Esselunga Group
Consolidated Financial Statements as at 31 December 2022

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, at 31 December 2022, by 185 stores (of which 173 traditional stores, 11 *laESSE* and one store under the 'Le Eccellenze di Esselunga') brand in Lombardy, Liguria, Veneto, Piedmont, Emilia Romagna, Tuscany and Lazio.
In addition, the Group operates 112 bars, 106 of which under the Atlantic brand, 6 *laESSE, and* 45 EsserBella/eb selective perfumery and beauty service stores.
The Group is also active in the real estate sector, researching, planning and implementing new initiatives that are instrumental to its business activities.

In 2022, the following new openings take place:

Date	Location	Esselunga Store	Bar Atlantic	EsserBella Perfumery	Urban laEsse	Esselunga Excellence
16-feb	Fino Mornasco, Viale Risorgimento	✓	✓	✓		
26-giu	Turin Porta Nuova	✓				
30-giu	Milan, Largo Augusto		✓		✓	
21-set	Monza, Via Buonarrotti		✓			
06-ott	Rome, Via Tomacelli		✓		✓	
12-ott	Parma, Viale Traversetolo		✓			
26-ott	Milan, Via Spadari(*)					✓
08-nov	Milan, Corso Vercelli				✓	
09-nov	Turin, Corso Bramante	✓	✓			
30-nov	Milan, Via Calzecchi				✓	
06-dic	Florence, Via Senese		✓			
	Total	**3**	**7**	**1**	**4**	**1**
(*)	reopening					

Subsequent to the date of these consolidated financial statements, the following new opening should also be noted:
- **22 March:** Albenga store.

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

In July 2022, the Company published its 2021 Sustainability Report.
The 2022 Sustainability Report will be published in 2023.

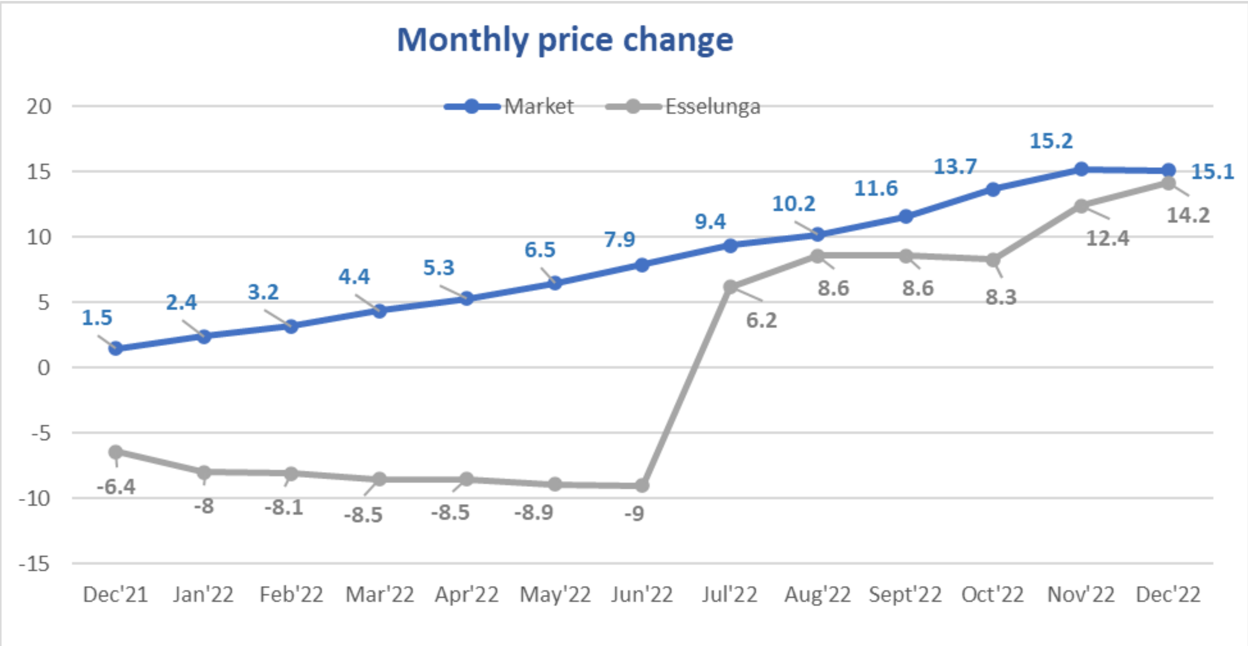
Major events relating to the 2022 financial year

Adopted Pricing Policy and Macroeconomic Context

The reading of the 2022 results involves two distinct phenomena that marked the end of 2021 and 2022.

- Esselunga's choice to pursue a major shelf-price reduction strategy, from 11 November 2021 to 30 April 2022, publicised in the media with the slogan 'Even when the cost of living rises, our prices are unrivalled', aimed to safeguarding the purchasing power of its customers further its competitiveness and its already established image of good value. On over 1,500 consumer-favourite items, Esselunga reduced prices across the board, with decreases between 6 and 8 percentage points.
- The powerful inflationary pressure that marked the whole of 2022, generating average increases in supplier lists of 8.9%.

The strategy adopted by Esselunga in 2022 is well illustrated by the following graph (source: Nielsen), from which we can see that the Group has always applied prices below the level of the competition.



Purchase of 32.5% of La Villata treasury shares from UniCredit

On 17 June 2022, La Villata S.p.A. completed the purchase of 32.5% of treasury shares from UniCredit. Please note that the shares in question were sold in 2020 by Superit Finco S.p.A. (merged into Esselunga S.p.A. in 2021) as part of the overall transaction for the acquisition by the Majority Shareholders of 30% of Supermarkets Italiani (merged into Esselunga S.p.A. in 2021).

The purchase price of purchase of 32.5% of La Villata treasury shares was financed through shareholders' equity and bank debt.

New Welfare Area

In 2022, a project was presented to build a new Welfare Area of about 10,000 square metres for employees, including a kindergarten, a gymnasium, a multi-purpose centre, a medical offices, and a park with padel and five-a-side football pitches.
Construction work on the initiative, the design of which was overseen by the prestigious Japanese architecture firm SANAA of Kazuyo Sejima and Ryue Nishizawa, began in the first half of 2022, aiming to make the project operational in 2024.

To aid understanding of the comparison between the 2022 and 2021 figures, please note that the 2021 financial year benefited from the following events:

Closing of the five-year Fìdaty campaign

The 'Fìdaty' campaign is the Group's institutional prize promotion, through which customers with Loyalty Cards who shop in Esselunga, Atlantic and EsserBella 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 affected by the impact of the closure of the Campaign in question, which began in 2016 and featured the fair value measurement required by international accounting standards.
The impact mentioned above resulted in a profit in 2021 compared to 2022 of more than €45 million.
Please note that with the closure of the Fidaty Campaign 2016 - 2021, the new Fidaty Campaign 2021 - 2026 began at the same time.

'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 as at 31 December 2020. This rule, therefore, allowed for the tax recognition of amortisation and depreciation generated by the higher realigned values, eliminating the differences between the carrying amount and the tax value. The category of assets that the Group had decided to 'realign' is that of leases already redeemed and assets that had benefited from accelerated amortisation and depreciation in past years. The impact of compliance with this legislation resulted in an overall economic benefit in 2021 of €64.7 million 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.
Please note that, due to regulatory clarifications that emerged in 2022, the effects of the Realignment were adjusted by recognising a charge of €6.7 million in 2022, with a consequent reduction of the tax-suspension reserve of €26.7 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 Consolidated Financial Statements' balances as of 31 December 2022.

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.

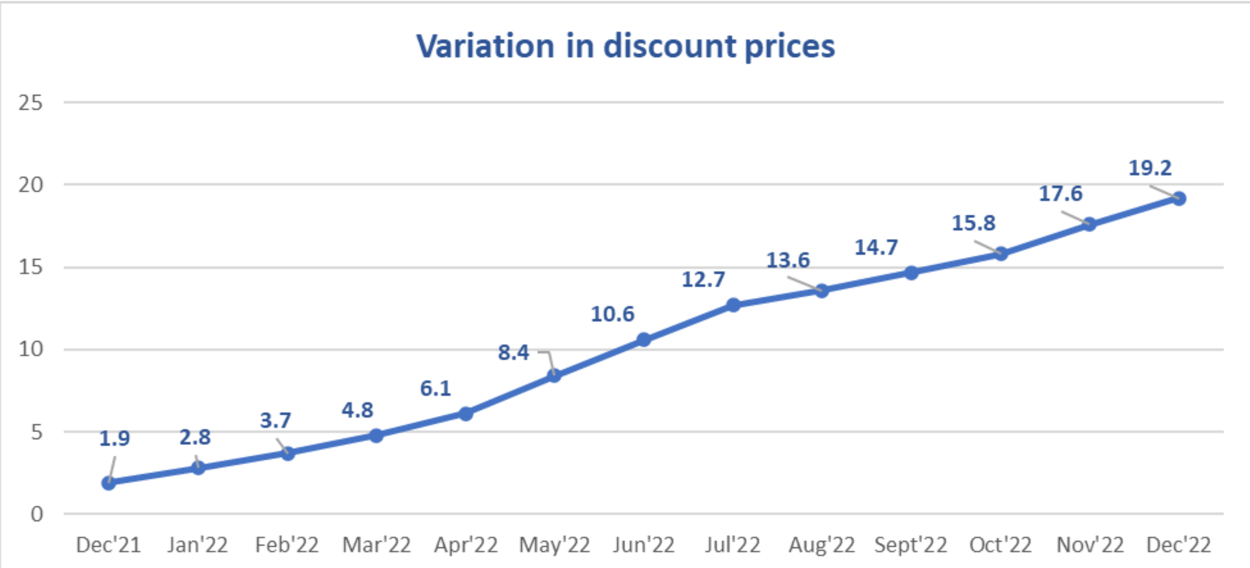
2022 operating performance and competitive environment

- In 2022, the change in the GDP was 3.9 % (source: ISTAT).

- **The national consumer price index** of 31 December recorded **an increase of 11.3%** on an annual basis (source: ISTAT).
  (1) national consumer price index for blue- and white-collar households, net of tobacco (FOI)

- The Group's revenue increased by 3.2% to €8,835.5 million.

- **The omnichannel *retail market* in Italy** (hereinafter 'the Market' and including hyper, super, discount, free service, e-commerce) at national level grew by 6.6%.
  The year 2022 was marked by the inflationary effect that led the market to pass on price and raw material increases to the end customer well in advance of Esselunga, as commented in the chapter Adopted Pricing Policy and Macroeconomic Context.
  Please note that the 6.6% growth in the market was driven by the discount channel (+10.0%), whose *performance* was due to both the significant number of new openings (303) and inflation, as shown in the graph below:



The analysis of sales over the last four years clearly shows that:

- Esselunga showed steady growth, less sensitive to exogenous aspects;
- the market reflected more volatility: in 2022 inflation, in 2020 - 2021 Covid-19.

	2019	2020	2021	2022
Market	+1.5%	+4.8%	+0.3%	+6.6%
Esselunga	+2.9%	+2.9%	+2.2%	+3.2%

- **Customers** are essentially constant (+0.1% compared to 2021).

- The **average sales inflation** was 5.5% against **average list price** increases by suppliers of 8.9%. Absorbing 3.4% inflation was a strategic choice made to protect the purchasing power of customers.

- **Relative cheapness in sales prices compared to the competition was maintained** with 0.7% below the Trading Area average and 1% below the national market average (Source: Nielsen).

- In 2022 were opened 3 traditional stores, 7 bars, 1 perfumery, 4 *laESSE* and 1 'Le Eccellenze di Esselunga'.

- Investments amounted to €377.4 million (€426.3 million in 2021).

- The **average workforce** is 25,198 people

- The **Net Financial Position (NFP)** is shown in the table below. The change reflects the positive impact of operations and the effects of the **Purchase of 32.5% of La Villata treasury shares from UniCredit**

Net Financial Position *(millions of Euros)*	**31.12.2022**	**31.12.2021**	**Change**
NFP	**(1,915.0)**	**(1,776.7)**	**(138.3)**
Operating leases (IFRS 16 Leases)	467.5	476.5	(8.9)
'Fidaty Oro' Customer Receivables	59.5	59.5	0.0
NFP adjusted	**(1,388.0)**	**(1,240.8)**	**(147.2)**
Purchase 32.5% of La Villata treasury shares from Unicredit	444.2	-	444.2
NFP *adjusted* without Purchase 32.5% La Villata	**(943.8)**	**(1,240.8)**	**297.0**

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:

Income statement *(millions of Euros)*	**2022**		**2021**	
	Amounts	**%**	**Amounts**	**%**
Total sales	**8,835.5**	**+3.2%**	**8,561.2**	
Sales Adjustments	(217.9)		(64.4)	
Net revenue	**8,617.5**		**8,496.7**	
Net costs for goods and raw materials	(6,033.3)		(5,810.6)	
Other operating costs, other revenues	(1,010.1)		(942.5)	
Personnel costs	(1,072.8)		(1,053.9)	
EBITDA	**501.4**	**5.7%**	**689.7**	**8.1%**
Amortisation and depreciation	(359.2)		(345.1)	
Provisions, write-ups and write-downs of fixed assets	(9.0)		(22.6)	
Capital gains/losses on non-current assets	0.6		0.7	
Operating profit	**133.8**	**1.5%**	**322.7**	**3.8%**
Net financial income (expense)	(52.5)		(48.3)	
Income (expenses) from equity investments	(0.0)		(0.3)	
Profit before taxes	**81.3**		**274.0**	
Income taxes	(17.5)		(7.5)	
Net result	**63.8**	**0.7%**	**266.5**	**3.1%**
Net profit (loss) attributable to the Group	58.6		243.2	
Net profit (loss) attributable to minority interests	5.2		23.3	

The growth in **Sales** of **+3.2%** (+2.2% in 2021) was generated by a +3.5% increase in commercial sales (stores, e-commerce, bars and perfumeries), partially offset by a decrease in contributions on prize promotion, which were higher in 2021 following the closure of the five-year Fìdaty campaign, featuring a massive use of catalogue prizes.

EBITDA was **€501.4 million (5.7%)**, down from €689.7 million (8.1%) in 2021. This decrease is attributable to the following phenomena:

- contraction of margins due to the above-mentioned pricing policies adopted by the Group in the first months of the year,
- significant increase in suppliers' price lists (+8.9%),
- increase in procurement costs for electricity, gas and fuels of €63 million,
- positive effect on 2021, not present in 2022, of the closing of the Fìdaty Campaign 2016 - 2021 for €45 million.

Operating Profit was **€133.8 million (1.5%)**, down from €322.7 million (3.8%) in 2021. The Operating profit was negatively impacted by higher depreciation and amortisation of €14.1 million related to new openings but benefited from lower real estate write-downs of €13.7 million.

Net Financial Income (Expense) of **-€52.5 million**, up from the 2021 figure of €-**48.3** million. The increase is attributable to the loan subscribed for the purchase of 32.5% of La Villata treasury shares by Unicredit (La Villata Loan).

Income Taxes amounted to **€17.5 million** compared to €7.5 million in 2021, the year in which they had benefited from €64.7million deriving from the effects of the 'Realignment' pursuant to Decree-Law 104 of 2020. 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 **€63.8 million (0.7%)** compared to €266.5 million (3.1%) in 2021.

Adjusted EBITDA

In order to provide a more like-for-like and representative comparison of the operating performance of the 2022 financial year with 2021, is shown in the following table the adjusted EBITDA, 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).

Balance Sheet Reconciliation and adjusted figures *(millions of Euros)*	**2022**		**2021**	
	Amounts	**%**	**Amounts**	**%**
EBITDA	**501.4**	**5.7%**	**689.7**	**8.1%**
Difference cost/fair value reward	(1.1)		(30.7)	
Impact of operating leases (IFRS 16 Leases)	(46.4)		(41.8)	
Adjusted EBITDA	**453.8**	**5.1%**	**617.1**	**7.2%**

Statement of financial position and cash flow information

Reclassified statement of financial position *(millions of Euros)*	**31.12.2022**	**31.12.2021**	**Change**
Property, plant and equipment	4,914.1	4,879.7	34.4
of which ROU for IFRS 16 Leases	*437.5*	*450.4*	*(12.9)*
Real estate investments	117.6	126.1	*(8.5)*
Intangible assets	178.3	174.7	3.6
Goodwill	6.6	6.6	-
Equity investments	1.5	0.5	1.0
Other non-current financial assets	2.9	2.6	0.2
Fixed assets	**5,221.0**	**5,190.3**	**30.7**
Other non-current assets and liabilities	**(25.8)**	**23.6**	**(49.4)**
Net working capital	**(1,300.3)**	**(1,079.9)**	**(220.4)**
Provision for employee severance indemnity (T.F.R.) and provisions for risks and charges	**(107.1)**	**(135.3)**	**28.2**
Net invested capital	3,787.8	3,998.8	(210.9)

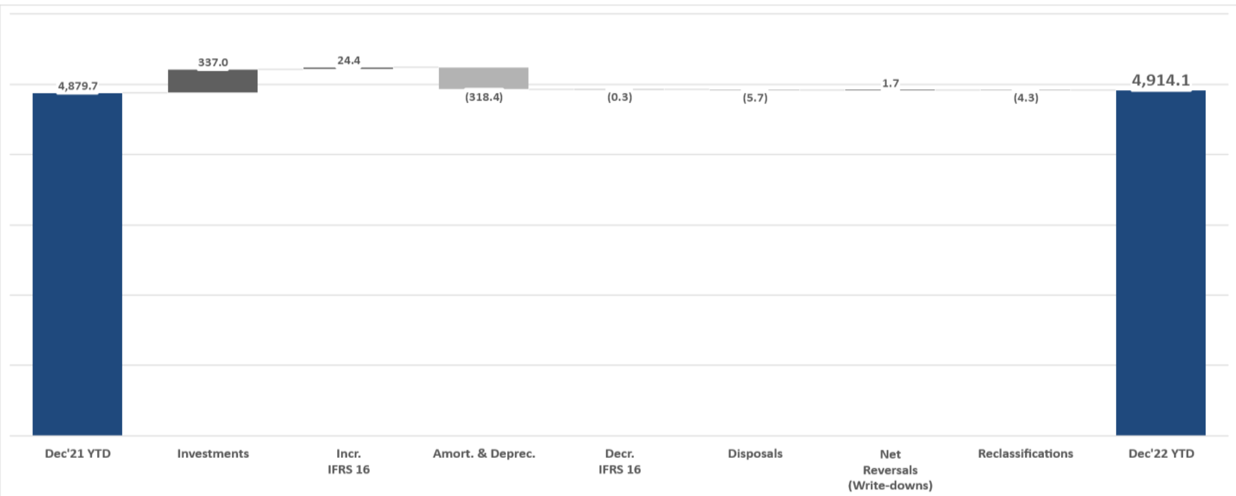
Equity attributable to owners of the parent	**1,872.8**	**2,222.0**	**(349.2)**
Net Financial Position	**1,915.0**	**1,776.7**	**138.3**
of which payable for IFRS 16 Leases	*467.5*	*476.5*	*(8.9)*
Own funds and financial liabilities	3,787.8	3,998.8	(210.9)

The items "ROU *(Right of Use)* for IFRS 16 *Leases*" and "payable for IFRS 16 *Leases*" refer exclusively to those contracts that, although they have the contractual form of operating leases, are treated and accounted for in the same way as finance leases in compliance with the aforementioned accounting standard.
Investments in 2022 amounted to €377.4 million, of which €337 million were in property, plant and equipment, €34.8 million in intangible assets and €5.5 million in real estate investments.
The increases concerning the right of use in application of IFRS 16 Leases in 2022 amounted to €24.4 million.

Fixed assets

Property, plant and equipment

The net increase of a total of €34.4 million is detailed in the movements below:

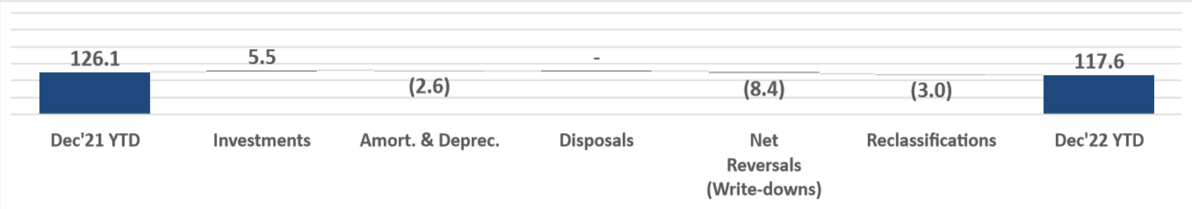


Investments in property, plant and equipment of €337 million refer to the following activities:

- €36.7 million for the set up of the new stores opened in 2022;
- construction of the new '*laESSE*' neighbourhood stores and the 'Le Eccellenze di Esselunga' *store* to be opened in 2022 (€16.5 million);
- work on the logistics network (€5.6 million);
- €66.7 million for the purchase, modernisation and maintenance of the logistic hubs and the headquarters;
- €87.3 million for the modernisation and maintenance of existing stores;
- €124.2 million for the purchase and development of areas dedicated to the opening of new stores.

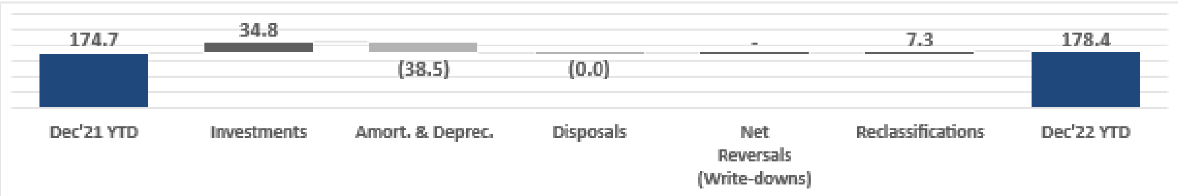
Real estate investments

The item real estate investments refers to land or buildings not intended for use in the Group's ordinary activities. The decrease of €8.5 million is detailed in the movements below:



Intangible assets

The decrease of 3.6 million is detailed in the movements below



The investments mainly refer to functional software for improvement of the Group's IT infrastructure.

Other non-current financial assets

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

Other non-current assets and liabilities

The main elements of this item appear in the table below:

Other non-current assets and liabilities *(millions of Euros)*	**31.12.2022**	**31.12.2021**	**Change**
Net deferred tax assets and liabilities	33.7	62.1	(28.4)
Non-current deferred revenue for prize promotions	(70.5)	(52.4)	(18.0)
Other non-current assets (liabilities)	11.0	14.0	(2.9)
Total	**(25.8)**	**23.6**	**(49.4)**

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

The item "Non-current deferred revenue for prize promotions" refers to the fair value of prizes estimated to be redeemed by customers after 12 months from the reporting date of the Consolidated Financial Statements at 31 December 2022, the value refers to the non-current portion attributable to the new five-year Fìdaty Campaign.

Net Working Capital

The main elements of this item appear in the table below:

Net Working Capital *(millions of Euros)*	**31.12.2022**	**31.12.2021**	**Change**
Inventories	550.1	477.1	73.1
Trade receivables	230.2	240.3	(10.1)
Trade payables	(1,747.8)	(1,524.7)	(223.2)
Payables to employees	(95.1)	(88.1)	(6.9)
Current deferred revenue for prize promotions	(93.5)	(75.3)	(18.2)
Payables to social security institutions <12	(66.6)	(63.7)	(2.9)
Payables to customers for prepaid cards	(103.3)	(48.4)	(55.0)
Current tax payables	(27.3)	(25.9)	(1.4)
Other current liabilities	(21.9)	(18.4)	(3.5)
Receivables (Payables) for direct taxes	20.6	24.8	(4.2)
Receivables (Payables) for indirect taxes	17.8	(2.4)	20.2
Other receivables	36.5	24.7	11.8
Total	**(1,300.3)**	**(1,079.9)**	**(220.4)**

The increase in inventories is mainly attributable to the inflationary effect, which led to a significant rise in the value of suppliers' price lists, and a quantity effect resulting from the expansion of the sales network.

The change in trade receivables and payables is to be read together for the part relating to the commercial relationship that contractually provides for financial compensation. Trade receivables also include receivables from meal voucher issuers.

It should be noted that the increase in trade payables is mainly attributable to the increase in business volume.

Payables to employees mainly include the accrual of the 14th month, holidays, leave and related social security charges.

Current deferred revenue for prize promotions represents the fair value of rewards that are expected to be earned by customers within twelve months from the date of these Consolidated Financial Statements.

The significant increase in customer payables to customers for prepaid cards is mainly attributable to the increase to €3,000 of the tax and contribution exemption threshold for remuneration in kind paid to employees (Decree-Law No. 176 of 18 November 2022, so-called. 'Aid-quater' Decree).

Current tax payables mainly include IRPEF (€18.8 million).

Other current liabilities refer to advances related to a deposit received for preliminary agreements for the sale of an area, deferred income related to revenues from promotional activities, and other payables related to the value of uncollected competition prizes, to be donated to non-profit organisations, and commissions to be paid to credit institutions for the use of electronic forms of collection.

Receivables (Payables) for direct tax 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. The increase in this item is attributable to the portion of the tax credit on electricity and gas consumption, which will be offset in 2023.

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

The provision for severance indemnities decreased by €16.2 million mainly due to the recognition, in application of IAS 19, of an actuarial gain as a result of the significant increase in rates and, residually, of the year's settlements

Provisions for risks and charges:
- increased by €12.7 million, mainly due to risks related to contracts awarded to third-party suppliers and charges related to certain initiatives in the real estate sector;
- decreased by €24.7 million due to uses due to payments to settle past liabilities and releases due to the lapse of certain risks.

Shareholders' Equity

The decrease of €349.2 million is mainly due to the following impacts:
- increase due to the recognition of profit for the period (€63.8 million);
- decrease for the **purchase of 32.5% of La Villata treasury shares from UniCredit** (€435 million)
- decrease due to the distribution of dividends to UniCredit for €29.2 million;
- decrease due to the distribution of dividends to the parent company Superit S.r.l. for €15 million;

- increase due to adjustment of the cash flow hedge reserve (+€57.4 million), which includes changes in the fair value of derivative financial instruments hedging the variability of interest rates on loans payable, net of the related tax effect;
- increase of €8.8 million for the recognition of actuarial gains on employee severance indemnities (TFR) net of the related tax effect.

Net Financial Position

The Net Financial Position (including liabilities for operating leases) as at 31 December 2022 was negative and amounted to €1,915.0 million (€1,776.7 million as at 31 December 2021).
Please note that the worsening of €138.3 million is attributable to the **purchase of 32.5% of La Villata treasury shares from Unicredit**, without which the Net Financial Position would have improved by €305.9 million.

The composition of the Net Financial Position is detailed below:

Net Financial Position at end of period *(millions of Euros)*	**31.12.222**	**31.12.2021**
Cash and cash equivalents	666.0	756.4
Accrued interest income on current accounts and other	0.1	3.5
'Fidaty Oro' Customer Receivables	59.5	59.5
Corporate bond expiry 2023	(499.2)	(497.2)
Corporate bond expiry 2027	(495.8)	(494.7)
Acquisition facility - loan	(770.5)	(768.3)
La Villata loan	(154.7)	-
Derivatives - Fair Value IRS Acquisition Facility	75.3	4.3
Derivatives - Fair Value IRS La Villata Loan	3.3	-
Current and non-current financial payables - leases	(271.0)	(299.1)
Financial payables to parent company (Superit S.r.l.)	(1.0)	(5.0)
Net Financial Position Adjusted	**(1,388.0)**	**(1,240.8)**
'Fidaty Oro' Customer Receivables	(59.5)	(59.5)
Payable IFRS 16 Leases	(467.5)	(476.5)
Net Financial Position	**(1,915.0)**	**(1,776.7)**

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

(millions of Euros)	**31.12.2022**				
	Up to 1 year	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**	**Total**
Fair Value Derivato	21.0	-	57.6	-	**78.6**
Bonds	(500.9)	-	(494.1)	-	**(995.0)**
Medium-long term bank loans	(47.3)	-	(877.9)	-	**(925.2)**
Current and non-current financial payables (leases)	(30.2)	(22.6)	(70.1)	(148.0)	**(271.0)**
Payable IFRS 16 Leases	(39.1)	(34.2)	(89.1)	(305.2)	**(467.5)**
Loans payable to parent companies	(1.0)	-	-	-	**(1.0)**
Total	**(597.6)**	**(56.8)**	**(1,473.5)**	**(453.2)**	**(2,581.2)**

The item debt for IFRS 16 Leases refers exclusively to those contracts that, although they have the contractual form of operating leases, are treated and accounted for in the same way as finance leases in compliance with the aforementioned accounting standard.

To ensure better comparability of data, especially those regarding loan activities, the net cash flow for the period is provided below:

Consolidated cash flow statement *(millions of Euros)*	**2022**	**2021**
Net income (expense) for the period	63.8	266.5
Taxes	17.5	7.5
Net Finance expense	52.5	48.6
Amortisation and depreciation	359.2	345.1
Write-downs	9.0	22.6
Plus/minus	(0.6)	(0.7)
EBITDA	**501.4**	**689.7**
Provisions	**12.0**	**(12.4)**
Inventories	(73.1)	(40.3)
Trade receivables and trade payables	218.2	219.5
Net change in other receivables/payables and other assets/liabilities	65.7	(15.9)
Changes in other operating assets and liabilities	**210.9**	**163.3**
Payment of employee benefits and use of funds	**(18.4)**	**(21.7)**
Payment of taxes	**(7.3)**	**(122.5)**
FLOW OF NFP OPERATING ACTIVITY (A)	**698.6**	**696.4**
Changes due to acquisitions/disposals of fixed assets	(381.5)	(546.6)
Changes in investments in financial assets	(436.3)	(2.1)
of which for purchase 32.5% La Villata [1]	*(435.0)*	-
FLOW OF NFP INVESTMENT ACTIVITY (B)	**(817.9)**	**(548.7)**
Financial income (Expense)[2]	25.1	(32.6)
Dividends	(44.2)	(16.0)
FLOW OF NFP FINANCING ACTIVITIES	**(19.1)**	**(48.6)**
CASH FLOW FOR THE PERIOD (A+B+C)	**(138.3)**	**99.1**
NET FINANCIAL POSITION AT BEGINNING OF PERIOD	**(1,776.7)**	**(1,875.8)**
NET FINANCIAL POSITION AT END OF PERIOD	**(1,915.0)**	**(1,776.7)**

(1) The effect of the pro-rata temporis dividend relating to 2022 (amounting to €9.2 million) and distributed to UniCredit as part of the **Purchase of 32.5% of La Villata treasury shares from UniCredit** (the total impact of which amounts to €444.2 million) is included in the line "Dividends".

(2) It includes positive effect of € 74.3 million relating to the fair value of the Interest Rate Swap derivative" , to hedge the risk of fluctuations in variable rates relating to the existing loan.

The Flow of NFP Investment Activity under the item "Changes due to Acquisitions/Disposals of Fixed Assets" also includes the Right of Use (ROU *Right of* Use) related to the application of 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 contraction compared to 2021 is a consequence of what is reported in the chapter **Adopted Pricing Policy and Macroeconomic Context**.

ROI *(millions of Euros)*	**2022**	**2021**
Operating profit	133.8	322.7
Invested Capital (average)	3,893.3	3,887.8
ROI	**3.4%**	**8.3%**

The leverage ratio compares Net Financial Position to EBITDA to represent the Company's ability to repay its debts.

The *coverage* ratio compares the EBITDA with net finance 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)*	**31.12.2022**	**31.12.2021**
Net Financial Position	(1,915.0)	(1,776.7)
EBITDA	501.4	689.7
Leverage	**3.8**	**2.6**
EBITDA	501.4	689.7
Net finance expense	(52.5)	(48.3)
Coverage	**9.5**	**14.3**

Financial risk management

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 2022 is the book value of the financial assets reported in the financial statements, as shown in the table below:

(millions of Euros)	**31.12.2022**	**31.12.2021**	**Change**
Other non-current financial assets	3.4	2.6	0.7
Non-current financial assets measured at Fair value	57.6	4.3	53.3
Other non-current assets	12.8	15.7	(2.9)
Trade receivables	231.1	240.8	(9.6)
Current tax receivables	34.5	30.5	4.1
Other current assets	58.4	39.2	19.2
Other current financial assets	21.1	3.5	17.7
Total gross amount	**419.0**	**336.5**	**82.4**
Provision for doubtful receivables	(4.1)	(3.8)	(0.4)
Total net amount	**414.8**	**332.8**	**82.1**

Other non-current financial assets mainly comprise the participation in a real estate investment fund and other minor investments.

Non-current financial assets measured at Fair Value include the non-current portion of the positive fair value of "Interest Rate Swap" derivatives, to hedge the risk of fluctuations in variable rates relating to the loan taken out for the acquisition of 30% of Supermarkets Italiani S.p.A. and the loan taken out by La Villata as part of the Purchase of 32.5% of treasury shares from UniCredit. The fair value of these instruments amounted to €57.6 million as at 31 December 2022 (€4.3 million as at 31 December 2021).

Other non-current assets mainly include VAT receivables from the tax authorities for security deposits given for leases and utilities and building plots, tax receivables, related primarily to VAT receivables, which, overall, constitute a low level of credit risk. The Group is taking steps to collect these receivables.

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

Current tax receivables refer to IRES receivables from the tax consolidating Company Superit S.r.l. and IRAP receivables from the tax authorities.

Other current assets mainly include tax receivables from the tax authorities, which present a low credit risk overall.

Other current financial assets mainly comprise the current portion of the positive *fair value* of the above-mentioned derivative financial instruments of an '*Interest Rate Swap*' nature, which hedge the risk of fluctuations in variable rates related to the loans taken out. The following table provides the breakdown of receivables as at 31 December 2022 by category and by number of days past due:

(millions of Euros)	31.12.2022					
		Days past due				
	Not yet due	0 - 30	31 - 60	61 - 90	> 90	Total
Other non-current financial assets	2.9	-	-	-	0.5	3.4
Non-current financial assets measured at Fair value	57.6	-	-	-	-	57.6
Other non-current assets	12.8	-	-	-	-	12.8
Trade receivables	146.9	71.5	6.7	2.5	3.6	231.1
Current tax receivables	34.5	-	-	-	-	34.5
Other current assets	55.6	-	-	-	2.8	58.4
Other current financial assets	21.1	-	-	-	-	21.1
Total gross amount	**331.4**	**71.5**	**6.7**	**2.5**	**6.9**	**419.0**
Provision for doubtful receivables	-	-	-	-	(4.1)	(4.1)
Total net amount	**331.4**	**71.5**	**6.7**	**2.5**	**2.8**	**414.8**

Past due receivables as at 31 December 2022 amounted to a total of €87.6 million, while the allowance for doubtful receivables is estimated at €4.1 million.
It should be noted that overdue receivables, net of those subject to write-downs, on the date of preparation of the financial statements were almost entirely collected in 2023.

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 constantly monitors the financial position through appropriate forecast and actual cash flow reporting.

On 3 August 2021, Esselunga S.p.A. entered into three agreements with three Italian banks for three revolving non-revocable credit lines for a total amount of €300 million, expiring after five years. In addition, on 16 June 2022, Esselunga S.p.A. entered into three further non-cancellable revolving credit lines for a total of €300 million and with a maturity of five years. As at 31 December, these credit lines were undrawn.

The following table provides a breakdown of liabilities by maturity as at 31 December 2022. 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 of each period. Interest was calculated based on the contractual terms of the loans:

(millions of Euros)	31.12.2022				
	Less than 1 year	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**	**Total**
Bonds	513.8	9.4	528.1	-	1,051.3
Medium-long term bank loans	68.8	24.4	937.4	-	1,030.5
Finance lease payables (current and non-current)	37.9	30.1	87.6	163.9	319.5
Payable IFRS 16 Leases	50.6	44.9	117.0	372.7	585.3
Other non-current liabilities	-	-	-	1.8	1.8
Trade payables	1,747.8	-	-	-	1,747.8
Current tax payables	13.9	-	-	-	13.9
Other current liabilities	315.6	-	-	-	315.6
Total	**2,748.4**	**108.8**	**1,670.1**	**538.4**	**5,065.7**

Market risk

In carrying out its activities, the Group is potentially exposed to the following market risks, which are managed centrally by the Parent Company:

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

- Regulatory risk
  Regulatory risk consists of bureaucratic delays in obtaining permits to open new stores or expand existing ones. This essentially translates into lack of sales revenue while capital expenditures have already been made.

- 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 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 from interest rate volatility.
The Group's financial debt consists of bonds, finance leases and loans.
Financial liabilities at variable interest rates as at 31 December 2022 amounted to 14% of the total, considering that the Group has derivative financial instruments of an interest rate swap nature.

Capital risk

The Group's managing capital risk goal is to maintain an optimal capital structure to reduce the cost of debt.
The Group monitors its capital based on the ratio of its Net Financial Position 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 2022 and 31 December 2021 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 2022 index shows that own funds finance 49.4% of the net invested capital.

(millions of Euros)	**31.12.2022**	**31.12.2021**
Cash and cash equivalents	666.0	756.4
Financial receivables	0.1	3.5
Current financial assets measured at Fair value	21.0	-
Non-current financial assets measured at Fair value	57.6	4.3
Current and non-current financial liabilities	(2,659.7)	(2,540.9)
Net Financial Position	**(1,915.0)**	**(1,776.7)**
Shareholders' Equity	**1,872.8**	**2,222.0**
Net invested capital	**3,787.8**	**3,998.7**
Gearing ratio	**50.6%**	**44.4%**

Business Crisis Code

We inform you that pursuant to Article 2086 of the Italian Civil Code, as amended by Legislative Decree 14/2019, issued in implementation of Enabling Law 155/2017, the Group has an organisational, administrative and accounting structure appropriate to the nature and size of the business, capable of foreseeing and promptly detecting any signs of crisis through the constant monitoring of the economic/asset balances and prospective economic/financial flows to ensure the protection of assets and business continuity.

Performance of Financial Statements of Esselunga S.p.A.

The financial statements of the parent company Esselunga S.p.A. drawn up in compliance with EU IFRS, presents a net profit of Euro 37.6 million as at 31 December 2022 compared to the profit net of Euro 187.9 million in 2021. The balance sheet and financial data, the economic results and the Net Financial Position of the Company.

Statement of financial position and cash flow information

Reclassified statement of financial position *(millions of Euros)*	**31.12.2022**	**31.12.2021**	**Variazione**
Property, plant and equipment	5,011.9	4,988.3	23.6
of which ROU for IFRS 16 Leases	*1,720.7*	*1,749.2*	*(28.4)*
Real estate investments	102.2	108.2	(5.9)
Intangible assets	210.8	210.0	0.8
Equity investments	1,024.6	970.6	54.0
Other non-current financial assets	1.3	1.1	0.2
Fixed assets	**6,350.9**	**6,278.2**	**72.6**
Other non-current assets and liabilities	**27.8**	**69.1**	**(41.2)**
Net working capital	**(1,285.6)**	**(1,161.9)**	**(123.7)**
Provision for employee severance indemnity (T.F.R.) and provisions for risks and charges	**(106.7)**	**(134.8)**	**28.1**
Net invested capital	**4,986.4**	**5,050.6**	**(64.2)**
Equity attributable to owners of the parent	**2,099.5**	**1,992.8**	**106.6**
Net Financial Position	**2,887.0**	**3,057.8**	**(170.8)**
of which payable for IFRS 16 Leases	*1,574.3*	*1,574.8*	*(0.5)*
Own funds and financial liabilities	**4,986.4**	**5,050.6**	**(64.2)**

Income statement results

Conto economico *(milioni di Euro)*	**2022**		**2021**	
	Importi	**%**	**Importi**	**%**
Total sales	**8,751.7**	**+2.9%**	**8,501.8**	
Sales Adjustments	(217.5)		(64.3)	
Net revenue	**8,534.2**		**8,437.5**	
Net costs for goods and raw materials	(6,008.8)		(5,789.7)	
Other operating costs, other revenues	(1,000.9)		(940.6)	
Personnel costs	(1,030.3)		(1,019.9)	
EBITDA	**494.2**	**5.6%**	**687.2**	**8.1%**
Amortisation and depreciation	(367.7)		(351.0)	
Provisions, write-ups and write-downs of fixed assets	(6.8)		(21.8)	
Capital gains/losses on non-current assets	3.2		1.5	
Operating profit	**122.9**	**1.4%**	**315.9**	**3.7%**
Net financial income (expense)	(91.0)		(90.2)	
Income (expenses) from equity investments	6.6		(11.4)	
Profit before taxes	**38.5**		**214.2**	
Income taxes	(0.9)		(26.3)	
Net result	**37.6**	**0.4%**	**187.9**	**2.2%**

Net Financial Position

Net Financial Position at end of period *(millions of Euros)*	**31.12.2022**	**31.12.2021**
Cash and cash equivalents	599.3	476.8
Corporate bond expiry 2023	(499.2)	(497.2)
Corporate bond expiry 2027	(495.8)	(494.7)
Acquisition facility - loan	(770.5)	(768.3)
Derivatives - Fair Value IRS Acquisition Facility	75.3	4.3
Current and non-current financial payables - leases	(253.1)	(278.2)
Fìdaty Oro Customer Receivables	59.5	59.5
Other current financial assets and liabilities	31.3	74.3
Net Financial Position Adjusted	**(1,253.2)**	**(1,423.6)**
Fìdaty Oro Customer Receivables	(59.5)	(59.5)
Payable IFRS 16 Leases	(1,574.3)	(1,574.8)
Net Financial Position	**(2,887.0)**	**(3,057.8)**

For descriptions and comments on the various items contained in the tables above, refers to what was previously commented for the data relating to the Financial Statements Consolidated Financial Statements and the subsequent comments contained in the Notes to the Consolidated Financial Statements.

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 the story of Esselunga, which, with a network as of 31 December 2022 of 173 *supermarkets* and *superstores*, *11 laESSE* neighbourhood stores and one *'Le Eccellenze di Esselunga'* store, located in Northern and Central Italy, is now one of the leading chains in the large-scale retail industry. 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 traditional stores.

Esselunga has added to its food offer by opening Atlantic Bars in its stores. As of 31 December 2022, the 112 Atlantic Bars are well established on the catering scene and among the first in Italy in their sector. Atlantic Bars offer a full catering service: breakfasts, lunches and aperitifs, with recipes based on selected ingredients sourced directly from Esselunga supermarkets.

Founded in 2002 under the name Olimpia Beauté, the EsserBella chain has 45 selective perfumery and beauty service stores at some of the Esselunga shopping centres in Lombardy, Piedmont, Emilia-Romagna, Liguriaand 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 eight beauty studios: *skin, hair, nail, brow and make-up*.

laESSE is the innovative shopping experience from Esselunga. The *format* envisages a supermarket for everyday shopping for quick and easy shopping; In some cases, there is also a bar with a kitchen where it is possible to eat *freshly prepared meals, try Elisenda pastry products and use the* co-working spaces. The offer is completed, in some *stores, by the presence of the locker for collecting the shopping.*

Geographical areas of activity as at 31 December 2022

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 several different Italian provinces.

Lombardy
103 Esselunga stores
66 Atlantic bars
29 EsserBella perfumeries
9 *laESSE* sales outlets
1 'Le Eccellenze di Esselunga' sales outlets
4 *e-commerce* warehouses
1 production plant
1 meat processing centre
2 distribution centres
1 operational site

Piedmont
18 Esselunga stores
15 bar Atlantic
3 EsserBella perfumeries
1 *e-commerce* warehouse
1 fish processing centre
1 distribution centre

Liguria
2 Esselunga stores
2 Atlantic bars
1 EsserBella perfumery

Tuscany
31 Esselunga stores
13 Atlantic bars
8 EsserBella perfumeries
1 *e-commerce* warehouse
1 distribution centre
1 operational site

Veneto
4 Esselunga stores
3 Atlantic bars

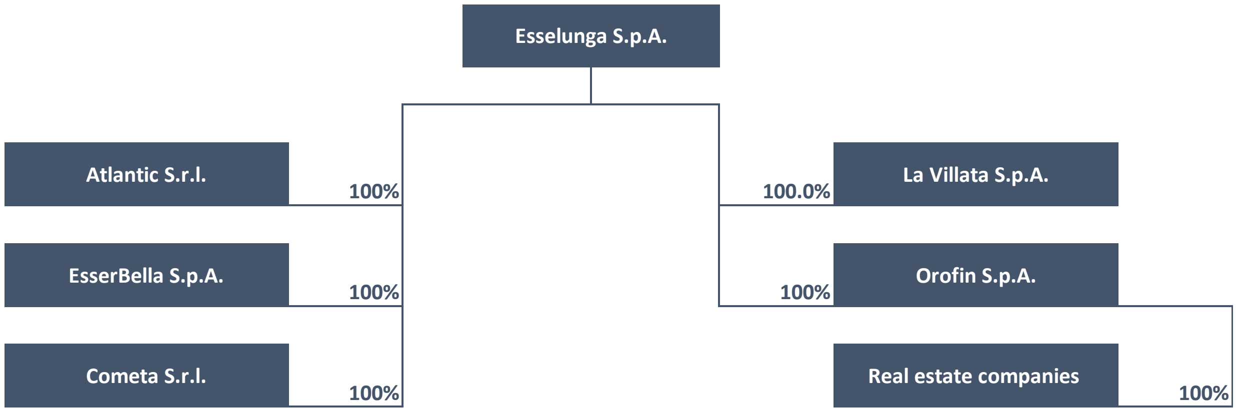
Emilia Romagna
13 Esselunga stores
9 bar Atlantic
4 EsserBella perfumeries
1 *e-commerce* warehouse
1 production plant

Lazio
2 Esselunga stores
4 Atlantic bars
2 *laESSE* sales outlets
1 *e-commerce* warehouse

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

Scope of consolidation as at 31 December 2022



Business Model

The business model is based on a number of values that guide the Group in providing a shopping experience that meets customers' needs, anticipating their requirements by offering excellent and fresh products, with quality services, at competitive prices, both in the *e-commerce* channel and in traditional stores.
As the business continues to evolve, the traditional, predominantly food supermarket has been joined by the *e-commerce* service, bars, perfumeries, parapharmacies, the Elisenda bakery, and new types of shops, such as Eccellenze di Esselunga and *laESSE*, located at strategic points in the city.

The organisation of the Group features:

- Centralisation of procurement, production and logistical activities, which ensure the freshness and quality of the products for daily delivery;
- centralisation of promotional policies and communication and marketing initiatives;
- sales management with a multi-channel approach, where the physical store and the various *e-commerce* services are integrated to meet the needs of all customers.

Stores

Over the years, the Supermarket has expanded its range of products and services to include non-food items such as perfumery and beauty products, newspapers and books, toys, stationery, underwear, flowers and a photo printing service. The stores contain production and processing departments, such as the delicatessen, where Esselunga specialists prepare ready-made dishes with selected ingredients.
In addition to the gastronomy present in 172 stores with counters (165 traditional stores, 6 laESSE and 1 'Le Eccellenze di Esselunga') and in 13 stores without (8 traditional stores and 5 laESSE ones), the sales network includes: 139 bakery departments, 169 meat departments, which carry out the processing and packaging stages, and 118 fishmongers, which offer fresh fish, sushi produced in Biandrate Fish Processing Centre and a wide range of ready-to-cook products.

The offer was further expanded with the introduction of Elisenda bakery in 124 stores (114 traditional stores and 9 laESSE) and in the new 'Le Eccellenze di Esselunga' store in Milan Via Spadari, and parapharmacy in 35 stores.

E-commerce

Esselunga's e-commerce service has been in operation since 2001.
The e-commerce range includes thousands of items, including fresh products such as fruit, vegetables, meat, fish, dairy, and delicatessen products. They are packed a few hours before delivery and travel in refrigerated vehicles with different temperatures (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 49 provinces and seven regions (Lombardy, Veneto, Emilia-Romagna, Tuscany, Piedmont, Liguria and Lazio).

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 2022, including through trust companies or nominees.
With reference to the share capital of La Villata, please note that on 17 June 2022, with the purchase of 32.5% of La Villata's treasury shares from Unicredit:

- share certificate no. 7 bearing 14,625,000 preference shares registered in the name of UniCredit was cancelled
- share certificate no. 6 was cancelled, and share certificate no. 8 was issued in its place, bearing 30,375,000 ordinary shares with no express par value, registered in the name of Esselunga S.p.A

Therefore, La Villata's share capital of €45,000,000, fully subscribed and paid-in, divided into 30,375,000 shares with no express par value, represented by share certificate No. 8, is held entirely by Esselunga S.p.A.

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 fluctuation of the variable rate relating to the loans subscribed for the acquisition of 30% of Supermarkets Italiani S.p.A. and for the acquisition of 32.5% of La Villata S.p.A.'s treasury shares.

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

In 2010, Esselunga S.p.A. adopted its own Organisation, Management and Control Model pursuant to Legislative Decree 231/2001, consisting of a General Section and several Special Sections in which the corporate areas and the predicate offences that could occur in the abstract are described.
The Model includes a set of rules, conducts and controls to provide the Company with an effective organisational and management system capable of identifying and preventing the criminal behaviour covered by the Decree.
These controls are also incorporated into the relevant company procedures.

The Organisation, Management and Control Model has been updated over time in response to the introduction of new alleged offences and to changes in the Company's processes and organisation by resolutions of the Board of Directors.

Monitoring the effectiveness, compliance with and updating of the Model is the responsibility of the Supervisory Body appointed upon first adoption of the Organisational, Management and Control Model. By resolution of 27 April 2022, Esselunga's Board of Directors appointed a new member as Chairman and renewed two other members of the Supervisory Body, which now comprises two external professionals and the Director of Legal and Corporate Affairs, who will remain in office until the date of the shareholders' meeting to approve the financial statements for the year ending 31 December 2024.

The companies EsserBella S.p.A., Atlantic S.r.l., La Villata Immobiliare S.p.A. and Orofin S.p.A. have also defined and updated their Organisation, Management and Control Models in relation to the evolution of the regulations. The respective Boards of Directors approved the updates of the Models of Directors.

By resolution of 28 November 2022, the Esselunga Board of Directors updated the Group's Code of Ethics and Conduct, which sets out the general principles and rules of behaviour to which the conduct of everyone who works in the name and on behalf of the Company must conform.

An Ethics Committee was set up, consisting of one member of the Supervisory Body and two members from within the Company, whose role is to supervise compliance with the Code of Ethics and Conduct and being a point of reference on the interpretation of the Code.

The Group has set up a whistleblowing channel to collect reports of alleged violations of the Organisation, Management and Control Model, the Code of Ethics and Conduct and the Supplier Code of Conduct. The IT system adopted ensures all security aspects, first and foremost the protection and confidentiality of the reporter, but not least that of the reported person.

An extract of the Models and the Code of Ethics of the Companies are published on Esselunga's institutional website, in the Governance section.

Internal control and Risk Factor Management system

Esselunga S.p.A. has an Internal Audit Department whose primary task is to verify, continuously and in relation to specific needs and in compliance with international standards, the operation and suitability of the internal control and risk management system, through an annual audit plan, approved by the Board of Directors, based on a structured process of analysis and prioritisation of the main risks.

The audit activity covers all of the Company's processes, paying particular attention to those most significant because of the degree of risk they pose to the Company's objectives.

The Head of the *Internal Audit* Function is not responsible for any operational area. They do not report hierarchically to any head of the operational regions but to the Board of Directors via the Chairman.

Following the individual audits carried out during 2022, specific reports were prepared and sent to the Chairman of the Board of Directors and the Chairman of the Board of Statutory Auditors. The interventions carried out, in the operational and process, compliance and integrated areas (audits carried out combining the previous types), resulted in evaluations and recommendations regarding operations and the overall control system, highlighting possible areas for improvement.
Annually, the *Internal Audit* Manager informs the Board of Directors of the results of the audit activities carried out and the completion of the Plan, to allow the Board of Directors to assess the adequacy and effective functioning of the Internal Control and Risk Management System.

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.

The Internal Audit function also carries out supervisory activities on behalf of the Supervisory Bodies appointed by Esselunga and by the other Group companies under Legislative Decree 231/2001.

Contingent liabilities and disputes

Please note that the contingent liabilities and disputes reported in the Consolidated Financial Statements as at 31 December 2021 have been resolved or reduced to such an extent that they do not require disclosure.

Significant events after the end of the period

No significant events occurred after the end of the period.

Consolidated Non-Financial Report

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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 Art. 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]" updated by the Global Reporting Initiative (hereinafter also abbreviated as "GRI") in 2021, according to the "In accordance with GRI" option. In the appendix to the document you can consult the GRI Content Index, where the GRI indicators associated with each material topic are reported[3].

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 with the financial year ending 31 December 2021, Esselunga began a process to adapt to the requirements of the European Taxonomy. This process continued in 2022, deepening its eligible activities to ensure alignment with the requirements of Art. 8 of EU Regulation 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 "Disclosure on the European Taxonomy"[4].

1.2 Boundary

As required by Legislative Decree 254/2016, Article 4, this NFR includes the data of the Parent Company Esselunga S.p.A. and its subsidiaries, which are consolidated on a line-by-line basis in the consolidated financial statements[5], referred to in the text as the "Group" or "Esselunga". The main economic, social and environmental results achieved by the Group and described in this document are from 2022 (from 1 January

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[1] Standard 2-3 Reporting Period, Frequency and Contact.

[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] That is to say, the topic that may significantly influence stakeholders' decisions and opinions and have a significant impact on the Group's performance.

[4] It should be noted that the limited assurance activity carried out by the auditor excluded the information in the above paragraph.

[5] GRI Standard 3-1 Process of defining content. This NFR is the fourth year of reporting pursuant to Italian Legislative Decree 254/2016.

to 31 December). Any exceptions to the reporting boundary are specified as necessary in this NFR[6].

1.3 Reporting process

The preparation of the Esselunga Group's NFR for 2022 was based on a reporting process that involved all company departments responsible for the areas covered by the Declaration. 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 limited audit of this NFR is PricewaterhouseCoopers S.p.A., which in a separate report attests to the conformity of the information provided as per Art. 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[7]

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

[6] Specifically, the social, environmental and employee data cover Esselunga S.p.A., EsserBella S.p.A. and Atlantic S.r.l., but not companies judged insignificant due to their number of employees and type of activity.
[7] GRI Standard 2-29 Approach to stakeholder engagement.

<table>
<tr><th>Stakeholder categories[8]</th><th>Listening and engagement approach[9]</th></tr>
<tr><td>Customers</td><td>
Structured and widespread customer relationship management (CRM) systems, from individual shops to on-line platforms and customer service
Market surveys on: general customer satisfaction (conducted on both the physical sales channel, as well as online), offer improvement (assortment/services/user experience), development of new brand-name or mass-branded products, brand perception and customer satisfaction with certain projects (e.g. “Amici di Scuola” project)
Quarterly assessment of Esselunga's reputation index in collaboration with the RepTrak Institute. As part of these tracking efforts, in addition to traditional KPIs (perception of convenience, quality and customer service), CSR indicators such as “citizenship” (support for just causes, influence on society, environmental protection) and “workplace” (equal workplace opportunities, recognition of colleagues' merit, attention to the health and well-being of employees) are also assessed.
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. As of November 2021, a confidential telephone number, 840 00 40 40, and a dedicated email address servizibusiness@esselunga.it were set up. In 2022, approximately 14 thousand companies were served.
With particular reference to eb® Perfumeries, customer involvement was twofold:

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;
meeting sessions were organised in collaboration with charities and experts, with the aim of supporting particular categories of people and offering them training opportunities

</td></tr>
<tr><td>Suppliers</td><td>
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)
Performing audits
Support for Italian products and local suppliers through specific promotional activities
One-to-one meetings and start-up of life cycle assessments with Esselunga brand product suppliers
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
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)
</td></tr>
<tr><td>Bondholders</td><td>
Management of requests through the Investor Relations function
</td></tr>
<tr><td>Personnel</td><td rowspan="2">
Discussion and dedicated meetings with specific functions in the areas of Human Resources and HSE and Relations with Trade Unions
Introduction of a whistleblowing system
Introduction of a special email account for Welfare issues
In 2019 a Joint Welfare Committee was set up with trade unions to discuss and propose solutions in the field of welfare
In 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
</td></tr>
<tr><td>Trade unions and trade associations</td></tr>
</table>

[8] GRI Standard 2-29 Approach to stakeholder engagement.
[9] GRI Standard 2-29 Approach to stakeholder engagement.

Stakeholder categories[8]	Listening and engagement approach[9]
	• Esselunga launched an Employee Advocacy Program in February 2020 with the aim of involving employees as Ambassadors in Esselunga's storytelling on LinkedIn • In November 2021, an in-depth survey on Welfare issues was sent to all staff • 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 • During the course of 2022, two surveys were conducted involving the entire company population to better understand the needs and opinions of employees. The first survey dealt with post-pandemic issues, in which an attempt was made to understand the main concerns and expectations of employees in relation to the current and future situation of the company, considering the effects of the pandemic on their working and personal lives. The second survey, on the other hand, explored engagement issues such as involvement, collaboration and communication within the company, with the aim of assessing the level of employee satisfaction and identifying possible areas for improvement. The surveys were conducted with the aim of creating a more inclusive, transparent and satisfying working environment for all employees
Public Authorities	• Specific procedures and control measures defined by the Group organisational, management and control model (MOGC) pursuant to Italian Legislative Decree 231/01, involving, based on the PA's specific requests, both the company's top management and management according to their various specialisations and skills
Society and future generations	• Support for social initiatives • Collaborations with non-profit organisations • Relations and active collaboration with schools and universities in the area

Esselunga knows that discussion with all stakeholders is essential to finding out their perception of the Group and its strategies in terms of CSR. That is why it is committed to continuing or implementing new listening and dialogue initiatives in 2022. 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.). The scope of the research was also extended to the companies Atlantic and Esserbella, as well as the new local format, LaEsse.

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

To define its strategic sustainability priorities and related guidelines, Esselunga, in line with the 2021 GRI Standards, developed a new materiality analysis process in 2022 aimed at identifying the areas in which the Group's activities generate or may generate positive and negative, current and potential impacts on the economy, the environment, people and all the Group's main stakeholders, as well as their human rights. The assessment process was developed by involving senior management and management in four main stages:

- **Context analysis:** a context analysis was carried out to determine the relevant aspects for the Group, considering its operations, business relations, the environment in which it operates and stakeholder expectations. The analysis consisted of two main phases: a study of internal documentation and a comparison with main competitors and best practices in the industry to highlight the Group's main impacts along the value chain;

- **Identification of positive and negative impacts:** current and potential positive and negative impacts that the Group generates on the economy, environment and people were examined (as required by GRI 3 Impact Materiality, 2021);
- **Assessment of the significance of impacts:** the positive and negative impacts identified were assessed through an inter-functional workshop with management and frontline staff. The workshop provided an important training on the main innovations introduced by the GRI Standards for the identification of material topics. Following the activity, an online survey was sent out asking participants to rate the significance [10] of the impacts identified for each potentially relevant topic;
- **Prioritisation of the most significant impacts and definition of the updated list of material topics:** the prioritisation of the most significant impacts and the definition of the list of material topics were determined on the basis of the results of the survey and the evaluation with the Executive Chairman.

Two new topics emerged from the analysis compared to previous years, Circular Economy and Biodiversity, which are particularly important for the agri-food chain. The topics thus identified as material are reported in the Sustainability Report and the Non-Financial Report.

Table linking topics in the Decree and material topics		
Scope of Italian Legislative Decree 254/2016	**Material topics[11]**	**Description of associated impacts**
Human rights	Responsible supply chain management *	Esselunga is committed to promoting responsible practices throughout its supply chain by controlling and monitoring each stage: from the selection of raw materials to production, from packaging to transport, to the distribution of products with the aim of preventing any negative impact on the environment and people.
	Diversity and inclusion*	Esselunga promotes an inclusive culture and is committed to meeting the needs of its stakeholders by adopting practices that maintain high levels of employee motivation and satisfaction, and by preventing potential discrimination and social inequality.
HR management	Employer branding and talent retention	To improve employer branding and talent retention, Esselunga is committed to professional and personal development programmes and actively listening to its employees. These factors are crucial for creating a working environment in which each person feels valued.
	Employee welfare	Esselunga has developed its welfare system to meet the needs and preferences of its employees, with the aim of creating a comfortable and stimulating working environment. Esselunga strives to ensure family well-being and work-life balance with positive impacts on employees' motivation and their physical and mental health.
	Employee training, development and involvement	Esselunga promotes the continuous development of its employees' skills throughout their careers through training courses that allow professional growth and meet the needs of each individual.
	Health and safety	Esselunga is constantly striving to maintain and improve its management systems to ensure the health and safety of employees. To this end, the company disseminates know-how and reinforces health and safety culture and awareness to prevent workplace accidents and also to accurately assess psychosocial risks related to work-related stress.

[10] According to the GRI Standards, significance is determined by the likelihood of the impact occurring and its severity if it does occur.
[11] GRI Standard 3-2 List of material topics.

Table linking topics in the Decree and material topics		
Scope of Italian Legislative Decree 254/2016	Material topics[11]	Description of associated impacts
Social topics: customers	Products with a lower environmental and social impact[12]	Esselunga is committed to creating and developing product lines with a reduced environmental and social impact, using innovative tools to assess environmental impact at all stages of the life cycle of branded products.
	Product innovation	Esselunga has always been committed to spreading innovation through the development of advanced technologies to reduce the environmental impact of its processes and products, thanks also to partnerships and collaborations with universities, experts and competitors.
	Labelling, transparency and communication	Esselunga is committed to providing clear and transparent nutritional information on product labels, so that consumers can make informed and informed purchases and avoid potential negative impacts related to ineffective and insufficiently transparent communication.
	Healthy lifestyles	Esselunga is committed to promoting a healthy lifestyle among its customers and employees, encouraging a balanced and varied diet and regular physical activity, contributing to the well-being of the people and the community in which it operates.
	Quality, traceability and safety of products	Esselunga is committed to ensuring the safety, quality and traceability of its products, with a focus on all stages of the production chain. The company exercises constant control over production and procurement processes, monitoring all aspects of health and hygiene safety and product quality to avoid potential negative impacts on people's health.
Social topics: supply chain	Support and development of local suppliers	Esselunga works with local suppliers to promote and showcase typical Italian products and excellence, contributing to the growth of the local economy by investing in a short supply chain.
	Animal welfare	Esselunga is highly focussed on animal welfare, checking farming conditions with the aim of reducing or eliminating the use of antibiotics and avoiding the purchase of raw materials that do not meet animal welfare standards or certifications.
Social topics: communities	Supporting local communities	Esselunga promotes local initiatives to support local communities through the education of new generations, the preservation of the beauty and traditions of the local area, and long-term projects such as donations, financial grants and food and non-food products that have a positive social impact.
Environment	Food surplus and waste	Esselunga is committed to reducing surplus food and food waste and preventing negative environmental impacts related to waste along the supply chain. For this reason, the company is constantly looking for innovative solutions to make the most of the ingredients and raw materials it uses in its production processes, avoiding waste, donating unsold food to charitable organisations or redirecting it to recovery chains.
	Packaging and the Circular Economy	Esselunga adopts practices to promote the recycling and reuse of packaging materials, favouring products made from recycled, recyclable or compostable raw materials in order to reduce negative impacts on the environment.
	Climate change	Esselunga is committed to limiting the energy consumption and greenhouse gas emissions generated by its activities, with a particular focus on the adoption of increasingly efficient technological solutions and ethical practices that reduce the impact on the environment.
	Biodiversity	Esselunga is committed to safeguarding biodiversity through responsible management of the environmental impacts it generates, outlining activities for a more responsible use of natural resources and a reduction of the supply chain's impact on ecosystems.

* The topics identified, in addition to fulfilling the “Human Rights” requirements of the decree, are cross-cutting and fulfil the “Social topics: supply chain” requirements with regard to the “Responsible Supply Chain Management” topic and “Personnel Management” with regard to the “Diversity and Inclusion” topic.

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]

[12] In 2021, the theme was “Sustainable Products”.
[13] For the above aspects, refer to the *Management Report* and the chapter "Fighting corruption".

2.3 Corporate Social Responsibility (CSR) policies and objectives[14]

2.3.1 Corporate Social Responsibility (CSR) policies

In 2021, Esselunga published its Sustainability Policy (also the "Policy"), approved by the Board of Directors on 27 January 2021. The current 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;
3. a section on Esselunga's commitments divided into 5 pillars: Customers, People, Environment, Suppliers and Communities.

The table below summarises its main contents:

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

The Sustainability Policy is currently being revised by the Group.

[14] GRI Standard 2-23 Sustainable Development Strategy Statement.

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 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.

In a socio-cultural, economic, geopolitical and environmental context that has seen the emergence of the Covid-19 pandemic, natural disasters, extreme events and conflicts in recent years, Esselunga believes that its CSR priorities need to be reviewed in light of a changed external context compared to the 2019-2020 period. For this reason, the Sustainability Policy, which forms the basis of the Group's strategic commitments, and the Sustainability Plan, which encompasses Esselunga's objectives to 2025, are being revised for future publication during 2023.

Among the main commitments made by Esselunga is to join the EU Code of Conduct on Responsible Business and Marketing Practices in the Food Supply Chain in 2021, one of the first tangible results of the Farm to Fork strategy, by signing its commitment to some of the objectives published in the Sustainability Plan 2020-2025 by linking them to the following aspirational objectives defined 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 installations. 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

[15] Esselunga's Sustainability Strategy and the Sustainability Plan are detailed in the Group's 2021 Sustainability Report and on the company website: www.esselunga.it.

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.

Furthermore, Esselunga adheres to the UN 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. Furthermore, in line with its membership of the UNGC and consistent with the UN Sustainable Development Goals, Esselunga has also signed up to the seven Women's Empowerment Principles (WEPs) to promote gender equality within the private sector in the workplace, markets and communities.

2.4 Management and control systems and key risks[16]

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

Fight against corruption

Potential risks:

- Active corruption with respect to public authorities in property development processes, authorisation requests, management of shops, management of inspections/audits;
- Active and passive bribery of individuals as part of the purchase of goods and professional services, including procurement.

Main control measures:

- A Code of Ethics and Conduct, a Sustainability Policy and a Supplier Code of Conduct that establish the fight against corruption principles and policies;
- Adoption of OMCM 231/01 at corporate level which defines the control standards in the area of active and passive corruption;
- Supplier selection activities and establishment of contractual restrictions and monitoring of related activities;
- Monitoring relations with representatives of public authorities;
- Transparency and traceability of transactions;
- Regulation of processes for distributing/receiving free items and gifts;
- Regulation of processes for hiring and developing personnel;
- Internal communication and training activity in the OMCM 231/01 area.

Human rights

Potential risks:

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

Main control measures:

- Presence of a Code of Ethics and Conduct, a Sustainability Policy and a Supplier Code of Conduct 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;
- Level II audit plan for OHS aspects of the main logistics contractors operating at company sites;
- Adoption of an ISO 45001/OHSAS 2018 management system and start of a level II audit on companies under contract for logistics;
- Assessment of non-EU suppliers/producers of branded products for DRO-GEM departments, to check compliance with the SA8000 certification (scouting and self-assessment questionnaires). Based on the results of the audits, level II audits are begun.

Personnel

Potential risks:

- 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;
- Top Employers Certification;
- Joining the WHP (Workplace Health Promotion) programme.
- Signing up to the international Women's Empowerment Principles (WEPs)

Social topics – customers

Potential risks:

- Inadequate complaint handling with repercussions on the Group's reputation and decline in market appeal;
- False information and news in 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;
- 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;
- Adoption of a Supplier Code of Conduct;
- 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)

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

[16] GRI Standard 2-23 Policy commitments.

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).

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 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[17].

Furthermore, in order to ensure constant tax monitoring, on the one hand Esselunga provides continuous training courses and refresher 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 introduction of tax crimes. In particular, to ensure concrete implementation of the Model and to effectively control of tax risks, Esselunga has implemented a tax procedure that includes an examination of the main oversight topics relevant to the prevention of tax offenses for the purposes of Italian 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 Italian Legislative Decree 231/01, for its subsidiaries with reference to relations with public authorities, guaranteeing correct, transparent and professional conduct[18].

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[19], provided that they do not cause significant

[17] GRI Standard 207-1 Approach to tax.

[18] GRI Standard 207-2 Tax governance, control and risk management and GRI Standard 207-3 Stakeholder engagement and management of concerns related to tax.

[19] 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.

damage to any of the other objectives and are carried out in compliance with minimum safeguards[20].
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.
In this context, the European Union required the disclosure for the reference year 2022 not only of the shares of revenues, investments and operating expenses attributable to Taxonomy-Eligible activities, but also to Taxonomy-Aligned activities, which represent the economic activities currently included in the aforementioned Delegated Acts.

To comply with the new disclosure requirements regarding taxonomy, Esselunga has developed a verification process consisting of the following steps:

1) Mapping of the activities carried out that are considered eligible for the purposes of the Taxonomy through targeted interviews with various company representatives;
2) For activities declared eligible, data collection forms were structured based on both the specific technical screening criteria and the DNSH ("Do no significant harm") requirements. The individual activities and specifications were shared with the reference persons to strengthen and check the final alignment with the Taxonomy;
3) Extraction of accounting data for values related to the three KPIs investigated: generated revenue; CapEx and OpEx.

It should be noted that the above steps were in any event accompanied by the verification of compliance with the *Minimum Safeguards* following the approaches proposed in the Platform on Sustainable Finance's "*Final Report on Minimum Safeguards*" published in *October 2022*. In this regard, Esselunga has adequate safeguards in the areas of Human Rights, Anti-Corruption, Management of tax issues and competitive practices, and no material sanctions were found in these areas in 2022.

For more details on the individual KPIs investigated and the relative percentages of activities eligible and aligned to the taxonomic requirements, the templates (in Appendix A) required by Annex II of Commission Delegated Regulation (EU) 2021/2178 of 6 July 2021 detailing the activities mapped and the specific paragraphs below are provided:

[20] 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 Esselunga S.p.A. 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 capital assets aligned to the taxonomy or forming part of a credible plan to extend or achieve long-term environmental sustainability.

$$\textit{CapEx-KPI} = \frac{\text{Taxonomy Aligned Investments}}{\text{Increases in tangible and intangible fixed assets}}$$

Based on the description of the capital increases that occurred during the year, an analysis was made regarding eligibility and alignment 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 paragraphs **11.1 Property, plant and equipment, 11.2 Investment property and 11.4 Intangible assets** in the notes to consolidated financial statements.

— OpEx-KPI

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

$$\textit{OpEx-KPI} = \frac{\text{Aligned operating costs for Taxonomy}}{\text{OpEx according to the Taxonomy}}$$

For the calculation of the denominator, direct, non-capitalised costs for 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).

3. Anti 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. The **Code of Ethics and Conduct**, the Group's **Sustainability Policy**, the Supplier Code of Conduct and the **OMCMs pursuant to Italian Legislative Decree 231** adopted by the individual companies[21], set out the general principles to which the conduct of members of corporate bodies, all personnel, external collaborators and suppliers must conform[22].

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".**

3.2 Main risks and opportunities

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 property 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[23] this report concerns revealed 113 sensitive operations, of which 55 (about 49%) were possibly at risk of alleged corruption offences[24].

To improve and consolidate the oversight of controls, Esselunga has defined a process for managing whistleblowing[25] which regulates the activities, roles and responsibilities of the main actors involved (Whistleblowing Manager, Legal and Corporate Affairs

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[21] Esselunga S.p.A. and subsidiaries: Atlantic S.r.l., EsserBella S.p.A., La Villata S.p.A. Immobiliare di Investimento e Sviluppo, Orofin S.p.A.
[22] GRI Standard 2-23 Policy Commitments.
[23] Esselunga S.p.A. and subsidiaries: Atlantic S.r.l., EsserBella S.p.A., La Villata S.p.A. Immobiliare di Investimento e Sviluppo, Orofin S.p.A.
[24] GRI Standard 205-1 Operations assessed for risks related to corruption.
[25] GRI Standard 2-26 Mechanisms for seeking advice and raising concerns.

Manager, Supervisory Board and Ethics Committee). To this end, to further strengthen the internal whistleblowing process and in compliance with the relevant legislation, Esselunga appointed a Whistleblowing Manager in charge of handling reports[26]. 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 and the institutional website. Its aim is to acquire and manage reports from employees, managers, directors, members of corporate bodies and suppliers. 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[27].

The introduction of the platform was communicated to all Group employees. In addition to this, training tips on the use of the platform have been published on MyPortal.

Once the European Directive 2019/1937 to protect whistleblowing is transposed, the potential impacts on the current whistleblowing process will be assessed.

3.3 Management approach and KPIs

The Code of Ethics and Conduct, the OMCM pursuant to Italian Legislative Decree 231/01, the Sustainability Policy and the Supplier Code of Conduct are the main pillars of Esselunga's commitment to responsible business conduct. The Supervisory Board (SB), Internal Audit and the Ethics Committee are the bodies responsible for monitoring their functioning 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 Italian 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 2019–2022 four-year period, confirming the good work of OMCM 231[28].

The Ethics Committee handles supplier reports on potential violations of the Code of Ethics and the Supplier Code of Conduct.

[26] Change introduced in December 2017 by Law no. 179/2017.
[27] The report is processed anonymously. The whistleblower's identity can only be associated with the report where permitted by law.
[28] GRI Standard 205-3 Confirmed incidents of corruption and actions taken.

With reference to corruption incidents involving business partners, it should be noted that in 2022, two incidents were ascertained, which led to the suspension of the supply and the consequent termination of the contract.

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[29], 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.[30] During 2022, a new version of the training course was released for all employees in connection with the updating of the Model in 2021. The Supplier Code of Conduct was sent to all suppliers of Private Label products who were asked to sign it.
Compared to 2021, the number of employees trained on anti-corruption issues increased from 717 to 6,509. This increase is due to the fact that in 2021 all courses on Italian Legislative Decree 231/01 and anti-corruption were being updated; the updated version of these courses was actually released in the course of 2022.

4. Respect for human rights

Drawing inspiration from the main national and international laws and regulations on the protection of human rights, the Group declares the commitments adopted by the Group and required of its stakeholders through its Code of Ethics, Anti-Corruption Policy and Suppliers' Code of Conduct. Esselunga is committed to acting with integrity, loyalty and fairness in the full respect of all people. To this end, employees, suppliers and contractors are trained and informed about the main policies and the Governance Model applied by the Company. In particular, the Code of Ethics and Conduct, updated on 28 November 2022, stipulates that no form of discrimination is tolerated either internally or externally, and that offensive, inappropriate and intimidating behaviour towards colleagues and third parties, regardless of the role held, is not allowed.
Furthermore, Esselunga's approach is inspired by the main international standards, including:

- the eight core conventions of the **ILO (*International Labour Organisation*)**;
- the **International Bill of Human Rights**;
- the **OECD Guidelines** for Multinational Enterprises;
- the **United Nations Universal Declaration of Human Rights**;
- the 10 principles of the **UN Global Compact**.

[29] GRI Standard 205-2 Communication and training about anti-corruption policies and procedures.
[30] For further details, see paragraph 5.3.3 Training and development of people.

4.1 Policy implemented by the organisation

As established by the Group's **Sustainability Policy**, Esselunga's people are aware that respect, protection and promotion of human rights in 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.

On 23 March 2022, the Board of Directors of Esselunga S.p.A. formally approved the "Supplier Code of Conduct" with the aim that Suppliers:

- ensure fair and safe working conditions for their workers;
- operate in an environmentally friendly way;
- operate in compliance with the law, with integrity, transparency and fairness;
- operate in accordance with applicable laws and regulations.

4.2 Main risks and opportunities

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

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

- contractual restrictions for contractors;
- organisational control measures;

[31] "*Diligence, honesty, transparency, competence, compliance with the law, good faith, utmost fairness and integrity*".
[32] GRI Standard 409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labour.

- initiatives aimed at gradually raising the level of responsibility and management by the contracted companies (e.g. for logistics and production companies one of the qualifying requirements is the implementation of OHS management systems and for each contract, the 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, Supplier Code of Conduct and 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 2020–2022 **no incidents of discrimination**[33] **or child labour**[34] were reported, and the Group maintains that the **right to freedom of association** cannot be violated in its operations[35].

In addition, during 2022, Esselunga introduced a targeted training programme for its employees, with the aim of increasing awareness of the Supplier Code of Conduct, which also covers human rights issues. This initiative demonstrates the company's commitment to transparency and integrity in the supply chain, promoting ethical and responsible behaviour not only within its own organisation, but also among suppliers and business partners. Training is an essential means of spreading the corporate culture and ensuring respect for the values and standards that guide the company's work.

5. The Esselunga Group's people

5.1 Policies implemented by the organisation

In 2022 more than 25 thousand 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.

[33] GRI Standard 406-1 Incidents of discrimination and corrective actions taken.
[34] GRI Standard 407-1 Operations and suppliers in which the right to freedom of child labour risk.
[35] GRI Standard 407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk.

5.2 Main risks and opportunities

The potential risks generated by the company's operations may concern failure to fully comply with international regulations and standards on workplace health and safety, with potential impact on its own and third-party personnel in terms of **workplace accidents and illnesses**. To minimise the probability or severity of this risk, Esselunga has always invested in continuously updating its management systems[36] and organisational control measures, specialist skills and related certifications, plant renovation, reorganisation of work environment layouts, regular medical checks and ad hoc visits, training and education of its personnel, the supply of personal protection equipment and materials, the provision of operating and work procedure manuals, and other initiatives to ensure that workers can carry out their job in a completely safe manner. One of the main risks pertains to **manually lifting loads**. This risk is constantly monitored and managed, including through specific research focused on the introduction of additional automatic equipment to make load lifting and handling activities increasingly easy and not as stressing. In 2022, the research collaboration with IUVO S.r.l., a spin-off of the Scuola Superiore Sant'Anna di Pisa and the Istituto di Robotica, concluded with the development of a lumbar support exoskeleton for Esselunga workers who are responsible for restocking goods; this instrument will be used on an experimental basis during 2023.

The potential risks generated by the labour market are linked to changes in the relevant legislation and management of turnover, an aging workforce and the scarcity of labour demand. 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, the use of new equipment and in evaluating *job rotation* and *reskilling initiatives*.

Esselunga promotes equal career opportunities and professional fulfilment. Professional development should be inclusive, supporting staff of all kinds in processes of awareness, *empowerment* and *leadership*, with specific training programmes. Particular focus is placed on the management of working relationships in cases of maternity, illness, accidents or other absences protected by law, while multidisciplinary approaches are adopted to manage occupational health and safety. Special attention is paid to the management of the most vulnerable employees, such as those with disabilities or special social and family circumstances.

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)

[36] Migration of the Management System from British Standard BS OHSAS 18001: 2007 to the UNI ISO 45001: 2018 international standard.

during 2022, 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 by which candidates find a company interesting have changed: roles, financial reward and professional development are no longer enough to attract talent, who increasingly demand more flexibility in managing working hours and place, benefits for themselves and their families, opportunities for self-fulfilment, a broader and more impactful transformative purpose and the possibility to work in diverse teams, experiencing different professional challenges. This phenomenon is even more apparent in roles strongly impacted by digitalisation and in general for the younger generations, where location and hours are even more fluid.
To retain the best talent, Esselunga is therefore committed to:

- promoting involvement and listening through *people engagement* tools and initiatives whereby the company informs, communicates internally, and accepts comments or questions from its employees, proposes surveys and questionnaires stimulating people's participation in company life;
- supporting staff on continuous learning paths and organisational and career guidance;
- providing a variety of innovative and business-impactful projects, smart working plans, digitised internal services, horizontal job rotation programmes (increasingly popular compared to traditional vertical careers);
- offering welfare programmes based on involvement, listening to employees' preferences and needs such as: a portal with dedicated conventions and discounts; a school guidance service and study trips abroad for the children of employees; health care and prevention initiatives with free screening, awareness and training programmes, support for new parents, a self-learning e-learning platform and an online mental-physical well-being and fitness platform.

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 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. The Esselunga Group's entire human resources management model was certified by the Top Employers Institute once again in 2022.

5.3.1 Staff composition

As at 31 December 2022, the Esselunga Group had a workforce of **25,073** (down 1% from 2021), **45% of whom were women**. **94%** of employees are hired with **permanent contracts.** Moreover, **25%** have a **part-time contract**, **78%** of which are for female employees[37]. Finally, temporary workers, employed mainly in the shops and in production departments, increased from 329 to 448 (+36% compared to 2021)[38].

Employees (head count)	2022			2021			2020		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Permanent contract	13,079	10,615	23,694	13,394	10,575	23,969	13,138	10,422	23,560
Fixed-term contract	824	555	1,379	886	560	1,446	1,064	485	1,549
Total	**13,903**	**11,170**	**25,073**	**14,280**	**11,135**	**25,415**	**14,202**	**10,907**	**25,109**

Full-time	12,560	6,277	18,837	12,729	6,127	18,856	12,645	5,934	18,579
Part-time	1,343	4,893	6,236	1,551	5,008	6,559	1,557	4,973	6,530
Total	**13,903**	**11,170**	**25,073**	**14,280**	**11,135**	**25,415**	**14,202**	**10,907**	**25,109**

5.3.2 Employer branding and talent retention

Esselunga believes 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 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. Esselunga's compensation policies are defined and assessed annually by the Human Resources Department jointly with the Executive Chairman, based on company results, role development and take the best market benchmarks as a reference[39].

Esselunga's compensation policies for the highest governing body and executives have the priority objective of fostering the creation of sustainable value in the medium to long term, maintaining a strong link between pay and performance. The fixed component of remuneration in Esselunga responds to principles of internal and

[37] GRI Standard 2-7 Employees by type of contract and gender.
[38] GRI Standard 2-8 Non-employee workers. The reported figure for contract workers refers to 31/12/2022.
[39] GRI Standard 2-20 Compensation determination procedure.

external equity and reflects, through position weighting and job evaluation systems, the real content of roles in the organisation. A system of STI (Short Term Incentives) is envisaged according to roles and remuneration policies using an on/off gate based on company results[40].
In 2022, taking fixed-term contracts into account as well, the turnover rate was 8.9%, up compared to the previous year (6.6%)[41].

Turnover rate by region	u.m.	2022			2021			2020		
		Men	Women	Total	Men	Women	**Total**	Men	Women	**Total**
Group	%	**11.0%**	**6.3%**	**8.9%**	**8.2%**	**4.4%**	**6.6%**	**5.1%**	**2.6%**	**4.0%**
Lombardy		11.1%	6.3%	8.9%	7.9%	4.4%	6.4%	4.9%	2.6%	3.9%
Tuscany		5.9%	3.4%	4.8%	5.4%	4.1%	4.8%	4.0%	2.6%	3.4%
Piedmont		12.6%	7.4%	10.3%	9.1%	4.3%	7.0%	5.3%	2.7%	4.2%
Emilia Romagna		19.7%	10.1%	15.1%	15.2%	5.1%	10.5%	8.6%	3.0%	6.1%
Veneto		15.6%	9.5%	12.7%	17.5%	10.0%	14.3%	12.1%	1.9%	7.8%
Lazio		8.9%	2.9%	6.8%	7.7%	2.4%	6.0%	3.3%	0.8%	2.5%
Liguria		9.0%	9.0%	9.0%	5.1%	1.4%	3.4%	2.4%	0.8%	1.7%

Turnover rate by age	u.m.	2022			2021			2020		
		Men	Women	**Total**	Men	Women	**Total**	Men	Women	**Total**
Group	%	**11.0%**	**6.3%**	**8.9%**	**8.2%**	**4.4%**	**6.6%**	**5.1%**	**2.6%**	**4.0%**
aged less than 30		25.6%	16.6%	22.6%	18.5%	10.6%	16.0%	10.0%	5.4%	8.7%
between 30 and 50 years old		8.8%	5.4%	7.3%	5.0%	3.2%	4.2%	3.3%	1.7%	2.6%
older than 50		4.4%	3.6%	4.0%	7.4%	4.7%	6.0%	4.9%	4.0%	4.4%

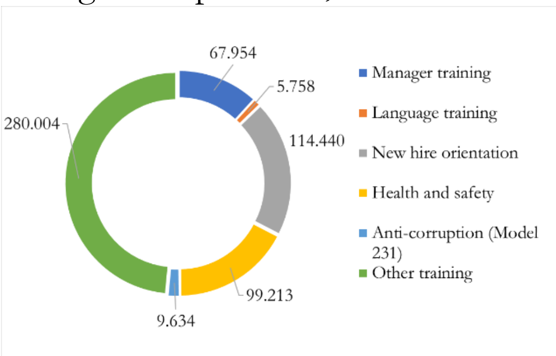
In February 2020, the Employee Advocacy Program was launched with the aim of involving some employees as Ambassadors in Esselunga's storytelling on LinkedIn by sharing internally and externally their professional experience and the complexity of the business.
The employees involved were assisted with 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 60 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; this programme is still ongoing.
As already noted, two surveys involving the entire company population were carried out during 2022, with the aim of better understanding the needs and opinions of employees. The first survey focused on post-pandemic issues, investigating the main concerns and expectations of employees regarding the current and future situation of the company, considering the effects of the pandemic on their working and personal lives. The second survey, on the other hand, assessed engagement issues such as

[40] GRI Standard 2-19 Remuneration policies
[41] GRI Standard 401-1 New employee hires and employee turnover.

involvement, collaboration and communication within the company, with the aim of identifying possible areas for improvement and assessing the level of employee satisfaction. The surveys were conducted to create a more inclusive, transparent and satisfying working environment for all employees.

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 2022, more than 570,000 hours of training were provided, a net increase compared to the previous year. This was due to a full resumption of soft-skill and hard-skill training activities, which allowed for a full resumption of all training activities while complying with the rules for pandemic emergency management. In particular, all behavioural training activities for shop personnel also resumed.



Average hours of training by gender and level	2022			2021			2020		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Managers	25	28	26	16	26	17	10	13	10
Middle managers	21	46	24	21	41	23	14	22	15
Office workers	29	12	20	26	10	18	24	8	16
Non-office workers	26	35	29	25	15	22	25	17	23
Total	**28**	**17**	**23**	**25**	**11**	**19**	**24**	**10**	**18**

With people's health at its heart, the Esselunga Group organises and monitors compulsory and incidental training on safety issues. In addition to the training that is compulsory by law, we continue to raise awareness among employees on topics such as emergency management, first aid, the use of automatic external defibrillators (AEDs), and the training of Health and Safety Managers (RSPP) and Health and Safety Officers (ASPP)[42].

The Learning Centre is in charge of launching and managing the annual performance management campaign, supporting employees and their managers in defining individual development plans and analysing career processes. This is a cross-cutting process, involving employees belonging to specific contractual categories, across Headquarters and the Sales Network. Following the performance management campaign, talent review meetings take place to reflect on succession plans, training and development activities, and the identification of high potentials for building

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

accelerated pathways. In 2022, 6,274 people were involved in this process to make the feedback culture more widespread and evident in the company.

Personnel involved in performance review activities[43]	2022			2021			2020		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Managers	81%	67%	79%	85%	100%	87%	90%	91%	90%
Middle managers	96%	75%	93%	96%	84%	95%	99%	91%	98%
Office workers	62%	10%	35%	56%	8%	31%	60%	9%	33%
Total	**63%**	**10%**	**37%**	**58%**	**9%**	**33%**	**62%**	**9%**	**35%**

In 2022, 818 employees were promoted to positions of greater responsibility:

Number of employees promoted to positions of greater responsibility	2022			2021			2020		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Number of employees promoted to positions of greater responsibility	646	172	818	561	112	673	700	115	815
Total No. of employees	13,903	11,170	25,073	14,280	11,135	25,415	14,202	10,907	25,109
Percentage of employees promoted to positions of greater responsibility out of total employees	**2.6%**	**0.7%**	**3.3%**	**2.2%**	**0.4%**	**2.6%**	**2.8%**	**0.5%**	**3.2%**

5.3.4 Employee welfare

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

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, to identify welfare and work-life balance solutions. The Committee's activities also continued throughout 2022.

During 2022, there was an increase in the number of employees who were able to take advantage of the Solidarity Holiday Fund. This fund is based on a principle of collective solidarity, which allows employees to access paid leave in situations of economic or personal hardship.

Valid for all employees regardless 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

[43] 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.

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.[44]

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.[45] 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 that allows Group employees to access training plans and classes remotely via streaming. This initiative not only provides welfare services to individual employees, but has also been extended to their families. In partnership with the Lega Italiana per la Lotta contro i Tumori (LILT), an initiative aimed at the prevention of skin cancer was carried out, involving 500 employees at the Limito di Pioltello site in 2021. This initiative has been further developed in 2022 with the addition of new prevention services thanks to the partnership with LILT. In particular, a programme was set up to help people stop smoking and breast examinations including mammography were organised at the Limito di Pioltello site.

In addition, to encourage positive change within the corporate population, in 2022, the *ABC: alimenta il benessere con cura* (ABC: nurture wellness with care) project continued, a programme dedicated to raising awareness on topics such as wellness (particularly in the aftermath of the coronavirus emergency), healthy eating and physical activity, through numerous webinars and infographic campaigns available on MyPortal.

The company also began a partnership with AVIS, with a bloodmobile stationed at the company's headquarters to allow people to donate blood on the premises.

Esselunga is paying increasing attention to the **work-life balance**, a critical factor for a highly work-intensive sector such as large-scale retailing. In 2022, the smart working pilot project started in 2019 and expanded in response to the health emergency continued.

Finally, in 2022, **1,677 employees took parental leave** – 33% of eligible females and 14% of males respectively. The percentage of employees who returned to work at the end of their leave is still very high, at 93%. Similarly, 97% of those who returned to work in 2021 were still employed in the organisation[46].

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

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

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

Maternity leave[47]	2022	2021	2020
Female employees who took maternity leave	532	556	517
Total female employees	11,170	11,135	10,907
% of female employees who took maternity leave	**5%**	**5%**	**5%**
Female employees who returned to work after maternity leave[48]	139	241	93
% of female employees who returned to work after maternity leave	**26%**	**43%**	**18%**

Paternity leave	2022	2021	2020
Male employees who took paternity leave	526	507	448
Total male employees	13,903	14,280	14,202
% of male employees who took paternity leave	**4%**	**4%**	**3%**

Also with a view to improving the work-life balance, Esselunga has launched a series of initiatives aimed at addressing the family needs of its employees, such as the solidarity holiday initiative, the extension of smart working for parents with children up to 12 years old, and leave for medical and specialist appointments.[49]

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 diversity and inclusion activities and strategies, Esselunga is committed to ensuring equality in the workplace for all employees, providing equal opportunities for professional development and growth. In line with the target of increasing the presence of women in key roles by 50%, during 2022 Esselunga carried out several initiatives to support women's empowerment, such as the company and inter-company thematic workshops organised in collaboration with Valore D. Esselunga is also committed to spreading a culture based on inclusivity and mutual respect, launching projects for the inclusion of people with disabilities in collaboration with associations active in inclusion in the workplace, as well as programmes aimed at fostering intergenerational inclusion. During 2022, a number of meetings were organised with managers on the topic of unconscious bias with the aim of reflecting on how diversity can be a factor of growth and improvement, both individually and within the team.

[47] The data refer to compulsory parental leave.
[48] In 2022, of the 393 female employees who had not yet returned: 368 were continuing with optional maternity leave, 25 had resigned
[49] As stipulated in the Esselunga supplementary contract.

Employees by type of employment	2022			2021			2020		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Managers	68	9	77	68	10	78	70	11	81
aged less than 30	-	-	-	-	-	-	-	-	-
between 30 and 50 years old	24	5	29	27	5	32	29	6	35
older than 50	44	4	48	41	5	46	41	5	46
Middle managers	407	59	466	408	49	457	405	45	450
aged less than 30	2	1	3	2		2	1	2	3
between 30 and 50 years old	243	38	281	243	34	277	253	29	282
older than 50	162	20	182	163	15	178	151	14	165
Office workers	7,977	8,662	16,639	8,040	8,674	16,714	7,811	8,423	16,234
aged less than 30	1,344	845	2,189	1,523	910	2,433	1,592	836	2,428
between 30 and 50 years old	5,187	5,348	10,535	5,230	5,603	10,833	5,067	5,707	10,774
older than 50	1,446	2,469	3,915	1,287	2,161	3,448	1,152	1,880	3,032
Non-office workers	5,451	2,440	7,891	5,764	2,402	8,166	5,916	2,428	8,344
aged less than 30	1,191	465	1,656	1,482	453	1,935	1,663	496	2,159
between 30 and 50 years old	3,087	1,502	4,589	3,193	1,540	4,733	3,248	1,571	4,819
older than 50	1,173	473	1,646	1,089	409	1,498	1,005	361	1,366
Total	**13,903**	**11,170**	**25,073**	**14,280**	**11,135**	**25,415**	**14,202**	**10,907**	**25,109**

Members of governance bodies	u.m.	2022			2021			2020		
		Men	Women	Total	Men	Women	Total	Men	Women	Total
Total	No.	**7**	**2**	**9**	**8**	**1**	**9**	**9**	**1**	**10**
aged less than 30		-	-	-	-	-	**-**	-	-	**-**
between 30 and 50 years old		1	1	**2**	1	1	**2**	1	1	**2**
older than 50		6	1	7	7	-	**7**	8	-	**8**

The Group employed a total of 1,557 people falling within the protected categories[50], an increase of 58 compared to 2021.

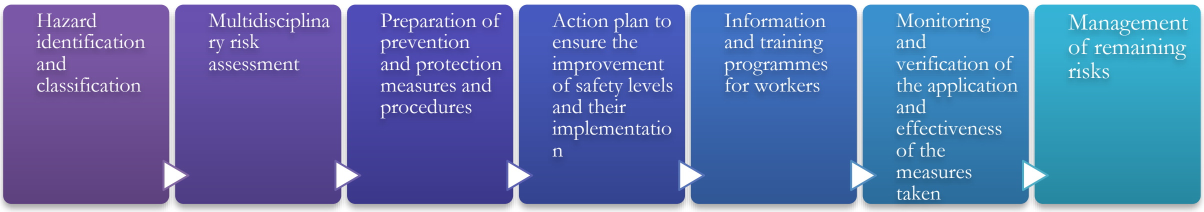
5.3.6 Occupational Health and Safety

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.[51]

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

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

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:[52]



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. In particular, the HSE Office is responsible for the maintenance and continuous improvement of the OSH Management System, according to UNI ISO 45001:2018. In support of corporate prevention and protection activities, such as health surveillance and inspection in the field, approximately **30 health and safety officers** (ASPP) have been appointed and **130 workers' representatives for health and safety** (RLS) elected. The organisational structure is completed by the **Coordinating Occupational Physician**, who is supported by around **27 doctors** spread throughout the country who carry out regular health surveillance activities. 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[53].
Health and safety reports submitted by workers and their safety representatives are encouraged when Area RSPPs perform on-site inspections and during training and education programmes conducted in accordance with Italian 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.

As in previous years, all OHS initiatives include[54]:	
	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**

Furthermore, all Group companies are committed to defining **specific and measurable targets** for improvement, including through a detailed and in-depth

[52] 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
[53] GRI Standard 403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships.
[54] GRI Standard 403-6 Promotion of worker health.

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 diseases** (no occupational disease recognised in 2022[55]); • **reduce the incidence of injuries**;
	• implement new monitoring, protection and prevention tools and measures to **reduce risks**; • develop new **training programmes** that meet personnel needs; • increase the level of **involvement and awareness** among workers; • reconcile well-being and occupational health and safety by promoting initiatives and good practices in accordance with the **WHP Programme**

In 2022, no accidents with serious consequences were recorded and no work-related illnesses were recognised by INAIL.

Employees	2022			2021			2020		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Recorded cases of work-related accidents[56]	631	339	**970**	658	336	**994**	552	265	**817**
workplace	492	237	**729**	527	253	**780**	456	184	**640**
ongoing	139	102	**241**	131	83	**214**	96	81	**177**
Deaths from accidents at work	-	-	**-**	-	-	**-**	-	-	**-**
workplace	-	-	**-**	-	-	**-**	-	-	**-**
ongoing	-	-	**-**	-	-	**-**	-	-	**-**
Recognised work-related illnesses[57]	-	-	**-**	-	1	**1**	-	-	**-**
Rate of recordable work-related accidents	25	21.4	**23.6**	25.5	21.3	**23.9**	22.4	17.9	**20.7**
Rate of fatalities as a result of work-related injury	0.0	0.0	**0.0**	0.0	0.0	**0.0**	0.0	0.0	**0.0**
Contractors[58]	**2022**			**2021**			**2020**		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Recorded cases of work-related accidents[59]	5	5	**10**	8	4	**12**	n/a	n/a	n/a
workplace	5	5	**10**	8	4	**12**	n/a	n/a	n/a
ongoing	-	-	**-**	-	-	**-**	n/a	n/a	n/a
Deaths from accidents at work	-	-	**-**	-	-	**-**	n/a	n/a	n/a
workplace	-	-	**-**	-	-	**-**	n/a	n/a	n/a
ongoing	-	-	**-**	-	-	**-**	n/a	n/a	n/a
Rate of recordable work-related accidents	23.7	21.1	**22.3**	23.1	24.7	**23.7**	n/a	n/a	n/a
Rate of fatalities as a result of work-related injury	0.0	0.0	**0.0**	0.0	0.0	**0.0**	n/a	n/a	n/a

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%[60] 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 between Esselunga S.p.A. and the trade unions, which

[55] Please note that the calculation refers only to work-related illnesses recognised by INAIL.
[56] GRI Standard 403-9 Work-related injuries.
[57] GRI Standard 403-10 Work-related ill health.
[58] During 2021, Esselunga improved the information system for reporting injuries and near misses which now also allows for the recording of injuries to outsourced personnel. As far as contractors are concerned, however, the Italian legislation applicable on the matter does not provide for the obligation to collect the aforementioned type of data.
[59] GRI Standard 403-9 Work-related injuries.
[60] GRI Standard 2-30 Collective labour agreements.

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. As already mentioned, in 2020, following a trade union agreement, a Solidarity Holiday Fund was set up, which allowed, according to a principle of collective solidarity, in a first phase, the use of solidarity days by workers who were eligible in accordance with the regulations in force. In 2022, following a new trade union agreement on the Solidarity Holiday Fund, the cases of access to the Fund were extended, allowing a larger number of employees to access it. 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.[61]

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 2022 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 the customer, not only the end consumer (B2C) but also the corporate customer and professionals (B2B), with its products and services and keeping repurchase intentions alive are just two of the main objectives that the Esselunga Group sets itself, especially in a dynamic and constantly evolving context such as that of the large-scale retail trade.

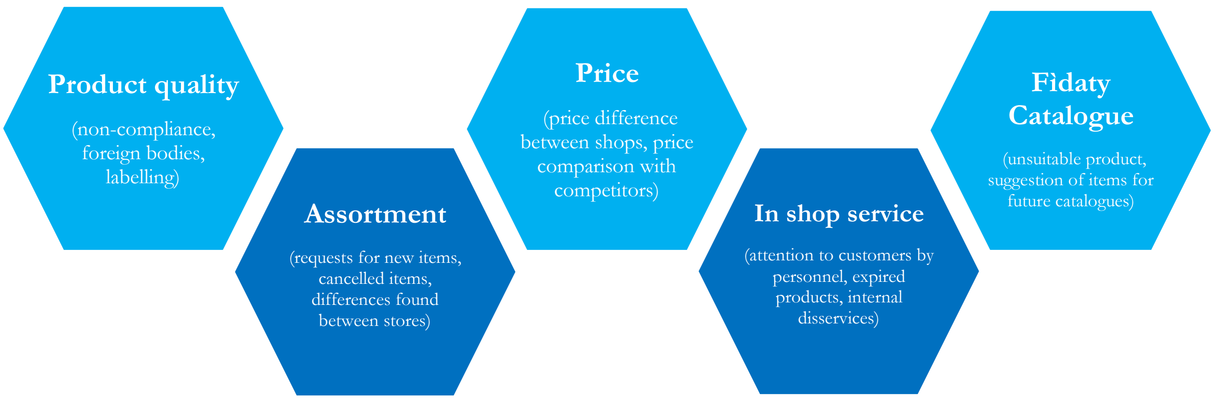
New products and new promotions, new technologies and digital transformations, new regulations and new environmental-friendly buying trends are a few of the drivers that push the market to continuously evolve and refocus on the satisfaction levels perceived by customers.

It is based on these assumptions that the Esselunga Group has always focused on customers, companies and their feedback, aware of the fact that listening and processing their needs and expectations will lead to a high level of satisfaction and repeated business in the long term. The Esselunga Group's focus on customers does

[61] GRI Standard 402-1 Minimum notice periods regarding operational changes.

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.
[62]

This indispensable stakeholder engagement activity is led by Customer Service, which consists of over 100 people supported by an advanced Customer Relationship Management (CRM) model and also by external call centres[63]. Customer Service uses a multi-channel approach (website, app, call centre and e-mail) to **manage every single report**, whether positive or negative, regardless of the customer's loyalty or the type of business relationship with the person submitting the report[64], 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:



In 2022, the process of integrating the new CRM (Customer Relationship Management) platform with all the applications in use continued. This is improving customer management activities across the board due to improved profiling, and therefore better customised communications with customers, with a consequent reduction in working times.

[62] Supplier data refers to suppliers of goods with an Italian VAT number.
[63] During 2022, 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.
[64] E.g. end customer, business customer, employee, supplier, associations, lawyers, etc.

6.2 Main risks and opportunities

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. During 2022, there were no complaints/claims from customers, third parties or supervisory authorities concerning data leakage, theft or loss[65].

6.3 Management approach and KPIs

6.3.1 Product quality and safety[66]

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, the FSSC 22000 (Food Safety System Certification) was successfully achieved in 2018, maintained for the two-year period 2021-2022 and extended to the Ce.Di. in Biandrate and Pioltello, including transport activities. 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

[65] GRI Standard 418-1 Confirmed cases of breaches of consumer privacy and data loss.
[66] GRI Standard 416-1 Assessment of the health and safety impacts of product and service categories.

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 98,229 tests, resulting in a total of 2,641,666 determinations. Many analyses were carried out by the in-house laboratories: 65,693 samples and a total of 277,341 determinations.

Compared to previous years, in 2022 there was a broadly 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 and administrative inspections. In the first half of the year, several inspections were carried out to check enforcement of the "Super Green Pass", while in the second half of the year, monitoring activity connected with the COVID-19 health emergency was definitively discontinued.

In 2022, the Group (Esselunga, Atlantic, EsserBella) also underwent a number of audits by the competent authorities. In particular, a total of 1,295 inspection and control visits were recorded, including inspections following health warnings (173) and sample collections (674). These controls generated a limited number (20) of action requests, all of which were managed in compliance with applicable company rules and procedures. This supervisory activity resulted in three administrative disputes: the most significant of these relates to a sanction imposed by the local health authority in Rome in respect of the internal traceability system for health alerts, in relation to which a dispute is also pending before the Lazio Regional Administrative Court, in which the company is contesting the injunction imposed in addition to the sanction.

For Esselunga, guaranteeing the quality and safety of its products also means managing customer reports and complaints in a timely manner. In 2022, 95.7% of complaints received were processed, an increase of 8.3% compared to last 2021. There was a decrease in complaints received of -10% compared to 2021, especially on products (-36%).

Complaints received	2022			2021			2020		
	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	54,639	21.9%	10.8%	86,012	29.5%	13.4%	52,459	19.7%	9.7%
Tot. Complaints on services	185,618	73.8%	37.4%	179,477	57.9%	33.8%	198,580	72.4%	46.2%
Tot. Complaints	**240,257**	**95.7%**	**48.2%**	**265,489**	**87.4%**	**47.1%**	**251,039**[67]	**92.1%**	**55.9%**

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 involves the supplier, where they can be identified, by making the sample available for the necessary checks. In cases deemed critical and where there is no possibility of identification, all suppliers traceable to the product are involved.
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.

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 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-

[67] 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.

compliance with regulations or voluntary codes relating to marketing activities, such as advertising, promotion and sponsorship.[68]

In 2022, there were three cases of non-compliance with legislation on information and labelling of products and services that resulted in sanctions: one on mandatory product information in the Fish Department; one on the wrong sales sign for a fruit and vegetable product on display; one on General Merchandising[69].

6.3.3 Healthy lifestyles

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 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 activities for dietary education.

6.3.4 Innovation and sustainable products

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 2022, 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 459 items;

At the 26 October opening of the new "Le Eccellenze di Esselunga" shop in Via Spadari in Milan, a total rebranding of the "I Pronti in Tavola" line in the Gastronomy Ready Meals category was debuted. The new logo is "Cucina Esselunga" and includes the following five categories: Grandi Classici (Great Classics), Equilibrio e Gusto (Balanced and Delicious), Ricette dal Mondo (Recipes from around the World), Rosticceria Calda (Hot Rotisserie), Panineria (Sandwich Shop). In the Equilibrio e Gusto section, all the Cucina Esselunga recipes for light but delicious food are grouped together.

In addition, to meet customers' online purchasing needs, Esselunga is continuing to expand the number of items offered on the e-commerce sales channel, which from 2022 will also include a wine shop, parapharmacy products and over-the-counter medicines.

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[68] 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.
[69] GRI Standard 417-2 Incidents of non-compliance concerning product and service information and labelling.

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 timely prevent or mitigate situations 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 **5,900 suppliers**[70], 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[71].

7.2 Main risks and opportunities

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.

In 2021, **100% of the suppliers read the contents** of the **Code of Ethics and Conduct and the OMCM 231/01** at the time they signed the contract. Each

[70] 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 2022.
[71] GRI Standard 2-6 Assets, value chain and other business relationships.

framework agreement includes specific clauses on compliance with ethics.[72] 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**.
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 ongoing project with public authorities for joint development of strategies against food fraud in the seafood sector and prevention plans against sabotage at 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;
- 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 **Banco Alimentare facilities on assessing food safety requirements and principles** through audits at their facilities.

[72] GRI Standard 412-3 Contracts that include human rights clauses.

The Quality Assurance Department continued to plan its activities around the operating restrictions related to the Covid 19 pandemic 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. In addition, Esselunga has set up an internal team to combat the phenomenon of "caporalato" (forced labour) and has put in place an ethical-reputational assessment system for all its suppliers, with particular reference to the agri-food sector. In general, beforethey can be included in Esselunga's supplier list, all parties are assessed through a qualification process, which is constantly evolving and assessed by the relevant departments, which play an active and independent role. This assessment involves, among others, the Third Party Analysis and Assessment Office for in-depth analyses and investigations into the ethical and reputational situation of the members of the potential supplier's corporate structure, including partners, directors, attorneys-in-fact and subsidiaries. During 2022, checks were carried out on 1,197 partners and/or potential partners. The checks carried out revealed: • 10 negative opinions before the conclusion of the contract; • 2 contract suspensions/terminations; • 1 suspension of subcontracts/sub-suppliers. With reference to the agri-food sector, in 2022, the team completed an analysis and assessment of companies in the dairy and charcuterie, bakery, confectionery and fish sector. In the course of 2023, it is planned to start and finalise the analysis of supplier companies from various sectors, classified as historical suppliers and as such have never been assessed. In addition, the analysis of private label suppliers is planned.
	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. Thanks to the support of all corporate functions, the Supplier Code of Conduct was approved in 2022 and sent to all stakeholders, in particular, suppliers of private-label products, requesting their signature. Of the 626 suppliers of branded products involved, with the exception of 18 for whom no response has yet been received, all have signed the Supplier Code of Conduct acceptance form.
Specifically, 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.

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 2022, about 84% 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 2022 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, again in 2022 promotional activities were launched, with the aim of showcasing local producers, regional products, products of note and the gastronomic traditions of our country.
Furthermore, in 2022 the initiative was repeated in partnership with the inter-professional organisation Ortofrutta Italia under the patronage of the Ministry of Agriculture, Food Sovereignty and Forestry (MASAF) for the promotion of Italian fruit and vegetable products (quality and seasonality). The project aims to highlight key seasonal products. Also in 2022, 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 and farms involved in the production process, to check full compliance with existing regulations** and ensure ideal hygiene levels (medical treatment, animal welfare, etc.). But Esselunga's commitment goes beyond that, and takes the form of specific initiatives in each sector:

Meat	• Adoption by the Group of the **Italian National Animal Welfare Reference Centre's** (CReNBA) standard on Naturama beef from calves, bullocks and heifers bred in Italy; • **Removal** of **fresh eggs from caged hens** from the range and exclusive use of cage-free Italian eggs, produced without antibiotics, for all products prepared in Esselunga's own facilities: fresh pasta, bakery products and pastries, delicatessen products; • **Antibiotics** are not used when breeding **Naturama chicken**; • Introduction in 2018 of the Naturama pork line; the animals are bred under strict rules of animal welfare and using antibiotics responsibly; • Removal of **foie gras** produced by force-feeding geese; • In 2020, antibiotic-free **Naturama turkey** was added; • In 2021, inclusion of some well-being requirements (natural lighting and environmental enrichment) in plant-fed Pollo (chicken) Esselunga products; • 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; • 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; • The **sustainable fish** brand was introduced in order to bring consumers' attention to the seafood product line (preserved, fished and farmed) that adopts the strictest environmentally sustainable rules; • In 2021, the following were added: o umbrina fillet raised in Italy without antibiotics sold at the fish counter; o BIO sea bass, BIO sea bream, BIO sea bass fillet and BIO sea bream fillet raised without antibiotics; o ocean amberjack fillet and salmon from sustainable fishing. • In 2022, the following were added: o Products from sustainable fisheries, such as salmon fillet in pastry, o salmon and broccoli meatloaf, salmon peppers and scamorza cheese meatloaf and lightly smoked dill-salmon

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) [73]. 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.

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

In 2022, the main initiatives focused on three macro-objectives:
• 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 Banco Alimentare
Esselunga has been collaborating with Banco Alimentare 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 Banco Alimentare. **In 2022, Esselunga and its suppliers donated goods for the equivalent of over 4.2 million meals (more than 2,100 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 2022, supplies worth €13.8 million were distributed to more than 14,900 schools.**

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. To responsibly manage environmental impact along the value chain, Esselunga refers to the material topis that form the basis of its action strategy, including climate change, waste reduction, sustainable packaging management and the adoption of a circular approach to the economy, as well as the promotion of biodiversity.
For its "**Occupational Health and Safety and the Environment**"[74] 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.

[74] 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.

- Promoting the use of sustainable technologies to reduce the risks associated with climate change, improving the energy efficiency of facilities and using renewable energy;
- Adopting the best standards of sustainability and building recovery logic when designing, constructing and managing shops, factories, distribution centres and offices.

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

9.2 Main risks and opportunities

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 regards the environment, such as noise, waste, traffic);
- 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[75]
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 2022, Esselunga signed up to the CDP Climate Change questionnaire for the second year running, to report on CO2e emissions, energy consumption, the 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 an A- rating. In addition, Esselunga embarked on a journey to raise awareness of the potential consequences of physical and transitional risks related to climate change by identifying and assessing the main financial impacts it could suffer due to the effects of climate change and the main climate impacts it could generate due to its operations. which was concluded in 2022 with the drafting and publication of the "Climate Change Report" according to the recommendations of the TCFD (Task Force on Climate-related Financial Disclosures).

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

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

and operating methods in the following areas: energy efficiency and 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[76].

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 context, in 2022, Esselunga S.p.A. renewed the certification of its EMS in accordance with **UNI EN ISO 14001:2015**[77], which has over time encouraged the development of synergistic improvement policies; in December 2021, it also completed the process for obtaining the Energy Management System certification in accordance with the **UNI CEI EN ISO 50001:2018** standard; certification was renewed in November 2022 after the surveillance audit without finding any non-conformities.

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[78] from renewable and non-renewable sources for 2022 was around **3.4 million Gj**. In addition to activating new photovoltaic solar power plants, contracts for energy from renewable sources were increased in 2022, bringing the overall share of energy from renewable sources to 53.3%.

[76] GRI Standard 308-1 New suppliers that were screened using environmental criteria.
[77] This certification was obtained in 2016 and extended the following year to all Group companies. Finally, the certification was renewed during 2022.
[78] GRI Standard 302-1 Energy consumption within the organisation. For previously published historical data, please refer to the 2018 Non-Financial Report.

Total energy consumption in Gj	2022		2021		2020	
	Direct[79]	Indirect[80]	Direct	Indirect	Direct	Indirect
From renewable sources	28,223	1,795,474	23,568	903,925	19,335	-
From non-renewable sources	962,340	648,678	1,022,084	1,462,486	874,868	2,370,716
Electricity produced and fed into the grid[81]	14,970		13,734		4,786	
Total energy consumption	**3,419,746**		**3,398,329**		**3,260,142**	
Energy intensity[82] (Mj/m²)	**3,908**		**4,053**		**4,068**	

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

Shops involved[83]	Sites involved in 2022		Sites involved in 2021		Sites involved in 2020
	Total sites	New sites	Total sites	New sites	Total sites
Automatic lighting	116 shops	-	116 shops	-	116 shops
Dimming of lights	85 shops	6	79 shops	10	69 shops
LED relighting	79 shops	5	74 shops	8	66 shops
Closing fresh vertical counters	19 shops	5	14 shops	7	7 shops
Car park extractor check[84]	49 shops	1	48 shops	4	44 shops
Electrostatic filters on AHUs[85]	14 shops	2	12 shops	9	3 shops
Power Quality[86]	8 shops	2	6 shops	5	1 shop

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 refrigeration plants in production facilities. Esselunga has committed to replacing ozone-depleting gases with other types of gases and, as of 2021, the refrigerant gases used are 100% ozone-friendly. In 2022, 33.5% of the refrigerant gases used were natural gases to reduce their impact in the event of leaks; total tonnes of CO2 equivalent in 2022 was reduced by 6% compared to 2021.

During 2022, 11 new systems were commissioned, bringing the total number of active **photovoltaic systems** across offices and stores to **60**; in addition, two complete relightings were carried out and neon bulbs were replaced with LEDs equipped with sensors in the car parks of more than 20 stores; structural initiatives and provisions led in 2022 alone to energy savings of **63,282 MWh**[87]**, equalling savings of 32,582 tCO2e/year**[88].

The Group's energy consumption and activities involve direct and indirect emissions of CO2e. Emissions for the period 2018-2022 fell and showed a significant reduction in emission intensity due in part to the purchase of energy from renewable sources, which resulted in an emission intensity reduction of 62%, about twice the defined target of 30%:

[79] From the direct consumption of fuels (e.g. natural gas, diesel oil, owned vehicles).
[80] Derived from the consumption of electricity and, where present, district heating supplied by third parties.
[81] Energy produced directly by the organisation but fed to the grid as an energy surplus.
[82] GRI Standard 302-3 Energy intensity calculated in weighted m².
[83] Data on hourly programming, dimming of lights and car park extractor checks does not include the shops in the area managed by Florence.
[84] Car park extractors ventilate and extract petrol and carbon dioxide fumes.
[85] AHU = air handling unit.
[86] Power quality devices make electrical systems more efficient by installing inductive filters.
[87] 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 50,410 MWh reduction alone.
[88] 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 23,016 tCO_2e/year reduction.

Atmospheric emissions[89]	2022	2021	2020	2019	2018
Direct CO_2e emissions (Scope 1)	103,361 tCO_2e	95,799 tCO_2e	65,847 tCO_2e	84,039 tCO_2e	89,422 tCO_2e
Indirect atmospheric emissions of CO_2e (Scope 2) location-based[90]	176,635 tCO_2e	172,877 tCO_2e	182,314 tCO_2e	197,377 tCO_2e	208,243 tCO_2e
Indirect atmospheric emissions of CO_2e (Scope 2) market-based[91]	78,621 tCO_2e	182,648 tCO_2e	298,415 tCO_2e	306,648 tCO_2e	314,818 tCO_2e
Emission intensity (kg CO_2e/m^2)[92]	208 kg CO_2e/m^2	332 kg CO_2e/m^2	455 kg CO_2e/m^2	506 kg CO_2e/m^2	546 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 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 17% Euro 5 vehicles, 54% Euro 6 vehicles and 29% LNG vehicles (in 2018 LNG vehicles made up 8% of the fleet) and introduction of a hybrid vehicle and four electric vehicles, in the test phase, for delivery services in the centre of Milan[93]. In addition, the fleet used for home delivery for orders via the online channel uses Euro 6 vehicles and there are 39 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 **26,602 tCO_2e**.
Lastly, over the course of 2022, Esselunga recorded 17,518 kg of NO_x emissions from the Limito steam power plant in Pioltello, the Parma cogeneration plant and the Biandrate trigeneration plant[94].

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 2022, the Group consumed **36,696 tonnes of materials** [95]in order to package and advertise its products, **about 5% more than in 2021**. It should be noted that, unlike in 2021, the weight of labels was not included in the data due to Esselunga's adoption of the new CONAI criteria, which no longer consider labels as an integral part of the packaging[96].
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 2022, the following goals were achieved:

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[89] GRI Standard 305-1 Direct GHG emissions (Scope 1); GRI Standard 305-2 Energy indirect GHG emissions (Scope 2).
[90] 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.
[91] 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 456.57 gCO2/kWh (residual mix for Italy for 2021).
[92] 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.
[93] The fleet includes both Esselunga-owned vehicles and vehicles used by all of the Group's direct contractors.
[94] GRI Standard 305-7 Nitrogen oxides (NOX), sulphur oxides (SOX), and other significant air emissions.
[95] GRI Standard 301-1 Materials used by weight or volume to produce and package the company's main products.
[96] For the sake of completeness, the value of labels in 2022 was 896 tonnes of material.

- **increase in paper/cardboard material:** 42% (+2,415 t) more than in 2021;
- **increase in compostable material:** +49% (+606 t) more than in 2021;
- **use of recycled materials[97]:** 1,050 t (+85% compared to 2021) corresponding to 5% of total packaging;
- **reduction of non-recyclable plastic material**: -92% (-46 t) compared to 2021;
- **ATICELCA-certified recyclable laminated paper**: 1,227 t corresponding to 6% of total packaging;
- **76% of the packaging of items produced by Esselunga** is composed of **recycled, recyclable or compostable materials.**

Materials for packs of items produced by Esselunga in tonnes[98]	2022			2021			2020		
	Recyclable	Not recyclable	Compostable	Recyclable	Not recyclable	Compostable	Recyclable	Not recyclable	Compostable
Plastic	3,804	5,288	-	3,878	5,819	-	3,644	5,666	-
Paper and cardboard	6,401	410	101	4,136	342	0.2	4,244	-	-
Laminated paper	1,227	4	-	1,199	50	-	658	100	0.4
Aluminium	187	-	-	171	-	-	139	-	-
Bioplastics	-	-	1,742	-	-	1,236	-	-	1,036
Steel	48	-	-	35	-	-	-	-	-
Total	**11,667**	**5,702**	**1,842**	**9,419**	**6,211**	**1,236**	**8,685**	**5,766**	**1,037**

Also in 2022, all suppliers of branded products entered the information of the packaging used in the "Web tool packaging" platform, enabling them to monitor the environmental impact assessment of the materials used. In 2022, the Group consumed **25,121 tonnes of materials**[99] to package items produced by suppliers of branded products (co-packers). As already noted, also for the materials used for the packaging of products made by copackers, the total value was calculated excluding the weight of the labels.[100]

Following this analysis, currently **92% of the materials used by suppliers of branded products meet the objective** of having packing composed of recycled, recyclable or compostable material (**28% in recycled material**[101]).

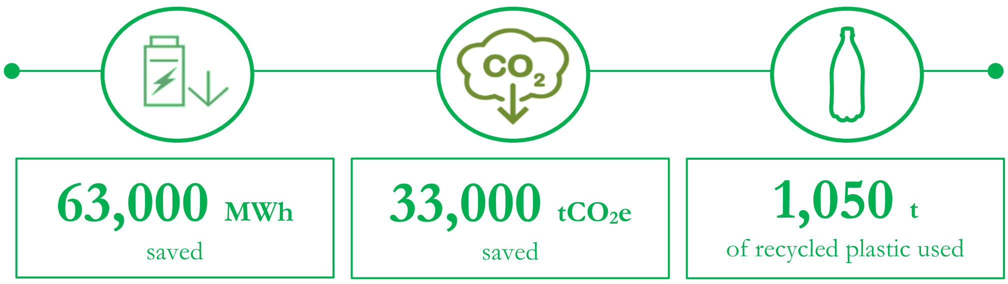
Materials for packs of items produced by co-packers in tonnes[102]	2022			2021			2020		
	Recyclable	Not recyclable	Compostable	Recyclable	Not recyclable	Compostable	Recyclable	Not recyclable	Compostable
Plastic	4,812	2,346	-	4,402	2,602	-	6,552	1,377	-
Paper and cardboard	5,236	-	-	5,699	-	-	4,045	51	15
Laminated paper[103]	1,949	11	-	2,035	19	-	867	173	76
Wood	27	-	-	18	-	-	2	-	18
Steel	2,090	-	-	2,170	-	-	2,642	16	-
Aluminium	212	1	-	212	2	-	243	12	-
Glass	7,636	-	-	7,174	-	-	6,216	5	-
Bioplastics	-	24	777	0.2	10	890	5	-	213
Total	**21,961**	**2,383**	**777**	**21,711**	**2,632**	**890**	**20,571**	**1,634.22**	**321.88**

[97] GRI Standard 301-2 Recycled input materials used.
[98] 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. Some values differ from the previous Non-Financial Report because the label values according to the criteria used by CONAI were not included in the total. The label values for 2021 and 2020 are 866 and 896 respectively.
[99] GRI Standard 301-1 Materials used by weight or volume to produce and package the company's main products.
[100] For the sake of completeness, in 2022 the value of labels is 11 t of materials.
[101] GRI Standard 301-2 Recycled input materials used.
[102] Validation coverage of product descriptions within the "Web tool packaging" equal to 95%. In addition, it should be noted that some values differ from the previous Non-Financial Report because the label values according to the criteria used by CONAI were not included in the total. The label values for 2021 and 2020 are 27 and 14 respectively.
[103] The values for the laminated paper for the year 2021 differ from the previous Non-Financial Report because the values for laminated paper without ATICELCA certification were not included in the total.

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.[104]

Graphic materials in tonnes[105]	2022		2021		2020	
	Recyclable	Not recyclable	Recyclable	Not recyclable	Recyclable	Not recyclable
Plastic	4	59	3	62	3	58
Paper and cardboard	17,421	1	18,126	4	18,332	5
Adhesive labels	-	-	-	41	-	-
Total	**17,425**	**60**	**18,130**	**107**	**18,335**	**6**

Esselunga has continued its strategy of **pallet reuse** in the logistics sector with the **CHEP pooling** system, and it also launched **LPR pooling** in 2019. This solution is fully sustainable as, in addition to reusing the product, the pallets are made of wood from controlled forests and is both FSC and PEFC certified. On average, around 2.5 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 2022, the initiative therefore brought **savings** of 2,468 m^3 in wood and **2,323 tCO_2e**, and eliminated 266 tonnes of waste.



9.3.3 Waste and waste management

Esselunga has undertaken a number of activities to **prevent the creation of waste 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[106]. 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

[104] Programme for the Endorsement of Forest Certification (PEFC) scheme and Forest Stewardship Council (FSC).
[105] Some values differ from the previous Non-Financial Report because the label values according to the criteria used by CONAI were not included in the total. The label values for 2021 and 2020 are 41 and 0 respectively.
[106] GRI Standard 306-1 Waste generation and significant impacts due to waste and GRI Standard 306-2 Management of significant impacts due to waste.

issues by increasing the recovery and recycling performance of post-consumer bottles. The project, which resulted in the collection of **223.56 tonnes of PET** in 2022, contributes to the objectives of the European strategy on the conscious use and reuse of plastics.

Furthermore, a **nappy collection trial programme**[107] continues in cooperation with FATER in the shops in Verona, which resulted in the collection of more than **220,000 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 78,000 litres of oil being reused in 2022.

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, where possible, in order to decrease the production of hazardous waste. Esselunga also operates three storage facilities for non-hazardous waste from shops (paper and plastic packaging) at the Biandrate, Sesto Fiorentino and Limito di Pioltello sites.

The following table shows the **quantities of waste produced and delivered to these plants** broken down by type[108]:

Hazardous waste - tonnes (shops, distribution centres, offices)	Recycled/Disposed	2022[109]	2021[110]	2020
Electronic equipment	R13	42	23	35
Non-edible oils	R13	5	7	8
Detergents	D15, R13	-	-	-
Other (batteries, lamps and neon, packaging, antifreeze liquid, insulating materials, etc.)		62	64	69
Total hazardous waste		**109**	**94**	**112**

Non-hazardous waste - Tonnes (shops, distribution centres, offices)	Recycled/Disposed	2022[111]	2021[112]	2020
Paper and cardboard including packaging	R13, R3	69,047	71,006	68,057
Wood	R2, R3, R12, R13, D13	16,642	17,965	13,367
Packaging	R13, D13	131	127	106
Plastic	R13, R3	5,192	5,308	4,843
Other (including glass, polystyrene, sludge, edible oils, toner, etc.)		14,359	15,858	16,661
Total non-hazardous waste		**105,371**	**110,264**	**103,034**

[107] Collection has been temporarily suspended until the end of November 2022.

[108] 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.*

[109] 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 MUD2023 Declaration in April 2023.

[110] The values differ from those in the previous Non-Financial Report in that they are in line with the official values of the MUD2022 Declaration.

[111] 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 MUD2023 Declaration in April 2023.

[112] The values differ from those in the previous Non-Financial Report in that they are in line with the official values of the MUD2022 Declaration.

9.3.4 *Water and effluent management*

The use of water[113] 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 2022 was **7,932,669m³** 50% from **public water services** and 50% from **groundwater** (wells)[114]. 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. Effluent[115], 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. In particular, the analysis of discharged water resources showed that the total volume of water discharged is 1,372,080 m3. Of this, 450,102 m3 came from surface water sources, while 921,978 m3 came from third parties. It is important to note that the entire volume discharged (100%) belongs to the freshwater category, i.e. that which meets the total dissolved solids criterion of 1,000 mg/l. Only 1% of the total discharged water comes from water-stressed areas[116].

9.3.5 *Biodiversity*

Esselunga is aware of the importance of safeguarding biodiversity and ecosystems to ensure sustainable development. In 2022, biodiversity emerged as a material topic because Esselunga believes that this should be managed by adopting a holistic approach that considers the interconnectedness of all environmental aspects that could generate impacts on ecosystems.

This year, as a first exercise, the company considered it essential to understand whether shops, factories and locations were located within protected areas. To achieve this, the geographical positions of the individual sites in relation to the protected areas mapped in the Natura 2000 database were analysed. To do this, the geographical coordinates of the individual sites were identified and the length of the shortest vector connecting the point identified on the map to the perimeter of the area of the Natura 2000 sites on Italian territory was calculated[117]. This first analysis showed that only 4% of shops and one branch are located in an area close to protected areas (less than one km)[118]. In addition, to gain an initial understanding on which sites might have the greatest impact on biodiversity, Esselunga carried out an assessment using the Biodiversity Risk Filter (BRF)[119]. The methodology, which is mainly based on two variables, geographical location and reference sector, offers some interesting summary indicators on a scale of 1 to 5 (where 1 = minimum impact and 5 = high impact). This second analysis found that there are no particular critical issues in terms of physical

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113 GRI Standard 303-1 Interactions with water as a shared resource.
114 GRI Standard 303-3 Water withdrawal.
115 GRI Standard 303-2 Management of water discharge-related impacts.
116 GRI Standard 303-4 Water drainage.
117 The size in m² of the site was excluded from this first analysis, so the distance to Natura 2000 areas was calculated from the geographical position identified by the address to which the property corresponded.
118 The analysis was carried out using the Natura 2000 database, which is one of the largest and most comprehensive databases of protected area networks in the world.
119 It is a tool developed by WWF and Climate & Company, presented in January 2023 at the World Economic Forum.

(medium level) and reputational (low level) impacts resulting from Esselunga's activities. The result showed that the direct impacts Esselunga could generate tended to be low; however, the company is aware that there may be significant impacts along its supply chain.

GRI content index

GRI content index	
Declaration of use	Esselunga submitted a report in accordance with GRI Standards for the period 01/01/2022 - 31/12/2022.
GRI 1 Use	GRI 1 - Fundamental Principles - Version 2021
Relevant GRI sector standards	N/A - awaiting the publication of the specific industry standard

GRI STANDARD/OTHER SOURCE	DISCLOSURE	DESCRIPTION	REASON FOR OMISSION and EXPLANATION
General Disclosures			
GRI 2 - General Disclosures	2-1 Organisational Details	MANAGEMENT REPORT Esselunga is a wholly-owned subsidiary of Superit S.r.l.; note that Esselunga S.p.A. is not subject to management and coordination. Its headquarters are located in Italy	
	2-2 Entities included in the organisation's sustainability reporting	MANAGEMENT REPORT	
	2-3 Reporting period, frequency and contact	1. Methodological note Esselunga S.p.A. Via Giambologna, 1 - 20096 Limito di Pioltello (Milan) Tel. 02.92931 - Fax 02.9267202	
	2-4 Restatement of Information	Any changes have been duly noted and commented on within the text.	
	2-5 External Assurance	LETTER FROM THE INDEPENDENT AUDITORS	
	2-6 Assets, value chain and other business relationships	MANAGEMENT REPORT 7.1 Policy implemented by the organisation	
	2-7 employees	5.3.1 Staff composition	
	2-8 Non-employee workers	5.3.1 Staff composition	
	2-9 Governance structure and composition	MANAGEMENT REPORT In addition to the Board of Directors, Board of Statutory Auditors and Supervisory Board, the company has several committees, including: - Investment Advisory Committee; - Risk and Sustainability Committee; - Privacy Committee; - Nomination and Remuneration Committee; - Ethics Committee; - Joint Welfare Committee Please refer to Appendix B for more details.	
	2-10 Appointment and selection of the highest governing body	As far as governing bodies such as the Board of Directors, Board of Auditors and Supervisory Board are concerned, there are no formalised procedures concerning their appointment. With regard to the appointment of persons to the various committees, the proposal is discussed and approved within the Board of Directors. The choice of these parties depends heavily on technical knowledge of the topics to be dealt with by the committee.	
	2-11 Chairman of the highest governing body	Esselunga is a family-owned company where the chairman also holds the role of manager. There are no particular procedures to mitigate possible conflicts of interest as there are no critical issues that would require such action.	
	2-12 Role of the highest governing body in impact management control	With regard to the supervision of impact management, a merit assessment is carried out according to individual needs and critical issues that may arise. Therefore, there is no defined procedure, but rather any points of attention that may arise in the ordinary course of business are assessed. There are no regular meetings concerning the supervision of impact management by board members, but such topics are dealt with when necessary.	
	2-13 Delegation of responsibility for impact management	Specific delegation activities are foreseen, which involve monitoring the status of the activity and reporting to the Board of Directors any critical issues that emerge, filtered by various levels of severity in order to prioritise and properly assess them.	
	2-14 Role of the Highest Governance Body in Sustainability Reporting	The Board of Directors is responsible for reviewing and approving the information in this document.	
	2-15 Conflicts of Interest	There is a company procedure on conflicts of interest that regulates matters concerning directors, executives and managers with executive powers.	
	2-16 Communication of Critical Issues	No critical issues were found during 2022.	
	2-17 Collective knowledge of the highest governing body	2.2 Materiality assessment	
	2-18 Performance assessment of the highest governing body	At present, there is no performance assessment process for the board of directors and other corporate bodies. In the past, a self-assessment exercise was only carried out for one year.	
	2-19 Remuneration Rules	5.3.2 Employer branding and talent retention	
	2-20 Compensation determination procedure	5.3.2 Employer branding and talent retention There are no entry bonuses or recruitment incentives or clawback clauses for the highest governing body and executives.	
	2-21 Total annual salary ratio	-	As the company has always been careful to protect the confidentiality of its employees' data, it has decided not to provide the requested data since there is no legal obligation to do so.
	2-22 Sustainable Development Strategy Statement	MANAGEMENT REPORT 2.3 Corporate Social Responsibility (CSR) policies and objectives	
	2-23 Policy Commitment	2.4 Management and Control Systems and Main Risks 3.1 Policy implemented by the organisation	
	2-24 Integration of policy commitments	2.4 Management and Control Systems and Main Risks 3.1 Policy implemented by the organisation 5.3.3 Training and development of people	
	2-25 Processes to Remedy Negative Impacts	Critical issues and any negative impacts that the company is causing or could cause are assessed and, subsequently, a specific solution is drawn up by the designated manager in order to take corrective measures.	
	2-26 Mechanisms for requesting clarification and raising concerns	3.2 Main risks and opportunities	
	2-27 Compliance with laws and regulations	As at 31 December 2022, there were no relevant sanctions concerning laws and regulations. For further information on sanctions, see Chapter 6.3.2 Labelling, Transparency and Communication	

	2-28 Membership of associations	Esselunga participates in the Retail Alliance Epic. The Group holds Governance positions for FederDistribuzione. Esselunga is a member of EuroCommerce, Assocarni (National Association of Meat and Livestock Industry and Trade), Friend of the Sea and is also a member of the Global Compact and Consumer Good Forum	
	2-29 Approach to stakeholder engagement	2.2 Stakeholder: identification and involvement	
	2-30 Collective agreements	5.3.7 Industrial relations and operational changes	
GRI disclosures			
GRI 3 - Material topics	3-1 Process for determining material topics	2.2 Materiality assessment	
	3-2 List of material topics	2.2 Materiality assessment	
Economic performance			
GRI 3 - Material topics	3-3 Management of material topics	MANAGEMENT REPORT	
GRI 201: Economic performance	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	
Procurement practices			
GRI 3 - Material topics	3-3 Management of material topics	7. Social topics: supply chain	
GRI 204: Procurement practices	204-1 Proportion of expenditure on local suppliers	7.3.2. Support of and collaboration with local suppliers	
Anti-corruption			
GRI 3 - Material topics	3-3 Management of material topics	3. Fight against corruption	
GRI 205: Anti-corruption	205-1 Operations assessed for risks related to corruption	3.2 Main risks and opportunities	
	205-2 Communication and training on regulations and procedures anti-corruption	3.3 Management approach and KPIs	
	205-3 Confirmed incidents of corruption and measures taken	3.3 Management approach and KPIs	
Anti-competitive behaviour			
GRI 3 - Material topics	3-3 Management of material topics	3. Fight against corruption	
GRI 206: 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 has been involved in a dispute concerning unfair competition, which has just ended with a ruling by the Council of State on 2 February 2023 rejecting the AGCM's appeal against the sentence by the regional administrative court upholding Esselunga's appeal against a ruling by the AGCM, against Esselunga (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). Finally, it should be noted that with a notice sent via certified email (PEC) to Esselunga on 11 November 2022, the Florence Office of the Department of Central Inspectorate for Fraud Repression and Quality Protection of the Agri-Food Products and Foodstuffs alleged a potential violation of Art. 4, paragraph 4, letter a) of Italian Legislative Decree 198/2021, concerning unfair commercial practices in relations between companies in the agricultural and food supply chain, against the company. In particular, the allegations relate to "the return by the buyer to the supplier of unsold agricultural and food products without payment for such unsold products or for their disposal". Esselunga contested the Authority's allegations in their entirety in a memorandum dated 9 December 2022 and at the same time filed a request for access to the records of the administrative proceedings initiated. The proceedings are at the preliminary stage	
Taxes			
GRI 3 - Material topics	3-3 Management of material topics	3. Fight against corruption	
GRI 207: Tax	207-1 Approach to income taxes	2.6 Approach to tax	
	207-2 Tax-related governance, control and risk management	2.6 Approach to tax	
	207-3 Stakeholder engagement and management of tax-related concerns	2.6 Approach to tax	
	207-4 Country reporting	MANAGEMENT REPORT	
Materials			
GRI 3 - Material topics	3-3 Management of material topics	9. Environment	
GRI 301: Materials	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	
Energy			
GRI 3 - Material topics	3-3 Management of material topics	9. Environment	
GRI 302: Energy	302-1 Energy consumption within the organisation	9.3.1 Climate change	
	302-3 Energy Intensity	9.3.1 Climate change	
	302-4 Reducing energy consumption	9.3.1 Climate change	
Water and effluents			
GRI 3 - Material topics	3-3 Management of material topics	9. Environment	
GRI 303: Water and effluents	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	
	303-3 Water withdrawal	9.3.4 Water and effluent management	
	303-4 Water drainage	9.3.4 Water and effluent management	
Biodiversity			

GRI 3 - Material topics	3-3 Management of material topics	9. Environment	
GRI 304: Biodiversity	304-1 Operational sites owned, leased or managed in protected areas and areas of high biodiversity value outside or close to protected areas	9.3.5 Biodiversity	
Emissions			
GRI 3 - Material topics	3-3 Management of material topics	9. Environment	
GRI 305: Emissions	305-1 Direct greenhouse gas (GHG) emissions (Scope 1)	9.3.1 Climate change	
	305-2 Indirect greenhouse gas (GHG) emissions from energy consumption (Scope 2)	9.3.1 Climate change	
	305-4 GHG emissions intensity	9.3.1 Climate change	
	305-5 Reduction of greenhouse gas (GHG) emissions	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	
Waste			
GRI 3 - Material topics	3-3 Management of material topics	9. Environment	
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	9.3.3 Waste and waste management	
	306-2 Management of significant waste-related impacts	9.3.3 Waste and waste management	
	306-3 Generated waste	9.3.3 Waste and waste management	
Supplier environmental assessment			
GRI 308: Supplier environmental assessment	308-1 New suppliers that were screened using environmental criteria	9.2 Main risks and opportunities	
Employment			
GRI 3 - Material topics	3-3 Management of material topics	5. The Esselunga Group's people	
GRI 401: Employment	401-1 Recruitment of new employees and employee turnover	5.3.2 Employer branding and talent retention	
	401-2 Benefits for full-time employees that are not available to fixed-term or part-time employees	5.3.4 Employee welfare	
	401-3 Parental leave	5.3.4 Employee welfare	
Labour Relations Management			
GRI 3 - Material topics	3-3 Management of material topics	5. The Esselunga Group's people	
GRI 402: Labour Relations Management	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	
Occupational Health and Safety			
GRI 3 - Material topics	3-3 Management of material topics	5. The Esselunga Group's people	
GRI 403: Occupational Health and Safety	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 Employee welfare	
	403-4 Worker participation and consultation on occupational health and safety programmes and related communication	5.3.6 Occupational Health and Safety	
	403-5 Worker health and safety training	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 related to business relations	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	
	403-10 Occupational disease	5.3.6 Occupational Health and Safety	
Training and Education			
GRI 3 - Material topics	3-3 Management of material topics	5. The Esselunga Group's people	
GRI 404: Training and Education	404-1 Average number of training hours per year per employee	5.3.3 Training and development of people	
	404-3 Percentage of employees receiving regular appraisals of their performance and professional development	5.3.3 Training and development of people	
Diversity and Equal Opportunity			
GRI 3 - Material topics	3-3 Management of material topics	5. The Esselunga Group's people	
GRI 405: Diversity and Equal Opportunity	405-1 Diversity in governance bodies and among employees	5.3.5 Diversity and inclusion	
Non-discrimination			
GRI 3 - Material topics	3-3 Management of material topics	4. Respect for human rights	

GRI 406: Non-discrimination	406-1 Incidents of discrimination and corrective measures taken	4.3 Management approach and KPIs	
Freedom of Association and Collective Bargaining			
GRI 3 - Material topics	3-3 Management of material topics	4. Respect for human rights	
GRI 407: Freedom of Association and Collective Bargaining	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	
Child Labour			
GRI 3 - Material topics	3-3 Management of material topics	4. Respect for human rights	
GRI 408: Child Labour	408-1 Operations and suppliers that could pose a risk for incidents of child labour accidents	4.3 Management approach and KPIs	
Forced or Compulsory Labour			
GRI 3 - Material topics	3-3 Management of material topics	4. Respect for human rights	
GRI 409: Forced or Compulsory Labour	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labour	4.3 Management approach and KPIs	
Safety Practices			
GRI 3 - Material topics	3-3 Management of material topics	4. Respect for human rights	
GRI 410: Safety Practices	410-1 Security personnel trained in human rights policies or procedures	4.3 Management approach and KPIs	
Local Communities			
GRI 3 - Material topics	3-3 Management of material topics	8. Social topics: commitment to the community	
GRI 413: Local Communities	413-1 Operations with local community involvement, impact assessments and development programmes	8. Social topics: commitment to the community	
Supplier Social Assessment			
GRI 3 - Material topics	3-3 Management of material topics	4. Respect for human rights 7. Social topics: supply chain	
Public policies			
GRI 415: Public policies	415-1 Political contributions	The Group did not make any political contribution in the reporting year.	
Customer health and safety			
GRI 3 - Material topics	3-3 Management of material topics	6. Social topics: customer care	
GRI 416: Customer health and safety	416-1 Assessment of health and safety impacts of product and service categories	6.3.1 Product quality and safety	
Product and Service Labelling			
GRI 3 - Material topics	3-3 Management of material topics	6. Social topics: customer care	
GRI 417: Product and Service Labelling	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	
Customer privacy			
GRI 3 - Material topics	3-3 Management of material topics	6. Social topics: customer care	
GRI 418: Customer privacy	418-1 Founded complaints regarding breaches of customer privacy and loss of customer data	6.2 Main risks and opportunities	

APPENDIX A

Model - Share of turnover derived from products or services associated with economic activities aligned with the taxonomy - Disclosure for the year 2022

				Criteria for substantial contribution						Criteria for "no significant harm"									
Economic activities (1)	Code(s) (2)	Absolute turnover (3)	Share of turnover (4)	Climate change mitigation (5)	Adaptation to climate change (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Adaptation to climate change (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum Safeguards (17)	**Share of turnover aligned with taxonomy, Year N (18)**	Category (enabling activity) (20)	Category (transitional activities) (21)
		€ MLN	%	%	%	%	%	%	%	S/N	S/N	S/N	S/N	S/N	S/N	S/N	Percentage	A	T
A. ELIGIBLE ACTIVITIES																			
A.1 Environmentally sustainable activities (aligned to taxonomy)																			
Turnover of environmentally sustainable activities (aligned to taxonomy) (A.1)		0.00	0.00%	0.00%	0.00%														
A.2 Activities eligible for the taxonomy but not environmentally sustainable (activities not aligned with the taxonomy)																			
Turnover from activities eligible for the taxonomy but not environmentally sustainable (activities not aligned with the taxonomy) (A.2)		0.00	0.00%																
Total (A.1 + A.2)		0.00	0.00%																
B. INELIGIBLE ACTIVITIES																			
Turnover from activities ineligible for taxonomy (B)		8,617.54	100.00%																
Total (A + B)		8,617.54	100.00%																

Model - Share of capital expenditures arising from products or services associated with economic activities aligned with the taxonomy - Disclosure for the year 2022

Economic activities (1)	Code(s) (2)	Absolute turnover (3)	Share of turnover (4)	Criteria for substantial contribution: Climate change mitigation (5)	Adaptation to climate change (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Criteria for "no significant harm": Climate change mitigation (11)	Adaptation to climate change (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum Safeguards (17)	**Share of turnover aligned with taxonomy, Year N (18)**	Category (enabling activity) (20)	Category (transitional activities) (21)
		€ MLN	%	%	%	%	%	%	%	S/N	S/N	S/N	S/N	S/N	S/N	S/N	Percentage	A	T
A. ELIGIBLE ACTIVITIES																			
A.1 Environmentally sustainable activities (aligned to taxonomy)																			
Installation, maintenance and repair of energy efficiency equipment	**7.3**	0.87	0.23%	0.23%	0.00%						S			S		S	0.23%	A	
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	**7.4**	0.01	0.00%	0.00%	0.00%						S					S	0.00%	A	
Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	**7.5**	1.75	0.46%	0.46%	0.00%						S					S	0.46%	A	
Installation, maintenance and repair of renewable energy technologies	**7.6**	2.89	0.77%	0.77%	0.00%						S					S	0.77%	A	
Capital expenditures of environmentally sustainable activities (aligned to taxonomy) (A.1)		5.52	1.46%	1.46%	0.00%												1.46%		
A.2 Activities eligible for the taxonomy but not environmentally sustainable (activities not aligned with the taxonomy)																			
Freight transport services by road	**6.6**	0.34	0.09%																
Installation, maintenance and repair of energy efficiency equipment	**7.3**	2.36	0.62%																
Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	**7.5**	0.02	0.00%																
Installation, maintenance and repair of renewable energy technologies	**7.6**	0.07	0.02%																
Capital expenditures of activities eligible for the taxonomy but not environmentally sustainable (activities not aligned with the taxonomy) (A.2)		2.78	0.74%																
Total (A.1 + A.2)		8.30	2.20%																
B. INELIGIBLE ACTIVITIES																			
Capital Expenditure on Activities Ineligible for Taxonomy (B)		369.12	97.80%																
Total (A + B)		377.41	100%																

Model - Share of operating expenses arising from products or services associated with economic activities aligned with the taxonomy - Disclosure for the year 2022

				Criteria for substantial contribution						Criteria for “no significant harm”									
Economic activities (1)	Code(s) (2)	Absolute turnover (3)	Share of turnover (4)	Climate change mitigation (5)	Adaptation to climate change (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Adaptation to climate change (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum Safeguards (17)	**Share of turnover aligned with taxonomy, Year N (18)**	Category (enabling activity) (20)	Category (transitional activities) (21)
		€ MLN	%	%	%	%	%	%	%	S/N	S/N	S/N	S/N	S/N	S/N	S/N	Percentage	A	T
A. ELIGIBLE ACTIVITIES																			
A.1 Environmentally sustainable activities (aligned to taxonomy)																			
Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	**7.5**	0.09	0.09%	0.09%	0.00%						S					S	0.09%	A	
Installation, maintenance and repair of renewable energy technologies	**7.6**	0.25	0.26%	0.26%	0.00%						S					S	0.26%	A	
Operating expenses of environmentally sustainable activities (aligned to taxonomy) (A.1)		0.34	0.35%	0.35%	0.00%												0.35%		
A.2 Activities eligible for the taxonomy but not environmentally sustainable (activities not aligned with the taxonomy)																			
Freight transport services by road	**6.6**	0.88	0.92%																
Operating expenses of activities eligible for the taxonomy but not environmentally sustainable (activities not aligned with the taxonomy) (A.2)		0.88	0.92%																
Total (A.1 + A.2)		1.21	1.27%																
B. INELIGIBLE ACTIVITIES																			
Operating expenses from activities ineligible for taxonomy (B)		94.35	98.73%																
Total (A + B)		95.56	100.00%																

With reference to the disclosure pursuant to Art. 8(6) and (7) of Delegated Regulation (EU) 2021/2178, which provides for the use of the templates provided in Annex XII for the disclosure of nuclear and fossil gas activities, it should be noted that all templates have been omitted as they are not representative of the company's activities.

APPENDIX B

- **Board of Directors**: appointed on 27/4/2022 *(term of office: until the Shareholders' Meeting to approve the financial statements for the year ending 31/12/2022)*

Name	Office	Powers and Delegations	Executives	Non Executives	Independents
Giuliana Albera Caprotti	Honorary President			x	
Marina Sylvia Caprotti	BoD Chairman	✓ management powers within the framework of ordinary administration ✓ delegation for the supervision and coordination of CSR initiatives	x		
Vincenzo Mariconda	Vice Chairman	✓ powers of representation		x	
Carlo Salza	Vice Chairman			x	
Gabriele Villa	Director and General Manager	✓ delegation of ordinary administration within the Commercial, Production, QA, Logistics, IT, Sales and Customer Departments ✓ delegation in the field of food safety ✓ workplace safety and environmental protection powers ✓ powers connected to the appointment as Employer pursuant to Legislative Decree 81/2008 ✓ powers connected to the appointment as Chief Privacy Officer	x		
Alessandra Cozzani	Director	✓ delegation in the AFC area	x		
Francesco Moncada	Director	✓ powers of management and representation within the scope of ordinary administration relating to the Development and Technology Department	x		
Lorenzo Oliviero Piaget	Director			x	x
Francesco Paolo Tronca	Director	✓ powers in the field of security and defence of company assets, whether they consist of tangible or intangible assets	x		
Stefano Tronconi	Director			x	

- **Board of Statutory Auditors**: appointed on 29/6/2020 *(term of office: until the Shareholders' Meeting to approve the financial statements for the year ending 31 December 2022)*

Name	Office
Enzo Moggio	Chairman Board of Statutory Auditors
Stefano Angheben	Regular auditor
Marco Sabella	Regular auditor
Franco Chesani	Alternate auditor
Claudio Clementel	Alternate auditor

- **Supervisory Board pursuant to Legislative Decree 231/01:** appointed on 27/4/2022 *(term of office: until the approval of the financial statements for the year ending 31 December 2024)*

Name	Office
Augusta Iannini	Chairman
Piermario Barzaghi	Member
Alberto Gaudio	Member

- **Investment Advisory Committee**

Name	Office
Marina Sylvia Caprotti	Chairman
Gabriele Villa	Director and General Manager
Francesco Moncada	Director
Albino Rocca	AFC Director
Alberto Gaudio	General Counsel

- **Risk and Sustainability Committee**

Name	Office
Marina Sylvia Caprotti	Chairman
Gabriele Villa	Director and General Manager
Francesco Paolo Tronca	Director

- **Nomination and Remuneration Committee**:

Name	Office
Marina Sylvia Caprotti	Chairman
Carlo Salza	Vice-Chairman
Gabriele Villa	Director and General Manager
Francesco Moncada	Director
Lorenzo Oliviero Piaget	Director
Stefano Tronconi	Director

- **Privacy Committee**

Name	Office
Gabriele Villa	Managing Director
Alberto Gaudio	General Counsel
Davide Sanzi	Human Resources and Organisation Director
Roberto Selva	Customer Director
Gabriele Villa *ad interim*	Digital & IT Director

- **Ethics Committee**

Name	Office
Alberto Gaudio	General Counsel
Elena Pistillo	Internal Audit
Davide Sanzi	Human Resources and Organisation Director

Auditor's Letter on the Consolidated Non-Financial Statement

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

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

To the Board of Directors of Esselunga SpA

Pursuant to article 3, paragraph 10, of Legislative Decree No. 254 of 30 December 2016 (the "Decree") and article 5 of CONSOB Regulation No. 20267/2018, we have undertaken a limited assurance engagement on the consolidated non-financial statement of Esselunga SpA and its subsidiaries (the "Group" or "Esselunga Group") for the year ended 31 December 2022 prepared in accordance with article 4 of the Decree, presented in the specific section of the report on operations and approved by the Board of Directors on 28 March 2023 (the "NFS").

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

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

The Directors are responsible for the preparation of the NFS in accordance with articles 3 and 4 of the Decree and with the "Global Reporting Initiative Sustainability Reporting Standards" updated in 2021 by the GRI - Global Reporting Initiative (the "GRI Standards"), identified by them as the reporting standards.

The Directors are also 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 error.

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

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

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

PricewaterhouseCoopers SpA

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Auditor's Independence and Quality Control

We are independent in accordance with the principles of ethics and independence set out in the Code of Ethics for Professional Accountants published by the International Ethics Standards Board for Accountants, which are based on the fundamental principles of integrity, objectivity, competence and professional diligence, confidentiality and professional behaviour. Our audit firm adopts International Standard on Quality Control 1 (ISQC Italia 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 3000 (Revised) – Assurance Engagements Other than Audits or Reviews of Historical Financial Information ("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, 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 of company personnel responsible for the preparation of the information presented in the NFS, analyses of documents, recalculations and other procedures designed to obtain evidence considered useful.

In detail, 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 standard adopted;
2. analysis and assessment of the criteria used to identify the consolidation area, in order to assess their compliance with the Decree;
3. understanding of the following matters:
    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 4 a) below;
4. understanding of the processes underlying the preparation, collection and management of the significant qualitative and quantitative information included in the NFS.

In 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 a group 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 its 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 and EsserBella SpA, which were selected on the basis of their activities, their contribution to the performance indicators at a consolidated level, we carried out interviews with local management and gathered supporting documentation regarding the correct application of the procedures and calculation methods used for the key performance indicators.

Conclusion

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 2022 is not prepared, in all material respects, in accordance with articles 3 and 4 of the Decree and the GRI Standards.

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

Milano, 13 April 2023

PricewaterhouseCoopers SpA

Signed by	*Signed by*
Stefano Pavesi (Partner)	Paolo Bersani (Authorised signatory)

This report has been translated from the Italian original solely for the convenience of international readers. We have not performed any controls on the NFS 2022 translation

Outlook

Despite the uncertainties related to consumption growth, caused mainly by the conflict between Russia and Ukraine, the Group will continue with its competitive pricing strategy and pursue its development plan.

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

Consolidated statement of financial position [(1)]

Consolidated Statement of Financial Position *(thousands of Euros)*	**Notes**	**31.12.2022**	**31.12.2021**
Property, plant and equipment	11.1	4,914,109	4,879,700
Real estate investments	11.2	117,622	126,146
Goodwill	11.3	6,586	6,586
Intangible assets	11.4	178,340	174,745
Equity investments	11.5	1,503	500
Other non-current financial assets	11.6	2,881	2,639
Non-current financial assets measured at Fair value	11.14	57,590	4,297
Deferred tax assets	11.7	33,681	62,076
Other non-current assets	11.8	12,787	15,698
Non-current assets		**5,325,099**	**5,272,387**
Inventories	11.9	550,109	477,051
Trade receivables	11.10	230,211	240,316
Current tax receivables	11.11	34,545	30,494
Other current assets	11.12	55,663	36,366
Cash and cash equivalents	11.14	665,977	756,376
Other current financial assets	11.14	21,140	3,453
Current assets		**1,557,645**	**1,544,056**
Assets held for sale		**-**	**-**
ASSETS		**6,882,744**	**6,816,443**
Share capital		100,000	100,000
Other reserves		1,709,024	1,522,203
Profit for the period		63,754	243,204
Equity attributable to owners of the parent	**11.13**	**1,872,778**	**1,865,407**
Non-controlling interests		-	333,290
Profit for the period attributable to non-controlling interests		-	23,292
Total shareholders' Equity	**11.13**	**1,872,778**	**2,221,989**
Non-current financial liabilities	11.14	2,041,133	2,467,053
Employee severance indemnities (TFR) and other staff-related pro	11.15	71,310	87,463
Provisions for risks and charges	11.16	35,823	47,830
Non-current deferred revenue for prize promotions	11.17	70,478	52,432
Other non-current liabilities	11.18	1,767	1,734
Non-current liabilities		**2,220,511**	**2,656,512**
Current financial liabilities	11.14	618,616	73,805
Trade payables	11.19	1,747,837	1,524,679
Current deferred revenue for prize promotions	11.17	93,527	75,320
Current tax payables	11.20	13,914	5,690
Other current liabilities	11.21	315,561	258,448
Current liabilities		**2,789,455**	**1,937,942**
SHAREHOLDERS' EQUITY AND LIABILITIES		**6,882,744**	**6,816,443**

(1) The notes to the individual items are an integral part of these consolidated financial statements.

Consolidated income statement [1]

Consolidated Income Statement *(thousands of Euros)*	Notes	2022	2021
Total sales	12.1	8,835,467	8,561,173
Sales Adjustments	12.1	(217,923)	(64,446)
Net revenue	**12.1**	**8,617,544**	**8,496,728**
Net costs for goods and raw materials	12.2	(6,033,250)	(5,810,646)
Other revenues and income	12.3	52,433	50,473
Costs for services	12.4	(1,004,610)	(931,553)
Personnel costs	12.5	(1,072,759)	(1,053,938)
Other operating costs	12.6	(57,954)	(61,371)
EBITDA		**501,404**	**689,693**
Amortisation and depreciation	12.7	(359,222)	(345,080)
Provisions, write-ups and write-downs of fixed assets	12.8	(8,954)	(22,641)
Capital gains/losses on non-current assets	12.9	557	695
Operating profit		**133,785**	**322,667**
Finance income	12.10	2,686	1,172
Finance expense	12.10	(55,190)	(49,496)
Net financial income (expense)	**12.10**	**(52,504)**	**(48,324)**
Share of income from equity investments	12.11	129	85
Expenses from equity investments	12.11	(149)	(410)
Income (expenses) from equity investments	**12.11**	**(19)**	**(325)**
Profit (loss) before taxes		**81,262**	**274,018**
Taxes	12.12	(17,508)	(7,521)
Net result		**63,754**	**266,496**
Net profit (loss) attributable to the Group		58,591	243,204
Net profit (loss) attributable to minority interests		5,163	23,292

Consolidated statement of other comprehensive income [1]

Statement of Comprehensive Income *(thousands of Euros)*	2022	2021
Net result	**63,754**	**266,496**
Components that will subsequently be reclassified to profit or loss for the period:		
Cash flow hedge	57,456	15,859
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	8,785	(1,148)
Other comprehensive income	**66,241**	**14,711**
Net result	**129,995**	**281,207**
Net profit (loss) attributable to the Group	124,857	257,915
Net profit (loss) attributable to minority interests	5,138	23,292

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

Consolidated cash flow statement

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

Consolidated cash flow statement *(thousands of Euros)*	**2022**	**2021**
Net income (expense) for the period	63,754	266,496
Taxes	17,508	7,521
Net Finance expense	52,523	48,649
Amortisation and depreciation	359,222	345,080
Write-downs	8,954	22,641
Plus/minus	(557)	(695)
EBITDA	**501,404**	**689,692**
Provisions	**12,007**	**(12,396)**
Inventories	(73,058)	(40,344)
Trade receivables and trade payables	220,308	219,303
Net change in other receivables/payables and other assets/liabilities	65,694	(15,851)
Changes in other operating assets and liabilities	**212,944**	**163,107**
Payment of employee benefits and use of funds	**(18,351)**	**(21,697)**
Payment of taxes	**(7,324)**	**(122,488)**
CASH FLOW FROM OPERATING ACTIVITIES (A)	**700,680**	**696,218**
Changes due to acquisitions/disposals of fixed assets	**(357,375)**	**(444,692)**
Acquisition of fixed assets (property, plant and equipment; att. Intangible Assets, Real Estate)	*(377,367)*	*(426,225)*
Divestments of Fixed assets (property, plant and equipment; att. Intangible Assets, Real Estate)	*4,969*	*3,214*
Change in Investment debt	*15,023*	*(21,681)*
Changes in investments in financial assets	**(436,317)**	**(2,091)**
CASH FLOW FROM INVESTING ACTIVITIES (B)	**(793,692)**	**(446,783)**
Financial income (Expense)	(41,988)	(44,170)
Financing received	154,327	-
Loans repaid	(65,522)	(603,513)
Dividends	(44,205)	(16,000)
CASH FLOW FROM FINANCING ACTIVITIES (C)	**2,613**	**(663,683)**
CASH FLOW FOR THE PERIOD (A+B+C)	**(90,399)**	**(414,248)**
OPENING CASH AND CASH EQUIVALENTS	**756,376**	**1,170,624**
CLOSING CASH AND CASH EQUIVALENTS	**665,977**	**756,376**

Consolidated statement of changes in shareholders' equity

(thousands of Euros)	At 31/12/2021	*Result for the period*	*Purchase Minorities 32.5% La Villata*	*Dividends*	*Cash flow hedge*	*Change in employee severance indemnities IAS 19*	*Other movements/ reclassifications*	At 31/12/2022
Share capital	**100,000**	-	-	-	-	-	-	**100,000**
Share Premium Account	**164,510**	-	-	-	-	-	-	**164,510**
Revaluation Reserves	**25,728**	-	-	-	-	-	-	**25,728**
Legal reserve	**20,000**	-	-	-	-	-	-	**20,000**
Merger Reserves	**(1,456,735)**	-	-	-	-	-	-	**(1,456,735)**
Cash flow hedge reserve	**449**	-	-	-	*57,456*	-	-	**57,905**
IAS 19 employee severance indemnities reserve	**(9,082)**	-	-	-	-	*8,785*	-	**(297)**
FTA IAS-IFRS Reserves	**54,711**	-	-	-	-	-	-	**54,711**
Retained earnings (accumulated losses)	**2,966,591**	*58,591*	*(82,747)*	*(34,713)*	-	-	-	**2,907,722**
Other reserves	**(765)**	-	-	-	-	-	-	**(765)**
Equity attributable to owners of the parent	**1,865,407**	***58,591***	***(82,747)***	***(34,713)***	***57,456***	***8,785***	**-**	**1,872,778**
Non-controlling interests	**356,582**	***5,163***	***(352,253)***	***(9,492)***	**-**	**-**	**-**	**-**
Total shareholders' Equity	**2,221,989**	***63,754***	***(435,000)***	***(44,205)***	***57,456***	***8,785***	**-**	**1,872,778**

(thousands of Euros)	At 31/12/2020	*Result for the period*	*Purchase Minorities 32.5% La Villata*	*Dividends*	*Cash flow hedge*	*Change in employee severance indemnities IAS 19*	*Other movements/ reclassifications*	At 31/12/2021
Share capital	**200,000**	-	-	-	-	-	*(100,000)*	**100,000**
Share premium reserve	**500,750**	-	-	-	-	-	*(336,240)*	**164,510**
Revaluation Reserves	**72,878**	-	-	-	-	-	*(47,150)*	**25,728**
Legal reserve	**20,000**	-	-	-	-	-	-	**20,000**
Merger Reserves	**(1,456,735)**	-	-	-	-	-	-	**(1,456,735)**
Cash flow hedge reserve	**(15,410)**	-	-	-	*15,859*	-	-	**449**
IAS 19 employee severance indemnities reserve	**(7,934)**	-	-	-	-	*(1,148)*	-	**(9,082)**
FTA IAS-IFRS Reserves	**54,711**	-	-	-	-	-	-	**54,711**
Retained earnings (accumulated losses)	**2,250,797**	*243,204*	-	*(10,800)*	-	-	*483,390*	**2,966,591**
Other reserves	**(765)**	-	-	-	-	-	-	**(765)**
Equity attributable to owners of the parent	**1,618,292**	***243,204***	**-**	***(10,800)***	***15,859***	***(1,148)***	**-**	**1,865,407**
Non-controlling interests	**338,490**	***23,292***	**-**	***(5,200)***	**-**	**-**	**-**	**356,582**
Total shareholders' Equity	**1,956,782**	***266,496***	**-**	***(16,000)***	***15,859***	***(1,148)***	**-**	**2,221,989**

Notes to the Consolidated Financial Statements as at 31 December 2022

1. General information

Esselunga S.p.A. (hereinafter the 'Company' or the 'Parent Company') and, together with its subsidiaries the Esselunga Group, (hereinafter also the 'Group' or 'Esselunga') is mainly engaged in the food sector of Large-Scale Retailing in Italy through a sales network comprising, at 31 December 2022, by 185 stores (of which 173 traditional stores, 11 *laESSE* and one store under the 'Le Eccellenze di Esselunga') banner in Lombardy, Liguria, Veneto, Piedmont, Emilia Romagna, Tuscany and Lazio.
In addition, the Group operates 112 Atlantic bars, 106 of which under the Atlantic banner, six *laESSE,* and 45 EsserBella/eb selective perfumery and beauty service stores.
The Group is also active in the real estate sector, researching, planning and implementing new initiatives that are instrumental to its business activities.

In 2022, the following new openings take place:

Date	Location	Esselunga Store	Bar Atlantic	EsserBella Perfumery	Urban laEsse	Esselunga Excellence
16-feb	Fino Mornasco, Viale Risorgimento	✓	✓	✓		
26-giu	Turin Porta Nuova	✓				
30-giu	Milan, Largo Augusto		✓		✓	
21-set	Monza, Via Buonarrotti		✓			
06-ott	Rome, Via Tomacelli		✓		✓	
12-ott	Parma, Viale Traversetolo		✓			
26-ott	Milan, Via Spadari(*)					✓
08-nov	Milan, Corso Vercelli				✓	
09-nov	Turin, Corso Bramante	✓	✓			
30-nov	Milan, Via Calzecchi				✓	
06-dic	Florence, Via Senese		✓			
	Total	**3**	**7**	**1**	**4**	**1**
(*)	reopening					

Subsequent to the date of these consolidated financial statements, the following new opening should also be noted:

- **22 March:**Albenga store.

1.2 Major events in 2022

Purchase of 32.5% of La Villata treasury shares from UniCredit

On 17 June 2022, La Villata S.p.A. completed the purchase of 32.5% of treasury shares from UniCredit. Please note that the shares in question were sold in 2020 by Superit Finco S.p.A. (merged into Esselunga S.p.A.) as part of the overall transaction for the acquisition by the Majority Shareholders of 30% of Supermarkets Italiani (merged into Esselunga S.p.A.).

The purchase price of 32.5% of treasury shares La Villata was financed through shareholders' equity and bank debt.

At the closing of this acquisition, La Villata also distributed to UniCredit the pro-rata temporis dividend for 2022.

At the same time as the purchase in question:

- share certificate no. 7 bearing 14,625,000 preference shares registered in the name of UniCredit was cancelled
- share certificate no. 6 was cancelled, and share certificate no. 8 was issued in its place, bearing 30,375,000 ordinary shares with no express par value, registered in the name of Esselunga S.p.A

Therefore, La Villata's share capital of €45,000,000, fully subscribed and paid-in, divided into 30,375,000 shares with no express par value, represented by share certificate No. 8, is held entirely by Esselunga S.p.A.

New Welfare Area

In 2022, a project was presented to build a new Welfare Area of about 10,000 square metres for employees, including a kindergarten, a gymnasium, a multi-purpose centre, a medical offices, and a park with padel and five-a-side football pitches.

Construction work on the initiative, the design of which was overseen by the prestigious Japanese architecture firm SANAA of Kazuyo Sejima and Ryue Nishizawa, began in the first half of 2022, aiming to make the project operational in 2024.

Merger of Fidaty S.p.A. into Esselunga S.p.A.

On 6 October 2022, the Shareholders' Meeting of Esselunga S.p.A. approved the merger by incorporation of the subsidiary Fidaty S.p.A., the plan for which had been approved by the Board of Directors on 27 September 2022. The merger deed was signed on 14 December 2022, with legal effect from 31 December 2022 and accounting effect from 1 January 2022.

As a result of the merger, Esselunga S.p.A. took over all active and passive legal relations from Fidaty S.p.A.

It should be noted that the merger in question did not have any effects on these Financial Statements consolidated.

To aid understanding of the comparison between the 2022 and 2021 figures, please note that the 2021 financial year benefited from the following events:

Closing of the five-year Fìdaty campaign

The 'Fìdaty' campaign is the Group's institutional prize promotion, through which customers with a Loyalty Card who buy in Group 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 affected by the impact of the closure of the Campaign in question, which began in 2016 and featured the fair value measurement required by international accounting standards.
The impact mentioned above resulted in a higher profit in 2021 than in 2022 of €45 million.
Please note that with the closure of the Fidaty Campaign 2016 - 2021, the new Fidaty Campaign 2021 - 2026 began at the same time.

'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 as at 31 December 2020. This rule, therefore, allowed for the tax recognition of amortisation and depreciation generated by the higher realigned values, eliminating the differences between the carrying amount and the tax value. The category of assets that the Group had decided to 'realign' is that of leases already redeemed and assets that had benefited from accelerated amortisation and depreciation in past years. The impact of compliance with this legislation had resulted in an overall economic benefit in 2021 of €64.7 million (of which +€73.0 million income and -€8.3 million for substitute tax charge) 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.
Please note that, also as a result of regulatory clarifications that emerged in 2022, the effects of the Realignment were rectified by recognising a charge of €6.7 million (of which -€7.5 million charge and +€0.8 million substitute tax income) in the year 2022, with a consequent reduction of the tax-suspension reserve of €26.7 million.

2.Summary of adopted accounting policies

The main accounting principles adopted in preparing and drafting 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, among other things, 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 to prepare 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 compliance with the EU IFRS in force at the date of their approval. 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 consistently to all periods presented in this document. The financial statements were prepared based on 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 compliance with the applicable accounting standards.
These consolidated financial statements were prepared using the conventional historical cost convention, except for the valuation of financial assets, financial liabilities and real estate investments where the application of *fair value* is mandatory (consideration at which an asset can be exchanged, or a liability settled, between knowledgeable, willing parties in a transaction between independent third parties).
These consolidated financial statements have been prepared on a going-concern basis.

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 of other comprehensive income show a classification of costs and revenues by nature;
- The consolidated cash flow statement is represented from this exercise (and for data comparison for 2021)using the indirect 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 shareholders' equity attributable to profit and loss items which, as required by the international accounting standards, are recognised as shareholders' 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, 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.
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.
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 2022 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 2022 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 2022 and the changes in the scope of consolidation compared to 31 December 2021 are listed below:

Company name	Registered	Share capital *(thousands of Euros)*	% holding	Line-by-line consolidation		Changes in the period
				31.12.22	31.12.21	
Esselunga S.p.A.	Milan	100,000	100	Yes	Yes	
Atlantic S.r.l.	Milan	90	100	Yes	Yes	
Fidaty S.p.A.	Milan	600	100	No	Yes	Merged into Esselunga S.p.A.
EsserBella S.p.A.	Milan	500	100	Yes	Yes	
Orofin S.p.A. and its direct and indirect subsidiaries	Milan	30,000	100	Yes	Yes	In 2022, nine new companies entered the Group's scope of consolidation
La Villata S.p.A. Immobiliare di Investimento e Sviluppo	Milan	45,000	100	Yes	Yes	Please refer to the chapter 'Purchase of 32.5% of La Villata treasury shares from Unicredit'.
Cometa S.r.l.	Milan	10	100	Yes	No	

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 control is effectively transferred to the Group and are deconsolidated from the date 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. Where applicable, non-controlling interests are attributed the share of shareholders' equity and net profit for the year to which they are entitled. 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 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 significantly influences administrative and management decisions, although it does not have 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, where applicable, are valued using the shareholders' equity method. The following paragraphs describe how the shareholders' equity method is implemented:

- The carrying amount of the investments is aligned with the subsidiary's shareholders' 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 shareholders' 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 the commitment to meet legal or constructive obligations of the investee or in any case to cover its losses. Any changes in the investees' shareholders' 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 associates are eliminated to the extent of the Group. 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 for 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 real estate investments are not depreciated.

The useful lives estimated by the Group for the various categories of property, plant and machinery 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 compliance 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 called Right of Use (ROU). 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 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 not intended for use in the Group's ordinary operations but are held to receive lease payments or for subsequent sale. Real estate investments is measured at purchase or production cost, plus any incidental costs, net of accumulated depreciation and any impairment losses.

Goodwill

Pursuant to IFRS 3 (Business Combinations), goodwill is 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 compliance 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 for the Cash Generating Units (CGUs) to which the goodwill has been allocated. Any goodwill impairment is recognised when the recoverable amount 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 identifiable non-monetary items with 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 prepare the asset for use, net of accumulated amortisation and any impairment losses.

Interest expenses incurred for 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 prepare the asset 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. based on 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 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 concerning 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 concerning 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 asset's carrying amount 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

Equity investments in other companies (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, where applicable, are recognised in a shareholders' 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 compliance with the provisions of.IFRS 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 non-current financial assets measured at fair value, 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 shareholders' equity and, therefore in other comprehensive income (hereinafter also "OCI");
   c) financial assets at fair value with changes through profit and loss.

   a) *Financial assets at amortised cost*
   Financial assets are measured at amortised cost if both of the following conditions are met:
   - the financial asset is held within a business model whose objective is to own financial assets in order to collect contractual cash flows (business model hold to collect);
   - the contractual terms of the financial asset give rise on specified dates to financial flows represented solely by payments of capital and interest on the outstanding capital amount to be repaid.

   Amortised cost is calculated using the effective interest rate method, taking into account any discounts or prizes 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 a shareholders' equity reserve through allocation to other comprehensive income (Reserve for fair value changes of financial assets). The amounts recognised in shareholders' 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 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, based on 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 from the balance sheet date, which are classified as 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.

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 Group'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.

Derivative Instruments

Consistent with IFRS 9, derivative financial instruments are recognised in compliance with *hedge accounting* only when (i) there is formal designation and documentation of the hedging relationship and the risk management objective and strategy at the hedge's inception and (ii) the hedge is expected to be effective.

When financial instruments qualify for *hedge accounting,* the following accounting treatments are applied:

- *Fair value hedge*: If a derivative financial instrument is designated as a hedge of the exposure to changes in *fair value* of a recognised asset or liability attributable to a particular risk that may affect profit or loss, the gain or loss from remeasuring the hedging instrument at *fair value* is recognised in profit or loss. The gain or loss on the hedged item attributable to the hedged risk changes the carrying value of that item and is recognised in the income statement;

- *Cash flow hedge*: If a derivative financial instrument is designated as a hedge of the exposure to variability in future cash flows of a recognised asset or liability or a highly probable forecasted transaction that could affect profit or loss, the effective portion of any gain or loss on the financial instrument (change in *fair value*) is recognised in shareholders' equity. The effective portion of any gain or loss is removed from shareholders' equity and recognised in profit or loss in the same period in which the hedged transaction is recognised. Any gains or losses associated with an ineffective hedge are immediately recognised in the income statement. If a hedging instrument or hedge relationship is terminated, but the hedged transaction has not yet been realised, the cumulative gains and losses (up to that point recognised in shareholders' equity) are recognised in profit or loss when the related transaction is realised. If the hedged transaction is no longer considered probable, unrealised gains or losses suspended in Shareholders' Equity are recognised immediately in the income statement.

Hedge effectiveness is determined at the inception of the hedging relationship and through periodic assessments of prospective effectiveness to ensure that an economic relationship exists between the hedged item and the hedging instrument.

If *hedge accounting* cannot be applied, gains or losses arising from the *fair value* measurement of the derivative financial instrument are immediately recognised in the income statement.

The *fair value* of financial instruments listed in an active market is based on market prices at the balance sheet date. The *fair value* of instruments that are not quoted in an active market is determined using valuation techniques based on a variety of methods and assumptions related to market conditions at the balance sheet date.

Assets held for sale

Non-current assets whose carrying amount will mainly 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 must be completed within 12 months.

These assets are measured at the lower of carrying amount and *fair value* less estimated costs to sell.
Any subsequent impairment losses are recognised directly as an adjustment to non-current assets with contra-entry in the income statement.
In accordance with IFRS 5 (Non-current assets held for sale and discontinued operations), non-current assets classified as held for sale are not subject to depreciation and amortisation.

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 current and non-current prize promotions

Deferred revenue for prize 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 can be redeemed against prizes or to obtain discounts on future purchases.

The Fìdaty promotion is the Group's institutional promotion through which customers who shop in Esselunga, Atlantic, 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;

Under IFRS 15, deferred revenue for prize promotions, as part of loyalty plans granted by the Group to its customers are recognised based on the fair value of the consideration received from the initial sale proportionally allocated to the bonus points and to the finished goods and products sold according to their respective fair values (fair value method).

Deferred revenue for prize promotions is classified under current liabilities unless the Group plans to discharge its obligations after 12 months from the reporting date. The compensation value assigned to the prize 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 prize.

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 compliance 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 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 shareholders' 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 'Finance 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 due to 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 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 transaction date.
Monetary assets and liabilities denominated in currencies other than the functional currency are converted into 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 financing received from the parent company

Interest-free financing received from the parent company falls 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 shareholders' 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, usually 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 concerning 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 compliance with the accrual principle and based on 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 compliance with IFRS 15.

Public grants

Any 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 from the investee companies' resolution to distribute dividends.

Dividends distributed

The distribution of dividends to Group shareholders results in the recognition of a liability in the Consolidated Financial Statements of the year in which the Group company's shareholders approved the distribution.

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 tax losses from prior years, 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 directly charged or credited to shareholders' equity, where the related tax effect is also directly recognised in equity. Taxes are offset when the same tax authority applies income taxes, 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 the 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) and Non-current liabilities with covenants (Amendments to IAS 1)	No	Periods beginning on 1 January 2024
Lease liability in a sale and leaseback (Amendments to IFRS 16)	No	Periods beginning on 1 January 2024

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 Group:

Accounting standard	***Description***
Definition of Accounting Estimates (Amendments to IAS 8)	With Regulation (EU) 2022/357 of 3 March 2022, the EU endorsed the document 'Definition of Accounting Estimates (Amendments to IAS 8)'. The amendments are effective for financial statements beginning on or after 1 January 2023. It is

	believed that the entry into force of this standard will have no financial impact on the Group.
Disclosure of Accounting Policies (Amendments to IAS 1)	With Regulation (EU) 2022/357 of 3 March 2022, the EU endorsed the document 'Disclosure of Accounting Policies (Amendments to IAS 1)'. The amendments are effective for financial statements beginning on or after 1 January 2023. It is believed that the entry into force of this standard will have no financial impact on the Group.
Deferred Taxes on Assets and Liabilities Arising from a Single Transaction (Amendments to IAS 12)	With Regulation (EU) 2022/1392 of 12 August 2022, the EU endorsed 'Deferred Taxation of Assets and Liabilities Arising from a Single Transaction (Amendments to IAS 12)'. The amendments are effective for financial statements beginning on or after 1 January 2023. It is believed that the entry into force of this standard will have no financial impact on the Group.
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 Group believes that the entry into force of this standard will have no financial impact on the Company.
First-time application of IFRS 17 and IFRS 9 - Comparative information (Amendments to IFRS 17)	With Regulation (EU) 2022/1491 of 9 September 2022, the EU endorsed 'First-time Application of IFRS 17 and IFRS 9 - Comparative Information (Amendments to IFRS 17)'. The amendments are effective for financial statements beginning on or after 1 January 2023. It is believed that the entry into force of this standard will have no financial impact on the Group.

The assessment of the possible impacts of the Standards mentioned above 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 impacts 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 significantly impact 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 asset's net carrying amount may be difficult to recover. To verify whether there is evidence of 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 a 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 carrying amount 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 based on appraisals drawn up by an independent third party.
The methods used include some estimates, most significantly discount and capitalisation rates, rent growth rates, and property sale prices. Concerning 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 carrying amount 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 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 based on 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, influencing the directors' assessments and estimates 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

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 (Italian Consolidated Income Tax Code), in which the parent company Superit S.r.l. is the consolidating entity.

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

- the tax losses arisen as of the first consolidated tax period and transferred to the consolidating entity are definitively recognised by the latter at the IRES rate in force;
- the 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 compliance with the provisions of Art. 96, paragraph 7 of the Italian Consolidated Income Tax Code. 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

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

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

6.1 Credit risk

Credit risk represents the Company's exposure to potential losses arising from business and financial counterparties failing to meet their obligations.
The Group's maximum exposure to credit risk as at 31 December 2022 and 2021 is the carrying amount of the financial assets reported in the financial statements, as shown in the table below:

(thousands of Euros)	**31.12.2022**	**31.12.2021**	**Change**
Other non-current financial assets	3,381	3,139	242
Non-current financial assets measured at Fair value	57,590	4,297	53,293
Other non-current assets	12,787	15,698	(2,911)
Trade receivables	231,130	240,756	(9,627)
Current tax receivables	34,545	30,494	4,051
Other current assets	58,382	39,182	19,200
Other current financial assets	21,140	3,453	17,687
Total gross amount	**418,955**	**337,019**	**81,935**
Provision for doubtful receivables	(4,138)	(3,756)	(382)
Total net amount	**414,817**	**333,263**	**81,553**

Credit risk is mainly limited to relations with trade suppliers arising from providing promotional services to said suppliers. The Group has adequate policies in place for selecting 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 €4,138 thousand as at 31 December 2022 and €3,756 thousand as at 31 December 2021, respectively. The write-down is calculated based on an analysis of individual credit positions.
Concerning trade receivables, there is no appreciable concentration of credit risk.
The following tables provide a breakdown of receivables as at 31 December 2022 and 31 December 2021 by category and by number of days past due:

(thousands of Euros)	**31.12.2022**					
	Not yet due	**Days past due**				
		0 - 30	**31 - 60**	**61 - 90**	**> 90**	**Total**
Other non-current financial assets	2,881	-	-	-	500	3,381
Non-current financial assets measured at Fair value	57,590	-	-	-	-	57,590
Other non-current assets	12,787	-	-	-	-	12,787
Trade receivables	146,868	71,454	6,733	2,501	3,574	231,130
Current tax receivables	34,545	-	-	-	-	34,545
Other current assets	55,566	-	-	-	2,816	58,382
Other current financial assets	21,140	-	-	-	-	21,140
Total gross amount	**331,377**	**71,454**	**6,733**	**2,501**	**6,890**	**418,955**
Provision for doubtful receivables	-	-	-	-	(4,138)	(4,138)
Total net amount	**331,377**	**71,454**	**6,733**	**2,501**	**2,752**	**414,817**

(thousands of Euros)	31.12.2021					
	Not yet due	Days past due				
		0 - 30	31 - 60	61 - 90	> 90	Total
Other non-current financial assets	2,639	-	-	-	500	3,139
Non-current financial assets measured at Fair value	4,297	-	-	-	-	4,297
Other non-current assets	15,698	-	-	-	-	15,698
Trade receivables	99,251	103,143	28,863	6,526	2,973	240,756
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	**192,198**	**103,143**	**28,863**	**6,526**	**6,289**	**337,019**
Provision for doubtful receivables	-	-	-	-	(3,756)	(3,756)
Total net amount	**192,198**	**103,143**	**28,863**	**6,526**	**2,533**	**333,263**

Past-due receivables as at 31 December 2022 amounted to €87,578 thousand, while the allowance for doubtful receivables amounted to €4,138 thousand.
It should be noted that overdue receivables, net of those subject to write-downs, on the date of preparation of the consolidated financial statements were almost entirely collected in 2023.

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 constantly monitors the financial position through appropriate forecast and actual cash flow reporting.

Please note that:

- In August 2021, Esselunga entered into three non-revocable revolving sustainability-linked credit line agreements with leading banks for €300 million maturing in August 2026.
- In June 2022, Esselunga entered into three contracts for three non-revocable *revolving* credit lines with leading banks for €300 million maturing in June 2027.
- As at 31 December, these credit lines were undrawn.

The following tables provide a breakdown of liabilities by maturity as at 31 December 2022 and 31 December 2021. 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 of each period. Interest has been calculated according to the contractual terms of the loans.

(thousands of Euros)	31.12.2022				
	Less than 1 year	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**	**Total**
Bonds	513,750	9,401	528,125	-	1,051,276
Medium-long term bank loans	68,751	24,355	937,428	-	1,030,534
Lease payables	88,569	75,030	204,535	536,657	904,791
Other non-current liabilities	-	-	-	1,767	1,767
Trade payables	1,747,837	-	-	-	1,747,837
Current tax payables	13,914	-	-	-	13,914
Other current liabilities	315,560	-	-	-	315,560
Total	**2,748,381**	**108,785**	**1,670,088**	**538,424**	**5,065,678**

(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	6,500	5,109	15,384	776,291	803,284
Lease payables	85,697	79,464	208,247	581,955	955,362
Other non-current liabilities	-	-	-	1,734	1,734
Trade payables	1,524,679	-	-	-	1,524,679
Current tax payables	5,690	-	-	-	5,690
Other current liabilities	258,448	-	-	-	258,448
Total	**1,894,764**	**598,323**	**251,781**	**1,869,355**	**4,614,223**

6.3 Market Risk

In carrying out its activities, the Group is potentially exposed to the following market risks, which are managed centrally by Esselunga S.p.A.:

- Risk for product quality;
- Regulatory risk;
- Risk of price fluctuations;
- Risk of exchange rate fluctuations;
- Risk of interest rate fluctuations.

Risk for product quality

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

Regulatory risk

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

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 denominated in Euros. The Group is therefore not exposed to significant currency risks.

Risk of interest rate fluctuations

The risk of interest rate fluctuations the Group is exposed to 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 from interest rate volatility.
The Group's financial debt consists of debenture loans, leases and loans.
Financial liabilities at variable interest rates as at 31 December 2022 amounted to 14% of the total, considering that the Group has derivative financial instruments of an interest rate swap nature.

The following table shows a sensitivity analysis for interest rate risk. More specifically, the table below shows the impact on shareholders' equity and profit for the years ended 31 December 2022 and 2021 of a positive or negative 0.5% change in interest rates, all other variables being unchanged:

(thousands of Euros)	**31.12.2022**		**31.12.2021**	
Interest rate change at year-end	+0.50%	-0.50%	+0.50%	-0.50%
After tax effect (in BS and P&L)	(1,086)	1,081	(916)	912

6.4 Capital Risk

The Group's objective in managing capital risk is to maintain an optimal capital structure to reduce the cost of debt.
The Group monitors its capital based on the ratio of its Net Financial Position 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 2022 and 31 December 2021 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 2022 index shows that own funds finance 49.4% of the net invested capital.

(thousands of Euros)	**31.12.2022**	**31.12.2021**
Cash and cash equivalents	665,977	756,376
Financial receivables	142	3,453
Current financial assets measured at Fair value	20,998	-
Non-current financial assets measured at Fair value	57,590	4,297
Current and non-current financial payables	(2,659,749)	(2,540,858)
Net Financial Position	(1,915,042)	(1,776,732)
Shareholders' Equity	**1,872,778**	**2,221,989**
Net invested capital	**3,787,820**	**3,998,721**
Gearing ratio	**50.6%**	**44.4%**

6.5 Business Crisis Code

We inform you that pursuant to Article 2086 of the Italian Civil Code, as amended by Legislative Decree 14/2019, issued in implementation of Enabling Law 155/2017, the Group has an organisational, administrative and accounting structure appropriate to the nature and size of the business, capable of foreseeing and promptly detecting any signs of crisis through the constant monitoring of the economic/asset balances and prospective economic/financial flows to ensure the protection of assets and business continuity.

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* as at 31 December 2022 and 31 December 2021:

	31.12.2022				
(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	1,503	-	-	1,503	1,503
Other non-current financial assets	-	-	2,881	2,881	2,881
Non-current financial assets measured at Fair value	-	57,590	-	57,590	57,590
Other non-current assets	-	-	12,787	12,787	12,787
Trade receivables	-	-	230,211	230,211	230,211
Cash and cash equivalents	-	-	665,977	665,977	665,977
Other current financial assets	-	20,998	142	21,140	21,140
Total	**1,503**	**78,588**	**967,661**	**1,047,752**	**1,047,752**
Current and non-current financial payables exc. leases	-	-	1,921,242	1,921,242	1,956,961
Lease payables	-	-	738,507	738,507	609,396
Trade payables	-	-	1,747,837	1,747,837	1,747,837
Total	**-**	**-**	**4,724,914**	**4,724,914**	**4,631,522**

	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	-	-	2,639	2,639	2,639
Non-current financial assets measured at Fair value	-	4,297	-	4,297	4,297
Other non-current assets	-	-	15,698	15,698	15,698
Trade receivables	-	-	240,316	240,316	240,316
Cash and cash equivalents	-	-	756,376	756,376	756,376
Other current financial assets	-	-	3,453	3,453	3,453
Total	**500**	**4,297**	**1,054,848**	**1,059,645**	**1,059,645**
Current and non-current financial payables exc. leases	-	-	1,765,262	1,765,262	1,806,709
Lease payables	-	-	775,595	775,595	803,930
Trade payables	-	-	1,524,679	1,524,679	1,645,643
Total	**-**	**-**	**4,325,718**	**4,325,718**	**4,644,216**

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 based on a hierarchy that reflects the significance of the inputs used to determine the *fair value*.
The classification of the *fair value* of financial instruments based on hierarchical levels is presented below:

Level 1: fair value calculated based on 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 use 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.

The Group measures at *fair value* derivative financial instruments of an "*Interest rate Swap*" nature, to hedge the risk of fluctuations in the variable interest rate relating to the loan taken out for the acquisition by Superit Finco S.p.A. (now Esselunga S.p.A.) of 30% of Supermarkets Italiani S.p.A. (now Esselunga S.p.A.) and on loan taken out as part of the **Purchase of 32.5% of La Villata S.p.A. treasury shares from UniCredit**.
Such operations fall within level 2 of the above hierarchy

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 profit is 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 purposes mentioned above, 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 performance 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

Changes in this item are shown below:

Property, plant and machinery *(thousands of Euros)*	31.12.2021	Increases	ROU increases IFRS 16	Decreases	ROU decreases IFRS 16	Reclassifications and transfers	31.12.2022
Historical cost	4,994,876	113,629	-	(3,168)	-	100,874	5,206,211
Accumulated depreciation/amortisation	(1,830,336)	(121,237)	-	3	-	-	(1,951,570)
Provision for impairment	(14,521)	-	-	1,388	-	-	(13,133)
Land and buildings	**3,150,019**	**(7,608)**	**-**	**(1,777)**	**-**	**100,874**	**3,241,508**
Historical cost	1,782,012	71,885	-	(6,692)	-	24,290	1,871,495
Accumulated depreciation/amortisation	(1,278,401)	(102,724)	-	5,652	-	-	(1,375,473)
Provision for impairment	(2,601)	210	-	297	-	-	(2,094)
Plant and machinery	**501,010**	**(30,629)**	**-**	**(743)**	**-**	**24,290**	**493,928**
Historical cost	1,886	-	-	(5)	-	-	1,881
Accumulated depreciation/amortisation	(1,835)	(28)	-	5	-	-	(1,858)
Provision for impairment	-	-	-	-	-	-	-
Industrial and commercial equipment	**51**	**(28)**	**-**	**-**	**-**	**-**	**23**
Historical cost	661,907	44,146	-	(8,635)	-	5,611	703,029
Accumulated depreciation/amortisation	(507,938)	(42,890)	-	7,395	-	-	(543,433)
Provision for impairment	(799)	(210)	-	-	-	-	(1,009)
Other assets	**153,170**	**1,046**	**-**	**(1,240)**	**-**	**5,611**	**158,587**
Historical cost	277,589	107,386	-	(247)	-	(135,121)	249,607
Accumulated depreciation/amortisation	-	-	-	-	-	-	-
Provision for impairment	(11,769)	-	-	-	-	-	(11,769)
Assets under development and advances	**265,820**	**107,386**	**-**	**(247)**	**-**	**(135,121)**	**237,838**
Historical cost	1,113,604	-	24,447	-	(3,783)	-	1,134,268
Accumulated depreciation/amortisation	(300,705)	-	(51,566)	-	228	-	(352,043)
Provision for impairment	(3,269)	-	-	-	3,269	-	0
ROU IFRS 16	**809,630**	**-**	**(27,119)**	**-**	**(286)**	**-**	**782,225**
Historical cost	8,831,874	337,046	24,447	(18,747)	(3,783)	(4,346)	9,166,491
Accumulated depreciation/amortisation	(3,919,215)	(266,879)	(51,566)	13,055	228	-	(4,224,377)
Provision for impairment	(32,959)	-	-	1,685	3,269	-	(28,005)
Total	**4,879,700**	**70,167**	**(27,119)**	**(4,007)**	**(286)**	**(4,346)**	**4,914,109**

Land and buildings

The <u>increases</u> include:

- Capex of €20,510 thousand for the construction of new stores opened by the Esselunga Group in 2022;
- +€937 thousand for work on the logistics network;
- €3,484 thousand for the maintenance and development of the logistics hubs and the headquarters;
- €30,193 thousand for maintaining the existing sales network;
- +€58,505 thousand for the Group's commercial development.

The <u>reclassifications and transfers</u> mainly include investments of previous years concerning 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:

- +€19,738 thousand for new stores;
- +€3,618 thousand for work on the logistics network;
- +€31,708 thousand for maintaining the sales network;
- €14,853 thousand for the logistic hubs, production facilities and headquarters;
- +€1,968 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)*	**31.12.2022**	**31.12.2021**
Office furniture and equipment	91,357	86,946
Electronic office equipment	43,159	45,558
Bar furniture and furnishings	15,483	13,958
Motor vehicles, cars and vehicles for internal use	6,124	4,361
Niche perfumery, furniture and furnishings	2,464	2,348
Total	**158,587**	**153,170**

Increases in historical cost include the following investments:

- +€8,989 thousand for new stores;
- +€236 thousand for work on the logistics network;
- €14,953 thousand for the logistic hubs, production facilities and headquarters;
- +€19,603 thousand for maintaining the sales network;
- +€365 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 previous years' investments concerning 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 €33,420 thousand, investments for the commercial development of the Group for €73,196 thousand, and €770 thousand for work on the logistics network.

The reclassifications and transfers include the reclassification to other classes of capital expenditures made in previous years for the store opened in 2022 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 item includes the right of use on properties held by the Company under lease contracts pursuant to the provisions of accounting standard IFRS 16, and on properties held under finance leases pursuant to IAS 17.

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

ROU IFRS 16 Leases *(thousands of Euros)*	**31.12.2022**	**31.12.2021**
ROU property, plant and equipment	773,089	805,583
Rou IT equipment	6,531	1,590
Rou cars	1,954	1,884
Rou service vehicles	651	573
Total	**782,225**	**809,630**

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

Reconciliation with ROU IFRS 16 from Report *(thousands of Euros)*	**31.12.2022**	**31.12.2021**
ROU property, plant and equipment - IFRS16 operating leases	428,340	446,316
ROU property, plant and equipment - IFRS17 finance leases	344,749	359,267
ROU property, plant and equipment	**773,089**	**805,583**
ROU property, plant and equipment - IFRS16 operating leases	428,340	446,316
Rou IT equipment	6,531	1,590
Rou cars	1,954	1,884
Rou service vehicles	651	573
ROU IFRS 16 from Report	**437,476**	**450,364**

Monetary revaluations on Property, plant and equipment in compliance with legal provisions

The following table provides a breakdown of this item as at 31 December 2022:

(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 2022, the amount of revaluations not yet depreciated was €179 thousand, mainly pertaining to land and buildings.

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

11.2 Investment property

Real estate investments include land or buildings not intended for use in the Group's ordinary activities.

The movements in real estate investments for the year ended 31 December 2022 are shown in the following table:

Real estate investments *(thousands of Euros)*	**31.12.2021**	**Increases**	**Decreases**	**Reclassifications and transfers**	**31.12.2022**
Historical cost	397,401	5,534	-	(2,971)	399,964
Accumulated depreciation/amortisation	(50,750)	(2,641)	-	-	(53,391)
Provision for impairment	(220,505)	(11,029)	2,583	-	(228,951)
Total	**126,146**	**(8,136)**	**2,583**	**(2,971)**	**117,622**

Increases in historical cost relate to the development of non-instrumental areas (compared to the Group's ordinary business).
The movement in the provision for impairment is intended to align the net carrying amount of real estate investments with its estimated realisable value.
Reclassifications mainly relate to investments recorded under property, plant and machinery 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	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**
Lombardy	193,120	(130,392)	62,728
Piedmont	72,078	(53,544)	18,534
Emilia Romagna	33,481	(20,356)	13,125
Liguria	18,672	(6,980)	11,692
Tuscany	17,921	(10,018)	7,903
Veneto	10,122	(6,822)	3,300
Lazio	1,179	(839)	340
31.12.2022	**346,573**	**(228,951)**	**117,622**

as at 31 December 2022, 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)*	**31.12.2022**	**31.12.2021**
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 had suffered an impairment.

The impairment test is performed by comparing the carrying amount of the goodwill and 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 SpA.

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* operates.

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 7.14% in 2022 and 4.6% in 2021.
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 = 7.64%, with an increase of 50 basis points over the baseline scenario.
- scenario 2: discount rate = 8.14%, 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 2022 are shown in the table below:

Intangible Assets *(thousands of Euros)*	**31.12.2021**	**Increases**	**Decreases**	**Reclassifications and transfers**	**31.12.2022**
Historical cost	326,346	22,584	(3)	15,490	364,417
Accumulated depreciation/amortisation	(255,805)	(35,614)	1	-	(291,418)
Software	**70,541**	**(13,030)**	**(2)**	**15,490**	**72,999**
Historical cost	27,176	28	-	3	27,207
Accumulated depreciation/amortisation	(5,921)	(549)	-	-	(6,470)
Trademarks, concessions and similar rights	**21,255**	**(521)**	**-**	**3**	**20,737**
Historical cost	80,722	2,934	-	1,509	85,165
Accumulated depreciation/amortisation	(28,005)	(1,968)	-	-	(29,973)
Provision for impairment	(3,478)	-	-	-	(3,478)
Commercial licenses	**49,239**	**966**	**-**	**1,509**	**51,714**
Historical cost	33,172	8,567	-	(9,685)	32,054
Assets under development and advances	**33,172**	**8,567**	**-**	**(9,685)**	**32,054**
Historical cost	4,164	721	-	-	4,885
Accumulated depreciation/amortisation	(3,626)	(423)	-	-	(4,049)
Other intangible assets	**538**	**298**	**-**	**-**	**836**
Historical cost	471,580	34,834	(3)	7,317	513,728
Accumulated depreciation/amortisation	(293,357)	(38,554)	1	-	(331,910)
Provision for impairment	(3,478)	-	-	-	(3,478)
Total	**174,745**	**(3,720)**	**(2)**	**7,317**	**178,340**

Increases amount to € 34,834 thousand and mainly relate to investments made in software to improve the Group's IT infrastructure.

The increase in assets under construction and advances refers to the development of software not yet in use. The decrease shown in the reclassifications column mainly refers to additions made in prior years for software that came into operation in 2022 and have therefore been reclassified in the appropriate item.

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

11.5 Equity investments

The breakdown of this item is as follows:

Equity investments *(thousands of Euros)*	**31.12.2022**	**31.12.2021**
Equity investments in other companies	1,503	500
Total	**1,503**	**500**

11.6 Other non-current financial assets

This item mainly includes participation in a real estate investment fund and other minor investments.

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 question, gross of any offsetting made based on the timing in the use of taxes are shown in the following table relative to 2022:

Deferred tax assets and liabilities *(thousands of Euros)*	**31.12.2021**	**Income statement effect**	**Statement of financial position effect**	**Release of deferred taxes "Tax Realignment"**	**31.12.2022**
Timing difference cost deductibility	1,266	1,516	-	-	2,782
Costs for bond issue	(1,026)	297	-	-	(729)
Inventories and inventory write-downs	2,029	(702)	-	-	1,327
TFR IAS 19	2,954	(1,485)	(3,416)	-	(1,947)
Provision for risks with deferred deductibility	12,431	(2,382)	-	-	10,049
Fixed assets (tangible and intangible and fin leasing)	5,953	3,267	-	(7,465)	1,755
Capital gain on lease-back	(5)	(2)	-	-	(7)
Capital gains subject to deferred taxes	(1,079)	93	-	-	(986)
IFRS 16 leases	40,962	(311)	-	-	40,651
Derivative	(1,031)	-	(17,831)	-	(18,862)
Others	(378)	26	-	-	(352)
Total deferred tax assets and liabilities	**62,076**	**317**	**(21,247)**	**(7,465)**	**33,681**

Deferred tax assets relating to unrecognised tax losses from prior years amount to € 156.7 thousand as of 31 December 2022 and mainly refer to companies that are part of the consolidation area but do not participate in the tax consolidation.
Deferred tax assets and liabilities as of 31 December 2022 were recorded for 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 Other non-current assets

The breakdown of this item is as follows:

Other non-current assets ((*thousands of Euros*))	**31.12.2022**	**31.12.2021**
Tax receivables	8,144	11,690
Security deposits	4,628	3,993
Other receivables	15	15
Total	**12,787**	**15,698**

Tax receivables are mainly VAT receivables related to property purchases made by the Group.
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)*	**31.12.2022**	**31.12.2021**
Finished products and goods	480,517	433,269
Raw materials, supplies and consumables	75,119	52,236
Inventory provision for impairment	(5,527)	(8,453)
Total	**550,109**	**477,051**

The increase in inventories is mainly attributable to the inflationary effect, which led to a significant rise in the value of suppliers' price lists, and a quantity effect resulting from the expansion of the sales network.
The provision for inventory write-downs considers the slow turnover of certain product categories.

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

Provision for impairment of stock *(thousands of Euros)*	**31.12.2022**	**31.12.2021**
Balance at the beginning of the year	**(8,453)**	**(24,127)**
Allocations	(5,527)	(8,453)
Uses and releases	8,453	24,127
Balance at the end of the year	**(5,527)**	**(8,453)**

As at 31 December 2022, there were no warehouse 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)*	**31.12.2022**	**31.12.2021**
Receivables from suppliers for promotional activities	121,988	107,693
Receivables from customers	49,481	73,404
Receivables from customers for use of Fìdaty Oro card	59,655	59,653
Receives from parent	6	6
Provision for doubtful receivables	(919)	(440)
Total	**230,211**	**240,316**

Trade receivables are shown net of any offsets against payables commercial related to the same customers/suppliers.

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

Receivables from customers consist of receivables for the use of meal vouchers in the Group's shops and bars and receivables for miscellaneous sales.

Customers' receivables for using the Fìdaty Oro cards refer to receivables from the customers who used the 'Fìdaty Oro' payment cards in December 2022.

Trade receivables are shown net of a provision for impairment which amounted to €919 thousand as of 31 December 2022 (€440 thousand as of 31 December 2021), to align the carrying amount of receivables to their estimated realisable value.

The increase from 2021 relates to allocations made during the year for certain credit positions for which it is estimated that objective conditions of total or partial collectability will not arise.

11.11 Current tax receivables

The breakdown of this item is as follows:

Current tax receivables *(thousands of Euros)*	**31.12.2022**	**31.12.2021**
Receivables from parent companies - IRES	30,998	27,329
Receivables from tax authorities - IRES payments advances	279	14
Receivables from tax authorities - IRAP payments advances	3,268	3,151
Total	**34,545**	**30,494**

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 Other current assets

The breakdown of this item is as follows:

Other current assets *(thousands of Euros)*	**31.12.2022**	**31.12.2021**
Accrued income and prepaid expenses	18,419	18,702
Receivables from other debtors	20,781	8,832
Tax receivables (mainly VAT)	19,182	11,648
Provision for impairment of other receivables	(2,719)	(2,816)
Total	**55,663**	**36,366**

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

Provision for impairment of other receivables *(thousands of Euros)*	**31.12.2022**	**31.12.2021**
Balance at the beginning of the year	**(2,816)**	**(2,888)**
Allocations	(10)	(160)
Use	107	231
Balance at the end of the year	**(2,719)**	**(2,816)**

Accrued income and prepaid expenses mainly include prepaid expenses for the 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 social security institutions, receivables for contributions, and receivables for the recovery of costs and other non-performing loans for which the provision for doubtful accounts has been allocated. The increase in this item is attributable to the portion of the tax credit on electricity and gas consumption, which will be offset in 2023, as described below.

Urgent measures on national energy policies

As of July 2022, four laws (Law No. 91 of 15.07.2022, Law No. 142 of 21.09.2022, Law No. 175 of 17.11.2022, then Law No. 13 of 17.01.2023) were published in Official Journal No 4, introducing urgent measures on energy, water emergency, social and industrial policies.
In particular, the measures mentioned above allowed Group companies to partially contain the increase in raw material costs by recognising tax credits to reduce the gross cost of utilities.

11.13 Shareholders' Equity

The breakdown of this item is as follows:

Shareholders' equity *(thousans of Euros)*	**31.12.2022**	**31.12.2021**
Share capital	100,000	100,000
Profit for the period	63,754	243,204
Share premium reserve	164,510	164,510
Revaluation reserves	25,728	25,728
Legal reserve	20,000	20,000
Merger reserves	(1,456,735)	(1,456,735)
Cash flow hedge reserve	57,905	449
IAS 19 employee severance indemnities reserve	(297)	(9,082)
FTA IAS-IFRS reserve	54,711	54,711
Retained earnings	2,843,967	2,723,387
Other reserves:	(765)	(765)
Equity attributable to owners of the parent	**1,872,778**	**1,865,407**
Equity attributable to non-controlling interests	**-**	**356,582**
Total shareholders' Equity	**1,872,778**	**2,221,989**

At the reporting date, the share capital was fully subscribed and paid and consisted of 100,000,000 ordinary shares with a par value of €1.0 each.
The change in shareholders' equity compared to the previous year of €349,211. thousand is mainly due to the following impacts:

- increase due to the recognition of profit for the period (€ 63,753 thousand);
- decrease for the **Purchase of 32.5% of La Villata shares from UniCredit** (€435,000 thousand)
- decrease due to the distribution of dividends to UniCredit for €29,205 thousand;
- decrease due to the distribution of dividends to the parent company Superit S.r.l. for €15,000 thousand;
- increase due to adjustment of the cash flow hedge reserve (€+57,456 thousand), which includes changes in the fair value of derivative financial instruments hedging the variability of interest rates on loans payable, net of deferred taxes;
- increase of € 8,785 thousand for the recognition of actuarial gains on employee severance indemnities (TFR) net of the related tax effect.

11.14 Net financial position

The Net Financial Position (NFP) is an indicator that reveals the Company's liquidity conditions and, in particular, makes it possible to assess:

- the overall level of indebtedness of the Company;
- the soundness of the capital structure.

The Net Financial Position (including liabilities for operating leases) as at 31 December 2022 was negative and amounted to €1,915,042 thousand (€1,776,732 thousand as at 31 December 2021).

The worsening of €138,310 thousand is mainly attributable to the following impacts:

- + €698,612 thousand generated by core business net of taxes;
- + €74,291 thousand related to the change in the *fair value* of derivative financial instruments to hedge the risk of rate related to the Acquisition and La Villata loan.;
- -€382,853 thousand related to investment activities for the development and maintenance of the sales network, logistics centres and offices;
- - €435,000 thousand related to the purchase of 32.5% of La Villata treasury shares from Unicredit;
- - €49,155 thousand from finance expenses related to outstanding loans, including operating leases.
- - €29,205 thousand to the payment of dividends (of which €9,205 thousand pro-rata temporis dividend relating to 2022 and distributed to Unicredit as part of the Purchase of 32.5% of La Villata treasury shares);
- -€15,000 thousand to the payment of dividends to the parent company Superit S.r.l.;

The breakdown of this item is as follows:

Net Financial Position *(thousands of Euro)*	**31.12.2022**	**31.12.2021**
Non-current financial assets measured at Fair value	**57,590**	**4,297**
Cash and cash equivalents	**665,977**	**756,376**
Accrued interest income on current accounts and other	142	3,453
Current financial assets measured at Fair value	20,998	-
Other current financial assets	**21,140**	**3,453**
Bonds - non-current portion	(494,057)	(989,335)
Bank loans - non-current portion	(877,917)	(766,926)
Lease payables - non-current portion	(669,159)	(710,792)
Non-current financial liabilities	**(2,041,133)**	**(2,467,053)**
Bonds - -current portion	(500,938)	(2,562)
Bank loans - current portion	(47,279)	(1,391)
Lease payables - current portion	(69,351)	(64,803)
Loans payable to parent companies	(1,048)	(5,049)
Current financial liabilities	**(618,616)**	**(73,805)**
Net Financial Position	**(1,915,042)**	**(1,776,732)**

Non-current financial assets measured at Fair value

Non-current financial assets measured at Fair Value include the non-current portion of the positive fair value of "Interest Rate Swap" derivatives, to hedge the risk of fluctuations in variable rates relating to the loan taken out for the acquisition of 30% of Supermarkets Italiani S.p.A. and the amortising loan taken out by La Villata as part of the Purchase of 32.5% of own shares from UniCredit. The fair value of these instruments amounted to €57.6 million as at 31 December 2022 (€4.3 million as at 31 December 2021).

Cash and cash equivalents

The breakdown of this item is as follows:

Cash and cash equivalents *(thousands of Euros)*	**31.12.2022**	**31.12.2021**
Deposits with banks and post-office	657,122	746,885
Cash and cash equivalents on hand	8,801	9,458
Cheques	54	33
Total	**665,977**	**756,376**

Other current financial assets

The breakdown of this item is as follows:

Other current financial assets *(thousands of Euros)*	**31.12.2022**	**31.12.2021**
Positive fair value current Interest Rate Swaps	20,998	-
Accrued interest income on current and other accounts	142	3,453
Total	**21,140**	**3,453**

Non-current financial liabilities

Non-current financial assets *(thousands of Euros)*	**31.12.2022**	**31.12.2021**
Bonds - non-current portion	494,057	989,335
Bank loans - non-current portion	877,917	766,926
Lease payables - non-current portion	669,159	710,792
Total	**2,041,133**	**2,467,053**

Bonds

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

The principal 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.

The following table shows the characteristics of the aforementioned bonds:

Maturity 2023	**Maturity 2027**
- 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

Bonds - non-current portion

The item include the principal portion and the impact of amortised cost in compliance with IFRS 9.for bond whith maturity in 2027.

Bank loans - non-current portion

- On 27 January 2020, Superit Finco S.p.A. (now Esselunga S.p.A.) entered into a loan (*'Acquisition facility'*) worth €775 million with leading banks, which provides for a credit line to be used from 23 April 2020. As at 31 December 2022 the *covenant* provided for in the contract has been respected.
- In June 2022, as part of the transaction for the purchase of 32.5% of La Villata S.p.A.'s treasury shares from UniCredit, it signed a four-year bank loan worth €180 million.

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

Fair value of hedging derivatives - non-current portion

The item included the fair value of the Interest Rate swap derivatives hedging the fluctuations of the variable interest rate on the Acquisition Facility and La Villata loans. As the aforementioned *fair value* was positive at the consolidated balance sheet date, it is therefore classified under 'Other non-current financial assets'.

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 2022:

Lease payables *(thousands of Euros)*	**31.12.2022**	**31.12.2021**
Lease payables (until contract maturity)	904,790	954,825
Lease payables (implied interest)	(166,280)	(179,230)
Total	**738,510**	**775,595**
of which non-current	669,159	710,792
of which current	69,351	64,803

In 2022, the finance lease payments (principal) made by the Group amounted to €28,437 thousand.

In 2022, the weighted average lease rate was 3.3%. Floating-rate finance leases accounted for 21.7% of finance-lease payables as at 31 December 2022.

Current financial liabilities

Current financial assets *(thousands of Euros)*	**31.12.2022**	**31.12.2021**
Bonds - -current portion	500,938	2,562
Bank loans - current portion	47,279	1,391
Lease payables - current portion	69,351	64,803
Loans payable to parent companies	1,048	5,049
Total	**618,616**	**73,805**

Bonds - -current portion

This item includes the principal amount and the impact of amortised cost in application of IFRS 9 for the bond whith maturity in 2023, as well as accrued interest for the period relating to both Bonds.

Bank loans - current portion

As of 31 December 2022, the item included the short-term portion of the loan taken out in the context of the **Purchase of 32.5% of La Villata S.p.A. treasury shares from UniCredit** , and the accrued interest for the period of the loan mentioned above and the *Acquisition Facility* described above.

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:

- In August 2021, Esselunga entered into three non-revocable revolving sustainability-linked credit line agreements with leading banks for €300 million maturing in August 2026.
- In June 2022, Esselunga entered into three contracts for three non-revocable *revolving* credit lines with leading banks for €300 million maturing in June 2027.
- As at 31 December, these credit lines were undrawn.

11.15 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 2022 and 2021 are shown in the following table:

Employee severance indemnities (TFR) and other staff-related provisions *(thousands of Euros)*	**31.12.2022**	**31.12.2021**
Balance at the beginning of the year	**87,463**	**92,218**
Interest cost	834	302
Payments and transfers	(4,806)	(6,676)
Actuarial gains/(losses)	(12,181)	1,593
Other movements	-	26
Balance at the end of the year	**71,310**	**87,463**

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

	31.12.2022	**31.12.2021**
Financial Assumptions		
Inflation rate (annual)	2.3%	1.8%
Discount Rate (Annual)	3.8%	1.0%
TFR Annual rate of increase	3.2%	2.8%
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%	

11.16 Provisions for risks and charges

The movements in the provisions for risks and charges are shown in the table below:

Provisions for risks and charges (thousands of Euros)	**31.12.2022**	**31.12.2021**
Balance at the beginning of the year	**47,830**	**35,433**
Allocations	12,711	29,843
Uses / Releases	(24,717)	(17,446)
Balance at the end of the year	**35,823**	**47,830**

The allocations made refer mainly to risks related to contracts awarded to third-party suppliers and charges related to certain initiatives in the real estate sector
The item uses/releases refers mainly to uses due to payments to settle past liabilities and releases resulting from the lapse of certain risks.

11.17 Deferred revenue for current and non-current prize promotions

This item is the liability related to the points earned and not yet redeemed by customers at the reporting date.
The movements in the item for the year ended 31 December 2022 broken down by campaign:

Deferred revenue for current prize promotions events *(thousands of Euros)*	**31.12.2021**	Bonus points earned	Use of bonus points	**31.12.2022**
Fìdaty campaign 2016-2021	*6,068*	*-*	*(6,068)*	*-*
Fìdaty campaign 2021-2026	*52,432*	*56,781*	*(35,598)*	*73,616*
Amici di scuola (school friends)	*8,755*	*10,935*	*(8,755)*	*10,935*
Pantone	*328*	*-*	*(328)*	*-*
Christmas Competition	*7,493*	*8,821*	*(7,493)*	*8,821*
Zwilling	*245*		*(245)*	*-*
"20 years Eb competition	*-*	*182*	*(33)*	*148*
San Donato Eb	*-*	*6*	*-*	*6*
Total	**75,320**	**76,726**	**(58,519)**	**93,527**

Deferred revenue for non-current prize promotions promotions reward events *(thousands of Euros)*	**31.12.2021**	Bonus points earned	Use of bonus points	**31.12.2022**
Fìdaty campaign 2021-2026	*52,432*	*48,369*	*(30,324)*	*70,478*
Total	**52,432**	**48,369**	**(30,324)**	**70,478**

The 'Fìdaty' gift with purchase promotion is the Group's institutional promotion for customer loyalty.

11.18 Total non-current liabilities

The breakdown of this item is as follows:

Other non-current liabilities *(thousands of Euros)*	**31.12.2022**	**31.12.2021**
Security deposits	1,758	1,728
Tax payables	3	-
Others	6	6
Total	**1,767**	**1,734**

11.19 Trade payables

The breakdown of this item is as follows:

Trade Payables *(thousands of Euros)*	**31.12.2022**	**31.12.2021**
Trade payables for goods	1,371,371	1,201,735
Trade payables for services	239,489	202,849
Trade payables for investments	136,977	120,095
Total	**1,747,837**	**1,524,679**

Trade payables are shown net of any offsets with receivables commercial related to the same suppliers/customers.

11.20 Current tax payables

The breakdown of this item is as follows:

Current tax payables *(thousands of Euros)*	**31.12.2022**	**31.12.2021**
IRES tax payable to parent company	11,112	-
Substitute tax Civil Law Realignment tax	2,501	5,503
IRES tax payable to the tax authorities	269	187
IRAP tax payable to the tax authorities	32	-
Total	**13,914**	**5,690**

For a comment on the substitute tax Civil Law Realignment tax (article 110 of decree law 104 of 2020) please refer to what is described in paragraph "Realignment" by Decree Law No. 104 of 2020" of these Consolidated Financial Statements.

11.21 Other Current Liabilities

The breakdown of this item is as follows:

Other current liabilities *(thousands of Euros)*	**31.12.2022**	**31.12.2021**
Payables to employees and other staff	95,050	88,102
Payables to social security institutions	66,574	63,675
Payables to customers for prepaid cards	103,332	48,370
VAT payable to the tax authorities	1,370	14,018
IRPEF payable to the tax authorities	18,834	18,124
Other payables to the tax authorities	7,724	5,191
Other payables to the tax authorities - TARI	773	2,602
Advances	5,510	5,170
Accrued expenses and deferred income	715	284
Other payables	15,679	12,913
Total	**315,561**	**258,448**

Payables to employees and other staff includes accrued liabilities for costs accrued as at 31 December 2022 and not yet paid (fourteenth month pay, holidays, additional permits, performance bonuses and miscellaneous entitlements).

The significant increase in customer payables for prepaid cards is mainly attributable to the increase to €3,000 of the tax and contribution exemption threshold for remuneration in kind paid to employees (Decree-Law No. 176 of 18 November 2022, so-called. 'Aid-quater' Decree).

'Advances' mainly includes a deposit received for 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 2022 and 2021 is as follows:

Net revenue *(thousands of Euros)*	**2022**	**2021**
Total sales	**8.835.467**	**8.561.173**
costs for the purchase of newspapers and phone cards and related services	(140.610)	(115.404)
Net (Deferral)/Recognition of fair value for reward promotions	(36.252)	87.759
Other adjustments	(41.062)	(36.800)
Sales Adjustments	**(217.923)**	**(64.446)**
Total	**8.617.544**	**8.496.728**

Total sales for the year 2022 increased by €274,294 thousand (+3.2%) compared to the previous year.

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

The net deferral/recognition of *fair value* prize events, amounting to -€36,252 thousand (+87,759 thousand in 2021), resulted from the recognition of:

- recognition in the year of payment of the obligations to be considered extinguished with the use of points (bonuses and discount vouchers) for €88,810 thousand (€214,962 thousand in 2021) valued based on the fair value;
- deferrals of consideration for future obligations for -€125,061 thousand (-€127,202 in 2021): These considerations are measured based on the fair value of the rewards and discount vouchers received by the end customer.

The negative difference of €124,011 thousand between the overall impact 2022 (expense of €36,252,000) and 2021 (income of €87,759,000) is mainly attributable to what is reported in the chapter Closure Five-Year Fìdaty Campaign.

Net revenue in 2022 increased by €120,816 thousand (+1.4%) compared to 2021%. For a more detailed sales trend analysis, please refer to the Management Report.

12.2 Costs for goods and raw materials

The net costs for goods and raw materials in 2022 amounted to €6,033,250 thousand compared to €5,810,646 thousand in 2021.

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 2022 and 2021 is as follows:

Other revenues and income *(thousands of Euros)*	**2022**	**2021**
Rent of supports for transport of perishable products	13,091	13,423
Other sales	12,954	13,091
Rental income and recovery of common charges	8,195	7,071
Revenues from Sell-Out data supply	5,889	5,621
Insurance reimbursements and damages charged back	3,890	3,976
Miscellaneous contributions	1,300	1,510
Fragola points debit	1,359	1,392
Spreads and commissions	1,011	953
Recharge of costs for quality control analysis	356	294
Services to parent company	21	10
Other	4,367	3,132
Total	**52,433**	**50,473**

Other sales mainly include sales of scrap, waste paper, pallets and production waste to third parties and income from photovoltaic and cogeneration plants.

The item Fragola points debit includes the income from the transfer of points relating to the Fìdaty campaign to the *commercial partners*.

12.4 Costs for services

The breakdown of this item is as follows:

Costs for services *(thousands of Euros)*	**2022**	**2021**
Transport, handling and parking	398,641	394,687
Utilities, consumption and data transmission expenses	172,548	109,566
Repairs and maintenance	84,586	80,392
Advertising and marketing	73,620	75,086
Cleaning	55,818	53,952
Consulting and professional services	74,497	73,176
Internal and external processing of goods and products	29,973	33,120
Bank collection fees	25,666	26,085
Security, surveillance and transportation of valuables	19,193	22,076
Insurance	6,108	5,248
Common charges	9,671	8,563
Commissions for Luncheon Vouchers	8,002	7,826
Rentals	5,397	5,575
Rent expense	1,195	1,150
Other services	39,695	35,051
Total	**1,004,610**	**931,553**

Costs for services accounted for 11.4% of total sales (10.9% in 2021).
The overall cost increase of €73,054 thousand refers, in particular, to the rise in utilities, which is affected by the significant increase in the cost of raw materials (electricity, gas, fuels).

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

Reducing the costs of security, surveillance and transportation of valuables is attributable to the increased costs incurred during 2021 to cope with the Covid-19 emergency.

Meal voucher commissions refer to the amount paid to voucher issuers following the acceptance of vouchers.

The item rent expense refers to the variable component parameterized to sales 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)*	**2022**	**2021**
Wages and Salaries	770,271	763,640
Social security charges	225,360	222,755
Employee severance indemnity	52,825	52,183
Cost for temporary employees	7,655	8,881
Corporate welfare	4,078	4,082
Gifts to employees	11,460	1,303
Other personnel costs	1,110	1,094
Total	**1,072,759**	**1,053,938**

The increase in the value of gifts to employees relates to the action taken for the employees as part of measures to counteract the rise in the cost of living. With the aim of protecting the purchasing power of employees, the Group has decided to make a one-off donation a December 2022.
The reduction in the cost incurred for temporary work in 2021 relates to the increased use of the services of external companies, also in connection with the management of measures to deal with the Covid-19 emergency.
The changes in the average workforce are shown in the table below:

Average workforce	**2022**	**2021**
Non-office workers	7,888	8,177
Office workers	16,758	16,694
Middle managers	473	458
Managers	79	81
Total	**25,198**	**25,410**

At 31 December 2022, the Company had a workforce of 25,073 people (25,415 as at 31 December 2021).

12.6 Other operating costs

The breakdown of this item is as follows:

Other operating costs *(thousands of Euros)*	**2022**	**2021**
Municipal Property Tax - IMU	22,676	21,981
Municipal solid waste disposal fee - TARI	11,450	10,826
Donations	7,386	6,634
Taxes related to prize promotions	6,880	8,580
Other taxes and duties	4,818	4,917
Rights, authorisations and concessions	3,448	3,134
Subscriptions, printing, etc.	598	542
Provisions (uses/releases) for risks and charges	(6,704)	3,002
Net write-downs of financial assets	550	251
Other operating costs	6,852	1,504
Total	**57,954**	**61,371**

Provisions (uses/releases) for risks and charges mainly refer to risks related to tenders awarded to third-party suppliers and to charges related to certain initiatives in the real estate sector, net of uses/releases mainly due to payments to settle past liabilities and releases resulting from the lapse of certain risks.

The increase in other operating costs relates to certain costs incurred in connection with settlement agreements concluded during the year.

12.7 Amortisation and depreciation

The breakdown of this item is as follows:

Depreciation *(thousands of Euros)*	**2022**	**2021**
Depreciation of property, plant and equipment	318,017	307,265
Depreciation of real estate investments	2,641	2,624
Amortisation of intangible assets	38,564	35,191
Total	**359,222**	**345,080**

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

12.8 Allocations, 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)*	**2022**	**2021**
Write-downs of investment properties	(11.029)	(12.051)
Reversals of impairment on real estate investments	2.583	9.575
Allocations for property risks	(1.892)	(20.082)
Release of provisions for property risks	1.384	-
Other minor write-downs	-	(83)
Total	**(8.954)**	**(22.641)**

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

12.9 Capital gains/losses on non-current assets

This item amounted to €556 thousand (€695 thousand in 2021) and related to the impact of selling real-estate assets.

Capital gains/losses on fixed assets *(thousands of Euros)*	**2022**	**2021**
Capital gains on disposal of tangible assets	492	604
Capital losses on disposal of tangible assets	(289)	(144)
Capital gain/loss ROU IFRS 16	354	235
Total	**557**	**695**

12.10 Net financial income (expense)

The breakdown of this item is as follows:

Net financial income (expenses) *(thousands of Euros)*	**2022**	**2021**
Bank interest income	859	1,149
Other finance income	1,827	23
Finance income	**2,686**	**1,172**
Finance expense on leasing contracts	(21,076)	(21,129)
Finance expense on bonds	(17,842)	(17,793)
Finance expense on acquisition facility	(11,731)	(10,049)
Finance expense on La Villata loans	(2,450)	-
Other finance expenses	(2,091)	(525)
Finance expense	**(55,190)**	**(49,496)**
Total	**(52,504)**	**(48,324)**

The increase in 2022 over 2021 is attributable to the Loan taken out by La Villata and an increase in interest rates on variable-rate debt.

Financial expense on leasing contracts include both interest expense relating to finance lease contracts and those relating to operating leases (accounted for according to the accounting standard IFRS 16).

Finance expenses on Bonds include interest expenses for the period and the amortised cost portion.

Finance expenses on *Acquisition Facility* and *La Villata Loan* 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 finance expenses include the portion relating to the adjustment of the employee severance indemnities (TFR) in application of IAS 19 and other minor items.

Other finance income mainly includes the positive accrual on interest rate swap derivative financial instruments to hedge interest rate variability.

12.11 Income (expenses) from equity investments

The breakdown of this item is as follows:

Income (expenses) from equity investments *(thousands of Euros)*	**2022**	**2021**
Share of income from equity investments	129	85
Expenses from equity investments	(149)	(410)
Total	**(19)**	**(325)**

Income from equity investments mainly relates to selling some shares of insignificant value and receiving dividends.

Expenses from equity investments in 2021 mainly include €309 thousand related to the write-down of the equity investment in Centomilacandele S.c.p.A. in liquidation.

12.12 Taxes

The breakdown of this item is as follows:

Taxes *(thousands of Euros)*	**2022**	**2021**
Current income taxes	(19,471)	(86,384)
Income from tax consolidation	9,111	3,916
Net deferred tax income (Expense)	317	1,982
Deferred taxes "Tax realignment"	(7,465)	72,965
Total	**(17,508)**	**(7,521)**

The impact of deferred taxes from Tax Realignment refers to what has already been commented on in the "Realignment" chapter by Decree-Law No. 104 of 2020.
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:

	2022	**2021**
Applicable ordinary tax rate	28.05%	28.05%
Increases (decreases) compared to ordinary rate:		
- permanent differences	4.96%	2.85%
- different IRAP base	5.07%	0.64%
- Electricity and Gas tax credit	-8.58%	0.00%
Iper/Super amortisation and depreciation	-7.45%	-2.30%
- effect of reduction in taxable A.C.E.	-8.08%	-2.76%
- Income taxes of prior years	0.32%	0.00%
- IRAP deductibility for IRES purposes	-0.79%	-0.41%
- release of realignment diff. Art.110 LD 1048/2020	8.24%	-23.62%
- other changes	-0.20%	0.29%
Actual tax rate	**21.54%**	**2.74%**

The effective tax charge for 2022 was 21.54% (2.74% in 2021), 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 €4,017 thousand and €7,821 thousand (change of 4.96% in 2022 and 2.85% in 2021); they mainly refer to the non-deductibility of IMU (€1,419 thousand in 2022 and €3,234 thousand in 2021) and to withholding taxes related to non-reversed prize competitions (€1,176 thousand in 2022 and €1,637 thousand in 2021);
- the different IRAP base that increased the charge for the years 2022 and 2021 by €4,116 thousand and €1,743 thousand, respectively (change of 5.07% in 2022 and 0.64% in 2021);
- the benefit from the tax credit related to the consumption of Electricity and Gas for €6,970 thousand (change of 8.08%) in 2022;
- the benefit of extra depreciation and amortisation and hyper depreciation and amortisation for €6,055 thousand (7.45% change) in 2022 and €6,314 thousand in 2021 (2.30% change);
- the benefit attributable to the ACE and super ACE (Aid to Economic Growth) relief for €6,567 thousand (change of 8.08%) in 2022 and €7,572 thousand in 2021 (change of 2.76%);
- to the statutory tax realignment related to Article 110 of Decree-Law 104 of 2020, which resulted in a tax charge of 8.24% in 2022 amounting to €6,693 thousand (in 2021 tax benefit of 23.62% amounting to €64,710 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 2022 and 2021 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;
- commercial transactions mainly concerning professional consultancy services carried out by related parties through members of the Board of Directors.

The following tables show the balance sheet amounts arising from transactions with related parties during the years ended 31 December 2022 and 31 December 2021:

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.	Board of Directors	Others	**Total**	**Total item**	**As % of item**
31.12.2022								
Intangible assets	-	-	-	6,000	-	6,000	**178,340**	**3.4%**
Trade receivables	6	-	-	-	-	6	**230,211**	**0.0%**
Current tax receivables	30,998	-	-	-	-	30,998	**34,545**	**89.7%**
Other current financial assets	55	-	-	-	-	55	**21,140**	**0.3%**
Non-current financial liabilities	-	199,310	-	-	-	199,310	**2,041,133**	**9.8%**
Employee severance indemnities (TFR) and other staff-related provisions	-	-	-	76	-	76	**71,310**	**0.1%**
Current financial liabilities	1,053	11,635	-	-	-	12,688	**618,616**	**2.1%**
Trade payables	-	1,108	-	3,000	378	4,486	**1,747,837**	**0.3%**
Other current liabilities	-	-	-	571	-	571	**315,561**	**0.2%**
31.12.2021								
Intangible assets	-	-	-	6,000	-	6,000	**174,745**	**3.4%**
Trade receivables	6	-	-	-	-	6	**240,316**	**0.0%**
Current tax receivables	279	-	-	-	-	279	**30,494**	**0.9%**
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 staff-related provisions	-	-	-	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	**1,524,679**	**0.3%**
Other current liabilities	-	-	-	654	-	654	**258,448**	**0.3%**

The following table shows the income statement amounts arising from transactions with related parties in the years 2022 and 2021:

Economic transactions with related parties *(thousands of Euros)*	Superit S.r.l.	Dom 2000 S.p.A.	Centomila candele S.c.p.a.	Board of Directors	Others	**Total**	**Total item**	**As % of item**
2022								
Other revenues and income	21	-	-	-	-	21	**52,433**	**0.0%**
Costs for services	168	1,108	-	-	1,088	2,364	**1,004,610**	**0.2%**
Personnel costs	-	-	-	6,152	-	6,152	**1,072,759**	**0.6%**
Finance expense	8	6,304	-	-	-	6,312	**55,190**	**11.4%**
2021								
Other revenues and income	10	-	-	-	-	10	**50,473**	**0.0%**
Costs for services	173	1,174	4	-	880	2,232	**931,553**	**0.2%**
Personnel costs	-	-	-	10,545	-	10,545	**1,053,938**	**1.0%**
Finance expense	1	6,366	-	-	-	6,367	**49,496**	**12.9%**

The other revenues and income refer to the provision of administrative services.
Costs for services to Dom 2000 S.p.A. refer to the variable component of rent expense.
The costs for services to other related parties refer to professional consultancy services carried out by the law and tax consulting firm Pirola, Pennuto Zei and Associati as a related party through members of the Board of Directors.
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 2022 and 2021, including allocations and regardless of whether such costs have already been paid.
Finance expense vis à vis DOM 2000 S.p.A. refers to financial expenses recognised in compliance with IFRS 16 on leases.
The Parent Company is not subject to management and coordination.

14. Commitments, guarantees and contingent liabilities

14.1 Capex commitments

Commitments outstanding as at 31 December 2022 for capex amounted to €99,857 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 2022 and 31 December 2021.

14.3 Guarantees given

The guarantees given by the Esselunga Group amounted to €151,007 thousand as at 31 December 2022, of which €140,715 thousand were bank guarantees, €5,221 thousand insurance guarantees and €5,071 thousand to the Treasury for VAT credits as part of the VAT settlement procedure.

14.4.Contingent liabilities and lawsuits

Please note that the contingent liabilities and disputes reported in the Consolidated Financial Statements as at 31 December 2021 have been resolved or reduced to such an extent that they do not require disclosure.

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

During the year ended 31 December 2022, no atypical and/or unusual transactions were carried out which, due to their nature, size, or effect, may affect the Group's assets, liabilities, shareholders' 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 2022 amounted to €114 thousand (€151 thousand in 2021), the change compared to 2021 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 2022 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.	749
		Subsidiaries	140
Non-audit services	PricewaterhouseCoopers S.p.A.	Esselunga S.p.A.	98
		Subsidiaries	-
	PricewaterhouseCoopers Network	Esselunga S.p.A.	386
		Total	**1,373**

19. Significant events after the end of the financial year

No significant events occurred after the end of the period.

The Chairman
of the Board of Directors

(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 31.12.2022

To the sole shareholder
The Consolidated Financial Statements of the Esselunga Group, as notified to us by the Directors, have been drafted in compliance 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 2022 reported a consolidated net profit of Euro 63,754,000; 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 2022.

- 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 sole shareholder expressly waived the deadline given in the first paragraph of Article 2429 of the Italian Civil Code for filing the Report of the Board of Statutory Auditors, as the shareholders' meeting called to vote on the financial statements was convened for 19 April 2023.

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

- on 13 April 2023, 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 2022 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 2022;
- on 13 April 2023, 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 2022, 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.
- Regarding the Consolidated Non-Financial Statement, the Board of Auditors confirms that it has monitored compliance with the relevant legal provisions and the adequacy of the organisational, administrative and reporting and control system established by the Company to enable the correct and complete representation in the Consolidated Non-Financial Statement of the disclosures required by the specific regulations.

Milan, 13 April 2023

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 2022, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in shareholders' equity, the consolidated cash flows statement 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 2022, 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 judgement, 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*
Commercial arrangements with suppliers *Note 12.2 Costs for goods and raw materials* The Group signs commercial agreements with suppliers that include discounts and contributions for promotional activities. In accordance with International Financial Reporting Standards (IFRS), such contributions and discounts are recognized as a reduction in the purchase cost of goods under "Cost of goods and raw materials" when the conditions for accrual, defined in the commercial agreements signed with individual suppliers, are met. The recognition varies according to the type of trade agreement: • discounts are mainly determined as a percentage of the amount purchased from the supplier; • promotional contributions may vary depending on the nature and timing of the promotional services. The recognition is based on a fixed or variable amount of the amount purchased from the supplier. As part of the audit of the consolidated financial statements for the year ended 31 December 2022, the areas affected by the accounting of such contributions and discounts have been considered a key audit matter in the audit process, with reference to the accuracy and existence of the transactions, considering the significance on the Group's results and the number and complexity of the agreements signed with suppliers.	We have understood and evaluated the internal control process underlying the management of commercial arrangements. We carried out procedures to verify the actual existence and effectiveness of the controls we considered relevant, to verify: • the existence of commercial agreements and/or written communications with suppliers and related internal evidences; • the entry and changes of contractual conditions in the information system application used by the Group to calculate commercial contributions accrued as of the balance sheet date; • the correspondence of the figures recorded in general accounting with the data resulting in the information system application; • the existence of documentation supporting the promotional, marketing and advertising activities carried out in the relevant period; • the correspondence of the amount purchased, as the basis for calculating discounts and promotional contributions, by matching the data sent by suppliers. In addition, audit procedures in response to the key audit matter included: • performing analytical procedures to understand fluctuations in discounts and promotional contributions; • for a sample of suppliers, obtaining and reviewing signed commercial agreements and conducting meetings with purchasing managers to obtain an appropriate understanding of contract terms; • the verification of the accuracy of accrued discounts as well as promotional

Key Audit Matters	*Auditing procedures performed in response to key audit matters*
	contribution amounts by recalculating the amounts and reviewing relevant supporting documentation; • examination of the existence and accuracy of the accrual recorded by the Group by obtaining, for a sample of suppliers, debit notes issued and credit notes received subsequent to year-end. Finally, we verified the appropriateness and completeness of the disclosures in the notes to the financial statements.

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.

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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, actions taken to eliminate the related risks, or safeguards applied.

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.

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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

The directors of Esselunga SpA are responsible for preparing a report on operations of the Esselunga Group as of 31 December 2022, including its 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 with the consolidated financial statements of the Esselunga Group as of 31 December 2022 and on its compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations is consistent with the consolidated financial statements of Esselunga Group as of 31 December 2022 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, 13 April 2023

PricewaterhouseCoopers SpA

Signed by

Stefano Pavesi
(Partner)

This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

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
Francesco Moncada	Director
Alessandra Cozzani	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]

PricewaterhouseCoopers S.p.A.

Supervisory Body[5]

Augusta Iannini	Chairman
PierMario Barzaghi	Member
Alberto Gaudio	Member

(1) **Honorary Chairman and Board of Directors** appointed on 27 April 2022
(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 Body** appointed on 21 May 2019