

**Dansk
Supermarked
Group**

CSR REPORT

2017



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IMPROVING EVERYDAY LIFE

Eleven million customers visiting our stores every week indicate that we are an impactful retailer, particularly in Denmark. We recognise the responsibility that is embedded in our position, and in 2017 we took further steps to increase our social footprint. In addition, some of the fundamentals related to our history, identity and culture were anchored further to encourage a more value-driven organisation with a strong social engagement.

NEW SHARED VALUES WILL GUIDE OUR BEHAVIOUR

One important activity in 2017 was the introduction of corporate values. For the first time ever, we have a common set of values across all formats and functions in the entire Dansk Supermarked Group. Five values – Integrity, Passionate, Agile, Competitive and Efficient – have been identified as already existing behaviours that we want to enforce by formalising them as our corporate values.

Our new values replace all earlier values in all formats and functions and will serve as a common language for what is expected from us as individuals and as teams. On a daily basis, we will use the values in our discussions about behaviour, priorities and ways of working. We believe our values will help us remain a successful and trusted retailer in the future.

A NEW SHARED PURPOSE WILL GUIDE OUR DECISIONS

With the values in place, we have also introduced a purpose that will unite and drive us across the group. The purpose 'Improving Everyday Life' expresses the role we want to play in people's lives regardless of whether they are customers, colleagues, neighbours or partners. We have identified three overall areas that we will focus on: Sustainability, Customer Value and Opportunities. In this report, we have described more specific activities within these areas. Regarding our customers, we work with a variety of activities that we believe will improve their everyday lives. One of these is making responsible choices simple and affordable. We believe that the majority of our customers would like to increase their share of responsible shopping, and our contribution to this development is to encourage customers with affordable prices, step-by-step solutions, label transparency and visibility in our stores.

Our purpose, however, reaches beyond what we offer our customers. We also take part in everyday life in local communities and actively contribute to solving some of the challenges here. A significant contribution is creating opportunities for people who find it difficult for various reasons to gain a foothold in the job market. We have several structures and programmes which help them to gain employment, an education or useful job experience, and, in all formats, colleagues make a daily effort to support these people in taking the next step forward in their work life.



Integrity

We build trust by acting with decency, responsibility and honesty.



Passionate

We are driven by the desire to improve everyday life for our customers, our colleagues and our communities.



Agile

We embrace change, adapt quickly to new demands and never stop learning.



Competitive

We aim to win in all areas of the business, seize opportunities and resiliently overcome challenges together.



Efficient

We seek simplicity and aspire to create productive and cost-effective ways of working.

We see our focus areas as our purpose drivers, which are all related to parts of one or more of the 17 global Sustainable Development Goals that we have committed ourselves to help achieve.

PURPOSE DRIVER	SCOPE	SUSTAINABLE DEVELOPMENT GOALS
Sustainability	Full value chain	6 CLEAN WATER AND SANITATION, 7 AFFORDABLE ENERGY, 8 GOOD JOBS AND ECONOMIC GROWTH, 11 SUSTAINABLE CITIES AND COMMUNITIES, 12 RESPONSIBLE CONSUMPTION, 14 LIFE BELOW WATER, 15 LIFE ON LAND
Customer Value	Our customers	3 GOOD HEALTH, 12 RESPONSIBLE CONSUMPTION, 14 LIFE BELOW WATER, 15 LIFE ON LAND
Opportunities	Our employees	4 QUALITY EDUCATION, 5 GENDER EQUALITY, 10 REDUCED INEQUALITIES

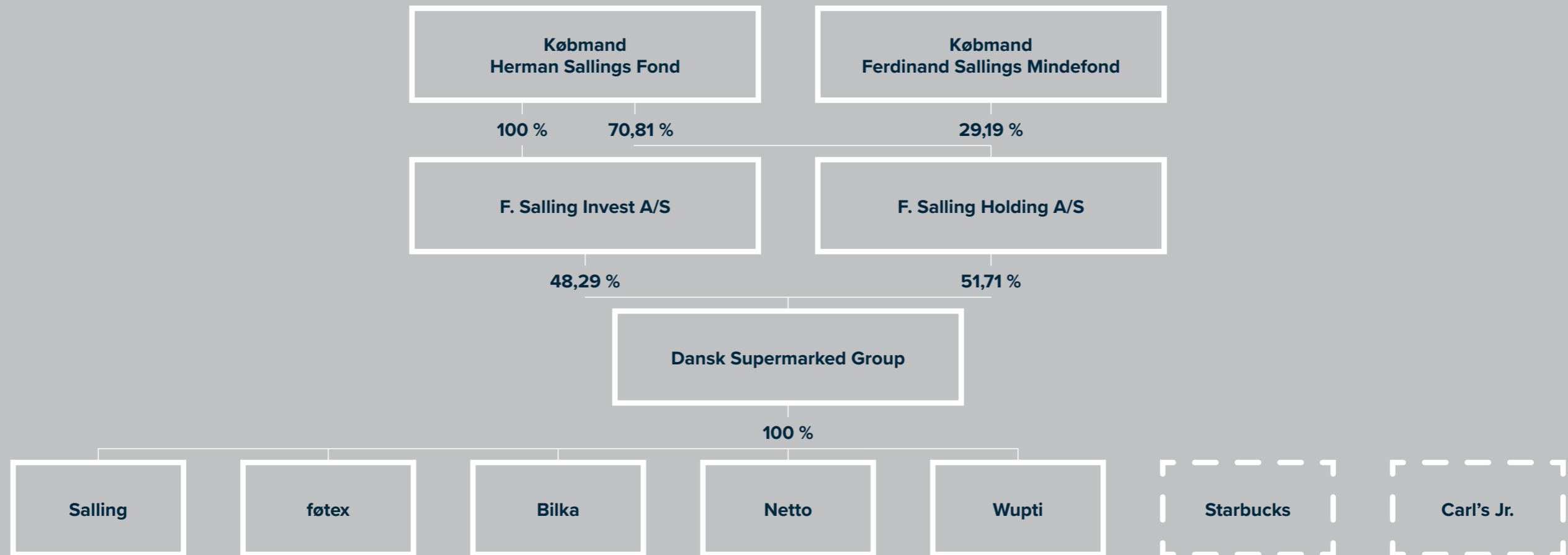
100 % FOUNDATION OWNERSHIP GIVES US A STRONG PLATFORM

A significant fundament of our corporation was changed in November. Dansk Supermarked Group became fully owned by the Salling Foundations as they acquired the remaining 19 % of the shares from A. P. Moeller – Maersk. This brought 53 years of partnership to an end. The Group is once again 100 % under the wings of the Salling name.

The Salling Foundations were established by our founder, the entrepreneurial and visionary retailer Herman Salling,

and have two purposes: to ensure that Dansk Supermarked Group develops to meet our customers' needs – and to contribute to society through donations of the profits earned in the retail group. Since 2012, the foundations have donated more than DKK 850 million to projects within culture, sports and charity.

The foundation ownership is very much in line with our purpose and is a strong platform for us to stand on as we further develop our social responsibility for the future.



(Salling.dk, Bilka.dk, føtex.dk, føtexdagligvarer.dk and Salling.dk are covered by their respective formats. Starbucks and Carl's Jr. are franchises and not in scope for the reporting).

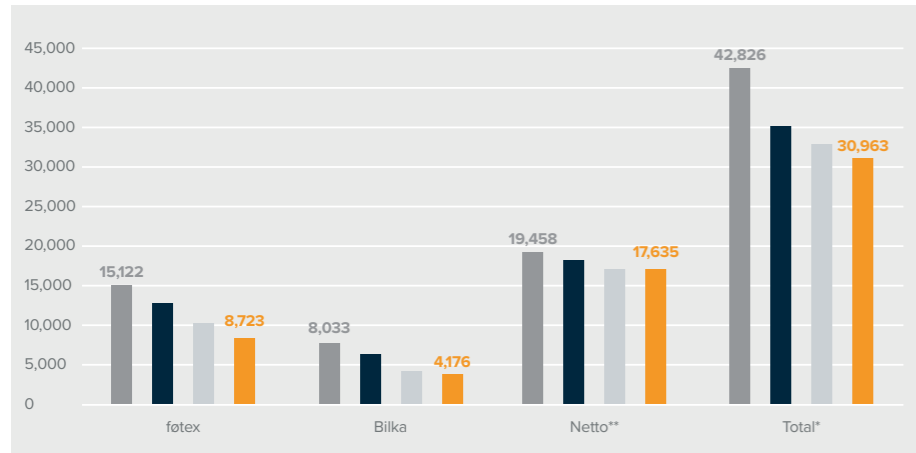
OUR FOCUS AREAS

SUSTAINABILITY

MINIMISING OUR FOOD WASTE, MATERIAL WASTE AND ENERGY

Running a financially sustainable and resilient business has always been our number one priority. We believe that a financially sustainable business goes hand in hand with a sustainable approach to our activities. As Denmark's largest retailer, we continuously strive to create more sustainable and climate friendly solutions and initiatives. Within this area, we have particularly focused on the fight against food waste, material waste and energy consumption.

Food waste in formats and total



*Incl. Salling and warehouses
** More stores account for 514 tonnes

In 2017 we were the first retailer to publish our 2016 figures for food waste in Denmark. In line with the UN Sustainable Development Goal 12.3 – ensuring sustainable consumption and production patterns – we have set a target to reduce our food waste by 50 percent by 2030, using 2014 as a baseline. For us this equals a reduction of food waste

from 42,826 to 21,413 tonnes a year. In 2017 we reduced our food waste by 2,401 tonnes or 7.2 percent in absolute numbers, compared to 2016, which means that we are actually ahead of our calculated reduction forecast despite growth in the number of stores.

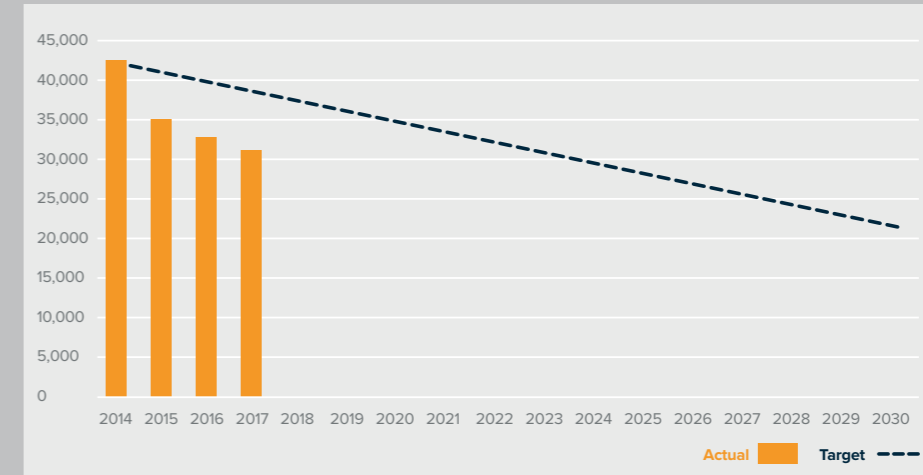
Looking at material waste in general, we have previously set an optimistic target of recycling 90 percent of our total amount of our yearly tonnes of waste before the end of 2018. By investing in new technologies and co-operating with leading innovative waste management companies, in 2017 we hit a recycling rate of 75 percent, and

in the long term we aim for a rate of 100 percent. With a recycling rate of slightly more than 90 percent, Netto Denmark is a frontrunner in this area, and we have strengthened our attention on føtex, Bilka and Salling, where sorting is more complex due to more product categories and waste fractions.

In recent years we have increased our focus on energy consumption

in our stores significantly. In 2017 we launched a behavioural change campaign where we appointed more than 100 Energy Ambassadors in our føtex stores and Bilka hypermarkets. Our target was to reduce our consumption of electricity by 3 percent by the end of 2017 equal to 622 MWh/month. We managed a 12.6 percent reduction.

Food waste development



CUSTOMER VALUE

INCREASED FOCUS ON ANIMAL WELFARE

We want to improve everyday life and create value for our customers by making responsible shopping affordable for everyone.

We work widely on providing our customers with the possibility of shopping more responsibly within many categories – and in 2017 we have especially focused on increasing our assortment of products labelled with animal welfare. This development took off in 2016 when we entered a five-year partnership with the Danish Animal Welfare Society to increase our sale of products with the highest level of animal welfare by DKK 500 million by 2020.

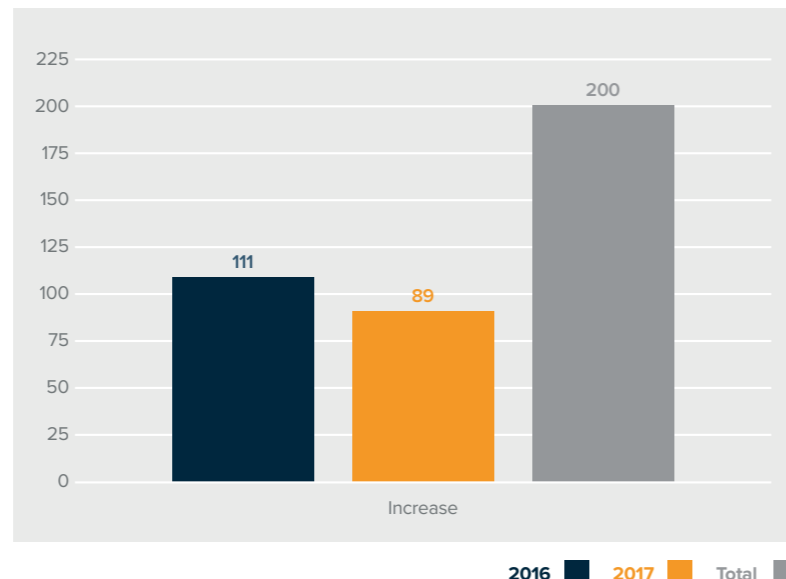
To support this target, we have actively participated in the development of The National Danish Animal Welfare Label.

The label grades animal welfare on three levels – one, two or three hearts. This approach makes animal welfare affordable for even more customers – a market-driven approach that is perfectly in line with our philosophy and commitment.

In May 2017 the label started off by covering pork, and by the end of 2017 we could see that our sales of conventional pork had declined while sales of pork products marked with the National Danish Animal Welfare Label or the Danish Animal Welfare Society Label had increased. This indicates that animal welfare labelling is actually moving customers' purchasing patterns in a direction towards increased animal welfare.

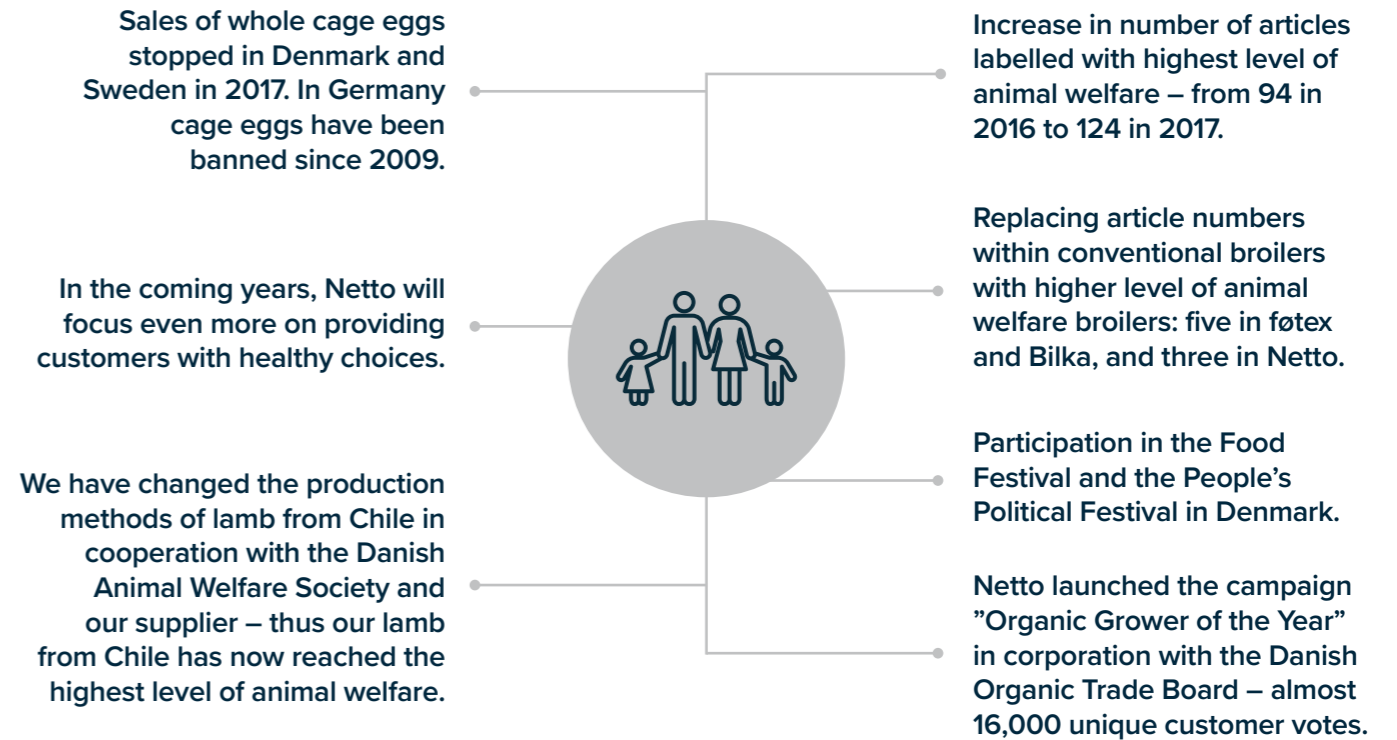
We strongly welcome that the work to develop the national label in more product categories will happen as quickly as possible.

Animal welfare sales increase



Cage eggs sales stop	Denmark	Germany	Sweden	Poland
Whole eggs	✓	✓	✓	By end 2025
Cage eggs as an ingredient in private label products	By end 2019	✓*	By end 2019	By end 2025

*Internationally sourced products will follow strategy as in Denmark.



OPPORTUNITIES

EVERYONE DESERVES A CHANCE

As one of the largest employers in Denmark – and also a steadily growing retailer and employer in Germany, Poland and Sweden – we have a natural interest in creating a recruitment base that is as broad as possible.

Combined with the fact that we offer job positions within all levels and across a very wide range of disciplines, we have built a strong reputation through the years as one of the leading employers when it comes to giving everyone a chance and providing each individual with opportunities to grow their competencies.

The philosophy behind this also applies when we cooperate with municipalities and job service centres in helping citizens with special needs by clarifying their ability to take up a job – regardless if it is in one of our stores or in another company.

This also applies when we educate more than 500 trainees a year on Bøgehøj, our own training facility in the city of Grenaa. Here we continually offer our colleagues throughout the organisation the best possible opportunities to develop their talents further through our widely respected training. This training covers a wide range of courses from trainee and graduate to leadership and management programmes.

Over the coming years, we will seek to enhance our contribution to the debate on the challenges our society is facing in creating opportunities for the unfortunately large number of citizens on the fringes of the job market.

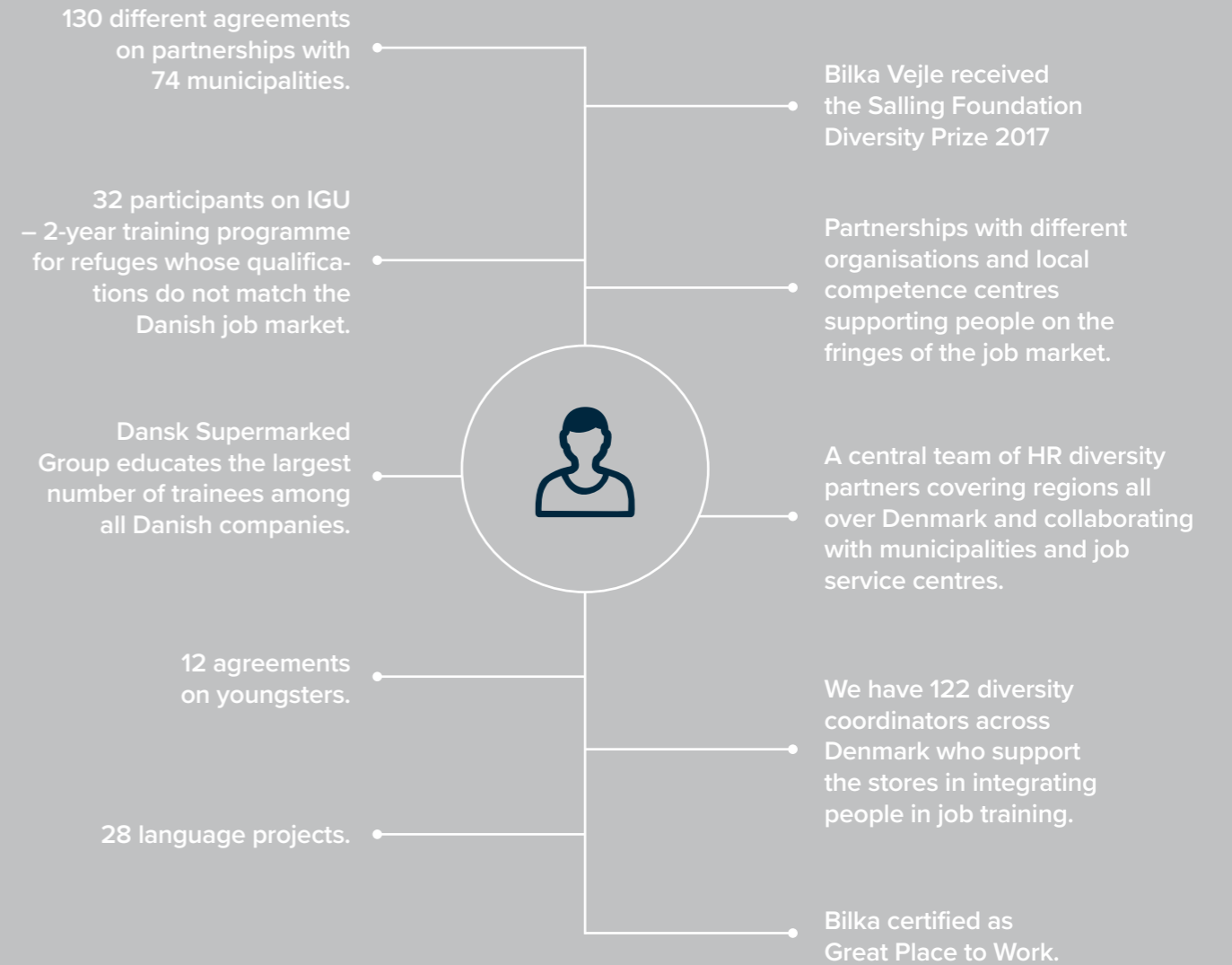
GENDER EQUALITY

Gender equality is an untapped leadership opportunity and we are definitely challenged in complying with our targets, so we need to enhance our work within this area.

With more female than male promotions at management level – 56 percent, we are on track, but our gender balance is insufficient at senior management level. By the end of 2017, the percentage of women at management level was 58, but this drops to 25 percent when it comes to senior management level and continues to decrease to 14 percent when it comes to positions on or above directorship level.

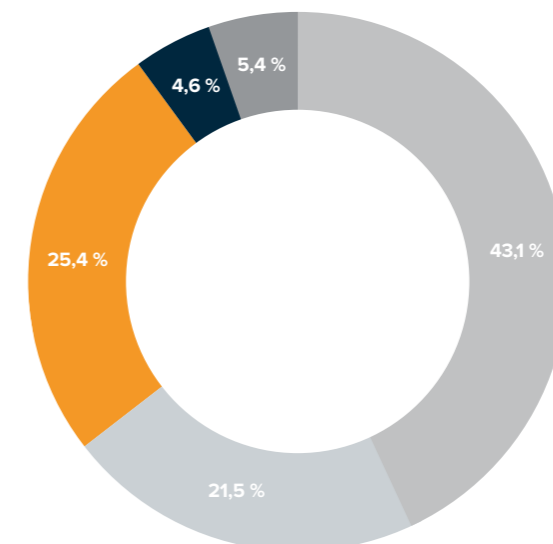
It is our ambition to increase the level of women at top management level. We have therefore decided to initiate new and different programmes designed to strengthen career planning and create visible and clear career paths for female talents.

At board level, our target was to have the underrepresented gender reach 40 percent by 2017. We ended up staying at last years level of 17 percent as there were neither elections nor appointments to the board in 2017. We will sustain the target of 40 percent – now by 2020.



INTERNSHIP / WORK EXPERIENCE %

- Job training (job no aim)
- Job entry (job aim)
- Language training
- Prior to flex/light job
- School





Salling Rooftop in Aarhus.

OUR BUSINESS

OUR OWNERS – THE SALLING FOUNDATIONS

The Salling Foundations consist of two independent foundations:

1. Købmand Herman Sallings Fond and
2. Købmand Ferdinand Sallings Mindefond

In 2017 the foundations bought back the remaining shares from A.P. Moeller – Maersk and are now 100 % owners of Dansk Supermarked Group. Their objectives, apart from being owners, are to support employees and different charitable purposes. From 2012 until the end of 2017, the foundations donated more than DKK 850 million.

Throughout the years, the foundations have contributed to a long series of local initiatives and projects for the benefit of people in various parts of Denmark. At the same time, they have made a series of donations for cultural, church, sports, educational and charity organisations, amongst others.

In 2017 the foundations decided to hand out a number of donations for charitable purposes – some of the largest were:

- Team Denmark; support for elite Danish sports towards the Olympic Games in 2020.
- Renovation of the main stage at Aarhus Theatre.
- Realisation of the “Cirk(h)uset” in the Aarhus municipality as part of a Sports and Culture Campus; an innovative movement house in the “Gellerupparken”.
- The Foundation of “Lyseng Sports Club”; addition to the existing facilities.
- Establishment of “Salling Rooftop”; a new urban space and culture platform on top of Aarhus for the benefit of all citizens and guests.

KØBMAND HERMAN SALLINGS FOND

Købmand Herman Sallings Fond is the largest of the two foundations and has donated larger amounts to cultural life over the years.

KØBMAND FERDINAND SALLINGS MINDEFOND

Half of the funds in Købmand Ferdinand Sallings Mindefond is given out as special bonuses to employees according to the deeds of the foundations, and the other half is given out on the basis of grant applications for common good and common charity purposes.

OUR FINANCIAL FOOTPRINT

At Dansk Supermarked Group, we wish to be transparent about our tax contribution in the countries where we operate. Last year we reported on 2015 figures since 2016 figures were not available for all formats in all countries at the time of reporting. This year we will report on 2016 figures.

We have operating companies in Denmark, Germany, Poland and Sweden, but the largest activity occurs in Denmark.

We do not operate companies in low tax jurisdictions and we do not utilise special tax optimisation models designed for the purpose of tax avoidance.

According to the published corporate tax record for 2016, F. Salling Holding A/S, which is the administration unit for Dansk Supermarked Group, is the 30th largest corporate income tax payer in Denmark with a total corporate tax payment of DKK 203 million. F. Salling Holding A/S is responsible for paying all corporate tax to the authorities on behalf of the Danish companies in the Group.

In 2016 the total tax contribution¹ from our company amounted to DKK 7,319 million, compared to DKK 7,219 million in 2015. This includes both taxes paid indirectly by our company (taxes

collected), such as VAT, employee income tax etc., and taxes paid directly (taxes borne), such as corporate income tax, property taxes etc.

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

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

Collected excise duties in Denmark (e.g. on chocolate, alcohol etc.) are only included for imported goods as excise

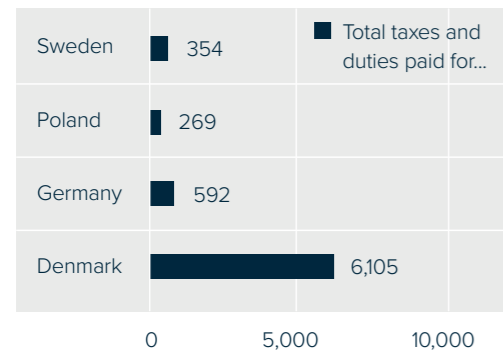
duties on locally produced products are paid to the authorities by the manufacturing companies.

Taxes and duties borne consist of corporate tax, energy tax, environmental tax and property tax.

The largest amount of taxes and duties borne relates to corporate income tax (43%). The Danish companies in the Group paid a total corporate tax payment of DKK 203 million. Additionally, DKK 67 million company tax was paid abroad.

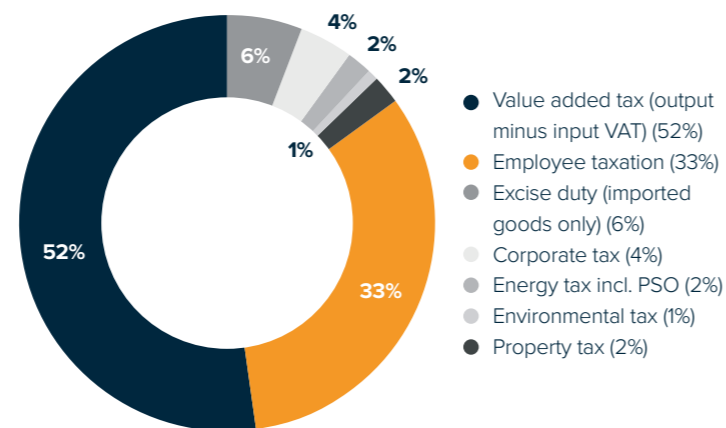
Total tax contribution – divided by countries

Total DKK 7,319 million



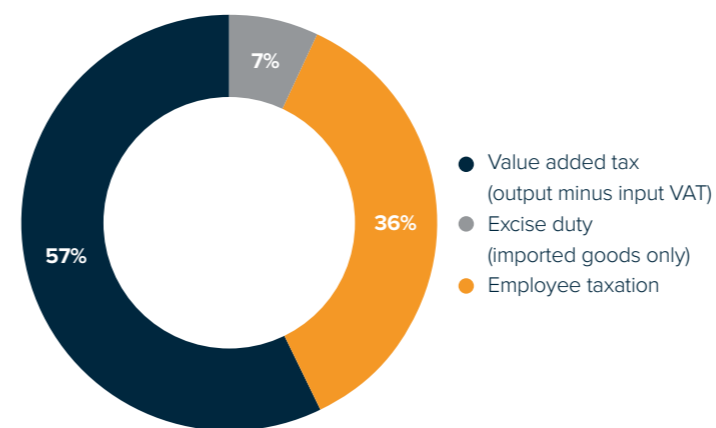
Total tax contribution – divided into categories

Total DKK 7,319 million



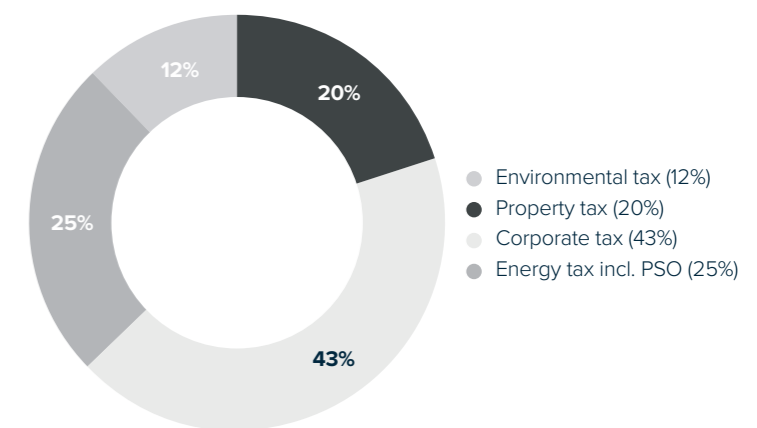
Taxes and duties collected

Total DKK 6,685 million



Taxes and duties borne

Total DKK 634 million



¹ The presentation is made in accordance with the standardised Total Tax Contribution methodology. Our Tax Policy can be found at dansksupermarked.com.

OUR DUE DILIGENCE IN PROCUREMENT

We source products from all parts of the world and we acknowledge that we cannot solve all global issues alone, but we strive to make a positive impact through various initiatives.

We have been a member of the amfori Business Social Compliance Initiative (amfori BSCI) since October 2006. amfori BSCI works to strengthen social responsibility and to protect human rights in high-risk countries. We are committed to sourcing by the amfori BSCI principles, and the amfori BSCI Code of Conduct serves as our code of conduct as well as being part of our trade term agreements.

To help prevent the violation of human rights, proper due diligence systems must be in place, and we have invested considerably in further enhancing our methodology for responsible supplier surveillance. As a consequence, we have made a new two-step strategy.

RESPONSIBLE PROCUREMENT SYSTEM

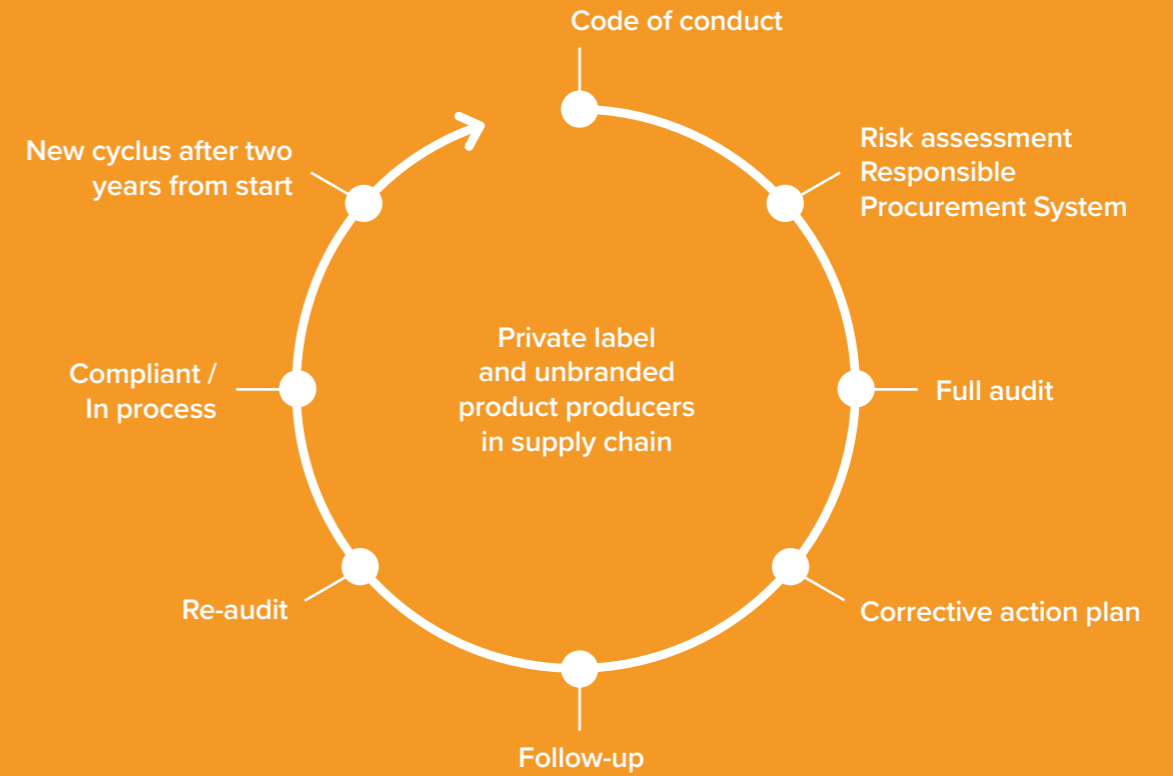
In the first step of our strategy, which was initiated in 2017, we had a customised digital platform developed – Responsible Procurement System – upon which documentation and certificates from, among others, our suppliers of private label and unbranded products from high-risk countries are uploaded.

The platform is fully integrated with the amfori BSCI database, which allows supplier information from the amfori BSCI database to be automatically synchronised with data on our platform, thus providing us with the most up-to-date and accurate risk assessment across all our high-risk suppliers, regardless of products and sourcing destination. This transparency allows Dansk Supermarked Group to utilise risk mitigation tools to a much larger extent than prior to the implementation of our new platform.

By the end of 2017, almost 83 % of suppliers in our target group were activated, and we expect to on-board the remainder of the pool to our digital platform in 2018.

SAMPLING

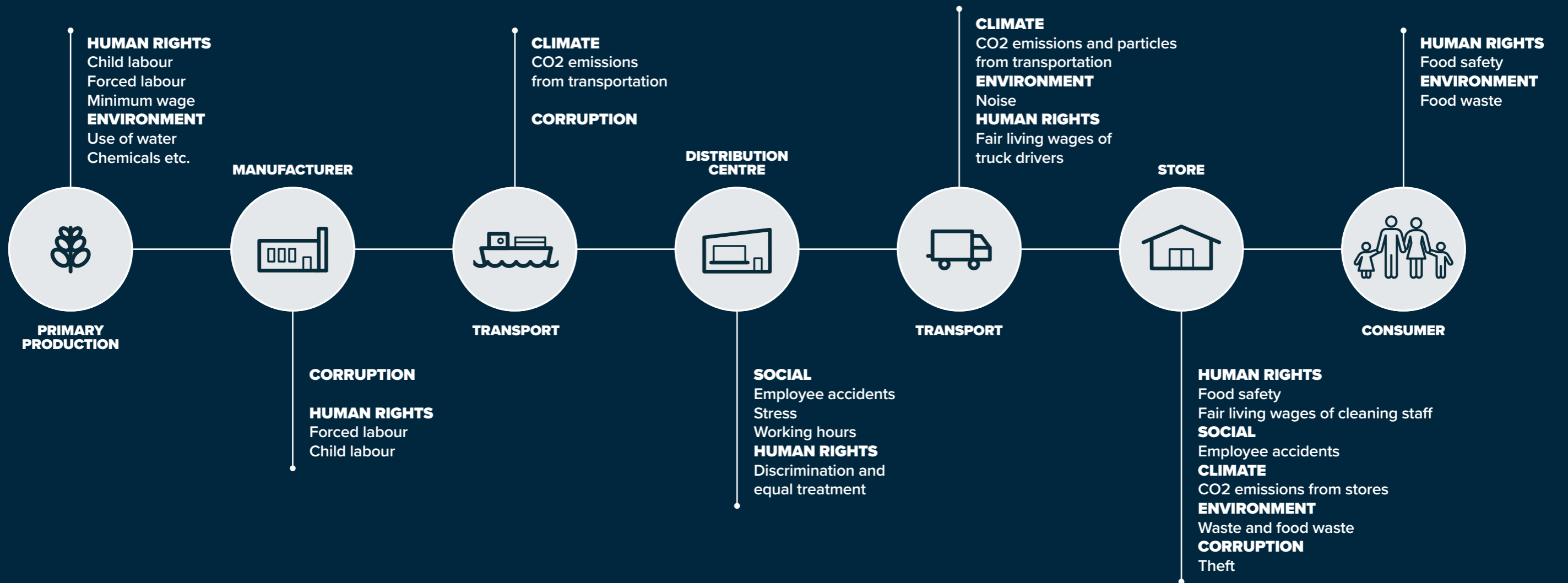
In the next step, we will make sample verifications – i.e., take out information and documentation that has been uploaded by our suppliers – and scrutinise these with regard to traceability, validity and proper information on production sites. This step will be initiated during 2018.



Suppliers uploaded	1346
Completed profiles	837
compliant	746
in process	88
no go/suspended	3

OUR RISKS

As illustrated below we acknowledge the existence of several risks in our supply chain, where we might have a negative impact. In order to mitigate those risks, we seek to have due diligence processes in place, however focusing primarily on the supply chain of our private label and unbranded products, since this is where we have the largest influence.



WHEN ASSESSING OUR RISKS, WE FOCUS ON FIVE MAIN AREAS, WHICH ARE:

- (1) Human rights
- (2) Social and employee conditions
- (3) Anticorruption and bribery
- (4) Climate
- (5) Environmental impact

Based on a materiality risk assessment conducted in 2017 in cooperation with external partner Ernst & Young, we have identified the risks within the five main areas where we, as a retail company, are most likely to have a potentially negative impact.

HUMAN RIGHTS

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

ISSUE	RISK	ACTIONS IN 2017
Food safety	Risk of wrong storing of food. Food safety considerations include the origins of food, including observance of the practices relating to food labelling, food hygiene, food additives and pesticide residues in order to avoid potential consumer poisoning. Foreign objects (e.g., glass) also form a risk that constitutes a danger for consumers. Poor food safety can potentially affect a lot of people, and in some cases food poisoning can have fatal consequences (e.g., listeria and salmonella).	Third party and own control of food hygiene, handling, preparation and storage in our stores and distribution centres.
Child labour, forced labour, minimum wages and conflict minerals	The nature of our supply chain comprises risks in some of the countries we source from, especially in agricultural, apparel, electronic and jewellery industries, where child labour, forced labour and wages below minimum according to local legislation might occur.	amfori BSCI Code of Conduct and third-party audits, including interviews with workers. Mandatory responsible procurement courses.

SOCIAL AND EMPLOYEE CONDITIONS

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

ISSUE	RISK	ACTIONS IN 2017
Employee accidents	There is a risk, in both warehouses and stores, of sudden accidents because of physical handling of boxes, slippery floors, use of forklifts, knives or other machinery and tools.	Regular analyses and monitoring of lost time incidents from top level down to department level in each store and warehouse. Focus areas are typically lifting, slip/trip and robbery.
Stress	Risk that employees are diagnosed with stress. Stress can affect the health of staff, reduce productivity and lead to performance issues or employees taking time off or being on sick leave.	We seek to match pressure and demands to our employees' knowledge and abilities.
Physical attrition	Risk of physical attrition due to heavy lifts and moving, or too much sedentary work, that may lead to poor quality of life, more frequent sick leave and higher employee turnover.	Where possible we try to support job rotation, and sedentary employees are offered sit-stand desks.

ANTI-CORRUPTION AND BRIBERY

We strive to maintain a fair and transparent business culture.

ISSUE	RISK	ACTIONS IN 2017
Facilitation payments, corruption and bribery	Risk of facilitation payments, corruption and bribery in our supply chain, which is a barrier for economic and social development, particularly in developing countries, and is often synonymous with increased costs.	amfori BSCI Code of Conduct and Anti-Corruption Policy.
Corruption and bribery in Dansk Supermarked Group	Risk of corruption, e.g., related to accounting fraud, bribery related to obtaining building permissions or receipt of money or values for placing an order.	Business Principles, Anti-Corruption Policy, well established internal controls, responsible procurement courses and update of whistle blower set-up.

CLIMATE

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

ISSUE	RISK	ACTIONS IN 2017
CO2 emissions from transport	Risk of high release of CO2 emissions from transportation of goods to our distribution centres and further transportation from distribution centres to stores.	We seek to control costs and take into account the impact on sustainability initiatives in our choice of transport mode and by managing more and more of the inbound transportation ourselves. For the outbound transport, we do not have our own trucks as we use the services of hauliers with whom we seek to reduce CO2 emissions, among others, by optimising truck loads, logistics and driving routines.

ENVIRONMENTAL IMPACT

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



First hybrid truck to transport Netto articles. The text says: 87 % less CO2 emission.

ISSUE	RISK	ACTIONS IN 2017
Water usage	Risk of excessive water usage in the production of the goods we sell. Everything we use, wear, buy, sell and eat takes water to produce, and extensive water usage in areas with scarce water resources has a considerable impact on the environment and local inhabitants.	We have begun mapping our direct business water footprint in order to see where and how we can contribute to minimising water usage. The next step will be to map water usage in the supply chain.
Deforestation	Risk that products we sell may have contributed to deforestation, and as a consequence the loss of biodiversity and the enhancement of the greenhouse effect, because of their content of palm oil or soy, for example.	We demand from our private label suppliers that any content of palm oil has to be RSPO ² mass balance certified as a minimum. The status is reported once a year. By end 2018, the requirement will be raised to segregated for food products. We do not yet have a soy policy, but we are participating in a soy working group under DIEH (the Danish Initiative for Ethical Trading).

² Round Table on Sustainable Palm Oil

OUR PERFORMANCE

ENGAGING WITH OUR STAKEHOLDERS

With 53,000 employees and 11 million customers visiting our stores every week, we play a significant role in society. This great impact calls for extraordinary responsibility in the way we conduct our business. Engaging with important stakeholders and partners is crucial to succeed in order to deliver on our responsibility goals – because cooperation is key in reaching goals within common agendas.

To deliver efficiently on our strategy, our management of stakeholder relations is based on a materiality factor, taking into consideration our impact on important themes and developments – and vice versa.

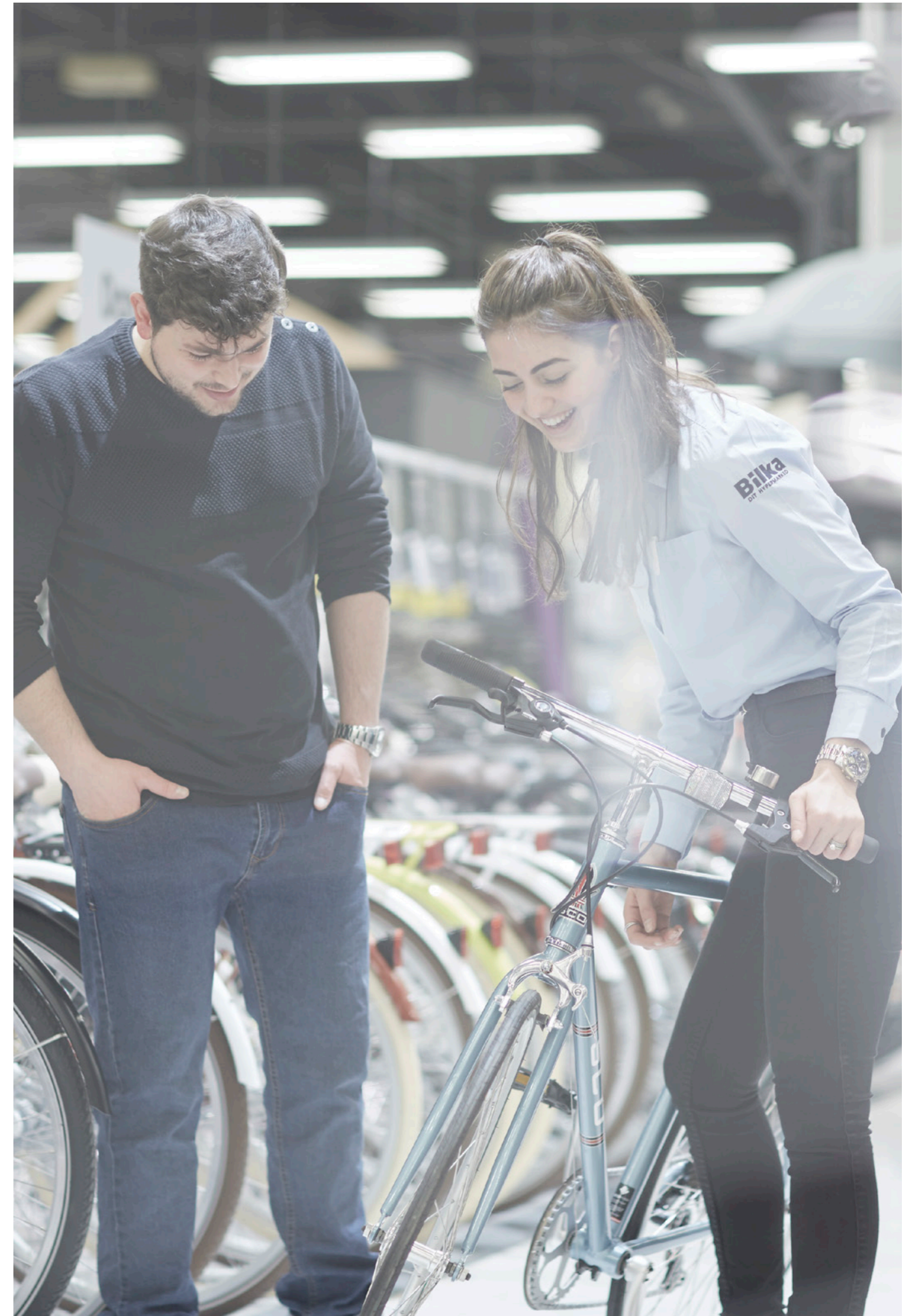
KEY STAKEHOLDERS	FORM OF DIALOGUE	HOT TOPICS
Customers	Social media Surveys Customer support centre Mail boxes in stores The Food Festival – Aarhus	Customer satisfaction Selection of products Food quality Diversity Responsibility
Employees	Employee representatives at board meetings One-to-one meetings Team meetings Satisfaction surveys	Employee satisfaction Employee benefits Career development Labour conditions Employee accidents
Owners	Ongoing dialogue Board Meetings	CSR strategy CSR initiatives
Regulators (national politicians)	Governmental working groups Roundtable discussions	Taxes and duties on certain products Food labelling
Ministry of Environment and Food	Control inspections	Hygiene, food safety Food certifications Smiley agreement

KEY STAKEHOLDERS	FORM OF DIALOGUE	HOT TOPICS
Municipalities	Ongoing dialogue	Noise Waste management Opening of new stores Diversity
NGOs (WWF, The Danish Society for Nature Conservation, DanChurchAid, Fair Trade, The Danish Animal Welfare Society, The Danish Organic Trade Board, FSC Denmark, Børns Vilkår, MSF etc.)	One-to-one meetings Ongoing dialogue Partnerships	Sustainable sourcing Animal welfare Food waste Environment Food safety Requests for donation Fundraising
Trade and other organisations (The Danish Chamber of Commerce, The Danish Agriculture & Food Council, Danish Ethical Trading Initiative etc.)	One-to-one meetings Ongoing dialogue CSR networking groups	Sustainable sourcing Labelling
Media	One-to-one meetings Ongoing dialogue	Product safety Animal welfare Ethical sourcing Competition and prices Ethical products
Suppliers	One-to-one meetings Producer audits Supplier satisfaction survey	CSR requirements Code of Conduct CSR labelled products
Competitors	Roundtable discussions, e.g., organised by public authorities	Labelling Animal welfare Palm oil Soy
Trade unions (HK, 3F etc.)	One-to-one meetings Ongoing dialogue	Labour conditions Employee safety and security

KEY PERFORMANCE INDICATORS

KEY PERFORMANCE INDICATORS	2014	2015	2016	2017
CSR as perceived by employees	●	●	●	●
Diversity (directors +)	●	●	●	●
Diversity (board level)	●	●	●	●
Employee engagement	●	●	●	●
People in job training			●	●
Employees trained in CSR ***		●	●	
Employee safety (LTIF and LTI)	●	●	●	●
Employee sick leave		●	●	●
Employee turnover		●	●	●
Food safety	●	●	●	●
Inbound transport – m3/transport mode			●	●
Outbound transport – CO2/pallet			●	●
Energy – MWh/m2	●	●	●	●
Water – m3/m2*				●
Waste recycling	●	●	●	●
Food waste			●	●
Buyers trained in responsible procurement	●	●	●	●
Employees trained in responsible products		●	●	●
Number of organic and Fairtrade products**	●	●		
Revenue from responsible products			●	●
Supplier risk screening*				●
Supplier satisfaction			●	●

*New **No longer relevant to our strategy ***E-learning module under replacement



INDEPENDENT PRACTITIONERS LIMITED ASSURANCE

TO THE STAKEHOLDERS OF DANSK SUPERMARKED GROUP

As agreed, we have examined Dansk Supermarked Group's CSR Report 2017 (the CSR Report) for the period 1st January 2017 to 31st December 2017. We are to conclude on whether the CSR report has been prepared in accordance with the reporting approach and criteria described on pages 34-39. The degree of assurance expressed in the conclusion is limited.

MANAGEMENT'S RESPONSIBILITY

Dansk Supermarked Group's Management is responsible for the preparation of the CSR Report in accordance with the reporting approach and criteria described on pages 34-39. Dansk Supermarked Group's Management is also responsible for such internal control as the Management considers necessary to enable the preparation of the CSR Report free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

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

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

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

PROCEDURES

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

- Interviews of relevant company professionals responsible for CSR strategy, management and reporting located at Dansk Supermarked Group's headquarters in Aarhus, Netto's headquarters in Køge, Denmark, and Netto International offices in Sweden, Poland and Germany.
- Assessment of whether data have been collected, assessed and quality-reviewed as prescribed in Dansk Supermarked Group's manual for data collection.
- Analytical reviews, including trend analyses, of data supplied by Dansk Supermarked Group.

- Evaluation of the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management.
- Test of a sample of documentation to determine whether the information in the CSR report is supported by sufficient evidence.

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

LIMITED ASSURANCE CONCLUSION

Based on the procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that Dansk Supermarked Group's CSR Report for the year ended 31 December 2017 has not been prepared, in all material respects, in accordance with the reporting approach and criteria described on pages 34-39.

Aarhus, 14th of March 2018
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR-no. 30 70 02 28


Morten Friis
Partner, State Authorised
Public Accountant


Carina Ohm
Executive Director

MANAGEMENT STATEMENT

The management of Dansk Supermarked Group has gone through and endorsed its CSR report for the period January 1st – December 31st 2017.

The 2017 CSR report has been completed in accordance with the principles stated in the reporting approach described on pages 34-39.

To the best of our knowledge, we confirm that

- the accounting principles are appropriate
- the CSR report provides an accurate picture of the Group's impact on society

- the information given in the CSR report has been made up according to the established accounting policies.

Aarhus, 14th of March 2018
DANSK SUPERMARKED GROUP
CVR-no. 35 95 47 16


Per Bank
President & CEO

REPORTING APPROACH

SCOPE OF THE CSR REPORT

The CSR report covers the relevant and significant social, ethical and environmental issues for the financial year January 1st – December 31st 2017. We have received recommendations on our CSR activities and reporting from our assurance provider Ernst & Young.

BOUNDARY SETTING

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

ENERGY DATA

Both majority-owned and controlled entities opened and closed during the financial year are included in the reporting. If a store opens during a reporting period and the opening date is after reporting start date, then the store will be reported with an annual zero consumption. If a store opens during a reporting period and the opening date is before reporting start date, then the store will be estimated until data acquisition is established. Estimates for stores with missing data have been prepared on the basis of yearly averages of the reporting stores within the same retail format and country. Estimates account for 2.6 % in føtex, 0.0 % in Bilka, 0.0 % in Salling and 0.6 % in Netto Denmark of the total energy consumption for each format. In Netto outside Denmark, estimates account for 0.0 % in Germany, 10.3 % in Poland and 0.0 % in Sweden of the total energy consumption.

WATER DATA

Both majority-owned and controlled entities opened and closed during the financial year are included in the reporting. If a store opens during a reporting period and the opening date is after reporting start date, then the store will be reported with an annual zero consumption. If a store opens during a reporting period and the opening date is before reporting start date, then the store will be estimated until data acquisition is established. Estimates for stores with missing data have been prepared on the basis of the average use in comparable stores within the same retail format and country. Estimates account for 12.4 % in føtex, 2.1 % in Bilka, 0.0 % in Salling and 2.5 % in Netto Denmark of the total energy consumption for each format. In Netto outside Denmark, estimates account for 0.0 % in Germany, 8.2 % in Poland and 0.0 % in Sweden of the total water consumption.

WASTE DATA

Both majority-owned and controlled entities opened and closed during the financial year are included in the reporting. Some stores have reported based on estimates. Estimates account for 0.6 % in føtex, 0.0 % in Bilka, 0.0 % in Salling and 1.9 % in Netto Denmark of the total waste for each format. In Netto outside Denmark, estimates account for 10.6 % in Germany, 0.0 % in Poland and 29.7 % in Sweden of the total waste for the format in each country. For Netto Germany, waste for incineration from stores has been calculated based on a total of 43 weighing samples throughout the year in 8 sample stores. Estimates for the remaining stores in Germany have been calculated on the basis of the average amount of waste for incineration from stores per unit of turnover for the sample stores.

For stores in Netto Poland, waste calculation has been prepared on the basis of the exact number of containers multiplied by an average weight per container. For Netto Sweden, waste calculation has been prepared on the basis of the 30 stores where waste is weighed all year. The remaining stores have been calculated on the basis of the average amount of waste per unit of turnover for the sample stores.

SUPPLIER SATISFACTION SURVEY

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

SUPPLIER RISK SCREENING

Supplier risk screening is conducted by means of our Responsible Procurement System (RPS). The system captures information about our private label and unbranded product suppliers' production units and documentation on social audits and/or certificates. The system works with colour rating where green means that all required audit documentation is in place, yellow means not yet in place but in process, and finally red means that the required documentation is not in place and/or producer is not in process.

FOOD WASTE

Food waste is calculated in tonnes and stems from our stores and distribution centres in Denmark. The calculation is based on scraping in pieces multiplied by net weight. In the Bakery category, shrinkage has been added, which is also the case for the Fruit & Vegetables category in Netto. Where net weight for a given article is missing, we have used the average weight for articles in the relevant category. Estimates account for 4.3 %. The target baseline has been calculated on the basis of our market share in 2014 in proportion to the Danish Ministry of Environment's 2014 calculations of food waste in tonnes in Danish retail.

OUTBOUND TRANSPORT

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

INBOUND TRANSPORT

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

TAX FOOTPRINT

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

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

REPORTING CRITERIA AND PERFORMANCE

KEY PERFORMANCE INDICATOR	DATA AND CRITERIA	PERFORMANCE					
		2014	2015	2016	2017	TARGET	
CSR as perceived by employees	Barometer survey conducted by Rambøll – scores (%) on questions about diversity and responsibility	75	78	77	78	-	
Diversity	% of female leaders – directors +	17	15	15	14	20 ³	
Diversity (board level)	% of female representatives	20	20	17	17	40 ⁴	
Employee engagement	Barometer survey conducted by Rambøll – overall score (% of respondents)	87	89	90	90	-	
People in job training	Number of citizens outside the job market in unsalaried training to clarify their ability to take up a job (average throughout the year)	-	839	1,093	963	-	
Employee safety	LTIF (lost time injury frequency) = number of work related injuries with more than one day of absence per 10,000 headcounts – Denmark	102	79	95	91	-	
Employee safety	LTI (lost time injury) = total number of work related injuries with more than one day of absence – Netto outside Denmark	250	224	242	250	-	
Employee sick leave	Sick hours divided by working hours (overtime included) %	DK	2.8	2.8	2.7	2.7	-
		DE	3.5	3.5	4.1	4.2	-
		PL	4.2	4.8	5.4	5.2	-
		SE	7.9	7.6	9.7	8.7	-
Employee turnover (% of total headcounts)	Voluntary permanent staff turnover Total staff turnover Voluntary staff turnover Voluntary permanent staff turnover	DK	33.3	28.5	27.1	29.7	-
		DE	13.3	12.8	10.1	9.6	-
		PL	17.0	19.6	21.4	22.2	-
		SE	12.7	14.7	15.8	24.0	-
Food safety	Smiley 1 – Denmark only. Percentage of number one smileys given by the Danish Food Authorities following a control visit. Both majority-owned or controlled entities opened and closed during the financial year are included	89.3	92.5	90.5	90.8	100	
Inbound transport	M3 per transport mode (own controlled) % split	Road	-	-	73.2	75.1	-
		Rail	-	-	6.4	6.7	-
		Sea	-	-	20.2	18.0	-
		Air	-	-	0.2	0.2	-

³By 2020 ⁴By 2017

REPORTING CRITERIA AND PERFORMANCE

KEY PERFORMANCE INDICATOR	DATA AND CRITERIA	PERFORMANCE					
		2014	2015	2016	2017	TARGET	
Outbound transport	Kg CO2 per pallet (own controlled) – Denmark	-	-	4.83	4.77	-	
Energy	MWh/m2 – DSG total	0.274	0.250	0.250	0.239	-10% ⁵	
Water	M3/m2 – DSG total	-	-	-	0,199	-10% ⁶	
Waste	Recycling %		57	68	73	75	90 ⁷
		DK	53	65	71	74	90
		DE	76	79	79	83	90
		PL	62	70	71	72	90
		SE	48	71	75	78	90
Food waste	Tonnes of food intended for human consumption that ends up as waste, animal feed, bio-gas, composting etc. – Denmark only	42,826	35,205	33,364	30,963	-50% ⁸	
Buyers trained in responsible procurement	% of procurement staff trained (staff in scope are people with buying responsibilities in Commercial, Goods Not For Resale, IT and Shop Fittings)	59	68	68	70	80	
Employees trained in responsible products	% of staff trained (staff in scope are employees in buying functions in Commercial, Goods Not For Resale, IT and Shop Fittings)	-	78	88	97	85	
Revenue from responsible products	Revenue from products carrying a CSR label (e.g., Keyhole, Fairtrade, Organic, Animal Welfare etc.). Billion DKK – Denmark only	-	-	4.5	9.9 ⁹	-	
Supplier satisfaction rate	On a scale from 1-5 based on the question “How satisfied are you with the cooperation with DSG?”	-	-	4	4	-	
Supplier risk screening	Percentage of PL and no name producers uploaded and rated green (compliant), yellow (in process) or red (no go / suspended) respectively	Upload	-	-	-	82.5	100 ¹⁰
		Done	-	-	-	62.2	-
		Green	-	-	-	89.1	-
		Yellow	-	-	-	10.5	-
		Red	-	-	-	0.4	-

⁵By 2020 with baseline 2015 ⁶By 2022 with baseline 2017 ⁷By 2018 ⁸By 2030 with baseline 2014

⁹More products, more stores and more accuracy in master data value settings ¹⁰By 2018

COMPANY INFORMATION

ORGANISATIONAL PROFILE

Name of organisation	Dansk Supermarked Group
Web address	dansksupermarked.com
Location of headquarter	Rosbjergvej 33, 8220 Brabrand, Denmark
Primary brands	Salling, føtex, Bilka, Netto and Wupti
Nature of ownership and legal form	Privately owned/Non-listed
Total number of employees	53,143
Significant change during reporting period regarding size, structure, ownership or supply chain	The remaining 19 percent of shares were bought back from A.P. Moeller – Maersk, and DSG became 100 percent owned by the Salling Foundations.
Externally developed charters, principles or initiatives to which DSG subscribes or which it endorses	DSG supports the UN Global Compact framework, but is, however, not a signatory
Membership of associations and advocacy organisations	<ul style="list-style-type: none"> - amfori Business Social Compliance Initiative (amfori BSCI) - Bangladesh Accord on Fire and Building Safety - Danish Ethical Trading Initiative (DIEH) - Danish Chamber of Commerce (DE) - AMS Sourcing - FSC Denmark - The Consumer Goods Forum (CGF)
Tax Policy	Tax policy is available on our website dansksupermarked.com

REPORT PROFILE

Reporting period	January 1 st 2017 – December 31 st 2017
Reporting principles	In accordance with the Danish Financial Statements Act, articles 99a and 99b
Date of the most recent previous report	May 3 rd 2017
Reporting cycle	Annual report is published before May 31 st of each year and covers the previous calendar year. The report will be available on our website dansksupermarked.com
Contact point for questions regarding the report or its content	Vice President of Group Communication, Reputation & Responsibility, Mads H. Grand – mads.hvitved.grand@dsg.dk or Director Responsibility and Engagement, Jonas Schrøder – jonas.schroeder@dsg.dk

GOVERNANCE

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



Dansk Supermarked Group

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