

An aerial photograph of a dense forest with a dirt road winding through it. The trees are mostly green with some yellowing, suggesting autumn. The road is a light brown color and runs diagonally across the frame.

salling group

**SUSTAIN
ABILITY
REPORT
2021**

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This report has been made in accordance with sections 99a and 99b of the Danish Financial Statements Act.

INTRODUCTION

HIGHLIGHTS 2021

WE TAKE RESPONSIBILITY

CLIMATE AND ENVIRONMENT

SOCIAL AND EMPLOYEE CONDITIONS

GOVERNANCE

SUSTAINABILITY

APPENDICES

FOREWORD
2021

Per Bank
CEO

OUR RESPONSIBILITY
EXTENDS BEYOND
OURSELVES

In many ways, 2021 was a landmark year for Salling Group. The COVID-19 pandemic continued to demand constant focus and continuous adjustments to protect our supply lines and not least the health and safety of our customers and employees.



Moreover, our company implemented several business strategic measures that will shape Salling Group in the years to come, including the acquisition of 301 stores and 2 distribution centres from Tesco Poland, as well as the rollout of the føtex Home Delivery service. Both will have a lasting impact on our ability to meet the changing needs of even more customers in future. However, the past year was no less remarkable for the action we took in the areas of climate, environment and social responsibility.

As a retailer with thousands of items on the shelves in many different categories and suppliers all over the world, the challenges and dilemmas facing our partners are also felt in our business.

While it used to be enough to concentrate on your own business, comply with legislative requirements and be responsible for your own actions, we are now demanding more from ourselves and so are our customers.

The challenges facing the world today are so complex that we cannot solve them on our own. The climate crisis is a case in point. It is equally clear, however, that it requires a joint effort and that those who are able to take the lead have a responsibility to do so. As a result, in 2021, Salling Group announced its commitment to achieving net zero emissions across its value chain by 2050 – and preferably sooner. To achieve this goal, we are cutting our own emissions, helping our customers, engaging our employees and committing our suppliers to cutting their emissions. Through the *Science Based Targets initiative*, we have committed ourselves to the UN Paris Agreement and the shared ambition to limit global warming to 1.5 °C.



More than
5,700
suppliers



61,874
employees



10 m
customers/week

With more than 5,700 suppliers, 61,874 employees and 10m customers a week, Salling Group's reach is immense. Our own contribution as a company may be limited. But by helping our customers, engaging our employees and committing our suppliers, Salling Group has the power – and the will – to truly make a difference.

SUSTAINABLE APPROACH ANCHORED ON THE BOARD

Retailers worldwide are faced with a multitude of consumption-related dilemmas. The radical solution is to force customers to buy less and recycle everything. Realistically, introducing a selection of products, a store layout and prices that promote this approach would probably lead customers to shop elsewhere.

Bjørn Gulden

Chairman of the Board and
Chairman of Salling Group's
Sustainability Committee.



The responsible approach, on the other hand, is based on reality and our ability to impact not only our own business, but the value chain as a whole.

Salling Group has been working with sustainability for many years. Last year, as a natural consequence of the maturity of our sustainability efforts, we elevated the responsibility for our combined CSR work to Group Board level with the establishment of Salling Group's Sustainability Committee, which is composed of members of the Board of Directors and sponsored by the company's CEO. The organisation reflects the importance of our ability to impact the development in this area, and the responsibility we are taking as Denmark's largest retailer.

The duty of the Sustainability Committee is not only to act as a senior advisory body to support strategy development and ensure compliance with international, national and local laws and conventions, but also to continually challenge the level of ambition and push for development. With this step, the Board's responsibility for the company's financial performance becomes

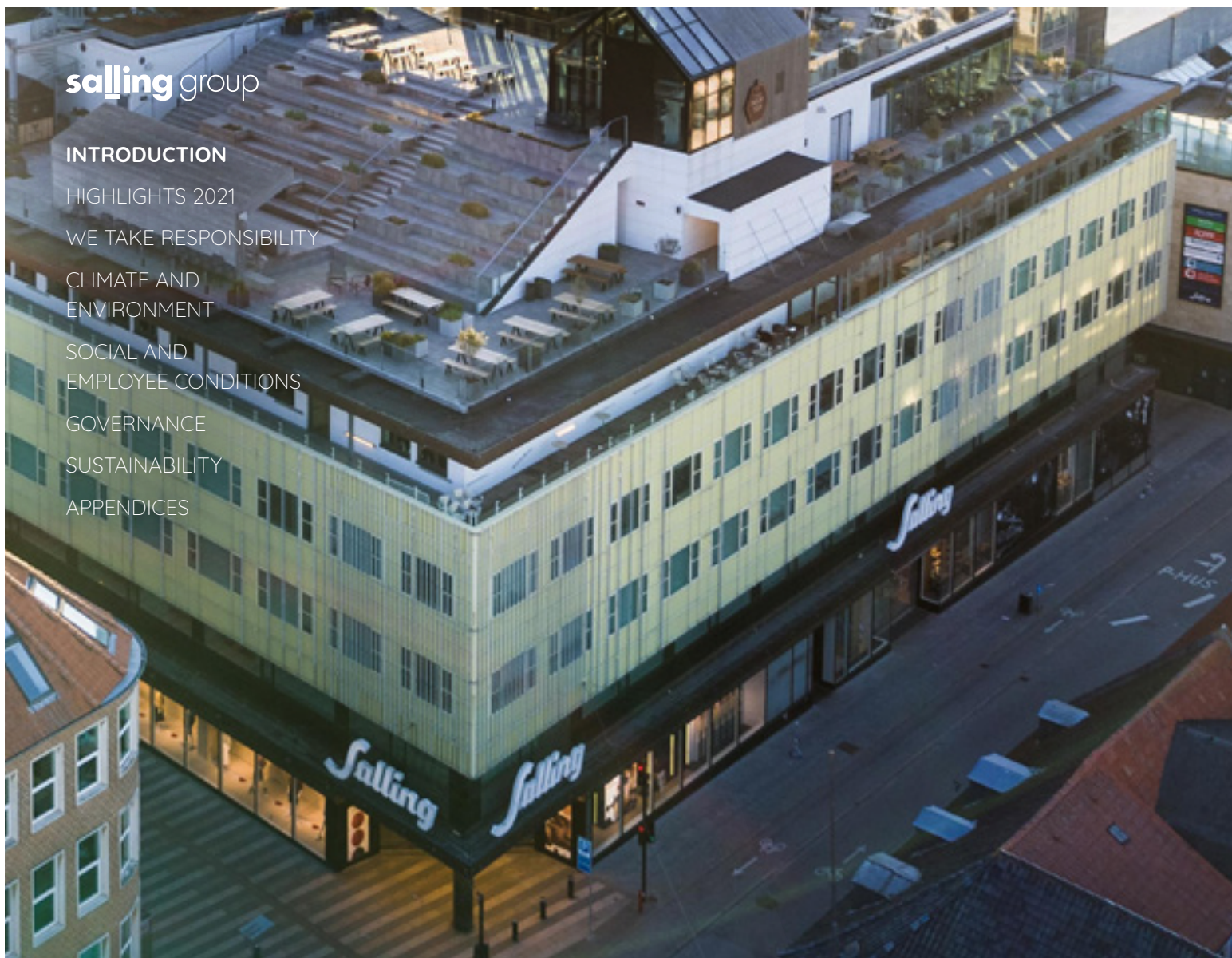
just as important as the responsibility Salling Group is taking when it comes to making a positive difference in the world.

The Board's support for the company's sustainability ambitions also sends a clear signal to Salling Group's employees that contributing to the communities we are part of is a shared effort. Just as we place high demands on the integrity and conduct of our employees, so may our employees expect us to make a positive impact on the world around us.



**Salling Group
has been working with
sustainability for
many years.¹**

¹ Environment, climate, health, social issues and ethics



SIGNIFICANT DONATIONS IN 2021

In the past year, the
Salling Foundations
have made donations
to numerous exciting
projects, including:

**10
DKKm**
LEAPS project

**35
DKKm**

Salling RoofGarden in Aarhus
A new urban park and space
that brings people together

**50
DKKm**
Team Danmark

**1
DKKm**
The Caring
Meal

**0.5
DKKm**
Stop Waste Locally

**4.5
DKKm**
Natural
History Museum
Aarhus

OWNERSHIP STRUCTURE

Prominent owners give back to society

Salling Group is wholly owned by the Salling Foundations. This means that Salling Group's profits are either reinvested in the business for the benefit of our customers, employees and business partners or distributed through the owner foundations as donations to worthy causes in Denmark. Since 2012, the Salling Foundations have donated around DKK 1.5bn to culture, sports, charity, education and research.

The Salling Foundations consist of two foundations named after Salling Group's founder, Herman Christian Salling, and his father, Ferdinand Salling. Købmand Ferdinand Sallings Mindefond was founded in 1957 and Købmand Herman Sallings Fond in 1964 – the same year as an extensive partnership with A.P. Møller – Mærsk as capital partner and majority owner began. 50 years later, the Salling Foundations began a buyback of shares from A.P. Møller – Mærsk, and in 2017 the remaining shares were acquired by the Salling Foundations, making them the sole owners of the company. Later the Foundations cemented their ownership 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.

**10
DKKm**
Denmark's largest
staff party
Allin 2022

**1
DKKm**
SMILfonden's
SMILET-
initiative

**5
DKKm**
The music and
theatre venue
Værket

Last year, the Salling Foundations
donated a total of

**220
DKKm**

to causes that benefit people
in Denmark, including many local
donations via føtex and Bilka.

- INTRODUCTION
- HIGHLIGHTS 2021
- WE TAKE RESPONSIBILITY
- CLIMATE AND ENVIRONMENT
- SOCIAL AND EMPLOYEE CONDITIONS
- GOVERNANCE
- SUSTAINABILITY
- APPENDICES



OUR COMPANY

Improving everyday life

Salling Group owns Netto in Denmark, Poland and Germany, the føtex and Bilka supermarket chains as well as the Salling department stores, the BR toy store chain and associated online stores in Denmark. In addition, the company operates the Starbucks and Carl's Jr. franchise chains² on the Danish market, making Salling Group Denmark's largest retail group, with 10m customers visiting our stores and restaurants every week.

² The franchise chains are not included in this report

66
DKKbn
revenue

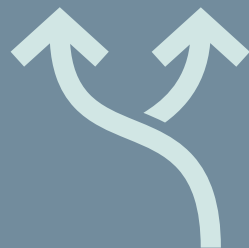


Competitive



Integrity

Salling Group's mission is to improve everyday life – for our customers and for the communities we are part of. We do this by offering sustainable solutions, improved shopping experiences, job opportunities for all and not least by making donations to worthy causes through our owners, the Salling Foundations.



Agile



Salling Group
Denmark's largest
retail group, with

10
m

customers visiting our stores
and restaurants every week.

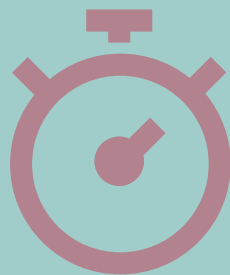
3
DKKbn
EBIT

More than
1,700
stores

61,874
employees



Passionate



Efficient

Salling Group's values unite us as one company – across functions, chains and countries.

The values express what we expect from each other and what others can expect from us.

INTRODUCTION

HIGHLIGHTS 2021

WE TAKE RESPONSIBILITY

CLIMATE AND ENVIRONMENT

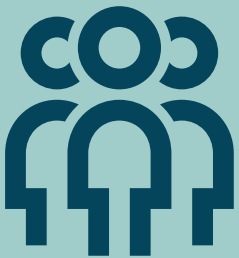
SOCIAL AND EMPLOYEE CONDITIONS

GOVERNANCE

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RESPONSIBLE VALUE CHAIN



CUSTOMERS

As Denmark's largest retailer, we are committed to offering our customers healthy, sustainable and less carbon-intensive products at competitive prices.



STORES

We continually streamline store operations to reduce energy consumption and food waste, while maintaining an inclusive and diverse workplace.



TRANSPORT

We have taken over several logistics tasks to be able to better plan the transport of goods to our stores, resulting in less kilometres driven.

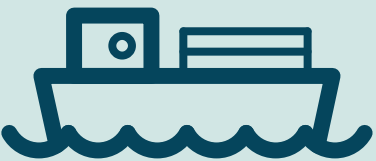


WAREHOUSES

At our warehouses, we strive to reduce waste and energy consumption, segregate our waste to recycle as much as possible, and focus on health and safety.

TRANSPORT

We continuously work with suppliers and carriers to optimise transport to our warehouses.



PRODUCTION

The products we produce ourselves must of course meet the same high standards and must as a minimum comply with applicable laws and regulations.



**RAW MATERIALS/
PRIMARY PRODUCTION**

Our Code of Conduct and policies clearly set out how we expect our suppliers to behave and the requirements they must meet.



HIGHLIGHTS 2021

E

- Bygholm Bakker nominated for sustainability award**
The innovative Netto building in Bygholm Bakker, which reduces energy consumption by 40% and carbon emissions by 65%, has been nominated for the Danish Sustainability Award.
- Launch of The Big Climate Database**
The Big Climate Database is launched in collaboration with CONCITO and provides a data-driven basis for Netto's trialling of climate labelling, climate communication and føtex's collection of green recipes, etc.
- Food donations**
The Danish Food Bank and Wefood received 271* tonnes of food, equivalent to 645,218 meals.

* Based on data from Wefood and the Danish Food Bank
- Plant-based hat trick**
Bilka is named 'Plant-Based Supermarket of the Year' in Denmark for the third year in a row.
- Electric charging stations and collaboration with Clever**
føtex enters into a nationwide collaboration with Clever to set up electric charging points at stores across Denmark.
- Netto trials climate labelling**
Netto becomes the first supermarket chain in Denmark to trial the 'Skyen' climate food label in its stores to help customers make more climate-friendly choices.
- Salling Group commits to the Science Based Targets initiative**
Salling Group commits to the Science Based Targets initiative and the Paris Agreement.
- New brands for the most beautiful and ugliest vegetables**
Alfred Pedersen & Søn and Salling Group welcome imperfect vegetables on the shelves in the fight against food waste
- What happens to our hangers**
Hangers for clothing sold at Salling Group's stores are now being melted down to make new plastic products. Since August, more than 150 tonnes of hangers have been sent for recycling.
- Biogas-powered trucks**
Netto introduces 20 new trucks powered by slurry and food waste, creating more environmentally friendly transport solutions.

S

- Salling RoofGarden**
Salling in Aarhus to build a green rooftop oasis which is funded by the Salling Foundations. The green oasis will be a new tourist attraction for the city.
- The Salling Foundations donate DKK 50m to Team Danmark**, helping Danish elite athletes to prepare for the 2024 Olympics in Paris.
- Diversity efforts rewarded – Financial Times**
Salling Group ranks sixth in Europe in Financial Times' diversity ranking.

G

- Collective agreement for delivery drivers**
føtex Home Delivery drivers are now covered by the collective agreement of the Danish trade union 3F.
- Sustainability Committee**
Salling Group has set up a Sustainability Committee, which is responsible for supporting strategy development and the company's sustainability ambitions, among other things

WE TAKE RESPONSIBILITY

Salling Group is Denmark’s preferred place to shop for household goods and groceries. We are proud of the trust our customers show us and take the responsibility it implies seriously.

Every day we welcome thousands of shoppers to our stores. This places demands on the products we sell and on our 61,874 employees who keep our stores running smoothly. Together they form the foundation of the Salling Group and our overall CSR strategy.

Quality products, great service and responsible conduct have been at the heart of our business since 1906. While these values remain unchanged, over the years our strategy and responsibility focus have been adapted to the challenges we face as a society.

Our primary strategic focus now is on climate issues, because we believe that we can make a significant difference in this area. The man-made global climate challenges must be solved, and as a modern, responsible company we want to do our part. Our procurement practices, transport of goods and the way we operate our stores, offices and warehouses enable us to reduce CO₂e emissions and improve the environment for future generations. This is a major task to which we devote considerable attention in our day-to-day operations and in this Sustainability Report.

Climate issues go hand in hand with health, which remains an important focus area. Among other things, we actively support the work towards a smoke-free future, give our customers the opportunity to make healthier everyday choices, and in 2022 we will launch a major Group-wide employee health project.

Regardless of the scope and impact of each effort, we approach our work with the same care and diligence that our founders instilled in their employees. We do not rush into quick solutions, but choose those we believe will have the most positive long-term impact.

Our overriding goal is to make it easier for our customers to make responsible and healthy choices – now and in future.

This is what we mean by taking responsibility.

Salling Group’s Sustainability Report is based on the three ESG factors Environment, Social and Governance, and describes Salling Group’s goals, strategies and action within the environmental, social and governance aspects of our company.



ENVIRONMENT

Climate and environment

As Denmark’s largest retailer, Salling Group has a responsibility to keep its environmental and carbon footprint to a minimum by reducing CO₂e emissions, food waste, water consumption and plastic waste. That is why we have formulated ambitions and goals for each area that ensure that our decisionmaking and investments take particularly environmental and climate issues into account.

Stepping up climate action

Salling Group has a longstanding commitment to climate action such as improving energy and logistics solutions and waste management and reducing food waste. In 2021, we stepped up our climate action, which is now anchored on the Board and the Sustainability Committee (discussed in the Chairman’s foreword to this report). Our CSR department employs climate analysts and specialists, and our climate ambition is an integral part of Salling Group’s overall strategy.

Widening our environmental focus

Our work towards fulfilling our plastic ambitions to protect the environment continues unabated. This includes minimising production, recycling as much as possible and preventing plastic from ending up in the natural environment. But environmental action is so much more, and two of our special focus areas are biodiversity and water consumption.

At our head offices in Aarslev and Køge, Denmark, meadow plants and giant insect hotels are popping up for the benefit of the local flora and fauna, and in the coming years our biodiversity efforts will be extended to our warehouses and stores. We will also accelerate progress towards our targets for reduced water consumption to do our part to ensure clean water for future generations.



Plastic

Targeted focus area since 2018, including 10 plastic principles for our private label packaging.



CLIMATE AMBITION AND STRATEGY

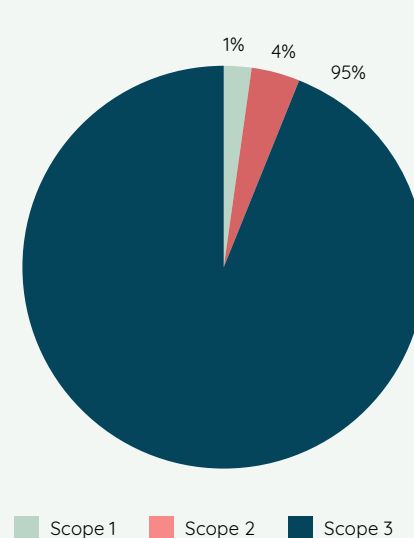
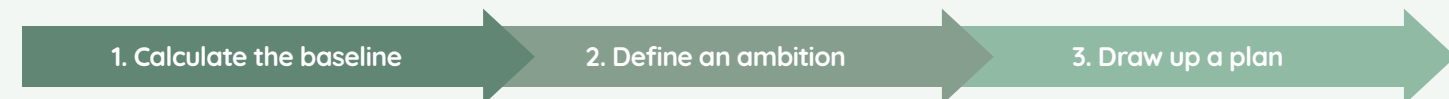
Towards net zero with Science Based Targets

The global climate challenges require specific, sustained and systematic action from all countries, authorities, organisations and companies. In 2021, Salling Group strengthened its climate investments and commitment with clear goals that involve here-and-now action to create a brighter future.

Across the entire retail value chain, by far the biggest share of total CO₂e emissions comes from the production of goods. To reach our climate goals we not only need to cut emissions in our own operations, but also take responsibility for reducing the climate impact of the products we sell.

The road to our climate ambition

Taking responsibility for the communities in which we operate has been a natural part of Salling Group's DNA since 1906. In 2013, we set up a CSR office, and the following year we began reporting on our sustainability goals. In 2018, we defined our first sustainability strategy and took tentative steps towards Salling Group's climate ambition. In 2021, the responsibility for reporting on CO₂e calculations was anchored in our Finance department, and we formulated a concrete ambition based on solid data. Thanks to this data, we know exactly where to take action to achieve our ambitions.

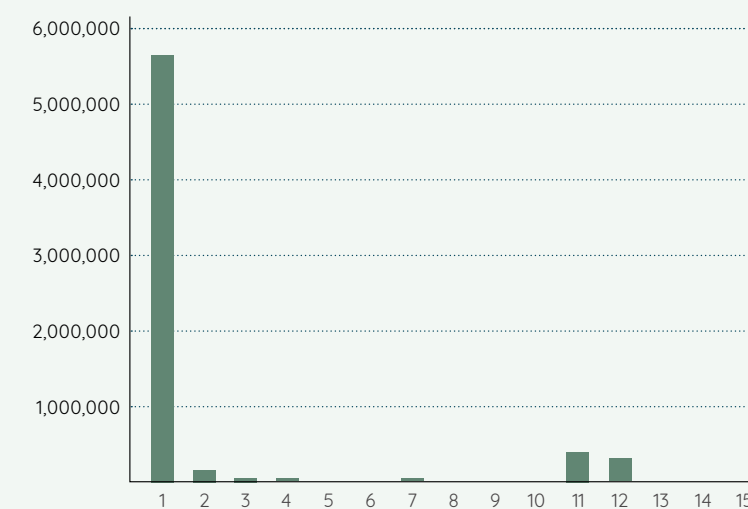


95%
Outside our own operations

Full baseline:

Scope 3 for the first time

In 2021, we calculated a full baseline for our climate ambition goals in order to achieve real reductions that meet the requirements of the Science Based Targets initiative. In line with the 15 scope 3 categories of the GHG Protocol, we scrutinised every aspect of our business and calculated emissions from all goods purchased, goods transports, machinery purchased, business travel, rental properties and employee commuting, etc. (see pages 40-41). With the acquisition of Tesco Poland and the establishment of føtex Home Delivery at the end of 2020, 2021 provides the most accurate calculations of CO₂e emissions which is why we have chosen this year as our baseline.



- | | | |
|---|--|---|
| 1 Purchased goods and services | 6 Business travel | 11 Use of sold products |
| 2 Capital goods | 7 Employee commuting | 12 End-of-life treatment of sold products |
| 3 Emissions from fuel and energy ³ | 8 Upstream leased assets ⁴ | 13 Downstream leased assets |
| 4 Upstream transport and distribution | 9 Downstream transport and distribution* | 14 Franchises |
| 5 Waste generated in operations | 10 Processing of sold products* | 15 Investments* |

³ Not included in scope 1 and 2.

⁴ Not applicable to Salling Group

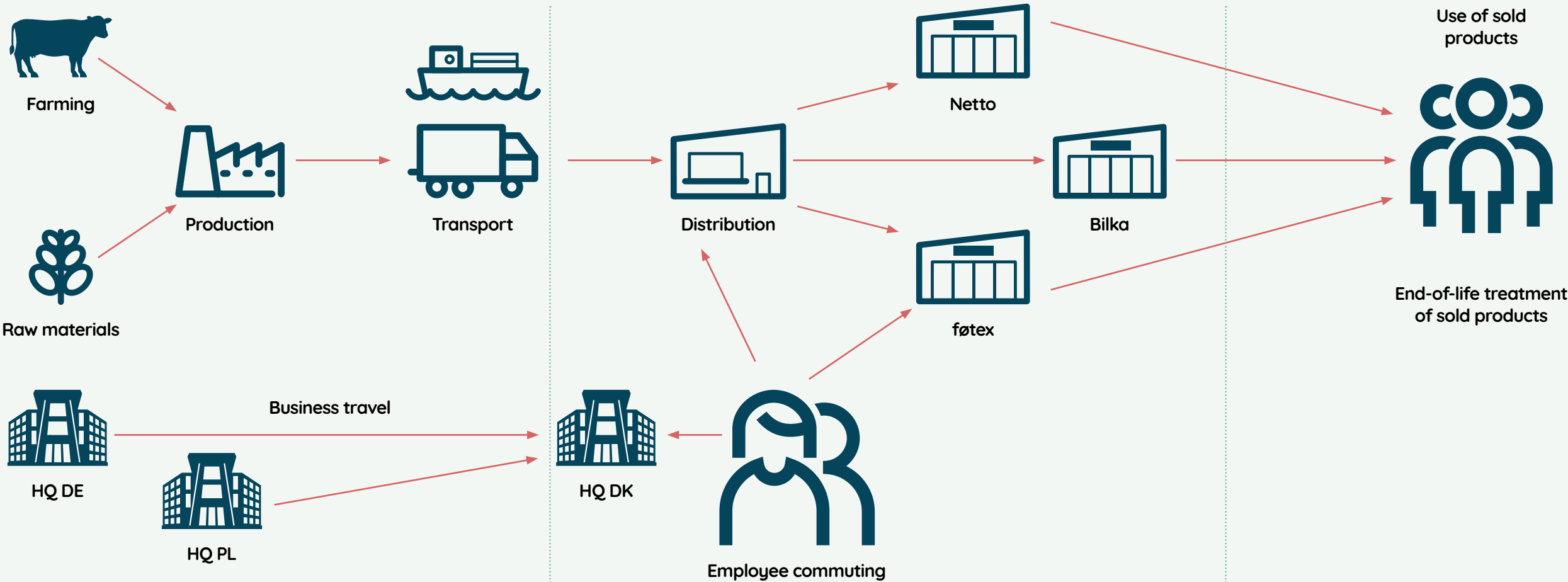
CLIMATE AMBITION AND STRATEGY

Salling Group's climate strategy is divided into two main areas of action that follow the international GHG Protocol's classification for calculating our carbon footprint:

1. Salling Group's own operations, including purchased resources such as electricity, water and heat (GHG scope 1 and 2)
2. Salling Group's entire value chain from farm to store, i.e. production, transport and handling of the goods we sell in Salling Group's stores (GHG scope 3).



CO₂e footprint at the different stages of the value chain



Upstream **81%**

Own operations **5%**

Downstream **14%**



CLIMATE AMBITION AND STRATEGY

Carbon net zero 2050

In 2021, we committed to the internationally recognised Science Based Targets initiative (SBTi)⁵ and to the Paris Agreement’s ambition to keep man-made global warming below 1.5 °C. Specifically, we have committed to SBTi’s Carbon Net Zero Standard and the goal of net zero emissions in our value chain by 2050.

To have one’s targets approved by the SBTi requires a systematic and scientifically based approach, the first step being to calculate the full baseline for the CO₂e emissions of our entire value chain. Based on 2021 calculations, we now know exactly where to take action to achieve maximum reductions, both in our own operations and in our value chain as a whole.

Carbon Disclosure Project

In order to achieve the targeted scope 3 reductions, we have partnered with another international organisation, the Carbon Disclosure Project (CDP)⁶. CDP helps our suppliers to report their emissions and climate efforts to ultimately reduce emissions from the production of the goods we sell. Our 145 largest suppliers have been invited to join us in these efforts, and in the coming years we expect to invite more suppliers.

Halving CO₂e emissions from our own operations

Salling Group operates in Denmark, Germany and Poland, where there are considerable differences in the supply of for example green energy. To meet SBTi’s requirements, we need to reduce our total CO₂e emissions by 50% by 2030. In recent years, we have secured significant reductions by switching to LEDs, reducing food waste and optimising energy and transport solutions, among other things. Towards 2030, we will achieve further reductions through continued optimisation, by switching to electric and hybrid vehicles and replacing oil and natural gas boilers with electric heat pumps and HFCs with modern refrigerants in all our stores.

⁵ <https://sciencebasedtargets.org/>
⁶ <https://www.cdp.net/en>

Involving customers and employees in our journey

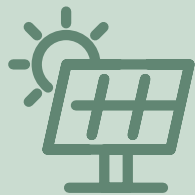
In addition to concrete emission reductions in our operations, we continue our commitment to making it easy for our customers to make greener choices by installing fast-charging stations in our store car parks, trialling climate labelling schemes and offering a wide range of plant-based items and inspiration for climate-friendly cooking, among other things. Together with suppliers and external organisations, we not only reduce food waste from our own stores, but also allow our customers to actively participate in the effort.





REDUCE EMISSIONS

- Salling Group’s key measures to reduce scope 1 and 2 emissions:**
- Switching to low-carbon heat sources – for example from gas and oil to electric heat pumps
 - Switching to coolers with the lowest possible carbon footprint (lowest GWP value)
 - Replacing our Danish company car fleet with electric/hybrid vehicles by 2025. Plan for Poland and Germany to follow
 - Identifying or contributing to the development of technology to update the føtex Home Delivery fleet



REDUCE ENERGY CONSUMPTION

Netto is fully committed to ensuring energy efficiency at its sites and in its operations in line with Salling Group’s overall energy strategy.

We want to help conserve natural resources, reduce emissions to the atmosphere and help mitigate the effects of climate change. This will create a healthier and more sustainable environment and ensure cost efficiency for the benefit of Salling Group, our customers and the communities in which we operate.

One of many goals is to reduce energy consumption per square metre by 10% in our stores and central warehouses in Denmark, Germany and Poland over a five-year period.



OFFSET EMISSIONS THAT CANNOT BE REDUCED

Some emissions from our operations cannot be further reduced or changed with the current technology

- Instead, we are exploring how best to offset these emissions to reach our net zero target by 2050. Offsetting should be as comprehensive as possible, make a noticeable difference to the environment and bring tangible benefits to the world around us.

FØTEX IS POWERING THE GREEN TRANSFORMATION

Spearheaded by føtex, in 2021 Salling Group entered into a historic agreement with charging station operator Clever on a significant expansion of the public network of electric vehicle charging stations. In føtex car parks alone, almost 300 fast-charging stations will be installed in 2022. The spread and access to charging stations, including fast-charging stations, is one of the barriers to switching from petrol and diesel vehicles to electric vehicles, and with the framework agreement, which in addition to føtex also involves installing fast-charging stations at several Bilka and Netto stores, the parties ensure a nationwide rollout to the retail group's sites. Unlike normal charging stations, which typically take a few hours to charge a vehicle, a fast-charging station can charge a car battery to around 80% in the same amount of time that an average shopping trip typically lasts – about 15-20 minutes.

In 2021, Salling Group also decided to amend its company car agreement and replace all company cars with electric and hybrid vehicles over the next four years, if feasible. Moreover, Salling Group is making 100 charging points available to our employees at our head office in Aarhus and another 50 to our employees at our head office in Køge.

A fast-charging station
can charge a car battery
to around

80%

in the same amount of time
that an average shopping
trip typically lasts

211 existing
charging points

516

on the way



The doors have
reduced the total energy
consumption of our
coolers by just above

20%



Putting a lid on energy consumption

Few of us leave our freezer or refrigerator at home open after taking out a bag of frozen peas or a carton of milk. Nevertheless, for many years open coolers and freezers were the norm in most supermarkets, including Salling Group.

These are now a thing of the past in most of our stores, however, because in recent years we have gradually switched to freezers with lids and refrigerators with doors on the back wall. While the change initially led to a decline in sales of particularly frozen goods, many customers have now fully embraced the change. However, for the individual stores it has made a noticeable difference – especially on their electricity bill, and with more than 1,700 stores it has made a big impact on our CO₂e footprint too. The lids and doors have reduced the total energy consumption of our coolers by just above 20%.

TRUCKS POWERED BY SLURRY, ROTTEN BANANAS AND MOULDY CHEESE



40,000
fewer truck deliveries

In 2021, Salling Group implemented a major reorganisation of the transport of bread to its more than 600 stores in Denmark, ensuring sizeable emission reductions. As part of the reorganisation, Salling Group decided to insource the transport of bread to our stores, thereby taking over this activity from the bread producers. By combining bread deliveries with other deliveries to our stores, we can reduce the number of terminals used from five to two and consequently the number of trips. Before the change, the trucks did not always leave with a full load due to naturally fluctuating bread sales during the week, which required more trips and kilometres driven from multiple terminals.

1,400 tonnes of CO₂e per year, equivalent to almost one quarter. This is the anticipated future CO₂e emissions reduction achieved after the supermarket chain Netto replaced 20 trucks delivering goods to its stores on Zealand with biogas-powered trucks. Now the trucks are powered by biogas produced from local manure and organic kitchen waste, which offers several advantages. In addition to a considerably lower CO₂e footprint, the biogas-powered trucks make significantly less noise than a diesel engine and also emit less particulate matter. In addition, the biogas-powered engine generates power for the cooling units on the company's tractor units, which helps to reduce CO₂e emissions.

Goods deliveries to Netto's stores on Zealand are handled by KP Logistik which also handles most of the deliveries to Netto's 342 stores in Germany. The fleet's 110 trucks have been running on liquefied natural gas since 2019 when Germany abolished the road toll on this particular type of truck. Liquefied natural gas is a more environmentally friendly alternative to diesel, reducing CO₂e emissions from the German fleet by 1,300 tonnes or 11.9% per year.

Biodiversity: Goodbye to 'green deserts' at our head offices



Without insects global ecosystems would collapse, threatening the existence of plants, animals and humans. Biodiversity loss is a global challenge that, like the climate challenges, calls for joint action. That is why Salling Group will be sharpening its focus on biodiversity in the coming years.

In 2021, the entrance area at Netto's head office in Køge provided the setting for the Group's first major biodiversity project. We worked with Hede-Danmark to transform the premises' trimmed lawn into a large-scale insect hotel surrounded by planting similar to that found in a wild flower bed. Trimmed lawns, with their lack of shade, food sources and protection, are not insect-friendly, so this year Salling Group has decided to transform the green spaces at its headquarters in Aarslev into a living habitat for insects, birds and other wildlife.



CHAMPIONING PLANT-BASED OPTIONS

One of the ways our customers can limit their own CO₂e footprint is by replacing animal-based products with plant-based alternatives. This requires that the products are available to the consumers, which is why Salling Group has been working hard for several years to expand our offering of affordable vegetarian and vegan options.

For the third year in a row, the Vegetarian Society of Denmark has named Bilka

‘Plant-Based Supermarket of the Year’.

Bilka received the award for offering the largest selection of plant-based food items on the market. The Society also did a price comparison which revealed that Bilka ranks best when it comes to affordable plant-based food items. It is followed by **Netto** in second place, which was named **‘Plant-Based Discount Supermarket of the Year’** by the **Vegetarian Society of Denmark**.

In addition, **as føtex** was named **‘High Performer of the Year’** due to its expanded range and overall low price level, Salling Group came out on top among the 14 supermarket chains, discount supermarkets and online supermarkets surveyed.



High performer of the year

Salling Group came out on top among the 14 supermarket chains, discount supermarkets and online supermarkets surveyed.



FOOD WASTE: THE GREEN, THE GOOD AND THE NOT VERY INTERESTING

Food waste is bad for the environment and the economy, whether the waste takes place at home or in store. Salling Group's ambitious goal is to reduce our food waste to close to 0% while helping our customers to reduce food waste at home.

In 2016, we became the first Danish retailer to openly publish our food waste figures in our CSR Report. The original baseline was based on market figures from the Danish Environmental Protection Agency's mapping of food waste in Denmark. It has since become apparent that Salling Group's share of food waste in the service sector was smaller than our market share, which led us to adjust our baseline when reviewing our food waste at the end of 2021. The adjusted baseline is now 2015, which was the first year we had sufficient solid historical data to calculate our food waste. However, the adjusted baseline does not change the fact that we have always worked intensively to combat food waste and continue to do so.

Inspiration – the green

We want to do our part to make sure that everything that goes into the shopping basket is used and not wasted. This is good for the environment and the wallet. føtex, Bilka and Netto offer a collection of inspiring recipes, and føtex' 'Spis med' collection even features climate-friendly recipes and a built-in calculator that allows you to calculate how much CO₂e you can save by replacing an ingredient with a more climate-friendly alternative. At the same time, we are constantly working to make it easier to make green shopping choices, for example by offering a wide range of fruit and vegetables and plant-based food items as well as sliced, rinsed and ready-to-eat vegetables.

Donations – the good

Across Salling Group's chains, we have an extensive collaboration with partners who take surplus food from stores and warehouses. In addition to collecting food items that are close to their sell-by date and selling them at a reduced price, Bilka is donating food to the Danish Food Bank, while in 2021 Netto expanded its collaboration with Too Good To Go, the Danish Food Bank and Stop Waste Locally. Every day more than 165 stores help to ensure that food is eaten and not wasted. Last year, føtex launched its most comprehensive collaboration per store with Too Good To Go in the supermarket segment, and wrong deliveries or entire batches are regularly distributed from our warehouses to anti-food waste organisations. These donations give everyone a good gut feeling in more than one sense, and our employees have wholeheartedly embraced the effort. Still, to put it bluntly, we would like to donate less.

Systematic effort – the not very interesting

Although both our stores, chains and company are being praised for their donations, in reality we would rather be without it. In fact, we are working hard to eliminate surplus food. The work that really makes a difference does not really tell an interesting story and rarely makes headlines. In short, the recipe for success is better planning, reduced warehouse storage times and improved IT systems – not very interesting, but it works.

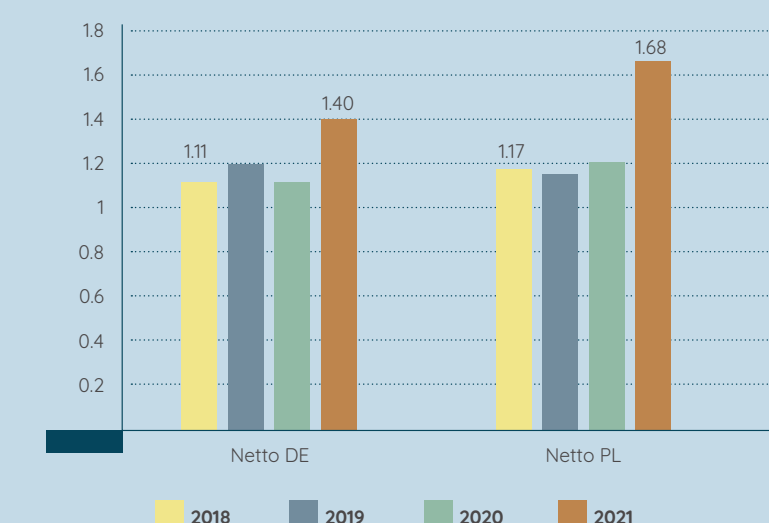
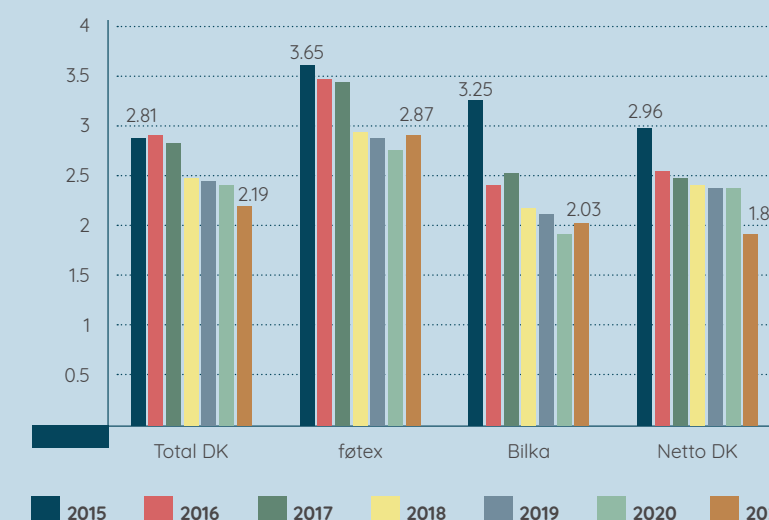


Netto's systematic fight against food waste has paid off

In the space of just one year, Netto Denmark has reduced food waste in its stores from 17,382 tonnes to 14,204 tonnes. Donations of surplus food and a collaboration with Too Good To Go are only a small part of the success, which is primarily due to a systematic mapping of food waste from the procurement department to the individual store. This has led to changes in the procurement of seasonal and promotional items, among other things, to ensure more accurate deliveries in store. Netto also terminated suppliers whose products too often fell short of expectations. Finally, Netto focused heavily on upskilling store managers and employees by offering training in good store and business practices.

Food waste equals loss of profits and has always been one of the parameters against which the individual stores are assessed. Basically, it is about ordering the exact amount of goods that customers are expected to buy. Although it may sound simple, it is impossible to get it 100% right and avoid food waste. The upside is that surplus food will continue to be available for distribution under the 250 local donation agreements that Netto Denmark expects to reach in 2022.

Food waste in %



Donations in Germany and Poland

90%

of Netto Germany's stores have partnerships with food banks, shelters and zoos who collect surplus food to make sure the food is not wasted.

486

Netto Poland stores have partnerships with 32 food banks. In 2021, this resulted in donations of 2,200 tonnes of food worth DKK 21m or 4,400,900 meals.

Hope for wonky and ugly veg



A survey by the Danish Environmental Protection Agency of the biggest sources of food waste shows that most waste takes place in the home. Primary production and the food industry are the second biggest sources of food waste, while the retail sector and the rest of the service sector – hotels, restaurants, institutions and catering – also account for a large share of food waste.

After lengthy idea development and testing, føtex, Netto and Bilka and the manufacturer Alfred Pedersen & Søn launched a range of products last year with the aim of reducing especially hidden food waste early in the value chain. By going backwards in the chain, the shared goal was to give wonky and crooked cucumbers, misshapen peppers and discarded tomatoes a new lease of life and keeping them out of the bin.

With the launch of ‘PEDERSENS UDVALGTE’ many discarded but otherwise fresh vegetables from the greenhouses are now being sold at a reduced price. In 2021, instead of going to waste, otherwise unsellable tomatoes also featured in a new range of tomato pasta sauce made solely from surplus and food waste tomatoes and free from artificial additives. Like Salling Group, Alfred Pedersen & Søn has joined the ‘Denmark against Food Waste’ partnership. Rescuing ugly, shrivelled or wonky vegetables is a small but useful step in the right direction.



Salling Group tests save two out of five avocados from being binned

Last year, thorough testing at Salling Group revealed that the pioneering Apeel plant-based technology increased the shelf life of avocados significantly, reducing food waste by 40% during the test period.

To protect the avocados and extend their shelf life, Salling Group became the first retailer in Denmark to launch a nationwide trial of the new Apeel technology in 2020. In addition to limiting CO₂e emissions through reduced food waste, the plant-based coating – which is layered onto the food to keep it fresh for longer – has increased sales. Salling Group is now working with the manufacturer of Apeel to test the technology on other fruit and vegetables, including citrus fruits and mangoes.

The avocados were the first vegetables to be tested and are now a regular fixture in the fruit and vegetable department at føtex and Bilka.



THE PLASTIC DEBATE THAT NEVER HAPPENED

As recently as two years ago, single-use plastics were one of the most maligned products on the planet. Then came the COVID-19 pandemic, and the demand for single-use face masks and disposable gloves from people around the world reached unprecedented levels. In the meantime, however, talks of phasing out single-use plastics have gone quiet.

Plastic pollution continues to threaten the global marine environment, and the development in public focus clearly shows why valuable ESG⁷ strategies ensure focus on long-term goals without any concern for changing agendas.

That is why Salling Group continues to work towards the targets set out in the Group's plastic use and recycling strategy.

Target status at the end of 2021:

⁷ Environment, Social and Governance



All single-use plastics will be phased out by	The amount of plastic used in private label packaging must be reduced by	All private label packaging must be	Sales of plastic bags must be reduced by	The amount of recycled plastic in private label packaging must be increased to at least
2021	30%	100%	50%	40%
Status: So far fØtex and Netto have met the target	by 2023 Status: 10% reduction	recyclable by 2023 Status: 16% of packaging	Status: 36% reduction	Status: Increased to 79%



Climate champion

Søren Petersen is department head at Vareterminal Ishøj which distributes fruit and vegetables to fØtex and Bilka stores across Zealand as well as wine to all Salling Group stores in Denmark. His areas of responsibility include waste management and CSR, but he is also a true climate champion. Five years ago, waste segregation was a loss-making activity but now Søren has turned it into a profitable business as the waste can be sold for recycling instead of being incinerated.

The 500 tonnes of waste generated at the warehouse are segregated into 12 different fractions and sent on for further processing. This includes 15-20 tonnes of plastic which was previously sent for incineration.



NEW LIFE FOR MILLIONS OF HANGERS


In 2021, Salling Group sent more than
150
tonnes of plastic hangers for recycling

For years, plastic clothing hangers have caused Salling Group headaches. All sales data shows that if the clothes are lying around in piles instead of being presented on hangers, sales plummet. But what happens to the hangers once the clothes have been sold?

We have long offered our customers to take them for free, with little success. Instead, Salling Group has looked into whether it would be worth it to sort the hangers and return them to the manufacturer. The time and resources this would require make it an unviable option, and alternative materials such as cardboard pose significant challenges from either a quality or environmental standpoint.

In order to avoid discarding plastic clothes hangers from Bilka and fØtex, last year Salling Group extended its collaboration with waste collection partner ISS Facility Services and the recycling company Reno-

Fyn in Nyborg, Denmark. The collected hangers are crushed and melted into granules, which are then sold by RenoFyn to make new plastic products. The new collaboration began in August 2021, and since then Salling Group has sent more than 150 tonnes of plastic hangers for recycling, equivalent to almost 4m hangers.

Although recycling is a better solution to the problem in many ways, it clearly highlights one of the fundamental dilemmas of retail: striking a balance between sales and resource consumption. While ending the use of hangers would clearly be the best option as it would lead to a marked reduction in the amount of energy used in the production, transport and melting of the hangers, balancing sales, climate and environmental considerations proved extremely difficult so we decided to develop the next best solution with the help of Salling Group's partners.

CAN WE PROMOTE ORGANIC PRODUCTS WITH A GOOD CLIMATE CONSCIENCE?

In 2021, organic farming broke its own record and at just under 12%⁸ it now accounts for a larger share of the total farmland in Denmark than ever before. According to a report from the Swiss research centre FiBL and the international organic umbrella organisation IFOAM, last year Danes had the highest per capita spending on organic products in the world. Furthermore, Denmark had the largest organic market share among all the countries surveyed, so all is well, right?

No, argue the critics. Organic farming is no better for the environment than conventional farming, in fact it is worse. So how can we, as a retailer, possibly promote organic products?

The answer is complicated at best. Experts on both sides of the divide seem to agree that organic yields per hectare are lower than conventional yields and that each unit produced thus results in a larger carbon footprint. On the other hand, we know from a number of consumer surveys that organic shoppers' shopping habits and purchases on the whole are more eco- and animal-

friendly than those of conventional shoppers. This is where the consensus ends.

While scholars are arguing over whether organic farming is good for the environment, we know that for years Netto has been Denmark's largest outlet for organic products, while organic products account for an ever-increasing share of sales in føtex and Bilka.

And while the arguments among scholars continue, we balance the dilemma by promoting organic products and more climate-friendly, plant-based alternatives. The aim is to contribute to lower CO₂e emissions, a better aquatic environment, fewer pesticide residues in food and greater biodiversity.

⁸ Source: Danish Ministry of Food, Agriculture and Fisheries, March 2021



No food left behind

During the autumn school break, families across the country shone the spotlight on food waste and leftovers. føtex was a partner in this year's 'Food Waste School', where 260 families spent the autumn break learning how to turn surplus food and leftovers into delicious meals.



75,000 Christmas meals for the homeless

In the run-up to Christmas, Bilka and its customers helped to provide meals for homeless people across Denmark. Customers who wanted to support the initiative could buy a Christmas card for DKK 30 for the Danish Food Bank, while Bilka would donate an additional DKK 30 per card, which helped to secure 75,000 meals for the homeless during the festive season.

Dilemmas to be addressed

- Responsible consumption vs. meeting a need
- Climate/environmental considerations vs. increasing sales
- Organic farming vs. carbon footprint
- Improved animal welfare vs. higher carbon emissions
- Cigarette sales are declining, but snuff sales are increasing

Is it the retailer or the authorities who should be checking packaging labels and claims?

A BIG STEP FOR 20M CHICKENS



Last year, Salling Group began the complete phase-out of ‘turbo chickens’ from føtex, Netto and Bilka’s permanent range of fresh poultry, replacing them with slower growing chickens. Salling Group was already Denmark’s largest retailer of high animal welfare chickens, and the new step towards a complete phase-out of fast-growing chickens will improve the living conditions of more than 20m broilers per year.

The animal rights organisation Anima praises the phase-out, which according to the organisation sets new standards in grocery shopping. However, the phase-out highlights the dilemma of having to choose between prioritising animal welfare or the environment. CO₂e emissions from the production of slower growing breeds are higher, and the added footprint must consequently be offset elsewhere in the business. However, the improvement in living conditions for so many animals is so significant that the choice was obvious.

The phase-out in the three chains began in autumn 2021, and during 2022 we plan to complete the replacement in our permanent range. As a result, from spring 2022 føtex, Netto and Bilka’s permanent range of fresh chickens will consist exclusively of high animal welfare chickens and chicken breeds that take 48-63 days to reach a weight of 2.2 kg. By comparison, fast-growing chickens take just 33 days to grow from 50 g to 2 kg which may make it difficult for the body and organs of the chickens to keep up with the rapid growth – resulting in poorer animal welfare.



SALLING

FAMILY FARMS

LØGIMOSE

DANPO

SOCIAL

Social and employee conditions

With 61,874 employees, thousands of suppliers and millions of customers in our stores, we have a great responsibility to the people who make up the cornerstone of our business.

By focusing on well-being, health and safety in our own operations and raising awareness of working conditions among our suppliers, we take responsibility across our value chain. We also use food donations and other donations to support local social initiatives to strengthen the communities we and our stores are part of.



Our employees are Salling Group's foundation

Running a responsible business is not only about selling responsible products, but is also about integrity and social commitment. As one of the largest employers in Denmark, our employees are the Group's greatest asset and the key to our continued development. By focusing on creating a working environment that promotes cooperation, empowerment and efficient decision-making in challenging situations, we strive to provide our employees with the best opportunities for career development and personal growth. This combination was put to the test in the changing and challenging working environment caused by the past two years' COVID-19 pandemic.

We expect our managers to lead by example and have strong ethical values that ensure that we balance our competitive, passionate and effective culture with appropriate conduct at all times.



Shopping values

To earn our customers' trust they need to know that we take responsibility not only for our employees but also for the products we sell and the people who produce them. High animal welfare, fair working conditions and production practices that consider local communities and the environment are minimum requirements that must be met across the value chain. Our customers' demands are far from limited to price and quality. On the contrary, when our customers shop at one of Salling Group's stores they know that they can shop with a good conscience and that our corporate values are reflected in our business practices. We continuously strive to live up to our customers' expectations and our business partners' trust through external partnerships and recognised certifications.



Diversity is our strength

At Salling Group, we are proud to say that we have room for everyone and that everyone has the opportunity to make a difference if they want to, no matter who they are or their background. We believe that, in addition to benefiting the individual person, our efforts to include people on the fringes of the labour market also benefit our workplace and society as a whole. In 2021, the Social Calculator⁹ showed that Salling Group's work in Denmark to include people on the fringes of the labour market indirectly benefited society by providing more than DKK 78m in increased tax revenue and benefit savings. We measure our retention rate¹⁰ by the number of employees in supported employment because it indicates whether we have the right match from the start and are able to give the individual employee the special assistance they need. In 2021, we hired 461 people from the fringes of the labour market with a retention rate of 86.8.

In terms of the underrepresented gender, our target was to have at least 20% women at director level or higher by the end of 2020. We did not meet this target. In 2021, the share was 19%. Moreover, our target is to reach 40% female board members by 2025. At the end of 2021, 20% of Salling Group's board members were female.

⁹ Learn more at Cabiweb.dk

¹⁰ The retention rate expresses the number of people in supported employment who are still employed one year after employment start



Rewarding diversity

In 2021, Salling Group was named one of the top companies in Europe by the Financial Times when it comes to promoting diversity and inclusion in the workplace. More than 100,000 employees from about 15,000 companies participated in the survey, which also sought the opinion of HR recruitment experts. In the survey, Salling Group ranks sixth on inclusion and diversity and is one of just two Danish companies in the top 100. With 61,874 employees and 111 nationalities, Salling Group is fundamentally a highly diverse workplace, but the survey takes a closer look at the companies' corporate culture and ability to retain talent, and focuses on the companies' inclusiveness or efforts to promote different aspects of diversity, including gender balance¹¹, openness to all forms of sexual orientation, race and ethnicity, disability and age. Promoting diversity has long been a key priority for Salling Group, and today it is an essential part of the company's DNA to be a diverse workplace that ensures equal opportunities for all.

Our sixth place in the Financial Times' Diversity Leadership ranking is testament to this.

61,874
employees

111
nationalities

¹¹ See table on p. 43

SKY HIGH GREEN URBAN OASIS

City dwellers worldwide are seeking out green spaces where they can relax and recharge their batteries. In 2021, Salling department store in Aarhus began the construction of an urban rooftop park which is open to everyone. The rooftop park was made possible by a donation from the Salling Foundations, and after two years in which the opportunities for socialising were limited by COVID-19, the ambition is to create a new urban space that brings people together – a green breathing space in more than one sense.

When completed in summer 2022, the urban park will not only improve everyday life and the urban environment, but will also pave the way for studies of whether these types of green rooftop spaces can have a positive impact on Aarhus's transition to carbon neutrality and whether it has a measurable, positive impact on noise, air quality and the overall CO₂e accounts.



DILEMMA-FILLED STRAWBERRY HARVEST IN SPAIN



Last year, the Danish investigative media centre Danwatch investigated working conditions in the Spanish berry industry in the Huelva province, where migrant workers make up part of the workforce. Several female employees spoke anonymously to Danwatch about poor working conditions and cases of serious sexual assault by several local producers. In some cases, the incidents described were clearly criminal offences or offences which should be investigated by the police. Based on the anonymous reports received by Salling Group in early summer, we immediately launched a thorough investigation into our Spanish strawberry supply chain.

This was an important but also very complex case to investigate as our secrecy obligation towards the women prevented us from having an open dialogue with the suppliers or producers. Furthermore, as the conditions were only reported to us after the end of the harvest season, it was not possible to carry out a thorough investigation of the working conditions on site. Preliminary audits conducted by a third party show that no issues like those uncovered by Danwatch were reported by the auditors.

Nevertheless, this has not prevented us from launching a number of initiatives, which have led to an intensified dialogue with the Danish Ethical Trading Initiative (DIEH), the Danish trade union 3F and several other stakeholders. In addition, we have entered into a dialogue with GlobalG.A.P., among others, about their complaints procedure and a potential whistleblower scheme.

Going forward, our suppliers must meet several additional comprehensive requirements which entail new inspections according to the GlobalG.A.P. GRASP standard or similar.

Third-party audits is a tool we can use in our current due diligence process and given the seriousness of the case, we have also initiated unannounced inspection visits. Salling Group maintains its focus on this area, which requires coordinated action by the international organisations mentioned, the Spanish government, Spanish police and trade unions.



BR partners with
SMILfonden to bring
joy to children ❤️

BR has teamed up with the children’s charity SMILfonden, which aims to bring joy to children suffering from a serious or chronic illness by organising events, summer camps and day trips for the children and their families.

BR supports SMILfonden’s work by donating toys and money, and the BR mascot has attended several SMIL events. BR has also introduced the SMILbamsen teddy which is given to SMIL children and sold in BR stores and on BR.dk. All proceeds from the teddy bear sales go to SMILfonden, with 1,594 teddies being sold in 2021.



PROVIDING TRAINING AND JOBS FOR
YOUNG PEOPLE WITH DISABILITIES

Since 2018, Salling Group, the GLAD Foundation, the Municipality of Aarhus and the City of Copenhagen have successfully provided training to young people with autism or other cognitive disabilities to put them on track to permanent employment. After a successful pilot scheme in East Jutland and Copenhagen, the efforts to help young people get a foothold on the labour market have since been extended to other parts of Denmark.

The so-called Flex training is targeted at young people with cognitive disabilities and aims to prepare students for a job in retail or a warehouse. In addition to boosting the students’ self confidence, we give them specific skills they can use in future jobs, while giving them the opportunity to

be part of a workplace community through traineeships. For Salling Group, the training is not only a chance to help people that typically fall outside the range of the traditional education system, but also a way to recruit dependable and dedicated employees. Upon completing their training, many of the young people land a flexi-job at Salling Group, which is the number one provider of traineeships and employment.

Last spring, the ruling parties and other parties in the Danish parliament adopted a new agreement which ensured that the Flex training scheme for young people with cognitive disabilities can continue until 2023 with Salling Group as an active partner.



Targeted action to help
veterans get back on
their feet

Salling Group is proud of the men and women who have risked their lives and physical and mental health while serving in the army on missions to global hotspots. They are willing to make the ultimate sacrifice to protect civilians and human rights, and we have stepped up our efforts to help veterans get back on their feet when they return home.

The transition from military to civilian life can be difficult, but we have managed to find jobs for several veterans, for example by working with Cabi and the Veteran Centre under the Danish Ministry of Defence Personnel Agency. In addition to providing job opportunities, our stores regularly donate groceries to veterans in need, with Starbucks also selling Veteran pins and offering free coffee to veterans.

In recognition of Salling Group’s work to support veterans, we have been awarded the Danish Ministry of Defence’s Veteran Company Prize 2021. We are happy to help, although what we do can never match what the veterans have been willing to sacrifice for us.



Helping the Danish Health Authority with vaccine rollout

COVID-19 continued to leave its mark on life in 2021. We are extremely grateful for the tremendous work our employees have put into bringing each other and our customers safely through the pandemic.

Their dedication became even more apparent on a Saturday in September, when Bilka supermarkets across Denmark teamed up with the Danish Health Authority to offer COVID-19 vaccines to shoppers.

The aim was to make it even easier for people to get the vaccine by reducing transport and waiting times and reach as many people as possible to bring Denmark closer to its goal of vaccinating 90% of the target population by autumn. Throughout the COVID-19 pandemic, Salling Group has supported the government's measures to curb the spread of the pandemic, and the company will continue to support initiatives to protect public health.

85,000
Billie safety goggles

Welcoming the New Year safely

For the sixth year in a row, Bilka handed out free Billie safety goggles to its customers, ensuring that children were able to stay safe while enjoying the fireworks. A total of 85,000 goggles were handed out to children across Denmark.

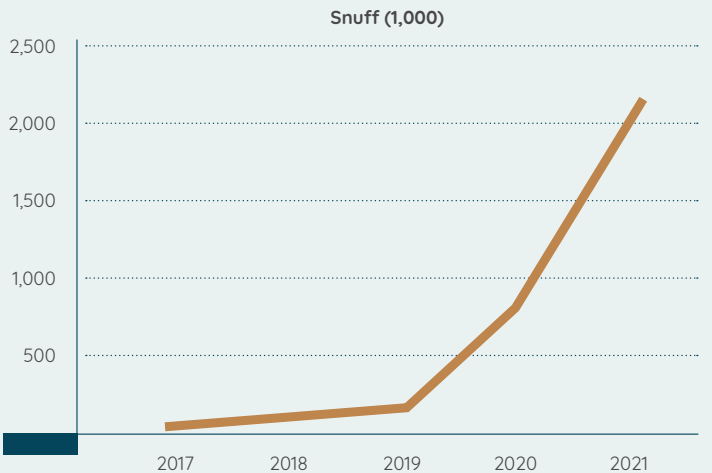
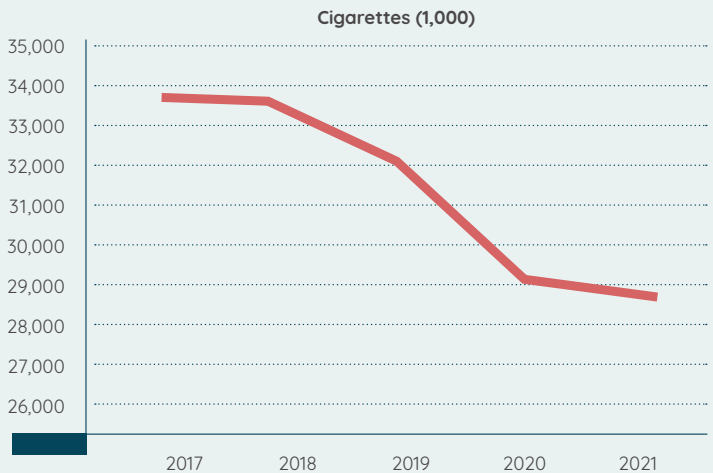


TOWARDS A SMOKE-FREE GENERATION

On 1 April 2021, it became mandatory for all retail stores, kiosks and petrol stations in Denmark to hide tobacco products from public view. The aim is to bring down the sale of cigarettes, snuff and other tobacco products, especially to young people. In Salling Group, however, we have taken steps in that direction long before that, and in 2018 Netto, fØtex, Bilka and Salling department stores became the first in Denmark to hide cigarettes from public view.

According to the Danish Cancer Society, the Danish Medical Association and the Danish Heart Foundation, this is the most effective step that retailers can take to reduce tobacco sales. Since the display ban was introduced by Salling Group in 2018, 111m fewer cigarettes have been sold in fØtex, Netto, Bilka and Salling department stores. Last spring, the initiative was embraced by legislators and our competitors, helping to reach the goal of a smoke-free generation by 2030.

Development in cigarette and snuff sales (pkg.)



INTRODUCTION

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SUSTAINABILITY

APPENDICES



GOVERNANCE

As Salling Group has expanded and developed its sustainability efforts, our organisation and governance have also undergone a transformation. In 2021, the overall responsibility was anchored on Salling Group’s Board of Directors as the company decided to set up a Sustainability Committee, headed by Chairman of the Board, Bjørn Gulden.

- Salling Group’s Sustainability Board is composed of:
- Bjørn Gulden, Chairman of the Board
 - Thomas Tochtermann, board member
 - Per Bank, CEO
 - Morten Agerholm, employee representative and Senior Category Manager
 - Jo Ottow Svendsen, Senior Director of Finance
 - Henrik Vinther Olesen, Vice President Communication, CSR & Public Affairs

- The company’s Sustainability Board is responsible for:
- Providing support and general advice on the Group’s climate ambition and ESG strategy
 - Following up, challenging and approving initiatives to fulfil the ambition
 - Monitoring compliance with local, national and international laws and regulations

In order to further develop and expand the scope of our data reporting, the responsibility for this area is now anchored in Salling Group’s Finance department. By including members of the Group Board on the Sustainability Committee and placing stricter requirements on our reporting, we ensure that our sustainability reporting is just as important as our financial reporting. We are also working closer with Salling Group’s internal audit department in relation to governance, policies and communication in our sustainability reporting.

Salling Group has long been the only food retailer in Denmark to have its responsibility data audited by a third party. It is encouraging to see that others in the industry are starting to adopt the same practices which will have a major impact on retailers’ ability to build and maintain the trust of our many stakeholders.



Underlying focus areas with owners across the organisation to ensure progress and execution. The individual owners are invited to attend the steering committee meetings if their responsibilities are on the agenda.

GREEN CLAIMS: DO THEY HELP OR MISLEAD CONSUMERS?

The growing interest in climate issues and CO₂e emission reductions has led to a need for more regulation or at least agreement on green claims.

In 2021, Salling Group joined the Danish Ministry of Food's initiative to put together a common code of communication on the carbon footprint of food, which has proved to be a near impossible task. In particular, claims regarding animal products, including meat and dairy products, have provoked debate, because is it okay to make positive claims about animal-based products that notoriously emit large amounts of CO₂e? Should we include dietary advice? And is there even such a thing as carbon-neutral food production or sustainability?

The debate also gained traction in the media among climate activists and food producers, later moving to the retail sector, as environmental organisations claimed that Salling Group and other retailers had a legal responsibility to not sell products which, in their opinion, carry misleading labelling. Although the Danish Veterinary and Food Administration has said that this was not the case, the issue does highlight the general dilemma of the extent to which we, as retailers, should check the changing packaging of branded products. Or if we should leave it to the food authorities to decide whether a producer's product labelling violates laws in the area which are not very clear.

The complex issue of carbon footprint labelling

For years, Salling Group has been calling for a common carbon footprint labelling scheme for food in the retail sector, but since a national labelling scheme has not yet been adopted, last year Netto Denmark took the initiative to trial carbon footprint labelling and customer guidance in its stores. It involved trialling a label which, like existing schemes such as the Keyhole label, makes positive claims about the product and not highlighting shopping choices that are bad for the environment. The labelling was based on data from The Big Climate Database developed by the think tank CONCITO. In the database, whose development was funded by the Salling Foundations, CONCITO has mapped the CO₂e emissions of a wide range of products measured per kilo of food product.

Many consumers want to make a positive difference for the environment; a survey conducted by føtex in 2020 showed that two out of three Danes want to eat less meat and more vegetables, while one in three Danes expect to adopt a more climate-friendly diet within the next two years. However, prior to the trial in Netto, every second customer responded that they felt there was a lack of information, help and guidance that could make it easier for them to make more informed shopping choices.

For a period of six months, the Netto stores collected data on changes in customer behaviour and shared their experience with politicians, customers and competitors in order to provide inspiration and input to the authorities' ongoing work on developing a common labelling model. The trial showed a decline in sales of foods with a high carbon footprint such as beef, cold cuts and avocados and very positive feedback on the trialled labelling.

CARBON FOOTPRINT FRUIT AND VEGETABLES

Eat more from the base to reduce your carbon footprint



TAX



7,308
m

**Salling Group's total
tax contribution**

19th

**largest corporate
taxpayer in Denmark**

363
m

**corporate tax paid
in Denmark**

At Salling Group, we do business based on the idea that paying taxes is essential to society and that we have not only an obligation to contribute wherever possible, but also an opportunity to make a real difference. Taxes and duties help to fund government welfare systems and improving public services for the benefit of our employees, customers and business partners. Corporate taxes help to facilitate the green transformation, locally as well as globally, and contribute to the achievement of the UN Sustainable Development Goals¹².

The supreme responsibility for Salling Group's tax policy is anchored on the Board which underlines our commitment to open and fair tax practices. With operating companies in Germany, Poland and Denmark where most of our

operations are located, Salling Group strives to comply with national tax laws and ensure transparent tax communication.

Salling Group does not operate in low-tax jurisdictions, nor does it make use of special tax optimisation models designed for tax evasion purposes. Moreover, we seek to contribute through constructive participation in national and international dialogue with governments and business groups to support the development of transparent tax systems and effective tax management.

Salling Group's tax policy¹³ is based on four key priorities:

- Compliance with tax laws
- Transparent tax policy and tax payment
- Tax risk management
- Responsible tax structure and planning

Our strategy enables us to monitor developments in taxes and duties and take quick and effective action in an often complex and comprehensive area to ensure that we pay the right amount of taxes and duties at all times.

¹² Salling Group works to support the UN Sustainable Development Goals (SDGs), including target 16.6 (build effective, accountable and transparent institutions), but we especially address SDG 3 (good health and well-being), SDG 12 (responsible consumption and production) and SDG 13 (climate action). Read more about our CSR work at <https://sallinggroup.com/ansvarlighed/>

¹³ <https://storage.sallinggroup.com/media/2622/tax.pdf>

TAX

Total tax payment

According to the company’s published tax registration for 2020¹⁴, F. Salling Holding A/S, Salling Group’s administrative tax entity, is the 19th largest corporate taxpayer in Denmark. F. Salling Holding A/S is responsible for paying all corporate taxes to the authorities on behalf of the Group’s Danish companies. In 2020, the Group’s total tax contribution¹⁵ amounted to DKK 7,308m compared to DKK 7,349m in 2019. This includes indirect taxes paid by our company (taxes collected), such as VAT and employee income tax, as well as direct taxes (taxes incurred) such as corporate tax and property tax.

Taxes and duties collected

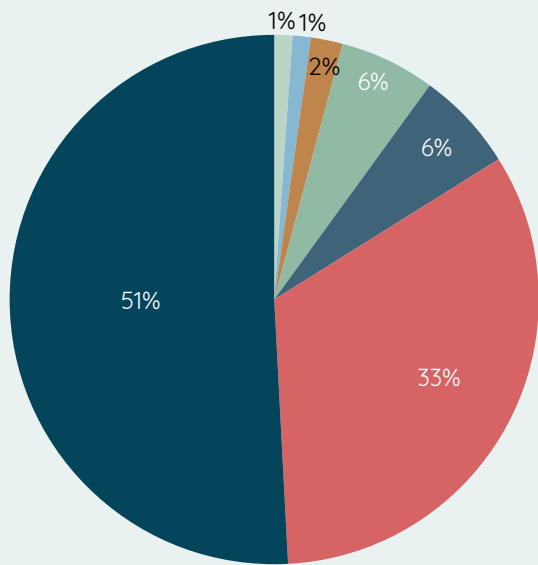
Taxes and duties collected comprise VAT, withholding taxes and excise duties. The VAT amount is calculated as a net VAT payment to the state, i.e. VAT on

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 manufacturer.

Direct taxes and duties

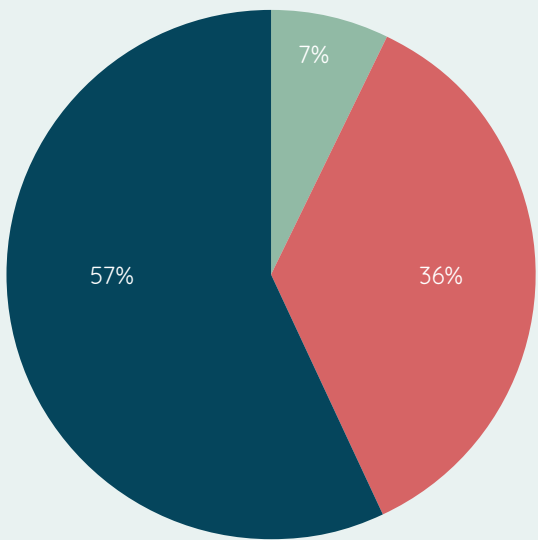
The Group’s own taxes and duties comprise corporate taxes, energy taxes, environmental taxes and property taxes. Corporate taxes make up most of the Group’s own taxes and duties (58%). The total corporate tax payment of the Danish companies in the Group amounted to DKK 363m. In addition, corporate taxes totalling DKK 78m were paid by the Group’s companies outside Denmark.

Total tax payment by category
DKK 7,308m in total



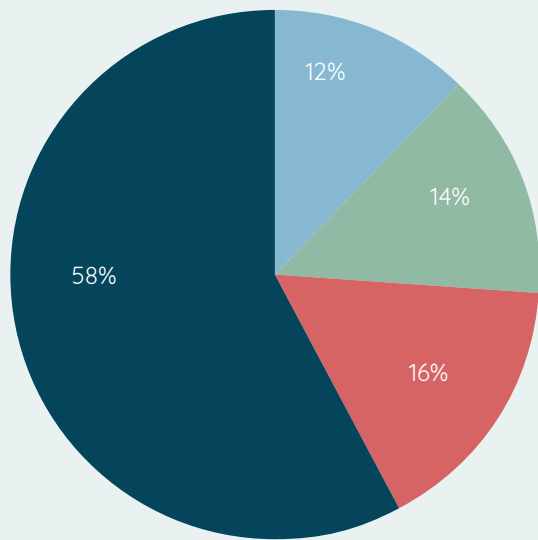
- VAT (outgoing VAT less incoming VAT)
- Employee taxation
- Corporate taxes
- Excise duties (imported goods)
- Property taxes
- Energy taxes, incl. PSO levies
- Environmental taxes

Taxes and duties collected
DKK 6,551m in total



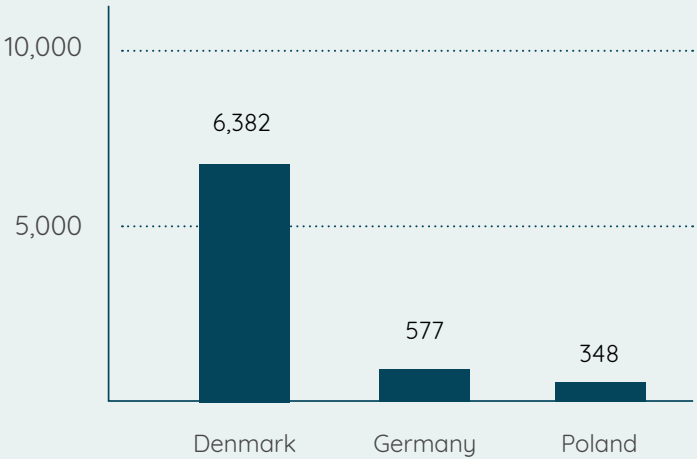
- VAT (outgoing VAT less incoming VAT)
- Employee taxation
- Excise duties (imported goods)

Taxes and duties paid
DKK 757m in total



- Corporate taxes
- Property taxes
- Environmental taxes
- Energy taxes, incl. PSO levies

Total tax payment by country
DKK 7,308m in total



- Total tax payment 2020

¹⁴ The reported figures are 2020 figures as figures for 2021 were not available for all formats and countries at the time of publication of this report
¹⁵ The figures are calculated in accordance with the standardised overall tax contribution method.

SUSTAINABILITY

Management’s role

The top management must understand the risks associated with the four aspects of sustainability, human rights, social and employee conditions, climate and environment, and anti-corruption, and ensure that relevant policies are in place to minimise any negative impact on them. The management is also responsible for identifying and addressing the primary risks to the company itself in relation to the four aspects.

In 2021, we strengthened our commitment to sustainability by setting up a Sustainability Committee which consists of three members of the Board of Directors, including an employee representative, the Group CEO, Group Vice President of Communication, CSR & Public Affairs and a Senior Director of Finance.

Value chain risks



Respect for human rights

Salling Group respects human rights and work to ensure that we do not directly or indirectly contribute to any human rights violations.

Area	Risk	Action taken in 2021	Expectations
Food safety	Improper food handling 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.	Third-party and internal checks of food, hygiene, food preparation and storage practices in our stores and distribution centres.	Increased reporting availability in Poland
Workers' rights, health and safety.	Key risks include forced and child labour, minimum wage, overtime in the textile and non-food sector, discrimination and migrant worker rights in the agricultural sector. We consider high-risk countries, among other things, according to amfori BSCI's high-risk country index, and certain high-risk industries (e.g. fruit and vegetables) in other countries.	Continuous implementation of the amfori BSCI Code of Conduct, Salling Group's responsible procurement policy, as well as follow-up and monitoring of them. Mandatory courses in responsible procurement practices.	That our suppliers comply with our requirements and make continuous changes that can help to eliminate problem areas.

Salling Group is developing a more comprehensive risk assessment tool which is more efficient in identifying any human rights risk stemming from our company's activities. We also want to make it possible to identify how these risks affect Salling Group's operations.

The production of a very wide and deep product range presents us with many potential challenges across different supply chains. The identification will therefore focus on several parameters such as:

- Areas of impact – for example forced labour, overtime, pay, etc. based on amfori BSCI's Code of Conduct
- Type of workers – for example migrant workers, home and seasonal workers, etc.
- Countries – high-risk/low-risk classifications based on political stability, corruption, etc.
- Industry – for example textiles, agricultural products, fish, etc.
- Supply chain stages – for example packing facility, finished production, raw materials, etc.

Because Salling Group is a member of amfori BSCI and GlobalG.A.P., we will increasingly utilise and incorporate data and insights about human rights risks in the supply chains of these organisations, combined with input from other important stakeholders.

Social and employee conditions

Our employees are our most important asset. As a result, it is important to us to ensure fair and safe employment conditions in every respect.

Area	Risk	Action taken in 2021	Expectations
Collective agreements	Without collective agreements, employees are at risk of being left unprotected when it comes to their employment (maternity leave, care days, holiday, dismissal, etc.), may lack opportunities to earn seniority and there may also be a lack of focus on on-the-job development of skills.	We have secured a new and better collective agreement with 3F Transport for delivery drivers who deliver groceries to our customers.	With the agreement, we expect to be able to attract and retain delivery drivers, but it is also our hope that it will inspire other players in the market.
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.	A heightened focus on the importance of early intervention, including through PFA Early Care for employees who have joined PFA Pension, is expected to lead to fewer and shorter periods of stress-related absence.
Employee accidents	In our warehouses and in our stores, there is a risk of sudden accidents occurring due to the physical work involved in lifting boxes, slippery floors, operating 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 recurrences.	We saw a small increase in 2021, but still expect the number of accidents to go down in future, particularly serious accidents.
Physical attrition	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 also makes it possible to convert current pension contributions and use the flexible spending account to pay for days off for senior employees.	With increased focus and knowledge, as well as better aids and workstations, we expect to see a small reduction in the level of physical attrition. Rollout of internal health project in autumn 2022 comprising preventive training, among other things.
Prevention of illness	Restrictions, improved hygiene, less socialising, etc. due to COVID-19 have lowered the risk of resistance in relation to a potential flu epidemic.	All employees of our Danish entities have been offered free flu shots at work during working hours.	Expectation of reduced levels of illness over the winter.
Sexual harassment	Salling Group does not tolerate abusive behaviour, but in light of the #metoo debate, we recognise the risk of sexist or sexually offensive behaviour.	As a result of the #metoo debate in Denmark, CEO Per Bank dedicated one of his weekly letters to addressing abusive behaviour. In addition to making it clear that Salling Group will not tolerate abusive behaviour, he encouraged anyone who may have been a victim of or have witnessed inappropriate behaviour or language to report it, either to their immediate manager, HR or to him.	Everyone is expected to contribute to creating a workplace and a culture which is characterised by mutual respect – across gender, age, abilities and origin.

Environmental conditions, including climate impact

Climate change is a global concern shared by Salling Group. We recognise the danger posed by climate change and we recognise the responsibility we have for protecting the environment. As a result, we are committed to continuously reducing our potential negative impact on both the climate and the environment.

Area	Risk	Action taken in 2021	Expectations
Water scarcity	Water scarcity is a growing problem, and it can have a direct effect on Salling Group's supply chains, especially when it comes to the production of fresh produce.	At the production level, we are increasingly looking into amfori BEPI.	Highlighting our value chain footprint is expected to lead to initiatives that can help to reduce not only our own water consumption but also the amount of water used to produce the goods we sell.
Deforestation	Palm oil and soya are directly and indirectly used in many of our private label products. The production of these raw materials impacts the environment and the living conditions in local communities and leads to biodiversity loss in high conservation value areas, especially in South-East Asia and South America.	In 2021, we updated and implemented our palm oil policy. 99.1% of the palm oil found in our private label products is certified (2020) ¹⁶ .	We expect that our participation in the palm oil and soya alliances can contribute to increasing the certified share of palm oil imported into Denmark.
Plastic	Plastic often ends up in nature and especially in the oceans, where it poses a huge threat to marine life and biodiversity.	In addition to increasing our target for recycled plastic in our private label packaging from 30% to 40%, we have revisited our 10 plastic principles.	We expect to reduce the use of plastic in our food and nearfood private label packaging by 30% by 2023 and to use 100% recyclable plastic.
Climate change	Rising temperatures could potentially affect global food supply, which could lead to food shortages, competition for food and rising food prices. Food should therefore never be wasted. Food waste is also a source of greenhouse gas emissions, primarily methane.	We are continuously working to reduce food waste across the value chain.	Through our extensive partnerships with various food waste organisations, we expect a greater redistribution of food that might otherwise go to waste.
Global warming potential (GWP)	Global warming as a result of using refrigerants in cooling units.	Efforts to replace older cooling units have been a priority since 2017 and are ongoing.	We expect our central cooling systems to be freon-free by the end of 2025.

¹⁶ The 2021 figure will be available in May 2022.



Area	Risk	Action taken in 2021	Expectations
Resource scarcity	Climate change, population growth and increased consumption due to improved living standards are leading to resource scarcity.	We are continuously working to reduce our energy and water consumption and increase waste recycling rates.	The focus on improved resource efficiency and highlighting our measurable value chain footprint are expected to promote initiatives to further reduce our environmental impact.
Value chain CO ₂ e footprint	As a large retailer selling goods produced in virtually every corner of the world, we have a direct and indirect CO ₂ e footprint that can have an adverse impact on the environment.	We have partnered with CDP ¹⁷ and committed to SBTi ¹⁸ , the Paris Agreement's 1.5 °C target and joined Race to Zero.	With clear targets and measurement methods, we expect to be able to intensify and qualify the identification of the areas and methods of action that can contribute to a maximum reduction of our value chain CO ₂ e emissions.

Combatting corruption and bribery

Salling Group does not tolerate corruption or bribery of any kind. We therefore strive to maintain a fair and transparent corporate culture.

Area	Risk	Action taken in 2021	Expectations
Corruption and bribery in the supply chain	Corruption and bribery in our supply chain is a barrier to economic and social development, especially in developing countries, and often entails increased costs.	Anti-corruption requirements are integrated into the amfori BSCI Code of Conduct and into Salling Group's general trade agreement for all suppliers and service providers.	Our overall efforts in the field of business ethics, including anti-corruption, will also consist in monitoring and ensuring that the high standards are maintained.
Corruption and bribery in Salling Group	The risk of corruption, for example related to accounting fraud, bribery related to obtaining building permits or the receipt of money or valuables in exchange for orders.	Anti-corruption requirements are already integrated into the amfori BSCI Code of Conduct and into Salling Group's general trade agreement for all suppliers and service providers. We have strengthened our whistleblower scheme, and a representative for Poland and Germany was formally admitted as a member of the WB group. The official WB policy and internal guidelines of the WB group were revised, updated and communicated, and were further updated in connection with the coming into force of the Danish Whistleblower Protection Act in December 2021.	Despite new legislation, we will also be able to maintain a single WB portal for all legal entities in 2022 to ensure that Danish WB members can also access reports that may, for example, only concern Netto PL. As a general rule, country-specific cases will be dealt with by the local WB member. When the Whistleblowing Directive is implemented in Poland and Germany in 2022, they are expected to create independent WB solutions and WB units.

¹⁷ Carbon Disclosure Project

¹⁸ Science Based Targets Initiative

Our stakeholders

We make a point of we running our business and stores responsibly, as we are a significant player in the communities in which we operate. To do this, we need to maintain successful partnerships with various stakeholders and partners.

Stakeholders	Topics	Method of dialogue
Customers	Customer satisfaction Product development Food quality Diversity Responsibility Responsible products Health Climate Food and product safety Complaints	Social media Surveys Customer support centres In-store mailboxes Store visits
Employees	Employee satisfaction Employee benefits Career development Education and training Working conditions Work accidents Health	Employee representation at board meetings One-on-one meetings Team meetings Satisfaction surveys
Owners – the Salling Foundations	Responsibility strategy Responsibility initiatives Donations	Ongoing dialogue Board meetings
Regulators (national politicians)	Taxes and duties on certain products Food labelling Food waste	Government working groups Think tanks Round-table discussions
Danish Ministry of Food, Agriculture and Fisheries and the Danish Ministry of Environment	Hygiene, food safety, Food certifications Smiley scheme Food waste Food donations Food labelling Dietary advice Internal checks Organic products	Inspection visits ONE\THIRD think tank Control dialog forum Organic dialogue forum Labelling dialogue forum
Municipalities	Noise Waste management Opening of new stores Inclusion and job readiness	Ongoing dialogue
NGOs and partnerships	Sustainable procurement Animal welfare Food waste Environment Climate Food safety Requests for donations Fundraising Plastic Smoke-free generation Health	One-on-one meetings Ongoing dialogue Partnerships

Stakeholders	Topics	Method of dialogue
Industry organisations and other organisations	Sustainable procurement Labelling Product safety Toys Cosmetics	One-on-one meetings Ongoing dialogue Network groups
Media/press	Product safety Animal welfare Competition and prices Responsible products Climate Food waste Health Regulatory requirements	One-on-one meetings Ongoing dialogue
Suppliers	Code of Conduct Labelling Reducing food waste Plastic	One-on-one meetings Theme days/conferences Manufacturer audits Satisfaction survey
Competitors	Labelling Animal welfare Food waste Palm oil Soya Sustainable procurement Supermarket industry code	Round-table discussions organised by public authorities and/or organisations Network meetings
Trade unions	Working conditions Employee safety	One-on-one meetings Ongoing dialogue



INDEPENDENT AUDITOR'S ASSURANCE REPORT

To the stakeholder of Salling Group

We have been engaged by Salling Group to perform a 'limited assurance engagement', as defined by the International Standard on Other Assurance Engagements, and to report on Salling Group's 2021 Sustainability Report the "Sustainability Report", for the period from 1 January to 31 December 2021.

In preparing the Sustainability Report, Salling Group applied the accounting principles described on pages 36-39.

Management's responsibilities

Salling Group's Management is responsible for determining the scope of the Sustainability Report, selecting the accounting principles, and for presenting the Sustainability Report in accordance with those accounting principles, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records, and making estimates that are relevant to the preparation of the Sustainability Report, such that it is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities

Our responsibility is to express a conclusion on the presentation of the Sustainability Report, based on our procedures and the evidence we have obtained. We performed our work in accordance with ISAE 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information and additional requirements under Danish audit regulation. Those standards require that we plan and perform our work to obtain limited assurance about whether, in all material respects, the Sustainability Report, is presented in accordance with the accounting principles, and to issue a conclusion thereon.

The procedures performed in connection with a limited assurance engagement vary in nature and timing and are substantially less than those performed in connection with a reasonable assurance engagement. A limited assurance engagement consists of making enquiries, primarily of persons

responsible for preparing the Sustainability Report and related information and applying analytical and other appropriate procedures.

Consequently, the level of assurance obtained for a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. Our procedures were designed to obtain a limited level of assurance for our conclusion and do not provide sufficient evidence to issue a reasonable assurance report.

Our independence and quality control

We have complied with the independence and other ethical requirements of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour as well as ethical requirements applicable in Denmark, and have the required competencies and experience to perform this assurance engagement.

EY Godkendt Revisionspartnerselskab also applies International Standard on Quality Control (ISQC) 1, and accordingly maintains a comprehensive quality control system, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Description of procedures performed

Our procedures included: Adjust the procedures to match the specific engagement

- Review of Salling Group process for the preparation and presentation of the Sustainability Report to develop an understanding of how the reporting is conducted within the organisation
- Interviewed those in charge of Sustainability Report to develop an understanding of the process for the preparation of the Sustainability Report

- Analytical review procedures to support the reasonableness of the data
- Made inquiries to significant development in reported data
- Verified on a sample basis the information in the Sustainability Report against source data and other information prepared by those in charge
- Considered the disclosure and presentation of the Sustainability Report against the accounting principles.

We also performed such other procedures as we considered necessary in the circumstances.

Conclusion

Based on our procedures and the evidence obtained, nothing has come to our attention that causes us to believe that the Sustainability Report for the period from 1 January 2021 to 31 December, has been prepared, in all material respects, in accordance with the accounting principles described on pages 36-39.

Aarhus, 28 April 2022

EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Jes Lauritzen
Partner, State-Authorised Public Accountant
Mne10121

Carina Ohm
Partner
Head of Climate Change
and Sustainability Services

STATEMENT BY THE MANAGEMENT

The management of Salling Group has considered and adopted the Group's Sustainability Report for the period 1 January to 31 December 2021.

The Sustainability Report has been prepared in accordance with the principles set out in the reporting method described on pages 36-39.

To the best of our knowledge, we confirm that

- the accounting principles applied are appropriate
- the Sustainability Report gives a true and fair view of Salling Group's impact on society
- the information contained in the Sustainability Report is consistent with our accounting policies.

Brabrand, 28 April 2022

SALLING GROUP
CVR no. 35 95 47 16



Per Bank
CEO



Anders Hagh
CFO



Reporting process

Due to its size, Salling Group has prepared its Sustainability Report in accordance with sections 99a and 99b of the Danish Financial Statements Act. In this context, we have examined a draft of the forthcoming EU Corporate Sustainability Reporting Directive (CSRD), which is expected to replace the current EU directive, the Non-Financial Reporting Directive (NFRD), at the end of 2022. The aim was to gradually adapt the reporting content and form to the new reporting requirements. The collection of data and preparation of climate metrics as well as KPI follow-up are handled by our Finance department. Internal Audit quality assures the methods and data applied, while our CSR department handles other content and project management tasks in connection with the report.

Reporting criteria and methods

Scope of the Sustainability Report

The Sustainability Report covers relevant and significant topics of a management, social and environmental nature for the financial year 1 January to 31 December 2021. We have received recommendations on our sustainability activities and reporting from our external auditor Ernst & Young.

Organisational boundary

Entities included in the performance data include majority-owned subsidiaries/business units defined as companies that are owned or controlled by Salling Group, including online stores, Salling department stores, føtex, Bilka, 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 Starbucks and Carl's Jr.

Salling Group's CO₂e accounts follow the standards of the GHG Protocol. In the GHG accounts, the defined organisational boundary includes all entities over which Salling Group has operational control.



Environment

Waste

Both majority-owned and controlled entities opened and closed during the financial year are included in the reporting. Some stores’ reporting is based on estimates. Estimates for føtex account for 2.6%, for Bilka 0.0%, for BR 18.3%, for Salling 0.0% and for Netto Denmark 0.7% of the total waste for each chain. For our other European Netto stores, estimates account for 14.1% in Germany and 23.6% in Poland. In 2021, waste was calculated on the basis of a total of 140 weighing samples in H1 and 155 in H2 in 19 selected Netto stores in Germany. 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 Netto stores in Poland, waste is calculated on the basis of the exact number of containers multiplied by an average weight per container. Construction waste in connection with new stores or major renovation projects is generally disposed of by the relevant contractors, and is thus not included in the waste data.

Energy

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 data is available for a store during the 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 no available data or large data deviations are prepared by multiplying the average consumption per square metre for comparable stores within the same retail chain and country by the size of the store. Estimates for føtex account for 2.2%, for Bilka 0.3%, for BR 25.3%, for Salling 4.3% and for Netto Denmark 15.4% of the total energy consumption for each chain. For our other European Netto stores, estimates account for 0.0% in Germany and 2.1% in Poland.

Water

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 data is available for a store during the 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 no available data or large data deviations are prepared on the basis of the average consumption in comparable stores within the same retail chain and country. Estimates for føtex account for 9.1%, for Bilka 4.7%, for BR 67.2%, for Salling 0.0% and for Netto Denmark 40.9% of the total water consumption for each chain. For our other European Netto stores, estimates account for 0.0% in Germany and 1.1% in Poland.

Outbound transport Denmark

The calculation of CO₂e emissions per transported pallet 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 are calculated on the basis of the number of kilometres driven, the CO₂e emission factor per kilometre and the number of transported pallets (excl. frozen goods pallets for Bilka and føtex). The CO₂e emissions factor is calculated on the basis of the number of kilometres driven per litre of diesel by haulier Frode Laursen. Estimates account for 7-9% based on the calculated CO₂e for most of our outbound transport.

Outbound transport Germany and Poland

Outbound transport is the transport of goods from our distribution centres in Germany and Poland to our stores in Germany and Poland. The transport is handled by a third party, which is responsible for calculating the CO₂e emissions.

Inbound transport

The calculation of cubic metres 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 road transport data/methodology.

Accounting principles for our CO₂e accounts

Salling Group’s CO₂e accounts follow the methods and principles set out in the standards of the GHG Protocol. All emissions have been converted into CO₂ equivalents in relation to IPCC 2013 GWP 100 in accordance with the GHG Protocol.

Baseline

2021 has been chosen as the baseline for our target. As a result of the acquisition of Tesco Poland and the launch of føtex Home Delivery at the end of 2020, 2021 will provide a more accurate picture of CO₂e emissions.



CO₂e footprint – scope 1

Natural gas

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

Fuel and leased company cars

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

Refrigerants

Leakage of refrigerants included in the Kyoto Protocol measured in kilos and multiplied by British DEFRA's respective emissions factors (2021)..

Oil

Consumption of heating oil is measured in KWh and converted into litres and multiplied by British DEFRA's oil emissions factor (2021).

CO₂e footprint – scope 2

Electricity consumption

In accordance with the GHG Protocol, Salling Group calculates emissions using both the location-based and the market-based method. The scope 2 total includes emissions calculated using the market-based method. Electricity consumption in Denmark is measured in KWh multiplied by Energinet's individual time balances for the location-based and the general electricity declaration for the market-based. Consumption in Germany and Poland is measured in KWh multiplied by the IEA's relevant emissions factor (2021 – 'IEA (2021) Emissions Factors' table) for the location-based and the AIB European Residual Mix for the market-based.

Heat

Heat consumption in Denmark is measured in GJ and multiplied by HOFOR – Greater Copenhagen Utility's general district heating emissions factor in the capital region (2020), while for Germany and Poland it is measured in KWh and multiplied by the IEA's relevant emissions factor (2020 – 'IEA (2021) Emissions Factors' table).

CO₂e footprint – scope 3

Cat. 1: Purchased goods and services

Delimitation: In this first baseline, we only include the goods we buy and sell for resale.

Method: Average data (DK, DE and PL)

Salling Group's total purchase of goods in the financial period in kilos or pieces are multiplied by relevant emissions factors from ecoinvent and the Carbon Trust. Activity data (primary data) is derived from SAP BI, where emissions data is provided by a secondary data source. LCA emissions factors cover cradle-to-grave emissions in the individual categories.

Cat. 2: Capital goods

Method: Average purchases (DK, DE and PL)

The calculation is based on aggregate amounts for each asset category multiplied by British DEFRA's relevant supply chain emissions factors. The emissions factor takes technological improvements into account. Proxy is the IEA "elec. & heat" world average

Cat. 3: Fuel and energy-related activities not covered by scope 1 and 2

Method: Average data (DK, DE and PL)

Emissions from fuel, gas, oil and electricity, as well as transmission and distribution losses for all units not already included in scope 1 and 2. The calculation is based on activity data from consumption (primary data) and DEFRA 2021 conversion factors: WTT-fuels; WTT-UK & overseas elec and WTT – heat & steam.

Cat. 4: Upstream transport and distribution

Method: Distance-based

DK: The calculation of the CO₂e footprint 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 (excl. frozen goods pallets for Bilka and føtex), and the footprint is calculated on the basis of the number of kilometres driven and the CO₂e factor per kilometre. The CO₂e emissions factor is calculated on the basis of DEFRA per litre of diesel (2021).

DE and PL: Outbound transport is the transport of goods from our distribution centres in Germany and Poland to our stores in Germany and Poland. The transport is handled by third parties, which are responsible for calculating the CO₂e footprint. In Germany, these are KP and RT Trans, and in Poland MAG and Adra (2021).

Cat. 5: Waste generated in operations

Method: Waste type-specific (DK, DE and PL)

The calculation is based on primary supplier data on waste quantities multiplied by relevant DEFRA conversion factors: Waste disposal.

Cat. 6: Business travel (DK, DE and PL)

Limited to air travel. Flight carbon footprint is based on reports from American Express Global Business Travel's GHG Emissions Database, which monitors companies', including Salling Group's, CO₂e footprints based on the number of kilometres flown and the emissions factors for the individual tickets/destinations based on DEFRA conversion factors for air travel (2021).

Cat. 7: Employee commuting

Method: Distance-based (DK, DE and PL)

The calculation is based on a 2021 questionnaire survey of employee commuting to and from work in the different formats. Relevant emissions factors for different modes of transport are derived from DEFRA emissions factors 2021.

Cat. 11: Use of sold products

See cat. 1

Cat. 12: End-of-life treatment of sold products

See cat. 1

Cat. 13: Downstream leased assets

Method: Average data

The calculation is based on the estimated square metre area of the properties that Salling Group leases to others. KWh and heat have been estimated from KWh/m2 for own data multiplied with relevant emissions factors from Energinet and HOFOR.

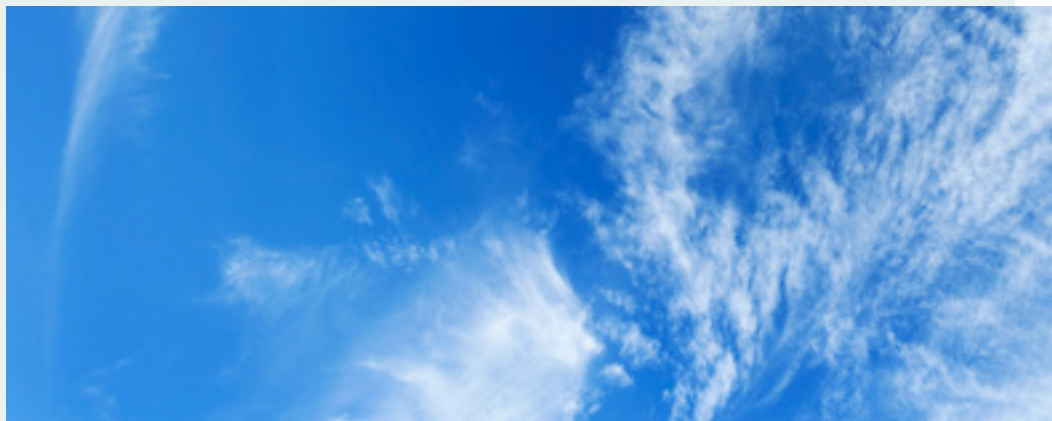
Cat. 14: Franchises

Method: Franchise-specific

Includes scope 1 and 2 for franchises that are not already included in scope 1 and 2 due to limited ability to distinguish consumption. The calculation is made in the same way as for scope 1 and 2 using the same emissions factors.

Cat. 8 -10 and 15

Omitted from the calculations as they are not applicable to Salling Group.



Social conditions

People in job training

People outside the labour market who are in unpaid internships to determine their job readiness. The number is an annual average based on data from SAP BI (DK only).

Employee safety

Includes the number of accidents recorded during the reporting period as the lost time injury frequency (LTIF). LTIF is the number of reportable injuries resulting in more than one day of absence per 10,000 employees. The data is provided by InsuBizz (injury registration) and SAP BI (head counts).

Sickness absence

Employee sickness absence is expressed in percent and measured as hours of sickness divided by the number of hours worked (including overtime). The data is derived from SAP-HR.

Food waste

Food waste is calculated in tonnes and originates from our stores and distribution centres in Denmark, Poland and Germany. The calculation is based on the number of stated units multiplied by the net weight of the individual unit. 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 was originally calculated on the basis of our market share in 2014 relative to the Danish Ministry of Environment’s then calculations of the retail trade’s food waste which were published in 2014. The target baseline was revised in 2021, making 2015, the first year we had real data, our new baseline.

The target baseline for Netto International is based on actual calculations of actual data from 2018. Estimates for Denmark account for 0.3%, for Germany 2.0% and for Poland 0.0%. An increase in the number of stores leads to increased food waste. To assess whether we are on track with our ambition despite an increase in the number of stores, we also look at the development in the food waste rate (food waste in tonnes relative to food sales in tonnes).

Food safety

Happy smiley (Smiley 1) share of smileys awarded in connection with food inspections in our Danish entities. In Germany, the share of inspection reports without reservations is reported.

Revenue from responsible products

Revenue from products with physical CSR labelling (for example Keyhole label, Fairtrade, Recommended by Animal Protection Denmark, Swan label, etc.). Data is derived from SAP BI and is limited to goods that in their master data have a CSR attribute with an associated CSR label.

Supplier risk screening

Screening is carried out using our Responsible Procurement System. The system records information about manufacturers and documentation for social and environmental audits and/or supplier certificates obtained by our private label suppliers and non-private label suppliers, as well as tertiary brand suppliers and products sent directly from production sites in risk countries. 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 yet to complete its profile.

Management

Diversity

The share of women at director level or higher and the share of women on Salling Group A/S’s Board of Directors are reported. The data is based on records from SAP-BI (HR).

Employee turnover

The employee turnover rate is expressed as a percentage of the total number of employees. In Denmark the voluntary departure of permanent employees is reported, in Germany the total employee turnover and in Poland the voluntary departure of employees.

Staff trained in responsible products

Mandatory e-learning training on responsible products/certification schemes in general, and specific training in organic products, Fairtrade and animal welfare. The modules target employees in procurement functions and are completed via the employees’ Learning segment on HR Intra. Expressed in % (number completed relative to the number in scope). Data is derived from SAP-HR and is limited to active employees as of 31 December 2021.

Buyers trained in responsible procurement

Mandatory course in responsible procurement practices. The course was developed in collaboration with the Danish Ethical Trading Initiative and was aimed at employees with procurement responsibilities. Expressed in % (number completed relative to the number in scope). Data is derived from SAP-HR and is limited to active employees as of 31 December 2021.

Supplier satisfaction survey

The survey is conducted in collaboration with Rambøll Management Consulting ApS. The participants in the survey are our Danish stores’ regular suppliers (excluding Salling department stores). The respondents give Salling Group a rating on a scale of 1 to 5 based on the question ‘How satisfied are you with your cooperation with Salling Group?’.

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, 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.

INDICATORS AND PERFORMANCE



Environment and climate

KPI	Unit		2017	2018	2019	2020	2021	Target
Waste (recycling)	Recycling %		75	78	79	79	77	85% ¹
		DK	74	78	79	79	77	
		DE	83	83	83	83	82	
		PL	72	74	75	75	75	
Energy	MWh/m² – Salling Group as a whole		0.239	0.234	0.224	0.216	0.225	-10% ²
Water	M³/m² – Salling Group as a whole		0.199	0.188	0.186	0.176	0.167	-10% ³
Inbound transport, m³	M³ per mode of transport (controlled by Salling Group), percentage breakdown	Road	75.1	76.2	76.7	76.6	73.3	-
		Rail	6.7	6.9	6.4	7.1	5.6	
		Ship	18.0	16.7	16.7	16.2	21.0	
		Air	0.2	0.2	0.2	0.1	0.1	
Outbound transport, CO ₂ e	Kilos of CO ₂ per pallet from warehouse to store	DK	4.77	4.30	4.21	4.10	3.96	-
		DE			8.19	7.48	7.97	
		PL			4.35	4.76	4.38	
GHG emissions – scope 1 ⁴	Ton of CO ₂ , total			41,280	40,369	36,720	72,372	-50%
	Heat consumption		-	12,765	12,290	12,080	13,394	
	Fuel consumption		-	4,750	5,435	4,170	5,684	
	Refrigerants		-	23,463	22,371	20,203	53,054	
	Heating oil		-	303	274	267	240	
GHG emissions – scope 2 ⁵	Ton of CO ₂ , total (DK 43,3%)			196,819	190,065	181,032	296,933	-50%
	Electricity (location based)		-	-	-	-	150,226	
	Electricity (market based)		-	120,819	116,154	112,031	275,472	
	Electricity and heat		-	70,894	68,961	64,542	-	
	District heating		-	5,106	4,950	4,459	21,461	

¹ By the end of 2030. Target has been downsized from 90 based on a re-evaluation of the historic, actual and likely possibilities.

² By the end of 2025 with 2020 as the baseline. A reduction of 10% in 2020 with 2015 as the baseline was achieved in 2020 (-13,6%).

³ By the end of 2022 with 2017 as the baseline.

⁴ By 2030 with 2021 as the baseline. The development in refrigerants is partly due to the Tesco Poland acquisition and partly to a previous lack of reporting of refrigerants in some of the Danish business activities. Furthermore there has been an increase in fuel consumption due to the establishment of fætex Home Delivery.

⁵ By 2030 with 2021 as the baseline. The increase is primarily caused by large consumption in Netto Indygo (formerly Tesco). In 2020, the total consisted of market based for DK and location based for DE and PL.

INDICATORS AND PERFORMANCE

Environment and climate

KPI	Unit	2017	2018	2019	2020	2021	Target
GHG emissions – scope 3	Tonnes of CO ₂ e (DK 64,6%)						
	Cat. 1: Purchased goods and services	-	-	-	-	5,685,640	-
	Cat. 2: Capital goods	-	-	-	-	152,509	-
	Cat. 3: Fuel and energy ⁶	-	-	-	-	56,354	-
	Cat. 4: Upstream transport	-	-	31,031	31,474	29,605	-
	Cat. 5: Food waste	-	79,030	76,975	75,047	1,709 ⁷	-
	Cat. 6: Business travel	-	-	358	75	55	-
	Cat. 7: Employee commuting	-	-	-	-	31,634	-
	Cat. 8 – 10: Not applicable						
	Cat. 11: Use of sold products	-	-	-	-	399,924	-
	Cat. 12: End-of-life treatment	-	-	-	-	301,404	-
	Cat. 13: Downstream leased activities	-	-	-	-	3,838	-
	Cat. 14: Franchises	-	-	-	-	163	-
	Cat. 15: Not applicable						



⁶ Related to activities not included in scope 1 og 2.
⁷ Former years’ reported figure has been a sum of Cat. 1, 4 og 5. The KPI has now been broken down into the mentioned categories.



INDICATORS AND PERFORMANCE

Social and employee conditions

KPI	Unit		2017	2018	2019	2020	2021	Target
People in job training	Number of people outside the labour market who are in unpaid internships to determine their job readiness (average during the year)		963	976	1,089	1,043	907	--
Employee safety	LTIF (lost-time injury frequency) = number of work-related injuries resulting in more than one day of absence per 10,000 employees	DK	91	92	90	82	94	-
		DE	-	-	-	183	174	-
		PL	-	-	-	109	133	-
Employee sickness absence	Sickness hours divided by working hours (overtime included), %	Int.	250	211	264	-	-	-
Food waste	Tonnes	DK	32,228	30,725	29,481	29,358	27,617	-50% ⁹
		DE	-	4,706	4,786	4,438	5,406	
		PL	-	5,123	4,895	5,430	7,794	
	%	DK	2.75	2.49	2.42	2.38	2.19	1,0%
		DE	-	1.11	1.20	1,10	1.40	
		PL	-	1.17	1.15	1,24	1.68 ⁸	
Food safety (%)	Happy smiley. % of happy smileys awarded by the food authorities following an inspection visit. Both majority-owned and controlled entities opened or closed during the financial year are included.	DK	90.8	90.8	89.2	90.2	90.3	100%
	Inspection visits without reservations. % of total number of visits without reservations issued by the regional food authorities following an inspection visit.	DE	-	-	44.3	49.0	49.0	
Revenue from responsible products	Revenue from CSR-labelled products (for example Keyhole label, Fairtrade, organic, animal welfare etc.) in DKKbn – Denmark only		9.9	9.9	10.1	11.1	9.7 ¹⁰	-
Supplier risk screening	% of private label manufacturers and non-private label manufacturers uploaded with the colour green (approved), yellow (in progress) or red (need for improvement) or suspended.							100%
	Uploaded Complete		82.5	99.1	98.0	93.0	100.0	
			62.2	68.9	81.3	83.7	85.6	
	Green		89.1	92.1	94.9	93.8	89.6	
	Yellow		10.5	3.3	3.1	1.9	2.7	
	Red		0.4	4.5	1.8	4.3	7.7	
	Suspended		0.0	0.1	0.2	0.0	0.0	

⁸ If food donations were deducted, the food waste percentage would be 1.21 in PL and 2.17 in DK. Food donations have not been measured in weight in DE and therefore cannot be set off.

⁹ Before 2030 with 2015 as the baseline. The baseline was revised in 2021 from a technically calculated 2014 baseline to an actual calculated 2015 baseline.

¹⁰ Due to regulatory changes in 2021, fruit and vegetables can no longer be labelled with the Keyhole. Previous years' figures haven't been adjusted. The figure for 2021 is higher than an adjusted figure for 2020 would be. Thus, the positive development continues.

INDICATORS AND PERFORMANCE

Governance

KPI	Unit	2017	2018	2019	2020	2021	Target
Diversity (%)	Female managers, director level or higher Women on the Board of Directors	14 17	16 17	16 17	17 20	19 20	20% ¹¹ 40% ¹²
Employee turnover (% of total employees)	Voluntary permanent staff turnover Total staff turnover Voluntary staff turnover	29.7 9.6 22.4	27.7 10.3 24.4	24.5 12.1 19.9	21.0 12.8 14.4	27.9 10.8 18.8	-
Employees trained in responsible products	% of staff trained (relevant staff are persons in procurement functions in Procurement, Management, IT and Store Fixtures)	97	95	77	96	94	85%
Buyers trained in responsible procurement	% of procurement staff trained (relevant staff are persons with procurement responsibilities in Procurement, Management, IT and Store Fixtures)	70	66	76	69	61	80%
Supplier satisfaction rate	Score. On a scale of 1 to 5, based on the question 'How satisfied are you with your cooperation with Salling Group?'	4.0	4.0	4.0	4.2	4.2	-

¹¹ By the end of 2022. With a view to increase the number of female managers at other management levels, we always seek to have at least one person of each gender represented in the final interview phase.

¹² By the end of 2025. In 2021, no new members were appointed to the Board. Thus, gender balance hasn't changed. When appointing new members to the Board, qualifications rank higher than gender balance.



COMPANY INFORMATION



Company profile	
Company name	Salling Group A/S
Website	www.sallinggroup.com
Head office	Rosbjergvej 33, DK-8220 Brabrand
Primary brands	Salling, føtex, Bilka, Netto, BR and Wupti.com
Ownership and corporate form	Privately owned / non-listed
Total number of employees	61,874
Significant change in size, structure, ownership or supply chain during the reporting period	Acquisition of Tesco Poland (301 stores and 2 distribution centres)
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"> • amfori Business Social Compliance Initiative (BSCI) • amfori Business Environmental Performance Initiative (BEPI) • Danish Ethical Trading Initiative • Danish Chamber of Commerce • AMS Sourcing • FSC Denmark • The Consumer Goods Forum (CGF) • GlobalG.A.P.
Tax policy	Our tax policy is available on our website sallinggroup.com
Report profile	
Reporting period	1 January – 31 December 2021
Reporting principles	Consistent with sections 99a and 99b of the Danish Financial Statements Act
Date of the most recent report	21 April 2021
Reporting cycle	Annually before 31 May, covering the previous calendar year. The report is available on our website sallinggroup.com
Contacts for enquiries about the report or its contents	Henrik Vinther Olesen Group Vice President Communication, CSR & Public Affairs henrik.vinther.olesen@sallinggroup.com
Governance	
Key personnel with CSR responsibilities	Executive Vice Presidents of HR, Procurement, Finance, føtex, Bilka 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-elected employee representatives.

An aerial photograph of a dense forest, likely a pine forest, with a road or path running diagonally through the center. The trees are mostly green, with some showing yellowish-brown foliage, suggesting autumn. The lighting is soft, creating a serene atmosphere.

salling group

Salling Group A/S
Rosbjergvej 33
DK-8220 Brabrand
CVR-no. 35954716
www.sallinggroup.com