

# Responsible action

CSR report 2020





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## CSR is also good business

The goal of Salling Group is to develop our company and generate profits that enable our owners, the Salling Foundations, to support worthy causes in Denmark.



Per Bank  
CEO

This requires strong business sense which is our strength and something we take pride in and are proud of. We are also a responsible company as demonstrated by the numerous examples of our many ongoing CSR initiatives in this report.

Salling Group believes that running a successful business is not incompatible with being a responsible company; on the contrary, our skills as merchants enable us to negotiate the price of organic products down to a level that makes it affordable for everyone to choose organic products. This makes good business sense which goes hand in hand with responsibility.

This responsibility and business sense are also reflected in our stores' commitment to reducing energy consumption. For example, we have installed doors on all freezers and coolers in Bilka, fØtex and Netto which has resulted in significant energy savings and lower carbon emissions and energy costs.

2020 did not turn out the way we wanted or hoped. Nevertheless, I am proud of the tremendous effort made by all Salling Group employees, the results we have achieved and not least our commitment to social responsibility.

COVID-19 has of course been a huge challenge for Denmark and, by extension, for Salling Group. We have addressed a lot of problems in this respect and as a responsible company we have done our best to demonstrate corporate social responsibility.

One of our first priorities was to secure our supply chain to make sure our stores were well-stocked with essential items to keep society going during the pandemic.

We immediately paid over DKK 1.1bn to small Danish suppliers to improve their liquidity. We refused government relief packages although more than 2,000 of our employees were furloughed. Our owners, the Salling Foundations, also contributed significant COVID-19 relief packages.

Such social responsibility is possible thanks to our skills as merchants.

## Foreword We are ambitious

Although 2020 turned out very differently than expected, Salling Group has not changed or suspended its ambitions when it comes to responsibility. We remain ambitious. Not only on our own behalf, but also on behalf of the society we are a part of.

COVID-19 changed the everyday lives of everyone and presented new challenges that also demanded our time, effort and attention. But it has not changed our drive, and we have been working as hard as ever to achieve our goals and ambitions – despite the changed conditions. Sustainable and responsible choices are a natural part of our company, which in 2020 enabled us to achieve results that reflect our ambition to reduce our carbon emissions, develop more climate-friendly initiatives and contribute to the achievement of Denmark's 2030 climate goals.



Food waste has a significant climate impact, and as a retailer with a large value chain we can make the biggest difference for the environment by reducing our own and our customers' food waste.

Ever since we published our total food waste figures for the first time – and as the first to do so in Denmark – we have continuously taken steps towards halving

our food waste. Since 2014, we have reduced our total food waste by 44.6%.

We are proud of our progress and of the strong support we have received from colleagues, business partners and other food companies. In 2020, they decided to share our ambition and together we have committed ourselves to addressing food waste through the 'Denmark against Food Waste' initiative. We helped launch the initiative in 2018, which has now become an essential part of Denmark's overall climate action.

Food waste is also a good example of the dilemmas that we and everyone else face when it comes to CSR. Because every choice has a consequence, and few solutions are without downsides.

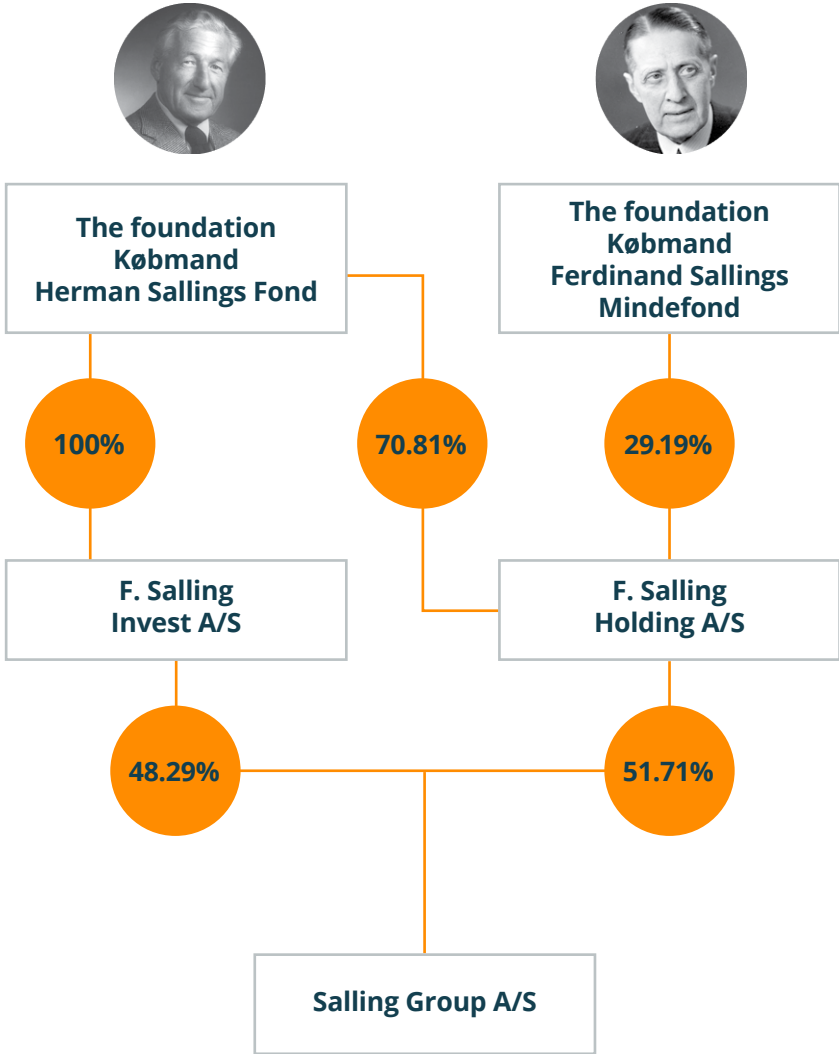
We fight food waste by using plastic packaging, among other things. However, we not only seek to reduce our food waste, we also seek to reduce our use of plastic packaging. The dilemma that the two can be mutually exclusive in some cases is something we need to be honest and transparent about. Otherwise, we cannot tackle this task professionally and responsibly and give our customers and stakeholders insight into how social responsibility is both demanding and complex and requires difficult choices.

Salling Group wants to engage in an open dialogue about this, while continuing our work and even significantly stepping up our climate efforts. Although we have come a long way in recent years and in 2020, we are committed to continuing our efforts – and take responsibility for bringing about lasting change. For our customers, for our employees, for the environment and for society.



Salling Group is wholly owned by the

Salling Foundations



Salling Group owns the retail chains Bilka, føtex and Netto as well as the Salling department stores, the toy chain BR, affiliated online stores, the franchise chains Starbucks and Carl's Jr\*. and Netto stores in Germany and Poland. This makes Salling Group Denmark's largest retail group with almost 10.9m customers and guests per week in our stores and restaurants.

Salling Group is wholly owned by the Salling Foundations. This means that Salling Group's annual profits are reinvested in the business for the benefit of our customers who get an even better customer experience. In addition, each year the foundations make donations to worthy causes in Denmark.

Since 2012, the Salling Foundations have donated more than DKK 1bn to culture, sports, charity, education and research. In 2020, the Salling Foundations donated DKK 139.1m to the Climate Academy and the CONCITO climate database, among others, and financially supported a relief package for sports in Aarhus, Denmark.

Salling Group and subsequently the Salling Foundations were established by our founders Herman Salling and Ferdinand Salling. In 2014, the Salling Foundations began the gradual buyback of shares from A. P. Møller – Mærsk which owned part of the company. Today, Salling Group is wholly owned by the Salling Foundations.

In 2018, the change in ownership was cemented by changing the company's name from Dansk Supermarked to Salling Group – a nod to the company's history which also marks its ties with the Salling Foundations.

Significant organisational changes in Salling Group in 2020

- Nils Smedegaard Andersen hands over the chairmanship of Salling Group to Bjørn Gulden, who becomes new Chairman of the Board of Salling Group
- Salling Group buys British retailer Tesco's activities in Poland. Salling Group acquires 300 stores and two distribution centres in Poland
- Anja Madsen replaces Thor Jørgensen as new CEO of føtex and joins Salling Group's Executive Committee
- Salling Group invests heavily in online shopping solutions and Thor Jørgensen is put in charge of the venture. At the same time, a new business unit, føtex Home Delivery, is launched, offering home grocery delivery

Salling Group is led by CEO Per Bank and his Executive Committee, while the Board of Directors is the owner's representative with overall responsibility for the company, including ensuring the right management composition.

\* The franchises are not part of the CSR reporting



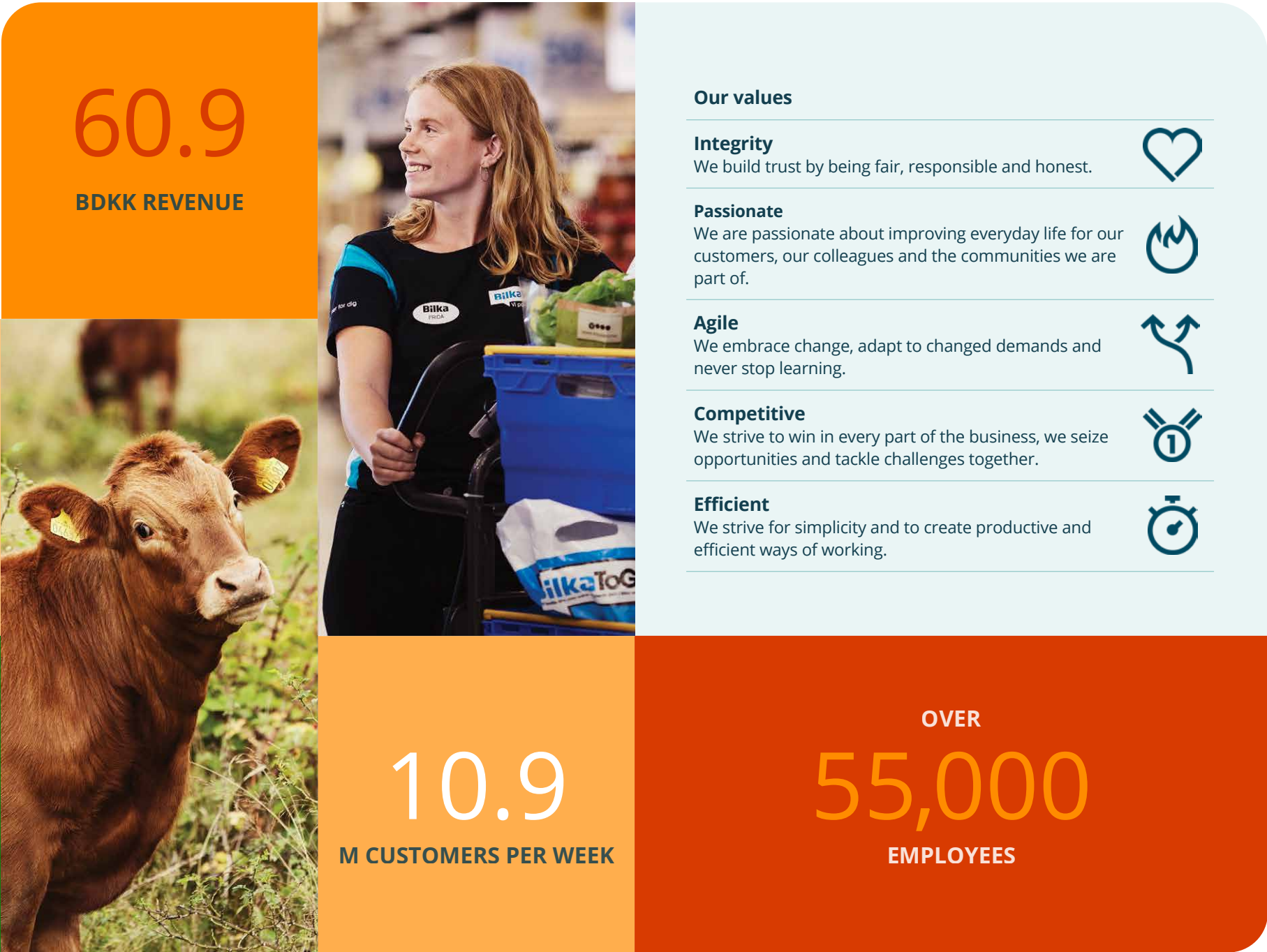
Our

business

We make everyday life better

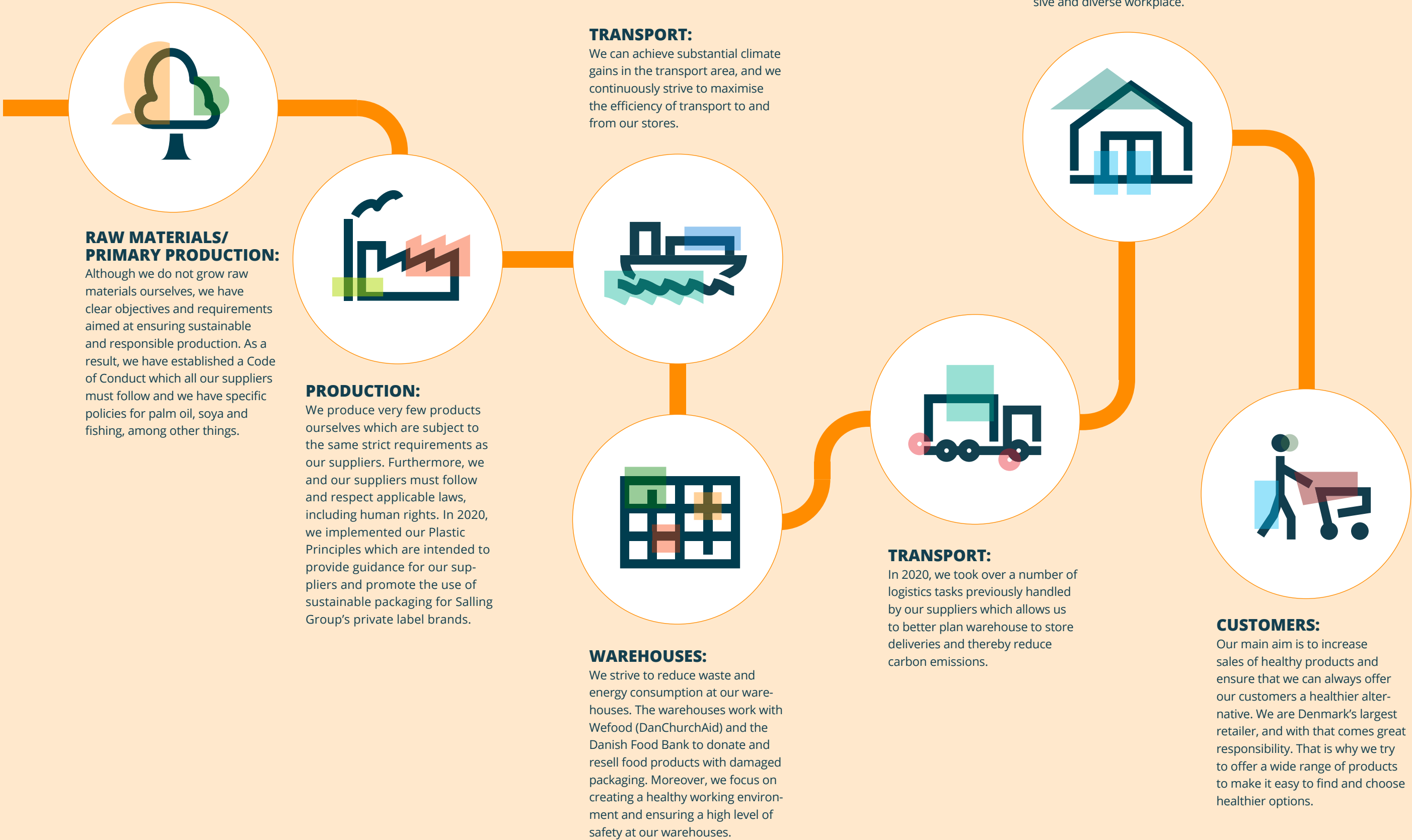
We are a big company, and our choices affect our customers, colleagues, business partners, suppliers and society. We have a considerable responsibility to contribute to and work towards sustainable solutions, easy and positive shopping experiences, job opportunities and, not least, supporting worthy causes through our owners, the Salling Foundations.

For us at Salling Group, it is all about everyday life. That is why we are firmly committed to making everyday life better every day – both for our customers and for society. Our business is based on values that have made us who we are today.



Our

# valuechain







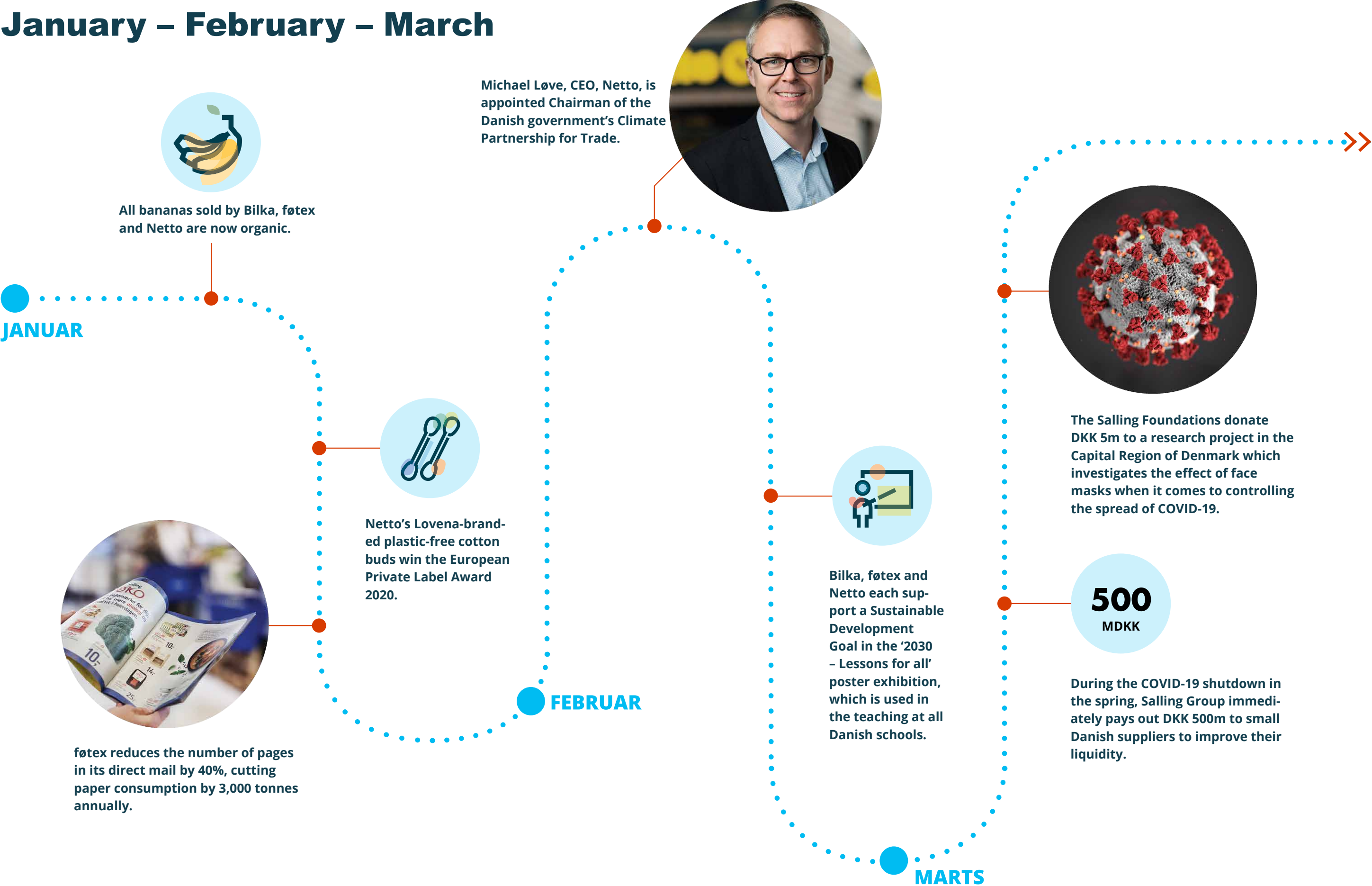
# Responsible action

Løgismose chickens sold by Netto and  
Princip chickens sold by Bilka and fætex are  
sourced from France and carry the French  
Label Rouge which is a quality label awarded  
only to products with superior taste quality



Highlights:

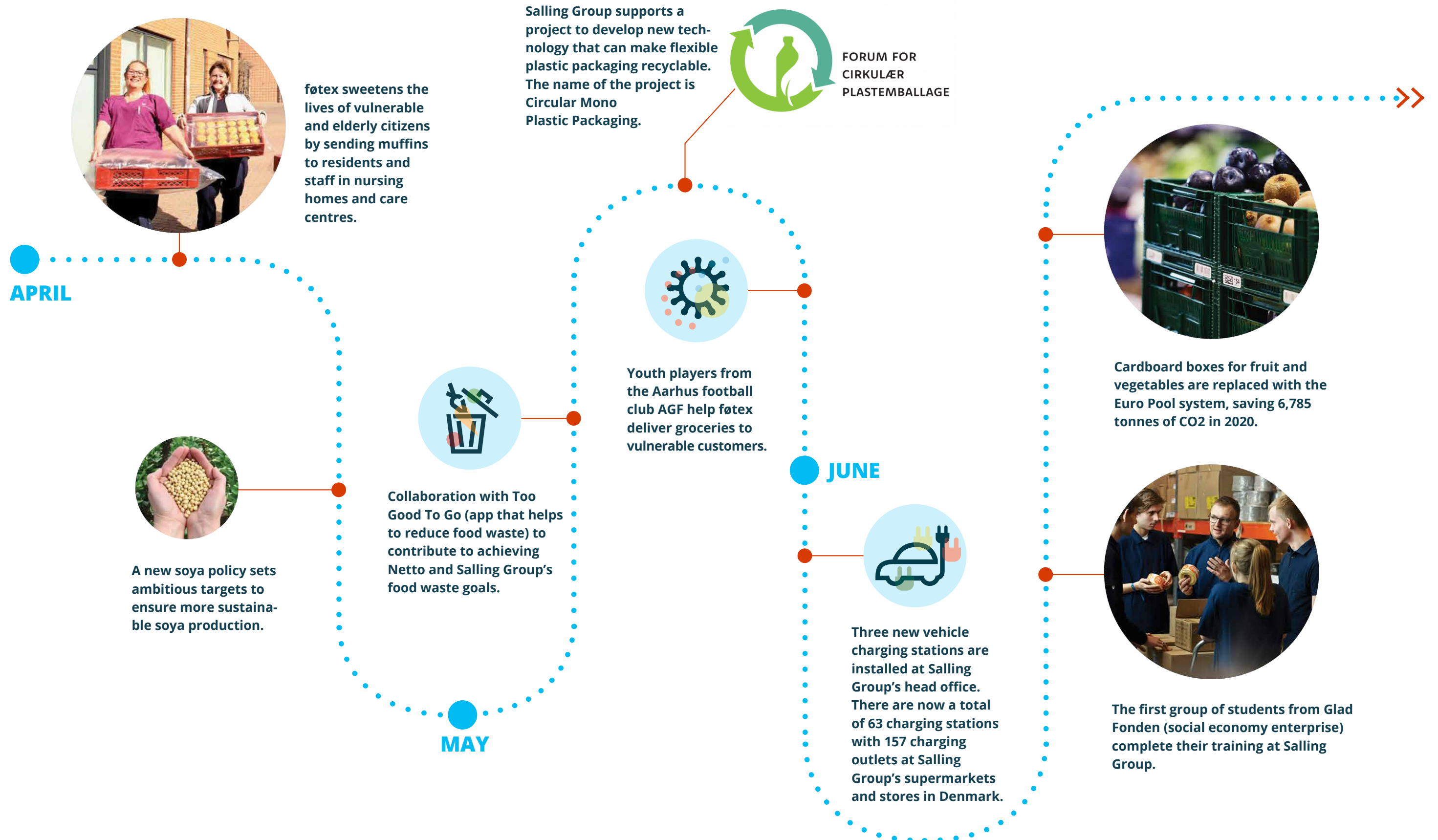
January – February – March





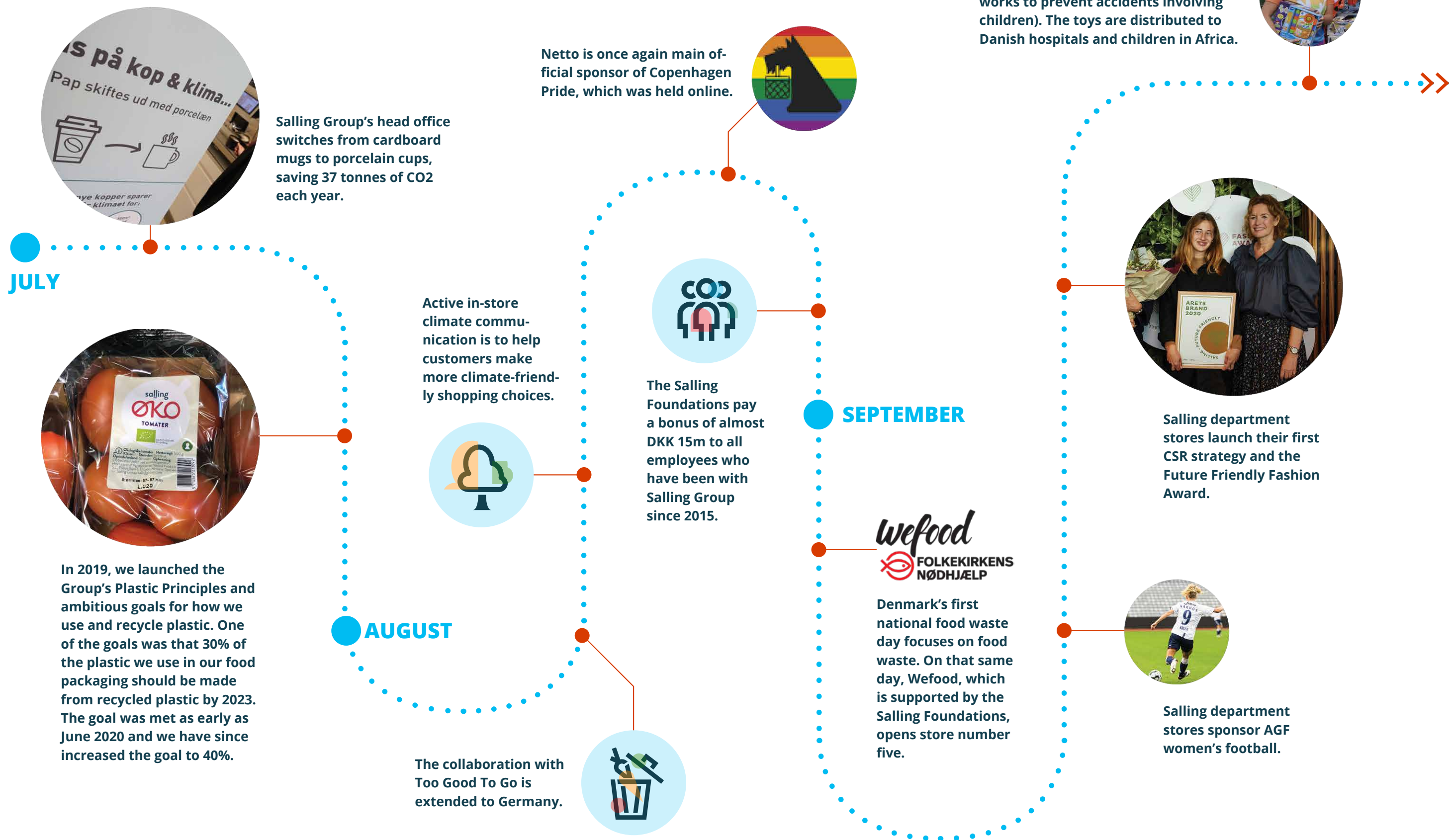
## Highlights:

# April – May – June



## Highlights:

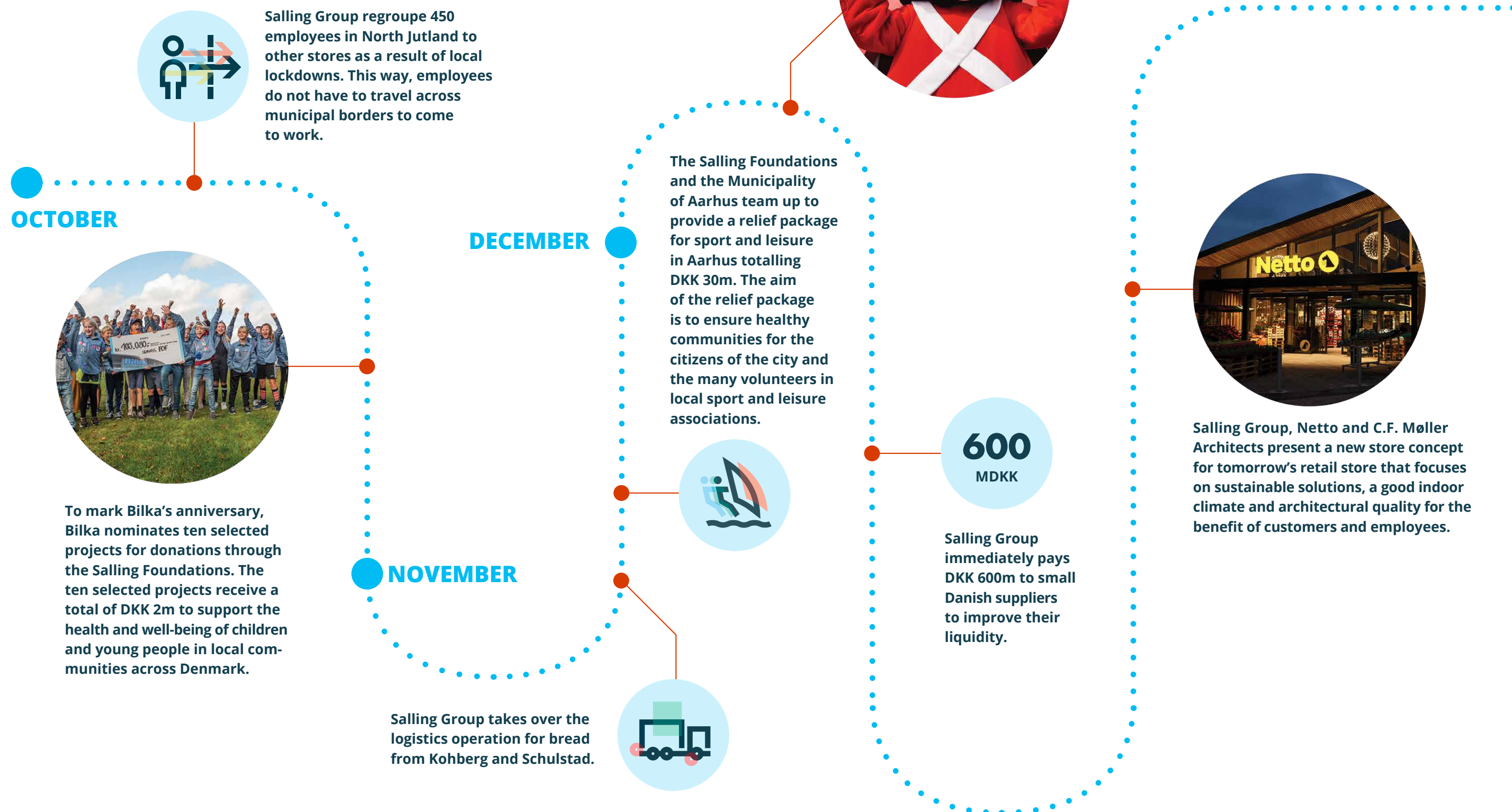
# July – August – September





## Highlights:

# October – November – December





# Responsibility

## in a challenging time

2020 was defined by the COVID-19 pandemic which had a profound effect on the daily operation of Salling Group and our business – initially with the lockdown in Germany and Poland and later Denmark.

As Denmark’s largest retail chain and one of Denmark’s largest employers, we knew from the beginning that we have a special responsibility to curb the spread of COVID-19 among our customers and employees.

Several safety measures were put in place and alternative shopping options such as online shopping were upgraded to meet customer demand and comply with official recommendations. Knowing what we know today, our social responsibility efforts were successful. We managed to slow the spread of infection, and retail stores – which were not affected by the lockdowns – did not make shoppers feel unsafe or pose a particular risk of infection.

**The ability to make a difference**  
While much of society was shut down in March and April and the pandemic had a dramatic impact on many sectors, Salling Group was not affected in quite the same way, which was also the case at the end of the year when the second wave hit Denmark.

We were one of the first companies to refuse government relief in the form of salary com-

pensation for our more than 2,000 employees in Salling department stores and BR that had to be furloughed. We also decided to suspend credit times for approved invoices and immediately pay out DKK 500m in March to support small Danish suppliers with liquidity problems. In December, we reaffirmed our support and immediately paid out DKK 600m in connection with the second lockdown.

We supported the street newspaper ‘Hus Forbi’ with the sale of gift cards and a DKK 500,000 donation to secure meals for Hus Forbi vendors.

Our employees were honoured for their efforts in the form of an added employee discount on items purchased in our stores.

Our employees, in particular, deserve a lot of praise for their truly extraordinary contribution throughout the crisis. They have ensured a good and safe shopping experience and been extremely flexible as COVID-19 restrictions changed our everyday lives. Not only when face masks or face shields became mandatory in our stores, but also when seven municipalities in Northern Jutland went into lockdown and 450 employees showed great flexibility and switched workplace for a while so they could stay in their home municipality.

Throughout the pandemic, the Salling Foundations provided substantial financial relief packages to culture and sports.





# Clear ambitions and responsible action

The employees of Salling Group and the products we sell in our stores form the foundation of our business and our CSR strategy. We must act responsibly towards our employees and source our products responsibly. This is crucial to our CSR strategy.

At the same time, we focus on acting responsibly and addressing issues that are important to our customers and society. We must make responsible choices and we must help our customers do the same – especially when it comes to climate and health.



# UN Sustainable Development Goals and Salling Group's impact

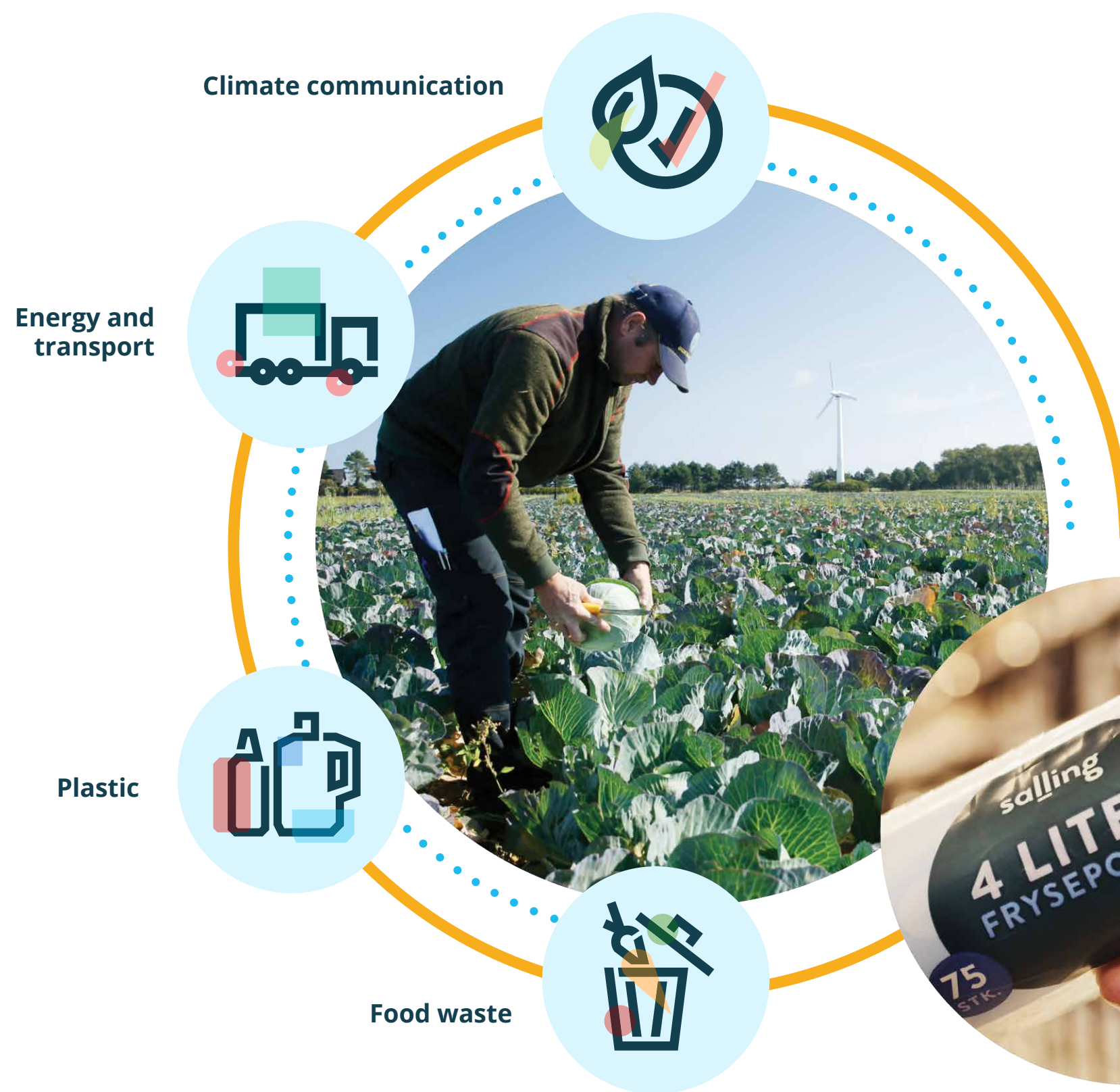
As part of the process of ensuring ambitious and structured responsibility efforts, we launched our new CSR strategy in 2019 which is based on UN SDGs 3, 12 and 13. Our CSR strategy is centred on climate and health because we believe we can make a difference in those areas. In 2020, they have been incorporated across the entire organisation to ensure that everyone at Salling Group contributes to the fulfilment of the SDGs.

In working with the SDGs, we are continuously assessing whether adjustments are needed to ensure that we are putting our shoulders to the wheel in areas where we can make the biggest difference. In 2018, it was SDGs 3

(Good health and well-being), 4 (Quality education) and 12 (Responsible consumption and production). However, when we adopted our new CSR strategy in 2019, where the focus is on employees, customers and products as the foundation of our company, we decided to replace SDG 4 with SDG 13 (Climate action) while continuing to work on SDGs 3 and 12. With extensive training programmes for all of our 55,000 employees, we are still realising SDG 4, but as employee development is such a natural part of our daily working lives, we decided that we could make a bigger difference with SDG 13 by taking responsibility for and intensifying our contribution to solving climate challenges.







# Our climate action

Tackling global climate change requires ambition and hard work by everyone. Salling Group wants to be a responsible corporate citizen by taking action and contributing to achieving the goal of reducing global warming by 2030. Climate issues are a common agenda that can only be addressed if we work together.

In 2019, we formulated our first climate change ambitions. In 2020, we learned more about how we can

contribute to reducing carbon emissions as a retailer and decided to update our future carbon ambitions in mid-2021.

Going forward, we want to be even more transparent about our carbon emissions and set a clear goal for our carbon emission reductions and how we intend to achieve this goal.

>>

Our

climate action

Climate reporting 1 - 2 - 3

We report on scope 1 and 2 emissions and to some extent on scope 3 emissions, which are our starting point for tracking and identifying initiatives to reduce our carbon emissions from the production of the energy we source. Scope 3 covers all other indirect emissions that occur as a result of our activities, but which we do not own or have control over.

This classification gives us detailed insight into our carbon emissions and allows us to take dedicated action where it makes the biggest difference.



Scope 1

- Direct emissions

Direct emissions from sources owned or controlled by the company:

- Fuel consumption
- Refrigerant consumption
- Heating oil consumption



Scope 2

- Indirect emissions

Emissions derived from sourced energy:

- Electricity
- Heat
- District heating



Scope 3

- Other indirect emissions

Emissions from sources not directly controlled by the company but derived from the company's activities:

- Business travel (flights)
- Food waste
- Goods transport



# Climate communication

## for more climate-friendly choices

CONCITO and 2.0 LCA Consultants, supported by the Salling Foundations, publish the climate footprint of 500 foods in 'the Big Climate Database', which can be accessed by citizens and companies.

Customers are willing to change ingrained eating habits to stop climate change. The results of the 'Shopping basket 2020' consumer survey conducted by Yougov on behalf of føtex show that Danes are already making more climate-friendly choices. The survey also shows that they want more guidance and inspiration for climate-friendly shopping and we want to give them that.

**Climate database**  
Enabling consumers to make more climate-friendly choices requires insight and knowledge and we want to help compile solid and useful data that provides just that. In 2020, the Salling Foundations supported CONCITO\* with a donation to enable the development of a climate database in partnership with 2.0 LCA Consultants. The climate database will be accessible to everyone in early 2021 and ranks different product categories in terms of their climate impact, allowing users to compare products.

**We want to make climate-friendly grocery shopping easier**  
In August 2020, we introduced the first climate communication in Bilka, føtex and Netto which is based on CONCITO's initial calculations and general climate-friendly shopping tips. Climate-friendly dietary advice gives customers concrete tips that can help them make climate-friendly food choices when they shop. The advice suggests choosing fish and chicken over for example beef, trying alternatives to butter or buying foods that are close to their sell-by date – small changes that can make a difference.

We are aware of the dilemmas that this entails. For example, the data we receive from CONCITO on tomatoes does not take into account whether the tomatoes are shipped from Spain or from Funen to the store. As the database grows, we expect to be able to further improve the accuracy of product data.

Kategori	Fødevarer	CO2e pr. kg	Landbrug	ILUC
Brød/bageartikler	Bagegær, presset, rå	1,45	0,00	0,26
Brød/bageartikler	Burgerboller	0,74	0,38	0,04
Brød/bageartikler	Flødeskumskage, lagkagesnitte	2,15	0,57	0,12
Brød/bageartikler	Grovbolle	0,74	0,38	0,04
Brød/bageartikler	Hvedebrød, toastbrød, fint, industrifremstillet	0,74	0,38	0,04
Brød/bageartikler	Kage, træffelprodukt / koldprodukt, industrifremstillet	2,63	0,70	0,38
Brød/bageartikler	Kiks, fuldkorns-, digestivetype	2,73	0,54	0,14
Brød/bageartikler	Kiks, Marie	2,75	0,59	0,12
Brød/bageartikler	Knækbrød, rug-, groft	1,08	0,41	0,05
Brød/bageartikler	Müslibar	2,88	1,20	0,43
Brød/bageartikler	Nougat	4,97	2,07	0,49
Brød/bageartikler	Pizza med broccoli, dybfrost, færdigretter	2,58	0,52	0,16
Brød/bageartikler	Pizza med fisk, tomat og ost, færdigretter	3,79	0,71	0,47



\*CONCITO is an independent green Danish think tank which aims to contribute to reducing greenhouse gas emissions and limiting the harmful effects of global warming.



**GI' DET GRØNNE MERE PLADS PÅ DIN TALLERKEN**



Jo større del af vores mad der er grøn, jo mindre belaster vi klimaet.

I frugt og grønt-afdelingen kan du fylde kurven med friske varer, mens du tager hensyn til kloden.



**Vil du handle, når du handler?**

Vi har efterhånden hørt så meget om klimaet, at det er svært at finde ud af, hvad man skal gøre, hvis man som helt almindelig forbruger, vil nedsætte sit klimaaftryk. Der findes nok ikke en endegyldig sandhed alle kan leve efter, men vi har samlet en håndfuld klimaråd, du kan tage med, hvis du vil handle lidt mere klimavenligt.



**føtex**

Hør handler vi

- Vælg mere grønt og mindre kød
- Vælg lyst kød som kylling og svinekød
- Vælg kartofler fremfor ris og pasta
- Gå efter smørbart eller plantemargarine
- Undgå madspild. Køb ikke mere, end du skal bruge



**GO' KLIMASTIL**

**Det er enkelt at handle klimavenligt til Netto-pris**



**Hvad med lidt mere frugt og grønt?**  
Følg årstiderne når du vælger frugt og grønt.

**Smør med smørbart eller margarine**  
Nedsæt dit klimaaftryk ved at vælge et smørbart blandingsprodukt.

**Har det røde kød fortjent en pause?**  
Prøv med lidt mere kylling og fisk i hverdagen.

**Køb kun det, du kan spise**  
Køb kun det, du kan nå at spise inden udløbsdatoen. Så sikrer vi, at mere mad bliver til måltider.

Vidste du, at du gennem kostændring kan bidrage til at reducere udledningen af drivhusgasser i fødevarerproduktionen med op til 64%?  
Læs mere på [sallinggroup.com/klima](https://sallinggroup.com/klima)

**Klimaet tæller i Netto**



> Climate communication for more climate-friendly choices

**Danish government's Climate Partnership for Trade**  
Salling Group has also joined the Danish government's Climate Partnership for Trade, of which Netto's CEO Michael Løve was appointed Chairman in 2020. Through the partnership, we engage in dialogue with colleagues in the industry, producers and interest organisations about new initiatives and joint climate communication. We originally wanted to introduce a climate label, but we realise that this requires a common labelling scheme in order to provide our customers with simple and useful guidance. That is why we are now working together to develop joint climate communication.

From left:  
**Michael Løve**, *Climate Partnership for Trade*  
  
**Lars Fruergaard Jørgensen**, *CEO, Novo Nordisk, Climate Partnership for Life Science and Biotech*  
  
**Eva Berneke**, *CEO, KMD, Climate Partnership for Service, IT and Consultancy*  
  
**Jens Bjørn Andersen**, *CEO, DSV, Climate Partnership for Land Transport and Logistics*





# Plastic

## must be recycled

Many Danes consider plastic to be one of the most important areas of environmental action. Although plastic has a much lower climate impact than for example food, plastic is bad for the environment and the climate if it is not used and recycled properly.

As a result, we are working to reduce the use of unnecessary plastic, while ensuring that as much as possible is reused or recycled.

We launched our plastic ambition in 2019 which formed the foundation for our work in 2019 and 2020.

### 2020-2023 targets / Results achieved in 2020

- All plastic used in the transport of our products must be recycled / In 2020, 90% of all plastic was recycled.
- The amount of recycled plastic in packaging for own brands must be a minimum by 30% by 2023 / This target was met in September 2020 and we therefore increased the target to 40% by 2023.
- We want to phase out all single-use cutlery and tableware in 2021.



Reusable cardboard packaging  
reduces plastic consumption.

Salling Group has replaced all cardboard boxes for fruit and vegetables with recyclable plastic boxes



## Salling Group sets the standard for sustainable packaging

We cannot solve our or society's plastic challenges alone; this requires cooperation across our entire value chain. In 2019, we developed our Plastic Principles to guide and help our suppliers choose and use the best and most sustainable packaging.

Throughout 2020, we worked with our suppliers to incorporate the Plastic Principles in their day-to-day operations, and we are already seeing the results of these efforts. Our packaging now uses less plastic and has increased recyclability.

### Strong networks drive innovation

We actively participate in strong networks. This allows us to gain inspiration and new insight and to share our experience on the development of more sustainable packaging. We have joined the Danish Food Cluster, Sustainable Packaging Network, Circular Mono Plastic Packaging Network, Ocean Plastic Forum and the Danish Chamber of Commerce, among others, where we focus on producer responsibility.

### Examples of optimised packaging:

- Ollineo rapeseed oil and sunflower oil (sold by Netto): Optimised plastic bottle from 0 to 50% rPET.

### Optimised packaging for cold cuts:

- EGELYKKE SPICED MEAT ROLL 150 g: Reduction of 8.1 tonnes of plastic by removing the click lid and rPET underfoil
- EGELYKKE SALTED MEAT 120 g: Reduction of 2.2 tonnes of plastic by removing the click lid and rPET underfoil

- EGELYKKE ROAST BEEF 70 g: Reduction of 3.2 tonnes of plastic by removing the click lid and rPET underfoil
- BUDGET ROAST BEEF 80 g: Reduction of 430 kg of plastic by removing the click lid and rPET underfoil
- BUDGET SALTED MEAT 120 g: Reduction of 430 kg of plastic by removing the click lid and rPET underfoil
- Honey in squeeze bottle (both Salling ØKO and ØGO) now with 100% rPET lid and bottle
- Cotton buds – 2020 winner of the European Private Label Awards – saving of 61 tonnes of plastic by removing the plastic stem and replace the plastic packaging with a small cardboard box.





# Energy

## and transport

Energy and transport – in all parts of the business – are an important part of our efforts to reduce our climate impact. We use energy and resources for transporting goods, lighting our stores and keeping in-store freezers cold.

If we can keep the amount of energy used to keep our frozen strawberries frozen or road transport to a minimum, we can not only save resources, but also reduce our climate impact. 2020 was one of our most successful years as we achieved the largest reduction in energy consumption in the company's history.

### We are getting better every day

Being a large company enables us to reduce energy consumption in many areas of the business. Netto is in the process of revamping all its stores. With a new store concept where energy optimisation is an integral part of the process, Netto is working to create more sustainable retail stores. New and better refrigeration systems, coolers with doors and LED lights help reduce energy consumption. In 2020, Netto refurbished 300 of its stores and the work continues in 2021.

Since 2015, the Salling Group has reduced total electricity and heat consumption across the business by 12 and 21 percent, respectively. This corresponds to a total CO2 reduction of a total of 57,000 tonnes over the last five years.

### Less transport on Danish roads

Efficient logistics is key to reducing energy consumption. One of our initiatives in 2020 was the takeover of parts of the logistics and distribution of bread to our stores. Until now, the large bread

suppliers have handled all bread deliveries themselves, but handling this task ourselves will enable us to plan the logistics better, reduce the number of kilometres driven and avoid empty trucks. Initially, it will reduce the number of truck deliveries from 80,000 to 40,000 per year. We took over the task in 2020 and will begin deliveries in April 2021.

### Energy improvements in Germany and Poland

In 2020, Netto Poland installed a new refrigeration system at the central warehouse in Motaniec. The new refrigeration system reduces energy consumption thanks to a new and improved system that constantly monitors energy consumption and keeps it to a minimum while reusing all surplus energy.

Netto Germany reduces carbon emissions from transport as just under 100 trucks belonging to our supplier KP Logistik are now powered by LNG. The move has resulted in a number of energy improvements:

- In terms of carbon emissions, LNG fuel emits about 14% less pollutants than diesel. The calculation for 2020 results in carbon emission reductions from deliveries to Netto of 1,378,000 kg.
- In terms of NOx emissions, LNG fuel emits about 17.5% less pollutants than diesel. The calculation for 2020 results in a reduction in NOx emissions of 1,954,168 kg.
- LNG fuel reduces fine dust pollution by about 92% compared to diesel fuel. For Netto this resulted in a reduction in fine dust of 218,065 kg in 2020.
- In addition, an LNG engine emits 50% less noise than a diesel engine.





Less

food waste

throughout the value chain

Every day, almost 2,000 tonnes of food are discarded in Denmark, which has a major climate impact. Food production has a much larger climate footprint than, for example, transport and packaging.

Reducing food waste is therefore important to Salling Group – not least in order to live up to and contribute to UN SDG 12.3 on halving global food waste. At a large retailer such as Salling Group, food waste cannot be avoided, but this does not stop us from working purposefully, ambitiously and responsibly to reduce overproduction, minimise food waste at all levels of the organisation and thereby lower carbon emissions.

Since 2016, we have openly reported our food waste figures. We believe in transparency and want people inside and outside our organisation to be inspired by the results of our work.

We strive to reduce food waste throughout the value chain, from raw material to store shelf. This also presents a number of dilemmas, such as wanting more frequent deliveries while also aiming to reduce the number of kilometres driven. We use data to balance these dilemmas and constantly focus on activities that have the greatest climate impact.





> Less food waste throughout the value chain



**The price is marked down close to the sell-by date.**  
As our products approach their sell-by date, we mark down the price and highlight it with a yellow sticker. Many of our stores even have a dedicated area for such products to make them easy to find for our customers.



**Longer shelf life of fruits and vegetables.**  
The Apeel coating, which is made from plant-based ingredients, can prolong the shelf life of fruits and vegetables. In 2020, we tested the Apeel coating on avocados with great success. In the run-up to Christmas, we expanded the test to include oranges and satsumas.

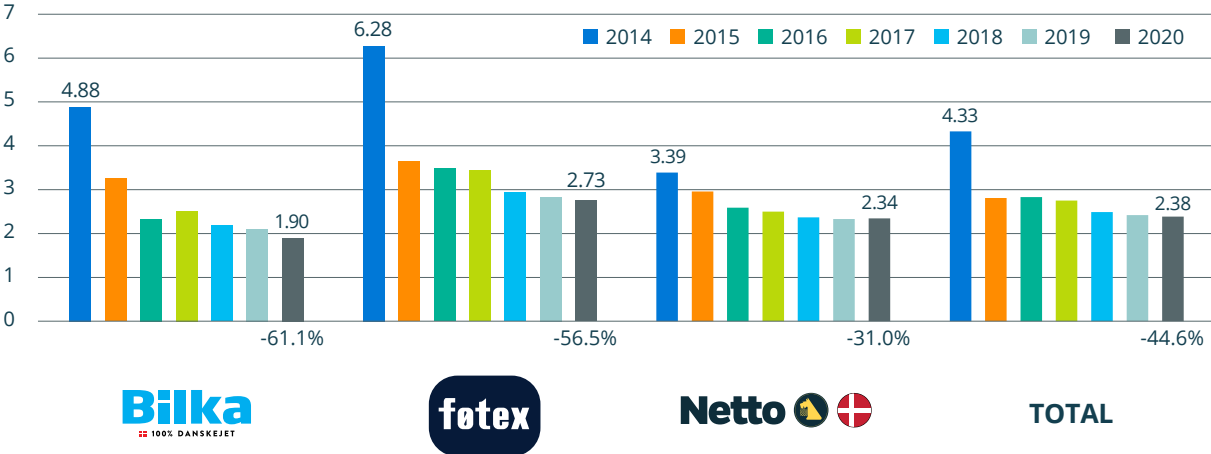
Our goal is now to reduce food waste by

75%

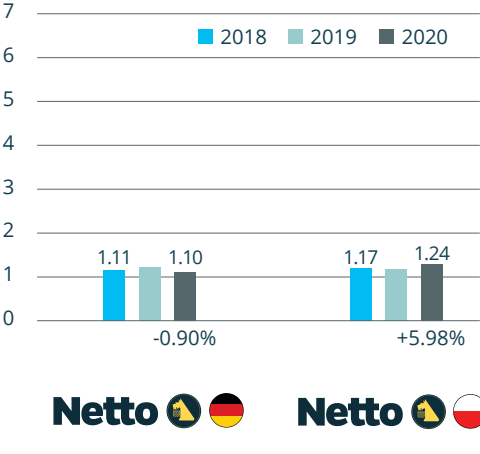
in Bilka and føtex compared to the 2014 baseline

**Once we have achieved a goal, we set a new goal**  
With 2014 as baseline our goal was to halve our total food waste in all our chains by 2030. We have already achieved this goal for Bilka and føtex, so our goal is now to cut food waste in the two chains by 75% compared to the 2014 baseline. In 2020, Netto took a big step towards reducing food waste to half by entering into a collaboration with the Too Good To Go app.

Food waste as a % of food sales



Food waste as a % of food sales





føtex 'bake & donate' cookie jars



Netto Christmas cards that make a difference

 FødevareBanken

## Initiatives to fight food waste

Even with a strong focus on efficient operations, our stores end up with surplus products that cannot be sold to customers. These can be products that are approaching their sell-by date, are mislabelled, have minor damage to the packaging or other imperfect items that cannot be sold in our stores. Instead of discarding the products, we can, through good partnerships with social organisations, ensure that very little is wasted and instead does good elsewhere.

### Food Should Be Eaten

When a product approaches its sell-by date, the store marks it down and puts a yellow sticker on the packaging. Netto compiles some of the discounted products in the Food Should Be Eaten food waste app. This allows consumers to quickly see if an item on their shopping list has been marked down in their local store. Customers can also upload a picture if they see an item in the store with a yellow sticker on it. The app is also used by other Danish retailers. The Food Should Be Eaten app only features a selection of discounted items – not all discounted items.

### Donate when returning deposit bottles and buying bottled Netto water

We do not just donate food to the Danish Food Bank; our customers can also make a donation to the Food Bank when returning deposit bottles to

our stores. In addition, in 2020 we donated DKK 862,193 from the sale of Netto's own bottled water to the Danish Food Bank.

### Netto Christmas cards that make a difference

In the run-up to Christmas, Netto sells Christmas cards in its stores and donates the proceeds to the Danish Food Bank. Each Christmas card costs DKK 30 which pays for seven meals for a vulnerable or deprived citizen.

### føtex 'bake & donate' cookie jars

In December, a very special cookie jar hit the shelves in our føtex stores. The cookie jar contained recipes and spice mixes and cost DKK 50 with all the proceeds going to the Danish Food Bank.

### Holidays and local donations

During the holidays, the stores are closed which often results in an increased amount of surplus food and unsold seasonal items. Here, too, we are working with the Danish Food Bank to distribute them to those in need.

Bilka and føtex also work directly with a number of local organisations on donations at the holidays.

### føtex brings Christmas home

føtex stores across Denmark work with local organisations to distribute Christmas food.





Partnerships

to fight food waste

Wefood

DanChurchAid’s six Wefood stores receive surplus food. Wefood is the world’s first supermarket selling surplus food and items that are either mislabelled, have minor damage to the packaging or other imperfect items. The proceeds from the sale go to DanChurchAid’s work to fight hunger around the world. Wefood stores are run by volunteers and the Salling Foundations contribute to the running of all six stores.

We do not just donate food. Surplus products from BR and our textile departments are donated and sold in DanChurchAid’s second-hand shops with the proceeds going to their work in Denmark and the rest of the world.

Too Good To Go

In 2020, we introduced a new collaboration with the Too Good To Go app where customers can buy a mystery bag with surplus products from local stores at closing time. Too Good To Go is also part of our efforts to reduce food waste in Netto Germany which already cover 50 stores.

Fighting food waste and food poverty

We work with the Danish Food Bank to fight food waste in Denmark. The Food Bank collects fresh surplus food from central warehouses and selected stores and makes sure it is turned into meals for socially disadvantaged people in shelters or refuges. The food is also used by breakfast clubs in schools to give vulnerable children in particular

a healthy start to the day and better conditions for a good school day. During 2020, Netto intensified its collaboration with Stop Waste Locally, which distributes food to people in need on a daily basis, such as socially disadvantaged people, homeless people and various institutions.

Pizza from Green Concert

The Danish Muscular Dystrophy Foundation had purchased 32,000 pizzas that had already been baked to feed happy concertgoers all over Denmark at this summer’s Green Concert, which was cancelled due to COVID-19. To ensure that the pizzas did not go to waste, Bilka bought all the pizzas and sold them in its department stores. This benefitted not only Green Concert but also our customers who were able to buy 10 pizzas for DKK 100.

Denmark against Food Waste

No one has a recipe to fight food waste. On the contrary, food waste is a shared responsibility, where we can benefit greatly from the experience of others. That is why we have formed a unique national partnership with some of Denmark’s leading companies: Denmark against Food Waste. The companies commit to halving their food waste by 2030 and publishing their food waste figures. The partnership that Salling Group helped to found is currently run by the Danish Ministry of Food, Agriculture and Fisheries’s think tank One Third and aims to prevent food waste and food loss.



STOP SPILD LOKALT

- afskaf madspild





# Tomorrow's retail store

To solve our shared climate challenge we must think outside the box, for example when building new stores. That is why we in 2020 have built and opened Denmark's first stand-alone retail store with a focus on greater sustainability. In December 2020, a new store concept in Bygholm Bakker near the town of Horsens was inaugurated in collaboration with C.F. Møller Architects. An innovative concept with respect for nature, the environment and local communities in Bygholm Bakker. The concept was also developed with a view to creating a more sustainable store without additional establishment costs.

### Facts about the Bygholm Bakker Netto store:

- The store is DGNB Gold-certified – a certification that classifies it as sustainable
- Most of the store is made from sustainable wood to minimise its environmental impact
- The building's elements and mechanical joints make recycling easy
- The sedum roof helps store heat and keep the store cool
- Solar panels and a new energy system make the store partially self-sufficient
- Large windows ensure plenty of daylight in the store
- Improved air quality and a healthy indoor climate
- Charging station for electric vehicles

### Green key figures for Bygholm Bakker:

1. The energy consumption for the new store as a whole is 40% lower than that of an ordinary Netto store. (170,000 kWh for Bygholm Bakker compared to 280,000 kWh for an ordinary Netto store)
2. Bygholm Bakker's annual carbon emissions are 30 tonnes lower than those of an ordinary Netto store – a reduction of 64%. (Bygholm Bakker emits 17 tonnes of carbon annually – an ordinary Netto store emits 47 tonnes of carbon annually).





# Responsible action

Brdr. Kjeldahl delivers onions to Danish consumers 52 weeks a year. Around 15% of all onions grown in Denmark come from the island of Samsø and Salling Group is one of the major buyers of the onions





Health in

Salling Group

and its stores

With millions of shoppers visiting our stores every single week, we can help inspire and guide consumers to choose healthier alternatives. We do not want to remove all unhealthy products from our stores as we cannot decide what our customers should and should not eat. But we do want to offer a large and innovative range of products while making healthy products readily available to our customers.

For example, inspiration can be provided through a different store layout that prominently displays fruits and vegetables.

However, being healthy is not only about what we eat and drink. Across our business, we focus on how we can contribute and support initiatives that improve the physical and mental health of children and adults.





# Smoke-free

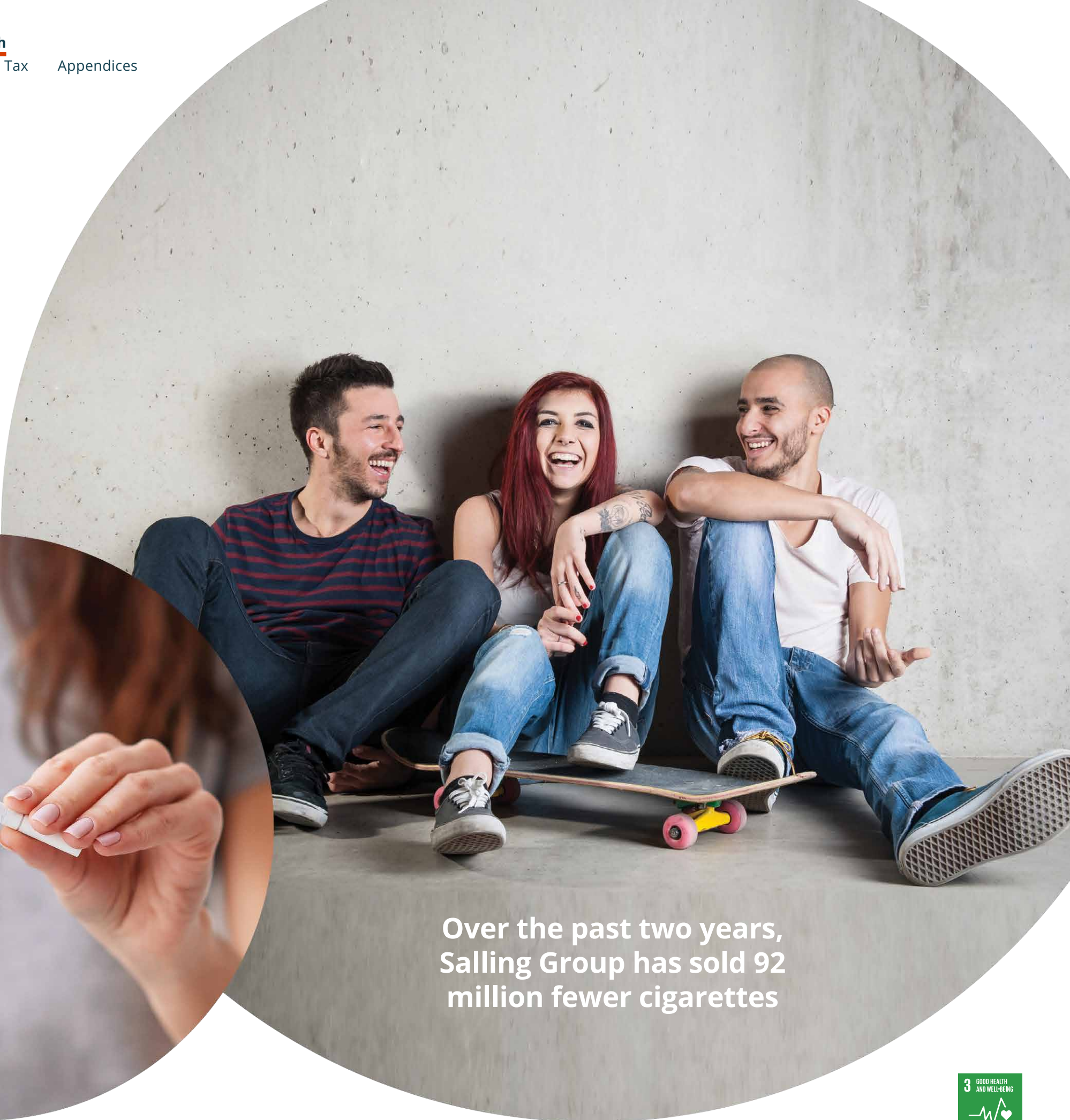
## Generation 2030

40 young Danes light up a cigarette every day for the first time, thus becoming part of the sad statistics of Danish first-time smokers. We need to put an end to this trend. Smoking is the biggest cause of health problems in Denmark, and our ambition is therefore to contribute to a smoke-free generation by 2030.

With great ambition comes difficult choices. When we were the first to hide cigarettes from plain view in 2018, we also said goodbye to

significant sales. But it worked. Over the past two years, we have sold 92 million fewer cigarettes.

We still have ten years to achieve our shared ambition of a smoke-free generation by 2030, but the preliminary figures show that we are on the right track. Salling Group continues to follow the recommendation of the Danish Cancer Society and is an active member of the Smoke-Free Future partnership.



Over the past two years,  
Salling Group has sold 92  
million fewer cigarettes



# Healthy

every day

When our customers visit our stores, we can help make their everyday lives healthier. We offer a wide selection of products and give customers the opportunity to find and choose healthier products. Through dialogue, store design and inspiration, we want to guide our customers to help them make healthier choices when they shop.

### Store design makes a difference

In 2018, Netto began a revamp of all its stores. The aim is to transform all Netto stores into new and modern stores with a special focus on fruits and vegetables as well as healthy, easy-to-prepare convenience meals. In the new stores, the fruit and vegetables section is displayed prominently and is the first thing the customers see when they enter the store. Discounted items along with sweets and soft drinks are less prominently displayed. And it works. Comparing the sales of Netto's 3.0 stores with those of a non-revamped store, sales of fruits and vegetables have increased by +8% while sales of sweets and cakes have declined by 3%.

So far, 167 of Netto's more than 500 stores in Denmark have been refurbished. The refurbishment

of our stores in Germany and Poland is also in full swing. The goal is to implement the new layout and concept in all Netto stores by the end of 2024.

### 'Snitteriet'

It should be easier to eat healthy. That is why we are constantly testing new concepts to make it easier and more convenient for customers to choose vegetables. In 2020, Bilka tested a concept where customers can have fresh fruits and vegetables sliced in the store. The range comprises 40-50 items that change continuously – depending on the season. It is expected that the 'Snitteriet' concept will be available at all Bilka stores in the course of 2021.

### New refurbishments of føtex stores

føtex is also in the process of refurbishing its stores. Customers must be inspired while they do their shopping, and we can already now see that especially the new displays in the fruit and vegetable section are changing our customers' shopping habits, and that more fruits and vegetables are being sold than before the refurbishment.

	Netto 3.0 stores (Total number at the end of 2020)	Number of Netto 3.0 stores (to be converted to the 3.0 concept by 2024)
Denmark	167	353
Germany	133	209
Poland	110	284







## Health and well-being – doing good together

Being healthy is not only about what we eat and drink. It is also about wellbeing and feeling good about oneself. We are committed to helping Danes lead an active lifestyle through numerous activities, donations and partnerships.

### Deposit refund donations help local sports

With just one push of the button on the bottle recycling machine, customers in Bilka and fØtex can donate money to local sports and other initiatives in their local community that promote mental and physical health. The donations are split between recipients across Denmark, including: the social initiative Næstehjælperne in Ishøj, the sports clubs Snekkersten Idrætsforening and Øster Ulslev Boldklub and the vulnerable children’s charity Julemærkehjemmet in Hobro.

### Netto Poland supports big sports dreams

Netto Poland is committed to the health and well-being of children and young people. Netto has been official partner of the Borussia Dortmund football club since July 2019. Through the partnership with the club and Łukasz Piszczek’s BVB Academy, Netto supports the development of future football talents and has helped set up Poland’s first football academy, among other things.

Together with the Monika Pyrek Foundation named after a former Olympic athlete, Netto Poland has set up the ‘Jump into your dreams’ foundation. The foundation aims to support young, talented athletes and their sports career through professional guidance.

### Food Bank breakfast clubs

According to the Danish Food Bank, an increasing number of children in socially disadvantaged residential areas do not eat breakfast before coming to school. As a result, they do not get the energy they need for the day which harms their well-being, concentration and ability to learn. To change this, fØtex and the Danish Food Bank have developed a concept at five schools where the pupils are offered breakfast when they arrive in the morning, so they get a good and healthy start to the day. The ambition is to expand the concept to other parts of Denmark by 2021.

### School Olympics affected by COVID-19

In the School Olympics, pupils from all over Denmark compete in child-friendly Olympic disciplines that encourage movement, community spirit and positive experiences through exercise and healthy eating for children in primary and secondary school. The School Olympics are supported by Bilka, fØtex and Netto. Unfortunately, the School Olympics were cancelled due to COVID-19, but we will be back next year when the School Olympics will hopefully return.

### LøkkeFonden also affected by COVID-19

Since 2018, Bilka has supported the LøkkeFonden foundation’s work which aims to help struggling young boys aged 14-25 lead a more structured life, a healthier lifestyle and improve their school and learning performance. Among other things, this is achieved through a dedicated teaching programme at the foundation’s DrengAkademi and by testing the boys’ self-confidence and team spirit during the LøkkeFonden Challenge which will see them cycle 500 km in five days. Unfortunately, the LøkkeFonden Challenge was also cancelled in the spring due to COVID-19, but we look forward to the Challenge in September 2021.





# Responsible action

White cabbage has a high fibre and vitamin content and is a good source of vitamin C, among other things. Much of the white cabbage sold by Salling Group is grown on the island of Samsø by Brdr. Kjeldahl



# Our employees

and the products on our shelves

A healthy and well-run business is key if we are to be attractive to our customers. Great service, friendliness, competence and respectfulness are a matter of course. In addition, we are committed to offering a wide and inspiring range of products.

We want our customers to know that they can trust us to demonstrate responsibility when it comes to the products they buy. High animal welfare, safe working conditions and a production that cares for local communities and the environment are an

important part of that work. We work on responsibility throughout the value chain in close dialogue with our local suppliers, through partnerships and recognised certifications that help raise the level of responsibility across the industry.

Our 55,000 talented employees, who make everyday life better on a daily basis – for each other, for our customers and for society – are fundamental to our ability to offer and present the products we sell in the best possible way.





# A respectful workplace

Salling Group is a large company and it is our responsibility to ensure we take care of everyone. We provide the framework needed to ensure good working conditions for our employees. These include:

## Gender equality

Gender should not define the position you are employed in or your opportunities. Both genders must be given equal opportunities regardless of ethnicity, religion and background. It is a fundamental value of Salling Group that everyone should have the opportunity to fulfil their potential and be supported in achieving their own ambitions.

Our ambition was that women should hold 20% of director level positions and higher by 2020. We did not quite achieve this goal, but we are on track. At the end of the year, the share was 17%. Likewise, 40% of our Board members must be women by 2025. At the end of 2020, 20% of our Board members were women.

## Zero tolerance for sexism

We have zero tolerance for sexism and abusive behaviour at Salling Group. During the MeToo debate in Denmark in late summer, Salling Group's CEO Per Bank encouraged all

employees to come forward and report any abusive behaviour to him.

## Whistleblower scheme

We strive to maintain and develop a healthy corporate culture, where our employees feel comfortable reporting any issues to their immediate manager.

In addition to their immediate manager, employees can contact their health and safety representative and/or shop steward if one exists. They can also contact the HR department or their manager's manager. All reports are examined and dealt with professionally. The whistleblower scheme is mainly intended for the reporting of serious financial misconduct and other serious incidents involving employees, such as sexual harassment and other abusive behaviour.

## New collective agreement

In 2020, a new collective agreement valid until 2023 was negotiated. As part of the collective agreement, which comprises the majority of Salling Group's employees, the contribution to the flexible spending account will increase from 4% to 7% up until 2023, the minimum wage will increase by DKK 401 for full-time employees, while giving families with children more flexibility with respect to their child's

second day of illness, time off for doctor's appointments and parental leave. All adjustments were made in May with retroactive effect as of 1 March 2020.

## Inclusion

At Salling Group, we recognise that we have a social responsibility towards society.

We strive to be an inclusive workplace with room for everyone, no matter who they are and where they are from. We are proud to create opportunities for those who may need a helping hand.

We reach out to fellow citizens who have difficulty gaining a foothold in the labour market due to a stress diagnosis, long-term unemployment, physical and mental disabilities, refugee status or other reasons.

We are sometimes criticised in the press for our use of 'unpaid trainee labour'. However, the criticism is unfounded. In general we employ 47% of those who complete the internship and in our warehouses it is 67%. So we believe it is safe to say that the scheme is a success for both parties.





# Responsible products

## shopping with a clear conscience



Shoppers do not just put groceries into their shopping basket – they also buy values. This means that we must ensure products with high animal welfare, that we do not accept deforestation and child labour, avoid the use of pesticides and reduce pollution. We strive to ensure that our products are sourced responsibly in terms of ingredients, production and transport. Through external partnerships and recognised certifications, we work to raise the overall level of responsibility in the industry.

### Organic bananas

The pesticide chlorpyrifos is suspected of harming the mental development of foetuses and children. We have therefore banned the use of the pesticide in our products. Unfortunately, chlorpyrifos is used in many conventional banana plantations. As a result, in 2020 we made the decision to only sell organic bananas in Bilka, fõtex and Netto.

### More sustainable palm oil

Palm oil is a widely used vegetable fat because it has a high melting point, a neutral flavour and is cheap. Palm oil is found in many foods, near-food and non-food items.

It is important that the production of palm oil does not lead to deforestation, loss of biodiversity nor should it have adverse social implications for the workers. Today, most palm

oil is produced in Malaysia and Indonesia – two countries that are already on amfori BSCI's list of high-risk countries. As a result, social and environmental challenges are not a new phenomenon in these countries. However, we do not believe that boycotting products containing palm oil is the answer to the problem. Instead, we must ensure more responsible palm oil production for both people and the environment.

Salling Group has been working for a more sustainable supply chain since 2014 by only accepting RSPO-certified palm oil in our private label brands. In 2020, we became a signatory to the Danish Alliance for Responsible Palm Oil, facilitated by Dansk Initiativ for Etisk Handel (DIEH). Today, about 65% of Danish palm oil imports are sustainably produced, and the Alliance is working to make all palm oil imported into Denmark sustainable.

### Traceability of flowers and plants

Flowers are beautiful and bring joy to our life and at special occasions. However, flowers also have a negative climate impact, and production takes place in countries where there is a risk of poor working conditions.

In 2020, we mapped all in-scope growers in the flower and plant supply chain. By the end of 2020, we required all Tier 1 plant growers to be at least MPS ABC-certified – or to

be in the process of obtaining similar certification. The goal for 2021 is for all Tier 1 suppliers to be audited according to a GAP programme and ensure high environmental standards while continuing our work to improve the supply chain for flowers and plants. One of the tools is full traceability.

### Focus on tanneries

The leather industry is one of the most polluting industries in the world. Not only in terms of the environment, because tanning is highly polluting, but also in terms of the impact on the health of the local community and workers when hazardous chemicals are used.

Our two focus areas in this area are greater traceability and transparency of the leather used in the products. In 2019, we expanded our genuine leather policy to include the next link in the supply chain as part of our responsible procurement process. Now all in-scope suppliers are required to submit both social and environmental audit documentation for all tanneries used by the end of 2020. This also applies to our reusable leather and Tier 2 tanneries. This work continues in 2021, with a focus on ensuring even greater transparency and improvements in the tanneries used. However, we are aware that the work poses considerable challenges and takes time.



Our goal is a more sustainable

# soya production

Soya is widely grown in South America and is a major contributor to increasing deforestation, especially in the Amazon and Cerrado biomes, which are rich in biodiversity.

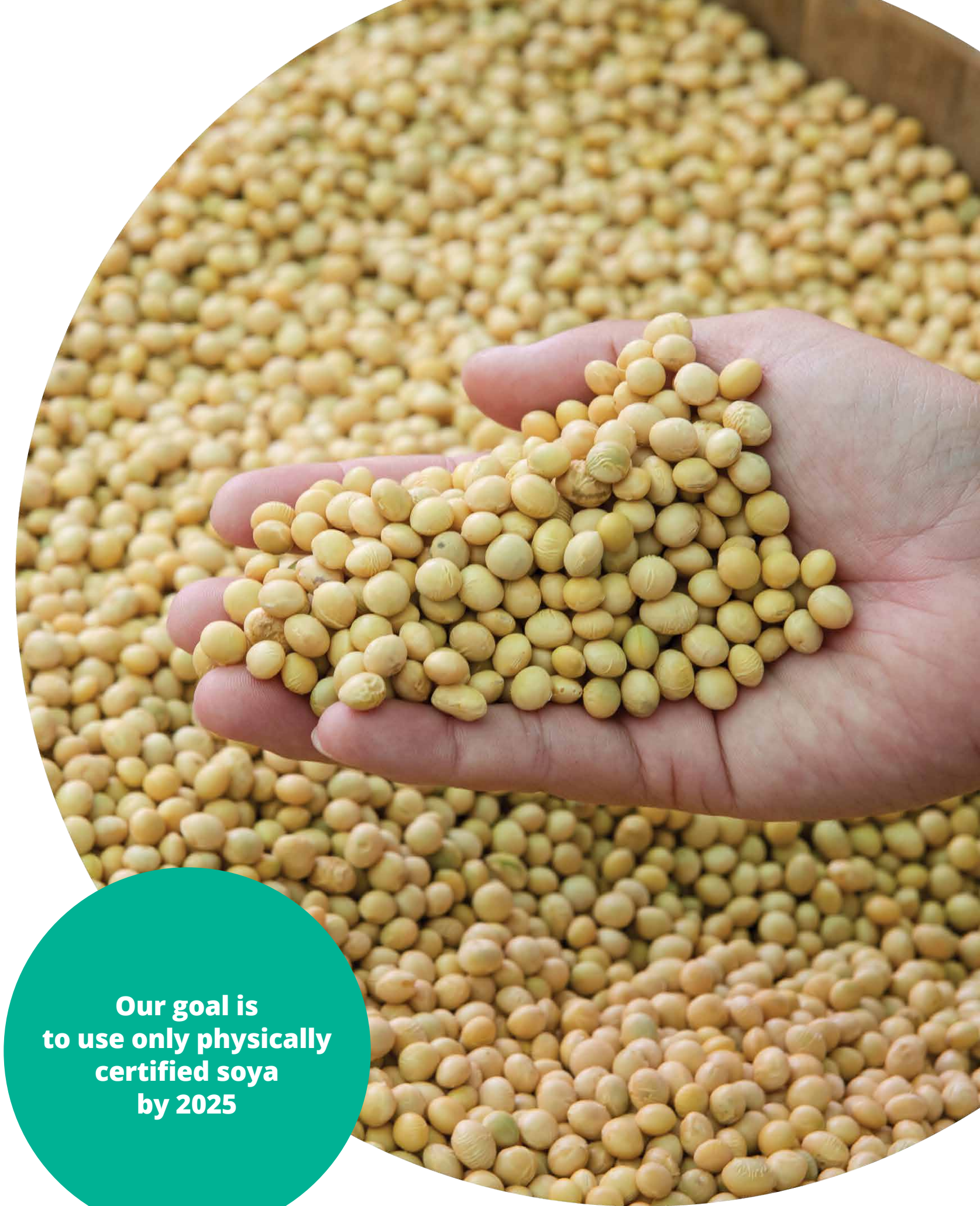
In Denmark, soya is mainly used in animal feed for meat and dairy production. Research at the University of Copenhagen has found that one kilo of soya imported from Argentina to Denmark has a carbon footprint of almost 5 kg (CO2).

**Complex puzzle**  
Salling Group plays an essential role in ensuring that products containing soya are produced in a more sustainable manner that does not lead to deforestation. At the same time, we are aware that we cannot achieve the desired results alone as we are a small piece in the complex global soya puzzle. In 2019, we therefore teamed up with other Danish retailers and stakeholders to found the Danish Alliance for Responsible Soya, facilitated by the Danish Ethical Trading Initiative – an organisation we joined several years ago. In line with the Alliance's goal of moving towards importing only sustainable soya, we have developed an action plan which was published in April 2020 and has since been under implementation.

**New certification goals**  
The action plan focuses on the areas of our soya value chain where we can make the biggest difference. The goal is for all in-scope products to have a third-party sustainable soya certification scheme in place by the end of 2020.

The work on sharing knowledge with the soya alliance and other partners continues in 2021.

At the moment, we accept credits because we want to contribute to increasing the demand for verified sustainable production of deforestation-free soya. However, our goal is to use only physically certified soya by 2025. We are in the process of calculating the actual soya quantities to ensure full traceability throughout our value chain. A challenging task that gives us important insight into our soya supply chain and the substantial traceability gap we need to close to achieve our goal for physically certified soya by 2025.



**Our goal is  
to use only physically  
certified soya  
by 2025**



## Making clothes more sustainable

VRS is Salling Group's own clothing brand for the whole family and is available at Bilka and føtex. Climate-friendlier materials and less clothing waste are long-standing focus areas for us. In 2020, we took another important step with the development of a new CSR strategy for textiles.

Responsibility is about much more than production. We strive to ensure responsibility throughout the value chain, from the design of the clothes and the choice of materials to when the used clothes are responsibly recycled or reused.

When it comes to the choice of materials, we are committed to exploring new materials and reused materials. The demand for cotton clothing is, however, very high among our customers. Consequently, responsible cotton production is a very important area for us.

### The cotton dilemma

The dilemma is that cotton has a larger climate footprint than other textiles. This used to present a significant challenge, but now it is possible to buy organic cotton which has a climate impact that is as much as 60% lower than that of conventional cotton. This is the type of cotton we use for our VRS brand. In 2020, organic cotton products accounted for 32% of our total VRS textile sales. We expect this share to grow in future. GOTS certification guarantees responsible organic cotton production throughout the supply chain. In 2020, GOTS-certified products accounted for 67% of all our organic cotton products.

### Focus on clothing waste

The fashion industry is characterised by changing wardrobes and new trends which can lead to overproduction, overconsumption and clothing waste. With fewer annual collections and the expansion of VRS's range of basics for the whole

family, we ensured greater continuity in production and in our stores in 2020. The changes were welcomed by our customers. We want to inspire our customers to make more sustainable choices when shopping for clothes by launching campaigns and providing clear labelling information on products and in our stores.

### Recycling reduces clothing waste

Through our collaboration with DanChurchAid, our customers can donate used clothing by putting it in clothing containers placed next to our stores. Some of the used clothing is sold in second-hand shops to support DanChurchAid's work, while the rest is distributed to charities around the world. Surplus items from our production and stores are also donated to charity. Items which cannot be donated are sent on for further processing and the fibres are recycled in different productions.

### Salling department stores and Future Fashion Award

In September, Salling department stores held Denmark's first awards ceremony to celebrate designers and entrepreneurs focusing on sustainability, the Future Fashion Award. The Artikel brand won the award for its focus on overproduction in the industry and desire to create durable unisex everyday clothing and collections with a long life cycle.





# Background information

## and facts



- amfori is the leading global business association for open and sustainable trade with more than 2,400 members, including retailers, importers, brands and associations from more than 40 countries.
- amfori BSCI is an initiative launched by amfori and a platform for businesses to improve traceability and transparency in supply chains. Salling Group follows the amfori BSCI Code of Conduct.
- The Danish Alliance for Responsible Palm Oil is a new Danish alliance of 30 businesses, organisations and authorities which have joined forces to reduce deforestation caused by palm oil production.



- RSPO (Responsible Sourced Palm Oil) is an organisation that facilitates, monitors and aims to increase the availability of sustainably produced palm oil.
- DIEH (Danish Ethical Trading Initiative) is a nationwide organisation that works to promote responsible trade.
- Tier 1 plant growers are enterprises that grow finished flowers and plants.
- MPS is one of the most widely used certifications for flower and plant suppliers/growers. MPS ABC is an environmental certification whose goal is to ensure a higher level of quality and sustainability throughout the flower and plant sector.



- GAP stands for 'Good Agricultural Practise' and is a term that is often used in connection with agricultural standards.
- Tier 2 tanneries are tanneries used by a supplier's subsuppliers.
- GOTS – Global Organic Textile Standard – is one of the world's leading organic cotton standards.



# Animal welfare

– naturally

Many consumers are very concerned about animal welfare and therefore choose high animal welfare products when they shop. We want to motivate our customers and suppliers to make choices that promote higher animal welfare. We are aware that there is a animal welfare-climate footprint dilemma in several areas. That is why we are working on initiatives that encourage our customers to eat less but better quality meat.

**We guide our customers on animal welfare**

We work with Animal Protection Denmark to constantly improve the level of animal welfare. The collaboration is aimed at both producers and customers.

The ‘Recommended by Animal Protection Denmark’ label helps consumers find foods produced to the highest standards of animal welfare.

The animal welfare label with 1, 2 or 3 hearts is the customer’s guarantee that the animals have had better living conditions than conventionally produced animals. The animal welfare label is subject to state control.

**New ambition for fast-growing chickens**

Salling Group is Denmark’s largest retailer of high animal welfare chickens, with high welfare chickens from Løgismose and ‘De Danske Familiegårde’ making up a considerable share of our product range and sales.

We want to help raise animal welfare across the entire industry. As a result, we set a concrete ambition in 2020 to increase the share of slow-growing chicken breeds by introducing new products and motivating customers to choose higher animal welfare products. We strive to ensure that fast-growing chickens are eventually phased out, but it requires that our customers also join us on this journey.





# Status

## on 2020

















Our CSR strategy is mainly centred on climate and health and based on these topics, we have set a number of goals we want to achieve in the short term and in the long term – both when it comes to our own work, our partnerships and the SDGs. The goals are ambitious in every respect and form the basis for our work going forward.

AREA	AMBITIONS 2020	COMMENT	SDG	PARTNERSHIP
 <b>Climate communication</b>	<ul style="list-style-type: none"> <li>Communication on the climate impact of foods at category level in our stores</li> <li>Support any national campaigns focusing on climate information</li> <li>Contribute to the introduction of a joint data basis</li> <li>Dialogue with the industry on the introduction of a joint climate labelling scheme</li> </ul>	<ul style="list-style-type: none"> <li>In August, we began providing tips on how to make more climate-friendly shopping choices in our stores. We supported ‘Madglade Klimatips’ which are tips on how to incorporate climate-friendly foods in your diet (published by the Danish Ministry of Food, Agriculture and Fisheries and the Danish Ministry of Climate, Energy and Utilities)</li> <li>Our owners provided financial support to CONCITO and 2.0 LCA Consultants in connection with the compilation of a climate database of 500 foods. It will be published in early 2021 with the aim of providing documented data for our ongoing work</li> </ul>		CONCITO 2.0 LCA Consultants
 <b>Plastic</b>	<ul style="list-style-type: none"> <li>Take the first steps towards implementing our Plastic Principles for our private label brand packaging:</li> <li>Switch to mono-materials to provide better opportunities for recycling</li> <li>Reduce the amount of plastic in packaging</li> <li>Explore other packaging types without compromising on shelf life</li> </ul>	<ul style="list-style-type: none"> <li>We have increased our goal for recycled plastic in our private label brand to 40%.</li> <li>Mapping of all private label brand packaging in 2020 is to ensure minimal packaging and more environmentally friendly packaging going forward</li> <li>In 2020, we formulated a prioritised action plan for our Danish and international sourcing.</li> </ul>		WWF Danish Technological Institute
 <b>Energy and transport</b>	<ul style="list-style-type: none"> <li>Continue the ongoing work on improving the energy efficiency of new stores and renovations</li> <li>Continue ongoing projects to improve energy efficiency – surplus heat, replacement of coolers etc.</li> <li>Explore the possibility of using renewable energy to meet Salling Group's total energy consumption</li> <li>Identify potential business partners to gain more insight and tools</li> <li>Identify and initiate transport projects to minimise carbon emissions</li> </ul>	<ul style="list-style-type: none"> <li>We test electric trucks and other home delivery options via føtex</li> <li>We constantly explore strong partnerships to maximise value chain efficiency</li> <li>We explore renewable energy options</li> <li>We improve the energy efficiency of new stores and renovate existing ones</li> </ul>		We are exploring potential partners
 <b>Food waste</b>	<ul style="list-style-type: none"> <li>Launch new initiatives to achieve our long-term goal of reducing food waste by 75% in Bilka and føtex and by 50% in the rest of the Group</li> <li>Expand current collaboration with partners by identifying new projects or including more stores in current agreements</li> <li>Introduce new business partners or agreements to cover all formats and their total waste from stores</li> </ul>	<ul style="list-style-type: none"> <li>In 2020, we continued to reduce food waste, achieving a total reduction for Bilka, føtex and Netto of 44.6% compared to 2014</li> <li>In 2021, we continue to work towards our goal through strategic partnerships and heightened focus via data insights</li> </ul>		Too Good To Go Wefood DanChurchAid and the Danish Food Bank
 <b>Smoke-free Generation 2030</b>	<ul style="list-style-type: none"> <li>Identify new initiatives covering both customers and employees to support the goal of a smoke-free generation by 2030</li> </ul>	<ul style="list-style-type: none"> <li>Our communication on tobacco continued in 2020, resulting in political initiatives which are being discussed by the Danish parliament</li> <li>We have not launched any major initiatives, but are in the process of identifying new effective initiatives</li> <li>We also address smoking in the workplace in Salling Group's internal health group</li> </ul>		Smoke-free Future Danish Ministry of Food, Agriculture and Fisheries/Ministry of the Environment Innovation Partnership
 <b>Healthy shopping experience</b>	<ul style="list-style-type: none"> <li>Expand and optimise our range with healthier alternatives to make it easy for our customers to make healthier choices</li> <li>Continue the rollout of Netto 3.0 with more prominent displays of fruits and vegetables</li> <li>Launch a project in føtex which focuses on store design to promote health</li> </ul>	<ul style="list-style-type: none"> <li>We focus on health – both when it comes to product development, marketing and store design</li> <li>Rollout of new Netto 3.0 stores on track despite minor delays caused by COVID-19</li> <li>We are testing a number of initiatives in selected føtex stores to promote healthier shopping choices</li> </ul>		Morten Grønbæk, Director, National Institute of Public Health
 <b>Active lifestyle</b>	<ul style="list-style-type: none"> <li>This focus area only became part of our overall CSR strategy in 2020</li> </ul>	<ul style="list-style-type: none"> <li>In 2020, we supported sports clubs, associations and activities through local donations. The aim was to help create an environment in local communities that promotes an active lifestyle</li> <li>Several major sports events, such as the School Olympics and DHL Relay Race, were cancelled but we look forward to returning as partners</li> </ul>		Danish Ministry of Food, Agriculture and Fisheries/ Ministry of the Environment Innovation Partnership Morten Grønbæk, Director, National Institute of Public Health



# Ambitions

for 2021

AREA	AMBITIONS 2021	SDG	PARTNERSHIP
 <b>Climate communication</b>	<ul style="list-style-type: none"><li>• We want to use the new database to actively help, guide and enable our customers to make climate-friendly choices</li><li>• At the same time, we want to contribute to national campaigns that can underpin our focus and support useful and relevant climate information</li><li>• We will continue to pursue our ambition of a joint climate labelling scheme, and if we fail to garner more widespread support, we will look into potential and strong alternatives</li></ul>		CONCITO 2.0 LCA Consultants
 <b>Plastic</b>	<ul style="list-style-type: none"><li>• Continue with the implementation of our Plastic Principles within private label brand packaging</li><li>• Continue the mapping of our private label brand packaging twice a year to ensure development and progress</li><li>• Build an in-house knowledge bank for the practical work on packaging and share knowledge across the organisation</li><li>• Continue to expand our Hero product list of optimised packaging in terms of reduction, plastic type and recycling</li></ul>		WWF Danish Technologi- cal Institute
 <b>Energy and transport</b>	<ul style="list-style-type: none"><li>• We will continue our ongoing work on improving the energy efficiency of new stores and building more Netto 3.0 stores as well as renovating existing stores</li><li>• We will continue our ongoing projects to improve energy efficiency, including surplus heat, replacement of coolers etc.</li><li>• We will continue to explore the potential for switching to renewable energy sources and a greener transport strategy through partnerships</li></ul>	 	We are exploring potential partners
 <b>Food waste</b>	<ul style="list-style-type: none"><li>• Reduce food waste in our Bilka and føtex stores by 75% by 2030</li><li>• Reduce our food waste in the rest of the Group by a total of 50% by 2030</li><li>• Contribute to reducing food waste in consumer households through information, inspiration and collaboration on national initiatives across the industry</li><li>• Share knowledge and experience with other industries to help reduce food waste elsewhere</li></ul>	 	Too Good To Go Wefood DanChurchAid and the Danish Food Bank
 <b>Smoke-free Generation 2030</b>	<ul style="list-style-type: none"><li>• Continue to identify new initiatives covering both customers and employees to support the goal of a smoke-free generation by 2030</li></ul>		Smoke-free Future Danish Ministry of Food, Agriculture and Fisheries/Ministry of the Environment Innovation Partnership
 <b>Healthy shopping experience</b>	<ul style="list-style-type: none"><li>• Continue the project introduced at føtex Vesterbro in Copenhagen, where we nudge customers to make healthier choices</li><li>• Continue to increase the number of products bearing the Keyhole label</li><li>• Focus on health in the design of all stores and continue the conversion of all existing and future Netto stores to Netto 3.0 stores</li></ul>		Morten Grønbæk, Director, National Institute of Public Health
 <b>Active lifestyle</b>	<ul style="list-style-type: none"><li>• Continue to support local initiatives and associations that promote an active lifestyle as well as the well-being of children and young people</li></ul>		Danish Ministry of Food, Agri- culture and Fisheries/Ministry of the Environment Innovation Partnership Morten Grønbæk, Director, National Institute of Public Health





# Risks

## and due diligence

Mapping our value chains is a continuous, time-consuming and challenging process. This is because the value chains are complex and involve a number of technical issues, but also because not all suppliers are forthcoming when it comes to sharing sensitive production information.

### Agriculture

Almost all products found in our stores are from primary production, which has numerous environmental implications. These include not only deforestation, loss of biodiversity and water scarcity but also human rights, forced labour and child labour, the health and safety of workers and the rights of migrant workers.

Salling Group has adopted the GlobalG.A.P. standard which focuses on good agricultural practice and comprises significant environmental requirements. The GlobalG.A.P. standard helps us to improve supply chain transparency – which is essential to our due diligence efforts.

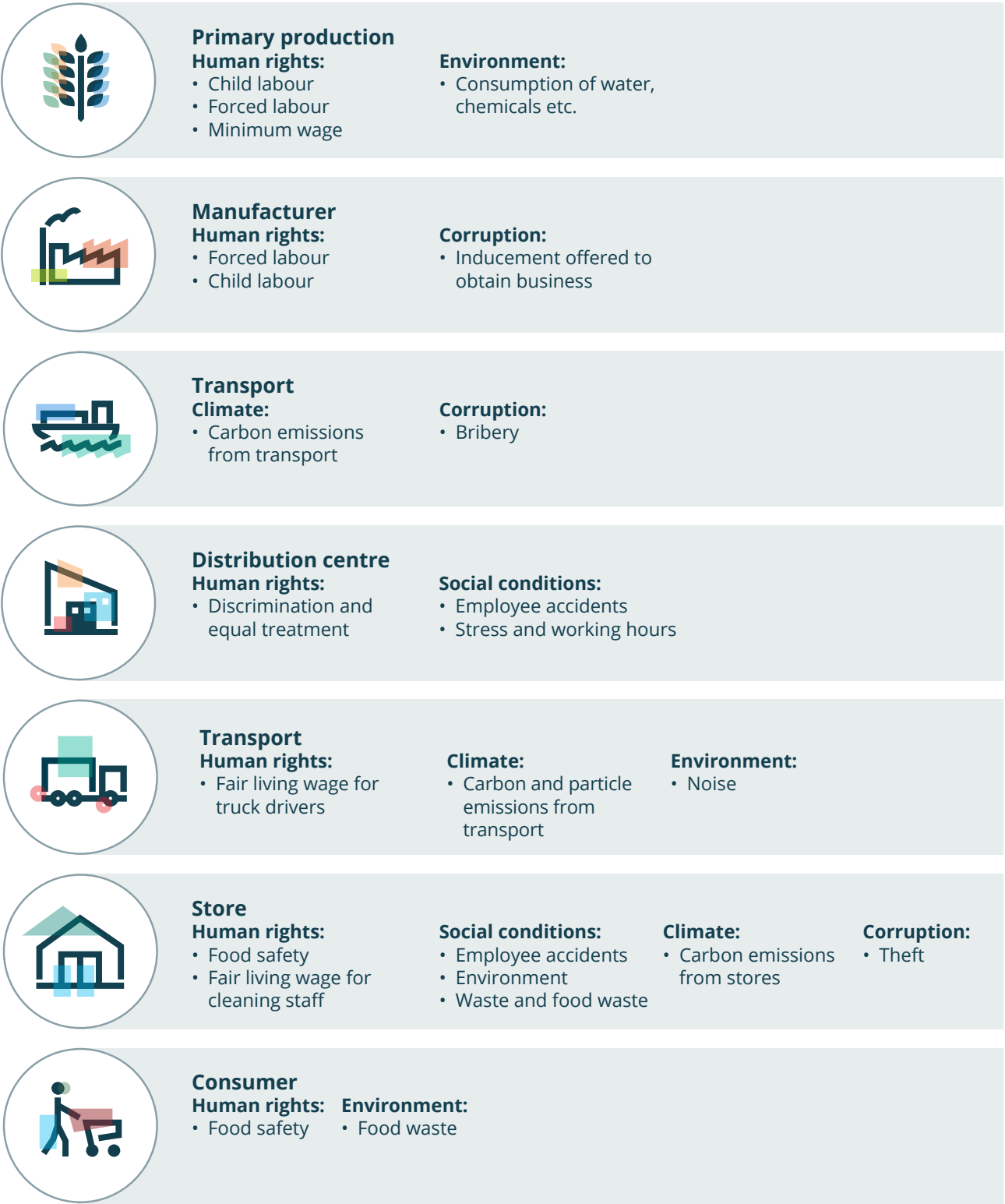
### Social

In 2020, we expanded the transparency requirement to include fish farming and fishing boats for all fish and seafood suppliers. While much of our seafood comes from regions close to Denmark, some products such as prawns are produced in high-risk countries. In these cases, we need to ensure that labour rights and worker safety are respected.

### Environment

We continuously assess the possibilities of improving environmental performance in our agricultural supply chains. We have a particular focus on fresh fruits and vegetables, especially avocado production, which requires large amounts of water. We are exploring the possibility of implementing GlobalG.A.P.'s water management programme SPRING in our avocado supply chains.

Uploaded suppliers	Figure
Completed profiles	84%
Approved	94%
In progress	2%
Need for improvements	4%
Suspended (rejected)	0





> Risks and due diligence



**Agents**  
A significant part of our supply chain is made up of agents. Our experience shows that the more agents there are in the supply chain, the more difficult it becomes to ensure transparency all the way back to the primary production. In addition, traders in the supply chain often focus on prices and logistics which can make it difficult to drive sustainability initiatives in multi-agent supply chains.

**Traceability checks**  
Our suppliers provide information and documentation on production sites and whether they comply with our social and environmental requirements. To verify the validity of the information, we check the documentation to confirm that the information provided by the supplier on the manufacturer in question is correct. In 2020, the supplier checks have not been as frequent as in previous years, mainly due to COVID-19. We hope to increase the number of supplier checks again in 2021.

**Capacity building with suppliers**  
In recent years, we have significantly increased our capacity building activities with our suppliers, especially for those that import high-risk products with very complex supply chains. We consider it vital to put social and environmental sustainability

high on the agenda of cooperation with our suppliers. This approach has been essential to achieve greater transparency in our processed tomato supply chain and to implement social and environmental standards in a sector that has historically been relatively unaffected by market-based sustainability standards. This work has been ongoing in 2020 and will continue in 2021.



**Production/packaging**  
Many of our non-food and textile products in particular are produced in high-risk countries. In these countries, worker health and safety, fair working hours and building safety are some of the most prominent social problems which we address through our work and use of social compliance procedures.

In addition to focusing on social aspects, we are increasingly looking into ways to improve environmental performance at the factories in our supply chains, most recently by exploring ways to apply amfori's Business Environmental Performance Initiative (BEPI) to selected product groups.

AREA	RISK	INITIATIVES 2020
Social		
Building safety	Building safety is a major challenge in high-risk countries, where most of our non-food and textile products are produced. The problem was highlighted by the Rana Plaza accident in Bangladesh in 2013 where the collapse of a garment factory resulted in the death of 1,127 people.	Since 2013, we have been a signatory to the Bangladesh Accord, which was established to draw attention to building and worker safety at garment factories in Bangladesh. In May 2020, the Bangladesh Accord was transferred to a new organisation, Readymade Garments Sustainability Council (or RSC), and we are monitoring developments closely.
Environment		
Genuine leather	The leather industry is one of the most toxic industries in the world, both when it comes to environmental impact and the impact on the health of communities and workers. The tanneries used in leather manufacturing are particularly vulnerable as they are usually located in high-risk countries and because large amounts of chemicals are used in the tanning processes. Tanneries are often found further down the supply chain, making traceability and transparency significantly more complex.	In 2020, we introduced an expanded genuine leather policy to ensure greater traceability in our leather supply chain and to extend new social and environmental requirements to tanneries in the supply chain. The aim is to ensure continuous improvements at the tanneries, and we recommend to our leather manufacturers that they be inspected by one of the two market-leading auditing programmes in the sector: amfori's BEPI or Leather Working Group (LWG).



# Human rights

We respect human rights and work to ensure that we do not directly or indirectly contribute to any human rights violations.

AREA	RISK	INITIATIVES 2020
Food safety	Improper food storage may pose a risk to food safety. Food safety includes food origin, including compliance with practices regarding food labelling and hygiene, additives and pesticide residues in order to avoid making consumers ill. Poor food safety can affect a lot of people, and in some cases food poisoning (from e.g. listeria and salmonella) can lead to deaths. Foreign bodies in food can also endanger consumers (e.g. stones or glass).	<p>Third-party and internal checks of food, hygiene, preparation and storage in our stores and distribution centres.</p> <p>Netto Germany is now reporting on the results of third-party food checks in its German stores.</p> <p>Due to COVID-19, Netto Poland’s reporting system is not operational yet, but reporting is expected to start in early 2021.</p>
Labour rights and worker health and safety	As a retailer, we offer a very wide range of products, resulting in complex global supply chains. They often involve a number of risks related to human rights and labour rights. Key risks include forced labour and child labour, fair wages and overtime in the textile and non-food sector as well as discrimination and the rights of migrant workers in the agricultural sector.	<p>The implementation of the amfori BSCI Code of Conduct, Salling Group’s responsible procurement policy, as well as follow-up and monitoring of them.</p> <p>Mandatory courses in responsible procurement practices.</p>

# Anti-corruption

We strive to maintain a fair and transparent corporate culture, and we do not tolerate corruption or bribery of any kind.

AREA	RISK	INITIATIVES 2020
Corruption and bribery	The risk of corruption and bribery in our supply chain is a barrier to economic and social development, especially in developing countries, and often entails increased costs.	Review of the amfori BSCI Code of Conduct and anti-corruption policy.
Corruption and bribery in Salling Group’s supply chains	The risk of corruption and bribery in our supply chains is a barrier to social and economic development, especially in developing countries.	Anti-corruption requirements integrated into the amfori BSCI Code of Conduct and into Salling Group’s general trade agreement for all suppliers and service providers.



# Social conditions and employee conditions

Our employees are our most important resource, so we are committed to looking after them. Therefore we take issues such as diversity, occupational health and safety, safety and health seriously.

AREA	RISK	INITIATIVES 2020
Employee accidents	At both our warehouses and stores, there is a risk of sudden accidents occurring in connection with the physical work involved in lifting boxes, slippery floors, using forklifts, knives, machines and tools.	Thorough instruction to prevent accidents. Thorough and regular investigations into work accidents from the top level down to section level in each store and in all warehouses in order to prevent the same accident from happening again.
Stress	Our employees are at risk of suffering from stress. Stress can affect the health of staff, reduce productivity and lead to employees taking time off or being on sick leave.	We seek to adapt the workload and the demands placed on our employees to their capacity and abilities. Focus on the importance of early intervention, including through PFA Early Care for employees who have joined PFA Pension.
Physical attrition	Risk of physical attrition due to heavy lifting and moving or too much sedentary work may lead to a poorer quality of life, more frequent sick leave and higher employee turnover.	We seek to support job rotation, and employees with sedentary work are offered sit-stand desks.  The collective agreement for our stores makes it possible to convert current pension contributions and use the flexible spending account to pay for days off for senior employees.
Staff diversity	A lack of focus on diversity can pose a risk to the company's ability to attract and retain talent and drive innovation.  Gender equality, for example, is therefore an important parameter.	As part of our efforts to appoint more women to senior positions, we held several workshops with a number of current female managers in 2019. The aim of these workshops was to identify: <ul style="list-style-type: none"><li>• which barriers – be they working conditions, working hours, workplace, culture, self-image etc. – discourage women from applying for more senior management positions and what it would take to remove these barriers</li><li>• This work continued in 2020.</li></ul>

# Environmental impact

By sourcing from all over the world, we are at risk of indirectly impacting the environment negatively in some of the countries where we buy our products or the ingredients for our products.

AREA	RISK	INITIATIVES 2020
Water management	Fresh water is essential to well-functioning operations throughout our supply chain. Lack of water is a growing and widespread problem, and it has a direct effect on Salling Group's supply chains, especially when it comes to the production of fresh produce.	We are exploring the possibility of applying GlobalG.A.P.'s add-on module SPRING to avocados.  At the production level, we are looking into amfori BEPI, starting with genuine leather.
Deforestation	Palm oil and soya are directly and indirectly used in many of our private label products. The production of these raw materials has some of the most harmful impacts on the climate and living conditions in local communities and results in loss of biodiversity in areas with high conservation value, especially in South-East Asia and South America.	In 2020, we joined the new Danish Alliance for Responsible Palm Oil and are in the process of updating our palm oil policy. The policy will be implemented in 2021.  As part of the Danish Alliance for Responsible Soya, we launched an action plan for sustainable soya in April 2020 which has since been implemented.
Plastic	Plastic often ends up in nature and especially in the oceans, where it poses a huge threat to marine life and biodiversity.	We raised our target for the use of recycled plastic in packaging on own brands from 30% to 40%.



# Climate

Climate change is a global problem and we have a responsibility to help find solutions to this pressing issue.

AREA	RISK	INITIATIVES 2020
Goods and passenger transport	There is a risk of high carbon emissions from the transport of goods to and from our distribution centres as well as from driving in our own/ leased company cars.	We have in-sourced a number of logistics tasks that optimize the product's path from warehouse to store and thus reduce CO2 emissions.
Global warming potential (GWP)	Global warming as a result of the use of refrigerants in cooling units.	The replacement of older cooling systems has been a priority since 2017 and we expect our central cooling systems to be freon-free by the end of 2025.
Energy consumption	Unless our energy consumption is under control, and if efforts are not being made to introduce sustainable/green solutions, there is a greater risk of excessive carbon emissions.	In connection with the renovation and upgrading of light sources, we now use 2nd generation LED.
Food waste	Land, water, labour and other valuable resources are all used to produce the food we waste. In addition, food waste is a major source of greenhouse gas emissions, primarily in the form of methane.	Our collaboration with Denmark against Food Waste, under the auspices of the Danish Ministry of Food, Agriculture and Fisheries/Danish Ministry of the Environment, continues. Netto started a collaboration with 'Too Good To Go' in both Denmark and Germany.
Business travel (flights)	The use of air travel rather than other means of transport contributes to increased carbon emissions and potentially increased global warming.	Through our business travel partner, AMEX Global, we have obtained reporting which shows the number of flown kilometres, destinations and the CO2 value of each ticket in order to highlight our climate impact.





# Our stakeholders

With over 55,000 employees and 10.9 m customers visiting our stores each week, we are a major player in the societies in which we operate. Therefore, it is important that we show a high degree of responsibility in running our business and stores, something which is only possible by working with many different stakeholders and partners.

KEY STAKEHOLDERS	FORM OF DIALOGUE	HOT TOPICS
Customers	Social media Surveys Customer support centres Mailboxes in stores Store visits Customer panels	Customer satisfaction Product selection Food quality Diversity Responsibility Responsible products Health
Employees	Employee representation at board meetings One-on-one meetings Team meetings Satisfaction surveys	Employee satisfaction Employee benefits Career development Education and training Working conditions Work accidents
Owners – the Salling Foundations	Ongoing dialogue Board meetings	CSR strategy CSR initiatives Donations
Regulators (national politicians)	Government working groups Think tanks Round-table discussions	Taxes and duties on certain products Food labelling Food waste
Danish Ministry of Food, Agriculture and Fisheries/Ministry of the Environment	Inspections ONE\THIRD think tank	Hygiene, food safety Food certifications Smiley schemes Food waste
Municipalities	Ongoing dialogue	Noise Waste management Opening of new stores Inclusion and job readiness

KEY STAKEHOLDERS	FORM OF DIALOGUE	HOT TOPICS
NGOs and partnerships (WWF World Wildlife Fund for Nature, DanChurchAid, Danish Cancer Society, Animal Protection Denmark, Organic Denmark, Fairtrade, FSC Denmark, Børns Vilkår, Danish Muscular Dystrophy Foundation, Ju-lemærkefonden, Smoke-free Future, Danish Food Bank, AMS, Consumer Goods Forum, CONCITO, Life Exhibitions, SDGs in the Value Chain, Ocean Plastic Forum etc.)	One-on-one meetings Ongoing dialogue Partnerships	Sustainable procurement Animal welfare Food waste Environment Climate Food safety Requests for donations Fundraising Plastic Smoke-free generation Health
Trade associations and other organisations (Danish Chamber of Commerce, Danish Ethical Trading Initiative, Danish Agriculture & Food Council etc.)	One-on-one meetings Ongoing dialogue CSR network groups	Sustainable procurement Labelling

> >



# Our stakeholders

KEY STAKEHOLDERS	FORM OF DIALOGUE	HOT TOPICS
Media/press	One-on-one meetings Ongoing dialogue	Product safety Animal welfare Ethical procurement Competition and prices Ethical products Health
Suppliers	One-on-one meetings Theme days/conferences Manufacturer audits Satisfaction survey	Code of Conduct Labelling Reducing food waste Plastic
Competitors	Round-table discussions or- ganised by public authorities and/or organisations	Labelling Animal welfare Food waste Palm oil Soya
Trade unions (HK, 3F etc.)	One-on-one meetings Ongoing dialogue	Working conditions Employee safety





# Tax

At Salling Group, we recognise that taxes are an important resource which can help improve public services and investment and thereby contribute to the fulfilment of the SDGs.

Our tax payments contribute not only to meeting SDGs 3, 12 and 13, which are the ones we primarily address, but also target 16.6<sup>1</sup>. In the countries in which we operate, the goals help generate revenue for governments and organisations to enable them to improve social welfare and innovation, solve social problems and promote responsible social and environmental conduct.

Our approach to tax is guided by our tax policy<sup>2</sup>, which is approved by the Board of Directors.

### Commercial and legal considerations

We constantly strive to comply with the tax laws of the countries in which we operate, and we only use business structures driven by commercial and legal considerations. In addition, we strive to maintain good relations with the tax authorities based on mutual respect, transparency and trust. We also engage in constructive dialogue with national and international governments and business groups to promote the development of efficient tax systems and tax administrations.

We have operating companies in Denmark, Germany and Poland, but most of our activity takes place in Denmark.

According to the company's published tax filing for 2019<sup>3</sup>, F. Salling Holding A/S, the administrative tax unit of Salling Group, is the 23th

largest corporate tax payer in Denmark with a total tax payment of DKK 299m. F. Salling Holding A/S is responsible for making all corporate tax payments to the authorities on behalf of the Danish companies in the Group.

### Total tax payment

In 2019, the Group's total tax contribution<sup>4</sup> amounted to DKK 7,349m compared to DKK 7,362m in 2018<sup>5</sup> (DKK 7,711m including Sweden). This includes taxes indirectly paid by our company (taxes collected), such as VAT and employee income tax, as well as taxes directly paid (taxes incurred) such as corporate tax and property tax.

### Taxes and duties collected

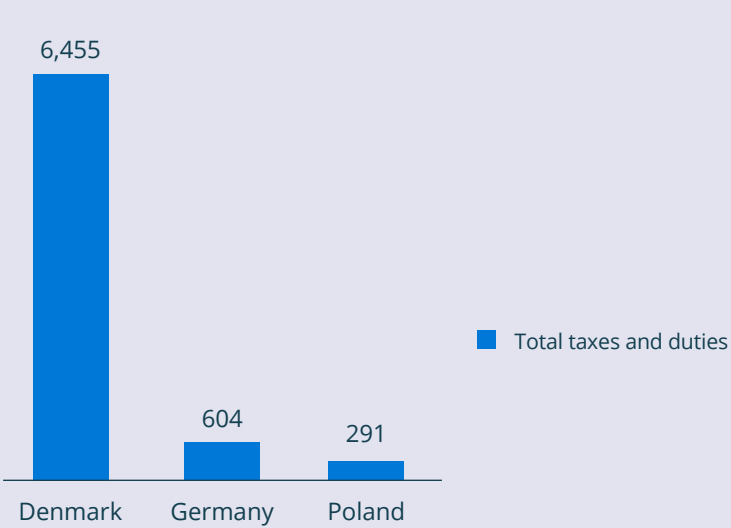
Taxes and duties collected comprise VAT, withholding taxes and excise duties. The VAT amount is calculated as a net VAT payment to the state, i.e. VAT on sales less VAT on purchases. Excise duties collected in Denmark (for example on chocolate and alcohol) are only included for imported goods as excise duties on locally produced products are paid to the authorities by the manufacturing companies.

### Direct taxes and duties

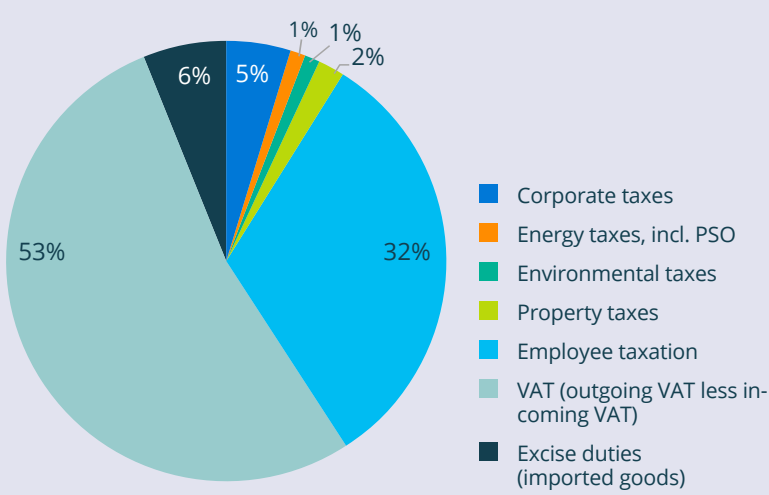
The Group's own taxes and duties comprise corporate taxes, energy taxes, environmental taxes and property taxes.

Corporate taxes make up most of the Group's own taxes and duties (58%). The total corporate tax payment of the Danish companies in the Group amounted to DKK 299m. In addition, corporate taxes totalling DKK 76m were paid by the Group's companies outside Denmark.

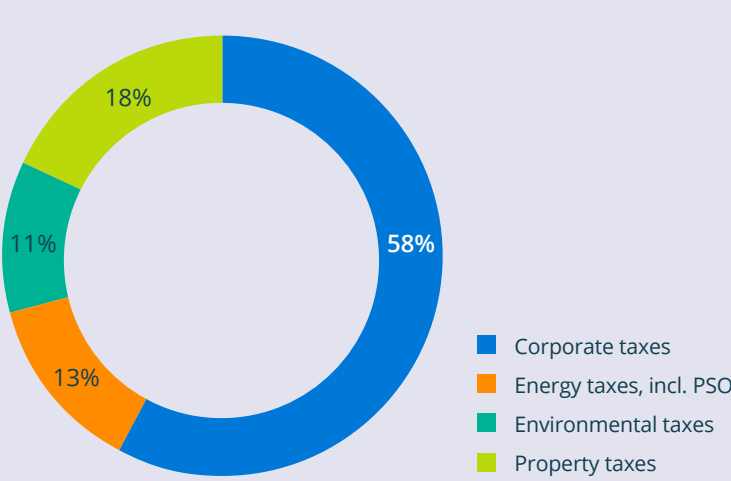
Total tax contribution by country  
DKK 7,349m in total



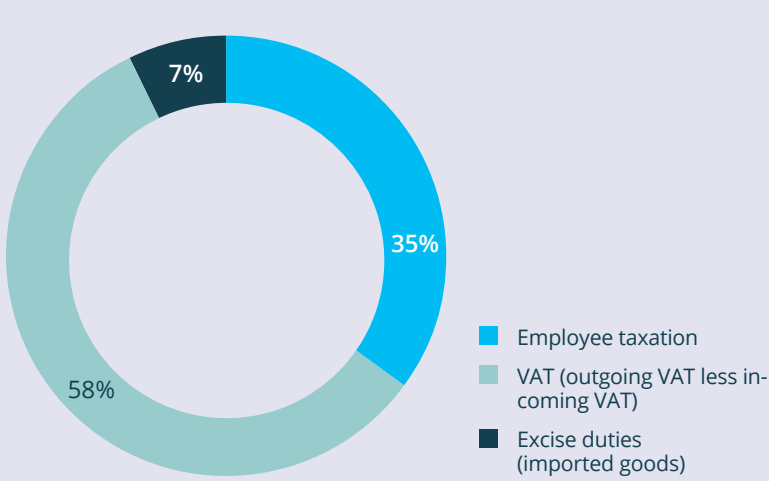
Total tax contribution by category  
DKK 7,349m in total



Taxes and duties paid  
DKK 649m in total



Taxes and duties collected  
DKK 6,700m in total



1. Developing efficient, responsible and transparent institutions  
2. <https://storage.sallinggroup.com/media/2622/tax.pdf>  
3. We report 2019 figures as the 2020 figures were not available for all formats and countries at the time of publication of this report  
4. The calculation is made in accordance with the standardised overall tax contribution method.  
5. Netto Sweden was sold in the 2019 financial year and, consequently, the 2019 amounts are exclusive of Sweden.  
In the 2018 financial year, the Group's total tax contribution was DKK 7,362m excluding Sweden (DKK 7,711m including Sweden)





# Appendices:



# Independent practitioners limited assurance

## To the stakeholders of Salling Group

As agreed, we have examined Salling Group’s CSR Report 2020 (the CSR Report) for the period 1st January 2020 to 31st December 2020. Salling Group’s CSR Report 2020 has been prepared in accordance with the accounting policies described on pages 103-111.

We are to conclude on whether the CSR Report has been prepared in accordance with the reporting approach and criteria described on pages 103-111. The degree of assurance expressed in the conclusion is limited.

## Management’s responsibility

Salling Group’s Management is responsible for the preparation of the CSR Report in accordance with the reporting approach and criteria described on pages 103-111. Salling Group’s Management is also responsible for such internal control as the Management considers necessary to enable the preparation of the CSR Report free from material misstatement, whether due to fraud or error.

## Auditor’s responsibility

Our responsibility is to conclude on Salling Group’s CSR Report on the basis of our procedures. We performed our procedures in accordance with ISAE 3000, “Assurance Engagements Other than Audits or Reviews of Historical Financial Information” and additional requirements under Danish audit legislation to obtain limited assurance for our conclusion.

Ernst & Young Godkendt Revisionspartnerselskab is subject to the International Standard on Quality Control (ISQC) 1, and thus uses a comprehensive quality control system, documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable requirements in Danish law and other regulations.

We comply with independence requirements and other ethical standards under FSR - Danish Auditors’ Code of Ethics for Professional Accountants, which rely on general principles regarding integrity, objectivity, professional competence and due care, confidentiality and professional conduct.

## Procedures:

As part of our examination, we performed the below procedures:

- Interviews of relevant company professionals responsible for CSR strategy, management and reporting located at Salling Group’s headquarters in Aarslev, Denmark, Netto’s headquarters in Køge, Denmark, and Netto’s international offices in Poland and Germany.
- Checks of whether data have been collected, assessed and quality-reviewed as prescribed in Salling Group’s manual for data collection.
- Analytical reviews, including trend analyses, of data supplied by Salling Group.
- Evaluation of the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management.

We believe that our procedures provide a reasonable basis for our conclusion.

The procedures performed in connection with our examination are less than those performed in connection with a reasonable assurance engagement. Consequently, the degree of assurance for our conclusion is substantially less than the assurance that would have been obtained had we performed a reasonable assurance engagement.

## Limited assurance conclusion

Based on the procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that Salling Group’s CSR Report for the year ending 31st December 2020 has not been prepared, in all material respects, in accordance with the reporting approach and criteria described on pages 103-111.

Aarhus, 19th of April 2021

EY  
Godkendt Revisionspartnerselskab  
CVR no. 30 70 02 28

  
**Jes Lauritzen**  
Partner, State-Authorised Public Accountant

mne no. 10121

  
**Carina Ohm**  
Associate Partner



# Management statement

The Management of Salling Group has considered and adopted its CSR report for the period 1 January to 31 December 2020.

The CSR report 2020 has been prepared in accordance with the principles set out in the reporting approach described on pages 103-111.

To the best of our knowledge, we confirm that

- the accounting principles are appropriate
- the CSR report provides a true and fair view of Salling Group's impact on society
- the information given in the CSR report is consistent with the accounting policies applied.

Brabrand, 19th of April 2021

SALLING GROUP  
CVR no. 35 95 47 16



**Per Bank**  
CEO

# Reporting approach

**Scope of the CSR report**

The CSR report covers relevant and significant social, ethical and environmental issues for the financial year 1 January to 31 December 2020. We have received recommendations on our CSR activities and reporting from our auditors Ernst & Young.

**Delimitation**

Entities included in the performance data include majority-owned subsidiaries/business units defined as companies that Salling Group owns or controls, including online stores, Salling department stores, Bilka, føtex, Netto, BR, Wupti.com and Netto Germany and Poland. Properties owned by Salling Group are excluded from both this and future reports, as are the franchises Carl's Jr. and Starbucks.

**Energy data**

Both majority-owned and controlled entities opened and closed during the financial year are included in the reporting. If a store is opened during a reporting period, and the opening date is after the reporting start date, the store will be reported with an annual consumption of zero. If a store has data during a reporting period, and the opening date is before the reporting start date, the store's consumption will be estimated until data acquisition is established. If a store is closed after the reporting start date, consumption will be reported until the store is actually closed, and estimated for the rest of the period. Estimates for stores with missing data have been prepared on the basis of yearly averages of comparable stores within the same retail chain and country. Estimates in føtex account for 1.48%, in Bilka 0.0%, in Salling 1.42%, in Netto Denmark 7.69% and in BR 42.91% of the total energy consumption for each chain. In Netto outside Denmark, estimates in Germany account for 0.0%, and in Poland 0.0%.

**Water data**

Both majority-owned and controlled entities opened and closed during the financial year are included in the reporting. If a store is opened during a reporting period, and the opening date is after the reporting start date, the store will be reported with an annual consumption of zero. If a store has data during a reporting period, and the opening date is before the reporting start date, the store's consumption will be estimated until data acquisition is established. Estimates for stores with missing data have been prepared on the basis of yearly averages of comparable stores within the same retail chain and country. Estimates in føtex account for 9.41%, in Bilka 0.76%, in Salling 0.0%, in Netto Denmark 15.0% and in BR 63.25% of total water consumption for each chain. In Netto outside Denmark, estimates in Germany account for 0.0% and in Poland 0.0%

**Waste data**

Both majority-owned and controlled entities opened and closed during the financial year are included in the reporting. Some stores have reported based on estimates. Estimates in føtex account for 1.92%, in Bilka 0.0%, in BR 20.21%, in Salling 0.0% and in Netto Denmark 0.55% of the total waste for each chain. In Netto outside Denmark, estimates in Germany account for 11.4%, in Poland 0.0%. For Netto Germany, waste has been calculated based on a total of 80 weighing samples throughout 2018 in eight sample stores. The estimates for the remaining stores in Germany have been calculated on the basis of the average amount of waste per unit of revenue for the selected stores. For stores in Netto Poland, the waste calculation has been prepared on the basis of the exact number of containers multiplied by an average weight per container.



# Reporting approach

Construction waste resulting from the establishment of new stores or major renovation projects is generally disposed of by the relevant contractors, and is thus not included in the waste data.

### Supplier satisfaction survey

The supplier satisfaction survey has been conducted in cooperation with Ramboll Management Consulting A/S. The invited respondents represent the list of regular suppliers to our Danish stores (except Salling) with whom we conduct trade term negotiations on a yearly basis.

### Supplier risk screening

Supplier risk screening is conducted by means of our Responsible Procurement System (RPS). The system registers information on producers and documentation on social audits and/or supplier certifications for our private label products and for unbranded products. The system uses a colour code, where green means that all the necessary audit documentation is in place, yellow means that it is in progress and red means that improvements are needed. No colour means that the supplier has not yet completed its profile and as a result it has not been assigned a colour code.

### Food waste

Food waste is calculated in tonnes and originates from our stores and distribution centres in Denmark, Germany and Poland. The calculation is based on the number of stated units multiplied by the net weight. In the bakery category, in-store wastage has been added, as has the fruit and vegetables category in Netto Denmark.

If the net weight of a given product is missing, we have used the average weight for other products in that category. The target baseline for Denmark is calculated on the basis of our market share in 2014 relative to the Danish Ministry of the Environment's calculations of the retail trade's food waste in tonnes in 2014. The target baseline for Netto International is based on actual calculations of actual data from 2018. Estimates in Denmark account for 0.1%, in Germany 1.7% and in Poland 0.03%.

### Inbound transport

The calculation of cubic metres for inbound transport is based on inbound freight by all modes of transport, i.e. sea, air, road and rail. The data is derived from internal statistics and invoices from freight carriers. Rail transport is calculated on the basis of data/methodology for road transport.

### Tax footprint

Taxes and duties collected include VAT, income tax withheld from employees' wages and excise duties. The VAT amount included is calculated as the net VAT payment to the state, i.e. VAT on sales less VAT payable. Collected excise duties in Denmark (for example on chocolate and alcohol etc.) are only included for imported goods, as excise duties on locally produced products are paid to the authorities by the manufacturers. Our direct taxes comprise corporate taxes, energy taxes, environmental taxes and property taxes. Most of the taxes and duties paid fall under corporate tax.

### Carbon footprint – scope 1

#### *Fuel and leased company cars*

Petrol and diesel consumption measured in litres and multiplied by British DEFRA's respective emission conversion factors (2020).

#### *Refrigerants*

Consumption of the refrigerants CO<sub>2</sub>, R134 and R404 measured in kilos and multiplied by British DEFRA's respective emission conversion factors (2020).

#### *Natural gas*

Consumption of gas for heating measured in KWh and multiplied by the IEA's emission factor for natural gas (2020).

#### *Oil*

Consumption of heating oil measured in KWh and converted into litres and multiplied by British DEFRA's oil emission conversion factor (2020).

### Carbon footprint – scope 2

#### *Electricity consumption*

Electricity consumption in Denmark is measured in KWh and multiplied by the Energi Danmark Group's general emission conversion factor (2019), while for Germany and Poland it is measured in KWh and multiplied by the IEA's relevant emission conversion factor (2019 - table "IEA (2020) Emissions Factors").

#### *Heat*

Heat consumption in Denmark is measured in GJ and multiplied by HOFOR – Greater Copenhagen Utility's general district heating conversion emission factor in the capital region (2019), while for Germany and Poland it is measured in KWh and multiplied by the IEA's relevant emission conversion factor (2019 - table "IEA (2020) Emissions Factors").

### Carbon footprint – scope 3

#### *Outbound transport Denmark*

The calculation of carbon emissions only concerns outbound transport in Denmark controlled by Salling Group. Outbound transport is the transport of goods from our distribution centres to our stores in Denmark, and the emissions (excl. frozen pallets for Bilka and føtex) are calculated on the basis of the number of kilometres driven, the carbon emission factor per kilometre and the number of pallets. The carbon emission factor is calculated on the basis of the number of kilometres driven per litre of diesel by haulier Frode Laursen. Estimates account for 1-3% based on the calculated CO<sub>2</sub> for most of our outbound transport.

#### *Outbound transport Germany and Poland*

Outbound transport is the transport of goods from our distribution centres to our stores in Poland and Germany. The transport is handled by a third party, which is responsible for calculating the carbon emissions.

#### *Flight mileage Denmark*

Flight mileage is based on reports from American Express Global Business Travel's GHG emissions database, which monitors companies', including Salling Group's, carbon footprints based on the number of kilometres flown and the emission factors for the individual tickets/destinations based on the British government's conversion factors (2020).

#### *Food waste Denmark*

The calculation is based on the data template produced by Carbon Trust Advisory LTD, (2019). The model calculates the carbon footprint per food category based on the waste weight and emission factor of the category. Average factors have been used for transport.

We report on 23 key areas. KPIs, with definitions and results for each KPI, are described under reporting criteria and results.



# Reporting criteria and results

KPIs	DATA AND CRITERIA	2014	2015	2016	2017	2018	2019	2020	TARGET
CSR as perceived by employees in Salling Group	Barometer survey conducted by Ramboll – score (%) for questions about diversity and responsibility	76	78	77	78	78	79	– <sup>1</sup>	–
Diversity	Female managers (%) – director level and above	17	15	15	14	16	16	17	20 <sup>2</sup>
	Female members of the Board of Directors (%)	20	20	17	17	17	17	20	40 <sup>3</sup>
Employee response rate	Barometer survey conducted by Ramboll – overall score (% of respondents)	87	89	90	90	90	90	–	–
Employee satisfaction	Barometer survey conducted by Ramboll – average score (satisfaction rate)	77	78	77	77	78	78	–	–
Employee safety	LTIF (lost-time injury frequency rate) = number of work-related injuries resulting in more than one day of absence per 10,000 employees – Denmark	102	79	96	91	92	90	82	–
	LTI (lost-time injuries) = total number of work-related injuries resulting in more than one day of absence – Netto outside Denmark	250	224	242	250	211	264	177	–
Employee absence due to sickness	Sickness hours divided by working hours (overtime included), %								
	DK	2.8	2.8	2.7	2.7	2.9	2.9	3.0	–
	DE	3.5	3.5	4.1	4.2	4.5	4.8	4.3	
	PL	4.2	4.8	5.4	5.2	5.2	5.0	5.5	
Employee turnover (% of total employees)	Voluntary permanent staff turnover								
	DE	33.3	28.5	27.1	29.7	27.7	24.5	21.0	–
	PL	13.3	12.8	10.1	9.6	10.3	12.1	12.8	
	SE	17.0	19.6	21.4	22.4	24.4	19.9	14.4	
People in job training	Voluntary permanent staff turnover								
	DE	12.7	14.7	15.8	21.0	20.3	–		
	PL								
	SE								
People in job training	Number of citizens outside the labour market in unpaid internships to determine their job readiness (average during the year)								
	DK		839	1,093	963	976	1,089	1,043	–

1. No Barometer survey conducted in 2020 due to COVID-19

2. By the end of 2020; 30% by 2025; 35% by 2030 and 40% by the end of 2035

3. One member has withdrawn from the board. Thus gender balance has changed



# Reporting criteria and results

KPIs	DATA AND CRITERIA		2014	2015	2016	2017	2018	2019	2020	TARGET
Staff trained in responsible products	Per cent of staff trained (relevant staff are persons in procurement functions in Procurement, Management, IT and Store Fixtures)		–	78	88	97	95	77	96	85
Buyers trained in responsible procurement	Per cent of procurement staff trained (relevant staff are persons with procurement responsibilities in Procurement, Management, IT and Store Fixtures)		59	68	68	70	66	76	69	80
Revenue from responsible products	Revenue from CSR-labelled products (e.g. Keyhole label, Fairtrade, organic, animal welfare etc.) in DKKbn – Denmark only	DK	–	–	4.5	9.9	9.9	10.1	11,1	–
Food waste	Tonnes of food intended for human consumption which ends up as waste, animal feed, compost etc. – absolute figures.	DK DE PL	42,826	33,398	32,855	32,228	30,725 4,706 5,123	29,481 4,786 4,895	29,358 4,438 5,430	-50% <sup>4</sup>
	Food waste in tonnes as a percentage of food sales in tonnes. <sup>5</sup>	DK DE PL	4.33	2.81	2.83	2.75	2.49 1.11 1.17	2.42 1.20 1.15	2.38 1.10 1.24	-50%
Food safety	Happy Smiley. Applies to Denmark only. Per cent of happy smileys awarded by the food authorities after an inspection visit. Both majority-owned and controlled companies opened or closed during the financial year are included.	DK	89.3	92.5	90.5	90.8	90.8	89.2	90.2	100
	Inspections without reservations. Applies to Germany only for the time being. Per cent of total number of reports without reservations issued by the regional food authorities based on an inspection.	DE	–	–	–	–	–	44.3	49.0	100
Supplier satisfaction rate	On a scale of 1 to 5, based on the question ‘How satisfied are you with your cooperation with Salling Group?’	DK	–	–	4	4	4	4	4.2	–
Supplier risk screening	Per cent of manufacturers of private label products and un-branded products uploaded and rated green (compliant), yellow (in progress) or red (improvements needed) and, finally, suspended.	Upl. Compl. <b>Green</b> <b>Yellow</b> <b>Red</b> Susp.	–	–	–	82.5 62.2 89.1 10.5 0.4	99.1 68.9 92.1 3.3 4.5 0.1	98 81.3 94.9 3.1 1.8 0.2	93.0 83.7 93.8 1.9 4.3 0.0	100

4. By 2030 with 2014 as the baseline

5. An increase in the number of stores leads to increased food waste. In order to assess whether we are on the right track in relation to the starting point despite an increase in stores, we are also looking at the development in the food waste percentage



# Reporting criteria and results

KPIs	DATA AND CRITERIA		2014	2015	2016	2017	2018	2019	2020	TARGET
Waste	Recycling %		57	68	73	75	78	79	79	90 <sup>6</sup>
		DK	53	65	71	74	78	79	79	
		DE	76	79	79	83	83	83	83	
		PL	62	70	71	72	74	75	75	
		SE	48	71	75	78	81	80		
Water	M³/m² – Salling Group as a whole					0.199	0.188	0.186	0.176	-10% <sup>7</sup>
Inbound transport	M³ per mode of transport (internally checked), percentage breakdown	Road	–	–	73.2	75.1	76.2	76.7	76.6	–
		Rail			6.4	6.7	6.9	6.4	7.1	
		Ship			20.2	18.0	16.7	16.7	16.2	
		Air			0.2	0.2	0.2	0.2	0.1	
Outbound transport	Kg CO2 per pallet from warehouse to store	DK	–	–	4.83	4.77	4.30	4.21	4.1	–
		DE						8.19	7.5	
		PL						4.35	4.8	
Energy	MWh/m² – Salling Group as a whole		0.274	0.250	0.250	0.239	0.234	0.224	0.216	-10% <sup>8</sup>
GHG emissions – scope 1	Tonnes of CO2, total Natural gas consumption, fuel consumption, refrigerants and heating oil	DK						11,197	10,985	
		DE						11,348	9,869	
		PL						17,824	15,866	
GHG emissions – scope 2	Tonnes of CO2, total Electricity and district heating/heat <sup>9</sup>	DK					125,925	121,104	116,490	
		DE					26,488	26,001	21,391	
		PL					44,405	42,960	43,151	
GHG emissions – scope 3	Tonnes of CO2, total						79,030	76,975	75,047	
	Food waste <i>(Category 5: Waste generated in operations)</i>	DK								
	Flights <i>(Category 6: Business travel)</i>	DK						358	75	
	Outbound transport <i>(Category 4: Upstream transportation and distribution)</i>	DK						14,623	15,328	
		DE						11,247	10,596	
		PL						5,161	5,550	

6. By the end of 2022  
7. By the end of 2022 with 2017 as the baseline  
8. By the end of 2020 with 2015 as the baseline  
9. DK market-based. DE and PL location-based



# Company information

COMPANY PROFILE	
Company name	Salling Group
Website	sallinggroup.com
Head office	Rosbjergvej 33, DK-8220 Brabrand
Primary brands	Salling, Bilka, føtex, Netto, BR and Wupti.com
Ownership and corporate form	Privately owned / non-listed
Total number of employees	55.471
Significant change in size, structure, ownership or supply chain during the reporting period	None
Externally developed charters, principles or initiatives signed or endorsed by Salling Group	Salling Group supports the UN Global Compact, but is not a signatory
Membership of associations and support organisations	<ul style="list-style-type: none"><li>• amfori Business Social Compliance Initiative (BSCI)</li><li>• amfori Business Environmental Performance Initiative (BEPI)</li><li>• Bangladesh Accord on Fire and Building Safety – the Transition Accord</li><li>• Danish Ethical Trading Initiative</li><li>• Danish Chamber of Commerce</li><li>• AMS Sourcing</li><li>• FSC Denmark</li><li>• Consumer Goods Forum (CGF)</li><li>• GLOBALG.A.P.</li></ul>
Tax policy	Our tax policy is available on our website <a href="https://sallinggroup.com">sallinggroup.com</a>

REPORT PROFILE	
Reporting period	1 January 2020 – 31 December 2020
Reporting principles	Consistent with sections 99a and 99b of the Danish Financial Statements Act ( <i>Årsregnskabsloven</i> )
Date of the most recent previous report	23 March 2020
Reporting cycle	The annual report is published before 31 May each year and covers the previous calendar year. The report will be available on our website <a href="https://sallinggroup.com">sallinggroup.com</a>
Contacts for enquiries about the report or its contents	<p><b>Ann Brandt,</b> Senior Project Manager, Public Affairs, Communication &amp; CSR, <a href="mailto:ann.brandt@sallinggroup.com">ann.brandt@sallinggroup.com</a></p> <p><b>Jo Ottow Svendsen</b> Senior Director Head of Format Finance – føtex, Bilka, BR, e-commerce <a href="mailto:jo.ottow.svendsen1@sallinggroup.com">jo.ottow.svendsen1@sallinggroup.com</a></p>

GOVERNANCE	
Primary persons with CSR responsibility	Executive Vice Presidents of HR, Procurement, Finance, Bilka, føtex and Netto
Composition of the Board of Directors	Five regular members of which one is female, all appointed by the general meeting. In addition, there are three employee representatives elected by the employees



