Esselunga Group
Consolidated Financial Statements
as at 31 December 2020

Parent Company

Esselunga S.p.A.

Registered office Milan, Via Vittor Pisani 20
Share Capital €100,000,000 fully paid up
Tax Code and Milan Register of Companies no. 01255720169
Milan R.E.A. no. 1063

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Management Report

To the sole shareholder,

Esselunga S.p.A (hereinafter the 'Company' or the 'Parent Company') and, together with its subsidiaries the Esselunga Group, (hereinafter also the 'Group' or 'Esselunga') is mainly engaged in the food sector of Large-Scale Retailing in Italy through a sales network comprising, at 31 December 2020, 165 stores located in Lombardy, Liguria, Veneto, Piedmont, Emilia Romagna, Tuscany and Lazio, and five laESSE stores in Corso Italia, Milan.
In addition, the Group manages 99 Atlantic bars and 40 selected perfume shops under the EsserBella/eb brand and is also engaged in the real estate sector through the research, design and implementation of new projects that are instrumental to its business activity.
In addition to Esselunga S.p.A., the Group comprises the following main companies: La Villata S.p.A. Immobiliare di Investimento e Sviluppo, Orofin S.p.A., which is in charge of the majority of the real estate development projects, Atlantic S.r.l., Fìdaty S.p.A. and EsserBella S.p.A.

During 2020, the Group opened six new shops, in Milan in Viale Tibaldi, in Barzanò (LC), in Montecatini Terme (PT), in Parma in Via Verdi, in Genoa in Via Piave, in Pistoia in Viale Matteotti and four *laESSE* shops in Milan.

The Non-Financial Statement included in this report, which exceeds legal obligations, aims to demonstrate the Group's strong focus on relevant issues for the Company and its stakeholders such as innovation, quality of raw materials and product safety, protection of the environment, the working conditions of its employees and collaborators, and compliance with regulations.
These elements reflect the commitment, history and culture of Esselunga's people with regard to Corporate Social Responsibility issues.

On 7 October 2020, the Company published its first Sustainability Report 2019.
The 2020 Sustainability Report will be published in 2021.

Major events relating to the 2020 financial year

Covid-19

At the time of writing,there is an ongoing factor of macroeconomic instability related to the spread of Covid-19, which in the early weeks of 2020 initially affected economic activity in China and subsequently spread to other countries, including Italy from the end of February 2020.

A series of Prime Ministerial Decrees have imposed restrictions in Italy to contain Covid-19 and identified measures to combat the spread of the virus, mainly through restrictions on people's mobility and social lives.

From the outset, the Group has not only taken protective measures and initiatives in line with the provisions imposed by the Prime Minister's decrees, but has also applied the following two guidelines:

- protect the health and safety of its customers and its own people;
- ensure the necessary business continuity for the provision of essential goods

The main decisions and initiatives taken by the Group during the period relating to the above restrictions include the following:

- in the period between the end of February and April of 2020, to ensure that daily operational activities for the sale of essential goods could continue, the personnel of the subsidiaries Atlantic S.r.l. and EsserBella S.p.A., worked with the personnel of the parent company Esselunga S.p.A. on a voluntary basis by means of secondment;
- the Company developed an extraordinary plan of activities to make its own contribution to the national emergency:
  - Esselunga donated €2.5 million for hospitals and other organisations engaged in front-line care of patients and scientific research during 2020.
  - Aware of the impact that the situation is having on Italy's businesses, to help suppliers Esselunga strengthened our factoring arrangement with UniCredit to facilitate payments and therefore alleviate their financial difficulties.
  - From 7 March 2020 until 30 June 2020, Esselunga waived home delivery fees for all over-65s for the 'Esselunga a Casa' online service and for store to home deliveries;
  - The company granted an extraordinary €150 per person welfare measure, plus a one-off Christmas holiday bonus of further €200 per person for all shop staff and operating staff at Esselunga locations, rewarding their exceptional work for customers during the worst weeks of the emergency;
  - All office staff were enabled to work remotely at all times. These measures were taken to demonstrate our support for the community, ensuring continuity of service for our customers and safeguarding the health and safety of our employees;

- granting €3.5 million in discounts on active rental contracts to third-party tenants, representing an average reduction of over 40% compared to the previous year.

For the staff of the Atlantic Srl bars and EsserBella S.p.A. perfume shops – the companies worst impacted by the closures and limitations of the *lockdown*, social safety nets were used.
During the emergency, Group efforts to strengthen the e-commerce channel led to a growth in sales in the first half of the year (+0.9%). In the second half of the year, sales growth was +4.8%.
Overall, Group sales grew by 2.9%, as detailed in the paragraph "Adjusted income statement results".

Acquisition by the Majority Shareholders of 30% of Supermarkets Italiani and determination of the acquisition price
On 5 December 2019, the company Superit Finco S.r.l. (later Superit Finco S.p.A.) was incorporated by Superit S.r.l., a company wholly owned by the Majority Shareholders of the Company.
Superit Finco S.p.A. was designated by the Majority Shareholders of the Company as purchaser of a stake representing 30% of the capital of Supermarkets Italiani S.p.A. ("Minority Shareholding"), owned by the Minority Shareholders.
Esselunga was informed that on 20 March 2020 the arbitration panel determined - by majority vote - that the overall purchase price of the Minority Shareholding amounted to €1,830 million (the 'Acquisition Price').
The closing of the acquisition transaction took place on 23 April 2020.
The Purchase Price was paid through a combination of
(i) capital contribution by the Majority Shareholders totalling €535 million;
(ii) bank debt deriving from credit lines made available by a pool of leading Italian and international banks totalling €1,325 million.

In particular:

- the capital contribution by the Majority Shareholders comprises:
  (i) €100 million in cash contributed by the Majority Shareholders, also used to meet financial costs;
  (ii) €435 million from the sale by Superit Finco S.p.A. to Unicredit S.p.A of a 32.5% stake in the capital of La Villata S.p.A. (respectively, the '**La Villata Shares**' and '**La Villata**'), held by the Majority Shareholders (the remaining 67.5% of La Villata is held by Esselunga S.p.A.) and previously conferred to Superit Finco S.p.A. through Superit S.r.l.;

- borrowings from banks ("**Loans**") arise from the use of credit lines as follows:
  (i) utilisation of the acquisition facility maturing in 2027, for an amount of €775 million;
  (ii) use of the "bridge to cash" line with a maximum maturity of 15 months, for an amount of EUR 550 million.

In addition, the reverse merge procedure ("**Merger**") of the parent companies Supermarkets Italiani S.p.A. and Superit Finco S.p.A into Esselunga S.p.A. ended in February 2021.

Please note that:

- In August 2020, Supermarkets Italiani S.p.A. repaid the existing bank loans, amounting to €300 million, with a loan from the subsidiary Esselunga S.p.A. (€275 million) and using its own liquid assets for the difference (€25 million).
- In March 2021, Esselunga S.p.A., repaid the bridge-to-cash line following the aforementioned Merger.

Please note that, following the definition of the purchase price and the corporate structure, the aforementioned Reverse Merger process will result in Esselunga S.p.A. assuming the obligations under the loans listed above.
Finally, please also note that Esselunga S.p.A.'s rating has been revised:

- on 25 March 2020 by Moody's to Ba1 from the previous Baa2;
- on 27 March 2020 by Standard & Poor's to BB+ from the previous BBB-.
- According to both agencies the outlook is stable.

Merger by absorption of Supermarkets Italiani S.p.A. and Superit Finco S.p.A. into Esselunga S.p.A.
On 26 November 2020, the Shareholders' Meeting of Esselunga S.p.A. approved the Merger by absorption of Supermarkets Italiani S.p.A. and Superit Finco S.p.A. into Esselunga S.p.A., the project for which had been approved by the Board of Directors on 12 November 2020.
The Merger deed was signed on February 15, 2021 with legal effects starting from March 1, 2021.
The Merger, previously announced in the press release of 21 March 2020, will result in the rationalisation of the shareholding structure of the Esselunga Group.
As a result of the Merger, Esselunga will acquire the debt contracted for the purchase of 30% of Supermarkets Italiani, according to the reverse merger model.
The Merger has no effect on these financial statements.
For more details, please refer to the information in the **Merger Effects** section of this Report.

Acquisition of six business units from Margherita Distribuzione

In December 2019, Esselunga S.p.A. signed a binding agreement with Margherita Distribuzione S.p.A. for the transfer of six business units, taking over as many points of sale in Lombardy and Emilia Romagna.

The closing of the transaction, which is part of Esselunga development strategy, was completed in 2020.

Following investments to bring the acquired shops into line with Esselunga standards, five shops entered operations in 2020, and a sixth in January 2021.

Intermediate indicators

To facilitate an understanding of its financial and operating data, the Group uses common indicators, which are not however envisaged under EU IFRS.

In particular:

- the income statement shows:
  - Added value
  - EBITDA
  - Operating profit

- The statement of financial position shows:
  - Net Financial Position
  - Net Invested Capital
  - Net Working Capital

These amounts can be reconciled with the balances of the Consolidated Financial Statements at 31 December 2020.

The indicators used by the Group are not defined in the accounting principles adopted; as such, the definitions used by the Group may not be consistent with those specified by other companies or groups, thus preventing their comparability.

For clarity, it was considered preferable to indicate all amounts in rounded figures; Thus, in some statements, the totals may differ slightly from the sum of the amounts that make them up.

Adjusted values

This Report also includes a summary of adjusted amounts (adjusted EBITDA, adjusted EBIT, adjusted net profit and adjusted Net Financial Position) in order to present the Group's operating and financial performance.
Adjusted EBITDA, adjusted EBIT and adjusted Net Profit were adjusted for the following impacts:

- the fair value measurement of prize-giving promotions, as required by the international accounting standards;
- valuation of operating leases required by IFRS 16 Leases.

The adjusted Net Financial Position was amended for the impact of the valuation of operating leases required by IFRS 16 Leases.

The table below summarises these impacts: Please note that the percentages are calculated on the value of Sales:

Reconciliation of balance sheet results with adjusted results *(millions of Euros)*	**2020**		**2019**	
EBITDA	**718.2**	**8.6%**	**716.9**	**8.8%**
Difference cost/fair value prize-giving events	21.6		(10.0)	
Impact of operating leases (IFRS 16 Leases)	(34.1)		(31.4)	
Adjusted *EBITDA*	**705.8**	**8.4%**	**675.5**	**8.3%**
Operating profit	**396.6**	**4.7%**	**391.3**	**4.8%**
Difference cost/fair value prize-giving events	21.6		(10.0)	
Impact of operating leases (IFRS 16 Leases)	(8.8)		(11.1)	
Adjusted *operating result*	**409.4**	**4.9%**	**370.2**	**4.5%**

Macroeconomic scenario in 2020 and summary of operating performance

- In 2020, **GDP** fell to just **8,9%** (source: ISTAT).
- The **inflation rate** was **-0.2%** (source ISTAT).
- **Sales grew by 2.9% to €8,373.7 million**, despite the effects of the pandemic, partly due to the contribution of e-commerce. Excluding bars and perfumeries, which suffered due to lockdowns, growth would rise to 3.6%.
- **On-shelf prices** were affected by Covid-19 with a different propensity for promotional buying and a different mix of purchases by customers leading to inflation of 1.1%. Prices rose especially in very fresh products (fruit and vegetables, fish and meat). **The inflation effect from suppliers was +2.7%.** Therefore, the sales prices increase only partly absorbed the rise in purchase prices.
- **Discounts of €1,523 million** were granted to customers to maintain the level of competitiveness in the country's difficult economic phase. If we also include other forms of customer support the figure rises from €1,523 million to **€1,678 million**.
- The relative **attractiveness of sales prices was maintained** with 2.4 percentage points below the Trading Area average and 2.5 percentage points below the national market average (Source: NRPS *Nielsen*). This relative attractiveness has remained almost constant in recent years.
- During 2020, the Group opened **six new shops**: Milan in Viale Tibaldi, Barzanò (LC), Montecatini Terme (PT), Parma in Via Verdi, Genoa in Via Piave and Pistoia in Viale Matteotti.
- During 2020, the Group also opened **four new laESSE shops** in Milan in Via Melchiorre Gioia, Viale Monte Nero, Corso Genova and Via Mercato.
- **Investments** amounted to €389.4 million.
- The **average workforce** was 24,694 people, an average increase of 789 compared to 2019.
- **The adjusted Net financial position** showed a cash position of €174.2 million, an improvement of €323.9 million compared to 31 December 2019. The following table provides details of the Net Financial Position including the valuation of operating leases required by IFRS 16 Leases.

Net Financial position at end of period *(millions of Euros)*	**31.12.2020**	**31.12.2019**
Adjusted Net Financial Position	174.2	(149.7)
Impact of operating leases (IFRS 16 Leases)	(403.2)	(360.0)
Net Financial position	**(229.0)**	**(509.7)**

Merger effects

On 26 November 2020, the Shareholders' Meeting of Esselunga S.p.A. approved the reverse merger ('Merger') by absorption of Supermarkets Italiani S.p.A. and Superit Finco S.p.A. into Esselunga S.p.A., the project for which had been approved by the Board of Directors on 12 November 2020.
The Merger agreement, whose accounting effects will be effective as of 1 January 2021, was signed on 15 February 2021 with legal effects from March 1, 2021.
As of that date the entire share capital of Esselunga is held by Superit S.r.l.
As a result of the operation in question, Esselunga will acquire, according to the reverse merger model, the debt contracted by Superit Finco for the purchase of 30% of Supermarkets Italiani.
Although the Merger in question does not impact these Financial Statements, the proforma effects on the net debt of the Esselunga Group as at 31 December 2020, if the Merger had been completed by 31 December 2020, are shown below.

(millions of Euros)	**31.12.2020**	*Impact IFRS 16 Leases*	**31.12.2020 *adjusted***
Net financial position	(229.0)	*403.2*	174.2
Net financial position Supermarkets Italiani S.p.A.	(269.9)	-	(269.9)
Net financial position Superit Finco S.p.A.	(1,321.2)	-	(1,321.2)
Pro-forma Net Financial Position post Merger effects	**(1,820.1)**	***403.2***	**(1,416.9)**

It should be noted that the proforma effects on the 2020 EBITDA would not be significant.

(millions of Euros)	**31.12.2020**	*Impact IFRS 16 Leases*	**31.12.2020 *adjusted***
Cash and cash equivalents	7.4	-	7.4
`Bridge to cash loan	(551.0)	-	(551.0)
Acquisition facility financing	(765.5)	-	(765.5)
Derivative financial instruments	(12.0)	-	(12.0)
Net financial position Superit Finco S.p.A.	**(1,321.2)**	**-**	**(1,321.2)**

The values of the bridge-to-cash and acquisition facility loans include the amortised cost relating to the ancillary costs incurred and the associated interest.
The value of the derivative financial instruments represents the fair value at 31 December 2020.

Income statement results

The percentages shown in the table, apart from the one indicated in the line 'Total sales', are calculated on the value of Sales:

Condensed profit and loss account *(millions of Euros)*	2020		2019	
Total sales	**8,373.7**	**+2.9%**	**8,141.6**	
Sales Adjustments	(169.5)		(142.6)	
Net revenue	**8,204.2**		**7,999.0**	
Net costs for goods and raw materials	(5,600.8)		(5,502.1)	
Other operating costs and other revenues	(870.3)		(764.7)	
Added value	**1,733.1**	**20.7%**	**1,732.2**	**21.3%**
Personnel costs	(1,014.8)		(1,015.3)	
EBITDA	**718.2**	**8.6%**	**716.9**	**8.8%**
Amortisation and depreciation	(317.0)		(302.6)	
Provisions and write-downs	(6.2)		(21.9)	
Capital gains/losses on non current assets	1.5		(1.1)	
Operating profit	**396.6**	**4.7%**	**391.3**	**4.8%**
Net financial income (expense)	(38.9)		(39.5)	
Profit before taxes	**357.7**	**4.3%**	**351.8**	**4.3%**
Income taxes	(87.8)		(93.2)	
Net result	**270.0**	**3.2%**	**258.6**	**3.2%**
of which Net profit (loss) attributable to the Group	257.3		245.7	
of which Net profit (loss) attributable to minority interests	12.7		12.9	

Against the background of the pandemic, the e-commerce channel led to a growth in sales in the first half of the year (+0.9%). In the second half of the year, sales growth was +4.8%.
Overall, Group **Sales** grew by 2.9%.
Without the effects of the restrictions affecting bars and perfumeries, the Group's growth was 3.6%.

For a better representation of the **Sales** trend, it can be divided into five phases:

1) **Pre-Coronavirus** (up to 20 February) representative of ordinary business performance before the emergency, with a growth of **+3.6%**;

2) **Hoarding phase** (21 February - 12 March) during which bulk buying by customers generated a growth of **+14.9%**;

3) ***Lockdown*** (13 March - 3 May) during which the limitations on social mobility, above all the ban on moving between municipalities, entry limits in shops, the prohibition of the sale of some goods and the forced closure of some businesses (bars, perfumeries), severely hampered growth, with a contraction in sales of **-15.0% despite the positive impact of e-commerce**;

4) **Phase 2** (4 May to 8 November) with sustained growth, **+4.9%**, partly due to the contribution of e-commerce;

5) ***Lockdown Light*** (9 November - 31 December) partial restrictions in some regions with a growth of **+9.7%**.

Esselunga:

- maintained its relative attractiveness with 2.4 percentage points below the Trading Area average and 2.5 percentage points below the national market average (Source: NRPS *Nielsen*). This differential remains in line with past years;
- continued to invest in promotional activities, which resulted in discounts being given to customers for over €1,523 million, down in 2020 by around €37 million compared to last year. This is to be attributed to a lower propensity for promotional purchases during lockdown.

The performance of the Esselunga Group (+ 3.6%) compares with that of the market (+4.8% source Nielsen),which includes all distribution channels.
The best performance on the market can be attributed to a greater numbers of local shops, demand for which was significantly stimulated by the bans on moving between municipalities.
Furthermore, competition continues to be very active as demonstrated by the opening of over 250 stores in the last 3 years.
However, the differential with the market was reversed in the second half of the year and Esselunga had a level of growth higher than that of the competition.

EBITDA was €718.2 million (8.6%) slightly up compared to €716.9 million (8.8%) in 2019. The result was driven by the good management performance which more than offset the increase in costs of services, which grew due to the greater incidence of e-commerce volumes.
Operating Profit was €396.6 million (4.7%) slightly up compared to €391.3 million (4.8%) in 2019. In addition to the previous comments on Gross Operating Margin, the Operating Profit was affected by higher depreciation related to new stores, offset by lower property write-downs.

Net financial income (**expense)** amounted to €38.9 million, substantially in line with the 2019 figure of €39.5 million.

Income taxes amounted to 24.5% (26.5% in 2019) mainly due to the impact of the tax benefit related to the Patent Box and the ACE (Aid to Economic Growth). Please refer to the notes to the consolidated financial statements at 31 December 2020 for an analysis of the impact of effective taxation on the Group's income.

Net Profit amounted to €270.0 million (3.2%) compared to €258.6 million (3.2%) in 2019.

Adjusted income statement results

For a more homogeneous and representative comparison of earnings performance in the two years, an adjusted Income Statement is shown below which includes some appropriate adjustments to reflect the fair value measurement of prize giving promotions and the application of the new accounting standard IFRS 2020 Leases.

Please note that the percentages, apart from the one indicated in the line 'Total sales', are calculated on the value of Sales:

Adjusted condensed profit and loss account *(millions of Euros)*	**2020**		**2019**	
Total sales	**8,373.7**	**+2.9%**	**8,141.6**	
Sales Adjustments	(147.9)		(152.6)	
Adjusted *net revenue*	**8,225.8**		**7,989.0**	
Net costs for goods and raw materials	(5,600.8)		(5,502.1)	
Other operating costs and other revenues	(904.4)		(796.1)	
Adjusted *added value*	**1,720.6**	**20.5%**	**1,690.8**	**20.8%**
Personnel costs	(1,014.8)		(1,015.3)	
Adjusted *EBITDA*	**705.8**	**8.4%**	**675.5**	**8.3%**
Adjusted amortisation and depreciation	(290.2)		(279.9)	
Provisions and write-downs	(6.2)		(21.9)	
Adjusted capital gains/losses on non current assets	(0.0)		(3.6)	
Adjusted *operating result*	**409.4**	**4.9%**	**370.2**	**4.5%**
Adjusted net financial income (expense)	(28.1)		(29.2)	
Adjusted *net profit before taxes*	**381.3**	**4.6%**	**341.0**	**4.2%**
Adjusted income taxes	(94.4)		(90.2)	
Adjusted *net income (expense)*	**286.9**	**3.4%**	**250.8**	**3.1%**
of which adjusted net profit (loss) *attributable to the Group*	274.2		237.9	
of which adjusted net profit (loss) *attributable to minority interests*	12.7		12.9	

Statement of financial position and cash flow information

Reclassified statement of financial position *(millions of Euros)*	**31.12.2020**	**31.12.2019**	**Change**
Property, plant and equipment	4,708.1	4,584.4	123.7
of which ROU for IFRS 16 Leases	*381.3*	*341.1*	*40.2*
Investment property	137.7	157.4	*(19.6)*
Intangible assets	198.9	170.9	28.0
Goodwill	6.6	6.6	-
Equity investments	0.1	0.1	-
Other non-current financial assets	1.2	5.2	(4.0)
Fixed assets	**5,052.6**	**4,924.6**	**128.0**
Other non-current assets and liabilities	**(10.2)**	**(48.3)**	**38.1**
Net working capital	**(1,112.2)**	**(931.1)**	**(181.1)**
Provision for employee severance indemnity (T.F.R.) and provisions for risks and charges	**(127.7)**	**(134.0)**	**6.4**
Assets held for sale	**-**	**16.8**	**(16.8)**
Net invested capital	**3,802.5**	**3,828.0**	**(25.5)**

Equity attributable to owners of the parent	**3,573.5**	**3,318.3**	**255.3**
Net debt	**229.0**	**509.7**	**(280.7)**
of which payable for IFRS 16 Leases	*403.2*	*360.0*	*43.2*
Shareholders' Equity and Net Financial Position	**3,802.5**	**3,828.0**	**(25.5)**

The ROU (Right of Use) under IFRS 16 Leases item and the IFRS 16 Lease payables item refer to operating leases recognised in accordance with the said accounting standard.
Acquisitions in 2020 amounted to €389.4 million, of which €332.2 million were in property, plant and equipment, €56.0 million in intangible assets and €0.9 million in investment property.
The increases concerning the right of use in application of IFRS 16 Leases in 2020 amounted to €73.1 million.

Property, plant and equipment

The increase of €123.7 million refers to:

- acquisitions of Property, plant and equipment of €332.2 million;
- increases resulting from the application of the accounting standard IFRS 16 Leases for €73.1 million;
- decreases resulting from the application of the new accounting standard IFRS 16 Leases for -€6.1 million;
- disposals of €2.3 million;
- depreciation for the year of €286.3 million (of which €44.1 million as a result of the application of the IFRS 16 Leases);
- net write-downs and write-ups of +€0.9 million;
- reclassifications of +€12.3 million, mainly from the investment property category and changes in buildings' use.

The acquisitions of Property, plant and equipment of €332.2 million refer to the following activities:

- €61.4 million for the set up of the new stores opened in 2020;
- €9.4 million for the set up of the new '*laESSE*' local shps opened in 2020;
- work on the logistics network (€17.5 million);
- €82.9 million for the purchase, modernisation and maintenance of the logistic hubs and the headquarters;
- €58.4 million for the modernisation and maintenance of existing stores;
- €102.6 million for the purchase and development of areas dedicated to the opening of new stores.

<u>Investment property</u>
The item investment property refers to land or buildings that are not intended for use in the Group's ordinary activities. The decrease of €19.6 million refers to:

- investments of +€0.9 million;
- Amortisation and depreciation of -€2.6 million;
- net write-downs of -€6.9 million;
- reclassifications of -€11.1 million to property, plant and equipment related to changes in the use of property.

<u>Intangible assets</u>
The increase of Euro 28.0 million mainly refers to:

- investments of +€56.0 million in software to improve the Group's IT infrastructure and commercial licences;
- Amortisation and depreciation of -€28.0 million;
- disposals of -€0.4 million;
- lower write-downs of -€0.2 million;

<u>Equity investments</u>
The item equity investments refers to the book value of the Centomilacandele S.c.p.A. consortium.

<u>Other non-current financial assets</u>
These relate to shares in investee companies.

Other non-current assets and liabilities

The main elements in this item are shown in the table below:

Other non-current assets and liabilities *(millions of Euros)*	**31.12.2020**	**31.12.2019**	**Change**
Net deferred tax assets and liabilities	(25.9)	(32.0)	6.0
Non-current deferred revenue for prize-giving promotions	-	(59.7)	59.7
Other non-current assets (liabilities)	15.7	43.4	(27.6)
Total	**(10.2)**	**(48.3)**	**38.1**

The item net deferred tax assets, includes the effects of deferred taxation calculated on the temporary differences arising primarily from risk provisions, non-deductible write-downs and the different tax deductibility rules for depreciation/amortisation compared to depreciation/amortisation recognized in the income statement.

The item 'deferred revenue for prize-giving promotions (non-current portion' refers to the fair value of prizes that are estimated to be redeemed by customers after 12 months from the reporting date. As of 31 December 2020, since the existing prize events will end within 12 months, revenues from prize events were reclassified in Net working capital under current liabilities.

The item other non-current assets (liabilities) as at 31 December 2020 mainly refers to tax credits for VAT for which a refund request has been submitted, with collection expected in the course of 2021.
The decrease compared to 31 December 2019 mainly relates to the collection of a tax receivable of €23.8 million related to a VAT refund request.

Net Working Capital

The main elements in this item are shown in the table below:

Net Working Capital *(millions of Euros)*	**31.12.2020**	**31.12.2019**	**Change**
Trade receivables	421.7	469.7	(48.0)
Inventories	436.7	401.0	35.7
Receivables (Payables) for indirect taxes	56.9	42.8	14.1
Other receivables	23.9	21.8	2.1
Trade payables	(1,563.4)	(1,496.5)	(67.0)
Current deferred revenue for prize-giving promotions	(215.5)	(126.8)	(88.7)
Payables to employees	(87.2)	(85.5)	(1.7)
Current tax payables	(60.2)	(71.7)	11.5
Payables to social security institutions < 12 months	(58.7)	(61.8)	3.1
Receivables (Payables) for direct taxes	(10.8)	22.5	(33.2)
Other payables	(55.7)	(46.6)	(9.0)
Total	**(1,112.2)**	**(931.1)**	**(181.1)**

Receivables (payables) for indirect taxes refer to a net VAT credit position towards the tax consolidating body Supermarkets Italiani S.p.A. and the tax authorities.

Other receivables mainly include prepaid expenses related to leases and rentals, insurance, advertising, utilities, repairs and maintenance, already paid but not pertaining to the financial year (€18.1 million).

Current deferred revenue for prize-giving promotions represents the fair value of prizes that are expected to be earned within twelve months after the balance sheet date. The measurement mainly reflects the Fìdaty catalogue named 'Bergamo' launched in May 2016, running until March 2021.

The other current liabilities mainly include debts for prepaid cards.

Assets held for sale

The value of asses held for sale at 31 December 2019 related entirely to an area located in Milan that was sold in 2020. The value of €16.8 million was duly received.

Provision for employee severance indemnity (T.F.R.) and provisions for risks and charges

The provisions for employee severance indemnity decreased by €5.0 million for payments made in the period and increased by €1.7 million in application of IAS 19.
Provisions for risks and charges:

- increased by €16.4 million due to provisions for the year;
- decreased by €18.6 million due to uses and releases and by €0.8 million due to reclassifications.

Shareholders' Equity

The increase of +€255.3 million is mainly due to the following impacts:

- recognition of profit for the year (+€270.0 million);
- distribution of dividends to Unicredit, Minority Shareholder of La Villata S.p.A., for -€15 million.

Net Financial Position

The Net Financial Position including liabilities for operating leases at 31 December 2020 was negative for €229.0 million, a significant improvement (+€280.7 million) on the figure recorded at 31 December 2019 of -€509.7 million.
This improvement is due to the strong cash generation from operations driven by more efficient management of net working capital, which more than offset the flows for investments and payment of dividends and taxes.
In order to ensure better comparability of data, especially those regarding financing activities, a summary of the net cash flow for the year is provided below (amounts in millions of euros):

Net cash flow for the period *(millions of Euros)*	**2020**	**2019**
Net Financial Position at beginning of period	**(509.7)**	**(772.1)**
Cash flow from operating activities	725.2	644.1
Cash flow used in investing activities	(395.1)	(330.2)
Cash flow used in financing activities	(34.5)	(35.4)
Dividends distributed	(15.0)	(16.0)
Total net cash flow for the period	**280.7**	**262.4**
Net Financial Position at end of period	**(229.0)**	**(509.7)**

The cash flow used in investing activities also includes the rights of use (ROU) on new leases previously classified as operating leases in application of the international accounting standard *IFRS 16 Leases.*

The following table shows the due dates of financial payables:

(millions of Euros)	**31.12.2020**				
	Up to 1 year	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**	**Total**
Bonds	(2.6)	-	(494.5)	(491.8)	(988.8)
Current and non-current financial payables (leases)	(30.7)	(28.4)	(74.7)	(195.5)	(329.4)
Payable IFRS 16 Leases	(28.9)	(23.4)	(66.8)	(284.1)	(403.2)
Total	**(62.1)**	**(51.8)**	**(636.0)**	**(971.4)**	**(1,721.4)**

The item IFRS 16 Lease payables refers exclusively to operating leases recognised in accordance with IFRS 16 Leases.

Financial ratios

The Return on Investments (ROI) indicator is shown in the table below and compares the Operating Profit with the (average) Net Invested Capital to represent profitability and the economic efficiency of ordinary operations.
The ratio shows that operations are highly efficient.

ROI *(millions of Euros)*	**2020**	**2019**
Operating profit	396.6	391.3
Net invested capital (average)	3,815.2	3,841.3
ROI	**10.4%**	**10.2%**

The leverage and coverage ratios are shown in the table below:
The leverage ratio compares net debt to EBITDA to represent the company's ability to repay its debts.
The coverage ratio compares the EBITDA with net financial expense to represent the liquidity surplus after remunerating debt capital.

Leverage and Coverage *(millions of Euros)*	**31.12.2020**	**31.12.2019**
Net Financial Position	(229.0)	(509.7)
EBITDA	718.2	716.9
Leverage	**0.3**	**0.7**
EBITDA	718.2	716.9
Net financial expense	(38.9)	(39.5)
Coverage	**18.5**	**18.2**

The above ratios are significantly improving, especially with reference to the leverage index, which shows that debt represents only 0.3 times the value of the EBITDA. However, due to the aforementioned merger of Superit Finco S.p.A. and Supermarkets Italiani S.p.A. into Esselunga S.p.A., the leverage ratio in 2021 will worsen.

Financial risk management

Coordination and monitoring of the main financial risks are centralised in the Treasury department of Esselunga S.p.A., which issues instructions for managing the various types of risk and the use of financial instruments.
Compared to 31 December 2020, no significant changes have occurred in the Group's risk profile or in the procedures adopted by Group management to manage the risks to which it is exposed.
The main risk categories are described below.

Credit risk
Credit risk represents the Company's exposure to potential losses arising from business and financial counterparties failing to meet their obligations.
The Group's maximum exposure to credit risk at 31 December 2020 is the carrying amount of the financial assets reported in the financial statements, as shown in the table below:

(millions of Euros)	**31.12.2020**	**31.12.2019**	**Change**
Other non-current financial assets	1.7	5.7	(4.0)
Other non-current assets	19.7	47.2	(27.5)
Trade receivables	477.9	530.6	(52.6)
Current tax receivables	4.9	23.3	(18.4)
Other current assets	83.7	67.2	16.5
Other current financial assets	278.8	-	278.8
Total gross amount	**866.7**	**674.0**	**192.7**
Provision for doubtful receivables	(3.9)	(3.4)	(0.5)
Total net amount	**862.9**	**670.7**	**192.2**

Other non-current financial assets in 2019 included a credit position of €4 million, which was collected in early 2020.

Other receivables and other non-current financial assets mainly include VAT receivables from the tax authorities for security deposits given in relation to leases and utilities and building plots, tax receivables, mainly related to VAT receivables, which, overall, constitute a low level of credit risk. The decrease of €27.5 million mainly relates to the collection of a VAT refund claim for previous years, amounting to €23.8 million.

With regard to trade receivables, there is no appreciable concentration of credit risk.

Current tax receivables refer to IRES receivable from the parent company Supermarkets Italiani S.p.A. and IRAP receivable from the tax authorities.

Other current assets mainly include tax receivables from the tax authorities, mainly related to VAT receivables, which overall present a low level of credit risk.

Other current financial assets refer to the receivable from the parent company Supermarkets Italiani S.p.A. granted in the context of the Supermarkets Transaction described in the paragraph **Acquisition by the Majority Shareholders of 30% of Supermarkets Italiani and determination of the purchase price.**

The following table provides the breakdown of receivables at 31 December 2020 by category and by number of days past due:

	31.12.2020					
(millions of Euros)	Not yet due	Days past due				
		0 - 30	31 - 60	61 - 90	> 90	Total
Other non-current financial assets	1.2	-	-	-	0.5	1.7
Other non-current assets	19.7	-	-	-	-	19.7
Trade receivables	263.2	95.9	80.6	32.0	6.2	477.9
Current tax receivables	4.9	-	-	-	-	4.9
Other current assets	79.6	-	-	-	4.1	83.7
Other current financial assets	278.8	-	-	-	-	278.8
Total gross amount	**647.4**	**95.9**	**80.6**	**32.0**	**10.8**	**866.7**
Provision for doubtful receivables	(0.1)	-	-	-	(3.8)	(3.9)
Total net amount	**647.4**	**95.9**	**80.6**	**32.0**	**7.0**	**862.9**

Past due receivables as at 31 December 2020 amounted to a total of €219.3 million, while the allowance for doubtful receivables is estimated at €3.9 million.
It should be noted that overdue receivables mainly refer to promotional services provided to our suppliers, which will be collected or offset in 2021.

Liquidity risk

Liquidity risk is associated with the ability to meet commitments arising from financial liabilities. Prudent management of liquidity risk requires that an adequate level of cash and cash equivalents and short-term securities be maintained as well as the availability of funds that can be obtained through adequate credit lines.

Liquidity risk is centrally managed by the Group, which conducts periodic monitoring of the financial position through appropriate forecast and actual cash flow reporting.
Through its centralised Treasury, the Parent Company manages the liquidity of its subsidiaries to optimise cash flows. There are no cash pooling agreements in place.
On 3 August 2017, Esselunga S.p.A. entered into three agreements with three Italian banks for three revolving non revocable credit lines for a total amount of €300 million, expiring after five years. As of the reporting date, the Group has never needed to draw on the abovementioned credit lines.

The following table provides a breakdown of liabilities by maturity at 31 December 2020. The maturity ranges are determined based on the year between the reporting date and the contractual maturity of the obligations including accrued interest at 31 December. Interest was calculated based on the contractual terms of the loans.

(millions of Euros)	31.12.2020				
	Less than 1 year	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**	**Total**
Bonds	13.8	13.8	532.5	518.8	1,078.8
Finance lease payables (current and non-current)	41.2	37.9	97.3	222.2	398.7
Payable IFRS 16 Leases	39.4	33.4	93.3	357.7	523.8
Other non-current liabilities	-	-	-	4.0	4.0
Trade payables	1,563.4	-	-	-	1,563.4
Current tax payables	15.7	-	-	-	15.7
Other current liabilities	261.8	-	-	-	261.8
Total	**1,935.3**	**85.1**	**723.1**	**1,102.6**	**3,846.1**

<u>Market risk</u>
In carrying out its activities, the Group is potentially exposed to the following market risks, which are managed centrally by the Parent:

- Risk of price fluctuations
  Given the industry in which the Group is engaged, the predominant price risk is related to fluctuations in the purchase price of goods for resale. Managing these risks is an integral part of commercial policies aimed at, inter alia, limiting the impact of purchase price fluctuations on end customers.

- Risk of exchange rate fluctuations
  Sales revenues and purchase costs for goods and products are mostly denominated in euros. In addition, financial assets and liabilities are all denominated in Euros. The Group is therefore not exposed to significant currency risks.

- Risk of interest rate fluctuations
  The risk of interest rate fluctuations to which the Group is exposed arises from financial payables and receivables. The Group's fixed rate debt exposes it to a risk associated with changes in the fair value of the debt driven by market fluctuations of the reference rates. The Group's floating rate debt exposes it to a cash flow risk stemming from interest rate volatility.
  The Group's financial debt consists of bonds and finance lease payables. Financial payables at floating interest rates accounted for 5.3% of total debt at 31 December 2020.

At the reporting date, the Group does not have any derivative instruments in place.

Capital risk

The Group's objective in managing capital risk is to maintain an optimal capital structure in order to reduce the cost of debt.

The Group monitors its capital based on the ratio of its net debt to net invested capital (*gearing ratio*). Net Financial Position is calculated as total debt including current and non-current loans and net borrowings from banks. Net invested capital is calculated as the sum of shareholders' equity and the Net Financial Position.

The *gearing ratio* at 31 December 2020 and 31 December 2019 is presented in the table below and compares the Net Financial Position and the Net Invested Capital to represent the financial strength of the companies and their use of third party funds. The 2020 ratio shows that net invested capital is 94.1% financed by own funds, a significant improvement compared to 31 December 2019. This indicates the Group's strong capital structure and high solvency level.

Gearing Ratio *(millions of Euros)*	**31.12.2020**	**31.12.2019**
Cash and cash equivalents	1,157.9	1,139.1
Financial receivables (current and non-current)	276.9	-
Receivables from Fìdaty Oro payment card users	57.6	60.6
Current and non-current financial payables	(1,721.4)	(1,709.4)
Net debt	(229.0)	(509.7)
Shareholders' Equity	3,573.5	3,318.3
Net invested capital	3,802.5	3,828.0
Gearing ratio	**6.0%**	**13.3%**

Management of business risks

Regulatory risk

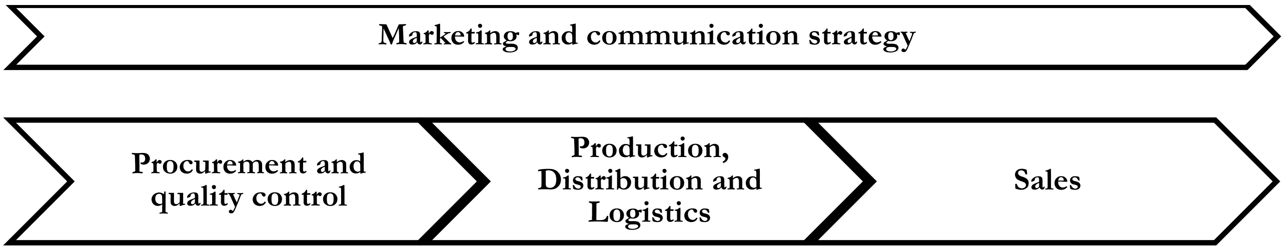
Regulatory risk consists of bureaucratic delays in obtaining permits for the opening of new stores or the expansion of existing ones. This essentially translates into lack of sales revenue while capital expenditures have already been made.

Risk for product quality

As regards product quality, the Quality Management Department follows a rigorous control and qualification programme regarding suppliers and (internal and external) production processes, both in the launching stages of a new product and at later stages when the product is already on the shelf.

Esselunga Group Business model

The Group's business model is based on careful planning of its commercial strategy, marketing and communication methods: (i) **market trends** linked to the customer’s purchasing power, (ii) **customer preferences**, (iii) consumer **purchasing methodology**, (iv) demand for **specific services**, (v) its **market position**. The Group manages its business through long-term strategies, brand awareness initiatives, new business channels development strategies, marketing strategies and loyalty programs. The model and the steps involved can be depicted as follows:



Marketing and communication strategy - The Group’s strategy is based on the strength of its distribution network, through which Esselunga is able to offer multi-channel purchasing experiences (physical and on-line). Over time, the Group has arranged and improved its shops by (i) creating a **shop layout** that takes customer preferences into account; (ii) allowing customers to **compare**, and where possible test, **different products**; (iii) improving the **information provided** to customers about the Group’s products; e (iv) **training sales staff.**

From a strategic standpoint, the Group:

- **plans assortments** by analysing customer preferences to identify and select product categories based on profitability, customer needs and market availability;

- **prepares sales projections** by channel to enable the development of differentiated and increasingly customer-oriented product lines;
- **plans sales** by analysing sales data, demand data and the demand and requests for products and constantly involving direct and indirect sales personnel;
- **periodically monitors the Group's performance indicators** (e.g. margins and inventory turnover in relation to sales) and reviews the projections in order to respond in a timely manner to changes in the market or in the competitive environment.

Procurement and quality control - The Group carefully selects its suppliers of both raw materials and finished products. Specifically, the Group defines the range of potential, core business suppliers based on its multichannel distribution strategies, and then implements an accurate selection process. The organisational units of the Group's commercial and quality management departments are strongly focused on the supply chain, as the Group is highly aware that properly identified, selected and coordinated suppliers are a key competitive advantage in the large-scale retail trade sector. To this end, inspections are carried out according to precise criteria and timelines at the production facilities of suppliers who are integrated into the production and distribution process of Esselunga branded products. These inspections are also carried out at farms supplying fruit and vegetables, at slaughterhouses, at livestock and fish farms and at production factories.

Production, distribution and logistics - The Group's network includes two production centres, including one in Limito di Pioltello for delicatessens and fresh pastries and one in Parma for the production of fresh pasta and bakery products; three distribution centres, located in Limito di Pioltello, Biandrate and Florence. In addition, the Group is currently planning the opening of a new distribution centre in Ospitaletto (Brescia). The Group is also engaged in the e-commerce business through its home delivery service. Procurement for stores is managed by the logistic department in charge of organising and optimising road transport, currently almost entirely outsourced.

Sales - Group sales are supported by the loyalty programme, which attracts and retains customers through specific programmes and additional services such as:

- the **Fìdaty** card, which offers the customer a series of advantages, including the opportunity to collect points that can be used to enjoy discounts or purchase certain articles in the catalogue; the **Fìdaty Oro**, which offers the same advantages as the Fìdaty card but also works as a credit card with limited spendability in Esselunga, Atlantic and EsserBella; and the **Fìdaty Plus**, which is in effect a co-branded credit card;

- special offers for Fìdaty card holders: the Group offers products at favourable prices to its loyal customers both directly in its stores and through its Internet platform.

Research and development and private label

The Esselunga Group is engaged in the research and development of private label new fresh products to expand its range of high quality products. These include baking, ready-made meals, fresh pastries, dry pastries and fresh pasta.
In the Parma production plant, the lines of fresh smooth and filled pasta, semolina pasta, dry pastries and baked goods are produced daily under private label. These product lines are inspired by the constant search for excellence, both in the choice of raw materials and in the constant search for new products.
The Esselunga Top line combines superior quality products made from the highest quality raw materials with traditional and artisanal processing methods; the Esselunga Equilibrio line focuses on nutritional and health balance through a wide range of products.
To provide our customers with a product that is unique for its fragrance and freshness, but at the same time with uniform quality standards across all geographic areas, in 2016 we launched the centralised production of fresh pastries. To this end, a special department was set up at the Limito di Pioltello (MI) facility, supported by the advice of a well-known group with specific expertise in this field. To date, 102 stores offer such pastry products (98 Esselunga stores and four *laESSE* stores).

Offices and sales network

<u>Registered and administrative office, warehouses and production facilities</u>
The registered office of Esselunga S.p.A. is in Milan, Via Vittor Pisani 20. The Company has the following secondary and administrative offices, excluding stores:

Administrative offices	Via Giambologna, 1 - 20096 Limito di Pioltello (Milan) Sesto Fiorentino (FI), Via Tevere 3
Logistics centres and factories	Via Giambologna, 1 - 20096 Limito di Pioltello (Milan) Biandrate (NO), Strada provinciale per Recetto 580 Sesto Fiorentino (FI), Via Tevere 3 Campi di Bisenzio (FI), Via delle Cicogne 7 Parma, Via della Cooperazione 25/A

Sales network

The Group's sales network consists of 165 Esselunga stores, 5 at la ESSE stores,40 EsserBella/eb perfume shops and 99 Atlantic bars.

The geographical distribution of the Group's sales network is provided in the following table:

Sales network	Geographic area	no. Shops
	Lombardy	98
Reconciliation of balance sheet results with	Tuscany	30
	Piedmont	17
	Emilia Romagna	13
	Veneto	3
	Lazio	2
	Liguria	2
Esselunga Stores		**165**
	Lombardy	60
	Piedmont	14
	Tuscany	11
	Emilia Romagna	8
	Lazio	2
	Veneto	2
	Liguria	2
Bar Atlantic		**99**
	Lombardy	5
laESSE		**5**
	Lombardy	26
	Tuscany	7
	Emilia Romagna	4
	Piedmont	3
EsserBella/eb perfume ships		**40**

Please note that the Group is also engaged in the e-commerce sector through its home delivery service in a number of different Italian provinces.

Treasury shares and shares of parent companies

In relation to the provisions of Article 40 paragraph 2 letter d) of Legislative Decree 127/91, please note that the Parent Company and its subsidiaries:

a) do not hold treasury shares or shares of parent companies, including through trust companies or nominees;

b) did not purchase treasury shares or shares of parent companies in 2020, including through trust companies or nominees.

Transactions with the parent company and related parties that affect the statement of financial position and the income statement

Transactions with Group companies and related parties took place on an arm's length basis and mainly concerned:

- business relations mainly concerning administrative services and leases;
- financial transactions;
- relations regarding the management of the IRES tax consolidation and Group VAT.

The Parent Company is not subject to management and coordination.

Derivative financial instruments

Pursuant to Article 2428, paragraph 2, 6 bis) of the Italian Civil Code, it is here stated that the Esselunga Group holds no derivative financial instruments.

Organisational, Management and Control Model pursuant to Legislative Decree 231/2011

Esselunga S.p.A has adopted its own Organisation, Management and Control Model pursuant to Legislative Decree 231/2001, including a set of rules, tools and practices that are designed to establish within the Company an effective organisational and management system to identify and prevent the offences envisaged by the Decree.
The Company has also adopted the Code of Ethics that sets out the general principles and the specific rules that must be complied with by all those who act in the name and on behalf of the Company. The Code of Ethics was updated by resolution of the Board of Directors on 27 January 2021.
The Esselunga Model establishes control measures that are implemented in the relevant corporate procedures.
On 26 March 2021, the Board of Directors of Esselunga S.p.A. will be asked to approve the new Organisation, Management and Control Model. The update provides for an addition to and revision of the General Section and Special Sections following the changes in the organisational structure and the extension of the administrative liability of entities to Tax Crimes (Art. 25-*quinquiesdecies*) and to Smuggling Offences Art. 25 *sexiesdecies*) as well as the amendments made to Legislative Decree 231/01 following the transposition of the so-called PIF Directive - i.e. EU Directive 2017/1371.
The Model therefore is made up of the following special parts: Offences against the Public Administration, offences relating to Health and Safety at work, offences against industry and commerce and counterfeiting, offences of forgery of money, public debt cards and stamps, offence of infringement of copyright, computer crimes and illegal data processing, corporate crimes, offences of receiving, laundering and using money, goods or benefits of unlawful provenance, as well as the offence of self-laundering, organised crime, transnational crimes, inducing someone not to make statements or to make false statements to the judicial authorities, offences against the individual, use of illegally staying third-country nationals, environmental crimes, market abuse offences and Tax offences and Smuggling offences.

The monitoring on the effectiveness, compliance with and updating of the Model is under the responsibility of the Supervisory Board appointed upon first adoption of the Organisational, Management and Control Model in 2010. By resolution of 21 March 2019, the Board of Directors of Esselunga renewed the Supervisory Board consisting of two external professionals and the Head of Legal and Corporate Affairs who will remain in office until the date of the shareholders' meeting called to approve the financial statements for the year ended 31 December 2021.
The companies EsserBella S.p.A., Atlantic S.r.l., La Villata Immobiliare S.p.A. and Orofin S.p.A. updated their own Organisation, Management and Control Models on 9 March 2021 and 12 March 2021.
An extract of the Models and the Code of Ethics of the Companies is published on the Esselunga institutional website, in the Company - Organisational Model section.

Internal control and Risk Factor Management system

In 2020, the primary task of the Internal Audit function was to assess the Internal Control and Risk Factor Management System. The audits carried out led to assessments and recommendations regarding the functioning and the overall system of controls, highlighting potential areas for improvement.
At 31 December 2020, the Internal Audit function had a workforce of six.
The Internal Audit function also carries out supervisory activities on behalf of the Supervisory Boards appointed by Esselunga and by the other Group companies under Legislative Decree 231/2001.
During the year, audits were carried out in the operational and process area, in the compliance area as well as integrated audits (audits combining the previous types).
At the outcome of the audit activities, no circumstances were identified that would make the Internal Control and Risk Management System inadequate as a whole at the date of this report, also in light of ongoing initiatives.

Contingent liabilities and disputes

Margherita - Nordiconad - GD
The Court of Bologna, in a judgment handed down on 22 March 2016, rejected the claims brought by Margherita S.p.A., Nordiconad Soc Coop. and GD S.r.l. against Esselunga S.p.A. to ascertain alleged unfair competition practices consisting in the unjustified request for extension of commercial authorisations to carry out sales activity at the Esselunga store in Bologna, Via Guelfa.
By appeal lodged on 12 May 2016, the appellants challenged the aforementioned judgment before the Court of Appeal of Bologna and reiterated their claim for damages of €96 million.

After the hearing for clarification of the conclusions on 20 January 2020, the Court granted the parties the statutory period for filing the final submissions and the reply statements.
In a judgment of 23 June, published on 10 August, the Bologna Court of Appeal rejected the appeal in its entirety and ordered the other parties, Margherita - Nordiconad - GD, to pay Esselunga S.p.A. the costs of the appeal.

Fallimento Fimco S.p.A.
By a writ served on 14 December 2020, Fimco S.p.A. (in bankruptcy) sued Esselunga S.p.A., Orofin S.p.A., Immobiliare Torino 2018 S.r.l. (formerly Amteco & Maiora S.r.l.) before the Court of Bari to revoke, pursuant to Article 67, paragraph 1, number 1 (and subordinately 2) 66 L.F. and article 2901 of the Italian Civil Code, all the deeds whereby in September 2018 Esselunga (through the vehicle Torino 2018 S.r.l. subsequently merged into Orofin S.p.A.) acquired all the quota capital of Immobiliare Torino 2018 S.r.l. by purchasing the 50% share from Fimco S.p.A. and the remaining 50% share from Amteco S.p.A.
In particular, if the revocation action is upheld, Fimco S.p.A. (in bankruptcy) asks for a declaration of the invalidity of the acts with which the said transaction was finalised and, in particular, asks that the respondent be ordered to return the 50% share of the capital of the company Immobiliare Torino S.r.l. with the relative damages ordered.
The aim of Fimco (in bankruptcy) with the action is to obtain the revocation of the quota sale deed dated 13 September 2018 whereby Fimco sold to Torino 2018 S.r.l. the 50% share of the capital of the current Immobiliare Torino S.r.l., as well as all other acts between the latter company and Fimco S.p.A. in the context of the transaction.
The first hearing is scheduled for 11 May 2021.
At present, taking into account the information available and also considering the absolutely preliminary stage of the dispute, it is considered premature to make any type of judgement as to how the case might progress. In the opinion of the lawyers assisting the Company, there is insufficient information to express a judgement on the possible risk of losing the case.

Turin Bramante
The Council of State has ruled against the Municipality of Turin and Esselunga, upholding the appeal brought by S.S.C. Società Sviluppo Commerciale and Bramante S.p.A. against the judgment of the Piedmont Regional Administrative Court no. 1154 of 20 November 2019.
As a result of the Council of State's ruling, Esselunga has had to suspend work on the construction site for the superstore in Corso Bramante and the related urban infrastructure works.

The Council of State held that the conditions do not exist to apply art. 5, paragraph 9, of Legislative Decree no. 70 of 2011, converted into Law no. 106 of 2011, which allows for a so-called "exceptional planning permission". In particular, the Council of State held that for an exceptional planning permission to be granted – despite the existence of case law to the contrary – there would have to be (i) simultaneous improvement of the existing building stock and redevelopment of degraded urban areas and (ii) the building would have to fall within "degraded areas". According to the Council of State, the Municipality has shown the objective state of degradation of the huge building to be removed, but did not show the state of degradation of the area where the building is located.

Esselunga, noting that the ruling nevertheless provides for "the *full right of the Municipality to exercise its power to provide additional and exhaustive reasons for the presence of a 'degraded area'"*, has asked the Municipality to take such action by renewing the technical survey, which shows the state of degradation of the area, and therefore to obtain a new exceptional planning permission.

Sixthcontinent Europe S.r.l.

Esselunga has received a letter of dispute from Sixthcontinent Europe ("Sixth") - a company that deals with the sale and placement of shopping vouchers with its users - as Esselunga would have allowed the conversion of Esselunga prepaid cards into Mastercard and / or other cards.

In the opinion of the lawyers appointed by the Company in a possible judgment that should be initiated by Sixth, the risk of losing Esselunga is remote.

Significant events after the end of the period

Merger by incorporation of Immobiliare Torino 2018 S.r.l. into Esselunga S.p.A.

As part of the pursuit of the Group's strategies in 2021, the investee company Immobiliare Torino 2018 Srl will be sold by Orofin S.p.A. to Esselunga S.p.A.
On 5 February 2021, the Extraordinary Shareholders' Meetings of Immobiliare Torino 2018 S.r.l. and Esselunga S.p.A. approved the planned merger by incorporation of the Company into Esselunga S.p.A.
The transaction is part of the process of rationalising the Group's structure, which involves the real estate assets intended for the development of Esselunga-branded shops into Esselunga.

Merger by absorption of Supermarkets Italiani S.p.A. and Superit Finco S.p.A. into Esselunga S.p.A.

On 15 February 2021, the deed of merger of Supermarkets Italiani and Superit Finco into Esselunga S.p.A. was completed, with legal effect from 1 March 2021 and accounting and tax effects backdatated to 1 January 2021.

Consolidated non-financial report

Contents

1. Methodological note[1]

1.1 Standards applied

This chapter contains all the necessary information, as well as references to this Management Report, to be used in the preparation and disclosure to the market of the Esselunga Group's Consolidated Non-Financial Report (hereinafter also referred to as the "NFR" or "Report").

The NFR is drawn up annually pursuant to Article 4 of Italian Legislative Decree 254/2016, transposed into Italian law by European Directive 2014/95/EU, and contains information concerning environmental, social, employee-related, human rights and ant-corruption issues that are useful for providing stakeholders with accurate, exhaustive and transparent reporting of the Esselunga Group's (hereinafter also the "Group" and "Esselunga") activities, its results and performance, as well as its products and services. This NFR uses the "GRI Sustainability Reporting Standards[2]" published by the Global Reporting Initiative (hereinafter also abbreviated as "GRI") in 2016, taking into account subsequent updates according to the "In accordance – Core" option[3]. In the appendix to the document you can consult the GRI Content Index, where the GRI indicators associated with each material topic[4] are reported.

The performance indicators used are those provided for in the reporting standard adopted and are representative of the different areas, as well as consistent with the activity carried out and its impact. Specifically, these indicators were selected on the basis of a materiality analysis, which made it possible to identify the most relevant sustainability issues for the Group and its stakeholders, a description of which is provided in Chapter 3.3 "Materiality analysis". The materiality analysis was updated in 2020 through an online questionnaire sent to Top Managers. Its aim was to collect their assessments on the effects that the COVID-19 pandemic had on the company's environmental and social priorities considered in the 2019 analysis.

1.2 Boundary

As required by Italian Legislative Decree 254/2016, art. 4, this NFR includes information on the parent company (Esselunga S.p.A.) and its subsidiaries (referred to as the "Group" or "Esselunga") consolidated on a line-by-line basis[5], of material significance within the scope of the Decree's[6] provisions. The main economic, social and environmental results achieved by the Group and described in this document are from 2020 (from 1 January to 31 December). Any exceptions to the reporting scope are specified as necessary in this NFR.

[1] GRI Standard 102-46 Process of defining content; GRI Standard 102-50 Reporting period; GRI Standard 102-51 Date of publication of previous report; GRI Standard 102-52 Reporting cycle.
[2] The GRI Content Index, provided as an appendix, makes specific reference to the Standards used in the report. References to the Standard are highlighted in the text with the [GRI Standard] symbol.
[3] GRI Standard 102-54, "In accordance" GRI option.
[4] That is to say, the topic that can significantly influence stakeholders' decisions and opinions and have a significant impact on the Group's performance.
[5]GRI Standard 102-46 Defining report content and topic boundaries. This NFR is the third year of reporting pursuant to Legislative Decree 254/2016.
[6] Specifically, the social, environmental and employee data cover Esselunga S.p.A., EsserBella S.p.A. and Atlantic S.r.l., but not companies judged insignificant due to their number of employees and type of activity.

1.3 Reporting process

The preparation of Esselunga Group's NFR for 2020 is based on a reporting process involving all company departments responsible for the areas addressed in it, coordinated by the dedicated function in charge of managing CSR topics. The data and information included in the report are taken from a non-financial data collection and reporting process aimed at meeting the requirements of Italian Legislative Decree 254/2016 and the GRI Standards. The data have been processed by means of precise calculations and, where specifically indicated, by means of estimates based on the best available methodologies and properly reported. In addition, any previously published comparative data are clearly indicated in the text.

The designated person authorised to carry out the statutory audit of this NFR is PricewaterhouseCoopers S.p.A., which in a separate report attests to the conformity of the information provided as per article 3, paragraph 10, of Italian Legislative Decree 254/2016. The audit was carried out according to the procedures detailed in the chapter of this document “Letter from the Independent Auditors”.

2. Management of the COVID-19 emergency

In response to the COVID-19 emergency, Esselunga immediately drew up a plan of special initiatives to offer its contribution. The plan, which aims to provide support to the country and the communities where the company plays a key role, was designed to ensure the continuity of its services, in line with the highest quality and safety standards, and to offer concrete support to all affected by the emergency. In particular, Esselunga's commitment focused on three main areas:

a) Customers

The pandemic’s spread and consequent extended state of emergency required the introduction of specific measures and appropriate responses in order to adapt the services offered to customers to the new context and guarantee safe shopping.
Specific protocols were implemented in all shops to limit customer capacity; for example, a limited number of access points monitored by security teams was opened, and entrances were regulated according to floor area, with the aim of keeping the number of people on the sales floor constant. At the same time, priority entrances and checkouts reserved for over-65s, people with disabilities, pregnant women, as well as health care workers and volunteers going to shops on behalf of the elderly and families in difficulty were set up. Esselunga has also made the Ufirst app available to all customers, with the aim of reducing the queues at the entrances to shops by reserving their spots, thus facilitating access to the shop for shopping.

Each shop, as well as other company offices, underwent dry fog sterilisation with hydrogen peroxide, in addition to which various types of protective equipment were installed, such as disinfectant dispensers, disposable gloves, and horizontal and vertical signs and infographics on entry policies, crowd limits, and social distancing, as required by the Internal Guidelines established to ensure compliance with distancing efforts in shops, especially as regards the flow of customers around assisted counters and tills;

b) People

Esselunga has taken all the necessary measures to safeguard the health and safety of its employees, offices and shops, in carrying out a service so important that it has been defined as essential for the population and region. Each shop employee was equipped with a face mask and disposable gloves, while protective goggles were also provided employees who work on the sales floor. Esselunga has widely disseminated information and recommendations on good hygienic practices as a useful tool to combat the spread of the pandemic.

Employees or contractors were only allowed access to shops after health or body temperature checks. Furthermore, precise organisational measures, which include disallowing external transporters from leaving their vehicles, have been implemented.

Remote work was implemented for office as well as travelling employees whose work takes place in shops; in-person training was discontinued, in favour of online training; and the use of video conferences and/or conference calls was increased, with inventory employees present in proportion to the applicable COVID restrictions in place at the time. Throughout this time, particular attention and caution was paid toward high-risk employees and mothers with children aged up to one year. To verify compliance with COVID-19 protocols, Esselunga commissioned a specialised third-party company to carry out an assessment on all business areas; various inspections performed on many company facilities (offices, production sites, shops, warehouses, Atlantic bar and EsserBella perfumeries) in October 2020, did not reveal any non-compliance with national regulations and guidelines developed by the Italian Istituto Superiore della Sanità, the Ministry of Health and the Scientific Committees of the San Donato Group and the San Raffaele Hospital.

With reference to emergency management, Esselunga also established a COVID Committee with the trade unions and instituted a new specific insurance coverage for all employees in the event of falling ill or being hospitalised due to COVID-19, as well as an emergency social initiative amounting to €150 per person in May with another payment of €200 per person in December, for all employees of Esselunga stores and operating sectors.

c) Community

Esselunga developed its initiatives with the aim of offering a valid contribution to cope with the emergency and, at the same time, guaranteeing immediate and concrete support to all those most affected by it. In particular, the Group directly disbursed donations amounting to €2.5 million for hospitals and institutes at the forefront of patient care and scientific research and, through collaboration with approximately 5.5 million Fìdaty cardholders, supported health initiatives in difficulty through the campaign to donate 500 Fìdaty points between 9 and 31 March, for a total of €1.2 million raised. Following the success of the initiative to support families in difficulty from 15 April to 11 October, Esselunga launched a new Fìdaty "point-raiser" through the "Spesa Solidale" (Solidarity Shopping) initiative in collaboration with the Italian Caritas, for a total of €780,000 raised. There were also numerous other charity activities, such as "Spesa Sospesa" (Skip the Shopping), thanks to which over 73 tons of foodstuffs were donated, and collaborations with various bodies and institutions (Arma dei Carabinieri, the Red Cross, Laps Foundation, FIGC, Municipality of Bergamo, etc.) to donate food parcels to vulnerable families in their regions.

As part of redesigning its services, Esselunga launched dedicated logistics efforts and targeted protection and safety measures to ensure the continuity of services, including for those living in areas with high COVID case numbers and under restrictions, reaching the homes of citizens even in the most isolated areas. Furthermore, for all over-65s grocery delivery fees were waived, while 40% of the total capacity of Esselunga's e-commerce sales was reserved for over-75s and people with disabilities. An increase (+ 15%) in grocery vouchers distributed by Italian municipalities to needy families was implemented for the most vulnerable. Lastly, Esselunga made lockers available to the San Raffaele Hospital in Milan, the Istituti Ospedalieri Bresciani, the Humanitas of Rozzano and the Humanitas Gradenigo of Turin to allow health care workers to collect their groceries at their workplace.

Conscious of the impact that the situation is having on the country's business community, Esselunga entered into an agreement with Unicredit Factoring and made €530 million in credit lines dedicated to advances for the payment of trade receivables available to suppliers.

3. Esselunga Group

3.1 Innovation and creation of sustainable value over time

Since its establishment in 1957 by Bernardo Caprotti and Nelson Rockefeller, the Esselunga Group has always looked at innovation as one of its main drivers of development and creation of both economic and social value. **Over time, Esselunga has focused on innovation in: products, assortment, shop architecture, purchasing procedures, production and distribution channel, logistics and communication.**

3.2 Stakeholders: identification and involvement[7]

For Esselunga **innovation means improving the daily life of customers by offering top quality services and products at competitive prices through a superior shopping experience.** To meet this aim every day Esselunga works using a Business Model which has allowed it over time to adapt to major changes in the regulatory, production, technological and customer spending changes, precisely thanks to its ability to listen and maintain continuous contact with the social, environmental and economic context where the Group is located. Continuous dialogue and discussion efforts with all stakeholders (*stakeholder engagement*) are described in the table below, which summarises the involvement procedures implemented by Esselunga.

Stakeholder categories[8]	Listening and engagement approach[9]
Customers	• Structured and widespread *customer relationship management* (CRM) systems, from individual shops to *online platforms and customer service* • Market surveys on: general customer satisfaction (conducted on both the physical sales channel, as well as online), offer improvement (assortment/services/user experience), the development of new brand-name or mass-branded products, brand perception and customer satisfaction with certain projects (e.g. "Amici di Scuola" project) • Quarterly assessment of Esselunga's reputation index in collaboration with the RepTrak Institute. As part of these tracking efforts, in addition to traditional KPIs (perception of convenience, quality and customer service), CSR indicators such as "citizenship" (support for just causes, influence on society, environmental protection) and "workplace" (equal workplace opportunities, recognition of colleagues' merit, attention to the health and well-being of employees) are also assessed
Suppliers	• Collaboration and cooperation with the Sales Department (which also deals with product development) and the Quality Assurance Department (new product and concept development, food safety audits, qualification processes) • Remote audits • Support for Italian products and local suppliers through "Rinascita Italia" (Revive Italy) promotional activities • One-to-one meetings and start-up of life cycle assessments with Esselunga brand suppliers • Development of a Product Lifecycle Management System to manage the end-to-end development process of new Esselunga brand products and restyling of existing lines, with the aim of reducing time to market and centrally and securely managing product and packaging information
Bondholders	Management of requests through the *Investor Relations* function
Personnel	• Discussion and dedicated meetings with specific functions in the areas of Human Resources and HSE and Relations with Trade Unions • Introduction of a whistleblowing system • Introduction of a special e-mail account for Welfare issues • In 2019 a Joint Welfare Committee was set up with trade unions to discuss and propose solutions in the field of welfare • In January 2020 an initial survey was carried out on the remote working project. It obtained good results: 94% of employees' and their managers' approval ratings was between 4 and 5 • In collaboration with the Libellula Foundation, in 2020 Esselunga launched a listening service dedicated to Esselunga employees. It is a free, completely anonymous service available 24 hours a day offering psychological support to women
Trade unions and trade associations	

[7] GRI Standard 102-42 Process of identification and selection of stakeholders to involve.
[8] GRI Standard 102-40 List of Group stakeholders.
[9] GRI Standard 102-43 Approach to stakeholder engagement, specifying frequency by type of activity and stakeholder group.

Stakeholder categories[8]	Listening and engagement approach[9]
	in difficulty and that are victims of violence
Public Authorities	Specific procedures and control measures defined by the Group organisational, management and control model (MOGC) pursuant to Legislative Decree 231/01, involving, based on the PA's specific requests, both the company's top management and management according to their various specialisations and skills.
Society and future generations	• Support for social initiatives • Collaborations with non-profit organisations • Relations and active collaboration with schools and universities in the area

Esselunga knows that discussion with all stakeholders is essential to finding out their perception of the Group and its strategies in terms of CSR. That is why it was committed to starting or continuing listening and dialogue initiatives in 2020.[10]

3.3 Materiality assessment

In order to define strategic priorities and its own guidelines for sustainability, in 2019, Esselunga developed a materiality assessment process aimed at identifying the areas in which the Group's activities can have the greatest impact on environmental protection, as well as on the well-being of communities, consumers and people, on all the Group's main stakeholders. In applying the reporting standard, the material topics related to sustainability were assessed by company management and top management (through a series of 17 interviews conducted by the function dedicated to CSR issues and under the supervision of a specialist external company) with respect to their ability to significantly influence stakeholders' decisions and opinions, as well as the Group's performance. Through this assessment, a materiality matrix was established. During 2020, a process to update the materiality analysis was started and is currently in progress, by sending an online questionnaire to Top Management representatives, with the aim of collecting their assessments on the effects that the COVID-19 pandemic has had on the company's priorities and environmental and social issues identified during the 2019 assessment.

The issues identified as material are reported in detail in the Sustainability Report and the Non-Financial Report, with a level of detail corresponding to their relevance to the Group and its stakeholders.

[10] GRI Standard 102-44 Key topics and concerns that have been raised through stakeholder engagement.

Table linking topics in the Decree and material topics	
Scope of Legislative Decree 254/2016	**Material topics[11]**
Fight against corruption	-
Human rights	Diversity and inclusion
	Responsible supply chain management
HR management	Health and safety
	Corporate welfare
	Employer branding and talent retention
	Employee training, development and involvement
	Diversity and inclusion
	Work-life balance
Social topics: customers	Quality, traceability and safety of products
	Nutrition and dietary education
	Product innovation
	Sustainable products
	Labelling, transparency and communication
Social topics: supply chain	Animal welfare
	Responsible supply chain management
	Support and collaboration with local suppliers
Social topics: communities	Support for the development of local communities
	Support for scientific research and campaigns on health issues
	Promotion of education
Environment	Sustainable packaging (plastic)
	Climate change
	Food surplus and waste

Aspects like effective governance, economic value creation and anti-corruption have not been evaluated among the potentially relevant issues as they are considered prerequisites for proper business performance and, for this reason, are adequately reported in the document.[12]

3.4 Corporate Social Responsibility (CSR) policies and objectives

3.4.1 CSR policies[13]

In 2020, following the definition of Esselunga's Sustainability Strategy, the **Sustainability Policy** was updated (hereinafter, also referred to as the "Policy" for brevity). At the beginning of 2021, the document, which was updated and approved by the Board of Directors on 27/01/2021, was transmitted to all employees via the company portal, and it is made available to anyone who requests it. The Policy, aimed at all parties who establish direct and indirect relationships with Esselunga, consists of:

1. an introductory section on the Sustainability Strategy and the objectives of the Policy;
2. a section on ethics and responsibility, pertinent to all areas of action;
3. a section on Esselunga's commitments divided into 5 pillars: Customers, People, Environment, Suppliers and Communities.

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[11] GRI Standard 102-47 A list of the material topics identified in the process for defining report content.
[12] For the above aspects, refer to the Management Report and chapter 4, "Fight corruption".
[13] GRI Standard 102-12 A list of externally-developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes, or which it endorses.

The table below summarises its main contents:

<table>
<tr><th colspan="5">Esselunga Group Sustainability Policy</th></tr>
<tr><th colspan="5">Ethics and responsibility: fight against corruption</th></tr>
<tr><td colspan="5">❖ No tolerance toward actions linked directly or indirectly to active or passive corruption.
❖ Adoption of an Organisation, Management and Control Model (OMCM) in line with the provisions of Legislative Decree 231/2001 on managing company activities.
❖ Ban on accepting money or other gifts, promising or offering sums of money or anything else, even indirectly, and on making facilitating payments.
❖ Development of control and monitoring systems for the supplier qualification process.</td></tr>
<tr><th>Customers</th><th>People</th><th>Environment</th><th>Suppliers</th><th>Communities</th></tr>
<tr><td>- Contribute positively to customers' eating habits by promoting quality products and a healthy and balanced lifestyle
- Offer safe, quality, healthy and delicious branded-name products that satisfy customers' needs
- Develop innovative recipes and ingredients that respect traditions
- Guarantee transparency and listening in all customer relations</td><td>- Attract and retain the best talent
- Enhance human resources, investing in their well-being and professional development
- Promote continuous learning and develop training courses to foster professional and personal growth
- Promote inclusion and enhance diversity, through specific programmes and policies, as well as listening systems that foster dialogue and collaboration
- Guarantee the on-the-job safety and health of all</td><td>- Consider respect for the environment, the fight against climate change and sustainable development as strategic factors to be preserved
- Reduce the risks associated with climate change by using renewable energy and improving the energy efficiency of plants
- Adopt the best sustainability standards and incorporate building recovery processes in the planning, construction and management of shops, factories, distribution centres and offices
- Reduce waste through operational and management solutions to minimize surpluses
- Measure and reduce the impacts of services and products throughout the entire life cycle
- Research increasingly sustainable packaging solutions</td><td>- Promote all forms of collaboration based on the principles of integrity, fairness and transparency; establish relationships of trust
- Focus on responsible management of the supply chain
- Pursue the highest ethical standards for the protection of human rights and the dignity of the person throughout the supply chain
- Adoption of specific animal welfare policies in both the fish and meat supply chains
- Support local suppliers through an increasing supply of Italian roducts and showcasing local products</td><td>- Contribute to the development and well-being of local communities through sponsorships, fundraisers and campaigns in support of research and science
- Promote the donation of excess food
- Contribute to the education of new generations and the protection of regional beauty and traditions</td></tr>
</table>

3.4.2 CSR objectives[14]

The materiality analysis process was the first milestone on Esselunga's strategic road. Based on the issues that emerged, the company defined the five pillars of its sustainability strategy, which contains the 20 material topics. The Sustainability Plan, the first important step on the path undertaken by Esselunga in 2019, is the company's expression of its commitment to an increasingly sustainable and responsible development. The plan is based on the five pillars of strategy and includes challenging and ambitious targets for 2025, which the company is committed to monitor and update annually in order to report on their progress and set new targets with a view toward continuous improvement.

[14] Esselunga's Sustainability Strategy and the Sustainability Plan are detailed in the Group's 2019 Sustainability Report and on the company website www.esselunga.it.

3.5 Management and control systems and key risks[15]

The following table shows how the management model and relative control measures contribute to the prevention and mitigation of the main risks associated with the areas set out in the Decree:

Fight against corruption

Potential risks:
- Active corruption of public authorities in estate development, authorisation requests, management of shops, management of inspections/audits.
- Active and passive bribery of individuals as part of the purchase of goods and professional services.

Main control measures:
- Existence of a Code of Ethics and Conduct and a Sustainability Policy that establish anti-corruption measures and principles.
- Adoption of MOGC 231/01 at corporate level which defines the control standards in the area of active and passive corruption.
- Supplier selection activities and establishment of contractual restrictions and monitoring of the activities of the same.
- Monitoring relations with representatives of government bodies.
- Transparency and traceability of transactions.
- Regulation of processes for distributing/receiving free items and gifts.
- Regulation of processes for hiring and developing personnel.
- Internal communication and training activity in this area.

Human rights

Potential risks:
- Direct and indirect employment by suppliers, contractors and subcontractors of illegal workers, consequently resulting in limited protections for them.

Main control measures:
- Presence of a Code of Ethics and Conduct and a Sustainability Policy that establishes the principles and policies on the topic and an MOGC 231/01 at corporate level where control standards are defined in terms of protecting fundamental rights.
- Level II audit plan for OHS aspects of the main logistics contractors operating at company sites.
- Adoption of an ISO 45001/OHSAS 2018 management system and start of a level II audit on companies under contract for logistics.
- Assessment of non-EU suppliers/producers of branded products for DRO-GEM departments, to check compliance with the SA8000 certification (scouting and self-assessment questionnaires). Based on the results of the audits, level II audits are begun.

Personnel

Potential risks:
- Employee health and safety risks: accidents and occupational illnesses.
- Employee management risks: compliance with new legislation, turnover management, management of an aging workforce.
- Risk to reputation due to non-compliance with the commitments defined in the Sustainability Plan.

Main control measures:
- Presence of a Code of Ethics and Conduct and a Sustainability Policy that establishes the principles and policies on the topic and an MOGC 231/01 at corporate level where control standards are defined in the health and safety field.
- Adoption of an UNI ISO 45001:2018 management system and integrated organisational control measures (HSE and Human Resources Department) dedicated to managing and monitoring issues related to personnel.
- Periodic updating of Group company DVR (risk assessment documents) and constant adoption of specific PPE.
- Adoption of work environment layouts aimed at reducing or eliminating OSH risks and development of specific ergonomic health programmes aimed at managing optimal load lifting.
- Periodic assessment and monitoring of legal compliance with new introductions related to health and safety and employment law.
- Adoption of structured working methods formalised in operating manuals.
- Adoption of employee management policies.
- Adoption of employee remuneration and development policies.
- Implementation of information, training and education initiatives for employees.
- Adoption of specific development paths and ad hoc performance evaluation processes.
- Establishment of the Joint Welfare Committee with the trade unions.
- Top Employers Certification.
- Joining the WHP (Workplace Health Promotion) programme.

Social topics - Customers

Potential risks:
- Inadequate complaint management with repercussions on the Group's reputation and decline in market appeal.
- Incorrect information and news from traditional and social media networks.
- Socioeconomic changes in customers.
- Risk to reputation due to non-compliance with the commitments defined in the Sustainability Plan.

Main control measures:
- Setting up a specific organisational function and a process to promptly and properly handle all complaints, based on a multi-channel approach (website, app, call centre, social networks, etc.).
- Listening to stakeholders through different platforms.
- Further development of the Privacy Management Model as per GDPR 679/16 and establishment of a crisis and business continuity committee.
- FSSC 22000 certification in the health and food safety.

Social topics/supply chain

Potential risks:
- Inadequacy of suppliers from a technical/professional and ethical standpoint (e.g. food counterfeiting).
- Risk to reputation due to non-compliance with the commitments defined in the Sustainability Plan.

Main control measures:
- Adoption of OMCM 231/01 at corporate level, defining standards for audits to prevent sales fraud.
- Definition of a qualification process that attests the ability for responsible management and the adequacy of the standards adopted by the supplier.
- Inspection activities by the Quality Assurance Department and by external bodies according to specific procedures and timelines (based on own-brand products and raw materials at production sites).
- FSSC 22000, BRC and IFS (recognised GFSI) (Health and Food Safety) certifications.
- Presence of control measures aimed at identifying and assessing fraud risks (adulteration of raw ingredients for food) and implementation of any anti-

Environment

Potential risks:
- Compliance risk related to the violation of applicable legislation on environmental crimes or associated with the management of environmental aspects and related to regulatory changes.
- Risk of environmental damage.
- Risk of interruption of business continuity due to lack of control over the correct maintenance of plants and services.
- Risk to the Group's reputation due to use of suppliers who do not meet the requirements of environmental regulations.
- Commercial risk, related to external perception of environmental sustainability policies.
- Risk to reputation due to non-compliance with the commitments defined in the Sustainability Plan.

Main control measures:
- Responsible design combined with continuous monitoring and measurement of environmental impacts.
- Monitoring the application of the Environmental Management System

[15] GRI Standard 102-11 Precautionary Principle or approach.

fraud plans (measurement instruments and methods and prevention and mitigation initiatives).
- Setting up an assessment process to check non-EU suppliers/producers of things other than food for DRO-GEM comply with the principles of SA8000 (scouting, self-assessment questionnaires and level II audits).

certified under UNI EN ISO 14001:2015, carrying out internal and external audits and third-party audits on the management system.
- Performing specific risk assessments and constant monitoring.
- Verification activities carried out by certifying bodies and relevant authorities.
- Implementation in progress of UNI EN ISO 22301:2019 certification.
- Implementation of a certified Energy Management System as per the UNI EN ISO 50001: 2018 standard.
- Periodic monitoring and reporting of the progress of environmental sustainability objectives.

3.6 Approach to tax

Esselunga carefully observes the provisions of tax legislation; therefore the company's approach is based on a consolidated practice aimed at ensuring compliance with applicable regulations. To this end, Esselunga has prepared a tax governance system able to guarantee proper oversight through the creation of an office within the Administration, Finance and Control Department that is highly specialised and dedicated to the calculation of taxes and through close and continuous collaboration with a third-party firm to ensure accuracy and an impartial review[16].

Furthermore, in order to ensure constant tax monitoring, on the one hand the company provides continuous training courses for the employees involved in tax oversight, in order to ensure constant skill updates and correct alignment with tax legislation, which generally undergo constant change; on the other hand, it has started to adapt its OMCM in line with Italian Legislative Decree 231/01, in relation to the recent introduction of tax crimes. In particular, to ensure concrete implementation of the Model and to effectively control of tax risks, Esselunga is working on the formalisation of a tax policy that includes an examination of the main oversight topics relevant to the prevention of tax offenses for the purposes of Legislative Decree 231/01. In the context of relations with the tax authorities, Esselunga observes the behaviour principles and control protocols defined by the OMCM, pursuant to Legislative Decree 231/01, for its subsidiaries with reference to relations with public authorities, guaranteeing correct, transparent and professional conduct[17].

4. Fight against corruption

4.1 Policy implemented by the organisation

The Esselunga Group is aware that corruption has significant negative impacts in the economic, social and environmental field, because of which the Group does not tolerate any actions linked directly or indirectly to corruption, whether active or passive. As set out in the Group's **Code of Ethics and Conduct** and **Sustainability Policy** and the **Organisation, Management and Control Models** under Italian Legislative Decree 231, adopted by each individual company[18], the members of company bodies, all employees and external contractors are required to act according to the values of fairness, transparency, correctness and loyalty as well

[16] GRI Standard 207-1 Approach to tax.
[17] GRI Standard 207-2 Tax governance, control and risk management and GRI Standard 207-3 Stakeholder engagement and management concerns related to tax.
[18] Esselunga S.p.A. and subsidiaries: Atlantic S.r.l., EsserBella S.p.A., La Villata S.p.A. Immobiliare di Investimento e Sviluppo (hereinafter "La Villata S.p.A."), Orofin S.p.A.

as in complete compliance with all laws and regulations applicable to anti-corruption.[19]

The consolidation of compliance models and organisational control measures, as well as the updating and issue of control procedures and protocols aligned with industry best practices, are all initiatives aimed at reinforcing a single corporate culture based on the highest principles of business ethics, i.e. "**acting fairly** and **in awareness of risks and non-conformities**".[20]

With the adoption in 2010 of the OMCM as per Legislative Decree 231 and subsequent updates, including the most recent in 2018, the Group intends to:

1. **Inform** employees and anyone else working in the name of or on behalf of any Group company that if they violate the stated rules by committing unlawful deeds they run the risk of bringing criminal proceedings on both themselves and the company's administration.

2. **Reiterate** that any conduct in conflict with the law and with the ethical principles adopted by Esselunga in its Code of Ethics and Conduct are strongly condemned by the Group.

3. **Monitor** the activities at risk to prevent and combat offences.

4.2 Main risks and opportunities[21]

The Risk Assessment carried out on the various Group companies highlighted the existence of a potential risk inherent in the commission of crimes of:

- **active corruption** of public authorities as part of real estate development, during inspections and in terms of requests for authorisations and permits;
- **passive and active corruption** in dealings with private parties when carrying out procurement activities and in trade union relations;

The risks of corruption can have various economic and reputational impacts, not just on the individual companies, but especially at Group level. The risk assessments done on five Group companies[22] discussed in this report revealed 111 sensitive operations, of which 55 (about 50%) were possibly at risk of alleged corruption offences[23].

Following the adoption of the Organisation, Management and Control Model by Orofin S.p.A., the "Guidelines on the subject of Legislative Decree 231/01" were defined and approved by Board of Directors. They contain principles of organisation and conduct with which companies carrying out property operations on behalf of Orofin S.p.A. are required to comply.

[19] GRI Standard 102-16 Values, principles, standards, and norms of behaviour.
[20] GRI Standard 102-12 A list of externally-developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes, or which it endorses.
[21] GRI Standard 102-15 Key impacts, risks, and opportunities.
[22] Esselunga S.p.A. and subsidiaries: Atlantic S.r.l., EsserBella S.p.A., La Villata Immobiliare S.p.A., Orofin S.p.A.
[23] GRI Standard 205-1 Operations assessed for risks related to corruption.

In order to improve and reinforce the control mechanisms, and thereby activities to prevent and combat corruption, in compliance with the provisions of the amendment to article 6 of Legislative Decree no. 231/01[24], the Group adopted a **whistleblowing procedure**[25], which regulates the process activities, roles and responsibilities of the main actors involved (Whistleblowing Manager, Legal and Corporate Affairs Manager, Supervisory Body).

To this end, at the time the procedure was adopted, in order to further strengthen the internal whistleblowing process and in compliance with the relevant legislation, Esselunga appointed a Whistleblowing Manager in charge of handling reports. It also adopted a web-based platform called "Comunica Whistleblowing" (Whistleblowing Reports) that can be accessed at a web address and using a specific code (token) from the company Intranet and on My Portal. Its aim is to acquire and manage reports from employees, managers, directors and members of corporate bodies. Among other things, the platform guarantees full compliance with international privacy regulations (processing of sensitive and personal data). The whistleblowing tool has the objective of protecting the confidentiality of whistleblowers' identities from the time they submit a report until said report is closed[26].

The introduction of the platform and the publication of the whistleblowing procedure were communicated to all Group employees. The procedure can be initiated through the company's Intranet. In addition to this, training tips on the use of the platform have been published on MyPortal.

Any reports from external parties (e.g. contractors) can be sent to Supervisory Bodies' e-mail accounts, which are published in the Models. It should be noted that in 2020, no reports were received through the Whistleblowing system.

4.3 Management approach and KPIs

The Code of Ethics and Conduct, the OMCM as per Italian Legislative Decree 231/01, along with the Sustainability Policy are the main pillars of the management model on the fight against corruption. In 2020 as well, the Supervisory Body (SB), Internal Audit function and the Human Resources and Organisation Department will remain the bodies appointed to oversee their operation and compliance. Specifically, the SB supervises the effectiveness and observance of the Model, assesses its adequacy and efficacy and carries out analyses on the continued satisfaction of requirements over time, also ensuring their update. For an effective performance of its functions, the SB possesses a series or powers and prerogatives; for information on these, refer to the company website.

The Internal Audit function, as third-level control, performs regular audits to verify that procedures and rules pursuant to Legislative Decree 231/01 are being applied. In terms of external suppliers and consultants, including contractors, for the purposes of qualification these groups are assessed on the principles of ethics, honour and transparency; after being awarded contracts and tenders, they must comply with the

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[24] Change introduced in December 2017 by Law no. 179/2017.
[25] GRI Standard 102-17 Mechanisms for advice and concerns about ethics.
[26] The report is processed anonymously. The whistleblower's identity can only be associated with the report where permitted by law.

Code and Model, by including specific contractual clauses. No employee corruption cases occurred and no legal proceedings for corruption were brought in the 2018–2020 three-year period, confirming the good work of OMCM 231[27].

With reference to episodes of corruption involving business partners, it should be noted that in the 2018–2020 three-year period only two episodes involving the termination/non-renewal of contracts were confirmed.

Lastly, the Human Resources and Organisation Department, overseen by the SB, ensures through specific initiatives communication and training on the Model and its principles. Communication and training activities are diversified according to the addressees and follow the principles of completeness, clarity, accessibility and continuity. With reference to communication and training, the following is significant: i) as they are involved in the related approval process, all the members of the BoD had an active and participatory role in updating and issuing the Sustainability Policy[28]; ii) upon hiring, all new employees are informed that the company has adopted the Model and the Code of Ethics and Conduct; iii) training is provided to all employees, both through classroom courses and e-learning. Attendance at training courses is mandatory and checked through a monitoring system.[29] The content of training activities is updated to reflect changes in regulations of the Model.

Compared to 2019, the number of employees trained on anti-corruption issues increased from 1,773 to 3,040. This increase is due, in part, to the refresher held in 2019, aimed at employees who had not yet taken the training course, as well as to the training of new hires.

5. Respect for human rights

5.1 Policy implemented by the organisation

As ratified by the Group's **Sustainability Policy**, Esselunga's people are aware that respect, protection and promotion of human rights inside and outside its value chain is an essential factor in creating and maintaining long-term social well-being. Esselunga's commitment to Human Rights issues is reflected in all categories of people who dialogue directly or indirectly with the Group (employees, suppliers and customers). Specifically, Esselunga requires that the various operators it collaborates with meet the fundamental principles that inspire its Code of Ethics and Conduct, i.e.:

[27] GRI Standard 205-3 Confirmed incidents of corruption and actions taken.
[28] GRI Standard 205-2 Communication and training about anti-corruption policies and procedures.
[29] For further details, see paragraph 6.3.3 Training and development of people.

- prevention of all forms of child exploitation or workers' situations of need, of physical or mental inferiority, of forced labour or work performed under slavery or servitude.
- protection of workplace health and safety.

Moreover, the Group is committed to and believes in:

- development of a positive work environment, where wages and benefits, working hours, freedom of association and ethics standards are ensured;
- rejection of all types of discrimination;
- maintaining acceptable working conditions;
- and zero tolerance of any discrimination, psychological and/or sexual harassment or other disrespect of other types of diversity.

5.2 Main risks and opportunities[30]

The risks to which the Group Companies are exposed mainly arise from the use of **contractors, and specifically of subcontractors**, that could directly or indirectly employ illegal workers or that may be unable to ensure adequate protection of workers. For this reason during the phases of:

- qualification: aspects of ethical reliability and OHS are assessed;
- contract stipulation: all contractors and Esselunga employees at the time they are hired or their contract is finalised are required to read the Code of Ethics, and to "make their conduct conform to the fundamental ethical principles that guide all the company's activities",[31] and to undertake to "*respect the fundamental human rights and dignity of each person*".

The Group has also identified potential areas exposed to a risk of forced labour in some parts of its supply chain, specifically those regulated by **logistic and production contracts**[32]. Therefore, to prevent any possible infringements of these rights, the company has implemented:

- contractual restrictions for contractors;
- organisational control measures;
- initiatives aimed at gradually raising the level of responsibility and management by the contracted companies (e.g. for logistics and production companies one of the qualifying requirements is the implementation of OHS management systems and for each contract, the supplier is required to disclose its ethical code);
- giving company departments involved in the qualification process responsibilities of checking and monitoring all contracted activities;
- level II audit on companies under contract for logistics[33].

[30] GRI Standard 102-15 Risks related to human rights.
[31] "*Diligence, honesty, transparency, competence, compliance with the law, good faith, utmost fairness and integrity*".
[32] GRI Standard 409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labour.
[33] Discontinued due to the COVID-19 pandemic.

5.3 Management approach and KPIs

The human rights management model comprises the Group's Code of Ethics and Conduct and the Sustainability Policy, which require all employees to fully endorse and take responsibility for the management and monitoring of these issues.

In the three-year period 2018–2020 no **incidents of discrimination**[34] **or child labour**[35] were reported, and the Group maintains that the **right to freedom of association cannot be violated** in its operations[36].

In 2020, due to the COVID-19 pandemic, it was not possible to provide any training on human rights policies and procedures to shop security personnel[37].

6. The Esselunga Group's people

6.1 Policies implemented by the organisation

In 2020 more than 25,000 people contributed their abilities, skills, experience and expertise to make Esselunga's human capital even more distinctive. Human capital is that unique and fundamental organisation factor that enables the Group to meet its goals in the short, medium and, more importantly, long term. It is Esselunga's firm belief that company performance is largely dependent on human resources management policies that ensure the well-being of people, by valuing individuals and helping them grow professionally, and encouraging healthy, safe and non-discriminatory work environments that let everyone express their potential. Furthermore, in terms of health and safety management, Esselunga has set out a Health, Safety and Environment Policy and a specific internal audit programme.

6.2 Main risks and opportunities[38]

The potential risks generated by the company's operations may concern failure to fully comply with international regulations and standards on workplace health and safety, with potential impact on its own and third-party personnel in terms of **workplace accidents and illnesses**. To minimise the probability or severity of incidents related to this risk, Esselunga has always invested in continuously updating its management systems[39] and organisational control measures, specialist skills and related certifications, plant renovation, reorganisation of work environment layouts, regular medical checks and ad hoc visits, training and education of its personnel, the supply of personal protection equipment and materials, the provision of operating and work procedure manuals, and other initiatives to ensure that workers can carry out their job in a completely safe manner. One of the main risks pertains to **manually lifting loads**. This risk is constantly monitored and managed, including through specific research focused on the introduction of additional automatic equipment to make load lifting and handling activities increasingly easy and not as stressing. To this end, in

[34] GRI Standard 406-1 Incidents of discrimination and corrective actions taken.
[35] GRI Standard 408-1 Operations and suppliers at significant risk for incidents of child labour.
[36] GRI Standard 407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk.
[37] GRI Standard 410-1 Security personnel trained on human rights policies or procedures (whether direct or indirect) relevant to organisational work.
[38] GRI Standard 102-15 Risks related to personnel.
[39] Migration of the Management System from British Standard BS OHSAS 18001: 2007 to the UNI ISO 45001: 2018 international standard.

2020 collaboration continued with the Milan Polytechnic and the University of Brescia on the **Ergonomics project**[40].

The potential risks generated by the labour market are linked to **changes in the relevant legislation and management of *turn-over*** and an aging workforce. The company pays close attention to these risks with reference to the entire human resource management process, from selection up to remuneration and development policies. The mitigation of these risks relies on our people's strong attitudes and *compliance* in managing working relationships, as well as on the implementation of remuneration and *retention* policies and the development of *welfare* according to international *benchmarks*, through information and training and organisational development. Additionally, the management of an aging workforce, understood as the increase in the average age of employees, requires a specific focus on constantly improving ergonomics, especially in work environments, and in evaluating job rotation and reskilling initiatives.

Particular focus is placed on the management of working relationships in cases of maternity, illness, accidents or other absences protected by law, while multidisciplinary approaches are adopted to manage occupational health and safety.

6.3 Management approach and KPIs

The corporate model for human resources management is primarily governed by the Group Human Resources and Organisation Department, part of the Group's broader HSE function. The department is responsible for the implementation of monitoring management processes and systems based on the principles of the Code of Ethics and Conduct, the Sustainability Policy, current laws, OMCM 231/01 and the OHS Management System (UNI ISO 45001:2018). Through its top management, Esselunga boasts an approach of constant discussion and dialogue with trade union representatives, which is why all employees of Esselunga S.p.A. have adopted an Integrative Company Agreement, which is of a higher calibre than the national collective bargaining agreement[41]. The Esselunga Group's entire human resources management model was certified by the Top Employers Institute once again in 2020.

[40] GRI Standard 102-15 Risks related to health and safety.

[41] GRI Standard 102-12 A list of externally-developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes, or which it endorses.

6.3.1 Personnel composition

The Esselunga Group employs **25,109** people (up 3% compared to 2019), **43% of whom are women**. **94%** of employees are hired with **permanent contracts.** Moreover, **26%** have a part-time contract, **76%** of which are for female employees[42].

Employees (head count)	2020			2019			2018		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Permanent contract	13,138	10,422	23,560	12,454	10,126	22,580	12,140	10,090	22,230
Fixed-term contract	1,064	485	1,549	1,241	511	1,752	999	357	1,356
Full-time	12,645	5,934	18,579	12,064	5,666	17,730	11,540	5,524	17,064
Part-time	1,557	4,973	6,530	1,631	4,971	6,602	1,599	4,923	6,522
Total	14,202	10,907	25,109	13,695	10,637	24,332	13,139	10,447	23,586

6.3.2 Employer branding and talent retention

Esselunga believes that the ability to attract and retain the best talent is crucial to ensuring long-term value creation. It uses many channels to attract and engage promising resources. The main point of contact is the esselungajob Career site, which favours digital communication as a means of attracting and communicating with young talents. Other channels that are used include job search portals, social networks, communication tools (posters, leaflets) present in Esselunga shops, offline and online advertising campaigns, media relations done through the Esselunga Press Office, and collaborations with important staffing agencies, universities and high schools throughout Italy.

Among the various levers of talent attraction, Esselunga knows that a progressive, balanced and incentive-based remuneration policy can be – together with continuous training and structured development and professional growth plans – one of the main criteria for motivating people, as well as an important lever of talent retention, which is indispensable for the functioning and integration of an organisation. For this reason, the remuneration policies of the Esselunga Group aim to maintain **a strong link between remuneration, meritocracy and performance sustainability**. This is achieved by developing effective remuneration methodologies that are in line with industry best practices and that enable employees to pursue continuous improvement in their professional performance and of the entire entity, while maintaining high levels of motivation and engagement[43].

In 2020, taking fixed-term contracts into account as well, the turnover rate was 6.7%, down compared to the previous year (8%)[44].

[42] GRI Standard 102-8 Information on employees and other workers. Temporary workers, employed mainly in shops and in production departments, increased from 213 to 898 (+322% compared to 2019). This increase is due to the need to cope with the absences of employees stemming from the COVID-19 situation in order to guarantee the operational continuity of shops and production departments.

[43] GRI Standard 102-36 Process for determining remuneration.

[44] GRI Standard 401-1 New employee hires and employee turnover.

Turnover rate	2020			2019			2018		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Total	**8.22%**	**4.68%**	**6.68%**	**9.85%**	**5.73%**	**8.05%**	**9.69%**	**4.93%**	**7.58%**
under 30	19.78%	15.29%	18.47%	22.83%	19.20%	21.77%	23.84%	17.17%	21.80%
between 30 and 50 years old	4.76%	2.90%	3.90%	5.61%	3.47%	4.61%	5.57%	3.17%	4.43%
older than 50	4.90%	4.16%	4.53%	6.96%	5.07%	6.05%	5.01%	2.99%	4.06%

6.3.3 Training and development of people

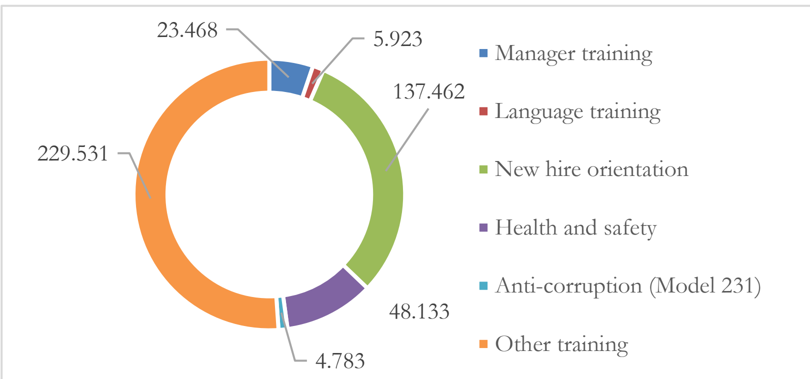
Esselunga considers training and updating skills to be fundamental resources for the success and competitiveness of the company. For this reason, it designs professional paths that value commitment, seriousness and passion for one's work. For many years, the company has had an in-house training unit, the Learning Centre, to guide people in developing skills and capabilities with theoretical and practical training. One of the pillars of training at the Learning Centre is the Trade School, where the personnel employed in our shops, bars and perfumeries can get training to develop and update the technical skills they need.

In 2020, 449,300 hours of training[45] were provided (-19% compared to 2019), for an average total of about 18 hours per capita, a decrease since 2019.

Average hours of training by gender and level	2020			2019			2018		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Managers	10	13	10	38	46	39	41	52	42
Middle managers	14	22	15	40	46	40	30	41	31
Office workers	24	8	16	34	9	21	28	7	17
Non-office workers	25	17	23	29	16	25	29	14	24
Total	24	10	18	**32**	**11**	**23**	**28**	**9**	**20**

During 2020, in addition to the mandatory training as per the State–Region Agreements and the Consolidated Law on Safety at Work, Legislative Decree 81/2008, following the onset of COVID-19, the Esselunga Group organised short online training sessions for all employees in order to ensure the proper use of employer-distributed PPE (masks, gloves, goggles, etc.) and how to maintain hygiene standards, including, for example, frequent handwashing[46].

The decrease in training hours is due to the fact that many training activities could not be performed due to the pandemic, which prevented face-to-face training on behaviour and roles from being held. These areas are therefore all in decline.



Training in the regulatory area also follows this negative trend, as it was only possible to provide basic training. The large increase in shop hires led to significant growth in training activities in the Induction area for new hires (+19%). Anti-corruption

[45] GRI Standard 404-1 Average hours of training per year per employee.
[46] GRI Standard 403-5 Worker training on occupational health and safety.

training hours also increased, following a special e-training refresher campaign concerning Legislative Decree 231/01 and the Model, which filled in most training gaps and led to an increase in new hires who are required to follow the dedicated short training as part of the onboarding process.

Despite the decrease in training hours, there is an increase in the number of people trained (+9.8% compared to 2019). This increase, in addition to the rise of new hires, is linked to the fact that some training activities have been transformed into webinars or short e-trainings, therefore with a shorter duration and held more frequently, but aimed at a wider population.

The Learning Centre is also responsible for the annual evaluation of the performance and potential of people, supporting employees and their managers in defining individual development plans and analysing career paths. This is a transversal process that involves all employees belonging to specific contractual categories from all company departments: from staff bodies, to shops, from production to logistics. Following this process, every year personalised training programmes are defined and the most talented individuals to be placed on accelerated pathways are chosen.

On this front, in 2020, 5,936 people were involved in performance evaluation processes.

Personnel involved in performance review activities[47]	2020			2019			2018		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Managers	90%	91%	90%	57%	82%	61%	69%	88%	71%
Middle managers	99%	91%	98%	99%	95%	98%	76%	89%	77%
Office workers	60%	9%	33%	59%	8%	32%	59%	7%	31%
Total	**62%**	**9%**	**35%**	**61%**	**9%**	**34%**	**60%**	**8%**	**33%**

6.3.4 Corporate welfare and work/life balance

Legislation aside, the welfare system at Esselunga is based on listening to employees' needs. Specifically, to confirm the importance attributed to welfare, in June 2019 the company and trade unions set up, on an experimental basis, a **Joint Welfare Committee**, a body for the equal involvement of workers whose aim is to identify welfare and work-life balance solutions. The Committee's activities continued throughout 2020.

Valid for all employees regardless of the type of contract, the main specific benefits and facilities include the non-professional policy, commercial agreements, a supplementary health care fund and a supplementary pension fund provided for in the national collective bargaining agreement, cars for mixed use, training courses for employees' children and the chance to convert variable wages into a range of welfare services.[48] As part of its broader welfare programme, Esselunga also runs specific medical assistance initiatives for its employees, by organising regular specific medical check-ups, as required by legislation, but also through specific agreements for easy

[47] GRI Standard 404-3 Percentage of employees receiving regular performance and career development reviews. The performance evaluation process to date does not include the professional category of manual workers.
[48] GRI Standard 401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees.

access to: medical and health services, assistance for people with disabilities or in emergencies and specific initiatives of preventive medicine.[49] Alongside these initiatives, there was, for example, the introduction of greater flexibility for employees in entering and leaving their offices, which makes it easier to combine personal and professional needs, and new lockers in the company's car parks for picking up shopping ordered online.

In addition to its welfare system, Esselunga has embarked on a path of wide-ranging cultural change, paying more and more attention to the **balance between work and private life**, a critical element for a highly work-intensive sector like large-scale retail. The smart working pilot project, which began in 2019, has expanded in response to the pandemic and has grown to encompass around 1,200 employees. The expansion involved all office workers, with a percentage of them working on site in line with the applicable COVID restrictions in place at the time.

Furthermore, in 2020 **1,784 employees made use of parental leave**, 37% of eligible female employees and 11% of eligible male employees. The percentage of employees who returned to work at the end of their leave remains very high, at 97%. Similarly, 97% of those who returned to work in 2019 are still employed by the company[50].

6.3.5 Diversity and inclusion

For Esselunga, inclusion is one of its core values, **promoting diversity as an opportunity for every talent to express themselves**, adopting specific programmes and policies, and developing listening systems that foster dialogue and collaboration. As part of its actions and strategies for inclusion and protecting diversity, Esselunga is committed to ensuring equality at work for all employees, guaranteeing them equal opportunities for professional development and growth.

In particular, the company is committed to constantly monitoring the presence of women in key positions, and this commitment is also reflected in the Sustainability Plan's aim of significantly increasing the presence of women in key roles in the coming years. In this regard, Esselunga has developed various initiatives to support the empowerment of women, such as the mentoring programme dedicated to the enhancement of women’s career paths and related company and inter-company workshops organised in collaboration with Valore D. Furthermore, in 2020 the pilot project on broadening leadership roles filled by women concluded; over the next few years, the entire female population will be eligible.

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[49] GRI Standard 403-3 Occupational health and safety.
[50] GRI Standard 401-3 Return to work and re-entry rate after parental leave.

Employees by type of employment	2020			2019			2018		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Managers	70	11	81	68	11	**79**	64	8	**72**
under 30			-	-	-	-	-	-	-
between 30 and 50 years old	29	6	35	31	6	37	29	5	34
older than 50	41	5	46	37	5	42	35	3	38
Middle managers	405	45	450	399	40	**439**	397	35	**432**
under 30	1	2	3	2		2	2	1	3
between 30 and 50 years old	253	29	282	265	27	292	267	24	291
older than 50	151	14	165	132	13	145	128	10	138
Office workers	7,811	8,423	16,234	7,350	8,182	**15,532**	6,950	8,068	**15,018**
under 30	1,592	836	2,428	1,497	786	2,283	1,364	800	2,164
between 30 and 50 years old	5,067	5,707	10,774	4,839	5,776	10,615	4,657	5,841	10,498
older than 50	1,152	1,880	3,032	1,014	1,620	2,634	929	1,427	2,356
Non-office workers	5,916	2,428	8,344	5,878	2,404	**8,282**	5,728	2,336	**8,064**
under 30	1,663	496	2,159	1,707	542	2,249	1,658	533	2,191
between 30 and 50 years old	3,248	1,571	4,819	3,257	1,547	4,804	3,204	1,535	4,739
older than 50	1,005	361	1,366	914	315	1,229	866	268	1,134
Total	**14,202**	**10,907**	**25,109**	**13,695**	**10,637**	**24,332**	**13,139**	**10,447**	**23,586**

In line with current legislation, the Group employed a total of 1,448 people falling within the protected categories[51], an increase of 38 compared to 2019.

6.3.6 Health and safety at work

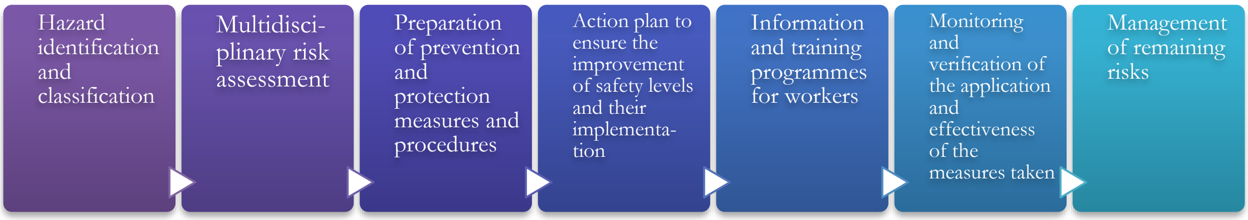
Protecting health and safety at work is a mandatory value for the Group, as well as a factor of competitiveness and growth. For this reason Esselunga believes that an active commitment to defining and implementing technical and organisational initiatives to effectively prevent and manage all professional risks linked to company operations is a priority.

In compliance with EU directives, local laws, standards and agreements signed with Group companies, Esselunga has adopted and successfully implemented, on a voluntary basis, an Integrated Management System for Health and Safety at Work, based on a well-defined risk management system in accordance with the new UNI ISO 45001:2018 standard. In the process of defining its Management System, Esselunga has identified specific responsibilities, procedures, processes and resources for the application of the company policy to protect employees.[52] In 2019, through the regular audit by an accredited third party, the UNI ISO 45001:2018 certification was confirmed and extended to all Group companies, guaranteeing a homogeneous and systematic approach to process management, covering all Esselunga employees and non-employees working in the company.[53]

The Group is always committed to identifying hazards and regularly assessing risks associated with the safety of personnel, suppliers and other parties involved in the company's activities, as well as the risks relating to the company's assets, and to defining and formalising, within operating manuals, working methods that take these aspects into account. Esselunga guarantees proper assessment of the risks caused by interference between the activities contracted out to suppliers operating on the

[51] GRI Standard 405-1 Diversity of governance bodies and employees.
[52] GRI Standard 403-1 Occupational health and safety management system.
[53] GRI Standard 403-8 Workers covered by an occupational health and safety management system.

Group's facilities or construction sites. Specifically, the health and safety risk management process includes the following steps:[54]



To complete its Management System, Esselunga has come up with a specific organisational structure and various communication channels to facilitate the sending of reports and/or incidents. Specifically, as in previous years the units in the HSE function dedicated to health and safety handle the OHS management model, supported by the **Health and Safety Service** ("SPP") and the **Central and Area Health and Safety Managers** ("RSPP"). In support of corporate prevention and protection activities, such as surveillance and inspection in the field, approximately **43 health and safety officers** ("ASPP") and **93 workers' representatives for health and safety** ("RLS") have been appointed[55]. The organisational structure is supported by various **trained doctors**, who perform regular health monitoring. The Area Health and Safety Officers are considered the main points of reference for health and safety issues; they verify the proper management of reports and are the first promoters of the dissemination of information on the management system.[56]
Health and safety reports submitted by workers and their safety representatives are encouraged when Area RSPPs perform on-site inspections and during training programmes conducted in accordance with Legislative Decree 81/2008. Indeed, the Management System guarantees the commitment by the Organisation to involve workers' representatives when changes occur that may affect their health and safety, especially during the risk identification and assessment process. In 2020, following the emergency created by the spread of COVID-19 and in compliance with the provisions of the Italian Ministry of Labour's *"Shared protocol for regulating measures to combat and contain the spread of COVID-19 in the workplace"*, internal working groups, called Committees, were created. They consist of company representatives and union/workers' representatives for health and safety (RLS) in order to share the measures adopted and to implement and manage the phases of emergency.

[54] GRI Standard 403-2 Hazard identification, risk assessment, and incident investigation; GRI Standard 403-4 Worker participation, consultation, and communication on occupational health and safety.
[55] There were three more workers' safety representatives than in 2017.
[56] GRI Standard 403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships.

As in previous years, all OHS initiatives include57:
constant **training, information and awareness activities** to reinforce **company culture** on the issue
improvement of performance monitoring systems, in order to promote responsible actions that are consistent with policies and goals
greater focus on and integration of OHS and environmental issues, starting from the **design phase for new shops** and purchases of new machinery
consolidation of the **"Workplace Health Promotion" ("WHP") programme**[58]. During 2020, the Esselunga Group extended membership of the WHP programme (companies that promote health in the workplace) to all the shops and offices in the province of Milan and plans to extend the project in 2021 to the remaining areas of the Lombardy Region.

Furthermore, all Group companies are committed to defining **specific and measurable targets** for improvement, including through a detailed and in-depth collection of information from detailed **inspections** and **constant updating of the Risk Assessment Documents**.

These goals led to implementation of initiatives that made it possible to:

- **reduce the incidence of work-related illnesses** (from four events in 2019 to zero in 2020[59]);
- **reduce the incidence of occupational accidents** (from 1,100 events in 2019 to 817 in 2020, bringing the accident rate 27.2 to 20.7);
- implement new monitoring, protection and prevention tools and measures to **reduce risks**;
- develop new **training programmes** that meet personnel needs;
- increase the level of **involvement and awareness** among personnel.

In 2020, no accidents with serious consequences were recorded and no work-related illnesses were recognised by INAIL[60].

	2020			2019			2018		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Recorded cases of work-related accidents[61]	552	265	**817**	725	375	**1,100**	715	409	**1,124**
workplace	456	184	**640**	590	266	**856**	590	291	**881**
ongoing	96	81	**177**	135	109	**244**	125	118	**243**
Deaths from accidents at work	-	-	**-**	-	1	**1**	1	-	**1**
workplace	-	-	**-**	-	-	**-**	-	-	**-**
ongoing	-	-	**-**	-	1	**1**	1	-	**1**
Recognised work-related illnesses[62]	-	-	**-**	4	-	**4**	3	2	**5**
Rate of recordable work-related accidents	22.4	17.9	**20.7**	29.1	24.4	**27.3**	29.6	27.5	**28.8**
Rate of fatalities as a result of work-related injury	0.00	0.00	**0.00**	0.00	0.07	**0.02**	0.04	0.00	**0.03**

57 GRI Standard 403-6 Promotion of worker health.

58 Annual implementation of at least two "best practices", starting from the fight against tobacco smoking and the promotion of proper nutrition up to the subjects of "Alcohol and addictions" and "Wellness".

59 Please note that the calculation refers only to work-related illnesses recognised by INAIL.

60 Some of the data required to calculate accident rates for non-employees are not currently available, as the company is developing a dedicated data collection system for temporary workers (the "Accident and Near-accident Reporting" application does not currently record accidents experienced by contractors); as far as contracting companies are concerned, Italian legislation on the subject does not require that the aforementioned type of data be recorded.

61 GRI Standard 403-9 Work-related injuries. Data for 2018 data was recalculated following an improvement in the data collection and analysis systems. In 2018, a new *business intelligence* system was launched that calculates daily updates and adds in data on HSE-, personnel- and INAIL-related areas. As stated above, based on the acceptance of accidents by INAIL, the number of accidents shown was changed when the statistics were updated. In cases where accidents are not recognised by INAIL, they were transformed into illness.

62 GRI Standard 403-10 Work-related ill health.

6.3.7 Industrial relations and operational changes

Since the early seventies, Esselunga has developed an intense collective bargaining process that is the result of a structured relationship with the trade unions that are signatories to the national collective bargaining agreement for the sector. Supplementary collective bargaining, which covers 100% [63] of employees at Esselunga S.p.A., has intervened over time in numerous issues of a regulatory nature (such as reduced weekly working hours, additional study leave, leave for medical check-ups, work organisation and shifts, trade union and information rights, etc.) and in pay levels, which to date are – in relation to fixed and variable components – among the highest in today's supermarket sector.

In addition, as of 2016, a number of important collective bargaining renewal agreements have been signed with the trade unions, which have regulated work on Sundays and public holidays in more generously than the national collective bargaining agreement and have introduced a comprehensive welfare system, including a special joint welfare committee (mentioned in section 6.3.4), which allows employees to convert their annual result bonuses into services, with economic and fiscal advantages. In 2020, following a trade union agreement, a solidarity holiday fund was also established, which, according to a principle of collective solidarity, allows for workers who qualify as per current legislation to make use of solidarity days.

In terms of possible collective events, such as operating changes concerning Esselunga S.p.A., these are communicated to the affected employees and trade union representatives with notice of (i) usually, three to six months in the event of temporary closure of a shop/factory and in the event of transfer of all personnel employed in a shop/factory, (ii) approx. 15–30 days when the schedule changes for an entire shop/factory. Additional operating changes are managed for Esselunga S.p.A. and for the other Group companies based on trade union agreements and in compliance with the provisions of current legislation.[64]

7. Social topics: customer care

Every person in the Esselunga Group is committed to satisfying consumer requests, by offering them: neat and functional shops, carefully selected and controlled quality products, advantageous pricing policies and a high level of service. To pursue these targets in a consistent way, Esselunga has put in place processes for gathering and analysing needs, for the procurement and processing of raw materials and for checking and transporting the products.

7.1 Policy implemented by the organisation

In 2020 more than **5 million customers** signed up to and/or used Esselunga loyalty cards, which means that each of them, following one or more shopping experiences at the Group’s shops or on the E-Commerce platform, decided to repeat their customer experience. Constantly satisfying customers with their products and

[63] GRI Standard 102-41 Percentage of total employees covered by collective bargaining agreements.
[64] GRI Standard 402-1 Minimum notice periods regarding operational changes.

services, and holding their interest in buying again are just two of the main goals of every retailer, especially in a dynamic and constantly changing context like a major chain.

New products and new promotions, new technologies and digital transformations, new regulations and new environmental-friendly buying trends are a few of the drivers that push the market to continuously evolve and refocus on the satisfaction levels perceived by customers.

It is based on these assumptions that Esselunga has always focused on customers and their feedback, aware of the fact that listening and processing their needs and expectations will lead to a high level of satisfaction and repeated business in the long term. The company's focus on customers does not end at the individual point of contact (shop or E-Commerce platform); it extends to all company processes and departments, from the Customer Service and Quality Department all the way up to, if necessary, the Sales Department and its suppliers.

[65]

This indispensable stakeholder engagement activity is led by Customer Service, which consists of about 120 people supported by an advanced Customer Relationship Management (CRM) model and also by external call centres [66]. Customer Service uses a multi-channel approach (website, app, call centre and e-mail) to **manage every single report**, whether positive or negative, regardless of the customer's loyalty or the type of business relationship with the person submitting the report[67], because Esselunga believes that every single piece of input can inspire innovative actions of correction and improvement.

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[65]Supplier data refers to suppliers of goods with an Italian VAT number.

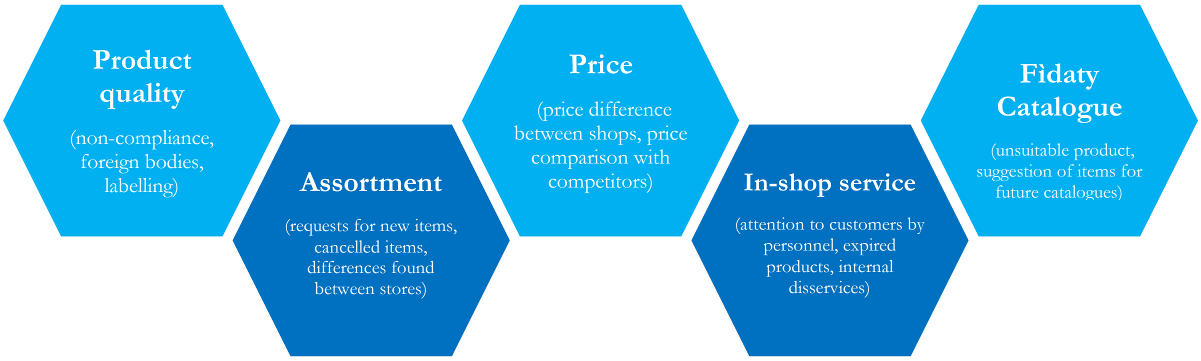
[66]During 2020, Esselunga continued to collaborate with an external call centres, both to support shop personnel and to manage calls from customers shopping online.

Furthermore, starting from the second half of 2020, due to the large number of written reports submitted from March–May owing to the COVID-19 pandemic and following accelerated development of the E-Commerce Area, other customer support activities were also outsourced, including: phone calls on the loyalty programme, promotions, general information requests and chats on E-Commerce issues.

In December 2020, in conjunction with Concorso di Natale (Christmas contest), Customer Service started relying on a external call centre to manage all reports concerning the contest more effectively and rapidly.

[67]Ex. customer, employee, supplier, consultant, associations, solicitors, etc.

Based on these policies, Esselunga assigns higher priority to reports relating to:



Furthermore, in 2020, the analysis for the development and implementation of the new CRM platform began. It will favour customer management activities across the board due to improved profiling, and therefore better customised communications with customers, with a consequent reduction in working times.

7.2 Main risks and opportunities[68]

Inadequately managing customers, their reports, and their expectations can have far-reaching repercussions on the companies' reputations, with a consequent reduction in appeal, satisfaction and loyalty; such circumstances may increase the risk of negative impacts on market share. The untimely and unstructured management of false or excessively negative information deriving from traditional media, social networks and the web, as well as the failure to incorporate socioeconomic changes of customers (such as the evolution of purchasing habits and nutritional needs) are the main risks that the Group faces, and which the Customer Service and Sales Departments commit to handling every day.

Adequately managing the customer and their expectations is a fundamental asset in strengthening and growing brand and company loyalty. Properly managing conversations online, especially on social channels, favours the positive impact of word of mouth. As evidence of its commitment to customer management and satisfaction, Esselunga analysed consumer behaviour to implement initiatives aimed at protecting customer health during the COVID-19 pandemic; these include:

- multiple entrances by category (elderly and disabled, health care workers, volunteers);
- establishing limits to the number of people who can be present in a shop at one time, maintaining and ensuring social distancing with the aid of dedicated signs and personnel;
- changing the type of communications on the company website, reducing those pertaining to business in favour of service information (ability to upload COVID self-certification, details on current COVID restrictions, etc.).

[68] GRI Standard 102-15 Risks related to customers.

Lastly, one of the central risk areas for the Group is the protection of customer privacy and personal data. Several initiatives on privacy management and related risks were implemented over the 2017–2020 three-year period. Such initiatives include, for example, the completion and consolidation of the Privacy Management Model as per GDPR 679/2016. This approach has enabled the Group to avoid any significant issues during the 2017–2020 three-year period relating to violations of privacy and personal data management regulations.[69] Moreover, since 2019 data security risks and related mitigation activities were supervised by the Business Continuity and Crisis Committee, the Data Protection Committee and the internal cyber security team[70]. Over the course of 2020, in June and October Esselunga detected instances where the wrong shopping delivery confirmation was sent to/viewed by customers who were not the correct recipients. Some of these resulted in complaints by customers. The two events were notified to the Italian Data Protection Authority, who, after evaluating the documentation sent, archived the Esselunga reports.

7.3 Management approach and KPIs

7.3.1 Product quality and safety[71]

Esselunga bases its sales policies on an unwavering commitment to guaranteeing the quality and safety of food, which are constantly and carefully monitored at all stages of the supply chain. Precisely in order to guarantee constant monitoring of these issues, Esselunga, since the early 1980s, has decided to equip itself with a dedicated internal function, the Quality Assurance Department, which specialises in managing all aspects relating to the quality and health and safety of products, in particular fresh products, qualifies all incoming suppliers, and does inspections and analyses at internal production plants, suppliers of brand products, crop and livestock farms and feed manufacturers. As evidence of this commitment, in 2018 Esselunga successfully obtained **FSSC 22000** (Food Safety System Certification) certification, which was also maintained in 2020. Organic certification was also extended to the e-commerce platforms, with the exception of Turin, which was recently launched.

Compared to previous years, in 2020 there was a similar trend in relation to the normal activities of the control bodies: e.g. health inspections of shops, E-commerce centres and distribution centres, product labelling checks, sampling and administrative inspections. The year was characterised by the COVID-19 health emergency, and this led to a significant number of inspections (185) aimed at verifying the implementation of the various government-issued coronavirus containment measures, as well as the operating conditions of the shops.

[69] GRI Standard 418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data.
[70] With reference to the Data Protection Authority's inspection carried out on 21, 22 and 23 May 2019, relating, in particular, to the management of loyalty card holders' data as regards profiling and direct marketing, to date the results have not yet been received.
[71] GRI Standard 416-1 Assessment of the health and safety impacts of product and service categories.

In 2020, the Group (Esselunga, Atlantic, EsserBella) also underwent a number of audits by the competent authorities[72]. Specifically, in 2020 a total of about 1,450 inspection and control visits were recorded, and around 580 product samples were taken (-17% compared to 2019). These analyses generated a limited number of action requests (24), all of which were managed in compliance with applicable company rules and procedures. This supervisory activity resulted in an equally limited number of administrative disputes that is not considered significant[73].

For Esselunga, guaranteeing the quality and safety of its products also means managing customer reports and complaints in a timely manner. In 2020, **92.1% of the complaints received were resolved**, with a slight decrease (-3%) compared to 2019 due to the large increase in complaints received to be processed (+ 47% compared to 2019). The increase in complaints mainly concerned services (+ 124% compared to 2019) due to the large growth of e-commerce during the year.

Starting from March 2020 onwards, complaints were managed differently compared to 2019 due to the large number of reports received since the onset of the COVID-19 pandemic.

In the months of March and April alone, the total reports received (complaints and suggestions) increased by 465% over the previous year, passing from a daily average of 500 to 3,000. Therefore, Customer Service was forced to make changes to their working method and processes, in particular as regards E-Commerce. Specifically, many reports of a standard nature (usual problems) were handled in a standardised way, namely providing the same response for the same type of report without customising it for the customer. In contrast, all cases that presented a non-standard problem were handled on a case-by-case basis.

Complaints received and managed	2020			2019			2018		
	Received and managed	% dealt with out of total	% Grounded out of total	Received and managed	% dealt with out of total	% Grounded out of total	Received and managed	% dealt with out of total	% Grounded out of total
Tot. Complaints on products	52,459 (or 21%)	19.7%	9.7%	44,832 (or 34%)	32.5%	14.7%	33,215 (or 33%)	29.7%	14.8%
Tot. Complaints on services	198,580 (or 79%)	72.4%	46.2%	88,760 (or 66%)	62.4%	30.3%	68,842 (or 67%)	58.0%	23.9%
Tot. Complaints	**251,039**[74]	**92.1%**	**55.9%**	**133,592**	**94.9%**	**45.0%**	**102,057**	**87.7%**	**38.7%**

[72] For example, the local health authorities check facilities and products, as do their food purity and hygiene unit, the port authorities, the agencies and regional offices of the Ministry of Agricultural, Food and Forestry Policies, protection consortia, the municipal police and other police forces.
[73] GRI Standard 419-1 Non-compliance with laws and regulations in the social and economic area.
[74] Reports received in March and April are excluded from this figure, as, due to the large amount of work, they have been classified as non-evaluable complaints.

Management of complaints by the Quality Assurance Department

Esselunga has adopted a specific procedure to ensure effective management of customer complaints concerning private-label products, as well as all other products in the range.

Indeed, the company collects and analyses all complaints received through the complaint forms in the store, the website, the customer service freephone number, e-mail, letter, fax, Facebook and other social networks. Complaints collected in this way are then appropriately catalogued by customer service, which assigns and sends the reports to the competent departments. Among these, the Quality Assurance Department carries out a careful analysis of complaints on product health and safety, transparency and communication with reference to legal labelling requirements and on product characteristics and quality.

The Quality Assurance Department also has the task of requesting from customers, while waiting for samples, where applicable, any further information on the anomaly found through the Customer Service. This includes photos, lot number and expiry date in case the reports are incomplete or considered critical.

If it is possible to find the sample of the product referenced in the report, the Quality Assurance Department proceeds to evaluate it, sometimes through specific analyses, and always involves the supplier by making the sample available for the necessary checks.

All of the above reports are therefore managed by the Quality Assurance Department.

In the event that it is an Esselunga brand product, the department's technicians formulate a response after a discussion with the supplier or following internal investigations. For non-Esselunga branded products, the supplier will provide the answer directly if the customer has consented to share their data; alternatively, Esselunga will act as an intermediary.

If multiple complaints are received by several shops simultaneously concerning one batch, the technician from the respective Quality Assurance Department will be promptly notified so that they carry out a more in-depth check, if necessary, on an appropriate number of other shops, warehouses or factories and, if applicable, evaluate whether to recall the product from the market.

Finally, a periodic summary on received and handled complaints and the related information deemed of greatest interest is sent to the Director of the Quality Assurance Department and subsequently shared with the General Management.

Esselunga's care for its customers is also evident in its commitment to monitoring the level of satisfaction with its products and services. In 2020, in collaboration with the Claes Fornell International (CFI) institute, the annual customer satisfaction survey was once again carried out. It revealed a level of satisfaction similar to 2018's, with no particular issues of critical importance.

7.3.2 Labelling, transparency and communication

This commitment to guarantee the quality and safety of products also involves transparent communication to customers of all relevant information, so they can make informed purchasing decisions. Esselunga is fully aware of the influence that its communication strategies can have on customers' food choices and, for this reason, promotes responsible and transparent communication that provides consumers with comprehensive, accurate information to guide and educate them in their buying and consumption choices. Furthermore, the company undertakes to monitor reports transmitted through traditional and online channels on the issues of responsible communication and marketing, thus listening to consumers, to whom dedicated, clear and punctual answers are provided. The reports represent an opportunity to dialogue with the consumer and provide the stimulus, where necessary, for targeted corrective actions. As evidence of this, Esselunga has not recorded any cases of violation and/or non-compliance with regulations or voluntary codes relating to marketing activities, such as advertising, promotion and sponsorship.[75]

[75] GRI Standard 417-2 and 417-3 Incidents of non-compliance concerning product and service information and labelling; incidents of non-compliance concerning marketing communications.

7.3.3 Dietary education

Esselunga is very attentive to dietary education and the principles of healthy and balanced nutrition. The promotion of a healthy lifestyle takes place mainly through the development of specific sales lines such as Esselunga Equilibrio, Esselunga CheJoy and Esselunga BIO.
In addition to the promotion of these and other products designed to help consumers adopt a more balanced lifestyle, Esselunga has also actively used the media, shop displays and organised various events and activities for dietary education.

7.3.4 Innovation and sustainable products

The pandemic has had a major impact on consumers: the inability to enjoy travel and entertainment outside the home, combined with the stress caused by COVID-19, have made consumers even more curious and willing to test new products. Therefore, during this period the lifestyle of many people has changed, and consequently the dietary needs and demands of customers have also changed. Depending on new consumption trends, in some cases it was considered appropriate to **reduce portions numbers** in order to accommodate families of 1 or 2 people and/or meet different needs within the family. In addition, **packaging** has been modified, both from an **environmental** and **service** point of view (ready to cook/ready to use), and **new recipes** have been introduced **to respond to new consumption trends** (e.g. international, sushi, etc.).

Esselunga has maintained its commitment and its propensity to revisit the recipes of branded products in order to improve and balance their nutritional properties. Some biscuits and snacks, for example, were updated through changes to individual ingredients, suggesting alternatives and/or variations on currently produced items, reducing as much as possible the number of ingredients present in each single product.

At the same time, Esselunga has developed several **innovative** projects aimed at **extending its range of brand products.** Notable examples of this commitment include:

- support for customers with specific dietary demands, with a **gluten-free** line, which grew to **23 products** in 2020, all certified by the **Spiga Barrata brand of the Italian Coeliac Society**, which indicates products that are completely safe and suitable to be eaten by people with gluten intolerance or coeliac disease;
- creation of **"lowest price"** products in order to offer customers a vast assortment in terms of price proposal on **477 items**;
- commitment to **children**, for whom a line of **59 Disney-brand products** has been developed focused on nutritional values, with low fat and sugar content;

- introduction of a new line of foreign products called **"Ricette dal mondo"** ("Recipes from around the world"), divided into four macro-categories: Middle Eastern, Mexican, Asian and European.

Furthermore, to respond to new purchasing needs and to meet the increasing demand for online shopping, Esselunga has expanded the number of references offered on the e-commerce sales channel.

8. Social topics: supply chain

8.1 Policy implemented by the organisation

In order to guarantee the quality of its products and services within the various **physical** and **online** sales channels on a daily and consistent basis, the Group has implemented and maintained over time a rigorous and responsible management policy for its supply chain. This policy, inspired on principles of **integrity, fairness and transparency**, governs and promotes all forms of collaboration and cooperation, with the aim of creating and redistributing the economic and social value it generated. Esselunga is aware that responsible management of the supply chain in a strict and responsible manner is: (i) a **strategic advantage** and a **management tool** to prevent or mitigate situations in a timely manner that could undermine the Group's reputation; (ii) a tool that makes it possible to strengthen virtuous and loyal **collaborative relationships** between the various players involved in the long term.

In order to increase the awareness and accountability of its approximately **5,000 suppliers**[76], in relation to its company policies and decisions, in particular on the critical nature of issues regarding supply chain management, such as (i) **product safety**; (ii) **respect for human rights** and **working conditions**; (iii) **respect for the environment**; (iv) and **transparency towards authorities and the community**, Esselunga requires its suppliers to read the Organisation, Management and Control Model pursuant to Italian Legislative Decree 231/01 and the Code of Ethics and Conduct at the time of qualification or renewal. In addition, when awarding contracts and sharing business documents, the Group companies require their suppliers to **guarantee that all activities are carried out according to fairness and lawfulness principles and in compliance** with the legislation in force and the provisions set forth in the Model and in the Code of Ethics. All those who work in the name and on behalf of the company are therefore required to act with integrity and in a fair and transparent manner to prevent any crime and avoid jeopardising the company's image and reputation[77].

8.2 Main risks and opportunities[78]

The main risks arising from the supply chain are directly related to the **use of suppliers that are unsuitable in terms of technical, professional, ethical, integrity and transparency qualifications**, and capable of directly affecting the

[76] Data refers to suppliers of goods and services with an Italian VAT number.
[77] GRI Standard 102-9 A description of the organisation's supply chain.
[78] GRI Standard 102-15 Risks related to the supply chain.

quality and safety of the products distributed, supply continuity and the Group's reputation. The same supplier qualification process represents a risk prevention system. Esselunga assesses the ability of potential suppliers to meet the standards required by the Group in terms of economic and financial strength and capabilities, ethical reliability, compliance with food safety and OHS requirements, and technical and organisational skills.

In 2020, **100% of suppliers read** the **Code of Ethics and Conduct and Organisational, Management and Control Model 231/01** when they signed the contract. Each framework agreement includes specific clauses on compliance with ethics.[79] Lastly, at the end of the qualification and contract stipulation process, the Quality Assurance Department performs spot checks and inspections on the supplier, on its own-brand products and the raw materials at its production sites, relying on its own technicians and the support of external bodies.

With a view to continuous improvement, the Sales Department is tasked with the goal of achieving, within the procurement process, the progressive introduction of criteria for the evaluation and monitoring of its suppliers on environmental, social and governance (ESG) factors, such as **environmental sustainability and/or animal welfare, workers' health and safety, anti-corruption and ethics and security and protection of computer data**[80].

Moreover, in relation to the supplier's ethics, raw materials and own-brand products, Esselunga also focuses on the issue of combating and preventing fraud. For this reason the Quality Assurance Department has implemented organisational control measures and procedures in order to identify and assess fraud risks, especially relating to food adulteration of raw materials. Anti-fraud initiatives include: the continual improvement of measurement tools and criteria against food adulteration, the start-up of a project with public authorities for joint development of strategies against food fraud in the seafood sector and prevention plans against theft of raw materials used in Esselunga production sites.

8.3 Management approach and KPIs

8.3.1 Responsible supply chain management

The Quality Assurance Department – composed of more than **50 technicians** including agronomists, vets, technicians and microbiologists – in order to pursue maintenance of the highest quality standards, uses **three internal laboratories** and, in addition to constant compliance objectives aimed at ensuring food safety, sets annual management goals. Moreover, the Department plays an active role in:

- guaranteeing **compliance with the organic production regulations** created at its own sites or externally through tests on product and the supply chain;
- supporting suppliers on **labelling compliance**;

[79] GRI Standard 412-3 Contracts that include human rights clauses.
[80] GRI Standard 414-1 New suppliers that were screened using social criteria.

- promoting compliance not only with the **stringent requirements on brand-name product safety** through inspection visits to manufacturers and/or systematic analysis of the product, the raw materials and production environment, but also with the quality standards for sensory properties. This involves the management of hundreds of thousands of analyses;
- carefully performing **product, chemical, microbiological and labelling checks** on brand-name products in the assortment;
- supporting the Sales and Customer Service Departments in managing products in the assortment which, following a compliant or report, might turn out to be critical;
- collaborating with Food Bank facilities on assessing food safety requirements and principles through audits at their facilities.

Due to the COVID-19 pandemic, the Quality Assurance Department has rescheduled its activities according to the operating restrictions set out by the Italian government as well as Esselunga on workers' health and safety, guaranteeing oversight of food safety requirements and processes. Some monitoring activities have been re-evaluated and in some cases, for example, schedules have been revised. Regarding audits, the Department has trialled performing them remotely.

In order to pursue continual improvement goals of its supply chain Esselunga promotes:	
	Fruitful and long-term collaborations with suppliers through procurement policies that prohibit Dutch auctions
	The **short supply chain** principle, undertaking to reduce the number of companies and steps from farm to table
	Growth of the local economy by (i) increasingly sourcing products from within Italy, supporting small businesses, and (ii) promoting regional products and production processes
	The **fight against the illegal employment system**, by endorsing the Code of Ethics in the purchase of agricultural and agri-food products as envisaged in the agreement between FederDistribuzione and the Ministry of Agricultural, Food and Forestry Policies and promoting the registration of its suppliers in the Network of Quality Agricultural Work, by setting up an internal work group to implement assessments on the ethics and reputation of agricultural suppliers. In 2020, the working group completed the analysis and evaluation of 300 companies in the wine sector, finding more than 20 suppliers registered in the Network of Quality Agricultural Work. The goal in 2021 will be to finish analysing suppliers in the gastronomy sector and to extend it to those in the dairy products and cured meats sectors. Furthermore, in October 2020, a dedicated mailbox was created for sending notices to companies supplying fruit, vegetables and grocery products (wine, oil and tomato products) not yet registered in the Network of Quality Agricultural Work, asking them to consider registering and to encourage their supplier companies to register. From the responses received, about 80% of the supplier companies qualified to register submitted or reserved the right to submit an application to join the Network. As of 31 December 2020, 30 of these have already been accepted, and, if added to those already who are already confirmed, it would result in more than 100 Network suppliers of branded products not from the agri-food sector.
	Greater **traceability and transparency** on product information through obtaining authorisation from the Ministry of Agricultural, Food and Forestry Policies for **voluntary meat labelling regulation the information,** which is audited by a certification body.

8.3.2 Support and collaboration with local suppliers

Esselunga has always paid particular attention to promoting traditional local products and choosing local suppliers that guarantee greater freshness and better prices thanks to increasingly shorter supply chains. This care for local areas is also evidenced by Esselunga's approach to producing its own-brand products; in 2020 about 84% of them were produced entirely in Italy.

The company is committed in various ways to promoting local products at its sales points. Firstly, the company increases every year the amount of PDO, PGI and DOCG products on its shelves, in the knowledge that they not only strengthen bonds with local areas but are synonymous with quality, safety and production excellence. In 2020 more than **2,000 top-quality products certified under the DOP, IGP, DOCG, DOC and IGT denominations** went on sale in Esselunga's shops. In this regard, to support Italian products, in 2020 promotional activities under the **Rinascita Italia** (Revive Italy) initiative were launched, with the aim of showcasing local producers, regional products, products of note and the gastronomic traditions of our country.

Moreover, in 2020 the Ortofrutta Italia (an inter-professional organisation) initiative was repeated with the sponsorship of the Ministry of Agricultural, Food and Forestry Policies, to promote the quality and seasonal abundance of **Italian fruit and vegetables**. The project aims to highlight the most important seasonal products (clementines, radicchio, grapes, peaches, nectarines, melons, cherries, tomatoes, kiwis and oranges) through ad hoc signs and special promotions in shops. Also in 2020, in the gastronomy department, close collaborations were established with the **various consortia**, with the aim of increasing the culture and knowledge of high quality local products in physical shops and the online channel. Lastly, Esselunga has started the **process of replacing** non-characterising ingredients with **raw materials that are of Italian-only origin**, such as flours.

8.3.3 Animal welfare

Esselunga is committed to consolidating and developing, together with its suppliers, an innovative approach to farm management based on **respect for animal welfare**, in order to meet consumers' needs, both in terms of ethics as well as the quality and safety of products on sale. For example, as far as branded products are concerned, Esselunga has specified in the technical specifications that it requires its suppliers to sign that they are obliged to keep all breeding sites in optimal conditions of cleanliness and maintenance, so as to ensure production hygiene and animal welfare. **The same suppliers are called on to carry out inspections at the slaughterhouses involved in the production process, to check full compliance with existing regulations** and ensure ideal hygiene levels (medical treatment, animal welfare, etc.). But Esselunga's commitment goes beyond that, and takes the form of specific initiatives in each sector:

Meat	• Adoption by the Group of the **Italian National Animal Welfare Reference Centre's** (CReNBA) standard on Naturama beef from calves, bullocks and heifers bred in Italy; • **Removal** of **fresh eggs from caged hens** from the range and exclusive use of cage-free Italian eggs, produced without antibiotics, for all products prepared in Esselunga's own facilities: fresh pasta, bakery products and pastries, delicatessen products; • **Antibiotics** are not used when breeding **Naturama chicken**; • Introduction in 2018 of the Naturama pork line; the animals are bred under strict rules of animal welfare and using antibiotics responsibly; • Removal of **foie gras** produced by force-feeding geese; • Addition of antibiotic-free **Naturama turkey** to the farm.
Fish	• For **Esselunga Naturama brand rainbow and brook trout** supplied by ASTRO (Associazione Troticoltori Trentini), a collaboration has been going on for many years to monitor the quality of water coming in and out of the fish farm to confirm that it imposes a low environmental impact; • For **tuna**, any fish from vessels reported for illegal fishing is banned; Transshipments at sea are allowed only if accepted and authorised by regional fisheries management organisations (RFMOs). It is also certified by Friends of the Sea, an NGO that classifies the product following inspections to check the raw material sustainability under all respects. • The **sustainable fish** brand was introduced in order to bring consumers' attention to the seafood product line (fresh and preserved, fished and farmed) that adopts the strictest environmentally sustainable rules; • In 2020, the following were also included: o Esselunga-brand trout, sturgeon, sea bream and sea bass species fished in Italy through sustainable practices; o trout, sea bream and sea bass with the Naturama brand certified for animal welfare; o trout raised without antibiotics under the Naturama brand; o sea bass and sea bream fillet raised without antibiotics sold at the fish counter.

9. Social topics: commitment to the community

Esselunga has always supported the communities in the areas it works in, through **cash donations** (direct contributions), **fundraising** and education for its customers (indirect contributions), and **food donations** thanks in part to the charitable work of its suppliers (contribution of goods)[81]. The many activities Esselunga does for the community allow it to strengthen its bond with local areas and restore the trust customers place in it.

During 2020 the main solidarity initiatives launched in order handle the COVID-19 pandemic[82] focused **on three overarching objectives**:

1. generating a positive contribution on the ground, redistributing food surpluses and promoting inclusion and support for the most vulnerable groups in society.
2. promoting the culture and education of the younger generations.
3. supporting scientific research and charitable projects.

As far as indirect contributions are concerned, on the other hand, over the year Esselunga organised numerous fundraising activities, promoting, with the help of its customers, various initiatives in the above three areas of intervention.

[81] GRI Standard 413-1 Operations with local community engagement.
[82] Some initiatives were described in Chapter 2, Management of the COVID-19 emergency.

A key example of Esselunga's work: collaboration with Banco Alimentare
Esselunga has been collaborating with Banco Alimentare since 2005 to donate surplus food from the supermarkets to those in need. Products close to their expiration date, but still perfectly suitable for eating are donated to people and families in need through charity associations and organisations in Italy who have an agreement with the Food Bank. **In 2020 Esselunga and its suppliers donated goods for meals (more than 1,500 tons[83]) worth more than €3 million.**

10. Environment

10.1 Policy implemented by the organisation

Esselunga is a complex organisation that integrates production and distribution of goods. Like any other production company, it identifies the environmental impact of its activities. In awareness of this, the company wants to be a part of the solution to the environmental problems affecting the world, investing resources in improving its performance and always keeping the customer and the quality of the products it distributes at the centre of everything. In order to define effective action strategies, Esselunga has defined three main pillars that form the basis of its environmental policy: climate, waste and packaging.
For its "**Occupational Health and Safety and the Environment**"[84] Integrated Management System, and in line with its Sustainability Policy, Esselunga regularly updates its environmental policy and commits to:

- Reducing waste, both food and non-food, and the environmental impact of business activities both locally and globally.
- Measuring the impact of products and services throughout their entire life cycle to improve material recovery and recycling by promoting eco-design and the circular economy.
- Promoting the use of sustainable technologies to reduce the risks associated with climate change, improving the energy efficiency of facilities and using renewable energy.
- Adopting the best standards of sustainability and building recovery logic when designing, constructing and managing shops, factories, distribution centres and offices.

Our commitment to environmental issues is reflected in the **centralised strategic guidelines we have adopted for efficiency and energy saving** at production and logistics centres and in shops. These strategic guidelines regulate the work of the technical departments in the following areas: (i) design, installation, use and management of the technological systems in shops, production sites and distribution centres; (ii) management of contracts for the supply of electricity, natural gas, district heating and water for buildings.

[83] Data refers to the monthly figures from January, February, September, October, November and December 2020.
[84] UNI EN ISO 14001:2015 certification on all Esselunga sites, without any exclusion, and ongoing implementation of the UNI CEI EN ISO 50001:2018 management system.

10.2 Main risks and opportunities[85]

The main risks arising from business operations are potentially of two types: first, the **compliance risk** linked to the changes in and/or complexity of the legislation, including local laws and regulations; second, the **risk of pollution** linked to external events and causes (e.g. natural disasters) that could **compromise in a very limited way some environmental areas,** such as air, soil and water. Both risks, although modest, may have sanctioning and reputational effects that should not be underestimated. In accordance with its entire business management model and with legal obligations, the Group performs: periodic risk assessments; constant monitoring of the regulatory environment; the design and preparation of measurement, protection and collection systems in accordance with the law; verification and control activities that are carried out by internal bodies, certifying entities and competent authorities, both periodic and one-off; implementation of scheduled maintenance plans and significant technological investments (in purification plants, air treatment plants and waste treatment plants).
In terms of environmental opportunities, it is important to point out that for about twenty years Esselunga has been engaged in the acquisition of abandoned areas and in the design and implementation of remediation, recovery and redevelopment projects to turn those areas into **production plants, shops and green areas**.
Among the main consequences related to the identified risks, in particular as regards reputation, in terms of opportunities, the following aspects should be emphasised:

- increase in product quantity and sustainable raw materials;
- improvement of communication and involvement of stakeholders in evaluation teams on product life cycle and environmental performance of products.

In developing and launching **new product packaging**, a prudential approach translates into evaluating a new solution (supply chain, financial aspects, food aspects, environmental impact, production feasibility, shelf life and appearance) and, as regards the environmental aspects, an impact analysis along the entire supply chain through the LCA (Life Cycle Assessment) tool.
Among the main risks for the company due to **external factors and customers,** there are: i) environmental risks (indirect risks affecting the community near the store as regards the environment, such as noise, waste, traffic); ii) business/reputational risks (mainly linked to packaging, waste and climate change); iii) risk of disrupted business continuity (linked to water/energy supply or plant engineering services in general, procurement of raw materials including packaging, environmental services).

Climate risk[86]
Esselunga is aware that the production and distribution of goods impact the environment; for this reason, over time it has developed technical skills in the control and direct management of environmental issues in order to combat climate change, reducing greenhouse gas emissions and minimising the climate risks to which its business is exposed.
The supermarket and food production sectors are particularly exposed to physical and transitional risks deriving from climate change, with direct or indirect repercussions on business, assets, customers and employees, with consequences on its financial position as well.

[85] GRI Standard 102 -15 Risks related to the environment.
[86] GRI Standard 201-2 Implicazioni finanziarie e altri rischi e opportunità dovuti al cambiamento climatico.

Physical risks, in particular, mainly affect agricultural production, with negative effects on crop yields and livestock production. As such, physical risks can relate to the disruption of supply chains (including the supply of raw materials) and manufacturing processes. Transition risks, on the other hand, refer to the possible introduction of a carbon price on direct emissions from livestock farming, agriculture and production and processing. However, they can also take the form of an increase in the prices of raw materials, due to the impacts to the yield, and energy costs, particularly in energy-intensive production processes. In addition, uncertain weather conditions can have an impact on customer behaviour and the demand for some products.

In this context, Esselunga is committed to understanding, managing and communicating the implications climate change has now and may have in the future for the company, addressing the possible effects in the various phases of the value chain and translating them into development opportunities as regards, for example, access to new markets, synergies to foster the development of a more resilient supply chain, the energy efficiency of buildings, means of transport, use of energy resources, the transition to renewable energy and the development of new products and services.

As part of its sustainability strategy, Esselunga has defined several specific objectives to respond to the challenges related to climate change, such as the reduction of greenhouse gas emissions, the use of renewable energy, the search for more sustainable packaging solutions, a more efficient management of food surpluses and waste, as well as research and development of innovative products, with the aim of making them more sustainable.

10.3 Management approach and KPIs

Careful and constant monitoring of environmental issues is guaranteed by an ad hoc management model that includes:

- The **HSE office,** which, based on an integrated approach, is responsible for the definition and the maintenance of the Environmental Management System and the Energy Management System (both abbreviated as EMS) of Group companies, as well as for the management and control of waste, disposal and emissions;
- The **Technical Department,** which, through its two functions in the construction and plant engineering sectors and on the basis of Group and corporate environmental policies, centrally defines strategic guidelines, initiatives and operating methods in the following areas: (i) energy efficiency and management of renewable sources; (ii) reduction in consumption; (iii) plant engineering initiatives.

10.3.1 Climate change

Over time, Esselunga has developed technical skills to control and directly manage environmental issues and their impact. In this vein, in 2016 Esselunga S.p.A. obtained EMS certification in accordance with **UNI EN ISO 14001:2015**, which it extended to all the companies of the Group the following year, and which encouraged the development of synergistic improvement policies; the company is currently implementing an Energy Management System in compliance with **UNI CEI EN ISO 50001:2018**.

Alongside this purely technical process management, for some years now Esselunga has been systematically **analysing the environmental impact of brand-name products by considering their entire production cycle**, from raw materials to the shop (and in some cases to use and storage at home). This second level of analysis has made it possible to get an all-round view of the Group's impacts, which is a prerequisite for defining medium-term improvement strategies.

Against this backdrop of improvement, monitoring energy consumption is a key part of the management system. It enables the Group to reach goals for reducing its impact and consequently also obtain an increase in the energy efficiency of its shops and logistics centres. Total energy consumption [87] from renewable and non-renewable sources for 2020 are around **3.30 million GJ, down by 18,000 GJ compared to 2019**. This inversion is due to an increase in the renewable energy used, but above all to the countless energy efficiency projects launched over the year [88], which provided a significant reduction in energy intensity, despite new openings and the increase in energy consumption to ensure greater air flow due to COVID-19 protocols.

Total energy consumption in GJ	2020		2019[89]		2018	
	Direct[90]	Indirect[91]	Direct	Indirect	Direct	Indirect
From renewable sources	19,334.64	-	16,795.98	-	15,764.62	-
From non-renewable sources	874,876.22	2,370,715.61	868,485.07	2,397,710.09	888,740.99	2,375,565.68
Total energy consumption		**3,264,936.48**		**3,282,991.14**		**3,280,071.28**
Energy intensity[92] (kJ/m²)		**4,073.73**		**4,250.54**		**4,427.73**

In keeping with previous years, the initiatives adopted in shops aimed at **reducing energy consumption** are:

Shops involved[93]	Sites involved in 2020		Sites involved in 2019		Sites involved in 2018
	Total sites	New sites	Total sites	New sites	Total sites
Automatic lighting	116 shops	-	116 shops	3	113 stores
Dimming of lights	69 shops	-	69 shops	3	66 shops
LED relighting	66 shops	4	62 shops	5	57 shops
Closing fresh vertical counters	7 shops	3	4 shops	4	-
Car park extractor check[94]	44 shops	2	42 shops	7	-
Electrostatic filters on AHUs[95]	3 shops	3	-	-	-
Power Quality[96]	1 shop	1	-	-	-

Furthermore, during 2020 a number of existing **photovoltaic systems** were extended, and a further 9 activated, resulting in a total of 44 active systems in offices and shops. These initiatives and structural measures resulted in energy savings of **47.434 MWh**[97] in 2020 alone, equivalent to **18.358 tCO2e/year**[98] **saved**.

[87] GRI Standard 302-1 Energy consumption within the organisation. For previously published historical data, please refer to the 2018 Non-Financial Statement.
[88] Opening of a store in November 2019, which had the greatest energy impact in 2020, opening of four new stores and five stores in laEsse format in 2020, and the reopening of a renovated store.
[89] Energy consumption values differ from what was stated in the previous Non-Financial Statement, where they were overestimated.
[90] From the direct consumption of fuels (e.g. natural gas, diesel oil, owned vehicles).
[91] Derived from the consumption of electricity and, where present, district heating supplied by third parties.
[92] GRI Standard 302-3 Energy intensity calculated in weighted m².
[93] Data on hourly programming, dimming of lights and car park extractor checks does not include the shops in the area managed by Florence.
[94] Car park extractors ventilate and extract petrol and carbon dioxide fumes.
[95] AHU = air handling unit.
[96] Power quality devices make electrical systems more efficient by installing inductive filters.
[97] GRI Standard 302-4 Reduction of energy consumption resulting from specific activities and initiatives at offices and facilities. The initiatives shown in the table contributed to a 39.906 MWh reduction alone.
[98] GRI Standard 305-5 GHG emissions reduced as a direct result of reduction initiatives. This also includes figures for photovoltaic, solar thermal and cogeneration plants. The initiatives shown in the table contributed to a 11.890 tCO_2e/year reduction.

The Group's **energy consumption and activities** result in direct and indirect CO_2e emissions. Over the 2018–2020 three-year period, these emissions have decreased and show a significant reduction in intensity.

Atmospheric emissions[99]	2020	2019	2018
Direct CO_{2e} emissions (Scope 1)	45,840.66 tCO_2e	48,518.73 tCO_2e[100]	46,174.13 tCO_2e
Indirect CO_{2e} emissions (Scope 2)	195,365.24 tCO_2e	210,509.63 tCO_2e	211,562.04 tCO_2e
Emission intensity (kg CO_2e/m^2)[101]	300.96	335.37	347.92

Esselunga is also aware of the environmental impact on the **distribution chain** (indirect emissions, Scope 3), especially due to polluting emissions, induced traffic and road congestion related to the transport of goods. For this reason Esselunga's logistics pursues a strategy to: i) **optimisation of loading compartment** and **vehicle routes**; (ii) use of a fleet composed by 26% Euro 5 vehicles, by 53% Euro 6 vehicles and by 21% LNG vehicles (in 2018 LNG vehicles made up 8% of the fleet) and introduction of a hybrid vehicle, in the test phase, for delivery services in the centre of Milan;[102] (iii) streamlining of the /**waste collection system**, which helps avoid around 300 return journeys a day **from shops to distribution centres** with savings of around 32,000 litres of diesel fuel and 84,000 km a year, corresponding to about **85 tCO_2e saved** every year. In addition, for home delivery via the online channel, the means used are all **Euro 6**; in 2019 **two hybrid vehicles** were introduced, while in 2020 **25 fully electric vehicles** were added.

The Group also implemented a reporting flow aimed at the collection of data related to emissions from journeys made to transport goods. Specifically, estimated emissions from on-road vehicle journeys (refrigerated and not) totalled about **25,154 tCO_2e**.

Lastly, over the course of 2020 Esselunga recorded 8.677 kg of NOx emissions from the Limito steam power plant, the Parma cogeneration plant and the Biandrate trigeneration plant[103].

10.3.2 Packaging and material consumption

By marketing large quantities of products on a daily basis, Esselunga moves (and partly uses) many different types and materials of packaging. In this context the Group has also activated a number of operational tools that will best guide designers and buyers, **integrating the search for increasingly sustainable packaging** into its approach to managing environmental impacts.

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[99] GRI Standard 305-1 Direct (Scope 1) GHG emissions; GRI Standard 305-2 Energy indirect (Scope 2) GHG emissions. Following a refinement of data collection processes and reporting methods, data on direct and indirect atmospheric emissions were restated. For previously published historical data, please refer to the 2018 Non-Financial Statement.
[100] Emission values differ from what was stated in the previous Non-Financial Statement, where they were partially estimated.
[101] GRI Standard 305-4 Types of GHG emissions included in the intensity ratio; whether direct (Scope 1) or energy indirect (Scope 2), calculated in m^2 for shops.
[102] The fleet includes both Esselunga-owned vehicles and vehicles used by all of the Group's direct contractors.
[103] GRI Standard 305-7 Nitrogen oxides (NOX), sulphur oxides (SOX), and other significant air emissions.

In 2020, the Group consumed **34,269.23 tonnes of materials**[104] **in order to package and advertise its products, about 2% less than in 2019**. This trend increasingly encourages and accelerates the search for sustainable packaging as an alternative to plastics, in order to reduce the introduction of virgin and non-recyclable materials on the market.

In 2020, the following goals were achieved:

- reduction of non-recyclable plastic material compared to plastic material used: 21% (-1,140 t) less than in 2018;
- increase in paper/cardboard material: 15% (650 t) more than in 2018;
- **use of recycled materials**[105]**:** 1,265 t corresponding to 8% of total packaging;
- reduction of non-recyclable plastic material:64% (-177 t) less than in 2018;
- introduction of ATICELCA-certified recyclable laminated paper: 658 t more than in 2018.

Graphic materials[106]	2020		2019		2018	
	Recyclable	Not recyclable	Recyclable	Not recyclable	Recyclable	Not recyclable
Plastic	-	58.42	4.91	53.00	13.07	0.14
Paper and cardboard	4,928.00	5.20	19,755.33	11.00	6,469.93	61.02
Recycled Paper	13,404.00	-	-	-	12,379.45	-
Adhesive labels	-	-	-	17.00	-	2.70
Total	**18.335.11**	**63.62**	**19,810.00**	**81.00**	**18,862.45**	**63.86**

The consumption of paper used for publishing leaflets and catalogues is currently 100% PEFC-certified. New promotional initiatives or new activities using paper as material will always use PEFC- or FSC-certified materials[107].

Esselunga has continued its strategy of **pallet reuse** in the logistics sector with the **CHEP pooling** system, and it also launched **LPR pooling** in 2019. This solution is fully sustainable as, in addition to reusing the product, the pallets are made of wood from controlled forests and is both FSC and PEFC certified. On average, around 2.3 million CHEP pallets are used per year, which, compared to the use of conventional pallets, results in around (i) a 50% reduction in CO_2e emissions, (ii) a 75% saving in wood and an 80% reduction in waste. In 2020, the initiative therefore brought **savings** of 2,353 m^3 of wood and **2,232 tCO_2e**, and eliminated 252 tonnes of waste[108].

104 GRI Standard 301-1 Materials used by weight or volume to produce and package the company's main products.
105 GRI Standard 301-2 Recycled input materials used.
106 Some values differ from the previous Non-Financial Statement due to data reclassification and the addition of suppliers not previously included.
107 Programme for the Endorsement of Forest Certification (PEFC) scheme and Forest Stewardship Council (FSC).
108 GRI Standard 302-2 Indirect energy consumption.

47,000 MWh
saved

20,000 tCO_{2e}
saved

1,265 t
of recycled plastic used

10.4 Waste and waste management

Esselunga has undertaken a number of activities to **prevent the creation of waste both inside and outside the organisation**, both at the upstream and downstream stages of the value chain, and to meaningfully manage the impacts of the waste created[109]. The company, in its dual role as producer and distributor, has decided to make waste reduction one of its strategic priorities. When acting as a producer, its attention is focused on careful planning of industrial processes, as well as the maximum exploitation of all ingredients and raw materials used in food preparation. When operating in its role as a warehouse and distributor, its main action is to reduce unsold goods as much as possible by adequately planning orders, including through an automatic reordering system, and donating surpluses to those most in need in time to prevent them from expiring and ensure they comply with the strict regulations governing these activities.

One of the most significant circular economy projects is the **"bottle to bottle"** project, created in collaboration with CoriPET, which involves installing reverse vending eco-compactors in shops to raise consumer awareness of environmental issues by increasing the recovery and recycling performance of post-consumer bottles. The project, which resulted in the collection of **13.61 tonnes of PET** in 2020 alone, contributes to the objectives of the European strategy on the conscious use and reuse of plastics.

Furthermore, a **nappy collection trial programme** was launched in cooperation with FATER in the shops in Verona, which resulted in the collection of **84,287 kg of nappies** that were sent for recycling, allowing for the recovery of paper, plastic and absorbent material.

To treat waste Esselunga uses specific, authorised plants that manage recovery or disposal. Over the years, the prevailing trend has been to reduce the use of hazardous materials and substances in order to decrease the production of hazardous waste.

[109] GRI Standard 306-1 Waste generation and significant impacts due to waste and GRI Standard 306-2 Management of significant impacts due to waste.

The following table shows the **quantities of waste produced and delivered to these plants** broken down by type[110]:

Hazardous waste - tonnes (shops, distribution centres, offices)	Recycled/ Disposed	2020[111]	2019[112]	2018
Electronic equipment	R13	34.20	34.38	24.44
Non-edible oils	R13	8.20	6.72	14.01
Detergents	D15, R13	-	8.05	19.97
Other (batteries, lamps and neon, packaging, antifreeze liquid, insulating materials, etc.)		67.36	59.19	39.05
Total hazardous waste		**109.76**	**108.34**	**97.47**

Non-hazardous waste - Tonnes (shops, distribution centres, offices)	Recycled/ Disposed	2020[113]	2019[114]	2018
Paper and cardboard including packaging	R13, R3	65,162.87	67,257.64	64,498.99
Wood	R2, R3, R12, R13, D13	12,692.31	17,212.30	15,863.30
Packaging	R13, D13	97.15	115.99	110.08
Plastic	R13, R3	4,638.77	4,418.88	3,976.69
Other (including glass, polystyrene, sludge, edible oils, toner, etc.)		16,557.42	15,564.75	14,101.43
Total non-hazardous waste		**99,148.52**	**104,569.56**	**98,550.50**

In addition to waste generation, the use of water as part of the Group's activities is of great importance. As such, it is monitored, and, where possible, contained within specific limits. The Group's estimated water consumption in 2020 was **6,440,293 m^3** (14% less than in 2019). Forty-two per cent was drawn from **public water services** and 58% from **groundwater** (wells).

[110] GRI Standard 306-3 Generated waste. The type of disposal or recycling is communicated by Esselunga to the relative suppliers based on codes defined in Italian Legislative Decree 152/06. In particular, *R2: regeneration/recovery of solvents; R3: recycling/recovery of organic substances not used as solvents. R12: exchange of waste to subject it to one of the operations indicated in R1 to R11. R13: storage of waste to subject it to one of the operations indicated in points R1 to R12 (excluding temporary storage, before collection, at the place it was produced). D13: Preliminary grouping before one of the operations indicated in D1 to D12.*

[111] The quantities given are subject to change, as they will be updated after the fourth copy of the forms is returned and made official following the MUD2021 Declaration in April 2021.

[112] The values differ from those in the previous Non-Financial Report in that they are in line with the official values of the MUD2020 Declaration.

[113] The quantities given are subject to change, as they will be updated after the fourth copy of the forms is returned and made official following the MUD2021 Declaration in April 2021.

[114] The values differ from those in the previous Non-Financial Report in that they are in line with the official values of the MUD2020 Declaration.

GRI content index[115]

GRI Standard	Description	Reference in the text/disclosure	Reason for omission
	General Standards		
102	**General Disclosures**		
	Organisational Profile		
102-1	Name of the organisation	MANAGEMENT REPORT	
102-2	Major brands, products or services (programmes for compliance with laws and voluntary codes related to marketing activities)	MANAGEMENT REPORT	
102-3	Location of headquarters	MANAGEMENT REPORT	
102-4	Location of operating headquarters	Italy	
102-5	Ownership and legal form	The Esselunga Group is 100% controlled by Supermarkets Italiani; the parent company is not subject to management and coordination.	
102-6	Markets served	MANAGEMENT REPORT	
102-7	Scale of the organisation	MANAGEMENT REPORT	
102-8	Employees by type of contract, gender, geographical area, classification	6.3.1 Personnel composition	
102-9	Description of the organisation's supply chain	8.1 Policy implemented by the organisation	
102-10	Significant changes to the organisation and its supply chain	MANAGEMENT REPORT	
102-11	Methods of application of the precautionary principle or approach	3.5 Management and Control Systems and key risks	
102-12	Adoption of external codes and principles in the economic, social and environmental fields	3.4.1 CSR policies 4.1. Policy implemented by the organisation 6.3 Management approach and KPIs	
102-13	Membership of associations	Unlike other Italian retail groups, Esselunga has no central purchasing units. The Group holds governance positions in FederDistribuzione only. Esselunga is a member of EuroCommerce, Assocarni and the Consumer Good Forum.	
	Strategy		
102-14	Statement by the Chairman	MANAGEMENT REPORT	
102-15	Key impacts, risks, and opportunities	3.5 Management and control systems and key risks 4.2 Main risks and opportunities 5.2 Main risks and opportunities 6.2 Main risks and opportunities 7.2 Main risks and opportunities 8.2 Main risks and opportunities 10.2 Main risks and opportunities	
	Ethics and integrity		
102-16	Values, principles, standards and rules of conduct	4.1 Policy implemented by the organisation	
102-17	Mechanisms for advice and concerns about ethics	4.2 Main risks and opportunities	
	Governance		
102-18	Governance structure	MANAGEMENT REPORT	
	Stakeholder engagement		
102-40	List of stakeholders involved	3.2 Stakeholders: identification and involvement	
102-41	Employees covered by collective bargaining agreements	6.3.7 Industrial relations and operational changes	
102-42	Process of identifying and selecting stakeholders to be involved	3.2 Stakeholders: identification and involvement	
102-43	Approach to stakeholder engagement	3.2 Stakeholders: identification and involvement	
102-44	Key aspects and critical issues arising from stakeholder involvement and related actions	3.2 Stakeholders: identification and involvement	
	Reporting practice		
102-45	List of entities included in the consolidated financial statements and entities not included in the Sustainability Report	MANAGEMENT REPORT	
102-46	Process of defining content	1. Methodological note	
102-47	Material topics identified	3.3 Materiality assessment	
102-48	Explanation of the effects of changes in information included in previous financial statements and the reasons for them	No significant changes have been reported compared to the financial statements published in 2019.	
102-49	Significant changes from the previous financial statements	-	
102-50	Reporting period	1. Methodological note	
102-51	Date of publication of previous report	1. Methodological note	
102-52	Reporting cycle	1. Methodological note	
102-53	Contacts and addresses for budget information	Esselunga S.p.A. Via Giambologna, 1 - 20096 Limito di Pioltello (Milan) Tel. 02.92931 - Fax 02.9267202	
102-54	GRI content index and choice of "In accordance" option	1. Methodological note	
102-55	GRI content index	GRI content index	
102-56	External certification	LETTER FROM THE INDEPENDENT AUDITORS	
200	**Economic**		
201	**2016 Economic Performance**		

[115] GRI Standard 102-55 GRI content index

GRI Standard	Description	Reference in the text/disclosure	Reason for omission
103	Management approach	MANAGEMENT REPORT	
201-1	Direct economic value generated and distributed	MANAGEMENT REPORT	
201-2	Financial implications and other risks and opportunities due to climate change	10.2 Main risks and opportunities	
204	**2016 Procurement Practices**		
103	Management approach	8. Social topics: supply chain	
204-1	Proportion of spending on local suppliers	8.3.2. Support of and collaboration with local suppliers	
205	**2016 Anti-corruption**		
103	Management approach	4. Fight against corruption	
205-1	Operations assessed for risks related to corruption	4.2 Main risks and opportunities	
205-2	Employees trained on the Group's anti-corruption policies and procedures (e.g. Organisational Model 231, Code of Ethics, etc.)	4.3 Management procedures and KPIs	
205-3	Actions taken in response to cases of corruption	4.3 Management procedures and KPIs	
206	**2016 Anti-competitive behaviour**		
206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	Esselunga operates in accordance with the highest ethical principles of transparency, fairness and loyalty, in full compliance with applicable laws and centring its efforts on forging a relationship of trust with its customers. In this regard, it should be noted that the company is involved in a dispute concerning unfair competition, which is still pending on appeal as a result of the appeal against a ruling by the AGCM against Esselunga (and other companies in the large-scale retail trade) concerning the illegality of the contractual clause requiring suppliers of fresh bread to take back and dispose of the unsold product at their own expense (the so-called return obligation). It is worth pointing out that the above litigation, as far as the type of violations and number of violations are concerned, is not relevant.	
207	**2019 Income tax expense**		
207-1	Approach to tax	3.6 Approach to tax	
207-2	Tax governance, control and risk management	3.6 Approach to tax	
207-3	Stakeholder engagement and management concerns related to tax	3.6 Approach to tax	
207-4	Country-by-country reporting	MANAGEMENT REPORT	
300	**Environment**		
301	**2016 Materials**		
103	Management approach	10. Environment	
301-1	Materials used by weight or volume	10.3.2 Packaging and material consumption	
301-2	Recycled input materials used	10.3.2 Packaging and material consumption	
302	**2016 Energy**		
103	Management approach	10. Environment	
302-1	Energy consumption within the organisation	10.3.1 Climate change	
302-2	Energy consumption outside of the organisation	10.3.1 Climate change	
302-3	Energy intensity	10.3.1 Climate change	
302-4	Reduction of energy consumption resulting from specific activities and initiatives at offices and sites	10.3.1 Climate change	
305	**2016 Emissions**		
103	Management approach	10. Environment	
305-1	Scope 1 emissions	10.3.1 Climate change	
305-2	Scope 2 emissions	10.3.1 Climate change	
305-4	GHG emissions intensity	10.3.1 Climate change	
305-5	Reduction of emissions as a direct consequence of specific activities and initiatives	10.3.1 Climate change	
305-6	Emission of ozone-depleting substances (ODSs)	10.3.1 Climate change	
305-7	Nitrogen oxide (NOx), sulphur oxide (SOx) and other significant emissions into the atmosphere	10.3.1 Climate change	
306	**Waste 2020**		
103	Management approach	10. Environment	
306-1	Waste generation and significant impacts due to waste	10.3.3 Waste and waste management	
306-2	Management of significant impacts due to waste	10.3.3 Waste and waste management	
306-3	Generated waste	10.3.3 Waste and waste management	
307	**2016 Environmental Compliance**		
103	Management approach	10. Environment	
307-1	Penalties for non-compliance with environmental laws and regulations	In 2020 Esselunga received no significant environmental penalties.	
400	**Social Performance**		
401	**2016 Employment**		
103	Management approach	6. The Esselunga Group's people	
401-1	Total number and percentage of new employee hires and employee turnover, by age, gender and region	6.3.2 Employer branding and talent retention	
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by main activities	6.3.4 Corporate welfare and work/life balance	
401-3	Parental leave	6.3.4 Corporate welfare and work/life balance	
402	**2016 Labour Relations Management**		
103	Management approach	6. The Esselunga Group's people	

GRI Standard	Description	Reference in the text/disclosure	Reason for omission
402-1	Minimum notice period regarding operational changes (organisational changes) indicating whether or not these conditions are included in the collective bargaining agreement	6.3.7 Industrial relations and operational changes	
403	**2018 Health and Safety at Work**		
103	Management approach	6. The Esselunga Group's people	
403-1	Occupational health and safety management system	6.3.6 Health and Safety at Work	
403-2	Hazard identification, risk assessment and incident investigation	6.3.6 Health and Safety at Work	
403-3	Occupational health services	6.3.4 Corporate welfare and work/life balance	
403-4	Worker participation, consultation, and communication on occupational health and safety	6.3.6 Health and Safety at Work	
403-5	Worker training on occupational health and safety	6.3.3 Training and development of people	
403-6	Promotion of worker health	6.3.6 Health and Safety at Work	
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	6.3.6 Health and Safety at Work	
403-8	Workers covered by an occupational health and safety management system	6.3.6 Health and Safety at Work	
403-9	Work-related injuries	6.3.6 Health and Safety at Work	Some of the data required to calculate accident rates for non-employees are not currently available, as the company is developing a dedicated data collection system for temporary workers (the "Accident and Near-accident Reporting" application does not currently record accidents experienced by contractors); as far as contracting companies are concerned, Italian legislation on the subject does not require that the aforementioned type of data be recorded.
403-10	Work-related illnesses	6.3.6 Health and Safety at Work	
404	**2016 Training and Education**		
103	Management approach	5. The Esselunga Group's people	
404-1	Average annual training hours per employee	6.3.3 Training and development of people	
404-3	Percentage of employees receiving regular reports on performance and career development, by gender and employee category	6.3.3 Training and development of people	
405	**2016 Diversity and Equal Opportunity**		
103	Management approach	6. The Esselunga Group's people	
405-1	Composition of governance bodies and breakdown of personnel by employee categories, gender, age, membership of protected categories and other diversity indicators	6.3.5 Diversity and inclusion	
406	**2016 Non-discrimination**		
103	Management approach	5. Respect for human rights	
406-1	Incidents of discrimination and actions taken	5.3 Management procedures and KPIs	
407	**2016 Freedom of Association and Collective Bargaining**		
103	Management approach	5. Respect for human rights	
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	5.3 Management procedures and KPIs	
408	**2016 Child Labour**		
103	Management approach	5. Respect for human rights	
408-1	Operations and suppliers that could pose a risk for incidents of child labour accidents	5.3 Management procedures and KPIs	
409	**2016 Forced or Compulsory Labour**		
103	Management approach	5. Respect for human rights	
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	5.3 Management procedures and KPIs	
410	**2016 Safety Practices**		
103	Management approach	5. Respect for human rights	
410-1	Security personnel trained in human rights policies or procedures	5.3 Management procedures and KPIs	
412	**2016 Human Rights**		
103	Management approach	5. Respect for human rights	
412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	8.2 Main risks and opportunities	
413	**2016 Local Communities**		
103	Management approach	9. Social topics: commitment to the community	
413-1	Operations with local community engagement	9. Social topics: commitment to the community	
414	**2016 Supplier Social Assessment**		
103	Management approach	5. Respect for human rights 8. Social topics: supply chain	
414-1	New suppliers that were screened using social criteria	8.2 Main risks and opportunities	
415	**2016 Public Policies**		
415-1	Political contributions	The Group did not make any political contribution in the reporting year.	
416	**2016 Consumer Health and Safety**		
103	Management approach	7. Social topics: customer care	
416-1	Percentage of product and service categories for which health and safety impacts are assessed	7.3.1 Product quality and safety	
417	**2016 Product and Service Labelling**		
103	Management approach	7. Social topics: customer care	
417-2	Incidents of non-compliance concerning product and service information in labelling	7.3.2 Labelling, transparency and communication	
417-3	Incidents of non-compliance concerning product and service	7.3.2 Labelling, transparency and	

GRI Standard	Description	Reference in the text/disclosure	Reason for omission
	information in marketing communications	communication	
418	**2016 Consumer Privacy**		
103	Management approach	7. Social topics: customer care	
418-1	Complaints concerning breaches of customer privacy and losses of customer data	7.2 Main risks and opportunities	
419	**2016 Socioeconomic Compliance**		
103	Management approach	7. Social topics: customer care	
419-1	Significant monetary and non-monetary sanctions for non-compliance with laws and regulations in the social and economic area	7.3.1 Product quality and safety	

Auditor's Letter on the Consolidated Non-Financial Statement

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Independent auditor's report on the consolidated non-financial statement

pursuant to article 3, paragraph 10, of Legislative Decree No. 254/2016 and article 5 of CONSOB Regulation No. 20267 of January 2018

To the Board of Directors of Esselunga SpA

Pursuant to article 3, paragraph 10, of Legislative Decree No. 254 of 30 December 2016 (the "Decree") and article 5 of CONSOB Regulation No. 20267/2018, we have performed a limited assurance engagement on the consolidated non-financial statement of Esselunga SpA and its subsidiaries (hereafter the "Group") for the year ended 31 December 2020 prepared in accordance with article 4 of the Decree, presented in the specific section of the report on operations and approved by the Board of Directors on 15 March 2021 (hereafter the "NFS").

Responsibility of Directors and the Board of Statutory Auditors for the NFS

The Directors are responsible for the preparation of the NFS in accordance with article 3 and 4 of the Decree and with the "GRI-Sustainability Reporting Standards" defined in 2016 (hereafter the "GRI Standards") identified by them as the reporting standards.

The Directors are responsible, in accordance with the law, for the implementation of internal controls necessary to ensure that the NFS is free from material misstatement, whether due to fraud or unintentional errors.

Moreover, the Directors are responsible for identifying the content of the NFS, within the matters mentioned in article 3, paragraph 1, of the Decree, considering the activities and characteristics of the Group and to the extent necessary to ensure an understanding of the Group's activities, its performance, its results and related impacts.

Finally, the Directors are responsible for defining the business and organisational model of the Group and, with reference to the matters identified and reported in the NFS, for the policies adopted by the Group and for the identification and management of risks generated and/or faced by the Group.

The Board of Statutory Auditors is responsible for overseeing, in the terms prescribed by law, compliance with the Decree.

PricewaterhouseCoopers SpA

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Auditor's Independence and Quality Control

We are independent in accordance with the principles of ethics and independence set out in *the Code of Ethics for Professional Accountants* published by the *International Ethics Standards Board for Accountants*, which are based on the fundamental principles of integrity, objectivity, competence and professional diligence, confidentiality and professional behaviour. Our audit firm adopts *International Standard on Quality Control 1 (ISQC Italy 1)* and, accordingly, maintains an overall quality control system which includes processes and procedures for compliance with ethical and professional principles and with applicable laws and regulations.

Auditor's responsibilities

We are responsible for expressing a conclusion, on the basis of the work performed, regarding the compliance of the NFS with the Decree and with the GRI Standards. We conducted our engagement in accordance with "*International Standard on Assurance Engagements ISAE 3000* (Revised) – *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*" (hereafter "ISAE 3000 Revised"), issued by the *International Auditing and Assurance Standards Board* (IAASB) for limited assurance engagements. The standard requires that we plan and apply procedures in order to obtain limited assurance that the NFS is free of material misstatement. The procedures performed in a limited assurance engagement are less in scope than those performed in a reasonable assurance engagement in accordance with ISAE 3000 Revised ("*reasonable assurance engagement*") and, therefore, do not provide us with a sufficient level of assurance that we have become aware of all significant facts and circumstances that might be identified in a reasonable assurance engagement.

The procedures performed on the NFS were based on our professional judgement and consisted in interviews, primarily with company personnel responsible for the preparation of the information presented in the NFS, analysis of documents, recalculations and other procedures designed to obtain evidence considered useful.

In particular, we performed the following procedures:

1. analysis of the relevant matters reported in the NFS relating to the activities and characteristics of the Group, in order to assess the reasonableness of the selection process used, in accordance with article 3 of the Decree and with the reporting standards adopted;
2. analysis and assessment of the criteria used to identify the consolidation area, in order to assess their compliance with the Decree;
3. understanding of the following matters:
   - business and organisational model of the Group, with reference to the management of the matters specified by article 3 of the Decree;
   - policies adopted by the Group with reference to the matters specified in article 3 of the Decree, actual results and related key performance indicators;
   - main risks, generated and/or faced by the Group, with reference to the matters specified in article 3 of the Decree.

   With reference to those matters, we compared the information obtained with the information presented in the NFS and carried out the procedures described under point 4 a) below;

4. understanding of the processes underlying the preparation, collection and management of the significant qualitative and quantitative information included in the NFS. In particular, we held meetings and interviews with the management of Esselunga SpA and we performed limited analysis of documentary evidence, to gather information about the processes and procedures for the collection, consolidation, processing and submission of the non-financial information to the function responsible for the preparation of the NFS.

   Moreover, for material information, considering the activities and characteristics of the Group:

   - at holding level,
     a) with reference to the qualitative information included in the NFS, and in particular to the business model, the policies adopted and the main risks, we carried out interviews and acquired supporting documentation to verify their consistency with availableevidence;
     b) with reference to quantitative information, we performed analytical procedures as well as limited tests, in order to assess, on a sample basis, the accuracy of consolidation of the information;
   - for the following companies, Esselunga SpA, Atlantic Srl, EsserBella SpA, which were selected on the basis of their activities and their contribution to the performance indicators at a consolidated level, we discussed with management and gathered supporting documentation regarding the correct application of the procedures and calculation methods used for the key performance indicators.

Conclusions

Based on the work performed, nothing has come to our attention that causes us to believe that the NFS of Esselunga Group as of 31 December 2020 has not been prepared, in all material respects, in compliance with articles 3 and 4 of the Decree and with the GRI Standards.

Milano, 25 March 2021

PricewaterhouseCoopers SpA

Signed by	*Signed by*
Andrea Rizzardi (Partner)	Paolo Bersani (Authorised signatory)

This report has been translated from the Italian original solely for the convenience of international readers. We have not performed any controls on the NFS 2020 translation.

Outlook

At the date of preparation of this document, the emergency resulting from the Covid-19 pandemic is still ongoing, with effects similar to those suffered in the last quarter of last year.
In 2021, the Group's earnings performance will therefore be affected by how the scenario develops and by the measures adopted by the Authorities to contain the impacts on the population, with particular reference to Atlantic bars and EsserBella perfumeries.
The Group will continue to implement safeguards and controls, if necessary stricter than those established by the Authorities, in order to protect the health of its Customers and employees.
Remote working for office employees continues in 2021.
Despite the uncertainties associated with the growth in consumption, the Group will continue to implement its development plan which will lead, in the course of 2021, to the opening of some stores also in cities where it is not yet present.
At the date of approval of this document, the new Milan store was opened in Corso XXII Marzo and the sixth store under the *LaEsse* banner in Rome in Via Cola di Rienzo.

The Chairman
of the Board of Directors
Marina Sylvia Caprotti
(Ms Marina Sylvia Caprotti)

Consolidated statement of financial position [116] [117]

Consolidated Statement of Financial Position *(thousands of Euros)*	**Notes**	**31.12.2020**	**31.12.2019**
Property, plant and equipment	11.1	4,708,082	4,584,362
Investment property	11.2	137,735	157,369
Goodwill	11.3	6,586	6,586
Intangible assets	11.4	198,878	170,918
Equity investments	11.5	130	130
Other non-current financial assets	11.6	1,181	5,218
Other non-current assets	11.7	19,713	47,183
Non-current assets		**5,072,305**	**4,971,766**
Inventories	11.8	436,707	400,984
Trade receivables	11.9	477,462	530,298
Current tax receivables	11.10	4,944	23,334
Other current assets	11.11	80,826	64,653
Cash and cash equivalents	11.12	1,157,937	1,139,066
Other current financial assets	11.13	278,750	-
Current assets		**2,436,626**	**2,158,335**
Assets held for sale	11.14	**-**	**16,798**
ASSETS		**7,508,931**	**7,146,899**
Share capital		100,000	100,000
Share premium reserve		164,510	164,510
Other reserves		35,468	35,468
Retained earnings (accumulated losses)		2,945,190	2,687,596
Equity attributable to owners of the parent	**11.15**	**3,245,168**	**2,987,574**
Non-controlling interests	11.15	328,366	330,704
Total shareholders' Equity	**11.15**	**3,573,534**	**3,318,278**
Non-current financial liabilities	11.16	1,659,275	1,650,316
Employee severance indemnities (TFR) and other staff-related provisions	11.17	92,218	95,609
Deferred tax liabilities	11.18	25,938	31,977
Provisions for risks and charges	11.19	35,432	38,404
Non-current deferred revenue for prize-giving promotions	11.20	-	59,667
Other non-current liabilities	11.21	3,966	3,813
Non-current liabilities		**1,816,829**	**1,879,786**
Current financial liabilities	11.16	62,139	59,068
Trade payables	11.22	1,563,435	1,496,452
Current deferred revenue for prize-giving promotions	11.20	215,512	126,776
Current tax payables	11.23	15,705	869
Other current liabilities	11.24	261,777	265,670
Current liabilities		**2,118,568**	**1,948,835**
SHAREHOLDERS' EQUITY AND LIABILITIES		**7,508,931**	**7,146,899**

[116] The notes to the individual items are an integral part of these consolidated financial statements.
[117] To facilitate a clearer reading of the Financial Statements, with regard solely to the comparative figures:

a. the following asset items present in the 2019 Financial Statements "Other receivables and other non-current financial assets" and "Other receivables and other current financial assets" have been classified in the following new items "Other non-current financial assets" and "Other current financial assets";
b. the following liability items 'Current financial payables' and 'Non-current financial payables' which were in the 2019 financial statements have been renamed to 'Current financial liabilities' and 'Non-current financial liabilities'.
c. the accrued interest on the Bonds, included in 'Non-current financial liabilities' in the 2019 Financial Statements, was reclassified to current financial liabilities.

Consolidated income statement[118]

Consolidated income statement *(thousands of Euros)*	**Notes**	**2020**	**2019**
Total sales	12.1	8,373,687	8,141,610
Sales Adjustments		(169,501)	(142,615)
Net revenue		**8,204,186**	**7,998,995**
Net costs for goods and raw materials	12.2	(5,600,810)	(5,502,107)
Other revenue and income	12.3	40,577	45,545
Costs for services	12.4	(851,850)	(755,635)
Personnel costs	12.5	(1,014,816)	(1,015,273)
Amortisation and depreciation	12.6	(316,952)	(302,600)
Provisions and net property write-downs	12.7	(12,574)	(29,675)
Net write-downs of financial assets	12.8	(692)	(556)
Other operating costs	12.9	(50,493)	(47,476)
Operating profit		**396,576**	**391,218**
Finance income	12.10	1,616	2,756
Financial expense	12.11	(40,468)	(42,228)
Net financial income (expense)		**(38,852)**	**(39,472)**
Profit (loss) before taxes		**357,724**	**351,746**
Taxes	12.12	(87,767)	(93,210)
Net result		**269,957**	**258,536**

of which Net profit (loss) attributable to the Group		257,295	245,643
of which Net profit (loss) attributable to minority interests		12,662	12,893

[118] The notes to the individual items are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income[119]

Consolidated Statement of Comprehensive Income *(thousands of Euros)*	**2020**	**2019**
Net result	**269,957**	**258,536**
Components:		
-Reclassifiable in subsequent periods to net result:		
Cash flow hedge	996	994
-Non-reclassifiable in subsequent periods to net result:		
Actuarial profit (loss) on defined benefit pension plans net of tax effect	(697)	(3,647)
Other comprehensive income	**299**	**(2,653)**
Net comprehensive income (expense)	**270,256**	**255,883**
of which Net profit (loss) attributable to the Group	257,594	242,990
of which Net profit (loss) attributable to minority interests	12,662	12,893

[119] The notes to the individual items are an integral part of these consolidated financial statements.

Consolidated cash flow statement

The following consolidated cash flow statement has been prepared in accordance with the provisions of the International Accounting Standard IAS 7 - Cash Flow Statement

Consolidated cash flow statement *(thousands of Euros)*	**2020**	**2019**
Collections from customers	8,368,602	8,115,852
Other receipts	39,166	42,543
Payments to suppliers (net of collection for promotional activities)	(6,499,144)	(6,236,604)
Payments to employees	(1,032,360)	(1,016,876)
Rent and rental expenses	(19,610)	(17,875)
Other payments	(44,915)	(45,683)
Cash flow from ordinary activities	**811,739**	**841,357**
Taxes and income taxes	(62,144)	(116,468)
Tax Authorities - VAT	(21,546)	(79,879)
A) Cash flow from operating activities	**728,049**	**645,010**
Capex on tangible and intangible assets	(338,434)	(289,848)
Disposals of tangible and intangible assets	15,598	4,453
Impact of acquisition of former Auchan businesses	(6,108)	-
Interest collected	3,336	2,471
Other	-	3
B) Cash Flow from investing activities	**(325,608)**	**(282,921)**
Other financing received / given	(275,302)	-
Loans repaid (leases and others)	(56,903)	(53,642)
Payment of interest (leases and others)	(36,365)	(35,634)
Distribution of dividends	(15,000)	(16,025)
C) Cash flow from financing activities	**(383,570)**	**(105,301)**
A) + B) + C) Cash flow for the period	**18,871**	**256,788**
Opening cash and cash equivalents	**1,139,066**	**882,278**
Closing cash and cash equivalents	**1,157,937**	**1,139,066**

Consolidated statement of changes in shareholders' equity

						Shareholders' Equity		
(thousands of Euros)	Share capital	Share premium reserve	Revaluation reserve	Other reserves:	Retained earnings (accumulated losses)	**of Group**	of third parties	**Total**
At 31/12/2018 restated	**100,000**	**164,510**	**25,975**	**9,493**	**2,448,606**	**2,748,584**	**334,061**	**3,082,645**
Other movements:								
Actuarial loss on defined benefit pension plans	-	-		-	(3,647)	**(3,647)**	-	**(3,647)**
Allocation of profit for the year	-	-		-	245,643	**245,643**	12,893	**258,536**
Dividends	-	-		-	(4,000)	**(4,000)**	(16,250)	**(20,250)**
Cash flow hedge reserve	-	-		-	994	**994**	-	**994**
At 31/12/2019	**100,000**	**164,510**	**25,975**	**9,493**	**2,687,596**	**2,987,574**	**330,704**	**3,318,278**
At 31/12/2019	**100,000**	**164,510**	**25,975**	**9,493**	**2,687,596**	**2,987,574**	**330,704**	**3,318,278**
Other movements:								
Actuarial loss on defined benefit pension plans	-	-	-	-	(697)	**(697)**	-	**(697)**
Allocation of profit for the period	-	-	-	-	257,295	**257,295**	12,662	**269,957**
Dividends	-	-	-	-	-	**-**	(15,000)	**(15,000)**
Cash flow hedge reserve	-	-	-	-	996	**996**	-	**996**
At 31/12/2020	**100,000**	**164,510**	**25,975**	**9,493**	**2,945,190**	**3,245,168**	**328,366**	**3,573,534**

Notes to the Consolidated Financial Statements as at 31 December 2020

1. General information

Esselunga S.p.A (hereinafter the 'Company' or the 'Parent Company') and, together with its subsidiaries the Esselunga Group, (hereinafter also the 'Group' or 'Esselunga') is mainly engaged in the food sector of Large-Scale Retailing in Italy through a sales network comprising, at 31 December 2020, 165 stores located in Lombardy, Liguria, Veneto, Piedmont, Emilia Romagna, Tuscany and Lazio, and five laESSE sales points. In addition, the Group manages 99 Atlantic bars and 40 selected perfume shops under the EsserBella/eb brand and is also engaged in the real estate sector through the research, design and implementation of new projects that are instrumental to its business activity. In addition to Esselunga S.p.A., the Group comprises the following main companies: La Villata S.p.A. Immobiliare di Investimento e Sviluppo, Orofin S.p.A., which is in charge of the majority of the real estate development projects, Atlantic S.r.l., Fìdaty S.p.A. and EsserBella S.p.A.

During 2020, the Group opened six new shops, in Milan in Viale Tibaldi, in Barzanò (LC), in Montecatini Terme (PT), in Parma in Via Verdi, in Genoa in Via Piave, in Pistoia in Viale Matteotti and four *laESSE* shops in Milan.

2. Summary of accounting policies

The main accounting principles adopted in the preparation and drafting of the group's consolidated financial statements are presented below.

2.1 Basis of preparation

European Regulation (EU) no. 1606/2002 of 19 July 2002 introduced the obligation, from the year 2005, to apply International Financial Reporting Standards ('IFRS') issued by the International Accounting Standards Board ('IASB') and adopted by the European Union ('EU IFRS') for the preparation of the consolidated financial statements of companies listed on regulated European markets. Following the above-mentioned European Regulation, Legislative Decree No. 38 was enacted on 28 February 2005 which governs, inter alia, the option to apply IFRS for the preparation of the consolidated financial statements of non-listed companies.
Esselunga S.p.A decided to apply this option for the preparation of the consolidated financial statements for the year ended 31 December 2009. As a result the transition date to IFRS was identified as 1 January 2008.
These consolidated financial statements were prepared in accordance with the EU IFRS in force at the date of approval of the financial statements. EU IFRS include all the 'International Financial Reporting Standards', all the 'International Accounting Standards' (IAS), all the interpretations of the 'International Financial Reporting Interpretations Committee' (IFRIC), previously referred to as 'Standing Interpretations Committee' (SIC), as approved and adopted by the European Union.
Furthermore, EU IFRS were applied in a consistent manner to all of the periods presented in this document. The financial statements were prepared on the basis of the best available information on EU IFRS and taking account of best practice. Any

future guidelines and interpretative updates will be reflected in subsequent years, in accordance with the applicable accounting standards.
These consolidated financial statements were prepared in accordance with the historical cost convention, except for the measurement of financial assets and liabilities, including derivative instruments, where application of the fair value is required (consideration at which an asset can be traded, or a liability extinguished, between knowledgeable and willing parties, in a transaction between independent third parties).
At the reporting date, the Group does not have any derivative instruments in place.
These consolidated financial statements have been prepared on a going concern basis.

For clarity, it was considered preferable to indicate all amounts rounded to the nearest thousand Euros; as a result, in some statements, the totals may differ slightly from the sum of the amounts they comprise.

2.2 Format and content of the financial statements

The Group made the following choices regarding the format and content of the consolidated financial statements:

- The consolidated statement of financial position shows both the current and non-current assets and the current and non-current liabilities separately;
- The consolidated income statement and consolidated statement of comprehensive show a classification of costs and revenues by nature;
- The consolidated cash flow statement is represented using the direct method.

The Group has opted for presenting a comprehensive income statement that includes, in addition to the profit (loss) for the year, also the changes in equity attributable to profit and loss items which, as required by the international accounting standards, are recognised as equity components.
As outlined above, the financial statements used are those that best represent the performance of the Company.
These consolidated financial statements are expressed in Euros, which is the Group's functional currency.
The amounts shown in the consolidated financial statements and in the detail tables included in the Notes are expressed in thousands of Euros.
These financial statements are subject to statutory audit by the independent auditors PricewaterhouseCoopers S.p.A..

2.3 Scope of consolidation and related changes

These consolidated financial statements include the draft financial statements for the financial year ended 31 December 2020 of the Parent Company Esselunga S.p.A. prepared by the Board of Directors and the draft financial statements for the year ended 31 December 2020 of the subsidiaries prepared by their respective Board of Directors or Sole Directors or, if available, the financial statements approved by their respective Shareholders' Meetings. These financial statements have been appropriately adjusted where necessary, to bring them into line with EU IFRS.
The list of companies included in the scope of consolidation at 31 December 2020 and the changes in the scope of consolidation compared to 31 December 2019 are listed below.

Company name	Registered Office	Share capital (thousands of Euros)	% holding	Line-by-line consolidation	
				31.12.2020	31.12.2019
Esselunga S.p.A.	Milan	100,000	100	Yes	Yes
Albria S.r.l.	Milan	16	100	Yes	Yes
Atlantic S.r.l.	Milan	90	100	Yes	Yes
Fidaty S.p.A.	Milan	600	100	Yes	Yes
EsserBella S.p.A.	Milan	500	100	Yes	Yes
Orofin S.p.A.	Milan	100,000	100	Yes	Yes
La Villata S.p.A. Immobiliare di Investimento e Sviluppo	Milan	45,000	67.5	Yes	Yes
Magenta Due S.r.l.	Milan	10	100	Yes	Yes
Lanterna S.r.l.	Milan	10	100	Yes	Yes
Goethe S.r.l.	Milan	10	100	Yes	Yes
Giava S.r.l.	Milan	10	100	Yes	Yes
Immobiliare Torino 2018 S.r.l.	Milan	100	100	Yes	Yes
Other (*)				Yes	Yes

(*) Investments referred to as 'Other' refer to investments made through intermediaries to ensure the confidentiality of the subsidiaries' real estate projects.

2.4 Consolidation policies and methods

Subsidiaries

The Group's consolidated financial statements include the financial statements of Esselunga S.p.A. (Parent company) and of the companies over which it directly or indirectly has control, as of the date on which it gains control and until the date such control ceases.
Subsidiaries are consolidated on a line-by-line basis as of the date on which control is effectively transferred to the Group and are deconsolidated from the date on which control is transferred to third parties. The criteria for line-by-line consolidation are as follows:

- The assets and liabilities, expenses and income are consolidated on a line-by-line basis, and, where applicable, non-controlling interests are attributed the share of equity and net profit for the year that they are entitled to. The shares of equity and profit attributed to non-controlling interests are shown separately in the consolidated statement of shareholders' equity and consolidated income statement;
- business combinations, by which control over a company is acquired, are accounted for using the purchase method. The acquisition cost is the fair value

at the acquisition date of the assets sold, liabilities assumed, equity instruments issued and of any other directly attributable cost. Acquired assets, liabilities and contingent liabilities assumed are recorded at their fair value at the acquisition date. The difference between the acquisition cost and the fair value of the assets and liabilities acquired, if positive, is recognised in intangible assets as goodwill or, if negative, after having verified the correct measurement of the fair values of acquired assets and liabilities and the acquisition cost, is directly recognised in the income statement as income;
- Any significant gains and losses, and the related tax effects, arising from transactions between companies consolidated on line-by-line basis and not yet realised in respect of third parties are eliminated, except for the losses arising from a transaction that shows an impairment of the transferred asset. If material, intercompany payables and receivables, costs and revenues, as well as finance income and expense are also eliminated;
- The gains or losses arising from the sale of shares in consolidated companies are recorded in the income statement for the amount corresponding to the difference between the selling price and the corresponding portion of the consolidated shareholders' equity sold;
- Income statement items are included in the consolidated financial statements from the date of acquisition of control and until the date of loss of control;
- the year-end date of the subsidiaries is aligned with the Parent Company; when this is not the case, the subsidiaries will prepare separate balance sheets for use by the parent company.

Associates

Associates are companies in which the Group exercises a significant influence on administrative and management decisions, although it does not have or control or joint control over them. Generally, significant influence is presumed when the Group directly or indirectly holds between 20% and 50% of voting rights.

Investments in associates are measured using the equity method. The following paragraphs describe how the equity method is implemented:
- The carrying amount of the investments is aligned with the subsidiary's equity, adjusted where necessary to reflect the application of accounting standards that are consistent with those applied by the Company and, where applicable, includes any goodwill identified upon acquisition;
- profits or losses attributable to the Group are recognised in the consolidated income statement as of the date the significant influence began and until the date the significant influence ceases. If, due to losses, the company reports negative equity, the carrying amount of the investment is cancelled and any excess attributable to the Group is recognised in a specific provision if the Group has a commitment to meet legal or constructive obligations of the investee or in any case to cover its losses. Any changes in the investees' equity that are not determined by profit or loss are recognised directly in the Group's equity reserves;

- any unrealised gains arising on transactions between the Company and the investees are eliminated to the extent of the Group's interest in the investees. Unrealised losses are eliminated, except where they reflect an impairment;
- Where an associated company recognises an adjustment directly in equity, the Group recognises its share of interest and, where applicable, discloses it in the statement of changes in shareholders' equity.

2.5 Measurement criteria

Property, plant and equipment

Property, plant and equipment are measured at purchase or production cost, net of accumulated depreciation and any impairment loss. The cost includes any charges directly incurred for bringing the asset ready for use, as well as dismantling and removal charges that will be incurred as a result of contractual obligations, which require the asset to be returned to its original condition.

Interest expenses incurred in respect of loans obtained for the acquisition or construction of tangible assets increase the carrying amount of those assets only if the assets meet the requirements for being accounted for as such or a significant period is required to make the asset ready for use or sellable.

The costs incurred for ordinary and/or recurring maintenance and repairs are directly charged to the income statement as incurred. The costs for expansion, modernisation or improvement of structural elements owned or used by third parties are capitalised to the extent they meet the requirements for being separately classified as assets or part of an asset.

Depreciation is charged on a straight-line basis through rates that enable the assets to be depreciated over their estimated useful life. In application of the component approach, when the asset to be depreciated is composed of separately identifiable elements with a useful life that differs significantly from that of the other parts of the asset, the depreciation is calculated separately for each of those parts.

Land appurtenant or underlying business and investment properties are not depreciated.

The useful lives estimated by the Group for the various categories of property, plant and equipment are as follows:

Category	Useful life (Years)
Buildings	30 - 40
Plant and machinery	3.3 - 13.3
Industrial and commercial equipment	2.5 - 8
Other assets	4 - 10

The useful lives of property, plant and equipment and their residual value are reviewed and updated, if necessary, when preparing the financial statements.

Leased assets

Assets held through finance leases are accounted for in accordance with the provisions of accounting standard IFRS 16 Leases and are initially recorded at fair value or, if lower, at the present value of minimum lease payments, including any sum due for exercising the purchase option. The asset is recognized in a sub-item of Property, plant and equipment. The corresponding liability to the lessor is recognised in financial liabilities.
The lease payments are broken down into the interest component (recognised in the income statement) and the principal component (accounted for as a reduction of the liability). This breakdown is determined in such a way as to achieve a constant interest rate on the residual balance of the liability.
The ROUs are depreciated based on the lower of the lease term and the useful life of the leased asset.

Investment property

Investment property includes land or buildings that are not intended for use in the Group's ordinary operations but is held to receive lease payments or for subsequent sale. Investment property is measured at purchase or production cost, plus any incidental costs, net of accumulated depreciation and any impairment losses.

Goodwill

Pursuant to IFRS 3 (Business Combinations), goodwill is recognized in the financial statements at the date of acquisition (including through merger or contribution) of companies or business units and is determined as the difference between the amount paid (which is generally determined based on fair value at the acquisition date in accordance with IFRS 3) and the fair value at the acquisition date of the identifiable assets acquired net of the identifiable liabilities assumed.
Goodwill, if recognised, is initially accounted for at cost, as described above, and subsequently tested for impairment at least annually (impairment test). This test is carried out with reference to the CGUs to which the goodwill has been allocated. Any impairment of goodwill is recognised when the recoverable amount of goodwill is lower than its carrying amount. The recoverable amount is the higher of fair value

of the CGU, net of selling costs, and its value in use. The value of goodwill cannot be reinstated if it has been previously written down due to impairment losses.

Intangible assets

Intangible assets consist of non-monetary items that are identifiable and have no physical substance, which are controllable and capable of generating future economic benefits. Intangible assets are recognised at purchase and/or production cost, including the costs directly incurred to make the asset ready for its use, net of accumulated amortisation and any impairment losses.

Interest expenses incurred in respect of loans obtained for the acquisition or development of intangible assets increase the carrying amount of those assets only if the assets meet the requirements for being accounted for as such or a significant period is required to make the asset ready for use or sellable.

Amortisation begins when the asset is available for use and is systematically allocated in relation to the residual possibility of use, i.e. on the basis of its estimated useful life.

The useful life estimated by the Group for the various categories of intangible assets is as follows:

Category	**Useful life (Years)**
Trademarks	40
Administrative permissions (Licenses)	40
Software	2 - 5

There are no intangible assets with an indefinite useful life.

Impairment of property, plant and equipment, investment property and intangible assets

At the reporting date, tests are performed to verify whether there is evidence of impairment of property, plant and equipment, investment property and intangible assets not fully depreciated or amortised.

If there is evidence of impairment, the recoverable amount of these assets is estimated, and any write-down with respect to the carrying amount is recorded in the income statement. The recoverable value of an asset is the higher of the *fair value* less selling costs and its value in use, where this latter is the fair value of the estimated future cash flows for that asset.

For an asset that does not generate sufficient independent cash flows, the realisable value is determined in relation to the *cash generating unit* or CGU to which the asset belongs. In determining the value in use, the expected future cash flows are discounted at a discount rate that reflects the current market assessment of the cost of money, relative to the investment period and the specific risks of the asset.

An impairment loss is recognised in the income statement when the carrying amount of the asset is higher than the recoverable amount. If the reasons for a previously recognised write-down no longer apply, the carrying amount of the asset is restored through the income statement in an amount that shall not exceed the net carrying amount the asset would have had if the write-down had not been recognised and depreciation or amortisation had been recorded.

Equity investments in other companies, other current and non-current financial assets, trade receivables and other receivables

Equity investments in other companies

Investments in other businesses (other than subsidiaries), recorded under non-current assets and classified as assets available for sale, are measured at fair value, if this can be determined. Changes in the value of these investments are recognized in an equity reserve through allocation to other comprehensive income (Reserve for fair value adjustment of financial assets available for sale), which is transferred to profit or loss at the time of disposal or in the event of impairment that is deemed to be permanent.
When the investments are not listed and their fair value cannot be reliably determined, they are measured at cost adjusted for impairment to be recognised in the income statement, in accordance with the provisions of IFRS 9.
Impairment losses recognized in the income statement of equity investments in other companies classified under 'financial assets available for sale' cannot be subsequently reinstated.

Financial assets

Financial assets include other non-current financial assets, other non-current assets, trade receivables, other current financial assets and other current assets.

1) Classification and measurement

   On initial recognition, financial assets are measured at fair value and subsequently classified in one of the following categories:
   a) financial assets at amortised cost;
   b) financial assets measured at fair value with recognition of the effects in equity and therefore in other comprehensive income (hereinafter also 'OCI');
   c) financial assets at fair value with changes through profit and loss

   a) Financial assets at amortised cost

   Financial assets are measured at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to own financial assets in order to collect contractual cash flows (business model hold to collect);
- the contractual terms of the financial asset give rise on specified dates to financial flows represented solely by payments of capital and interest on the outstanding capital amount to be repaid.

Amortised cost is calculated using the effective interest rate method, taking into account any discounts or premiums at the time of purchase, which are spread over the entire period until maturity, less any impairment losses.

b) financial assets measured at fair value with recognition of the effects in other comprehensive income

Financial assets measured at fair value with recognition of the effects in other comprehensive income if both the following conditions are met:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets (hold to collect and sell business model);
- the contractual terms of the financial asset give rise on specified dates to financial flows represented solely by payments of capital and interest on the outstanding capital amount to be repaid.

This category includes equity interests that do not qualify as subsidiaries, associates or jointly controlled entities, which are not held for trading, for which the company has exercised the fair value option with changes through other comprehensive income.

Upon initial recognition, the assets are accounted for at fair value, including transaction costs or income directly attributable to the instrument. After initial recognition, equity interests other than subsidiaries, associates or jointly controlled entities are measured at fair value; any changes in the value of these investments are recognised in an equity reserve through allocation to other comprehensive income (Reserve for fair value changes of financial assets). The amounts recognised in equity (Statement of comprehensive income) must not subsequently be transferred to profit or loss, including if the asset is disposed of. Dividends associated with these equity instruments are the only component to be recognized in profit or loss.

For equity instruments included in this category that are not quoted in an active market, fair value is estimated based on cost on a residual basis only and limited to a few circumstances. That may be the case if insufficient more recent information is available to measure fair value, or if there is a wide range of possible fair value measurements and cost represents the best estimate of fair value within that range.

c) *Financial assets at fair value with changes through profit and loss*
Financial assets that are not measured at amortised cost or at fair value with changes through other comprehensive income, on the basis of the above criteria, are measured at fair value with recognition of the effects through profit or loss.

2) Presentation

Financial assets are included in current assets, except for those with a contractual maturity of more than twelve months with respect to the balance sheet date which are classified in non-current assets.

Purchases and sales of financial assets are recognised at the date of settlement. Financial assets are derecognised when the right to receive cash flows from the instrument has expired and the Company has substantially transferred all the risks and benefits of, and control over the instrument.

3) Measurement

Financial assets measured at amortised cost are measured based on the impairment model established in IFRS 9. It foresees recognition of losses on receivables based on an expected credit loss logic. The amount of the loss is recognised in the income statement under 'provisions and write-downs'. The value of receivables is presented net of a provision for doubtful accounts.

Assets held for sale
Non-current assets whose carrying amount will be recovered through a sale rather than through their continuing use in the business are shown separately in the statement of financial position as 'assets held for sale'. An asset is reclassified to this item when the following conditions are met:

- the asset is available for immediate sale in its current condition, subject only to normal sales terms for similar assets;
- the sale is highly probable;
- management has taken action to identify a buyer and is committed to a plan to sell the asset;
- the sale is expected to be completed within twelve months.

These assets are measured at the lower of carrying amount and *fair value* less estimated costs to sell.

Inventories
Inventories are measured at the lower of purchase or production cost and net realisable value which is the amount the Group expects to obtain from their sale in the normal course of business. The cost of inventories is calculated using the weighted average cost per movement method and is reduced by any discounts granted by the Company's suppliers.

Cash and cash equivalents

Cash and cash equivalents include cash, deposits with banks and other lending institutions, post office current accounts and other equivalent instruments and investments with maturity within three months from the end of the reporting period. The elements included in cash and cash equivalents are measured at amortised cost, with changes recognised in the income statement.

Shareholders' Equity

Share capital

This item reflects the nominal value of contributions made by shareholders for such purpose.

Share premium reserve

Sums received by the Group for shares issued at a price higher than their nominal value.

Other reserves

This item includes the most commonly used reserves, which may have a generic or specific purpose. They are usually not formed from prior years profits.

Retained earnings (accumulated losses)

This item includes the net profits of previous years, which have not been distributed or allocated to other reserves, or losses that have not been covered.

Financial liabilities

Financial liabilities include current financial liabilities, non-current financial liabilities, trade payables, other current liabilities and other non-current liabilities.

Financial liabilities are initially recognised at fair value, net of transaction costs that are directly attributable to the acquisition or issue of the financial liabilities. Financial liabilities (except derivatives) are subsequently measured at amortised cost using the effective interest rate method. If there is a change in expected cash flows and they can be reliably estimated, the liabilities are remeasured to reflect the change, based on the present value of the expected new cash flows and the effective internal rate initially determined.

Financial liabilities are classified as current liabilities, unless the Group has an unconditional right to postpone their payment for at least twelve months after the reporting date.

Financial liabilities are initially recognized in the statement of financial position when the Group becomes a party to the contractual clauses of the instrument. Financial liabilities are derecognised when they are extinguished, i.e. when the obligation specified in the contract is performed or cancelled or expired.

Deferred revenue for prize-giving promotions

Deferred revenue for prize-giving promotions refers to loyalty plans that the Group grants to its customers. These plans allocate bonus points to final customers that are calculated based on purchases and which can be redeemed against prizes or to obtain discounts on future purchases.

The 'Fìdaty' gift with purchase promotion is the Group's institutional promotion through which customers who shop in Esselunga, Atlantic, laEsse and EsserBella/eb stores earn 'Fìdaty Points' on their loyalty cards that can be redeemed against prizes from the catalogue (including by paying any balance in cash) or against shopping vouchers; customers of selected business partners can also participate in this promotion. The promotion is also open to customers of selected trading partners.

In accordance with IFRS 15, deferred revenue for prize-giving promotions, as part of loyalty plans granted by the Group to its customers (Fìdaty gift with purchase promotion) are recognized on the basis of the fair value of the consideration received from the initial sale proportionally allocated to the bonus points and to the finished goods and products sold according to their respective fair values (fair value method).

Deferred revenue for prize-giving promotions is classified under current liabilities unless the Group plans to discharge its obligations after 12 months from the reporting date. The compensation value assigned to the bonus points (i.e. the deferred revenue) is subsequently recognised as revenue in the period the customer redeems the points and the Company fulfils its obligation to give the prizes.

Employee severance indemnities (TFR) and other staff-related provisions

Employee benefits disbursed upon or after termination of employment mainly consist of the severance indemnity (TFR), governed by Italian law under Art. 2120 of the Italian Civil Code.

Starting from 1 January 2007, the 'Italian Budget Law' and its implementing decrees introduced significant changes to TFR rules, including workers' discretion as to the allocation of the TFR accruing to their benefit. In particular, the TFR accrued after that date may be allocated by workers to selected pension schemes or kept within the company. If allocated to external pension schemes, the Company's sole obligation is to pay a defined contribution to the chosen fund; as of that date the newly accrued TFR amounts are considered as defined contribution plans in accordance with IAS 19.

The liability relating to past employee severance indemnities (TFR) is considered, under IAS 19, to be a defined benefit plan, i.e. a formalised scheme for the payment of benefits after termination of the employment; it is a future obligation for which the Group assumes the relevant actuarial and investment risks. As required by IAS 19, the Group uses the Projected Unit Credit Method to determine the present value of its benefit obligations and the related cost for current services. This calculation requires the use of objective and consistent actuarial assumptions on demographic variables (mortality rate, staff turnover rate) and financial variables (discount rate, future pay rises).

Any profits or losses deriving from changes in the actuarial assumptions are recorded in the equity reserve '*Actuarial valuation of employee severance indemnities*'. Interest expense associated with the 'time value' component in actuarial calculations is recorded in the income statement as 'Financial expense'.

Provisions for risks and charges
Provisions for risks and charges are recognised for losses and charges the nature of which is certain or probable, but the timing and/or amount of which are uncertain at the statement of financial position date.
They are recognised only if there is a current (legal or constructive) obligation to make payments as a result of past events and it is likely that the payment will be necessary to settle the obligation. This amount is the best estimate of the expenditure required to settle the obligation.
Possible risks that may result in a liability are disclosed in the notes under the section on commitments and risks, and no provision is made for them.

Transactions in currencies other than the functional currency
Revenues and costs relating to transactions in currencies other than the functional currency are recorded at the exchange rate prevailing on the date of the transaction.
Monetary assets and liabilities denominated in currencies other than the functional currency are converted in Euros at the balance sheet exchange rate and any adjustments are recognised in the income statement.
Non-monetary assets and liabilities in currencies other than the functional currency measured at cost are recognised at the initial recognition exchange rate. When these assets are measured at *fair value* or at their recoverable or realisable value, the exchange rate prevailing at the date of determination of that value is applied.

Interest-free loans from the parent company
Interest-free loans from the parent company fall within the scope covered by OPI 9 'Accounting for intercompany loans and guarantees in separate financial statements'. In such cases, the difference between the fair value of the loan and its nominal value is recognised in equity, as it essentially represents a contribution made by the payor, in its capacity as shareholder, in favour of the recipient (deemed contribution).

Revenue recognition
Revenue from the sale of goods and finished products is recognised in the income statement when the business fulfils its obligation by transferring the promised good or finished product to the buyer; the business is transferred when the customer acquires control, normally coinciding with the delivery or shipment of the goods and finished products to the customer.

Revenues from the provision of services are recognised when the service is provided to the customer, with reference to completion of the service provided and in relation to the overall services still to be rendered.
Revenues are recognised at the *fair value* of the consideration received. Revenues are recognised net of value added tax, expected returns, rebates and discounts.
Revenues from promotional activities are recognised in the income statement in accordance with the accrual principle and on the basis of contractual arrangements with counterparties. Revenues from promotional activities are recorded as a reduction in the item 'Net costs for goods and raw materials'.
Revenues from the sale of newspapers, magazines and prepaid cards are shown net of the related costs as the Company acts as an agent in accordance with IFRS 15.

Government grants
Operating grants are entirely recorded in the income statement when the conditions for recognition are met.

Recognition of costs
Costs are recognised when referring to goods and services purchased or consumed in the financial year or when no future benefit from the cost can be identified.

Dividends received
Dividends received are recognised in the income statement on an accruals basis, i.e. in the financial year the right to the dividend arises as a result of the investee companies' resolution to distribute dividends.

Dividends distributed
A liability is recognised in the consolidated financial statements for the year in which the distribution is approved by the shareholders of the Group company.

Taxes
Current taxes are calculated based on the assessable income for the year, by applying the tax rates in force at the statement of financial position date.
Deferred taxes are calculated on all differences arising between the tax base of an asset or liability and the corresponding book value. Deferred tax assets, including those arising from previous tax losses, for the portion not offset by deferred tax liabilities, are recognised to the extent that it is probable that future taxable income will be available for such assets to be recovered. Deferred taxes are calculated using the tax rates that are expected to apply in the years in which the differences will be realised or settled, based on the tax rates in force or substantially enacted at the reporting date.
Current and deferred taxes are recognised in the income statement, except for items that are directly charged or credited to equity, in which case the related tax effect is also directly recognised in equity. Taxes are offset when income taxes are applied by the same tax authority and the entity has a legal right to settle on a net basis.

3. Recently issued accounting standards

Accounting standards not yet applicable, as not endorsed by the European Union

At the date of approval of these financial statements, the relevant bodies of the European Union had not yet completed the approval process for adoption of the following accounting standards and amendments:

Accounting standard	*Endorsed by the EU*	*Effective date*
Reference to the Conceptual Framework (Amendments to IFRS 3)	No	Periods beginning on 1 January 2022
Property, plant and equipment before intended use (Amendments to IAS 16)	No	Periods beginning on 1 January 2022
Onerous contracts – Cost of fulfilling a contract (Amendments to IAS 37)	No	Periods beginning on 1 January 2022
Annual improvements to IFRS Standards (Cycle 2018-2020)	No	Periods beginning on 1 January 2022
Classification of Liabilities as Current or Non-current (Amendments to IAS 1), including subsequent amendment issued in July 2020	No	Periods beginning on 1 January 2023
IFRS 17 Insurance Contracts, including subsequent amendments issued in June 2020	No	Periods beginning on 1 January 2023

Accounting standards, amendments and interpretations not yet adopted by the Company

At the date of approval of these financial statements, the relevant bodies of the European Union had approved the adoption of the following accounting standards and amendments, not yet adopted by the Company:

Accounting standard	*Description*
Extension of the temporary exemption from applying IFRS 9 (Amendments to IFRS 4)	In June 2020, the IASB issued the amendment to IFRS 4 relating to the extension of the temporary exemption from the application of IFRS 9. The amendments are effective from 1 January 2021. It is believed that the entry into force of this standard will have no financial impact on the Company.
Interest rate benchmark reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	In August 2020, the IASB issued an amendment to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 concerning the reform of interest rate benchmarks. The changes are effective beginning on 1 January 2021. It is believed that the entry into force of this standard will have no financial impact on the Company.

Covid-19-Related Rent Concessions (Amendments to IFRS 16)	In May 2020, the IASB issued an amendment to IFRS 16 relating to Covid-19 related rent concessions. The amendments are effective from 1 June 2020. It is believed that the entry into force of this standard will have no financial impact on the Company.

4. Estimates and assumptions

The preparation of financial statements requires the Directors to apply accounting principles and methods that, in some circumstances, are based on difficult and subjective valuations and estimates based on historical experience and assumptions which are from time to time considered reasonable and realistic in the circumstances. The application of these estimates and assumptions has an impact on the amounts reported in the statements of financial position, the income statement and the cash flow statement and the related disclosures. The actual results of financial statement items for which the above estimates and assumptions have been used may differ from those reported in the financial statements that recognise the effects of estimated events, due to the uncertainty characterising the assumptions and conditions on which the estimates are based.
The accounting principles that, with respect to the Group, require greater subjective judgement by the Directors in the preparation of estimates and for which a change in the underlying conditions or assumptions may have a significant impact on the financial statements are briefly described below.

a) Impairment of assets
Tangible and intangible assets with a definite useful life are tested for impairment, to be recognised by writing down the asset to the extent that there is evidence that the net book value of the asset may be difficult to recover. To verify whether there is evidence of an impairment, the Directors are required to make valuations using a high level of professional judgment on the information available within the Group, from the market and on historical experience.
In addition, when it is established that there may be a potential impairment, the Group calculates such impairment using the valuation techniques that are deemed most appropriate. Correctly identifying any evidence of potential impairment and the estimates to calculate impairment depend on factors that may vary over time affecting the valuations and estimates made by the Directors.

b) Evaluation of investment property

Real estate development initiatives are mainly intended for the construction of retail stores. Investment property includes the portion of land exceeding the portion used for the construction of retail stores and land and buildings no longer considered strategic or not intended for use in the Company's business that are held to obtain rental fees or for subsequent sale.

The lengthy bureaucracy for obtaining the authorisations to carry out the projects and the progressive contraction of the real estate market led to higher uncertainty on how the initiatives are implemented and to greater price volatility with simultaneous reduction in the number of comparable transactions to be used for evaluation purposes. To ascertain whether an impairment has occurred, to be recognised through a write-down, which takes place when the net book value of the individual development project or the individual plot of land or property is higher than its recoverable value, the directors measure, at least annually, the fair value of development initiatives and real estate investments on the basis of appraisals drawn up by an independent third party.

The methods used include some estimates, most significantly discount and capitalisation rates and the growth rates of rents and property sale prices. In relation to real estate development initiatives, other assumptions that play a significant role in valuations include development costs, risk premiums and specific situations of the areas being assessed, including from a regulatory standpoint.

c) Measurement of goodwill

Goodwill is tested annually for impairment (impairment test), to be recognised through a write-down, which occurs when the net carrying amount of the cash-generating unit to which goodwill has been allocated exceeds its recoverable amount (defined as the higher of the value in use and the fair value of the CGU). To verify the above values, the Directors are required to make subjective valuations based on the information available within the Group, from the market and on historical experience.

In addition, when it is established that there may be a potential impairment, the Group calculates such impairment using the valuation techniques that are deemed most appropriate. The same value assessments and valuation techniques are applied to intangible and tangible assets with a defined useful life when there is evidence that the net book value of the asset may be difficult to recover through use. Correctly identifying any evidence of potential impairment and the estimates to calculate impairment depend on factors that may vary over time affecting the valuations and estimates made by the Directors.

d) Provisions for risks and charges
Determining whether a current (legal or constructive) obligation exists is not easy in some circumstances. The Directors make case-by-case assessments and estimate the amount of financial resources required to discharge the obligation. When the directors consider that the occurrence of a liability is only possible, the risks are disclosed in the notes under the commitments and risks section and no provision is recognised.

e) Depreciation, amortisation and write-downs
Depreciation and amortisation are calculated on the basis of the useful life of the asset. The useful life is determined upon initial recognition of the asset. Useful life estimates are based on historical experience, market conditions, and expectations of future events that could affect the useful life, including technological changes. As a result, the actual useful life may differ from the estimated useful life.

f) Calculation of the liability for customer loyalty plans
The identification of the fair value of the points attributed to customer loyalty plans and the percentages with which they will be redeemed by the Group's customers and the timing with which they will be used, is based on the Directors' estimates and assumptions, mainly based on historical experience and market conditions. These factors may vary over time thereby influencing the assessments and estimates made by the directors and, therefore, changing the calculation of the associated liability.

g) Fair value of financial assets
The *fair value* of unlisted financial assets, such as financial assets available for sale and derivative financial instruments, is calculated through commonly used valuation techniques that require basic assumptions and estimates. These assumptions may not materialise with the expected timing and in the expected manner. Therefore, the estimates made by the Group may differ from the actual figures.

h) Application of IFRS 16 Leases
The application of the accounting standard IFRS 16 Leases introduced some elements of professional judgment entailing the definition of a number of accounting policies and the use of assumptions and estimates in relation to the lease term and the incremental borrowing rate.

5. Group taxation

In 2020, the Company and some of its subsidiaries renewed their participation, as consolidated entities, in the group taxation scheme governed by articles 117 to 129 of the Italian Consolidated Income Tax Code (TUIR), in which the parent company Supermarkets Italiani S.p.A. is the consolidating entity.

The company and the consolidating entity agreed on the following internal rules:

- the tax losses arisen as of the first consolidated tax period and transferred to the consolidating entity are definitively recognised by the latter at the IRES rate in force;
- the tax effects arising from the transfer of the losses or of the taxable profits are settled at the time the overall IRES tax due by the consolidating entity is paid;
- the company agrees to make available its surplus of non-deductible interest expense or its gross operating income to the Supermarkets Italiani Group so that the consolidating entity can adjust the Group's taxable income in accordance with the provisions of Art. 96, paragraph 7 of the TUIR. On the other hand, the consolidating entity agrees to pay, on an exclusive basis, to the company transferring the non-deductible interest expense surplus used to adjust the consolidated income, an amount equal to the product of the then current IRES rate and the amount of the above surpluses in the manner described in the paragraph above;
- The company also undertakes to transfer any unused ACE surplus directly to Supermarkets Italiani S.p.A. Group in exchange for an amount to be paid by the Consolidating Company on the basis of the current IRES rate (24%);
- the effects of deferred taxation are individually determined and accounted for by the company in its financial statements.

Payables and receivables vis à vis Supermarkets Italiani S.p.A. in relation to the tax consolidation are recorded as current tax payables or receivables.

6. Financial risk management

Coordination and monitoring of the main financial risks are centralised in the Treasury department of Esselunga S.p.A., which issues instructions for managing the various types of risk and the use of financial instruments.

Compared to 31 December 2019, no significant changes have occurred in the Group's risk profile or in the procedures adopted by Group management to manage the risks to which the Group is exposed.

The risk management policy adopted by the Group comprises the following main steps:

- centrally defined guidelines that provide direction for the operating management of market, liquidity and cash flow risks;
- monitoring of the results achieved;
- diversification of its commitments/obligations and of the product portfolio.

6.1 Credit risk

Credit risk represents the Company's exposure to potential losses arising from business and financial counterparties failing to meet their obligations.

The Group's maximum exposure to credit risk at 31 December 2020 and 2019 is the carrying amount of the financial assets reported in the financial statements, as shown in the table below:

(thousands of Euros)	**31.12.2020**	**31.12.2019**	**Change**
Other non-current financial assets	1,681	5,718	(4,037)
Other non-current assets	19,713	47,183	(27,470)
Trade receivables	477,941	530,590	(52,649)
Current tax receivables	4,944	23,334	(18,390)
Other current assets	83,713	67,215	16,498
Other current financial assets	278,750	-	278,750
Total gross amount	**866,742**	**674,040**	**192,702**
Provision for doubtful receivables	(3,867)	(3,354)	(513)
Total net amount	**862,875**	**670,686**	**192,189**

Credit risk is mainly circumscribed to relations with trade suppliers arising from the provision of promotional services to said suppliers. The Group has adequate policies in place for the selection of its suppliers designed to assess not only typically commercial aspects (quality, purchase prices and delivery terms), but also their capital and financial solidity. Therefore, the Group is not considered exposed to any appreciable credit risks.

These items are accounted for net of a provision for doubtful receivables, for a total of €3,867 thousand at 31 December 2020 and €3,354 thousand at 31 December 2019, respectively. The write-down is calculated based on an analysis of individual debt positions.

With regard to trade receivables, there is no appreciable concentration of credit risk.

The following tables provide a breakdown of receivables at 31 December 2020 and 31 December 2019 by category and by number of days past due:

(thousands of Euros)	**31.12.2020**					
	Not yet due	**Days past due**				
		0 - 30	**31 - 60**	**61 - 90**	**> 90**	**Total**
Other non-current financial assets	1,181	-	-	-	500	1,681
Other non-current assets	19,713	-	-	-	-	19,713
Trade receivables	263,227	95,900	80,584	32,050	6,180	477,941
Current tax receivables	4,944	-	-	-	-	4,944
Other current assets	79,601	-	-	-	4,112	83,713
Other current financial assets	278,750	-	-	-	-	278,750
Total gross amount	**647,416**	**95,900**	**80,584**	**32,050**	**10,792**	**866,742**
Provision for doubtful receivables	(65)	-	-	-	(3,802)	**(3,867)**
Total net amount	**647,352**	**95,900**	**80,584**	**32,050**	**6,990**	**862,875**

(thousands of Euros)	31.12.2019					
	Not yet due	**Days past due**				
		0 - 30	**31 - 60**	**61 - 90**	**> 90**	**Total**
Other non-current financial assets	5,218	-	-	-	500	5,718
Other non-current assets	47,183					47,183
Trade receivables	383,154	4,660	107,291	16,384	19,101	530,590
Current tax receivables	23,334	-	-	-	-	23,334
Other current assets	64,653	-	-	-	2,562	67,215
Total gross amount	**523,542**	**4,660**	**107,291**	**16,384**	**22,163**	**674,040**
Provision for doubtful receivables	(123)	-	-	-	(3,231)	**(3,354)**
Total net amount	**523,419**	**4,660**	**107,291**	**16,384**	**18,932**	**670,686**

Past-due receivables at 31 December 2020 amounted to €219,326 thousand, while the allowance for doubtful receivables amounted to €3,867 thousand.
Past-due receivables that are not covered by the provision refer to situations that are inherent in the Group's activities.

6.2 Liquidity risk

Liquidity risk is associated with the ability to meet commitments arising from financial liabilities. Prudent management of liquidity risk requires that an adequate level of cash and cash equivalents and short-term securities be maintained as well as the availability of funds that can be obtained through adequate credit lines.
Liquidity risk is centrally managed by the Group, which conducts periodic monitoring of the financial position through appropriate forecast and actual cash inflow and outflow reporting. In this way, the Group seeks to ensure adequate coverage of needs, closely monitoring funding, open credit lines and their use to optimise resources and manage any temporary liquidity surpluses.
The Group's objective is to create a financial structure that, consistent with business objectives, ensures an adequate level of liquidity, minimising its cost and maintaining a balance in terms of type of debt and maturities.
At present, the Group has sufficient sources of financing and credit lines to meet its commitments.

The following tables provide a breakdown of liabilities by maturity as at 31 December 2020 and 31 December 2019. The various maturity ranges are determined based on the period between the reporting date and the contractual maturity of the obligations including accrued interest at 31 December. Interest has been calculated according to the contractual terms of the loans.

(thousands of Euros)	31.12.2020				
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Bonds	13,750	13,750	532,526	518,750	1,078,776
Lease payables	80,632	71,305	190,609	579,904	922,450
Other non-current liabilities	-	-	-	3,966	3,966
Trade payables	1,563,435	-	-	-	1,563,435
Current tax payables	15,705	-	-	-	15,705
Other current liabilities	261,777	-	-	-	261,777
Total	**1,935,299**	**85,055**	**723,135**	**1,102,620**	**3,846,109**

(thousands of Euros)	31.12.2019				
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Bonds	13,788	13,750	536,901	528,125	1,092,564
Lease payables	80,731	70,210	185,888	588,608	925,437
Other non-current liabilities	-	-	-	3,813	3,813
Trade payables	1,496,452	-	-	-	1,496,452
Current tax payables	869	-	-	-	869
Other current liabilities	265,670	-	-	-	265,670
Total	**1,857,510**	**83,960**	**722,789**	**1,120,546**	**3,784,805**

On 3 August 2017, Esselunga S.p.A. entered into three agreements with three Italian banks for three revolving non revocable credit lines for a total amount of €300 million, expiring after 5 years.
As of the reporting date, the Group has never needed to draw on the abovementioned credit lines.

6.3 Market risk
In carrying out its activities, the Group is potentially exposed to the following market risks, which are managed centrally by the Parent.

Risk of price fluctuations
Given the industry in which the Group is engaged, the predominant price risk is related to fluctuations in the purchase price of goods for resale. Managing these risks is an integral part of commercial policies aimed at, inter alia, limiting the impact of purchase price fluctuations on end customers.

Risk of exchange rate fluctuations
Sales revenues and purchase costs for goods and products are mostly denominated in euros. In addition, financial assets and liabilities are all denominated in Euros. The Group is therefore not exposed to significant currency risks.

Risk of interest rate fluctuations
The risk of interest rate fluctuations to which the Group is exposed arises from financial payables and receivables. The Group's fixed rate debt exposes it to a risk associated with changes in the fair value of the debt driven by market fluctuations of the reference rates. The Group's floating rate debt exposes it to a cash flow risk stemming from interest rate volatility.
The Group's financial debt consists of bonds and finance lease payables. Financial payables at floating interest rates accounted for 5.3% of total debt at 31 December 2020.

At the reference date of these Financial Statements, the Group does not have any derivative instruments in place.
The following table shows a sensitivity analysis with respect to interest rate risk. More specifically, the table below shows the impact on shareholders' equity and profit for the years ended 31 December 2020 and 2019 of a positive or negative 0.5% change in interest rates, all other variables being unchanged:

(thousands of Euros)	**31.12.2020**		**31.12.2019**	
Interest rate change at year-end	+0.50%	-0.50%	+0.50%	-0.50%
After tax effect (in BS and P&L)	(286)	286	(330)	330

6.4 Capital Risk

The Group's objective in managing capital risk is to maintain an optimal capital structure in order to reduce the cost of debt.
The Group monitors its capital based on the ratio of its net debt to net invested capital (gearing ratio).
Net Financial Position is calculated as total debt including current and non-current loans and net borrowings from banks.

Net invested capital is calculated as the sum of shareholders' equity and the Net Financial Position.
The following table shows the calculation of the gearing ratio at 31 December 2020 and 2019:

(thousands of Euros)	**31.12.2020**	**31.12.2019**
Cash and cash equivalents	1,157,937	1,139,066
Financial receivables (current and non-current)	276,877	-
Receivables from Fìdaty Oro payment card users	57,629	60,602
Current and non-current financial payables	(1,721,414)	(1,709,384)
Net debt	**(228,971)**	**(509,716)**
Shareholders' Equity	**3,573,534**	**3,318,278**
Net invested capital	**3,802,505**	**3,827,994**
Gearing ratio	**6.0%**	**13.3%**

The gearing ratio compares the net debt and the net invested capital (defined as the sum of net debt and shareholders' equity) to represent the company's financial strength and its use of third party funds.
The Esselunga Group's ratio for 2020 shows that net invested capital is 94.0% financed by own funds, much better than 2019. This indicates the Group's strong capital structure and high solvency level.

7. Financial assets and liabilities by category

The following table provides a breakdown of financial assets and liabilities by category, with the corresponding fair value for the Group's consolidated financial statements as at 31 December 2020 and 31 December 2019:

	31.12.2020			
(thousands of Euros)	Financial assets and liabilities at fair value *through profit and loss*	Financial assets and liabilities at amortised cost	Total	*Fair value*
Equity investments in other companies	130	-	130	130
Other non-current financial assets	-	1,181	1,181	1,181
Other non-current assets	-	19,713	19,713	19,713
Trade receivables	-	477,462	477,462	477,462
Other current assets	-	80,826	80,826	80,826
Cash and cash equivalents	-	1,157,937	1,157,937	1,157,937
Other current financial assets	-	278,750	278,750	278,750
Total	**130**	**2,015,869**	**2,015,999**	**2,015,999**
Financial liabilities excluding leases	-	988,846	988,846	1,029,315
Lease payables	-	732,568	732,568	817,317
promotions				
current and non-current	215,512	-	215,512	215,512
Other non-current liabilities	-	3,966	3,966	3,966
Trade payables	-	1,563,435	1,563,435	1,563,435
Other current liabilities	-	261,777	261,777	261,777
Total	**215,512**	**3,550,592**	**3,766,104**	**3,891,322**

	31.12.2019			
(thousands of Euros)	Financial assets and liabilities at fair value *through profit and loss*	Financial assets and liabilities at amortised cost	Total	*Fair value*
Equity investments in other companies	130	-	130	130
Other non-current financial assets	-	5,218	5,218	5,218
Other non-current assets	-	47,183	47,183	47,183
Trade receivables	-	530,298	530,298	530,298
Other current assets	-	64,653	64,653	64,653
Cash and cash equivalents	-	1,139,066	1,139,066	1,139,066
Total	**130**	**1,786,418**	**1,786,548**	**1,786,548**
Financial liabilities excluding leases	-	985,838	985,838	1,021,020
Lease payables	-	723,546	723,546	795,123
promotions				
current and non-current	186,443	-	186,443	186,443
Other non-current liabilities	-	3,813	3,813	3,813
Trade payables	-	1,496,452	1,496,452	1,496,452
Other current liabilities	-	265,670	265,670	265,670
Total	**186,443**	**3,475,319**	**3,661,762**	**3,768,521**

8. Information on fair value

In relation to the assets and liabilities recognised in the statement of financial position, IFRS 13 requires that these values be classified on the basis of a hierarchy that reflects the significance of the inputs used to determine the fair value.
The classification of the *fair value* of financial instruments on the basis of hierarchical levels is presented below:

Level 1: fair value calculated on the basis of quoted prices (unadjusted) in active markets for identical financial instruments. Therefore, in Level 1 the emphasis is on determining the following elements:

(a) the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability;

(b) the ability to carry out a transaction with the asset or liability at that market price at the measurement date.

Level 2: fair value calculated using valuation techniques that make use of inputs that are observable on active markets. Inputs for this level include:

(a) quoted prices for similar assets or liabilities in active markets;

(b) quoted prices for identical or similar assets or liabilities in markets that are not active;

(c) inputs other than quoted prices that are observable for the asset or liability, for example:
   i. interest rates and yield curves observable at commonly quoted intervals;
   ii. implied volatilities;
   iii. credit spreads;

(d) market-corroborated inputs.

Level 3: fair value calculated using valuation techniques that make use of unobservable market inputs.
Deferred revenue for prize-giving promotions and assets held for sale, which fall under level 3 of the hierarchy, are measured at fair value.

9. Operating Segments

An operating segment is an entity's component:

- that undertakes entrepreneurial activities generating revenues and costs (including revenues and costs relating to transactions with other components of the same entity);
- whose operating results are periodically reviewed by the highest operational decision-making level of the entity to decide on the resources to be allocated to the segment and to assess the results (for Esselunga S.p.A it is the Board of Directors);
- for which separate financial information is available.

The management information prepared and made available to the Board of Directors for the above mentioned purposes, considers the Group's business activities as an indistinct whole. accordingly, no specific segment reporting is provided in the financial statements.

The Group currently carries out its activities exclusively in Italy, therefore no disclosure by geographical segment is provided.
Given the nature of the Group's business, there are no situations of revenue concentration on individual customers.

10. Seasonal events

Historically, the profit and loss results of the Group have not shown significant sensitivity to seasonal events.

11. Notes to the consolidated statement of financial position

11.1 Property, plant and equipment

During 2020, the Group opened six new shops, in Milan in Viale Tibaldi, in Barzanò (LC), in Montecatini Terme (PT), in Parma in Via Verdi, in Genoa in Via Piave, in Pistoia in Viale Matteotti and four *laESSE* shops in Milan.
Changes in this item are shown below:

Property, plant and equipment (*thousands of Euros*)	**31.12.2019**	**Increases**	**ROU increases IFRS 16**	**Decreases**	**ROU decreases IFRS 16**	**Reclassifications and transfers**	**31.12.2020**
Historical cost	4,527,478	54,594	-	(441)	-	78,159	4,659,790
Accumulated depreciation	(1,559,205)	(103,449)	-	2	-	6	(1,662,646)
Provision for impairment	(2,219)	(1,245)	-	2,864	-	(12,531)	(13,131)
Land and buildings	**2,966,054**	**(50,100)**	**-**	**2,425**	**-**	**65,634**	**2,984,013**
Historical cost	1,547,800	81,539	-	(4,277)	-	10,991	1,636,053
Accumulated depreciation	(1,078,083)	(98,499)	-	3,752	-	(2)	(1,172,832)
Provision for impairment	(1,744)	(710)	-	-	-	-	(2,454)
Plant and machinery	**467,973**	**(17,670)**	**-**	**(525)**	**-**	**10,989**	**460,767**
Historical cost	1,865	8	-	-	-	(2)	1,871
Accumulated depreciation	(1,754)	(52)	-	-	-	-	(1,806)
Provision for impairment	-	-	-	-	-	-	-
Industrial and commercial equipmen	**111**	**(44)**	**-**	**-**	**-**	**(2)**	**65**
Historical cost	572,468	46,123	-	(3,261)	-	4,714	620,044
Accumulated depreciation	(431,641)	(40,194)	-	2,539	-	-	(469,296)
Provision for impairment	(357)	(292)	-	-	-	-	(649)
Other assets	**140,470**	**5,637**	**-**	**(722)**	**-**	**4,714**	**150,099**
Historical cost	228,169	149,951	-	(623)	-	(57,054)	320,443
Accumulated depreciation	-	-	-	-	-	-	-
Provision for impairment	-	(3,182)	-	3,434	-	(12,021)	(11,769)
Assets under construction and advan	**228,169**	**146,769**	**-**	**2,811**	**-**	**(69,075)**	**308,674**
Historical cost	1,026,317	-	73,137	-	(7,565)	-	1,091,889
Accumulated depreciation	(241,462)	-	(44,119)	-	1,426	-	(284,155)
Provision for impairment	(3,269)	-	-	-	-	-	(3,269)
ROU IFRS 16 *Leases*	**781,585**	**-**	**29,018**	**-**	**(6,139)**	**-**	**804,464**
Historical cost	7,904,097	332,215	73,137	(8,602)	(7,565)	36,808	8,330,090
Accumulated depreciation	(3,312,145)	(242,194)	(44,119)	6,293	1,426	4	(3,590,735)
Provision for impairment	(7,589)	(5,429)	-	6,298	-	(24,552)	(31,272)
Total	**4,584,362**	**84,592**	**29,018**	**3,989**	**(6,139)**	**12,260**	**4,708,082**

Land and buildings
The increases include:

- Capex of +€28,651 thousand for the construction of new stores opened by the Esselunga Group in 2020:
- +€971 thousand for work on the logistics network;
- +€8,789 thousand for the maintenance and development of the logistics hubs and the headquarters;
- +€12,893 thousand for maintaining the existing sales network;
- +€3,290 thousand for the Group's commercial development.

The reclassifications and transfers mainly include acquisitions of previous years in relation to new stores opened in the current period previously classified as current assets and the reclassification from the item investment property of an investment deemed to be instrumental to the Group's commercial development.

Plant and machinery
Increases in historical cost include the following investments:

- +€29,519 thousand for new shops;
- +€5,508 thousand for work on the logistics network;
- +€24,116 thousand for maintaining the sales network;
- +€17,246 thousand for the logistic hubs, production facilities and headquarters;
- +€5,151 thousand for the Group's commercial development.

Decreases are related to the ordinary renewal of assets.

Other assets
The details of this item are shown in the following table:

Other assets *(thousands of Euros)*	**31.12.2020**	**31.12.2019**
Office furniture and equipment	82,230	77,711
Electronic office equipment	48,108	42,868
Bar furniture and furnishings	13,780	13,483
Motor vehicles, cars and vehicles for internal use	4,500	4,557
Niche perfumery furniture and furnishings	1,482	1,851
Total	**150,099**	**140,470**

Increases in historical cost include the following investments:

- +€9,263 thousand for new shops;
- +€882 thousand for work on the logistics network;
- +€16,331 thousand for the logistic hubs and production facilities;
- +€18,908 thousand for maintaining the sales network;
- +€739 thousand for the Group's commercial development.

The decreases refer to the normal replacement of the Group's tangible assets. The reclassifications and transfers mainly refer to the reclassification of acquisitions of previous years in relation to new stores opened in the current period.

Assets under construction and advances
The increases include investments made for the development and completion of logistic centres and offices for €40,575 thousand, investments for the commercial development of the Group for €99,278 thousand and for works on the logistics network for €10,098 thousand.

The reclassifications and transfers include the reclassification to otherr classes of captial expenditures made in previous years for the store opened in 2020 and the reclassification to investment property of land and buildings not intended for use in the Group's ordinary activities.

ROU IFRS 16 *Leases*
As of 1 January 2019, International Accounting Standard IFRS 16 'Leases' entered into force, which eliminates the difference between operating and finance leases; For all leases with a duration of more than 12 months, the lessee is required to recognise an asset, representing the right of use (ROU), and a financial liability, representing the obligation to make the payments under the contract.
The increases mainly refer to extensions or renegotiations of existing contracts. They are composed as follows:

ROU IFRS 16 Leases *(thousands of Euros)*	**31.12.2020**	**31.12.2019**
Rou buildings and plants	799,852	777,296
Rou IT equipment	2,251	2,717
Rou cars	1,848	1,208
Rou service vehicles	513	364
Total	**804,464**	**781,585**

Reconciliation with IFRS 16 ROUs from the Report *(thousands of Euro)*	**31.12.2020**	**31.12.2019**
ROU, Property, plant and equipment - operating leases IFRS 16	376,657	336,774
ROU property, plant and equipment - financial leasing pursuant to IAS 17	423,195	440,522
ROU plant and machinery and equipment	**799,852**	**777,296**
ROU, Property, plant and equipment - operating leases IFRS 16	376,657	336,774
Rou IT equipment	2,251	2,717
Rou cars	1,848	1,208
Rou service vehicles	513	364
ROU IFRS 16 from Report	**381,269**	**341,063**

The following table details the monetary revaluations made on property, plant and equipment in accordance with statutory provisions:

(thousands of Euros)	**Revaluation pursuant to Law 72/83**	**Revaluation pursuant to Law 419/91**	**Total revaluations**
Land and buildings	3,093	17,009	20,102
Plant and machinery	161	-	161
Other assets	111	34	145
Total	**3,365**	**17,043**	**20,409**

At 31 December 2020, the amount of revaluations not yet depreciated was €55 thousand mainly pertaining to land and buildings.

Property, plant and equipment do not include assets given as collateral.

11.2 Investment property

Investment property includes land or buildings that are not intended for use in the Group’s ordinary activities.
The movements in investment property for the year ended 31 December 2020 are shown in the following table:

Investment property *(thousands of Euros)*	**31.12.2019**	**Increases**	**Decreases**	**Reclassifications and transfers**	**31.12.2020**
Historical cost	439,684	914	(6)	(34,854)	405,738
Accumulated depreciation	(45,494)	(2,611)	-	(6)	(48,111)
Provision for impairment	(236,821)	(9,071)	2,220	23,780	(219,892)
Total	**157,369**	**(10,768)**	**2,214**	**(11,080)**	**137,735**

The increase in historical cost refers to the development of areas not intended for use in the Group’s ordinary activities.
The purpose of the net increase in the allowance for impairment is to align the net carrying amount of investment properties with their estimated realisable value.
The reclassifications mainly relate to investments reclassified as property, plant and equipment as they are deemed to be instrumental to the Group’s commercial development.

The breakdown by geographical location of investment property is shown in the following table:

(thousands of Euros)	Net historical cost	Accumulated depreciation	Total
Emilia Romagna	32,958	(18,260)	14,698
Lombardy	210,336	(127,038)	83,298
Piedmont	69,981	(42,369)	27,612
Tuscany	40,843	(28,363)	12,480
Veneto	10,128	(6,128)	4,000
Liguria	20,047	(6,747)	13,300
Lazio	9,897	(7,917)	1,980
31.12.2019	**394,190**	**(236,821)**	**157,369**
Emilia Romagna	32,955	(19,155)	13,800
Lombardy	197,654	(126,805)	70,849
Piedmont	68,729	(42,284)	26,445
Tuscany	18,684	(10,184)	8,500
Veneto	10,126	(6,426)	3,700
Liguria	19,581	(6,881)	12,701
Lazio	9,898	(8,157)	1,741
31.12.2020	**357,627**	**(219,892)**	**137,735**

At 31 December 2020, the fair value of investment property was determined based on an independent expert's appraisals. The book values were aligned to the lower of cost and fair value as reflected in the appraisals.
The fair value expressed by the appraisals was defined according to models for determining the Level 3 fair value, as the inputs directly / indirectly not observable on the market, used in the valuation models, are preponderant with respect to the inputs observable on the market.

11.3. Goodwill

The breakdown of this item is as follows:

Goodwill *(thousands of Euros)*	**31.12.2020**	**31.12.2019**
Esselunga S.p.A. Pisa store	6,020	6,020
EsserBella	566	566
Total	**6,586**	**6,586**

Impairment tests were carried out at the end of each financial year to ascertain whether the goodwill recorded has suffered an impairment.

The impairment test is performed by comparing the carrying amount of the goodwill and of the group of net assets that can generate independent cash flows (cash generating unit - CGU) to which goodwill can reasonably be allocated, with the value in use of the CGU. The CGU corresponds to Esselunga store in Pisa and EsserBella S.p.A.

The value in use was determined through the discounted cash flow (DCF) method, by discounting the unlevered free cash flows related to the CGU as per the strategic plans for the five years following the impairment test reference year. The discount factor used is the *WACC* for the industry in which the identified *CGU* carries out its operations.

The discount rate (*WACC*) used, which reflects the market assessment of the cost of money and the specific risks for the industry and the geographic area, was estimated at 6.3% in 2020 and 7.5% in 2019.
A sensitivity analysis was performed on the impairment test results to assess their variability to changes in the main assumptions underlying the estimate.
Two different scenarios were assumed for this purpose:

- scenario 1: discount rate = 6.8%, with an increase of 50 basis points over the baseline scenario.
- scenario 2: discount rate = 7.3%, with an increase of 100 basis points over the baseline scenario.

The sensitivity analysis showed a low sensitivity of the test to changes in the assumptions underlying the estimate. Specifically, none of the aforementioned scenarios would result in an impairment of the goodwill.

11.4 Intangible assets

The breakdown and movements of intangible assets for the year ended 31 December 2020 are shown in the table below:

Intangible assets *(thousands of Euros)*	**31.12.2019**	**Increases**	**Decreases**	**Reclassifications and transfers**	**31.12.2020**
Historical cost	257,955	30,194	(34)	13,051	301,166
Accumulated amortisation	(199,255)	(24,391)	(2)	-	(223,648)
Software	**58,700**	**5,803**	**(36)**	**13,051**	**77,518**
Historical cost	70,693	39	-	5	70,737
Accumulated amortisation	(20,597)	(1,804)	-	-	(22,401)
Trademarks, concessions and similar rights	**50,096**	**(1,765)**	**-**	**5**	**48,336**
Historical cost	74,625	5,852	-	20	80,497
Accumulated depreciation	(24,272)	(1,820)	-	-	(26,092)
Provision for impairment	(3,255)	(223)	-	-	(3,478)
Commercial licenses	**47,098**	**3,809**	**-**	**20**	**50,927**
Historical cost	15,018	19,884	(325)	(12,550)	22,027
Assets under construction and advances	**15,018**	**19,884**	**(325)**	**(12,550)**	**22,027**
Historical cost	3,429	72	-	-	3,501
Accumulated depreciation	(3,423)	(8)	-	-	(3,431)
Other intangible assets	**6**	**64**	**-**	**-**	**70**
Historical cost	421,719	56,041	(359)	526	477,927
Accumulated depreciation	(247,547)	(28,023)	(2)	-	(275,572)
Provision for impairment	(3,255)	(223)	-	-	(3,478)
Total	**170,918**	**27,795**	**(361)**	**526**	**198,878**

Investments for the financial year 2020 amount to €56,041 thousand and mainly relate to investments made in software to improve the Group's IT infrastructure and commercial licences relating mainly to the acquisition of the former Margherita Distribuzione branch of business.

The increase in assets under construction and advances refers to the development of software not yet in use. The decrease shown in the reclassifications column mainly refers to additions made in prior years for software that have come into operation in the year under review and have therefore been reclassified in the appropriate item.

The item intangible fixed assets has never been subject to any revaluation. no impairment indicators were identified that would require an immediate assessment of any impairment loss.

11.5 Investments in other companies

The breakdown of this item is as follows:

Equity investments *(thousands of Euros)*	**31.12.2020**	**31.12.2019**
Investments in associates (Centomilacandele S.c.p.a.)	130	130
Total	**130**	**130**

11.6 Other non-current financial assets

The breakdown of this item is as follows:

Other non-current financial assets *(thousands of Euros)*	**31.12.2020**	**31.12.2019**
Financial investments	1,181	1,218
Other receivables	-	4,000
Total	**1,181**	**5,218**

The other receivables in 2019 included a receivable of €4,000 thousand that was collected in the first months of 2020.

11.7 Total non-current assets

The breakdown of this item is as follows:

Other non-current assets *(thousands of Euros)*	**31.12.2020**	**31.12.2019**
Tax receivables	16,461	41,332
Security deposits	3,237	3,097
Other receivables	15	2,754
Total	**19,713**	**47,183**

Tax receivables are mainly VAT receivables related to property purchases made by the Group. The decrease compared to 31 December 2019 mainly relates to the reimbursement by the tax authorities of a receivable related to a VAT refund request.
Security deposits refer to contracts entered into for the supply of utilities

11.8 Inventories
The breakdown of this item is as follows:

Inventories *(thousands of Euros)*	**31.12.2020**	**31.12.2019**
Finished products and goods	402,150	358,286
Raw materials, supplies and consumables	58,685	56,474
Provision for inventory obsolescence	(24,127)	(13,777)
Total	**436,707**	**400,984**

The provision for inventory obsolescence is set aside to reflect the lower realisable value of some goods in stock compared to the cost incurred for their purchase and to account for their slow turnaround.

The movements of the provision for inventory write-down are shown below:

Provision for impairment of stocl *(thousands of Euros)*	**31.12.2020**	**31.12.2019**
Balance at the beginning of the year	**(13,777)**	**(16,508)**
Allocations	(24,127)	(13,777)
Use	13,777	16,508
Balance at the end of the year	**(24,127)**	**(13,777)**

The increase in the Provision for inventory obsolescence is due to an increase in slow-moving goods, due to a change in consumer behaviour affecting certain product categories.

As at 31 December 2020, there were no inventories pledged as collateral on loans received by the Group.

11.9 Trade receivables

The breakdown of this item is as follows:

Trade receivables *(thousands of Euros)*	**31.12.2020**	**31.12.2019**
Receivables from suppliers for promotional activities	422,071	470,196
Receivables from customers for use of Fìdaty Oro card	55,796	60,286
Receivables from cust. for use of Fìdaty Oro card - non-performing	65	97
Receives from parent	9	11
Provision for doubtful receivables	(479)	(292)
Total	**477,462**	**530,298**

Receivables from suppliers for promotional activities refer to the remuneration accrued for the promotional activity carried out in favour of suppliers at Group's stores (advertising, preferential display, leaflet distribution etc.) and during openings of new stores, or expansion of existing ones.

Receivables from customers for use of the Fìdaty Oro card refer to receivables from the Esselunga, Atlantic and EsserBella/eb stores' customers who used the 'Fìdaty Oro' payment cards in December 2020.

Trade receivables are shown gross of the related provision for doubtful accounts which amounted to €479 thousand at 31 December 2020 (€292 thousand at 31 December 2019).

11.10 Current tax receivables

The breakdown of this item is as follows:

Current tax receivables *(thousands of Euros)*	**31.12.2020**	**31.12.2019**
Receivables from parent companies (IRES)	4,031	14,881
Receivables from tax authorities - IRES payments on account	49	6,397
Receivables from tax authorities - IRAP payments on account	864	2,056
Total	**4,944**	**23,334**

IRES receivable from parent companies refers to taxes receivable from the consolidating entity Supermarkets Italiani S.p.A. by the companies participating in the tax consolidation.

11.11 Total current assets

The breakdown of this item is as follows:

Other current assets *(thousands of Euros)*	**31.12.2020**	**31.12.2019**
Receivables from parent companies (VAT)	50,258	35,000
Accrued income and prepaid expenses	18,070	14,224
Receivables from other debtors	8,753	10,183
Tax receivables (mainly VAT)	6,633	7,808
Provision for impairment of other receivables	(2,888)	(2,562)
Total	**80,826**	**64,653**

The item is indicated net of a provision for impairment and its movements are detailed below:

Provision for impairment of other receivables *(thousands of Euros)*	**31.12.2020**	**31.12.2019**
Balance at the beginning of the year	**(2,562)**	**(5,705)**
Allocations	(457)	(354)
Use	131	3,497
Balance at the end of the year	**(2,888)**	**(2,562)**

Accrued income and prepaid expenses mainly include prepaid expenses for use of third party assets, insurance, advertising, utilities, repair and maintenance that are not related to the current financial year.

Receivables from other debtors mainly include receivables from employees and social security institutions, receivables for the recovery of costs and other non-performing receivables, mainly attributable to one of the Group's real estate companies, for which a Provision for doubtful receivables.

11.12 Cash and cash equivalents

The breakdown of this item is as follows:

Cash and cash equivalents *(thousands of Euros)*	**31.12.2020**	**31.12.2019**
Deposits with banks and post-office	1,148,371	1,129,481
Cash and cash equivalents on hand	9,555	9,562
Cheques	11	23
Total	**1,157,937**	**1,139,066**

Please note that on 3 August 2017, the Company entered into three agreements with three major Italian banks for three non-revocable revolving credit lines, for a total of €300 million and with 5 year maturity. At 31 December 2020 the above credit lines were undrawn.

11.13 Other current financial assets

Other current financial assets equal €278,750 thousand mainly include the receivable for the loan granted to Supermarkets Italiani S.p.A. (paid off in 2021 following the Merger process) for €275,212 thousand.

11.14 Assets held for sale

Non-current assets whose carrying amount will be recovered through a sale rather than through their use in the business are shown separately in the statement of financial position as 'assets held for sale'.
The breakdown of assets held for sale is shown in the following table:

Assets held for sale *(thousands of Euros)*	**31.12.2019**	**Increases**	**Decreases**	**Reclassifications and transfers**	**31.12.2020**
Historical cost	32,629	232	(32,861)	-	-
Accumulated depreciation	-	-	-	-	-
Provision for impairment	(15,831)	-	15,831	-	-
Total	**16,798**	**232**	**(17,030)**	**-**	**-**

The item referred entirely to an area located in Milan that was sold in March 2020.

11.15 Shareholders' Equity

The breakdown of this item is as follows:

Shareholders' Equity *(thousands of Euros)*	**31.12.2020**	**31.12.2019**
Share capital	100,000	100,000
Share premium reserve	164,510	164,510
Retained earnings (accumulated losses)	2,935,065	2,687,596
Other reserves:		
Legal reserve	*20,000*	*20,000*
Revaluation reserve	*25,975*	*25,975*
Other	*(10,507)*	*(10,507)*
Equity attributable to owners of the parent	**3,235,043**	**2,987,574**
Non-controlling interests	**338,491**	**330,704**
Total shareholders' Equity	**3,573,534**	**3,318,278**

At the reporting dates, the share capital was fully subscribed and paid and consisted of 100,000,000 ordinary shares with a par value of €1.0 each.
The change in shareholders' equity compared to the previous year of €255,256 thousand is due to:

- the increase due to the recognition of the profit for the year of €269,957 thousand;
- the decrease due to the direct recognition in shareholders' equity of actuarial losses on employees' pension plans (TFR) net of the related tax effect amounting to €697 thousand;
- the increase for the adjustment of the cash flow hedge reserve (€997 thousand);
- the decrease due to the distribution of dividends to Unicredit, La Villata's minority shareholder, amounting to €15,000 thousand.

11.16 Current and non-current financial liabilities

The items in question are detailed as follows:

Non-current financial assets *(thousands of Euros)*	**31.12.2020**	**31.12.2019**
Bonds	**986,286**	**983,276**
Lease payables - principal	672,989	664,478
Lease payables	**672,989**	**664,478**
Non-current financial liabilities	**1,659,275**	**1,647,754**

Current financial assets *(thousands of Euros)*	**31.12.2020**	**31.12.2019**
Bonds	**2,562**	**2,562**
Lease payables - principal	54,726	54,611
Lease payables - interest	4,851	4,457
Lease payables	**59,577**	**59,068**
Current financial liabilities	**62,139**	**61,630**

Bonds

On 18 October 2017 Esselunga S.p.A. placed two Eurobonds with a nominal value of €500 million each, with maturities of 6 and 10 years, listed on the Luxembourg Stock Exchange, with the following characteristics:

Tranche 'A' 6 year maturity	**Tranche 'B' 10 year maturity**
- Nominal value: €500 million	- Nominal value: €500 million
- Maturity: 25 October 2023	- Maturity: 25 October 2027
- Annual coupon: 0.875%	- Annual coupon: 1.875%
- Issue price: 99.281%	- Issue price: 99.289%
- Yield to maturity: 0.999%	- Yield to maturity: 1.954%
- Spread: 65 bps on the midswap rate	- Spread: 110 bps on the midswap rate

The principal of Tranche A and Tranche B will be repaid in full at maturity (respectively on 25 October 2023 and 25 October 2027).
The total value of the bonds is recorded net of the issue discount and transaction costs incurred for the issue of the bonds, which mainly include legal expenses to finalise the issues, the fees paid to the banks involved in the transaction as Joint Bookrunners, as well as the fees for the rating advisory activity.
There are no guarantees or covenants.

Lease payables

In 2020 the finance lease payments (principal) made by the Group amounted to €56,903 thousand.

In 2020, the weighted average rate of finance lease contracts was 3.2% compared to 3.2% in 2019. Floating-rate finance leases accounted for 21.3% of finance-lease payables as at 31 December 2020.

The following table shows the reconciliation of the finance lease payable with the outstanding lease payments as of 31 December 2020:

Lease payables *(thousands of Euros)*	**31.12.2020**	**31.12.2019**
Lease payables (until contract maturity)	922,450	925,437
Lease payables (implied interest)	(189,884)	(201,891)
Total	**732,566**	**723,546**
of which non-current	672,989	664,478
of which current	59,577	59,068

11.17 Employee severance indemnities (TFR) and other staff-related provisions

The movements in employee severance indemnities (TFR) and other staff-related provisions for the years ended 31 December 2020 and 2019 are shown in the following table:

Employee severance indemnities (TFR) and other staff-related provisions *(thousands of Euros)*	**31.12.2020**	**31.12.2019**
Balance at the beginning of the year	**95,609**	**95,431**
Interest cost	717	1,447
Payments and transfers	(5,076)	(6,180)
Actuarial gains / (losses)	968	5,069
Other movements	-	(158)
Balance at the end of the year	**92,218**	**95,609**

The main assumptions used to calculate the amount of the liability are shown below:

	31.12.2020	**31.12.2019**
Financial Assumptions		
Inflation rate (annual)	0.8%	1.2%
Discount Rate (Annual)	0.3%	0.8%
TFR Annual rate of increase	2.1%	2.4%
Demographic Assumptions		
Expected mortality rate	Data from Table RG48 (State General Accounting Office)	
Expected disability rate	INPS tables separated by age and sex	
Time of retirement	100% on achieving AGO requirements	
Turnover Frequency	2.50%	
Frequency of Advances	2.00%	

11.18 Deferred tax assets and liabilities

This item includes the net balance of deferred tax assets and liabilities arising from temporary differences between the value attributed to an asset or liability in the statement of financial position and the value attributed to the same asset or liability for tax purposes.

The breakdown and movements of the items in question, gross of any offsetting based on the timing in the use of taxes, for the year ended 31 December 2020 are shown in the following table:

Deferred tax assets and liabilities *(thousands of Euros)*	**31.12.2019**	**Income statement effect**	**Statement of financial position effect**	**31.12.2020**
Timing difference cost deductibility	545	1,643	-	2,188
Deferred revenue for prize-giving promotions	1,326	(295)	-	1,031
Costs for bond issue	(1,603)	286	-	(1,317)
Inventories and inventory write-downs	3,307	2,483	-	5,790
TFR IAS 19	3,032	(101)	273	3,204
Provision for risks with deferred deductibility	10,567	(1,875)	-	8,692
Property, plant and equipment (excluding leases)	50,615	(4,924)	-	45,691
Capital gain on lease-back	30	(14)	-	16
Leases	(89,456)	4,682	-	(84,774)
Intangible Assets	(8,284)	3,892	-	(4,392)
Capital gains subject to deferred taxes	(1,677)	(34)	-	(1,711)
Others	(379)	23	-	(356)
Total deferred tax assets and liabilities	**(31,977)**	**5,766**	**273**	**(25,938)**

Deferred tax assets relating to unrecognised prior tax losses amount to €56 thousand as at 31 December 2020 and mainly refer to companies that are part of the consolidation area but which do not participate in the tax consolidation.

Deferred tax assets and liabilities as of 31 December 2020 were recorded with reference to the period in which the temporary differences that generated them will be recovered and by applying the IRES (24.0%) and IRAP (4.05%) rates.

11.19 Provisions for risks and charges

Movements in the provisions for risks and charges for the years ended 31 December 2020 and 2019 are shown in the table below:

Provisions for risks and charges *(thousands of Euros)*	**31.12.2020**	**31.12.2019**
Balance at the beginning of the year	**38,404**	**37,736**
Allocations	16,411	22,351
Uses / Releases	(18,612)	(18,167)
Reclassifications	(771)	(3,516)
Balance at the end of the year	**35,432**	**38,404**

The provisions set aside refer to future charges and to the risks associated with various disputes pending at the end of the reporting year.
The item uses/releases mainly refers to uses for personnel costs of €8,829 thousand relating to the renewal of the national collective bargaining agreement for the sector and to the release of €4,500 thousand relating to risks which no longer existed in 2020.

11.20 Deferred revenue for current and non-current prize-giving promotions

This item is the liability related to the points earned and not yet redeemed by customers at the reporting date.
The movements in the item for the year ended 31 December 2020 broken down by campaign:

Deferred income from prize-giving promotions *(thousands of Euro)*	Fidaty	Amici di scuola (school friends)	Rivolta Carmignani	Christmas Competition	Artusi 2.0	Magical Mug	**Total current amount**
31.12.2019	**112,311**	**9,084**	**-**	**3,799**	**430**	**1,152**	**126,776**
Reclassification of current deferred revenue	59,667	-	-	-	-	-	59,667
Bonus points earned	26,497	14,050	2,561	4,625	-	-	148,967
Use of bonus points	(4,200)	(9,084)	-	(3,799)	(430)	(1,152)	(119,898)
31.12.2020	**194,276**	**14,050**	**2,561**	**4,625**	**-**	**-**	**215,512**

Deferred income from prize-giving promotions *(thousands of Euro)*	Fidaty	Amici di scuola (school friends)	Rivolta Carmignani	Christmas Competition	Artusi 2.0	Magical Mug	**Total non-current amount**
31.12.2019	**59,667**	**-**	**-**	**-**	**-**	**-**	**59,667**
Reclassification of current deferred revenue	(59,667)	-	-	-	-	-	(59,667)
Bonus points earned	-	-	-	-	-	-	-
Use of bonus points	-	-	-	-	-	-	-
31.12.2020	**-**	**-**	**-**	**-**	**-**	**-**	**-**

The 'Fìdaty' gift with purchase promotion is the Group's institutional promotion for customer loyalty. Customers who shop in Esselunga, Atlantic, laESSE and EsserBella/eb stores earn 'Fìdaty Points' that can be redeemed against prizes from the Fidaty catalogue (including by paying any balance in cash) or against shopping vouchers.
The promotion is also open to customers of selected trading partners.
As of 31 December 2020, since the existing prize events will end within 12 months, revenues from prize events were reclassified in Net working capital under current liabilities.

11.21 Total non-current liabilities

The breakdown of this item is as follows:

Other non-current liabilities *(thousands of Euros)*	**31.12.2020**	**31.12.2019**
Security deposits	450	297
Tax payables	3,516	3,516
Total	**3,966**	**3,813**

Taxes payable relate to an item reclassified in 2019 from the provisions for risks and charges in accordance with IFRIC 23.

11.22 Trade payables

At 31 December 2020, this item amounted to €1,563,435 thousand (€1,496,452 thousand at 31 December 2019) and mainly includes payables for the purchase of products for resale.

11.23 Current tax payables

The breakdown of this item is as follows:

Current tax payables *(thousands of Euros)*	**31.12.2020**	**31.12.2019**
IRES tax payable to parent company	12,932	471
IRES tax payable to the tax authorities	151	209
IRAP tax payable to the tax authorities	2,622	189
Total	**15,705**	**869**

IRES payable to parent companies refers to taxes payable to the consolidating entity Supermarkets Italiani S.p.A. by the companies participating in the tax consolidation. The item IRES tax payable to the tax authorities refers to current taxes due by companies not participating in the tax consolidation.

11.24 Other current liabilities

The breakdown of this item is as follows:

Other current liabilities *(thousands of Euros)*	**31.12.2020**	**31.12.2019**
Payables to employees and other staff	87,168	85,476
Payables to social security institutions	58,719	61,839
Payables to customers for prepaid cards	44,670	30,631
VAT payable to the tax authorities	37,248	46,023
IRPEF payable to the tax authorities	17,468	19,542
Other payables to the tax authorities	5,505	6,169
Advances	1,328	1,310
Accrued expenses and deferred income	452	878
Other payables	9,219	13,802
Total	**261,777**	**265,670**

Payables to employees and other staff includes accrued liabilities for costs accrued as at 31 December 2020 and not yet paid (fourteenth month pay, holidays, additional permits, performance bonuses and miscellaneous entitlements).
'Advances' mainly includes a deposit received in relation to preliminary agreements for the sale of an area located in Piedmont.

Other payables mainly refer to the value of uncollected prizes for competitions to be given to socially useful non-profit organisations and commissions to be paid to credit institutions to use electronic collection methods.

12. Notes to the comprehensive income statement

12.1 Net revenue

The breakdown of net sales and net revenues for the years 2020 and 2019 is as follows:

Net revenues *(thousands of Euros)*	**2020**	**2019**
Total sales	**8,373,687**	**8,141,610**
Costs for the purchase of newspapers and phone cards and related services	(110,924)	(126,771)
Net recognition (Deferral) of fair value for prize-giving promotions	(29,068)	4,388
Other minor sales adjustments	(29,509)	(20,232)
Sales Adjustments	**(169,501)**	**(142,615)**
Total	**8,204,186**	**7,998,995**

Total sales for the year 2020 increased by €232,077 thousand (+2.9%) compared to the previous year.

Net revenue is determined by adjusting total sales by the cost items included in sales adjustments so that only the sales margin is recognised in net revenue, as required by IFRS 15.

The deferral of revenues from prize-giving events, amounting to -€29,068 thousand, is the result of the recording of:

- recognition in the year of payment of the obligations to be considered extinguished with the use of points (bonuses and discount coupons) for €119,899 thousand valued on the basis of the fair value of the bonuses and discount coupons as received by the end customer;
- deferrals of consideration for future obligations for €148,967 thousand: These considerations are measured based on the fair value of the prizes and discount vouchers, as received by the end customer.

Net revenues for 2020 increased by €205,191 thousand (+ 2.6%) compared to 2019. For a more detailed analysis of the Sales trend, please refer to the Directors' Report.

12.2 Net costs for goods and raw materials

The net costs for goods and raw materials in 2020 amounted to €5,600,810 thousand compared to €5,502,107 thousand in the year 2019.
Costs for goods and raw materials are shown net of revenue from promotional activities. Revenue from promotional activities refers to promotional services provided by the Group to its suppliers, mainly consisting of preferential product display, organisation and implementation of promotional campaigns targeted to specific products and advertising flyers.

12.3 Other revenues and income

The breakdown of the item Other revenues and income for the years 2020 and 2019 is as follows:

Other revenues and income *(thousands of Euros)*	**2020**	**2019**
Rent of supports for transport of perishable products	13,538	12,683
Rental income and recovery of common charges	5,028	8,943
Other sales	6,347	7,108
Sale of customer profiling data	5,477	4,686
Insurance reimbursements and damages charged back	3,275	2,684
Points charged that do not represent goods (“Fragola” points)	1,308	1,336
Capital gains on disposal	332	916
Capital gains on disposal IFRS 16 "Leases"	1,513	2,442
Spreads and commissions	785	934
Recharge of costs for quality control analysis	349	821
Other	2,625	2,992
Total	**40,577**	**45,545**

The reduction in the item rent income and condominium expenses recovery reflects the contribution that the Group has made to the lessors of small commercial areas, heavily affected by the effects of the pandemic.
The other sales mainly include the sale to third parties of scrap, scrap paper, pallets and production waste.
The item points charged that do not represent goods includes the proceeds from the sale of Fìdaty Points to trading *partners* following the granting of points to their customers. In essence, the customers of our trading partners can participate in prize-giving promotions organised by Esselunga.
The item ‘Other’ mainly refers to professional services provided to third parties.

12.4 Costs for services

The breakdown of this item is as follows:

Costs for services *(thousands of Euros)*	**2020**	**2019**
Transport, handling and parking	343,181	260,514
Utilities, consumption and data transmission expenses	112,121	120,592
Repairs and maintenance	97,995	98,642
Advertising and marketing	68,538	74,644
Cleaning	49,594	46,348
Consulting and professional services	38,712	32,053
Other services	34,924	26,265
Internal and external processing of goods and products	28,875	25,902
Bank collection fees	23,236	22,734
Security, surveillance and transportation of valuables	26,703	19,079
Insurance	5,097	9,662
Common charges	8,843	8,384
Commissions for Luncheon Vouchers	7,178	4,917
Rentals	4,634	3,760
Rent expense	2,219	2,139
Total	**851,850**	**755,635**

Costs for services accounted for 10.2% of total sales (9.3% in 2019).
The general increase in these costs relates to operations closely connected to the Group’s sales and business development. In particular, the increase in the cost of transport is in line with the increase in volumes and turnover of e-commerce.
The item rent expense refers to the variable component of lease payments linked to sales under lease contracts on property used for retail purposes (the guaranteed minimum lease payments are accounted for according to the international standard IFRS 16 Leases).
Other services mainly includes costs related to personnel management, such as canteen, clothing, medical examinations and commissions paid to temporary employment agencies, insurance costs and costs for meat and fish processing, parking management costs at some shops and costs for the management of children’s dedicated areas in shops.

12.5 Personnel costs

The breakdown of this item is as follows:

Personnel costs *(thousands of Euros)*	**2020**	**2019**
Wages and Salaries	731,393	732,495
Social security charges	214,520	217,615
Employee severance indemnity	49,927	48,687
Cost for temporary employees	12,393	4,993
Corporate welfare	5,638	4,839
Gifts to employees	4,759	1,238
Other personnel costs	(3,814)	5,406
Total	**1,014,816**	**1,015,273**

The decrease in personnel costs, despite the growth in the workforce due to the opening of new stores, was determined by a lower incidence of overtime and the use of social safety nets.

The changes in the average workforce are shown in the table below:

Headcount	**2020**	**2019**
Managers	80	79
White-collars	16,423	15,791
Blue-collars	8,191	8,035
Total	**24,694**	**23,905**

12.6 Amortisation and depreciation

The breakdown of this item is as follows:

Depreciation *(thousands of Euros)*	**2020**	**2019**
Depreciation of property, plant and equipment	286,312	274,271
Depreciation of investment property	2,614	2,723
Amortisation of intangible assets	28,026	25,606
Total	**316,952**	**302,600**

The increase mainly relates to new shop openings.

12.7 Provisions and net property write-downs

The breakdown of this item is as follows:

Provisions and net property write-downs *(thousands of Euros)*	**2020**	**2019**
(Write-downs) reversals of assets	6,204	21,857
Provisions (uses/releases) for risks and charges	6,370	7,818
Total	**12,574**	**29,675**

Write-downs (reversals) of assets are net properties, taken in order to align the carrying amount to the market value as appraised by an independent expert.

The provisions were made against probable liabilities related to ongoing disputes.

12.8 Net write-downs of financial assets

The item amounts to €692 thousand (€556 thousand in 2019) and refers to some doubtful credit positions.

12.9 Other operating costs

The breakdown of this item is as follows:

Other operating costs *(thousands of Euros)*	**2020**	**2019**
Municipal Property Tax - IMU	22,161	21,373
Municipal solid waste disposal fee - TARSU	10,425	10,406
Capital losses on property, plant and equipment	349	4,479
Taxes related to prize-giving promotions	4,870	1,849
Rights, authorisations and concessions	1,451	1,566
Subscriptions, printing, etc.	550	599
Losses on receivables	228	74
Losses on ROU IFRS 16 Leases	-	7
Other taxes and duties	4,632	5,774
Other operating costs	5,827	1,349
Total	**50,493**	**47,476**

The item donations to hospitals is part of the measures adopted by the Group in favour of the community to offer its contribution during the Covid-19 emergency.
Capital losses on property, plant and equipment in 2019 mainly included the demolition of two areas and the disposal of furniture and furnishings as part of the renovation of some Atlantic bars.

12.10 Finance income

The breakdown of this item is as follows:

Finance income *(thousands of Euros)*	**2020**	**2019**
Bank interest income	1,355	995
Share of income from investments	4	4
Interest income from parent companies	212	-
Foreign exchange gains	15	13
Other financial income	30	1,744
Total	**1,616**	**2,756**

The other financial incomes in 2019 included interest for the sale to a primary bank of the IRES receivables on personnel IRAP 2007-2011 requested as a refund.

12.11 Finance expense

The breakdown of this item is as follows:

Financial expense *(thousands of Euros)*	**2020**	**2019**
Interest expense on lease contracts	21,778	22,332
Interest expense on bonds	17,757	17,698
Employee severance indemnity - discounting to PV	717	1,447
Other interest expense	120	599
Costs for committed credit lines	77	125
Foreign exchange losses	19	27
Total	**40,468**	**42,228**

Interest expense on bonds refers to the interest accrued in the year on the two Eurobonds placed on 18 October 2017 on the Luxembourg Stock Exchange.

12.12 Income tax expense

The breakdown of this item is as follows:

Income taxes *(thousands of Euros)*	**2020**	**2019**
Current income taxes	97,486	97,152
Income from tax consolidation	(3,953)	(620)
Net deferred tax income (expense)	(5,766)	(3,322)
Total	**87,767**	**93,210**

The analysis of actual taxation as a percentage of the Group's profit before tax compared to the theoretical figure is detailed in the table below:

	2020	**2019**
Applicable ordinary tax rate	28.05%	28.05%
Increases (decreases) compared to ordinary rate:		
- permanent differences	2.47%	1.85%
- different IRAP base	1.40%	1.19%
Iper/Super amortisation and depreciation	-1.84%	-1.87%
- effect of reduction in taxable A.C.E.	-1.98%	-1.81%
- Bonus First IRAP advance payment 2020 Covid 19	-0.30%	0.00%
- Income taxes of prior years	-2.92%	-0.62%
- IRAP deductibility for IRES purposes	-0.32%	-0.26%
- other changes	-0.03%	-0.03%
Actual tax rate	**24.53%**	**26.50%**

The effective tax charge for 2020 was 24.53% (26.50% in 2019), compared to the theoretical tax rate of 28.05%.
The difference between the theoretical tax rate and the effective tax rate is mainly due to:

- the **permanent differences** that caused the increase in the tax charge respectively for €8,835 thousand and €6,502 thousand (change of 2.47% in 2020 and 1.85% in 2019); they mainly refer to the non-deductibility of the IMU (€3,396 thousand in 2020 and €3,633 thousand in 2019);
- **different IRAP tax bases**, that increased the tax expense for 2020 and 2019 respectively by €5,009 thousand and €4,184 thousand (1.40% change in 2020, 1.19% change in 2019);
- benefit of the **extra depreciation and amortisation** (**super + iper**) for €6,568 thousand (1.84% change) in 2020 and €6,585 thousand in 2019 (1.87% change);
- **benefit attributable to ACE** (Aid to Economic Growth) for €7,086 thousand (change of 1.98%) in 2020 and €6,371 thousand in 2019 (change of 1.81%);

- **taxes on previous years** that produced a tax advantage of €10,430 thousand in 2020 and €2,192 thousand in 2019 (a change of 2.92% in 2020 and 0.62% in 2019); in both years prior year taxes refer in particular to the recognition of the Patent Box benefit for €10,444 thousand in 2020 and for €7,237 thousand in 2019.

13. Transactions with related parties that affect the statement of financial position and the income statement

The transactions carried out by the Group with related parties do not qualify as either atypical or unusual, fall within the Group's ordinary activities and are entered into on an arm's length basis.

Transactions with related parties in the years ended 31 December 2020 and 2019 mainly concerned:

- business relations mainly concerning administrative services and leases;
- financial transactions;
- transactions regarding the management of the IRES tax consolidation and Group VAT;
- employment and collaboration contracts with executives with strategic responsibilities including the members of the Board of Directors (the 'Senior Management');
- commercial transactions mainly concerning professional consultancy services carried out by related parties through members of the Senior Management.

The following tables show the balance sheet amounts arising from transactions with related parties during the years ended 31 December 2020 and 31 December 2019:

Financial Transactions with related parties *(thousands of Euros)*	Supermarkets Italiani S.p.A.	Dom 2000 S.p.A.	Centomila candele S.c.p.a.	Senior Management	Others	**Total**	**Total item**	**As % of item**
31.12.2020								
Intangible Assets	-	-	-	6,000	-	6,000	198,878	3.0%
Trade receivables	9	-	-	-	-	9	477,462	0.0%
Current tax receivables	4,031	-	-	-	-	4,031	4,944	81.5%
Other current assets	50,258	-	-	-	-	50,258	80,826	62.2%
Other current financial assets	275,212	-	302	-	-	275,514	278,750	98.8%
Non-current financial liabilities	-	210,138	-	-	-	210,138	1,659,275	12.7%
Employee severance indemnities (TFR) and other staff-related provisions	-	-	-	1,506	-	1,506	92,218	1.6%
Current financial liabilities	-	10,241	-	-	-	10,241	62,139	16.5%
Trade payables	-	1,562	22	6,000	756	8,340	1,563,435	0.5%
Current tax payables	13,224	-	-	-	-	13,224	15,705	84.2%
Other current liabilities	-	-	-	1,978	-	1,978	261,777	0.8%
31.12.2019								
Trade receivables	11	-	-	-	-	11	530,298	0.0%
Current tax receivables	14,766	-	-	-	-	14,766	23,334	63.3%
Other current assets	35,000	-	-	-	-	35,000	64,653	54.1%
Other current financial assets	-	-	-	-	-	-	-	0.0%
Non-current financial liabilities	-	216,845	-	-	-	216,845	1,647,754	13.2%
Employee severance indemnities (TFR) and other staff-related provisions	-	-	-	505	-	505	95,609	0.5%
Current financial liabilities	-	10,127	-	-	-	10,127	61,630	16.4%
Trade payables	-	2,063	4,408	-	574	7,045	1,496,452	0.5%
Current tax payables	331	-	-	-	-	331	869	38.1%
Other current liabilities	-	-	-	1,745	-	1,745	265,670	0.7%

The following table shows the income statement amounts arising from transactions with related parties in the years 2020 and 2019:

Economic transactions with related parties *thousands of Euros)*	Supermarkets Italiani S.p.A.	Dom 2000 S.p.A.	Centomila candele S.c.p.a.	Senior Management	Others	**Total**	**Total item**	**As % of item**
2020								
Other revenue and income	33	-	-	-	-	33	**40,577**	**0.1%**
Costs for services	-	1,562	-	-	1,083	2,645	**851,850**	**0.3%**
Personnel costs	-	-	-	15,891	-	15,891	**1,014,816**	**1.6%**
Other operating costs	-	-	-	-	-	-	**50,493**	**0.0%**
Finance income	212	-	-	-	-	212	**1,616**	**13.1%**
Financial expense	-	6,570	-	-	-	6,570	**40,468**	**16.2%**
2019								
Other revenue and income	36	-	-	-	-	36	**45,545**	**0.1%**
Costs for services	-	2,063	41,805	-	1,147	45,015	**755,635**	**6.0%**
Personnel costs	-	-	-	6,974	-	6,974	**1,015,273**	**0.7%**
Other operating costs	-	-	-	-	-	-	**47,476**	**0.0%**
Finance income	-	-	-	-	-	-	**2,756**	**0.0%**
Financial expense	-	6,707	-	-	-	6,707	**42,228**	**15.9%**

The other revenues and income refer to the provision of administrative services.
Costs for services to Dom 2000 S.p.A. refer to the variable component of rent expense.
The costs for services to other related parties refer to professional consultancy services carried out by the law and tax consulting firm Pirola, Pennuto Zei and Associati as a related party through members of the Senior Management.
Personnel costs refer to the emoluments and remuneration granted in any form and for any reason to the Senior Management, including members of the Parent Company's Board of Directors, and recorded in the financial statements in each of the two periods ended 31 December 2020 and 2019, including accruals and regardless of whether such costs have already been paid.
Finance expense to DOM 2000 S.p.A. refers to charges on finance leases arising from the application of the accounting standard IFRS 16 Leases.
The Parent Company is not subject to management and coordination.

14. Commitments, guarantees and contingent liabilities

14.1 Capex commitments

Commitments outstanding at 31 December 2020 for capex amounted to €82,862 thousand and were determined based on contracts and agreements entered into with the relevant local authorities net of capex already made at that date and liabilities already recorded in the financial statements.

14.2 Commitment for the purchase of goods

The Group did not enter into significant agreements for the future purchase of goods. Therefore, there are no commitments to this effect at 31 December 2020 and 31 December 2019.

14.3 Guarantees given

The guarantees given by the Esselunga Group amounted to €108,268 thousand at 31 December 2020, including bank guarantees of €108,212 thousand and insurance guarantees of €56 thousand.

14.4 Contingent liabilities and lawsuits

Margherita - Nordiconad - GD

The Court of Bologna, in a judgment handed down on 22 March 2016, rejected the claims brought by Margherita S.p.A., Nordiconad Soc Coop. and GD S.r.l. against Esselunga S.p.A. to ascertain alleged unfair competition practices consisting in the unjustified request for extension of commercial authorisations to carry out sales activity at the Esselunga store in Bologna, Via Guelfa.
By appeal lodged on 12 May 2016, the appellants challenged the aforementioned judgment before the Court of Appeal of Bologna and reiterated their claim for damages of €96 million.

After the hearing for clarification of the conclusions on 20 January 2020, the Court granted the parties the statutory period for filing the final submissions and the reply statements.
In a judgment of 23 June, published on 10 August, the Bologna Court of Appeal rejected the appeal in its entirety and ordered the other parties, Margherita - Nordiconad - GD, to pay Esselunga S.p.A. the costs of the appeal.

Fallimento Fimco S.p.A.
By a writ served on 14 December 2020, Fimco S.p.A. (in bankruptcy) sued Esselunga S.p.A., Orofin S.p.A., Immobiliare Torino 2018 S.r.l. (formerly Amteco & Maiora S.r.l.) before the Court of Bari to revoke, pursuant to Article 67, paragraph 1, number 1 (and subordinately 2) 66 L.F. and article 2901 of the Italian Civil Code, all the deeds whereby in September 2018 Esselunga (through the vehicle Torino 2018 S.r.l. subsequently merged into Orofin S.p.A.) acquired all the quota capital of Immobiliare Torino 2018 S.r.l. by purchasing the 50% share from Fimco S.p.A. and the remaining 50% share from Amteco S.p.A.

In particular, if the revocation action is upheld, Fimco S.p.A. (in bankruptcy) asks for a declaration of the invalidity of the acts with which the said transaction was finalised and, in particular, asks that the respondent be ordered to return the 50% share of the capital of the company Immobiliare Torino S.r.l. with the relative damages ordered.

The aim of Fimco (in bankruptcy) with the action is to obtain the revocation of the quota sale deed dated 13 September 2018 whereby Fimco sold to Torino 2018 S.r.l. the 50% share of the capital of the current Immobiliare Torino S.r.l., as well as all other acts between the latter company and Fimco S.p.A. in the context of the transaction.

The first hearing is scheduled for 11 May 2021.

At present, taking into account the information available and also considering the absolutely preliminary stage of the dispute, it is considered premature to make any type of judgement as to how the case might progress. In the opinion of the lawyers assisting the Company, there is insufficient information to express a judgement on the possible risk of losing the case.

Turin Bramante
The Council of State has ruled against the Municipality of Turin and Esselunga, upholding the appeal brought by S.S.C. Società Sviluppo Commerciale and Bramante S.p.A. against the judgment of the Piedmont Regional Administrative Court no. 1154 of 20 November 2019.
As a result of the Council of State's ruling, Esselunga has had to suspend work on the construction site for the superstore in Corso Bramante and the related urban infrastructure works.

The Council of State held that the conditions do not exist to apply art. 5, paragraph 9, of Legislative Decree no. 70 of 2011, converted into Law no. 106 of 2011, which allows for a so-called "exceptional planning permission". In particular, the Council of State held that for an exceptional planning permission to be granted – despite the existence of case law to the contrary – there would have to be (i) simultaneous improvement of the existing building stock and redevelopment of degraded urban areas and (ii) the building would have to fall within "degraded areas". According to the Council of State, the Municipality has shown the objective state of degradation of the huge building to be removed, but did not show the state of degradation of the area where the building is located.

Esselunga, noting that the ruling nevertheless provides for "the *full right of the Municipality to exercise its power to provide additional and exhaustive reasons for the presence of a 'degraded area'*", has asked the Municipality to take such action by renewing the technical survey, which shows the state of degradation of the area, and therefore to obtain a new exceptional planning permission.

Sixthcontinent Europe S.r.l.

Esselunga has received a letter of dispute from Sixthcontinent Europe ("Sixth") - a company that deals with the sale and placement of shopping vouchers with its users - as Esselunga would have allowed the conversion of Esselunga prepaid cards into Mastercard and / or other cards.

In the opinion of the lawyers appointed by the Company in a possible judgment that should be initiated by Sixth, the risk of losing Esselunga is remote.

15. Positions or transactions arising from atypical and/or unusual transactions

During the year ended 31 December 2020, no atypical and/or unusual transactions were carried out which, due to their nature, size, or effect, may affect the Group's assets, liabilities, equity, net result or cash flows.

16. Summary of public grants pursuant to article 1 of law 124/2017

We inform you that the obligations set out in the annual Market and Competition Law 124/2017 do not apply to the Esselunga Group, as the subsidies, contributions or other financial aid received fall within the scope of its activity and in any case refer to incentive measures addressed to all companies in general.

17 Remuneration of the Board of Statutory Auditors

The fees paid to the Board of Statutory Auditors for the year ended 31 December 2020 amounted to €102 thousand (€96 thousand in 2019).

18.Independent auditors' fees

Pursuant to the applicable legislation, the total fees for the 2020 financial year for auditing and non-audit services provided by PricewaterhouseCoopers S.p.A. and entities belonging to its network are shown below:

(thousands of Euros)	**Service provider**	**Recipient**	**Total fees**
Audit services	PricewaterhouseCoopers S.p.A.	Esselunga S.p.A.	823
		Subsidiaries	197
Non-audit services	PricewaterhouseCoopers S.p.A.	Esselunga S.p.A.	124
		Subsidiaries	39
	PricewaterhouseCoopers network	Esselunga S.p.A.	902
		Total	**2,085**

19.Significant events after the end of the financial year

Merger by incorporation of Immobiliare Torino 2018 S.r.l. into Esselunga S.p.A.

As part of the pursuit of the Group's strategies in 2021, the investee company Immobiliare Torino 2018 Srl will be sold by Orofin S.p.A. to Esselunga S.p.A.
On 5 February 2021, the Extraordinary Shareholders' Meetings of Immobiliare Torino 2018 S.r.l. and Esselunga S.p.A. approved the planned merger by incorporation of the Company into Esselunga S.p.A..
The transaction is part of the process of rationalising the Group's structure, which involves the real estate assets intended for the development of Esselunga-branded shops into Esselunga.

Merger by absorption of Supermarkets Italiani S.p.A. and Superit Finco S.p.A. into Esselunga S.p.A.

On 15 February 2021, the deed of merger of Supermarkets Italiani and Superit Finco into Esselunga S.p.A. was completed.

The Chairman
of the Board of Directors
Marina Sylvia Caprotti
(Ms Marina Sylvia Caprotti)

Report of the Board of Statutory Auditors

ESSELUNGA S.p.A. (Sole shareholder)
Registered office in Milan, Via Vittor Pisani 20
Share Capital €100,000,000 fully paid up
Tax Code and Milan Register of Companies no. 01255720169
Milan R.E.A. no. 1063068

REPORT OF THE BOARD OF STATUTORY AUDITORS ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31.12.2020

To the sole shareholder

The Consolidated Financial Statements of the Esselunga Group, as notified to us by the directors, have been drafted in accordance with the International Financial Reporting Standards (IFRS).

Pursuant to Legislative Decree No. 39 of 27 January 2010 and Article 41, paragraph 2 of Legislative Decree No. 127 of 9 April 1991, the task of verifying that the Consolidated Financial Statements comply with legal requirements and correspond to the accounting records and the consolidation entries is assigned to the Independent Auditors. Our supervisory activity was carried out in compliance with the principles of conduct of the Board of Statutory Auditors as issued by the Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili (National Council of Certified Accountants and Auditors) and concerned, in particular:

- verification of the existence and adequacy, within the Esselunga Group's organisational structure, of a function responsible for relations with subsidiaries and associated companies;
- examination of the Group's composition and shareholders, to assess the determination of the scope of consolidation and its change from the previous financial statements;
- obtaining information on the activities carried out by the subsidiaries and on intragroup transactions most significant in terms of financial and P&L impact.

Comments on the consolidated financial statements of the Esselunga Group.

- The consolidated financial statements of the Esselunga Group for the year ended 31 December 2020 reported a consolidated net profit of Euro 269,957,000; they consist of the consolidated statement of financial position, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flows, the statement of changes in consolidated equity and the notes to the consolidated financial statements for the year ended 31 December 2020.
- The Board of Directors has also prepared the management report pursuant to Article 2428 of the Italian Civil Code, including the non-financial report prepared pursuant to Legislative Decree 254/2016; pursuant to Article 40, paragraph 2-bis of Legislative Decree 127/91, the Company has exercised the option to present a single document for the management report of the separate financial statements and that of the consolidated financial statements, including the consolidated non-financial report.

The aforementioned documents were delivered to the Board of Statutory Auditors, which expressly waived the time limit provided for in Article 2429, first paragraph, of the Italian Civil Code, since the shareholders' meeting called to express its opinion on the financial statements has been convened for 26 March 2021. A similar waiver was made by the sole shareholder for the filing of the Board of Statutory Auditors' Report.

In compliance with legal obligations, the Board of Statutory Auditors makes the following remarks:

- on 25 March 2021, the Independent Auditors, who are responsible for the statutory audit, issued their report pursuant to Legislative Decree 39 of 27 January 2010, certifying that the consolidated financial statements of the Esselunga Group for the year ended 31 December 2020 give a true and fair view of the company's financial position and results of operations; the

Independent Auditors' report also expresses an opinion on the consistency of the management report with the consolidated financial statements at 31 December 2020;

- on 25 March 2021, the Independent Auditors provided the Board of Statutory Auditors with the additional report required by Article 11 of EU Regulation 537/2014;
- the scope of consolidation, the consolidation criteria and methodologies, as well as the measurement criteria adopted by the Directors, which are described in the Notes to the consolidated financial statements at 31 December 2020, are in accordance with the laws in force;
- the subsidiaries are consolidated using the line-by-line method; investments in associates are measured using the equity method;
- the Board of Statutory Auditors ascertained, through direct checks and information obtained from the heads of the various departments, the general compliance of the financial statements with the legal provisions in force as regards their formation and structure;
- the Board of Statutory Auditors was able to ascertain that the financial statements generally conform to the information gathered, the documents examined and the facts that came to its attention during the periodic audits and the interviews carried out;
- the Board of Statutory Auditors acknowledges that the Management Report, including the Non-Financial Report, prepared by the Directors provides a true, fair and comprehensive analysis of the company's affairs under all respects.

Trento, 25 March 2021

The Board of Statutory Auditors

Enzo Moggio

Marco Sabella

Stefano Angheben

Independent Auditors' Report

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Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

To the shareholder of Esselunga SpA

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Esselunga Group (the Group), which comprise the consolidated statement of financial position as of 31 December 2020, the consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2020, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of this report. We are independent of Esselunga SpA (the Company) pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

PricewaterhouseCoopers SpA

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Key Audit Matters	*Auditing procedures performed in response to key audit matters*
Measurement of real estate development projects and investment property *Note 12.1 "Property, plant and equipment" and note 12.2 "Investment property"* Real estate development projects primaly involve the construction of stores. Given the complexity of the applicable regulations and the timeframe needed to obtain approvals to build commercial properties, the completion of real estate development projects is a complex process that may last several years. Consequently, the Group may decide to dismiss certain ongoing development projects because it concludes they are too complex or too costly to complete, or it no longer considers them commercially strategic. In those circumstances, the components related to land and related development costs are reclassified in the line item 'Investment property' because they are held for rental income or for subsequent sale, and they are measured at cost. Also the area of land exceeding the portions occupied by the new stores is classified as 'Investment property'. On some of these areas the Group has built, or holds approvals to build, investment properties. The timeframe for obtaining construction approvals and the gradual contraction of the real estate market resulted in increased uncertainty about the ways of completion of projects and increased price volatility, with a consequent reduction of the number of comparable transactions that could be used for valuation purposes. This involves the need to make assumptions about the development of approval processes and future market developments, and the possibility that actual results may differ from estimates, which would entail adjustments, which could be	We examined and assessed the procedures adopted by the Group to measure real estate development projects and investment property; we understood and analysed the information flows between the Group and third party experts. We conducted our analysis also through detailed interviews of the personnel of the parent company Esselunga SpA involved in the measurement process. We carried out analysis to ascertain the independence, competence, skills and objectivity of third party experts engaged by the Group. We selected a sample of investment properties and we analysed the appraisals prepared by the experts engaged by the Group. We met and discussed with both the personnel of the parent company Esselunga SpA and third party experts engaged by the Group, to understand the criteria and valuation methods applied, and we performed a critical analysis of the methods and assumptions applied. We obtained the information and sources used by third party experts engaged by the Group and performed on a sample basis cross-checks, also comparing the technical information reported in the appraisals with the Group's technical information. With the support of independent experts engaged by us, whose competence, skills and objectivity we assessed, we retraced the valuations

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Key Audit Matters	*Auditing procedures performed in response to key audit matters*
significant, to the carrying amounts of financial statements line items. Investment property amounted to Euro 138 million as of 31 December 2020. Land held for real estate development projects where construction has not yet started amounted to Euro 139 million as of 31 December 2020 and is included in 'Property, plant and equipment'. A residual portion of this land could be used for construction of new investment properties. At least once a year, management of the parent company Esselunga SpA estimates the recoverable value, by determining the fair value less costs of disposal, of properties classified in 'Investment property' and of development projects that show indicators of risk, both for the purpose of impairment testing provided by IAS 36 "Impairment of assets" and to comply with the disclosure obligations of IAS 40 "Investment Property". The process of estimating the recoverable amount also includes the use of appraisals prepared by third party experts. Management's valuations include estimates, the most significant ones are applied rates to discount future cash flows, capitalisation rates, the rates of growth of rent and the selling prices of property. In relation to real estate development projects, other estimates involve development costs, risk premiums and the impact of specific circumstances, including regulatory matters, of the land being valued. Determining the recoverable amount of development projects and investment property was a key audit matter considering of the magnitude of the balances, the timeframe needed to obtain approvals to build, the gradual contraction of the real estate market and estimates by management, including the discount and capitalisation rates used in the related	performed by the experts engaged by the Group. Specifically, we performed a comparative analysis with previous valuations, where available, we considered the assumptions adopted in the appraisals based on available external market data and valuation best practice.

Key Audit Matters	*Auditing procedures performed in response to key audit matters*
valuation models.	
Trade agreements with suppliers *Note 13.2 "Net costs for goods and raw materials"* The Group has entered into trade agreements with suppliers under which it obtains volume rebates and allowances in exchange for promotional activities, such as for instance preferential product displays and distribution of advertising flyers in Group's stores. In accordance with IFRS, these allowances and rebates are recognised as a reduction of the purchase cost of the goods, included among 'Net costs for goods and raw materials' when the conditions for earning them, defined by the trade agreements with the individual suppliers, have been fulfilled at the reporting date or during the year if it is reasonably probable that they will be reached on annual basis. The conditions for earning the allowances and rebates are dependant upon the type of trade agreement: - Volume rebates are granted when contractually agreed sales volumes targets are met; - Allowances in exchange for promotional activities may be granted on different terms depending on the nature and timing of the service provided. The allowance is defined on the basis of generally written agreements with suppliers that specify the amount and timing of the service. In certain instances the allowance is fixed or variable based on sales volumes. As part of our audit of the consolidated financial statements as of 31 December 2020, the analysis	We understood and assessed the procedures adopted by the Group to manage and account for trade agreements with suppliers. We conducted detailed interviews of the personnel involved in the process and examined the controls implemented by the Group. We carried out procedures to verify the actual existence and effectiveness of controls over the process that we considered relevant, also using the support of experts belonging to the PwC network, in order to verify: - The existence of trade agreements and/or written communications with suppliers and/or internal evidence and the correct inout of contractual terms in the software used by the Company to calculate the trade allowances earned at the reporting date; - Data in the software used to calculate the trade allowances earned at the reporting date matched those recorded in the general ledger; - The reconciliation of allowances and rebates calculated by the software to the data in the general ledger, and the periodical analysis and clearance of any reconciling items; - The existence of documentary evidence supporting the promotional, marketing and advertising activities performed in the reporting period; - The amount of goods purchased, used as the basis for the calculation of volume rebates and promotional allowances by the Company, by obtaining written confirmations from individual suppliers. This audit procedure was performed for

Key Audit Matters	*Auditing procedures performed in response to key audit matters*
of rebates and allowances was a key audit matter due to the significance of the balance and its materiality relative to the Group's operating profit, and in consideration of the number and complexity of agreements with suppliers and the number of "out-of contract" allowances/rebates, typical of the Group's business, agreed during the year.	the Company's main suppliers. Furthermore, we obtained the trade agreements for a sample of suppliers and performed the following auditing procedures: - We met the procurement managers to obtain an appropriate understanding of certain contractual provisions; - We verified that received allowances were accurate and recorded in the correct period, in accordance with the accrual basis of accounting, by checking volume rebates earned and the documentary evidence supporting allowances recognised for promotional campaigns and marketing and advertising activities performed by the Group. For a sample of credit notes from suppliers that were received after the reporting date, we verified the existence and accuracy of the accruals posted by the Group in accordance with the accrual basis of accounting. For a sample of transactions included in invoices to be issued for services rendered by the Group we verified that the invoice had actually been issued for an amount corresponding to the related accrual and, if already collected, that the invoice had actually been collected or offset against the balance payable to the supplier.

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05 and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Group's ability to continue as a going concern and, in preparing the consolidated financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the consolidated financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate Esselunga SpA or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- We concluded on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report.

However, future events or conditions may cause the Group to cease to continue as a going concern;

- We evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion on the consolidated financial statements.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

Additional Disclosures required by Article 10 of Regulation (EU) No. 537/2014

On 26 September 2017, the shareholders of Esselunga SpA in general meeting engaged us to perform the statutory audit of the Company's and the consolidated financial statements for the years ending 31 December 2017 to 31 December 2025.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No. 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed in this report is consistent with the additional report to the board of statutory auditors, in its capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

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Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/98

The directors of Esselunga SpA are responsible for preparing a report on operations and a report on the corporate governance and ownership structure of the Esselunga Group as of 31 December 2020, including their consistency with the relevant consolidated financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, with the consolidated financial statements of the Esselunga Group as of 31 December 2020 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the consolidated financial statements of Esselunga Group as of 31 December 2020 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Statement in accordance with article 4 of Consob's Regulation implementing Legislative Decree No. 254 of 30 December 2016

The directors of Esselunga SpA are responsible for the preparation of the non-financial statement pursuant to Legislative Decree No. 254 of 30 December 2016.
We have verified that the directors approved the non-financial statement.

Pursuant to article 3, paragraph 10, of Legislative Decree No. 254 of 30 December 2016, the non-financial statement is the subject of a separate statement of compliance issued by ourselves.

Milan, 25 March 2021

PricewaterhouseCoopers SpA

Signed by

Andrea Rizzardi
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers

Company information

Giuliana Albera Caprotti	Honorary President

Board of Directors

Marina Sylvia Caprotti	Executive Chairman
Vincenzo Mariconda	Vice Chairman
Carlo Salza	Vice Chairman
Sami Kahale	Chief Executive Officer and General Manager
Carlo Gualdi	Director
Francesco Moncada	Director
Lorenzo Oliviero Piaget	Director
Francesco Paolo Tronca	Director
Stefano Tronconi	Director
Gabriele Villa	Director

Board of Statutory Auditors

Enzo Moggio	Chairman
Stefano Angheben	Regular auditor
Marco Sabella	Regular auditor
Franco Chesani	Alternate auditor
Claudio Clementel	Alternate auditor

Independent auditors

PricewaterhouseCoopers S.p.A.

Supervisory Body

Alessandro Cortesi	Chairman
Alberto Gaudio	Member
PierMario Barzaghi	Member