



— Improving everyday life

**Corporate Social
Responsibility
report 2018**

salling group

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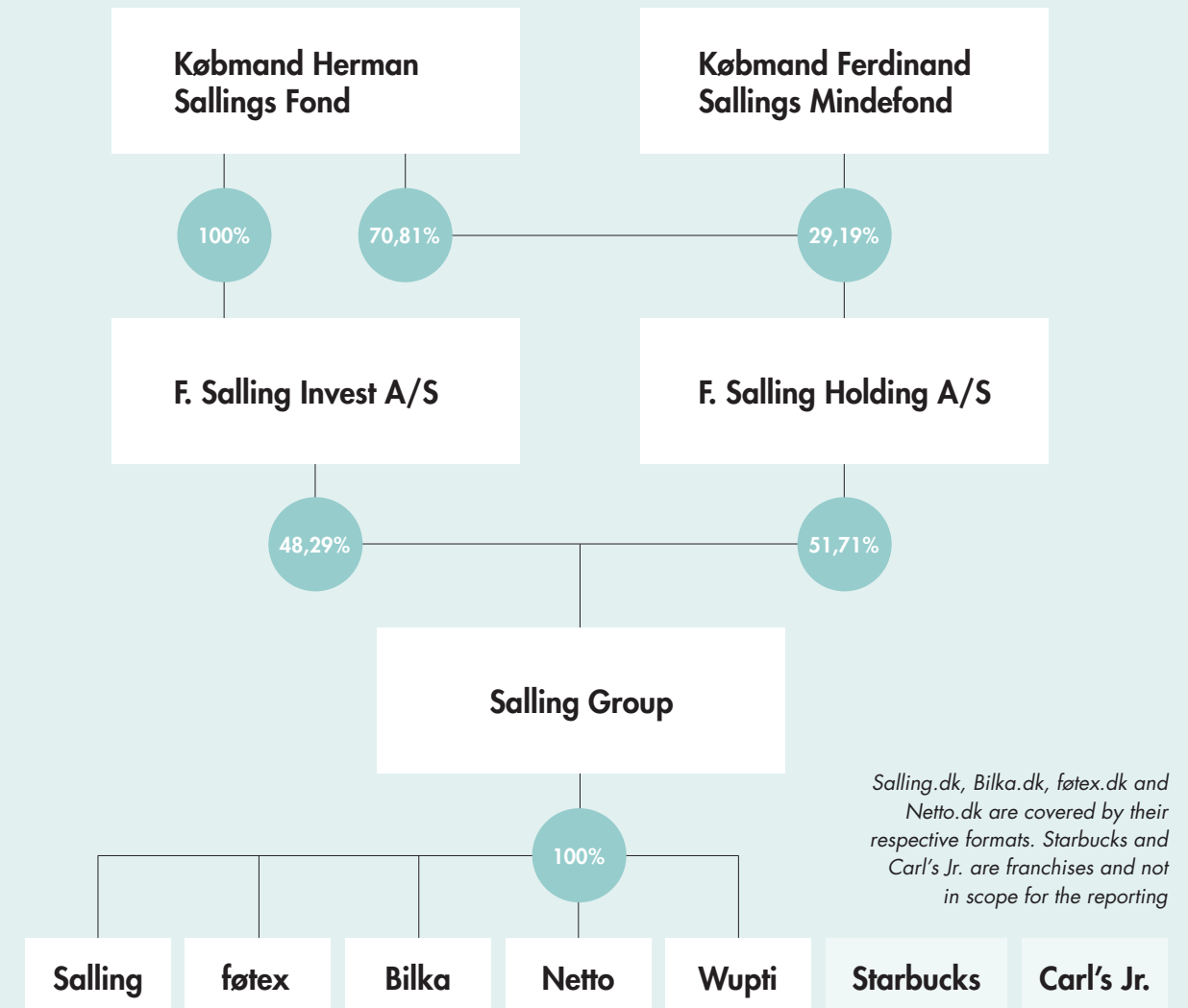
Ownership structure

Salling Group is 100% Danish and operates across multiple units

Salling Group is owned 100% by the Salling Foundations. The Foundations purposes are to ensure that Salling Group develops continuously to meet our customers' needs and to give some of the profits earned back to society through donations.

The Group operates the formats: føtex, Bilka and Netto, the Salling department stores and e-commerce plus the franchises Starbucks and Carl's Jr. in Denmark. Additionally, the Group operates the discount format Netto in Germany, Poland and Sweden.

100% owned by the Salling Foundations



Our corporate social imperative

With size comes responsibility for employees, customers, local communities and society

Improving everyday life

Being a retailer means being close to people's lives. The choices we make on behalf of our customers make a real difference in their everyday life. Eleven million people visit our stores weekly. With that comes a significant responsibility, and it is something we take very seriously. Being responsible is an integrated part of how we do business. It is a mind-set. Our corporate purpose of 'Improving Everyday Life' guides how we engage with our customers, colleagues, partners, suppliers, local communities and the world around us. We do this through sustainable solutions, the best customer value, job opportunities for all and through our donations via our owners, the Salling Foundations.

Giving back to society

For the past six years, Salling Group has undergone

significant change. 2018 certainly did not mark the end of our transformation; on the contrary, in many ways, 2018 signalled a new beginning. Following the Salling Foundations' acquisition of the remaining 19% of the shares from A. P. Moeller – Maersk, our Group was once again 100% under the wings of the Salling name. In 2018, we therefore changed the name of our company from Dansk Supermarked Group to Salling Group to underline our heritage and our connection to our owners; the Salling Foundations.

The Salling Foundations were established by our founding fathers, the entrepreneurial and visionary retailer Herman Salling and his father Ferdinand Salling. The foundations' purpose is to ensure that Salling Group develops to meet our customers' needs – and to contribute to society

through donations of the profits earned in the retail group. Since 2012, the foundations have donated more than a billion DKK to projects within culture, sports, charity, education, science and to the benefit of our employees.

Increasing our social footprint

In 2018 Salling Group also initiated a transformation of our more than 53,000 employees to focus on our contribution to the UN Sustainable Development Goals (SDGs), particularly 3 (Good Health and Well-being), 4 (Quality Education) and 12 (Responsible Consumption and Production).

In 2018, we took further steps to increase our social footprint. Especially in the health agenda, where Salling Group became the first nationwide retailer in Denmark to introduce a voluntary display ban on tobacco products, subsequently advocating a change in legislation to make a display ban mandatory and urging other retailers to follow suit.

Salling Group is aiming to reduce its food waste by 50% by 2030. The Group remains the only retailer in Denmark to measure and publish its food waste figures. In 2018, Salling Group teamed up with suppliers and NGOs to launch the initiative 'Danmark mod Madspild' (Denmark Against Food Waste) with the aim of creating transparency about food waste and sharing our and the UN's ambition with our customers, suppliers and partners.

Last year Salling Group launched an ambitious strategy to reduce excess use of plastic and plastic

waste during transportation, in warehouses and stores, and in the homes of our customers. As part of the initiative, Netto introduced a deposit scheme on shopping bags to encourage re-use, while føtex stopped the sale of plastic cotton buds, disposable plastic cutlery and tableware. Totally that added up to more than 70 million plastic units.

In this report, we have described more specific activities where we in 2018 have contributed to lasting change.

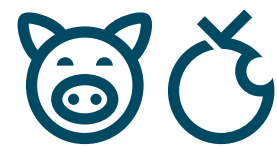
Taking responsibility

As Denmark's largest retail company, our main focus will always be to continue the ongoing development of a sustainable business. Our people-focus combined with our financial strength enables us to make conscious long-term decisions to the benefit of all whom we interact with. While this report itself is limited to 2018, our perspective on responsibility is for the future. We will continue to strive to give people the opportunity to improve their everyday life. Strive to make a positive difference for our customers, our employees and the society we take part in. By providing safe and responsible products, by sourcing conscientiously in a world of growing complexity, by allowing our employees to utilise their full potential and last but not least give back to the society we take pride in being a part of. Salling Group's purpose is to make everyday life better for customers, colleagues and communities.

Highlights 2018

January

Vegan minced-meat alternative is launched in our stores with a huge sales impact



Bilka increases its commitment to training mentally handi-capped citizens by moving more sheltered workshops into the Bilka hypermarkets



A new and improved strategy regarding responsibility is established

Labelling conference for suppliers and other stakeholders regarding food safety, health and risks of misrepresentation is held

February



We launch the full traceability of tuna for our private labels – our customers have the possibility to check the tuna online



March



Netto begins testing levying deposits on plastic carrier bags on the island of Funen



More than half of all the children's clothing sold in føtex is now produced with organic cotton



Netto and DanChurchAid gather socially vulnerable people for Easter meals across the country

April

føtex sets a major target for organic products: over 2,000 organic products in 2020



Salling Group signs the new Transition Accord on Fire and Building Safety in the textile industry in Bangladesh



Netto wins the Rainbow Award Retail Prize for sending clear signals about being a diverse company

May



føtex announces a stop of selling all plastic disposable tableware for the sake of the environment

47 million

plastic cotton buds are removed from shelves and replaced with cardboard and paper products

June

Dansk Supermarked Group changes its name to Salling Group



Salling Group becomes partner in 'Røgfri Fremtid' (Smoke-Free Future) and decides to hide away tobacco in all stores

Netto expands testing of deposits on plastic bags – the deposit contributes towards recycling



Netto opens its future discount store: special focus on fruit and vegetables

Highlights 2018

July	August	September	October	November	December
<p>Netto hides all tobacco in the</p> <p>500 Danish Netto stores</p> <p>Sales of the highest-level animal welfare products are increased by more than a quarter of a billion in three years</p> 	 <p>Hiding tobacco has an impact: significantly fewer young people buy cigarettes in Netto – the goal: a smoke-free generation in 2030 is getting closer</p>  <p>Salling Group launches 'Danmark mod Madspild' (Denmark Against Food Waste) – an open national partnership to fight food waste</p>  <p>All conventional pork meat in Netto to come from pigs reared without the use of antibiotics</p> <p>Købmand Herman Sallings Mindefond awards DKK 10 million in special bonus to employees</p>	<p>føtex and Bilka launch clothes made from recycled plastic</p> <p>Salling Group is nominated for CSR award People's Prize as a recognition of longstanding engagement within social responsibility</p>  <p>Netto introduces new plastic bags from recycled plastic and raises the deposit – and gets even more bags returned</p> <p>Netto's customers elect *Organic Grower of the Year* among Netto organic suppliers who have been nominated for the prize awarded by Netto</p>  <p>Bilka is certified "Great Place to Work"</p>	<p>føtex, Bilka and Salling department stores hide tobacco from public sight. Salling Group becomes the first retail group in Denmark to hide tobacco aiming at a smoke-free generation in 2030</p>  <p>Bilka halves its food waste in just four years – and sets a new ambition to halve once again</p> <p>Bilka and the children's charity 'Børns Vilkår' create a volunteer network throughout Denmark</p> 	<p>'Miljø- og Fødevareministeriet' (the Ministry of Environment and Food of Denmark) takes over 'Danmark mod Madspild' (Denmark Against Food Waste), which becomes the platform for future national action planning to fight food waste</p> <p>Focusing on social projects and sustainability, the Salling Foundations start the distribution of donations through local føtex stores across the country (e.g., playgrounds, recreational areas, funding of a lab for the removal and recycling of plastic from the sea, to mention a few)</p> <p>Food waste app developed by Netto and 'FødevareBanken' (the Danish Food Bank) wins an international innovation award</p> <p>Salling Foundations Diversity Prize 2018 is awarded (prize goes to a store or department that has made a positive difference regarding diversity and inclusiveness)</p>	<p>Netto and 'FødevareBanken' (the Danish Food Bank) invite all social organisations via online solutions to apply for excess food for Christmas. 36 tonnes of food were donated on that occasion</p> <p>36 tonnes</p> <p>85 føtex stores throughout the country establish collaborations with local organisations regarding distribution of Christmas food</p> 

Strategy and governance

The Sustainable Development Goals 3, 4 and 12 are the goals that Salling Group can impact the most

In the spring of 2018, Salling Group management adopted a new CSR strategy for 2018-2021. The strategy is based on a thorough analysis of the United Nations' 17 Sustainable Development Goals (SDGs).

Three individual goals were selected based on an evaluation of our company's ability to create the highest level of impact.

To enable us to identify those three key global goals for Salling Group to impact we identified three variables:

1. the potential impact on our business economy,
2. our reputation and
3. our own ability to influence the individual global goals.

Combined with Salling Group's purpose, which is to make everyday life better for customers, colleagues and communities, we defined three drivers: Sustainability, Customer value and Opportunities for All.

Heatmap

From the analysis, it was concluded that global goals 3, 4 and 12 are the goals where Salling Group have the greatest possibility to make a serious impact. These three global goals will be used as the platform for our CSR work going forward.

Based on our purpose and the three drivers, we have defined six CSR focus areas for our efforts over the coming three years, tapping into our selected global goals.

Ability to impact positively



Our purpose: Improving everyday life

Drivers	Focus areas	UN goals
Sustainability	Food waste Reduce food waste by 50% from 2014-2030	Plastic 100% recyclable packaging in private label from 2018-2023
	Responsible products Increase revenue from responsible products 100% supplier risk screening + DKK 500 m sale of animal welfare	Health 1. Nutritional food 2. Physical activity 3. Support “generation smoke-free in 2030”
Opportunities	Inclusiveness 60% of job ready persons to get a job	Great work life +75% overall satisfaction / +75% satisfaction with superior Continuous development

CSR Framework

The six focus areas have been prioritised in accordance to where we can influence positively on new opportunities and where we can mitigate our impact on the planet.

Collaboration with external partners

Each focus area contains of one or more specific objectives, and they have in general been developed directly in relation to a global goal. Often in collaboration with external partners¹, including interest groups², in order to ensure

that criterions such as importance, real impact, diligence and obligation to the strategy will be prioritised.

Objectives and status are explained in the following chapters.

CSR anchored directly in top management

2018 was also the year when we chose to even further anchor our CSR agenda directly in top management. After the establishment of the six focus areas in the CSR strategy, we decided to

establish six CSR committees. One committee for each focus area. Each committee has a chairperson from the top management of Salling Group, who, together with the CSR team, is responsible for driving efforts across the organisation. Each committee will co-operate with the other members of each committee.

Top management taking lead

- Chief Financial Officer (CFO): Anders Hagh
- Executive Vice President (EVP), Netto International: Michael Løve
- Purchasing Director, Commercial (PD): Jeppe Dahl
- Executive Vice President (EVP), føtex: Thor Skov Jørgensen
- Executive Vice President (EVP), HR: Peter Poulsen

Each committee is responsible for:

- Delivering on and setting targets for each focus area as well as being challenged as we make progress on existing targets
- Being subject matter experts on finding the right solutions
- External activation in formats and at group level
- Securing internal communication – in formats and HQ - and reporting and sparring to the CSR team and Executive Committee.

CSR Committees – Salling Group – Reporting interval

COMMITTEES	
Food waste	Anders Hagh, CFO
Plastic	Michael Løve, EVP
Responsible products	Jeppe Dahl, PD
Health	Thor Skov Jørgensen, EVP
Diversity	Peter Poulsen, EVP
Great work life	Peter Poulsen, EVP

Each committee reports to the Executive Committee three times a year.

¹ E.g., Ernst & Young and DIEH
² E.g., WWF, Fairtrade, 3F, DanChurchAid

Sustainability

As one of Denmark's largest companies, we seek to make a difference, and we are constantly working to mitigate our impact on the climate and the environment. Thinking and acting sustainably is a natural part of running a solid, responsible business

Food waste

We are still on track

As a major FMCG³ retail group, it is inevitable that we contribute to food waste. That is why we have - in line with SDG 12.3 - set a target to halve our food waste by 2030.

In 2018, together with a number of Denmark's leading companies, we launched the 'Danmark mod Madspild' initiative (Denmark against Food Waste). All partners in this initiative are obligated to publish their food waste figures, as we have already done since 2016, and at the same time, work towards a 50% reduction by 2030. The partnership is open to anyone who is interested.

Upcoming national action plan

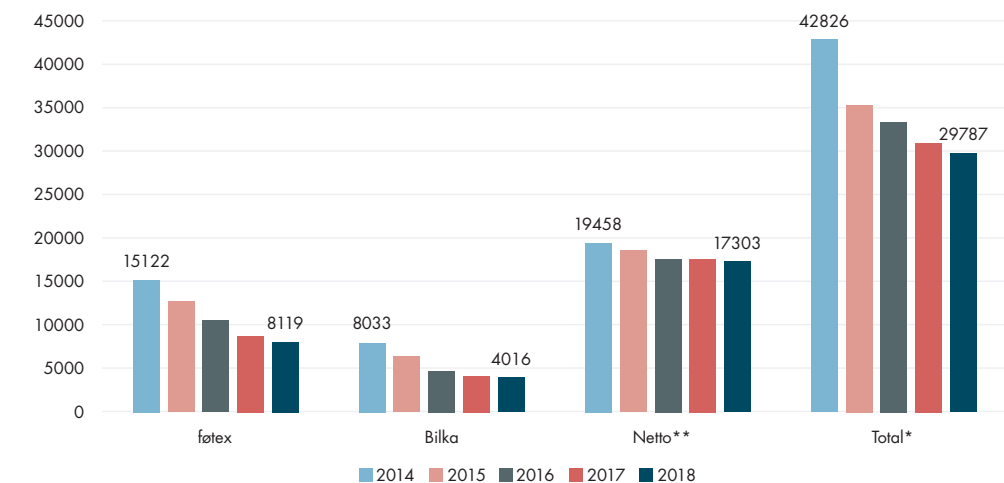
'Danmark mod Madspild' was very well received, and we subsequently agreed with 'Miljø- og Fødevarerministeriet' (the Ministry of Environment and Food of Denmark) that the Ministry should

take over the initiative and develop it further in an upcoming 'Think Tank on the Prevention of Food Waste and Food Loss'. We are pleased to have contributed to developing the concept and platform for a future national action plan to reduce food waste.

Bilka and føtex almost half way

The reduction of 1,176 tonnes that we achieved this year equals to 3.8% in absolute figures. We are proud to say that it is a significant reduction compared to last year. Our føtex and Bilka formats have been so dedicated and effective in their work that they have managed to halve (Bilka) and almost halve (føtex) their food waste in just four years. Since 2014, Bilka has reduced its food waste by 4,017 tonnes - i.e., 50%, while føtex has reduced its food waste by 7,003 tonnes, equal to 46.3%.

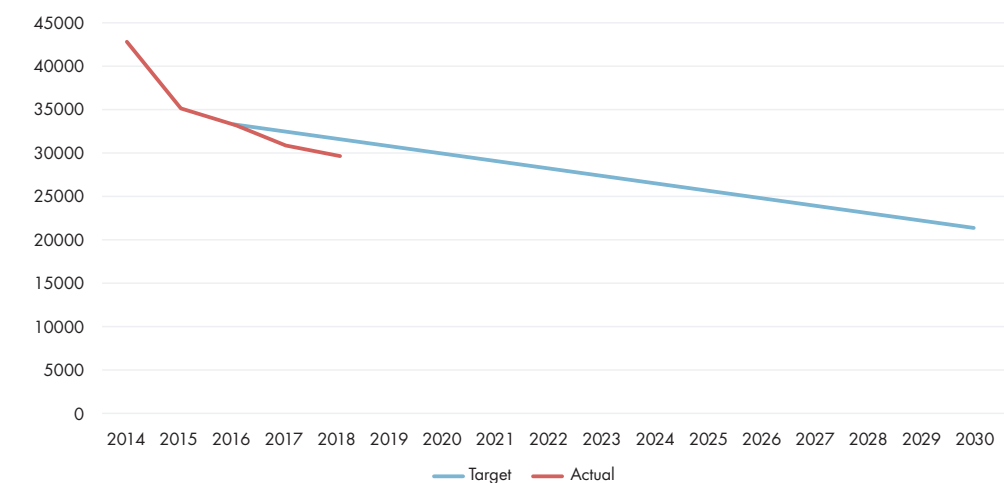
Food Waste in Formats and Total



* Incl. Salling and warehouses

** More stores account for 219 tonnes in 2018

Food Waste Development





“1,176 tonnes. This is how much we have reduced our total food waste at Salling Group in the past year, and we will continue our determined efforts to avoid food waste and stay on track to reach our target”,

Anders Hagh, Chief Financial Officer, Salling Group

Nevertheless, we want to continue the fight against food waste in both formats by setting new targets. The new target is yet again to halve food waste in both Bilka and føtex by 2030, equal to a total reduction of 75% compared to 2014.

In Netto Denmark, we reduced the food waste by 1.9% in absolute figures, despite the fact that we have opened more stores and expanded during this period. Still this development is below our expectations.

Reducing food waste footprint

In 2018, we collaborated with ‘FødevareBanken’ (the Danish Food Bank), Wefood, ‘Mad til Alle’ (Food for All), ‘Stop Spild af Mad’ (Stop Wasting Food Denmark) and local organisations throughout the country on ways to reduce food waste.

We have reduced packet sizes for many articles in order to avoid food waste at the consumer end. This is done through closer and data-driven cooperation with our fruit and vegetable suppliers in order to secure 24 hours lead-time on all fruit and vegetable convenience products. The result: more fresh products and less food waste.

Netto in Sweden – like in Denmark – seeks to reduce its food waste footprint by optimising store routines that ensure that fresh food is sold at discounted prices close to the ‘best before’ date. Each store has a dedicated space in the fresh areas that displays the current items that are close

to their ‘best before’ date. In Sweden, Netto also cooperates with several organisations that bring otherwise wasted food to use, e.g., for homeless people and for feeding animals.

During the summer of 2018, Sweden was affected by a heat wave, which left farmers struggling to feed their animals in the drought. Aiming to help, Netto Sweden involved their stores in a project where food waste was donated to local farmers for animal feed. This was a highly appreciated initiative.

Stronger focus outside Denmark

As of 2019, we are starting to measure food waste in Netto in Germany, Poland and Sweden as well. The reduction target will be different, however, since stores outside Denmark, due to a narrower assortment, have less waste compared to Danish Netto stores and therefore less to optimise.

**2,800,000 meals
not wasted**

**199 tonnes of food
donated for human
consumption**

Plastic

Plastic should never end up in nature

Each year a large quantity of plastic harmfully ends up in the environment around the world to the detriment of both nature and wildlife. Plastic packaging plays an important role in the durability of food and in reducing food waste. But at the same time it poses a serious challenge if it is not handled properly and therefore ends up as waste.

We have set 5 targets to support our ambition:

1. Reduce use of plastic in packaging in all food and near-food private label products by 30% by 2023
2. All food and near-food private label products to be designed for full recyclability by 2023
3. 30% of plastic used for food and near-food private label products to be made from recycled plastic by 2023

4. All single-use tableware in plastic phased out no later than during 2021
5. All plastic used for transportation to be reused or recycled by 2020

These ambitions may grow as we learn more about the different kinds of plastic. But right now we are committed to these very ambitious targets.

New design to reduce plastic

Target 1-3 will all be served by the new packaging design principles that we have developed and are in the process of validating with external partners such as 'Verdensnaturfonden' (the World Wildlife Foundation – WWF) and other industry experts. The packaging principles will be applied to our private labels as soon as possible. We expect a number of changes to our packaging to be launched in 2019. Two initiatives, in Netto and



Foto: Stefan Sauer/Picture Alliance/Ritzau Scanpix

“At Salling Group, we have set an overarching ambition that plastic should never end up in nature. To support that, we focus on reducing the amount of plastic we use, and we will actively pursue a way of working that increases the financial value of used plastic”.

Michael Løve, Executive Vice President, Netto International



føtex respectively, have already seen significant progress and have helped make the plastic agenda very present in the retail industry:

1. Netto tests deposits for plastic bags

In Netto, we became the first Danish FMCG retailer to introduce deposits on plastic bags. This contributes to plastic being reused or recycled to a greater extent. The deposit scheme has initially been introduced on Funen and Bornholm to test customer reaction. Initially, we gave back DKK 1 per bag to customers when they returned the bags. However, the return rates were low, so we increased the pay-back to DKK 2 per bag. As a consequence, the return rates have grown from 7% to 15% in average per week, and sales of plastic bags have dropped by almost 14%. We are currently evaluating the customer reaction and will make a final decision as to whether to roll out this scheme during the first half of 2019. We estimate that Salling Group will eliminate the use of more than 1,000 tonnes of virgin plastic if the initiative is rolled out nationwide in Netto.

2. More sustainable alternatives

In føtex, plastic cotton buds were phased out during 2018. At the end of the year, we stopped the sale of all plastic disposable tableware in føtex's 100+ stores. Both cotton buds and plastic disposable tableware were replaced with more sustainable alternatives made from, for example, wheat straws, bamboo, sugar cane, wood or paper. By doing this, we have stopped the annual sale of

approximately 47 million plastic cotton buds and 25 million plastic knives, forks, cups, glasses, straws and plates.

Innovative employees show the way

In 2018, at our warehouse for processed food, we had a target of reducing costs of GNFR (goods not for resale). Trying to reduce not only costs but also the amount of plastic we use, we carefully examined the foil used for the manual foiling of pallets, as well as foil efficiency. The study led to a new type of foil being developed in a cooperation between warehouse employees, GNFR buyers and external partners. The result will give us a saving in manual foil costs of 36% and save more than 72% plastic foil in manual areas per year.

We are now in the process of introducing this new foil to all manual areas in all our warehouses anticipating lower costs, less plastic, more stable pallets and more efficiency.

Re-circular multi-way plastic boxes

In Q4 of 2018, føtex and Bilka started to use multi-way plastic boxes for the transportation of fruit and vegetables instead of one-way cardboard and plastic boxes that ended up as waste. The multi-way boxes go from supplier to us and back to supplier, where they are washed and re-used. When they have served all they possibly can, they are made into plastic granulate that can be used for other plastic products.

— Customer value

Customers are the foundation of our business, and we are here to improve their everyday life. Salling Group is continually striving to be better at creating value for our customers. We do this by making it easier for customers to choose healthy and sustainable products in our stores

Responsible products


We take pride in providing our customers with the option to shop responsibly

Since launching our responsible procurement system in 2017, we have activated almost all of our in-scope supplier base on the platform and thereby increased traceability and transparency. This has enabled us to unveil the very global and complex nature of our diverse product supply- and value chains. We have had particular focus in 2018 on extended mapping of many of our food commodities, such as fruit and vegetables, coffee and tea, wine, vanilla and processed tomato products. This has allowed us to evaluate responsible procurement hotspots and thereby determine appropriate sustainability standards and

requirements, as well as promote collaboration and capacity building with suppliers.

Promote improved working conditions

A good example of collaboration and capacity building is our cooperation with Mutti S.P.A., one of the biggest players in the Italian processed tomato industry. Extending our sustainability requirements' scope to a lower risk country like Italy has facilitated positive impacts upstream in Mutti's agricultural supply chain. We anticipate that these changes can promote improved working conditions on a bigger scale.



"We have the power to promote improved working conditions on a bigger scale and to facilitate positive impacts in supply chain"

Jeppe Dahl Jeppesen, Purchasing Director, Commercial

In 2018, we scaled up on sample verifications – i.e., taking out information and documentation that have been uploaded by our suppliers – and scrutinising these regarding traceability, validity and proper information on production sites. We have developed a systemic approach and allocated resources in order to further enhance verification processes in coming years.

Capacity building

In 2019, one of our aims is to increase efforts within additional product groups, e.g., non-food, that are likely to require special attention. In addition we are aiming to intensify our effort in capacity building by educating our agents and training producers in ethical trade. With regards to our textile category, we will also continue to work with fire and building safety in Bangladesh through our membership of the Transition Accord.

Food safety

Responsible products and production are also about food safety. In many of our stores, we produce our own meat products, which calls for very strict in-house control regarding particularly hygiene.

In spring 2018, as a result of 'Fødevarestyrelsens' (the Danish Veterinary and Food Administration's) announcement of a new plan to examine and reduce the number of campylobacter infections in Denmark, Salling Group launched a

campylobacter inspection of its own minced meat (private labelled as 'Mesterhaket' beef) from all its raw ingredient suppliers. According to the Danish Veterinary and Food Administration, chicken meat had so far been regarded the primary source of campylobacter cases. In the new action plan, minced beef was suspected of being an overlooked source of the disease.

In our own inspection of minced meat, we took out 33 samples for testing, and all were negative – i.e., without a trace of campylobacter. Three samples of minced pork were also tested – also with negative results. In addition, suppliers were asked for their own analyses of campylobacter in beef. All were able to report that their self-monitoring analyses had been negative.

Subsequently, the Danish Veterinary and Food Administration has taken more samples of 'Mesterhaket' and all have been negative, we are proud to say.



Animal welfare

We cooperate with our suppliers to inspire them to integrate animal welfare in production

At Salling Group, we want to promote animal welfare and offer the best opportunities to choose animal welfare products in our stores. Therefore, we strive to ensure a wide assortment and communicate the level of animal welfare in our products, making it easier for our customers to make an informed choice.

Animal welfare partnership

Central to the effort is a five-year partnership with 'Dyrenes Beskyttelse' (the Danish Animal Welfare Society), which is one of the most ambitious initiatives in this area in Danish retail. Our objective

is to increase the sale of products with the highest animal welfare by DKK 500 million by 2020.

Inspiring suppliers

As part of this effort, we are cooperating with our suppliers to inspire them to think animal welfare during production, and our buyers regularly participate in animal welfare training. By the end of 2018, we had 171 products in meat, eggs, poultry, milk and cheese in our stores that are recommended by the Danish Animal Welfare Society. We see good opportunities to accelerate this positive trend even further through better

We strive to ensure a wide assortment, and communicate the level of animal welfare in our products, making it easier for customers to make informed choices.



selection and higher volume. We wish to ensure even more attractive prices for our customers when it comes to animal welfare products.

Expanding animal welfare label

In 2018, we participated in expanding the national animal welfare label, so it will also include broilers in future. The label was introduced in pork in 2017, and since then the proportion of meat with the new label has grown steadily. The label divides products into three levels of

animal welfare - 1 heart, 2 hearts and 3 hearts with 3 hearts being the highest level of animal welfare - which make animal welfare more accessible and ensure that the development is consumer-driven.

For broilers, ambitions for the national label for animal welfare include focussing on the use of chicken breeds that grow more slowly, ensuring the animals have more space and shorter transport times for slaughter.



171
**animal welfare
labelled products**

By the end of 2018, there were 171 animal welfare labelled products in Salling Group stores. An increase of 38% in one year.

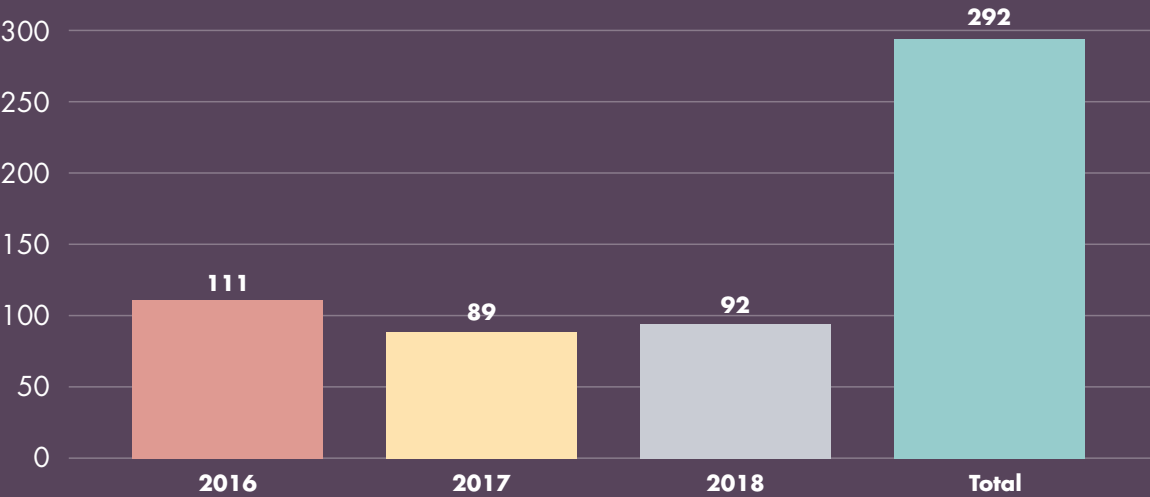
Sales of products produced with the highest level of animal welfare have increased by DKK 292 million since 2015. The aim is an increase in turnover for the category of DKK 500 million by 2020.

**500
million**

Since the last cage eggs were removed from our stores in 2017, the focus has been directed towards ensuring that cage eggs are not used as an ingredient in our products. The goal is for no cage eggs to be part of our own-production and private label products by the end of 2019.



Animal welfare sales increase



Health

Hiding cigarettes in all our stores is a strong platform for future health initiatives

In 2018, Salling Group took the most important step in the field of health from a large Danish FMCG group for many years. We became the first retail group in Denmark to hide away all tobacco from public view in Netto, føtex, Bilka and in Salling department stores.

The decision was made based on recommendations from Kræftens Bekæmpelse (the Danish Cancer Society), Lægeforeningen (the Danish Medical Association) and Hjerteforeningen (the Danish Heart Association). All of which – with reference to a report from WHO Europe and other factors – recommend hiding tobacco away from

public view as the most important action retailers can take to actively support the goal of a smoke-free generation in 2030. An objective that also the Danish government has set itself, in its Cancer Plan IV.

Smoke-free generation 2030

The effect of placing tobacco out of sight is that fewer young people start to smoke. Netto became the first chain at home to place tobacco out of public view. After Netto hid away tobacco, sales fell by 9%. In stores with a higher number of young customers, there was an average decline of 25%.



We turn over more than DKK 1.2 billion in tobacco. The immediate experience of hiding tobacco has been a double-digit million decline in sales and lost earnings. We have received recognition for taking this step, but some have also questioned whether we are trying to “educate” our customers.

There is nothing we want less than to point a finger at our customers. We fully recognise that adults have the right and freedom to smoke. Nonetheless, numerous studies and recognized research document that smoking is a dangerous habit – which is why we would like to contribute to making our children and our children’s children less likely to start smoking.

22 million fewer cigarettes

In financial terms, we have consciously chosen to accept a reduction in revenue. We are Denmark’s largest retailer, and that brings along responsibilities. On this specific and very important area, we have chosen to push forward with an agenda, so we can, hopefully, contribute to a healthier future. In 2018 alone, we sold 22 million fewer cigarettes than the year before.

With probably the largest health-promoting initiative in many years in the retail industry, we have now established a serious platform for future work with our health strategy over the coming years.

The decision to hide tobacco at Salling Group is the first link in the establishment and implementation of an ambitious health strategy for the entire group, which in its essence will focus on three main tracks: nutrition, physical activity and smoke-free generation

Health promoting initiatives

Today, we are working with a number of health-promoting initiatives, e.g., our participation in the salt partnership; information about healthy product alternatives; sponsorship at the School Olympics; the promotion of well-being in collaboration with children’s charity ‘Børns Villkår’; partnership with ‘Røgfri Fremtid’ (Smoke-Free Future); increased focus on fruit and vegetables in our stores; navigation through diet advice tips; and donation of vouchers for healthy food for kindergarten groups in Germany.

“We have chosen to push forward an agenda to promote a healthier future, especially for our youngsters and the coming generations: placing tobacco out of sight is a means to do so”

Thor Skov Jørgensen, Executive Vice President, føtex



— Opportunities and diversity

With more than 53,000 colleagues, Salling Group is one of Denmark's biggest employers, and we take pride in having the best-qualified managers and employees in our business. Therefore, we are committed to the continuous development of our employees and managers

Inclusion

We aim to give everybody an opportunity to make a difference regardless of social circumstances

Salling Group is one of the country's largest employers. We want to take responsibility in the labour market and ensure that our employee-mix reflects the society around us.

An important focus area is to create opportunities for people who have difficulties in finding a foothold in the labour market. Taking local conditions and challenges as our starting point, we have 150 agreements with job centres and other partnerships across 88 municipalities. Adapting to local conditions enables us to target our offers, skills development and training, which can secure long lasting employment. During 2018, we had an average of 976 employees hired with reduced duties or in flexible jobs. We work with a wide range of organisations and

schools to get more people into work. In order to maintain internal focus in this area, every year the Salling Foundation Diversity Award is given to a department or store that has made a special effort to promote inclusiveness in the workplace.

Apprentices in Integration training

In 2018, we continued our work with the two-year integration basic training course (IGU), which, through a paid basic course, prepares employees for further training as a sales assistant, butcher or baker. The purpose of the training programme, which was launched by 'Udlændinge- og integrationsministeriet' (the Ministry of Immigration and Integration) in 2016, is to help refugees between the ages of 18 and 40 take a step into the Danish labour market and improve their

In 2018, Salling Group was nominated for the CSR People's Prize for longstanding efforts to create an inclusive workplace. The prize is awarded by CABI, 'Center for Aktiv Beskæftigelsesindsats' (the Centre for Active Employment Efforts).



12 local agreements for part-time jobs with mentoring for young people under the age of 18



35 employees employed under integration basic training (IGU).



In 2018, Netto was awarded the Danish Rainbow Retail Prize for sending clear signals about being a diverse retail business that shows inclusiveness in relation to sexual orientation.

150

agreements with 88 municipalities concerning employing people on the margins of the labour market.

According to CABI's social calculator, Salling Group has contributed to society with DKK 61,475,000 by including people on the fringe of the labour market.



We engage diversity partners in our HR team with specialist knowledge and experience in the field who work together with municipalities and job centres.



130

diversity coordinators across the country who support our stores to ensure the inclusion of vulnerable groups.

linguistic skills and understanding of Danish culture and the labour market. In all, 35 apprentices commenced an IGU programme in 2018.

Mentored part-time jobs

In cooperation with a lot of municipalities, we offer part-time jobs with mentoring. This programme is targeted at young people under the age of 18 who are in need of special support due to suffering from challenges such as learning disabilities, low self-esteem, social isolation or other similar challenges. The programme is widely used e.g., in the municipality of Copenhagen, where we have mentored and employed more than 550 vulnerable young people in part-time jobs. Experience shows that these part-time jobs often improve the well-being of young people, increase their self-confidence and improve their social skills. This puts them in a better position for training or work.

Creating jobs and training

Salling Group cooperates with the national association LEV to create jobs and training places for people with cognitive disabilities. Our goal is to help more mentally disabled people to find a permanent footing in the labour market. A shop or store job typically contains training of social, personal and, not least, professional competencies. Since the cooperation was established in 2012, nearly 300 people have

been employed in a job with a salary subsidy. As of 2018, we have been participating in a pilot project with 'Gladfonden' to establish 'flex-training for the mentally disabled', which over the next two years will be tested in more of our stores.

Equality strengthens opportunities

Equality is another prerequisite for being able to recruit the best talent. By the end of 2018, 49% of the managers at Salling Group were women, while women accounted for 37% of all promotions in 2018. The proportion of women at the top levels of management, is significantly lower; 16% at director level and above. Therefore, initiatives have been put into place to strengthen opportunities for talented women to make a career, including supporting career planning and clarifying potential career paths. Currently the board of directors consists of 17% female representatives. Goal by 2021 is 40%. Target was previously set by 2017 which we did not meet due to no new appointments nor change of gender composition.

"At Salling Group, we strive to have a diverse and balanced workforce. In general we have succeeded in attracting a balanced workforce across our business areas. For further development we have secured corporate initiatives to pursue our goals for a fully equal and balanced gender leadership population also on leadership levels from Senior Manager and above"

Peter Poulsen, Executive Vice President, HR



Great work life

**Our employees are our greatest asset.
If they do well, the Group does well**

Salling Group's purpose is to make everyday life better for customers, the communities and not the least for our colleagues. We want to be a workplace with a fine collegial spirit, good working environment and responsibilities. At the same time, we strive to ensure the best opportunities for career development and continue our tradition of training the best leaders in the retail industry.

Job satisfaction above industry's average

In order to ensure continued improvements, we conduct an annual satisfaction survey among all our employees and ensure the structured follow-up of action plans at local and higher levels. Again

in 2018, the overall result showed a satisfaction level that surpasses the industry's average. In 2018, Bilka, for the second time, achieved certification from Great Place to Work⁵, which recognises the best jobs internationally.

In addition to well-being and development, we focus on creating steady improvements in health and safety. In 2018, Salling Group's non-food warehouse in Aarslev, Denmark, received a health and safety prize (a working environment prize awarded by 'Arbejdsmiljørådet' - the Danish Working Environment Council) for a targeted effort that has reduced the number of accidents by almost 90% since 2013.

⁵ Great Place to Work is a certification programme using employee ratings to determine certification



In order to ensure a more efficient recruitment process and on-boarding for job seekers, we introduced the 'Fasthire' system in 2018, which is a template-based system. Here, a range of fixed templates have been created for each chain where individual managers can publish vacant positions and receive and process applications. The system also gives interested candidates the opportunity to create a profile, so we have an ever-growing candidate bank that provides our managers with excellent opportunities to occupy positions for young workers, for example, without having to go through a long recruitment process. In addition, the 'MyBenefits' portal, which all employees have access to, gathers together a wide range of employee benefits, such as discounts and special offers.

Employee training centre

Practical experience, combined with professional study, is a strong starting point for personal and professional development. That is why we run our own training centre where our employees

participate in bespoke professional courses and share experiences with colleagues from other parts of the group.

The largest provider of apprenticeships

With more than 500 apprentices per year, Salling Group is the largest provider of apprenticeships in Denmark. We regard our apprentices as an important part in educating talented employees and future leaders. All our apprentices follow an individual training plan where work in the store is combined with a stay at our own Salling Group Academy at Bøgehøj, Ebeltoft. We offer apprentices good opportunities for their future careers within the group, both in Denmark and abroad. The strength of the training is underlined by the fact that roughly 40% of føtex's store managers and Bilka's department managers are former apprentices.

More than

500

apprentices are trained

each year at Salling Group – more than in any other Danish company



More than 40% of føtex's store managers and Bilka's department managers are former Salling Group apprentices

Employee response rate of 90% and engagement rate of 78%

(Barometer survey)

5,000

employees undertook a course at our own training centre in 2018



Taxes

At Salling Group, we recognise that taxes are a crucial resource to help enhance public services and investments to support, among others, the United Nation's Sustainable Development Goals (SDGs)

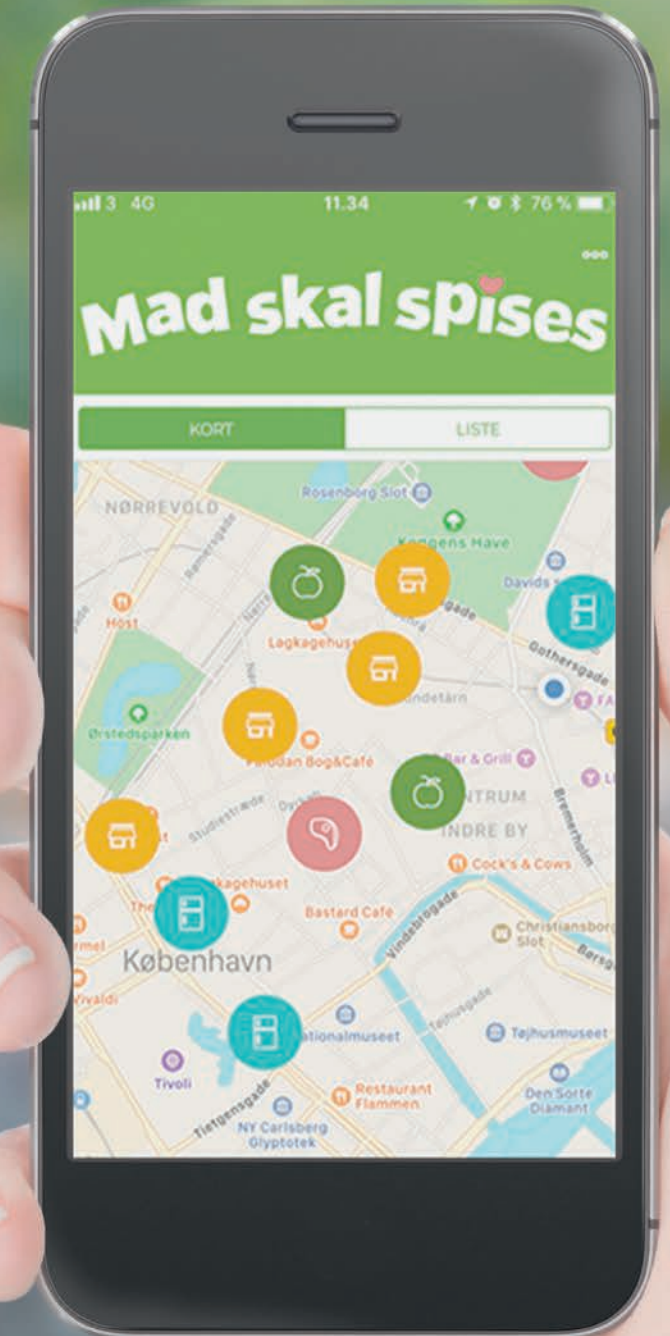
Our tax payments are a contributing factor in meeting these goals, not only 3, 4 and 12 which are the goals we primarily address, but also goal 16.6,⁶ because, in the countries where we operate, they contribute to raising more revenue for governments to improve society welfare and innovation, to helping solve societal problems and to encouraging positive social and environmental behaviour.

Our approach to tax is directed by our tax policy,⁷ which is approved by the Board of Directors.

Commercial and legal considerations

We continuously strive to comply with the tax legislation of the countries in which we operate, and we only use business structures that are driven by commercial and legal considerations. Furthermore, we seek good relationships with tax authorities

Netto and the Danish Food Bank have developed a food waste app that guides consumers to the nearest store offering marked down food products. A free public service allowing consumers to save money and to help avoiding food waste.



based on mutual respect, transparency and trust, and we engage constructively in national and international dialogue with governments and business groups to support the development of effective tax systems and tax administrations. We have operating companies in Denmark, Germany, Poland and Sweden, but the largest activity occurs in Denmark.

According to the published corporate tax record for 2017⁸, F. Salling Holding A/S, which is the administration unit for Salling Group, is the 19th largest corporate income tax payer in Denmark with a total corporate tax payment of DKK 418 million. F. Salling Holding A/S is responsible for paying all corporate tax to the authorities on behalf of the Danish companies in the Group.

Total tax contribution

In 2017, the total tax contribution⁹ from the Group amounted to DKK 7,664 million, compared to DKK 7,319 million in 2016. This includes both taxes paid indirectly by our company (taxes collected), such as VAT and employee income

tax, and taxes paid directly (taxes borne), such as corporate income tax and property taxes.

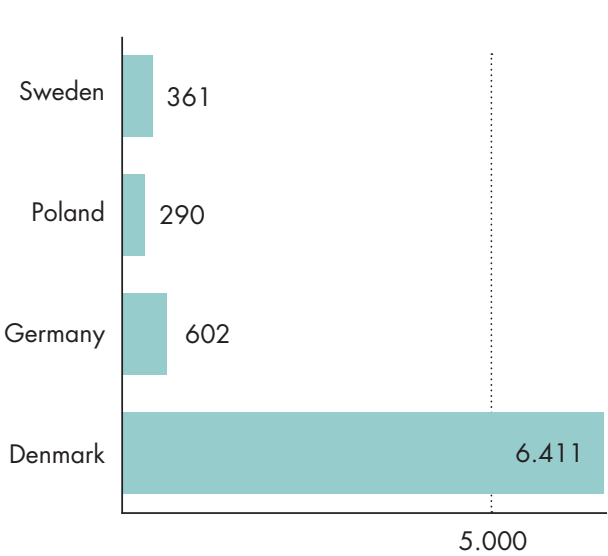
Taxes and duties collected

Taxes and duties collected, consist of value added tax, taxes withheld from employee wages and excise duties. The included amount for value added tax is calculated as the net VAT payment to the state, meaning VAT on sales minus VAT payable. Collected excise duties in Denmark (e.g., on chocolate and alcohol) are only included for imported goods as excise duties on locally produced products are paid to the authorities by the manufacturing companies.

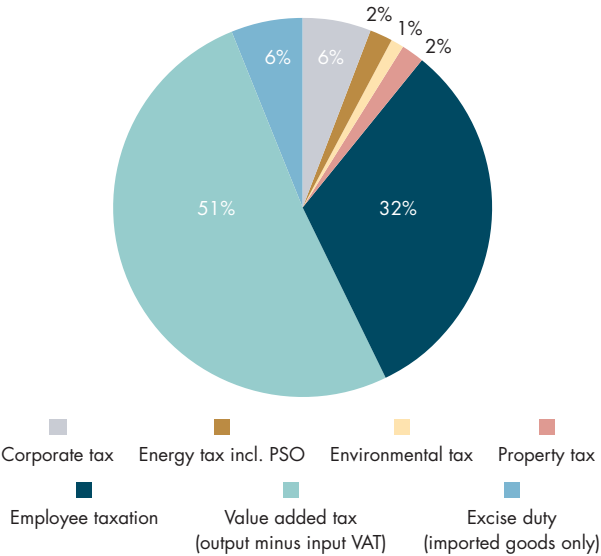
Taxes and duties borne

Taxes and duties borne, consist of corporate tax, energy tax, environmental tax and property tax. The largest amount of taxes and duties borne relates to corporate income tax (58%). The Danish companies in the Group paid a total corporate tax payment of DKK 418 million. Additionally, company tax totalling DKK 58 million was paid abroad.

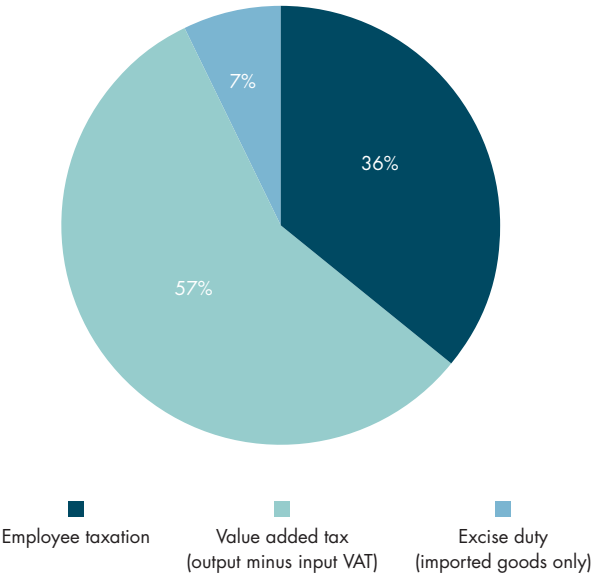
Total tax contribution divided by countries
Total DKK 7,664 million



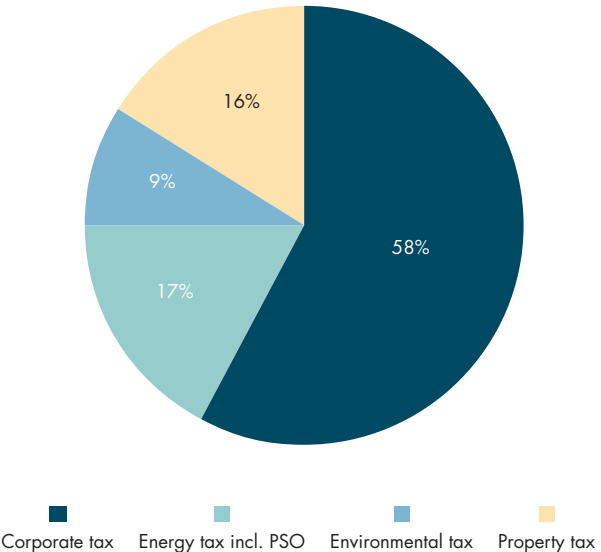
Total tax contribution divided into categories
Total DKK 7,664 million



Taxes and duties collected
Total DKK 6,839 million



Taxes and duties borne
Total DKK 825 million



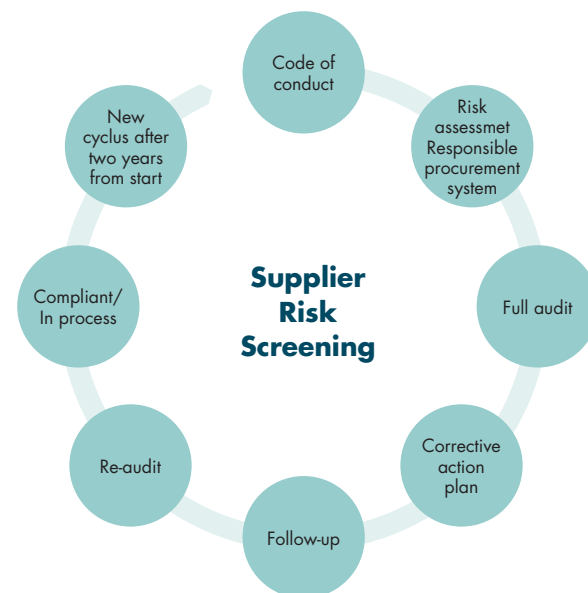
Risks and due diligence

As a large retailer sourcing globally, we have several risks in our supply chain where we might have a negative impact. To mitigate those risks, we seek to have due diligence processes in place, focussing primarily on the supply chain of our private label and own name products, since this is where we have the most influence.

Salling Group's policies¹⁰ and its adopted amfori BSCI Code of Conduct set a clear direction for the way we run our business and what we expect from

our employees and business partners, particularly when it comes to five main areas: human rights; social and employee conditions; anti-corruption; climate; and the environment.

Based on a materiality risk assessment conducted in 2017 in cooperation with external partner Ernst & Young, we identified the risks within the abovementioned five main areas where we, as a retail company, were most likely to have a potentially negative impact. The risk picture has not changed.



Suppliers uploaded **1,715**
 Completed profiles **1,181**
 Compliant **1,088**
 In process **39**
 Improvements needed **53**
 Suspended (no go) **1**



¹⁰ <https://en.sallinggroup.com/responsibility/strategy-on-responsibility/csr-policies/>

Human rights

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

ISSUE	RISK	ACTIONS IN 2018
Food safety	Risk of wrong storing of food. Food safety considerations include the origins of food, including observance of the practices relating to food labelling, food hygiene, food additives and pesticide residues in order to avoid potential consumer poisoning. Foreign objects (e.g., glass) also form a risk that constitutes a danger for consumers. Poor food safety can potentially affect a lot of people, and in some cases food poisoning can have fatal consequences (e.g., listeria and salmonella).	Third party and in-house control of food handling, hygiene, preparation and storage in our stores and distribution centres. We have commenced the dialogue with our colleagues in Sweden, Germany and Poland in order to bring them in scope for reporting on food safety, too.
Child labour, forced labour, minimum wages and conflict minerals	The nature of our supply chain comprises risks in some of the countries we source from, especially in agricultural, apparel, electronic and jewellery industries, where child labour, forced labour and wages below a minimum level set by local legislation might occur.	amfori BSCI Code of Conduct and third-party audits, including interviews with workers. Mandatory responsible procurement courses to all our procurement personnel.

Social and employee conditions

We are committed to taking care of our employees, which is why working environment and safety issues are taken very seriously.

ISSUE	RISK	ACTIONS IN 2018
Employee accidents	There is a risk, in both warehouses and stores, of sudden accidents because of physical handling of boxes, slippery floors, use of forklifts, knives or other machinery and tools.	Regular analyses and monitoring of lost time incidents from top-level down to department-level in each store and warehouse. Focus areas are typically lifting, slipping/tripping and staff exposed to robbery.
Stress	There is a risk that employees can be diagnosed with stress. Stress can affect the health of staff, reduce productivity and lead to performance issues or employees taking time off or being on sick leave.	We seek to match pressure and demands, to our employees' knowledge and abilities.
Physical attrition	Risk of physical attrition due to heavy lifting and moving, or too much sedentary work, which may lead to poor quality of life, more frequent sick leave and higher employee turnover.	Where possible, we try to support job rotation, and sedentary employees are offered sit-stand desks.

Anti-corruption

We strive to maintain a fair and transparent business culture and will not tolerate any kind of corruption.

ISSUE	RISK	ACTIONS IN 2018
Facilitation payments, corruption and bribery	Risk of facilitation payments, corruption and bribery in our supply chain, which is a barrier for economic and social development, particularly in developing countries, and is often synonymous with increased costs.	amfori BSCI Code of Conduct and Anti-Corruption Policy reviewed.
Corruption and bribery in Salling Group	Risk of corruption, e.g., related to accounting fraud, bribery related to obtaining building permissions or receipt of money or values for placing an order.	Business Principles, Anti-Corruption Policy with zero target, well-established internal controls, responsible procurement courses for procurement personnel and review of whistle blower set-up.

Environmental impact

By sourcing from all over the world, we are at risk of contributing to a negative environmental impact on some of the places we source from or places where some of the ingredients in our products are grown or produced.

ISSUE	RISK	ACTIONS IN 2018
Water usage	Risk of excessive water usage in the production of the goods we sell. Everything we use, wear, buy, sell and eat takes water to produce. Extensive water usage in areas with scarce water resources has a considerable impact on the environment and local inhabitants.	We map our direct business water footprint in order to see where and how we can contribute to minimising water usage. The next step will be to start mapping water usage in our supply chain – a step we had hoped to initiate in 2018 but did not make. We will, nevertheless, maintain our ambition and explore the possibilities of mapping supply chain water usage.
Deforestation	Risk that products we sell may have contributed to deforestation, and as a consequence the loss of biodiversity and the enhancement of the greenhouse effect, because of content such as palm oil or soy.	We demand from our private label suppliers that any content of palm oil must be RSPO ¹¹ mass balance certified as a minimum for Non-Food and segregated for Food. The status is reported once a year. The segregated target for food products for 2018 was not achieved. We have demanded from suppliers not fulfilling the requirement to be in place during 2019. We are participating in a soy working group under DIEH (the Danish Initiative for Ethical Trading) to set up a soy policy.
Plastic	Plastic often ends up in the environment and especially in the oceans where it poses an extremely large threat to life under water.	We have set up a plastic strategy and policy and entered into a 5-year partnership on plastic with WWF.

Climate

Climate change is a global concern that we share, and we recognise the risks climate change poses for society.

ISSUE	RISK	ACTIONS IN 2018
CO2 emissions from transport	Risk of high release of CO2 emissions from transportation of goods to our distribution centres and further transportation from distribution centres to stores.	<p>We seek to control costs and assess the impact on sustainability initiatives in our choice of transport mode by managing more and more of the inbound transportation ourselves.</p> <p>For the outbound transport, we do not have our own trucks as we use the services of hauliers with whom we seek to reduce CO2 emissions by optimising truck loads, logistics and driving routines, among other measures.</p> <p>We have asked our logistic colleagues in Netto in Germany, Poland and Sweden to examine their possibilities to measure the CO2 footprint of their transport, too.</p>

ISSUE	RISK	ACTIONS IN 2018
GWP	Global warming potential from the use of refrigerants in cooling engines.	Opening of 2 climate neutral stores in Netto DE where R134a (refrigerant) has been replaced by CO2 (1,430 times lower GWP impact).
Food waste	Producing the food we waste takes land, water, labour and other valuable resources. In addition, food waste is a major source of greenhouse gases, mostly in the form of methane.	Together with selected suppliers, we created the initiative ‘Danmark mod Madspild’ (Denmark against Food Waste), where all partners have committed to cooperate on reducing food waste by 50% by 2030. The Initiative has now been taken over by the Ministry of Environment and Food of Denmark with the purpose of scaling it up.

Our stakeholders

With more than 53,000 employees and 11 million customers visiting our stores every week, we believe that we play a significant role in the societies where we are present. This great impact calls for extraordinary responsibility in the way we conduct our business, and therefore engaging with important stakeholders and partners is of great importance to help us deliver on that parameter.

KEY STAKEHOLDERS	FORM OF DIALOGUE	HOT TOPICS
Customers	Social media Surveys Customer support centres Mail boxes in stores Store visits	Customer satisfaction Selection of products Food quality Diversity Responsibility Responsible products Health
Employees	Employee representatives at board meetings One-to-one meetings Team meetings Satisfaction surveys	Employee satisfaction Employee benefits Career development Labour conditions Employee accidents
Owners – the Salling Foundations	Ongoing dialogue Board Meetings	CSR strategy CSR initiatives
Regulators (national politicians)	Governmental working groups Roundtable discussions	Taxes and duties on certain products Food labelling

KEY STAKEHOLDERS	FORM OF DIALOGUE	HOT TOPICS
Ministry of Environment and Food of Denmark	Control inspections	Hygiene, food safety Food certifications Smiley agreement Food waste
Municipalities	Ongoing dialogue	Noise Waste management Opening of new stores Inclusion and job readiness
NGOs (WWF, The Danish Society for Nature Conservation, DanChurchAid, The Danish Cancer Society, The Danish Animal Welfare Society, The Danish Organic National Association, FSC Denmark, Børns Vilkår, Røgfri Fremtid etc.)	One-to-one meetings Ongoing dialogue Partnerships	Sustainable sourcing Animal welfare Food waste Environment Food safety Requests for donation Fundraising Plastic Smoke-free generation

KEY STAKEHOLDERS	FORM OF DIALOGUE	HOT TOPICS
Trade and other organisations (The Danish Chamber of Commerce, The Danish Agriculture & Food Council, Danish Ethical Trading Initiative etc.)	One-to-one meetings Ongoing dialogue CSR networking groups	Sustainable sourcing Labelling
Media / press		Product safety Animal welfare Ethical sourcing Competition and prices Ethical products Health
Suppliers	One-to-one meetings Producer audits Supplier satisfaction survey	CSR requirements Code of Conduct CSR labelled products Food waste reduction
Competitors	Roundtable discussions organised by public authorities	Labelling Animal welfare Palm oil Soy
Trade unions (HK, 3F etc.)	One-to-one meetings Ongoing dialogue	Labour conditions Employee safety and security



— Annexes

Independent practitioners limited assurance

To the stakeholders of Salling Group

As agreed, we have examined Salling Group's CSR Report 2018 (the CSR Report) for the period 1st January 2018 to 31st December 2018. Salling Group's CSR Report 2018 has been prepared in accordance with the accounting policies described on pages 71-73.

We are to conclude on whether the CSR Report has been prepared in accordance with the reporting approach and criteria described on pages 71-73. The degree of assurance expressed in the conclusion is limited.

Management's responsibility

Salling Group's Management is responsible for the preparation of the CSR Report in accordance with the reporting approach and criteria described on pages 71-73. Salling Group's Management is also responsible for such internal control as the Management considers necessary to enable the preparation of the CSR Report free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

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

Procedures:

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

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

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

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

Limited assurance conclusion

Based on the procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that Salling Group's CSR Report for the year ending 31st December 2018 has not been prepared, in all material respects, in accordance with the reporting approach and criteria described on pages 71-73.

Aarhus, 25th of March 2019

ERNST & YOUNG

Godkendt
Revisionspartnerselskab
CVR-no. 30 70 02 28



Morten Friis

Partner, State Authorised
Public Accountant
MNE-no.: mne32732



Carina Ohm

Executive Director

Management statement

The management of Salling Group has gone through and endorsed its CSR Report for the period January 1st – December 31st 2018.

The 2018 CSR Report has been completed in accordance with the principles stated in the reporting approach described on pages 71-73.

- To the best of our knowledge, we confirm that
- the accounting principles are appropriate
 - the CSR Report provides an accurate picture of Salling Group’s impact on society
 - the information given in the CSR Report fulfils the established accounting policies

Aarslev, 25th of March 2019
SALLING GROUP
CVR-no. 35 95 47 16



Per Bank
President & CEO

Reporting approach

Scope of the CSR Report

The CSR report covers the relevant and significant social, ethical and environmental issues for the financial year January 1st – December 31st 2018. We have received recommendations on our CSR activities and reporting from our assurance provider Ernst & Young.

Boundary Setting

Entities included in the performance data include majority-owned subsidiaries/formats defined as companies that Salling Group owns or controls, including web stores, i.e., Salling department stores, føtex, Bilka, Netto, Wupti.com and Netto Germany, Poland and Sweden. Real estate owned by Salling Group is excluded from both this and future reports, as are the franchises Carl’s Jr. and Starbucks.

Energy Data

Both majority-owned and controlled entities opened and closed during the financial year are included in the reporting. If a store opens during a reporting period and the opening date is after the reporting start date, then the store will be reported with an annual zero consumption.

If a store has data during a reporting period, and the opening date is before the reporting start date, then the store will be estimated until data acquisition is established. If a store closes after the reporting start date, consumption will be reported until actual close and estimated for the rest of the period. Estimates for stores with missing data have been prepared on the basis of yearly averages of the reporting stores within the same retail format and country. Estimates account for 0.9% in føtex, 0.0% in Bilka, 0.0% in Salling and 3.7% in Netto Denmark of the total energy consumption for each format. In Netto outside Denmark, estimates account for 0.0% in Germany, 0.0% in Poland and 2.4% in Sweden of the total energy consumption.

Water Data

Both majority-owned and controlled entities opened and closed during the financial year are included in the reporting. If a store opens during a reporting period and the opening date is after the reporting start date, then the store will be reported with an annual zero consumption. If a store opens during a reporting period and the opening date is before the reporting start date, then the store will

be estimated until data acquisition is established. Estimates for stores with missing data have been prepared on the basis of the average use in comparable stores within the same retail format and country. Estimates account for 6.1% in føtex, 0.0% in Bilka, 0.0% in Salling and 5.6% in Netto Denmark of the total water consumption for each format. In Netto outside Denmark, estimates account for 0.0 % in Germany, 0.0% in Poland and 14.1% in Sweden of the total water consumption.

Waste Data

Both majority-owned and controlled entities opened and closed during the financial year are included in the reporting. Some stores have reported based on estimates. Estimates account for 1.1% in føtex, 0.0% in Bilka, 0.0% in Salling and 1.4% in Netto Denmark of the total waste for each format. In Netto outside Denmark, estimates account for 11.0% in Germany, 0.0% in Poland and 31.3% in Sweden of the total waste for the format in each country. For Netto Germany, waste has been calculated based on a total of 80 weighing samples throughout the year in 8 sample stores. Estimates for the remaining stores in Germany have been calculated on the basis of the average amount of waste per unit of turnover for the sample stores. For stores in Netto Poland, waste calculation has been prepared on the basis of the exact number of containers multiplied by an average weight per container. For Netto Sweden, waste calculation has been prepared on the basis

of 11 stores where waste is weighed all year. The remaining stores have been calculated on the basis of the average amount of waste per unit of turnover for the sample stores.

Supplier Satisfaction Survey

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

Supplier Risk Screening

Supplier risk screening is conducted by means of our Responsible Procurement System (RPS). The system captures information about our private label and unbranded product suppliers' production units and documentation on social audits and/or certificates. The system works with a colour rating where green means that all required audit documentation is in place, yellow means in process, red means improvement needed and finally, with no colour, suppliers suspended.

Food Waste

Food waste is calculated in tonnes and stems from our stores and distribution centres in Denmark. The calculation is based on scrapping in pieces multiplied by net weight. In the Bakery category, shrinkage has been added, which is also the case for the Fruit & Vegetables category in Netto.

Where net weight for a given article is missing, we have used the average weight for articles in the relevant category. Estimates account for 0,1%. The target baseline has been calculated on the basis of our market share in 2014 in proportion to the Danish Ministry of Environment's 2014 calculations of food waste in tonnes in Danish retail.

Outbound Transport

The calculation of CO2 emissions is for own-controlled outbound transport only, and only for Denmark. Outbound transport is the transport of goods from our distribution centres to our stores in Denmark, and emission per pallet (frozen pallets for føtex and Bilka excluded) is calculated on the basis of mileage, CO2 factor per kilometre and number of pallets. CO2 factor is calculated on the basis of external haulier Frode Laursen's calculated mileage per litre of diesel. Estimates account for 3-5% based on the calculated CO2 for the largest part of our outbound transport.

Inbound Transport

The calculation of m³ for inbound transport is made on inbound freight by all modes of transportation, i.e., sea, air, road and train. Data are collected from internal statistics and invoices from freight carriers. Train is calculated based on data/methodology for road.

Tax Footprint

Taxes and duties collected consist of value added tax, taxes withheld from employee wages and

excise duties. The included amount for value added tax is calculated as the net VAT payment to the state, meaning VAT on sales minus VAT payable.

Collected excise duties in Denmark (e.g., on chocolate, alcohol etc.) are only included for imported goods as excise duties on locally produced products are paid to the authorities by the manufacturing companies. Our direct taxes consist of corporate tax, energy tax, environmental tax and property tax. The largest amount of taxes and duties borne relates to corporate income tax.

–

We report on 21 key areas. KPIs, definitions and performance for each are listed under Reporting Criteria and Performance.

Reporting criteria and performance

KPI	DATA & CRITERIA	2014	2015	2016	2017	2018	TARGET
CSR as perceived by employees	Barometer survey conducted by Rambøll – scores (%) on questions about diversity and responsibility	76	78	77	78	78	-
Diversity	% of female leaders – director +	17	15	15	14	16	20 ¹²
Diversity (board level)	% of female representatives	20	20	17	17	17	40 ¹³
Employee response rate	Barometer survey conducted by Rambøll – overall score (% of respondents)	87	89	90	90	90	-
Employee engagement	Barometer survey conducted by Rambøll – average score (satisfaction rate)	77	78	77	77	78	
People in job training	Number of citizens outside the job market in unsalaried training to clarify their ability to take up a job (average throughout the year)	-	839	1,093	963	976	-
Employee safety	LTIF (lost time injury frequency) = number of work related injuries with more than one day of absence per 10.000 headcounts - Denmark	102	79	96	91	92	-
Employee safety	LTI (lost time injury) = total number of work related injuries with more than one day of absence – Netto outside Denmark	250	224	242	250	211	-

¹² By end 2020. 30% by 2025, 35% by 2030 and 40% by end 2035

¹³ By 2021. Target was previously set by 2017 which we did not meet due to no new appointments nor change of gender composition

KPI	DATA & CRITERIA		2014	2015	2016	2017	2018	TARGET
Employee sick leave	Sick hours divided by working hours (overtime included)%	DK	2.8	2.8	2.7	2.7	2.9	-
		DE	3.5	3.5	4.1	4.2	4.5	-
		PL	4.2	4.8	5.4	5.2	5.2	-
		SE	7.9	7.6	9.7	8.7	7.4	-
Employee turnover (% of total headcounts)	Voluntary permanent staff turnover	DK	33.3	28.5	27.1	29.7	27.7	-
	Total staff turnover	DE	13.3	12.8	10.1	9.6	10.3	-
	Voluntary staff turnover	PL	17.0	19.6	21.4	22.4	24.4	-
	Voluntary permanent staff turnover	SE	12.7	14.7	15.8	21.0	20.3	-
Food safety	Smiley 1 – Denmark only. % of number one smileys given by the Danish Food Authorities following a control visit. Both majority-owned or controlled entities opened and closed during the financial year are included		89.3	92.5	90.5	90.8	90.8	100
Inbound transport	M ³ per transport mode (own controlled)% split	Road	-	-	73.2	75.1	76.2	-
		Rail			6.4	6.7	6.9	
		Sea			20.2	18.0	16.7	
		Air			0.2	0.2	0.2	
Outbound transport	Kg CO2 per pallet (own controlled) – Denmark only		-	-	4.83	4.77	4.30	-
Energy	MWh/m ² – Salling Group total		0.274	0.250	0.250	0.239	0.234	-10% ¹⁴
Water	M3/m ² – Salling Group total		-	-	-	0.199	0.188	-10% ¹⁵

KPI	DATA & CRITERIA	2014	2015	2016	2017	2018	TARGET
Waste	Recycling%	57	68	73	75	78	90 ¹⁶
	DK	53	65	71	74	78	90
	DE	76	79	79	83	83	90
	PL	62	70	71	72	74	90
	SE	48	71	75	78	81	90
Food waste	Tonnes of food intended for human consumption that ends up as waste, animal feed, bio-gas, composting etc. – Denmark only	42,826	35,205	33,364	30,963	29,787	-50% ¹⁷
Buyers trained in responsible procurement	% of procurement staff trained (staff in scope are people with buying responsibilities in Commercial, Goods Not For Resale, IT and Shop Fittings)	59	68	68	70	66	80
Employees trained in responsible products	% of staff trained (staff in scope are employees in buying functions in Commercial, Goods Not For Resale, IT and Shop Fittings)	-	78	88	97	95	85
Revenue from responsible products	Revenue from products carrying a CSR label (e.g., Keyhole, Fairtrade, Organic, Animal Welfare etc.). Billion DKK – Denmark only	-	-	4.5	9.9	9.9	
Supplier satisfaction rate	On a scale from 1-5 based on the question "How satisfied are you with the cooperation with Salling Group?"	-	-	4	4	4	-
Supplier risk screening ¹⁸	% of PL and no name producers uploaded and rated green (compliant), yellow (in process) or red (improvements needed) respectively and finally suspended	Upl.	-	-	82.5	99.1	100 ¹⁹
		Done	-	-	62.2	68.9	-
		△	-	-	89.1	92.1	-
		△	-	-	10.5	3.3	-
		△	-	-	0.4	4.5	-
		Susp				0,1	

¹⁶ By 2018 – an ambitious target which we unfortunately did not meet. We will, however, maintain our ambition, thus sustaining the target for four more years.

¹⁷ By 2030 with baseline 2014.

¹⁸ We have changed the risk categorisation by splitting the former yellow (in process) into: in process (yellow) and improvements needed (red). 'Suspended' is outside the colour rating.

¹⁹ By 2018.

Company information

ORGANISATIONAL PROFILE	
Name of organisation	Salling Group
Web address	sallinggroup.com
Location of headquarter	Rosbjergvej 33, 8220 Brabrand, Denmark
Primary brands	Salling, føtex, Bilka, Netto and Wupti
Nature of ownership and legal form	Privately owned/Non-listed
Total number of employees	53,623
Significant change during reporting period regarding size, structure, ownership or supply chain	We changed our name from Dansk Supermarked Group to Salling Group
Externally developed charters, principles or initiatives to which Salling Group subscribes or which it endorses	Salling Group supports the UN Global Compact framework, but is, however, not a signatory
Membership of associations and advocacy organisations	<ul style="list-style-type: none">*amfori Business Social Compliance Initiative (BSCI)*Bangladesh Accord on Fire and Building Safety – the Transition Accord*Danish Ethical Trading Initiative (DIEH)*Danish Chamber of Commerce (DE)*AMS Sourcing*FSC Denmark*The Consumer Goods Forum (CGF)
Tax Policy	Tax policy is available on our website sallinggroup.com

REPORT PROFILE	
Reporting period	January 1st 2018 – December 31st 2018
Reporting principles	In accordance with the Danish Financial Statements Act, articles 99a and 99b
Date of the most recent previous report	April 30th 2018
Reporting cycle	Annual report is published before May 31st of each year and covers the previous calendar year. The report will be available on our web-site sallinggroup.com
Contact point for questions regarding the report or its content	Vice President of Communication, Mads H. Grand – mads.hvitved.grand@sallinggroup.com or Vice President of Public Affairs and CSR, Annette Juhler Kjær – annette.juhler.kjaer@sallinggroup.com

GOVERNANCE	
Main positions with CSR responsibility	Executive Vice President of HR, Commercial, Finance, føtex, Bilka and Netto
Composition of Board of Directors	Six regular members of which one is female, all appointed by the general meeting. In addition, there are three employee representatives elected by employees.

