted in June 2017 to collect data on the potential of the heating source in the Trias geothermal layer.



Description

Royal FloraHolland promotes the use of sustainable raw materials and resources in the supply chain.



Management strategy
Co-initiator and partner



SDG13: Taking urgent action to control climate change and its climate.



Topic Disclosure

Trias Westland will investigate whether the Trias geothermal layer contains sufficient extractable heat to meet the heating needs of a large portion of the Westland demand for heating.

Heating grids, linked to sustainable sources or (residual) heat from industrial processes, provide a sustainable alternative to the current traditional practice of heat extracted from natural gas.



Provide

80%

of heating need through the consumption of **geothermal heat**



Social: Societal impact in Africa



Description

In 2015 the 193 global members of the United Nations signed the document which sets out the 17 Sustainable Development Goals. These Sustainable Goals are designed to ensure that the world will be a better place for us all to live in by 2030.

The 17 Sustainable Objectives serve as a roadmap for a sustainable, fair and equitable world in 2030.



Boundary

Management, supply chain partners



Management strategy

Defining policies to underpin the activities performed by members in developing countries and to actively communicate these policies



Objective

Engaging in a dialogue with international suppliers on policy, with a specific focus on gender equality and fair wages.



SDG1: Ending poverty in all its forms everywhere.



SDG5: Achieving gender equality and self-development/empowerment for all women and girls.



SDG8: Promoting steady, consistent, inclusive and sustainable economic growth, full and productive employment and fair labour for all.





Environment: Improving the footprint of aviation in the floriculture industry and improving floriculture transport



Boundary

Supply chain partners, transport companies



Objective

Conducting baseline measurements, research and experiments in this area and actively sharing and communicating results in the supply chain. The objective for 2017 is to draft scope 3. This represents the indirect emissions caused by activities which are conducted by other parties in the supply chain and emissions generated higher up in the chain.



Description

Promoting more sustainable transport through transport by ship instead of transport by plane and the use of hydrogen-powered trucks.



Management strategy

Managing the supply chain





Economic: Improving customer satisfaction



Description

Royal FloraHolland aims to measure the level of customer satisfaction and incorporate customers' feedback into its business operations.



Boundary Company's business operations



Management strategy Performing customer satisfaction surveys



Topic Disclosure

The relationship between Royal FloraHolland and its members is based on continuous, in-depth surveys into the satisfaction and trust of members and customers. A customer satisfaction rate of 29% is insufficient. This is mainly the result of a delay in logistics services and the extent to which Royal FloraHolland supports customers in achieving their business targets and objectives. Four out of ten customers are familiar with the new strategy pursued by Royal FloraHolland and endorse this strategy. Customers are particularly positive about the fact that Royal FloraHolland has a sense of purpose and changes with the times.



Objective

Further improving customer satisfaction to 44% in 2017. Strengthening the relationship with customers by improving the quality and variety of the product supply and optimising the speed of logistics handling.

Customer satisfaction



Objective for 2017

44%

Objective for 2016

33%

Result for 2016

29%



Economic: Improving member satisfaction



Boundary Company's business operations



Objective

Increasing member satisfaction rate to 60% in 2017. We aim to achieve improvement in a number of ways including by completing the full Cooperative 2020 programme in 2017, giving us a better understanding of what unites us and what the cooperative has to offer.



Description

Royal FloraHolland aims to measure the level of measuring satisfaction and incorporate feedback from members into our business operations.



Management strategy Conducting member satisfaction surveys



Topic Disclosure

A member satisfaction rate of 51% is slightly higher than the objective of 50%. A study is currently being conducted into adjustment of the member rates and financing. Members in Q3 were somewhat more satisfied than in Q1 2016 regarding the support they received in achieving their business objectives. Members have become slightly more positive about the level of influence than in Q1 2016. One-third of the 'positives' feel there are sufficient opportunities for influence and control.

However, six out of ten members feel their level of influence remains insufficient (among smaller members, this is as high as seven out of ten). The most important topics to exert influence over are 'the future of Royal FloraHolland' and 'the rating structure'. When it comes to the latter, in particular, members feel the level of influence is too low. Active members do feel that they have more influence on the future of Royal FloraHolland than inactive members.

Member satisfaction



Objective for 2017

60%

Objective for 2016

50%

Result for 2016

51%



Social: Improving employee satisfaction



Boundary
Company's business operations, HRM



Objective

Engagement: ensuring that engagement and enthusiasm in 2017 further increases to 70%.



Management strategy
Conducting measurements and evaluations



Description

The level of satisfaction of our employees is measured through employee satisfaction surveys; the HRM policy can be amended based on the results of these surveys.



Topic Disclosure

At 65%, employee engagement and enthusiasm remains below the objective of 75%. The changes undergone by Royal FloraHolland, such as the announced workforce reduction, are creating uncertainty. Everyone within the organisation is encouraged to focus on their individual development and future career opportunities. We do this through our Academy and by implementing our strategic 'Improving Together' programme and through the 'Toekomstplein' ('Future Square') project, which was completed in 2016.

Employee satisfaction



Objective for 2017

70%

Objective for 2016

75%

Result for 2016

65%



Environment: Reducing the number of transport movements



Boundary Supply chain partners



Management strategy Managing the supply chain



Objective

Our specific objective is to increase profit margins for our supply chain partners and to reduce expenses by 15 percent across the supply chain. In 2017, we will be working with these partners to translate supply chain insights into realisable plans. This is important, as a well-organised logistics chain supports members and their customers in successfully conducting business in an increasingly virtual market. This strategy will allow us to improve the industry's competitive strength over the long term.



Description

The international FLOW programme was established for the purpose of cooperation and creating synergy across the floriculture supply chain as a whole. The purpose is to organise current and future logistics flows for flowers and plants efficiently and effectively, from the production stage right to the rear entrance of the customers registered with Royal FloraHolland.



Topic Disclosure

FLOW aims to co-create value across the floriculture supply chain as a whole based on the premise that disruption is the new form of doing business. In 2016 we built the foundation for the year 2017. The trends and developments facing this industry have been identified and analysed and their impact has been determined. Various analyses have been conducted of growers, customers, logistics services providers and consumers.

More than 80 interviews have been conducted among supply chain partners in the Netherlands and abroad. Together, we have been able to identify the logistics expenses and logistics challenges.



Objective for 2020

15%

cost savings for the supply chain



Social: Number of accidents



Boundary

Company's business operations, HRM



Objective

In 2017, we also began analysing individual accidents in order to gather more information on the types of accidents involved and the root causes in order to eliminate the latter more effectively and do a better job of preventing these causes. Since the management of Royal FloraHolland feels the current sickness absence rate is too high, it will introduce more disciplinary measures in 2017 with the objective of reducing sickness absence.



Description

Reducing the number of accidents (measured in the Accident Frequency Index, i.e. the IF Index).



Management strategy

Monitoring safety plans and measuring results



Sickness absence

5.3%

(2015: 5.3%)



Topic Disclosure

Response measures relating to accidents improved in 2016. Whereas in 2015 an accident analysis would only be conducted for accidents involving absenteeism, in 2016 this accident analysis was also conducted for accidents not followed by absence. In 2016, a total of 79 employees or contractors were found to have suffered industrial accidents involving at least one day of absence.

Risk assessments and evaluations were updated in 2016, along with the related action plans. A Security Scan was initiated at the end of 2016, which involves one department analysing the management of safety risks. This will be further implemented in 2017. In 2016 the company began creating and implementing a management system for occupational health & safety and the environment, for the purpose of improving management and assurance of risks relating to occupational health & safety and the environment.

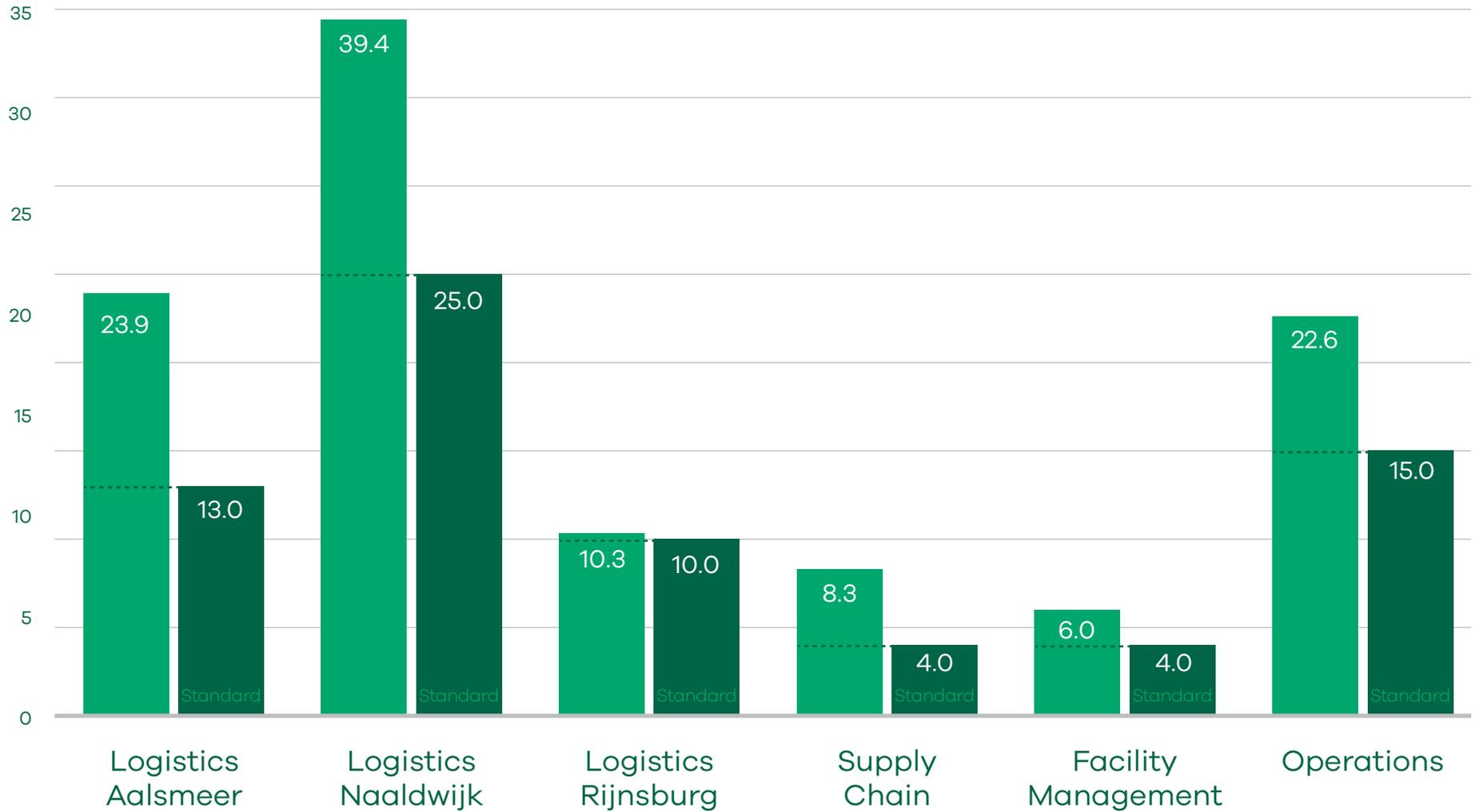
IF Accident frequency

22.6

Standard 15.0

(2015: 17.9, Standard: 16.0) ↑

* Accident frequency of Operations.





Reducing water and energy consumption



Environment: Improving water and energy consumption



Description

Without the use of gas, fuels, energy and water, it is impossible for Royal FloraHolland to effectively conduct its core activities. However, the company's CSR policy provides for a reduction in the use of these commodities.



Boundary

Company's business operations scope 1 and scope 2



Management strategy

Improve company's business operations relating to scope 1 and scope 2



Objective

- Baseline measurement (see page 75) and improving scope 1 and scope 2 on this basis.
- Scope 1 and 2 consumption: direct carbon emissions, generated by sources within the organisation, buildings and the production process, including electricity and gas consumed, drinking water consumption, business mileage and business air travel mileage.
- Draft a cost/benefit analysis in order to achieve a zero-carbon performance by 2020.



SDG13: Taking urgent action in order to fight climate change and its impact.

Carbon emissions - Scope 1 and 2 (kg)*
60,634,112
↓2.8% (2015)

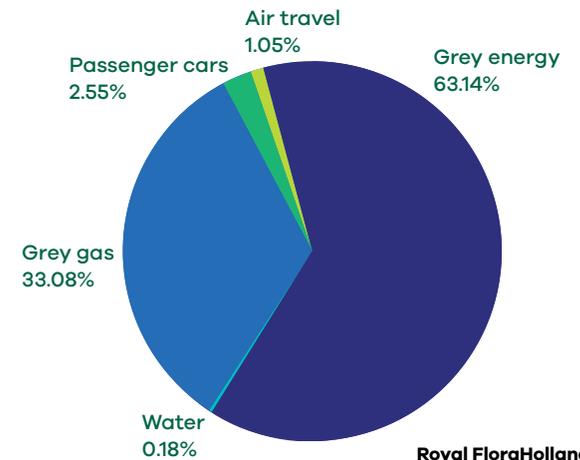
Carbon emissions per FTE (kg)
25,487
↓0.4% (2015)

Carbon emissions per unit supplied by regular auction (kg)
0.01
0.0% (2015)



Topic Disclosure

Relative share in scope 1 and 2



* Calculation is based on the Klimaatplein Method. This does not include energy consumption charged on to tenants, as Royal FloraHolland is responsible for its tenants' business operations.



Reducing water and energy consumption

Strategy
2020

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812,907

Diesel passenger car
(carbon emission/kg)

↑20.5% (2015)

732,331

Petrol passenger car
(carbon emission/kg)

↓21.2% (2015)



636,500

Air travel mileage
(carbon emission/kg)

↑46.2% (2015)



38,284,706

Grey energy
(carbon emission/kg)*

↓3.0% (2015)



20,058,770

Grey gas
(carbon emission/kg)

↓3.3% (2015)



108,898

Water
(carbon emission/kg)

↑2.5% (2015)

* Calculation is based on the Klimaatplein Method. This does not include energy consumption charged on to tenants, as Royal FloraHolland is responsible for its tenants' business operations.



Reducing water and energy consumption

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116,017

Total power consumption (MWh)

0.0% (2015)



10,629,979

Gas consumption (cubic metres)

↑2.3% (2015)



365,430

Water consumption (cubic metres)

↑7.4% (2015)



382,070

Wastewater disposal in sewage system (cubic metres)

↑22.6% (2015)



4,830

Pollution units (unit consumed)

↓7.6% (2015)



36,903

Power consumption by tenants (MWh)

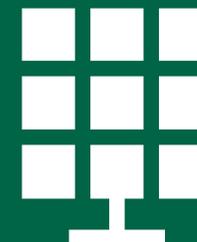
↓3.2% (2015)



79,114

Power consumption auction* (MWh)

↑1.6% (2015)



301,134

Power generation, solar panels + NSAs (kWh)

↑88.1% (2015)



Environment: Optimum transport packaging



Boundary
Company's business operations, supply chain management



Management strategy
Managing the supply chain



Description

Optimum transport packaging is essential when it comes to delivering flowers and plants to consumers using effective and efficient methods and practices. This requires a high level of standardisation, due to the large number of producers (growers) and traders/exporters. We determine the packaging standards in the supply chain together with our members and customers.

Royal FloraHolland encourages the use of this type of standardised transport packaging through its policies, in which sustainability issues are the central focus.

Re-duce

Preventing the waste of materials and using natural resources more efficiently

Re-use

Increasing the recycling percentage for packaging materials

Re-cycle

Recovering packaging materials

Re-new

Using new (bio-based) materials with a lower environmental impact





Environment: Optimum transport packaging



Topic Disclosure

The standardised transport packaging manufactured by Royal FloraHolland remains a requirement in 2016 for an optimum logistics supply chain. The use of recycled flower barrels remains a common practice in the supply chain up to the florist level. The use of recycled flower packaging has shown a trend in recent years which continued in 2016. In packaging, the focus on further improving the sustainability of the packaging used for floriculture products has increased over the past year. Royal FloraHolland provides a wide range of transport packaging, so as to allow everyone to choose the packaging option that best suits their needs.

In order to support businesses in making the appropriate decisions based on sustainability, an investigation was launched in which the various types of packaging are compared with each other in terms of their environmental impact. This provides guidelines for identifying the potential for improvement within the packaging groups in relation to sustainability. This will be a key focus in 2017. Royal FloraHolland has also launched several feasibility studies into packaging solutions which could potentially generate a substantial improvement in the supply chain, with the objective of further optimising the supply chain, preventing waste and reducing supply chain costs.



Objective

Recommending and delivering the most efficient and sustainable packaging to members and customers.

- **Normpack**
 - Continuing mono-material policy.
 - Design optimisation: including weight-reducing measures.
 - **Single-use/multiple-use**
 - Research into environmental impact in relation to recycling and opportunities for improvement.
 - **Single-use**
 - Identifying recycling flows (particularly Normpack).
 - Optimising the use of FSC paper.
 - **Multiple-use**
 - Research into use of recycled plant trays.
- Royal FloraHolland aims for all packaging to become part of the Circular Economy.
 - Highest Attainable Goals as set out in the Industry Sustainability Plan up to 2017.
 - Participation in Industry Sustainability Plans and Highest Attainable Goals 2018-2022.
 - Royal FloraHolland and its social partners seek to establish a target of 50% reduction in the use of primary resources by 2030 (including minerals, fossils and metals).

Target for 2030:

50% reduction in the use of primary resources



Environment:
Improved waste streams through waste segregation and the creation of environmental stations at all Royal FloraHolland sites



Boundary
 Company's business operations



Management strategy
 Improving company's business operations



Objective

Encouraging the use of environmental stations and measuring the percentage of waste which can be recycled. Next: setting a target once the baseline measurement has been performed. Royal FloraHolland aims to reduce its waste to zero waste by 2020 and to increase the recycling percentage to above 85% by 2018.



Description

Environmental stations have been created at all Royal FloraHolland sites, where customers can return packaging waste free of charge or on payment of a small fee. We subsequently sort this waste at each of the sites before disposing of it. A large portion of this waste is subsequently recycled.



Topic Disclosure

Royal FloraHolland makes a point of segregating its waste disposal. In 2016 we segregated a total of 35,853 tonnes of waste (versus 35,727 in 2015). The recycling percentage for 2016 was 80%, versus 81% for 2015.



35,853 tonnes
 ↑0.4% (2015)



Environment:
Improving waste streams



8,921 tonnes

Unsorted waste
↑0.8% (2015)



80%

Segregation percentage
↓1.1% (2015)



12,543 tonnes

Organic waste
↑0.2% (2015)



19,495 tonnes

Cardboard
↓1.0% (2015)



870 tonnes

Other waste
↑110.6% (2015)



2,986 tonnes

Plastic waste
↓3.5% (2015)



Environment:
Waste tender
Zero waste



Boundary
Company's business operations



Objective

Our goal is to eventually eliminate all residuals. We achieve this together with our members, customers and other supply chain partners and other partners. We plan to do things differently rather than better. Zero waste by 2020.



Description

We have established a vision for our waste management operations. We have set out this vision in a report, which we drafted together with several market experts. The ultimate objective of this effort is to eliminate residuals altogether and convert our waste into raw materials, allowing us to turn costs into benefits.



Management strategy
Outsourcing by tender



Topic Disclosure

Royal FloraHolland's comprehensive waste management operations were launched in the market as a package based on the BVP methodology (i.e. best value procurement). This is a proven method to create effective cooperation with a performance-oriented contractor that enables Royal FloraHolland to achieve its objectives.



The Green Agenda

Action plan / status

The main objective of the multi-year programme for the leading industries designated by the Dutch government, the 'Green Agenda', is developing innovative and green concepts which can easily be implemented in practice and which are focused on green areas in and around the built environment. This helps create new sources of revenue for the industry, based on the positive effects of green spaces on our collective health and wellbeing. Royal FloraHolland plays a leading and facilitating role in this programme, uniting businesses in the sustainability industry and supporting them in the development of green concepts and earnings models.

Boundary

Supply chain partners

Management Strategy

Supply chain management

Objective

Status 2016

We focused on achieving the following three goals and sub-goals in 2016:

1. Promoting innovation and improving the competitive position of the sustainability industry through meetings with businesses.
2. Taking better advantage of the positive effects of green spaces in and around the built environment on the health and wellbeing on the people who live, learn and work in these areas (these topics forming part of the Green Agenda).
3. Generating new (fundamental) information about the ways in which green spaces affect our health and wellbeing.

Objectives for 2017

- Working with growers on defining concepts and writing the corresponding business cases.
- Completion of the first five factsheets on green spaces.
- Making information about plants and their impact more easily accessible, in association with Let it Grow.
- In 2017 we were involved in eight TKI projects (in addition to the coordinating Green Agenda programme): TKI is a Dutch acronym for **Topconsortia voor Kennis en Innovatie** (Leading consortiums for Knowledge and Innovation); the latter produce new information about the positive impact of green spaces on public health and the built environment.



Training & Education

Action plan / status

Royal FloraHolland intends to invest in its employees in the form of education, courses and training and updating their knowledge of new trends and developments.

Boundary

Company's business operations and HRM.

Objective

Increasing the training budget to €3,085,000 in 2017.
Establishment of Royal FloraHolland Academy and Toekomstplein programmes.

Management Strategy

Drafting Training & Education policy and budget.

Reduction of Absenteeism

Action plan / status

Royal FloraHolland intends to reduce absenteeism and foster a healthy and stimulating work environment for its employees.

Boundary

Company's business operations and HRM.

Objective

Reducing absenteeism percentage to less than 4.5% by 2018.

Management Strategy

Monitoring absenteeism plans and improving employability by enhancing employees' physical and mental health.



Crisis Management and Risk Management

Topic disclosure: Crisis management

The crisis management team conducted a large-scale operation in 2016, which involved a crisis exercise. Furthermore, a number of improvement areas from the local crisis exercise completed in 2015 were replicated and the group crisis management plan has been updated.

Topic disclosure: Audits

An internal audit was conducted in 2016 for the Aalsmeer, Naaldwijk and Rijnsburg sites to investigate compliance with environmental regulations and rules for the use of fire safety systems. Aspects covered by the audit include compliance with Legionella management plans. Another audit was conducted into the Safety Management System of the ammonia cooling system at the Naaldwijk site.

Additionally, audits were performed at each of the sites by the local environmental service. The various audits conducted revealed a number of improvement areas, which have since been implemented. These improvement areas will not undermine the physical safety at the site, but are related mainly to the demonstrability and transparency of data.

Topic disclosure: Safety regulations

The safety regulations were established at the end of 2015 and implemented in 2016, including in the regulations for construction and renovation, in the contracts with recruitment agencies, and by increasing the use of safety gear and safety shoes. The safety regulations have been clearly communicated to employees, and special posters also communicate the specific issues of the safety rules, including traffic and the use of safety gear, safety shoes and hearing protection.

Topic disclosure: Fire safety

A fire safety master plan has introduced a number of major improvements at the Aalsmeer and Naaldwijk sites. A large and complex fire barrier has been installed at the Naaldwijk site, for example.

The Aalsmeer site focused on expanding the sprinkler systems. In 2016, approximately 60,000 m² has additionally been equipped with a sprinkler system. This project will be continued in 2017, whereby the new sprinkler system will also be put into operation.



Social Return

Action plan / status

Social Return refers to the commitments Royal FloraHolland makes with its partners with the objective of helping to increase workforce participation by disadvantaged job seekers.

Boundary

Company's business operations and HR.

Objective

Discussion on policy to be pursued.

Management strategy

Defining the policy.

Reflecting CSR in remuneration policy

Action plan / status

Incorporating Royal FloraHolland's CSR performance into its remuneration policy.

Boundary

Royal FloraHolland Supervisory Board and Management Board.

Objective

Discussion in 2017.

Management strategy

Possible amendment of remuneration policy.



Let it Grow

Action plan / status

In 2016 Royal FloraHolland developed Let it Grow, an innovation programme for the industry. The programme provides innovators (i.e. pioneers) a platform with the objective of adding value to life - in particular urban life. Let it Grow focuses on new markets and target groups (i.e. pioneers and early adaptors), including both consumers and businesses, who use flowers and plants to make urban areas all over the world healthier and more beautiful.

Boundary

Supply chain partners.

Management strategy

Supply chain management and supply chain stimulation.

Objective

Objectives for 2017

- Activating a happy, healthy city life through storytelling on the website, social media, print, PR and community building.
- Encouraging and supporting a larger number of startups.
- Making information about flowers and plants and their impact more easily accessible.
- Further developing the Let it Grow label with partners from within the industry and beyond.



Good Governance

Action plan / status

Royal FloraHolland is a cooperative, with a Management Board that directs the company. The Supervisory Board is responsible for monitoring the policies created by the Management Board and general developments at Royal FloraHolland. The General Members' Meeting is the highest decision-making body.

Boundary

Supervisory Board and Management Board of Royal FloraHolland, advisory bodies and General Members' Meeting.

Management strategy

Organisation and enforcement legal Governance structure.

Objective

Efficient and effective realisation of our strategy and policy objectives.

We implemented a number of changes to the Royal FloraHolland Management Team, the organisational structure and our governance system in 2016 in order to achieve our goals in 2017. The new organisational structure of the Royal FloraHolland Management Team will ensure more effective management. The new design structure is designed to accelerate and monitor the strategy implementation. Sustainability is a component of the new structure.



Contribution to Society

Action plan / status

One of the ways in which we do this is by encouraging our members in the search for more sustainable and better products and enterprise. Royal FloraHolland therefore sponsors special awards for horticulture businesses: the **Tuinbouwondernemersprijs**, the **Gouden Tulp** (Golden Tulip) Award and the International Grower of the Year Award, along with several flower shows and an annual event in the Dutch horticulture industry, 'Kom in de Kas' ('A Look Inside the Greenhouse'). For the past five years, visitors to the Madurodam theme park in the Netherlands have also been able to view a miniature version of the flower auction.

Royal FloraHolland has made a balanced choice between a number of sponsorship events, supporting such charities as Ride for the Roses (organised by KWF Kankerbestrijding, a major Dutch cancer charity), the Pre Ride for the Ride of the Roses (same) and the Roparun (at 530 kilometres, the world's longest relay race, the proceeds of which are donated to improving the quality of life of cancer patients and their families).

Boundary

Royal FloraHolland Supervisory Board and Management Board in association with various charities.

Management strategy

Prioritisation.

Objective

Further discussion in relation to further prioritisation.



Code of Conduct

Action plan / status	Boundary	Objective
<p>The Code of Conduct serves as a guideline for the conduct between Royal FloraHolland and all our customers, members, business partners and suppliers, with corporate ethics and corporate sustainability (corporate social responsibility) playing an important role.</p>	<p>Procurement department and suppliers.</p>	<p>By 2020, CSR will be part of the DNA of our Procurement department and will be integrated into the purchasing processes and contracts in which Procurement has played a role:</p> <ul style="list-style-type: none"> • Sustainability is a standard criterion in the purchasing decision-making matrix in all tender processes. • In market analysis processes, Procurement focuses mainly on businesses and solutions based on circularity. • Procurement uses the TCU (Total Costs of Usage) as a criterion instead of TCO (Total Costs of Ownership) whenever possible. • Procurement has the expertise and knowledge required to involve the Business in new business models and can translate the added value of sustainable solutions into terms of which the business also realises the benefits. • Procurement will focus on the use of goods and services and less on the ownership of goods.
	<p>Management strategy</p> <p>Drafting the Code of Conduct.</p>	

Pieter Stolk, Stolk Brothers

Stolk Brothers is a family business based in Bergschenhoek in the Dutch province of South Holland which specialises in the cultivation of potted anthuriums. Pieter Stolk and his brother David are the fourth generation of directors of the company.

The nursery works almost exclusively with organic substances. The company began using organic pesticides back in the 1990s, sparked in part because their father, Kees, developed eczema as a result of the use of chemical substances. 'Our father, Kees, and his brother Piet were true pioneers at the time.' Stolk Brothers became one of the first companies in the Netherlands to be awarded the MPS label. 'Our belief in using sustainable practices is rooted in the idea that we must treat God's creation and our fellow human beings with care.'

Stolk Brothers uses a wide range of organic pesticides to fight thrips and lice. The company also employs bio-stimulants which improve the life of the soil in pots and ultimately also enhance the quality of the potted anthuriums and stimulate their growth. Stolk Brothers intends to use only organic materials in 2017. 'Since we've gradually switched to the use of organic pesticides, we no longer need to worry about lists with compliance requirements.'



'By introducing the use of innovative and organic pesticides, we are prepared for the future'

Statutory Management Board and structure

Statutory Management Board

Lucas Vos (born 8 August 1967),
Dutch citizen, CEO since 1 January 2014.

Other positions:

- Member of the Amsterdam Economic Board;
- Member of the Supervisory Board of Jeroen Bosch Ziekenhuis (hospital);
- Board member of Stichting Fonds Coöperatieve Bloemenveiling (Flower Auction Cooperative Fund);
- Board member of Stichting Herstructureren en Ontwikkeling Tuinbouwsector (Horticulture Sector Restructuring and Development Association);
- Board member of Vereniging van Bloemenveilingen in Nederland (Association of Dutch Flower Auctions).

Steven van Schilfgaarde (born 25 August 1964),
Dutch citizen, CFO since 17 May 2016

Other position:

- Member of the Supervisory Board at LeasePlan Corporation NV.

Structure of Royal FloraHolland

The company is led by the Management Board, which is comprised of the CEO and the CFO. Along with the leaders of the main business functions, they make up the Royal FloraHolland Management Team. The Supervisory Board actively monitors the actions of the Management Board. The General Members' Meeting is the highest decision-making body of the cooperative.

Royal FloraHolland has an extensive consultation structure in place including Advisory Councils, Royal FloraHolland Product Committees (FPCs), Regional Advisory Committees (RACs) and the Customer Platform. Members can submit individual items to the relevant departments in the company. We are seeking wide support for this purpose among the members of the cooperative. The section on Corporate Governance includes further details on the operation of this structure.



Members of the Royal FloraHolland Management Board and Management Team

Seated, from left to right

Gerhard van der Bijl, Chief Digital Officer (CDO)

Lucas Vos, Chief Executive Officer (CEO)

Steven van Schilfgaarde, Chief Financial Officer (CFO)

Standing, from left to right

Anja de Bree, Chief Human Resources Officer (CHRO)

Servaas van der Ven, Chief Commercial Officer (CCO)

Marcel Claessen, Chief Operating Officer (COO)

Advisory Council on Flowers

On sofa, pictured from left to right

Fred van Schagen
Peter Smak
Jan Mantel

Pictured on sofa armrest

Wim Brouwer
Marcel van Tol
Martien Middelburg
Paul Koenraad
Rick Tesselaar

Behind the sofa, pictured from left to right

Uri Bruck
Martin Zwinkels
Jaap Evers
Herman de Jong
Simon van der Burg
Marco Mol
Evert van Helvoort
Wouter Duijvesteijn
Pieter Kolk
Leo van Holstein
André Zuidgeest

On staircase, from bottom to top

Erik van Paassen
Ronald Olsthoorn
Carlo Elia

Not pictured

Remco van der Arend
Rob van Haaster
Yidnekachew Ayele
Habteyes
Jaap-Jan Kuyvenhoven
Marcel van de Lugt
Peter van de Pol
Bernard Zuidgeest



Advisory Council on Plants

On sofa, pictured from left to right

Sjaak Buijs
Steef de Lange
Maarten van der Hoorn

Behind the sofa Pictured from left to right

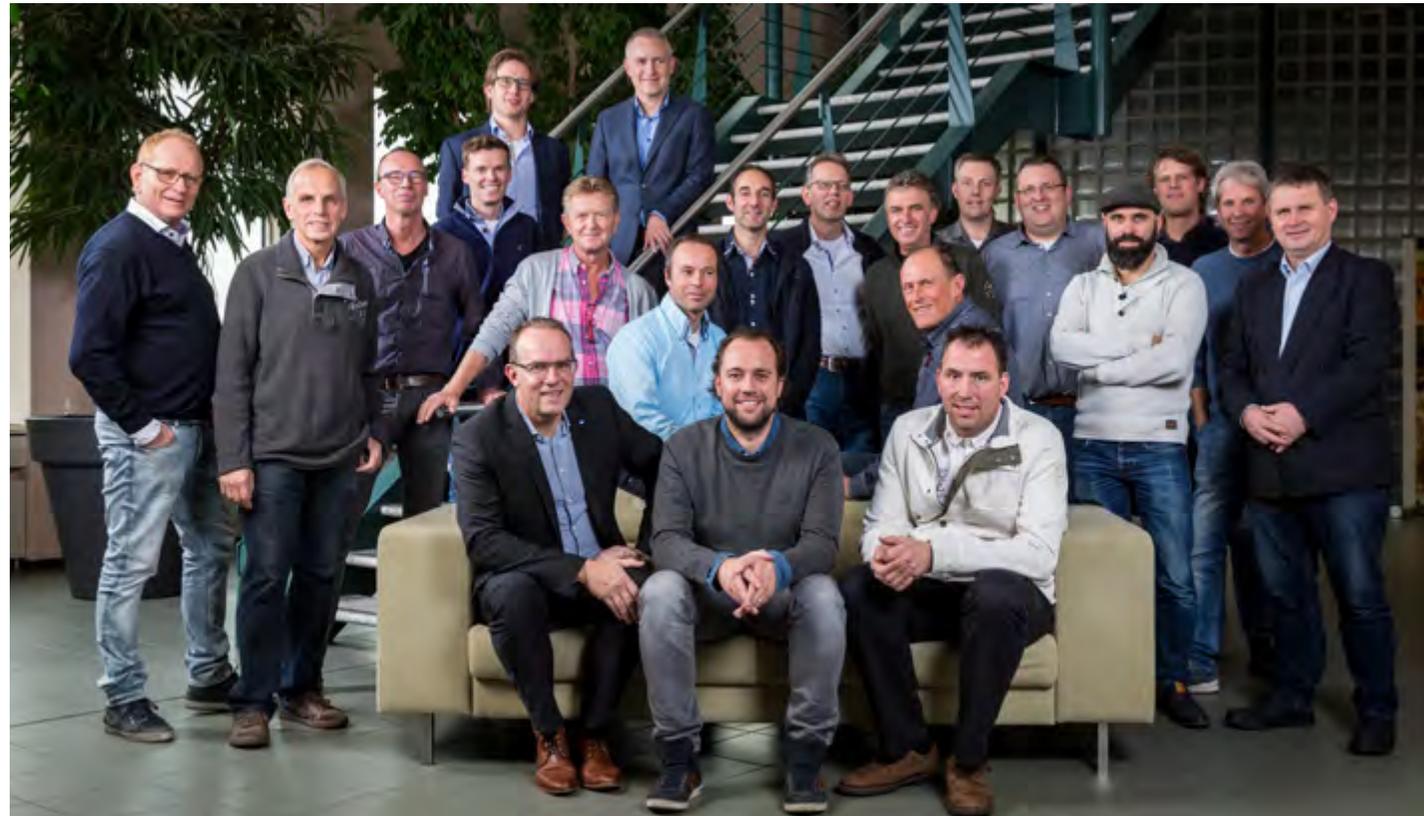
Fred Bunnik
Tom van der Houwen
Peter Varekamp
Fred van Luijk
Walter Zijderwijk
Arnoud van der Knaap
Wim Koolhaas
Bert Schouten
Frans van den Bos
Bram Bernhard
Rick van Woudenberg
Robin van Dijk
Ewoud Meeuwissen
Emiel Barendse en
Goos Hofland

On staircase, from left to right

Robin van der Knaap
Niels de Groot en
Servaas van der Ven

Not pictured

Leon Ammerlaan
Gerard van Langen
Ben Olsthoorn
Ed Stofbergen
Corstiaan Stolk



Details on the Advisory Councils on Flowers and Plants

- The Advisory Councils on Flowers and Plants convened on several occasions in 2016.
- Items on the agenda included:
 - The Cooperative 2020 programme. In a 24-hour session, the members of the Advisory Councils, inspired by several external speakers, were provided with details on the cooperative of the future.
 - The reorganisation of the real-estate holdings of Royal FloraHolland Aalsmeer, which was approved by the General Members' Meeting in June 2016.
 - The 2020 'Consumer' programme: 'More consumers, who spend more on flowers and plants.' The participants were briefed on the marketing of floriculture products.
- The financing of the cooperative has been adapted to suit the times. The Advisory Councils have been closely consulted. The company's amended articles of association were approved last year following approval from the General Members' Meeting.
- The New Auctioning has been discussed by the Advisory Councils on several occasions. What will the auction process look like in the future, and what impact will this have on logistics? The national virtual auction system will be further rolled out in 2017. The 'Today for Tomorrow' system has also been the subject to discussion; this is currently being further investigated.
- FloraMondo 2.0: a digital transaction platform for the global trade in floriculture products that will be launched in 2017.



'Compliance requirements could improve competitive advantage'

Jelmer Vierstra, Senior Programme Leader Circular Economy at Stichting Natuur en Milieu

The environmental organisation Stichting Natuur en Milieu is one of the stakeholders with which FloraHolland consults regularly in order to discuss sustainability.

The organisation's Jelmer Vierstra, Senior Programme Leader Circular Economy: 'The purpose of these meetings is to work together on promoting sustainability in the industry. We have noted that retailers are all finding different solutions to meet the public demand for increasingly sustainable production processes. This has created a wide diversity of task lists, which has only complicated the process. It's important that Royal FloraHolland and its members, along with our organisation and other NGOs, assume a more proactive role so as to allow us to streamline these efforts.'

Jelmer notes matter-of-factly that sustainability practices are currently pushed by the industry rather than the national government: 'Since it's driven by market demand, these rules will ultimately apply to all suppliers, including international ones. This means that growers who have adopted sustainable practices actually get to improve their competitive advantage.'

Customer Platform

On sofa, pictured from left to right

Wiebe van der Veen (Flower Trade Consult)
Martijn van Noort (Verdel)
IJsbrand Guijt (Dingeman Hoek)
Harry Brockhoff (Dutch Flower Groep)

On staircase, from left to right

Hendrico de Brabander (Noviflora)
Cees Heemskerk (W. Heemskerk & Zn)
Floris Olthof (Royal FloraHolland)
Lucas Vos (Royal FloraHolland)
Marcel Claessen (Royal FloraHolland)
Bob Moria (Waterdrinker)
Servaas van der Ven (Royal FloraHolland)
Cees van der Meij (Royal Lemkes)

Behind sofa, from left to right

Frank de Roo (Floréac)
Robert Roodenburg (VGB)
Frank Koenen (FleuraMetz)
Richard Koenen (Piet van Dam)
Marco Maasse (VBW)
Steven van Schilfgaarde (Royal FloraHolland)

Not pictured

Marius Dekker (De Gooijer International)
Rick van der Eijk (E. den Dekker)
Frits Jilderda (Jilderda)
Hans van der Plas (van der Plas)
Gert-Jan Schoneveld (Hilverda de Boer)
Evert Thielen (Westland Bloemen Export)
Reinier Weerman (Weerman)
Marco van Zijverden (Dutch Flower Groep)



Agenda items of the Customer Platform

Putting the customer first (Customer Centricity) is a key contributing factor when it comes to a flourishing floriculture industry. We therefore established the Royal FloraHolland Customer Platform in 2015. This gives us representation by the directors and owners of various types of trading companies.

The members of the Customer Platform convene four times a year to discuss strategic and tactical issues. In 2016 they held constructive discussions on the following topics:

- The 2020 'Consumer' programme. Like our customers, Royal FloraHolland wants consumers to spend more on flowers and plants. Another topic of discussion was the relationship with the marketing of floriculture products.
- We discussed customer segmentation and services. Customers have a variety of needs and requirements, calling for a variety of value propositions.
- The continued development and upgrading of our IT resources - including FloraMondo 2.0 - was another item on the agenda. This is a high priority among our customers.

- Attendees discussed the progress of the Royal FloraHolland Strategy 2020 in the various programmes.
- Attendees discussed the results of the customer satisfaction survey.
- Marco Maasse of VBW, the trade association for florists, presented his views on the Florists' clock.
- On several occasions we discussed developments relating to the New Auctioning. The trade supports these developments and underscores the importance of the 'Today for Tomorrow' system.
- We also discussed the rates for 2017. During the most recent meeting, held on 1 December 2016, we discussed the progress of the Royal FloraHolland Strategy 2020, the Distribution improvement plan and the contribution of trade to promotion in 2017.



Marco van Zijverden, CEO Dutch Flower Group

Dutch Flower Group (DFG) is the largest Royal FloraHolland customer to participate in our Customer Platform.

'We are optimistic about the fact that we have become more closely involved in the meetings with Royal FloraHolland. It gives us, as a customer and supply chain partner, the opportunity to make our constructive contribution based on the interests of the trading companies, the cooperative, and the Netherlands as a global floriculture capital,' says DFG CEO Marco van Zijverden.

'One of the more important topics to be discussed in the past year was the New Auctioning, which involves "ex garden" delivery. As part of our vision, we separate the commercial process from the logistics process. Royal FloraHolland heads up the local distribution and quality assurance processes and supports growers by facilitating the technologies required. This new system will generate huge cost reductions for Royal FloraHolland in the logistics chain. Growers rely on being charged the correct prices for the services requested by buyers. Royal FloraHolland customers - including our trading companies - will greatly improve their efficiency in the process. Our customers, who in the current system often do not receive all the products they have ordered, will receive far more reliable delivery services under the new system. However, we do need to work together in ensuring a clear division of duties when it comes to local distribution, in order to ensure that there will continue to be a single marketplace in the future and that it does not become divided into different areas.'

DFG is extremely positive about the company's intention to adopt more sustainable practices: 'We are pleased with Royal FloraHolland's decision to hire new people specifically for this purpose and to incorporate this issue into its strategy.'



**'Royal FloraHolland is
more open to dialogue
with its customers'**

Corporate Governance

Effective and healthy organisations require a solid governance system. On account of its size, Royal FloraHolland is a structured cooperative with a Supervisory Board and a Works Council. The General Members' Meeting is the organisation's highest decision-making body. The General Members' Meeting appoints the Supervisory Board members and the members of the General Members' Meeting Committee. In addition, the General Members' Meeting approves the financial statements and the main membership fees and must approve all investments in excess of €20 million.

The members' voting rights are based on the member assets accumulated during their years of membership, and therefore on past turnover generated. The General Members' Meeting convened on two occasions in 2016.

The GMM Committee makes recommendations for, or objects to the appointment of, new members of the Supervisory Board and the remuneration policy on behalf of the Management Board. This Committee consists of members who are not affiliated with any other committees.

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 2016 our management included a Managing Director (CEO) and a Chief Financial Officer. They met once a week in the Royal FloraHolland Management Team meetings together with group managers in 2016.

The Supervisory Board monitors the management's policy and general developments within the cooperative and also has an advisory role. Members of the Supervisory Board comprise various committees within the Supervisory Board, including an Audit Committee, a Cooperative Committee and a Selection and Remuneration Committee. The committee meetings provide the members with the opportunity to discuss issues in greater depth. The Committees have no decision-making authority and prepare the topics addressed in the Supervisory Board meetings.

Since Royal FloraHolland has an advisory structure, the influence of members over the policy set by the management is guaranteed. This member influence is exerted through FloraHolland Product Committees (FPCs), Regional Advisory Committees (RACs) and Advisory Councils for Flowers and Plants. Each product

group maintains an FPC of cooperative members who advise the management on product-related issues. Outside the Netherlands, RACs in Israel, Kenya and Ethiopia advise the Management Board on regional issues. The Advisory Councils discuss general policy issues and other issues that affect a wider range of product groups. The Councils consist of members of the FPCs, plus 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.

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 in 2016.

Strategic Policy

The strategic policy formation process at Royal FloraHolland includes the following steps:

- 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 Supervisory Board approves the strategic policy. The Supervisory Board is actively involved - including at the substantive level - in creating policies relating to strategic issues.

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 company performs a benchmark every three years in order to determine whether executive pay is still consistent with the remuneration policy. For many years, we have been using the median (i.e. average) of the general market for boards with managerial responsibility. The Supervisory Board

effectively sets the remuneration of the Management Board. This remuneration is consistent with the wage increases implemented under the Royal FloraHolland Collective Labour Agreement. The remuneration of the Management Board breaks down into a fixed portion and a variable (performance-based) portion. The maximum variable remuneration for the CEO comprises 30% of the fixed salary. The maximum variable remuneration of the CFO comprises 20% of the fixed salary. Besides the salary, our board members have the same supplementary employee benefits (including pension) as our other employees. The amounts of the compensation paid to the Management Board and the Supervisory Board are listed in the financial statements.

Jeroen Oudheusden, Executive Officer FSI

The Floriculture Sustainability Initiative (FSI) is an international initiative established to improve sustainability in the floriculture supply chain.

This initiative includes a total of 35 national and international members, including Royal FloraHolland, producers, traders, retailers, NGOs and other stakeholders concerned. The target for 2020 is for 90% of the products traded to be derived from sustainable sources. This ensures that consumers of flowers and plants always purchase fair and natural products. Jeroen Oudheusden states that the FSI members are actively working together on improving sustainability through transparency, the benchmarking of standards, and are taking steps toward improving sustainability by setting up a number of projects.

Unification and cooperation are important factors where sustainability is concerned: 'We are putting together a network of leaders in sustainability and encourage participants to address issues together. This creates a dynamic between partners - some of which are competitors in the industry - that is truly a pleasure to experience.'

Jeroen stresses that sustainability should be the number-one priority for the floriculture industry in 2017: 'Without sustainability, we don't have a future. Royal FloraHolland is in a position to connect various chains in the floriculture supply chain in a very positive way, based around the issue of sustainability.'

A close-up portrait of Jeroen Oudheusden, a middle-aged man with a receding hairline and a light beard, looking directly at the camera with a slight smile. He is wearing a blue collared shirt under a dark jacket. The background is a blurred green, suggesting an indoor garden or greenhouse setting with plants.

**'Businesses that pursue
sustainable strategies
are the future'**

Risk management and risk control

Achieving business objectives is fraught with risk and uncertainty, and risks are an inevitable part of all business ventures. Identifying risks in a timely manner and responding effectively to potential risks is crucial to achieving strategic objectives and complying with internal and external regulations. Royal FloraHolland adopts a cautious approach when it comes to taking risks and implements measures to manage these risks as effectively as possible. We do this in order to carefully protect the interests of our members at all times.

Risk management

Royal FloraHolland pursues a solid risk management strategy in order to improve its risk management processes and internal control environment in relation to policies, processes, control measures and systems. Risk management is used in order to recognise process improvements and implement measures which are demonstrably 'in control'. Royal FloraHolland underscores this importance and works continuously on improving its risk management strategy.



The business units are responsible for implementation and the Management Board has ultimate responsibility for risk management and the performance of the control systems. The following improvements were implemented in the risk management system in 2016:

- 1.** Risk management is the responsibility of the Internal Audit Manager. In 2016 Internal Audit completed the risk management self-assessments with the management teams to a limited extent. The management of these risks was improved where possible and translated into additional measures. This annual self-assessment cycle was reassessed at the end of 2016. This resulted in a new approach, and in 2017 a consistent Risk Appetite was also developed for Royal FloraHolland.
- 2.** The Compliance Officer is responsible for ensuring compliance with laws and regulations within the cooperative. An analysis was made of the main risks relating to laws and regulations, including risks relating to privacy laws and competition law. This was part of the impetus for launching the Governance, Risk, Security & Compliance programme in 2016. This programme is designed to manage risks relating to all aspects of laws and regulations. The purpose of the programme is to develop a consistent set of rules of conduct and to create awareness among Royal FloraHolland employees.

- 3.** The Internal Audit department conducts audits and monitors the performance of the internal control measures. These measures are designed to manage the risk areas identified based on a strategic, financial, operational and compliance perspective. The Internal Audit Manager regularly reports to the Audit Committee on the management of internal control measures.

Planning and governance cycle

There is a significant focus on strategy and policy development in which members play an active role. The strategy serves as the basis for the annual plan, including a budget. Forecasts are made during the spring and autumn in which results are compared against the annual plan. At the end of the financial year, the annual report is prepared and submitted for approval to the General Members' Meeting.

The annual plan and the forecasts constitute instruments for the Management Board and management to ensure that the business operations are conducted within the parameters set. Any discrepancies between realisation and forecasts are assessed and analysed during each period. These analyses form the basis for any measures or adjustments. In 2016, changes were made to the Royal FloraHolland Management Team, the organisational structure and the governance system. These changes have brought improvements to the planning and governance cycle.

Measures implemented in relation to the main risks



Managing strategic risks

Any changes in market conditions and the marketplace, new services and internationalisation are all developments which affect Royal FloraHolland. These developments create strategic opportunities and threats. Royal FloraHolland has developed a clear strategy that provides a position and direction for the coming years. In order to manage risks and realise the strategy, Royal FloraHolland has set up a number of strategic programmes.

The realisation of these strategic objectives is associated with certain risks. On an internal level, there are changes related to the organisation's capacity for change, the development or acquisition of the required skills and the development strength of the required IT resources. The external challenges are related to creating support among stakeholders, anticipating competitive market initiatives, and securing financing. A specific governance system and organisational structure have been put in place relating to the management of the Royal FloraHolland 2020 strategic programmes. This also involves the management of strategic risks.



Managing specific financial risks

Financial risks including tax risks are managed in multidisciplinary teams.

We identify the following teams/consultation structures which are responsible for managing these specific risks:

- Tax risks are a permanent focus within the organisation. Royal FloraHolland assigns external experts to conduct a number of audits each year for specific tax-related topics. An audit was initiated in 2016 (which continued into 2017) in relation to the correct application of VAT rates in the authorised processing of transactions. Recommendations arising from this audit will be actively followed within the organisation.
- The Treasury Team is tasked with managing liquidity, credit, interest rate and foreign currency risks. Based on the treasury policy, risks are hedged with financial instruments. The team is supported by external experts where necessary.
- The management of the holding companies prepare risk analyses for Royal FloraHolland's significant investment holdings. This includes an assessment of the valuation of participating interests and any proposals for write-downs.
- In the strategic debtor meeting, the debt risk policy is determined, which is implemented by the Finance and Commerce departments.

- The 'Energy Team' is tasked with managing pricing risks relating to energy purchases.
- The real estate consultations serve to monitor the financial risks relating to the organisation's real estate holdings.



Managing financial process risks

For significant business units, there are models in place in which the management level of risks in financial processes is specified. These models were one of the factors used as a basis of the audit conducted in 2016. Recommendations and compliance with these recommendations are monitored by Internal Audit and reported to the management, Management Board and the Audit Committee.



Managing specific operational risks

Company first aid teams, company security and the company fire brigade (at the Aalsmeer and Naaldwijk sites) hedge risks resulting from accidents and disasters. There are up-to-date company emergency plans in place, along with a crisis management team which assumes responsibility in crisis situations. Insurance portfolios are actively managed. For the management of risks relating to working conditions and the environment, please refer to the chapter 'Sustainability' in this annual report.



Managing IT risks

A number of risk analyses were conducted in 2016 of our IT operations, including of information security. Additionally, both the external auditor and the internal Audit department were critical of the management of our IT environment. The IT department appointed an employee specialised in IT security in 2016. This has resulted in a number of additional control measures and an amendment of the IT information security policy. Furthermore, a number of improvements were made relating to access security, back-up and recovery, account management and password policy. This - along with other initiatives - prompted a number of positive measures in 2016, but we have not yet achieved the desired security level yet. We will continue with these improvements in 2017.

Impact in the event of risks and uncertainty

Royal FloraHolland has a low risk appetite and implements measures to manage risks as effectively as possible. However, there are still some remaining uncertainties. For example, the Royal FloraHolland 2020 programmes have been adapted based on new information in order to be able to manage the strategic risks on an ongoing basis. This is one of the reasons one of the programmes was cancelled in 2016, while another programme was divided into two separate programmes.

Internationalisation and changes help to increase Royal FloraHolland's turnover while at the same time also presenting new challenges in managing debit risks, particularly of the direct streams. Traditional measures, in the form of what is known as an auction authorisation direct debit (VVI, **non-stornoverklaring**) are no longer suitable or were discontinued in 2016. This could potentially create default risks. Our Finance department began developing alternative measures in 2014 together with various partners (both internal and external) relating to direct debit through the SWIFT platform.

Royal FloraHolland operates offices in several countries outside Europe in order to support its members based in those countries. Incidents at local offices have resulted in a modification of the 'Management of foreign participating interests' policy, with the objective of risk mitigation. In autumn 2016, initial steps were taken to implement stricter guidelines at the local offices in Africa. The local office in China is being established based on these more stringent guidelines. The other local offices will also start implementing stricter guidelines in 2017.

Statement

No significant flaws or weaknesses were identified in the current risk management and control systems in 2016. In order to further strengthen the in-control process, the Governance, Risk, Security & Compliance programme was launched in 2016. This programme is still ongoing and will continue into 2017. As regards financial reporting risks, the Management Board declares that internal risk management and control systems provide a reasonable measure of certainty. The financial reports are free from material misstatements and the risk management and control systems were working properly.

Members of the Supervisory Board

The members of the Supervisory Board are listed below. 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
(Born 2 June 1968)

Deputy Chair of the Supervisory Board since 2014; part of the Royal FloraHolland management since 2003; Chair of the Cooperative Committee.

Member business: Plaza Orchids Ammerlaan in De Kwakel.

Additional positions: None.

Jan Andreae
(Born 25 April 1946)

Member of the Supervisory Board since 2010; member of the Cooperative Committee.

Additional positions:

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

Emiel Barendse
(Born 3 June 1968)

Member of the Supervisory Board since December 2016; member of the Cooperative Committee.

Member business: BK Plant B.V. Westland in Honselersdijk.

Additional positions: None.

Joris Elstgeest
(Born 2 August 1976)

Member of the Supervisory Board since 2014; part of the Royal FloraHolland management since 2006; member of the Selection and Remuneration Committee.

Member business: Elstgeest Potplanten B.V. in Nieuwe Wetering.

Additional positions:

- Treasurer of Platform Tuinbouw Veenstreek.
- Member of the civil council of Kaag & Braassem.

Jack Goossens
(born 18 March 1969)

Chair of the Supervisory Board since June 2016; part of the Royal FloraHolland management since 2012; member of the Selection and Remuneration Committee.

Member business: Gova B.V., Nispen.

Additional position:

- Member of Decorum Plants.

Caroline Princen
(born 9 November 1966)

Member of the Supervisory Board since 2015; Chair of the Selection and Remuneration Committee.

Additional positions:

- Member of the Supervisory Board and member of the Audit Committee of EYE Film Institute, Amsterdam.
- Member of the Supervisory Board and Chair of the Audit Committee University Medical Center Utrecht (UMC Utrecht).
- Board member, Stichting Steun Alzheimercentrum (Alzheimer Support Centre), VUMC.
- Member of the IMD Foundation Board.

Gerben Ravensbergen
(born 16 October 1974)

Member of the Supervisory Board since 2014; member of the Audit Committee.

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

Additional positions:

- Member of the Supervisory Board, Accon avm.
- Member of Green Meets Port business platform.

Cees van Rijn
(born 4 May 1947)

Member of the Supervisory Board since 2012; Chair of the Audit Committee.

Additional positions:

- Member of the Supervisory Board, Plukon Food Group.
- Member of the Supervisory Board, Detailresult Groep.
- Member of the Supervisory Board, ForFarmers.
- Member of the Supervisory Board, PwC.
- Member of the Supervisory Board, EQI.
- Member of the Supervisory Board, UTZ.

Rosaline Zuurbier
(born 26 May 1977)

Member of the Supervisory Board since 2014; member of the Audit Committee.

Member business: C.G. Zuurbier & Co. International B.V. Bilashaka Flowers Ltd. in Naivasha, Kenya.

Additional positions: None.

All members of the Supervisory Board are Dutch nationals. In the composition of the Supervisory Board, we focus on a balanced ratio of:

- Members and non-members of Royal FloraHolland: 6:3
- Men and women: 6:3
- National and international production: 5:1
- Different product groups: 3:3



Members of the Supervisory Board, from left to right

Gerben Ravensbergen	Leendert Eijgenraam (Secretary)
Jan Andreae	Caroline Princen
Jack Goossens	Mariëlle Ammerlaan
Cees van Rijn	Joris Elstgeest
Rosaline Zuurbier	Emiel Barendse

Supervisory Board Report

The Supervisory Board is satisfied with the results achieved by Royal FloraHolland in 2016. Both the turnover objective and the operational profit were achieved, and the Royal FloraHolland Strategy 2020 is currently being developed by our hard-working staff.

The Supervisory Board focused its attention in 2016 mainly on the New Auctioning and Cooperative 2020. Other programmes and how they relate to each other, along with overall progress, were also addressed in the meetings between the Supervisory Board and the Management Board.

One of the highlights of 2016 was the strategy session we held on 25 May in the presence of the Management Board and the members of the Management Team (MT). During this session we reassessed the strategy, noting that while the overall strategy is excellent, modifications needed to be made in some areas. This included reducing the number of objectives from ten to six, the financial substantiation and the shared wish to clearly identify what changes are required within the cooperative in order to achieve the strategic objectives. In discussing the budget for 2017,

the Supervisory Board also drew attention to a substantiation of the overall financial impact of the strategy between now and 2020.

The company also worked overtime in 2016 to keep the performance of the day-to-day business at the appropriate level. This is no small feat, and the Supervisory Board would like to take this opportunity to compliment the management and employees for their efforts. If we consider the many changes Royal FloraHolland underwent in 2016, along with the announced reorganisation, it is by no means self-evident that the business would remain in operation throughout. And even though the satisfaction scores of employees, members and customers are not yet at the desired level and a number of operational objectives have not yet been achieved, the Supervisory Board is impressed with the day-to-day performance of the company where it concerns the services provided to our members and customers.

This does not mean that everything went off without a hitch, and indeed there was a need for the Supervisory Board and the Management Board to consult closely with each other over the past year, but the Supervisory

Board also firmly believes that any professional environment needs a healthy dose of tension in order to achieve the desired progress. Furthermore, the Supervisory Board believes that the current composition of the Management Board and the Management Team provide a strong foundation for the future. We are delighted with the arrival of the new CFO, Steven van Schilfgaarde, who brings with him a wealth of knowledge and experience and has proved his ability to grasp the financial aspects of Royal FloraHolland within no time at all. The new Chief Human Resources Officer, Anja de Bree, and the new Chief Data Officer, Gerhard van der Bijl, have demonstrated within a short space of time that they can play a significant role in innovating and strengthening Royal FloraHolland. Several members of the Management Team left our company in 2016, and the Supervisory Board would like to thank them for their efforts.

In addition to changes within the company and the MT, we also saw a significant change within the Supervisory Board itself. Bernard Oosterom retired from the Board during the General Members' Meeting in June, with undersigned being appointed the new Chair. Jos ten Have resigned from the Board during

the General Members' Meeting in December. He had served on the Supervisory Board since 2004 and was a member of the Cooperative Committee for the last three years. Mr Ten Have has been succeeded by Emiel Barendse, who was previously a member of the Advisory Council on Plants. Jan Andreae, Rosaline Zuurbier and Gerben Ravensbergen were all reappointed at the autumn meeting.

The members of the Supervisory Board convened eight times in regular meetings in 2016, plus two conferences: one without the Management Board and one with the Management Board. The conference held in the absence of the Management Board is an annual 24-hour session, in which the following topics were discussed in depth: the government structure of Royal FloraHolland, the performance of the Supervisory Board, the performance of the Management Board, and collaboration between the two Boards. The conference held with the Management Board was the above-mentioned strategy session.

All regular Supervisory Board meetings were held in the presence of the Management Board. Prior to the regular meeting, we first hold a meeting in which we

discuss the agenda for the Supervisory Board meeting and any ongoing issues raised by the Chair or the Supervisory Board Committees. During the Supervisory Board meeting, the Management Board provides an update on ongoing issues within the company (and therefore the market) and of the main developments involving the strategy programmes. Furthermore, items are regularly added to the agenda which could give rise to new policies, such as sustainability and IT. In some cases, separate arrangements are made with individual managers or departments to address a specific issue for which they are responsible in greater depth.

In addition to the items listed above and the items discussed every year - such as the annual plan (budget and rates), KPIs, the financial statements and the auditor's (Ernst & Young's) Management Letter and the preparation for the General Members' Meeting - the meetings in 2016 focused on a large number of ongoing issues. For many issues, a discussion sufficed for the purpose of informing the members and allowing them to form an opinion. The items for which the express permission of the Supervisory Board is required are set out in the articles of association.

Two Supervisory Board members were prevented from attending one of the meetings; in other cases, Supervisory Board members were either late arriving for the meeting or had to leave early.

The Supervisory Board members also attended various member, employee and customer meetings, including the regional meetings held in Kenya, Ethiopia and Israel. The Supervisory Board members also liaised with the Works Council and the General Members' Meeting Committee in 2016.

Aalsmeer, 12 April 2017

Jack Goossens

Chair of the Supervisory Board

Report of the Audit Committee

The Audit Committee discussed a number of issues in-depth in 2016. A frequently discussed topic during the first half of the year was the finalised proposal for the financing of the cooperative, including the required amendment of the articles of association. The proposal was approved in the General Members' Meeting of 2 June 2016. The Committee is pleased with how this process was conducted and believes a solid financial basis has been laid for the future of Royal FloraHolland.

Another key topic of discussion in 2016 was the 2015 financial statements, the progress of the financial performance in 2016, and the annual plan and budget for 2017. When it came to the budget, the Committee called specific attention to the financial calculation of the strategy. The Management Board shed light on a number of questions, including: what were the basic principles, what is our current status, what areas have been modified, and where do we expect to be in 2020? The item was rescheduled to the full Supervisory Board meeting.

In June our new CFO, Steven van Schilfgaarde, attended the Audit Committee meeting for the first time.

This faith in our new CFO is essential, as there are many important aspects that require his attention. One example is risk management, as described in Ernst & Young's Management Letter and in the internal Management Letter drafted by the Internal Audit Manager. What stands out in these reports, which were discussed in detail in the meetings, are the IT-related risks. This is not the first time such risks have arisen within the organisation, and indeed the Committee has urged the Management Board to take more radical measures more quickly to improve the security and effectiveness of Royal FloraHolland's IT department. Another risk area discussed in detail is Royal FloraHolland's possible non-compliance with laws and regulations to which it is subject. A compliance programme is required in order to prevent illicit conduct. The analysis of the main risks in this area was discussed in the presence of the Compliance Officer, focusing mainly on privacy laws and competition law.

The results of this analysis report prompted the launch of the Governance, Risk, Security & Compliance (GRSC) programme. The Committee has read the action plan relating to this programme and has made several comments and suggestions. It was agreed that the Committee would receive a progress update once a year.

The Audit Committee is of the view that Royal FloraHolland's financial position is solid. There remains, however, a great deal of work to be done in terms of organising the internal processes. The focus on risk management is therefore vitally important. By making ongoing improvements, we are building a solid foundation that enables us to adapt successfully to changes in the market.

In 2016 the Audit Committee was comprised of Jack Goossens, Gerben Ravensbergen and undersigned. All meetings of the Audit Committee are held in the presence of the external auditor (Ernst & Young) and the CFO. The Audit Committee convened on seven occasions in 2016. These meetings were attended by all Committee members; in addition, depending on the topic discussed, a number of experts and/or organisation employees were invited to attend. Several of these meetings were followed by a private meeting between the Audit Committee and the external auditor.

There were several changes in the composition of the Audit Committee in 2016. For example, the internal auditor (i.e. the manager of the Internal Audit department) took over as Secretary during the year and a new Internal Audit Manager was appointed in 2016: Ali Ahrouch. The Committee is looking forward to a fruitful collaboration with this new manager.

Cees van Rijn

Chair of the Audit Committee

Report of the Selection and Remuneration Committee

The Selection and Remuneration Committee convened on four occasions in 2016. All meetings are attended in the presence of the CEO, the HR Manager and the Secretary of the Supervisory Board. All Committee members attended all meetings in 2016. As part of his induction programme as the new Chair of the Supervisory Board, Jack Goossens also attended all the Committee's meetings.

The 2015 annual report explains that the members of the Supervisory Board had decided to increase the fixed portion of the Management Board's remuneration in response to a benchmark for executive pay. This decision was implemented on 1 January 2016. Following this measure, the gap between management remuneration at Royal FloraHolland and the benchmark has been reduced.

A key focus for the Selection and Remuneration Committee in 2016 was the Key Performance Indicators (KPIs), including the realisation of the KPIs for 2016, the formulation and monitoring of the KPIs in 2016, and the formulation of KPIs for 2017. The extent to which the KPIs are achieved serves as the basis for the variable remuneration awarded to the

Management Board. The Supervisory Board determines each year which KPIs apply to the Management Board. Until 2016, this only included company KPIs. Since 2016 individual KPIs also apply to Management Board members. The company KPIs account for 80%; individual KPIs account for 20%. If the KPI score is 100%, the CEO is entitled to variable remuneration equivalent to 30% of his fixed salary; the CFO is entitled to 20% of his fixed salary.

As detailed in the Management Board Report, a number of important changes were made to the composition of the Royal FloraHolland Management Team (MT) in 2016. The number of Management Team members was reduced from eight to six. The Committee believes that the current team is strong and can lead the way to the necessary change in the organisation and can design the implementation of the strategy.

The scores on the various KPIs are shown below:

KPI	Target	Realised	Score
Company KPIs			
Turnover*	€ 4,550 million	€ 4,575 million	100
Operating profit**	€ 21 million	€ 26 million	100
Customer satisfaction	33%	29%	0
Member satisfaction	50%	51%	100
Employee satisfaction	75%	65%	0
New Auctioning	Progress		50
Cooperative 2020	Progress		100

* Excluding turnover from participating interests and customisation.

** Company only operational result Royal FloraHolland.

In the search for these new people, the Chair of the Selection and Remuneration Committee – along with the Chair of the Supervisory Board and the Chair of the Audit Committee – was closely involved in the selection of the CFO. The Supervisory Board was involved to a lesser extent in the selection of the Chief Human Resources Officer and the Chief Data Officer. These experiences and the introduction of a new Corporate Governance Code (drafted by the Manen Committee), however, did prompt a new discussion as to the question to what extent the Supervisory Board should extend its monitoring duties to including the Management Team in addition to the Management Board. If this leads to the conclusion that there is a need for closer supervision, this could affect the way the Supervisory Board is involved in the selection process in the future, along with the evaluation and remuneration of the MT members. This discussion is still ongoing and will be completed in 2017.

The Management Board has informed the Selection and Remuneration Committee of the leadership development programme introduced at Royal FloraHolland in 2016, which continues to run in 2017. A central focus of this programme is the management's capacity for change and IT-literacy. It is very

important for the implementation of the strategy that the management has a basic knowledge of these issues. Initially only members of the executive management participated in the programme, but currently all managers are involved.

In light of the above, another topic of discussion in 2016 was succession planning, referring to both the continuity of the company and the career opportunities of the management. This includes a methodical analysis of the performance of individual managers.

On several occasions in 2016, the Selection and Remuneration Committee was briefed on changes in the employee satisfaction scores awarded by the employees of Royal FloraHolland, which also expresses their level of engagement with the company. A number of objectives have been defined for improving the engagement and drive of employees. Without the presence of a sufficient number of engaged and driven employees, no change is possible within the organisation. The Committee has witnessed a number of inspiring examples of driven and innovative people, yet at the same time we are aware that the objectives are not yet being met at this stage. The organisation's

management is therefore faced with the key challenge of raising these percentages.

Finally, the Selection and Remuneration Committee also reviewed a number of issues of importance to the Supervisory Board itself. This includes the life-long education and remuneration of the Supervisory Board members. With regard to the compensation of the members of the Supervisory Board, the Selection and Remuneration Committee recommended that the Supervisory Board submit a proposal to the General Members' Meeting Committee to marginally increase the basic compensation (in line with inflation and the Collective Labour Agreement for the past three years) and to align the committee pay with that of the Audit Committee. The reason for the increase is our perception that the workload and level of seniority required for the work is at the same level for both committees.

In 2016 the Selection and Remuneration Committee was comprised of, Bernard Oosterom (until June), Joris Elstgeest, Jack Goossens and undersigned.

Caroline Princen

Chair of the Selection and Remuneration Committee

Report of the Cooperative Committee

The Cooperative Committee convened on four occasions in 2016. All meetings of the Committee are held in the presence of the CEO, the CCO, the Cooperative Affairs Manager and the Secretary of the Supervisory Board. Other managers are invited to join the meetings depending on the topic discussed. All Committee members attended all meetings in 2016.

The members of the Committee are tasked primarily with protecting the interests of the cooperative and its members in relation to all policy-related decisions made by the Management Board. Important topics for the Cooperative Committee include member policy and member involvement. Member rates also fall within the scope of the Committee, along with any commercial arrangements made. The latter comprises internal procedures, management and transparency. The members of the Committee never discuss individual cases. The Committee also acts as an appeals body in disputes between members and the Management Board. No appeals cases were brought before the Committee in 2016. As Chair of the Cooperative Committee I also serve as Chair of a working group which supervises changes in the Royal FloraHolland governance framework. They

review the training, education and development of members of the FPC/RAC and members of the Advisory Councils. There is a general demand for a greater focus on youth policy. A representative from the Advisory Board also joint this working group.

The agenda of the Cooperative Committee in 2016 was dominated by the 'Cooperative 2020' strategy programme, which focuses on the governance of Royal FloraHolland, membership, and rates. The Committee is briefed by the programme director, Jantien Aerts, on progress and the main aspects involved. Because the corporate governance of Royal FloraHolland falls under the responsibility of the supervisory board, the undersigned is also chairman of the steering committee of this part of the 'Cooperative 2020'. Governance was discussed in the initial series of member meetings. The involvement on the part of the members of the Supervisory Board in these meetings was minimal and they did not provide any input, as the entire process is managed by the members themselves, led by the Cooperative 2020 management team. The Committee greatly values the efforts of the management team and is pleased with the progress of the discussions during the member meetings.

In addition to the Cooperative 2020 programme, the Cooperative Committee also discussed the New Auctioning strategy programme on several occasions. Key points included the effects of the programme on the members' position. The same goes for the discussion on the amendment of the articles of association in relation to the financing of the cooperative. This discussion centred on the question as to the impact of the members' voting rights in relation to the fact that, when dealing with general partnerships and partnerships, we no longer link the membership to the partners, but rather to the partnerships themselves. While this may obviously vary depending on individual members, the Cooperative Committee was given to understand that this will not result in any significant changes. It should be noted that all members were thoroughly briefed on this issue beforehand.

At every meeting, the Cooperative Committee is updated on any changes in membership (i.e. new members joining and cancellations) as well as on the status of the commercial arrangements or any individual arrangements made. A special proposition, Quick Fix, was developed in 2016 for members who make only limited use of the marketplace and who supply only to a maximum of three customers. Quick Fix is a discount on the standard commission rate. This decision was also detailed at the General Members' Meeting held in December. Another topic addressed at this meeting was the decision to inform members who cancel their membership for commercial reasons that Royal FloraHolland reserves the right to refuse any requests on their part to rejoin within three years of their cancellation.

The Cooperative Committee is of the view that, in light of current practices, this is a good way of preventing annual negotiation rounds between the cooperative and individual members. The Committee ultimately believes that commercial arrangements should be used only very sparingly within the cooperative. The Committee supports a rating system that respects the differences between members in relation to their use of the facilities provided by the cooperative.

In 2016 the Cooperative Committee was comprised of Jan Andrae, Rosaline Zuurbier, Jos ten Have and undersigned.

Mariëlle Ammerlaan

Chair of the Cooperative Committee

Report of the General Members' Meeting Committee

There were several key developments at Royal FloraHolland that required the attention of the General Members' Meeting Committee in 2016.

First of all, there was the change in the Chairmanship of the Supervisory Board. During the General Members' Meeting held in June, Bernard Oosterom stepped down and was succeeded by Jack Goossens. The Committee was notified of this change at an early stage and was given the opportunity to question Mr Goossens. The Committee appreciates being involved in this manner and has a positive impression of the way in which Jack Goossens intends to fulfil his new role. He has already been able to demonstrate this during the regional meetings held last autumn and the General Members' Meeting held last December. The Committee also had a chance to speak to Bernard Oosterom following his retirement from the Board. These discussions allow the members of the Committee to gain an understanding of the dynamic within the Supervisory Board and its collaboration with the Management Board.

The Committee previously conducted an exit meeting with Louis Bouman, who retired at the end of 2015. The Committee subsequently held an initial meeting with Emiel Barendse, who at that time was a nominee member and has since been appointed at the General Members' Meeting held in December. The Committee would like to congratulate Mr Barendse on transferring from the Advisory Council on Plants to the Supervisory Board. In September, the Committee spoke to current Supervisory Board members Rosaline Zuurbier, Gerben Ravensbergen and Jan Andreae, all of whom were nominated for reappointment. As is the case with the appointment of new Supervisory Board members, the Committee has the right to object to reappointments. In conducting these types of meetings, the Committee gets a good impression of the members of the Supervisory Board and their duties. Based on these meetings, the Committee informed the Supervisory Board that it has faith in the candidates.

In April the Committee held a meeting with the CEO, Lucas Vos. The purpose of the meeting was to become personally acquainted with Mr Vos, due in part to the fact that the Committee has a responsibility in setting the parameters for the Management Board's remuneration policy. At the same time, it was also an opportunity to learn more about the details of the collaboration between the Management Board and the Supervisory Board. The Committee appreciates being kept up to date in this manner.

Following the appointment of a new Chair of the Supervisory Board, the Committee received a proposal from the Supervisory Board relating to the compensation of the new Chair. The proposal was prompted by the fact that investment of time required on Mr Goossens' part is such that a substitute had to be appointed at his company. The fixed remuneration is currently €50,000 per year for the Chair (including their duties on the Supervisory Board committees) plus a €50,000 allowance to cover his substitution. The General Members' Meeting Committee has approved this proposal, believing this compensation to be reasonable.

The General Members' Meeting Committee convened on five occasions in 2016. Meetings were held in the presence of the Chair of the Supervisory Board, who also serves as Secretary of the General Members' Meeting Committee.

In line with the rotation schedule, Herman Stricker retired during the General Members' Meeting of 8 December. He was succeeded by Martien van der Weijden. Ad van Marrewijk was appointed for a second three-year term during this same meeting.

Ad van Marrewijk

Chair of the General Members' Meeting Committee



**General Members' Meeting
Committee, from left to right**

Sjaak van der Hulst

Eva van Etten

Martien van der Weijden

Ad van Marrewijk

Matthijs Barendse



Financial statements 2016

Flowering the world.

Consolidated balance sheet as at 31 December 2016

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

	Notes	2016	2015
ASSETS			
Fixed assets			
Intangible fixed assets	(1)	2,774	55
Tangible fixed assets	(2)		
Land		103,044	112,254
Buildings		328,538	348,339
Equipment, packaging and logistics resources		66,020	81,345
Other fixed operating assets		65,505	70,521
Not used in business operations		126,774	112,767
		689,881	725,225
Financial fixed assets	(3)		
Participating interests		10,322	12,072
Amounts owed by participating interests		3,025	3,350
Other receivables		419	345
		13,766	15,767

	Notes	2016	2015
Current assets			
Receivables			
Trade receivables		60,965	81,046
Amounts owed by participating interests		235	259
Deferred tax assets		1,151	1,548
Other receivables and accrued assets	(4)	31,316	17,084
		93,667	99,937
Liquid assets		110,310	54,401
Total		910,398	895,385

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

	Notes	2016	2015
LIABILITIES			
Group equity			
Equity	(5)	226,650	219,263
Minority interests	(6)	2,366	2,278
		229,016	221,541
Provisions			
	(7)		
Deferred tax provision		1,759	1,664
Reorganisation provision		11,610	1,748
Other provisions		5,750	5,605
		19,119	9,017
Long-term liabilities			
Liquidity contribution *	(8)	–	46,036
Members' loans *	(9)	–	202,072
Certificates B *	(9)	202,830	–
Voluntary (members') loans *	(10)	–	7,223
Certificates C *	(10)	3,620	–
Supplier loans *	(11)	–	6,514
Certificates D *	(11)	6,057	–
Long-term bank loans	(12)	115,531	146,225
		328,038	408,070

	Notes	2016	2015
Current liabilities			
Credit institutions including			
repayment obligations	(13)	25,694	1,703
Debts to members/non-members	(14)	62,313	53,344
Repayment obligations to			
members/non-members	(14)	74,160	12,553
Other creditors		26,562	44,933
Deposits		85,186	82,936
Other liabilities and accruals	(15)	60,310	61,288
		334,225	256,757
Total		910,398	895,385

* Subordinated loans. Together with the equity, these form the guaranteed capital. At year-end 2016, the guaranteed capital amounted to €439.2 million (2015: €481.1 million) after a proposed additional payment.

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

Consolidated profit and loss account for 2016

(amounts x €1.000)

	Notes	2016	2015
Operating income			
Commission payments		94,942	97,758
Contributions		9,541	9,736
Lot and auction trolley levies		64,706	67,560
Transaction and service levies		24,269	24,791
Packaging		53,067	53,339
Trolley and CC (container) rentals		25,333	24,328
Subletting of real estate		52,461	52,962
Miscellaneous revenue		54,050	52,187
		378,369	382,661
Operating costs			
Wages and salaries	(16)	162,604	147,598
Social security expenses		17,818	17,474
Pension contributions		13,053	13,303
Depreciation and amortization		68,131	75,581
Miscellaneous operating costs	(17)	108,231	99,937
		369,837	353,893
Operating result		8,532	28,768

	Notes	2016	2015
Financial income and expenses			
Interest expense and similar expenses		-16,327	-17,503
Interest income and similar income		1,820	2,711
		-14,507	-14,792
Profit before tax		-5,975	13,976
Profit from participating interests	(3)	8,720	2,257
Corporation tax	(18)	607	-3,991
Minority interests		-277	-202
Profit after tax		3,075	12,040

Consolidated cash flow statement for 2016

(amounts x €1,000)

	2016	2015
Operating activities		
Operating result	8,532	28,768
Depreciation and amortization	68,131	76,481
Change provisions	10,533	-5,558
	87,196	99,691
Change in working capital		
Decrease/increase trade receivables	-6,181	6,125
Decrease/increase receivables on participating interests	24	-150
Decrease/increase other receivables	-9,478	1,761
Decrease/increase debts to members/non-members	7,629	13,112
Decrease/increase creditors	-885	2,237
Decrease/increase deposits	2,250	1,462
Decrease/increase other debts *	1,226	839
Decrease/increase discontinued consolidation of trade receivables *	-55,560	-
Decrease/increase discontinued consolidation of creditors *	56,078	-
	-4,897	25,386

	2016	2015
Interest received	1,806	2,711
Dividend received	2,388	2,581
Interest paid	-16,553	-17,503
Corporation tax paid	-4,180	-206
	-16,539	-12,417
Cash flow from operating activities	65,760	112,660
Investment activities		
Investments in tangible fixed assets	-45,017	-45,810
Divestments of tangible fixed assets	15,242	20,731
Investments in intangible fixed assets	-2,774	-
Repayment long-term receivables	639	1,458
Disposals of long-term receivables	-487	-260
Divestment of miscellaneous financial fixed assets	9,540	-
Cashflow from investment activities	-22,857	-23,881



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

	2016	2015
Financing activities		
Change in current account credit	–	–49,563
Repayment of long-term loans	–1,703	–27,360
Additional repayments during financial year	–5,000	–25,000
New loans	–	50,000
Liquidity and capital contributions	48,120	46,036
Voluntary (members') loan	–3,603	–1,111
Repayment of members' loan	–20,850	–30,327
Repayment of supplier loan	–1,297	–2,325
Repayment to participation reserve	–2,661	–4,600
Cash flow from financing activities	13,006	–44,250
Net cash flow	55,909	44,529
Liquid assets at 1 January	54,401	9,872
Liquid assets at 31 December	110,310	54,401
Change in liquid assets	55,909	44,529

* The deconsolidation concerns the sale of Hobaho Horti Groep BV, which was included in the consolidation until the sale of this company on 13 September 2016. The total deconsolidation represents a value of nil. For clarity purposes, only the essential items are displayed separately in the cash flow statement.



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

Consolidated statement of comprehensive income for 2016

(amounts x €1,000)

	2016	2015
Consolidated net profit after tax	3,075	12,040
Total of direct changes in equity as part of group equity	–	–
Total comprehensive income	3,075	12,040

Notes to the consolidated figures for 2016

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.

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). 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. The 'result' is taken to mean the result including exceptional items, unless otherwise stated.

Comparative figures

The figures for the previous year have been adjusted, where necessary, for the purpose of comparison. As the customer charge was in fact treated no different from the supplier charge in 2016, the BBH charge for both suppliers and customers is accounted for via the balance sheet with effect from 2016 and the comparative figures for 2015 have therefore been adjusted. Accordingly, an amount of €8.9 million has been deducted from the operating income 'Commission payments' and the other operating costs in 2015.

The prior-year financial statements were prepared before the proposed profit allocation. From 2016, the financial statements are prepared after the proposed profit allocation and therefore the comparative figures for 2015 have been adjusted. The profit allocation proposed by the Management Board to the General Members' Meeting is no longer included in the other information but in the notes.

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 2016 consolidated financial statements. 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. The participating interest Hobaho Horti Groep B.V. was sold in 2016. Accordingly, Hobaho Horti Groep B.V. is included in the consolidation until 13 September 2016. Hobaho Horti Groep B.V. held a 100% interest in De Verenigde Koelhuizen Hobaho B.V. Upon the sale of Hobaho Horti Groep B.V. the participating interest De Verenigde Koelhuizen Hobaho B.V. was acquired on 1 September 2016 by FH Vastgoed Holding B.V. and is included in the consolidation with effect from that date. In addition, 12.2% of the shares in ABC Westland Beheer B.V. and ABC Westland Beheer C.V. were sold.

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.

Intangible fixed assets

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.

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 $\frac{1}{3}$ 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 134, risks on impairment of fixed assets.)

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. Future sale of land, regardless of whether it is located in Aalsmeer, Naaldwijk or Rijnsburg, will be based on average cost. The result (for financial accounting purposes) comprises the difference between the turnover price and the number of square meters at an average cost price.

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 net for accumulated impairment losses.

Financial fixed assets

Participating interests on whose financial and operating policies the group exercises significant influence are valued using the 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 and projects in progress

Inventories are carried at acquisition cost, net for provisions for unmarketable stocks. Projects in progress, existing of rendered services to be invoiced, are carried at their estimated turnover value. Revenues are accounted for pro rata to the extent of work performed.

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

The group has two pension plans. 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. The coverage ratio amounted to 114.4% at year-end 2016, which is well above the minimum target of 97.5% set by the Dutch Central Bank. Pensions were not indexed in 2016. For both 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.

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.

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') 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 from 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. These interest rate swaps are part of an effective hedging relationship in which cost-price hedge accounting is applied. 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.

Management of liquidity risk

Supplementary agreements on Royal FloraHolland's credit ratings have been made with credit institutions regarding bank financing, as well as on the conditions under which bank financing is issued. For bank financing no collaterals have been issued as security.

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 buildings and land

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) export location 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 2016

(amounts x €1,000)

FIXED ASSETS

(1) Intangible fixed assets

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

	2016	2015
Balance at 1 January	55	496
Changes		
Investments	2,774	–
Impairments	–	–378
Amortization	–6	–63
Deconsolidation of Hobaho Horti Groep B.V.	–49	–
Balance at 31 December	2,774	55
Cumulative cost	9,135	6,853
Cumulative amortization and impairments	–6,361	–6,798
Balance at 31 December	2,774	55

Investments relate to software. Intangible fixed assets are amortized in 5 to 10 years.

The impairments in 2015 concern the write-down of the packaging concession.

(2) Tangible fixed assets

The carrying amount 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
Land							
Land	85,182	–	–	–353	–	–10,412	74,417
Site facilities	27,072	399	2,114	–	–958	–	28,627
Subtotals	112,254	399	2,114	–353	–958	–10,412	103,044
Buildings							
	348,339	7,021	9,843	–	–33,579	–3,086	328,538
Equipment, packaging and logistics resources							
Equipment	25,839	927	18	–1,711	–5,826	–	19,247
Packaging	8,618	2,477	13	–	–3,477	–	7,631
Resources used in the logistics process	46,888	496	399	–	–8,641	–	39,142
Subtotals	81,345	3,900	430	–1,711	–17,944	–	66,020
Other fixed operating assets							
	70,521	5,100	4,734	–	–14,850	–	65,505
Not used in business operations							
Land and buildings available for sale on the open market	91,894	854	–	–	–620	–1,600	90,528
Assets under construction	20,873	32,637	–17,120	–	–	–144	36,246
Subtotals	112,767	33,491	–17,120	–	–620	–1,744	126,774
2016 totals	725,225	49,911	–	–2,063	–67,952	–15,242	689,881
2015 totals	775,586	47,510	–	–	–75,140	–22,731	725,225

	Land	Buildings	Machinery & equipment	Other fixed operating assets	Not used in business operations	2016	2015
Cumulative cost	129,308	838,931	208,674	146,751	167,850	1,491,512	1,456,461
Cumulative depreciation and impairments	-26,264	-510,393	-142,652	-81,246	-41,076	-801,631	-731,236
Balance at 31 December	103,044	328,538	66,022	65,505	126,774	689,881	725,225

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 ² (x 1.000)	Carrying amount
Royal FloraHolland	1,007	65,935
Greenparc V.O.F.	108	1,402
Balance at 31 December	1,115	67,337

In order to improve the insight provided into tangible fixed assets it was decided in 2016 to revise the presentation of the categories. Therefore the 2015 comparative figures have also been adjusted to reflect this new classification. As a result of the new presentation, the category 'Equipment, packaging and logistics resources' has been reduced by €1.5 million, whereas the category 'Other fixed operating assets' has been increased by €1.5 million.

In 2016, a clean-up took place of the tangible fixed assets with a carrying amount of nil. Individual assets for which it had been concluded that they no longer provide production units of the use were removed from tangible fixed assets at cost and cumulative

depreciation. In order to improve the insight provided by the financial statements, it was decided to adjust the comparative figures as at year-end 2015. As a result, cost and cumulative depreciation in the comparative figures were adjusted for an amount of €362 million compared with the financial statements 2015.

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 2016 include assets relating to fire safety, major maintenance for buildings, packaging and IT. Investments that were not yet taken into use by year-end 2016 include the renovation of the parking level, fire safety and a contribution to infrastructure improvement (N222 in Naaldwijk).

The major divestments in 2016 concern the sale of building land in Aalsmeer, Naaldwijk and Venlo and the sale of part of the Strijpgebouw building in Naaldwijk.

No legal ownership applies to a capitalised amount of €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 $\frac{1}{3}$ years.
- Machinery and equipment & other fixed operating assets: depreciation over 5-10 years.

(3) Financial fixed assets

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

	Participating interests	Amounts owed by participating interests	Other receivables	2016	2015
Balance at 1 January	12,072	3,350	345	15,767	20,095
Changes					
Divestments	-1,995	-	-	-1,995	-1,857
Profit of participating interests	2,125	-	-	2,125	2,257
Disposals	-	-	488	488	260
Repayments	-	-325	-414	-739	-1,458
Impairments of assets (2016: reversal)	500	-	-	500	-949
Dividend distribution	-2,380	-	-	-2,380	-2,581
Balance at 31 December	10,322	3,025	419	13,766	15,767

Participating interests

The reversal of impairments of the participating interests is recognised in the profit and loss account under the item profit of participating interests. The profit of participating interests in the consolidated profit and loss account amounts to €8.7 million. The results of sales transactions during 2016 are recognised in this item.

Amounts owed by participating interests

This category includes 'loans to participating interests'. These loans bear an average interest rate of 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	2016	2015
Taxes and social security contributions	4,541	730
Prepaid expenses	4,722	8,643
Inventory and projects in progress	698	731
Other receivables	5,813	4,714
Accrued assets	15,542	2,266
Balance at 31 December	31,316	17,084

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

EQUITY

(5) Equity

The equity amounts to €226.7 million at the balance sheet date (2015: €219.3 million).

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

(6) Minority interests *	2016	2015
Balance at 1 January	2,278	2,286
Changes		
Share in net profit of financial year	277	202
Dividend distribution	-189	-152
Adjustment to previous financial year	-	-58
Balance at 31 December	2,366	2,278

* Minority interests refer to third parties which have a minority interest in Royal FloraHolland. An overview of participating interests can be found on page 181.

(7) Provisions

	Provision for deferred tax liabilities	Reorganisation provision	Other provisions	2016	2015
Balance at 1 January	1,664	1,748	5,605	9,017	14,996
Changes					
Additions	95	11,272	282	11,649	1,773
Charges	–	–884	–	–884	–6,381
Release	–	–	–137	–137	–397
Reclassification	–	–526	–	–526	–974
Balance at 31 December	1,759	11,610	5,750	19,119	9,017

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 has been calculated on the basis of a corporation tax rate of 25.0% (2015: 25.0%).

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.

(8) Liquidity contribution	2016	2015
Balance at 1 January	46,036	44,759
Changes		
Addition for members' and supplier loans of previous financial year	-46,036	-44,759
Withheld from members in current financial year	46,715	44,485
Withheld from non-members in current financial year	1,405	1,551
Subtotal before amendment of articles of association	48,120	46,036
Converted into Certificates A due to amendment of articles of association	-11,635	-
Converted into Certificates B due to amendment of articles of association	-35,097	-
Converted into Certificates D due to decision of the Management Board	-1,388	-
Balance at 31 December	-	46,036

The liquidity contribution consists of a withheld contribution of 1.0% of members' and non-members' product turnover. In 2016 the total amount of the withheld liquidity contribution was €48.1 million (2015: €46.0 million). Article 39 'Transitional provisions 2017' 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 liquidity contribution as at 31 December 2015 is subordinated to all third-party claims against Royal FloraHolland. The liquidity contribution is nil as at year-end 2016 as a result of the conversion into Certificates A, B or D due to the amendment of the articles of association.

LONG-TERM LIABILITIES

(9) Members' loans

	2016	2015
Balance at 1 January	202,072	175,382
Changes		
Addition liquidity contribution previous financial year	44,495	43,244
Payout due to death and resignation	-11,421	-7,746
Repayment liability for current financial year recognised under current liabilities	-38,331	-9,429
Transfers membership type to members' loan	1,230	621
Subtotal before amendment of articles of association	198,045	202,072
Transferred to Certificates B due to amendment of articles of association	-198,045	-
Balance at 31 December	-	202,072

The additions to the members' loans start bearing interest with effect from 1 January following the year of the addition. In 2017, an amount of €38.3 million will be paid out on the annual tranche 2007 of Bloemenveiling Aalsmeer and the annual tranche 2008 of Royal FloraHolland.

Over 2016, interest was paid at a rate of 0.5% (2015: 1.4%). Article 39 'Transitional provisions 2017' 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.

(9) Certificates B

	2016	2015
Balance at 1 January	–	–
Changes		
Added from members' loans due to amendment of articles of association	198.045	–
Addition for liquidity contribution 2016	35.097	–
Repayment liability for current financial year recognised under current liabilities	–30.312	–
Balance at 31 December	202.830	–

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. At the GMM of June 2016, the upper threshold of the Risk-bearing Capital Base was set at 55%. The oldest annual tranche/tranches can be repaid early first. An amount of €30.3 million will be paid out in 2017 for the early repayment of annual tranches 2009 and 2010 of Royal FloraHolland. In both years, 0.5% was withheld.

The Risk-bearing Capital Base for early repayment of annual tranches 2009 and 2010 is 58.9% and following this pay-out it will be 54.9%.

Of the balance of €202.8 million, an amount of €42.2 million has a term of more than five years. In 2017, an amount of €7 million is expected to be paid to former members.

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.

(10) Voluntary (members') loans	2016	2015
Balance at 1 January	7,223	8,334
Changes		
Additions	111	159
Repayments	-3,714	-1,270
Subtotal before amendment of articles of association	3,620	7,223
Converted into Certificates C due to decision of the Management Board	-3,620	-
Balance at 31 December	-	7,223

Over 2016, interest was paid at a rate of 1.0% (2015: 1.9%). On the basis of the 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.

Certificates C	2016	2015
Balance at 1 January	-	-
Changes		
Converted into Certificates C due to decision of the Management Board	3,620	-
Balance at 31 December	3,620	-

Of the balance of €3.6 million, an amount of €1.4 million can be called up within one year. The amounts paid in on Certificates C are repayable after five years. The balance of €3.6 million has a remaining term of less than five years.

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.

(11) Supplier loans	2016	2015
Balance at 1 January	6,514	6,442
Changes		
Addition contribution previous financial year	1,548	1,515
Repayment due to death and resignation	-924	-449
Transfer to members' loan	-1,230	-621
Repayment liability for current financial year recognised under current liabilities	-489	-373
Subtotal before amendment of articles of association	5,419	6,514
Converted into Certificates D due to decision of the Management Board	-5,419	-
Balance at 31 December	-	6,514

The additions on supplier loans became interest-bearing on 1 January following the year in which they were added. In 2017, an amount of €489,000 will be paid out for the annual tranche 2007 for the Bloemenveiling Aalsmeer (Aalsmeer Flower Auction) and the annual tranche 2008 of Royal FloraHolland.

Over 2016, interest was paid at a rate of 0.5% (2015: 1.4%). On the basis of the 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.

(11) Certificates D	2016	2015
Balance at 1 January	–	–
Changes		
Added from supplier loan due to decision of the Management Board	5,419	–
Addition of liquidity contribution 2016	1,388	–
Repayment liability for current financial year recognised under current liabilities	–750	–
Balance at 31 December	6,057	–

On the basis of the decision of the Management Board, it has been decided to proceed to early repayment of the annual tranches for 2009 and 2010 for an amount of €750,000.

An amount of €1.1 million of the balance of €6.1 million has a remaining term of more than five years. An amount of €600,000 is expected to be paid to former non-members in 2017.

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.

(12) Long-term bank loans	2016	2015
Balance at 1 January	146,225	122,571
Changes		
Repayment liability for next financial year, recognised under current liabilities	-25,694	-1,703
Repayment liability for previous financial year	-	357
Additional repayment during the financial year	-5,000	-25,000
New loans	-	50,000
Balance at 31 December	115,531	146,225

An amount of €115.5 million (2015: €141.9 million) of the total amount of €115.5 million (2015: €146.2 million), has a remaining term of less than five years. The 2017 repayment liability of €25.7 million (2016: €1.7 million) is recognised under current liabilities. These loans bear an interest rate of 1.7% (2015: 1.9%). Long-term bank loans are concluded with Rabobank, ING Bank, ABN AMRO and Deutsche Bank.

CURRENT LIABILITIES

(13) Credit institutions including repayment

This includes the repayment on the long-term bank loans of €25.7 million (2015: €1.7 million). No credit facilities at banks were in use at year-end 2016 (2015: none). The available credit at banks amounts to €117.7 million (2015: €116.5 million).

(14) Debts and repayment obligations to members/non-members

These debts include the product turnover of 29 and 30 December 2016 and the 2016 profit distribution. Circa 97.1% is designated for members and circa 2.9% is designated for non-members. The repayment obligations include the proposed 2017 repayment liabilities on the Certificates B and D (2007 former Bloemenvailing Aalsmeer addition and 2008, 2009 and 2010 Royal FloraHolland additions). The proposed repayment liabilities due in 2017 stemming from the Final Balance are also recorded in this item. Circa 98.3% is designated for members and circa 1.7% is designated for non-members.

(15) Other liabilities and accrued liabilities	2016	2015
Taxes and social security contributions	4,245	7,251
Holiday allowance and days off	13,610	14,243
Interest costs on banks and members' loans	4,587	4,858
Accrued liabilities	6,532	8,195
Other liabilities	31,336	26,741
Balance at 31 December	60,310	61,288

Financial instruments

As of 31 December 2016, the nominal value of Royal FloraHolland's interest rate swap contracts amounted to €243.9 million (2015: €290.0 million), to cover bank loans and members' and supplier loans. Under these swaps, Royal FloraHolland receives a variable interest rate and pays a fixed interest rate.

On 31 December 2016, Royal FloraHolland's bank debt in terms of long-term and short-term loans amounted to €141.2 million (2015: €142.2 million) with a variable interest rate. To cover those, interest rate swap contracts have been concluded. The average fixed interest rate of 3.8% (2015: 3.4%) is above the market level at year-end 2016, so that the fair value of the swaps is negative at the balance sheet date.

As of 31 December 2016, Royal FloraHolland's Certificates B totalled €202.8 million (2015: €248.1 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 2016 (2015: 3.1%).

The interest rate swaps have a negative fair value of €21.4 million at the balance sheet date (2015: €28.8 million negative).

More than 70.0% of the interest rate risk on the current bank and members' loans is covered. At the balance sheet date, Royal FloraHolland has interest rate swap contracts with maturities through 2021.

Since Royal FloraHolland has no margin calls included in interest rate swap contracts, there are no possible liquidity risks in terms of interest rate swap contracts.

ARRANGEMENTS AND OBLIGATIONS NOT SHOWN IN THE BALANCE SHEET

Investment obligations

As of 31 December 2016, the investment obligations from projects in progress amounted to €17 million (2015: €7.5 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 €2.5 million (2015: €7.1 million).

Repurchase obligations

In the past, Royal FloraHolland entered into contingent repurchase obligations for real estate for a total of €45,000 (2015: €250,000).

Lease obligations

As of 31 December 2016, the lease obligations with a term of less than one year amounted to €1.6 million (2015: €1.6 million) and lease obligations with a term of one to five years amounted to €2.7 million (2015: €2.5 million).

Rental obligations

As of 31 December 2016, the rental obligations amounted to €2.4 million (2015: €3.2 million), of which €1.0 million (2015: €1.0 million) with 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 (2015: €10.2 million).

Other service contracts

As of 31 December 2016, these liabilities amounted to €20.4 million (2015: €25.9 million), of which €14.4 million (2015: €16.3 million) with a remaining term of less than one year.

Notes to the consolidated profit and loss account for 2016

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

PRODUCT TURNOVER (x €1 million)

	2016	2015
Clock turnover		
Aalsmeer	1,080	1,078
Naaldwijk	693	703
Rijnsburg	325	325
Bleiswijk	–	–
Eelde	25	24
Total clock turnover	2,123	2,130
Royal FloraHolland Connect	2,510	2,335
Total turnover Royal FloraHolland	4,633	4,465
Hobaho Horti Groep B.V.	102	137
Total group turnover	4,735	4,602

Royal FloraHolland's total share in clock turnover was 45.8% in 2016 (2015: 47.7%). The share of Connect product turnover in 2016 was 54.2% (2015: 52.3%). The product turnover realised by Royal FloraHolland's members amounted to €4,421 million in 2016 (2015: €4,228 million) and product turnover coming from other suppliers totalled €212 million in 2016 (2015: €237 million).

In 2016, members used the Temporary Exemption from Member Obligations (TEMO) scheme, on which commission payments are charged by Royal FloraHolland. Over an amount of €103 million (2015: €124 million) product turnover, a retrospective TEMO commission payment was paid by members to Royal FloraHolland in 2016.

OPERATING COSTS

(16) Wages and salaries	2016	2015
Salaries of own employees	132,829	123,782
Third-party staff	29,775	23,816
	162,604	147,598

The wages and salaries item of €162.6 million includes an amount of €7 million (2015: €7 million) in costs for the Royal FloraHolland Strategy 2020 and an amount of €11.1 million for the reorganisation provision..

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 (10 persons) amounted to €465,000 (2015: €454,000). 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 members receive €30,000 per year. For membership of the committees, the Chair receives €10,000 (in the case of the Audit Committee) or €7,500 (for the other committees) per year and the members receive €5,000 or €3,000. 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 €1,066,000 in 2016 (2015: €1,601,000). The variable remuneration for the members of the Management Board together was €140,000. For L.B. Vos this represents 20.25% of his fixed salary, and for S. van Schilfgarde 15.50% of his fixed salary, as of 17 May 2016. The salary expenses for Mr L.A.C. Buchwaldt in 2016 are until the end date of his employment on 1 March 2016.

Remuneration of the Management Board*

	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	Fixed	Fixed	Variable	Variable	Non-recurring	Non-recurring	Pension	Pension		
L.B. Vos	550	496	100	85	–	–	11	10	661	591
S. van Schilfgaarde (as of 17 May 2016)	272	–	40	–	–	–	6	–	318	–
L.A.C. Buchwaldt	85	394	–	48	–	558	2	10	87	1,010
	907	890	140	133	–	558	19	20	1,066	1,601

* 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 2016 was €22,000 (2015: €21,000), for S. van Schilfgaarde it was €14,000 (2015: €0) and for L.A.C. Buchwaldt it was €3,500 (2015: €21,000).

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. No variable remuneration is paid on this part of the fixed salary.

Average number of employees and FTEs

	2016	2015	2016	2015
	Number of employees	Number of employees	FTEs	FTEs
Operations	1,986	2,114	1,541	1,663
Commerce	492	439	429	367
Strategy, Marketing & Business Development	140	182	131	165
Staff	340	335	337	313
Royal FloraHolland	2,958	3,070	2,438	2,508
Participating interests	66	72	57	62
	3,024	3,142	2,495	2,570

(17) Miscellaneous operating costs

Miscellaneous operating costs in 2016 amounted to €108.2 million. This item includes costs of €15 million (2015: €5 million) for the Royal FloraHolland Strategy 2020. Impairments of trade receivables amounting to €614,000 were reversed in 2016 (2015: €1.1 million).

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

Audit fees	2016	2015
Audit of the financial statements	342	337
Other audit costs	91	140
Tax advisory services	125	195
	558	672

The above audit fees of the financial statements are based on the total audit fees of the 2016 financial statements, regardless of whether the activities were already carried out in 2016 or not.

(18) Corporation tax

	2016	2015
Tax on profit current financial year	512	3,975
Changes in deferred tax assets/liabilities	95	-23
Prior-year changes	-	39
	607	3,991

Tax burden

	2016	2015
Applicable tax rate	25.0%	25.0%
Effective tax rate	10.1%	28.6%

The lower effective tax rate in 2016 relative to the applicable rate is primarily the result of non-deductible expenses, taxed profit of participating interests, withholding tax and an adjustment to the participation exemption (€0.9 million).

Company balance sheet as at 31 December 2016

(after proposed profit allocation (x €1,000))

	Notes	2016	2015
ASSETS			
Fixed assets			
Intangible fixed assets	(1)	2,774	–
Tangible fixed assets	(2)		
Land		95,410	104,267
Buildings		324,425	343,940
Equipment, packaging and logistics resources		65,805	79,646
Other fixed operating assets		65,412	70,400
Not used in business operations		121,135	107,008
		672,187	705,261
Financial fixed assets	(3)		
Participating interests in group companies		33,460	25,792
Amounts owed by participating interests		2,950	3,175
Other receivables		419	245
		36,829	29,212

	Notes	2016	2015
Current assets			
Receivables			
Trade receivables		58.603	52.470
Amounts owed by group companies		13.191	26.961
Amounts owed by participating interests		235	204
Other receivables and accrued assets	(4)	26.731	13.527
		98,760	93,162
		107,698	45,307
Liquid assets			
Total		918,248	872,942



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

	Notes	2016	2015
LIABILITIES			
Equity			
	(5)		
General reserve		150,823	152,092
Legal entities reserve		2,634	2,634
Participation reserve		-	62,796
Certificates A **		36,594	-
Final Balance **		32,049	-
Statutory reserve for participating interests		4,550	1,743
		226,650	219,265
	(6)		
Provisions		1,759	1,664
Provision for deferred tax		11,610	1,748
Reorganisation provision		4,984	4,839
Other provisions		18,353	8,251
Long-term liabilities			
Liquidity contribution *		-	202,072
Members' loans *		-	46,036
Certificates B *		202,830	-
Voluntary (members') loans *		-	7,223
Certificates C *		3,620	-
Supplier loans *		-	6,514
Certificates D *		6,057	-
Long-term bank loans	(7)	110,526	140,856
		323,033	402,701

	Notes	2016	2015
Current liabilities			
Credit institutions including repayment obligations		25,330	1,339
Debts to members/non-members		62,313	53,344
Repayment obligations to members/non-members	(14)	74,160	12,553
Debts to group companies		19,514	13,829
Creditors		24,616	21,350
Deposits		85,186	82,936
Other liabilities and accrued liabilities	(8)	59,093	57,374
		350,212	242,725
Total		918,248	872,942

* Subordinated loans. Together with the equity, these form the guaranteed capital. The guaranteed capital at year-end 2016 amounts to €212.5 million (2015: €481.1 million).

** Until the amendment of the articles of association, Certificates A and Final Balance formed the Participation reserve.

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

Company profit and loss account for 2016

(amounts x €1,000)

	2016	2015
Cooperative result after tax	-5,294	8,015
Result from participating interests after tax	8,369	4,025
Profit after tax	3,075	12,040

Notes to the company figures for 2016

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 2016 company financial statements 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 2016

(amounts x €1,000)

FIXED ASSETS

(1) Intangible fixed assets

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

	2016	2015
Balance at 1 January	-	432
Changes		
Investments	2,774	-
Impairments	-	-378
Amortization	-	-54
Balance at 31 December	2,774	-
Cumulative cost	9,135	6,361
Cumulative amortization and impairments	-6,361	-6,361
Balance at 31 December	2,774	-

Investments relate to software. Intangible fixed assets are amortized in 5-10 years.

The impairments in 2015 concern the write-down of the packaging concession.

(2) Tangible fixed assets

The carrying amount 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
Land						
Land	77,195	–	–	–	–10,412	66,783
Site facilities	27,072	399	2,114	–958	–	28,627
Subtotals	104,267	399	2,114	–958	–10,412	95,410
Buildings	343,940	7,022	9,842	–33,293	–3,086	324,425
Equipment, packaging and logistics resources						
Equipment	24,140	333	18	–5,459	–	19,032
Packaging	8,618	2,477	13	–3,477	–	7,631
Resources used in the logistics process	46,888	496	399	–8,641	–	39,142
Subtotals	79,646	3,306	430	–17,577	–	65,805
Other fixed operating assets	70,400	5,075	4,734	–14,797	–	65,412
Not used in business operations						
Land and buildings available for sale on the open market	86,259	854	–	–500	–1,600	85,013
Assets under construction	20,749	32,637	–17,120	–	–144	36,122
Subtotals	107,008	33,491	–17,120	–500	–1,744	121,135
2016 totals	705,261	49,293	–	–67,125	–15,242	672,187
2015 totals	755,079	47,095	–	–74,182	–22,731	705,261

	Land	Buildings	Equipment, packaging and logistics resources	Other fixed operating assets	Not used in business operations	2016	2015
Cumulative cost	121,674	831,778	202,294	146,052	158,487	1,460,285	1,427,156
Cumulative depreciation and impairments	-26,264	-507,353	-136,489	-80,640	-37,352	-788,098	-721,895
Balance at 31 December	95,410	324,425	65,805	65,412	121,135	672,187	705,261

In order to improve the insight provided into tangible fixed assets it was decided in 2016 to revise the presentation of the categories. Therefore the 2015 comparative figures have also been adjusted to reflect this new classification. As a result of the new presentation, the category 'Equipment, packaging and logistics resources' has been reduced by €1.5 million, whereas the category 'Other fixed operating assets' has been increased by €1.5 million.

In 2016, a clean-up took place of the tangible fixed assets with a carrying amount of nil. Individual assets for which it had been concluded that they no longer provide production units of the use were removed from tangible fixed assets at cost and accumulated depreciation. In order to improve the insight provided by the financial statements, it was decided to adjust the comparative figures as at year-end 2015. As a result, cost and cumulative depreciation in the comparative figures were adjusted for an amount of €362 million compared with the financial statements 2015.

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. The sale of building land in Aalsmeer relates to the sale of land that is free to be sold to trading partners and in Naaldwijk it relates to land that is free to be sold to third parties for the establishment of a Horticultus.

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 2016 include assets relating to fire safety, major maintenance for buildings, packaging and IT. Investments that were not yet taken into use by year-end 2016 include the renovation of the parking level, fire safety and a contribution to infrastructure improvement (N222 in Naaldwijk).

The major divestments in 2016 concern the sale of building land in Aalsmeer, Naaldwijk and Venlo and the sale of part of the Strijpgebouw building in Naaldwijk.

No legal ownership applies to a capitalised amount of €7.5 million.

Carrying value per cash-generating unit	Land	Buildings	Other	Total	m² land (x 1,000)
Market centres all locations	52,719	290,162	158,254	501,135	2,2694
Individual buildings and plots of land	22,230	34,606	–	56,836	160
Land available for sale on the open market	65,935	–	–	65,935	1,030
Assets not used in business operations & assets under construction	–	10,913	37,368	48,281	
Totals	140,884	335,681	195,622	672,187	

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.

(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	2016	2015
Balance at 1 January	25,792	3,175	245	29,212	26,431
Movements					
Profit from participating interests	8,368	–	–	8,368	4,025
Repayments	–	–225	–314	–539	–791
Disposals	–	–	488	488	245
Dividend distribution	–700	–	–	–700	–698
Balance at 31 December	33,460	2,950	419	36,829	29,212

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

	2016	2015
FH Diensten Holding BV	7,703	3,410
FH Vastgoed Holding BV	11,860	10,064
FH Deelnemingen Holding BV	5,718	4,236
Other participating interests	8,179	8,082
Totals	33,460	25,792

Participating interests

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

Amounts owed by participating interests

This item includes loans to participating interests. These loans bear an average interest of 4.6% (2015: 4.4%) 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

	2016	2015
Taxes and social security contributions	3,923	295
Prepaid expenses	4,712	8,635
Inventories	589	633
Other receivables	1,993	2,431
Accrued assets	15,514	1,533
Balance at 31 December	26,731	13,527

(5) Equity

General reserve

	2016	2015
Balance at 1 January	152,092	144,538
Changes		
Change to statutory reserve for participating interests	-2,807	1,526
Addition of profit of current financial year	1,538	6,026
Balance at 31 December	150,823	152,092

In anticipation of the adoption by the General Members' Meeting, the profit after tax for the financial year 2016 has been accounted for as follows:

	2016	2015
Addition to the General reserve	1,538	-
Addition to Certificates A	250	-
Payable to members	1,287	-
Total profit after tax	3,075	-

Legal entities reserve

The 'legal entities reserve' referred to in article 35 of the articles of association (as at 31 December 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.

Participation reserve

	2016	2015
Balance at 1 January	62,796	56,003
Changes		
Interim payments in the current financial year	-1,460	-2,800
Repayment liability next financial year, recognised under current liabilities	-	-1,200
Addition of profit of current financial year	-	6,014
Subtotal before amendment of articles of association	61,336	62,796
Converted into Certificates A due to amendment of articles of association	-24,709	-
Transferred to Final Balance due to amendment of articles of association	-36,627	-
Balance at 31 December	-	62,796

The additions to participations consist of the 1997-2015 additions of Bloemenveiling Aalsmeer and the 1997-2015 former FloraHolland additions.

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 (EUR 20,000), the excess of the credit balance has been added to the 'Final Balance'.

Certificates A

	2016	2015
Balance at 1 January	–	–
Changes		
Added from participation reserve due to amendment of articles of association	24,709	–
Addition for liquidity contribution 2016	11,635	–
Profit for the current financial year	250	–
Balance at 31 December	36,594	–

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

	2016	2015
Balance at 1 January	–	–
Changes		
Added from participation reserve due to amendment of articles of association	36,627	–
Repayment liability next financial year, recognised under current liabilities	–4,578	–
Balance at 31 December	32,049	–

The final balance of a member or former member is paid out to that member or former member in eight equal annual instalments starting in the year 2017, subject to a decision by the general meeting, following a proposal of the Management Board, in each instance in connection with the adoption of the financial statements of the preceding financial year,

to proceed to the pay-out and to make the aforesaid instalment payable. The first annual instalment concerns the pay-out in the year 2017 pursuant to a decision in connection with the adoption of the financial statements for the year 2016.

Statutory reserve for participating interests

	2016	2015
Balance at 1 January	1,743	3,269
Changes		
Transfer from general reserve - participating interests	33	-1,526
Transfer from general reserve - intangible fixed assets	2,774	-1,526
Balance at 31 December	4,550	1,743

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 is 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.

(6) Provisions

	Provision for defer- red tax liabilities	Reorganisation provision	Other provisions	2016	2015
Balance at 1 January	1,664	1,748	4,839	8,251	14,205
Changes					
Additions	95	11,272	282	11,649	1,773
Withdrawals	-	-884	-	-884	-6,381
Releases	-	-	-137	-137	-949
Reclassification	-	-526	-	-526	-397
Balance at 31 December	1,759	11,610	4,984	18,353	8,251

The provision for deferred tax liabilities originates from the differences between the valuation of tangible fixed assets for financial reporting 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% (2015: 25.0%).

The reorganisation provision generally has a remaining term of less than one year while the other provisions generally have a remaining term of more than one year.

(7) Long-term bank loans

	2016	2015
Balance at 1 January	140,856	116,838
Changes		
Repayment liability for next financial year recognised under current liabilities	-25,330	-1,339
Repayment liability from previous year	-	357
Additional repayment during the year	-5,000	-25,000
New loans	-	50,000
Balance at 31 December	110,526	140,856

An amount of €110.5 million (2015: €140.9 million) of the total amount of €110.5 million (2015: €140.9 million), has a remaining term of less than five years. The 2017 repayment liability of €25.3 million (2016: €1.3 million) is recognised under current liabilities. These loans bear an average interest rate of 1.7% (2015: 1.9%). Long-term bank loans are concluded with Rabobank, ING Bank, ABN AMRO and Deutsche Bank.

CURRENT LIABILITIES

(8) Other liabilities and accrued liabilities

	2016	2015
Taxes and social security contributions	3,827	6,108
Holiday allowance and days off	13,595	14,145
Interest costs bank and members' loans	4,561	4,787
Accrued liabilities	6,036	7,341
Other liabilities	31,074	24,993
Balance at 31 December	59,093	57,374

Financial instruments

As of 31 December 2016, the nominal value of Royal FloraHolland's interest rate swap contracts amounted to €240.0 million (2015: €290.0 million), to cover bank loans and members' and supplier loans. Under these swaps, Royal FloraHolland receives a variable interest rate and pays a fixed interest rate.

As of 31 December 2016, Royal FloraHolland's bank debt in terms of long-term and short-term loans amounted to €135.9 million (2015: €142.2 million) with a variable interest rate. To cover this, interest rate swap contracts have been concluded. The average fixed interest rate of 3.8% (2015: 3.4%) is above the market level at year-end 2016, so that the fair value of the swaps is negative at the balance sheet date.

As at 31 December 2016, Royal FloraHolland's Certificates B totalled €202.8 million (2015: €261.9 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 2016 (2015: 3.1%).

The interest rate swaps have a negative fair value of €21.2 million at the balance sheet date (2015: €28.8 million negative).

More than 70.0% of the interest rate risk on the current bank loans and certificates is covered. At the balance sheet date, Royal FloraHolland had interest rate swap contracts with maturities through 2021.

Since Royal FloraHolland has no margin calls included in interest rate swap contracts, there are no possible liquidity risks in terms of interest rate swap contracts.

ARRANGEMENTS AND OBLIGATIONS NOT SHOWN IN THE BALANCE SHEET

Investment obligations

As of 31 December 2016, the investment obligations from projects in progress amounted to €12.3 million (2015: €6.1 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) (Aalsmeer location), reconstruction of the Middel Broekweg/Veilingroute crossing and the construction of noise barriers on and the broadening of the N213 (Naaldwijk location) for a total of €2.5 million (2015: €7.1 million).

Repurchase obligations

In the past Royal FloraHolland entered into contingent repurchase obligations for real estate for a total of €45,000 (2015: €250,000).

Lease obligations

As of 31 December 2016, lease obligations with a term of less than one year amounted to €1.6 million (2015: €1.3 million) and lease obligations with a term of one to five years amounted to €2.7 million (2015: €2.2 million).

Rental obligations

As of 31 December 2016, rental obligations amounted to €2 million (2015: €1.5 million), of which €0.7 million (2015: €0.8 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 (2015: €10.2 million).

Other service contracts

As of 31 December 2016, these obligations amounted to €20.4 million (2015: €25.9 million), of which €14.4 million (2015: €16.3 million) has a remaining term of less than one year.

FISCAL UNIT

Royal FloraHolland is independently liable for corporation tax at year-end 2016. 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, 12 April 2017

Lucas Vos
CEO Royal FloraHolland

Steven van Schilfgaarde
CFO 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. By virtue of article 23(2) (i) of these articles of association, motions by the Management Board under this article require approval from the Supervisory Board.

INDEPENDENT AUDITOR'S REPORT

To: the members, the supervisory board and management board of Coöperatie Royal FloraHolland U.A. (Aalsmeer)

Report on the audit of the financial statements 2016 included in the annual report

Our opinion

We have audited the financial statements 2016 of Coöperatie Royal FloraHolland U.A. (the company), based in Aalsmeer.

In our opinion the accompanying financial statements give a true and fair view of the financial position of Coöperatie Royal FloraHolland U.A. as at December 31, 2016 and of its result for 2016 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

- the consolidated and company balance sheet as at December 31, 2016;
- the consolidated and company profit and loss account for 2016; and
- the notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of Coöperatie Royal FloraHolland U.A. in accordance with the *Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten* (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the *Verordening gedrags- en beroepsregels accountants* (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Materiality

Materiality	€ 5,700,000
Benchmark applied	1.5% of revenues
Explanation	Considering the cooperative nature of the entity we are of the opinion revenues are an important performance indicator. The level of revenues is a good indicator of the size of the activities.

We have also taken misstatements into account and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the supervisory board that misstatements in excess of EUR 285,000, which are identified during the audit, would be reported to them, as well as misstatements below this threshold that in our view should be reported on qualitative grounds.

Scope of the group audit

Coöperatie Royal FloraHolland U.A. is at the head of a group of entities. The financial information of this group is included in the consolidated financial statements of Coöperatie Royal FloraHolland U.A.

Our group audit mainly focused on significant group activities, being the most important activities included in entity Coöperatie Royal FloraHolland U.A. This entity is audited by us. The abovementioned procedures cover 96% of the total assets, 100% of the results and 93% of the revenues of the group.

By performing the procedures mentioned above at group entities, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the consolidated financial statements.

Our key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the supervisory board. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Risk

Valuation of land and buildings

Considering the relative size of land and buildings as part of the total assets, the valuation of land and buildings is a significant part of our audit. This also relates to the developments in the economic environment and the commenced implementation of the new strategy RFH2020.

The valuation of the land and buildings and related assets are complex matters subject to assumptions and estimations, including future developments.

To assess the valuation of land and buildings Coöperatie Royal FloraHolland U.A. has prepared valuation analysis.

For land and buildings classified as for own use by Coöperatie Royal FloraHolland U.A., the management board has assessed the extent in which it will be able to realize sufficient return on its investments.

For land and buildings classified as not for own use, among other things appraisals made by external specialists are used to validate the valuation.

The disclosures regarding land and buildings are included on page 135, 136 and 137 of the financial statements. The accounting principles are included on page 130 and 131.

Audit approach

For land and buildings classified as for own use we have compared the calculation method used with the methods commonly used in the real estate sector, taking into account the cooperative nature of Coöperatie Royal FloraHolland U.A. and the circumstances in its environment, including the impact of the strategic reorientation. We have compared the parameters used with the parameters commonly used in the market, including land prices of recent transactions or other market valuations.

For land and buildings classified as not for own use, we have reviewed information regarding the expertise and objectivity of the external specialists, the calculation methods applied and parameters used, including land prices, land suitable for building, rental prices and contracts.

Risk	Audit approach
<p data-bbox="95 297 817 321">Implementing strategy RFH2020 and organizational changes</p> <p data-bbox="95 334 964 511">Coöperatie Royal FloraHolland U.A. has commenced a process of strategic reorientation, named RFH2020. In that respect Coöperatie Royal FloraHolland U.A. enters into commitments and obligations, incurs expenses and takes decisions that impact results, especially relating to the valuation of assets and to the possible lay-off of employees.</p> <p data-bbox="95 559 932 620">The disclosures regarding RFH2020 elements are included on page 151 and 153 of the financial statements.</p>	<p data-bbox="1019 334 1739 396">In our audit, we have paid attention to the impact of RFH2020 on the financial statements.</p> <p data-bbox="1019 445 1880 546">We have investigated the process which Coöperatie Royal FloraHolland U.A. follows to determine which aspects of the financial statements should be labeled as related to RFH2020.</p> <p data-bbox="1019 595 1876 695">Further, we have determined that the reported costs, expenditures, liabilities and commitments are correctly and suitably taken into account in the financial statements of 2016.</p> <p data-bbox="1019 745 1864 882">We also paid special attention to the recorded restructuring provision as per year end 2016. We took knowledge of the underlying documentation and assumptions and assessed whether the provision is accounted for correctly and appropriately in the financial statements 2016.</p>

Risk	Audit approach
<p>Complexity of IT landscape</p> <p>Coöperatie Royal FloraHolland U.A. is highly dependent of the IT-infrastructure for the continuity of the operational activities. The IT-landscape can be considered as complex and contains many different applications. To some extent, applications are outdated and are currently undergoing limited maintenance.</p> <p>Coöperatie Royal FloraHolland U.A. performs various additional manual controls to ensure the correct and complete processing of transactions. These measures mainly relate to demonstrating the links of different parameters and to reconciling data from different applications.</p>	<p>We have evaluated the reliability and continuity of the automatized data-processing, only to the extent necessary within the context of the audit of the financial statements. Specialized IT-auditors were part of our team for this examination. Our procedures were mainly focused on understanding and testing of internal controls regarding the IT-systems and -processes relevant to our audit. As a result of these procedures we concluded we could not rely on all internal controls we evaluated as relevant.</p> <p>We have made recommendations to the management board in our management letter, focused on possible further improvements on this matter.</p> <p>We have reviewed the manual internal controls and have performed additional substantive procedures to obtain sufficient and appropriate audit evidence.</p>
<p>Change in the financing of the cooperative</p> <p>In June 2016 the General Meeting approved an amendment of the articles of association related to the financing of the cooperative. The date of commencement of the articles of association was 31 December 2016 and directly influenced the accounting of the various forms of member financings in the financial statements.</p> <p>The disclosures regarding the change in the financing of the cooperative are included on page 141 until 146 and 165 until 168 of the financial statements.</p>	<p>We have inspected the amendment of the articles of association. We have audited the accounting of the change in the financing of the cooperative.</p> <p>We have determined that the changes are adequately accounted for and disclosed in the financial statements of 2016.</p>

Report on other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- The management board's report
- Other information pursuant to Part 9 of Book 2 of the Dutch Civil Code

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the management board's report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Description of responsibilities for the financial statements

Responsibilities of management and the supervisory board for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The supervisory board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all material errors and fraud.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included, e.g.:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures.
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

We provide the supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the supervisory board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

The Hague, April 12, 2017

Ernst & Young Accountants LLP

Was signed G.W. Hilverda

Appendix: List of participating interests

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

	Registered office	Shareholding (in %)
FH Diensten Holding B.V.*	Naaldwijk	100
Agricultural Fulfilment Center B.V.* +	Naaldwijk	100
Greenparc Ontwikkeling B.V.*	Bleiswijk	100
Greenparc Ontwikkeling v.o.f.*	Bleiswijk	50
Servi FloraHolland 2002 SL*	Valencia, Spain	100
FH Flower Combination B.V.* +	Aalsmeer	100
FH Consultancy Services Plc.*	Addis Abeba, Ethiopia	50
FH Services Colombia*	Bogota, Colombia	50
FH Services Kenia Ltd*	Nairobi, Kenya	1
Sivepo B.V.*	Leiden	100
De Verenigde Koelhuizen Hobaho B.V.	Lisse	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, United Arab Emirates	80
FH Consultancy Services Plc.*	Addis Abeba, Ethiopia	50
FH Services Colombia*	Bogota, Colombia	50
FH Services Kenia Ltd*	Nairobi, Kenya	99
FH Services Italy S.r.l.	Milan, Italy	100
Trias Westland B.V.	Honselersdijk	33.33
Stichting administratiekantoor Hubways NV	Bunnik	25
Ethiopian Perishable Log. Plc.	Ethiopia	10

* Participating interest to be consolidated.

+ A Section 403 BW statement has been issued.

	Registered office	Shareholding (in %)
Fresh Port Plc.	Ethiopia	99
FH Vastgoed Holding B.V.*	Naaldwijk	100
Siervast B.V.* +	Rijnsburg	100
FH Vastgoed V B.V.*	Naaldwijk	100
Maatschap DZF	Naaldwijk	20
C&C Bleiswijk*	Bleiswijk	100
Metz Vastgoed I B.V.	Honselersdijk	90
Metz Vastgoed II B.V.	Honselersdijk	90
Toussaint Vastgoed B.V.	's-Gravenzande	90
Javado Vastgoed B.V.*	Naaldwijk	51
Plant Port I B.V.	Aalsmeer	49.5
Florazon Vastgoed B.V.	Venlo	33.25
Greenpark Boskoop B.V.	Boskoop	50
HBC Beheer B.V.	Naaldwijk	30
HBC Vastgoed B.V.	Naaldwijk	100
HBC Vastgoed 2 B.V.	Naaldwijk	100
ABC Westland Beheer B.V.	Poeldijk	26.7
ABC Westland Beheer C.V.	Poeldijk	26.7
FH Deelnemingen Holding B.V.*	Naaldwijk	100
Plantion Holding B.V.	Bemmel	35
Veiling Rhein Maas GmbH & Co KG	Herongen, Germany	25
Sivepo C.V.*	Leiden	100
Greenparc Ontwikkeling v.o.f.*	Bleiswijk	50

* Participating interest to be consolidated.

+ A Section 403 BW statement has been issued.

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		– Improving employee satisfaction		70
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Bidding hall: A Dutch auction is a type of auction in which the auctioneer begins with a high asking price that is lowered until some participant is willing to accept the auctioneer's price.

BVP: Best Value Procurement.

EBG: Energie Besparingsysteem Glastuinbouw (Energy-Efficiency System for the Greenhouse Industry)

FLOW: Floricultural Logistics Optimisation Worldwide.

FPC: 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).

ICSR: International Corporate Social Responsibility.

IPM: Integrated Pest Management.

Clock pre-sales: FloraMondo, Royal FloraHolland's online trading platform, ensures that its members are thoroughly prepared for and offered flexibility in their purchases. They can view the whole range of the clock supply and make small-scale purchases of flowers and plants via clock pre-sales. They can also make sure that their needs are met by purchasing products before the auction is held. This then limits their stock risks and avoids the stress of purchasing during the auction.

DS: Distant Sales. Distant Sales offer members access to all flower and plant auctions held at Royal FloraHolland's Aalsmeer, Eelde, Naaldwijk and Rijnsburg sites.

LTO: Land- en Tuinbouworganisatie (Dutch Federation of Agriculture and Horticulture).

Material themes/ topics: The themes of relevance to interested parties. Within this context, 'material' is understood as 'to matter', the issues that in any case need to be reported. Organisations which report on these issues enhance their transparency.

MPS: Milieu Programma Sierteelt (Floriculture Environmental Programme).

CSR: Corporate Social Responsibility.

NCR: Nationale Coöperatieve Raad (National Cooperative Council).

NEV: Nationale Energie Verkenning (National Energy Analysis Report).

NGO: Non-governmental organisation.

OCAP: Organic Carbon dioxide for Assimilation of Plants.

RAC: Regional 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 Flower Auctions Association).

SMS: Safety Management System.

VBW: Vereniging Bloemist Winkeliers (Dutch Association of Florists).

VVI: Veiling Volmacht Incasso (Auction authorisation direct debit).

Publication

Royal FloraHolland

Text

C&F Report in cooperation with Rianne Nieuwenhuize (Royal FloraHolland)

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