# Esselunga Group
# Consolidated Financial Statements
# as at 31 December 2021

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, Monza Brianza, Lodi Register of Companies No. 01255720169
Milan R.E.A. No. 1063068

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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, as at 31 December 2021, 168 stores located in Lombardy, Liguria, Veneto, Piedmont, Emilia Romagna, Tuscany and Lazio, and nine *laESSE* sales points.
In addition, the Group manages 105 Atlantic bars, 101 of which under the Atlantic brand and four under the *laESSE* brand, 44 selective beauty stores under the EsserBella/eb brand and 1 temporary store under the Elisenda brand.
The Group is also active in the real estate sector, researching, planning and implementing new initiatives that are instrumental to its business activities.

In 2021, the following new openings will take place:
- **27 January**: *laESSE* outlet in Corso XXII Marzo (Milan)
- **24 February**: *laESSE* outlet in Via Cola di Rienzo (Rome) with Atlantic bar
- **24 March**: Via Gasparotto store with Atlantic bar (Varese)
- **19 May**: store in Piazzale Arnoldo Mondadori with Atlantic bar (Mantua)
- **30 June**: re-opening of Viale Borri (Varese) store after partial refurbishment
- **7 July**: EsserBella beauty store in Corte Franca (Brescia)
- **21 July**: re-opening of the historic store in Viale Cassala with Atlantic bar (Milan)
- **21 July**: EsserBella beauty store in Stezzano (Bergamo)
- **28 July**: Livorno store with Atlantic bar and EsserBella beauty store
- **20 October**: EsserBella beauty store in Genoa
- **26 November**: temporary store dedicated to the Elisenda pastry line in Via Spadari (Milan)
- **15 December**: store with Atlantic bar in Vicenza
- **16 December**: *laESSE* outlet Corso Buenos Aires (Milan).

After the reporting date of these consolidated financial statements, the new opening of the shop in Fino Mornasco (Como) with Atlantic bar and EsserBella beauty store on 16 February 2022 is also noted.

In July 2021, the Company published its 2020 Sustainability Report.
The 2021 Sustainability Report will be published in 2022.

## Major events relating to the 2021 financial year

### Covid-19

At the time of writing, macroeconomic uncertainty related to the spread of Covid-19 and related variants remains.
For the staff of the Atlantic S.r.l. bars, the companies worst impacted by the closures and limitations of the lockdown, social safety nets were used.

### 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., this project had been previously approved by the Board of Directors on 12 November 2020.
The merger deed was signed on 15 February 2021, with legal effect from 1 March 2021 and accounting effect from 1 January 2021.
The Merger, announced in the press release of 21 March 2020, resulted in the rationalisation of the shareholding structure of the Esselunga Group.
As a result of the Merger, Esselunga acquired the debt incurred for the purchase of 30% of Supermarkets Italiani S.p.A.

### Repayment of the bridge to cash loan facility

In the context of the transaction for the acquisition of 30% of the capital of Supermarkets Italiani S.p.A. by Superit Finco S.p.A., whose closing took place on 23 April 2020, in March 2021 the Group paid the bridge-to-cash financing line worth €550 million.

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

As part of the pursuit of the Group's strategies in 2021, the investee company Immobiliare Torino 2018 Srl (the "Company") was sold by Orofin SpA 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 stores into Esselunga.
The Merger has no impact on these Consolidated Financial Statements as the transaction is under common control.

### Closing of the five-year Fìdaty campaign

The 'Fìdaty' campaign is the Group's institutional rewards event, through which customers with Loyalty Cards who shop in Esselunga, Atlantic, EsserBella, *laESSE* and Elisenda stores are awarded 'Fìdaty Points' that allow them to collect rewards from the catalogue (also with a cash contribution) or alternatively to use shopping vouchers.

The 2021 results were impacted by the closure of the five-year Fidaty Campaign, which began in 2016 and featured the fair value measurement of reward events required by international accounting standards.
Please note that with the closure of the Fidia Campaign 2016 - 2021, the new Fidia Campaign 2021 - 2026 began at the same time.
For more details, see the section on **Income statement results.**

## ‘Realignment’ by Legislative Decree No. 104 of 2020

Legislative Decree No. 104 of 2020 (the August Decree) introduced the possibility of realigning the tax value to the statutory value of tangible and intangible assets recognised in the financial statements at 31 December 2020.
This rule therefore allows for the tax recognition of amortisation and depreciation generated by the higher realigned values, eliminating the differences between the book value and the tax value.
The category of assets that the Group has decided to ‘realign’ is that of leases already redeemed and assets that have benefited from accelerated amortisation and depreciation in past years.
The impact of compliance with this legislation generated in an overall economic benefit of €64.7 million in this year and the need to restrict, under a tax suspension regime, a Shareholders’ Equity reserve for the amount corresponding to the realigned value of €262.4 million.

## 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:
  - **EBITDA**
  - **Operating profit**

- The statement of financial position shows:
  - **Net invested capital**
  - **Net Working Capital**
  - **Net financial position**

These amounts can be reconciled with the balances of the Consolidated Financial Statements as at 31 December 2021.
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; as a result, in some statements, the totals may differ slightly from the sum of the amounts they comprise.

Please note that as a result of the '**Merger by incorporation of Supermarkets Italiani S.p.A. and Superit Finco S.p.A. into Esselunga S.p.A.** the comparative balance sheet data as at 31 December 2020 are derived from the consolidated financial statements of the Superit Finco Group.

## Macroeconomic framework 2021 and operating performance

- In 2021, the **increase in GDP** was **6.5%** compared to 2020 (source: ISTAT), after a decrease of 8.9% in 2020.
- The **inflation rate** in 2021 was **1.9%** (negative 0.2% in 2020) (source: ISTAT).
- **Sales grew by 2.2%** to **€8,561.2 million**. **On like-for-like basis the Italian market, which also includes the *E-commerce*** segment, fell by 0.1% in 2021 (source: Nielsen).
- **Sales inflation** was minus 1.4%, while suppliers **increased their price lists** by 1.9%.
- **Discounts given to customers** exceeded **€1,576 million,** up by around €53 million compared to 2020. If we include all discounts given to customers (Fidaty Vouchers and CRM), the value amounts to more than **€1,746** million (+68 million on 2020). Accounting for 16.9% of sales
- The **relative attractiveness of sales prices was maintained** compared to the competition with 1.5 percentage points below the Trading Area average and 1.9 percentage points below the national market average (Source: NRPS *Nielsen*).
- On 18 November, Esselunga launched the "Il carovita sale e noi abbassiamo i prezzi" (cost of living goes up, our prices go down) campaign, not only to maintain the competitive gap against the competition, as analysed above, but also to provide additional support to consumers in the face of rising raw material prices that were already becoming apparent in the second half of the year.
- In 2021, the following new openings will take place:

| Date | Location | Shop Esselunga | Bar Atlantic | Beauty store EsserBella | Urban laEsse | Temp.Store Elisenda |
|---|---|---|---|---|---|---|
| 27-Jan | Milan, Corso XXII Marzo | | | | ✓ | |
| 24-Feb | Rome, Via Cola di Rienzo | | ✓ | | ✓ | |
| 24-Mar | Varese, Via Gasparotto | ✓ | ✓ | | | |
| 19-May | Mantua, Piazz.le Mondadori | ✓ | ✓ | | | |
| 30-Jun | Varese, Viale Borri (*) | ✓ | | | | |
| 07-Jul | Corte Franca, Via Roma | | | ✓ | | |
| 21-Jul | Stezzano, Via Guazzanica | | | ✓ | | |
| 21-Jul | Milan, Viale Cassala (*) | ✓ | ✓ | | | |
| 28-Jul | Livorno, Viale Petrarca | ✓ | ✓ | ✓ | | |
| 20-Oct | Genoa, Via Piave | | | ✓ | | |
| 26-Nov | Milan, Via Spadari | | | | | ✓ |
| 15-Dec | Vicenza, Strada Padana Sup. | ✓ | ✓ | | | |
| 16-Dec | Milan, C.so Buenos Aires | | | | ✓ | |
| | **Total** | **6** | **6** | **4** | **3** | **1** |

(*) reopening

- After the date of these consolidated financial statements, the shop in Fino Mornasco (Como) with Atlantic bar and EsserBella beauty store was opened in February 2022 is also noted.
- **Investments** amounted to €426.3 million.
- The **average workforce** was 25,410 people, an average increase of 716 compared to 2020.
- The **Net Financial Position** is negative at €1,717.3 million, an improvement of €102.8 million compared to 31 December 2020. The adjusted Net Financial Position (without the impact of operating leases) improved by €176.0 million compared to 31 December 2021 as detailed in the table below:

| **Net debt at end of period** *(millions of Euros)* | **31.12.2021** | **31.12.2020** | **Change** |
|---|---|---|---|
| **Net financial position** | **(1,717.3)** | **(1,820.1)** | **102.8** |
| Impact of operating leases (IFRS 16 Leases) | (476.5) | (403.2) | (73.2) |
| **Adjusted Net Financial Position** | **(1,240.8)** | **(1,416.9)** | **176.0** |

## 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:

| **Profit and Loss Account** *(millions of Euros)* | **2021** | | **2020** | |
|---|---|---|---|---|
| | **Amounts** | **%** | **Amounts** | **%** |
| **Total sales** | **8,561.2** | **+2.2%** | **8,373.7** | |
| Sales Adjustments | (64.4) | | (169.5) | |
| **Net revenue** | **8,496.7** | | **8,204.2** | |
| Net costs for goods and raw materials | (5,810.6) | | (5,600.8) | |
| Other operating costs, other revenues | (942.5) | | (876.7) | |
| Personnel costs | (1,053.9) | | (1,016.1) | |
| **EBITDA** | **689.7** | **8.1%** | **710.5** | **8.5%** |
| Amortisation and depreciation | (345.1) | | (314.7) | |
| Provisions, write-ups and write-downs of fixed assets | (22.6) | | (6.2) | |
| Capital gains/losses on non-current assets | 0.7 | | 1.5 | |
| **Operating profit** | **322.7** | **3.8%** | **391.1** | **4.7%** |
| Net financial income (expense) | (48.3) | | (49.3) | |
| Income (expenses) from equity investments | (0.3) | | 0.3 | |
| **Profit before taxes** | **274.0** | | **342.1** | |
| Income taxes | (7.5) | | (87.3) | |
| **Net result** | **266.5** | **3.1%** | **254.8** | **3.0%** |
| | | | | |
| Net profit (loss) attributable to the Group | 243.2 | | 222.0 | |
| Net profit (loss) attributable to minority interests | 23.3 | | 32.8 | |

**Sales** growth of **+2.2%** (+2.9% in 2020) contrasts with the performance of the Italian market, which, on a like-for-like basis, declined by 0.1% in 2021 (source Nielsen).
It should be noted that sales performance in both halves was also affected by the effects of Covid-19, which penalized the first 6 months of 2020, while the second half of 2020 benefited from fewer restrictions.
About to prices, Esselunga maintained its relative affordability with 1.5 percentage points below the Trading Area average and 1.9 percentage points below the national market average (Source: NRPS Nielsen) and continued to invest in promotional activities that in 2021 have made it possible to guarantee a discount to customers of €1,576 million, an increase of €53 million compared to 2020.

**EBITDA** amounted to **€689.7 million (8.1%)**, down from €710.5 million (8.5%) in 2020, and was positively affected by the impact of the closure of the five-year Fìdaty campaign and negatively by higher operating costs mainly related to the increase in sales in the e-commerce channel and contractual increases in the logistics-related sectors.

**Operating Profit** was **€322.7 million (3.8%)**, down from €391.1 million (4.7%) in 2020. In addition to the elements already mentioned for the Gross Operating Margin, Operating Profit was affected by higher depreciation related to new openings and higher property write-downs.

**Net financial income (expense)** amounted to **-€48.3 million**, substantially in line with the 2020 figure of -€49.3 million. Details are given below:

| **Net financial income (expenses)** *(millions of Euros)* | **2021** | **2020** |
|---|---|---|
| Bank interest income | 1.1 | 1.4 |
| Other financial income | 0.1 | 0.0 |
| **Finance income** | **1.2** | **1.4** |
| Financial charges on leasing contracts | (21.1) | (21.8) |
| Finance expense on bonds | (17.8) | (17.8) |
| Financial expense on acquisition facility | (10.0) | (10.2) |
| Other finance expenses | (0.5) | (0.9) |
| **Financial expense** | **(49.5)** | **(50.7)** |
| | | |
| **Net financial income (Expense)** | **(48.3)** | **(49.3)** |

Financial expense on bonds include interest expenses for the period and the amortised cost portion.

The financial expense on Acquisition facility include the interest expense for the period, the amortised cost portion and the accrual on Interest Rate Swap derivative financial instruments to hedge interest rate fluctuations.

Other financial expenses include the portion relating to the adjustment of the employee severance indemnities (TFR) in application of IAS 19 and other minor items.

**Income Taxes** amounted to **-€7.5 million and** included a total economic benefit of €64.7 million arising from the effects of the "Realignment" pursuant to Legislative Decree 104 of 2020 as described in the introduction to this Report. Please refer to the **notes to the consolidated financial statements** for an analysis of the impact of effective taxation on the Group's income

**Net Profit** amounted to €266.5 million (3.1%) compared to €254.8 million (3.0%) in 2020.

## Adjusted income statement results

In order to provide a more like-for-like and representative comparison of the operating performance of the 2021 financial year with the previous corresponding period, the adjusted income statement is shown below. The **adjusted EBITDA**, ***adjusted EBIT*** and ***adjusted Net Profit*** have been adjusted for the following impacts required by international accounting standards:

- fair value measurement of reward events (IFRS 15 - Revenue from Contracts with Customers);
- valuation of operating leases (IFRS 16 Leases*)*.

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

| **Adjusted profit and loss account** (*millions of Euros*) | **2021** | | **2020** | |
|---|---|---|---|---|
| | | % | | % |
| **Total sales** | **8,561.2** | **+2.2%** | **8,373.7** | |
| Sales Adjustments | (95.2) | | (147.9) | |
| **Net revenue** | **8,466.0** | | **8,225.8** | |
| Net costs for goods and raw materials | (5,810.6) | | (5,600.8) | |
| Other operating costs, other revenues, and prom. assets | (984.3) | | (910.8) | |
| Personnel costs | (1,053.9) | | (1,016.1) | |
| **Adjusted EBITDA** | **617.1** | **7.2%** | **698.1** | **8.3%** |
| Amortisation and depreciation | (311.9) | | (287.9) | |
| Provisions, write-ups and write-downs of fixed assets | (22.6) | | (6.2) | |
| Capital gains/losses on non-current assets | 0.5 | | (0.0) | |
| **Adjusted operating result** | **283.0** | **3.3%** | **403.9** | **4.8%** |
| Net financial income (expense) | (37.1) | | (38.5) | |
| Income (expenses) from equity investments | (0.3) | | 0.3 | |
| **Profit before taxes** | **245.6** | | **365.6** | |
| Income taxes | 0.5 | | (93.9) | |
| **Adjusted net income (expense)** | **246.0** | **2.9%** | **271.7** | **3.2%** |
| | | | | |
| Adjusted net profit (loss) attributable to the Group | 222.7 | | 238.9 | |
| Adjusted net profit (loss) attributable to minority interests | 23.3 | | 32.8 | |

The following table summarises the reconciliation between the balance sheet data and the adjusted data:

| **Balance Sheet Reconciliation and adjusted figures** *(million Euros)* | **2021** | % | **2020** | % |
|---|---|---|---|---|
| | | | | |
| **Total sales** | **8,561.2** | **2.2%** | **8,373.7** | |
| | | | | |
| **EBITDA** | **689.7** | **8.1%** | **710.5** | **8.5%** |
| Difference cost/fair value reward | (30.7) | | 21.6 | |
| Impact of operating leases (IFRS 16 Leases) | (41.8) | | (34.1) | |
| **Adjusted EBITDA** | **617.1** | **7.2%** | **698.1** | **8.3%** |
| | | | | |
| **Operating profit** | **322.7** | **3.8%** | **391.1** | **4.7%** |
| Difference cost/fair value reward | (30.7) | | 21.6 | |
| Impact of operating leases (IFRS 16 Leases) | (8.9) | | (8.8) | |
| **Adjusted operating result** | **283.0** | **3.3%** | **403.9** | **4.8%** |
| | | | | |
| **Net result** | **266.5** | **3.1%** | **254.8** | **3.0%** |
| Difference cost/fair value reward | (30.7) | | 21.6 | |
| Impact of operating leases (IFRS 16 Leases) | 2.3 | | 2.0 | |
| Income taxes | 8.0 | | (6.6) | |
| **Adjusted net income (expense)** | **246.0** | **2.9%** | **271.7** | **3.2%** |

## Statement of financial position and cash flow information

| **Reclassified statement of financial position** (millions of Euros) | **31.12.2021** | **31.12.2020** | **Change** |
|---|---|---|---|
| Property, plant and equipment | 4,879.7 | 4,703.8 | 175.9 |
| *of which ROU for IFRS 16 Leases* | *450.4* | *381.3* | *69.1* |
| Real estate investments | 126.1 | 137.7 | (11.6) |
| Intangible assets | 174.7 | 161.1 | 13.7 |
| Goodwill | 6.6 | 6.6 | - |
| Equity investments | 0.5 | 0.1 | 0.4 |
| Other non-current financial assets | 2.6 | 1.2 | 1.5 |
| **Fixed assets** | **5,190.3** | **5,010.5** | **179.8** |
| **Other non-current assets and liabilities** | **23.6** | **7.6** | **16.0** |
| **Net working capital** | **(1,139.4)** | **(1,113.6)** | **(25.8)** |
| **Provision for employee severance indemnity (T.F.R.) and provisions for risks and charges** | **(135.3)** | **(127.7)** | **(7.6)** |
| Net invested capital | 3,939.3 | 3,776.9 | 162.4 |

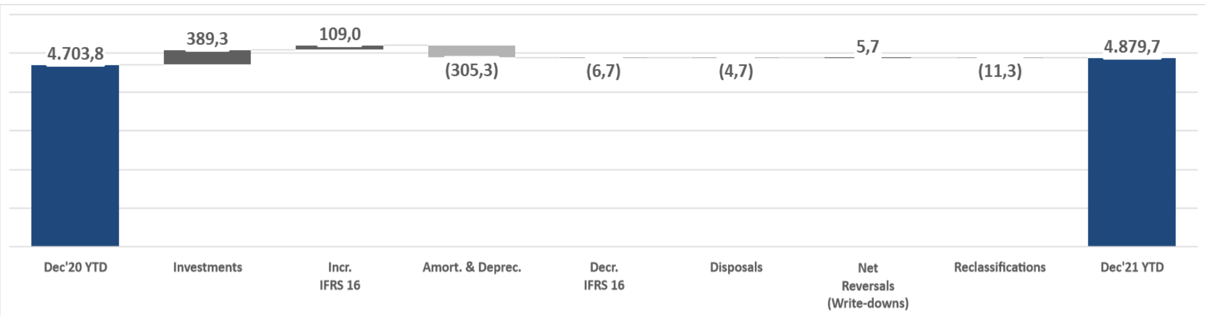
| | | | |
|---|---|---|---|
| **Equity attributable to owners of the parent** | **2,222.0** | **1,956.8** | **265.2** |
| **Net financial position** | **1,717.3** | **1,820.1** | **(102.8)** |
| *of which payable for IFRS 16 Leases* | *476.5* | *403.2* | *73.2* |
| Own funds and financial liabilities | 3,939.3 | 3,776.9 | 162.4 |

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 2021 amounted to €426.3 million, of which €389.3 million were in property, plant and equipment, €36.1 million in intangible assets and €0.9 million in real estate investments.
The increases concerning the right of use in application of IFRS 16 Leases in 2021 amounted to €109 million.

## Fixed assets

### Property, plant and equipment

The increase of €175.9 million is detailed in the movements below:

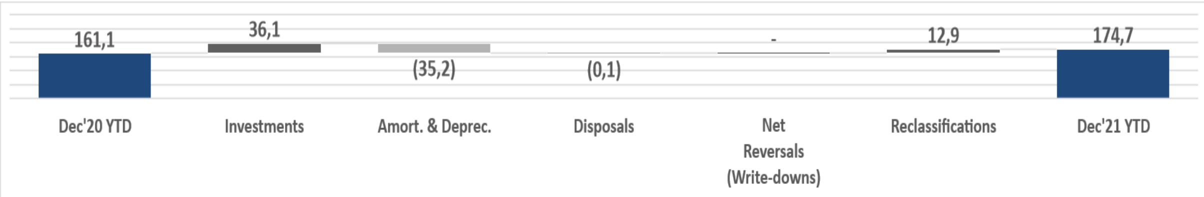


The acquisitions of Property, plant and equipment of €389.3 million refer to the following activities:

- €93.6 million for the set up of the new stores opened in 2021;
- construction of the new "*laESSE*" local shops and the Elisenda Temporary Store opened during 2021 (€5 million);
- work on the logistics network (€27.5 million);
- €93.4 million for the purchase, modernisation and maintenance of the logistic hubs and the headquarters;
- €74.1 million for the modernisation and maintenance of existing stores;
- €95.7 million for the purchase and development of areas dedicated to the opening of new stores.

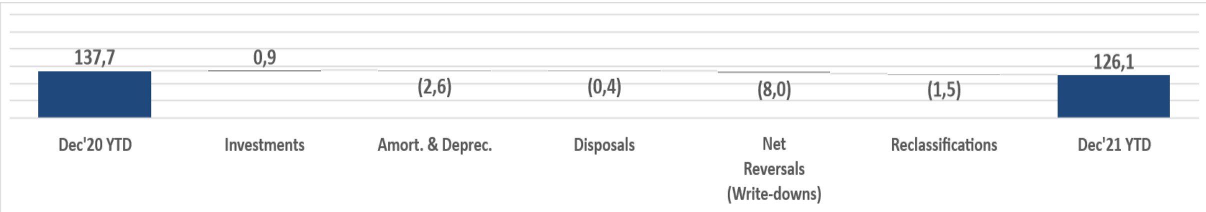
## Real estate investments

The item real estate investments refer to land or buildings that are not intended for use in the Group's ordinary activities. The decrease of €11.6 million is detailed in the movements below:




## Intangible assets

The increase of €13.7 million is detailed in the movements below:




## Other non-current financial assets

They relate to medium- to long-term financial investments.

## **Other non-current assets and liabilities**

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

| **Other non-current assets and liabilities**<br>*(millions of Euros)* | **31.12.2021** | **31.12.2020** | **Change** |
|---|---|---|---|
| Net deferred tax assets and liabilities | 62.1 | (12.3) | 74.4 |
| Non-current deferred revenue for reward events | (52.4) | - | (52.4) |
| Other non-current assets (liabilities) | 14.0 | 19.9 | (5.9) |
| **Total** | **23.6** | **7.6** | **16.0** |

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 recognised in the income statement.
The change compared to 31 December 2020 is due to the effects noted in the paragraph **"Realignment" by Decree Law 104 of 2020**.
The item 'deferred revenue for reward events (non-current portion)' refers to the fair value of rewards that are estimated to be redeemed by customers after 12 months from the reporting date. as at 31 December 2021, the value refers to the non-current portion attributable to the new five-year Fìdaty Campaign.
The item other non-current assets (liabilities) as at 31 December 2021 mainly refers to tax credits for VAT for which a refund request has been submitted.

## Net Working Capital

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

| **Net Working Capital** (*millions of Euros*) | **31.12.2021** | **31.12.2020** | **Change** |
|---|---|---|---|
| Inventories | 477.1 | 436.7 | 40.3 |
| Trade receivables | 301.8 | 421.7 | (119.9) |
| Trade payables | (1,645.6) | (1,564.2) | (81.5) |
| Payables to employees | (88.1) | (87.2) | (0.9) |
| Current deferred revenue for reward events | (75.3) | (215.5) | 140.2 |
| Payables to social security institutions <12 | (63.7) | (58.8) | (4.9) |
| Payables to customers for prepaid cards | (48.4) | (44.7) | (3.7) |
| Current tax payables | (25.9) | (23.1) | (2.8) |
| Other current liabilities | (18.4) | (10.9) | (7.4) |
| Receivables (Payables) for direct taxes | 24.8 | (11.2) | 36.0 |
| Receivables (Payables) for indirect taxes | (2.4) | 19.6 | (21.9) |
| Other receivables | 24.7 | 24.0 | 0.7 |
| **Total** | **(1,139.4)** | **(1,113.6)** | **(25.8)** |

## Net Working Capital

The increase in inventories is due to the opening of the new warehouse in Chiari (Brescia) and the new shops, as well as to a decrease in the provision for impairment.
The change in trade receivables and payables is to be read together because of the commercial relationship that contractually provides for financial compensation and is a consequence of more careful management.
Payables to staff mainly include the accrual of the 14th month, holidays, leave and related social security charges.
Current deferred revenue for reward events represents the fair value of rewards that are expected to be earned within twelve months after the balance sheet date. The valuation reflects the strong impact related to the closure of the five-year Fìdaty Campaign (2016 - 2021) which resulted in a significant release of this liability against the use of award points.
Current tax payables mainly include IRPEF (€18.1 million) and TARI (€2.6 million).

Direct tax receivables (payables) include the recognition of the tax liability for the period, net of the receivable resulting from the advance payments made in June and December.
Receivables (payables) for indirect taxes refer to the VAT position with 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 period.

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

The provision for severance indemnities decreased by €4.8 million mainly due to the settlements during the year.
Provisions for risks and charges:

- increased by €29.8 million for provisions for the year, mainly due to risks related to certain initiatives in the real estate sector;
- decreased by €17.4 million due to use and releases.

## Shareholders' Equity

The increase of €265.2 million is mainly due to the following impacts:

- recognition of profit for the year (+€266.5 million);
- decrease for distribution of dividends to UniCredit, Minority Shareholder of La Villata S.p.A., for -€16.0 million;
- increase due to adjustment of the cash flow hedge reserve (+€15.9 million);
- decrease due to the recognition of actuarial losses on employee severance indemnities net of the related tax effect (€1.2 million).

## Net financial position

The Net Financial Position including liabilities for operating leases as at 31 December 2021 showed debt of €1,717.3 million, a significant improvement (+€102.8 million) on the figure recorded as at 31 December 2020.
The aforementioned improvement is mainly due to the positive flow from operations of approximately €698 million in line with the previous year, which supported the following flows:

- -€122.4 million for tax payments (in 2020 -€61.5 million);
- -€548.7 million for investment activities (in 2020 -€394.4 million;
- -€30.8 million for financial management (in 2020 -€55.7 million);
- -€16.0 million related to the payment of dividends to UniCredit, a minority shareholder of La Villata S.p.A. (-€15 million in 2020).

In order to ensure better comparability of data, especially those regarding loan 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)* | **2021** | **2020** |
|---|---|---|
| **Net Financial Position at beginning of period** | **(1,820.1)** | **(777.5)** |
| Cash flow from operating activities | 698.3 | 717.6 |
| Cash flow used in investing activities | (548.7) | (394.4) |
| Cash flow used in financing activities | (30.8) | (55.7) |
| Dividends distributed | (16.0) | (15.0) |
| Capital flow | - | (1,295.0) |
| *Acquisition of 30% Supermarkets Italiani S.p.A.* | - | *(1,830.0)* |
| *Sale 32.5% La Villata S.p.A.* | - | *435.0* |
| *Capital increase* | - | *100.0* |
| **Total net cash flow for the period** | **102.8** | **(1,042.6)** |
| **Net Financial Position at end of period** | **(1,717.3)** | **(1,820.1)** |

Cash flow from investment activities also includes the right of use (ROU *Right of Use*) related to the application of IFRS 16 *Leases*.

The following table shows the due dates of financial receivables and payables:

| *(thousands of Euros)* | **31.12.2021** | | | | |
|---|---|---|---|---|---|
| | **Up to 1 year** | **Between 1 and 2 years** | **Between 2 and 5 years** | **Over 5 years** | **Total** |
| Fair Value Derivative | (0.5) | - | - | 4.3 | **3.8** |
| Bonds | (2.6) | (496.4) | - | (492.9) | **(991.9)** |
| Medium-long term bank loans | (1.4) | - | - | (762.6) | **(764.0)** |
| Current and non-current financial payables (leases) | (28.9) | (29.5) | (71.3) | (169.5) | **(299.1)** |
| Payable IFRS 16 Leases | (35.9) | (30.8) | (89.1) | (320.7) | **(476.5)** |
| Loans payable to parent companies | (5.0) | - | - | - | **(5.0)** |
| **Total** | **(73.8)** | **(556.7)** | **(160.3)** | **(1,745.7)** | **(2,536.7)** |

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)* | **2021** | **2020** |
|---|---|---|
| Operating profit | 322.7 | 391.1 |
| Invested Capital (average) | 3,858.1 | 3,789.0 |
| **ROI** | **8.4%** | **10.3%** |

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.
The leverage and coverage ratios are shown in the table below.

| ***Leverage and Coverage*** *(millions of Euros)* | **31.12.2021** | **31.12.2020** |
|---|---|---|
| Net financial position | (1,717.3) | (1,820.1) |
| EBITDA | 689.7 | 710.5 |
| ***Leverage*** | **2.5** | **2.6** |
| EBITDA | 689.7 | 710.5 |
| Net financial expense | (48.3) | (49.3) |
| ***Coverage*** | **14.3** | **14.4** |

## 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.
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 as at 31 December 2021 is the book value of the financial assets reported in the financial statements, as shown in the table below:

| *(millions of Euros)* | **31.12.2021** | **31.12.2020** | **Change** |
|---|---|---|---|
| Other non-current financial assets | 7.4 | 1.7 | 5.8 |
| Other non-current assets | 15.7 | 23.8 | (8.1) |
| Trade receivables | 361.7 | 477.9 | (116.2) |
| Current tax receivables | 30.5 | 0.9 | 29.6 |
| Other current assets | 39.2 | 83.7 | (44.5) |
| Other current financial assets | 3.5 | 3.6 | (0.1) |
| **Total gross amount** | **458.0** | **591.6** | **(133.7)** |
| Provision for doubtful receivables | (3.8) | (3.9) | 0.1 |
| **Total net amount** | **454.2** | **587.9** | **(133.7)** |

Other non-current financial assets include the positive fair value of the Interest Rate Swap derivative financial instrument, to hedge the risk of fluctuation of the variable rate related to the loan signed for the acquisition of 30% of Supermarkets Italiani S.p.A. and participation in a real estate investment fund.

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 €8.1 million mainly relates to the collection of a VAT refund claim for previous years. The Group is taking steps to collect these receivables.

About trade receivables, there is no appreciable concentration of credit risk.

Current tax receivables refer to IRES receivable from the parent company Superit S.r.l. (Supermarkets Italiani S.p.A. as of 31/12/2020) 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.

The following table provides the breakdown of receivables as at 31 December 2021 by category and by number of days past due:

| | 31.12.2021 | | | | | |
|---|---|---|---|---|---|---|
| *(thousands of Euros)* | **Not yet due** | **Days past due** | | | | |
| | | **0 - 30** | **31 - 60** | **61 - 90** | **> 90** | **Total** |
| Other non-current financial assets | - | - | - | - | 7.4 | 7.4 |
| Other non-current assets | 15.7 | - | - | - | - | 15.7 |
| Trade receivables | 220.2 | 103.1 | 28.9 | 6.5 | 3.0 | 361.7 |
| Current tax receivables | 30.5 | - | - | - | - | 30.5 |
| Other current assets | 36.4 | - | - | - | 2.8 | 39.2 |
| Other current financial assets | 3.5 | - | - | - | - | 3.5 |
| **Total gross amount** | **306.2** | **103.1** | **28.9** | **6.5** | **13.2** | **458.0** |
| Provision for doubtful receivables | - | - | - | - | (3.8) | (3.8) |
| **Total net amount** | **306.2** | **103.1** | **28.9** | **6.5** | **9.5** | **454.2** |

Past due receivables as at 31 December 2021 amounted to a total of €151.8 million, while the allowance for doubtful receivables is estimated at €3.8 million.
Please note that overdue receivables mainly refer to promotional services provided to our suppliers, which will be collected or offset in 2022.

### 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 optimize cash flows. There are no cash pooling agreements in place.
Please note that on 3 August 2017, the Company had 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. On 3 August 2021, the company entered

into three new contracts in advance for three new credit lines to replace the existing ones expiring in August 2026. As at 31 December 2021, these credit lines were unused. The following table provides a breakdown of liabilities by maturity as at 31 December 2021. The maturity ranges are determined based on the year between the reporting date and the contractual maturity of the obligations including accrued interest as at 31 December. Interest was calculated based on the contractual terms of the loans:

| *(thousands of Euros)* | 31.12.2021 | | | | |
|---|---|---|---|---|---|
| | **Less than 1 year** | **Between 1 and 2 years** | **Between 2 and 5 years** | **Over 5 years** | **Total** |
| Bonds | 13.8 | 513.8 | 28.2 | 509.4 | 1,065.0 |
| Medium-long term bank loans | 8.9 | 7.5 | 22.7 | 772.6 | 811.7 |
| Finance lease payables (current and non-current) | 38.4 | 37.9 | 91.1 | 190.5 | 357.9 |
| Payable IFRS 16 Leases | 47.3 | 41.5 | 117.2 | 391.4 | 597.4 |
| Other non-current liabilities | - | - | - | 1.7 | 1.7 |
| Trade payables | 1,645.6 | - | - | - | 1,645.6 |
| Current tax payables | 5.7 | - | - | - | 5.7 |
| Other current liabilities | 258.4 | - | - | - | 258.4 |
| **Total** | **2,018.1** | **600.7** | **259.1** | **1,865.7** | **4,743.6** |

## 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 is represented by bond issues, finance leases and acquisition facility loans taken out for the acquisition of 30% of Supermarkets Italiani S.p.A.
  Financial payables at variable interest rates as of 31 December 2021 are equal to 11% of the total, considering that the Group has derivative financial instruments of an "Interest rate Swap" nature, to hedge the risk of fluctuation of the variable interest rate related to the loan taken out for the acquisition of 30% of Supermarkets Italiani S.p.A.

## 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* as at 31 December 2021 and 31 December 2020 is presented in the table below and compares the Net Financial Position and the Net Invested Capital to represent the financial strength of the Company and their use of third-party funds. The 2021 index shows that 56.4% of the net invested capital is financed by own funds.

| *(thousands of Euros)* | **31.12.2021** | **31.12.2020** |
|---|---|---|
| Cash and cash equivalents | 756.4 | 1,170.6 |
| Financial receivables | 1.4 | 1.7 |
| Receivables from Fìdaty Oro payment card users | 61.5 | 57.6 |
| Non-current financial assets (positive fair value interest rate swaps) | 4.3 | - |
| Current and non-current financial liabilities | (2,540.9) | (3,050.0) |
| **Net financial position** | (1,717.3) | (1,820.1) |
| | | |
| **Shareholders' Equity** | **2,222.0** | **1,956.8** |
| **Net invested capital** | **3,939.3** | **3,776.9** |
| | | |
| ***Gearing ratio*** | **43.6%** | **48.2%** |

## 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

Concerning the 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.

## Group profile

In Milan, in 1957, the first Italian supermarket opened in Viale Regina Giovanna, thanks to the initiative of Nelson Rockefeller, an American financier and politician, and some Italian entrepreneurs, including Bernardo Caprotti. This was the beginning of Esselunga's history. With a network of 168 supermarkets and superstores and nine *laESSE* neighbourhood stores located in northern and central Italy as at 31 December 2021, it is now one of the leading chains in the large-scale retail sector. With its factories and processing centres in Limito di Pioltello, Biandrate and Parma, Esselunga has over time become a true food company, committed to producing food products under its own brand name. The business model was developed in line with certain fundamental values that guide the Company in providing a daily shopping experience that meets customers' needs. It intercepts and anticipates their requirements by offering products of absolute excellence and freshness, with top-quality services, at the most competitive prices, both in the e-commerce channel and in traditional stores.

Esselunga has supplemented its *food* offering by opening Bar Atlantic in many of its stores. As of 31 December 2021, the 105 Atlantic Bars are well established on the catering scene and among the first in Italy in their sector. The Atlantic Bars offer a full catering service: breakfasts, lunches and aperitifs, with recipes based on selected ingredients sourced directly from Esselunga supermarkets. Due to the Covid-19 emergency, Bar Atlantic's operations continued to contract in 2021 and the expansion programme was necessarily revised.

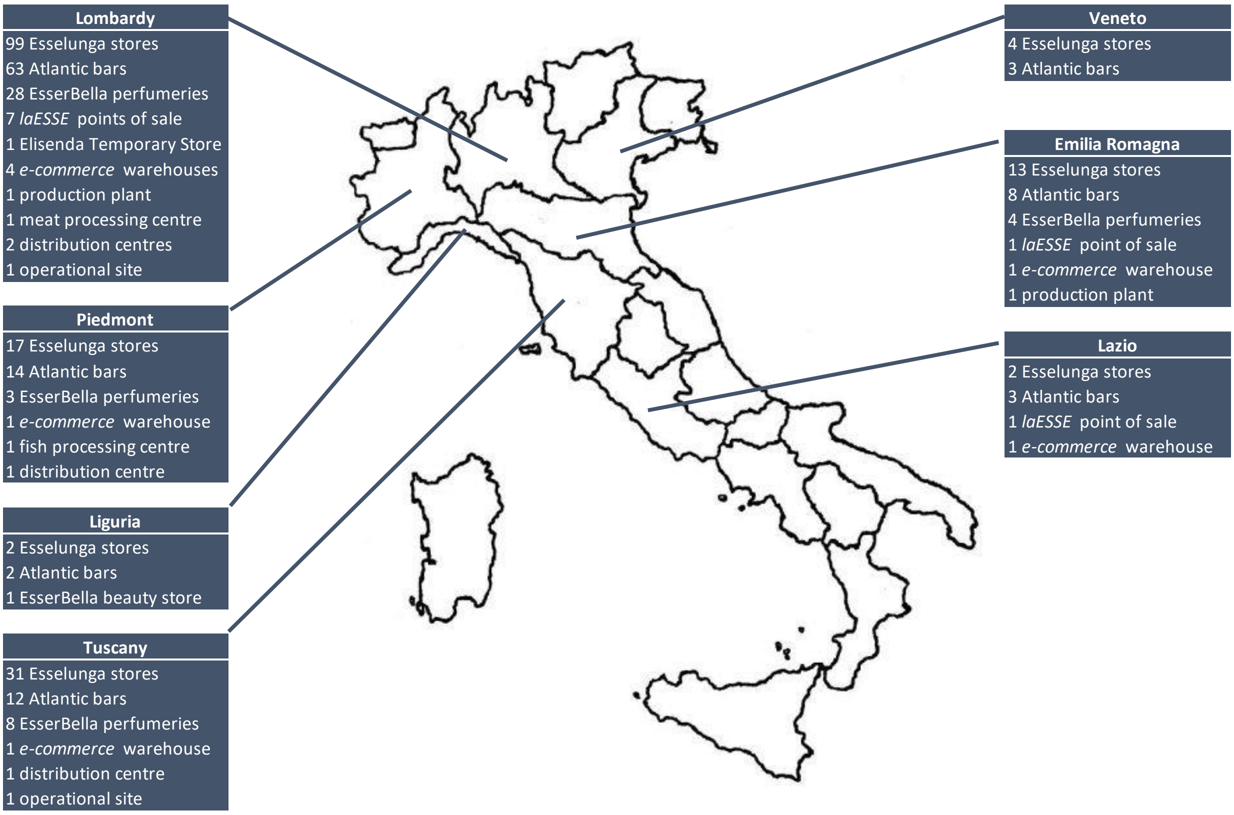
Founded in 2002 under the name Olimpia Beauté, the EsserBella chain has 44 perfumeries as of 31 December 2021 located inside some of the Esselunga shopping centres in Lombardy, Piedmont, Emilia-Romagna and Tuscany. Face and body care products, the most prestigious make-up brands and trendy fragrances are sold in these exclusive perfumeries, which, with over 11,500 items, can satisfy even the most sophisticated customers. EsserBella has also renewed its format, becoming a real beauty centre. The newly designed stores offer, in addition to high-quality services, five beauty studios: skin, hair, nail, eyebrows and make-up.

*laESSE* is the innovative shopping experience from Esselunga. The format consists of:
- a supermarket for everyday shopping with more than 3,400 products for quick and easy shopping;
- the locker service for collecting your online shopping with over 15,000 items available for a complete shopping experience.

In some cases there is also a café with an open kitchen where it is possible to eat freshly prepared meals, try Elisenda pastry products and use the co-working S.p.A.ces.

## Geographical areas of activity as at 31 December 2021

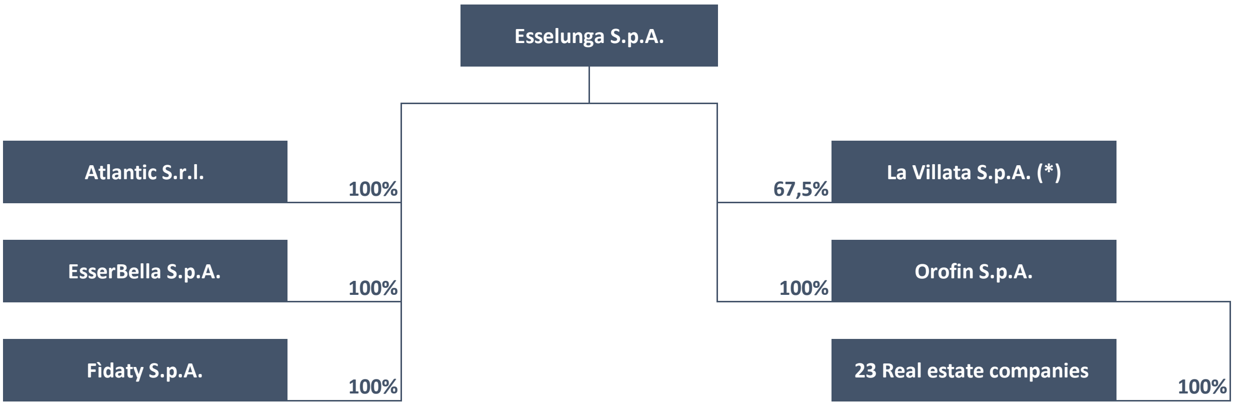
The geographical breakdown of activities is as follows. Please note that the Group is also engaged in the e-commerce sector through its home delivery service in a number of different Italian provinces.



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** | Limito di Pioltello (Milano), via Giambologna No. 1<br>Sesto Fiorentino (Florence), Via Tevere No. 3 |
| **Logistics centres and factories** | |
| | Limito di Pioltello (Milano), via Giambologna No. 1<br>Biandrate (Novara), Strada prov. per Recetto No. 580<br>Sesto Fiorentino (Florence), Via Tevere No. 3<br>Campi di Bisenzio (FI), Via delle Cicogne 7<br>Chiari (Brescia), via Sam Quilleri n.1<br>Parma, Via della Cooperazione 25/A |

## Scope of consolidation as at 31 December 2021




(*) The remaining 32.5% is owned by UniCredit

## Business Model

Esselunga's organisation stands out for its strong centralisation of procurement, production and logistics activities, which enable it to ensure the freshness and quality of the products delivered every day to its stores and e-commerce warehouses. The development and planning of promotional policies, as well as communication and marketing initiatives, is carried out through a continuous and rigorous analysis of the market, in relation to the customer's purchasing power, his references and the demand for specific services. Sales are managed in a multi-channel approach to meet the needs of all customers. The Commercial and Quality Assurance departments periodically inspect the production facilities of suppliers of fresh and Esselunga-branded products. Subsequently, the Logistics Department organises and optimizes the system of supplying the stores from the production plants and the processing and distribution centres. The contact with the customer is strengthened by the loyalty programme, which attracts and retains the customer through specific initiatives and additional services.

**Suppliers of finished products**

The logistical flow of supply from suppliers takes into account sales forecasts, the assurance of minimum stocks and available space, with some differences depending on whether the products are fresh (e.g. fruit, vegetables, meat, fish, dairy products, cold cuts and cheese) or packaged: in the first case orders and deliveries are daily, while in the second case frequencies are lower and deliveries are by appointment.

**Production plants and processing centres**

**Limito di Pioltello**
The company has rationalised production by concentrating it in plants equipped with advanced technology, improving efficiency in the use of resources and carrying out strict food safety controls.

**Parma**
Production plant for fresh and filled pasta, semolina pasta, dry pastry and all bakery products.

**Biandrate**
Fish Processing Centre for the processing of fresh fish products and the preparation of sushi and ready meals.

**Distribution Centres - Logistics**

Following the manufacturing process, the finished products are checked and transported from the production sites to the Distribution Centre. To maintain the values of craftsmanship and freshness even at these stages, the food is always prepared and transported according to the daily supply requirements of the individual shops and e-commerce warehouses, thus ensuring the highest nutritional and quality levels are maintained and allowing significant reductions in food waste.

**Daily supplies**
Centralised logistics ensure daily supplies to the shops thanks to the strategic location of four state-of-the-art Distribution Centres at Limito di Pioltello, Biandrate, Sesto Fiorentino/Campi Bisenzio and Chiari. All the Distribution Centres, except for Campi Bisenzio and Chiari, and the Parma plant have automated warehouses, operating 24/7. The geographic location of the Distribution Centre makes it possible to cover all the shops in a capillary manner and ensure the rapid supply of the same. The shops execute orders for all product categories daily, also with the help of forecast systems for reordering individual references.

## Shops

Over the years, the Supermarket has expanded its range of products and services to include non-food items such as beauty store and beauty products, newspapers and books, toys, stationery, underwear, flowers and a photo development service. The stores contain production and processing departments, such as the delicatessen, where Esselunga specialists prepare some of the ready-made dishes with selected ingredients according to the most traditional recipes.
In addition to the delicatessen, which is present in 163 stores with counters (161 traditional stores and 2 *laESSE)* and in 13 stores without (8 traditional stores and 5 *laESSE)*, the sales network includes: 137 bakery departments, 168 meat departments, which carry out the processing and packaging stages, and 117 fishmongers, which offer fresh fish, sushi produced in the Biandrate Fish Processing Centre and a wide range of ready-to-cook products.

The offer was further expanded with the introduction of the Elisenda confectioners in 115 stores (110 traditional stores and five *LaESSE*) and in the new temporary store in Milan Via Spadari and the parapharmacy in 34 stores.

### *E-commerce*

Esselunga's e-commerce service has been in operation since 2001.
The e-commerce assortment consists of thousands of items including fresh products such as fruit, vegetables, meat, fish, dairy products and delicatessen products. They are packed a few hours before delivery and travel in refrigerated vehicles with different temperatures (for frozen and fresh) to ensure that the cold chain is strictly adhered to.
Customers of the e-commerce service, in addition to taking advantage of all the discounts available in traditional Esselunga stores, can choose from a wide range of dedicated promotions, such as reductions on delivery charges and free gifts linked to the purchase of particular products.
Esselunga's online shopping service covers 47 provinces and seven regions (Lombardy, Veneto, Emilia-Romagna, Tuscany, Piedmont, Liguria and Lazio).

## 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.
At the Parma production facilities, fresh pasta, including filled pasta, semolina pasta, pastry and bakery products are produced daily under private label. These product lines are inspired by a 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, 116 stores stock such pastries (110 Esselunga, 5 *laESSE and 1* Elisenda).

## 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 2021, 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 referring to 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, number 6 bis of the Italian Civil Code, it is certified that the Esselunga Group holds derivative financial instruments of an 'Interest rate Swap' nature, to hedge the risk of fluctuations in the variable rate relating to the loan taken out for the acquisition of 30% of Supermarkets Italiani S.p.A.

## 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. During 2021, the Code of Ethics and Conduct was updated and, by resolution of the Board of Directors of 26 March 2021, was made an autonomous document with respect to the Model itself.
The Esselunga Model establishes control measures that are implemented in the relevant corporate procedures.
Esselunga S.p.A. updated its Organisation, Management and Control Model with a resolution dated 26 March 2021. 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 May 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 2021, 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 about the functioning and the overall system of controls, highlighting potential areas for improvement.
as at 31 December 2021, the Internal Audit function had a workforce of seven.
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.

By a judgment dated 23 June 2021, the Bologna Court of Appeal rejected the appeal in its entirety and ordered the parties Margherita - Nordiconad - GD to pay the costs of the appeal in favour of Esselunga S.p.A.
The decision was not challenged within the legal time limits and therefore became final.

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 share capital of Immobiliare Torino 2018 S.r.l. by purchasing 50% of shareholding from Fimco S.p.A. and the remaining 50% from Amteco S.p.A.
The lawyers assisting the Company confirm that there are currently insufficient elements to express an opinion on the possible risk of losing the case.
The next hearing is scheduled for June 2022.

Turin Bramante

On 22 December 2020, published on 15 February 2021, the Council of State 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 suspended 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 are not such as 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'.
The administration then revised the technical investigation and issued a new building permit in derogation.
GS S.p.A. and Bramante S.p.A. again challenged the administrative acts before the Piedmont Regional Administrative Court.
In the meantime, site activities were resumed to complete the works.
As at 31 December 2021, the case is pending the setting of a hearing.

Sixthcontinent Factory S.r.l.

Almost a year after receiving the warning letter from Sixthcontinent Europe (now Sixthcontinent Factory S.r.l.), Esselunga received a new warning letter in which Sixthcontinent reiterates the same complaints it made last year. In the opinion of the lawyers appointed by the Company, the risk of Esselunga losing the case is remote.

## Significant events after the end of the period

Since the second half of 2021, there has been a gradual rise in inflation driven by increases in the cost of commodities, including food.
Esselunga, faced with requests to increase its food price lists, has launched a price reduction campaign on over 1,500 of its most popular items to boost its customers' purchasing power.
This operation, which demonstrates a strong consumer focus, has continued this year with the new campaign "Even when prices rise, our prices are unbeatable".
The outbreak of the conflict between Russia and Ukraine led to a further inflationary flare-up affecting all commodities across the board, as well as causing fears among the population likely to have a negative impact on consumption.

# Consolidated non-financial report

## Table of 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 anti-corruption topics 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 are reported[4].

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 2.2 "Materiality analysis".

In addition, starting from the year ended 31/12/2021, Esselunga conducted an initial adjustment exercise to the requirements of the European Taxonomy, in line with the requirements of Art. 8 of EU Reg 2020/852. These are intended to provide investors and the market with a comprehensive view of the economic activities implemented by Esselunga to align with the targets set by the European Union in relation to climate change mitigation and adaptation. The information can be found in section 2.6[5].

[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 Standards 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 may significantly influence stakeholders' decisions and opinions and have a significant impact on the Group's performance.
[5] It should be noted that the limited assurance activity carried out by the auditor excluded the information in the above paragraph.

## 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[6], of material significance within the scope of the Decree's[7] provisions. The main economic, social and environmental results achieved by the Group and described in this document are from 2021 (from 1 January to 31 December). Any exceptions to the reporting boundary are specified as necessary in this NFR.

## 1.3 Reporting process

The preparation of Esselunga Group's NFR for 2021 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. Esselunga Group

## 2.1 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 the main drivers of its 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.**

Stakeholders: identification and involvement[8]

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

[6]GRI Standard 102-46 Defining report content and topic boundaries. This NFR is the third year of reporting pursuant to Legislative Decree 254/2016.

[7] 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.

[8] GRI Standard 102-42 Process of identification and selection of stakeholders to involve.

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[9] | Listening and engagement approach[10] |
|---|---|
| **Customers** | • Structured and widespread customer relationship management (CRM) systems, from individual shops to online platforms and customer service<br>• Market surveys on: general customer satisfaction (conducted on both the physical sales channel, as well as online), offer improvement (assortment/services/user experience), development of new brand-name or mass-branded products, brand perception and customer satisfaction with certain projects (e.g. "Amici di Scuola" project)<br>• 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<br>• In 2021, a new Business Unit was created to cater exclusively for business customers in order to offer the same ad hoc products and services with quality and service standards matching those of the company. In November 2021 a dedicated telephone number was set up: 840.00.40.40 (from Italy)<br>With particular reference to eb® Perfumeries, customer involvement was twofold:<br>○ the sustainable brands and products offering was expanded and guaranteed a differentiated display in many shops, with the ultimate aim of meeting the needs of a new category of consumers who are much more attentive to what they buy, product origin and the impact that their choices have on the environment;<br>○ meeting sessions were organised in collaboration with charities and experts, with the aim of supporting particular categories of people and offering them training opportunities |
| **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 and qualification processes)<br>• Performing audits remotely<br>• Support for Italian products and local suppliers through "Rinascita Italia" (Revive Italy) promotional activities<br>• One-to-one meetings and start-up of life cycle assessments with Esselunga brand product suppliers<br>• Implementation 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<br>• With particular reference to eb® Perfumeries, supplier involvement was pursued through commercial and product-selection policies to support small local suppliers and sustainable brands (with natural ranges and/or clean formulas) |
| **Bondholders** | Management of requests through the Investor Relations function |

[9] GRI Standard 102-40 List of Group stakeholders.
[10] GRI Standard 102-43 Approach to stakeholder engagement, specifying frequency by type of activity and stakeholder group.

| Stakeholder categories[9] | Listening and engagement approach[10] |
|---|---|
| **Personnel** | • Discussion and dedicated meetings with specific functions in the areas of Human Resources and HSE and Relations with Trade Unions<br>• Introduction of a whistleblowing system<br>• Introduction of a special email account for Welfare issues |
| **Trade unions and trade associations** | • In 2019 a Joint Welfare Committee was set up with trade unions to discuss and propose solutions in the field of welfare<br>• 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 who are in difficulty and are victims of violence<br>• Esselunga launched an Employee Advocacy Program in February 2020 with the aim of involving employees as Ambassadors in Esselunga's storytelling on LinkedIn<br>• In November 2021, an in-depth survey on Welfare issues was sent to all staff<br>• During 2021, the 29 Sustainability Ambassadors (a representative sample of all company functions) were involved in an engagement and listening activity on sustainability issues deemed relevant to Esselunga. They had a free vote on the issues that, as employees, they consider most important |
| **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<br>• Collaborations with non-profit organisations<br>• 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 is committed to continuing or implementing new listening and dialogue initiatives in 2021[11]. In this regard, the periodic monitoring established in 2020 continued (customer satisfaction, reputation, and communication tracking), and a range of other research helped to understand customers' opinions on other specific issues (assessment of Esselunga brand products, e-commerce service satisfaction, Fìdaty program evolution, user experience with respect to in-store technologies, etc.). In terms of our collaboration with scientific research, our relationship with the Italian National Cancer Institute continued, in order to lay the foundations for a research project on healthy diets.

## 2.2 Materiality assessment

In order to define strategic priorities and related 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, an update to the materiality analysis began by sending an online questionnaire

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

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 materiality analysis was subsequently updated and approved by the Board of Directors on 29/06/2021.
The topics 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.

| Table linking topics in the Decree and material topics | |
|---|---|
| **Scope of Legislative Decree 254/2016** | **Material topics[12]** |
| 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 |
| | Climate change |
| | Food surplus and waste |

Aspects like effective governance, economic value creation and anti-corruption have not been evaluated among the potentially relevant topics as they are considered prerequisites for proper business performance and, for this reason, are adequately reported in the document.[13]

## 2.3 Corporate Social Responsibility (CSR) policies and objectives

### *2.3.1 CSR policies*[14]

In 2021, Esselunga published its Sustainability Policy (also the "Policy"), which was updated during 2020 and approved by the Board of Directors on 27/01/2021. This policy has been communicated to all personnel, including through the corporate portal and published on the institutional website. 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;

[12] GRI Standard 102-47 A list of the material topics identified in the process for defining report content.
[13] For the above aspects, refer to the *Management Report* and chapter 3, "Fighting corruption".
[14] GRI Standard 102-12 Economic, environmental and social codes of conduct, principles and initiatives, including voluntary ones, to which the company refers or is signed up.

3. a section on Esselunga's commitments divided into 5 pillars: Customers, People, Environment, Suppliers and Communities.

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.<br>❖ - Adoption of an Organisation, Management and Control Model (OMCM) in line with the provisions of Legislative Decree 231/2001 on managing company activities.<br>❖ Ban on accepting money or other gifts, promising or offering sums of money or anything else, even indirectly, and on making facilitating payments.<br>❖ - 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<br>- Offer safe, quality, healthy and delicious branded-name products that satisfy customers' needs<br>- Develop innovative recipes and ingredients that respect traditions<br>- Guarantee transparency and listening in all customer relations</td><td>- Attract and retain the best talent<br>- Enhance human resources, investing in their well-being and professional development<br>- Promote continuous learning and develop training courses to foster professional and personal growth<br>- Promote inclusion and enhance diversity, through specific programmes and policies, as well as listening systems that foster dialogue and collaboration<br>- 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<br>- Reduce the risks associated with climate change by using renewable energy and improving the energy efficiency of plants<br>- Adopt the best sustainability standards and incorporate building recovery processes in the planning, construction and management of shops, factories, distribution centres and offices<br>- Reduce waste through operational and management solutions to minimise surpluses<br>- Measure and reduce the impacts of services and products throughout the entire life cycle<br>- 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<br>- Focus on responsible management of the supply chain<br>- Pursue the highest ethical standards for the protection of human rights and the dignity of the person throughout the supply chain<br>- Adoption of specific animal welfare policies in both the fish and meat supply chains<br>- Support local suppliers through an increasing supply of Italian products 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<br>- Promote the donation of excess food<br>- Contribute to the education of new generations and the protection of regional beauty and traditions</td></tr>
</table>

### 2.3.2 *CSR objectives*[15]

The materiality analysis process was the first milestone on Esselunga's strategic road. Based on the issues that emerged, the Group 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 Group'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 Group is committed to monitor and update annually in order to report on their progress and set new targets with a view toward continuous improvement.

By establishing specific and measurable goals Esselunga has strengthened its commitment, as well as the Group's practical contribution, to the Sustainable Development Goals (SDGs) of the United Nations' 2030 Agenda.

[15] 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.

In July 2021, as one of the first tangible results of the Farm to Fork strategy, Esselunga signed up to the EU Code of Conduct on responsible business and marketing practices in the food supply chain and demonstrated its commitment by linking some of the goals published in the 2020-2025 Sustainability Plan to the following goals set out by the Code:

#1 Healthy, balanced and sustainable diets for all European consumers: Esselunga is aware of the role it plays in the lives of consumers and is committed to contributing positively to their eating habits, promoting quality products and a healthy and balanced lifestyle. With a view to the continuous improvement of its processes, services and products, the Group is committed to offering customers safe, quality, healthy and tasty branded products, developing recipes and ingredients that are both innovative and in keeping with tradition;

#3 A climate neutral food chain in Europe by 2050: Esselunga is aware that its production and goods-distribution activities have impacts on the environment. For this reason, it invests significant resources in improving its environmental performance. The Group also employs sustainable technologies to reduce the risks associated with climate change through the use of renewable energy and improvements in the energy efficiency of plant. It also aims to adopt the highest sustainability standards and incorporate building regeneration into the design, construction and management of shops, factories, distribution centres and offices;

#4 An optimised circular and resource-efficient food chain in Europe: at the same time, Esselunga is committed to measuring the impact of its services and products throughout their entire life cycle; it constantly seeks strategies that reduce the environmental impact of packaging by reassessing products, looking at valid alternatives and implementing new operational tools to improve and further refine its increasingly sustainable packaging research activities;

#5 Sustained, inclusive and sustainable economic growth, employment and decent work for all: Esselunga is aware that people are the engine of the company and the means by which it offers quality services and generates new ideas. Esselunga therefore believes that the ability to attract and retain the best talent is crucial to creating value in the long term, which is why it is committed to growing and supporting its human resources from the selection process throughout their career, investing in their well-being and professional development. In particular, the Group considers the training and development of its employees' skills as indispensable for its success and competitiveness; to this end, it promotes continuous learning and designs training courses aimed at extending skills and abilities and fostering professional growth, accompanying its employees as they build their future.

Furthermore, at the core of the company's activities remains its constant and unwavering commitment to ensuring safety at work through the adoption of appropriate policies, promoting a culture of prevention and risk management, raising awareness and encouraging all staff to participate in activities fully and responsibly.

#7 Sustainable sourcing in food supply chains: excellence for Esselunga naturally means product quality and safety, but it also means a commitment to promoting a supply chain that is conscious and respectful of workers' rights, the environment and animals. As such, suppliers become strategic partners with which the Group, in order to achieve its goals, aims to establish long-term relationships based on trust, as well as

to foster dialogue and mutual collaboration. The focus on responsible supply chain management begins at the supplier selection phase and extends continuously over time, through regular dialogue, support and control activities. This is how Esselunga commits to complying with the highest ethical standards for protecting human rights and individuals' dignity throughout the supply chain, but also how it commits to promoting and marketing products (food and non-food) that come from ethically managed supply chains and that guarantee compliance with environmental and social sustainability requirements, including animal welfare and sustainable fishing.
The goals mentioned above are summarised below with the related KPIs and 2021 results.

| Farm to Fork goals | Wider scope | AREA | Commitment | New or existing? | Baseline | KPI | 2021 result |
|---|---|---|---|---|---|---|---|
| **1** | **Health / Social** | **Dietary education** | Promotion of food education through initiatives to disseminate information and increasing the number of products sold in the Equilibrio, BIO and CheJoy lines by more than 50% | Existing | 2018 | Percentage of increase in products sold in the Equilibrio, BIO and CheJoy lines compared to 2018 | +14% |
| **1** | **Health / Social** | **Innovation** | Innovation of more than 1,500 Esselunga brand products and redevelopment of more than 250 recipes to improve and balance the nutritional characteristics of Esselunga brand products | Existing | 2018 | - Number of redeveloped recipes since 2018<br>- Number of new or redeveloped products since 2018* | 70<br>1,123 |
| **3** | **Environ-mental** | **Climate Change** | 30% reduction in greenhouse gas emissions | Existing | 2018 | Percentage reduction in indexed emissions since 2018 | -39% |
| **4** | **Environ-mental** | **Packaging** | 100% of the packaging of Esselunga branded products in recycled, recyclable or compostable material | Existing | 2018 | - Percentage by weight of recycled, recyclable or compostable materials used for the packaging of items produced by Esselunga<br>- Percentage by weight of recycled, recyclable or compostable materials used for the packaging of Esselunga branded items produced by third parties | 62%<br>91% |
| **5** | **Social** | **Training and development** | Over 650,000 hours of annual training provided (+40% compared to 2018) | Existing | 2018 | Percentage increase in training hours provided compared to 2018 | +4% |
| **5** | **Health / Social** | **Health and safety** | Maintaining and improving the management systems in place to ensure employee health and safety | Existing | 2018 | Maintaining and improving the management systems in place to ensure employee health and safety | Yes |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 7 | **Social / Environ-mental** | **Responsible supply chain** | Development of the Esselunga Code of Conduct and signing by 100% of suppliers of Esselunga branded products with sample audits to verify compliance. | Existing | 2018 | Percentage of suppliers of Esselunga brand products adhering to the Esselunga Code of Conduct | 0%[16] |
| 7 | **Health / Environ-mental** | **Sustainable fishing** | 100% of Esselunga brand packaged, frozen and long-life fish products and 100% of fresh products from the yellow fin tuna, swordfish and salmon lines and from the Esselunga and Naturama lines of fish bred in Italy are certified as Sustainable Fish. | Existing | 2018 | - Percentage of packaged, frozen and long-life Esselunga branded fish products certified Sustainable Fishing<br>- Percentage of fresh products from the yellowfin tuna, swordfish and salmon lines and Esselunga and Naturama supply chains of fish farmed in Italy certified Sustainable Fishing | 70%<br>100% |

Finally, Esselunga's commitment to sustainability is further underlined by joining the United Nations Global Compact, the world's largest initiative for sustainable development, based on ten universal principles relating to respect for human rights, labour, the environment and the fight against corruption.
By joining the Global Compact, Esselunga has committed to making the ten founding principles an integral part of its decision-making processes, development strategies and daily activities and to supporting the United Nations goals, including the Sustainable Development Goals (SDGs), and to reporting annually on its progress in implementing the ten principles.

## 2.4 Management and control systems and key risks[17]

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:**<br>• Active corruption with respect to public authorities in property development processes, authorisation requests, management of shops, management of inspections/audits;<br>• Active and passive bribery of individuals as part of the purchase of goods and professional services, including procurement.<br>**Main control measures:**<br>• A Code of Ethics and Conduct and a Sustainability Policy that establish the fight against corruption principles and policies;<br>• Adoption of OMCM 231/01 at corporate level which defines the control standards in the area of active and passive corruption;<br>• Supplier selection activities and establishment of contractual restrictions and monitoring of related activities;<br>• Monitoring relations with representatives of public authorities;<br>• Transparency and traceability of transactions;<br>• Regulation of processes for distributing/receiving free items and gifts;<br>• Regulation of processes for hiring and developing personnel;<br>• Internal communication and training activity in this area. |

| Human rights |
|---|
| **Potential risks:**<br>• Direct and indirect employment by suppliers, contractors and subcontractors of illegal workers, consequently resulting in limited protections for them.<br>**Main control measures:**<br>• Presence of a Code of Ethics and Conduct and a Sustainability Policy that establishes the principles and policies on the topic and an OMCM 231/01 at corporate level where control standards are defined in terms of protecting fundamental rights;<br>• Level II audit plan for OHS aspects of the main logistics contractors operating at company sites;<br>• Adoption of an ISO 45001/OHSAS 2018 management system and start of a level II audit on companies under contract for logistics;<br>• 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. |

[16] As specified in chapter 7.3.1, Responsible supply chain management, Esselunga began to establish and draft the Supplier Code of Conduct in 2021.
[17] GRI Standard 102-11 Precautionary Principle or approach.

**Personnel**

**Potential risks:**
- Risks relating to employee health and safety (injuries and occupational diseases);
- 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, a Sustainability Policy and a Policy for Worker Health and Safety, the Environment and Energy that establishes the principles and policies on the topic and an OMCM 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 layouts aimed at reducing or eliminating risks in the field of OHS and development of specific ergonomic projects aimed at optimal management of loads;
- Periodic assessment and monitoring of legal compliance with new introductions related to health and safety and employment law;
- Adoption of structured and formalised working methods within operating manuals;
- Adoption of personnel management policies;
- Adoption of personnel remuneration and development policies;
- Implementation of information, training and education activities for personnel;
- Adoption of specific development paths and ad hoc performance evaluation processes;
- Establishment of the Joint Welfare Committee with the trade unions;
- Establishment of the COVID-19 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 media and on social 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 the stakeholders through different platforms;
- Consolidation of the Privacy Management Model in compliance with GDPR 679/16 and establishment of a crisis and business continuity committee;
- FSSC 22000 certification in 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;
- Establishment of a qualification process that confirms responsible management and the adequacy of 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-fraud plans (measurement instruments and methods and prevention and mitigation initiatives);
- Establishment of an assessment process to check non-EU suppliers/producers of items other than food for DRO-GEM departments for compliance with SA8000 principles (scouting, self-assessment questionnaires and level II audits).

**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 certified under UNI EN ISO 14001:2015, carrying out internal and external audits and third-party audits on the management system and compliance with legislation;
- Constant and regular monitoring of applicable environmental regulation and regulatory developments;
- Performing specific risk assessments and constant monitoring;
- Verification carried out by certifying bodies and relevant authorities, including on contractors;
- Monitoring of a certified Energy Management System as per the UNI CEI EN ISO 50001: 2018 standard;
- Periodic monitoring and reporting of the progress of environmental sustainability objectives.

## 2.5 Approach to tax

Esselunga carefully observes the provisions of tax legislation; therefore the Group'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[18].
Furthermore, in order to ensure constant tax monitoring, on the one hand Esselunga 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[19].

## 2.6 European Taxonomy Dissemination

EU Regulation 2020/852 (so-called "Taxonomy Regulation") is part of the European Union's sustainable finance initiatives and aims to provide investors and the market with a common language of sustainability metrics. The Taxonomy is focused on the identification of economic activities that are considered sustainable, i.e. defined as those economic activities that contribute substantially to the achievement of at least one of the environmental objectives set out in Art. 9[20], provided that they do not cause significant damage to any of the other environmental objectives and are carried out in compliance with minimum safeguards[21].
In order to support the identification of environmentally sustainable activities in accordance with the European Taxonomy ("Taxonomy-Aligned"), a catalogue of activities ("Delegated Acts") has already been published for the first two of the six environmental objectives (climate change mitigation and climate change adaptation), also containing the related technical criteria to be met in order to determine the substantial contribution to the achievement of the objectives.
The European Union has provided for a gradual reporting mechanism and, in particular for the 2021 reporting year, has only required the disclosure of the portion of revenues, capital expenditures and operating expenses attributable to Taxonomy-Eligible activities, which represent the economic activities currently included in the aforementioned Delegated Acts, without providing, therefore, for this first year, verification of their alignment.

[18] GRI Standard 207-1 Approach to tax.
[19] GRI Standard 207-2 Tax governance, control and risk management and GRI Standard 207-3 Stakeholder engagement and management of concerns related to tax.
[20] Art. 9 identifies the following environmental objectives: climate change mitigation, climate change adaptation, sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and reduction, and protection and restoration of ecosystems and biodiversity.
[21] Minimum safeguards are procedures implemented by an enterprise carrying out an economic activity to ensure that it is in line with the OECD Guidelines for Multinational Enterprises and the United Nations Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight core conventions identified in the International Labour Organization's Declaration on Fundamental Principles and Rights at Work and the International Bill of Human Rights.

**— Turnover-KPI**

**—**

An analysis of the regulations has shown that the products and services of the Esselunga Group are not included among the economic activities currently envisaged by the Taxonomy and therefore no "eligible" revenues are recorded.

**— CapEx-KPI**

The KPI on CapEx is calculated as the proportion of capital expenditure (CapEx) to activities that are eligible under the taxonomy or are part of a credible plan to extend or achieve environmental sustainability over the long term.

$$\textit{CapEx-KPI} = \frac{\text{Eligible investments for Taxonomy}}{\text{Increases in tangible and intangible fixed assets}} = 3.2\%$$

Based on the description of the increases that occurred during the year, an analysis was made regarding eligibility for the taxonomy and a comparison with Annex I (substantial contribution to climate mitigation) and Annex II (substantial contribution to climate change adaptation) of Regulation (EU) 2020/852. The sum of the increments reflecting an eligible investment for the taxonomy formed the numerator of the CapEx-KPI. The economic activities that were included mainly concerned those related to point "7. Construction and real estate activities" of the Delegated Acts, which refer to construction and redevelopment works, i.e. installation of energy efficiency equipment, instruments and devices for measuring, regulating and controlling the energy performance of buildings and renewable energy technologies.
Within the denominator of the KPI, we find the increases in value of tangible and intangible assets during the financial year, before any adjustments due to depreciation, amortisation and/or any revaluation during the year, excluding changes in fair value, as indicated in notes 11.1, 11.2 and 11.4 to the consolidated financial statements.

**OpEx-KPI**

The OpEx-KPI is calculated as a proportion of the operating expenses associated with the activities eligible under the taxonomy or CapEx plan, if any.

$$\textit{OpEx-KPI} = \frac{\text{Eligible operating costs for Taxonomy}}{\text{OpEx according to the European}} = 0.5\%$$

For the calculation of the denominator, direct, non-capitalised costs for research and development, building renovation measures, short-term leasing, maintenance and repair costs and any other direct costs relating to the day-to-day maintenance of property, plant and equipment by the company or external third parties that were necessary to ensure the continuous and effective operation of these assets were taken into account.

The numerator, on the other hand, is made up of the operating costs related to the construction and energy efficiency investments illustrated above, referring to the environmental objective of climate change mitigation (Annex I of Regulation (EU) 2020/852).

**Outlook**

As of 1 January 2023, it will be necessary to report on the shares of turnover, capital expenditure and operating expenditure "aligned" with the taxonomy. The Esselunga Group will broaden its commitment to the analysis of its economic activities and, for those already identified as "eligible", will investigate whether and to what extent these activities contribute substantially to at least one of the six environmental objectives without adversely affecting the others, and always ensuring compliance with minimum social safeguards.

## 3. Fight against corruption

### 3.1 Policy implemented by the organisation

The 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**[22]**,** 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 as in complete compliance with all laws and regulations applicable to anti-corruption.[23]

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**".[24]

With the adoption in 2010 of the OMCM as per Legislative Decree 231 and subsequent updates, including the most recent in 2021, Esselunga 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.

[22] 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.

[23] GRI Standard 102-16 Values, principles, standards, and norms of behaviour.

[24] GRI Standard 102-12 Economic, environmental and social codes of conduct, principles and initiatives, including voluntary ones, to which the company refers or is signed up.

## 3.2 Main risks and opportunities[25]

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, including contractors, 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 carried out on five companies in the Group[26] this report concerns revealed 113 sensitive operations, of which 55 (about 49%) were possibly at risk of alleged corruption offences[27].

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[28], Esselunga adopted a **whistleblowing procedure**[29], 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) on MyPortal. Its aim is to acquire and manage reports from employees, managers, directors and members of corporate bodies[30]. 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[31].

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' email accounts, which are published in the Models. It should be noted that during 2021 a report was received through the Whistleblowing system that is still being processed.

The new European Directive 2019/1937 to protect whistleblowing, not yet implemented in Italy, is being analysed in order to evaluate its potential impacts on the current reporting management process.

[25] GRI Standard 102-15 Key impacts, risks, and opportunities.
[26] Esselunga S.p.A. and subsidiaries: Atlantic S.r.l., EsserBella S.p.A., La Villata Immobiliare S.p.A., Orofin S.p.A.
[27] GRI Standard 205-1 Operations assessed for risks related to corruption.
[28] Change introduced in December 2017 by Law no. 179/2017.
[29] GRI Standard 102-17 Mechanisms for advice and concerns about ethics.
[30] It should be noted that directors and members of the company bodies may make reports through non-IT channels, including the Supervisory Board's email or through the "whistleblowing" email (for the companies La Villata and Orofin).
[31] The report is processed anonymously. The whistleblower's identity can only be associated with the report where permitted by law.

## 3.3 Management approach and KPIs

The Code of Ethics and Conduct, the OMCM as per Italian Legislative Decree 231/01 and the Sustainability Policy are the main pillars of the management model in the "fight against corruption". 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 Code and Model, by including specific contractual clauses. No employee corruption cases occurred and no legal proceedings for corruption were brought in the 2019–2021 three-year period, confirming the good work of OMCM 231[32].

With reference to episodes of corruption involving business partners, it should be noted that in the 2019–2021 three-year period only one episode was established, which led to the contract not being signed.

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[33], as well as updating the OMCM 231/01 and the Code of Ethics and Conduct in 2021; 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.[34] The content of training activities is updated to reflect changes in regulations of the Model.

Compared to 2020, the number of employees trained on anti-corruption issues decreased from 3,040 to 717. This decrease is due to the fact that all courses on Legislative Decree 231/01 and anti-corruption are being updated and a new edition is expected to be released in 2022.

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

# 4. Respect for human rights

## 4.1 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.:

- the 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;
- the 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;
- not tolerating any discrimination, psychological and/or sexual abuse or other violation of personal dignity.

## 4.2 Main risks and opportunities[35]

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*"[36], 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**[37]. 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

[35] GRI Standard 102-15 Risks related to human rights.
[36] "*Diligence, honesty, transparency, competence, compliance with the law, good faith, utmost fairness and integrity*".
[37] GRI Standard 409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labour.

systems and for each contract, the sharing of the Code of Ethics and Behaviour by the supplier);
- 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.

## 4.3 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 2019–2021 **no incidents of discrimination**[38] **or child labour**[39] were reported, and the Group maintains that the **right to freedom of association** cannot be violated in its operations[40].
In 2021, due to the continued COVID-19 pandemic, opportunities for training and sharing topics related to human rights policies and procedures for security personnel, were very limited[41].

# 5. The Esselunga Group's people

## 5.1 Policies implemented by the organisation

In 2021 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 Policy for Worker Health and Safety, the Environment and Energy and a specific internal audit programme.

## 5.2 Main risks and opportunities[42]

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 work related injuries and ill health**. To minimise the probability or severity of this risk, Esselunga has always invested in continuously updating its management systems[43] and organisational control measures, specialist skills and related certifications, plant renovation, reorganisation of work environment layouts, regular medical checks and

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

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 2021 collaboration continued with the Milan Polytechnic and the University of Brescia on the "**Ergonomics" project**[44].

The potential risks generated by the labour market are linked to changes in the relevant legislation and management of turnover 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, ill health, work related injuries or other absences protected by law, while multidisciplinary approaches are adopted to manage occupational health and safety.

The greater dynamism and changeability of the labour market, at this particular pandemic-influenced period, have led to some critical issues in recruiting activities.

In addition, the growing trend of resignations (in many cases without looking for another job due to reassessing priorities related to well-being and work-life balance) during 2021, led to a significant drop in candidates and a relative imbalance between supply and demand.

Esselunga was thus faced with a mismatch between organisational needs and the presence of qualified individuals on the market for some roles.

At the same time, the criteria used by candidates to assess a company's attractiveness have changed: roles and professional development are no longer enough to attract talent. Jobseekers demand ever greater flexibility over the location and hours they work, as well as the ability to work in mixed teams, where added value comes through a cross-disciplinary approach. This phenomenon is even more apparent in roles strongly impacted by digitalisation, where location and hours are even more fluid.

To retain the best talent, Esselunga is therefore committed to offering, in addition to professional development, a variety of innovative and impactful projects, as well as smart-working plans for those roles that allow it, horizontal job rotation programmes (increasingly preferred to traditional vertical career paths), individual training and welfare programs, such as the use of education and mental, and physical well-being platforms that can be used independently.

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

## 5.3 Management approach and KPIs

The corporate model for human resources management is primarily governed by the Group Human Resources and Organisation Department, also part of the Group's HSE (Health, Safety and Environment) function. The Human Resources and Organisation 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, OMCM 231/01 and the Organisational Health and System (OHS) Management System (UNI ISO 45001:2018). 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[45]. The Esselunga Group's entire human resources management model was certified by the Top Employers Institute once again in 2021.

### *5.3.1 Employees composition*

The Esselunga Group employs **25,415** people (up 1% compared to 2020), **44% 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[46].

| Employees (head count) | 2021 | | | 2020 | | | 2019 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Men | Women | Total | Men | Women | Total | Men | Women | Total |
| Permanent contract | 13,394 | 10,575 | 23,969 | 13,138 | 10,422 | 23,560 | 12,454 | 10,126 | 22,580 |
| Fixed-term contract | 886 | 560 | 1,446 | 1,064 | 485 | 1,549 | 1,241 | 511 | 1,752 |
| Full-time | 12,729 | 6,127 | 18,856 | 12,645 | 5,934 | 18,579 | 12,064 | 5,666 | 17,730 |
| Part-time | 1,551 | 5,008 | 6,559 | 1,557 | 4,973 | 6,530 | 1,631 | 4,971 | 6,602 |
| **Total** | 14,280 | 11,135 | 25,415 | 14,202 | 10,907 | 25,109 | 13,695 | 10,637 | 24,332 |

### *5.3.2 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 and favours using digital communication to attract and communicate with young talent. It uses many channels to attract and engage promising resources. The main contact point is the Esselunga job careers website. Other channels that are used include job search portals, social networks, communication tools (posters, leaflets) in Esselunga shops, offline and online advertising campaigns, media relations through the Esselunga Press Office, and collaborations with important staffing agencies and a large number of 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 factors 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 Group aim to maintain **a strong link between**

[45] GRI Standard 102-12 Economic, environmental and social codes of conduct, principles and initiatives, including voluntary ones, to which the company refers or is signed up.

[46] GRI Standard 102-8 Employees by type of contract and gender. Temporary workers, employed mainly in the shops and in production departments, dropped from 898 to 329 (-63% compared to 2020). This decrease is mainly due to the declining impact of the pandemic.

**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 individual professional performance and of the entire entity, while maintaining high levels of motivation and engagement[47].
In 2021, taking fixed-term contracts into account as well, the turnover rate was 6.6%, up compared to the previous year (4%)[48].

| Turnover rate by region | u.m. | 2021 | | | 2020 | | | 2019 | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Men | Women | Total | Men | Women | **Total** | Men | Women | **Total** |
| **Group** | % | 8.2% | 4.4% | 6.6% | 5.1% | 2.6% | 4.0% | 7.2% | 3.6% | 5.7% |
| *Lombardy* | | 7.9% | 4.4% | 6.4% | 4.9% | 2.6% | 3.9% | 6.9% | 3.8% | 5.6% |
| *Tuscany* | | 5.4% | 4.1% | 4.8% | 4.0% | 2.6% | 3.4% | 6.3% | 2.8% | 4.7% |
| *Piedmont* | | 9.1% | 4.3% | 7.0% | 5.3% | 2.7% | 4.2% | 7.7% | 2.9% | 5.6% |
| *Emilia Romagna* | | 15.2% | 5.1% | 10.5% | 8.6% | 3.0% | 6.1% | 11.8% | 6.1% | 9.2% |
| *Veneto* | | 17.5% | 10.0% | 14.3% | 12.1% | 1.9% | 7.8% | 7.0% | 2.3% | 5.1% |
| *Lazio* | | 7.7% | 2.4% | 6.0% | 3.3% | 0.8% | 2.5% | 8.2% | 1.7% | 5.9% |
| *Liguria* | | 5.1% | 1.4% | 3.4% | 2.4% | 0.8% | 1.7% | 6.0% | 1.1% | 3.5% |

| Turnover rate by age | u.m. | 2021 | | | 2020 | | | 2019 | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Men | Women | **Total** | Men | Women | **Total** | Men | Women | **Total** |
| **Group** | % | **8.2%** | **4.4%** | **6.6%** | **5.1%** | **2.6%** | **4.0%** | **7.24%** | **3.65%** | **5.67%** |
| *aged less than 30* | | 18.5% | 10.6% | 16.0% | 10.0% | 5.4% | 8.7% | 15.10% | 9.86% | 13.56% |
| *between 30 and 50 years old* | | 5.0% | 3.2% | 4.2% | 3.3% | 1.7% | 2.6% | 5.03% | 3.07% | 4.11% |
| *older than 50* | | 7.4% | 4.7% | 6.0% | 4.9% | 4.0% | 4.4% | 4.10% | 1.59% | 2.89% |

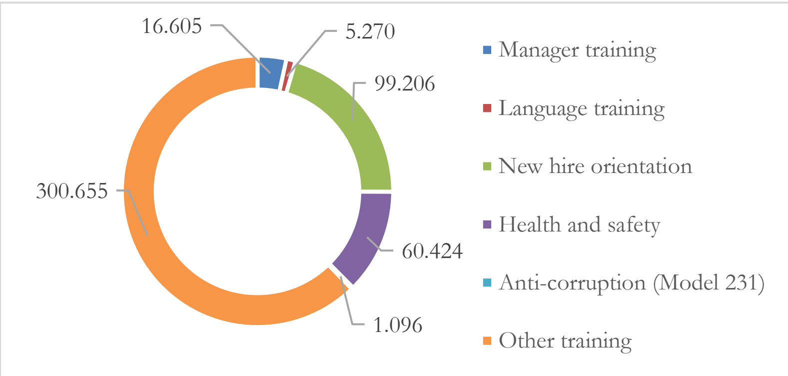
In February 2021, the Employee Advocacy Program was launched with the aim of involving some employees as Ambassadors in Esselunga's storytelling on LinkedIn by sharing internally and externally their professional experience and the complexity of the business.
The employees involved were assisted in writing LinkedIn posts and articles about their personal and professional experiences at Esselunga.
Launched in the midst of a health emergency and now in its fourth year, the Programme has so far involved more than 50 Ambassadors (including employees from Central Functions and the Sales Network) and has had a positive engagement effect, boosting the sense of belonging, closeness and interaction between employees.

[47] GRI Standard 102-36 Process for determining remuneration.
[48] GRI Standard 401-1 New employee hires and employee turnover. The figures differ from those published in the 2020 NFR in that the numerator includes, following the definition of turnover in GRI Standard 401-1, employees who left the organisation voluntarily or as a result of dismissal, retirement or death during service. As a result, exits due to the expiry of fixed-term contracts were excluded, amounting to 24% of total exits in the three-year period 2019-2021 (average figure).

### *5.3.3 Training and development of people*

Esselunga considers training and updating skills to be fundamental resources for the success and competitiveness of the Group. For this reason, it designs professional paths that value commitment, seriousness and passion for one's work. For many years, the Group 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 the Learning Centre is the Trade School, where the personnel employed in our sales network can get training to develop and update the technical skills they need. During 2021, more than 480,000 hours of training were provided, an increase compared to the previous year. This was due to a partial resumption of soft-skill and hard-skill training activities that have allowed physical events to be held, while respecting rules to contain the pandemic emergency. In particular, physical activities were dedicated to the people hired in the last two years to support their understanding of the context and corporate values.

| Average hours of training by gender and level | 2021 | | | 2020 | | | 2019 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Men | Women | Total | Men | Women | Total | Men | Women | Total |
| Managers | 16 | 26 | 17 | 10 | 13 | 10 | 38 | 46 | 39 |
| Middle managers | 21 | 41 | 23 | 14 | 22 | 15 | 40 | 46 | 40 |
| White-collars | 26 | 10 | 18 | 24 | 8 | 16 | 34 | 9 | 21 |
| Blue-collars | 25 | 15 | 22 | 25 | 17 | 23 | 29 | 16 | 25 |
| **Total** | **25** | **11** | **19** | 24 | 10 | 18 | **32** | **11** | **23** |




During 2021, in addition to the mandatory training as per the State-Region Agreements and the Consolidated Law on Safety at Work, Legislative Decree 81/2008, the Esselunga Group has organized e-learning training sessions for all staff on the Integrated Health and Safety, Environment and Energy Management System and the WHP programme dedicated to promoting health at work. The ABC training programme, Alimenta il Benessere con Cura (Feeding Well-being with Care) was also implemented, a project mainly dealing with the difficulties created by the pandemic situation for the working population and aimed at the entire Esselunga population[49].

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 functions: 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.

[49] GRI Standard 403-5 Worker training on occupational health and safety.

On this front, in 2021, 5,714 people were involved in performance evaluation processes.

| Personnel involved in performance review activities[50] | 2021 | | | 2020 | | | 2019 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Men | Women | Total | Men | Women | Total | Men | Women | Total |
| Managers | 85% | 100% | 87% | 90% | 91% | 90% | 57% | 82% | 61% |
| Middle managers | 96% | 84% | 95% | 99% | 91% | 98% | 99% | 95% | 98% |
| White-collars | 56% | 8% | 31% | 60% | 9% | 33% | 59% | 8% | 32% |
| **Total** | **58%** | **9%** | **33%** | **62%** | **9%** | **35%** | **61%** | **9%** | **34%** |

### *5.3.4 Corporate welfare and work/life balance*

The welfare system approach at Esselunga is based on listening to the needs of employees.

And in terms of listening, in November 2021, an in-depth survey on Welfare issues was sent to all employees with two aims: detect satisfaction with the existing plan and guide future choices. The survey was answered by 1,694 people, of whom 56% were women. The picture that emerged tells an interesting story: more than 90% of respondents are aware of the welfare services offered, about 63% have used them more than once and more than 80% consider them of a high standard.

The areas that aroused most interest were those that offer an immediate benefit to family life and the right work/life balance: in terms of both services used and services expected, the most voted categories were discounts, health, sport, wellness and family initiatives, particularly around children and parenting. The preferences expressed validated the choices made by Esselunga.

In confirmation of the importance attributed to welfare, Esselunga and trade unions set up, first on an experimental basis, and then permanently, a "**Joint Welfare Committee**" – a body for the equal involvement of workers, whose aims is to identify welfare and work-life balance solutions. The Committee's activities also continued throughout 2021. Furthermore, in relation to the pandemic, in compliance with the Government-Social Partners Protocol of 14.03.2020, in April 2020 Esselunga set up a national "COVID-19 Health Emergency" Committee to implement and assess the rules of the Protocol.

In 2020, following a trade union agreement, a solidarity holiday fund was also established (and still remains active) which, according to a principle of collective solidarity, allows for workers who qualify as per current legislation to make use of solidarity days.

Valid for all employees a part from of the type of contract, the main specific benefits and facilities include the commercial agreements, a supplementary health care fund and a supplementary pension fund provided for in the national collective bargaining agreement, school and vocational guidance courses and study trips abroad for employees' children and the chance to convert variable wages into a range of welfare services.[51]

[50] 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.
[51] GRI Standard 401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees.

As part of its broader welfare programme, Esselunga also runs specific assistance initiatives for its employees, by organising regular specific medical check-ups, as required by legislation, but also through specific agreements for easy access to: health services, assistance for people with disabilities or in emergencies and initiatives of preventive medicine.[52] Alongside these initiatives, there was, for example, the introduction of more flexible working hours for entering and leaving the office, 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 2021, a fitness platform was launched, allowing remote access to training plans and streaming lessons for Group employees. The platform was also made available to employees' families, with a view to extending welfare services not only to individuals but also to their families.

In addition, in collaboration with LILT (Lega Italiana per la Lotta contro i Tumori - Italian League for the Fight against Tumours), an initiative aimed at preventing skin tumours involved around 500 employees at the Limito di Pioltello site.

Esselunga is paying increasing attention to the **work-life balance**, a critical factor for a highly work-intensive sector such as large-scale retailing. 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.

Finally, in 2021, **1,715 employees took parental leave,** 54% of eligible females and 13% of males respectively. The percentage of employees who returned to work at the end of their leave remains very high, at 96%. Similarly, 97% of those who returned to work in 2020 are still employed by the organisation[53].

### *5.3.5 Diversity and inclusion*

Esselunga **promotes diversity as an opportunity to be seized to allow all talented people to express themselves**, adopting specific policies and programmes and developing listening systems that encourage 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 line with the target of increasing the number of women in key roles by 50%, during 2021, Esselunga carried out several initiatives to support female empowerment, such as the mentoring programme dedicated to enhancing women's career development and the corporate and intercompany workshops on the topic organised in collaboration with Valore D.

Esselunga is also committed to embedding a culture based on inclusiveness and mutual respect by implementing projects for the inclusion of people with disabilities in collaboration with associations campaigning for inclusion in the workplace, as well as programmes aimed at fostering intergenerational inclusion.

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[52] GRI Standard 403-3 Occupational health and safety.

[53] GRI Standard 401-3 Return to work and re-entry rate after parental leave.

| Employees by type of employment | 2021 | | | 2020 | | | 2019 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Men | Women | Total | Men | Women | Total | Men | Women | Total |
| Managers | 68 | 10 | 78 | 70 | 11 | 81 | 68 | 11 | **79** |
| *aged less than 30* | | | - | | | - | - | - | - |
| *between 30 and 50 years old* | *27* | *5* | *32* | *29* | *6* | *35* | *31* | *6* | *37* |
| *older than 50* | *41* | *5* | *46* | *41* | *5* | *46* | *37* | *5* | *42* |
| Middle managers | 408 | 49 | 457 | 405 | 45 | 450 | 399 | 40 | **439** |
| *aged less than 30* | *2* | | *2* | *1* | *2* | *3* | *2* | | *2* |
| *between 30 and 50 years old* | *243* | *34* | *277* | *253* | *29* | *282* | *265* | *27* | *292* |
| *older than 50* | *163* | *15* | *178* | *151* | *14* | *165* | *132* | *13* | *145* |
| White-collars | 8,040 | 8,674 | 16,714 | 7,811 | 8,423 | 16,234 | 7,350 | 8,182 | **15,532** |
| *aged less than 30* | *1,523* | *910* | *2,433* | *1,592* | *836* | *2,428* | *1,497* | *786* | *2,283* |
| *between 30 and 50 years old* | *5,230* | *5,603* | *10,833* | *5,067* | *5,707* | *10,774* | *4,839* | *5,776* | *10,615* |
| *older than 50* | *1,287* | *2,161* | *3,448* | *1,152* | *1,880* | *3,032* | *1,014* | *1,620* | *2,634* |
| Blue-collars | 5,764 | 2,402 | 8,166 | 5,916 | 2,428 | 8,344 | 5,878 | 2,404 | **8,282** |
| *aged less than 30* | *1,482* | *453* | *1,935* | *1,663* | *496* | *2,159* | *1,707* | *542* | *2,249* |
| *between 30 and 50 years old* | *3,193* | *1,540* | *4,733* | *3,248* | *1,571* | *4,819* | *3,257* | *1,547* | *4,804* |
| *older than 50* | *1,089* | *409* | *1,498* | *1,005* | *361* | *1,366* | *914* | *315* | *1,229* |
| **Total** | **14,280** | **11,135** | **25,415** | **14,202** | **10,907** | **25,109** | **13,695** | **10,637** | **24,332** |

| Members of governance bodies | u.m. | 2021 | | | 2020 | | | 2019 | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Men | Women | Total | Men | Women | Total | Men | Women | Total |
| **Total** | No. | **8** | **1** | **9** | **9** | **1** | **10** | **8** | **1** | **9** |
| *aged less than 30* | | 0 | 0 | **0** | 0 | 0 | **0** | 0 | 0 | **0** |
| *between 30 and 50 years old* | | 1 | 1 | **2** | 1 | 1 | **2** | 0 | 1 | **1** |
| *older than 50* | | 7 | 0 | **7** | 8 | 0 | **8** | 8 | 0 | **8** |

The Group employed a total of 1,499 people falling within the protected categories[54], an increase of 51 compared to 2020.

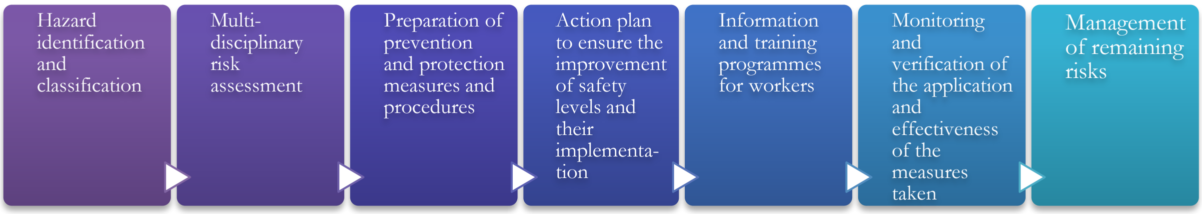
### *5.3.6 Health and safety at work*

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 activities 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.[55]

During 2021, the SGS Certification Body confirmed UNI ISO 45001:2018 certification for the entire Group through periodic surveillance audits. No non-compliance emerged from the audits. Rather, the audits emphasised the joined-up and

[54] GRI Standard 405-1 Diversity of governance bodies and employees.
[55] GRI Standard 403-1 Occupational health and safety management system.

systematic approach in the management of processes to protect all employees of the Group, as well as non-employees working at Esselunga[56].
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 Group's facilities or construction sites. Specifically, the health and safety risk management process includes the following steps:[57]




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, **38 health and safety officers** ("ASPP") and **117 workers' representatives for health and safety** ("RLS") have been appointed. 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[58].

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 2021, in light of the continuation of the pandemic 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"*, meetings of the "COVID-19 Health Emergency Committee" continued, consisting of company representatives and union/workers' representatives for health and safety (RLS) in order to share the measures adopted and to be implemented and manage the phases of emergency.

[56] GRI Standard 403-8 Workers covered by an occupational health and safety management system.
[57] 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
[58] 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 include[59]: |
|---|
| 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**[60]. During 2021, the Esselunga Group extended membership of the WHP programme (companies that promote health in the workplace) to all the shops and offices in 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 the implementation of initiatives that made it possible to: |
|---|
| • **reduce the incidence of occupational work related ill health** (1 occupational disease recognised in 2021[61]);<br>• **reduce the incidence of work-related injuries** (in comparison with 2020, a non-typical year given the impact of COVID-19, there was an increase of 20%. However, 2021 saw an improvement on previous periods). |
| • implement new monitoring, protection and prevention tools and measures to **reduce risks**;<br>• develop new **training programmes** that meet personnel needs;<br>• increase the level of **involvement and awareness** among personnel. |

In 2021, no work-related injuries with serious consequences were recorded and one single work-related illnesses was recognised by INAIL.

| Employees | 2021 | | | 2020 | | | 2019 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Men | Women | Total | Men | Women | Total | Men | Women | Total |
| Recorded cases of work-related injuries[62] | 658 | 336 | **994** | 552 | 265 | **817** | 725 | 375 | **1,100** |
| *workplace* | 527 | 253 | **780** | 456 | 184 | **640** | 590 | 266 | **856** |
| *ongoing* | 131 | 83 | **214** | 96 | 81 | **177** | 135 | 109 | **244** |
| Deaths from accidents at work-related injuries | - | - | **-** | - | - | **-** | - | 1 | **1** |
| *workplace* | - | - | **-** | - | - | **-** | - | - | **-** |
| *ongoing* | - | - | **-** | - | - | **-** | - | 1 | **1** |
| Recognised work-related ill health[63] | 0 | 1 | **1** | - | - | **-** | 4 | - | **4** |
| Rate of recordable work-related accidents | 25.5 | 21.3 | **23.9** | 22.4 | 17.9 | **20.7** | 29.1 | 24.4 | **27.3** |
| Rate of fatalities as a result of work-related injury | 0.00 | 0.00 | **0.00** | 0.00 | 0.00 | **0.00** | 0.00 | 0.07 | **0.02** |

| Contractors[64] | 2021 | | | 2020 | | | 2019 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Men | Women | Total | Men | Women | Total | Men | Women | Total |
| Recorded cases of work-related injuries[65] | 8 | 4 | **12** | n/a | n/a | n/a | n/a | n/a | n/a |
| *workplace* | 8 | 4 | **12** | n/a | n/a | n/a | n/a | n/a | n/a |
| *ongoing* | 0 | 0 | **0** | n/a | n/a | n/a | n/a | n/a | n/a |
| Deaths from accidents at work-related injuries | 0 | 0 | **0** | n/a | n/a | n/a | n/a | n/a | n/a |
| *workplace* | 0 | 0 | **0** | n/a | n/a | n/a | n/a | n/a | n/a |
| *ongoing* | 0 | 0 | **0** | n/a | n/a | n/a | n/a | n/a | n/a |
| Rate of recordable work-related injuries | 23.00 | 24.68 | **23.60** | n/a | n/a | n/a | n/a | n/a | n/a |
| Rate of fatalities as a result of work-related injury | 0.00 | 0.00 | **0.00** | n/a | n/a | n/a | n/a | n/a | n/a |

[59] GRI Standard 403-6 Promotion of worker health.

[60] 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".

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

[62] GRI Standard 403-9 Work-related injuries.

[63] GRI Standard 403-10 Work-related ill health.

[64] During 2021, Esselunga improved its information system for reporting work-related injuries, so that it now also allows injuries involving contractors to be recorded. Contracting firms on the other hand are not obliged by applicable Italian legislation to provide the aforementioned type of data.

[65] GRI Standard 403-9 Work-related injuries.

### *5.3.7 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%[66] 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 more generously than the national collective bargaining agreement and have introduced a comprehensive welfare system, including a joint welfare committee, 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.[67]

## 6. Social topics: customer care

Every person in the 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.

### 6.1 Policy implemented by the organisation

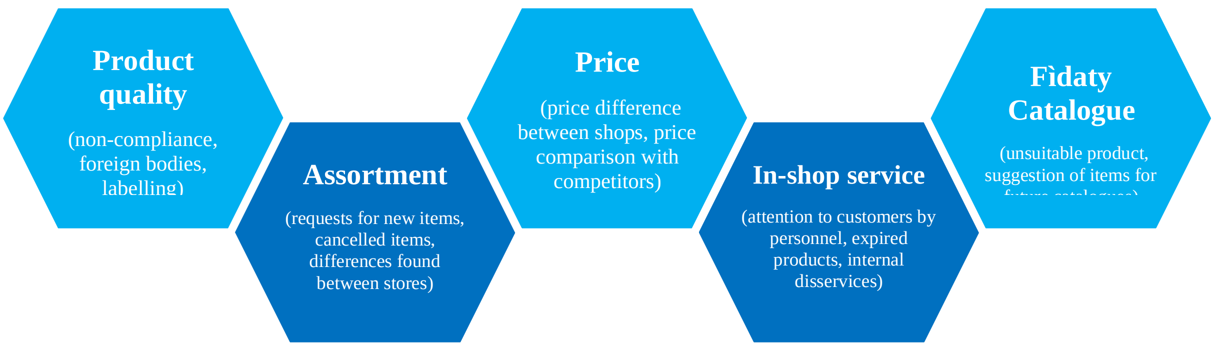
In 2021 more than **5 million customers** signed up to and/or used Esselunga loyalty cards, which means that each of them, following one or more shopping experiences at shops or on the e-commerce platform, decided to repeat their customer experience. Constantly satisfying customers with their products and 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.

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

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. Esselunga'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.

[68]


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[69]. Customer Service uses a multi-channel approach (website, app, call centre and email) 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[70], because Esselunga believes that every single piece of input can inspire innovative actions of correction and improvement.
Based on these policies, Esselunga assigns higher priority to reports relating to:




Furthermore, the gradual roll-out (by topic area and functions involved) of the new CRM platform began in June 2021. It will favour customer management activities across the board due to improved profiling, and therefore better customised

[68] Supplier data refers to suppliers of goods with an Italian VAT number.
[69] During 2021, Esselunga continued to collaborate with external call centres to support shop personnel, manage calls from customers shopping online, loyalty and promotional calls and general enquiries.
[70] E.g. end customer, business customer, employee, supplier, associations, lawyers, etc.

communications with customers, with a consequent reduction in working times. At the same time, the analysis of the integration of the new platform with all existing systems has been initiated and is scheduled to be implemented in 2022.

## 6.2 Main risks and opportunities[71]

Inadequately managing customers, their reports, and their expectations can have far-reaching repercussions on the companies' reputations, with a consequent reduction in 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 (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 Group company loyalty. Properly managing conversations online, especially on social channels, favours the positive impact of word of mouth.

Particular attention is paid to applying the latest regulatory standards to protect customers and employees, ensuring that these standards are integrated into internal procedures, shop signage, institutional communication and responses given via Customer Service. 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 have been implemented. Such initiatives include, for example, the completion and consolidation of the Privacy Management Model as per GDPR 679/2016. Moreover, since 2019 data security risks and related mitigation activities have been supervised by the Business Continuity and Crisis Committee, the Data Protection Committee and the internal cyber security team. During 2021, there were no complaints received from third parties or regulatory bodies, nor were there any leaks, thefts, or loss of customer data[72].

## 6.3 Management approach and KPIs

### *6.3.1 Product quality and safety[73]*

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 Esselunga's commitment, in 2018 it achieved the FSSC 22000 (Food Safety System Certification), which was maintained in 2021 and extended

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

[73] GRI Standard 416-1 Assessment of the health and safety impacts of product and service categories.

to the Biandrate distribution centre. The process of extending organic certification also continued and now encompasses the e-commerce warehouses in Turin, Milan via Dione Cassio and Gallarate.
In addition, the Quality Assurance Department, in order to ensure the food safety of all private-label products, conducts risk analyses to identify the impact on food health and safety and establishes a testing plan on products and processes. For production plants, it has also established monitoring processes to verify hygiene procedures and supervisory activities in production. The Quality Assurance Department issues annual testing plans that constitute a systematic tool for assessing compliance against the following requirements:

a) legal and product quality standards (chemical, microbiological, product-type and labelling analysis);
b) sanitation of environments (microbiological analysis);
c) product completion and production processes (line controls).

For each testing plan, the following have been specifically established:

- determinations/indices: of a specific chemical and biological nature for each product matrix (pH, aw, moisture, residues, pathogens, etc.); of the production process (heat treated or not); for the shelf life and intended use (for cooking/ready to eat);
- analytic frequency: for raw materials this is determined by the assessment of the probability that a hazard has occurred at the European (RASFF) and national (supervisory ratio) level weighted by the company probability and correlated with the incidence of the raw material. For finished products, the probability that a hazard may cause damage to the production process and the product is determined.

In total, the Quality Assurance Department processed 89,256 tests, resulting in a total of 1,356,659 determinations. Many analyses were carried out by the in-house laboratories: 59,602 samples and a total of 288,124 determinations.
Compared to previous years, in 2021 there was a largely similar trend in relation to the normal activities of the control bodies: e.g. health inspections of shops, e-commerce warehouses and distribution centres, product labelling checks, sampling and administrative inspections. On the other hand, there was a decrease in checks related to COVID-19. There were also numerous inspections in 2021 at the Group (Esselunga, Atlantic, eb® Perfumeries) conducted by the supervisory authorities[74]. Specifically, in 2021 a total of about 1,530 inspection and control visits were recorded (+24% compared to 2020), and around 720 product samples were taken. These analyses generated a limited number (34) of action requests, 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[75].
Furthermore, in 2021, there was a single case of non-compliance with legislation on information and labelling of products and services that resulted in a sanction[76].

[74] Local health authorities, the food purity and hygiene unit, the port authorities, the agencies and territorial offices of the Ministry of Agricultural, Food and Forestry Policies, protection consortia, the municipal police and other police forces.
[75] GRI Standard 419-1 Non-compliance with laws and regulations in the social and economic area.
[76] GRI Standard 417-2 Incidents of non-compliance concerning product and service information and labelling.

For Esselunga, guaranteeing the quality and safety of its products also means managing customer reports and complaints in a timely manner. In 2021, 87.4% of the complaints received were resolved, a slight drop (-5%) compared to 2020, despite the decrease in complaints received to be processed (-22% compared to 2020). The decrease in complaints mainly concerned services following the stabilisation of operations in the e-commerce area during the year.
Excluding reports on e-commerce services, the volume of activity in 2021 was slightly higher than in 2020.

| Complaints received | 2021 | | | 2020 | | | 2019 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Received | % Dealt with out of total | % Grounded out of total | Received | % Dealt with out of total | % Grounded out of total | Received | % Dealt with out of total | % Grounded out of total |
| Tot. Complaints on products | 86,012 | 29.5% | 13.4% | 52,459 (or 21%) | 19.7% | 9.7% | 44,832 (or 34%) | 32.5% | 14.7% |
| Tot. Complaints on services | 179,477 | 57.9% | 33.8% | 198,580 (or 79%) | 72.4% | 46.2% | 88,760 (or 66%) | 62.4% | 30.3% |
| **Tot. Complaints** | **265,489** | **87.4%** | **47.1%** | **251,039**[77] | **92.1%** | **55.9%** | **133,592** | **94.9%** | **45.0%** |

**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, Esselunga collects and analyses all complaints received through the complaint forms in the store, the website, the Customer Service freephone number, email, 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 functions. Among these, the Quality Assurance Department carries out a careful analysis of complaints relating to hygiene, safety and qualitative and product characteristics, as well as transparency and communication with reference to legal labelling requirements.
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.
In the event that it is an Esselunga brand product, the Quality Assurance 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, the Quality Assurance Department and the General Management periodically monitor the situation of the complaints received and managed and the related information deemed of greatest interest.

Esselunga's care for customers is also evident in its commitment to monitoring the level of satisfaction with its products and services. In 2021, 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 previous years, with no particular issues of critical importance.

### *6.3.2 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

[77] 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.

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 them in their buying and consumption choices. Furthermore, Esselunga 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.[78]

### *6.3.3 Dietary education*

Esselunga is very attentive to dietary education and the principles of healthy and balanced nutrition. The promotion of a healthy lifestyle also takes place 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.

### *6.3.4 Innovation and sustainable products*

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.
Esselunga has maintained its commitment and its propensity to revisit the recipes of branded products in order to improve and balance their nutritional properties.
At the same time, Esselunga has developed several innovative projects aimed at extending its range of brand products. With the following being particular noteworthy:

- support for customers with specific dietary demands, with a **gluten-free** line, which grew to **23 products** in 2021, all certified with the **Spiga Barrata symbol** 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 482 items;
- commitment to **children**, for whom a line of 58 products has been developed in collaboration with Disney, focused on nutritional values, with low fat and sugar content;
- introduction of the 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.

[78] 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.

Furthermore, to respond to customer online purchasing needs, Esselunga has continued to expand the number of products offered on its e-commerce sales channel.

## 7. Social topics: supply chain

### 7.1 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 **5,400 suppliers**[79], in relation to its company policies and decisions 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) **transparency towards entities and the community**. Esselunga requires its suppliers to read the OMCM 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[80].

### 7.2 Main risks and opportunities[81]

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 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.

[79] The figure refers to suppliers of goods and services with an Italian VAT number and with whom Esselunga had at least one commercial relationship in 2021.
[80] GRI Standard 102-9 A description of the organisation's supply chain.
[81] GRI Standard 102-15 Risks related to the supply chain.

In 2021, **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.[82] 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**[83].
In 2021, level II audit activity resumed for contractors operating at Esselunga plants, with particular attention to the maintenance and logistics sector. Auditing activity took place in the period between April and November and was aimed at verifying compliance with prevention and protection measures and, more generally, with standards of security. During 2021, 33% of logistics providers were audited to verify compliance with workplace health and safety legislation, as well as their alignment with applicable regulations and certification standards under the UNI ISO 45001:2018 scheme. In terms of the pandemic, specific audits were also carried out during the year in order to verify compliance with the Shared Protocol for the regulation of measures to combat and contain the spread of COVID-19 in the workplace and applicable local regulations in the same area.
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.

## 7.3 Management approach and KPIs

### *7.3.1 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. It also 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;

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

- supporting suppliers on **labelling compliance**;
- 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 continued to plan its activities around the operating restrictions set out by the Italian government and as well as Esselunga on workers' health and safety, guaranteeing oversight of food safety requirements and processes. Some monitoring activities were re-evaluated and, in some cases, for example, schedules have been revised. Regarding audits, the Department has continued to perform 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.<br><br>After analysing companies in the fruit and vegetable and oil and wine sectors, in 2021 the team completed the analysis and evaluation of companies in the gastronomy sector and began its assessment of the dairy and cold cuts sector. In 2022 the analysis of the dairy product and cold cut sector is expected to be completed and extended to meat. |
| | 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. |

**The Supplier Code of Conduct**
Responsibility in conducting daily activities has led Esselunga to turn its gaze outside the company's boundaries, sharing its values with all suppliers. Supported by all company functions, 2021 saw Esselunga begin to establish and draft its first Supplier Code of Conduct, one of the ambitious objectives of the 2020-2025 Sustainability Plan.
The Code, applicable to all suppliers – including sub-suppliers – contractors, sub-contractors and business partners, stipulates that Esselunga may verify, directly or through third parties it appoints, compliance with the following principles:
- ensuring fair and safe working conditions for its workers;
- operating in full respect of the environment;
- operating in compliance with the law, with integrity, transparency and fairness;
- operating in accordance with national and international laws and regulations.

After approval, expected during 2022, the Code will be sent to all interested parties, in particular to suppliers of private-label products, requesting that they agree to adhere to the Code.

### *7.3.2 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 branded products: in 2021 about 84% of them were produced entirely in Italy.
The Group is committed in various ways to promoting local products at its shops. Firstly, it 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 2021 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 at highlighting key seasonal products. In 2021, following a reorganisation of Ortofrutta Italia, only one campaign was carried out in January on radicchio. Also in 2021, 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.

### *7.3.3 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 Naturama branded products are concerned, Esselunga has specified in the technical specifications that it requires 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;<br>• **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;<br>• **Antibiotics** are not used when breeding **Naturama chicken**;<br>• Introduction in 2018 of the Naturama pork line; the animals are bred under strict rules of animal welfare and using antibiotics responsibly;<br>• Removal of **foie gras** produced by force-feeding geese;<br>• In 2020, antibiotic-free **Naturama turkey** was added;<br>• In 2021, inclusion of some well-being requirements (natural lighting and environmental enrichment) in plant-fed Pollo (chicken) Esselunga products;<br>• Active participation in institutional discussions on developing new systems for the assessment and labelling of animal welfare. |
| **Fish** | • For **Esselunga Naturama branded rainbow 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 check the low environmental impact of rearing them;<br>• 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 associations such as Friends of the Sea, an NGO that classifies the product following inspections to check the raw material sustainability under all respects;<br>• 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;<br>• In 2020, the following were also included:<br>o Esselunga-brand trout, sturgeon, sea bream and sea bass species fished in Italy through sustainable practices;<br>o trout, sea bream and sea bass with the Naturama brand certified for animal welfare;<br>o trout raised without antibiotics under the Naturama brand;<br>o sea bass and sea bream fillet raised without antibiotics sold at the fish counter;<br>• In 2021 the following were added:<br>o umbrina fillet raised in Italy without antibiotics sold at the fish counter;<br>o BIO sea bass, BIO sea bream, BIO sea bass fillet and BIO sea bream fillet raised without antibiotics;<br>o ocean amberjack fillet and salmon from sustainable fishing. |

## 8. 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)[84]. The many activities the Group does for the community allow it to strengthen its bond with local areas and restore the trust customers place in it.

In 2021, the main initiatives focused on **three macro-objectives**:

[84] GRI Standard 413-1 Operations with local community engagement.

- generating a positive contribution on the ground, redistributing food surpluses and promoting inclusion and support for the most vulnerable groups in society.
- promoting the culture and education of the younger generations.
- 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 customers, various initiatives in the above three areas of intervention.

**Collaboration with Food Bank**
Esselunga has been collaborating with Food Bank for over 15 years 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 2021 Esselunga and its suppliers donated goods for the equivalent of over 3.5 million meals (more than 1,700 tonnes).**

**Amici di scuola (school friends)**
The Amici di Scuola initiative, launched in 2015 with the aim of supporting families and schools in the local areas where Esselunga has a presence, allows customers to collect vouchers to donate to nurseries, pre-schools and lower and higher primary and secondary schools, which in turn can receive free computer equipment and teaching materials. In 2021, €11.3 million was distributed in school materials, comprising a total of **more than €100 million distributed to more than 14,000 schools since 2015.**
**2020-2025 Sustainability Plan Goal: €51.9 million distributed starting from 2018.**

# 9. Environment

## 9.1 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 Group wants to be a part of the solution to the environmental problems affecting the planet, 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 identify effective action strategies, Esselunga has defined three main pillars of intervention that form the basis of its environmental policy: climate change, waste and packaging.

For its "**Occupational Health and Safety and the Environment**"[85] 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.

[85] UNI EN ISO 14001:2015 certification on all Esselunga Group sites, without any exclusion, and UNI CEI EN ISO 50001:2018 certification across all Esselunga sites.

- 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 adopted for efficiency and energy saving** at production and logistics sites 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.

## 9.2 Main risks and opportunities[86]

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** essentially linked to external events and causes (e.g. catastrophic events), which could **compromise 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; 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 periodically and on a one-off basis; implementation of scheduled maintenance plans and significant technological investments (in purification, air treatment 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 Group due to **external factors and customers,** there are:

- environmental risks (indirect risks affecting the community near the shop as referring to the environment, such as noise, waste, traffic);

[86] GRI Standard 102 -15 Risks related to the environment.

- business/reputational risks (mainly linked to packaging, waste and climate change);
- 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**[87]
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.
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 Group, 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.
In 2021, Esselunga signed up to the CDP Climate Change questionnaire for the first time, which requires it to report $CO_2$ emissions, energy consumption, its approach to climate risk and any reduction targets. The CDP Score Report, which is the main tool for assessing and comparing climate change performance, gave a positive evaluation of Esselunga's climate impact management with a rating of B.
In addition, Esselunga has launched an analysis of climate-related risks and opportunities under guidelines from the Task Force on Climate-Related Financial Disclosures (TCFD), which has developed a set of recommendations aimed at promoting greater transparency on financial risks related to climate change and aims to guide the private sector in voluntarily reporting information required by investors and financial markets.

## 9.3 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: energy efficiency and

[87] GRI Standard 201-2 Financial implications and other risks and opportunities due to climate change.

management of renewable sources; reduction in consumption; plant engineering initiatives.

The company supplier quality management (SQM) system sets out, within the "Environmental Management System" section, a series of questions relating to compliance with both mandatory obligations (e.g. in the case of waste transport, possession of the necessary authorisations required by law) and voluntary requirements (adoption of an Environmental Management System and related certification). The assessment of these questions is made by the HSE Office, which submits to the Purchasing function for the supplier subject to qualification one of the following evaluations: high risk, medium risk, low risk[88].

### *9.3.1 Climate change*

Over time, Esselunga has developed technical skills in control and direct management of environmental aspects and related 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; in December 2021, Esselunga completed the process for obtaining the Energy Management System certification in accordance with the **UNI CEI EN ISO 50001:2018** standard.

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.

Within the general framework of continuous improvement, monitoring energy consumption is key to achieving goals for reducing the Group's impact and consequently increasing the energy efficiency of its shops and production and logistics centres. Total energy consumption[89] from renewable and non-renewable sources for 2021 was around **3.40 million Gj**. In addition to projects that drove an increase in energy efficiency, 2021 was marked by the introduction of energy purchased from guaranteed renewable sources equal to 27% of the organisation's total energy consumption.

| Total energy consumption in Gj | 2021 | | 2020 | | 2019 | |
|---|---|---|---|---|---|---|
| | Direct[90] | Indirect[91] | Direct | Indirect | Direct | Indirect |
| From renewable sources | 23,568.05 | 903,925.21 | 19,334.64 | - | 16,795.98 | - |
| From non-renewable sources | 1,022,083.87 | 1,462,485.63 | 874,868.49 | 2,370,715.61 | 868,477.29 | 2,397,710.09 |
| Electricity produced and fed into the grid[92] | 13,733.76 | | 4,786.27 | | 6,731.63 | |
| **Total energy consumption** | **3,398,329.00** | | **3,260,142.48** | | **3,276,251.72** | |
| **Energy intensity[93] (MJ/m²)** | **4,052.68** | | **4,067.75** | | **4,241.82** | |

[88] GRI Standard 308-1 New suppliers that were screened using environmental criteria.
[89] GRI Standard 302-1 Energy consumption within the organisation. For previously published historical data, please refer to the 2018 Non-Financial Statement.
[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] Energy produced directly by the organisation but fed to the grid as an energy surplus.
[93] GRI Standard 302-3 Energy intensity calculated in weighted m$^2$.

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

| Shops involved[94] | Sites involved in 2021 | | Sites involved in 2020 | | Sites involved in 2019 |
|---|---|---|---|---|---|
| | Total sites | New sites | Total sites | New sites | Total sites |
| Automatic lighting | 116 shops | - | 116 shops | - | 116 shops |
| Dimming of lights | 79 shops | 10 | 69 shops | - | 69 shops |
| LED relighting | 74 shops | 8 | 66 shops | 4 | 62 shops |
| Closing fresh vertical counters | 14 shops | 7 | 7 shops | 3 | 4 shops |
| Car park extractor check[95] | 48 shops | 4 | 44 shops | 2 | 42 shops |
| Electrostatic filters on AHUs[96] | 12 shops | 9 | 3 shops | 3 | - |
| Power Quality[97] | 6 shops | 5 | 1 shop | 1 | - |

During 2021, seven new systems were activated, resulting in a total of **49 photovoltaic systems** in offices and shops. Three offices also had new lighting systems installed. These initiatives and structural measures resulted in energy savings of **57,130 MWh**[98] in 2021 alone, equivalent to **20,726 $tCO_2e$/year**[99] **saved.** Of the low impact technologies, mention should be made of more energy-efficient refrigeration plants in the shops that use carbon dioxide, and the creation of ammonia thermal power plants in production facilities. Esselunga is committed to replacing ozone-damaging gases with other types of gases and, from 2021, the refrigerant gases it uses were 100% ozone friendly, of which 30% were natural gases to reduce impact in the event of leaks.

**The Group's energy consumption and activities involve direct and indirect emissions of $CO_2$ e.** Emissions from 2018-2021 decreased with the purchase of energy from renewable sources leading to achieving a significant reduction in the emission intensity of 39%, well beyond the 30% target:

| Atmospheric emissions[100] | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|
| Direct $CO_2e$ emissions (Scope 1) | 95,799.39 tCO2e | 65,846.81 $tCO_2e$ | 84,039.09 $tCO_2e$ | 89,421.89 $tCO_2e$ |
| Indirect atmospheric emissions of $CO_2e$ (Scope 2) location-based[101] | 172,876.70 $tCO_2e$ | 182,313.54 $tCO_2e$ | 197,377.41 $tCO_2e$ | 208,242.63 $tCO_2e$ |
| Indirect atmospheric emissions of $CO_2e$ (Scope 2) market-based[102] | 182,648.27 $tCO_2e$ | 298,414.83 $tCO_2e$ | 306,647.92 $tCO_2e$ | 314,818.29 $tCO_2e$ |
| Emission intensity (kg $CO_2e/m^2$)[103] | 332.06 kg $CO_2e/m^2$ | 454.50 kg $CO_2e/m^2$ | 505.83 kg $CO_2e/m^2$ | 545.68 kg $CO_2e/m^2$ |

Esselunga is also aware of the environmental impact on the **distribution chain** (indirect emissions, Scope 3), especially due to polluting emissions, induced traffic and

[94] Data on hourly programming, dimming of lights and car park extractor checks does not include the shops in the area managed by Florence.
[95] Car park extractors ventilate and extract petrol and carbon dioxide fumes.
[96] AHU = air handling unit.
[97] Power quality devices make electrical systems more efficient by installing inductive filters.
[98] 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.
[99] 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.
[100] GRI Standard 305-1 Direct GHG emissions (Scope 1); GRI Standard 305-2 Energy indirect GHG emissions (Scope 2). Following a refinement of data collection processes and reporting methods, data on direct and indirect atmospheric emissions were restated.
[101] A location-based emissions calculation method that reflects the average GHG emissions intensity of grids on which energy consumption occurs, using mostly grid-average emission factor data.
[102] A market-based missions calculation method in which GHG emissions, arising from the purchase of electricity from renewable sources, are assigned an emissions factor of zero. Emissions from the remaining energy were calculated by applying an emission factor of 458.57 gCO2/kWh (residual mix for Italy for 2020).
[103] GRI Standard 305-4 Types of GHG emissions included in the intensity ratio; whether direct (Scope 1) or energy indirect (Scope 2), with a market-based method calculated in $m^2$ for shops. The data has been restated to further refine the calculation methodology.

road congestion related to the transport of goods. For this reason Esselunga's logistics pursues a strategy to: **optimisation of loading compartments** and **vehicle routes**; use of a fleet composed of 25% Euro 5 vehicles, 50% Euro 6 vehicles and 25% 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[104]. In addition, the fleet used for home delivery for orders via the online channel uses Euro 6 vehicles and there are 40 full electric vehicles in the fleet. 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 **27,537 tCO2e**.

Lastly, over the course of 2021 Esselunga recorded 11,369.54 kg of $NO_x$ emissions from the Limito steam power plant in Pioltello, the Parma cogeneration plant and the Biandrate trigeneration plant[105].

### *9.3.2 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.

In 2021, the Group consumed **35,264.92 tonnes of materials** [106]in order to package and advertise its products, **about 3% more than in 2020**. This increase, driven by the Group's expansion, must encourage and accelerate the search for sustainable packaging as an alternative to plastics, in order to reduce the introduction of virgin and non-recyclable materials to the market.

In 2021, the following goals were achieved:

- **increase in paper/cardboard material:** 14% (724.5 t) more than in 2020;
- **increase in compostable material:** +26% (+121 t) compared to 2020;
- **use of recycled materials**[107]**:** 566.37 t corresponding to 3% of total packaging;
- **reduction of non-recyclable plastic material**: -50% (-50 t) compared to 2020;
- **increase of ATICELCA-certified recyclable laminated paper**: +540 t compared to 2020;
- **62% of the packaging of items produced by Esselunga** is composed of **recycled, recyclable or compostable materials.**

[104] The fleet includes both Esselunga-owned vehicles and vehicles used by all of the Group's direct contractors.
[105] GRI Standard 305-7 Nitrogen oxides (NOX), sulphur oxides (SOX), and other significant air emissions.
[106] GRI Standard 301-1 Materials used by weight or volume to produce and package the company's main products.
[107] GRI Standard 301-2 Recycled input materials used.

| Materials for packs of items produced by Esselunga in tonnes[108] | 2021 | | | 2020 | | | 2019 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Recyclable | Not recyclable | Compos-table | Recyclable | Not recyclable | Compos-table | Recyclable | Not recyclable | Compos-table |
| Plastic | 3,878.07 | 5,819.10 | - | 3,643.72 | 5,665.90 | - | 3,039.00 | 5,803.96 | - |
| Paper and cardboard | 4,136.28 | 341.84 | -0.22 | 4,243.85 | - | - | 4,355.24 | - | - |
| Laminated paper | 1,199.09 | 50.00 | - | 658.37 | 100.36 | 0.37 | 145.00 | 211.00 | - |
| Aluminium | 170.53 | - | - | 139.03 | - | - | 164.00 | - | - |
| Bioplastics | - | - | 573.95 | - | - | 448.49 | - | - | 348.40 |
| Labels | - | 818.63 | 6.19 | - | 825.23 | 27.15 | - | 830.00 | - |
| Steel | 34.84 | - | - | - | - | - | - | - | - |
| **Total** | **9,418.82** | **7,029.57** | **580.36** | **8,684.97** | **6,591.49** | **459.31** | **7,765.99** | **6,844.43** | **348.47** |

As of 2020, all suppliers of branded products began to map the information on the packaging used through the "Web tool packaging" platform, making the monitoring and impact assessment of the materials used systematic. In 2021, the Group consumed **25,260 tonnes of materials**[109] to package items produced by suppliers of branded products (co-packers). Following this analysis, currently **90% of the materials used by suppliers of branded products meet the objective** of having packing composed of recycled, recyclable or compostable material (**26% in recycled material**[110]).

| Materials for packs of items produced by co-packers in tonnes[111] | 2021 | | | 2020 | | |
|---|---|---|---|---|---|---|
| | Recyclable | Not recyclable | Compostable | Recyclable | Not recyclable | Compostable |
| Plastic | 4,402.20 | 2,601.68 | - | 6,552.46 | 1,376.82 | - |
| Paper and cardboard | 7,532.24 | 18.64 | - | 4,045.23 | 51.48 | 15.10 |
| Laminated paper | 202.13 | - | - | 866.50 | 173.45 | 76.36 |
| Wood | 17.68 | - | - | 1.53 | - | 17.66 |
| Steel | 2,170.44 | - | - | 2,641.63 | 15.99 | - |
| Aluminium | 211.83 | 1.75 | - | 242.79 | 11.73 | - |
| Glass | 7,173.83 | - | - | 6,215.66 | 4.74 | - |
| Bioplastics | 0.18 | 10.27 | 890.13 | 5.41 | - | 212.75 |
| Labels | 3.76 | 23.68 | - | - | 9.37 | 4.78 |
| **Total** | **21,714.29** | **2,656.02** | **890.13** | **20,571.21** | **1,643.59** | **326.66** |

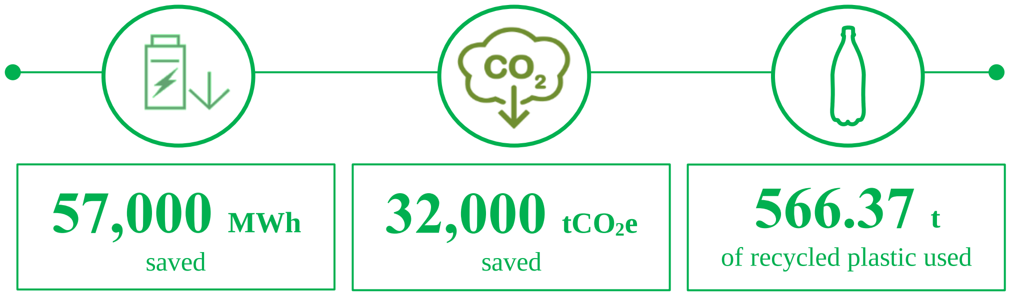
The consumption of paper used for publishing leaflets and catalogues is currently 100% PEFC-certified. New promotional initiatives or new activities using paper as material will always employ PEFC- or FSC-certified materials.[112]

| Graphic materials in tonnes[113] | 2021 | | 2020 | | 2019 | |
|---|---|---|---|---|---|---|
| | Recyclable | Not recyclable | Recyclable | Not recyclable | Recyclable | Not recyclable |
| Plastic | 3.22 | 61.81 | 2.83 | 58.42 | 4.91 | 52.69 |
| Paper and cardboard | 18,126.47 | 4.10 | 18,332.28 | 5.20 | 19,805.33 | 11.00 |
| Adhesive labels | - | 40.80 | - | - | - | 17.33 |
| **Total** | **18,129.68** | **106.71** | **18,335.11** | **63.62** | **19,810.24** | **81.02** |

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

[108] The values refer only to the quantity of packaging used to store brand products as that is the only packaging the Group is able to monitor. Recyclability has been defined according to the criteria used by CONAI for the years in question. Therefore, some materials may change from non-recyclable to recyclable. Some values differ from the previous Non-Financial Statement due to data reclassification and the addition of suppliers not previously included.
[109] GRI Standard 301-1 Materials used by weight or volume to produce and package the company's main products.
[110] GRI Standard 301-2 Recycled input materials used.
[111] Validation coverage of product descriptions within the "Web tool packaging" equal to 93%
[112] Programme for the Endorsement of Forest Certification (PEFC) scheme and Forest Stewardship Council (FSC).
[113] Some values differ from the previous Non-Financial Statement due to data reclassification and the addition of suppliers not previously included.

from controlled forests and is both FSC and PEFC certified. On average, around 2.4 million pallets are used per year via pooling, which, compared to the use of conventional pallets, results in: (i) a 50% reduction in $CO_2e$ emissions, (ii) a 75% savings in wood and an 80% reduction in waste. In 2021, the initiative therefore brought savings of 2,430 $m^3$ in wood and **2,256 $tCO_2e$**, and eliminated 264 tonnes of waste.




### *9.3.3 Waste and food 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[114]. The Group, 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 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 **92.83 tonnes of PET** in 2021, contributes to the objectives of the European strategy on the conscious use and reuse of plastics.
Furthermore, a **nappy collection trial programme** continues in cooperation with FATER in the shops in Verona, which resulted in the collection of more than **210,000 kg of nappies** that were sent for recycling, allowing for the recovery of paper, plastic and absorbent material.
In addition, the collection of used vegetable oils from customers is underway in shops in Milan, which has led to more than 64,000 litres of oil being reused.
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.

[114] 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[115]:

| Hazardous waste - tonnes (shops, distribution centres, offices) | Recycled/ Disposed | 2021[116] | 2020[117] | 2019 |
|---|---|---|---|---|
| Electronic equipment | R13 | 22.02 | 35.46 | 34.38 |
| Non-edible oils | R13 | 6.98 | 8.20 | 6.72 |
| Detergents | D15, R13 | - | - | 8.05 |
| Other (batteries, lamps and neon, packaging, antifreeze liquid, insulating materials, etc.) | | 64.63 | 68.60 | 59.19 |
| **Total hazardous waste** | | **93.63** | **112.26** | **108.34** |

| Non-hazardous waste - Tonnes (shops, distribution centres, offices) | Recycled/ Disposed | 2021[118] | 2020[119] | 2019 |
|---|---|---|---|---|
| Paper and cardboard including packaging | R13, R3 | 70,720.42 | 68,057.64 | 67,257.64 |
| Wood | R2, R3, R12, R13, D13 | 17,973.97 | 13,366.58 | 17,212.30 |
| Packaging | R13, D13 | 126.97 | 105.54 | 115.99 |
| Plastic | R13, R3 | 5,657.10 | 4,843.00 | 4,418.88 |
| Other (including glass, polystyrene, sludge, edible oils, toner, etc.) | | 16,047.63 | 16,660.98 | 15,561.56 |
| **Total non-hazardous waste** | | **110,526.11** | **103,033.74** | **104,566.37** |

### *9.3.4 Water and effluent management*

The use of water[120] as part of the Group's activities is of great importance. As such, it is monitored, and, where possible, contained within specific limits. The water drawn for use in both production and shops may be derived from aqueducts, wells, or from both of these sources. The Group's estimated water consumption in 2021 was **6,831,884 m$^3$** (+6% compared to 2020): 42% was drawn from **public water services** and 58% from **groundwater** (wells).

Efforts have been underway to implement evaluations of the life cycle of products and processes that also allow assessments of the relative water footprints to be made. LCAs are planned for 2022 at the production sites of Limito di Pioltello and Biandrate with the aim of calculating a water consumption indicator.

Effluent[121], where necessary and required by standards, is purified and delivered to the sewer or body of surface water. The minimum quality standards at discharge depend on national and/or local legislation, in order to safeguard the receiving water body; for this reason periodic sampling is carried out for verification of compliance with environmental limits.

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[115] 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.*

[116] The quantities given are subject to changes, as they will be updated after the fourth copy of the forms is returned, and made official following the MUD2022 Declaration in April 2022.

[117] The values differ from those in the previous Non-Financial Report in that they are in line with the official values of the MUD2021 Declaration.

[118] The quantities given are subject to changes, as they will be updated after the fourth copy of the forms is returned, and made official following the MUD2022 Declaration in April 2022.

[119] The values differ from those in the previous Non-Financial Report in that they are in line with the official values of the MUD2021 Declaration.

[120] GRI Standard 303-1 Interactions with water as a shared resource.

[121] GRI Standard 303-2 Management of water discharge-related impacts.

# GRI content index[122]

| 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 | Esselunga is wholly owned by Superit S.r.l.; note that Esselunga S.p.A. 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 | 5.3.1 Staff composition | |
| 102-9 | Description of the organisation's supply chain | 7.1 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 | 2.5 Management and Control Systems and key risks | |
| 102-12 | Adoption of external codes and principles in the economic, social and environmental fields | 2.4.1 CSR policies<br>3.1. Policy implemented by the organisation<br>5.3 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 | 2.5 Management and Control Systems and key risks<br>3.2 Main risks and opportunities<br>4.2 Main risks and opportunities<br>5.2 Main risks and opportunities<br>6.2 Main risks and opportunities<br>7.2 Main risks and opportunities<br>9.2 Main risks and opportunities | |
| | **Ethics and Integrity** | | |
| 102-16 | Values, principles, standards and rules of conduct | 3.1 Policy implemented by the organisation | |
| 102-17 | Mechanisms for advice and concerns about ethics | 3.2 Main risks and opportunities | |
| | **Governance** | | |
| 102-18 | Governance structure | MANAGEMENT REPORT | |
| | **Stakeholder engagement** | | |
| 102-40 | List of stakeholders involved | 2.2 Stakeholder: identification and involvement | |
| 102-41 | Employees covered by collective bargaining agreements | 5.3.7 Industrial relations and operational changes | |
| 102-42 | Process of identifying and selecting stakeholders to be involved | 2.2 Stakeholder: identification and involvement | |
| 102-43 | Approach to stakeholder engagement | 2.2 Stakeholder: identification and involvement | |
| 102-44 | Key aspects and critical issues arising from stakeholder involvement and related actions | 2.2 Stakeholder: 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 | 2.3 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.<br>Via Giambologna, 1 - 20096 Limito di Pioltello (Milan)<br>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** | | |

[122] 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 | 9.2 Main risks and opportunities | |
| **204** | **2016 Procurement Practices** | | |
| 103 | Management approach | 7. Social topics: supply chain | |
| 204-1 | Proportion of spending on local suppliers | 7.3.2. Support of and collaboration with local suppliers | |
| **205** | **2016 Anti-corruption** | | |
| 103 | Management approach | 3. Fight against corruption | |
| 205-1 | Operations assessed for risks related to corruption | 3.2 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.) | 3.3 Management approach and KPIs | |
| 205-3 | Actions taken in response to cases of corruption | 3.3 Management approach 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 before the Council of State. This arises from an appeal against a sentence by the regional administrative court upholding Esselunga's own appeal against a ruling by the AGCM against it (and other companies in the large-scale retail trade) concerning the illegality of a contractual clause requiring fresh bread suppliers to take back and dispose of 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 | 2.6 Approach to tax | |
| 207-2 | Tax governance, control and risk management | 2.6 Approach to tax | |
| 207-3 | Stakeholder engagement and management concerns related to tax | 2.6 Approach to tax | |
| 207-4 | Country-by-country reporting | MANAGEMENT REPORT | |
| **300** | **Environment** | | |
| **301** | **2016 Materials** | | |
| 103 | Management approach | 9. Environment | |
| 301-1 | Materials used by weight or volume | 9.3.2 Material packaging and consumption | |
| 301-2 | Recycled input materials used | 9.3.2 Material packaging and consumption | |
| **302** | **2016 Energy** | | |
| 103 | Management approach | 9. Environment | |
| 302-1 | Energy consumption within the organisation | 9.3.1 Climate change | |
| 302-3 | Energy intensity | 9.3.1 Climate change | |
| 302-4 | Reduction of energy consumption resulting from specific activities and initiatives at offices and sites | 9.3.1 Climate change | |
| **303** | **2018 Water and effluents** | | |
| 103 | Management approach | 9. Environment | |
| 303-1 | Interactions with water as a shared resource | 9.3.4 Water and effluent management | |
| 303-2 | Management of water discharge-related impacts | 9.3.4 Water and effluent management | |
| **305** | **2016 Emissions** | | |
| 103 | Management approach | 9. Environment | |
| 305-1 | Scope 1 emissions | 9.3.1 Climate change | |
| 305-2 | Scope 2 emissions | 9.3.1 Climate change | |
| 305-4 | GHG emissions intensity | 9.3.1 Climate change | |
| 305-5 | Reduction of emissions as a direct consequence of specific activities and initiatives | 9.3.1 Climate change | |
| 305-6 | Emission of ozone-depleting substances (ODSs) | 9.3.1 Climate change | |
| 305-7 | Nitrogen oxide (NOx), sulphur oxide (SOx) and other significant emissions into the atmosphere | 9.3.1 Climate change | |
| **306** | **Waste 2020** | | |
| 103 | Management approach | 9. Environment | |
| 306-1 | Waste generation and significant impacts due to waste | 9.3.3 Waste and waste management | |
| 306-2 | Management of significant impacts due to waste | 9.3.3 Waste and waste management | |
| 306-3 | Generated waste | 9.3.3 Waste and waste management | |
| **307** | **2016 Environmental Compliance** | | |
| 103 | Management approach | 9. Environment | |
| 307-1 | Penalties for non-compliance with environmental laws and regulations | In 2021 Esselunga received no significant environmental sanctions. | |
| **308** | **Supplier environmental assessment** | | |
| 103 | Management approach | | |
| 308-1 | New suppliers that were screened using environmental criteria | | |
| **400** | **Social Performance** | | |
| **401** | **2016 Employment** | | |
| 103 | Management approach | 5. The Esselunga Group's people | |

| GRI Standard | Description | Reference in the text/disclosure | Reason for omission |
|---|---|---|---|
| 401-1 | Total number and percentage of new employee hires and employee turnover, by age, gender and region | 5.3.2 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 | 5.3.4 Corporate welfare and work-life balance | |
| 401-3 | Parental leave | 5.3.4 Corporate welfare and work-life balance | |
| **402** | **2016 Labour Relations Management** | | |
| 103 | Management approach | 5. The Esselunga Group's people | |
| 402-1 | Minimum notice period regarding operational changes (organisational changes) indicating whether or not these conditions are included in the collective bargaining agreement | 5.3.7 Industrial relations and operational changes | |
| **403** | **2018 Health and Safety at Work** | | |
| 103 | Management approach | 5. The Esselunga Group's people | |
| 403-1 | Occupational health and safety management system | 5.3.6 Occupational Health and Safety | |
| 403-2 | Hazard identification, risk assessment and incident investigation | 5.3.6 Occupational Health and Safety | |
| 403-3 | Occupational health services | 5.3.4 Corporate welfare and work-life balance | |
| 403-4 | Worker participation, consultation, and communication on occupational health and safety | 5.3.6 Occupational Health and Safety | |
| 403-5 | Worker training on occupational health and safety | 5.3.3 Training and development of people | |
| 403-6 | Promotion of worker health | 5.3.6 Occupational Health and Safety | |
| 403-7 | Prevention and mitigation of occupational health and safety impacts directly linked by business relationships | 5.3.6 Occupational Health and Safety | |
| 403-8 | Workers covered by an occupational health and safety management system | 5.3.6 Occupational Health and Safety | |
| 403-9 | Work-related injuries | 5.3.6 Occupational Health and Safety | Some of the data required to calculate accident rates for non-employees are not currently available, as Esselunga 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 | 5.3.6 Occupational Health and Safety | |
| **404** | **2016 Training and Education** | | |
| 103 | Management approach | 5. The Esselunga Group's people | |
| 404-1 | Average annual training hours per employee | 5.3.3 Training and development of people | |
| 404-3 | Percentage of employees receiving regular reports on performance and career development, by gender and employee category | 5.3.3 Training and development of people | |
| **405** | **2016 Diversity and Equal Opportunity** | | |
| 103 | Management approach | 5. The Esselunga Group's people | |
| 405-1 | Composition of governance bodies and breakdown of staff by employee categories, gender, age, membership of protected categories and other diversity indicators | 5.3.5 Diversity and inclusion | |
| **406** | **2016 Non-discrimination** | | |
| 103 | Management approach | 4. Respect for human rights | |
| 406-1 | Incidents of discrimination and actions taken | 4.3 Management approach and KPIs | |
| **407** | **2016 Freedom of Association and Collective Bargaining** | | |
| 103 | Management approach | 4. Respect for human rights | |
| 407-1 | Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk | 4.3 Management approach and KPIs | |
| **408** | **2016 Child Labour** | | |
| 103 | Management approach | 4. Respect for human rights | |
| 408-1 | Operations and suppliers that could pose a risk for incidents of child labour accidents | 4.3 Management approach and KPIs | |
| **409** | **2016 Forced or Compulsory Labour** | | |
| 103 | Management approach | 4. Respect for human rights | |
| 409-1 | Operations and suppliers at significant risk for incidents of forced or compulsory labour | 4.3 Management approach and KPIs | |
| **410** | **2016 Safety Practices** | | |
| 103 | Management approach | 4. Respect for human rights | |
| 410-1 | Security personnel trained in human rights policies or procedures | 4.3 Management approach and KPIs | |
| **412** | **2016 Human Rights** | | |
| 103 | Management approach | 4. Respect for human rights | |
| 412-3 | Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening | 7.2 Main risks and opportunities | |
| **413** | **2016 Local Communities** | | |
| 103 | Management approach | 8. Social topics: commitment to the community | |
| 413-1 | Operations with local community engagement | 8. Social topics: commitment to the community | |
| **414** | **2016 Supplier Social Assessment** | | |
| 103 | Management approach | 4. Respect for human rights<br>7. Social topics: supply chain | |
| 414-1 | New suppliers that were screened using social criteria | 7.2 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 | 6. Social topics: customer care | |

| GRI Standard | Description | Reference in the text/disclosure | Reason for omission |
|---|---|---|---|
| 416-1 | Percentage of product and service categories for which health and safety impacts are assessed | 6.3.1 Product quality and safety | |
| **417** | **2016 Product and Service Labelling** | | |
| 103 | Management approach | 6. Social topics: customer care | |
| 417-2 | Incidents of non-compliance concerning product and service information in labelling | 6.3.2 Labelling, transparency and communication | |
| 417-3 | Incidents of non-compliance concerning product and service information in marketing communications | 6.3.2 Labelling, transparency and communication | |
| **418** | **2016 Consumer Privacy** | | |
| 103 | Management approach | 6. Social topics: customer care | |
| 418-1 | Complaints concerning breaches of customer privacy and losses of customer data | 6.2 Main risks and opportunities | |
| **419** | **2016 Socioeconomic Compliance** | | |
| 103 | Management approach | 6. 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 | 6.3.1 Product quality and safety | |

## Auditor's Letter on the Consolidated Non-Financial Report

pwc

# *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 undertaken 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 2021 prepared in accordance with article 4 of the Decree, and approved by the Board of Directors on 23 March 2022 (hereafter the "NFS").

Our review does not extend to the information set out in the "European Taxonomy Dissemination" paragraph of the NFS, required by article 8 of European Regulation 2020/852.

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

The Directors of Esselunga SpA 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, and updates versions (hereafter the "GRI Standards"), identified by them as the reporting standards.

The Directors are responsible, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of a NFS that is free from material misstatement, whether due to fraud or 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.

## *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

*PricewaterhouseCoopers SpA*

Sede legale: **Milano** 20145 Piazza Tre Torri 2 Tel. 02 77851 Fax 02 7785240 Capitale Sociale Euro 6.890.000,00 i.v. C.F. e P.IVA e Reg. Imprese Milano Monza Brianza Lodi 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 071 2132311 - **Bari** 70122 Via Abate Gimma 72 Tel. 080 5640211 - **Bergamo** 24121 Largo Belotti 5 Tel. 035 229691 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 051 6186211 - **Brescia** 25121 Viale Duca d'Aosta 28 Tel. 030 3697501 - **Catania** 95129 Corso Italia 302 Tel. 095 7532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 055 2482811 - **Genova** 16121 Piazza Piccapietra 9 Tel. 010 29041 - **Napoli** 80121 Via dei Mille 16 Tel. 081 36181 - **Padova** 35138 Via Vicenza 4 Tel. 049 873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091 349737 - **Parma** 43121 Viale Tanara 20/A Tel. 0521 275911 - **Pescara** 65127 Piazza Ettore Troilo 8 Tel. 085 4545711 - **Roma** 00154 Largo Fochetti 29 Tel. 06 570251 - **Torino** 10122 Corso Palestro 10 Tel. 011 556771 - **Trento** 38122 Viale della Costituzione 33 Tel. 0461 237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422 696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 040 3480781 - **Udine** 33100 Via Poscolle 43 Tel. 0432 25789 - **Varese** 21100 Via Albuzzi 43 Tel. 0332 285039 - **Verona** 37135 Via Francia 21/C Tel. 045 8263001 - **Vicenza** 36100 Piazza Pontelandolfo 9 Tel. 0444 393311

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Accountants, which are based on the fundamental principles of integrity, objectivity, competence and professional diligence, confidentiality and professional behavior. 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 work 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. comparison of the financial information reported in the NFS with the information reported in the Group's consolidated financial Statements;
4. understanding of the following matters:
    a) business and organisational model of the Group, with reference to the management of the matters specified by article 3 of the Decree;
    b) policies adopted by the Group with reference to the matters specified in article 3 of the Decree, actual results and related key performance indicators;
    c) key 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 5 a) below;
5. understanding of the processes underlying the preparation, collection and management of the significant qualitative and quantitative information included in the NFS.

In detail, we held meetings and interviews with the management of Esselunga SpA and we performed limited analyses 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 available evidence;
  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 carried out meetings with local 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 for the year ended 31 December 2021 has not been prepared, in all material respects, in accordance with articles 3 and 4 of the Decree and with the GRI Standards.

Our conclusion on the NFS of Esselunga Group does not extend to the information set out in the section "European Taxonomy Dissemination" of the NFS, required by article 8 of European Regulation 2020/852.

Milano, 8 April 2022

PricewaterhouseCoopers SpA

| | |
|---|---|
| *Signed by* | *Signed by* |
| Andrea Rizzardi<br>(Partner) | Paolo Bersani<br>(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 2021 translation.*

## Outlook

At the time of writing, the Covid-19 pandemic emergency is continuing.
In 2022, the Group's earnings performance will therefore be affected by how the scenario develops and by any 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.
The adoption of smart working for office workers will continue in 2022 and will be conditioned by the evolution of the pandemic.
As previously commented in the section "Significant events after the end of the period", the hoped-for normalisation after two years of the pandemic has been affected at the date of preparation of the financial statements by the effects on commodity prices due to the crisis in Eastern Europe. Despite the uncertainties over growth in consumer spending, the Group will continue its strategy of competitive prices and will pursue its development plan with substantial investments.

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

# Consolidated statement of financial position [(1)(2)]

| Consolidated Statement of Financial Position (*thousands of Euros*) | Notes | 31.12.2021 | 31.12.2020 |
|---|---|---|---|
| Property, plant and equipment | 11.1 | 4,879,700 | 4,703,786 |
| Real estate investments | 11.2 | 126,146 | 137,735 |
| Goodwill | 11.3 | 6,586 | 6,586 |
| Intangible assets | 11.4 | 174,745 | 161,083 |
| Equity investments | 11.5 | 500 | 130 |
| Other non-current financial assets | 11.6 | 6,936 | 1,181 |
| Deferred tax assets | 11.7 | 62,076 | - |
| Other non-current assets | 11.8 | 15,698 | 23,844 |
| **Non-current assets** | | **5,272,387** | **5,034,346** |
| Inventories | 11.9 | 477,051 | 436,707 |
| Trade receivables | 11.10 | 361,280 | 477,455 |
| Current tax receivables | 11.11 | 30,494 | 913 |
| Other current assets | 11.12 | 36,366 | 80,835 |
| Cash and cash equivalents | 11.13 | 756,376 | 1,170,624 |
| Other current financial assets | 11.14 | 3,453 | 3,553 |
| **Current assets** | | **1,665,020** | **2,170,087** |
| **Assets held for sale** | | **-** | **-** |
| **ASSETS** | | **6,937,407** | **7,204,433** |
| Share capital | | 100,000 | 200,000 |
| Share premium reserve | | 164,510 | 500,750 |
| Other reserves | | 172,091 | 57,514 |
| Retained earnings (accumulated losses) | | 1,185,602 | 617,889 |
| Profit for the period | | 243,204 | 242,137 |
| **Equity attributable to owners of the parent** | **11.15** | **1,865,407** | **1,618,290** |
| Non-controlling interests | | 333,290 | 325,829 |
| Profit for the period attributable to non-controlling interests | | 23,292 | 12,662 |
| **Total shareholders' Equity** | **11.15** | **2,221,989** | **1,956,781** |
| Non-current financial liabilities | 11.16 | 2,467,053 | 2,436,423 |
| Employee severance indemnities (TFR) and other staff-related provisions | 11.17 | 87,463 | 92,218 |
| Deferred tax liabilities | 11.7 | - | 12,285 |
| Provisions for risks and charges | 11.18 | 47,830 | 35,433 |
| Non-current deferred revenue for reward events | 11.19 | 52,432 | - |
| Other non-current liabilities | 11.20 | 1,734 | 3,966 |
| **Non-current liabilities** | | **2,656,512** | **2,580,325** |
| Current financial liabilities | 11.16 | 73,805 | 613,580 |
| Trade payables | 11.21 | 1,645,643 | 1,564,184 |
| Current deferred revenue for reward events | 11.19 | 75,320 | 215,512 |
| Current tax payables | 11.22 | 5,690 | 12,147 |
| Other current liabilities | 11.23 | 258,448 | 261,904 |
| **Current liabilities** | | **2,058,906** | **2,667,327** |
| **SHAREHOLDERS' EQUITY AND LIABILITIES** | | **6,937,407** | **7,204,433** |

(1) Please note that as a result of the "Merger by incorporation of Superit Finco S.p.A. and Supermarkets Italiani S.p.A. into Esselunga S.p.A." the balance sheet data as at 31 December 2020 are derived from the consolidated financial statements of the Superit Finco Group.

(2) The notes to the individual items are an integral part of these condensed interim consolidated financial statements

## Consolidated income statement [(1)] [(2)]

| Consolidated income statement<br>*(thousands of Euros)* | Notes | 2021 | 2020 |
|---|---|---|---|
| Total sales | 12.1 | 8,561,173 | 8,373,687 |
| Sales Adjustments | 12.1 | (64,446) | (169,501) |
| **Net revenue** | **12.1** | **8,496,728** | **8,204,186** |
| Net costs for goods and raw materials | 12.2 | (5,810,646) | (5,600,810) |
| Other revenues and income | 12.3 | 50,473 | 38,700 |
| Costs for services | 12.4 | (931,553) | (854,570) |
| Personnel costs | 12.5 | (1,053,938) | (1,016,132) |
| Other operating costs | 12.6 | (61,371) | (60,874) |
| **EBITDA** | | **689,693** | **710,500** |
| Amortisation and depreciation | 12.7 | (345,080) | (314,729) |
| Provisions, write-ups and write-downs of fixed assets | 12.8 | (22,641) | (6,204) |
| Capital gains/losses on non-current assets | 12.9 | 695 | 1,496 |
| **Operating profit** | | **322,667** | **391,063** |
| Finance income | 12.10 | 1,172 | 1,402 |
| Financial expense | 12.10 | (49,496) | (50,682) |
| **Net financial income (expense)** | **12.10** | **(48,324)** | **(49,280)** |
| Share of income from equity investments | 12.11 | 85 | 304 |
| Expenses from equity investments | 12.11 | (410) | - |
| **Income (expenses) from equity investments** | **12.11** | **(325)** | **304** |
| **Profit (loss) before taxes** | | **274,018** | **342,087** |
| Taxes | 12.12 | (7,521) | (87,288) |
| **Net result** | | **266,496** | **254,799** |
| Net profit (loss) attributable to the Group | | 243,204 | 221,990 |
| Net profit (loss) attributable to minority interests | | 23,292 | 32,809 |

## Consolidated statement of comprehensive income [(1)]

| Statement of Comprehensive Income<br>*(thousands of Euros)* | 2021 | 2020 |
|---|---|---|
| **Net result** | **266,496** | **254,799** |
| **Components that will subsequently be reclassified to profit or loss for the period:** | | |
| Cash flow hedge | 15,859 | (10,603) |
| **Components that will not subsequently be reclassified to profit or loss for the period:** | | |
| Actuarial gain (loss) on defined benefit pension plans, net of tax effect | (1,148) | (697) |
| **Other comprehensive income** | **14,711** | **(11,300)** |
| **Net result** | **281,207** | **243,499** |
| Net profit (loss) attributable to the Group | 257,915 | 210,690 |
| Net profit (loss) attributable to minority interests | 23,292 | 32,809 |

(1) Please note that as a result of the “Merger by incorporation of Superit Finco S.p.A. and Supermarkets Italiani S.p.A. into Esselunga S.p.A.” the income statement figures as at 31 December 2020 are derived from the consolidated financial statements of the Superit Finco Group.

(2) The notes to the individual items are an integral part of these condensed interim consolidated financial statements

## Consolidated cash flow statement [1]

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)* | **2021** | **2020** |
|---|---|---|
| Collections customers | 8,556,944 | 8,368,602 |
| Other receipts | 45,277 | 39,133 |
| Payments to suppliers (net of collections from promotional activities) | (6,682,150) | (6,501,625) |
| Payments to employees | (1,067,014) | (1,033,444) |
| Rent and rental expenses | (17,168) | (19,610) |
| Other payments | (54,761) | (49,023) |
| ***Cash flow from ordinary operations*** | ***781,128*** | ***804,033*** |
| Taxes and income taxes | (122,488) | (61,480) |
| Tax Authorities - VAT | 35,780 | (21,546) |
| **A) Cash flow from operating activities** | **694,420** | **721,007** |
| Capex on tangible and intangible assets | (447,205) | (344,542) |
| Disposals of tangible and intangible assets | 3,969 | 15,598 |
| Impact of business acquisition | (1,456) | - |
| Investments in financial assets | (2,091) | - |
| Interest collected | 2,577 | 3,185 |
| Other | 3 | 2 |
| **B) Cash Flow from investing activities** | **(444,203)** | **(325,757)** |
| Financing received | (549,704) | 1,315,253 |
| *Acquisition facility* | - | *765,549* |
| *Bridge to cash* | *(549,704)* | *549,704* |
| Other financing | 5,049 | (302) |
| Loans repaid (leases and others) | (58,858) | (356,675) |
| Payment of interest (leases and others) | (44,952) | (43,948) |
| Acquisition of 30% Supermarkets Italiani S.p.A. | - | (1,830,000) |
| Sale 32.5% La Villata S.p.A. | - | 435,000 |
| Distribution of dividends | (16,000) | (15,000) |
| Capital increase | - | 100,000 |
| **C) Cash flow from financing activities** | **(664,465)** | **(395,672)** |
| **A)+B)+C) Net cash flow** | **(414,248)** | **(423)** |
| **Opening cash and cash equivalents** | **1,170,624** | **1,171,047** |
| **Closing cash and cash equivalents** | **756,376** | **1,170,624** |

(1) Please note that as a result of the "Merger by incorporation of Superit Finco S.p.A. and Supermarkets Italiani S.p.A. into Esselunga S.p.A." the consolidated cash statement figures are derived from the consolidated financial statements of the Superit Finco Group.

# Consolidated statement of changes in shareholders' equity[1]

| *(thousands of Euros)* | Share capital | Share premium reserve | Revaluation reserve | Cash Flow Hedge reserve | Other reserves | Retained earnings (accumulated losses) | **Shareholders' equity attributable to owners of the parent** | Non-controlling interests | **Total shareholders' Equity** |
|---|---|---|---|---|---|---|---|---|---|
| **At 31/12/2019 Proforma** | **30,000** | **404,750** | **73,126** | **(4,807)** | **494** | **1,712,155** | **2,215,718** | **807,863** | **3,023,582** |
| **Other movements:** | | | | | | | | | |
| Actuarial loss on defined benefit pension plans | - | - | - | - | (697) | - | **(697)** | - | **(697)** |
| Allocation of profit for the period | - | - | - | - | - | 221,990 | **221,990** | 32,809 | **254,799** |
| Capital contribution | 100,000 | - | - | - | - | - | **100,000** | - | **100,000** |
| Purchase 30% Supermarkets Italiani | 70,000 | 96,000 | - | - | - | (1,164,087) | **(998,087)** | (831,913) | **(1,830,000)** |
| Sale 32.5% La Villata S.p.A. | - | - | - | - | - | 100,093 | **100,093** | 334,607 | **434,700** |
| Dividends | - | - | - | - | - | (10,125) | **(10,125)** | (4,875) | **(15,000)** |
| Cash flow hedge reserve | - | - | - | 996 | - | - | 996 | | **996** |
| Cash flow hedge reserve Acquisition Facility | - | - | - | (11,599) | - | - | **(11,599)** | - | **(11,599)** |
| Other movements | - | - | - | - | 1 | 0 | **1** | (0) | **1** |
| **At 31/12/2020** | **200,000** | **500,750** | **73,126** | **(15,410)** | **(202)** | **860,026** | **1,618,290** | **338,491** | **1,956,781** |

| *(thousands of Euros)* | Share capital | Share premium reserve | Revaluation reserve | Cash Flow Hedge reserve | Other reserves | Retained earnings (accumulated losses) | **Shareholders' equity attributable to owners of the parent** | Non-controlling interests | **Total shareholders' Equity** |
|---|---|---|---|---|---|---|---|---|---|
| **At 31/12/2020** | **200,000** | **500,750** | **73,126** | **(15,410)** | **(202)** | **860,026** | **1,618,290** | **338,491** | **1,956,781** |
| **Other movements:** | | | | | | | | | |
| Actuarial loss on defined benefit pension plans | - | - | - | - | (1,148) | - | **(1,148)** | - | **(1,148)** |
| Allocation of profit for the period | - | - | - | - | - | 243,204 | **243,204** | 23,292 | **266,496** |
| Dividends | - | - | - | - | - | (10,800) | **(10,800)** | (5,200) | **(16,000)** |
| Cash flow hedge reserve | - | - | - | 994 | - | - | **994** | - | **994** |
| Cash flow hedge reserve Acquisition Facility | - | - | - | 14,865 | - | - | **14,865** | - | **14,865** |
| Reclassifications | (100,000) | (336,240) | (47,150) | - | 147,016 | 336,374 | **-** | - | **-** |
| **At 31/12/2021** | **100,000** | **164,510** | **25,976** | **449** | **145,666** | **1,428,806** | **1,865,407** | **356,582** | **2,221,989** |

(1) Reclassifications relate to the impact of the merger of Superit Finco S.p.A. into Esselunga S.p.A..

# Notes to the Consolidated Financial Statements as at 31 December 2021

## 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, as at 31 December 2021, 168 stores and nine *laESSE* sales points located in Lombardy, Liguria, Veneto, Piedmont, Emilia Romagna, Tuscany and Lazio.
In addition, the Group manages 105 bars in its main stores, of which 101 under the Atlantic brand and four under the *laESSE* brand, 44 selective beauty store stores under the EsserBella/eb brand, one temporary store under the Elisenda brand, and is also active in the real estate sector through the research, design and creation of new initiatives that are instrumental to the business activity.

In 2021, the following new openings will take place:
- **27 January**: *laESSE* outlet in Corso XXII Marzo (Milan)
- **24 February**: *laESSE* outlet in Via Cola di Rienzo (Rome) with Atlantic bar
- **24 March**: Via Gasparotto store with Atlantic bar (Varese)
- **19 May**: store in Piazzale Arnoldo Mondadori with Atlantic bar (Mantua)
- **30 June**: re-opening of Viale Borri (Varese) store after partial refurbishment
- **7 July**: EsserBella beauty store in Corte Franca (Brescia)
- **21 July**: re-opening of the historic store in Viale Cassala with Atlantic bar (Milan)
- **21 July**: EsserBella beauty store in Stezzano (Bergamo)
- **28 July**: Livorno store with Atlantic bar and EsserBella beauty store
- **20 October**: EsserBella beauty store in Genoa
- **26 November**: temporary store dedicated to the Elisenda pastry line in Via Spadari (Milan)
- **15 December**: store with Atlantic bar in Vicenza
- **16 December**: *laESSE* outlet Corso Buenos Aires (Milan).

After the reporting date of these consolidated financial statements, the new opening of the shop in Fino Mornasco (Como) with Atlantic bar and EsserBella beauty store on 16 February 2022 is also noted.

## 1.2 Major events in 2021

### Covid-19

At the time of writing, despite a cautious and general return to normality, macroeconomic uncertainty related to the spread of Covid-19 and related variants remains.
For the staff of the Atlantic S.r.l. bars, the companies worst impacted by the closures and limitations of the lockdown, social safety nets were used.

### 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., this project had been previously approved by the Board of Directors on 12 November 2020.
The merger deed was signed on 15 February 2021, with legal effect from 1 March 2021 and accounting effect from 1 January 2021.
The Merger, announced in the press release of 21 March 2020, resulted in the rationalisation of the shareholding structure of the Esselunga Group.
As a result of the Merger, Esselunga acquired the debt incurred for the purchase of 30% of Supermarkets Italiani S.p.A.

### Repayment of the bridge to cash loan facility

In the context of the transaction for the acquisition of 30% of the capital of Supermarkets Italiani S.p.A. by Superit Finco S.p.A., whose closing took place on 23 April 2020, in March 2021 the Group paid the bridge-to-cash financing line worth €550 million.

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

As part of the pursuit of the Group's strategies in 2021, the investee company Immobiliare Torino 2018 Srl (the "Company") was sold by Orofin SpA 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 stores into Esselunga.
The Merger has no impact on these interim Consolidated Financial Statements as the transaction is under common control.

### Closing of the five-year Fìdaty campaign

The 'Fìdaty' campaign is the Group's institutional rewards event, through which customers with Loyalty Cards who shop in Esselunga, Atlantic, EsserBella, *laESSE* and Elisenda stores are awarded 'Fìdaty Points' that allow them to collect rewards

from the catalogue (also with a cash contribution) or alternatively to use shopping vouchers.
The 2021 results were impacted by the closure of the five-year Fìdaty Campaign, which began in 2016 and featured the fair value measurement of reward events required by international accounting standards.
Please note that with the closure of the Fidia Campaign 2016 - 2021, the new Fidia Campaign 2021 - 2026 began at the same time.
For further details, please refer to the section **Income Statement results** of the **Management Report**.

**‘Realignment’ by Legislative Decree No. 104 of 2020**

Legislative Decree No. 104 of 2020 (the August Decree) proposed the possibility of realigning the tax value to the statutory value of tangible and intangible assets recognised in the financial statements at 31 December 2020.
This rule therefore allows for the tax recognition of amortisation and depreciation generated by the higher realigned values, eliminating the differences between the book value and the tax value.
The category of assets that the Group has decided to ‘realign’ is that of leases already redeemed and assets that have benefited from accelerated amortisation and depreciation in past years.
The impact of compliance with this legislation resulted in an overall economic benefit of €64.7 million in this year and the need to restrict, under a tax suspension regime, a Shareholders’ Equity reserve for the amount corresponding to the realigned value of €262.4 million.

## 2. Summary of adopted 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).
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 Group.
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 2021 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 2021 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 as at 31 December 2021 and the changes in the scope of consolidation compared to 31 December 2020 are listed below.

| Company name | Registered Office | Share capital *(thousands of Euros)* | % holding | Line-by-line consolidation | | Changes in the period |
|---|---|---|---|---|---|---|
| | | | | 31.12.21 | 31.12.20 | |
| Esselunga S.p.A. | Milan | 100,000 | 100 | Yes | Yes | |
| Superit Finco S.p.A. | Milan | 200,000 | 100 | No | Yes | Merged into Esselunga S.p.A. |
| Supermarkets Italiani S.p.A. | Milan | 96,000 | 100 | No | Yes | Merged into Esselunga S.p.A. |
| 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 | 30,000 | 100 | Yes | Yes | |
| La Villata S.p.A. Immobiliare di Investimento e Sviluppo | Milan | 45,000 | 67.5 | Yes | Yes | |
| 23 Real estate companies | | | | | | |

## 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 equity investments 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 interests 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 charges directly incurred to make their use possible.

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 life for buildings is estimated to be 30 or 40 years from the date of commissioning using the residual useful life principle.

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 recognised 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.

### Real estate investments

Real estate investments include 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. Real estate investments are 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 recognised 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 written-up 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, real estate investments and intangible assets

At the reporting date, tests are performed to verify whether there is evidence of impairment of property, plant and equipment, real estate investments 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 recognised 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 FRS 9.

Impairment losses recognised 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 (hold to collect 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.

      Amortised cost is calculated using the effective interest rate method, taking into account any discounts or rewards 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 recognised 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 impairment.

## 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 recognised 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 reward events

Deferred revenue for reward events 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 rewards or to obtain discounts on future purchases.
The '*Fìdaty*' gift with purchase reward 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 rewards from the catalogue (including by paying any balance in cash) or against shopping vouchers; The promotion is also open to customers of selected commercial partners.
In accordance with IFRS 15, deferred revenue for reward events, as part of loyalty plans granted by the Group to its customers (*Fìdaty* gift with purchase reward) are recognised on the basis of the fair value of the consideration received from the initial sale proportionally allocated to the reward points and to the finished goods and products sold according to their respective fair values (fair value method).
Deferred revenue for reward events 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 reward 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 reward.

### 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 asset 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*** |
|---|---|---|
| *IFRS 14 Regulatory Deferral Accounts* | No | Approval process suspended pending the new accounting standard on 'rate-regulated activities'. |
| *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)* | No | Approval process suspended pending conclusion of IASB equity method project |
| *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 |
| *Disclosure of Accounting policies (Amendments to IAS 1 and IFRS Practice Statement 2)* | No | Periods beginning on 1 January 2023 |
| *Definition of Accounting Estimates (Amendments to IAS 8)* | No | Periods beginning on 1 January 2023 |
| *Deferred tax related to assets and liabilities arising from a single transaction (Amendments to IAS 12)* | No | Periods beginning on 1 January 2023 |
| *Initial Application of IFRS 17 and IFRS 9—Comparative Information (Amendment to IFRS 17)* | 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*** |
|---|---|
| *Improvements to IFRSs (2018-2020 cycle) (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41)* | With Regulation (EU) 2021/1080 of 28 June 2021, the EU approved the document '*Improvements to IFRSs (2018-2020 cycle)*' amending IFRS 1, IFRS 9 and IAS 41. The IASB document also includes an amendment to IFRS 16 that has not been approved by the EU as it relates to an amendment to an illustrative example that is not an integral part of the accounting standard. The amendments are effective for financial statements beginning on or after 1 January 2022. It is believed that the entry into force of this standard will have no financial impact on the Company. |

| | |
|---|---|
| *Property, Plant and Equipment - Income before Expected Use (Amendments to IAS 16)* | With Regulation (EU) 2021/1080 of 28 June 2021, the EU approved 'Property, Plant and Equipment - Income before Intended Use (Amendments to IAS 16)'. The amendments are effective for financial statements beginning on or after 1 January 2022. It is believed that the entry into force of this standard will have no financial impact on the Company. |
| *Onerous contracts - Costs necessary to perform a contract (Amendments to IAS 37)* | With Regulation (EU) 2021/1080 of 28 June 2021, the EU approved 'Onerous contracts - Costs necessary to perform a contract (Amendments to IAS 37)'. The amendments are effective for financial statements beginning on or after 1 January 2022. It is believed that the entry into force of this standard will have no financial impact on the Company. |
| *Reference to the Conceptual Framework (Amendments to IFRS 3)* | By Regulation (EU) 2021/1080 of 28 June 2021, the EU approved the document 'Reference to the Conceptual Framework (Amendments to IFRS 3)'. The amendments are effective for financial statements beginning on or after 1 January 2022. It is believed that the entry into force of this standard will have no financial impact on the Company. |
| *IFRS 17 - Insurance Contracts (including amendments issued in June 2020)* | With Regulation (EU) 2021/2036 of 19 November 2021, the EU approved *IFRS 17 Insurance Contracts* in the version that includes the amendments published by the IASB in June 2020. The amendments are effective for financial statements beginning on or after 1 January 2023. IFRS 17 replaces IFRS 4. The Company believes that the entry into force of this standard will have no financial impact on the Company. |

The assessment of the possible impacts of the above-mentioned Standards is ongoing.

## 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 finite 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 real estate investments*

Real estate development initiatives are mainly intended for the construction of retail stores. Real estate investments include 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 2021, the Company and some of its subsidiaries participated, 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 Superit S.r.l. is the new consolidating entity.

The notice of accession will be communicated within the legal deadlines as well as the internal regulations between the company and the consolidating company, which will provide, inter alia, for the following:

- 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 Superit 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 Superit Group in exchange for an amount to be paid by the Consolidating Company based on 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 Superit 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.

The risk management policy adopted by the Group consists of 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 as at 31 December 2021 and 2020 is the carrying amount of the financial assets reported in the financial statements, as shown in the table below:

| *(thousands of Euros)* | **31.12.2021** | **31.12.2020** | **Change** |
|---|---|---|---|
| Other non-current financial assets | 7,436 | 1,681 | 5,755 |
| Other non-current assets | 15,698 | 23,844 | (8,146) |
| Trade receivables | 361,720 | 477,934 | (116,214) |
| Current tax receivables | 30,494 | 913 | 29,581 |
| Other current assets | 39,182 | 83,723 | (44,541) |
| Other current financial assets | 3,453 | 3,553 | (100) |
| **Total gross amount** | **457,983** | **591,648** | **(133,665)** |
| Provision for doubtful receivables | (3,756) | (3,867) | 111 |
| **Total net amount** | **454,227** | **587,781** | **(133,554)** |

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 €3,756 thousand as at 31 December 2021 and €3,867 thousand as at 31 December 2020, respectively. The write-down is calculated based on an analysis of individual debt positions.
About to trade receivables, there is no appreciable concentration of credit risk.
The following tables provide a breakdown of receivables as at 31 December 2021 and 31 December 2020 by category and by number of days past due:

| | **31.12.2021** | | | | | |
|---|---|---|---|---|---|---|
| *(thousands of Euros)* | **Not yet due** | **Days past due** | | | | |
| | | **0 - 30** | **31 - 60** | **61 - 90** | **> 90** | **Total** |
| Other non-current financial assets | - | - | - | - | 7,436 | 7,436 |
| Other non-current assets | 15,698 | - | - | - | - | 15,698 |
| Trade receivables | 220,215 | 103,143 | 28,863 | 6,526 | 2,973 | 361,720 |
| Current tax receivables | 30,494 | - | - | - | - | 30,494 |
| Other current assets | 36,366 | - | - | - | 2,816 | 39,182 |
| Other current financial assets | 3,453 | - | - | - | - | 3,453 |
| **Total gross amount** | **306,226** | **103,143** | **28,863** | **6,526** | **13,225** | **457,983** |
| Provision for doubtful receivables | - | - | - | - | (3,756) | (3,756) |
| **Total net amount** | **306,226** | **103,143** | **28,863** | **6,526** | **9,469** | **454,227** |

| | **31.12.2020** | | | | | |
|---|---|---|---|---|---|---|
| *(thousands of Euros)* | **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 | 23,844 | - | - | - | - | 23,844 |
| Trade receivables | 263,220 | 95,900 | 80,584 | 32,050 | 6,180 | 477,934 |
| Current tax receivables | 913 | - | - | - | - | 913 |
| Other current assets | 79,611 | - | - | - | 4,112 | 83,723 |
| Other current financial assets | 3,553 | - | - | - | - | 3,553 |
| **Total gross amount** | **372,322** | **95,900** | **80,584** | **32,050** | **10,792** | **591,648** |
| Provision for doubtful receivables | (65) | - | - | - | (3,802) | (3,867) |
| **Total net amount** | **372,257** | **95,900** | **80,584** | **32,050** | **6,990** | **587,781** |

Past-due receivables as at 31 December 2021 amounted to €151,757 thousand, while the allowance for doubtful receivables amounted to €3,756 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 optimize 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 loan and credit lines to meet its commitments.

The following tables provide a breakdown of liabilities by maturity as at 31 December 2021 and 31 December 2020. The various maturity ranges are determined based on the period between the reporting date and the contractual maturity of the obligations including accrued interest as at 31 December. Interest has been calculated according to the contractual terms of the loans.

| *(thousands of Euros)* | **31.12.2021** | | | | |
|---|---|---|---|---|---|
| | **Less than 1 year** | **Between 1 and 2 years** | **Between 2 and 5 years** | **Over 5 years** | **Total** |
| Bonds | 13,750 | 513,750 | 28,151 | 509,375 | 1,065,026 |
| Medium-long term bank loans | 8,915 | 7,524 | 22,654 | 772,631 | 811,723 |
| Lease payables | 85,697 | 79,464 | 208,247 | 581,955 | 955,362 |
| Other non-current liabilities | - | - | - | 1,734 | 1,734 |
| Trade payables | 1,645,643 | - | - | - | 1,645,643 |
| Current tax payables | 5,690 | - | - | - | 5,690 |
| Other current liabilities | 258,448 | - | - | - | 258,448 |
| **Total** | **2,018,142** | **600,737** | **259,051** | **1,865,695** | **4,743,626** |

| *(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 |
| Medium-long term bank loans | 560,263 | 9,398 | 28,213 | 797,098 | 1,394,972 |
| Lease payables | 80,632 | 71,305 | 190,609 | 579,904 | 922,450 |
| Other non-current liabilities | - | - | - | 3,966 | 3,966 |
| Trade payables | 1,564,184 | - | - | - | 1,564,184 |
| Current tax payables | 12,147 | - | - | - | 12,147 |
| Other current liabilities | 261,904 | - | - | - | 261,904 |
| **Total** | **2,492,880** | **94,453** | **751,348** | **1,899,718** | **5,238,399** |

Please note that on 3 August 2017, the Company had 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. On 3 August 2021, the company signed in advance three new contracts in advance for three new credit lines to replace the existing ones expiring in August 2026. as at 31 December 2021 the above credit lines were undrawn.

### 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 Esselunga S.p.A.

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 is represented by bond issues, finance leases and bridge-to-cash and acquisition facility loans taken out for the acquisition of 30% of Supermarkets Italiani S.p.A.

Financial payables at variable interest rates as of 31 December 2021 are equal to 11% of the total, considering that the Group has derivative financial instruments of an "Interest rate Swap" nature, to hedge the risk of fluctuation of the variable interest rate related to the loan taken out for the acquisition of 30% of Supermarkets Italiani S.p.A.

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 2021 and 2020 of a positive or negative 0.5% change in interest rates, all other variables being unchanged:

| *(thousands of Euros)* | **31.12.2021** | | **31.12.2020** | |
|---|---|---|---|---|
| Interest rate change at year-end | +0.50% | -0.50% | +0.50% | -0.50% |
| *After tax effect (in BS and P&L)* | (916) | 912 | (902) | 595 |

## 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 2021 and 2020:

| *(thousands of Euros)* | **31.12.2021** | **31.12.2020** |
|---|---|---|
| Cash and cash equivalents | 756,376 | 1,170,624 |
| Financial receivables | 1,384 | 1,677 |
| Receivables from Fìdaty Oro payment card users | 61,525 | 57,632 |
| Non-current financial assets *(positive fair value interest rate swaps)* | 4,297 | - |
| Current and non-current financial payables | (2,540,858) | (3,050,003) |
| **Net financial position** | (1,717,276) | (1,820,071) |
| | | |
| **Shareholders' Equity** | **2,221,989** | **1,956,782** |
| **Net invested capital** | **3,939,265** | **3,776,853** |
| | | |
| ***Gearing ratio*** | **43.6%** | **48.2%** |

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 2021 shows that net invested capital is 56.4% financed by own funds.

## 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 2021 and 31 December 2020:

| | 31.12.2021 | | | | |
|---|---|---|---|---|---|
| *(thousands of Euros)* | Financial assets and liabilities at fair value through profit and loss | Financial assets and liabilities at fair value through other comprehensive income | Financial assets and liabilities at amortised cost | Total | *Fair value* |
| Equity investments in other companies | 500 | - | - | 500 | 500 |
| Other non-current financial assets | - | 4,297 | 2,639 | 6,936 | 6,936 |
| Other non-current assets | - | - | 15,698 | 15,698 | 15,698 |
| Trade receivables | - | - | 361,280 | 361,280 | 361,280 |
| Other current assets | - | - | 36,366 | 36,366 | 36,366 |
| Cash and cash equivalents | - | - | 756,376 | 756,376 | 756,376 |
| Other current financial assets | - | - | 3,453 | 3,453 | 3,453 |
| **Total** | **500** | **4,297** | **1,175,812** | **1,180,609** | **1,180,609** |
| Current and non-current financial payables exc. leases | - | - | 1,765,265 | 1,765,265 | 1,806,709 |
| Lease payables | - | - | 775,593 | 775,593 | 803,930 |
| Deferred revenue for current and non-current reward events | 127,752 | - | - | 127,752 | 127,752 |
| Other non-current liabilities | - | - | 1,734 | 1,734 | 1,734 |
| Trade payables | - | - | 1,645,643 | 1,645,643 | 1,645,643 |
| Other current liabilities | - | - | 258,448 | 258,448 | 258,448 |
| **Total** | **127,752** | **-** | **4,446,683** | **4,574,435** | **4,644,216** |

| | 31.12.2020 | | | | |
|---|---|---|---|---|---|
| *(thousands of Euros)* | Financial assets and liabilities at fair value through profit and loss | Financial assets and liabilities at fair value through other comprehensive income | 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 | - | - | 23,844 | 23,844 | 23,844 |
| Trade receivables | - | - | 477,455 | 477,455 | 477,455 |
| Other current assets | - | - | 80,835 | 80,835 | 80,835 |
| Cash and cash equivalents | - | - | 1,170,624 | 1,170,624 | 1,170,624 |
| Other current financial assets | - | - | 3,553 | 3,553 | 3,553 |
| **Total** | **130** | **-** | **1,757,492** | **1,757,622** | **1,757,622** |
| Current and non-current financial payables exc. leases | - | 11,599 | 2,305,836 | 2,317,435 | 2,358,199 |
| Lease payables | - | - | 732,568 | 732,568 | 817,317 |
| Deferred revenue for current and non-current reward events | 215,512 | - | - | 215,512 | 215,512 |
| Other non-current liabilities | - | - | 3,966 | 3,966 | 3,966 |
| Trade payables | - | - | 1,564,184 | 1,564,184 | 1,564,184 |
| Other current liabilities | - | - | 261,904 | 261,904 | 261,904 |
| **Total** | **215,512** | **11,599** | **4,868,458** | **5,095,569** | **5,221,082** |

## 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 reward events 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 income statement 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

In 2021, the following new openings will take place:
- **27 January**: *laESSE* outlet in Corso XXII Marzo (Milan)
- **24 February**: *laESSE* outlet in Via Cola di Rienzo (Rome) with Atlantic bar
- **24 March**: Via Gasparotto store with Atlantic bar (Varese)
- **19 May**: store in Piazzale Arnoldo Mondadori with Atlantic bar (Mantua)
- **30 June**: re-opening of Viale Borri (Varese) store after partial refurbishment
- **7 July**: EsserBella beauty store in Corte Franca (Brescia)
- **21 July**: re-opening of the historic store in Viale Cassala with Atlantic bar (Milan)
- **21 July**: EsserBella beauty store in Stezzano (Bergamo)
- **28 July**: Livorno store with Atlantic bar and EsserBella beauty store
- **20 October**: EsserBella beauty store in Genoa
- **26 November**: temporary store dedicated to the Elisenda pastry line in Via Spadari (Milan)
- **15 December**: store with Atlantic bar in Vicenza
- **16 December**: *laESSE* outlet Corso Buenos Aires (Milan).

Changes in this item are shown below:

| Property, plant and equipment (thousands of Euros) | 31.12.2020 | Increases | ROU increases IFRS 16 | Decreases | ROU decreases IFRS 16 | Reclassifications and transfers | 31.12.2021 |
|---|---|---|---|---|---|---|---|
| Historical cost | 4,697,482 | 122,234 | - | (7,169) | - | 182,327 | 4,994,876 |
| Accumulated depreciation | (1,705,073) | (113,373) | - | 4,739 | - | (16,629) | (1,830,336) |
| Provision for impairment | (13,196) | (1,388) | - | 7,381 | - | (7,318) | (14,521) |
| **Land and buildings** | **2,979,213** | **7,473** | **-** | **4,951** | **-** | **158,380** | **3,150,019** |
| Historical cost | 1,634,652 | 103,134 | - | (5,854) | - | 50,079 | 1,782,012 |
| Accumulated depreciation | (1,170,847) | (101,071) | - | 5,291 | - | (11,774) | (1,278,401) |
| Provision for impairment | (2,453) | (274) | - | 126 | - | - | (2,601) |
| **Plant and machinery** | **461,352** | **1,789** | **-** | **(437)** | **-** | **38,305** | **501,010** |
| Historical cost | 1,871 | 19 | - | (4) | - | - | 1,886 |
| Accumulated depreciation | (1,806) | (33) | - | 4 | - | - | (1,835) |
| Provision for impairment | - | - | - | - | - | - | - |
| **Industrial and commercial equipment** | **65** | **(14)** | **-** | **-** | **-** | **-** | **51** |
| Historical cost | 620,044 | 44,463 | - | (4,835) | - | 2,235 | 661,907 |
| Accumulated depreciation | (469,296) | (42,398) | - | 3,756 | - | - | (507,938) |
| Provision for impairment | (649) | (150) | - | - | - | - | (799) |
| **Other assets** | **150,099** | **1,915** | **-** | **(1,079)** | **-** | **2,235** | **153,170** |
| Historical cost | 320,362 | 119,400 | - | (596) | - | (161,576) | 277,589 |
| Accumulated depreciation | - | - | - | - | - | - | - |
| Provision for impairment | (11,769) | - | - | 35 | - | (35) | (11,769) |
| **Assets under construction and advances** | **308,593** | **119,400** | **-** | **(561)** | **-** | **(161,611)** | **265,820** |
| Historical cost | 1,091,888 | - | 108,978 | - | (8,822) | (78,440) | 1,113,604 |
| Accumulated depreciation | (284,155) | - | (48,442) | - | 2,098 | 29,794 | (300,705) |
| Provision for impairment | (3,269) | - | - | - | - | - | (3,269) |
| **ROU IFRS 16** | **804,464** | **-** | **60,536** | **-** | **(6,724)** | **(48,646)** | **809,630** |
| Historical cost | 8,366,299 | 389,250 | 108,978 | (18,458) | (8,822) | (5,375) | 8,831,874 |
| Accumulated depreciation | (3,631,177) | (256,875) | (48,442) | 13,790 | 2,098 | 1,391 | (3,919,215) |
| Provision for impairment | (31,336) | (1,812) | - | 7,542 | - | (7,353) | (32,959) |
| **Total** | **4,703,786** | **130,563** | **60,536** | **2,874** | **(6,724)** | **(11,337)** | **4,879,700** |

## Land and buildings

The increases include:

- Capex of €48,515 thousand for the construction of new stores opened by the Esselunga Group in 2021;
- +€9,445 thousand for work on the logistics network;
- €7,458 thousand for the maintenance and development of the logistics hubs and the headquarters;
- €19,930 thousand for maintaining the existing sales network;
- +€36,887 thousand for the Group's commercial development.

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

## Plant and machinery

Increases in historical cost include the following investments:

- +€34,514 thousand for new stores;
- +€10,154 thousand for work on the logistics network;
- +€32,145 thousand for maintaining the sales network;
- +€26,161 thousand for the logistic hubs, production facilities and headquarters;
- +€160 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)* | **31.12.2021** | **31.12.2020** |
|---|---|---|
| Office furniture and equipment | 86,945 | 82,230 |
| Electronic office equipment | 45,558 | 48,108 |
| Bar furniture and furnishings | 13,958 | 13,780 |
| Motor vehicles, cars and vehicles for internal use | 4,361 | 4,500 |
| Niche beauty store furniture and furnishings | 2,348 | 1,482 |
| **Total** | **153,170** | **150,099** |

Increases in historical cost include the following investments:

- +€13,433 thousand for new stores;
- +€2,196 thousand for work on the logistics network;
- +€11,360 thousand for the logistic hubs and production facilities;
- +€15,183 thousand for maintaining the sales network;
- +€2,291 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 investments 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 €48,367 thousand, investments for the commercial development of the Group for €65,312 thousand and for works on the logistics network for €5,722 thousand.

The reclassifications and transfers include the reclassification to other classes of capital expenditures made in previous years for the store opened in 2021 and the reclassification to real estate investments of land and buildings not intended for use in the Group's ordinary activities.

## ROU IFRS 16 *Leases*

The increases mainly refer to extensions or renegotiations of existing contracts. They are composed as follows:

| **ROU IFRS 16 *Leases*** *(thousands of Euros)* | **31.12.2021** | **31.12.2020** |
|---|---|---|
| ROU property, plant and equipment | 805,583 | 799,852 |
| Rou IT equipment | 1,590 | 2,251 |
| Rou cars | 1,884 | 1,848 |
| Rou service vehicles | 573 | 512 |
| **Total** | **809,630** | **804,464** |

The reconciliation of the ROU IFRS 16 Leases value with the value reported in the **Management Report** is also shown:

| **Reconciliation with IFRS 16 ROUs from the Report** *(thousands of Euro)* | **31.12.2021** | **31.12.2020** |
|---|---|---|
| ROU property, plant and equipment - IFRS16 operating lease | 446,316 | 376,657 |
| ROU property, plant and equipment - IFRS17 finance leases | 359,267 | 423,195 |
| **ROU property, plant and equipment** | **805,583** | **799,852** |
| ROU property, plant and equipment - IFRS16 operating lease | 446,316 | 376,657 |
| Rou IT equipment | 1,590 | 2,251 |
| Rou cars | 1,884 | 1,848 |
| Rou service vehicles | 573 | 512 |
| **ROU IFRS 16 from Report** | **450,363** | **381,269** |

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 | 4,056 | 43,075 | 47,131 |
| Plant and machinery | 193 | - | 193 |
| Other assets | 111 | 30 | 141 |
| **Total** | **4,360** | **43,106** | **47,465** |

as at 31 December 2021, the amount of revaluations not yet depreciated was €181 thousand mainly pertaining to land and buildings.
Property, plant and equipment do not include assets given as collateral.

## 11.2 Real estate investments

Real estate Investments include land or buildings that are not intended for use in the Group's ordinary activities.
The movements in real estate investments for the year ended 31 December 2021 are shown in the following table:

| **Real estate investments** *(thousands of Euros)* | **31.12.2020** | **Increases** | **Decreases** | **Reclassifi-cations and transfers** | **31.12.2021** |
|---|---|---|---|---|---|
| Historical cost | 405,739 | 930 | (410) | (8,859) | 397,401 |
| Accumulated depreciation | (48,112) | (2,625) | 10 | (23) | (50,750) |
| Provision for impairment | (219,892) | (10,372) | 2,406 | 7,353 | (220,505) |
| **Total** | **137,735** | **(12,067)** | **2,006** | **(1,529)** | **126,146** |

<u>Increases</u> in historical cost relate to the development of non-instrumental areas (compared to the Group's ordinary business).
The movement in the <u>provision for impairment</u> is intended to align the net carrying amount of real estate investments with their estimated realisable value.
<u>Reclassifications</u> mainly relate to investments recorded under property, plant and equipment after changes in their intended use.
The breakdown by geographical location of real estate investments is shown in the following table:

| *(thousands of Euros)* | **Net historical cost** | **Provision for impairment** | **Total** |
|---|---|---|---|
| Lombardy | 197,654 | (126,805) | 70,849 |
| Piedmont | 68,729 | (42,284) | 26,445 |
| Emilia Romagna | 32,955 | (19,155) | 13,800 |
| Liguria | 19,581 | (6,881) | 12,701 |
| Tuscany | 18,684 | (10,184) | 8,500 |
| Veneto | 10,126 | (6,426) | 3,700 |
| Lazio | 9,898 | (8,157) | 1,741 |
| **31.12.2020** | **357,627** | **(219,892)** | **137,735** |
| Lombardy | 195,920 | (127,833) | 68,086 |
| Piedmont | 68,770 | (49,351) | 19,420 |
| Emilia Romagna | 33,238 | (19,438) | 13,800 |
| Liguria | 19,120 | (6,520) | 12,600 |
| Tuscany | 18,299 | (9,899) | 8,400 |
| Veneto | 10,124 | (6,624) | 3,500 |
| Lazio | 1,179 | (839) | 340 |
| **31.12.2021** | **346,651** | **(220,505)** | **126,146** |

as at 31 December 2021, the fair value of real estate investments 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)* | **31.12.2021** | **31.12.2020** |
|---|---|---|
| Esselunga S.p.A. Pisa store | 6,020 | 6,020 |
| EsserBella S.p.A. | 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 4.6% in 2021 and at 6.3% in 2020.

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 = 5.1%, with an increase of 50 basis points over the baseline scenario;
- scenario 2: discount rate = 5.6%, 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 2021 are shown in the table below:

| **Intangible assets** (*thousands of Euros*) | 31.12.2020 | Increases | Decreases | Reclassifications and transfers | 31.12.2021 |
|---|---|---|---|---|---|
| Historical cost | 301,167 | 19,882 | (298) | 5,593 | 326,346 |
| Accumulated amortisation | (223,647) | (32,363) | 205 | - | (255,805) |
| Provision for impairment | - | (90) | 90 | - | - |
| **Software** | **77,520** | **(12,571)** | **(3)** | **5,593** | **70,541** |
| Historical cost | 15,737 | 44 | - | 11,395 | 27,176 |
| Accumulated amortisation | (5,198) | (723) | - | - | (5,921) |
| Provision for impairment | - | - | - | - | - |
| **Trademarks, concessions and similar rights** | **10,539** | **(679)** | **-** | **11,395** | **21,255** |
| Historical cost | 80,497 | - | - | 225 | 80,722 |
| Accumulated amortisation | (26,094) | (1,911) | - | - | (28,005) |
| Provision for impairment | (3,478) | - | - | - | (3,478) |
| **Commercial licenses** | **50,925** | **(1,911)** | **-** | **225** | **49,239** |
| Historical cost | 22,027 | 15,493 | - | (4,347) | 33,172 |
| **Assets under development and advances** | **22,027** | **15,493** | **-** | **(4,347)** | **33,172** |
| Historical cost | 3,504 | 660 | - | - | 4,164 |
| Accumulated amortisation | (3,432) | (194) | - | - | (3,626) |
| **Other intangible assets** | **72** | **466** | **-** | **-** | **538** |
| Historical cost | 422,932 | 36,079 | (298) | 12,866 | 471,580 |
| Accumulated amortisation | (258,371) | (35,191) | 205 | - | (293,357) |
| Provision for impairment | (3,478) | (90) | 90 | - | (3,478) |
| **Total** | **161,083** | **798** | **(3)** | **12,866** | **174,745** |

Increases amount to €36,079 thousand and mainly relate to investments made in software to improve the Group's IT infrastructure.

The increase in assets under development 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 2021 and have therefore been reclassified in the appropriate item.

The item intangible fixed assets have never been subjected to any revaluation.

No *impairment* indicators were identified that would require an immediate assessment of any impairment losses.

## 11.5 Investments in other companies

The breakdown of this item is as follows:

| **Equity investments** *(thousands of Euros)* | **31.12.2021** | **31.12.2020** |
|---|---|---|
| Equity investments in other companies | 500 | - |
| Investments in associated companies | - | 130 |
| **Total** | **500** | **130** |

In 2020, this item referred entirely to the equity investment in Centomilacandele S.c.p.A. in liquidation.

Following the analysis of the expectations at the end of the liquidation plan of the company in subject in 2021, it was considered appropriate to write down by 100% the value of the equity investment equal to €309 thousand.

## 11.6 Other non-current financial assets

The breakdown of this item is as follows:

| **Other non-current financial assets** (*thousands of Euros* ) | **31.12.2021** | **31.12.2020** |
|---|---|---|
| Financial investments | 2,629 | 1,181 |
| Positive fair value *interest rate swaps* | 4,297 | - |
| Other receivables | 10 | - |
| **Total** | **6,936** | **1,181** |

The item mainly includes the positive fair value of the derivative financial instrument '*Interest Rate Swap*', to hedge the risk of fluctuation of the variable rate related to the loan signed for the acquisition of 30% of Supermarkets Italiani S.p.A. and participation in a real estate investment fund.

## 11.7 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 subject, gross of any offsetting made based on the timing in the use of taxes are shown in the following table relative to 2021:

| **Deferred tax assets and liabilities** *(thousands of Euros)* | **31.12.2020** | **Income statement effect** | **Statement of financial position effect** | **Release of deferred taxes "Tax Realignment"** | **31.12.2021** |
|---|---|---|---|---|---|
| Timing difference cost deductibility | 2,180 | (914) | - | - | 1,266 |
| Deferred revenue for prize-giving promotions | 1,031 | (1,031) | - | - | - |
| Costs for bond issue | (1,317) | 291 | - | - | (1,026) |
| Inventories and inventory write-downs | 5,790 | (3,761) | - | - | 2,029 |
| TFR IAS 19 | 3,204 | (695) | 445 | - | 2,954 |
| Provision for risks with deferred deductibility | 8,079 | 4,352 | - | - | 12,431 |
| Fixed assets (tangible and intangible and fin leasing) | (70,320) | 3,308 | - | 72,965 | 5,953 |
| Capital gain on lease-back | - | (5) | - | - | (5) |
| Capital gains subject to deferred taxes | (1,691) | 612 | - | - | (1,079) |
| IFRS 16 leases | 41,127 | (165) | - | - | 40,962 |
| Derivative | - | - | (1,031) | - | (1,031) |
| Others | (368) | (10) | - | - | (378) |
| **Total deferred tax assets and liabilities** | **(12,285)** | **1,982** | **(586)** | **72,965** | **62,076** |

In 2021, the Group decided to realign the tax value to the statutory value of tangible and intangible assets recognised in the financial statements as at 31 December 2020 (Legislative Decree No. 104 of 2020). This rule therefore allows for the tax recognition of amortisation and depreciation generated by the higher realigned values, eliminating the differences between the book value and the tax value.
The category of assets that the Group has decided to 'realign' is that of leases already redeemed and assets that have benefited from accelerated amortisation and depreciation in past years.
Deferred tax assets relating to unrecognised prior tax losses amount to €81 thousand as at 31 December 2021 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 2021 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.

## 11.8 Total non-current assets

The breakdown of this item is as follows:

| **Other non-current assets** (*thousands of Euros*) | **31.12.2021** | **31.12.2020** |
|---|---|---|
| Tax receivables | 11,690 | 20,592 |
| Security deposits | 3,993 | 3,237 |
| Other receivables | 15 | 15 |
| **Total** | **15,698** | **23,844** |

Tax receivables are mainly VAT receivables related to property purchases made by the Group. The decrease compared to 31 December 2021 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

## 11.9 Inventories

The breakdown of this item is as follows:

| **Inventories** (*thousands of Euros*) | **31.12.2021** | **31.12.2020** |
|---|---:|---:|
| Finished products and goods | 433,269 | 402,150 |
| Raw materials, supplies and consumables | 52,235 | 58,685 |
| Inventory provision for impairment | (8,453) | (24,127) |
| **Total** | **477,051** | **436,707** |

The provision for inventory impairment and obsolescence is set aside to reflect the lower realisable value of certain categories of goods in inventory compared to the cost incurred for their purchase and to take into account the risks related to the potential write-down of slow-moving products.
The movements of the provision for inventory impairment are shown below:

| **Provision for impairment of stock** (*thousands of Euros*) | **31.12.2021** | **31.12.2020** |
|---|---:|---:|
| **Balance at the beginning of the year** | **(24,127)** | **(13,777)** |
| Provisions | (8,453) | (24,127) |
| Uses and releases | 24,127 | 13,777 |
| **Balance at the end of the year** | **(8,453)** | **(24,127)** |

as at 31 December 2021, there were no inventories pledged as collateral on loans received by the Group.

## 11.10 Trade receivables

The breakdown of this item is as follows:

| **Trade receivables** (*thousands of Euros*) | **31.12.2021** | **31.12.2020** |
|---|---:|---:|
| Receivables from suppliers for promotional activities | 302,163 | 422,073 |
| Receivables from customers for use of Fìdaty Oro card | 59,355 | 55,796 |
| Receivables from customers for use of Fìdaty Oro card - non-performing | 196 | 65 |
| Receives from parent | 6 | - |
| Provision for doubtful receivables | (440) | (479) |
| **Total** | **361,280** | **477,455** |

Receivables from suppliers for promotional activities refer to the remuneration accrued principally 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, *laESSE*, Atlantic and EsserBella/eb stores' customers who used the 'Fìdaty Oro' payment cards in December 2021.
Trade receivables are shown gross of a provision for impairment which amounted to €440 thousand as at 31 December 2021 (€479 thousand as at 31 December 2020), in order to align the carrying amount of receivables to their estimated realisable value.

## 11.11 Current tax receivables

The breakdown of this item is as follows:

| **Current tax receivables** *(thousands of Euros)* | **31.12.2021** | **31.12.2020** |
|---|---|---|
| Receivables from parent companies - IRES | 27,329 | - |
| Receivables from tax authorities - IRES payments on account | 14 | 49 |
| Receivables from tax authorities - IRAP payments on account | 3,151 | 864 |
| **Total** | **30,494** | **913** |

IRES receivable from parent companies refers to taxes receivable from the consolidating entity Superit S.r.l. by the companies participating in the tax consolidation.

## 11.12 Total current assets

The breakdown of this item is as follows:

| **Other current assets** (*thousands of Euros*) | **31.12.2021** | **31.12.2020** |
|---|---|---|
| Accrued income and prepaid expenses | 18,702 | 18,136 |
| Receivables from other debtors | 8,832 | 8,777 |
| Tax receivables (mainly VAT) | 11,648 | 56,810 |
| Provision for impairment of other receivables | (2,816) | (2,888) |
| **Total** | **36,366** | **80,835** |

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*) | **31.12.2021** | **31.12.2020** |
|---|---|---|
| **Balance at the beginning of the year** | **(2,888)** | **(2,562)** |
| Provisions | (160) | (457) |
| Use | 231 | 131 |
| **Balance at the end of the year** | **(2,816)** | **(2,888)** |

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 period.

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.

## 11.13 Cash and cash equivalents

The breakdown of this item is as follows:

| **Cash and cash equivalents** (*thousands of Euros*) | **31.12.2021** | **31.12.2020** |
|---|---|---|
| Deposits with banks and post-office | 746,885 | 1,161,057 |
| Cash and cash equivalents on hand | 9,458 | 9,556 |
| Cheques | 33 | 11 |
| **Total** | **756,376** | **1,170,624** |

In March 2021, following the aforementioned Merger, Esselunga S.p.A. repaid the debt relating to the *bridge-to-cash* loan, amounting to €550 million.

## 11.14 Other current financial assets

The breakdown of this item is as follows:

| **Other current financial assets** (*thousands of Euros*) | **31.12.2021** | **31.12.2020** |
|---|---|---|
| Loans receivable from associated companies | - | 309 |
| Online payment card receivables | 2,069 | 1,876 |
| Accrued interest income on current and other accounts | 1,384 | 1,368 |
| **Total** | **3,453** | **3,553** |

## 11.15 Shareholders' Equity

The breakdown of this item is as follows:

| **Shareholders' Equity** *(thousands of Euros)* | **31.12.2021** | **31.12.2020** |
|---|---|---|
| Share capital | 100,000 | 200,000 |
| Share premium reserve | 164,510 | 500,750 |
| Retained earnings (accumulated losses) | 1,428,806 | 860,026 |
| *Other reserves carried forward* | *1,166,423* | *860,026* |
| *Realignment Decree-Law No. 104 of 2020* | *262,383* | - |
| Other reserves: | 172,091 | 57,514 |
| *Legal reserve* | *20,000* | - |
| *Revaluation reserve* | *25,975* | *73,126* |
| *Other* | *126116* | *(15,612)* |
| **Equity attributable to owners of the parent** | **1,865,407** | **1,618,290** |
| | | |
| **Non-controlling interests** | **356,582** | **338,491** |
| | | |
| **Total shareholders' Equity** | **2,221,989** | **1,956,781** |

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.

At 31 December 2020, the share capital referred to that of Superit Finco S.p.A. (merged into Esselunga S.p.A. in 2021) while as at 31 December 2021 it corresponded to that of Esselunga S.p.A.

The change in shareholders' equity compared to the previous year of €265,208 thousand is due to:

- the increase due to the recognition of the profit for the year of €266,496 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 €1,148 thousand;
- the increase for the adjustment of the cash flow hedge reserve (€15,859 thousand) related to the change in fair value of the derivative financial instruments hedging the fluctuation of the variable interest rate on the Acquisition Facility loan;
- the decrease due to the distribution of dividends to UniCredit, La Villata's minority shareholder, amounting to €16,000 thousand.

## 11.16 Current and non-current financial liabilities

The items in subject are detailed as follows:

### Non-current financial liabilities

| **Non-current financial assets** (*thousands of Euros*) | **31.12.2021** | **31.12.2020** |
|---|---|---|
| Bonds - non-current portion | 989,335 | 986,286 |
| Bank loans - non-current portion | 766,926 | 765,548 |
| Fair value of hedging derivatives - non-current portion | - | 11,599 |
| Lease payables - non-current portion | 710,792 | 672,990 |
| **Total** | **2,467,053** | **2,436,423** |

#### Bonds - non-current portion

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.
The Bond Issues item - non-current portion includes the principal portion and the impact of amortised cost in accordance with IFRS 9.

#### Bank loans - non-current portion

On 27 January 2020, Superit Finco S.p.A. (now Esselunga S.p.A.) entered into an acquisition facility loan agreement with leading banks, which provides for a credit line to be used as from 23 April 2020.
As 31 December 2021 all the covenants were respected.

The item Bank loans - non-current portion includes the capital portion of the above-mentioned loan and the impact of the amortised cost in application of the international accounting standard IFRS 9.

### Fair value of hedging derivatives - non-current portion

At 31 December 2020, the item included the liability related to the negative fair value of the Interest Rate swap derivatives hedging the fluctuations of the variable interest rate on the Acquisition Facility loan. At 31 December 2021, this fair value is positive and therefore classified within the item '**Other non-current financial assets**'.
Please note that against a nominal value of the loan of €775 million, the derivative instruments in question were contracted to hedge an underlying of €600 million.

### Lease payables - current and non-current portion

The following table shows the reconciliation of the finance lease payable with the outstanding lease payments as of 31 December 2021:

| **Lease payables** *(thousands of Euros)* | **31.12.2021** | **31.12.2020** |
|---|---|---|
| Lease payables (until contract maturity) | 954,825 | 922,450 |
| Lease payables (implied interest) | (179,230) | 189,883 |
| **Total** | **775,595** | **732,568** |
| non-current portion | 710,792 | 672,990 |
| current portion | 64,803 | 59,578 |

In 2021, the finance lease payments (principal) made by the Group amounted to €30,135 thousand.

In 2021, the weighted average interest rate on finance leases was 3.2. Finance leases bearing interest at variable rates accounted for 21.1% of finance lease liabilities as at 31 December 2021.

## Current financial liabilities

| **Current financial assets** (*thousands of Euros* ) | **31.12.2021** | **31.12.2020** |
|---|---|---|
| Bonds - -current portion | 2,562 | 2,562 |
| Bank loans - current portion | 940 | 551,030 |
| Fair value of hedging derivatives - current portion | 451 | 411 |
| *Lease payables - principal* | *59,945* | *54,727* |
| *Lease payables - interest* | *4,858* | *4,851* |
| Lease payables - current portion | 64,803 | 59,578 |
| Loans payable to parent companies | 5,049 | - |
| **Total** | **73,805** | **613,580** |

### Bonds - -current portion

This item includes the accrued interest for the period on the bonds described above.

### Bank loans - current portion

as at 31 December 2021, this item includes the accrued interest for the period related to the Acquisition Facility loan described above.
As at 31 December 2020, the item included the debt related to the bridge-to-cash loan, amounting to €550 million, repaid during the first half of 2021.

### Fair value of hedging derivatives - current portion

The item includes accrued interest for the period related to Interest Rate Swap derivatives hedging fluctuations of the variable rate of the Acquisition Facility loan described above.

Please note that on 3 August 2017, the Company had 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. On 3 August 2021, the company signed in advance three new contracts in advance for three new credit lines to replace the existing ones expiring in August 2026. as at 31 December 2021 the above credit lines were undrawn.

## 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 2021 and 2020 are shown in the following table:

| **Employee severance indemnities (TFR) and other staff-related provisions** *(thousands of Euros)* | **31.12.2021** | **31.12.2020** |
|---|---|---|
| **Balance at the beginning of the year** | **92,218** | **95,609** |
| *Interest cost* | 302 | 717 |
| Payments and transfers | (6,676) | (5,076) |
| Actuarial gains/(losses) | 1,593 | 968 |
| Other movements | 26 | - |
| **Balance at the end of the year** | **87,463** | **92,218** |

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

| | **31.12.2021** | **31.12.2020** |
|---|---|---|
| **Financial Assumptions** | | |
| Inflation rate (annual) | 1.8% | 0.8% |
| Discount Rate (Annual) | 1.0% | 0.3% |
| TFR Annual rate of increase | 2.8% | 2.1% |
| **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 Provisions for risks and charges

Movements in the provisions for risks and charges for the years ended 31 December 2021 and 2020 are shown in the table below:

| **Provisions for risks and charges** *(thousands of Euros)* | **31.12.2021** | **31.12.2020** |
|---|---|---|
| **Balance at the beginning of the year** | **35,433** | **38,404** |
| Provisions | 29,843 | 16,412 |
| Uses/Releases | (17,446) | (18,612) |
| Reclassifications | - | (771) |
| **Balance at the end of the year** | **47,830** | **35,433** |

The provisions set aside refer to future charges mainly pertaining to real-estate risks and to the risks associated with various disputes pending at the end of the reporting year.

The item utilisations/releases mainly refers to utilisations for personnel costs of €10,823 thousand.

## 11.19 Deferred revenue for current and non-current reward events

This item is the liability related to the points earned and not yet redeemed by customers at the reporting date.

Changes in the item for the year ended 31 December 2021 are shown below, broken down by campaign, which shows the significant impact related to the closure of the five-year Fìdaty Campaign (2016 - 2021) that resulted in a significant release of this liability against the use of reward points:

| **Deferred income from reward events** *(thousands of Euro)* | **31.12.2020** | Bonus points earned | Use of bonus points | **31.12.2021** |
|---|---|---|---|---|
| *Fìdaty campaign 2016-2021* | *194,276* | *1,825* | *(190,033)* | *6,068* |
| *Fìdaty campaign 2021-2026* | - | *53,040* | *(607)* | *52,432* |
| *Amici di scuola (school friends)* | *10,508* | *8,755* | *(10,508)* | *8,755* |
| *Pantone* | - | *328* | | *328* |
| *Rivolta Carmignani* | *2,561* | | *(2,561)* | *0* |
| *Christmas Competition* | *4,625* | *7,493* | *(4,625)* | *7,493* |
| *Nutrifresh* | *3,542* | | *(3,542)* | *(0)* |
| *Zwilling* | - | *245* | - | *245* |
| **Total** | **215,512** | **71,685** | **(211,876)** | **75,320** |

| **Deferred income from non-current promotions reward events** *(thousands of Euro)* | **31.12.2020** | Bonus points earned | Use of bonus points | **31.12.2021** |
|---|---|---|---|---|
| *Fìdaty campaign 2021-2026* | - | *53,040* | *(607)* | *52,432* |
| **Total** | **-** | **53,040** | **(607)** | **52,432** |

For more details, please refer to the section **Closing the five-year Fìdaty Campaign**.

## 11.20 Other non-current liabilities

The breakdown of this item is as follows:

| **Other non-current liabilities** (*thousands of Euros*) | **31.12.2021** | **31.12.2020** |
|---|---|---|
| Security deposits | 1,728 | 450 |
| Tax payables | - | 3,516 |
| Others | 6 | - |
| **Total** | **1,734** | **3,966** |

Taxes payable as at 31 December 2020 related to an item reclassified in 2019 from the provisions for risks and charges in accordance with IFRIC 23.

During 2021, this item was closed with a positive impact on the Tax line.

## 11.21 Trade payables

The breakdown of this item is as follows:

| **Trade payables** (*thousands of Euros*) | **31.12.2021** | **31.12.2020** |
|---|---|---|
| Trade payables for goods and services | 1,525,548 | 1,419,244 |
| Trade payables for investments | 120,095 | 144,940 |
| **Total** | **1,645,643** | **1,564,184** |

## 11.22 Current tax payables

The breakdown of this item is as follows:

| **Current tax payables** (*thousands of Euros*) | **31.12.2021** | **31.12.2020** |
|---|---|---|
| IRES tax payable to the tax authorities | 5,690 | 9,525 |
| IRAP tax payable to the tax authorities | - | 2,622 |
| **Total** | **5,690** | **12,147** |

Payables to the tax authorities - IRES includes the current tax debt of the companies not participating in the tax consolidation.

## 11.23 Other current liabilities

The breakdown of this item is as follows:

| **Other current liabilities** (*thousands of Euros*) | **31.12.2021** | **31.12.2020** |
|---|---|---|
| Payables to employees and other staff | 88,102 | 87,168 |
| Payables to social security institutions | 63,675 | 58,774 |
| Payables to customers for prepaid cards | 48,370 | 44,670 |
| VAT payable to the tax authorities | 14,018 | 37,248 |
| IRPEF payable to the tax authorities | 18,124 | 17,622 |
| Other payables to the tax authorities | 5,191 | 1,960 |
| Other tax payables - TARI | 2,602 | 3,545 |
| Advances | 5,170 | 1,328 |
| Accrued expenses and deferred income | 284 | 452 |
| Other payables | 12,912 | 9,138 |
| **Total** | **258,448** | **261,904** |

Payables to employees and other staff includes accrued liabilities for costs accrued as at 31 December 2021 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 rewards 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 revenue for the years 2021 and 2020 is as follows:

| **Net revenues** *(thousands of Euros)* | **2021** | **2020** |
|---|---|---|
| | | |
| **Total sales** | **8,561,173** | **8,373,687** |
| costs for the purchase of newspapers and phone cards and related services | (115,404) | (110,924) |
| Net (Deferral)/Recognition of fair value for reward events | 87,759 | (29,068) |
| Other minor adjustments | (36,800) | (29,509) |
| **Sales Adjustments** | **(64,446)** | **(169,501)** |
| | | |
| **Total** | **8,496,728** | **8,204,186** |

Total sales for the year 2021 increased by €187,486 thousand (+2.2%) 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 reward events, amounting to +€87,759 thousand (-€29,068 thousand in 2020), 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 vouchers) for €214,962 thousand (€119,899 thousand in 2020) valued on the basis of the fair value of the bonuses and discount vouchers as received by the end customer;
- deferrals of consideration for future obligations for -€127,202 thousand (-€148,967 in 2020): These considerations are measured based on the fair value of the rewards and discount vouchers, as received by the end customer.

Net revenue for 2021 increased by €292,542 thousand (+ 3.6%) compared to 2020. For a more detailed analysis of the Sales trend, please refer to the **Directors' Report**.

## 12.2 Costs for goods and raw materials

The net costs for goods and raw materials in 2021 amounted to €5,810,646 thousand compared to €5,600,810 thousand in 2020.

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 revenue and income for the years 2021 and 2020 is as follows:

| **Other revenues and income** *(thousands of Euros)* | **2021** | **2020** |
|---|---|---|
| Rent of supports for transport of perishable products | 13,423 | 13,538 |
| Other sales | 13,091 | 6,347 |
| Rental income and recovery of common charges | 7,071 | 5,028 |
| Revenues from sell-out data supply | 5,621 | 5,477 |
| Insurance reimbursements and damages charged back | 3,976 | 3,275 |
| Miscellaneous contributions | 1,510 | 186 |
| Fragola points debit | 1,392 | 1,308 |
| Spreads and commissions | 953 | 785 |
| Recharge of costs for quality control analysis | 294 | 349 |
| Services to parent company | 10 | - |
| Other | 3,132 | 2,407 |
| **Total** | **50,473** | **38,700** |

The other sales mainly include the sale to third parties of scrap, scrap paper, pallets and production waste. The increase is due to the increase in volume and sales price of the materials mentioned.

The Fragola points debit item includes income from the transfer of points relating to the Fìdaty Campaign to commercial partners, following the allocation of these points to their customers.

## 12.4 Costs for services

The breakdown of this item is as follows:

| **Costs for services** *(thousands of Euros)* | **2021** | **2020** |
|---|---|---|
| Transport, handling and parking | 394,687 | 343,181 |
| Utilities, consumption and data transmission expenses | 109,566 | 112,121 |
| Repairs and maintenance | 110,769 | 97,995 |
| Advertising and marketing | 75,086 | 68,538 |
| Cleaning | 53,952 | 49,594 |
| Consulting and professional services | 42,799 | 41,187 |
| Internal and external processing of goods and products | 33,120 | 28,875 |
| Bank collection fees | 26,085 | 23,269 |
| Security, surveillance and transportation of valuables | 22,076 | 26,703 |
| Insurance | 5,248 | 5,295 |
| Common charges | 8,563 | 8,843 |
| Commissions for Luncheon Vouchers | 7,826 | 7,178 |
| Rentals | 5,575 | 4,634 |
| Rent expense | 1,150 | 2,219 |
| Other services | 35,051 | 34,938 |
| **Total** | **931,553** | **854,570** |

Costs for services accounted for 10.7% of total sales (10.2% in 2020).

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 and porterage is in line with the significant increase in e-commerce volumes and turnover.

The increase in repair and maintenance costs is mainly attributable to the openings during the year.

The increase in advertising and marketing costs relates mainly to the campaigns 'The more you know her, the more you fall in love', 'Is the cost of living rising? We lower our prices" together with higher charges for leafleting.

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 the 'Amici di Scuola' schools campaign, 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 stores and call centres.

## 12.5 Personnel costs

The breakdown of this item is as follows:

| **Personnel costs** *(thousands of Euros )* | **2021** | **2020** |
|---|---|---|
| Wages and Salaries | 763,640 | 732,642 |
| Social security charges | 222,755 | 214,586 |
| Employee severance indemnity | 52,183 | 49,927 |
| Cost for temporary employees | 8,881 | 12,393 |
| Corporate welfare | 4,082 | 5,638 |
| Gifts to employees | 1,303 | 4,759 |
| Other personnel costs | 1,094 | (3,813) |
| **Total** | **1,053,938** | **1,016,132** |

The increase in labour costs is mainly attributable to the growth in the workforce, functional to the needs generated by the opening of new stores.
The changes in the average workforce are shown in the table below:

| **Average workforce** | **2021** | **2020** |
|---|---|---|
| Non-office workers | 8,177 | 8,191 |
| Office workers | 16,694 | 15,972 |
| Middle managers | 458 | 451 |
| Managers | 81 | 80 |
| **Total** | **25,410** | **24,694** |

At 31 December 2021, the Company had a workforce of 25,415 people (25,109 as at 31 December 2020).

## 12.6 Other operating costs

The breakdown of this item is as follows:

| **Other operating costs** *(thousands of Euros)* | **2021** | **2020** |
|---|---|---|
| Municipal Property Tax - IMU | 21,981 | 22,161 |
| Municipal solid waste disposal fee - TARI | 10,826 | 10,425 |
| Donations | 6,634 | 5,702 |
| Taxes related to reward schemes | 8,580 | 4,870 |
| Other taxes and duties | 4,917 | 8,296 |
| Rights, authorisations and concessions | 3,134 | 1,450 |
| Subscriptions, printing, etc. | 542 | 550 |
| Provisions (uses/releases) for risks and charges | 3,002 | 6,370 |
| Net write-downs of financial assets | 251 | 692 |
| Other operating costs | 1,504 | 358 |
| **Total** | **61,371** | **60,874** |

The item Donations in 2020 included €3,722 thousand related to the measures taken by the Group for the community to offer its contribution in the Covid-19 emergency.

Other taxes and duties in 2020 included €3,660 thousand of *Tobin Tax* arising from the acquisition of 30% of Supermarkets Italiani S.p.A. by Superit Finco S.p.A. now merged into Esselunga S.p.A.

## 12.7 Amortisation and depreciation

The breakdown of this item is as follows:

| **Depreciation** *(thousands of Euros)* | **2021** | **2020** |
|---|---|---|
| Depreciation of property, plant and equipment | 307,265 | 285,471 |
| Depreciation of real estate investments | 2,624 | 2,611 |
| Amortisation of intangible assets | 35,191 | 26,647 |
| **Total** | **345,080** | **314,729** |

The increase mainly relates to the commissioning of assets as a result of new store openings and new IFRS 16 ROUs.

## 12.8 Provisions, write-ups and write-downs of fixed assets

The breakdown of this item is as follows:

| **Provisions, write-ups and write-downs of fixed assets** (*thousands of Euros*) | **2021** | **2020** |
|---|---|---|
| Reversals of impairment on real estate investments | 9,575 | 8,049 |
| Write-downs of investment properties | (12,051) | (13,031) |
| Provisions for property risks | (20,082) | - |
| Other minor write-downs | (83) | (1,222) |
| **Total** | **(22,641)** | **(6,204)** |

This item is mainly recognised to align the carrying amount to the market value identified by an independent expert's appraisal.

## 12.9 Capital gains/losses on non-current assets

This item amounted to €695 thousand (€1,496 thousand in 2020) and related to the impact of the sale of real-estate assets.

| **Capital gains/losses on fixed assets** *(thousands of Euros)* | **2021** | **2020** |
|---|---|---|
| Capital gains on disposal of tangible assets | 605 | 332 |
| Capital losses on disposal of tangible assets | (145) | (349) |
| Capital gain/loss ROU IFRS 16 | 235 | 1,513 |
| **Total** | **695** | **1,496** |

## 12.10 Net financial income (Expense)

The breakdown of this item is as follows:

| **Net financial income (expenses)** *(thousands of Euros)* | **2021** | **2020** |
|---|---|---|
| Bank interest income | 1,149 | 1,376 |
| Other financial income | 23 | 26 |
| **Finance income** | **1,172** | **1,402** |
| Financial charges on leasing contracts | (21,129) | (21,778) |
| Finance expense on bonds | (17,793) | (17,758) |
| Financial expense on acquisition facility | (10,049) | (10,232) |
| Other finance expenses | (525) | (914) |
| **Financial expense** | **(49,496)** | **(50,682)** |
| | | |
| **Total** | **(48,324)** | **(49,280)** |

Financial expense on bonds include interest expenses for the period and the amortised cost portion.

The financial expense on Acquisition facility include the interest expense for the period, the amortised cost portion and the accrual on Interest Rate Swap derivative financial instruments to hedge interest rate fluctuations.

Other financial expenses include the portion relating to the adjustment of the employee severance indemnities (TFR) in application of IAS 19 and other minor items.

## 12.11 Income (Expense) from equity investments

The breakdown of this item is as follows:

| **Income (expenses) from equity investments** *(thousand of Euros)* | **2021** | **2020** |
|---|---|---|
| Share of income from equity investments | 85 | 304 |
| Expenses from equity investments | (410) | - |
| **Total** | **(325)** | **304** |

Income from equity investments mainly relates to the sale of some shares of insignificant value and dividends received.

Expenses from equity investments mainly include €309 thousand related to the write-down of the equity investment in Centomilacandele S.c.p.A. in liquidation.

## 12.12 Income tax expense

The breakdown of this item is as follows:

| **Income taxes** *(thousands of Euros)* | **2021** | **2020** |
|---|---|---|
| Current income taxes | (86,384) | (96,697) |
| Income from tax consolidation | 3,916 | 5,055 |
| Net deferred tax income (Expense) | 1,982 | 4,354 |
| Deferred taxes "Tax realignment" | 72,965 | - |
| **Total** | **(7,521)** | **(87,288)** |

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:

| | **2021** | **2020** |
|---|---|---|
| **Applicable ordinary tax rate** | 28.05% | 28.05% |
| | | |
| Increases (decreases) compared to ordinary rate: | | |
| - permanent differences | 2.85% | 2.58% |
| - different IRAP base | 0.64% | 2.32% |
| Iper/Super amortisation and depreciation | -2.30% | -1.92% |
| - effect of reduction in taxable A.C.E. and SUPER A.C.E | -2.76% | -2.19% |
| - Bonus First IRAP advance payment 2020 Covid 19 | 0.00% | -0.32% |
| - Income taxes of prior years | 0.00% | -3.05% |
| - IRAP deductibility for IRES purposes | -0.41% | -0.34% |
| - realignment Art.110 LD 104/2020 | -23.62% | 0.00% |
| - other changes | 0.29% | 0.38% |
| **Actual tax rate** | **2.74%** | **25.52%** |

The effective tax charge for 2021 was 2.74% (25.52% in 2020), 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 €7,821 thousand and €8,835 thousand (change of 2.85% in 2021 and 2.58% in 2020); they mainly refer to the non-deductibility of the IMU (€3,234 thousand in 2021 and €3,396 thousand in 2020);
- **different IRAP tax bases**, that increased the tax expense for 2021 and 2020 respectively by €1,743 thousand and €7,945 thousand (0.64% change in 2021, 2.32% change in 2020);
- benefit of the **extra depreciation and amortisation (super + iper)** for €6,314 thousand (2.30% change) in 2021 and €6,568 thousand in 2020 (1.92% change);
- **benefit attributable to ACE and super ACE** (Aid to Economic Growth) for €7,572 thousand (change of 2.76%) in 2021 and €7,501 thousand in 2020 (change of 2.19%);
- the **statutory tax realignment** related to Article 110 of Legislative Decree 104 of 2020, which resulted in a tax benefit of 23.62% amounting to €64,710 thousand;
- in 2020, **taxes on previous years** generated a tax benefit of €10,430 thousand (change of 3.05%); referring in particular to the recognition of the Patent Box benefit for €10,444 thousand.

## 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 2021 and 2020 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 2021 and 31 December 2020:

| **Transactions with related parties that affect the income statement** (*thousands of Euros*) | Superit S.r.l. | Dom 2000 S.p.A. | Centomila candele S.c.p.a. | Senior Management | Others | **Total** | **Total item** | **As % of item** |
|---|---|---|---|---|---|---|---|---|
| **31.12.2021** | | | | | | | | |
| Intangible assets | - | - | - | 6,000 | - | 6,000 | **174,745** | **3.4%** |
| Trade receivables | 6 | - | - | - | - | 6 | **361,280** | **0.0%** |
| Current tax receivables | 27,329 | - | - | - | - | 27,329 | **30,494** | **89.6%** |
| Other current financial assets | - | - | - | - | - | - | **3,453** | **0.0%** |
| Non-current financial liabilities | - | 202,949 | - | - | - | 202,949 | **2,467,053** | **8.2%** |
| Employee severance indemnities (TFR) and other sta | - | - | - | 70 | - | 70 | **87,463** | **0.1%** |
| Current financial liabilities | 5,050 | 10,346 | - | - | - | 15,396 | **73,805** | **20.9%** |
| Trade payables | - | 1,174 | - | 3,000 | 397 | 4,572 | **1,645,643** | **0.3%** |
| Other current liabilities | - | - | - | 654 | - | 654 | **258,448** | **0.3%** |
| **31.12.2020** | | | | | | | | |
| Intangible assets | - | - | - | 6,000 | - | 6,000 | **161,083** | **3.7%** |
| Trade receivables | - | - | - | - | - | - | **477,455** | **0.0%** |
| Current tax receivables | - | - | - | - | - | - | **913** | **0.0%** |
| Other current financial assets | - | - | 302 | - | - | 302 | **3,553** | **8.5%** |
| Non-current financial liabilities | - | 210,138 | - | - | - | 210,138 | **2,436,423** | **8.6%** |
| Employee severance indemnities (TFR) and other sta | - | - | - | 1,506 | - | 1,506 | **92,218** | **1.6%** |
| Current financial liabilities | - | 10,241 | - | - | - | 10,241 | **613,580** | **1.7%** |
| Trade payables | - | 1,562 | 22 | 6,000 | 756 | 8,340 | **1,564,184** | **0.5%** |
| Other current liabilities | - | - | - | 1,978 | - | 1,978 | **261,904** | **0.8%** |

The following table shows the income statement amounts arising from transactions with related parties in the years 2021 and 2020:

| **Economic transactions with related parties** *thousands of Euros*) | Superit S.r.l. | Dom 2000 S.p.A. | Centomila candele S.c.p.a. | Senior Management | Others | **Total** | **Total item** | **As % of item** |
|---|---|---|---|---|---|---|---|---|
| **2021** | | | | | | | | |
| Other revenues and income | 10 | - | - | - | - | 10 | **50,473** | **0.0%** |
| Costs for services | 173 | 1,174 | 4 | - | 750 | 2,102 | **951,553** | **0.2%** |
| Personnel costs | - | - | - | 10,545 | - | 10,545 | **1,053,938** | **1.0%** |
| Financial expense | 1 | 6,366 | - | - | - | 6,367 | **49,496** | **12.9%** |
| **2020** | | | | | | | | |
| Other revenues and income | - | - | - | - | - | - | **38,700** | **0.0%** |
| Costs for services | - | 1,562 | - | - | 1,083 | 2,645 | **854,570** | **0.3%** |
| Personnel costs | - | - | - | 17,089 | - | 17,089 | **1,016,132** | **1.7%** |
| Financial expense | - | 6,570 | - | - | - | 6,570 | **50,682** | **13.0%** |

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 2021 and 2020, including accruals and regardless of whether such costs have already been paid.
Financial expense vis à vis DOM 2000 S.p.A. refers to financial expenses recognised in accordance with IFRS 16 on leases.
The Parent Company is not subjected to management and coordination.

## 14. Commitments, guarantees and contingent liabilities

### 14.1 Capex commitments

Commitments outstanding as at 31 December 2021 for capex amounted to €126,804 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 as at 31 December 2021 and 31 December 2020.

### 14.3 Guarantees given

The guarantees given by the Esselunga Group amounted to -€149,217 thousand as at 31 December 2021, of which €144,090 thousand were bank guarantees, €56 thousand insurance guarantees and €5,071 thousand in favour of the tax authorities for VAT credits offset as part of the VAT settlement procedure.

### 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.

By a judgment dated 23 June 2021, the Bologna Court of Appeal rejected the appeal in its entirety and ordered the parties Margherita - Nordiconad - GD to pay the costs of the appeal in favour of Esselunga S.p.A.
The decision was not challenged within the legal time limits and therefore became final.

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 share capital of Immobiliare Torino 2018 S.r.l. by purchasing 50% of shareholding from Fimco S.p.A. and the remaining 50% from Amteco S.p.A.
The lawyers assisting the Company confirm that there are currently insufficient elements to express an opinion on the possible risk of losing the case.
The next hearing is scheduled for June 2022.

Turin Bramante

On 22 December 2020, published on 15 February 2021, the Council of State 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 suspended 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 are not such as 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'.
The administration then revised the technical investigation and issued a new building permit in derogation.
GS S.p.A. and Bramante S.p.A. again challenged the administrative acts before the Piedmont Regional Administrative Court.
In the meantime, site activities were resumed to complete the works.
As at 31 December 2021, the case is pending the setting of a hearing.

Sixthcontinent Factory S.r.l.
Almost a year after receiving the warning letter from Sixthcontinent Europe (now Sixthcontinent Factory S.r.l.), Esselunga received a new warning letter in which Sixthcontinent reiterates the same complaints it made last year. In the opinion of the lawyers appointed by the Company, the risk of Esselunga losing the case is remote.

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

During the year ended 31 December 2021, 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 remuneration paid to the Board of Statutory Auditors for the financial year ended 31 December 2021 amounted to €151 thousand (€107 thousand in 2020), the change compared to 2020 derives from the different composition of the Board of Statutory Auditors, following the mergers by incorporation of Supermarkets Italiani S.p.A. and Superit Finco S.p.A. into Esselunga S.p.A.

## 18. Independent auditors' fees

Pursuant to the applicable legislation, the total fees for the 2021 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. | 752 |
| | | Subsidiaries | 159 |
| | | | |
| Non-audit services | PricewaterhouseCoopers S.p.A. | Esselunga S.p.A. | 31 |
| | | Subsidiaries | 23 |
| | PricewaterhouseCoopers Network | Esselunga S.p.A. | 150 |
| | | **Total** | **1,115** |

## 19. Significant events after the end of the financial year

Since the second half of 2021, there has been a gradual rise in inflation driven by increases in the cost of commodities, including food.
Esselunga, faced with requests to increase its food price lists, has launched a price reduction campaign on over 1,500 of its most-bought items to influence its customers' purchasing power.
This operation, which demonstrates a strong consumer focus, has continued this year with the new campaign "Even when prices rise, our prices are unbeatable".

The outbreak of the conflict between Russia and Ukraine led to a further inflationary flare-up affecting all commodities across the board, as well as causing fears among the population likely to have a negative impact on consumption.

**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 31.12.2021**

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 2021 reported a consolidated net profit of Euro 266,496,000; 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 2021.
- 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 in time for them to be deposited at the Company's registered office, accompanied by this report.

In compliance with legal obligations, the Board of Statutory Auditors makes the following remarks:

- on 8 April 2022, 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 2021 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 2021;
- on 8 April 2022, 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 2021, 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, 8 April 2022

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 2021, 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 2021, 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**<br><br>*Note 11.1 "Property, plant and equipment" and note 11.2 "Investment property"*<br><br>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.<br><br>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.<br><br>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.<br>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 significant, to the carrying amounts of financial statements line items. | 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.<br><br>We carried out analysis to ascertain the independence, competence, skills and objectivity of third party experts engaged by the Group.<br><br>We selected a sample of real estate development projects and investment properties and we analysed the appraisals prepared by the experts engaged by the Group.<br><br>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.<br><br>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 performed by the experts engaged by the Group. Specifically, we performed a |

| *Key Audit Matters* | *Auditing procedures performed in response to key audit matters* |
|---|---|
| Investment property amounted to Euro 126 million as of 31 December 2021.<br><br>Land held for real estate development projects where construction has not yet started amounted to Euro 157 million as of 31 December 2021 and is included in 'Property, plant and equipment'. A residual portion of this land could be used for construction of new investment properties.<br><br>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".<br><br>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.<br><br>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 valuation models. | 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. |
| **Trade agreements with suppliers**<br><br>*Note 12.2 "Net costs for goods and raw* | We understood and assessed the procedures adopted by the Group to manage and account |

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| *Key Audit Matters* | *Auditing procedures performed in response to key audit matters* |
| --- | --- |
| *materials"*<br><br>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.<br><br>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.<br><br>The conditions for earning the allowances and rebates are dependant upon the type of trade agreement:<br>- Volume rebates are granted when contractually agreed sales volumes targets are met;<br>- 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.<br><br>As part of our audit of the consolidated financial statements as of 31 December 2021, the analysis 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. | for trade agreements with suppliers. We conducted detailed interviews of the personnel involved in the process and examined the controls implemented by the Group.<br><br>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:<br>- 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;<br>- Data in the software used to calculate the trade allowances earned at the reporting date matched those recorded in the general ledger;<br>- 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;<br>- The existence of documentary evidence supporting the promotional, marketing and advertising activities performed in the reporting period;<br>- 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 the Company's main suppliers.<br><br>Furthermore, we obtained the trade agreements for a sample of suppliers and performed the following auditing procedures:<br>- We met the procurement managers to obtain an appropriate understanding of certain contractual provisions;<br>- We verified that received allowances were accurate and recorded in the correct |

| *Key Audit Matters* | *Auditing procedures performed in response to key audit matters* |
| --- | --- |
| | 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.<br><br>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.<br><br>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.

## *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 2021, 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 2021 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 2021 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, 8 april 2022

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*

## Corporate bodies

| | |
|---|---|
| Giuliana Albera Caprotti | Honorary President [1] |

**Board of Directors[1]**

| | |
|---|---|
| Marina Sylvia Caprotti | Executive Chairman |
| Vincenzo Mariconda | Vice Chairman |
| Carlo Salza | Vice Chairman |
| Gabriele Villa[2] | General Manager and Director |
| Carlo Gualdi | Director |
| Francesco Moncada | Director |
| Lorenzo Oliviero Piaget | Director |
| Francesco Paolo Tronca | Director |
| Stefano Tronconi | Director |

**Board of Statutory Auditors [3]**

| | |
|---|---|
| Enzo Moggio | Chairman |
| Stefano Angheben | Regular auditor |
| Marco Sabella | Regular auditor |
| Franco Chesani | Alternate auditor |
| Claudio Clementel | Alternate auditor |

**Independent auditors [4]**

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**Supervisory Body [5]**

| | |
|---|---|
| Alessandro Cortesi | Chairman |
| Alberto Gaudio | Member |
| PierMario Barzaghi | Member |

(1) **Honorary Chairman and Board of Directors** appointed on 26 March 2021
(2) **General Manager** appointed on 15 September 2021
(3) **Board of Statutory Auditors** appointed on 29 June 2020
(4) **Independent auditors** appointed on 26 September 2017 for the period 2017 - 2025
(5) **Supervisory Board** appointed on 21 May 2019