

NORGESGRUPPEN'S
ANNUAL AND
SUSTAINABILITY
REPORT 2020





Contents

2020 – A year like no other

→ Securing deliveries of food - to all parts of the country - was the number one priority when the pandemic broke out.

Read more about how we managed the 2020 – a year like no other - on page 6.

Price cuts amounting to millions of NOK

→ Four major price cuts at KIWI in 2020.

Read more about how KIWI customers saved money on page 35.

Investing for the future

→ In 2020, we continued to invest in new environmental and technological solutions.

Read more about the forthcoming electrified sea route to the new Sande warehouse and about the state-of-the-art Vestby coffee roastery on pages 60 and 61.

A steady course in a demanding year

→ Lockdown, failure of the catering market, uncertainty and record sales.

The CEO summarises this year of contrasts and looks ahead to the future on page 8.

Less waste and less sugar

→ In five years, we have reduced our food waste by 38 per cent and cut 4,000 tonnes of sugar.

We explain how we have done it on pages 47 and 48.

More wonderful people at our stores

→ We welcomed 3,000 more employees in 2020.

Read more about how the pandemic introduced more people to the possibilities of the grocery sector on page 52.

This is NorgesGruppen

- 4 NorgesGruppen in brief
- 5 Secure food supply and positive ripple effects
- 6 2020 - A year like no other
- 8 Message from the CEO
- 10 Performance in 2020
- 14 Our contribution
- 18 Risk management and risk development 2020
- 20 Market and trends

Our business areas

- 23 Retail
- 26 Wholesale
- 27 Brand
- 28 Properties
- 28 Convenience market
- 29 Affiliated companies

Highlights from 2020

- 32 Our customers
- 45 Cooperation
- 51 People
- 57 Society

Our results

- 65 Annual report
- 75 Board of Directors of NorgesGruppen ASA
- 77 Summary of financial statements for the Parent Company (NGAAP)
- 88 Sustainability performance
- 91 ESG index
- 92 What sustainability choices our customers care about
- 93 Our sustainability results

THIS IS NORGESGRUPPEN



NorgesGruppen in brief

NorgesGruppen is a grocery retail company serving the whole of Norway. Every day, our employees and chains work to provide customers with great shopping experiences, making food more affordable, and inspire sustainable and healthy choices. Our goal is to make your everyday life easier and contribute to a sustainable future.

2020 in brief

1,820
grocery stores

3.8
BNOK in annual profit
excl. IFRS 16

52%
retailer-owned stores

3.7
BNOK in
investments

1.2
million customer visits
every day

101.6
BNOK in operating
revenues excl. IFRS 16

43,800
employees

→ An efficient
nationwide
value chain



Secure food supply and positive ripple effects

NorgesGruppen competes in the food market, and is committed to being a secure supplier of food through sales outlets all over Norway. In 2020, the Covid-19 pandemic put the entire food value chain to the test. The system proved to be robust and well-functioning, even in exceptional circumstances. With low discount chains, supermarkets, convenience stores and food-on-the-go, we give customers freedom of choice and shopping experiences. The chains offer physical stores and online shopping from independent retailers and proprietary stores throughout the country. We cover the value chain with food production, purchasing, distribution and stores. This ensures competitive prices and a wide selection of products for the customers, as well as providing the retailers with a solid foundation on which to operate their stores.

The products people want

→ NorgesGruppen has 1,200 partners, ranging from large brand suppliers to small-scale producers of locally produced food. The diversity of our suppliers means that we can offer something for everyone. Our own brands by UNIL, Joh. Johansson Kaffe, Matbørsen and Bakehuset make the product range in our stores unique.

Efficient delivery nationwide

→ The wholesale business ASKO operates an efficient value chain based on a nationwide distribution network and advanced logistics and warehouse solutions. ASKO serves all our stores, 14,000 customers in the catering market and a number of independent grocery operators. Automated ordering routines and frequent deliveries ensure that store shelves are full of products with a longer shelf life.

Stores where people live

→ NorgesGruppen has stores for all needs and has a presence in 89 per cent of the country's municipalities. We have the discount chain KIWI, the supermarket chains MENY and SPAR, the local store chains Joker and Nærbutikken and a number of kiosks and restaurants in the catering segment. More than half of the stores are owned by independent retailers.

25,000

products in our range

1,200

business partners

116%

increase in MENY online sales

Our chains and concepts



2020 – a year like no other

NorgesGruppen has a presence in nine out of ten Norwegian municipalities. As a major retailer in Norway, we are responsible for maintaining food supplies throughout the country. This has been our number one priority throughout 2020 - a year like no other - when the coronavirus pandemic changed the world.

→ 2020 was a demanding year, marked by considerable uncertainty. The Covid-19 outbreak and subsequent lockdown of society changed shopping patterns overnight. This resulted in a major sales increase for grocery stores, as well as a significant reduction in sales in the convenience market and, in particular, the catering sector. **Around half of the increase in grocery sales is due to closed borders, especially in the regions along the Swedish border.**

Delivery to the front line

The unpredictable supply situation required early investment in measures to maintain food supply across the country. Warehouse staff, drivers and store staff have all been at the forefront of food delivery. A considerable effort was made to maintain the level of service so that sold-out situations could be avoided. In order to reduce the number of layoffs, NorgesGruppen has moved resources from catering and convenience to online shopping and groceries. Companies in the Group that were under less pressure were able to assist wherever there was more pressure. As an

important part of this, NorgesGruppen decided early on that no wholly-owned companies should apply for financial support from the authorities.

Good cooperation in the industry

Cooperation with suppliers and Norwegian agriculture has played an important role in securing food for customers. NorgesGruppen has maintained efficient access to goods, even during periods of panic buying. From day one, our suppliers have done their utmost to adapt to a challenging and unpredictable situation. NorgesGruppen's chains have been in close dialogue with the retailers throughout the period in order to assist. For fruit, berry and vegetable farmers, it was a demanding year with challenges in accessing foreign seasonal workers and a drop in sales to customers in the catering industry. NorgesGruppen therefore ensured that it would purchase fruit and vegetables from Norwegian producers, giving suppliers much needed predictability at a demanding time.

Safe stores and workplaces

Good infection prevention and control has been a top priority in all NorgesGruppen's outlets. Significant investments have been made in a range of measures to ensure the safety for shoppers and employees. These include hygiene measures, shielding and distance marking to maintain distance requirements as laid down by the government. NorgesGruppen has also introduced limits to the number of customers allowed in the smallest stores at any one time. In addition, the chains introduced their own opening hours for particularly vulnerable customer groups in certain stores. NorgesGruppen's employees have been able to adapt quickly to the new measures, both from the government and the company's own emergency response unit. In 2020, their absence due to illness was not significantly higher than that of previous years. We expect to put the new routines and experiences from 2020 to good use in the next phase of the pandemic. We need to live up to our social mission every single day - before, during and after a pandemic. Stores throughout the country must have sufficient provision of food products.



The coronavirus and NorgesGruppen in 2020

Selected events in Norway



Norges-Gruppen's response

February

- 2/2: NorgesGruppen's emergency response unit briefs management on the coronavirus
- NorgesGruppen's emergency response unit prepares for a possible emergency
- Regular meetings between NorgesGruppen's emergency response unit and NorgesGruppen companies

March

- Close contact between NorgesGruppen and the government
- 10/3: NorgesGruppen's emergency response team holds daily and weekly meetings.
- 13/3: Communication to avoid panic buying
- Distance marking
- All new store openings are stopped. The operation of existing stores is made a priority
- System for internal redeployment of employees before lay-offs
- Limiting the number of customers allowed in stores covering an area of less than 100 m²
- The municipalities take on volunteer shoppers
- Plexiglas in the checkout area
- NorgesGruppen pledges to buy only Norwegian-grown fruit and vegetables
- Designated shopping times for customers in risk groups
- MENY, SPAR and KIWI launch Handlehjelpen [Shopping Support Service]
- Easter shopping rules
- 28/4: NG decides not to apply for financial support for financially affected companies

From April to the end of the year

- All established measures are maintained by NorgesGruppen throughout the year
- The one and two-metre rule in stores
- Face masks in areas where recommended
- Introduction of quantity restrictions for customers
- Lockdown of our convenience business and reopening of outlets in line with government guidelines
- NG Eiendom AS offers rent relief
- Low levels of infection in the stores, regardless of overall infection rates
- 31/12: At the end of the year, NorgesGruppen had 3,000 more employees than in 2019.

Steady course

NorgesGruppen's emergency response team has focused on safety in terms of the workplace, shopping and food supply.

Work undertaken throughout the Covid-19 pandemic has shown that NorgesGruppen's system for crisis management is robust. It has worked for the following reasons:

- The work done and decisions made by the emergency response team are closely integrated with all business areas.
- Close contact with Group management.
- Close contact with the government and the Norwegian Food Safety Council.

An external evaluation of the emergency response work has been carried out.



Message from the CEO

A steady course in a challenging year

→ Since outbreak of the Covid-19 pandemic in March 2020, NorgesGruppen has had four clear priorities: ensuring a safe workplace and safe shopping environment in our stores, delivering on our social responsibility for a secure food supply and looking after the company to the best of our abilities throughout the pandemic.

We have depended on a huge level of commitment and an amazing determination to manage the impacts of the pandemic. In many ways, we do the work in the community that everyone takes for granted. I am proud of our employees' willingness to work, and the extraordinary bonus they were given in December was richly deserved.

One of our employees, Daniel Melleby from KIWI, put this into words in an article in VG: "If there is one thing I hope we learnt in 2020, it is that those of us who work in stores have a key role to play in everyday life and in crisis situations."

Closed borders led to growth

Closed borders with Sweden have resulted in record sales in our stores, and particularly in the border areas. Around half of our growth in turnover in 2020 was due to Norwegians doing virtually all their grocery shopping in Norway.

NorgesGruppen exceeded 100 BNOK in turnover in 2020, an increase of more than 10 BNOK from 2019. This has, among other things, led to the creation of more Norwegian jobs. Our chains have around 3,000 more employees in 2020 compared to 2019.

This increased turnover gave us the opportunity to operate more efficiently. This meant that we were able to make several price cuts, amounting to several hundred million kroner in savings for our customers.

Our biggest chains have greater comparable growth than that of our competitors, showing that we deliver on what is most important for our customers in the food market. Price is the most important criterion for most people when choosing a store, and KIWI comes out top for those grocery chains that have the lowest prices. MENY is the industry leader in terms of product selection, quality of fresh products and service. SPAR and Joker offer good discounts and make a wide range of products available throughout the country.

Sustainable Investments

A new warehouse in Sande will be operational during 2021, and will significantly increase distribution capacity in Eastern Norway. Two elec-





"This year goes down in history as one of the most demanding years in modern times."

→ tric ferries are being built to transport goods over the Oslo fjord and provide an all-electric transport route.

We increase our competitiveness by operating more efficiently. More innovations for increased productivity were initiated in 2020. The new Vestby coffee roastery streamlines operating processes and manages a significantly larger volume. Packaging optimisation means more products on each pallet and lorry, and introducing date labels on the bar code gives the retailer better control of stock levels and food waste, for example. We provide more information on this in this year's report.

Shopping habits changed in 2020. Customers shop less frequently, but buy more when they do go shopping. Online shopping of groceries has also increased sharply. For example, meny.no doubled its turnover in 2020.

Increased competition

In the coming years, NorgesGruppen will be competing in the large 300 BNOK domestic food market more than ever before. We must also gear up to meet social changes in demographics, the impact of climate change on food production, increased digitalisation and major industry diversification.

Our core business will continue to be within wholesale, grocery stores and the convenience market. We will have a product range that strengthens the positions of the chains and is adapted to local differences and consumer needs, but we will of course also be open to new opportunities in related industries in the years to come.

We believe that customers are best served with an open and free market that permeates competition in the large food market. This has resulted in lower prices and a good selection of products throughout the country.

The industry standard for price hunters has been an open agreement in the industry for several years, and has resulted in more orderly behaviour between competitors and promoted healthy competition for the benefit of the customers. The Norwegian Competition Authority has stated that they disagree with this, and we are now working on a detailed response to their statement.

Future outlook

Overall, grocery stores account for around 60 per cent of sales in the food market, which equates to around 180 BNOK per year. Restaurants, kiosks and gas stations account for around

90 BNOK, and other parts of the retail sector account for approximately 30 BNOK. In recent years, sales growth in the food market has been highest outside traditional grocery stores. The largest growth has been achieved in the catering industry and the so-called industry diversification categories. For NorgesGruppen, it is therefore natural to assess business growth within several retail categories that may lead to new sales in the coming strategy period.

KIWI will be maintaining its clear price leader position, MENY will emphasise product range and quality, SPAR will strengthen its local adaptation and differentiated range, while Joker will make a clear distinction between its urban and district concepts and continue to offer a wide range of supplementary services. The growth of existing stores is important. This is primarily where the competition for customers takes place. Comparable growth should exceed cost growth. Annual productivity increases are very important for profit growth, and in an industry that operates at low margins at any given time, it is important to try to keep the operating margin (EBIT) at 4.0 per cent or higher.

At the same time, we will become better at meal solutions and food-on-the-go, and monitor consumer trends and invest in digital services. Oper-

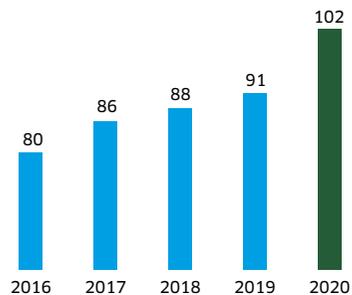
ations and investments must be sustainable, both in terms of being aware of our role in society and being the best at reducing emissions and supporting public health and good working life in the food market.

I would like to sum up 2020 with a big thank you to all staff, retailers and business partners who have contributed to managing the year in a solid manner. This year goes down in history as one of the most demanding years in modern times. Collaboration and a fantastic level of commitment allowed us to supply all of our 1,820 stores with products while ensuring a safe shopping environment, even when the pandemic was at its peak in 2020.

Runar Hollevik / Group CEO, NorgesGruppen

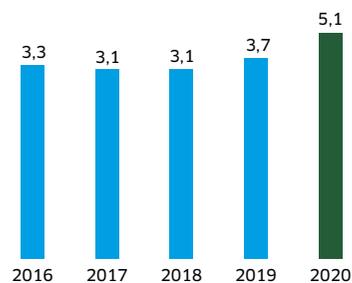
Operating revenues

Amounts in BNOK (excl. IFRS 16)



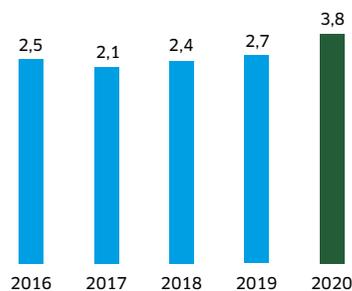
Operating profit (EBIT)

Amounts in BNOK (excl. IFRS 16)



Profit for the year

Amounts in BNOK (excl. IFRS 16)



→ The Norwegian grocery market was strongly affected by the Covid-19 pandemic and grew by 17.1 per cent in 2020 compared to 1.3 per cent in 2019. Around half of NorgesGruppen's sales revenue growth in 2020 can be attributed to the loss of cross-border trade, which fell by 85 per cent in 2020.

Operating revenues in 2020 increased by 12 per cent to 101,560 MNOK.* High market growth within groceries has increased operating profit for the Retail and Wholesale business areas. KIWI is delivering strong results as a leader in the discount retail market, and MENY is attractive with its wide range of products, quality of fresh goods and service. Online sales amounted to 770 MNOK in 2020, up 116 per cent from the previous year. NorgesGruppen achieved comparable growth of 16.7 per cent in 2020, while the market for traditional grocery stores increased by 15.8 per cent.

Major Covid-19 impacts

Some of our grocery stores, outlets and customers in the catering market saw greatly reduced

* We have chosen to comment on economic performance excluding IFRS 16 because it gives a more accurate picture of performance compared to the previous year.

Chief Finance Officer
Financial performance



Mette Lier/
Chief Finance Officer,
NorgesGruppen

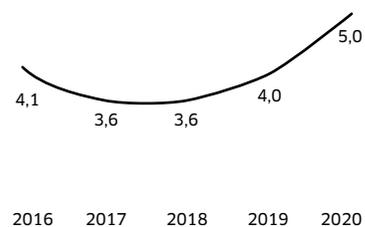
sales due to government travel and social restrictions. NorgesGruppen's retail convenience stores and grocery stores in city centres, traffic hubs and at hospitals and airports have been significantly impacted by the Covid-19 outbreak. Locked-down restaurants, hotels and office operations reduced ASKO's deliveries to the catering industry by 19 per cent in 2020. Strong growth in grocery stores boosts wholesale performance despite lower sales and greater losses on accounts receivable within the catering market.

Branded products such as Bakehuset and Mat-Børsen have seen changing shopping patterns, where demand for ready-made baked goods and food-on-the-go meals declined particularly at the start of the pandemic, but increased in the second half of the year.

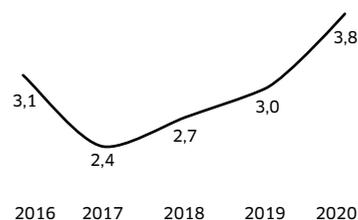
Several of our affiliated companies have seen increased sales due to occasionally closed borders and other restrictions. Travel restrictions resulted in a strong decline for the duty-free business, in which NorgesGruppen has a part-ownership in Travel Retail Norway. Due to closed borders, Eurocash had a challenging year when large parts of its income base were lost. Going forward, Eurocash in Sweden still aims to be the leading food chain at the border, making it easy for Norwegian customers to buy good food at the lowest prices.

Dagrofa in Denmark continued to see positive change in 2020 and performed better than the previous year. The grocery business has experienced good growth, but there are some challenges for the Foodservice business as a result of the Covid-19 pandemic and the associated downturn in sales within the catering sector. Pixi in Greenland strengthened its market position in 2020 and delivered satisfying key figures and results.

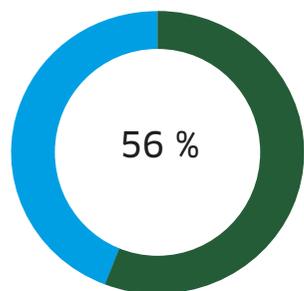
Operating margin EBIT
Per cent (excl. IFRS 16)



Profit margin
Per cent (excl. IFRS 16)



Equity ratio 2020
Per cent (excl. IFRS 16)



→ NorgesGruppen did not seek financial support from the government for its wholly-owned businesses, and provided capital support to some part-owned companies in the second quarter.

Since the business sector faces uncertain times and major movements in the markets, NorgesGruppen has carried out a thorough review of various investments where there are indications of a decline in value. Individual writedowns have been carried out as well as increased provisions for associated losses on customers. This has resulted in higher write-downs on both goodwill and other fixed assets than the previous year. In addition, the gains related to the sale of both subsidiaries and affiliated companies are significantly lower than in 2019.

During the past year, we have seen a net increase in price developments despite four solid price reductions from KIWI. From April 2020, we saw an unusual shift in which food prices increased more than we have been used to. The purchase prices are particularly driven by increased prices for certain ingredients as a result of increased demand both in Norway and abroad, in addition to a weaker NOK exchange rate. The world's food prices have increased significantly. According to the UN Food and Agriculture Organisation's price index, food prices rose by around 16 per cent in 2020. In addition, challenges with product supply, changes in shopping patterns and work with infection control have impacted on operations and production throughout the value chain, which in turn has resulted in increased costs.

We will continue to develop our loyalty programme. Our members in Trumf saved a record 1.45 BNOK in 2020, and the membership base

is now almost 2.5 million. Trumf members buy more than other customers. Customers spend approximately 30 per cent more after taking out Trumf membership. Our goal is to have a Trumf share of 75 per cent.

Despite a demanding year in several business areas, more efficient operations and a satisfactory overall cost growth have contributed to positive profit growth.

Operating revenues per FTE were 6.8 MNOK for 2020, an increase from 6.1 MNOK in 2019.

Operating profit (EBIT) was 5,096 MNOK in 2020, up from 3,650 MNOK the previous year. This resulted in an operating margin (EBIT) of 5.0 per cent, compared with 4.0 per cent in 2019. Profit for the year amounted to 3,827 MNOK, which corresponds to a margin of 3.8 per cent. This is an increase of 1,081 MNOK from 2019.

In an extraordinary year of restrictions and lockdown, NorgesGruppen's employees had a absence due to illness rate that was not significantly higher than previously. This is impressive given that NorgesGruppen's employees have done a demanding job in order to meet an important social responsibility.

NorgesGruppen has delivered on its goals for 2020 in several areas of sustainability, and good cooperation with suppliers and industry has been one of the success criteria here. Please refer to the Sustainability section on page 148 of this report for more details.

Investment and financing activity

Net cash flow from investing activities was 3,432 MNOK. NorgesGruppen invests consider-

able amounts each year, and in 2020 obtained funding for several major projects resulting in increased competitiveness, including a new coffee roastery in Vestby and a new warehouse in Sande that will increase capacity in Eastern Norway. Both projects are financed through our green bond framework. In 2020, we invested 3,682 MNOK, which equates to almost the entire annual profit.

NorgesGruppen adjusts equity and the rest of its financing structure to the company's objective, strategy and risk profile. The Group's equity at 31 December 2020 amounted to 24,355 MNOK. This is equivalent to an equity ratio of 55.7 per cent. Net interest-bearing debt was 1,952 MNOK as at 31 December 2020. Return on capital employed was 19.3 per cent over the last rolling 12 months.

NorgesGruppen is continuously working on streamlining the value chain so that cost growth does not exceed revenue growth. The Group consists of independent business areas that make their own decentralised decisions. At the same time, each company benefits from economies of scale and an efficient value chain.



Financial highlights for the Group (excl. IFRS 16)

→ Profit for the year		2020	2019	2018	2017	2016
Operating income	MNOK	101,560	90,504	87,813	85,632	80,162
EBITDA ¹⁾	MNOK	7,397	5,325	4,992	5,238	4,846
Operating profit (EBIT)	MNOK	5,096	3,650	3,140	3,052	3,266
Profit before tax	MNOK	4,968	3,450	3,057	2,778	3,164
Profit for the year	MNOK	3,827	2,746	2,410	2,090	2,465
Shares						
Earnings per share ²⁾	NOK	95.70	69.34	61.14	52.33	62.30
Total number of shares at 31.12.	1,000 shares	40,000	40,000	40,000	40,000	40,000
Dividend per share in	NOK	24.00	18.00	16.00	16.00	16.00
Capital						
Total capital	MNOK	43,743	41,248	39,171	37,678	36,382
Equity	MNOK	24,355	21,930	19,843	18,135	16,728
Equity ratio	%	55.7	53.2	50.7	48.1	46.0
Net interest-bearing debt	MNOK	1,952	4,467	3,791	4,177	5,578
Profitability						
Operating margin, EBITDA ³⁾	%	7.3	5.9	5.7	6.1	6.0
Operating margin ⁴⁾	%	5.0	4.0	3.6	3.6	4.1
Profit margin ⁵⁾	%	3.8	3.0	2.7	2.4	3.1
Return on capital employed ⁶⁾	%	19.3	14.6	13.7	13.7	14.8

1) Operating profit before depreciation and write-downs, and revenue from investments in associated companies.

2) Annual profit to majority interests/average number of outstanding shares.

3) EBITDA/Operating income

4) Operating profit/Operating income

5) Profit for the year/Operating revenues

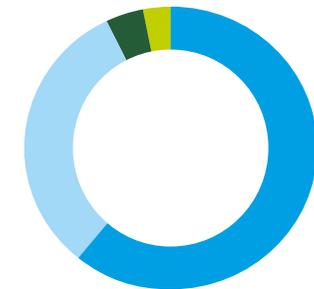
6) EBIT/average equity + interest-bearing debt

Key figures

	Unit	2020	2019	2018
The customers' first choice				
Saved Trumf bonus	MNOK	1,450	1,225	1,081
Trumf members	Numbers (in mill.)	2.47	2.39	2.21
Customers per day	Numbers (in mill.)	1.24	1.24	1.21
Comparable growth, NorgesGruppen	%	16.7	1.7	2.6
Competitiveness throughout the value chain				
Annual productivity improvement in warehouses	%	9.1	4.1	11.1
Productivity improvement in operations over the last 5 years (ASKO)	%	12.2	15.5	
Percentage of empty space on shelves	%	2.6	2.2	4.0
Increased durability of fresh produce	Days	0.6	0.8	-
Operating income per man-year	MNOK	6.8	6.1	6.0
Ratio of investments to post-tax profit	%	96	171	131
Sustainable and climate-neutral				
Additional cost of environmental investments ¹⁾	MNOK	85	240	312
Production of renewable energy for own consumption	%	12	9	4.5
Reduction in food waste since 2015	%	38	24	21
Fish and seafood sales (comparable development in volume per year)	%	+5.2	+1.2	-1.1
Keyhole products	%	20.8	20.1	19.7
Apprentices (current)	Number	545	473	437
Reduction of greenhouse gas emissions	%	5		

1) Additional cost by choosing a more environmentally friendly alternative.

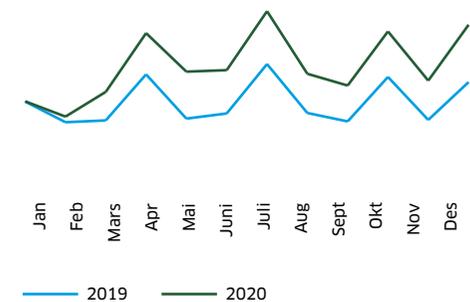
Total grocery market is 300 billion NOK*



- Grocery market incl. online 61%
- Catering/newsagents/petrol stations 32%
- Border trade 4%
- Other channels 3%

* Numbers from 2019
Source: SSB/Virke/Andhey

Turnover for grocery stores in NorgesGruppen*



* including operations owned by independent retailers

Our contribution

→ WE HAVE



Strong expertise

For generations, more than 43,000 retailers and employees associated with NorgesGruppen have provided service and know-how in line with customers' wishes and requirements. Local retailers offer service and know-how where people live, enriching lives and creating ripple effects in their communities.

Efficient value chain

ASKO ensures that the freight prices are the same throughout the country.

Long-term ownership

Active ownership, and the ability to develop the company in step with society, have laid the foundation for investment in more environmentally-friendly distribution, technology, and strong retail chains. Efficient management and future value take precedence before short-term gains. We have 150 years of experience in the retail and wholesale business.

→ WE WILL

VISION

Our vision is to make your everyday easier.

VALUES

- **Customer-focused**
- **Responsible**
- **Collaborative**

AMBITIONS

Setting the course for the long term and guiding our priorities and goals.

→ **The customer's first choice**

We will make tomorrow's shopping experience more affordable and better, inspire good culinary experiences, and contribute to healthy, sustainable choices.

→ **Sustainable and climate-neutral**

Sustainability opens up business opportunities. We wish to seize these opportunities and also take on our responsibility as a major grocery retail company.

→ **Competitiveness throughout the value chain**

Customers must encounter sales-ready stores, full shelves and products of good quality at the right price – based on the most efficient value chain possible.

MANAGEMENT MODEL

The model ensures implementation of our decisions so that we can achieve our vision, ambitions, goals and priorities.

- **Independent business areas**
- **Decentralised decisions**
- **Economies of scale and effective value chain**
- **Internal competition**

→ WE CONTRIBUTE

Safe workplaces

NorgesGruppen has 29,100 direct employees in fully-owned companies. In addition, 14,200 employees are employed in retailer-owned stores, which are operated through our chains. For many young employees, NorgesGruppen is their first experience of working life.. More than half of our employees are under the age of 30, and a large proportion are under the age of 25.

Important environmental investments

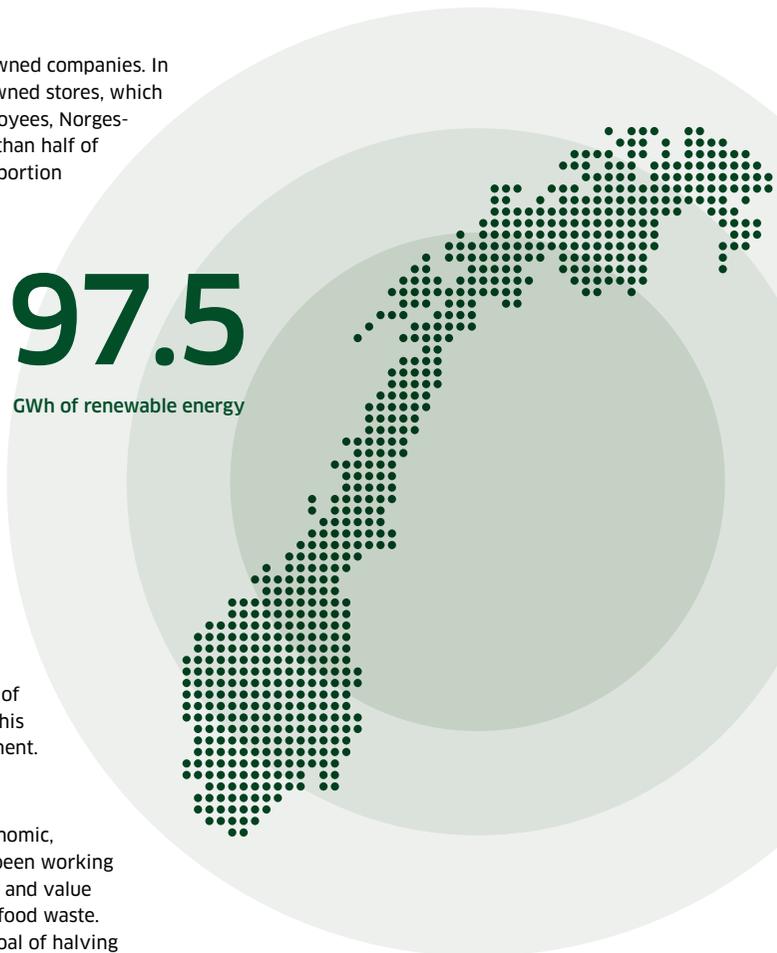
Every year NorgesGruppen invests considerable amounts in initiatives with a clear environmental profile. Some examples from 2020 are the completion of Joh. Johannson's coffee roastery in Vestby which reduces greenhouse gas emissions by 85 per cent, ASKO's investment in electric ferries for goods transport over the Oslo fjord, and a new ASKO warehouse in Sande with 11,500 square metres of solar panels. The building meets the international environmental standard BREEAM Outstanding. Another important project is a new energy monitoring system in all KIWI stores.

Producing renewable energy

NorgesGruppen's ambition is to be climate-neutral by 2030. One of its measures is to produce its own renewable energy. In 2020, the company produced 97.5 GWh of renewable energy from water, wind and solar energy. This corresponds to 12 per cent of our total energy requirement.

Reducing food wastage

NorgesGruppen believes that throwing food causes economic, environmental and social problems, and has therefore been working for several years to tackle food waste in our operations and value chain. Since 2015, we have cut 38 per cent of our total food waste. In other words, we are well positioned to achieve our goal of halving food waste by 2025.



97.5
GWh of renewable energy

Apprentices on the team

NorgesGruppen provides apprenticeships in our companies and monitors these training schemes closely. In 2020, 545 trainees were given the opportunity in areas such as store operations, logistics and production.

Food production throughout the country

NorgesGruppen creates a market for many local food producers throughout Norway. In 2020, we purchased goods from 675 local food producers. This diversity is evident on our store shelves. Sales of local food products totalled 2.5 BNOK in 2020.

545
apprentices

Stores from north to south

As an all-Norwegian grocery retail company, one of our most important social responsibilities is to have stores throughout the country. This contributes to increased employment and thriving local communities. NorgesGruppen has stores in 316 of the country's 356 municipalities.

9 out of 10
municipalities have stores from NorgesGruppen

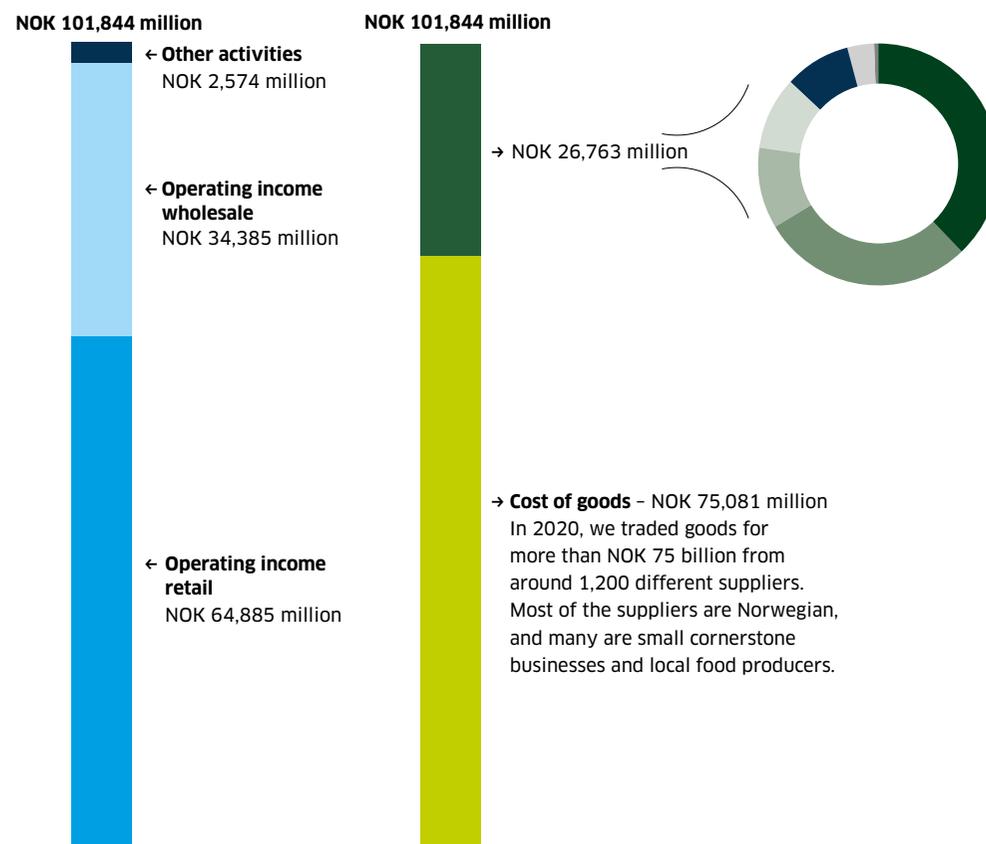
Our contribution

→ THE VALUES WE CREATE

Distribute great value

NorgesGruppen generated revenues of almost 102 BNOK in 2020. Almost 64 per cent of the revenue came from sales in the retail business, and around 34 per cent came from wholesale deliveries of goods to retailer-owned businesses and external customers within the catering sector. The remaining revenues came from activities within properties, branding, convenience stores, administrative companies and affiliated companies.

The majority of revenue – around 74 per cent – was used to pay our suppliers for goods and services. The second largest expense item was salaries to NorgesGruppen’s employees, who in total received more than 10 BNOK in 2020.



- Employee wages** – NOK 10,130 million
 The 29,100 employees in the group received a total of more than NOK 10 billion in salaries and other benefits before tax, including an extraordinary bonus for their efforts in 2020.
- Other costs** – NOK 7,685 million
 Among other items, this includes rent, freight and transportation, repairs and maintenance.
- Retained in the business** – NOK 2,891 million
 We retained close to NOK 2.9 billion in our company. A significant share of this will be reinvested in the value chain and, not least, in green projects.
- Depreciation and write-downs** – NOK 2,585 million
 NorgesGruppen invests significant amounts each year with a long-term perspective. In many cases, we incur additional costs when exploring new technologies and efficient environmental solutions.
- Tax and employer's national insurance contributions** – NOK 2,408 million
 Tax on profits and employer's taxes generated revenue for the state of more than NOK 2.4 billion. (Value added tax on goods are supplementary.)
- To owners of NorgesGruppen ASA** – Proposed dividend NOK 936 million
 There are 777 shareholders in NorgesGruppen ASA, many of these retailers. Actual dividends will be approved at the General Meeting in May 2021.
- Net finance** – NOK 128 million
 We use bank loans and bonds to invest in the future.

All figures are exclusive of IFRS 16. The figures are taken directly from the annual accounts with notes, with the exception of income from affiliated companies, which has been moved up as operating income and included in the amount of 101,844 MNOK.

See page 88
for the section on
sustainability

NorgesGruppen will be climate-neutral by 2030

→ We have long had an ambition to become climate-neutral. Through the strategy process, we have given ourselves a deadline of 2030, and planned how the entire Group will get there. **This is an ambitious goal, because we will only compensate with the purchase of quotas after we have streamlined as much as possible.**

We will have achieved our ambition when

- we have emission-free transport
- we have ensured production of renewable energy in amounts that match our consumption.
- we have eliminated our direct greenhouse gas (HFC) emissions from stores and warehouses
- we have maximum materials recovery or recycling of our packaging and waste:
 - We reuse or recover waste as high up in the waste hierarchy as possible
 - We have halved food waste
 - We have eliminated meat waste
 - We sort more than 90 per cent of waste at source
 - We sort out more than 90 per cent of our food waste
 - We use more than 90 per cent of bakery products, fruit and vegetables for animal feed

Once these goals have been achieved, we will also compensate for the remaining greenhouse gas emissions, but not until all other options have been explored.

→ SUSTAINABLE RIPPLE EFFECTS



Sustainability is one of three pillars in NorgesGruppen's new business strategy. Performance continued in the right direction in 2020. We have set high ambitions for 2025 and will continue to report openly and honestly on results and challenges.

→ We are focusing our sustainability work on three areas: Environment, Health and People. Behind the headings are the goals of becoming climate-neutral by 2030, contributing to better public health, developing sustainable products and value chains and creating good workplaces that offer diversity, inclusion and opportunities for all. We want to be profitable in everything we do, and this also applies to our sustainability work.

New strategy is built on solid results

2020 marked the end of one strategy period and the start of the next. We have achieved many of the goals we set, but

not all of them. With a 10 per cent reduction in sugar and an almost 21 per cent increase in sales of keyhole labelled products since 2016, we are very satisfied with the results related to health. The Covid-19 pandemic had a major impact in 2020, but before the pandemic we saw positive developments across all areas. During the year we reached our goal of creating more than 500 apprenticeship positions and are not far from creating 1,100 vocational training positions.

The results we are most satisfied with in relation to the environment include a 38 per cent reduction in food waste from 2015, an 83 per cent reduction in HFC

emissions from 2010 and a 26 per cent improvement in energy efficiency since 2010. Nevertheless, there remains a lot of work to be done, particularly related to the phasing out of fossil fuels.

In recent years, we have concentrated on our own operations when it comes to reducing emissions. We will continue to do so, but the new strategy also includes the goal of reducing the carbon footprint of the products we sell, equivalent to 60,000 tonnes of CO₂. Over the next decade, cooperation throughout the food value chain is essential to accelerate the green shift.

Risk management in 2020

We work systematically to identify, assess and manage risk factors. This increases the likelihood of us achieving our ambitions.

→ Risk management is an integrated part of NorgesGruppens management processes and is based on the COSO Enterprise Risk Management framework. The aim is to help ensure that strategic and operational goals are achieved by identifying and managing the risk factors for NorgesGruppen.

Each year the Board of Directors reviews the company's most important risk areas and internal control routines to ensure that risk management is appropriate and contributes to NorgesGruppen meeting its goals and complying with laws, regulations and internal guidelines.

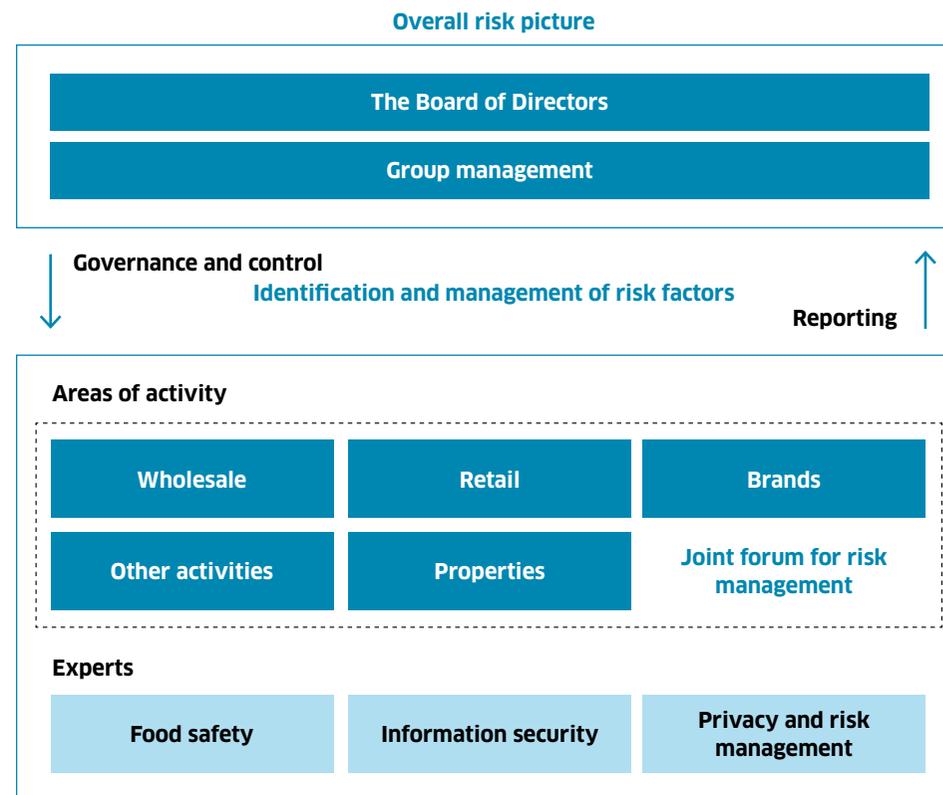
The Board of Directors and CEO assess that the Group as a whole had a moderate risk exposure in 2020.

Decentralised decisions, centralised management

NorgesGruppen is a group with independent subsidiaries with decision-making authority within their area. At the same time, each company benefits from large-scale operations and an efficient, integrated value chain. This is reflected in the Group's risk management processes. Group

management follows up the risk picture in the major subsidiaries through Board management. The subsidiaries relate to NorgesGruppen's governing documents, including support tools for risk assessment in specific areas. In addition, the major subsidiaries take part in a joint risk management forum and discuss current risk issues. Relevant issues have been cyber risk, other ICT-related risks and the company's preparedness for major unforeseen events.

Centrally, NorgesGruppen has its own specialists with responsibility for food safety, information security, privacy and risk management.



Risk development 2020

Market growth

↑ More exposed

Market growth for traditional grocery stores remains low, partly due to increased competition from an increasing number of operators. The strong growth in the grocery market in 2020 is borrowed turnover from border retailing after the borders to Sweden were closed due to the pandemic. Grocery stores make up around 61 per cent of the food market. For NorgesGruppen, the low market growth entails a risk that the cost increase exceeds revenue growth. NorgesGruppen is therefore working continuously to streamline the value chain and to develop strategies and plans to meet market developments.

Suppliers and food safety

→ No change

The food value chain involves risks related to food safety, quality and negative consequences for the environment, people and animals. NorgesGruppen is working continuously to ensure that our suppliers have adequate systems to protect food safety and quality, employee rights, the environment and animal welfare. In 2020, we prioritised the monitoring of market incidents, product preparedness and supplier follow-up, and we redoubled our efforts to detect food fraud.

Food supply and preparedness for unforeseen events

↑ More exposed

The Covid-19 outbreak highlighted the importance of being prepared to handle unexpected events. The outbreak quickly changed conditions for society and business, and infection control measures implemented by the government changed shopping patterns and made the product situation unpredictable. We have contingency plans to ensure sufficient stock and efficient distribution of goods even in emergency situations. In 2020,

NorgesGruppen and ASKO generally managed to maintain easy access to goods throughout the crisis and periods of panic buying. Cooperation with the authorities, suppliers and Norwegian agriculture has played an important role in this work.

Climate

→ No change

For NorgesGruppen, climate risk is particularly linked to access to raw materials, especially from the agricultural areas that are most vulnerable to climate change, as well as increased risk of breaches in the value chain as a result of natural damage to buildings and infrastructure. Customers increasingly expect reduced greenhouse gas emissions from our operations and the products we sell. Through our strategy work in 2020, we set 2030 as the deadline for becoming climate-neutral, and we added a target to reduce the carbon footprint of the products we sell by 60,000 tonnes of CO₂. We will also contribute positively to the goal of increased Norwegian food production.

Regulatory framework

↑ More exposed

Changes in regulatory framework conditions may affect the scope of our business. In 2020, the government presented a white paper on competition in the grocery sector. NorgesGruppen supports the strengthening of the Norwegian Competition Authority and the establishment of the Norwegian Grocery Inspection Authority, and we support measures that contribute to healthy and fair competition in the market.

In 2020, NorgesGruppen cancelled the agreement on price hunters due to lack of clarification from the Norwegian Competition Authority. NorgesGruppen and other grocery operators received a preliminary notice in December of a violation fee for illegal cooperation. NorgesGruppen believes that

neither the industry standard nor the practice of this is contrary to competition law. The framework conditions are also governed by other legislation, such as money laundering, financial enterprise and privacy legislation.

Money laundering

↑ More exposed

NorgesGruppen Finans AS has a licence as a finance and payment company and issues credit, loans and guarantees to companies. In 2020, the company launched the Trumf Visa credit card for private individuals, and complies with the Norwegian Money Laundering Act and other regulatory requirements for this customer group.

Anti-corruption

→ No change

Corruption undermines basic social mechanisms. NorgesGruppen has zero tolerance for corruption, and has established a framework to ensure that all employees, managers and partners adhere to this policy. The anti-corruption work is embedded in the Group's general policies and ethical guidelines for suppliers and companies in NorgesGruppen. All transactions at NorgesGruppen shall be contractual, legal and commercially justified. Employees or union representatives at NorgesGruppen shall never demand, receive, offer or give bribes, gifts, benefits, services or other benefits beyond this, nor contribute to such behaviour.

Privacy

↑ More exposed

NorgesGruppen processes personal data for a significant number of employees and members of the Trumf loyalty scheme. Technology and business developments require an increasing number of digital services to protect privacy. Relatively new legislation and interpretations require ongoing

follow-up and adaptation. The companies are responsible for complying with legislation, while the Group is responsible for the governance model, for following up compliance and for providing professional support. Privacy ombudsmen are appointed where this is required by the companies' activities.

Information security

↑ More exposed

ICT work will contribute to increased competitiveness by streamlining business processes and exploiting economies of scale. NorgesGruppen also uses ICT to develop and integrate new services and channels with customers and partners in mind. The information security measures we are taking follow changes in the types and levels of risks and threats. We are particularly alert to the ever-increasing threat posed by cyber attacks.

Financial risk

→ No change

NorgesGruppen uses sound financial risk management as a basis. The most important financial risk areas are interest rate, liquidity and currency risk. The Board of Directors assesses the Group's financial situation and updates the situation throughout the year. Details of NorgesGruppen's financial risk management and factors are described in the Board of Directors' report on page 65 and note 14 on page 108.

NorgesGruppen has established a framework for financing with green bonds. Loans under the green framework will solely be used to finance or refinance investments in environmentally-friendly transport and buildings, and renewable energy. The CICERO research foundation has given the framework a dark green rating.

Market and trends

Industry fragmentation, low population growth, climate change, digitalisation and new customer requirements are among the major trends affecting us and the industry as a whole. We strive to stay ahead of the game and adapt to trends.



Digitalisation is here

→ Digitalisation is no longer just part of the future, but has begun to shape shopping experiences. The Covid-19 pandemic has led to strong growth in online shopping of groceries and brought new users to use digital solutions rather than stores. Technological developments also open up new opportunities for operating stores more efficiently. Unmanned stores, delivery where you are, and automation of warehouses and orders have been transformed from ideas into reality. Others are using technology to create transparency in the value chain and give customers full insight into the footprint of the food they buy. Behind some of the most innovative projects are international operators who build alliances in purchasing and technology.

NorgesGruppen's strategy

- We are developing more seamless shopping experiences for our customers, including self-service and online shopping. Every week, more than 2.4 million users visit our digital channels to find recipes and great offers, or to shop in one of our online stores. See page 36.
- We are improving productivity every year and are adopting new routines, such as date alerts, to make store operations increasingly efficient for retailers. Refer to pages 47 and 48.
- In 2020, we launched a digital dietary insight, see more information on page 37.



Differentiation wins customers

→ Shopping experience, expertise and customisation of the product range to customers is becoming increasingly important. The chains must develop and offer products that make them stand out and meet customers with relevant and individual offers. An increasing proportion of customers is showing interest and a higher willingness to pay for special and sustainable products. The attention to health effects and lifestyle is also evident in what people buy. The same goes for the need for simple meal solutions, but ultimately price is the most important criterion for the customers' choice of store.

How NorgesGruppen meets this criterion when the customer chooses a store

- We offer shoppers shopping experiences and freedom of choice, low prices, supermarkets, convenience stores and food-on-the-go.
- We are constantly working with our partners to offer better and unique culinary experiences.
- We are also offering customers bespoke and digital offers based on what they buy.



The competitive landscape has changed

→ The number and diversity of operators selling groceries and food-on-the-go have increased considerably, and new sales channels are being added. This is changing the competitive landscape in the grocery sector. The pandemic restricted cross-border retailing in 2020 and meant that more people ate their meals at home. The grocery market therefore grew in 2020, but the picture has been different in previous years: Sales growth in the catering market, border shops, online stores and specialised stores has exceeded that of grocery stores. In 2020, the value of the total food market was around 300 BNOK. NorgesGruppen's share of the total market was 27.8 per cent when we include retailer-owned activities. (Source: Andhøy/Virke)

NorgesGruppen's strategy

- We are developing grocery stores to make them even more attractive, and will be competing for a larger part of the total food market.
- In 2020, we have made it possible for customers to shop safely in stores and have expanded our online shopping services in several parts of the country.



Population growth is low

→ Norway has low population growth, and it is expected to be even lower in the years to come. Statistics Norway expects that there will be more elderly people than children in Norway by 2030. The fact that young people are drawn to towns and cities leaving elderly people in the country is creating major differences between urban and rural areas. This means that grocery operators must come up with new ideas when it comes to distribution and product range. Studies show that consumers buy food more than three times a week. The stores are close to one another. The customers have an average of 4.3 chains within walking distance, and they state that they shop at 3.7 different chains every month [Nielsen Norske Dagligvarer (Nielsen Norwegian Groceries)]. This means that they spread their purchases more than before. Nevertheless, large purchases still account for almost 20 per cent of the customers' food budgets [NorgesGruppen's Kjedetrapper (NorgesGruppen's Chain Tracker)].

NorgesGruppen's strategy

- We must ensure efficient and optimal stores where population growth is greatest.
- We shall aim to offer our customers an attractive range, adapted to geographical and demographic differences.
- We offer the best prices every single day, for example through the discount chain KIWI.



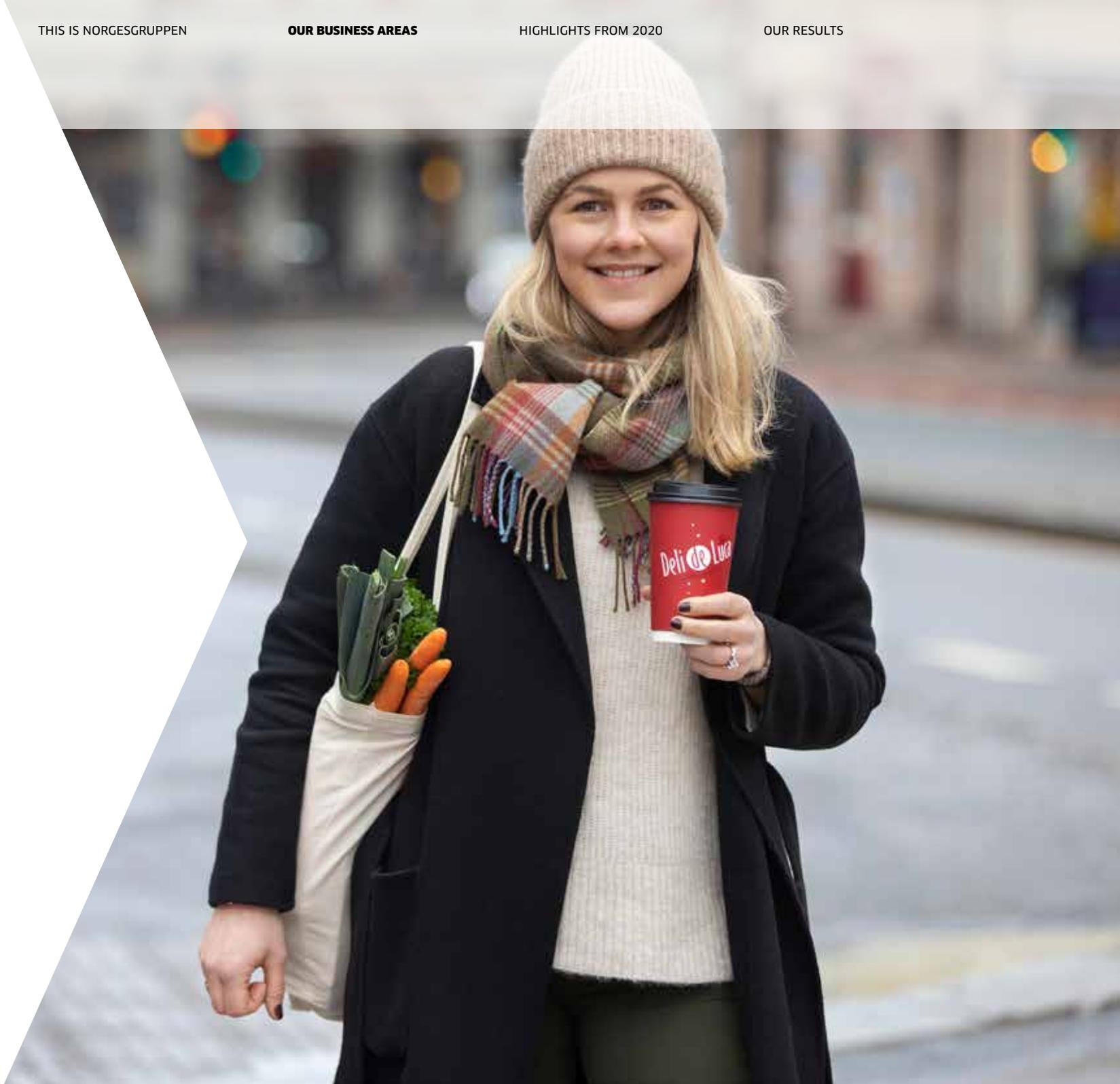
Food production

→ Climate change, resource availability, dietary changes and customer demands will lead to changes in the way we produce food in the years to come. Norwegian agriculture has entered into an agreement with the government to reduce greenhouse gas emissions, and investments are being made in new and exciting production methods. Internationally, major players in the food industry are taking control of a larger part of the value chain to push forward climate and environmentally-friendly solutions and meet customers' expectations for sustainable products.

NorgesGruppen's strategy

- We will initiate the development of new, sustainable and efficient products and solutions throughout the food value chain.
- We have set concrete targets to reduce the carbon footprint of the products we sell.

OUR BUSINESS AREAS



Retail:



Turnover 2020*: 46.3 BNOK

Number of stores: 686 stores (585 NG-owned, 101 retailer-owned)

Number of employees: 13,952

In 2020, KIWI achieved the highest comparable growth in the grocery industry, at 19.1 per cent. Safe stores for customers and employees, and effective access to goods, were KIWI's most important priority in 2020. When the Covid-19 pandemic arrived in Norway in March, it resulted in major changes. The borders were closed, many people in other industries were laid off and everyone had to stay at home as much as possible. This resulted in strong growth in most KIWI stores, especially in those stores close to the Swedish border.

For example, KIWI Borg in Sarpsborg achieved sales growth of 65 per cent in 2020 compared to 2019. The entire region of Oslofjord Sørøst (Oslo Fjord South East) achieved comparable growth of more than 30 per cent. With the growth came the need for more employees. Many people laid off from other industries were interested in working at KIWI, and in 2020 2,000 more employees were hired.

In the NorgesGruppen Kjedetracker [NorgesGruppen Chain Tracker] consumer survey, KIWI scored highest of the grocery chains on which chain has the lowest prices. KIWI was also named Norway's most sustainable brand by the Sustainable Brand Index in 2020. Efforts to reduce food waste and promote health were decisive for sending KIWI to the top.

* Incl. retailer-owned turnover



Albertine Lundgren
Store Staff KIWI



Turnover 2020*: 21.3 BNOK

Number of stores: 184 stores (150 NG-owned stores, 34 retailer-owned stores)

Number of employees: 9,500

MENY was the only supermarket chain to take market shares in 2020. In 2020, good infection control, low absence due to illness, skilled managers and proud employees are what characterised the stores.

For the first time, all the stores were named "Store of the Year". MENY also won the Norwegian Customer Barometer for its industry this year. The chain is preferred for its wide selection and scores the highest in the industry in terms of service and product knowledge in the NorgesGruppen Kjedetracker [NorgesGruppen Chain Tracker] customer survey. MENY won the competition for grocery premises in Bjørvika in Oslo in 2020.

MENY is among the winners in 2020 - a year like no other - with strong overall and comparable growth of 17.5 per cent. MENY's online sales increased by 116 per cent and ended up with a turnover of 728 MNOK, a growth of 400 MNOK from 2019. The meny.no food channel had a record 45 million visitors in 2020. Several stores have been redesigned based on a new store concept that is modern and offers exciting food concepts and good shopping experiences.

In the autumn, MENY opened Norway's northernmost online store via Eide Handel in Tromsø. MENY ran major advertising campaigns for food heritage products throughout the year, and gave 10 per cent directly back to the local suppliers from sales in April, corresponding to 10 MNOK. Promoting a healthier diet has been a common thread in the chain's concept development.

* Incl. retailer-owned turnover



Sandra Antonsen
Fresh Product Manager, MENY



Turnover 2020*: 14.5 BNOK

Number of stores: 295 stores (117 NG-owned stores, 9 franchises and 169 retailer-owned stores)

Number of employees: 6,520

Throughout 2020, restrictions relating to the pandemic affected many parts of the country in different ways. Most stores thrived, but some stores struggled. Comparable growth for SPAR was 11.5 per cent.

Last year SPAR strengthened its position in the Oslo region. The chain has also established a new EURO-SPAR flagship shop on Storgata in Tromsø. This is our first store where all customer communication in the store is fully digital. SPAR has worked in a structured manner during 2020 to reduce food waste. We have worked with Throw No More to develop an app where customers can find discounted products approaching the expiry date. All stores have started using the app. In the NorgesGruppen Kjedet Tracker [NorgesGruppen Chain Tracker] customer survey, customers gave SPAR a high score on the question of which chains have the best offers at any given time.

* Incl. franchise owned and retailer-owned turnover

Yngve Holm
Store Manager, SPAR



Turnover 2020*: 8.3 BNOK

Number of stores: 617 stores (14 NG-owned stores, 15 franchises and 588 retailer-owned stores)

Number of employees: 5,164 (incl. Nærbutikken)

2020 has been a year for the history books. We have been “the Good Neighbour” to a far greater extent than before, despite a demanding situation where a number of stores were impacted by the changes in shopping patterns and travel restrictions. In particular, this applied to stores around traffic hubs and city centre shops. Joker achieved comparable growth of 11.4 per cent.

The NorgesGruppen Kjedet Tracker [NorgesGruppen Chain Tracker] customer survey gives Joker a good score for service and customer support. Joker was first of the grocery chains in Norway to have a pilot collaboration with Throw No More. By the end of 2020, 200 Joker stores had adopted the solution, and the goal is for all of our stores to be on board by the end of 2021. In collaboration with Merkur, Nærbutikken conducted a pilot project concerning partly self-service stores in 2020. New technology has been tested in five Nærbutikken stores, which make it possible for customers to lock themselves into the store using their bank card outside normal opening hours.

* Incl. franchise owned and retailer-owned turnover



Dat Doan
Store Assistant,
Joker

ASKO

Turnover 2020: 78.4 BNOK
Number of employees: 3,773

2020 has been a year of unpredictability and changed conditions for ASKO, with very high grocery sales and a strong decline in the catering market.

Our role is to help our customers thrive. We have worked hard and efficiently throughout the value chain to ensure our customers a reliable, robust food supply. A number of measures have been implemented to ensure a stable supply of goods, and our employees have shown commitment, dedication and a willingness to be flexible.

The delivery rate, which is what ASKO delivers in terms of the stores' product requirements, is now almost 85 per cent, giving every grocer efficient and predictable delivery of goods. A renewed cooperation model between ASKO and BAMA in 2020 allows better use of resources across functions and departments and will result in lower development costs and more accurate forecasting. The main focus has naturally been on daily operations, but important development projects have also had virtually scheduled progress, including the ongoing establishment of ASKO OSLOFJORD.

ASKO was awarded the Industry Climate Award 2020 for our efforts to reduce greenhouse gas emissions in our operations.



Wholesale



Lasse Finstad
Transport ASKO

Lasse Finstad
Transport ASKO

Brand



Turnover*: 9,677 MNOK
Number of employees: 171

→ UNIL experienced strong sales growth in 2020 driven by changing shopping patterns with an increase in grocery purchases that was stronger than the decline in the catering sector. Targeted efforts have been made to make the products more sustainable within the areas of health, the environment and ethics. The implementation of a new design for First Price was started with a category-by-category roll-out, and further investments were made in branding to strengthen the customers' preference for Unil's brands.

Unil First Price minced meat/vacuum-sealed ground beef were launched in 2020, and all relevant products meet requirements for maximum salt content.

Several new products were launched including first and foremost Eldorado Taco and this year's summer concept Sticks.

* Applies to Unil AS



Turnover*: 1,008 MNOK
Number of employees: 60

→ Joh. Johansson Kaffe saw a strong increase in turnover in 2020 as a result of the pandemic and changed shopping patterns. The increase in grocery sales was greater than the decline in the catering sector, including for coffee sales.

Evergood and Ali are still among Norway's strongest brands and have high consumer preference, and JJK is able to gain market shares through a focus on quality, taste and branding.

Significant resources have been allocated to the work on the new, eco-friendly coffee roastery with testing and production at two locations prior to moving to the new roastery on 1 December 2020.

* Applies to Joh. Johansson Kaffe AS



Turnover*: 681 MNOK
Number of employees: 226

→ Ongoing operations have focused primarily on strengthening the robustness and competence of the organisation, and significant improvements have been made in operations.

The first half of 2020 was significantly impacted by the Covid-19 pandemic, with a change in shopping patterns in stores and a decline in sales for the catering sector. Sales recovered in the second half of the year.

The outbreak of the Covid-19 infections in parts of production in the autumn of 2020 resulted in a shorter lockdown for parts of the plant.

In terms of sustainability, MatBørsen has been working closely with Matsentralen [Food Banks Norway] to prevent food from being thrown away. MatBørsen is also working on reducing food waste in its production process.

* Applies to MatBørsen AS



Bakehuset

Turnover*: 1,719 MNOK
Number of employees: 989

→ The first half of 2020 was characterised by a change in in-store shopping patterns, where the trend was lower shopping frequency and fewer small items. Turnover recovered in the second half of the year.

2020 saw several innovations and chain concepts where "Bakerens Utvalgte" ("Baker's Choice") and "Våre Groveste" ("Our Coarsest") have improved in quality as a result of new production methods and longer production processes.

Bakehuset has continued to focus on strengthening its seasonal and local product launches. Delivery of sausage and burger buns from the rebuilt bakery in Brumunddal after the fire in autumn 2018 recommenced in 2020.

In terms of sustainability, there is ongoing work to increase the health profile of the product range, as well as continued focus on reducing food waste.

* Applies to Bakehuset AS



The main focus of Norges-Gruppen Eiendom is to ensure attractive locations for the company's chains and operations.

Properties

Turnover: 432 MNOK
Number of employees: 24

→ Investments in environmental measures in our buildings continued in 2020. The measures are aimed at reducing energy consumption in buildings and the use of more environmentally-friendly building materials. Energy management is being introduced to strengthen the overall property management and inspire improvements.

A pilot project has been established with the company's first 150 kW "hypercharger" in conjunction with the new KIWI store in Lilleby in Trondheim. The project will gather experience from charging requirements, parking and pricing solutions. The goal is for this to be used in the future design of hub projects in particular.

In Trondheim, our urban development project at the former E.C. Dahl's Brewery site is going full steam ahead. We are responsible for one third of the project. In this joint venture, NorgesGruppen Eiendom has a clear hand on the steering wheel to set up and integrate a sustainable grocery store into an important transformation project for Trondheim.



The convenience market is part of NorgesGruppen's other activities together with affiliated companies and administrative companies.



Turnover (profiled and associated) *: 909 MNOK
Number of stores (profiled): 110
Number of employees (profiled): 750

→ Despite a relatively large decline for a number of the stores, MIX has secured the bottom line as a result of cost savings. All retailers received a NOK 10,000 extraordinary bonus in 2020. MIX specialises in the milkshake and burger categories, and 19 MIX stores have been refurbished and upgraded to a new concept focusing on ice-cream, food and drink. A total of 50 stores have now been upgraded to MIX 2.0 stores.

MIX put in place a digital training platform in 2020, and more than 450 employees completed courses during the year.

* Applies to proprietary, franchised and retailer-owned stores



Turnover*: 204 MNOK
Number of stores: 29
Number of employees: 350

→ It has been a demanding year for Deli de Luca. The chain's inner-city stores were severely affected by the Covid-19 outbreak, which imposed restrictions on office use and led to the government advising people to work from home.

As the country's first chain, Deli de Luca opened a new, purely vegan and vegetarian concept, Veggie de Luca. The chain has also used more environmentally-friendly materials and reduced plastic consumption by around 20 tonnes.

Deli de Luca was named franchise chain of the year 2020, mainly for its speedy transformation from a company operation to a franchise model.

* Applies to proprietary and franchise stores

TIGER

Turnover*: 1,170 MNOK
Number of stores: 120
Number of employees: 2,150

→ The operating company Tiger's 120 stores at petrol stations, well located and with good visibility along Norwegian roads, had a strong year in terms of sales development and results. This growth was partly driven by the Covid-19 pandemic, which has given sales outlets in places where people live and travel, such as petrol stations, a boost in 2020. In addition, a number of Norwegians holidayed in Norway in 2020 and contributed to further traffic growth.

Tiger offers Deli de Luca at 68 of its wayside points of sale.

* Applies to proprietary and franchise stores



Turnover (profiled and associated) *: 674 MNOK
Number of stores (profiled): 54
Number of employees (profiled): 260

→ Jafs maintains its position as a pure burger concept and was one of the chains with the greatest growth in the convenience market in 2020. Takeaway has seen particularly satisfying growth, and the chain has opened four new stores in 2020.

The chain has also decided to only profile sugar-free beverages when marketing beverages.

* Applies to franchises and retailer-owned



Turnover: 274 MNOK
Number of stores: 42
Number of employees: 336

→ NorgesGruppen Servicehandel owns 50 per cent of Kaffebrenneriet AS. Kaffebrenneriet opened two new stores in 2020, one of which is a brand new concept store. Here, knowledge and quality of special brewing equipment, hot dishes and Kaffebrenneriet products are presented exclusively for this location. Together with the Kaffebakeriet, the range has been expanded and improved, with, for example, new breakfast and lunch products, chocolate and jam. A number of vegan products have been launched and the company has continued to work on the implementation of environmentally friendly packaging. The year saw a major increase in online shopping and the sale of at home coffee both online and in the coffee shops. Courses and training ensures that all baristas at Kaffebrenneriet are high calibre and have a high level of expertise.



Turnover*: 96 MNOK
Number of stores: 15
Number of employees: 135

→ NorgesGruppen Servicehandel owns 50 per cent of Big Horn Steak House Norge AS. The vision of Big Horn Steakhouse is to give each guest a unique steak experience, and the goal is to be the chain of choice for franchisees wishing to run a traditional steakhouse. In 2020, the company started working with its franchisees on implementing a new concept and image. The company is also placing emphasis on upgrading the menu and range in order to cover a broader customer group.

* Applies to franchises

Affiliated companies

NorgesGruppen is represented in various industries and markets through investments in affiliated companies.

All figures below are 2019 figures.



Operating income: 18,966 MNOK
Number of FTEs: 2,825
Our ownership share: 45.5%

→ BAMA is Norway's leading company in the sale of fresh fruit, berries, vegetables, potatoes, processed products, fresh drinks, flowers and other products with limited shelf life.



Operating income: 1,170 MNOK
Number of FTEs: 456 FTEs
Our ownership share: 47.4%

→ Norli is Norway's leading bookstore chain, focusing on online shopping and 180 stores throughout Norway.



Operating income: 17,228 MDKK
Number of FTEs: 3,260
Our ownership share: 48.9%

→ Dagrofa is one of Denmark's largest grocery concerns. The Group is behind the grocery chains MENY, SPAR, Min Købmand and Let-Køb, in addition to the wholesale business, Dagrofa Logistik. Dagrofa is also a supplier to the catering sector through Dagrofa Foodservice.



Operating income: 787 MNOK
Number of FTEs: 63
Our ownership share: 41.8%

Scala Eiendom owns, develops and manages real estate within the shopping centre segment. The company has 23 shopping centres from Sortland in the north to Grimstad in the south, 18 of which are wholly owned, 4 part-owned and 1 owned by others.



Operating income: 1,549 MSEK
Total FTEs: 221
Our ownership share: 49.0%

→ Eurocash is one of the leading grocery chains in cross-border retailing with stores in Sweden along the border to Norway.



Operating income: 5,738 MNOK
Number of FTEs: 730
Our ownership share: 25% (50% stake in the holding company Norse-Trade, which in turn owns 50% of TRN)

Travel Retail Norway (TRN) sells tax-free goods to travellers at Avinor Airport Gardermoen and Avinor's airports in Kristiansand, Stavanger, Bergen and Trondheim. The company also operates seven duty-paid stores at Oslo, Bergen, Stavanger and Trondheim airports.



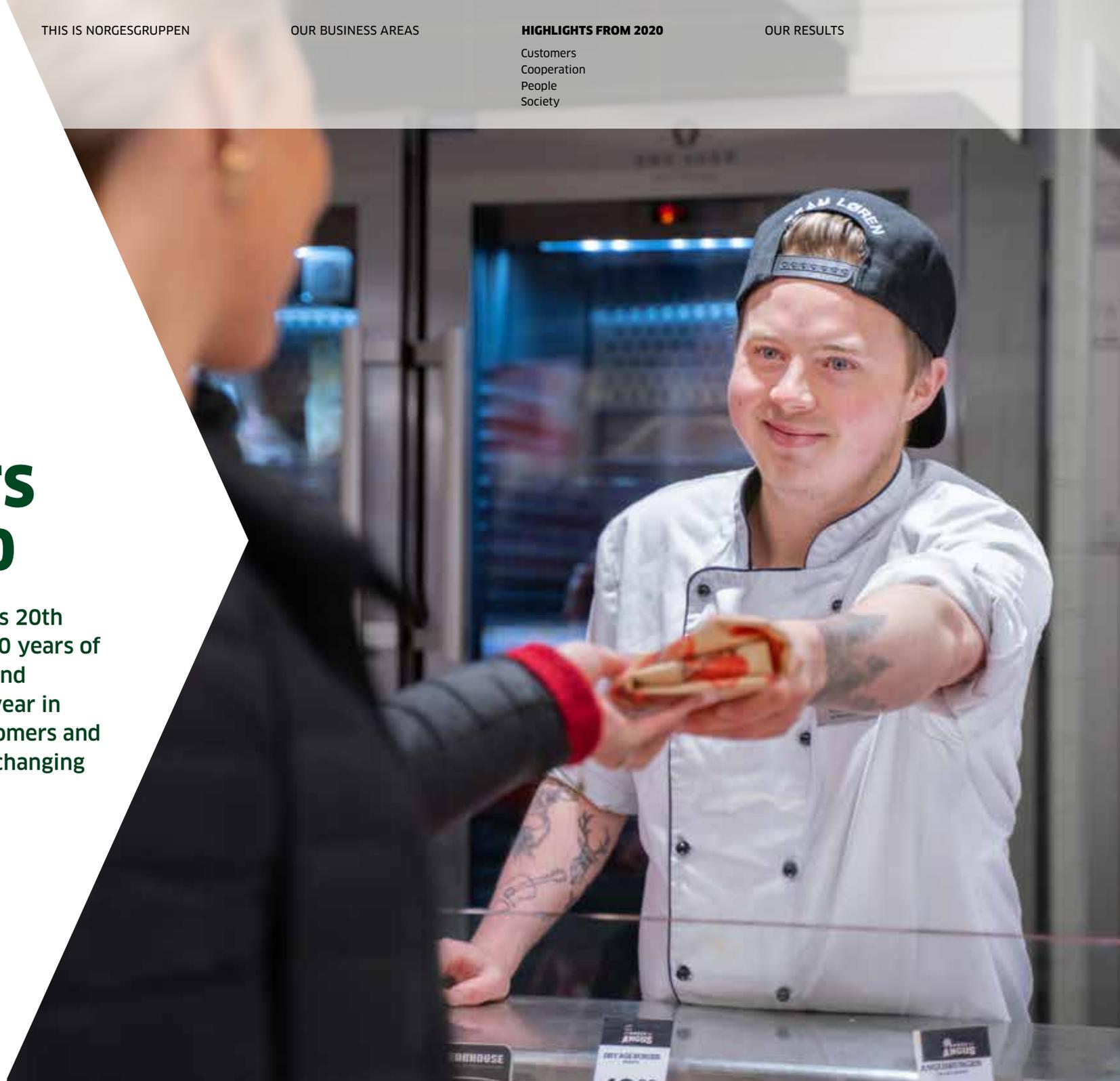
Operating income: 1,177 MDKK
Number of FTEs: 501
Our ownership share: 47.0%

→ Pisiffik is Greenland's largest retail chain. The company has 48 stores in six towns on the Greenland west coast through the chains Pisiffik, SPAR, Torrak Fashion, Jysk, Sweet Home, Pisattat, Elgiganten, Notabene, Akiki and the online store pisiffik.gl. Pisiffik also owns the wholesale business KK Engros, which supplies all of Greenland from its main warehouse in Nuuk, the online store and three Cash & Carry stores.

Customers
Cooperation
People
Society

HIGHLIGHTS FROM 2020

NorgesGruppen celebrated its 20th birthday in 2020, but has 150 years of experience as a wholesaler and retailer. 2020 was a unique year in every respect. Both our customers and staff have had to adapt to a changing working day.



Customers

We live by our customers' trust. Every day, our employees are ready to offer the prices and product range that our customers expect from us.



The Covid-19 pandemic affects what we put in our shopping baskets

In 2020, it became apparent that closed borders, minimal travel and more eating at home affects how we shop and what we eat.

→ When the pandemic became a reality, it had immediate consequences for the Norwegian grocery market. Panic set in, and everything from canned food to yeast and toilet paper disappeared from the shelves in record time in the days around 12 March. Fortunately, within a short time we were able to reassure Norwegian consumers. Since then, consumers have been confident about the safety of shopping in stores and that there will be enough goods as long as people shop normally. But even though product flow has been satisfactory and the entire food value chain has been working, shopping patterns and what we buy have changed in the wake of the pandemic outbreak.

More wholesalers

The more widespread the infection, the less often Norwegians go shopping. In the period after 12 March, the number of times customers went shopping declined from four to five times a week to two. In periods with lower levels of infection →





→ and when everyday life was more like the norm, the number of times customers went shopping returned to what it was before the pandemic. All customers buy more when they go shopping, accounting partly for last year's revenue growth in our stores of around 17 per cent.

We cook more food from scratch and buy more "cross-border goods"

When most meals are consumed at home, and many people have more time on their hands than they had before, more time is spent cooking. We have seen significant growth in sales of flour and yeast because people are baking more, and we are selling more of the ingredients used to prepare dinners from scratch. Sales of pure meat have also increased significantly. This does not necessarily mean that consumption has increased correspondingly, since much of this will probably replace products previously purchased, for example, in Sweden or eaten in restaurants. Turnover growth in our stores has been driven by the categories kiosk products, pure meat, beverages and dry goods.

Positive growth also for fruit, vegetables, fish and other healthy products

Sales growth in meat and beverages has not taken place at the expense of healthier goods. In general, we have bought more of everything, and there is nothing in the figures that indicates that,

We have been selling more ingredients that are used for dinners that are made from scratch.

for example, we eat less fruit and vegetables than before.

The big question will be whether our consumption habits and shopping patterns will change long-term as a result of the pandemic. It is still too early to say.

A survey conducted by Kantar in January 2021 shows that more people have been eating less healthy during the pandemic. The proportion is greatest among those under 30 years of age, with 25 per cent responding that their diet has been more unhealthy. Consumer researchers believe that the obvious explanation for this is that people have been leading a more sedentary lifestyle at home, and that we will revert to previous habits when life returns to normal. However, senior researcher Annechen Bahr Bugge at OsloMet hopes that we will take on board some of the experiences we have had from the pandemic and that we will appreciate food more and the fact that we have easy access to it. She also believes that we will have greater respect for everyone who works with food - from the farmers to the people who work in the stores.



One in three young adults has gained weight during the pandemic

→ Increased sales of sports equipment and congestion in hiking areas have created an impression of a high level of activity in the population after the pandemic broke out. The national public health survey, which FHI conducted in late autumn 2020, provides a more nuanced and partly discouraging picture.

The survey shows that one in three Norwegians is less active now than before the pandemic. Only 14 per cent of the population are more active. 74 per cent of the population say that they eat almost as they did before the pandemic. However, for the 18-24 age group the situation is different. In this group, almost one in four state that their diet has become less healthy, and 34 per cent state that they have gained weight.



Veggie de Luca

→ Vegetarian products and meals have taken off in recent years, also within convenience goods and food-on-the-go. In November 2020, Deli de Luca therefore opened a pure vegan and vegetarian outlet in Oslo, Veggie de Luca. A brand new initiative tailored to vegetarians and vegans, with products such as falafel waffle, liba bread, freshly squeezed orange juice and Crodots, has quickly become a favourite haunt for customers. There has been considerable interest from the public and the press.

The plan is now to introduce the Veggie de Luca concept into other Deli de Luca stores, both in towns and cities and at roadside retail outlets to increase the availability of vegetarian and vegan products.

"The goal is to be the preferred choice for those who want vegetarian and vegan dishes," says Deli de Luca's manager, Tormod Lier.

Massive price cuts for KIWI customers

KIWI aims to be Norway's most affordable discount chain and to offer the lowest prices in the grocery market.

→ In a demanding year, KIWI carried out four major price reductions on a number of products. The first was an extraordinary price cut, which lasted from 17 April until 15 June. The price cut was 20 per cent or more on 200 of the best-selling products. The reason for the price cut was that the Covid-19 pandemic had turned many industries on their head with the result that many people had less money to spend. In 2020, the grocery sector generally saw a high increase in sales as a result of, for example, the absence of cross-border trade, mini-trips and duty-free shopping. The first price cut was part of KIWI's contribution to the community, and this charitable promotion cost KIWI over 200 MNOK.

The second price cut lasted from 15 June until 1 August. During this period KIWI cut prices on 230 standard summer products. The message for this price cut campaign was that KIWI wanted to cut the cost of the holiday season for its customers. This entire period was a demanding one for many people. Most people spent their summer holidays in Norway and many therefore bought

more groceries in Norway than would normally be the case.

Family-friendly price cuts

The third price cut lasted from 24 August until 5 October. This campaign was aimed at family households and covered 130 of the products that this group of shoppers buys the most. A fourth price cut was introduced in October 2020. This campaign included most items, with the cost of 500 items being cut by an average of 21 per cent. Originally, it was announced that the price cut would last for six weeks from 19 October, but during the campaign KIWI decided to maintain the price cut until Christmas Eve. In total, Trumf customers saved 163 MNOK on this fourth price cut for 500 items. Around 25,000 customers saved between 500 NOK and 1,000 each. The price of Gråddost, a very popular cheese, was reduced, and Trumf customers saved around 6 MNOK on this product alone.



Customers believe that KIWI is Norway's cheapest chain

In a customer survey from Q4 2020, the majority of respondents said that they believe that KIWI is Norway's cheapest grocery chain. 68 per cent felt that KIWI offers value for money, 52 per cent that KIWI has the lowest prices for fruit and vegetables.

Source: Carat

KIWI PLUS rewards healthier choices

→ KIWI customers can earn points through both Trumf and KIWI PLUS, which is KIWI's loyalty scheme and is part of Trumf. In order to increase sales of fish, KIWI has reduced prices by the same amount as VAT and introduced a 15 per cent points scheme for fish in KIWI PLUS. The points are the same for fresh fruit and vegetables, and in 2020 KIWI customers saved 541 MNOK in points from the purchase of fruit, vegetables and fish. In 2020, 46,240 KIWI customers also won the value of the goods in their shopping trolley through Sunnhetslotteriet [The Health Lottery]. Each week, four winners were selected from each of KIWI's 686 stores. On average, the customers won back 605 kroner.

Meny.no – Norway's largest food channel

In only five years, meny.no has seen its annual number of visits grow from 7 to 47 million. This growth made meny.no the country's most visited food website in 2020.

→ MENY has worked steadfastly, successfully creating an online food resource that is tailored to customers. Meny.no has become a leading food channel with hundreds of thousands of visitors each week. For many consumers, the website has become the place to go to get inspiration for recipes or to buy food online. MENY is keen not to differentiate between physical and online stores. What matters is giving customers a good shopping experience regardless of where the customer goes or shops.

2020 was a special year for MENY's online store, which saw a doubling in its volume of traffic since 2019. The sudden increase in traffic following the Covid-19 outbreak and the lockdown in March 2020 required rapid and major restructuring, not least a massive increase in capacity. MENY also made various technical improvements to its online solution, such as offering alternatives when stores were out of stock, something that could often occur because of high demand.

MENY also improved the shopping experience on meny.no throughout 2020. The measures included

an increase in customer service availability and technical solutions in order to meet customers' increasing needs for help and guidance. In order to prevent the spread of the coronavirus, MENY introduced an option for customers to indicate when placing their order on whether or not they wanted their food to be left outside their front door. In this way, we were able to deliver to customers in quarantine - with no contact being made.

Handlehjelpen [Shopping Support], a service available across NorgesGruppen, was launched in 2020. Handlehjelpen makes it possible to share shopping lists with others, so that more people could get help with their shopping during the pandemic.

525,100

orders were placed in the online store
on meny.no in 2020



How would you like to pay?

New payment terminals allow customers to choose between most payment services available on the market.

→ In 2020, NorgesGruppen started replacing payment terminals in the stores. The reason was that the stores have had payment terminals from the supplier Nets without a solution for Vipps mobile payment. The new terminals from Aera will make it possible to adopt even more forms of payment than has been the case.

Payment services are included in NorgesGruppen's work to make shopping easier and better for customers. Our goal is for our customers to be able to pay the way they want, and for the payment process to proceed as quickly and efficiently as possible. The mobile phone is an important tool for customers, and we want them to be able to use it to shop and pay in our stores without having to go through the checkouts.

In the KIWI, MENY, Jacobs, SPAR, EUROSPAR, Joker and Nærbutikken chains, customers can choose from most forms of payment available on the market. They accept bank cards with code or contactless payment, as well as all types of credit cards such as Trumf Visa, Visa and Mastercard. Most stores also accept American Express and Diners. Mobile payment is available with Apple Pay and Google Pay, or by using the points earned and is linked to the customers' Trumf profile.



NorgesGruppen takes the lead with dietary insight

→ Trumf, in collaboration with GreeNudge, has developed a completely new service that offers members dietary insight into their own purchases.

The goal is to give customers as much insight as possible into their food purchases, so that customers can decide whether they want to use this knowledge to change their dietary habits. The service does not provide advice or guidance on diet, but refers to advice and quantity recommendations given by the Norwegian Directorate of Health.

"The aim of the service is to provide clear and comprehensible insight into your own purchases and how they correspond to the Norwegian Directorate of Health's dietary advice. GreeNudge's evaluation also showed that users want this service, and that they found it useful, safe and easy to understand. The service will be available in full in the Trumf app. Some of the information will also be available on trumf.no, but for a detailed overview of the nutritional content of the goods, the app is the best tool," says Kristin Bigseth, who is in charge of digital customer experiences at NorgesGruppen.

Targeted marketing

The newly launched Cylinder Media will offer precision marketing and digital services to retail operators.

More than 2.1 million Norwegians are Trumf members. This provides significant insight into shopping habits and trends in food and groceries, which NorgesGruppen intends to leverage with the launch of Cylinder Media

in 2020. The new company offers tailoring of Trumf customer data for brand suppliers.

Targeted advertising based on purchase history also enables local suppliers and niche suppliers with small budgets to reach their customers.



1.45 BNOK in rewards to Trumf customers

→ During 2020, Trumf customers made savings of 1.45 BNOK in loyalty bonuses. This marked the largest purchase dividend ever for the Trumf programme. At the end of the year, the Trumf customers had a total of 1.7 BNOK in unredeemed bonuses on their Trumf accounts, as many customers have amounts left in their accounts from previous years. This is an increase of almost 200 MNOK compared to 2019. Each customer saved an average of around 800 NOK in rewards during 2020.

Trumf customers collect bonuses for all grocery purchases in NorgesGruppen's KIWI, SPAR, MENY, Joker, Jacobs, CC Mat and Nærbutikken chains. In addition, Trumf customers can also earn bonuses at Mester Grønn, Gudbrandsdal Energi, Tui, Shell, Esso and at more than 200 online stores through ViaTrumf.

New Trumf Visa to make shopping easier

→ In August 2020, we launched the new Trumf Visa credit card from NorgesGruppen Finans AS. Payment services and membership benefits in Trumf are among our measures to make shopping easier and better for customers. Together with Trumf Visa, we have also created an app solution that makes it easy for customers to check their balance and transactions, find previous invoices and make online payments. Trumf Visa credit cards offer the usual credit card benefits and, in addition to travel insurance, offer "Help with identity theft" insurance. More benefits are planned to offer customers an even better product.



Norwegian products are popular with customers

NorgesGruppen has always prioritised Norwegian products when possible and available on the market. In 2020, Norwegian products became more popular than ever, with sales increasing significantly in the wake of the Covid-19 outbreak.

→ Customers spent 7.5 BNOK more on Norwegian-produced goods in 2020 than they did in 2019. Norwegian agricultural produce such as dairy products, meat, cereals and fruit and vegetables has also seen an increase in sales. Sales of agricultural produce totalled 4 BNOK more in 2020 than in 2019. This corresponds to several thousand tonnes.

NorgesGruppen's own analysis of sales shows how the pandemic has affected business. Almost half of this growth is due to the Swedish border being closed. In addition, Norwegians have been tourists in their own country this year, and most people have eaten more meals at home than would normally be the case.

In March 2020, the fruit and vegetable producers in particular were concerned about whether the spread of the coronavirus would affect their operations, partly because the sales channels in the catering market ceased to operate. NorgesGruppen guaranteed that Norwegian fruit and vegetables were given top priority.

Could have sold more

The guarantee has proved easy to keep. Sales of Norwegian fruit and vegetables products increased by 9 per cent from 2019 to 2020. If more Norwegian products had been available, growth would have been even higher. Norwegian-produced tomatoes have seen the biggest increase.

NorgesGruppen also has a long-term goal of increasing sales of Norwegian fruit and vegetables in the future, and has a good working relationship with Gartnerhallen and BAMA. We have seen a particular increase in the consumption of vegetables and berries.

Tripling in the sales of locally sourced food

Sales of locally sourced food increased by 18 per cent in NorgesGruppen's stores in 2020. In MENY, the increase was 21 per cent. Many local food producers have tripled their sales through our stores.



Hånasand Gartneri og tomatproduksjon grow tomatoes for Jacobs Utvalgte.

Peak year for MENY Matskatter [Food Heritage Products]

The Covid-19 outbreak hit Norwegian local food suppliers hard. MENY responded quickly by starting the #kjøplokalmat campaign, and by giving 10 per cent of April sales back to the producers.

→ Offering a large selection and local specialties have always been important for MENY. “Ever since 2011, MENY has been searching for new food delicacies from around Norway,” says MENY manager Vegard Kjuus. “Norwegian products with unique quality, a clear local identity and a good track record deserve to be on the shelves.”

When the country locked down in March 2020, local food producers were badly hit. Important sales outlets such as hotels, restaurants and tourist attractions had to shut down suddenly, and large parts of their turnover disappeared overnight.

Discounts and paybacks

To help local food producers, MENY reduced prices on 3,000 Food Heritage Products without changing the purchase prices, and started the #kjøplokalmat campaign. In addition, MENY decided to give 10 per cent of the sales on Food Heritage Products back to small-scale producers.

When the accounts for April were completed, MENY had sold Food Heritage Products worth 102 MNOK, 15 MNOK more than in the same month the year before. The chain donated 10.2 MNOK to help small-scale producers during the corona crisis.

“The extra millions represent a considerable quantity of cheeses, sausages, cereals and other unique products. We are pleased that our customers have responded to our appeal to add more Food Heritage Products to their shopping baskets. We need to help local food producers survive in a tough time. They represent jobs, food culture and food diversity,” said Kjuus when the size of the payback was announced.

The campaign was very well received, and MENY is now among the finalists competing for the Marketing Association’s “Marketer of the Year” award.

10.2

MNOK
in corona support for small-scale
producers



MENY's Fish Tuesday

→ Do you remember when Tuesday meant fish for dinner? In 2020, MENY breathed new life into Fish Tuesday.

With a 30 per cent discount on all fresh fish from the fish counter on Tuesdays, MENY helped to ensure that fish became a regular feature on the dinner table. What matters to MENY is that customers should be met by skilled food workers who prepare the ingredients, advise on the preparation, and offer a large selection of exciting recipes to encourage more people to choose fish for dinner.

The Fish Tuesday promotion meant that MENY secured the award for healthier marketing in 2020 from the Norwegian Ministry of Health and Care

Services. This was an important recognition of the work MENY is doing to make fish simple, tempting and easily accessible.

Increasing sales of fish and other seafood has long been a goal for NorgesGruppen. In 2020, the year when more people prepared more food at home, we found that sales of fresh and frozen fish and seafood increased by over 5 per cent overall. Initiatives such as MENY's Fish Tuesday, Healthier Dinner of the Week [Ukens sunnere middag], The Weekend Shellfish Stop [Helgens skalldyrdestinasjon], KIWI's Health Lottery [KIWI's Sunnhetslotteri], new fish varieties and promotions helped to increase sales of fresh fish and shellfish by 3.6 per cent from 2019 to 2020.

A year of contrasts for Joker

2020 has been a year of contrasts for many Joker stores. Some of the people who first suffered major losses due to the holiday cabin ban are now aiming for record sales because everyone is holidaying in Norway.

→ One of them is Joker Ustaoset. In 2019, retailers Olav Skogen and Thor Ivar Hallingstad welcomed customers to a newly refurbished store, which cost them 5.5 MNOK. Everything was in place for a very strong winter season, which was supposed to peak during Easter week. In this particular week, the store is one of Joker's largest in the entire country, as there are plenty of holiday cabins in the area around the store. Then came the coronavirus and the holiday cabin ban, and all staff were laid off. There were virtually no customers in the store.

"It was very discouraging, especially being alone at work. Easter is by far the best week of the year, and suddenly there was nothing. Completely empty," says Hallingstad.

Working from home and working from a holiday cabin

As soon as the holiday cabin ban was lifted,



Thor Ivar Hallingstad (left) and Olav Skogen.

customers flooded back. Many people were working from home and these people could now just as easily work from a holiday cabin.

"The first Monday was like a good weekend," recalls Thor Ivar, who explains that it has been a rollercoaster. "At one point we were four million kroner down on last last year." 2020 has proved to be the best year ever.

Plastic project attracts attention abroad

In recent years, NorgesGruppen and BAMA have systematically worked to reduce plastic packaging for fruit and vegetables. This has resulted in 800 tonnes less plastic in the fruit and vegetables department since 2018.

→ “The collaboration project between NorgesGruppen and BAMA demonstrates what is possible to achieve when the value chain cooperates. We know that there is a demand for us to reduce greenhouse gas emissions in our product portfolio and that it is only right and important for us to do this. The results in fruit and vegetables are an inspiration for others in the organisation who are working to reduce the use of plastic,” says Signe Bunkholt Sæter, Sustainability Communication Manager at NorgesGruppen.

More cardboard and efficient transportation

In January 2018, targets were set to reduce 400 tonnes of plastic in consumer packaging by 2020 in a category with over 400 product lines, thousands of producers and a very short planning horizon.

“We started, for example, by removing the plastic on avocado, strawberries, apples and plums, and reducing the plastic on a number of other products. The round plastic boxes with blueberries were replaced by square cardboard boxes, resulting in both less plastic and more efficient

transport. This led to more blueberry boxes per truck from the warehouse to the store,” says Pål Westby, NorgesGruppen’s Category Manager for Fruit and Vegetables.

Double the target

During 2020, results have proven to exceed ambitions. Almost 800 tonnes of plastic have been removed, and new targets have been set for the coming year.

“Within a short period of time, we have succeeded in changing production and packaging by working with our suppliers, despite the fact that is has not been straightforward. Changed packaging requirements require the entire value chain to invest in new packaging solutions,” says Westby.

Sustainable packaging has a major and visible effect. The project has also attracted attention abroad. Major European suppliers in the fruit and vegetables category have been inspired and have changed their packaging.

“The potential is enormous, and we will play our part,” says Westby.

20%

reduced plastic usage by 2025



Campaign to combat plastic

→ At the turn of the year 2020/2021, the Norwegian Retailers Environment Fund made its largest grant to date, totalling 105 MNOK to 123 environmental projects. In addition, the fund has budgeted for 300 MNOK over three years for the “Rydd Norge” [“Keep Norway Tidy”] campaign, which aims to “clear at least 40 per cent of the outer coast of Norway and Svalbard of plastic by the end of 2023, as well as prioritised water-courses”.

The Norwegian Retailers Environment Fund was set up in response to the EU Plastic Bag Directive. The fund is working to reduce plastic waste, increase plastic recycling and reduce consumption of plastic carrier bags. NorgesGruppen is a proud member. 50 øre of each plastic bag bought in our stores goes towards the fund’s work.

“In this way we ensure that the funds are targeted at the work of reducing the environmental impact of plastic. This has been an important prerequisite, and we see that there is a great need for funds, for example, to clear the more inaccessible part of our coast,” says NorgesGruppen’s Environmental Manager Halvard Hauer. Mr Hauer is also a member of the Board of Directors of Norwegian Retailers Environment Fund.



Reusing plastic carrier bags saves Norway at least 100 million plastic bags a year.

17%

fewer plastic bags in 2020

20

tonnes plastic saved annually in packaging improvements of minced meat



Same amount of food, less plastic

→ In February 2020, our brand First Price launched the “vacuum-sealed minced meat and ground beef” innovation on the market.

“As part of our efforts to make all of our products as environmentally-friendly as possible, we developed a brand new vacuum package for minced meat and ground beef. This means less air, less packaging and more packs on each lorry,” says Odd Ture Wang, CEO of NorgesGruppen’s own brands.

The new packs have been very well received by the customers, the most important factor in making this a permanent change.

“This has not been easy to develop. It took a year and a half from when the idea was thought of until the product was in store. We have been very clear that it should not affect the quality of the food, and that the shelf life should be the same. Fortunately, we have been able to achieve both of these things,” says Wang. The goal going forward is to reduce plastic and air in at least half of today’s vacuum packaged products.

A huge selection has become even bigger

More over-the-counter medicines

In 2020, KIWI moved its over-the-counter medicines out into the store by the cash registers and saw more than 15 per cent growth in sales, more than twice the total growth in the market. We want to offer more over-the-counter medicines and products to customers going forward.

Quality and choice are decisive when customers choose a store. In 2020, we collaborated with operators throughout the value chain to expand the range, and launched a record number of new products.

→ We promise our customer the best selection of products in the market and are committed to living up to that promise. To this end, we are continually testing new products and working with our suppliers on product development and innovation. Our own brand companies UNIL, Joh. Johansson Kaffe, MatBørsen ørsen and Bakehuset are important partners in creating unique product ranges in the chains and giving customers greater freedom of choice.

In 2020, we presented around 1,700 new products on store shelves across Norway. This was an increase from the previous year. At the end of the year, almost 600 of the new products were still on the shelves.

The 2020 product news came in many different categories. Some directions still stand out: Green and healthy products, simpler dinner solutions and quality products are growing rapidly. In 2020, we also saw that the Sticks range challenged an entire category and gave many customers a new view of barbecued food.



Sticks for the barbecue

KIWI's summer campaign was inspired by Japanese street food in 2020. Ready-marinated skewers - salmon, chicken, wild shrimp, pork or vegetarian - were launched under the name Sticks together with sauces and small cans of crispy toppings called Crunch. The campaign was developed in close cooperation with UNIL. It introduced a whole new way of grilling and quickly became popular. Sticks had revenues of 52 MNOK in the summer months.



Tasty soups

In 2020, Eldorado launched new range of ready-to-eat soups in the dry goods section. The soups come in four different varieties, and are more like homemade soups than powdered soups - extra tasty and filling. All soups have a low salt content and two of the varieties carry the Keyhole label. They are best warm, but can be eaten cold and stored for 520 days in unopened packaging.



More and better bread

Quality, freshness and selection were the mantra when Bakehuset and our stores developed new bread products in 2020. Customers were presented with three new product ranges:

Bakerens Utvalgte [Baker's Selected] - range of extra high-quality and good ingredients

Våre Groveste [Our Coarsest] - breads with lots of fibre and low salt, with the Keyhole label

Nystekt på 8 minutter [Freshly baked in 8 minutes] - fresh, lightly baked bread, from coarse to white bread, ready to bake at home



Jacobs Utvalgte [Jacobs Selected] with good growth

Jacobs Utvalgte achieved fantastic 30 per cent growth in 2020 and launched new products such as frozen rolls and shellfish. However, the most popular products were the sausages, which have become a summer favourite, accounting for a sales increase of 45 per cent. Good sales across the categories also shows that many people opt for Jacobs Utvalgte in the cosy period around autumn and Christmas.

Cooperation

Our ambitions are high, but we cannot achieve them by ourselves. We work with manufacturers, suppliers and retailers to find solutions that create better customer experiences.



Climate farmer Johan Bjørneby at Dyster farm is coming up with new ideas and is investing in greener food production.

NorgesGruppen and BAMA launch a new collaborative model

BAMA and NorgesGruppen have worked together for many years to offer consumers high-quality fruit and vegetables to increase the consumption of healthy and fresh products.

→ On 15 October 2020, the two companies agreed to change the partnership model, so that ASKO takes over the goods from BAMA Dagligvare at an earlier stage in the value chain than is presently the case.

Today, BAMA, a BAMA Group company, supplies fresh products to the chains in NorgesGruppen. As from autumn 2021/spring 2022, ASKO will take over this responsibility and in a new model will take over ownership of the goods upon delivery to ASKO stores. ASKO will be responsible for further logistics and distribution to the stores. BAMA Dagligvare will continue to be responsible for market, category development and sales.

BAMA Dagligvare and ASKO are co-located in most locations in the country, and ASKO already transports a large share of BAMA's good from warehouses to stores. All BAMA Dagligvare employees who perform similar logistics tasks will be transferred to the local ASKO company.



The aim of the change in the partnership model is to make better use of resources across functions and departments, including an IT system that enables in lower development costs, simplified ordering and complaints handling and more accurate forecasting.

BAMA and NorgesGruppen will continue to work together to further improve freshness and quality for consumers. The change will take effect from autumn 2021.

Good references from suppliers

→ The annual ReMark survey maps out what the grocery operators think about the suppliers – and what the suppliers think about the grocery operators and our stores. NorgesGruppen achieved the best overall score among grocery stores in 2020, a position we have held for several years.

Suppliers ranked us number one in most areas. The feedback on our ability to work well with the suppliers was the most important finding. Furthermore, NorgesGruppen is consistently the best operator when it comes to complying with agreements entered into. **We were also recognised as the leading operator when it comes to sustainability. 2020 was the first time ReMark covered this area.**

Our goal is to be the industry's best partner for both large and small suppliers. We place emphasis on professionalism, willingness to cooperate, consumer understanding, sustainability and the use of facts in all our actions with suppliers.

ReMark is being carried out jointly by the industry, in cooperation with Kantar. The suppliers are anonymous in the survey.

Food waste significantly reduced!

Food waste in NorgesGruppen's stores was reduced by 38 per cent, measured in value compared to 2015. The target of a 25 per cent reduction by 2020 has therefore been exceeded. * That is good news, both for the climate and for business.

→ For many years, NorgesGruppen has worked systematically to reduce food waste in all parts of the Group, and aims to halve this by 2025. The most important measure is to constantly chase the best possible flow of goods between warehouse, store and customer. Furthermore, the sale of discounted products approaching the expiry date has become an important measure, in addition to the donation of food to NGOs and business partners.

This year, we present NorgesGruppen's food waste in more detail for the first time. We believe this is important in order to create an understanding of where improvements need to be made and what measures should be prioritised.

If we look at food waste in tonnes, the two largest product groups are bread and bakery products and fruit and vegetables. When converting food waste to CO₂ equivalents, fresh ready meals and fresh

meat are high up on the list, even if they are small waste groups in tonnes.

We are working to reduce waste within all product groups, but we also believe that it is appropriate to take into account the potential for CO₂ impact and have therefore set a target of zero meat waste by 2025.

* The 2020 results are affected by the pandemic and therefore not representative of a normal year.

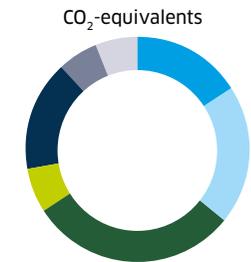
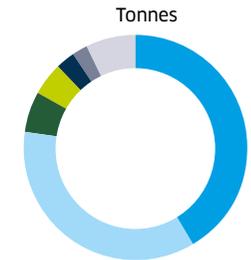
This could have become food waste

Food waste in 2020 was used in this way



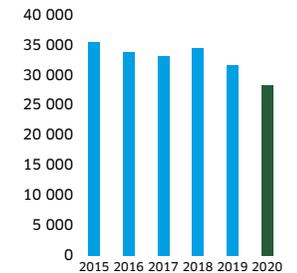
* Unknown treatment includes food that we know we have discarded according to the waste registration, but which is not collected through our central waste management agreements. All CO₂ calculations include the impact of food production and the CO₂ gain/loss from different types of recycling.

Food waste in 2020 measured in weight and carbon footprint



- Fresh bakery goods
- Fresh frukt/vegetables
- Ready meals/delicacies
- Dairy products
- Fresh meat
- Fresh fisk/shellfish
- Beverages, dry goods, frozen food and newsagents' goods

Developments in food waste 2015-2020 (tonnes)





Databar offers endless possibilities

→ For several years NorgesGruppen has worked systematically at developing services to reduce waste in stores and to avoid customers buying goods that have passed the sell-by date. In 2019, automatic date alerts were rolled out in the stores in NorgesGruppen. Moving from manual monitoring to an automated solution is a significant improvement for stores.

In March 2020, the solution was further improved with the addition of a databar, i.e. the date in the bar code. This is a solution that no other operators in the industry have tested before us. This helps ensure that you always have control over the goods that have entered the store, and the goods that have been sold or wasted. Date notification with databar saves costs, not only because of waste reduction, but also because it saves time for store staff.

NorgesGruppen is the first to use the date in the bar code



Throw No More – The Tinder of Discounting

→ In April 2020, SPAR and Joker launched a partnership with Throw No More. It is a digital display window for items with short remaining shelf life that makes it easier for customers to find discounted items in a nearby store. The cooperation already shows good results after half a year. As at 31 December 2020, 500 SPAR and Joker stores were involved, and around 400 tonnes of food were sold via the app.

Results also show that cooperation creates further reductions in food waste. In this way, it is not only a display window, but also a tool that actually contributes to reducing food waste. The discount counters in the stores that have not previously been emptied are now more likely to be emptied.

50,000

customers have downloaded the app



See page 63 on Matsentralen [Food Bank Norway]

Fewer loaves per order reduces waste

→ Is it possible to reduce waste within bread and bakery goods by reducing the minimum number ordered by a store from 5 to 1? When a group from Bakehuset asked this question, the clear feedback was that it would neither be appropriate nor effective. Nevertheless, it was decided that the hypothesis should be tested.

The result: It was possible. It reduced waste and eventually it also reduced costs. It is important to challenge established beliefs in order to achieve the sustainability goals. The saving in the first year amounted to 50 MNOK. Since the Covid-19 pandemic broke out in March 2020, customer shopping patterns have been unpredictable. This has resulted in a slight increase in waste compared to 2019, but waste is still well below the 2018 level.

50

MNOK saved in the first year

The Action on Sugar Campaign

When all of NorgesGruppen's business areas join forces to make a 10 per cent reduction in products containing sugar, it makes a difference to public health. This initiative has removed 4,000 tonnes of sugar in just a few years. A good example of commercial, sustainable development.

→ In 2015, approximately 40,000 tonnes of added sugar were sold through the products in NorgesGruppen's stores. The goal for 2020 was clear: We wanted to reduce sugar in our products by 10 per cent, i.e. 4,000 tonnes.

"We have been working steadfastly since 2016, product group by product group, and I am proud to say that we achieved the target in 2020. Many people did not think we would manage," says Aina Marie Lien, Nutrition Manager at NorgesGruppen.

What we sell and how we sell it

Selling less sugar is one of the main goals in the sustainability focus area health. Lien explains that the goal was achieved before the start of the Covid-19 pandemic in March. Since then, the figures have changed somewhat, due to the extraordinary increase in grocery sales in the past year.

"We have sold a lot more sugar, and we have sold a lot more fish. We are just selling more of everything, so we have to compare the figures that are "ordinary"."

The sugar campaign is a collaboration between the category/procurement department, UNIL, the brand suppliers and all the chains. Systematically, work has been carried out on what is sold and how it is sold, in close cooperation with professional expertise.

Less sugar in the sales winners

"Less sugar is very important to public health, and we have a unique opportunity to help our customers by making products healthier and influencing them to make healthier choices," says Lien.

- A lot of sugar has been removed from existing products, especially the big sales winners in soft drinks, jam, biscuits, juices, yogurt and cereals. →



- • Sugar-free or sugar-reduced varieties, for example in beverages, have been better placed on the shelves than the products containing sugar.
- MENY is making changes in its stores and is moving sugar products further back in the stores.
- Price promotions have been run on sugar-free and sugar-reduced products.

Soft drinks, juices and sweets are the biggest sources of added sugar in our diet. Several everyday products such as breakfast products and yogurts have gradually had their sugar content reduced. These are products where customers are not always aware of the sugar content. Here it has been possible to influence the consumer's preferences to get them to like lower sugar con-

30%

Less sugar in First Price household juices



28.5

tonnes less sugar per year



Kakostjerner with the keyhole label replaces Chocokuler, which was removed from the range in 2018.

tent in the products. Many suppliers work well with product development to combine good taste and reduced sugar content.

“We think sugar-free drinks will continue to replace soft drinks with sugar – there is more to be gained from reducing sugar intake here,” says Lien.

After achieving the target, an ambitious goal has been set for 2025. Sugar sales should be reduced by an additional 10 per cent.

“We have shown that we really want to and can lead the way in sustainable development and can win over the consumer at the same time. We are now going to be working on new products, and we know that it won't be easy. Many of the low-hanging fruits have been harvested, but we are motivated and ready for a new sugar hunt,” says Lien.



Healthy is smart

→ A healthier diet and prevention of lifestyle diseases among children and young people are becoming increasingly important.

Prosjektet SunnereBarn [The HealthierChildren Project] is helping children in nursery schools and after-school care to have better diets and to enjoy their food more. In 2020, 7,500 employees and 44,000 children took part in the Prosjektet SunnereBarn. NorgesGruppen is also a partner in the project.

After one year of participation in Prosjektet SunnereBarn, nursery school and after-school care institutions have the following results:

- An increase of up to 18% in the consumption of fish and fish spreads
- An increase of between 8 and 18 per cent in the consumption of keyhole-labelled products
- Close to full score on the consumption of fruit and vegetables (score between 86 per cent to 100 per cent)
- Very good procedures for serving plant-based margarine and wholegrain bread (score from 94 per cent to 100 per cent)



Animal welfare policy

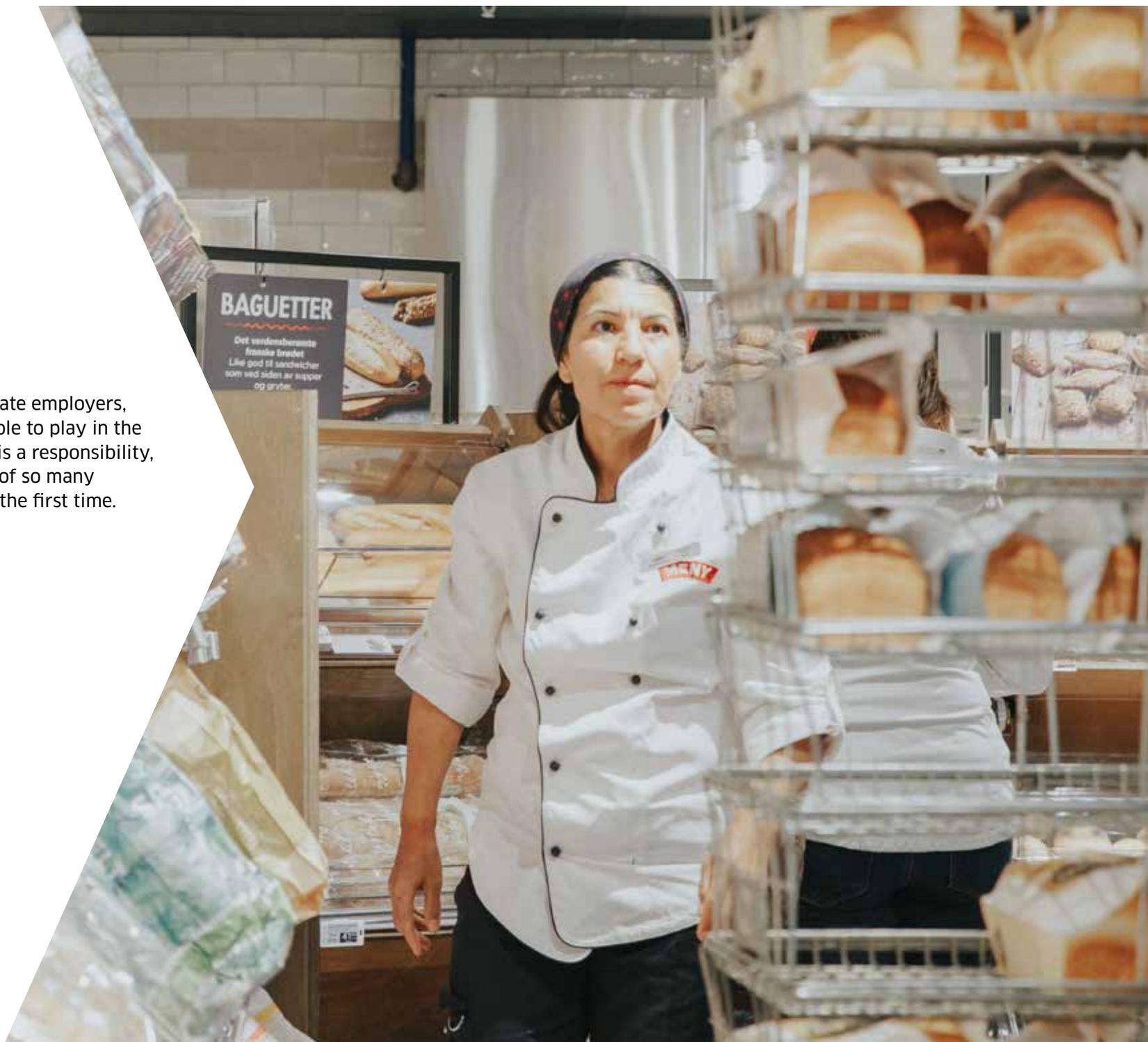
→ In 2020, NorgesGruppen established a policy for the work and follow-up of animal welfare. NorgesGruppen's quality department has worked with animal welfare for a long time, but it is important for us to have a greater degree of transparency in our work.

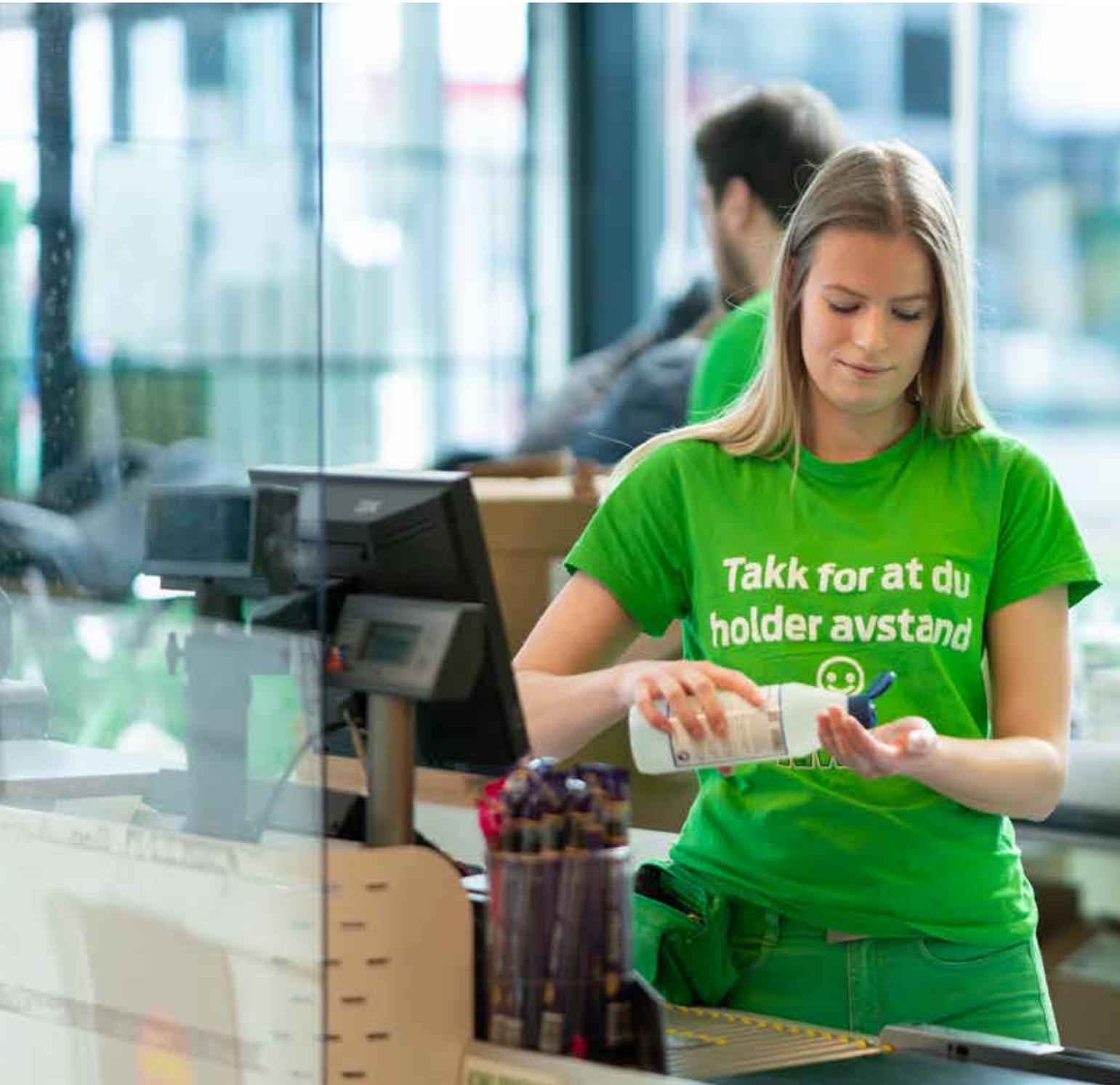
We will help to ensure that national animal welfare requirements are met, both for what we buy in Norway and for what we import. We want to be a driving force, which is why we are committed to working closely with suppliers and primary producers to make continuous improvements to animal welfare. Our aim is to give our customers peace of mind so that all eggs, meat and dairy products that NorgesGruppen offers are based on production that ensures good animal welfare and have the best solutions for those who want more.

Read our Animal Welfare Policy [here](#)

People

As one of the country's largest private employers, NorgesGruppen has an important role to play in the Norwegian employment market. It is a responsibility, and a privilege, to be the employer of so many people entering the job market for the first time.





3,000 more employees in Norges-Gruppen stores

The strong growth in the grocery market during the Covid-19 pandemic meant that NorgesGruppen's chains have almost 3,000 more employees in 2020 than in 2019.

→ Closed borders, minimal travel and more cooking at home have contributed to a strong growth in turnover in our stores. A positive consequence of this is an increased need for labour. Where other companies have had to lay off or dismiss people, the grocery sector has been able to do the opposite, employ more people. In total, the pandemic has led to almost 3,000 new employees in our chains.

2,000 new employees at KIWI

It is not only the stores closest to the border that have seen customer growth after the Covid-19 outbreak. At KIWI Ullerudsletta in Drøbak, for



example, several staff have increased their working hours, and a number of new staff have been recruited. The store in Drøbak has seen sales growth of around 30 per cent since the outbreak of the Covid-19 pandemic.

KIWI had around 2,000 more employees at the end of 2020 than at the beginning of the year. For SPAR stores in the districts, growth has not been as strong due to travel restrictions, but the consequences of the outbreak of the Covid-19 pandemic have been noticed in some of the stores in the towns and cities. SPAR Kjelsås in Oslo has recruited several staff in recent months. They have noticed an increase in customer demand for online shopping, and that customers who visit the store are buying more than usual. The workforce in the store has increased by 20–25 per cent after the Covid-19 outbreak, and the store has increased its turnover by 26 per cent.

More qualified applicants

The supermarkets in MENY have employed 500 more staff in 2020 compared with the previous year. The chain considers the change to be a clear consequence of increased sales and closed borders.

After the Covid-19 outbreak, MENY has also found that they have far more highly qualified applicants for their positions requiring food-related expertise than before. For a number of years, it has been difficult to get enough skilled workers. MENY currently receives many direct inquiries from people in the culinary and restaurant industry. MENY has also experienced strong growth in online shopping, which has also led to an increased need for labour. The overall growth in online shopping was 116 per cent in 2020.

NorgesGruppen's 210 MNOK bonus to its staff

→ In December, NorgesGruppen paid all its employees an extraordinary bonus for their efforts during 2020 as a result of the pandemic. As a thank you for their outstanding work during a very demanding period, it was decided to pay around 30,000 employees in NorgesGruppen-owned companies a bonus of up to 10,000 NOK per employee. Employees who worked part-time received a pro rata payment of this amount.

appreciation. This has been an extreme year for everyone working in the grocery sector, which has seen tremendous growth. People are shopping more than normal and everyone has to work more. They are at risk of infection and have stepped up to the plate," said Communications Director Stein Rømmerud when the bonus was announced.

Most retailer-owned stores also decided to reward their employees, including all independent retailers in MENY.

"The employees really deserved a token of



Students are choosing to work in stores

Many students have their first experience of working life when they get a job in one of our chains. In 2020, we had the chance to show even more what opportunities we can offer.

→ “It is important for our young employees to get to know the diversity in the value chain and what career opportunities it offers,” says Dina R. Thune, HR Director at NorgesGruppen. She is very pleased with the increase in the number of applicants for store jobs.

KIWI is one of the chains that has noticed the popularity of store jobs. Applicant numbers were record high in 2019, but took another leap in 2020 because of the pandemic and layoffs in other industries. For example, the newly opened KIWI Lilleby in Trondheim received 1,119 applications for just one position. Celine Larsen (21) headed off the stiff competition and landed a permanent part-time position as a store employee. As a full-time student, she finds it very beneficial to do part-time and evening work.

“For me, it was important to have a job that I could combine with my studies. My manager told me early on that my shifts would be adapted to

fit in with my studies,” says Celine. Celine has already attended courses on career opportunities at NorgesGruppen. She finds it positive that employees find out about career opportunities within the store early on.

“Even when I was being interviewed, they told me about the different areas of responsibility and asked me what I would like to do. I could also get a position with more responsibility if I wanted to later.”

Celine believes that working hours, job security and orderly conditions are important reasons for why store jobs have become so popular among students.

“What mattered to me was a secure income. At a large company like NorgesGruppen, you can be sure that the pay you get is based on collective bargaining and is a percentage of the pay for a full-time equivalent position.”



41%

of our employees are under 25 years of age

MENY is one of the chains in NorgesGruppen that offers part-time jobs to many students.

KIWI school offers certificate of apprenticeship

With 545 apprentices in 2020, we achieved our target of having at least 500 ongoing apprenticeship contracts each year. As of 2020 trainees at KIWI School can work towards a certificate of apprenticeship at the same time.

→ Around 350 of the apprentices are within the retail sector, and subjects include sales and service, as well as restaurants and food. Most are students from vocational schools who need two years of practical training. We also have several apprentices who have been working for a long time in stores and who want to get a certificate of apprenticeship. Jon Buxrud, head of KIWI school, is now testing a scheme that allows trainees to attend the Folkeuniversitet apprenticeship programme.

“We are currently working with two groups. In June, 25 of these apprentices will receive their certificate of apprenticeship. We are very excited to see the results, and hope that this will be a permanent collaboration so that more people in the sales and service sector will receive a documented certificate of apprenticeship,” says Buxrud.

KIWI school is a school for KIWI employees. Since 1996, over 10,000 employees have completed



various courses at the school. The trainee programme is one such course. In addition, several tens of thousands of online courses have been held in the stores.

“The trainee programme runs over five months, but it becomes more extensive when we add Folkeuniversitet’s practical apprenticeship training. Apprentices who attend Folkeuniversitet have often worked for a long time without being skilled. They just take practical apprenticeship programmes alongside their work. When they are



The first apprenticeship group from KIWI School.

with us, they become part of a group. We facilitate this and we cover the costs,” says Buxrud.

Making the collaboration work has been a long and arduous job. It has not been common for chain schools to offer skilled training. “We know that there is a lack of apprentices in Norway, and hope that we can make a positive contribution with what we are doing. At ISS, we place emphasis on providing students with practical training that meets their individual needs. It has proved very effective,” says Buxrud.

ASKO offers a bachelor degree

→ When employees expressed a need for more formal qualifications, ASKO began working with Kristiania University College to develop a Bachelor’s degree in Procurement and Logistics three years ago.

In particular, team leaders found that their role became increasingly demanding. Many of the employees had also not completed the course they wanted to attend before they starting working life at ASKO. The solution was a practical bachelor’s degree course, tailored to ASKO’s employees, and with a course content that would also benefit the company. ASKO covers the cost of the course, and the employees attending the course are given time off for lectures. Kristiania University College – the business school college – was the right partner to create a programme tailored to the employee’s work situation.

ASKO also offers courses in project management to enable employees to learn how to carry out projects successfully and efficiently. These courses also help define ASKO as an organisation. Originally the plan was for 65 employees to complete the course in 2020, but the corona situation limited the number to 32. The plan is for the courses to proceed as normal from 2021.

Migrant workers in Norway

Migrant workers play an important role in Norwegian value creation, especially in the food value chain. In 2020, NorgesGruppen explored the topic with Kinginstituttet [the King Institute] and published the report “Migrant workers in Norwegian food production value chains”.

→ Every year, 15,000-20,000 migrant workers arrive in Norway. A migrant worker moves to another country for some of the year to work. In recent years, there has been increased awareness of the challenges migrant workers face in workplaces in Norway. Unacceptable working conditions are generally hidden from public view, and are therefore difficult to detect. Workers may have been promised working conditions that do not match reality when they first start work.

Tools and instructions

NorgesGruppen and the Kinginstituttet saw a need for more knowledge. The report is based on surveys carried out at five major Norwegian food suppliers and a selection of their food producers. The report shows the challenges workers can face in these sectors, and outlines how unacceptable work situations can arise and the framework we have to protect workers.

“Even though we see many organisations following best practice, one of the main findings is

that we know too little about what happens at the recruitment stage,” says Bjart Thorkil Pedersen, Head of Sustainable Trading. It is important for Norwegian companies and producers to have good access to tools and guidance, as this is a complicated area where it is easy to make mistakes. In this way, the rights of migrant workers are protected, and producers in our value chains have greater confidence in ensuring the rights to a very important contributory factor in Norwegian value creation.

Increased knowledge

– The report has been well received since we published the findings in September 2020. We have consulted both stakeholder organisations and the farmers’ associations, and we believe that the work has contributed to increased awareness of why some employees are being exploited at their workplace, including here in Norway. We will continue to work with our partners in 2021,” says Pedersen.



Bjertnæs & Hoel grow vegetables and potatoes for everyone who cares about healthy ingredients and how they are made.

Completely dependent on migrant workers

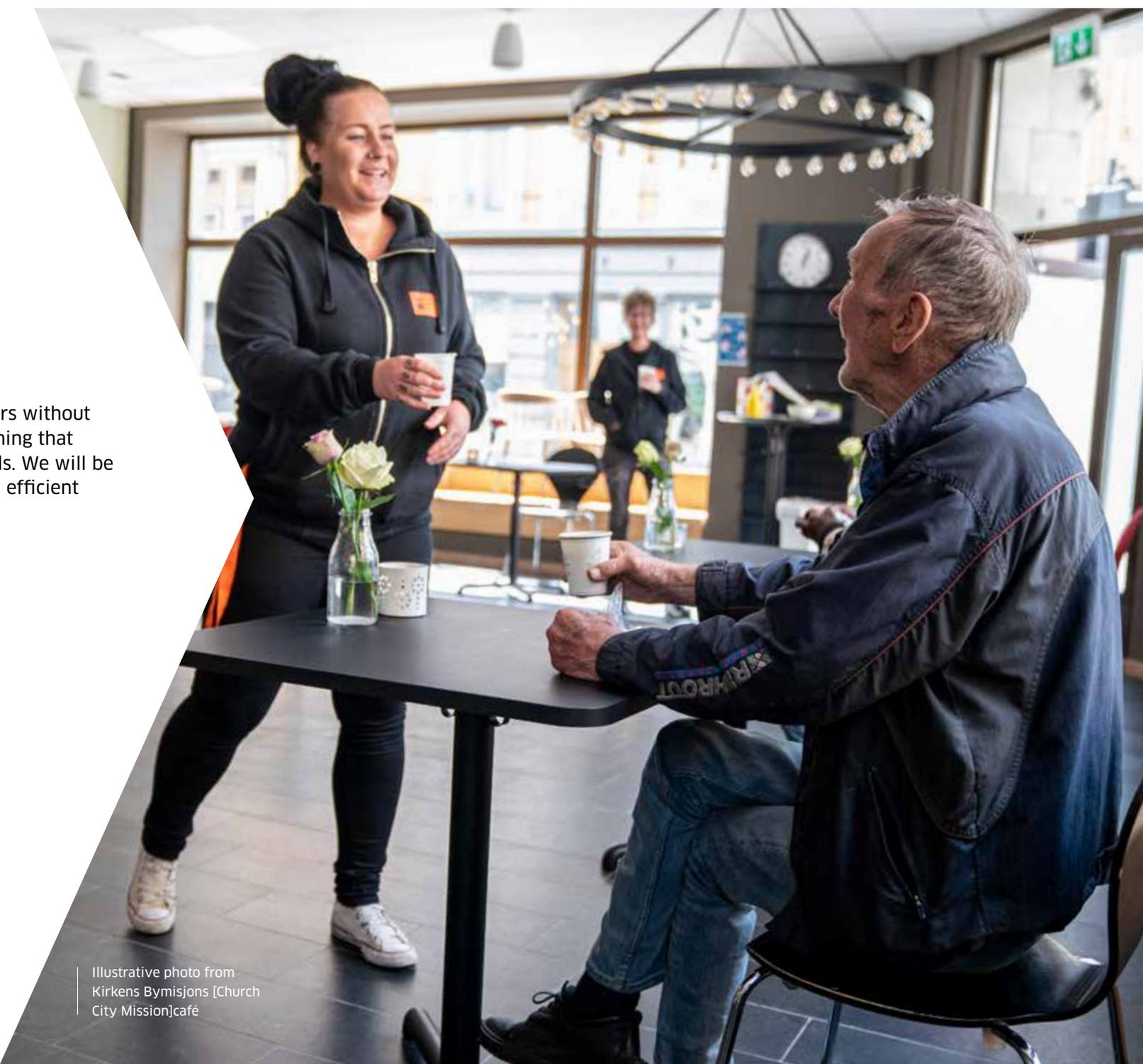
→ Bjertnæs & Hoel produce, for example, salad and potatoes at Nøtterøy in Vestfold, and are dependent on seasonal workers for their harvest. Since the 1980s, they have been working with the same workers, and now their children are back in the fields every year.

“Continuity is important for us, and not least for our employees to develop and learn for

several years. Truc, for example, has been here for 13 seasons. He started by cutting lettuce and now leads his own team. “We depend entirely on our skilled employees, whether they are Norwegian or seasonal workers, and it is a matter of course that everyone must be treated equally. We know that there are rogue employers out there, and it is important to make sure we expose unacceptable working conditions” says Åsmund Bjertnæs.

Society

Meeting the needs of today's consumers without depriving future generations is something that everyone in society must work towards. We will be the instigator for new, sustainable and efficient solutions in the food value chain.



Illustrative photo from
Kirkens Bymisjons [Church
City Mission]café

“Fibre networks will help the districts and the local business community to have better opportunities,” says Harald Lasskogen, grocer at Joker Vaset.



Fibre networks for stores and local communities

When NorgesGruppen extends fibre out to more than 1,800 stores throughout Norway, it is not just the local stores that will have high-speed networks. Large parts of Norway will be able to connect.

→ In 2020, NorgesGruppen worked with Telenor to launch an extensive project to upgrade the network for its 1,800 grocery stores. The old copper network is still in use in many places, but the new fibre network will provide 50 times higher grid capacity and a much faster network. Digital payment solutions and ordering routines will work better and faster. In short, it will be easier to run a good and efficient store.

Digital promise for local communities

Fibre development will also benefit local communities. NorgesGruppen has stores in 90 per cent of the country's municipalities, and the partnership agreement means that Telenor will be expanding its fibre network to areas that have not previously had this infrastructure. When the fibre broadband reaches the local store, companies and households in the same area will be offered the opportunity to connect to the network.

The Covid-19 pandemic has led to many people working from home - and some people working from holiday cabins - and has accelerated the digitalisation of public services. The digital promise

that NorgesGruppen is contributing towards is important because it enables more people to take part in the digitalisation of Norway, regardless of where they live.

Its importance is probably greatest for local businesses, which will have the same digital opportunities as companies in central areas.

Contribution to national targets

The development agreement between NorgesGruppen and Telenor is in line with the government's target of improving broadband expansion to the districts. Figures from the National Communications Authority (Nkom) in September 2020 showed that only 55 per cent of households in sparsely populated areas had access to fibre broadband. In August, 700 NorgesGruppen stores had connected to the new solution and brought fibre to new areas. By 2021, all our stores will have access to fibre networks.

Control of energy consumption

A new system for energy monitoring and control (ENVO) has been developed by KIWI and is now being rolled out in all stores. This is one of several measures that have produced good results in the work on improving energy efficiency at NorgesGruppen.

→ “This is a project that, with a relatively small investment of 50,000 NOK per store, can save the same store around 50,000 kWh per year. This makes it easier for us to reach our goal of reducing energy consumption in all new and existing KIWI stores. It saves money and helps the environment at the same time,” explains KIWI’s Vegard Myklebust who has been managing the project.

Over the past ten years, systematic work has been carried out to reduce energy consumption in all parts of NorgesGruppen. This has involved everything from installing lids on freezers and refrigerators, to installing LED lights, replacing refrigeration systems and building more eco-shops. The ENVO system further systematises the work. It is a tailor-made monitoring system to reduce energy consumption, service costs and heat loss. It is also linked to yr.no and integrated in the store’s ventilation solution. KIWI has received international recognition for the system.

“The ENVO model clearly has transfer value to other stores. It establishes a new benchmark for optimal energy use and monitoring in retail premises,” says NorgesGruppen’s environment manager Halvard Hauer.

NorgesGruppen’s goal was to reduce energy consumption by 18 per cent by 2020, and this goal has been exceeded. The reduction has gone from 16 per cent in 2019 to 26 per cent in 2020.

“We were able to achieve this goal from the work carried out in recent years, but the extra “jump” is due to abnormally high sales in 2020 during the Covid-19 pandemic and a target figure based on electricity consumption measured against turnover,” says Hauer.

During 2021, MENY will also work on improving its energy monitoring systems and have further developed the IWMAC monitoring system.



26 %

energy reduction in NorgesGruppen in 2020



ASKO OSLOFJORD – operational in autumn 2021

In 2020, the automated food warehouse ASKO OSLOFJORD in Sande in Vestfold and Telemark took shape. The first deliveries to KIWI, MENY, SPAR, Joker, Bunnpris and Nærbutikken will start in autumn 2021.

→ The warehouse is being built to ensure efficient, competitive and environmentally-friendly logistics.

“This warehouse is laying the foundation for long-term, cost-effective distribution. Even though the warehouse is large, the technology is adapted to both large and small stores, locally and further afield, with different needs and distribution solutions,” says Knut-Andra Kran, CEO of ASKO OSLOFJORD.

Sustainable and climate-neutral

ASKO’s goal is for ASKO OSLOFJORD to be the world’s first building of its kind to achieve BREEAM Outstanding environmental certification. To achieve this, 11,500 m² of solar panels, for example, have been installed on the roof, providing enough energy to meet the annual energy requirements for 80 detached houses. The building also uses a heat recovery system from refrigeration units, has sedum roofs where there are no solar panels, and is made of environmentally-friendly building materials and low-carbon concrete.

In 2020, ASKO worked on developing an electrical solution for transporting goods across the Oslo Fjord, in order to avoid burdening the public road network. Two self-propelled electric ferries (trolley boats) will cross Oslo Fjord, providing an environmentally-friendly flow of goods. Testing and operation are planned from 2022.



Climate-neutral coffee roastery

One of the world's most advanced and environmentally-friendly coffee roasteries is in Treveien in Vestby – and 90% of it is made of wood.

→ In December 2020, Joh. Johansson Kaffe started production in what has been called “Norway's environmentally-friendly coffee roastery” in Vestby. The roastery has been designed for climate-neutral operation and will use geothermal energy wells, low-carbon solar panels and heat recovery to produce as much - or more - energy as it needs to operate. Compared to the previous roastery at Filipstad, the Vestby roastery is estimated to reduce greenhouse gas emissions by 85 per cent.

Both the construction process and choice of materials have followed strict environmental requirements. Large parts of the building are made of solid wood, and recycled steel and concrete with

85%

reduced greenhouse gas emissions

lower emissions than normal are used for the parts that required other materials. The coffee roastery complies with the standard for passive houses and is certified as BREEAM-NOR Excellent, which means that it follows best practice for new builds.

Competence Centre

In addition to its environmental properties, the new roastery offers several advantages in terms of its operation. It has a large capacity and a high degree of automation that reduces the risk of errors and improves quality. New technical solutions also open up to produce smaller ranges and offer several different coffee varieties.

Besides production, Joh. Johansson Kaffe aims to create a competence centre for coffee at the roastery. This cutting-edge facility will provide the perfect framework for establishing a professional environment and sharing knowledge about coffee as a raw ingredient and about the process that produces the best flavours.



Our business partners

NorgesGruppen has a number of strategic partners with whom we have been working closely for many years. In 2020, two partners were particularly important in terms of dealing with the pandemic: Kirkens Bymisjon [Church City Mission] and Matsentralen Norge [Food Bank Norway].



Food boxes for disadvantaged families

The Covid-19 pandemic has been hardest on those who had a hard time before, including disadvantaged families.

→ In the autumn of 2020, NorgesGruppen launched a pilot project in collaboration with MENY Netthandel [MENY E-commerce] and Kirkens Bymisjon [Church City Mission], where we tested the distribution of food boxes to 50 disadvantaged families in Haugaland in Rogaland.

The 50 families received a box of food every other weeks for a period of six weeks. The boxes contained bread, spreads, milk, juice, dinners, fruit and vegetables and little snacks. We wanted to test how much this kind of support could help remedy a difficult financial situation. The cost of this pilot project was approximately 150,000 NOK. The preliminary feedback we have received is that this was welcome and very tangible help at a difficult time. It has also given us valuable experience in testing new areas for the online

shopping solution, in collaboration with our partners in non-profit and voluntary activities. The possibilities are many.

50

disadvantaged families received food boxes through the pilot project

Matsentralen Norge [Food Bank Norway]: Record needs and record deliveries in 2020

Matsentralen Norge [Food Bank Norway] has never handed out as much food as in 2020, nor has it been given as much food as in 2020. NorgesGruppen's businesses were among the largest contributors.

→ The need for more food increased significantly at Matsentralen Norge virtually overnight after the pandemic hit Norway on 12 March 2020 and the country locked down. Fortunately, Matsentralen Norge managed to meet the increased needs and demand, thanks to suppliers and business partners such as NorgesGruppen. NorgesGruppen increased its food donations to Matsentralen Norge by 20 per cent in 2020, the largest contributors being ASKO and MatBørsen. Overall, we donated almost 440 tonnes of surplus

food to Matsentralen Norge nationwide last year. Together with price discounting, donating surplus food to charity is one of our most important means for reducing food waste. In 2020, it was particularly important to find ways of saving surplus produce from the catering market, as large parts of this market were directly affected by the pandemic and lost their customer base or had to close. By working with Matsentralen Norge, we were able to save large volumes of food intended for this type of operation.

“Old” fruit and vegetables get a new lease of life

In late autumn 2020, NorgesGruppen launched a pilot project in collaboration with Matsentralen Norge and UniMat/Matsentralen Kjøkken to collect surplus fruit and vegetables from two MENY stores. The fruit and vegetables were used in ready-made meals that UniMat produces in its

kitchen and transports to Matsentralen Norge for further distribution to Matsentralen Norge's users. The objective is to put this into operation from February 2021 and gradually expand to more stores and more product categories, including most obviously bread and bakery products.



440

tonnes of surplus food donated
by NorgesGruppen to Matsentralen Norge in 2020

OUR RESULTS



Annual Report 2020

IMPORTANT EVENTS IN 2020

Changing shopping patterns resulted in increased grocery trade

Since March 2020, an increasing number of Norwegians have been buying their groceries domestically due to a stoppage in cross-border trade with Sweden. In addition, consumers have scaled down the number of times they go out to eat, now having more meals at home. This changing shopping pattern is the main reason why the grocery store market grew by 17.1 per cent in 2020 compared to 1.3 per cent in 2019. Cross-border trade in Sweden fell by 85 per cent in 2020. NorgesGruppen's market growth was 18.1 per cent in 2020 in the traditional grocery market.

Online grocery shopping has increased significantly following the Covid-19 outbreak, and has experienced greater growth than traditional grocery stores the past year with a doubling in 2020. MENY's e-commerce business grew by 100 per cent in terms of the number of orders in 2020.

Good profit development in a demanding year¹⁾

Total operating revenues amounted to 101,560 MNOK, an increase of 12.2 per cent compared to the previous year. Around half of the growth in NorgesGruppen's sales revenue in 2020 can be attributed to a halt in cross-border trade. This growth has contributed to NorgesGruppen's chains having almost 3,000 more employees in 2020 than the previous year, and employees received an extraordinary reward for their efforts in a demanding work situation. Some of our grocery stores, outlets, and customers in the catering market experienced greatly reduced sales due to government travel restrictions and social limitations. At the same time, the companies have managed to keep cost development at a satisfactory level. Operating profit (EBIT) was 5,096 MNOK compared to 3,650 MNOK in 2019. This gives an operating margin of 5.0 per cent compared to 4.0 per cent the previous year.

1) All figures quoted are excl. IFRS 16.

2) NorgesGruppen'SChain Tracker 2020 is an ongoing survey of shopping habits and grocery chains. Consumers comment on what is important when choosing a store and how skilled the chains are at doing what is important to the customer.

Price reductions from the chains and record earnings in the Trumf programme

Trumf members saved 1.45 BNOK in bonus in 2020, where the member base in the KIWI Plus loyalty programme makes a significant contribution. KIWI also implemented several extensive price reductions. The price reductions in 2020 applied to almost 1,000 of KIWI's best-selling products and were equivalent to values of several hundred million kroner. MENY reduced the price of more than 3,000 local food products in 2020, with 10 per cent of revenue being returned to producers.

Awards and trust from customers

NorgesGruppen's chains continue to deliver on what is most important to consumers in the food market. Price level is the most important criterion for consumers when choosing which store to patronise, and KIWI scores highest of all low cost grocery chains.²⁾ The quality of fresh produce and a good selection of products are also among the most important criteria for consumers, and MENY scores best in the industry here.³⁾ MENY and KIWI have topped several consumer surveys over the past year, and both have achieved excellent reputation results in the Apeland index for 2020. MENY won the Norwegian Customer Barometer, and KIWI was named the most positive company by YouGov. During the 2020 Franchise Conference, Deli de Luca was named Franchise Chain of the Year.

Innovative range development appealed to new customer groups

Bakehuset developed a new best-selling product in 2020 in the shape of FunkyGines Fiberbrød, where 28 per cent of the turnover from the product came from new customers to the product group. In just a short space of time, this has become NorgesGruppen's second-best selling bread. The bread is also third best-selling bread in Norway.

In summer 2020, and drawing on inspiration from Japan, KIWI and UNIL introduced a brand new barbecue concept to the Norwegian market with the Sticks concept. The summer market has traditionally been characterised by products such as hamburgers and sausages, but Sticks represents something innovative and has succeeded in challenging established categories.

Innovation in the value chain for more efficient operations

Several major innovations with the goal of increasing productivity were initiated in 2020, and the new coffee roaster at Vestby is a fine example of this. The roaster streamlines operating processes and handles a significantly larger volume than before. Packaging optimisation of dough for bakery products is another example of innovation that makes operation more efficient. By using vacuum packaging it is possible to get more products on each pallet and in each truck. The introduction of date labels in the bar code on goods is a measure that has contributed to the merchant having control over which goods have entered the store and which goods have been sold through at the till, as well as control of food waste, at any given time. ASKO and BAMA renewed their collaboration model in 2020, making it possible to optimise use of resources across functions and departments. This will also result in lower development costs and more accurate forecasting.

Consumer tools enable food waste reduction

Over 460 SPAR and Joker stores around Norway have connected to the "Throw no more" app. It allows customers to see which items have been discounted at any given time. More than 370 tonnes of groceries have so far been saved through the app. NorgesGruppen has reduced food waste by 38 per cent in its own operations since 2015.

Digitising stores

A collaboration between Telenor and NorgesGruppen has resul-

ted in the expansion of fibre to more than 2,000 stores throughout Norway. The agreement improves stores' performance and response time, and enables the further development of e-commerce and supplementary services for district stores. The Telenor agreement is part of a digitalisation effort throughout District Norway that, as a result of the agreement, will see Telenor expand into areas of Norway where there have not otherwise been fibre operators. Via Merkur, several district stores have tested digital self-service during extended opening hours in 2020. The stores are still serviced during the normal opening hours, but the new technology means that the stores are open 24 hours a day and both locals and cabin tourists can shop exactly when it suits them. NorgesGruppen's overall goal is for customers to be able to pay in the way they want, and for the payment process to proceed as quickly and efficiently as possible. The mobile phone is a key tool that customers can use to shop and pay in NorgesGruppen stores, without having to go through the checkout. The payment terminals in store were therefore replaced in 2020 to enable additional cardless payment solutions.

Renewal of Trumf Visa and new payment solutions

In 2020, the agreement on the operation of Trumf Visa was terminated by DnB and resulted in NorgesGruppen Finans AS taking over operations. The demand for the Visa card from Trumf members is high, and every year we invest heavily in order to improve the shopping experience and membership benefits of the Trumf programme. NorgesGruppen has developed a separate solution for payment by mobile phone based on Trumf membership. The mobile solution must make it possible to carry out online payments and provide more insight into balances and transactions. The solution is under constant development and new and improved functionality will emerge over time.

In line with the authorities' desire to continue offering cash in society, NorgesGruppen has entered into an agreement with Vipps AS (BankAxept) for in-store cash services. The service was started in spring 2020 and is available in most KIWI, MENY, SPAR, and Joker stores across the country.

More effective marketing with Cylinder Media

Cylinder Media is the name of the newly started focus area in NorgesGruppen that will tailor advertisements for brand suppliers and provide more effective marketing. This type of targeted marketing will help to offer each customer relevant product advertising based on the customer's purchase history. Some 1.4 million Trumf members have given their consent to receive tailor-made advertising from branded suppliers.

New steps to the zero emission vision

In May 2020, ASKO entered into an agreement with Scania Norge to acquire 75 electric distribution vehicles over the course of three years. The construction of two self-propelled electric ferries has commenced, which will transport goods over the Oslo fjord and provide an all-electric transport route. ASKO is working on building three new wind turbines in Lillesand to supplement already established wind turbines in Rogaland and Lindesnes. In addition, the company is now also looking at the possibility of building offshore wind turbines. On the Nordland Line, hydrogen-based technology is being considered, where ASKO has started transporting food products between Trondheim and Bodø. In January, ASKO launched the world's first hydrogen-fuelled distribution vehicles. The distribution vehicles are electrically powered from fuel cells that use hydrogen as fuel. ASKO was awarded the Industry Climate Award for 2020, the reason given that ASKO has been a very important driver for the phasing in of innovative solutions and technological innovations.

Notice from the Norwegian Competition Authority

In December, NorgesGruppen, along with several other grocery operators, received a preliminary notice of a fine for the practice of using price hunters. In the case of NorgesGruppen, the notified fine was 8.75 BNOK. NorgesGruppen believes that neither the industry standard that regulates "comparative advertising" and thus price hunters, nor the implementation thereof, is in violation of the Norwegian Competition Act. The industry standard, which has been made public and in consultation with consumer authorities, promotes healthy competition to the benefit of customers and has resulted in lower food prices. NorgesGruppen cancelled the agreement on price hunters in November 2020 because initi-

atives for dialogue and requests for feedback from the Norwegian Competition Authority were ignored. NorgesGruppen will send a response to the Norwegian Competition Authority during spring 2021. For more information, see note 26.

White paper

In 2020, the Norwegian government presented a white paper on competition in the grocery sector. NorgesGruppen supports the strengthening of the Norwegian Competition Authority and the establishment of the Norwegian Commercial Supervisory Authority, and supports the intention of the white paper to contribute to healthy and fair competition in the market that will benefit the consumer.

OUR BUSINESS AND BUSINESS CONCEPT

NorgesGruppen's activities are within the food and drink sector and other everyday consumer goods. We compete in the food market, where we provide shopping experiences through several different concepts: low price, supermarkets, convenience stores, and food-on-the-go. The chain concepts offer a combination of physical stores and e-commerce, both from independent retailers and self-owned retail outlets throughout the country. Distribution, procurement and food production are integrated parts of the business that guarantee customers low prices and a good selection of products, and provide retailers with a good operating basis.

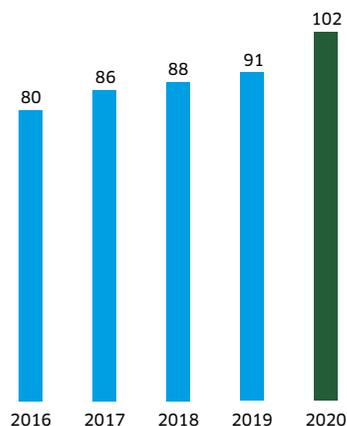
MARKET AND PROFIT TRENDS

2020 has been a different year, strongly influenced by the Covid-19 outbreak, and this has been reflected by developments in the food market. Due to the pandemic, the grocery market in 2020 achieved abnormally high growth of 17.1 per cent for the traditional grocery chains. Nielsen Growth Reporter for Q3 shows that the Norwegian grocery sector had the largest growth rate in Western Europe in 2020. The loss of cross-border trade is the most important explanation for why Norway stands out from the rest of Western Europe.

Taxable categories with high sales accounted for a large part of the growth experienced in 2020. Restrictions have contributed to these products, e.g. beverages, being purchased in Norwegian grocery chains instead of border stores, tax-free, or through other

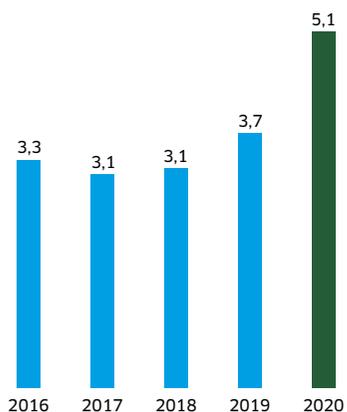
Operating revenues

Amounts in BNOK (excl. IFRS 16)



Operating profit (EBIT)

Amounts in BNOK (excl. IFRS 16)



tax-free channels. Stores in areas close to the Swedish border have been most affected by government restrictions.

Shopping habits underwent a change during 2020. The number of individual transactions per day dropped, the number of products bought during those transactions increased, and online purchases of groceries doubled.

Covid-19 outbreak - effects and measures in NorgesGruppen

A large proportion of NorgesGruppen's growth in 2020 can be attributed to a stop in cross-border trade, which fell by 85 per cent during the year. In 2020, the e-commerce side of MENY experienced a growth in turnover of 116 per cent. NorgesGruppen's chains had around 3,000 employees in 2020, and the company has moved resources from catering and convenience retail to e-commerce and groceries.

Several SPAR and Joker stores have had a demanding year due to their location or size. Some of the smallest stores have had fewer customer visits due to government restrictions. In addition, several SPAR and Joker stores depend on holidaymakers and were subject to travel restrictions for periods of time.

NorgesGruppen did not seek financial support from the authorities for its wholly-owned companies or subsidiaries, but provided capital support in individual partly-owned companies in Q2. All NorgesGruppen employees received an extraordinary award of 10,000 NOK for their solid efforts during a demanding period of time.

Results trends for NorgesGruppen

Operating revenues in 2020 increased by 12.2 per cent from 90,504 MNOK to 101,560 MNOK. Around half of the revenue growth in 2020 is attributed to the closure of the border with Sweden. High market growth within groceries boosts operating profit for the Retail and Wholesale business areas. KIWI performs strongly as a low-price leader. MENY is attractive with its wide range of products, quality of fresh produce and service. Online sales amounted to 770 MNOK in 2020, up 116 per cent from the previous year. NorgesGruppen achieved comparable growth of 16.7 per cent

in 2020, while the market for traditional grocery stores increased by 15.8 per cent.

Some of our grocery stores, retail outlets and customers in the catering market experienced a sharp decline in sales from time to time. ASKO Servering, for example, declined by 19 per cent in 2020. Strong growth in grocery stores pulls up the result to wholesale despite lower sales and greater losses on accounts receivable within the catering market.

The results of Brand, which included Bakehuset and MatBørsen, were characterised by a changing shopping pattern in which the demand for ready-made baked goods and food-on-the-go meals declined.

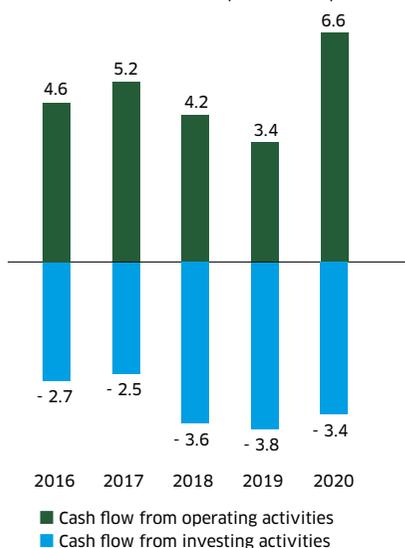
For several of our associated companies, developments have been characterised by closed borders and other restrictions. Travel restrictions resulted in a strong decline in tax-free and NorgesGruppen's part-ownership in Travel Retail Norway. Swedish Eurocash, in which NorgesGruppen is co-owner with Axfood, experienced a negative development in 2020. This is due to the fact that most of the stores in the chain are located at the border with Norway and were hit hard by the decline in cross-border trade from Norway.

NorgesGruppen's stores in the centres of major cities, at traffic intersections, and near hospitals and airports all experienced demanding business conditions in the wake of the Covid-19 outbreak due to travel restrictions, closures, and more people being asked to work from home. Closures of restaurants, hotels, and offices reduced ASKO's deliveries to the catering industry. Up to 800 employees have been laid off. Despite NorgesGruppen being entitled to financial support for its wholly-owned companies, the company chose not to apply for such support.

As the business community currently finds itself in the midst of uncertain times and major movements in the markets, NorgesGruppen decided to conduct a thorough review of various investments where there are indications of a decline in value. Individual writedowns have been carried out as well as increased provisi-

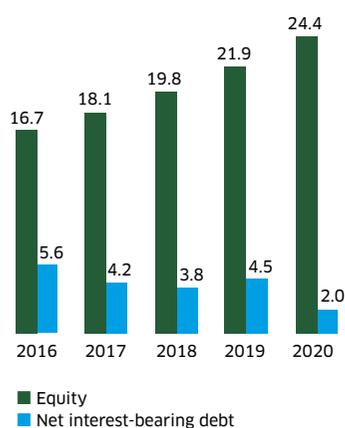
Cash flow and investments

Amounts in billion NOK (excl. IFRS 16)



Equity and net interest-bearing debt

Amounts in billion NOK (excl. IFRS 16)



ons made for loss of customers as a result. The result is higher writedowns on both goodwill and other fixed assets than in the previous year. In addition, the gains related to the sale of both subsidiaries and associated companies are significantly lower than in 2019.

Despite a demanding year for several of the business areas, more efficient operations and satisfactory cost developments overall have had a positive effect on the profit trend. Operating income per man-year has increased by an average of 4 per cent annually since 2012. Operating revenues per man year were 6.8 MNOK for 2020, a minor increase from 6.1 MNOK in 2019.

Operating profit (EBIT) was 5,096 MNOK in 2020, up from 3,650 MNOK the previous year. This resulted in an operating margin (EBIT) of 5.0 per cent, compared with 4.0 per cent in 2019. Profit for the year was 3,827 MNOK, which corresponds to a margin of 3.8 per cent compared to 3.0 per cent in 2019.

Net cash flow from investing activities was 3,432 MNOK. NorgesGruppen invests significantly each year, and in 2020 invested in several major projects that provide increased competitiveness, including a new coffee roaster in Vestby, and a new warehouse in Sande that will provide increased capacity in Eastern Norway. In 2020, we invested 3,682 MNOK, corresponding to almost the full year's result.

NorgesGruppen adjusts shareholders' equity and the rest of its financing structure to the company's objective, strategy, and risk profile. At 31.12.2020, shareholders' equity in the Group amounted to 24,355 MNOK. This is equivalent to an equity ratio of 55.7 per cent. Net interest-bearing debt was 1,952 MNOK at 31.12.2020. Return on capital employed was 19.3 per cent in the last rolling 12 months.

PARENT COMPANY

NorgesGruppen ASA is the Group's parent company. The parent company's activities primarily comprise Group functions Accounting and Finance, Communication and Public Relations, Category, Procurement and Quality, Business Development, and HR. Total

operating revenues for the parent company in 2020 were 499 MNOK, compared to 479 MNOK in the previous year. NorgesGruppen ASA's operating profit in 2020 was 141 MNOK. Profit before tax was 1,511 MNOK, and the annual result was 1,512 MNOK.

Continued operation

The Board confirms that the criteria for continuing operations are in place. The Group is in a good economic and financial position.

Allocation and dividends

The annual profit of the parent company is allocated as follows.

Annual results for 2020	1,512 MNOK
Proposed dividend	936 MNOK
Transferred to other shareholders' equity	576 MNOK
Proposed dividend per share	24 NOK

RISK MANAGEMENT

Risk management in NorgesGruppen is based on the COSO Enterprise Risk Management framework. The purpose of risk management is to increase the likelihood of strategic and operational goals being achieved through identifying, assessing, monitoring, and managing risk factors. The Board and the CEO ensure that there is sound risk management in the Group as a whole, and consider that the Group as a whole has a moderate exposure to risk. Below is a brief account of risk management in the Group. A more detailed explanation is available in the Risk Management chapter of the report.

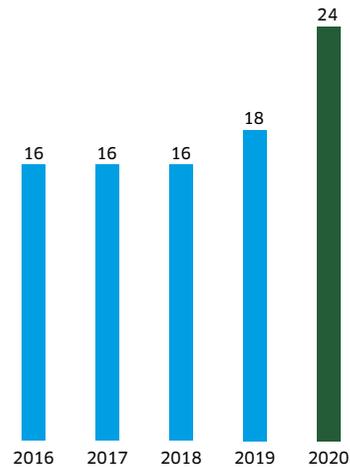
The subsidiaries adhere to common governing documents, including support tools for risk assessment in specific areas. The Group has its own resources centrally, with specialist responsibility for food safety, information security, and privacy. The Group also has a forum for risk management across all business areas, where relevant themes are discussed.

Key strategic and operational risk factors

In 2020, there were several periods of unpredictable goods situa-

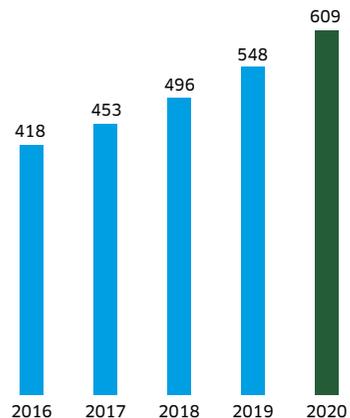
Dividend per share

Amounts in NOK



Book value per share

Amounts in NOK (excl. IFRS 16)



tions, underlining the strength of having a contingency organisation to handle unexpected sudden and dramatic events that change operating conditions in a short period of time. We have contingency plans to ensure sufficient stock and efficient distribution of goods, even in emergency situations. In 2020, NorgesGruppen and ASKO managed to maintain solid access to goods in a demanding situation with periods during which we were a little hamstrung. Collaboration with authorities, suppliers, and Norwegian agriculture has played an important role in this work.

For NorgesGruppen, climate risk is linked to access to raw materials, particularly from the agricultural areas that are most vulnerable to climate change, as well as an increased risk of breaches in the value chain as a result of natural damage to buildings and infrastructure. NorgesGruppen is working on developing more climate-friendly and sustainable products in cooperation with suppliers, which also appeal to the increasing awareness among customers.

Market growth for traditional grocery stores has remained low, with the exception of 2020, partly due to increased competition from more and more operators. NorgesGruppen is therefore continuously working on streamlining the value chain so that cost growth does not exceed revenue growth, and has developed a new Group strategy for the five-year period 2021-2025.

Monitoring of market events, product readiness, and supplier follow-up was prioritised in 2020, along with increased efforts to detect food fraud. NorgesGruppen intensifies its work to increase access to Norwegian raw materials and is working to prepare a new design that focuses on Norwegian origin, and an alternative solution when importing is necessary.

NorgesGruppen Finans AS is a licensed payment and financing company with services to companies, e.g. business cards, and to private individuals through the Trumf Visa credit card. In respect of financial services, the follow-up of the requirements of the Norwegian Money Laundering Act is important.

NorgesGruppen has zero tolerance for corruption, and has establis-

hed a framework to ensure that all employees, managers and partners adhere to this policy.

NorgesGruppen processes personal data for a significant number of employees and members of the Trumf loyalty scheme. The companies are each responsible for complying with the legislation, while the Group is responsible for the governance model and monitors compliance. Privacy ombudsmen are appointed where this is required by the companies' activities.

The information security measures we are taking follow changes in the types and levels of risks and threats. We are particularly vigilant when it comes to cyber security.

The most important financial risk areas are interest rate, liquidity, and currency risk. The Group has a differentiated loan portfolio comprising bond loans, commercial paper, and various committed credit facilities from banks. Refinancing the loan portfolio is a continuous process.

The Board of Directors' assessment is that the Group has satisfactory lending and payment capacity that maintains sufficient financial freedom.

RETAIL BUSINESS AREA

Total operating revenues for the Retail business area were 64,885 MNOK in 2020, compared to 54,438 MNOK in 2019. Despite fewer transactions per day, the number of items sold per transaction increased. NorgesGruppen's chains experienced growth in the number of members of the Trumf loyalty programme last year, and there are now almost 2.5 million members. Trumf members also buy more than other customers. There is approximately 30 per cent growth in customer transactions after enrolment in Trumf.

KIWI

KIWI strengthened its position in the market in 2020 and implemented several major price reductions throughout the year. Price level is one of the most important criteria for consumers when choosing a store, and, according to consumer survey NG Kjeder-tracker¹⁾, KIWI scores highest of the grocery chains that offer the

lowest prices. The company performed strongly in several reputation surveys in 2020, including YouGov and Apeland. Comparable growth was 19.1 per cent for 2020, and consumers state that KIWI is their preferred everyday store.

In 2020, Envo and KIWI further developed an automated monitoring system that provides notifications of deviations in energy consumption in the stores and ensures correct interaction between refrigerators, freezers, and ventilation. The system can save 10 per cent energy per store per year, which amounts to around 35,000-50,000 kWh per store.

KIWI is continuing to focus on its KIWI PLUSS loyalty programme through Trumf. Read more about KIWI's loyalty programme and commitment to health on page 35.

MENY

MENY achieved stronger growth than the market in 2020, both overall and comparable, with organic growth of 17.5 per cent. More consumers chose MENY than during the previous year, and the company was deemed to be attractive by customers due to a good selection of products, quality of fresh produce, and the food inspiration they share. MENY won the Norwegian Customer Barometer for its industry this year, and has been top in Norway in fruit and vegetables for the past four years. The chain is the preferred weekend store in the industry and scores the highest in the industry in terms of service and product knowledge in the NG Kjedetracker consumer survey.¹⁾ MENY won the competition for grocery stores in Bjørvika in Oslo in 2020.

SPAR and Joker

A changing shopping pattern, travel restrictions, and cabin bans made 2020 a demanding year for many of SPAR, Joker and Nærbutikken's stores. Customers gave SPAR a high score in the NG Chain Racker consumer survey¹⁾ on which chains have the best offers at any given time. Summer Vibes is a sales and marketing concept that began in summer 2019 and was strengthened in 2020. Through collaboration with selected suppliers, products

were developed that have been a sales success in SPAR, Joker, and Nærbutikken stores.

Joker is NorgesGruppen's largest retail chain and has managed to maintain its position in the districts around the country, despite a demanding situation where several of the stores were affected by changes in shopping patterns and travel restrictions. In the NG Kjedetracker consumer survey¹⁾, Joker scores well on service and attention.

Several district stores trialled self-service in 2020 during extended opening hours under the auspices of the Merkur programme, a service that may become important for the smallest stores in local communities. During 2020, some 200 Joker stores joined the "Throw no more" service, which gives customers the opportunity to see which products have been discounted at any given time.

WHOLESALE BUSINESS AREA

Total operating revenues for the Wholesale business area, which includes transactions to other businesses in the Group, were 79,238 MNOK in 2020, compared to 69,925 MNOK in 2019.

ASKO's goods flow model is based on regional warehouses with high rolling goods, two central warehouses for refrigerated and dry goods, respectively, and a good transport network in the goods flow from suppliers and central warehouses to the ASKO companies. The level of delivery, what ASKO delivers based on stores' goods needs, is currently close to 85 per cent, which gives each merchant an efficient and predictable delivery of goods.

There was a negative development in the proportion of empty shelves from 2019 to 2020, due to growth in demand for groceries and challenges with goods supply as a result of the Covid-19 situation. The key figure for annual productivity improvement within warehouses was positively affected by an increased proportion and turnover to groceries as a result of the pandemic, with associated restrictions issued by authorities.

ASKO was awarded the Business Climate Award in 2020 and made important new steps towards the ambition of becoming climate-neutral. ASKO entered into an agreement to acquire 75 electric trucks over the course of three years, signed a contract for the construction of two electrically powered vessels, and launched the world's first hydrogen-fuelled distribution vehicles. Also see comments on investments under Future Outlook.

Launched in 2020, the Databar project ensures that the merchant at any given time has control over which goods have entered the store, which goods have been sold through the checkout, and food waste. Databar provides very precise date alerts in the store, making it possible for stores to identify products that expire and implement measures in the store to avoid waste.

A renewed cooperation model established between ASKO and BAMA in 2020 allows resources across functions and departments to be better utilised and will result in lower development costs and more accurate forecasting.

ASKO Servering provides goods, services, and advice to customers in the catering market. For many of our catering customers, 2020 has been very difficult, and ASKO Servering has worked with solutions and measures to support customers in maintaining revenues in an emergency situation.

BRAND BUSINESS AREA

Operating revenues for the companies combined, including sales to other businesses in the Group, were 13,001 MNOK in 2020 compared with 11,499 MNOK in 2019.

The brand companies in NorgesGruppen have, to varying degrees, been affected by the Covid-19 outbreak. Despite a somewhat more normalised situation in the last six months compared with March and April, there is some way to go to get back to full normalisation. This applies to both turnover and product mix, but also to the product range and operating conditions.

1) NorgesGruppen's Chain Tracker 2020 is an ongoing survey of shopping habits and grocery chains. Consumers comment on what is important when choosing a store and how skilled the chains are at doing what is important to the customer.

In 2020, several consumer-preferred concepts were delivered to strengthen the competitiveness of the chains. All companies have key figures that are closely tracked in order to ensure efficiency in the companies' operations and contributions to cost leadership in the value chain.

UNIL

UNIL can point to growth in turnover in 2020 driven by increased grocery sales. This growth has been greater than the decline in Catering. UNIL has launched several new concepts such as Eldorado Taco, as well as this year's summer concept Sticks, which has shown good customer demand. The First Price series was redesigned in 2020, and further investments have been made in branding.

UNIL is committed to making its products more sustainable in the areas of health, environment, and ethics.

In 2020, First Price vacuum-packed minced meat/beef mince was launched. The products are vacuum-packed, which means that they require less packaging and less space in transport. Based on the 2019 sales figures, the changes will result in around 100 fewer truck journeys on the roads per year to only ship these two products to the store.

Of the other sustainability measures, all UNIL products for which a salt reduction target was set are now within that limit. Specific figures have also been established regarding the training of migrant workers' rights through digital learning platforms. This summer, UNIL First Price also relaunched batteries bearing the Nordic Swan Ecolabel. The Nordic Swan Ecolabel promotes sustainable use of resources, recycling, and reuse. It reduces the amount of waste in all parts of the product and service life cycle. In 2020, First Price Tuna fish became MSC certified. In addition, we have switched from a double to a single pack, resulting in a reduction in plastics use of approximately 1.3 tonnes per year.

Bakehuset

The first half of 2020 was significantly influenced by a change to in-store shopping patterns, but sales have since recovered. Several

innovations and chain concepts such as Bakerens Utvalgte (Bakeren's Selected) and Våre Groveste (Our Coarsest) have significantly increased the quality dimension. These products are made using new production methods and longer production processes. Within sustainability, work continues to be done to increase the health profile of the product range, as well as enhancing the focus on lowering food waste. In 2020, a new bread range was developed that quickly became a best-seller. FunkyGine bread adopted influencer marketing as a communication method. This has helped to promote bread and dissuade the myth that bread is not healthy. The product has also, through its marketing, reached new target groups.

Joh. Johannson Kaffe

Joh. Johannson Kaffe experienced a strong increase in sales in 2020, driven by an increase in grocery sales. Evergood and Ali are still among Norway's strongest brands and enjoy a high level of preference amongst consumers. Joh. Johannson Kaffe is able to win customers by delivering quality, taste, and branding.

A new television advert, "The Evergood Story" was launched in March - during which Kenya, Guatemala, Costa Rica, Colombia and Brazil were visited to collect coffee beans for the right Evergood blend. Significant resources were invested in creating a new coffee roastery, with testing and production conducted at two locations prior to moving to a new coffee roastery on 1 December 2020. The new coffee roastery will increase competitiveness and efficiency.

MatBørsen

MatBørsen supplies important products and concepts to make MENY Norway's leading supermarket chain.

In the first half of 2020, MatBørsen was significantly influenced by a change of in-store shopping patterns, where the trend was lower frequency and fewer small goods/unpackaged items. However, revenue recovered during the second half of the year. The company has continuously focused on strengthening the robustness and competence of the organisation, and a significant efficiency improvement has been implemented in our operations.

The company experienced Covid-19 infection in the autumn of 2020, which saw parts of the plant shut down for a brief period of time.

In terms of sustainability, MatBørsen cooperates closely with Mat-sentralen to prevent the discarding of food and to increase focus on reduced food waste in its own production.

PROPERTY BUSINESS AREA

The Property area supports the retail activities of NorgesGruppen. Via our regional subsidiaries, NorgesGruppen's properties are developed and managed using a long-term perspective. Total operating income for Property, which includes transactions to other businesses in the Group, was 432 MNOK in 2020 compared to 498 MNOK in 2019.

In recent years, NorgesGruppen has undertaken a restructuring of its property portfolio in order to adapt to future settlement patterns, population trends, and shopping methods. The environment and sustainability are gaining increasing attention in the construction and property industries. In Norway, the operation of buildings accounts for 35-40 per cent of total energy consumption. NorgesGruppen continues to work on investing in environmental buildings. Measures are also being implemented to reduce energy consumption in existing buildings where the potential for saving energy is greatest. The emphasis is on using environmentally friendly building materials that reduce the carbon footprint of the buildings.

In recent years, the property market has undergone consolidation and is constantly changing. The result of this is that NorgesGruppen is competing with larger and more professional players in the fight for the best locations. Land prices are increasing significantly, especially in the central Eastern Norway area. In practice, this means that NorgesGruppen must also develop properties for several purposes, e.g. a combination of grocery, housing, and other industries/services. Further development of existing locations, especially around intersections, is also important from a sustainability perspective.

OTHER ACTIVITIES

Convenience retail

NorgesGruppen defines convenience retail and catering based on customers and various eating situations: formal restaurants, quick and informal restaurants, fast food, food and drink, kiosks, petrol stations, and roadside cafes.

Convenience retail stores were heavily affected by restrictions implemented in 2020 due to the Covid-19 outbreak. Points of sale at intersections, hospitals, and airports were hit by restrictions and the associated decline in travel. Points of sale in city centres were severely affected by restrictions imposed on office use and work at home orders. However, stores in locations where people live and along roads, such as petrol stations, experienced an upturn in 2020. Chains that offer take-away enjoyed positive demand as a result of restaurants being closed and people spending more time at home. For example, Esso stations with Deli de Luca now offer, among other things, take-away pizza.

Deli de Luca's ambition is to be customers' first choice for food and drink for people on the go. The chain offers a wide selection of fresh products in an innovative range. The chain is testing a new vegetarian concept, Veggie de Luca, at Grünerløkka in Oslo. Deli de Luca is cooking more food in store than ever before.

Jafs maintains its position as an unadulterated burger concept, where the basic product and classic accompaniments are well tended. Jafs can demonstrate good growth and focus on fine, high quality ingredients.

MIX is a restaurant serving milk shakes, food, ice cream and drinks. The categories they specialise in are milkshakes and burgers.

Nordics

Dagrofa continued to experience a positive change in 2020 and delivered better than the previous year in Denmark. The company delivered well on the "stronger together" strategy, and in 2020 took market share. The grocery sector has experienced good growth, but there are some challenges for the food service business as a result of the pandemic and associated reduced sales within large-scale households.

Sweden-based Eurocash has, as a result of the decline in cross-border trade, experienced a very challenging year both financially and operationally as large parts of its income base, which is mainly Norwegian customers, were lost. Going forward, Eurocash will continue its aim to be the leading food chain at the border, making it easy for Norwegian customers to buy good food at the lowest possible price.

In 2020, Pisiffik strengthened its market position and turned in solid key figures and results in Greenland. There have been some challenges for Foodservice as a result of Covid-19, but the company is generally performing better than it did last year. In 2020, the company also rolled out and implemented a new low-price concept called AKIKI.

SUSTAINABILITY

Sustainability is one of three pillars in NorgesGruppen's new business strategy. Results continued in the right direction in 2020 within the three principal areas of Environment, Health, and People. The Covid-19 pandemic and changed shopping patterns have also had an impact on sustainability goals. One of the most demanding areas during 2020 was plastics. Many reduction projects have been carried out, but the effect of these has been nullified due to more smaller items having to be packaged as the result of infection control measures. A 10 per cent reduction in sugar and an almost 21 per cent increase in sales of keyhole labelled products since 2016 are examples of good results achieved within Health. During 2020, NorgesGruppen achieved its goal of creating more than 500 apprenticeships on an ongoing basis, and is not far from the target of 1,100 vocational training positions. In the Environmental area, a 38 per cent reduction in food waste from 2015 and 26 a per cent improvement in energy efficiency are strong results. Most of the environmental goals are at or near being achieved, but challenges still remain, particularly related to the phasing out of fossil fuels.

In recent years, we have mainly concentrated our efforts in reducing emissions to focus on our own operations. We will continue to do so, and we have set ourselves the goal of becoming climate-neutral by 2030. It is also important to emphasise that collaboration throughout the entire food value chain over the course of the

next decade will play a vital role in accelerating this "green shift". Through NorgesGruppen's green bonds, financing was obtained for several major projects in 2020, including a new coffee roastery in Vestby and a new ASKO warehouse in Sande. You can read more about NorgesGruppen's sustainability results on page 148.

HEALTH, SAFETY AND ENVIRONMENT

Absence due to illness

Total absence due to illness for NorgesGruppen in 2020 was 7.5 per cent of total working time. This is an increase of 1.5 percentage points from 2019, and is largely driven by peaks around Covid-19-related absence in March and September. 2020 has been characterised by extraordinary reasons for absence due to restrictions. Absence due to illness was lower than normal for some months. In a year during which the majority of NorgesGruppen's employees have been in the front line, it is impressive that the absence remained at a relatively similar level as before, with the exception of two months during which quarantine rules were strictly enforced.

All companies continuously track sick leave and the importance of seeing the individual and having a dialogue between employee and manager.

Equal opportunities and gender balance

Throughout NorgesGruppen, there is approximately an even distribution between women and men, 50.6 per cent women and 49.4 per cent men. However, there are significant differences between some of the Group's business areas. The reasons for this can be complex. NorgesGruppen shall be a preferred employer that allows for both genders in all parts and levels of our companies.

Of our total of 29,561 employees, 43.9 per cent are in part-time positions, of which 18.3 per cent are men and 25.6 per cent are women. The gender balance among part-time employees is 42 per cent male and 58 per cent female, which is within NorgesGruppen's ambition of gender balance goal at different levels and areas of between 40 and 60 per cent.

23.8 per cent are temporary employees, of whom 11.6 per cent

are men and 12.2 per cent are women, which gives a very balanced weighting of 48.8 per cent men and 51.2 per cent women.

The average number of weeks of parental leave is 12.8 weeks for men and 21.8 weeks for women. These figures only reflect the 2020 calendar year in accordance with the duty of activity and reporting, and are therefore not representative of an entire leave period.

NorgesGruppen's ambition for gender balance is to have between 40 and 60 per cent of both genders at senior and middle management levels. The proportion of women in these positions in 2020 was 27.1 per cent, an increase of 0.9 percentage points since 2019. This is a solid development, but there is still some way to go to reach the target of having a balance of between 40 and 60 per cent. The updated guidelines provide guidance for how to work towards achieving the goal of a better gender balance on NorgesGruppen's senior and middle management levels. Work must be carried out on all levels so that candidates are recruited at lower levels that have the potential to take on management roles in the long term. Always having final candidates of both genders, increased reporting, follow-up, and gender balance must always be included as agenda items for meetings. Measures have been implemented to increase the availability of vacant roles internally within the company, and employees are encouraged to move between companies by making use of the various opportunities for mobility within NorgesGruppen as a whole.

One of the most obvious operational management roles, and one that there are most of in NorgesGruppen, is that of the store manager. Of our store managers in NorgesGruppen, 42.1 per cent were women in 2020, or 42.8 per cent if you include store department managers. We have worked extensively with talent development in order to ensure a good gender balance for future and future store managers in our stores.

Discrimination

NorgesGruppen's ambition is to be a workplace where there is no discrimination, and this must be ensured through equal terms, rights, and opportunities in the employment and working rela-

tionship. Some 70 different nationalities are represented in our workforce. The diversity reflects the diversity in Norwegian society and provides value for the company. Diversity management shall be taken into account through inclusion and involvement - an inclusion that provides security while diversity provides opportunities that can be exploited as a value-adding element in the daily and ever-changing market. Some 55 per cent of our employees are under the age of 30. Approximately 41% of these employees are under the age of 25. For many people, working in a NorgesGruppen business is their first job. This is something NorgesGruppen sees as an important social responsibility. Training and a sense of solidarity will increase our employees' motivation to develop successful working lives that give them self-esteem and help them to excel at what they do. Approximately 4 per cent of our employees are over 60 years of age.

There is zero tolerance for harassment, and NorgesGruppen encourages each employee to report criticisable conditions. All business areas in NorgesGruppen must employ a warning scheme.

Workplace safety

Our businesses place great emphasis on safety and security in the workplace. Safety officers collaborate in a joint forum and up to the main organisation Virke, which coordinates the industry work related to in-store safety. NorgesGruppen is a decentralised organisation in which each of the business areas is responsible for its own emergency preparedness work related to incidents and crises in its own unit. NorgesGruppen also has a central contingency group that coordinates crises or incidents involving several units and where there is a need for shared priorities and measures.

Throughout the entire Covid-19 pandemic, decisions and priorities from the Group have taken into account that infection control for employees and customers is priority number 1, supply is priority 2, and economy priority 3. NorgesGruppen quickly established information channels for all managers and employees in order to ensure that questions and problems were highlighted and dealt with in accordance with priorities and measures.

Significant resources have been invested in Covid-19 measures

for employees. All units implemented infection control measures at workplaces as quickly as possible. This included, among other things, enhanced cleaning, shielding against and between employees and customers, recruiting back-up staff and using internal resources, limiting the number of shoppers in the store, shift planning, reducing the opportunity to visit and receive external parties, events and trips, home office solutions, and providing assistance with applications for compensation for external merchants and companies.

FUTURE OUTLOOK

Changes in demographics, the impact of climate change on food production, increased digitalisation, and significant industry fragmentation are some of the most important market drivers. Low population growth is expected in Norway, with the elderly accounting for the majority of the growth.

NorgesGruppen's position in the wider food market in the coming years

Over the next few years, NorgesGruppen will be more competitive than ever before in the wider food market on the customer's terms, and we are aware of our role in society. The core business will continue to be within wholesale and grocery stores with a range that strengthens the positions of our chains and adapted to local differences and consumer needs.

One of NorgesGruppen's goals is to strengthen our position in the digital marketplace and online retailing. The strong upturn in online retailing makes it necessary to continuously assess improvements in processes and logistics. NorgesGruppen's chains must be able to offer digital services that contribute to better shopping experiences, including within payment and communication. In addition, the Group aims to have the most efficient value chain from supplier to customer. Our way of working and our organisation aspires to be future-focused, efficient, and customer-oriented. NorgesGruppen shall attract and develop the right expertise, and actively work to develop employee knowledge and leadership. NorgesGruppen shall also be best at sustainable solutions in the food market, and concrete goals to achieve our ambitions in the next strategy period have been set. The values of "customer-orient-

ted”, “responsible”, and “collaborative” must permeate everything we do.

KIWI shall maintain its clear price leader position. KIWI shall invest in larger stores to increase average turnover and reduce costs per store. In addition, KIWI will invest in additional values, such as people’s health, where it facilitates healthy retailing.

MENY shall strengthen its selection and quality dimension by building on the current treasure trove of 450 local food suppliers, which have a turnover of 1.2 BNOK. In the next few years, MENY will continue to differentiate itself from low-price operators. MENY is currently Norway’s largest food channel, with 45 million visitors.

Kjøpmannshuset represents a quarter of Norway’s retailers with SPAR, Joker, and Nærbutikken. In the next few years, profitable business acumen will be central to having an attractive concept that gives merchants stable and good income. By offering good opportunities to reinvest in their own stores, the concept will give retailers opportunities to address the local competition situation.

SPAR will strengthen by adapting to local conditions and offering a better differentiated range. Joker shall clearly separate the city and district concept, and continue to offer a wide range of supplementary services. Joker and Nærbutikken will also be at the fore-

front of store automation, including the self-service concept that is now being tested in Nærbutikken via Merkur.

The market within convenience retail and catering is estimated to be worth around 50 BNOK . NorgesGruppen expects good growth in this market in the coming years. NorgesGruppen believes that growth in the catering industry will return in 2022, but that it will be divided across different segments. More and more of us are wanting to eat meals outside the home. Over the next few years, NorgesGruppen will consider opportunities for expanded digital efforts within marketing, ordering, payment solutions, and loyalty programmes.

In 2021, a new system for purchasing goods from suppliers will be introduced. This will increase stores’ competitiveness by giving fresher products in more precise quantities at the right time. Preliminary calculations show this will reduce waste by at least 10 per cent and ensure that more stores are ready for sale at any given time. The new forecasting and purchasing system is based on approximately 60 variables, including price elasticity, weather forecasts, campaigns, and advertising information.

A new warehouse in Sande will come online during 2021, and will represent a significant increase in distribution capacity in the Eastern Norway area. The plant is fully automated and also built to

the unique BREEAM Outstanding environmental requirements. Higher delivery rates require increased capacity and, at the same time, make automation a possibility. The facility in Sande will replace ASKO Drammen, and, among other things, take over all grocery sales to ASKO ØST in Vestby. It normally takes up to five years to realise a logistics unit of this dimension – we are therefore dependent on long term planning to ensure the right capacity.

The construction of two self-propelled electric ferries has commenced, which will transport goods over the Oslo fjord and provide an all-electric transport route. At present, 120 trucks cross Oslofjorden every day, and forecasts suggest that this will increase to 150 by 2030. Two self-propelled electric ferries will replace these trucks, significantly reducing emissions levels and road wear. The investment also opens the door to tendering transport solutions to other operators.

CORPORATE GOVERNANCE

NorgesGruppen complies with the currently applicable Norwegian Code of Practice for Corporate Governance and Section 3-3b of the Norwegian Accounting Act. Our corporate governance policy is published in its entirety at www.norgesgruppen.no.

Oslo, 24 March 2021
Board of Directors of NorgesGruppen ASA

Knut Hartvig Johannson
Chairman of the Board

Sverre Lorentzen

Hilde Vatne

Guri Størvold

Ørjan Svanevik

Gisele Marchand

Jan Magne Borgen

Lise Hanne Midtgaard

Mats Gunnar Knudsen

Cecilie Blindern Myhre

Runar Hollevik
Group CEO

Board of Directors of Norges-Gruppen AS

as at 31.12.2020



KNUT HARTVIG JOHANNSON (1937)
Board member

Chairman of Joh. Johannson Handel AS, which holds 29,760,242 shares in NorgesGruppen.



GURI STØRVOLD (1976)
Board member

Partner in Zynk Communication & Leadership AS. Board member of Gammel Nok. Number of shares in NorgesGruppen: 0



ØRJAN SVANEVIK (1966)
Board member

CEO Arendal Fossekompagni ASA. Number of shares in NorgesGruppen: 0



LISE HANNE MIDTGAARD (1959)
Board member

Retailer, SPAR Hurdal. Number of shares in the Norway Group: 0



GISELE MARCHAND (1958)
Board member

Full-time board member. Chairman of the Board of Gjensidige Forsikring ASA, Selvaag Bolig ASA, Boligbygg KF and NorgesGruppen Finans Holding AS. Board member of Scatec Solar ASA, Eiendomsspar AS and Viktoria Eiendom. Number of shares in NorgesGruppen: 0



SVERRE LORENTZEN (1944)
Board member

Director and board member of Brødrene Lorentzen AS. Number of shares in NorgesGruppen: 3,600,000



HILDE VATNE (1965)
Board member

Regional Director, JM Norge AS. Board member DnB Næringseiendom AS, JM OY, Parteo Bank ASA and NorgesGruppen Finans Holding AS. Board member of several property development companies under the auspices of JM Norge. Number of shares in NorgesGruppen: 0



JAN MAGNE BORGEN (1950)
Board member

Retailer and Board positions in various other commercial and property companies. Number of shares in NorgesGruppen: 983



CECILIE BLINDERN MYHRE (1965)
Employee representative, board member

Marketing Manager at NorgesGruppen
Detalj AS.
Number of shares in NorgesGruppen: 0



MATS GUNNAR KNUDSEN (1986)
Employee representative, board member

Board member elected by the employees.
Store Manager, KIWI Skedsmokorset.
Number of shares in NorgesGruppen: 0



TRINE DAHLSTRØM (1968)
Employee-elected observer

Chief shop steward MENY.
Employee MENY Drøbak.
Number of shares in NorgesGruppen: 0



STIAN KVALVAAG (1980)
Employee-elected observer

Group employee representative ASKO
Norge AS.
Board member ASKO Midt-Norge AS.
Number of shares in NorgesGruppen: 0



RUNAR HOLLEVIK (1968)
CEO, NorgesGruppen

Condensed consolidated income statement

(MNOK)	2020 excl. IFRS 16	2019 excl. IFRS 16	2020 incl. IFRS 16	2019 incl. IFRS 16	2020 IFRS 16 effecy	2019 IFRS 16 effecy
Operating revenues	101 560	90 504	101 385	90 326	(175)	(178)
Operating expenses	(94 163)	(85 179)	(91 659)	(82 779)	2 504	2 399
Operating profit before depreciation and impairment (EBITDA)	7 397	5 325	9 726	7 547	2 329	2 221
Profit/(loss) from associated companies	284	472	284	472	-	-
Depreciation and impairment	(2 585)	(2 147)	(4 245)	(3 754)	(1 660)	(1 606)
Operating profit	5 096	3 650	5 765	4 265	669	615
Net financial items	(128)	(200)	(1 182)	(1 225)	(1 054)	(1 025)
Profit/(loss) before tax	4 968	3 450	4 583	3 040	(385)	(410)
Income tax expense	(1 141)	(704)	(1 057)	(614)	85	90
Profit/(loss) for the year	3 827	2 746	3 526	2 427	(301)	(320)
Non-controlling interest's share of profit/(loss) for the year	91	37	91	37	-	-
Owners of the Company's share of profit/(loss) for the year	3 736	2 710	3 435	2 390	(301)	(320)
Earnings per share / diluted earnings per share in NOK*	95,70	69,34	88,00	61,15	(7,70)	(8,19)

* Owners of the Company's share of earnings/average number of shares outstanding

Condensed consolidated statement of comprehensive income

(MNOK)	2020 excl. IFRS 16	2019 excl. IFRS 16	2020 incl. IFRS 16	2019 incl. IFRS 16	2020 IFRS 16 effecy	2019 IFRS 16 effecy
Profit/(loss) for the year	3 827	2 746	3 526	2 427	(301)	(320)
Other comprehensive income						
<i>Items that will not be reclassified subsequently to profit or loss:</i>						
Actuarial gains/(losses)	(56)	(29)	(56)	(29)	-	-
Share of other comprehensive income of associated companies	24	43	24	43	-	-
Other	(3)	22	(3)	22	-	-
Income tax related to items that will not be reclassified subsequently to profit or loss	13	1	13	1	-	-
<i>Items that may be reclassified subsequently to profit or loss:</i>						
Cash flow hedges	(48)	(27)	(48)	(27)	-	-
Foreign exchanges differences on translation of foreign operations	39	(7)	39	(7)	-	-
Income tax relating to items that may be reclassified subsequently to profit or loss	10	6	10	6	-	-
Other comprehensive income for the year net of income tax	(20)	9	(20)	9		
Total comprehensive income for the year	3 807	2 756	3 506	2 436	(301)	(320)
Non-controlling interest's share of total comprehensive income	95	39	95	39	-	-
Owners of the Company's share of total comprehensive income	3 712	2 717	3 412	2 397	(301)	(320)

Condensed consolidated statement of financial position

(MNOK)	2020 excl. IFRS 16	2019 excl. IFRS 16	2020 incl. IFRS 16	2019 incl. IFRS 16	2020 IFRS 16 effecy	2019 IFRS 16 effecy
Property, plant and equipment, and investment property	19 455	18 642	19 455	18 642	-	-
Goodwill and other intangible assets	5 487	5 559	5 487	5 559	-	-
Non-current financial assets	4 735	4 217	5 860	5 312	1 125	1 096
Right-of-use assets	-	-	17 921	17 443	17 921	17 443
Non-current assets	29 677	28 418	48 724	46 956	19 046	18 539
Inventories	6 929	6 292	6 929	6 292	-	-
Trade and other receivables	4 612	4 908	4 773	5 081	161	174
Cash and cash equivalents	2 524	1 631	2 524	1 631	-	-
Total current assets	14 066	12 830	14 226	13 004	161	174
TOTAL ASSETS	43 743	41 248	62 950	59 961	19 207	18 712
Paid-in equity	1 824	1 825	1 824	1 825	-	-
Retained earnings	22 203	19 830	21 583	19 510	-620	-320
Non-controlling interests	328	275	328	275	-	-
Total equity	24 355	21 930	23 735	21 610	-620	-320
Non-current liabilities	5 554	6 543	5 554	6 543	-	-
Non-current liabilities (IFRS 16)	-	-	17 758	16 578	17 758	16 578
Current liabilities	13 834	12 776	15 903	15 230	2 069	2 454
Total liabilities	19 388	19 319	39 215	38 351	19 827	19 032
TOTAL EQUITY AND LIABILITIES	43 743	41 248	62 950	59 961	19 207	18 712

Condensed consolidated statement of change in equity

(MNOK)	Paid-in equity	Retained earnings	Total	Non-controlling interests	Total equity
Equity 31.12.2018	1 825	17 758	19 583	260	19 843
Profit/(loss) of the year	-	2 390	2 390	37	2 427
Other comprehensive income of the year	-	7	7	2	9
Changes in treasury shares	-	(18)	(18)	-	(18)
Transactions with non-controlling interests	-	(1)	(1)	-	(1)
Dividends	-	(626)	(626)	(23)	(649)
Equity 31.12.2019	1 825	19 510	21 335	275	21 610
Profit/(loss) of the year	-	3 435	3 435	91	3 526
Other comprehensive income of the year	-	(23)	(23)	3	(20)
Changes in treasury shares	(1)	(45)	(46)	-	(46)
Written put option on own shares	-	(590)	(590)	-	(590)
Dividends	-	(703)	(703)	(42)	(745)
Equity 31.12.2020	1 824	21 583	23 407	328	23 735

Condensed consolidated statement of cash flows

(MNOK)	2020 excl. IFRS 16	2019 excl. IFRS 16	2020 incl. IFRS 16	2019 incl. IFRS 16	2020 IFRS 16 effecy	2019 IFRS 16 effecy
Profit/(loss) before tax	4 968	3 450	4 583	3 040	(385)	(410)
Income tax paid	(91)	(121)	(1 226)	(1 108)	(1 135)	(987)
Depreciation and impairment	2 586	2 147	4 245	3 754	1 660	1 606
Other non-cash items	(353)	(5 477)	699	(4 559)	1 052	918
Changes in working capital	(502)	3 442	(502)	3 442	-	-
Net cash flows from operating activities	6 607	3 442	7 799	4 569	1 191	1 127
Proceeds on disposal of property, plant and equipment	254	321	254	321	-	-
Purchase of property, plant and equipment	(3 682)	(4 669)	(3 682)	(4 669)	-	-
Other investing activities	(5)	588	(5)	588	-	-
Net cash flows from investing activities	(3 432)	(3 760)	(3 432)	(3 760)	-	-
Proceeds from loans and borrowings	3 926	7 589	3 926	7 589	-	-
Repayments of loans and borrowings	(5 324)	(7 298)	(5 324)	(7 298)	-	-
Repurchase of treasury shares	(46)	(19)	(46)	(19)	-	-
Dividends paid	(745)	(653)	(745)	(653)	-	-
Other financing activities	(92)	552	(1 284)	(576)	(1 191)	(1 127)
Net cash flows from financing activities	(2 281)	171	(3 473)	(957)	(1 191)	(1 127)
Net changes in cash and cash equivalents	893	(147)	893	(147)	-	-
Cash and cash equivalents at 1 January	1 631	1 778	1 631	1 778	-	-
Cash and cash equivalents at 31 December	2 524	1 631	2 524	1 631	-	-

Notes to the condensed consolidated financial statements

NOTE 1 • ACCOUNTING POLICIES

The condensed consolidated financial statements for 2020 have been prepared in accordance with IAS 34 Interim Financial Reporting as endorsed by the EU.

The accounting principles used in the financial statements are the same principles used in the 2019 financial statements, except from the following new standards and interpretations adopted in the period:

The following new IFRS standards, changes in standards and interpretations have been adopted in the period:

Amendments to References to the Conceptual Framework in IFRS Standards.	Amendments to References in the Conceptual Framework in IFRS Standards.	The adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.
Amendments to IFRS 3	Definition of a business	The adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.
Amendments to IAS 1 and IAS 8	Definition of material	The adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.
Amendments to IFRS 9, IAS 39 and IFRS 7	Impact on the initial application of the IBOR-reform	The adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

These condensed consolidated financial statements are not audited.

NOTE 2 • SEGMENT INFORMATION

(MNOK)

2020	Wholesale	Retail	Brand	Real Estate	Other/ elimination*	Group
Total segment revenues	79 238	64 885	13 001	432	2 544	160 100
Revenues between segments	(44 854)	-	(12 079)	(318)	(1 465)	(58 715)
Operating revenues	34 384	64 885	922	113	1 080	101 385
Operating profit	1 373	3 030	413	209	739	5 765
2019	Wholesale	Retail	Brand	Real Estate	Other/ elimination*	Group
Total segment revenues	69 925	54 438	11 499	498	2 779	139 140
Revenues between segments	(36 751)	-	(10 523)	(327)	(1 214)	(48 814)
Operating revenues	33 175	54 438	976	171	1 566	90 326
Operating profit	950	1 681	348	235	1 051	4 265

*IFRS 16 effects are included in the other/elimination column.

NOTE 3 • DIVIDENDS AND TREASURY SHARES

In 2020, dividends amounting to 18.0 NOK per share were paid to the parent company's shareholders. In 2020, 745 MNOK has been paid in dividends for 2019, including dividends to the Group's non-controlling shareholders. 703 MNOK is paid in dividends to the parent company's shareholders.

As of 31 December 2020, NorgesGruppen holds a total of 990 248 treasury shares, which constitutes 2.5% of the share capital. The number of treasury shares held at the end of 2019 was 937 727.

The proposed dividends for 2020 is 24 NOK per share, 936 MNOK in total.

NOTE 4 • REPAYMENT AND ISSUANCE OF BONDS

In the period, NorgesGruppen ASA has repaid ISIN NO0010695109 of 650 MNOK. It was during 2020 issued one new green bond in total of 650 MNOK, ISIN NO0010881337. As per 31 December 2020, NorgesGruppen had no outstanding certificate loans. We refer to www.norgesgruppen.no for a complete overview of amounts outstanding of bonds.

NOTE 5 • CONTINGENT LIABILITIES

NorgesGruppen is involved in some disputes. Based on the available information, management is of the opinion that these disputes will be solved without any material effect on the financial statements. NorgesGruppen assess that it is not probable that these disputes would lead to any payments from the company. Hence, the disputes are assessed as contingent liabilities without any provisions recognized in the financial statements. The most significant case relates to a notice from the Norwegian Competition Authority, in relation to the so-called price hunting practices. The remaining disputes are assessed as immaterial, both standalone and in total.

Notice in relation to the price hunting practices

On 15 December 2020, NorgesGruppen ASA received a notice from the Norwegian Competition Authority ("NCA") in relation to the so-called price hunting practices. NCA's preliminary assessment is that Coop, NorgesGruppen and Rema 1000 have cooperated to give access to each other's grocery stores with a view to collect information about shelf prices. In the notice, the NCA has informed that it is considering imposing a fine of 8 749 900 000 NOK on NorgesGruppen ASA. In management's opinion, it is not made probable that NorgesGruppen has participated in a cooperation that is in violation of the Competition Act § 10. A warning from the Norwegian Competition Authority is a preliminary assessment, and no final decision is taken by the Authority. NorgesGruppen has until 30 June 2021 to submit its defending reply to the notice. The NCA will only give its final assessment of the case after the defending reply has been received.

NOTE 6 • SUBSEQUENT EVENTS

No events have occurred subsequent to the balance sheet date that would have a material effect on the financial statements.

Condensed financial statement for the parent company (NGAAP)

Income Statement

(MNOK)	2020	2019
Operating revenues	499	479
Operating expenses	(635)	(541)
EBITDA	(136)	(62)
Depreciation and impairment	(5)	(18)
Operating profit	(140)	(81)
Net financial items	1 651	1 468
Profit before tax	1 510	1 387
Income tax expense	2	4
Profit for the year	1 512	1 391

Balance sheet

(MNOK)	31.12.2020	31.12.2019
Goodwill and other intangible assets	124	116
Property, plant and equipment	1	1
Non-current financial assets	28 446	28 343
Non-current assets	28 571	28 460
Receivables	1 512	1 910
Cash and cash equivalents	5	7
Total current assets	1 517	1 916
TOTAL ASSETS	30 088	30 376
Paid-in equity	1 824	1 825
Retained earnings	10 698	10 798
Total equity	12 523	12 623
Provisions	434	380
Non-current liabilities	3 727	5 115
Current liabilities	13 403	12 259
Total liabilities	17 565	17 754
TOTAL EQUITY AND LIABILITIES	30 088	30 376

Cash flow statement

(MNOK)	2020	2019
Cash and cash equivalents at the beginning of the year	7	23
Cash flows from operating activities	628	(198)
Cash flows from investing activities	(103)	(1 170)
Cash flows from financing activities	(527)	1 352
Cash and cash equivalents at the end of the year	5	7

Alternative Performance Measures

In accordance with ESMA's guidelines regarding Alternative Performance Measures ("APM"), APM is intended as a financial measure for historical or future financial performance, financial position or cash flows, unlike a financial measure defined or specified in the applied framework for financial reporting. NorgesGruppen uses alternative performance measures in its market communications that are directly derived from the reported financial statements in accordance to IFRS, excl. IFRS 16 effects. It is not considered appropriate to further adjust the reported accounting figures in the calculation of alternative performance measures. This is because NorgesGruppen believes that the reported accounting figures presents the underlying operations in a good and balanced way for the users of the financial information. As such, there are no reconciliation items between reported accounting figures and the APMs. The overview below shows the APMs NorgesGruppen has used and the related definitions. The APMs are defined and calculated based on reported accounting figures that can be traced directly to the financial statements and accompanying disclosures.

The APMs are used consistently over time.

NorgesGruppen uses the following APMs:

- EBITDA – Operating profits before depreciation, impairment and profit/(loss) from associated companies
- Operating profit EBIT – profit before financial items. Includes profit/(loss) from associated companies
- Operating margin EBIT – EBIT / Total operating revenues
- Operating margin EBITDA – EBITDA / Total operating revenues
- Profit margin – Profit for the year / Total operating revenues
- Return on capital employed – EBIT / average equity and net interest-bearing debt
- Net interest-bearing debt – Interest-bearing debt less interest-bearing receivables and bank deposits/cash holdings, please refer to note 14 in the Annual Report.

The alternative performance measures used by NorgesGruppen in the market communications provides a good picture of the ongoing operations and financial performance of the Group. The alternative performance measures above represent the most important financial performance measures used by management.

Financial performance measures for the Group

Income statement		2020	2019	2018	2017	2016
Operating revenues	NOK mill.	101 560	90 504	87 813	85 632	80 162
EBITDA 1)	NOK mill.	7 397	5 325	4 992	5 238	4 846
Operating profit (EBIT)	NOK mill.	5 096	3 650	3 140	3 052	3 266
Profit before tax	NOK mill.	4 968	3 450	3 057	2 778	3 164
Profit for the year	NOK mill.	3 827	2 746	2 410	2 090	2 465
Shares						
Earnings per share 2)	NOK	95,70	69,34	61,14	52,33	62,3
Total shares outstanding per 31.12.	1000 shares	40 000	40 000	40 000	40 000	40 000
Dividend per share	NOK	24,00	18,00	16,00	16,00	16,00
Capital						
Total capital	NOK mill.	43 743	41 248	39 171	37 678	36 382
Equity	NOK mill.	24 355	21 930	19 843	18 135	16 728
Equity ratio	%	55,7	53,2	50,7	48,1	46,0
Net interest-bearing debt	NOK mill.	1 952	4 467	3 791	4 177	5 578
Profits						
Operating margin EBITDA 3)	%	7,3	5,9	5,7	6,1	6,0
Operating margin 4)	%	5,0	4,0	3,6	3,6	4,1
Profit margin 5)	%	3,8	3,0	2,7	2,4	3,1
Return on capital employed 6)	%	19,3	14,6	13,7	13,7	14,8

1) Operating profits before depreciation, impairment and profit/(loss) from associated companies

2) Profit for the year to owners of the Company / average number of shares outstanding

3) EBITDA / Operating revenues

4) Operating profit / Operating revenues

5) Profit for the year / Operating revenues

6) EBIT / Average (equity + net interest-bearing debt)

Sustainability performance

NorgesGruppen has set ambitious sustainability goals, and are focused on the areas in which we can do the most good. We have structured our sustainability work in three main areas: environment, health and people.



Our sustainability work and our reporting



→ We have worked strategically in the area of sustainability for many years. On the following pages, we report on the status of 2020 in the main areas of environment, health and people.

In 2020, we updated the Group's strategy towards 2025. We will continue to strive to be sustainable and climate-neutral. This commitment is embedded in the Group's strategy, in which sustainability is one of three strategic pillars. As before, we want to direct our efforts where we have the greatest chance to make a positive difference and where we see business opportunities. We have drawn together our core sustainability issues in a simpler structure, and have set more ambitious goals.

We know that the need for more efficient sustainable solutions is urgent, especially when

it comes to climate and the environment. We believe that we have been at the forefront of this area for several years and promise to continue being so, for example by taking even greater responsibility for creating sustainable collaboration throughout the food value chain in the years to come.

Key environmental investments

For several years, we have prioritised and sought to invest in environmentally friendly solutions. This sometimes triggers additional costs. Testing new low-emission solutions can be costly in the short term, but we believe it will pay off in the long run.

Reporting in the years to come

NorgesGruppen first started reporting on its sustainability performance in 2005, starting

with environmental performance. Our sustainability reporting has since gradually evolved with the addition of new goals and metrics. We published a separate sustainability report in connection with the amendments to Section 3.3. of the Norwegian Accounting Act in 2012. Since then, we have added more goals and increased transparency in our performance reporting, and in 2016 we linked our sustainability work to the UN Sustainable Development Goals.

In 2021, NorgesGruppen is mapping out which of the different sustainability reporting standards are most relevant to our work. We consider the Global Reporting Initiative (GRI) to be a standard for comprehensive reporting. We are also preparing for the forthcoming EU taxonomy from 2022, which will require us to classify our green investments. Furthermore, we will continue to publish

our carbon accounts, verified by a third party from 2021. We are also considering whether to implement the Task Force on Climate-related Financial Disclosures (TCFD) framework to strengthen our reporting.

We are experiencing increasing interest from financial stakeholders regarding ESG information, i.e. information on environmental, social and governance relating to our business. On page 152, we provide an overview of how sustainability goals are aligned with the ESG framework.

Some highlights from sustainability work and reporting

2005	2008	2011	2012	2013	2014	2015	2016	2017	2018	2020
<ul style="list-style-type: none"> • Common system for sorting at source 	<ul style="list-style-type: none"> • Environmental strategy 	<ul style="list-style-type: none"> • Climate-neutral target established • Energy-saving programme for 680 stores 	<ul style="list-style-type: none"> • Food Banks Norway [Matsentral] • Matvett [Food Knowledge] 	<ul style="list-style-type: none"> • First Sustainability Report • Health strategy 	<ul style="list-style-type: none"> • Sustainability report with materiality analysis • First eco-shop 	<ul style="list-style-type: none"> • Sustainability strategy for the environment, health, people and communities • Discounting of expiring goods 	<ul style="list-style-type: none"> • Sustainability report with visible KPIs • The UN Sustainable Development Goals • First electric lorry • Production of renewable energy 	<ul style="list-style-type: none"> • Integrated annual and sustainability report • Food waste target • Hydrogen production plant 	<ul style="list-style-type: none"> • Plastics reduction targets • First wind farm 	<ul style="list-style-type: none"> • Corporate strategy 2025 with sustainability as one of three ambitions • The world's first hydrogen lorry

Sustainable and climate-neutral

NorgesGruppen's sustainability work in brief

"Sustainability entails that we take social, ethical and environmental issues into account, while running profitable operations."

	 <p>In our operations</p>	 <p>In the value chain</p>	 <p>Customers/society</p>	<p>The UN Sustainable Development Goals and NorgesGruppen</p>
<p>Environment</p> 	<p>Climate-neutral by 2030</p> <ul style="list-style-type: none"> - Renewable fuels - Energy efficiency and renewable energy - Waste and sorting at source - Food waste and food waste management - Refrigerants (HFCs) 	<p>Greener and healthier diet</p> <ul style="list-style-type: none"> - Greenhouse gas emissions - Food waste, packaging, chemicals, water resources, land management - Sustainable fisheries - Animal welfare and health 	<p>Greener and healthier diet</p> <ul style="list-style-type: none"> - Certified products - Information and transparency - Strategic partnerships and partners 	<p>→ NorgesGruppen will be climate-neutral by 2030 and will lead the way in developing environmentally-friendly products, renewable energy and climate-friendly transport. Climate measures throughout the value chain, and good animal welfare on land and at sea, are important in achieving balanced use of resources.</p>
<p>Health</p> 	<ul style="list-style-type: none"> - Health and environmental initiatives 	<p>Healthier and greener diets</p> <ul style="list-style-type: none"> - #MerAv [More] wholegrain, fruit and vegetables and seafood - #MindreAv [Less] salt, sugar, saturated fat - Range and category development - Quality and food safety 	<p>Healthier and greener diets</p> <ul style="list-style-type: none"> - #MerAv [More] wholegrain, fruit and vegetables and seafood - #MindreAv [Less] salt, sugar, saturated fat - Marketing activities to help promote a healthier, greener diet - Certified products - Strategic partners 	<p>→ NorgesGruppen makes it easier to eat healthier, and contributes to safe and sustainable consumption. We will contribute to good public health by selling more fruit and vegetables, wholegrain products and fish, and reduce salt, sugar and saturated fats in our product range.</p>
<p>People</p> 	<p>Sustainable working life</p> <ul style="list-style-type: none"> - Ethical guidelines and good corporate governance - Diversity - Work-related training - Future skills and expertise - Flexible working life 	<ul style="list-style-type: none"> - Human rights and social development - Local production in Norway - Anti-corruption 	<ul style="list-style-type: none"> - Living communities - Strategic partners - Certified products 	<p>→ NorgesGruppen shall safeguard the rights, health and safety of our employees and the employees connected to our value chain: equal pay for equal work, inclusion, gender equality, a good learning environment, also for apprentices and work-related training.</p>

ESG Index

NorgesGruppen' sustainability reporting focuses on the three areas of the environment, health and people. The table below shows the where relevant ESG information (Environmental, Social, Governance) is in this Annual and Sustainability Report.

For an overview of sustainability goals and achievements related to the environment, health and people, see page 153 onwards. The list is not exhaustive.

Environmental	Read	Social	Read	Governance	Read
Waste	93, 97	Employee rights	56, 102	Anti-corruption	19
Deforestation	94	Work-related training	101	Sustainability reporting	89
Fuel	93, 97	Health (employees)	104	Sustainability strategy	17
Animal welfare	50, 101	Gender balance	101, 103	Corporate governance	74
Packaging	42, 43, 94	Supplier monitoring	101	Ethical guidelines	142
Energy	59, 93, 97	Local value creation	58	Commitment	17, 62, 92
Fisheries	94	Locally produced food	39, 101	Remuneration	53
Renewable energy	60, 93	Apprentices	101	Green bonds	72
HFCs	94, 97	Diversity and inclusion	104, 105	Stakeholder dialogue	92
Carbon accounting	96	Employee development	54, 55	Risk management and risk factors	18
Climate risk	19	Norwegian agriculture	39, 101	Whistleblower scheme	73
Food loss and waste	47–48, 63, 93, 98	Norwegian goods	39		
Green building	60, 61	Product safety measures	99		
Environmental Technology	60, 61	Cooperation	62, 63		
Plastic	42, 43, 94	Healthy Marketing	35, 50		
Certified products	94	Healthier products	49, 50, 99		
Undesirable substances	95	Healthy diet	37, 50, 99		
		Employment	52, 53		

What sustainability choices our customers care about

→ In order to gain insight into what customers expect from us as a responsible grocery operator, we have conducted the same customer survey over several years. There are minor variations in the issues that customers consider most important from year to year. Treating employees fairly has been the main priority for several consecutive years. In the survey we conducted in early 2021, offering workplaces to people from different backgrounds also entered the top ten list for the first time. Both of these issues are important to us and something we work with in a targeted manner.

We also see that our priorities are in line with what many of our customers expect from grocery operators in terms of environmental work. Food waste, plastic, animal welfare and more sustainable food and products are issues that are high on the list and which are also important focus areas for NorgesGruppen. The customer survey confirms that our priorities are correct and it provides guidance for our work going forward.



Broad stakeholder dialogue

→ Customers are a very important stakeholder group, but we also have ongoing dialogue with partners, stakeholder organisations, trade unions, professional bodies and government authorities. We drew on input from all these stakeholders in setting the sustainability strategy for the coming years.

The strategy, including the sustainability goals, are underpinned by the strong determination of NorgesGruppen's Board of Directors, management and owners. A determination to make a difference. The Board of Directors and an extended corporate management team were involved in all aspects of setting the sustainability strategy for the next few years, from setting priorities to defining goals. The business areas and professional units that will implement the strategy were involved in this too.

2018	2019	2020		2021	Issue
1	1	1	→	1	Treating employees fairly
3	4	4	→	2	Having the right price for products
2	2	3	→	3	Reducing food waste
5	3	5	→	4	Anti-corruption
-	-	2	→	5	Reducing plastic packaging on products where plastic is not needed to maintain food quality (new in 2020)
6	6	6	→	6	Ensuring good animal welfare
4	5	7	→	7	Reducing the environmental impact of the production of products and packaging
15	7	9	→	8	Fair trade
7	8	8	→	9	Ensuring sustainable fish and preventing over-fishing
11	12	11	→	10	Providing workplaces for people from all kinds of backgrounds

Customers' responses generally confirm the importance of the goals we have set and give us a clearer picture of the areas to be prioritised.

Read more at www.norgesgruppen.no

Environment

Area	Target 2020	Results 2019	Results 2020	Comment	2020
RENEWABLE FUEL in incoming and outgoing distribution	100%	39%	43%	We do not wish to use palm oil in our fuel. Renewable fuel without palm oil that is suitable for cold conditions does not exist today. → The target for 2020 was therefore not achieved.	
HFC GASES 75 per cent reduction of emissions of HFC gases compared with 2010	-75% from 2010	-73%	-83%	Emissions are reduced by phasing out HFCs and replacing facilities with a high probability of leaks. → The target for 2020 was achieved.	
ENERGY EFFICIENCY 18 per cent energy efficiency improvement compared with 2010	18% from 2010	16%*	26%**	A systematic effort has been made to improve the energy efficiency of stores and warehouses over the past 10 years. → The target for 2020 was achieved, and the exceptionally high improvement was due to abnormally high sales in 2020 and a target figure calculated on the basis of electricity consumption/inflation-adjusted sales.	
RENEWABLE ENERGY 11 per cent self-generated or released renewable energy	11%	9%	12%	ASKO achieved more than 100 per cent new renewable energy in 2020. → The goal for 2020 was achieved.	
FOOD WASTE TO BIOGAS OR ANIMAL FEED 100 per cent of food waste goes to biogas or animal feed	100%	90%	94%***	Most stores and warehouses in NorgesGruppen now have agreements that ensure that food waste is used for biogas production, and the return of bakery goods is used for animal feed. In Northern Norway and parts of Møre og Romsdal, food waste must still be sent for composting or incineration due to a lack of local solutions. → The target for 2020 was therefore not fully achieved.	
SORTING AT SOURCE 85 per cent sorting of waste at source	85%	81%	85%***	Continuous work is underway to improve the sorting of waste in stores and warehouses. → The goal for 2020 was achieved.	
REDUCED FOOD WASTE 25 per cent reduction of food waste in company operations compared with 2015	25% from 2015	24%	38%	Discounting of food products has been introduced in a large proportion of our stores. This, together with a number of other smaller measures has contributed to the reduction in food waste. → The target for 2020 was achieved. The exceptionally high result is due to abnormally high sales in 2020 and a target figure calculated from food waste/sales.	

* The 2020 results are influenced by the pandemic and therefore not representative of a normal year.

** The calculation method for "Energy efficiency improvement" has been adjusted from 2019 to 2020 to include the effect of highly energy-efficient stores.

*** The calculation method for "Sorting at source" and "Waste food for biogas or animal feed" has been adjusted from 2019 to 2020 to include the return of bakery goods used for animal feed.



We report openly and honestly on the sustainability results of our work. The symbols in red, yellow and green show how we performed in relation to the targets we set for 2020. Each symbol must be viewed in the context of the explanation in the column, since each process is unique.

Environment

→ Area	Target 2020	Results 2019	Results 2020	Comment	2020
INCREASED FILL RATIO (increasing the ratio of product versus air in packaging)	5% (down from 15% in 2016)	0.5%	1.1%	Several new initiatives from suppliers contributed to a good result for 2020. Some of the results are also due to high sales in 2020 of products with high fill levels. → The goal for 2020 was not achieved, but is well on its way.	😊
PLASTIC CARRIER BAGS 20% fewer plastic carrier bags per purchase compared with 2016	-20%	-8%	-17%	A strong focus on plastic pollution, increased prices and better provision of shopping bags and paper bags have led to the reduction. Increased sales during the pandemic meant that use of plastic carrier bags is temporarily back to 2016, but 17% fewer bags are still used per shopping trip. We are on the right track. → The target for 2020 was not fully achieved.	😊
PLASTIC REDUCTION	-20% by 2025	626 tonnes (selected products)	72 tonnes (selected products)	Extraordinary measures relating to the Covid-19 pandemic and fear of unpackaged goods have offset the effect of many previous improvements. For several product lines, we have had to pack with plastic where we have previously not done so, such as on bakery goods. Figures include fruit and vegetables as well as our own brands and industry.	😞
DESCRIPTION Proportion of suppliers**** approved in accordance with NorgesGruppen's policy	100%	81%	83%	Increasing levels of control in our value chains. Deforestation increased in the Amazon by around 10 per cent last year, so we face major challenges. At the same time, we are experiencing an increasing level of control in our value chains, and we expect significant improvements going forward.	😊
FISH AND SEAFOOD The proportion of turnover from sustainable stocks and responsible fishing and fish farming methods	100%	97%	98%	98 per cent come from value chains with good traceability and control. In 2020, we implemented new internal procedures for supplier follow-up related to fisheries and seafood.	😊
SUSTAINABLE CONSUMER CHOICES Increased sales of ethically and environmentally-certified products.	+15%	+3.6%	+17.4%	The main explanation for the increase is total sales increase in 2020. Overall, the proportion of sales from certified products is stable. Well-developing product groups include table settings, washing and cleaning products and plastic/paper/foil products.	😊
REDUCTION OF GREENHOUSE GAS EMISSIONS IN PRODUCTS	New target for 2025	-	-	Not to be reported until next year.	

* 2020 results may be influenced by the pandemic and are therefore not representative of a normal year.

**** Only relevant suppliers with soy, palm oil and/or meat from areas near rain forests.



Environment

→ Performance in 2020

NorgesGruppen set ambitious goals for the environmental area in 2015. New solutions, effective collaboration across the organisation and a desire to lead in an environmentally friendly direction have yielded excellent results in many areas.

This also applies to 2020, even if it has been an extraordinary year. The pandemic has had two significant effects on environmental work in NorgesGruppen:

- The increased sales of goods in the store has led to higher efficiency and better environmental results.
- The most important task in 2020 was to get enough products into stores. Some environmental development projects have therefore been halted temporarily.

Some highlights

- A new date alert system to reduce food waste has been tested with good results. The system is being continued and developed, and includes a gradual introduction of new barcodes containing information on the product's expiry date.
- A system for collecting food waste from stores has been tested by ASKO and will be rolled out during 2021 so that food waste from all stores can be used for animal feed or biogas.
- A new system for energy monitoring and control has been developed by KIWI and MENY and will be rolled out in all stores.
- Despite satisfactory progress on all environmental targets, some areas have presented greater challenges than others. The targets for renewable fuel, food waste for biogas/animal feed, reduction of plastic bags and increased fill levels were not fully achieved. Work in these areas will intensify up to 2025.

Our work with chemicals and undesirable substances continued in 2020, with a focus on washing and cleaning products. The results show that suppliers have proper control over which chemicals are used in the products, and substitution work is generally progressing well. However, we have made some findings that we are following up more closely.

Deforestation in Brazil continues to increase, and ensuring deforestation-free products is a priority. Although deforestation increased in 2020, we have also seen several positive initiatives, and the pressure to put in place monitoring systems and ambitious deadlines have been intensified. We hope and believe that a lot will happen in 2021, and we continue to put pressure on our value chains.

The road ahead

NorgesGruppen is continuing to work towards the goal of climate-neutral operations in 2030, which means approximately halving current emissions from our operations by 2025.

We will continue to work with the production of more renewable energy, zero-emission fuels, improved energy efficiency and reduced food waste, better use of food waste and the use of plastic. Important tasks are to further develop the data alert system for food and the handling of food waste from stores in a new collection system via ASKO. NorgesGruppen has prepared carbon accounts for 2020 and in 2021 will issue carbon accounts that have been verified by a third party.

NorgesGruppen has also set emission targets in the product portfolio. This is new for the upcoming strategy period.



Relevant sustainability targets from the UN

NorgesGruppen aims to be a climate-neutral company, and to spearhead the development of eco-friendly products, renewable energy and climate-friendly transport. Climate measures throughout the value chain, with measures to reduce and utilise waste, are important for achieving more sustainable use of resources and consumption.

By working with a sustainable value chain we are contributing to reducing impacts on climate, the environment and resources, and safeguarding the welfare of animals on land and at sea. Overall, we want to make production and consumption more sustainable.

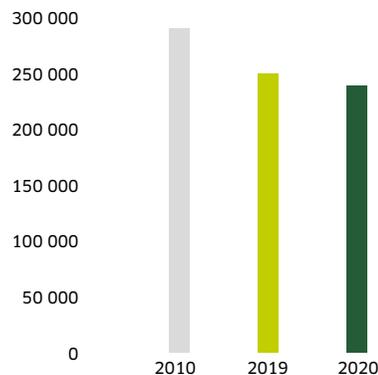
**Information
on the carbon accounts
can be found on the
next page**

Carbon-related disclosures 2020

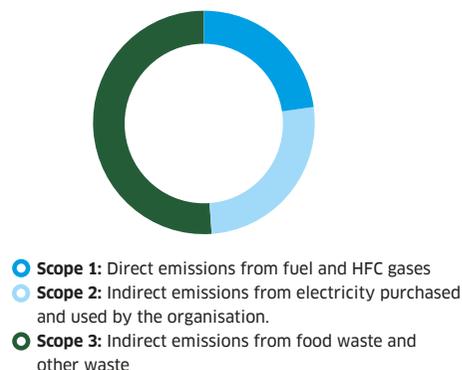
→ NorgesGruppen reduced greenhouse gas (GHG) emissions from its operations by approximately 5 per cent from 2019 to 2020, despite increased sales during the period. Estimations of our carbon footprint in 2010 show that we have doubled our climate efficiency in the past ten years. This means that we have halved the greenhouse gas emissions per krone we sell for. The phase-out of HFC gases and reduction of food waste have contributed the most to the increase in climate efficiency.

NorgesGruppen intends for the carbon accounts to paint a true picture of the greenhouse gas emissions from our operations. We have therefore included the complete carbon footprint for waste, which accounts for a significant proportion of the total emissions. Emission figures related to electricity reflect consumption based on a Nordic electricity mix. We prioritise measures to reduce our emissions and to produce our own renewable energy, and therefore do not purchase guarantees of origin for renewable energy or climate quotas to compensate for emissions. In the calculation of climate efficiency, we have adjusted sales figures for inflation, otherwise climate efficiency would be even higher.

GHG emissions total 2010 and 2019–2020
Tonnes CO₂-equivalents



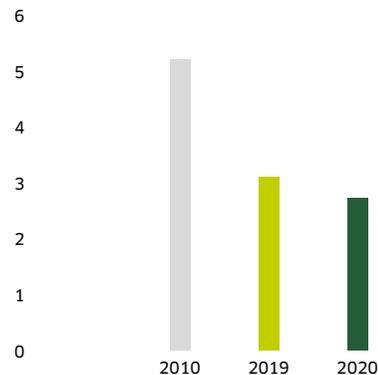
GHG emissions 2020 distributed by scope 1–3
Tonnes CO₂-equivalents



GHG emissions 2020, according to categories
Tonnes CO₂-equivalents



Climate efficiency, total 2010 og 2019–2020
Tonnes CO₂ per million NOK operating revenues (adjusted for inflation)



About the climate accounts

NorgesGruppen prepared and published verified carbon accounts in 2015 and 2016. In recent years, we have chosen to only use carbon accounts for internal control, but here we give an insight into emissions over the past two years and developments in climate efficiency since 2010. Carbon accounts for 2020 have not been externally verified, but we will again publish verified carbon accounts as of 2021.

The carbon accounts cover the chains KIWI, MENY, SPAR and Joker, the wholesale business ASKO and the brand houses Unil, Bakehuset, Joh. Johannson Kaffe and MatBørsen.

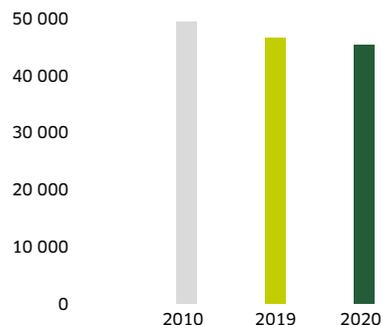
Climate efficiency doubled since 2010

Fuel

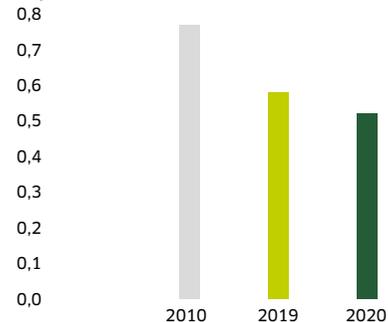
We have succeeded in reducing greenhouse gas emissions from the use of fuel by phasing in renewable fuel in the distribution process and improving logistics. Our goal was to phase out all fossil fuels by 2020. However, we will not use palm oil in the fuel, and there is currently no renewable fuel without palm oil that works well in cold conditions.

The target for 2026 is zero emissions in wholesale distribution. This requires us to switch to hydrogen and electricity as fuel.

Fuel emissions 2010 and 2019-2020
Tonnes CO₂-equivalents



Climate efficiency, fuel
Tonnes CO₂ per million NOK operating revenues (adjusted for inflation)

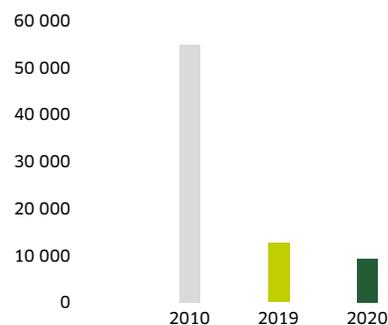


HFCs

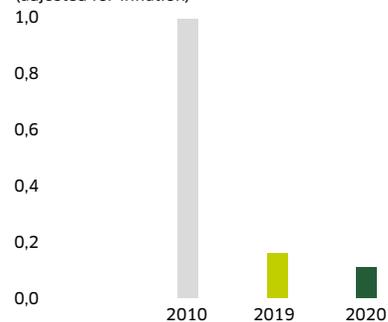
We have been working in a targeted manner for ten years to reduce emissions of HFCs, a group of gases that have been widely used in refrigeration and freezing systems and have a significant impact on the climate. In 2013, we finished testing the first HFC-free systems, and in recent years we have only installed new systems with natural refrigerants. In addition, we have made early replacements of systems that have been vulnerable to HFC leaks.

HFCs were one of the main sources of emissions in 2010, but now accounts for a relatively small proportion of our greenhouse gas emissions.

HFC gas emissions 2010 and 2019-2020
Tonnes CO₂-equivalents



Climate efficiency, HFC gases
Tonnes CO₂ per million NOK operating revenues (adjusted for inflation)

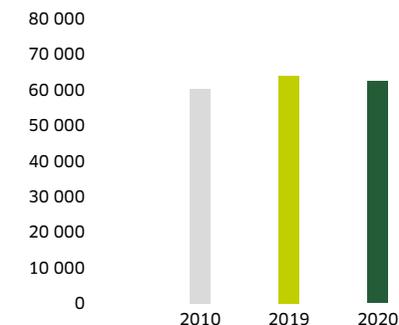


Electricity

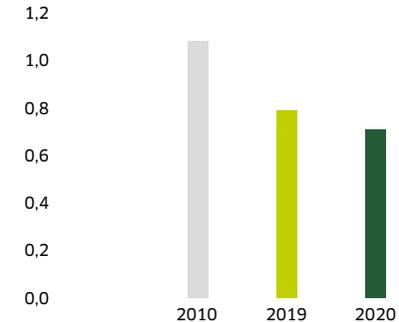
From 2019 to 2020, we reduced greenhouse gas emissions related to electricity consumption. Measured against turnover, we have increased energy efficiency by 25 per cent compared with 2010, but since the company has grown, greenhouse gas emissions from electricity consumption have not dropped as much overall. The greatest reduction in emissions since 2019 is due to the fact that we have replaced 11 per cent of electricity from the grid (Nordic electricity mix) with our own renewable wind and solar energy.

→ **Read more about new energy measures** on page 59.

Consumption of electricity 2010 and 2019-2020
Tonnes CO₂-equivalents



Climate efficiency, electricity
Tonnes CO₂ per million NOK operating revenues (adjusted for inflation)



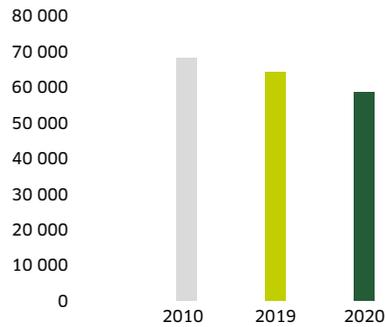
Food waste

Food waste is one of the main sources of greenhouse gas emissions from NorgesGruppen's operations, and the reduction in food waste in recent years has also contributed most to reducing our carbon footprint. Discounting of goods approaching the expiry date has been the most important measure for reducing food waste in our stores. A larger proportion of food waste is also used for biogas production and as animal feed.

→ Read more about measures against food waste and their results on pages 47-48.

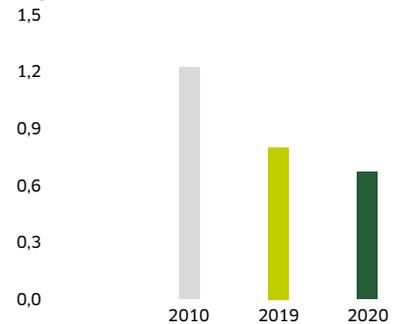
Emissions from food waste 2010 and 2019-2020

Tonnes CO₂-equivalents



Climate efficiency, food waste

Tonnes CO₂ per million NOK operating revenues (adjusted for inflation)

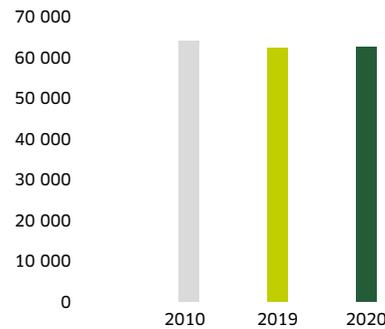


Other waste

Other waste accounts for around a quarter of NorgesGruppen's carbon footprint, and emissions have increased. We are pleased that the increase in emissions is lower than revenue growth from 2019 to 2020, but see the need to reinforce efforts to reduce waste - with a particular focus on further reducing food waste. In addition, we are constantly working to improve waste sorting and increase the proportion of waste that goes to recycling.

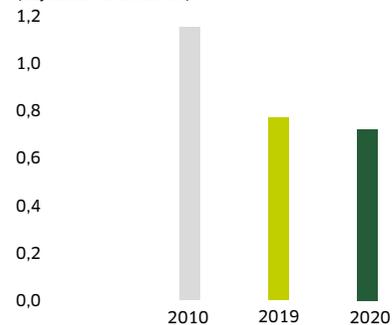
Emissions from other waste 2010 and 2019-2020

Tonnes CO₂-equivalents



Climate efficiency, other waste

Tonnes CO₂ per million NOK operating revenues (adjusted for inflation)



Health

Area	Target 2020	Results accumulated 2016-2019	Results 2020*	Comment	2020
FRUIT AND VEGETABLES	+22.0% +4.0% growth per year	+3.5%	+5.2%	Strong growth in volume for NorgesGruppen overall. This is partly due to the pandemic in that more people have eaten and prepared more food at home. Vegetables alone account for strong volume growth of 6.5 per cent. KIWI and MENY achieved the highest organic growth for vegetables in Norway in 2020. We have never seen our fruit and vegetable departments perform better than in 2020. MENY was named the best chain for fruit and vegetables by Norway's public information office for fruit and vegetables for the third consecutive year.	 **
FISH/SEAFOOD	+16.0% +3.0% increase per year	-2.2%	+5.2%	Strong growth in volume for NorgesGruppen as a whole, with growth in frozen fish (10%) contributing strongly to the overall growth in volume. This is mainly the pandemic effect of more people eating and cooking more food at home. Fresh fish and shellfish also posted good growth of 3.6 per cent. Major initiatives such as MENY "Fish Tuesday" show clear growth in unpackaged fish. "The week's healthier dinner", "The weekend's shellfish destination" and KIWI's "Health Lottery" and focus on price through several varieties of freshly packaged fish contribute to good growth. MENY has won the Norwegian Ministry of Health and Care Services' award for healthier marketing, in recognition of MENY's efforts to make fish simple, tempting and easily accessible.	 **
WHOLEGRAIN BREAD	>52.0% Weighted average	52.0%	54.5%	There has generally been a decline in volume of fresh bread (-2.5%), while NorgesGruppen has made progress (+3.6%). MENY and KIWI drive progress. The degree of coarseness for 2020 shows a very positive development of 54.5 per cent and is well ahead of the target. There are several good initiatives contributing to this positive development: Launch of "Our coarsest" [Våre groveste], where all bread has over 80 per cent coarseness, the United Bakeries' launch of coarser varieties of "Craft Bread" [Håndverksbrød] at MENY, and campaigns for extra coarse bread at MENY and SPAR with "Everyday Coarse" [Hverdagsgrovt] for NOK 10. The importance of health being emphasised in campaign strategies is high.	
KEYHOLE PRODUCTS	>20.0%	20.1%	20.8%	Very good development, and with a keyhole share of 20.8 per cent for NorgesGruppen, we are ahead of the target for 2020. Keyhole labeling is important and has a strong position in Norway.	
SALT	-20.0% -3.7% per year	-0.1%	9.9%	Strong growth driven by increased volumes due to the Covid-19 pandemic, cross-border retailing and restaurant meals that have been moved to groceries and more cooking at home. Pure salt represents the biggest increase.	 **
SUGAR	-10.0% -2.0% per year	-9.5%	10.8%	Strong growth driven by increased volumes due to the Covid-19 pandemic and cross-border retailing that has been moved to groceries. Soft drinks and energy drinks, sugar, chocolate and confectionery in bags and icecream all contribute the most to the increase, in this order.	 ** 
SATURATED FAT	-5.0% -1.0% per year	+0.2%	9.1%	Strong growth driven by increased volumes due to the Covid-19 pandemic, cross-border retailing and restaurant meals that have been moved to groceries and more cooking at home. Cheese, butter and margarine, fresh meat including bacon, fresh convenience foods including sausages and cured meats, chocolate and snacks contribute the most to the increase, in this order.	 **
PRODUCT PREPAREDNESS Implementation of a red alert (possible health risk) within 2 hours	100%	95%	95%	In 2020, we had 45 red cases, which is an 18 per cent increase from 2019. All cases are followed up in accordance with regulatory requirements and industry standards. The goal of 100 per cent will be continued in the next strategy period, and requires even closer follow-up and non-conformance processing of each individual case.	

* 2020 results may be influenced by the pandemic and are therefore not representative of a normal year.

** Smiley shows target achievement status for 2016-2020 summarised without the coronal effect.

Health

→ Performance in 2020

The effects of the Covid-19 pandemic make it very difficult to compare numbers and assess the performance of all measures on comparable volume growth. Performance trends can be assessed on the basis of 2020 figures for the segment targets (keyhole products and coarse grains). Overall, the figures show that we are on target or ahead of target for coarse bread, keyhole products and sugar, and we also see a strong positive growth in volume for fruit and vegetables. Fish/seafood had good volume growth in 2020, but overall for the strategy period we are far behind our highly ambitious goals. Saturated fats and salts have also proved challenging, but show a slight move in the right direction. This shows that NorgesGruppen has a significant role in contributing to a healthier diet and better public health, while simultaneously recognising that changing dietary habits is demanding and takes a long time.

The road ahead

Market share developments show that the focus on health is well balanced with the goal of economically sustainable development. We have learned a lot about the obstacles and opportunities in helping our customers make healthier choices. Based on these experiences, we have set tough new goals for the next five years.



Relevant sustainability targets from the UN

NorgesGruppen must make it easier to eat more healthily, and improve public health, for example by selling more fruit and vegetables, wholegrain products and fish, and reducing salt, sugar and saturated fat in our products. We must ensure the provision of safe food, and help to make it easy to live healthily, with consumption that is sustainable in the long run.

People

Area	Target 2020	Results for 2019	Results 2020*	Comment	2020
APPRENTICES	500 Retail: 300 Wholesale: 100 Other: 100	473 Retail: 354 Wholesale: 102 Other: 17	545 Retail: 378 Wholesale: 128 Other: 39	The number of apprenticeships increased in all areas. There is a focus on quality, follow-up and positive apprenticeship gatherings, which in 2020 have been mostly online. Good cooperation on important resources with various training offices.	
VOCATIONAL TRAINING POSITIONS	1,100 Retail: 900 (50 per cent of the stores) Wholesale: 150 Other: 50	1,008 Retail: 878 Wholesale: 121 Other: 9	938 Retail: 840 Wholesale: 79 Other: 19	The number has gone down but will obviously vary. Demand for vocational training positions was somewhat down due to infection control measures. There is still a strong focus on offering good vocational training positions.	
GENDER BALANCE OVERALL	40-60% (not timed)	49.8% women 50.2% men	50.6% women 49.4% men	Overall, NorgesGruppen has a good gender balance, but there is significant variation between different parts of the business. Culture, history and access to resources within certain professional environments account for some of the reasons for this variation.	
Store managers		42.0% women 58.0% men	42.1% women 57.9% men	The store manager is a very important manager role in NorgesGruppen. Good work has been carried out on developing talents to ensure a good gender balance in the retail sector.	
Executives and middle-level managers		26.2% women 73.8% men	27.1% women 72.9% men	Some improvement in gender balance within most business areas. We will prioritise several measures in the future to achieve our ambition for improved gender balance.	
LOCALLY PRODUCED FOOD The annual additional growth in locally produced food must be 2-5 percentage points higher than the overall growth in NorgesGruppen	2-5 percentage points Being the best for locally produced food among grocery chains in Norway.*	2.5%	0.1% MENY 4.3% First place: MENY	Locally produced food in NorgesGruppen grew by 18.4 per cent in 2020, and in MENY by 21.6 per cent. This is something we are very satisfied with, despite the fact that growth is below the target set in relation to NorgesGruppen's overall growth. Market growth is driven by the Covid-19 pandemic, which provides extraordinary levels of sales within groceries and particularly high growth for typical cross-border retail products. The strategy period as a whole is the goal for locally produced food being exceeded.	
NORWEGIAN AGRICULTURAL PRODUCE Increased production and sales of Norwegian agricultural produce, especially fruit and vegetables and within product groups for which there is a shortfall today.	Increased Norwegian production	0%	9.1%	Almost all of the fruit and vegetables that were planned and produced in 2020 were sold in stores because of the Covid-19 pandemic. The volume of Norwegian vegetables increased by approximately 10 per cent in 2020. Berries and fruit declined due to very poor crop yield. We have a clear upward trend for potatoes in Norway, but this will vary from year to year depending on the season.	
SUPPLIER FOLLOW-UP Follow-up on food safety, employee rights, the environment and animal welfare	100%	99%	100%	In total during the 2015-2020 strategy period, we have risk-assessed approximately 1,000 unique suppliers. Many have been followed up with various initiatives related to one or more issues, and by the end of 2020 we had 782 approved branded suppliers who we will continue to monitor in line with our procedures. In addition, we have risk-assessed 520 food producers and 118 non-food producers who supply our own brands.	

* 2020 results may be influenced by the pandemic and are therefore not representative of a normal year.



People

→ Performance in 2020

Internally

Our ambition to have 500 ongoing apprenticeships by 2020 has been reached by a good margin. Throughout the strategy period, all of the business areas have seen the need and the benefits of having this target. Systematic work, collaboration with various training offices and skilled apprentices build important experience internally and help to serve our need for expertise within different environments. Good follow-up and sharing across apprenticeship meetings has resulted in more and more people moving into ordinary roles after completing their apprenticeships. Targets for the number of vocational training positions have also been reached, adjusted for infection control restrictions in 2020. NorgesGruppen has a good gender balance in many areas, but there is potential for improvement within senior and middle management.

The value chain

We strive to ensure accountability in all parts of our value chains, and we aim to ensure that our products, from raw material production to the store shelf, are safe for our consumers and safeguard human and employment rights. We therefore carry out risk assessments of all our suppliers. We are constantly developing clearer requirements and expectations for each area, enabling us to distinguish the different suppliers based on their ability to manage risk. In 2020, we worked with a particularly vulnerable group of workers, namely migrant workers.

The road ahead

Internally

Ensuring access to competence through good apprenticeship programmes continues. We want more people in ordinary jobs in addition to offering efficient and secure vocational training positions that provide the basis for growth and motivation for participation in a sustainable working life. NorgesGruppen will continue to work with diversity management and gender balance in particular. Having enough access to the right skills and experience is challenging, just as changes take time due to cultural and historical reasons. Many people's first experience of working life is with NorgesGruppen. All our employees will learn and achieve during their time with us. NorgesGruppen aims to give its employees a good start in working life.

The value chain

Working with our suppliers will become more important in the years to come to ensure sustainable products. In 2021, we are also continuing to work on securing workers' rights with a particular focus on recruitment practices.



Relevant sustainability targets from the UN

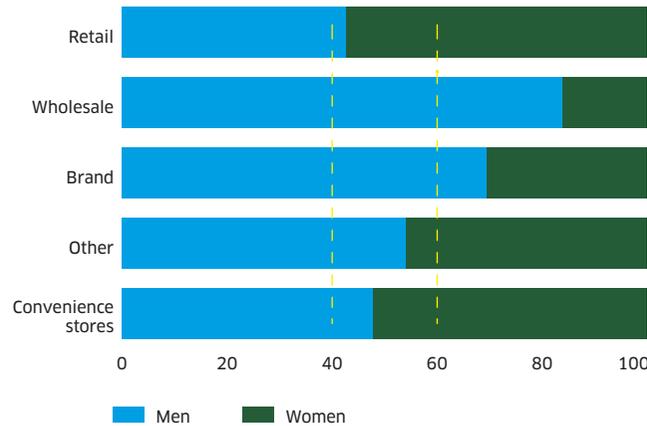
NorgesGruppen must safeguard the rights, health and safety of our employees and those associated with our value chain: equal pay for equal work, inclusion, gender equality, a good learning environment, including for apprentices and work-related training. We monitor working conditions with our suppliers, and contribute to local workplaces throughout the country, including through our focus on locally produced food.

A diverse Norway

Gender balance

Overall in NorgesGruppen, there are approximately equal proportions of women (50.6 per cent) and men (49.4 per cent).

There are major differences between the Group's business areas. The reasons for this can be complex. NorgesGruppen must be a preferred employer that allows for both genders in all parts and levels of the companies.



Gender balance part-time, temporary and parental leave

Of our total of 29,561 employees, 43.9 per cent are in part-time positions, of whom 18.3 per cent are men and 25.6 per cent are women. The gender balance among part-time employees therefore amounts to 42 per cent men and 58 per cent women. This is within NorgesGruppen's gender balance target at different levels (between 40-60 per cent).

23.8 per cent are temporary employees, of whom 11.6 per cent are men and 12.2 per cent are women. This gives a gender balance among temporary employees of 48.8 per cent men and 51.2 per cent women.

The average number of weeks parental leave is 12.8 weeks for men and 21.8 weeks for women. The figures only reflect the 2020 calendar year in accordance with the activity and reporting requirement and are therefore not representative of an entire leave period.

Gender balance position level (NG-owned enterprise)

NorgesGruppen's gender balance target is to have 40 per cent of both genders at senior and middle management levels. The proportion of women in 2020 was 27.1 per cent, an increase of 0.9 percentage points since 2019. This is a positive development, but there is a long way to go before we achieve our target. Updated guidelines contain advice for how to work on the goal of better gender balance in NorgesGruppen's senior and middle management levels. Work must be done at all levels to ensure that we recruit candidates at lower levels that have the potential to take on leading roles in the long term. Final candidates must always include men and women. In order to identify new measure and bring us closer to our targets, we will, among other things, strengthen our monitoring and reporting of gender balance and make the issue a staple on meeting agendas. Measures have been implemented to increase the availability of vacant roles internally within the company, and employees are encouraged to move between companies by making use of the various opportunities for mobility within NorgesGruppen as a whole.

The store manager is an important and key operational management role at NorgesGruppen. Of our store managers, 42.1 per cent were women in 2020, or 42.8 per cent when you include store department managers. We are working well on talent development in order to ensure a good gender balance for future and upcoming store managers at NorgesGruppen.



A diverse Norway



We have employees from many nationalities and with multicultural backgrounds. The diversity reflects the diversity in Norwegian society and provides value for the company. The range of nationalities is particularly evident in our wholesale and industrial businesses and in our largest grocery stores. Diversity management entails inclusion and involvement. Inclusion provides security for individuals and supports greater diversity in the Group, which we consider an value-added asset in the everyday and ever-changing market.

Turnover at NorgesGruppen

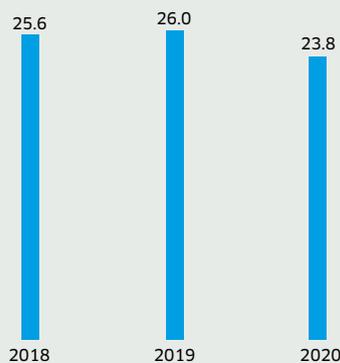
Turnover in 2020 fell by 2.2 percentage points to 23.8 per cent. There has been a general decline in all business areas. There may be more drivers, but the unique work situation that defined 2020 may be an underlying factor.

There are still generally high turn-over rates among many of NorgesGruppen's businesses, particularly within the retail sector. NorgesGruppen has an important task in welcoming many employees who have their first experience of working life. The first job is an important stage in life when many young employees combine part-time work with school and education. High turnover is a consequence of this.

The stores have a steady and high flow of applications from people wanting to work for a period or looking for a permanent job.

Turnover at NorgesGruppen

Per cent



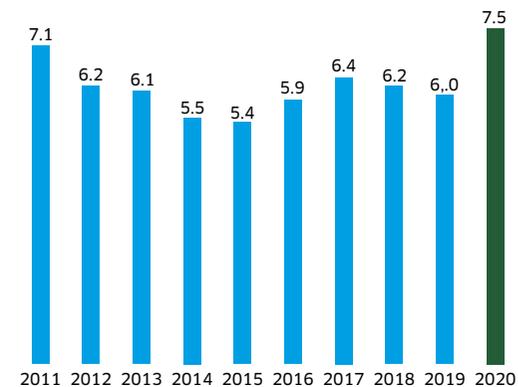
Absence due to illness 2020 (NG-owned companies)

Total absence due to illness for NorgesGruppen in 2020 was 7.5 per cent of total working time. This is an increase of 1.5 percentage points from 2019, driven by peaks around corona-related absence due to quarantine in March and September in particular. 2020 was defined by extraordinary reasons for absence due to restrictions. Absence due to illness has been lower than normal for some months. In a year in which the majority of NorgesGruppen's employees were on the frontline, it is impressive that the absence remained at a relatively similar level as before, with the exception of two months when there was a high number of quarantine cases.

All companies have a continuous focus on following up sick leave and making it a priority of seeing the individual and maintaining contact between employees and managers.

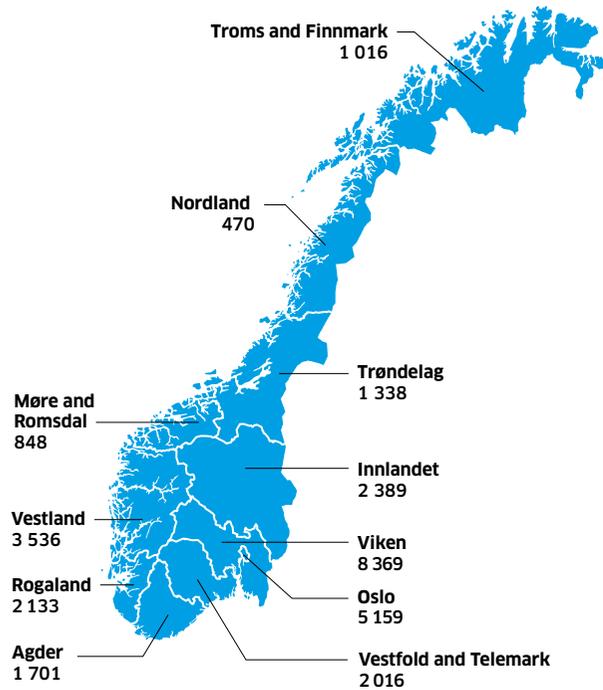
Absence due to illness

Per cent



A diverse Norway

Geographical distribution of employees in NorgesGruppen



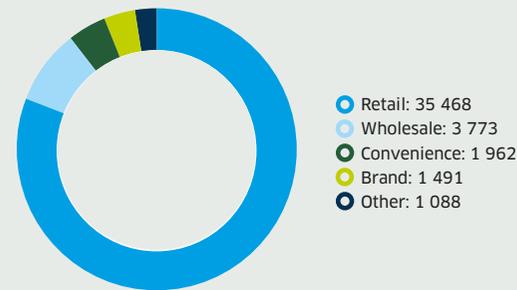
Age distribution, in total and through new recruitment (NG-owned companies)

55 per cent of our employees are under the age of 30. Approximately 41 per cent of these employees are under the age of 25. Many people's first experience of working life is at NorgesGruppen's companies. This is something NorgesGruppen sees as an important social responsibility. Training and a sense of solidarity will increase our employees' motivation to develop successful working lives that give them self-esteem and help them to excel at what they do. Part-time work in one of our stores is a decisive factor in allowing young people to pursue their studies in a way that is both flexible and effective. Approximately 4 per cent of our employees are over 60 years of age.

The total number of employees, including retailer-owned activities, was 43,782 in 2020. This is an increase of 2,702 employees since 2019. An important factor behind this increase is the effects of Covid-19 restrictions. The distribution per business area is as follows:

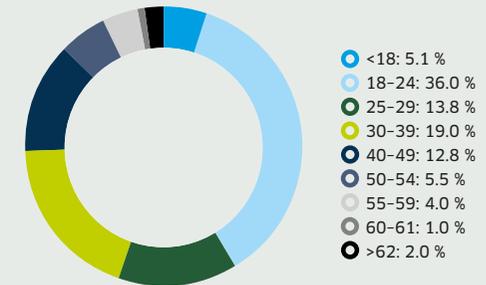
Distribution of employees per business area

Including retailer-owned business



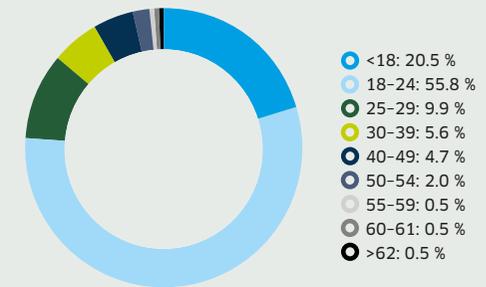
Age distribution, total (NG-owned activities)

Per cent



Age distribution new employees, total (NorgesGruppen-owned activities)

Per cent



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Jørgen Nordby / pages 58, 88

MENY / pages 2, 4, 23, 24, 25, 26, 45, 50

Kimm Saatvedt / page 50

MENY, Gaardsand / page 50

MENY, Lars Petter Pettersen / page 56

MENY, Hanasand Gartneri / page 39

MENY, Dagfinn Mysen / page 42

MENY, Michael Johnsen / pages 31, 33, 53

MENY, Aina Hole / page 34

MENY / pages 2 (BAMA), 6, 20, 21, 37, 40, 41, 44, 51, 54, 62, 64, 106 (BAMA)

KIWI / pages 3, 6, 14, 21, 32, 35, 44, 52 Børge Solem, 55, 59, 104

Kjøpmannshuset, Stian Vasvik / page 42

NorgesGruppen / pages 46, 48, 53

ASKO / page 60

Bakehuset / page 44, 48

Joh. Johannson Kaffe, Sjø og Floyd / page 61

Deli de Luca, Astrid Stærkby / page 34

UNIL / page 43, 44 Mats Dreyer, 50

Norgesgruppen Eiendom / page 28

Trumf / pages 37, 38 (illustration)

Mester Grønn / page 38

Katrine Lunke, Norwegian Retailers Environment Fund [Handelens Miljøfond] / page 43

Chruch City Mission [Kirkens Bymisjon] / page 57 Torstein Ihle, 62

NorgesGruppen / pages 75, 76

Employees featured in the photo on page 4 "This is NorgesGruppen":

ASKO: Lisette Andersson, KIWI: Bjørn Christian Nilsen, Spar: Mona Helgeland,

MENY: Mahad Ali, Joker: May Thi Doan





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See [norgesgruppen.no](https://www.norgesgruppen.no)

NorgesGruppen's report for 2020



Annual and Sustainability Report 2020
Including full accounts with notes,
annual report and presentation of the Board of
Directors.

Norwegian and English version.



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