

OUR ACTIONS DO THE TALKING:

*Sustainable
Shopping for
Sustainable
Living*



**Our
actions
do the
talking.**



Kaufland

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Sustainable Shopping for Sustainable Living



MESSAGE FROM OUR GENERAL MANAGER

Dear friends,

In a fast-changing world, we strive to prove that *Our actions do the talking*: the measures we implement, the programs we launch and the life-changing project that we develop, contribute and support the sustainable growth of our communities.



2018 and 2019 have not been any different, as we continued to focus on sustainability, guided by responsibility, performance, dynamism and fairness. The following pages showcase the activity of our company during this period, by describing the non-financial performance which consolidates the third sustainability report of Kaufland Romania.



I am honored to represent a team that works every day to deliver quality products, guided by a common goal which is centered on the customer. We are working to maintain our leading position in the retail market both through our impressive portfolio, which emphasizes fresh, local and sustainable products, as well as through our efforts to innovate continuously. One of the innovations we brought to the market was the successful launch of the Kaufland Card loyalty program, the first initiative of this kind in the Kaufland global network, that proves our commitment to always think about the customer.

Our partners are an essential element of our business model. We create and maintain long-term relationships based on trust and governed by the same values that define us as a Group. We are aware of our responsibility to the local community and we constantly seek to act in a way that contributes to its harmonious development. Thus, in these two years we directed over 80% of the total procurement budget to local suppliers. In addition, because we want to generate change across society, we are developing projects with non-governmental organizations that impact multiple areas: education, the environment, social, sport & health and culture. In 2018 and 2019, we reached over 3.4 million beneficiaries through community projects, for which we invested more than 67 million lei.

We want to be an engine for our communities, to empower their citizens and to drive the change needed, so that future generations can meet their needs, the same

way we do nowadays. That is why, in 2018, we became the founding partner of the Sustainability Embassy in Romania. Both through this partnership and through all the community initiatives we implement, we work together with the civil society to support and bring our contribution to the 17 Sustainable Development Goals.

We strongly believe that sustainability defines the world of tomorrow, as the challenging times we currently live have shown us how important it is to work together for a common purpose: a safe future that we are looking forward to. Therefore, we commit to bring our contribution, so that Romania can move forward on this path.

Our promise is supported, for the second year in a row, by the award we received in 2019 at the Romania CSR Index, where we ranked first in the top of the most sustainable companies in Romania.

Therefore, we kindly invite you to discover the activity behind the scene: our efforts to be better, as well as the projects we support to improve the life of our communities, the future of the generations to come and the actions we take to offer our customers *Sustainable Shopping for Sustainable Living*.

Marco Höbl

General Manager Kaufland Romania

ABOUT THE REPORT

This is Kaufland Romania's third sustainability report, presenting information regarding the company's activity during financial years 2018 and 2019 (01.03.2018 - 29.02.2020). This report has been prepared in accordance with the GRI Standards: Core option.

The report is structured into five chapters: *Our journey, Our promise, Our partners, Workplace and Care for the environment* and includes relevant information for all of the company's stakeholders. The report's structure and content were based on the materiality process that took place in 2018, while also taking into account the results of the materiality study commissioned by Kaufland International, during November 2018 - January 2019. The information in the report presents the company's activity in Romania, in relation to its 127 stores, 2 logistical centers and 2 head offices.

Please note that due to rounding and conversions (from one unit measure to another), the KPIs presented may not precisely reflect the absolute figures.



Kaufland Romania's third sustainability report was developed with the support of the company's entire sustainability team:

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Kaufland Romania's 2018-2019 Sustainability report was prepared with the support and technical guidance of The CSR Agency.

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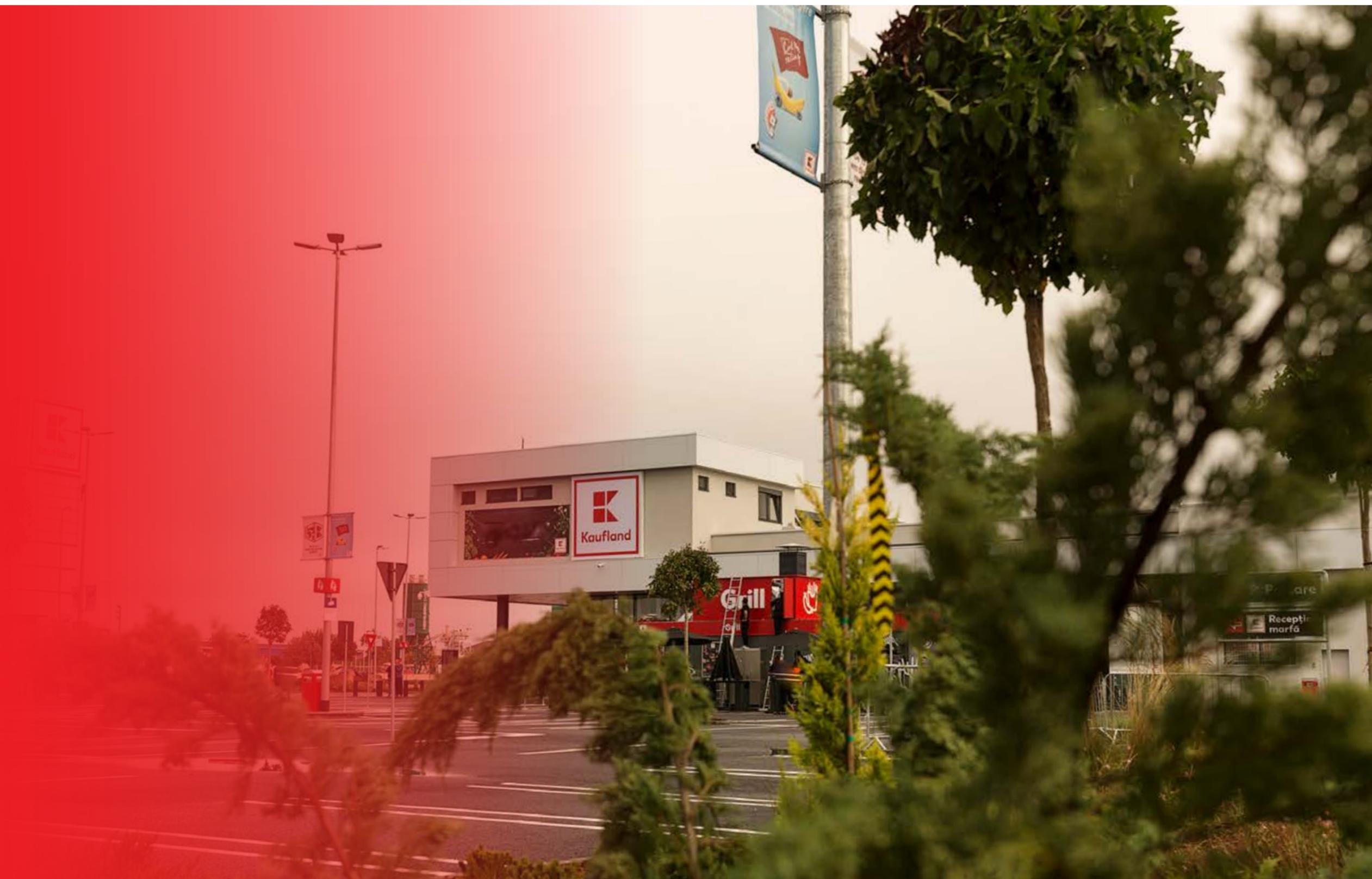
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OUR JOURNEY



KAUFLAND WITHIN EUROPE



The Schwarz Group is one of the leading retail companies in the world. It covers large parts of the value chain in the food retail sector, ranging from food production and retail trade to recycling.

The Kaufland Stiftung & Co. KG, part of the Schwarz Group, whose international headquarters is located in Neckarsulm, acts as process and system providers to support its corresponding national entities in their business activities.

Kaufland operates over 1,300 stores in Germany and Eastern Europe.

A BRIEF HISTORY

- 1930:** Josef Schwarz joins the Südfrüchte-Großhandlung Lidl & Co. Company in Heilbronn. The Group is rebranded as Lidl & Schwarz and it expands as an en-gros store network, with a large product offer.
- 1960:** Opening of the first Cash&Carry store under the name of Handels und Fruchthof Heilbronn.
- 1968:** In January 1968 the company opens its first branch in Backnang, thus laying the foundation for its success story.
- 1984:** The first self-service Kaufland store opens in Neckarsulm. The number of clients is impressive.
- 1990:** Expansion to new regions. The first selling point in a tent opens in Meißen.
- 1993:** Kaufland reaches the 100 stores milestone when opening a new store in Berlin Prenzlauer Berg.
- 2003:** The launch of the own brand K-Classic. Shortly after, the development of other own brands follows.
- 2005:** The first Kaufland store in Romania opens.
- 2010:** Kaufland store no. 1,000 opens in Berlin. Currently, there are 600 stores in Germany and a total of 400 stores in Bulgaria, Poland, Romania, Croatia, Slovakia and The Czech Republic.
- 2010/2011:** A single name: KaufMarkt (since 2010) and Handelshof (since 2011) become Kaufland.
- 2018:** Kaufland celebrates its 50th anniversary through modernized stores, with a new look.
- 2019:** Kaufland opens the 127th store in Romania.



KAUFLAND WITHIN ROMANIA

Kaufland Romania is part of the European Kaufland store network, headquartered in Germany, with operations also in Czech Republic, Slovakia, Croatia, Poland, Republic of Moldova and Bulgaria.

Present in Romania for the past 13 years, the company operated at the end of 2019 a network of 127 stores, 2 logistics centers and 2 administrative offices.

We are a dynamic international company focusing on performance and fairness, values that guide and motivate us every day. With client satisfaction as our main concern, each of our employees contributes to offering a pleasant shopping experience, in stores developed following the highest quality and comfort standards.



- Kaufland Romania stores
- in 2018: Bacău and Reșița
- in 2019: Crevedia, Cluj, Focșani, Bragadiru, Constanța, Sibiu

Caring for people and the environment is essential for us. Therefore, through innovative technologies, we ensure that our clients benefit from fairly priced, high-quality, fresh products and an ever-evolving range of ecological products. We also take steps towards promoting the sustainable development of regional agriculture, paying close attention to including diverse local products in our assortment and to fostering honest partnerships with local suppliers.

The way we operate, from ensuring daily local product deliveries to offering our own-brand food and non-food products, some of which are internationally certified, aims to educate the consumer in regard to caring for the world we work and live in and encourage them to shop in a balanced, environmentally-friendly manner.

COMPANY MANAGEMENT

Kaufland Romania is a limited partnership with two associates (a Romanian legal entity and a foreign legal entity). There is no governmental authority present in the company's ownership. During the reporting period, there were no changes to the structure of the company or amongst shareholders.

The Board of Directors

- HÖBL MARCO**
German
Executive Director
- KALUSCHE CHRISTIAN**
German
Executive Director of Administration
- PANĂ MARIUS GABRIEL**
Romanian
Executive Director Sales/SCM
- FALĂ SERGIU**
Romanian
Executive Director Central Division
- BINGENHEIMER NICOLAI**
German
Executive Director Purchasing

The Board of Directors

<30 years old		30-50 years old		>50 years old	
M	W	M	W	M	W
0	0	4	0	1	0
0		4		1	

100% of Board members are male

80% of Board members are aged between 30-50 years old

20% of Board members are over 50 years old

100% of the Board members have performance indicators that are directly linked to our sustainability strategy and goals.

40% of the members of our senior management team are hired from local community.

senior management = board of directors
local community = Romania
significant locations of operation = Romania

ECONOMIC PERFORMANCE

We continue to be the leader of the Romanian retail market, with a direct economic value generated that exceeded 12 billion lei at the end of the financial year 2019 (February 29, 2020). We grow sustainably from year to year, increasing the number of sustainable products we offer, supporting social projects that generate long-term impact and maintaining our position as a responsible employer. All this would not be possible without strong values and solid principles.

DESCRIPTION	2017 01.03.2017-28.02.2018 lei	2018 01.03.2018-28.02.2019 lei	2019 01.03.2019-29.02.2020 lei
Direct economic value generated	10.26 billion	11.05 billion	12.14 billion
Revenues	10.26 billion	11.05 billion	12.14 billion
Economic value distributed	-9.53 billion	-10.29 billion	-11.30 billion
Operating costs	-8.40 billion	-8.96 billion	-9.84 billion
Employee wages and benefits	-622.28 million	-691.69 million	-781.87 million
Payments to providers of capital	-10.13 million	-9.71 million	-8.41 million
Payments to government/state budget	-470.52 million	-594.10 million	-633.19 million
Community investments	-23.54 million	-30.51 million	-41.92 million
Economic value retained	730.60 million	762.64 million	833.33 million

DESCRIPTION	2017 01.03.2017-28.02.2018 lei	2018 01.03.2018-28.02.2019 lei	2019 01.03.2019-29.02.2020 lei
Net sales	9.60 billion	10.35 billion	11.26 billion
Own-brand sales	1.05 billion	1.24 billion	1.47 billion

DESCRIPTION	2017 01.03.2017-28.02.2018 lei	2018 01.03.2018-28.02.2019 lei	2019 01.03.2019-29.02.2020 lei
Tax credit	27.70 million	30.50 million	36.69 million
Reinvested profit	8.10 million	4.70 million	11.05 million

OUR VALUES

As leaders on the retail market, we are aware of the role and responsibility we have towards our clients, partners and employees, as well as towards the communities where we operate and which we owe our growth and performance to.



All our actions are based on a set of values and principles that guide our behavior every day and constantly help us improve.

Performance, dynamics and fairness are values that define our activity and that help us always implement specific actions that target client satisfaction. Day by day, through perseverance, courage and passion, our team succeeds in implementing the best, most efficient solutions, that help us follow through with our commitments and to reach our goals.

That is why, beyond the values that characterize the relationship we have with our customers, our business model incorporates strong principles that stand at the foundation of our work environment.

Our management model as a promise to our employees:

- 
Communicate clearly and give direction
- 
Develop employees and be a role model
- 
Perform strongly and create dynamics
- 
Fair handling and create trust
- 
Live responsibly and be a role model

PRODUCTS AND SERVICES

With more than 20,000 products included in our assortment in 2019 (and over 17,500 in 2018), we are always striving to offer our clients a wide range of products, through a portfolio comprised of food and non-food items produced following the highest quality standards. In order to address the ever-changing needs of our customers, our own-brand product offer caters to all tastes and lifestyles.



KAUFLAND'S OWN-BRANDS:

➤ 100% Crescut în România

100% Crescut în România (*100% Raised in Romania*) – 100% Crescut în România products are pork products sourced from Romanian farmers, available within **Raftul Românesc** (*Romanian Shelf*), in a dedicated selling space, designed to encourage clients to choose local products.

➤ Vreau din România

Vreau din România (*I want Romanian products*) – using authentic recipes and quality ingredients, **Vreau din România** offers clients a wide range of dairy products, baked goods, flour, cornmeal, semolina, deli meats and fresh juices.

➤ K-take it veggie

K-take it veggie – wide range of vegan or vegetarian products, offering great variety for all clients wishing to adopt a healthier, balanced diet.

➤ K-free

K-free – range of gluten- or lactose-free products offering the best value for money for people with food intolerances or allergies. The **K-free** gluten-free range is comprised of 11 high-quality, tasty products, while the **K-free** lactose-free range comprises 3 lactose-free products – heavy cream, UHT milk 1.5% or 3.8% fat. The products were developed in collaboration with selected experts and suppliers, their quality being audited in independent laboratories. The **K-free** portfolio will continue to expand, as Kaufland Romania wants to include other "free from" product categories.

➤ K-Bio

K-Bio – includes a variety of bio products, fairly priced, produced in accordance with the Council Regulation (EC) No 834/2007 of 28 June 2007 on organic production and labelling of organic products.

➤ K-Classic

K-Classic – own-brand offering a wide portfolio of products, at the most convenient price point. Product quality is guaranteed through constant controls and audits, undertaken by independent audit institutions.

➤ Kuniboo

Kuniboo – own-brand designed for children and babies, comprised of carefully selected products that meet the highest quality and comfort criteria. Most natural fibers are made using GOTS (Global Organic Textile Standard) certified organic cotton, the buttons are strong enough to avoid tear, tested to exclude possible adverse reactions to nickel, and the paper packaging is FSC (Forest Stewardship Council) certified.

➤ Hip&Hopps

Hip&Hopps – the new childrenswear own-brand includes t-shirts, long-sleeve blouses, jackets, leggings, trousers, sports shoes, sweatshirts, vests and many more. They are suitable for any kind of activity, either going to classes, working out or going to the park with family or friends. All **Hip&Hopps** products offer carefully selected materials, superior processing, durability and functionality. The natural fibers used are made of certified eco cotton.

➤ Kidland

Kidland – the first toy own-brand focusing on verified safety and quality, offering a variety of fairly-priced models. The Kidland world provides new playtime ideas and includes the most diverse toy categories, for all ages. All wooden articles in the collection are FSC certified.

➤ EXQUISIT

EXQUISIT – the own-brand that blends the highest quality with the finest specialties. Selected for the experience they offer, ingredient origin and production method, **EXQUISIT** products offer our clients exceptional, high-quality products at the lowest price.

➤ bevola

bevola – personal care product range, which includes lotions, shower gels, hair products, skincare products, cosmetic products for men, as well as other product types that address the daily needs of the entire family: babies, teens, men and women.

➤ Countryside

Countryside – gardening and outdoor design product range, aimed at those who love spending time outdoors. The products are TUV verified, while the warranty period for electrical equipment is longer than the legally-imposed one. Wood items are FSC certified and are sustainably produced.

➤ K-to go

K-to go – the first own-brand for ready-to-eat snacks, introduced in the fall of 2019. Sandwiches, ready-to-drink coffee specialties, milk-based sweet drinks, orange juice and smoothies, all carefully prepared, ready to be selected and savored, can be found in the To Go section of our stores.

For more information on Kaufland's own-brand products, access www.kaufland.ro, Assortment section.



Also, customers have access to a series of benefits within Kaufland stores:

+ Fresh baked goods throughout the day

At the Kaufland bakery, customers can always find fresh bread and bread rolls – from morning to late in the evening.

+ Cash registers without sweets

Within Kaufland stores, parents benefit from being able to pay at cash registers that do not showcase sweets.

+ Free returns

Customers planning parties can buy more drinks for their guests without any worries. Unopened bottles that do not present any damage can be returned within 14 days since the purchase, by simply presenting the receipt.

+ Toll-free numbers

In case of complaints, other wishes or simply to offer feedback, customers can call us using the toll-free phone number 0800 080 888, Monday-Friday between 8:00 am – 8:00 pm and Saturday between 8:00 am – 5:00 pm or they can write to us, at www.kaufland.ro/contact.

Kaufland Card - Lucrurile bune vin ușor

(Good things come easily)

A premiere within the international Kaufland network was the launch of Kaufland Card in Romania, that took place towards the end of the financial year 2018. Kaufland Card is a loyalty program offering users access to exclusive promotions that include significant discounts and the possibility of collecting and using bonus points to pay for non-food products.

To offer a more sustainable choice to our customers, they are given the option of choosing a digital version of the card, that can be accessed through the Kaufland mobile app. Furthermore, in order to encourage consumers to minimize the impact they have on the environment by choosing the digital card, we limited the benefits of the physical card, so that it offers access to general loyalty promotions only. By limiting the number of plastic cards offered, we contribute to our REset Plastic ambitions.

We are also constantly responding to the dynamic needs of our clients and adapting to their modern lifestyle. That is why they benefit from their bonus points being stored directly within the app by simply scanning the QR code at the till, without having to permanently carry a physical card.

Guided by our goal of meeting the needs of our consumers, towards the end of the financial year 2019 we continued improving their shopping experience, launching personalized promotions which can be accessed through Kaufland Card. The offers are based on the client's shopping habits and can be accessed through the app.

The success of the loyalty program exceeded our expectations, the app being number 1 in Romania on App Store and Google Play during the week of the launch, being the most downloaded app in Romania, while currently there are over 1.8 million users registered.

You can learn more about Kaufland Card [here](#).

AWARDS, CERTIFICATIONS AND AFFILIATIONS

CSR Index 2019, 1st Place for Kaufland Sustainability Report 2017, *Our actions do the talking: Leading Romanian Sustainability*

For a second consecutive year, Kaufland Romania ranked first in a top of the most sustainable companies in the country, scoring 98/100 points. The analysis conducted by the consultancy agency The Azores included 700 companies and was presented during the fourth edition of the Romania CSR Index. Kaufland Romania was rewarded the Gold Level distinction during the "Best Practices in Romanian CSR" conference. The Gold Level award is an acknowledgement of Kaufland Romania's effort of combining – in a sustainability report that is aligned with the Global Reporting Initiative (GRI) reporting standards – all relevant non-financial information, proving complete transparency, cooperation and commitment to investment and performance goals.

Moreover, the accuracy of the information was audited in accordance with the AA1000AS international standard, for the purpose of providing partners with assurance that the presented data is accurate.

Certifications

➤ QuDal

available until: 31.12.2019

Certification that awards a company, product or service for providing the market with top quality.

➤ Consumer's Choice

available until: 31.12.2018

Certification that awards a company, product or service for providing the market with the highest level of satisfaction.

Top Employer, in Romania and Europe

On February 1st 2019, Kaufland Romania received, for the fourth consecutive time, the "Top Employer" certification in Romania and, for the first time, the title of "Top Employer" in Europe. This achievement therefore proves that employees are a priority for the company and that being highly performant, including in terms of caring for the Kaufland team, has now become a tradition. The distinction was rewarded by Top Employers Institute in the Netherlands, following a rigorous analysis of the company's human resources processes, benefits offered and professional development programs available for employees at any level. The distinction received at local level also includes a European symbol that confirms, at Group level, a culture based on respect and orientated towards supporting the evolution of employees, that has now become associated with Kaufland.

We proved our commitment to creating a fair work environment again, at the beginning of 2020, when we won the "Top Employer" in Romania certification for the fifth consecutive year and the "Top Employer" in Europe certification for the second year in a row, becoming the only company in Romanian retail reaching this record.

Affiliations

➤ International Advertising Association Romania – IAA

➤ Association of Major Retail Networks in Romania – AMRCR

➤ Diversity Charter participant since 2018

➤ European Supply Chain Initiative (SCI)

participant since 2014

We support the 17 Sustainable Development Goals

The key areas where we generate significant impact are mostly related to 5 of the 17 Sustainable Development Goals: zero hunger, health and well-being, education, economic growth and sustainable production and consumption.



Goal no. 2 ZERO HUNGER

End hunger, achieve food security and improved nutrition and promote sustainable agriculture. This is a key goal for us, to which we contribute through the initiatives we are implementing to support Romanian farmers, by educating consumers and improving internal systems to fight hunger.

- Supporting suppliers in our supply chain
- Supporting local agriculture
- Promoting local products
- A complex system aiding us monitor and manage stock
- Reducing food waste
- Social initiatives that involve donations to purchase food



Goal no. 3 HEALTH & WELL-BEING

Ensure and promote healthy living to all ages. A healthy lifestyle and good nutrition contribute to maintaining good health. We strive, through various actions and investments, to ensure that all customers can make informed decisions when making purchases in our store and that they can find food suitable to their diets. Moreover, we implement health-focused projects that our employees can access.

- Certified own-brand products
- Bio, fresh products from local suppliers
- Kaufland's health-focused own-brands (e.g. K-free)
- Quality and safety audits carried out at own-brand suppliers
- Internal and external campaigns and projects encouraging healthy lifestyles



Goal no. 4 QUALITY EDUCATION

Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all. We can truly make a difference in Romania, hence we have decided to initiate and support causes related to education and employment. At the same time, we ensure that we are offering our employees training and professional development opportunities.

- We support local communities by investing in educational projects
- We support the workforce through partnerships with academia
- We offer our employees development and continuous learning programs



Goal no. 8 DECENT WORK & ECONOMIC GROWTH

Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all. Kaufland Romania is an agent for economic development. As such, we support structures that value the development of human capital and work environments that bring satisfaction.

- Ethics and corporate governance
- Compliance, safety and risk management
- Investing in our employees
- We are constantly evaluating our performance regarding the work environment and conditions provided to employees
- Expanding, opening stores in under-developed areas
- Measures to ensure social inclusion (hiring people with disabilities etc.)



Goal no. 12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Ensure sustainable consumption and production patterns. Kaufland Romania focuses on supporting, adhering to, developing and implementing systems that help monitor and manage resource production in a sustainable manner.

- Organize a more sustainable procurement process for the raw materials that are most essential to us
- Contribute to the Schwarz Group goal to reduce food waste by 50% by the end of 2023 (in comparison to the base year 2018)
- Strive for a healthy, environmentally-friendly use of chemicals in the production of our own brands by the end of 2030
- Contributing to reuse, recycle or recover the volume of waste by a significant percentage by the end of 2025
- Empower and support each employee to act sustainably in his area of activity by the end of 2022
- Provide our customers with greater transparency on the social, ecological, and health-related impacts of the products we sell by the end of 2025 so that they can make informed decisions



FOUNDER OF THE SUSTAINABILITY EMBASSY IN ROMANIA

As a leader of the retail sector, we are aware of the impact we have on Romanian economy. We know that being present nationally comes with great responsibility. We are a role model, a strong voice that can generate and encourage the change that is needed so that the planet future generations inherit is not shadowed by ecological disasters, poverty and inequalities.

That is why in 2018 we became a founding partner of the Sustainability Embassy in Romania, aiming to contribute to creating a community of people that live for future generations, promoting responsible business practices.

The Sustainability Embassy in Romania program aims to develop a community comprised of all players wishing to operate responsibly towards our country, hence addressing the business environment, professional associations, the governmental sector, civil society, academia and the diplomatic sector. Since 2018, the Embassy hosts numerous events, meetings, workshops and free training courses for students from the biggest university centers in Bucharest.

In addition, as part of the Schwarz Group, we support the following initiatives.

The Global Commitment

We signed the New Plastics Economy Global Commitment, led by the Ellen MacArthur Foundation in 2018, aiming to accelerate the shift towards a circular economy for plastic.

United Nations Global Compact

Through our participation, we prove our commitment to implementing the ten principles covering topics related to human rights, labor, environment and anti-corruption and further showcase our dedication to supporting the UN Sustainable Development Goals.

OUR PROMISE



ETHICS AND INTEGRITY

The responsibility we have towards all our stakeholders is built upon the ethics and integrity of the entire Kaufland Romania team. We are aware that business ethics are extremely important for our company's growth and sustainable development, so we take measures to ensure that our values are adopted, undertaken and implemented by all our employees and partners.

Within our company, the Internal Regulations and the Code of Conduct dictate aspects regarding employee behavior and conduct and offer an implementation framework of existing procedures in this sense.

FAIRNESS IN PARTNER RELATIONS

Sustainable and long-term relations with our suppliers and business partners are fundamental pillars for our business model. That is why Kaufland adheres to the Ten Principles of Good Practice defined by The European Supply Chain Initiative, committing to act in compliance with legislation in force, including competition laws, and other voluntary standards, while also taking into account consumers' interests, contractual freedom, fairness and following written agreements, predictability, compliance with contractual provisions, reasonable communication, data confidentiality, undertaking risks and the justifiable nature of requests.

You can read more about The European Supply Chain Initiative principles [here](#).

CONFLICT OF INTEREST

All employees must follow Kaufland Romania's internal regulations closely. The principle that governs aspects regarding conflicts of interest is: we avoid any conflict of interest between personal interests and Kaufland Romania's business interests.



COMPLIANCE

Compliance is more than just observing the law. Compliance means doing the right thing. It is very important to us that laws and other regulations in the Kaufland Group are complied with. Only those who do the right thing out of their own and personal conviction are perceived as a fair partner. That is why we see it as our social responsibility to act with integrity and avoid any possible negative impact our operations may have. This is our way of thanking our customers, employees and business partners for the trust they have placed in us.

Therefore, the actions conducted by the company and our employees are based on the following principle: **"We comply with applicable law and internal guidelines."**

This represents a central corporate principle that is binding for all employees. The company and its management expressly commit to complying and safeguarding this corporate principle.

Against this background the company has implemented a Compliance Management System (CMS), that includes binding CMS-standards. These CMS-standards specify certain requirements and elements to ensure an appropriate level for compliance. An essential element of CMS is that infringements of applicable law and internal guidelines should be avoided and identified violations consequently prosecuted/punished ("zero tolerance principle").

Focus areas of CMS are for example anti-corruption/anti-fraud, antitrust law and data protection. The measures of CMS include in particular the issuing and communication of regulations (e.g. regulations regarding the handling of benefits and data protection rules), the implementation of training measures as well as the tracking of all internal and external evidence of possible rights infringement.

The company's departments responsible for compliance review the effectiveness of the measures described above. In addition, they investigate and clarify all internal and external evidence of rights infringement.

DATA PROTECTION

We guarantee the confidentiality of all messages we receive and process all personal data in accordance with the [European General Data Protection Regulation \(GDPR\)](#), that came into force in May 2017. All legislative provisions regarding general data protection were integrated in all our activities and operations. Our policy regarding general data protection and privacy can be accessed through our website www.kaufland.ro.

FINES AND PENALTIES

Kaufland Romania complies with the legislation in force. The internal procedures, processes and periodic training of the employees aim to ensure the development of the company's activity in accordance with the applicable laws. However, considering the variety of products and processes, the dynamics of the activity, the continuous legislative changes, etc., there may be situations in which the authorities may identify certain nonconformity.

In such situations, for matters related to consumer's protection, marketing communications, labelling, socioeconomic and environmental protection regulation, Kaufland Romania was sanctioned approximately 485 times in 2019 and 571 times in 2019, the company getting promptly involved for their immediate remediation and for establishing measures which prevent the reappearance of such nonconformity.

REPORTING CHANNELS

In order to avoid risks, it is essential that potential irregularities are identified at an early stage and reported to the relevant authorities. We carefully examine all notifications regarding breaches of the compliance principles, confirmed cases being punished accordingly. We offer all our employees, customers, competitors and partners the possibility of reporting non-compliance with legislation, the code of conduct or internal regulations. In order to protect those involved, we treat every information strictly confidentially. In this sense, we adapted and integrated the online reporting system BKMS®, an online communication platform that enables sending information regarding violation of compliance principles, within our operations. All information is processed by the Internal Compliance Manager.

Likewise, our confidential lawyer can be contacted at any time in regard to suspicions of breaching the compliance principles.

You can read more information about our reporting channels on our company website.

ANTI-CORRUPTION AND ANTI-COMPETITIVE BEHAVIOR

In order to minimize the risk of corruption, all business partners signing contracts with our company are informed in regard to the organization's anti-corruption and compliance policies, through the Code of Conduct that they sign at the beginning of any kind of contractual relation.

In order to prevent such situations, the company regularly organizes training and communication sessions for all company employees. All members of governing bodies were informed and trained regarding the organization's Policy concerning anti-corruption and compliance in 2018. Likewise, all employees (regardless of their role within the company) were informed regarding the behavior they must adopt in such situations, in accordance with company provisions.

During the reporting period, no public legal actions were taken against the company for corruption or conflicts of interest.

Likewise, the company did not support political causes or parties, financially or in-kind.

HUMAN RIGHTS

At every stage along our global supply and value-added chains, we strive to respect, promote and protect human rights. Together with our employees, customers, business partners and stakeholders, we work every day to advance human rights – and this is particularly expressed in our commitment to fair business practices and good working and living conditions.

On this basis, the following policy statement is issued on behalf of all companies of the Schwarz Group. It complements existing corporate principles and policies and addresses the impact of our activities at all locations and in all our business operations around the globe.

Human rights due diligence at the Schwarz Group is founded upon our commitment to upholding human rights as established in the internationally recognized standards and guidelines.

Our approach for implementing human rights due diligence

Identifying the risks, assessing the potential impacts and developing effective countermeasures is an ever-present challenge in implementing human rights due diligence.

Human rights risk assessment and actions

The companies of the Schwarz Group conduct risk assessments as part of their business operations. This involves a company-specific, risk-based classification of business partners and products, for instance based on the analysis of recognized indices and studies regarding the risk assessment for countries of origin, raw materials and products and – in some cases – in consultation with civil society organizations and experts. The findings of these risk assessments are used to develop specific measures to avoid or mitigate adverse impacts caused by our business activities. In this respect, the Schwarz Group employs a combination of different measures and integrates the findings from its activities into its business processes.

To adequately protect the human rights of our employees, the Schwarz Group has established the necessary processes in its corporate principles, policies and procedures. The Schwarz Group regularly conducts anonymous employee surveys in order to identify potential shortcomings early and respond accordingly. Employees are also provided unrestricted access to internal counselors and fair and transparent grievance mechanisms.

Within our sphere of control with our business partners, we systematically focus on identifying actual violations, followed up by mutual cooperation for improvement. In our non-food supply chains, for example, we have long implemented measures to monitor and develop production facilities.

The risk assessments by the Schwarz Group companies have identified a common major risk factor in the area of raw materials. The Schwarz Group therefore sets concrete goals for raw materials with high human rights risks and works continuously to implement measures. These activities include product- and raw materials-related certifications, for example, and in this regard, we also participate in evolving standards and funding projects.

We believe that overcoming human rights challenges in our global value chains is an ongoing task that requires systemic changes in addition to our company-specific activities. One key element for us is therefore to engage with civil society organizations, experts and other businesses – often in the form of multi-stakeholder partnerships – in the aim of achieving improvements and solving complex social issues in a collaborative effort.

We are constantly reviewing the efficacy of our measures. Maintaining regular dialog with civil society organizations helps us assess the effectiveness of our measures.



CODE OF CONDUCT

Undertaking ecological and social responsibility is more than the foundation of our daily activity – we also ask our business partners to apply the suitable standards. Through the Schwarz Group Code of Conduct for Business Partners, we define the criteria our contractual partners must meet and we ask that they guarantee following minimum social standards, such as adhering to social and environmental legislation.

The Code of Conduct is the foundation of long-term relations with our suppliers. It is based on international standards and directives, such as the principles of the International Labor Organization (ILO), of the Universal Declaration of Human Rights adopted by the United Nations (UN), of the UN conventions regarding children's rights, the principles of the UN Global Compact, as well as the guidelines of the Organization for Economic Co-operation and Development (OECD) for multi-national enterprises and the Paris Climate Agreement.

This Code of Conduct is also available for commercial subunits, authorized by our business partners, that are involved in making products or providing services for Kaufland.

CSR RISK ANALYSIS

In order to deal with potential risks that may affect us as a food and non food retailer, the risk management system of Kaufland is an integral part of the operating business processes. The established risk management methodology allows a standardized analysis of risks.

During the CSR risk analysis conducted in 2019, by CSR risk experts, CSR topics, essential to the business model were assessed and prioritized according to their relevance and risk potential and finally supplemented the existing implemented control measures. The relevance assessment was carried out from the viewpoint of various stakeholder groups (regulation, customer/society, employees and competition).

a) Environmental aspects

Regarding the environmental aspects, creating our assortment using local products was the highest ranked topic. To minimize this risk at national level, we strive to support local suppliers. "Sustainable estates" is just as relevant from a risk perspective, also being ranked number 1. The company manages this aspect by using natural cooling methods, recovering thermal energy and saving energy through special systems.

b) Social aspects

"Regional and social engagement" was evaluated as being the most relevant, with a maximum score. In this sense, we publish a community investments report annually, which measures the social impact generated by the projects we implement. We also try to align our investments with our core business strategy and stakeholders' expectations.

c) Aspects regarding employees

The most relevant aspects in this area, with an equal score, are "equal pay", "occupational health and safety" and "work-life balance". To ensure these aspects, we annually carry out studies focusing on wages in order to update the remuneration policy, give bonuses, have implemented four occupational health and safety committees within the company and actively promote work-life balance through spaces designed for children and their parents, healthy eating courses, meditation and yoga.

d) Respecting human rights

The aspect found as most relevant in this area was "respecting/promoting social standards along the supply chain". This is managed by the company's Code of Conduct and its decision of complying to the 10 principles of the "Good Practice of the European Supply Chain Initiative". To ensure "gender equality, eradicating discrimination and diversity", we decided to sign the Diversity Charter in 2018. Moreover, we are constantly organizing trainings regarding diversity and equal opportunity. Specifically, in May 2019 we introduced a training course on the general legislation in regards to the prevention of discrimination. It was allocated to all employees using a company email address, who are required to repeat the training every two years.

e) Anti-corruption and bribery

The main risks regarding "approaching topics relevant from a compliance point of view" that can potentially emerge are corruption and breaches of compliance with data protection and antitrust legislation. All these topics are carefully considered in our internal policies, where ways to report such incidents are described, alongside the serious consequences that can happen as a result. Furthermore, we ensure employees comply with anti-corruption norms by offering an online training course on this topic, as well as one covering the foundations of compliance. Employees are required to repeat the latter every two years.

HOW WE APPROACH SUSTAINABILITY

Responsibility

The role of leader in the retail industry brings along a huge responsibility. We are responsible for leaving behind a clean environment and a prosperous society that can support the development and growth of future generations.

Collaboration

At the same time, in order to contribute to the healthy, long-term progress of Romanian economy, the business environment, alongside civil society representatives and political decision makers must collaborate efficiently to find sustainable solutions that minimize the economic, social and environmental impact that economic players generate in the communities where they operate.

Evaluate

Our sustainability strategy was created having an operational impact analysis as a starting point, as well as the result of consulting stakeholders, while also taking into consideration the targets set by the 17 Sustainable Development Goals.

Transparent communication

We communicate our progress transparently, by reporting sustainability indicators, a process that takes place annually within Kaufland Romania since 2016, prior to non-financial reporting becoming a legal requirement in Romania.

THE SUSTAINABILITY TEAM

The sustainability team within Kaufland Romania, is comprised of representatives from each department, that meet on a monthly basis to discuss, plan and implement projects that contribute to improving the company's sustainability indicators. Every year, the team is updated, in accordance with the needs identified. At the same time, the team is responsible for managing the non-financial reporting process, collects data, reviews internal data collection systems and proposes solutions to make the process more efficient. All members of the team, as well as any new member who joins the team, participate at a certified training on the GRI Standards (the non-financial reporting standards from the Global Reporting Initiative).

THE CSR COMMITTEE

It was formed within Kaufland Romania in 2016, with the purpose of involving all departments in the process of making decisions regarding the community investments strategy. The committee is responsible for analyzing and evaluating sponsorship and donation requests received by the company. Therefore, the process is transparent and all decisions are closely connected to the business strategy. The committee includes one representative from each department and meets once every three weeks, analyzes project proposals submitted and uses diverse criteria for evaluating them. Projects that are over €1 million are sent for approval to the Board of Directors. The General Manager has the right to veto any of the projects.

MATERIAL TOPICS

The material topics that lay the foundation of the reporting process were established through the materiality process that took place in 2018, for the previous reporting cycle. The external research included all stakeholder groups, from which we received 631 valid answers that revealed the main material topics that this report was based on.

Likewise, internally, the topics were prioritized by the board members and specialists within the company, according to the dimension of the impact Kaufland generates in each direction.



Valid stakeholder answers: 631
 Company employees: 74
 Clients – companies: 18

Customers – private individuals: 346
 Partners: 21
 Suppliers: 131

Authorities: 6
 Media: 5
 NGOs: 30

Material topic	Impact boundaries		Comments	Stakeholders
	Direct impact*	Indirect impact**		
Indirect economic impact	✓	✓	The indirect economic impact that Kaufland Romania's activity generates is manifested throughout the entire value chain, from the investments we make to support local producers and suppliers, to the community projects we finance in order to support local communities. This report presents the main projects we have initiated for Romanian suppliers. Our community investment projects are detailed in a separate report, available on www.kaufland.ro .	
Market presence	✓	✓	We are aware that the impact we have on employees is indirectly reflected in the interaction with all stakeholders groups along the value chain. Therefore, in order to contribute to the economic well-being of our employees, besides the salary package with a value of 3,300 lei in 2019, including meal vouchers (58% higher than the legal minimum wage), we also offer health insurance, extra holidays and multiple personal development options.	
Procurement practices	✓	✓	We support the local economy by prioritizing investments to local suppliers. Indirectly, procurement from Romanian suppliers has a positive impact across the entire value chain, from producers to consumers, while contributing to the stability of the local economy and building trust-based relationships with local community members.	
Corporate governance and sustainability	✓	✓	We are aware that the impact our corporate governance principles have is manifested throughout the entire value chain, strongly influencing our stakeholder relationships. Therefore all the processes and mechanisms that underpin our way of doing business are built on strong sustainability principles.	
Anti-corruption	✓	✓	Anti-corruption is one of the topics that can generate negative impact in all aspects, from human rights to environmental protection and therefore the sustainable development of the company, and at the same time can significantly affect the relationship with all stakeholders. We ask our employees and all our partners to strictly adhere to all our anti-corruption policies and provisions, based on the principle of zero tolerance.	
Anti-competitive behavior	✓	✓	As with anti-corruption, anti-competitive behavior can have negative effects across the value chain, from business partners that supply our products to consumers. We strictly adhere to the legislation in force, being aware that fair competition is a basic pillar for an efficient and sustainable economy.	
Healthy living	✓	✓	We encourage our customers to adopt a healthier lifestyle both through the products we offer with the help of our suppliers and producers, as well as through the projects we implement together with our community partners. We also support our employees in adopting a healthy way of living through dedicated campaigns and projects.	
Food waste and responsible consumption	✓	✓	Food waste is an important topic that has implications across the entire value chain, from producers to customers/consumers. We are constantly investing in complex systems in order to reduce the impact our stores have, while engaging in dedicated campaigns and activities targeting our customers and suppliers.	

*The direct impact results from Kaufland Romania's activities.

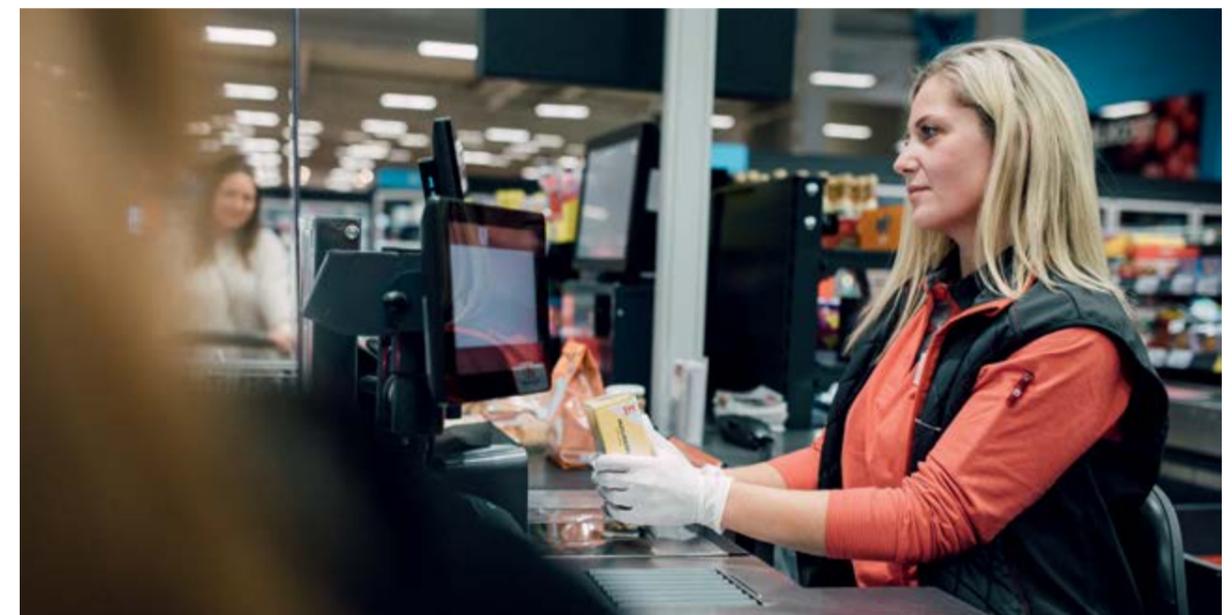
**The indirect impact results from the contractual relations between Kaufland Romania and its partners, clients and suppliers.

Customer privacy	✓	✓	We pay great attention to personal data protection, as data privacy represents a customer-oriented quality indicator. Depending on the contracted services, we also collect data from our business partners. The impact we have in this areas is managed in strict compliance with the provisions of the General Data Protection Regulation. Our privacy policies are made available to our customers and business partners on the company's website.	
Customer health and safety	✓	✓	Consumer health and safety are extremely important aspects in our business, that impact all the entities across the value chain, from producers and suppliers to costumers and consumers. That is why we ask all our own brand suppliers to follow and adopt the highest safety and quality standards in the production process: IFS, BRC, FSSC 22000 or ISO 22000 standards.	
Marketing and labeling	✓	✓	Our product labeling and promotion processes have a high impact on consumers and end-users. In order to make informed decisions, they need to easily access information about the ingredients or the components of the products, their safe use or their management after the end of their lifecycle.	
Socio-economic compliance	✓	✓	Compliance with specific socio-economic laws and regulations, as well as national, or international standards, conventions and treaties, proves the organization's ability to comply with specific performance parameters and substantially influences decisions and relationships with all stakeholders across the value chain.	
Environmental compliance	✓	✓	Compliance with environmental standards and regulations impacts both suppliers who, through signing our Code of Conduct, undertake to adopt responsible behavior and reduce their activities that can lead to environmental pollution, as well as consumers and customers who help us achieve our goals in this direction.	
Effluents and waste	✓	✓	We pay particular attention to the management of waste resulting from our activity and we are constantly working to improve our internal processes. Also, in order to limit our impact across the entire value chain, we implement education and awareness campaigns on the importance of proper waste management and handling.	
Emissions	✓	✓	Our activities generate greenhouse gas emissions both directly through existing processes in our organization and indirectly through the activities of our product and service suppliers. We manage this impact through significant investments, especially in new, environmentally friendly technologies.	
Energy	✓	✓	Energy consumption and our impact in this aspect occurs across the entire value chain: from suppliers that provide us with the products sold in our store, to the consumers' use of products we sell and the end-of-life treatment of these products.	
Water	✓	✓	Although our activities do not involve significant water consumption, across the value chain the impact occurs at our private label suppliers, for producing and packaging the products we sell. At the same time, water consumption can increase downstream, when managing and treating the products after the end of their lifecycle.	
Materials	✓	✓	When talking about our activities in stores, headquarters and logistic warehouses, the materials we use do not generate a significant impact. However, the impact occurs upstream, with the inputs used to manufacture and package the products we sell.	
Supplier environmental assessment	✓	✓	With more than 2,000 suppliers, we are aware of the negative environmental impact that might occur across our supply chain. Therefore, we require all our suppliers to fully comply with environmental regulations and we maintain the right to carry out verification checks, where the non-compliance risks are increased.	
Human rights	✓	✓	Human rights impact occurs directly, across all our operations, but also across the value chain, through our interactions and relationship with company stakeholders: suppliers, business partners and local communities.	

Customers
 Employees
 Business partners and consultants
 Suppliers
 Journalist/ Media
 Regulatory authorities/ public administration
 Civil society/NGOs
 Financial institutions
 Schwarz Group
 Local Community

Labor-management relations	✓	✓	All aspects related to labor-management relations can have a significant direct impact for the company, but they can also influence indirectly the entire value chain. We are aware of how important it is to constantly communicate with our team, that is why every important change that occurs within the company is always discussed with employee representatives.	■ ■ ■ ■ ■ ■ ■ ■
Occupational health and safety	✓	✓	The company's impact in matters related to occupational health and safety occurs directly for all our employees, as well as for those workers, that even though they are not under a direct contract with our company, their workplace or work are controlled by the company. For examples, such workers are those who distribute the Kaufland magazine or those who are part of the security personnel within our stores. At the same time the impact also appears across the value chain as a result of the company's business relationship with other entities.	■ ■ ■ ■ ■ ■ ■ ■
Employment	✓	✓	The company's impact regarding employment and job creation is directly linked to the recruitment, hiring, retention and the working environment it creates. Through its activities and investments, the company also contributes to employment and job creation across the value chain, for suppliers and business partners.	■ ■ ■ ■ ■ ■ ■ ■
Non-discrimination	✓	✓	The company's internal regulations forbid any type of discrimination, both for employees and customers, stakeholders that the company directly impacts. At the same time, the relationship we have with our business partners give us an indirect responsibility towards all the stakeholders across the value chain.	■ ■ ■ ■ ■ ■ ■ ■
Diversity and equal opportunities	✓	✓	The company actively supports diversity and equal opportunities, both within the company, as well as across the value chain, areas that the company impacts, as equality offers significant benefits for the organization and the workers in the supply chain.	■ ■ ■ ■ ■ ■ ■ ■
Training and education	✓	✓	When it comes to training and education opportunities for employees, the company is directly responsible and has a major impact in these regards. Employees' skills and performance also impact the company's relationship with all its stakeholders.	■ ■ ■ ■ ■ ■ ■ ■
Freedom of association and collective bargaining	✓	✓	Freedom of association and collective bargaining play an important role for the relationship we have with our employees, whom we directly impact through our operations. At the same time, freedom of association is a fundamental human right for all employees, no matter the entity they work for and therefore our impact occurs also upstream the value chain, across our suppliers and other business partners.	■ ■ ■ ■ ■ ■ ■ ■
Local communities	✓	✓	Our operations have a direct impact on the local communities that host and support our activities. Whether they're suppliers, clients, consumers or community partners, we constantly communicate with our stakeholders, to anticipate and identify any form of negative impact that the company's activities might generate.	■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■
Supplier social assessment	✓	✓	Through our relationships with suppliers of products and services, the company generates and contributes to an indirect social impact across the value chain. In order to mitigate the risks associated with a negative impact, the company requires from its suppliers, through the Code of Conduct, to comply with all national and international regulations regarding social aspects and human rights.	■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■
Public policies	✓	✓	As part of different business and industry associations, as well as through our meetings with the public authorities, we provide our input and feedback on public policies and sector specific laws that are submitted for public review. Involvement in the development of public policies generates a positive impact for society but, at the same time, financial or in-kind contributions to political parties can generate risks associated with bribery, corruption and therefore a negative impact across the value chain. That is why the company does not contribute or support political parties neither financially, nor in-kind.	■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■

- Customers
- Employees
- Business partners and consultants
- Suppliers
- Journalist/ Media
- Regulatory authorities/ public administration
- Civil society/NGOs
- Financial institutions
- Schwarz Group
- Local Community



When developing the report content, we also took into account the results of the study carried out at Group level, for every country where Kaufland operates, during November 2018 – January 2019. The study was conducted online, on a sample of 375 employees, 1,400 consumers and 248 other stakeholders (suppliers, non-governmental organizations, scientists).

The goal of the study was to determine those sustainability topics that are important for stakeholders, to analyze how employees and clients perceive reaching necessary targets within Kaufland, as well as to identify the areas where measures taken need to be improved.

The topics were grouped into the following categories:

- Local Involvement (local and regional products, support for local suppliers, commitment for local communities)
- Nutrition (fruit and vegetables without pesticides, products without additives, products with reduced sugar, products for special diets and lifestyles)
- Employees (fair remuneration, occupational health and safety, work-life balance)
- Climate (environmental protection, eco-friendly company fleet, bulk products, packaging and plastic reduction)
- Sustainable products (certified products: sustainable agriculture, sustainable palm oil, sustainable fish, biodiversity protection)
- Supply chain (compliance, verification and improvement of social standards and human rights across the supply chain, fair trade products)
- Animal welfare (transparency and traceability of products)
- Ethics and transparency (compliance with applicable laws and standards, stakeholder engagement)

The results of the study show that, in general, sustainability topics are less important for consumers, compared to employees or other stakeholder groups.

In regard to products and services, the three most important topics for all categories are reducing/eliminating additives or basic ingredients such as sugar, fat, providing products that protect the environment, climate and resources, focusing on circular economy and non-GMO (genetically modified organism) products.

For topics concerning involvement, stakeholders highlight promoting a local supply chain, while employees focus on employer responsibility. An important topic for all is reducing/eliminating chemicals/harmful substances from products/production processes (for example, fruit and vegetables with no pesticides), as well as fighting corruption.

Although the study reveals that unpackaged and bulk products are not preferred by consumers, two topics that are closely linked with this aspect are revealed: minimizing packaging waste, especially plastic packaging and increasing product and packaging ability to be recycled.

Regarding environmental protection within operational processes, actions taken to combat climate change and improve energy efficiency are highly important for stakeholders and employees alike.

Products that have the following certifications, MSC (Marine Stewardship Council) and ASC (Aquaculture Stewardship Council), or eliminating products that do not abide by the best practices and standards, are aspects that present less importance for the consumer. However, plastic waste cleaning actions represent a topic that all stakeholders see as important in relation to environmental protection.

Social engagement is more important for employees than consumers, supporting/financing environmental projects being the most relevant direction.

STAKEHOLDER ENGAGEMENT

Stakeholder engagement is an essential element for us, as it allows us to stay connected to the communities where we operate. Regardless of the category they belong to, our wish is to receive their feedback permanently, in order to improve our operations, to implement the most relevant measures and to make decisions based on their needs and wishes.

STAKEHOLDER GROUP	TOPICS OF CONCERN	HOW WE ENGAGE AND COMMUNICATE WITH OUR STAKEHOLDERS
Customers – private individuals	products, services, events, Kaufland newspaper, product quality, product availability, pricing, ambiance	Kaufland website: www.kaufland.ro Kaufland Romania Facebook page (www.facebook.com/kaufland.romania) Kaufland România Careers Facebook page (www.facebook.com/kaufland.romania.cariere) poftadegratar.ro website Instagram: @kauflandromania Youtube LinkedIn Kaufland Newspaper Surveys TV and outdoor advertising Dedicated events Newsletters Telephone calls through the Customer Relations Department
Business Clients	rent prices, services, events	Direct mailing Personal meetings Telephone calls
Employees	company projects, events, legislation, administrative information, development opportunities, benefits, health and safety, recognition	Intranet Kaufland Romania Careers Kaufland Romania Facebook page Surveys Internal events Direct mailing Professional training courses Notice board Newsletters Internal magazine

Business partners and consultants	collaboration, project communication, terms of engagement	Direct mailing Personal meetings Telephone calls
Suppliers	products, services, events, Kaufland newspaper, terms of partnership	Direct mailing Personal meetings Telephone calls
Journalist/Media	collaboration, project communication, quality of information	Press releases Press conferences Direct mailing Telephone calls Surveys
Regulatory authorities/public administration representatives	taxes, reporting, legislation, transparency	E-mails and written correspondence Telephone calls Personal meetings
Civil society/NGOs	social projects and sponsoring, local community involvement	Direct mailing Personal meetings Events
Financial institutions	transparency, reporting compliance to terms, viability of the business	Reports Personal meetings
Schwarz Group	profitability, viability, reputation, sustainability	Reports Personal meetings
Local community	active member, viability of business, job opportunities, sponsoring, local community involvement	Kaufland Romania Facebook page Surveys Events Direct mailing Professional training courses Newsletters Other social media channels



MARKETING AND LABELING

Customer satisfaction is our core concern. Their needs and wishes are ever-changing, therefore we aim to offer them the best shopping experience, permanently informing them about options available to them in our stores.

Product provenance and sustainability are important aspects for customers in relation to food items, so our main recommendations are local products, seasonal items that use less resources in the production process and products that support a balanced lifestyle.

We encourage our clients to make informed decisions and we ensure that all our marketing communications follow legislation in force.

In order to make informed decisions, our clients must be able to easily access information regarding product ingredients or components, how to use them safely and how to eliminate them at the end of their lifecycle. As such, we closely follow all regulations regarding appropriate product labeling of own-brand items, as well as of products other companies supply.

At partner level, in order to ensure compliance with standards and legislation in force, Kaufland included clauses regarding product labeling in supplier agreements.

PRODUCT LABELING

Product labeling is a process regulated by specific legislation for each product category: food, cosmetics, detergents, toys etc. Within Kaufland Romania, the Quality Department (QS) ensures that all labels comply with legislative regulations concerning mandatory product information, while the Own-Brand Department is responsible for information regarding packaging.

Nutrition facts: All our products offer a short presentation of the most important nutritional information, such as calories per 100g and 100ml and % of the daily recommended dose, on the front of the packaging. On the back and sides of the packaging, additional nutritional information is available: ingredient list, allergen indications, special instructions for people with food intolerances, fats, sugar or salt. Clients can quickly and easily evaluate the calory intake and nutrient dose, without difficult conversions. In addition, K-Bio and K-take it veggie packaging also includes the Nutri-Score label, an independent system presenting nutritional values in a clear, color-coded manner.

Detailed information regarding ingredients: We see transparency and safety as very valuable. We offer clients information about the ingredients of all K-Classic products, clearly communicating about ingredients.

Additional information regarding labeling is available on the company website: www.kaufland.ro

Customers can easily and quickly access information about the ingredients of K-Classic products containing surfactants. Using the GTIN/EAN code found on every pack, clients can search the company website to access substances found in all K-Classic products.

RESPONSIBLY SELECTED PRODUCT OFFER

Responsibility is highly important for us. That is why we promote transparency along our supply chain, especially for our own-brand portfolio. We want to offer our customers certainty regarding the origin of our own-brand products. Apart from a few exceptions, all our own-brand products include a note regarding their origin, so that the source of the products can be easily traced.

Information regarding fish and meat traceability

In order to guarantee total transparency regarding our supply chain to our customers, we work closely with all our suppliers. Through a tracking QR code, placed on the packaging of certain own-brand products, they can know exactly where the products in their cart come from.

For fish products, there are two simple methods through which they can get information regarding product origin:

- ▶ Using the LOT number placed on the packaging, close to the expiration date. Accessing www.ftrace.com and introducing the LOT code, customers can access additional information about the product.
- ▶ Scanning the QR code on the packaging, through the fTrace app, by:
 - ▶ Installing the app on their mobile phone
 - ▶ Scanning the QR code on K-Classic fish packaging using their phone

We carefully select products offered to our customers and consumers and we acknowledge the fact that we are responsible for the impact our operations have on the environment and the communities working along our whole value chain.

That is why we strive to offer our clients as many products certified according to international standards as possible.

Ecological products

Caring for people and the environment helps us place a selection of ecological products on our shelves. We are also actively involved in developing local agriculture. We offer a variety of ecological products, from a

range of categories: dairy products, drinks, coffee and tea, and even canned and frozen goods. Amongst these, there are also many K-Bio products. Through the use of the EU ecological logo, customers are guaranteed that our products are obtained complying with the strictest directive of the EU Regulation regarding ecological products and that they are audited regularly by authorized, independent control organisms.

Fairtrade

The Fairtrade program allows producers to sell large quantities of their own harvests fairly. By purchasing products with this label, our customers actively support the improvement of living and working conditions of small farmers and ecological production.

Sustainable cleaning

K-Classic cleaning products that contain the "Sustainable Cleaning" logo are obtained through production processes with a reduced environmental footprint.

GOTS

Almost all home textile and fashion products from our own brands contain a significant quantity of organic cotton and are certified GOTS (Global Organic Textile Standard), that guarantees an ecological and responsible production process.

FSC

Amongst K-Classic products, there are items labeled FSC®, meaning they comply with the strict directives of the Forest Stewardship Council®. These include napkins, hygiene products such as toilet paper or single-use tissues, coal for grilling and others. By purchasing FSC® certified products, our customers contribute to and promote the responsible exploitation of forests. In order to protect natural resources, when producing Kaufland products, we make sure to use raw materials labeled FSC®, that come from responsible exploited forests. Some of these are beverage cartons and other types of packaging.

Rainforest Alliance

We offer a range of items that contain coffee sourced from Rainforest Alliance certified farms. Amongst these, for example, K-Classic blended coffee- and milk-based drinks.

We therefore support sustainable coffee farming. Rainforest Alliance is an international, non-profit organization that works for the conservation of biodiversity and for farmers' rights and well-being, as well as the well-being of their families and local communities.

Palm oil

At international level, for our own brands, we are replacing palm oil with other vegetable fats, such as sunflower seed oil, or we are minimizing the amount of palm oil by adjusting recipes. For products that still contain palm oil, we are gradually making the switch to using certified palm oil, sourced from responsible sources. The Group is also part of the "Sustainable Palm Oil Forum", advocating for sustainable palm oil production in developing countries.

In Romania, for products that have palm oil in their recipe, we require from our suppliers the RSPO (Roundtable on Sustainable Palm Oil) certification. Kaufland Stiftung is a member of the German Initiative, Roundtable for Sustainable Palm Oil.

UTZ

K-Classic chocolate products that are UTZ-certified contribute to improving environmental, economic and social conditions in producing countries. We therefore ensure that the entire amount of cocoa needed for producing our UTZ-certified chocolate products is sourced from sustainable farms. By supporting this program, those producing sweets and brands such as K-Classic contribute to the development of sustainable farms.

Vegetarian and vegan

In our K-take it veggie portfolio, customers can find high quality, tasty, affordable alternatives to traditional products – many of them being eco-labeled. In order to help customers navigate easier, these products include the V label. This marks vegetarian and vegan products, in accordance to the European Vegetarian Union (EVU) criteria, so that they can be easily identified.

Fur Free Retailer

We adhered to the "Fur Free Retailer" program, therefore we are refraining from selling fur or fur products made out of natural fur or containing natural fur. Amongst these, for example, there are textile products, accessories and animal toys.

Eggs

In regard to egg products and own-brand processed products, such as baked goods or pastry products, we committed to using only free-range eggs. Items such as waffles made using fresh eggs are marked accordingly, the packaging including a notification regarding the use of free-range eggs.

Kaufland has committed to stop using eggs coming from hens confined in cages and enclosed spaces in own-brand products by 2025.

MSC

We are permanently expanding the portfolio of sustainably sourced fish products, with the Marine Stewardship Council (MSC) label. Amongst these, there are also K-Classic products. As an independent, non-profit organization, MSC supports sustainable fishing practices at global level.

Microplastics

As early as 2013, in our "Voluntary commitment (without) microplastics", we have committed ourselves to completely dispensing with microplastic particles in our private label products in the areas of cosmetics, personal care as well as detergents and household cleaning agents. These have been replaced by natural and renewable raw materials, among others.

With our extended definition of "Microplastic Free Formula", we have set ourselves the goal of no longer using microplastics and non-biodegradable, synthetic polymers in the formulations of Kaufland's cosmetic products and detergents, cleaning agents and household cleaners of its own brands by the end of 2021 onwards - provided that the waiver does not result in a significant reduction in product performance and/or safety. In addition, we are in regular dialog with our branded goods suppliers in order to make appropriate progress in the industrial brand area as well.

More than 10% of our own-brand products found in Kaufland stores are certified (FSC, Organic, Fairtrade, UTZ, MSC). They are joined by other certified items, from the other company suppliers.

CONSUMER HEALTH AND SAFETY

All of our actions and activities are based on caring for our customers, consumers and users of products found in Kaufland stores.

For that, the company has committed to address all client complaints regarding own-brand products in less than 48 hours. Likewise, we ask our suppliers to name a person responsible for product quality, who can address our requests 24 hours a day.

Beyond customer satisfaction, we care about their health and safety, therefore we take measures to ensure that they have access to fresh products that follow the highest quality standards every day.

As such, through the Code of Conduct, we ask our own-brand suppliers to strictly follow legislative norms and regulations applicable in the country of origin in regard to product quality. Likewise, in order to become a supplier for Kaufland's private labels, suppliers must first be certified in compliance with IFS Food standards (the strictest standard in food safety) or or BRCGS (leading brand and consumer protection organization) standards. The IFS standards focus on the safety and quality of production processes and audits aspects related to senior management responsibility, resource management, product safety and quality management systems, production processes planning and action plans for responding to unforeseeable situations. In addition, for certain product categories, the company can request additional audits carried out by an internal team or a third party, on the basis of previously established criteria.

PRODUCT RECALLS

In 2018, there was only one case where a non-food own-brand product was recalled on the basis of non-compliance, while in 2019, two products in the food category were recalled.

SUPPLIER AUDITS

We address the customer health & safety risks that can occur across our supply chain by constantly performing quality audits for different suppliers. In 2018, there were 15 audits conducted for private label food suppliers, of which 12 were approved.

SELF-CHECK PROGRAM

We periodically undertake laboratory tests on products found in our stores, in order to ensure compliance with the quality standards promised. In 2018, over 600 such processes took place, while in 2019, there were 620 tests conducted.

TACKLING FOOD WASTE

Food waste happens along our value chain, from producers and suppliers, to stores and even clients/consumers.

That is why food waste is a constant concern for us. We are always investing material and financial resources, as well as expertise, towards minimizing the quantity of food wasted along the chain, from suppliers, in our warehouses and stores up to our customers. We focus on constantly improving our internal systems, in order to minimize the impact within Kaufland warehouses and stores, at the same time investing in campaigns and activities dedicated to our clients and consumers.

Our role as retailer plays an essential role in educating consumers, for them to be able to stay informed and make the right choices, picking quality products or products that are suitable for their health.



Internally, our attention focuses on:

- ✦ Improving internal systems
- ✦ Monitoring and managing stock
- ✦ Developing and implementing systems that monitor and manage resource production in a sustainable manner
- ✦ Promoting responsible consumption

Within the company, the Supply Chain Management team exists and is responsible for ensuring that each store orders the optimal amount of products that is needed for a certain period of time.

We allocate stock found in warehouses so that we ensure availability for delivery to stores and at the same time do not overstock warehouses. Based on the sale history at store/item level, the system we use makes a daily order proposal for all store-item combinations. In order to achieve the best results, our colleagues who are in charge of the process guide the system, informing it about the "unforeseen factor" (season, weather, holiday etc.).

Automated orders – One-day or two-day stocks – The shortest supply journey – Permanently monitoring and verifying expiration dates (FIFO – first in, first out).

In addition, through our partnerships with local non-profit organizations, we regularly donate food products to zoos and other associations taking care of animals, for example Complexul Muzeal de Științe ale Naturii (The Natural Science Museum Complex), Asociația pentru Conservarea Valorilor Naturii (The Nature

Values Conservation Association), Asociația pentru Protecția Necuvântătoarelor Arca lui Noe (Noah's Ark Animal Protection Association).

Likewise, in 2019 we covered the operational costs of the Bucharest Food Bank for the month of December and financed the acquisition of a new refrigerated van, in order to increase the logistic capacity of the organization.

The actions we take and the measures we implement to tackle food waste contribute to our Group level commitment to reduce our food waste by 50%* by the end of 2030**. We will reduce food waste in the supply chain for selected raw materials.

*compared to 2018 base year

**reduce food waste for in-house production by 50% (food) by 2025 (in comparison to base year 2017; in relation to material quantity turnover)

OUR PARTNERS



THE SUPPLY CHAIN

Long-term relations with our suppliers are the foundation of our business model. We strive to meet our clients' expectations and provide them with a variety of sustainable and local products of superior quality, at affordable prices every day. We can only achieve this goal by working closely with our suppliers. Therefore, our partnerships with suppliers are based on ethics and fairness, principles that help us ensure long-term collaboration.

When listing, all company suppliers confirm that they have read the provisions of our Code of Conduct and commit to respecting it.

The Code of Conduct also applies for commercial sub-units authorized by our business partners, that are involved in making products or supplying services for Kaufland. The Code of Conduct was reviewed and updated in August 2018. A new revision and update is scheduled to be performed in 2020.

The following basic principles describe the criteria that all our partners must respect:

- ▶ Complying with legislation in force, minimum industrial standards, International Labor Organization (ILO) and the United Nations (UN) convention;
- ▶ Forbidding any kind of discrimination when an employee is hired and in all employee relationships, equal opportunity and equity;
- ▶ Forbidding forced labor and all employee relations where work is forced through coercion or threat, such as slavery;
- ▶ Zero tolerance for child labor – strictly following national legislation in force regarding child and young employee protection;
- ▶ Freedom of association and collective bargaining – disciplinary actions against employees who use their right to associate in a peaceful, legal way are not allowed;

- ▶ Respecting national provisions and industrial standards regarding working hours and employment agreements;
- ▶ The business partner must ensure that the work place does not endanger employee health and safety, by establishing and implementing clear rules and procedures concerning labor safety and by periodically informing and training employees;
- ▶ Strictly following national legislation regarding environmental protection, especially that concerning waste, hazardous chemical substances, greenhouse gas emissions and water pollution;
- ▶ Any kind of corruption, bribery or embezzlement is strictly forbidden, the business partner being responsible for ensuring that such incidents do not happen, through appropriate control systems.

Our business partners must ensure that the basic principles defined by the Code of Conduct are implemented and respected within their company through appropriate and justifiable measures. Compliance with the principles and the implemented measures for improvement must be verified and documented regularly by the management of the partner. Employees must be informed about the necessary standards in a clear manner, so that they know their rights. Moreover, the business partner must inform its suppliers regarding the Code of Conduct and request that they follow the criteria and standards mentioned.

Likewise, all our partners are informed accordingly and agree with Kaufland's request, with undertaking social audits within their own company or relevant production units. These social audits are carried out by Kaufland or by third parties authorized by Kaufland. When the audit takes place, compliance and implementation of the basic principles mentioned in the Code of Conduct must be documented, in order to establish potential improvement measures together. In the event of non-compliance with the Code of Conduct, the business partner must implement appropriate remedial measures. In this sense, the company allocates enough time, as well as support, should the partner request it.

CREATING VALUE FOR OUR LOCAL SUPPLIERS

In order to always receive the best products, Kaufland relies on long-term partnerships, built on trust with local producers. Providing freshness requires teamwork, therefore we work with our suppliers closely, to ensure that we offer clients fresh products of the highest quality.

In 2018 and 2019, we reviewed the internal systems we use to calculate supplier spending, in accordance with methodology used in impact studies. Learn more about our impact along the supply chain in the impact studies conducted for 2018 and 2019, here (only available in Romanian):

- ▶ [Cu România, pentru România \(Together with Romania, for Romania\): 2018 Impact study](#)
- ▶ [Cu România, pentru România: 2019 Impact study](#)



Supplier expenditure

FINANCIAL YEAR	2018	2019
Expenditure on goods suppliers (for stores)		
Romania	6,309,050,891	6,920,295,685
International	1,389,999,642	1,563,461,004
Spending on internal suppliers (non-resale)		
Romania	1,657,970,785	1,595,846,438
International	127,974,995	190,050,735
Total supplier spending	9,484,996,313	10,269,653,862

Number of suppliers

FINANCIAL YEAR	2018	2019
Goods suppliers		
Romania	1,041	910
International	557	496
Internal suppliers (non-resale)		
Romania	1,435	1,400
International	217	251
Total suppliers	3,250	3,057

In 2018, 83.99% of expenditures on suppliers were directed towards the 76.18% Romanian suppliers.

In 2019, 82.93% of expenditures on suppliers were directed towards the 75.56% Romanian suppliers.

*The percentages communicated in the impact studies conducted by KPMG for Kaufland Romania for financial years 2018 and 2019 are based on the analysis of the total suppliers of goods (local + international) and the total internal non-resale suppliers (only local suppliers).

COMMUNITY INVESTMENTS

Social responsibility programs are a key component of our company strategy. Our company's belief is that the world can be a better place if we all get involved and take action. That is why Kaufland launched the platform "our actions do the talking", through which we communicate all social responsibility actions and community investments.

It also leads the way we address our supplier relations and improve our assortment.

"Our actions do the talking" describes our attitude towards approaching and implementing projects and measures to reach the goals we committed to in front of our stakeholders. This attitude guides every team member and encourages them to contribute, through their actions, to the sustainable development of the company, as any action can make a difference.

We wish that we all become aware of the fact that all our efforts contribute to sustainable development. As such, we want to increase transparency and improve positive, authentic communication.

Through the projects developed in the last years, we aimed to create new opportunities and to improve the lives of the people in the communities where we operate, the main areas where we got involved being education, ecology, social area, sports and health, culture. We also encourage our customers and all our stakeholders to adopt a healthy lifestyle through dedicated community projects.

In 2018 we implemented 15 projects that promoted healthy and balanced living, while in 2019, the number of projects increased to 19. The total number of beneficiaries reached through those projects exceeded 294,000.

OUR PROGRAMS

When we select projects and develop partnerships with players in the non-governmental sector, we focus on contributing to the development and well-being of communities in the area and on the positive effects that the project will generate. Therefore, we invest in medium- and long-term projects that generate clear results, relevant to our stakeholders. Likewise, an important characteristic we look for is involving clients and employees, so that the messages we want to communicate through our projects generate change throughout the community, not just for direct beneficiaries.



2018

📌 **30.5 million lei** were invested in community projects during March 2018 – February 2019

📌 **139 projects** supported with over **1,442,000 beneficiaries**

2019

📌 **41.9 million lei** were invested in community projects during March 2019 – February 2020

📌 **127 projects** supported with over **2,026,000 beneficiaries***

Note: the number of project was calculated taking into account the contracts signed during the respective the financial year.

*The number of beneficiaries communicated in the impact study (2,413,903) represented an initial estimation, made prior to the completion of some projects. After their completion, together with our non-governmental partners, we collected and calculated the actual number of beneficiaries resulting from implementing the projects.



În stare de bine

In 2018, we launched the financing program *În stare de bine*, aimed at non-governmental organizations, with the purpose of developing sustainable projects for Romania. The program implemented by The Foundation for the Development of Civil Society to improve the quality of life of those living in rural and urban communities aims to support cultural projects, sports events and those promoting a healthy lifestyle.

2018

- ▶ 6 sessions of promoting the program
- ▶ 6 workshops organized for non-governmental partners
- ▶ 3 project calls – April, June, August 2018
- ▶ 31 projects financed
- ▶ 46% of all projects were dedicated to communities in the rural area

In 2019, the program involved designing and launching 3 project calls aimed at non-governmental organizations. Two calls were launched in the first part of 2019 and consisted of granting up to **235,000 lei** to non-governmental organizations in the 3 areas, for projects benefiting vulnerable groups. The third call was launched in January 2020 and involved offering **grants between 25,000 and 50,000 lei** for projects promoting equal opportunity and empower vulnerable girls.

For the 3 project calls, 5 informative sessions were organized, presenting the specific criteria of each project (3 in Bucharest, 1 in Râmnicu Vâlcea and 1 în Iași). In addition, applicants received details and information regarding the call and about how to apply and use the online platform before and during the call.



587 proposals were evaluated during the 3 project calls (410 in the first two calls and 177 in the small grants call). Following the evaluation, 21 projects from the first two calls were selected and financed, while in the small grants call, 5 projects were proposed for financing and 3 added on the waiting list.

The projects financed had activities in **29 counties** throughout Romania and in Bucharest, reaching **178 settlements** (over 60% of the interventions were made in rural areas). Within the projects, **over 600 hours of cultural activities, over 900 sports activities and over 2,900 health education activities** were organized.

A new addition of the program in 2019 was represented by **strengthening the efficiency and sustainability of the NGOs**. Although it was also present in 2018 through a series of workshops, the need for a more structured program, adapted to the needs of each organization, was felt.

Aspects such as governance, financial management, information management, organizational structure, human resource management, engaging beneficiaries, communication etc. are necessary for ensuring the healthy development of non-governmental organizations. Therefore, the organizational development component included in 2019 involved **3 types of support for NGOs**:

1. **"Creștem ONG-uri" Program (Raising NGOs), developed as a component of the În stare de bine program.** The program aims to improve the number of NGOs focusing on their organizational development, so they can be efficient in meeting the real needs of the beneficiaries and their communities.
2. **Workshops dedicated to organizations included in the grants program, in the Creștem ONG-uri component, as well as outside of these programs.**

The workshops focused on aspects regarding communication, marketing and storytelling, fundraising, organizational diagnosis etc., as well as on networking between organizations. 8 workshops were organized (Bucharest, Timișoara, Cluj) and 65 NGOs participated.

3. **The organizational development component of projects financed.**

For the first two project calls, organizations asking for funding had the possibility of redirecting 20% of the project budget towards organizational development activities based on the needs of each organization. Out of the 21 projects financed, 9 seized this opportunity.

Start ONG

February 2019 brought a new financing program dedicated to small non-governmental organizations or those that were recently founded. Launched in partnership with Act for Tomorrow Association, the *Start ONG* program offers **2,372,600 lei*** to support **over 100 projects implemented by small organizations or public institutions in areas such as education (kindergartens or schools) and having a social role (public canteens, centers for elderly people and children).**

The program has three financing thresholds^{**}:

- ▶ threshold I, up to 4,745 lei;
- ▶ threshold II, between 4,745 and 23,726 lei;
- ▶ threshold III, between 23,726 and 47,452 lei.

Start ONG 2019 comprised of nine consecutive project call rounds, that were launched throughout the year, starting with the 1st of each calendar month, the first call being open starting with March 1st 2019.

The program had three financing thresholds and participants could submit projects in the following areas: education, environment, health, social and culture. The submissions were evaluated by a jury composed of the Act For Tomorrow Association, in the order they were received, until the monthly budget was exhausted.

In 2019, the program had **57,234 beneficiaries**, amongst which:

- ▶ 27,014 pupils/students
- ▶ 3,038 pupils/children in disadvantaged groups
- ▶ 10,158 young people
- ▶ 15,912 adults
- ▶ 445 seniors
- ▶ 667 teachers/professors

*500,000 euros at an average exchange rate of 1 euro = 4.7452 lei.

**Values used in the project are described in euros. The thresholds above represent informative conversions using an average exchange rate of 1 euro = 4.7452 lei.

2018 PROJECTS

EDUCATION

Creatori de viitor: Incubator

We supported 11even Association in creating the *Creatori de viitor* program, aimed at training high-school students in Romania and Moldova that have great results. The young people are mentored by leaders in the social, political and economic areas and are encouraged to contribute to improving the communities they are part of, participating at an incubator-type event. During *Creatori de viitor: Incubator*, the specialists helped the teams in developing and implementing projects, offering them assistance across a range of domains. As such, the 20 participants benefited from changing their attitudes and improving personal skills, at the same time generating transformation.

ENVIRONMENT

I-velo Urban

In 2018 we continued the automated bike-sharing project in Bucharest we started in 2017, *I-velo Urban*. The project developed in partnership with the Green Revolution Association encourages using bicycles as alternative transportation means, a concrete environmental protection action. Specifically, through our contribution of 1.8 million lei we improved the mobile app, supported the association in developing a highly performant station model and maintained a high operational standard. With 15 stations totaling up to 250 bicycles and over 7 communication campaigns, the system recorded over 26,000 uses. Therefore, we contributed to improving the quality of life in the capital.



SOCIAL

Big Build

Habitat for Humanity organized the social action *Big Build* this year too, with the purpose of building housing for low-income families. Besides the financial contribution of 1.4 million lei, 100 Kaufland Romania employees volunteered to the project taking place in Cumpăna, Constanța county. Along other volunteers, they succeeded in building 10 houses in 5 days, where 25 parents and children will live. The event resulted in improving their quality of life, as well as in raising awareness of this social issue that exists in Romania.



SPORTS & HEALTH

Akademia Kinderland

Together with Plan B Association for Social Responsibility, we created *Akademia Kinderland*, a mobile school where children aged 4 – 14 can learn about healthy eating in a pleasant manner, through games and demos with the help of K, the superhero. He helped them understand the importance of a balanced diet and its effects on physical appearance, behavior and academic performance. The children learned that in order to ensure good functioning of the human body and its mechanisms, they must eat live foods, correctly combine food, minimize sugar and fast-food intake, while also avoiding food waste.



CULTURE

Tinere Talente

Tinere Talente, a program initiated by the Princess Margareta of Romania Foundation, aims to support young artists through scholarships, mentorships and promotion. In 2018, we contributed to funding young musicians and visual artists so that they can develop in the future. Therefore, 30 young artists could continue their activity, participating in contests, concerts and training courses. Moreover, they collaborated with mentors and experienced a creation camp before the *Tinere Talente* Gala 2018, where they presented the result of the collaboration throughout the whole year of scholarship – a classical music show and a visual arts exhibition.

EDUCATION

Dăm click pe România!

Click on Romania!

The ratio of computers available in Romanian schools compared to the number of students is the lowest in the European Union. The situation is worrying, especially in rural areas. Ateliere Fără Frontiere (Workshops Without Borders) Association collects computers from companies that are then refurbished at their socio-professional introduction workshop reconect, by a team comprised of vulnerable, secluded and marginalized people, hired to engage in a personalized path of social support, counseling for insertion, psychotherapy and pedagogical support, designed to help them integrate in society and the conventional labor market.

At the end of the first edition of 2019, the association donated 1,009 computers to 56 educational institutions, 2 social public institutions and 11 non-governmental organizations developing educational projects. The computers were delivered to 69 program laureates from 29 counties in Romania, whose projects submitted targeted almost 14,000 beneficiaries – preschool children, pupils, high-school and university students, adults with disabilities.

ENVIRONMENT

Aționăm pentru Ape Project

A.P.A - Acting for Waters Project

Launched nationally by Kaufland Romania and Act for Tomorrow Association, the APA project comes as a result of the increasing problems caused by plastic pollution in water.

On the 21st of September 2019 (International Coastal CleanUp Day), we commenced the first clean up action on the Black Sea coast. Hundreds of volunteers picked up litter along the beaches and from the waters of the Black Sea for two days.

On 23rd of September 2019 (International Day of Cleaning), a system driven by two boats was created which was used to clean up waste from the surface of the water. With the help of a diving team, we were also able to collect the waste found at the bottom of the water. The program continued in October with cleaning the coasts and waters of the Danube.

630 community volunteers participated in the 7 events organized, where 9.1 tons of waste were collected and 13 partners involved – NGOs, local coastal public authorities, the National Administration "Romanian Waters" through Litoral Water Basin Administration Dobrogea and The Romanian Navy, which brought volunteers and divers to map and clean the waters. Over 127,000 people can now enjoy clean coasts.

Our involvement in this project represents a REmove action, part of the REset Plastic strategy initiative, described in the REset section of chapter 5, *Care for the environment*.

SOCIAL

Fiecare copil contează!

Every child matters!

Fiecare copil contează! is a multi-annual project developed during 2017-2020. The project was implemented in Neamț and Botoșani counties and is comprised of multiple actions:

- Building three family homes in Neamț county;
- Integrating institutionalized children/young people in natural families or in existing family structures;
- Socio-professionally integrating young people who come out of the child protective services;
- Supporting the transition of young people leaving the protection services towards an independent life by building a Transit Center in Botoșani county with a capacity of 10-12 people.

The first out of the three family homes, "Felicia", where 12 children from the Elena Doamna Orphanage in Piatra Neamț moved, opened its doors in 2019.

In the same year, the foundation prevented the separation of 12 children and their families, integrated 5 children in natural families and supported the socio-professional integration of 21 young people who left the child protection system. Likewise, 30 specialists in the system from Neamț county were professionally trained.

The next two family houses will be launched in 2020. Within the county, the impact of opening the doors of the first house is substantial. Kaufland Romania's contribution resulted in the closure of one of the three orphanages in the last 10 years in Neamț county, reforming a third of the child protective services system. The significant positive impact is also given by a pioneering component: Elena Doamna Orphanage was the first orphanage to be closed in the county, being a best practice example for the authorities and the community.

SPORTS & HEALTH

Caravana România fără Gluten

Gluten-free Romania Caravan

Developed in collaboration with the Romanian Association for Gluten Intolerance, the project was launched in 2019, as part of our commitment to provide our customers with a diverse portfolio, that addresses their different needs.

The goal of the association is to improve the quality of life for all people suffering from coeliac disease (auto-immune intolerance to gluten). For them, the only treatment is a proper diet. Given that the disease is gravely under-diagnosed, the association developed programs through which more people can be diagnosed, can recognize the symptoms and know what to do when they arise.

With Kaufland Romania's support, the association launched *Caravana România fără Gluten* in 2019. The project provided quick tests that detect the coeliac disease for free in 10 cities in the country during May-August 2019: Bucharest, Craiova, Iași, Galați, Constanța, Brașov, Cluj-Napoca, Oradea, Timișoara and Sibiu. The Caravan was a national premiere and was comprised of three components: diagnosing those who could be suffering from coeliac disease, supporting and informing those that suffer from it and delivering an authorized course of continuous medical education for medical professionals. The Caravan also targeted those already diagnosed with coeliac disease.

870 people were tested for coeliac disease and the nine people who tested positive were redirected towards specialized doctors for further investigation. Over 1,500 patients with gluten-induced conditions participated in the informative sessions, while the events were made up of 60 hours of discussions, presentations and testing sessions. The Caravan also offered the first training program teaching doctors about the coeliac disease, through which 370 doctors participated in professional training sessions in order to improve their skills regarding the proper diagnosis of conditions caused by intolerance to gluten.



International Human Rights Documentary Film Festival – One World Romania

The 12th edition of the International Human Rights Documentary Film Festival – *One World Romania* took place in Bucharest during March 15th-24th, 2019.

The festival gathered an audience of over 13,300 people in cinemas and related spaces, in addition to those who watched the live broadcasts of the main events and discussions.

2019 had a special meaning, marking 30 years since the Revolution that resulted in the fall of Nicolae Ceaușescu’s dictatorship, as well as

since the fall of Berlin’s Wall and the first free elections in Czechoslovakia and Poland. Hence, this edition marked 30 years of democracy in Romania and Eastern Europe.

Throughout the 10 days, a record number of 95 new and archived creative documentaries from 37 countries were shown. They were followed by debates and Q&A sessions with over 170 foreign and Romanian guests – film directors, producers, protagonists, artists, experts and human rights activists. 151 screenings in 17 places in Bucharest were organized.

Our operations cover the entire country. With stores throughout Romania, we strive to contribute to the well-being of all local communities and to evaluate the social impact we have through the implemented projects.

In 2018, 92.86% of our operations (projects implemented in 39 counties out of 42) were evaluated in the community investments report.

In 2019, 100% of our operations (projects implemented in all the counties) were evaluated in the community investments report.

INFRASTRUCTURE INVESTMENTS AND SERVICES SUPPORTED

Recycling machines

In 2018, we introduced the first reverse vending machines in three of our stores, that can be found in the parking lots. Customers can deposit plastic bottles, glass containers and aluminum cans for recycling and the self-service machine

will reward them with discount vouchers that can be used when shopping, printing a receipt for every five containers returned. We want to make recycling easy and accessible for everyone, hence the project will continue to expand. Currently, 57 of our stores across Romania are equipped with a recycling machine.

EV charging stations

In partnership with Renovatio Group, in 2018 we launched the first electric vehicles (EV) fast charging hub. The hub at Kaufland Barbu Văcărescu can charge 6 vehicles simultaneously. This is part of a larger project that is laying the foundation of the first public EV charging station network in Romania. During 2018-2019, customers could benefit from charging their fully electric or plug-in hybrid vehicles free of charge. Charging stations can now be found in 25 cities in Romania.

In addition, part of the projects we sponsored in 2018 and 2019 represented investments for the development of new infrastructure or services for the local communities. **We contributed with donations between 350,000 and 1,800,000 lei to the following initiatives:**

2018: I-Velo Urban, Recicleta, Big Build, MagicHOME Fundeni, Hospice Social and Medical Centre, Building a sports hall for the "Dr. Ioan Mihaly de Apșa" School.

2019: I-Velo Urban, HOSPICE School, Recicleta, Building three Family Houses and a Transit

Center (Hope and Homes for Children), Big Build, Zâmbete sănătoase (Healthy Smiles).

All the services offered through Kaufland's direct infrastructure investments (recycling machines and EV charging stations) were offered to the local community pro bono in 2018 and 2019. The services developed by the non-governmental partners were also offered pro bono to the community, except the waste collection service from Recicleta (pro bono service for the population, commercial for companies).

Note that for both years, when presenting the budgets spent, the values were rounded for communication purposes.

For a detailed overview of our Community Investment programs, projects and their associated impact, you can access our 2018 and 2019 Community Investment Reports, available [here](#).



WORKPLACE



The human resources department carefully oversees the implementation of all policies that make up the foundation of an inclusive and pleasant work environment for our employees.

Trust, communication, mutual respect and continuous development are defining principles of our relationship with the team. These aspects are stipulated in the company's Internal Regulations and in the collective bargaining agreement, that includes the entire Kaufland Romania team. All employees are informed about the provisions of the Internal Regulations prior to working for the company.

Permanent communication and the feedback received from employees help us constantly improve and develop the best conditions for them. Therefore, any suggestion, complaint or notification they have can be communicated to their direct manager or can be sent through the vocea@kaufland.ro e-mail address. "Vocea Kaufland" (Kaufland Voice) forms are important tools that help us discover potential system errors and eventually improve our processes and internal procedures.

Also, our employees can report any violations of the Compliance Principles or address related questions by reaching the Kaufland Compliance Manager at compliance@kaufland.ro or our confidential lawyer, whose contact details are publicly available on our website.

TRUSTED COUNSELOR

Open communication is paramount to fostering a positive working environment. That is why all our employees can address our Trusted Counselors when they need an objective opinion, need mediation of conflict situations or have questions regarding topics such as discrimination, employee benefits or other HR-related topics. The Counselor is also responsible for promoting the company values and actively connects with employees to gain an understanding of the working environment. They visit the stores and logistical centers regularly, according to planning, and when requested by employees.

OUR EMPLOYEES

"Fără joburi mici.
Doar roluri esențiale"

(No small jobs. Each role is essential)

We strongly believe that stories that deserve to be told begin in simple ways and that the road to success is often challenging. On this competitive journey, each role plays an essential part to the team's success, whether referring to performance in sports or in business. Cristina Neagu, named the best female handball player in the world four times, joined us in presenting the story of the journey to the top, under the motto of "Fără joburi mici. Doar roluri esențiale" (No small jobs. Each role is essential).

The hard work of our employees throughout the 14 years of activity in Romania also brought Kaufland five consecutive Top Employer titles. This certification came as a result of being audited by the independent institute Top Employer in the Netherlands. All this would not have been possible without the human component, essential to our operations. This is how individual, as well as team performance is reached, through small steps, as well as effort, dynamism, adaptability and strong will.



- In February 2019, the company was comprised of 13,754 employees, out of which 70.7% were women and 29.3% men.
- In February 2020, the company was comprised of 14,173 employees, out of which 71.7% were women and 28.3% men.

Employees, by age, gender and category

CATEGORY	2018 on 28.02.2019								2019 on 29.02.2020							
	MEN				WOMEN				MEN				WOMEN			
	<30	30-50	>50	Total	<30	30-50	>50	Total	<30	30-50	>50	Total	<30	30-50	>50	Total
Non-management	1,332 9.68%	1,762 12.81%	444 3.23%	3,538 25.72%	1,927 14.01%	5,966 43.38%	1,419 10.32%	9,312 67.70%	1,249 8.81%	1,883 13.29%	480 3.39%	3,612 25.49%	1,778 12.54%	6,276 44.28%	1,744 12.31%	9,798 69.13%
First level of management	43 0.31%	219 1.59%	7 0.05%	269 1.96%	31 0.23%	233 1.69%	17 0.12%	281 2.04%								
Second level of management	13 0.09%	133 0.97%	9 0.07%	155 1.13%	12 0.09%	83 0.60%	5 0.04%	100 0.73%	33 0.23%	345 2.43%	17 0.12%	395 2.79%	26 0.18%	297 2.10%	27 0.19%	350 2.47%
Third level of management	2 0.01%	51 0.37%	3 0.02%	56 0.41%	1 0.01%	29 0.21%	1 0.01%	31 0.23%								
Executive management	0 0.00%	4 0.03%	0 0.00%	4 0.03%	0 0.00%	3 0.02%	0 0.00%	3 0.02%	0 0.00%	6 0.04%	0 0.00%	6 0.04%	0 0.00%	7 0.05%	0 0.00%	7 0.05%
Top management	0 0.00%	4 0.03%	1 0.01%	5 0.04%	0 0.00%	0 0.00%	0 0.00%	0 0.00%	0 0.00%	4 0.03%	1 0.01%	5 0.04%	0 0.00%	0 0.00%	0 0.00%	0 0.00%
Total	1,390 10.11%	2,173 15.80%	464 3.37%	4,027 29.28%	1,971 14.33%	6,314 45.91%	1,442 10.48%	9,727 70.72%	1,282 9.05%	2,238 15.79%	498 3.51%	4,018 28.35%	1,804 12.73%	6,580 46.43%	1,771 12.50%	10,155 71.65%

% is expressed out of the total number of employees during the financial year. Please note that due to rounding, the total rate may not correspond with the sum of each category rate.

*Beginning with financial year 2019, reporting personnel indicators is done in accordance with an internal procedure developed at Schwarz Group level. Therefore, the new Management category includes the following categories: First level of management, Second level of management and Third level of management.

The data reflects the situation of active employees in February of each year and does not include employees on parental leave, medical leave or long-term leave of absence (>90 days), distribution inspectors.

Out of the first two categories of management roles (Top and Executive Management), **women occupied:**



Average age within the company, by position

CATEGORY	2018 on 28.02.2019	2019 on 29.02.2020
Non-management	37.96	38.69
First level of management	37.16	38.17
Second level of management	37.60	
Third level of management	38.71	
Executive management	40.88	40.64
Top management	43.14	45.21

Average age of employees:

2018: **37.90** years old

2019: **38.68** years old

Employees in administrative offices

LOCATION	2018 on 28.02.2019		2019 on 29.02.2020	
	number	%	number	%
Head office Barbu Văcărescu	489	66%	444	56%
Head office Tunari	164	22%	249	31%
Head office DL (Dienstleistung)*	93	12%	106	13%
Total**	746	100%	799	100%

*Dienstleistung is a new subdomain comprised of those that are part of the head office, but do fieldwork or work in a different location in the country when registered here.
**The total represents the number of employees at the end of February of each year; until 2018, this indicator was reported as an average of the entire financial year.

Number of employees, by employment contract and working hours

CONTRACT TYPE	2017	2018	2019
Permanent contract	14,826	13,661	14,032
Temporary contract	286	93	141
Total	15,112	13,754	14,173

Data for 2018 is calculated at the end of February 2019, while data for 2019 is calculated and the end of February 2020, compared to the previous reporting cycle when these indicators were calculated as an average of the entire year, taking into account temporary employment contracts of every month. Temporary employees, hired for seasonal events, such as Christmas, Easter, peak periods etc. were also included.

WORKING HOURS	2017	2018	2019
Full time	11,365	10,031	10,355
Part time <8h	3,747	3,723	3,818
Total	15,112	13,754	14,173

In 2017, the annual average was calculated taking into account contract types of every month.

Starting 2018, the formula, as defined by Kaufland International, is: average number of employees at the end of each quarter.

$$\text{no. of part time/ full time employees} = \frac{\text{no. of employees on 31.05.2018} + \text{no. of employees on 31.08.2018} + \text{no. of employees on 30.11.2018} + \text{no. of employees on 28.02.2019}}{4}$$

We are proud to offer a workplace centered around ethics and integrity, through which we aim to respect the principle of non-discrimination and of eliminating any kind of violation of dignity. We emphasize the promotion of fair work relations, and therefore any discriminatory behavior resulting in employees being disadvantaged is strictly forbidden.

EMPLOYEE REPRESENTATION

The collective labor agreement is negotiated and signed with the employees' representatives, within a Joint Commission, which has as main responsibilities analyzing and solving all issues related to the interpretation and application of the contract. It is concluded in accordance with the provisions of the Labor Code and Law no. 62/2011 of social dialog on collective bargaining and collective regulation of employer-employee relations.

All decisions that have a major impact on employees are taken after the company's management and the employees have consulted and negotiated through their representatives.

All our employees are covered by collective bargaining agreements.

CATEGORY	2018 01.03.2018 - 28.02.2019				2019 01.03.2019 - 29.02.2020			
	New employees*		Employees who left		New employees		Employees who left	
	number	%	number	%	number	%	number	%
GENDER								
Women	2,512	18.36	3,188	23.30	2,772	19.75	3,111	22.16
Men	1,697	12.40	2,367	17.30	1,673	11.92	2,244	15.99
Total	4,209	30.77	5,555	40.61	4,445	31.67	5,355	38.15
AGE**								
<30	2,274	16.62	2,918	21.33	2,178	15.52	2,502	17.82
30-50	1,619	11.83	2,199	16.07	1,824	12.99	2,261	16.11
>50	316	2.31	438	3.20	443	3.16	592	4.22
Total	4,209	30.77	5,555	40.61	4,445	31.67	5,355	38.15
REGION								
Area 1 (Northwest)	1,489	10.88	1,915	14.00	1,384	9.86	1,779	12.67
Area 2 (Southeast)	650	4.75	986	7.21	1,000	7.12	1,132	8.06
Area 3 (Southwest)	753	5.50	1,039	7.60	787	5.61	956	6.81
Area 4 (Northeast)	776	5.67	887	6.48	782	5.57	856	6.11
HQ	130	0.95	111	0.81	121	0.86	89	0.63
Ploiești logistics center	248	1.81	384	2.81	262	1.87	364	2.59
Turda logistics center	163	1.19	233	1.70	109	0.78	179	1.28
Total	4,209	30.77	5,555	40.61	4,445	31.67	5,355	38.15

*the data does not include employees that were hired in the past, left the company, but later returned (e.g. if an employee was hired in 2017, left the company in 2018 and was hired again in 2019, the employee is not counted as new)

**the data refers to the age of employee at the time of arriving at the company (this applies to all the new employees for both financial years) and at the time of leaving the company (this applies to all employees that left the company in both financial years)

***please note that due to rounding, the total rate may not correspond with the sum of each category rate

In comparison to 2017, when reporting included all new contracts, for the 2018-2019 reporting process, the people hired in a certain month, that ended their activity during the same month, were not considered when compiling the data.

Number of employees, by employment contract and region
on 28.02.2019

CONTRACT TYPE	Area 1 (Northwest)		Area 2 (Southeast)		Area 3 (Southwest)		Area 4 (Northeast)		HQ		Ploiești logistics center		Turda logistics center	
	M	W	M	W	M	W	M	W	M	W	M	W	M	W
Permanent contract	672	2,009	847	2,252	660	2,442	582	2,286	335	405	546	169	355	101
Temporary contract	2	16	3	2	4	12	17	30	4	2	0	0	0	1
Total	674	2,025	850	2,254	664	2,454	599	2,316	339	407	546	169	355	102

Number of employees, by employment contract and region
on 29.02.2020

CONTRACT TYPE	Area 1 (Northwest)		Area 2 (Southeast)		Area 3 (Southwest)		Area 4 (Northeast)		HQ		Ploiești logistics center		Turda logistics center	
	M	W	M	W	M	W	M	W	M	W	M	W	M	W
Permanent contract	887	2,364	655	2,745	623	2,043	597	2,192	334	457	543	159	339	94
Temporary contract	0	0	24	68	6	7	5	20	5	3	0	2	0	1
Total	887	2,364	679	2,813	629	2,050	602	2,212	339	460	543	161	339	95

Number of external workers

CATEGORY	2018 on 28.02.2019	2019 on 29.02.2020
External*	51	44

*Full time workers who operate in our stores (cleaning etc.), but are not Kaufland employees.

The company annually collaborates with a series of partners who supply the human resources necessary for distributing the Kaufland newspaper, cleaning, security. During peak times of our activity, we use leasing companies to meet the needs of personnel.



DIVERSITY AND EQUAL OPPORTUNITY

Our human resources policy is based on developing a pleasant work environment, where all employees can reach their potential. Equal opportunity is an extremely important aspect of our human resources policy. Therefore, we ensure that all company employees benefit from equal treatment, regardless of gender and we forbid any discriminatory behavior.



As such, all our employees have access to:

- ▶ being hired in any available role and at any level of the professional hierarchy
- ▶ professional counseling, induction, qualification, perfecting skills, specializing or professional requalification programs
- ▶ being promoted to any professional and hierarchical level if they meet the necessary requirements and qualifications
- ▶ working conditions that respect occupational health and safety norms, in accordance with legislation in force
- ▶ benefits, other than the salary package, such as social security
- ▶ employers' organizations and professional organisms, as well as to benefits provided by them



We follow legislation in force regarding the principle of equal treatment of all employees, without discriminating based on gender, sexual orientation, genetic characteristics, age, nationality, race, skin color, ethnicity, political or religious beliefs, social origin, disability, family responsibility, trade union involvement or participation or any other criteria that aims to or results in diminishing or removing recognizing, using or exercising rights described in the collective bargaining agreement.

We ensure that all discrimination forms are eliminated by taking strong measures and implementing actions, guided by our core principles and values:

- ▶ prevention of any kind of discrimination, through implementing special measures, to protect disadvantaged people that do not benefit from equal opportunities;
- ▶ mediation through amicable resolution of individual employee complaints, grievances and notifications, as a mandatory procedure prior to legally acting;
- ▶ not tolerating any discriminatory behavior.



Moreover, as we acknowledge the diversity of Romanian society and we know how important diversity and equal opportunity management policies are, as a strategic advantage, a source of progress, social cohesion and innovation, in March 2018 we committed to signing the Diversity Charter. This initiative aims to reflect and strengthen our voluntary commitment of making diversity, equal opportunity and social inclusion recognized and respected values of the Romanian society.

There were no public discrimination incidents or notifications received from employees regarding discriminatory behavior during 2018-2019.

Likewise, within the whole company, we encourage social inclusion and respect the right to work for all people. Hiring and including disabled people in our company is an aspect that is part of our human resources strategy, as we want to contribute to the quality of life of people with disabilities and, at the same time, to making such practices the norm in the whole economic sector.

Towards the end of 2019, we showcased the care with which we treat this subject by launching a pilot program for hiring and including people with disabilities within the company. At this stage, the program is

organized in a few cities around the country and targets certain roles in the company, where we also organized trainings in order to ensure that the Kaufland team is able to communicate and interact with people with different types of disabilities, followed by recruiting events. We will continue expanding this project nationally and will include more company departments.

Our goal is to employ at least 500 people with disabilities by 2020. At the end of financial year 2019, the total number of employees with disabilities was 247 (49.4% of the goal).

Number of employees with disabilities, by category

EMPLOYEES WITH DISABILITIES		2018 on 28.02.2019		2019 on 29.02.2020	
		Men	Women	Men	Women
Non-management		57 0.41%	112 0.81%	91 0.64%	155 1.09%
First level of management	Management	1 0.01%	0 0.00%	1 0.01%	0 0.00%
Total		170 1.24%		247 1.74%	

The percentage is calculated out of the total number of employees.

PROFESSIONAL DEVELOPMENT AND BENEFITS

PROFESSIONAL DEVELOPMENT

As we are a highly performant company, we offer our employees varied professional and personal development opportunities. We encourage them to continuously develop and be the best in their field, as their performance is the foundation of our company's success.

Professional training within the company takes place following the provisions of legislation in this domain, a training system for specialized personnel being regularly organized, in accordance to the duties in the job description and as part of annual or multi-annual planning.

TALENT MANAGEMENT

An open and constructive feedback discussion is the premise for employee development and good collaboration. The Talent Management process represents the feedback process that takes place annually and addresses all employees. The manager evaluates a set of employee behaviors and performance. In the actual feedback discussion, the employee and the manager discuss their points of view and establish a development plan for the employee. The employee also has the opportunity to provide feedback to the manager regarding his management style. Within this annual process, the employees with development and promotion potential are identified.

The Talent Management process took place in 2019 both in electronic format and on paper.

OUR SKILLS MODEL

We focus on delivering our employees, the best training and development programs, to support them in developing high level skills and capabilities, like: personal competencies that contribute to driving change, improving performance and nurturing their entrepreneurial spirit; leadership competencies that contribute to creating a pleasant working environment, developing employees and assigning tasks and responsibilities; social competencies that improve cooperation, facilitate conflict management and communication; methodological competencies that help them better understand connections and different situations and work towards achieving results.

Total number of training hours offered to employees through the Personnel Development department:

2018: **28,936 hours**

2019: **20,652 hours**

Number of training hours, by gender and role within the company

CATEGORY	2018 01.03.2018 - 28.02.2019		2019 01.03.2019 - 29.02.2020	
	Men	Women	Men	Women
Non-management	3,905	9,494	1,942	7,517
First level of management	3,107	3,899	2,950	3,846
Second level of management	3,263	2,213	1,543	1,532
Third level of management	1,473	1,326	851	216
Top management	240	16	75	180
Total	11,988	16,948	7,361	13,291
	28,936		20,652	

Likewise, we constantly organize courses on specific activities undertaken by employees within our stores (e.g. Expertise regarding price display, Expertise on Best by date, expertise on Cut plants and flowers, Till Schooling, Bakery Schooling etc.). In 2018 and 2019, the total number of hours spent by employees in such programs was 476,615 hours.

EMPLOYEE BENEFITS

Satisfied employees form the foundation of our success, while their skills and motivation are our main priority. We are responsible for the well-being of our employees, so we offer them numerous advantages.

Work-life balance is important to us. In this sense, our employees benefit from:

- flexible work schedule in the headquarters
- sabbatical leave
- the possibility to work remotely
- leave and additional days off
- family and free time (the possibility of bringing children to work, access to the Bookster library, free language courses for our employees' children)

The work environment supports employees in working efficiently, being success-oriented, through the modern social spaces, cutting edge technical equipment and open space areas, where employees can socialize and have common meetings.

Our employees' health is fundamental, as those who take care of their health feel comfortable and support the company long-term. As such, they benefit from:

- gym subscriptions
- sports events and internal championships
- access to quality medical services

Likewise, Kaufland employees have the right to receive the following compensations:

- ⊕ Bonuses:
 - Bonus for overtime: bonus of 80% applied to the basic salary for the first 10 whole hours of overtime worked in a month and a bonus of 100% applied to the basic salary for anything beyond that.

- Bonus for working on bank holidays: bonus of 100% applied to the basic salary for every hour and minute worked during a bank holiday.
- Bonus for working on Saturdays: bonus of 10% applied to the basic salary for every hour and minute worked on a Saturday.
- Bonus for working on Sundays: bonus of 15% applied to the basic salary for every hour and minute worked on a Sunday.
- Bonus for working at night: bonus of 25% applied to the basic salary for every hour and minute worked at night, between 10:00 pm and 06:00 am.
- Bonus for seniority and mobility bonus: seniority and mobility bonuses are included in the basic salary.
- Additional bonuses: for employees in certain areas (such as the Fish area, the Assisted Shelf etc.).
- ⊕ Travel allowance (amount compensating accommodation and/or travel expenses): given monthly to employees in the Sales Department.
- ⊕ Other benefits that are decided by the employer after consulting with trade unions/ employee representatives:
 - Meal vouchers
 - Christmas and Easter presents for employees' children aged 14 and under
 - Voluntary social benefits for Christmas
- ⊕ Compensations:
 - Compensation in the event that employment is terminated for reasons not related to the employee: 3 gross employment salaries for execution roles.
 - Compensation in the event of collective redundancies: 6 gross employment salaries.
 - Compensation in the event that employment is terminated due to physical or mental incapacity: 3 gross employment salaries.
 - Compensation for failing to offer weekly rest: bonus of 150% applied to the basic salary (twice the bonus mentioned in the Labor Code for additional hours).

- ⊕ Retirement allowance for employees retiring due to old age:
 - Continuous seniority of 4 years: 1 basic salary (current value at the time of retirement) is granted.
 - Continuous seniority of 5-8 years: 2 basic salaries are granted in the month of retirement.
 - Continuous seniority of over 8 years: 3 basic salaries are granted in the month of retirement.
- ⊕ Other types of allowance (other than the ones provisioned by the law):
 - Funeral allowance – granted to the family in the event of the employee’s death or death caused by a work accident, a work-related accident or occupational illness.
 - Allowance for giving birth/adopting a child for one of the parents, if both are Kaufland employees.
 - Allowance for the first marriage for one of the spouses, if both are Kaufland employees.
 - Allowance granted to the employee in the event of their spouse’s death or the death of a first degree relative.
- ⊕ Additional days off (granted for active seniority in the company, for people with disabilities, for weddings, death, births, changing residency or blood donors).
- ⊕ Shorter working hours:
 - By 1 hour a day for employees who give up the legal parental leave (until the child celebrates their second birthday).
 - By 2 hours a day for employees who are breastfeeding (child under the age of 1).
- ⊕ Anniversary bonuses (to recognize continuous activity within the company at the following milestones: 10 years, 25 years and 40 years).

NEW BENEFITS FOR A HEALTHY LIFESTYLE

In 2018, the company continued to develop partnerships to expand the benefit list offered to its employees. Through our partnership with Pegas, wishing to encourage an active lifestyle, we lowered Pegas bicycles costs by up to 60% for our employees. They can choose a 100% Romanian bike, either for themselves or for their children. The total number of subsidized bicycles through this partnership was over 2,000.

The company also brings new benefits to employees through the 7card program – a tool that offers free access to a network of medical clinics, spa & sports centers, as well as discounts to over 300 retailers, including beauty and massage services, kinesiotherapy, dentistry and others. Starting July 2018, a new aspect is that the company, together with the suppliers, undertakes a part of the costs, so that Kaufland Romania employees benefit from preferential rates to pools, dance classes, yoga, Pilates or other 20 sports and leisure activities. Likewise, the program offers the possibility of purchasing guest subscriptions and the company is responsible for paying for the first child under the age of 16.

REMUNERATION POLICY

Remuneration is provided differently, according to a salary matrix with multiple, predefined incremental points, based on certain time periods and the role within the company and is described in the individual work agreement. It cannot be lower than the gross national salary relative to a normal working schedule, established annually through a Government decision. Moreover, the basic individual minimum gross wage within the company is always at least 50 lei higher than the minimum wage at national level, as stipulated by the collective bargaining agreement.

When setting the employee salaries, the company forbids any discrimination based on sex, sexual orientation, genetic characteristics, age, nationality, race, skin color, ethnicity, religion, political option, social origin, disability, family status or responsibility or union membership or activity.

Kaufland makes an effort to ensure that salaries do not differ for the same activity, conducted in the same role. When determining individual salaries, aspects such as the following are taken into consideration:

- the type of work and its importance;
- professional competence and skills;
- the degree of autonomy, responsibility and initiative;
- the level of training and knowledge required and the criteria for the role;
- duties and responsibilities of the role;
- the social importance of the work, in relation to other branches of the national economy;
- average salaries on the European market, in similar areas, in economies with a degree of development similar to Romania;
- economic context and the conditions of the market where the company operates.

Employees can address questions, objections or complaints regarding the salary calculation directly to the referent or the human resources department. For cases in which employees think there are inconsistencies in how their salary was calculated, they can consult the referent or the human resources department, the store manager, the regional sales manager or they can use the internal hotline free of charge. In this case, the Central Remuneration Department verifies the situation and informs the employee regarding the result of the investigation and, in the event of a complaint, offers the support needed.



Increasing the minimum wage and updating the benefits package

In February 2019, the minimum gross wage within the company was increased to 3,300 lei (58% higher than the legal minimum wage), including meal vouchers and salary bonuses. The change was implemented at the beginning of financial year 2019 and brought along a 20% increase of the financial aids offered to employees, when employees’ personal lives are challenged.

Subsequently, in January 2020, the company announced that it will increase the gross minimum wage to 3,650 lei (63% higher than the legal minimum wage), change coming into force on the 1st of March 2020.

Complementary to the financial support, for Kaufland employees’ newborns, the company will offer hygienic products that are necessary for a baby, from Kaufland’s own-brand *bevola*.

Starting spring 2019, among other company policies, a recommendation program was adopted. The program rewards employees who recommend suitable candidates for available roles, in certain conditions, with 1,000 gross lei.

The salary change is amplified by measures taken in 2018 for the well-being of company employees. Amongst additional benefits, employees benefit from a variety of programs and advantages that maintain good physical and mental health, such as voluntary health insurance, meditation and yoga classes or sabbatical leave. Because our actions do the talking, each employee is entitled to 2 paid days off that they can dedicate to volunteering – such as ecological actions in partnership with Let’s Do It, Romania!, building housing for low-income families through the Big Build project or reforestation actions.

In addition, we offer our team a series of other benefits that include:

BENEFITS	2018 01.03.2018 - 28.02.2019	2019 01.03.2019 - 29.02.2020
	FULL TIME, PART TIME, TEMPORARY CONTRACTS/INTERNSHIPS lei	
Meal vouchers	✓	✓
Life insurance	✓	✓
Aid in case of personal events (wedding, birth, death, social aid etc.)	✓	✓
Seniority bonuses	✓	✓
Retirement provisions	✓	✓
Private health insurance	✓	✓
Gift vouchers and bonuses for employees and minor children of employees	✓	✓
Others (in-kind benefits, rent etc.)	✓	✓

The total value of benefits offered to employees during 2018 exceeded **65 million lei**, with an increase of over 36% compared to last year, while the total value of benefits offered to employees during 2019 exceeded **71 million lei**, with an increase of almost 9% compared to 2018.

In 2019, other benefits offered to our employees included financial education courses, Bookster, online platform for children's courses, kindergarten/grade 0 backpack, corporate games, 7Card, marathon training, corporate regatta, financial contributions for purchasing Pegas bikes, nutrition courses, yoga and meditation classes, anti-smoking courses. The total value of these programs reached almost 1.6 million lei.

Parental leave

CATEGORY	2018 01.03.2018 - 28.02.2019		2019 01.03.2019 - 29.02.2020	
	Men	Women	Men	Women
Number of working hours (total)	9,663	239,666	7,844	228,290
No. of employees who had the right to parental leave	4,178	10,934	4,134	10,416
No. of employees who took parental leave	66	1,456	58	1,366

OCCUPATIONAL HEALTH AND SAFETY

OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT SYSTEM

The occupational health and safety aspects represent key elements of the working environment where the entire Kaufland team operates. It is our duty and responsibility to look after the well-being and protection of our employees. To ensure a safe and protected atmosphere at work, an internal service for the prevention and protection against work accidents is set up within Kaufland, in compliance with the national regulations. The internal service includes three specialists, one of them being the service manager. More than that, an internal service is also organized for each logistics center, in accordance with the law, as in every center work more than 250 employees. The company level internal service works hand in hand with the internal services established within the logistics centers.

The internal service's main responsibilities are:

- identifying, evaluating and revising risks;
- elaborating and revising instructions for updating and/or implementing occupational health and safety regulations;
- developing occupational health and safety training programs for workers;
- coordinating and collaborating with suppliers who provide external prevention and protection services;
- creating a quality assurance program for services provided by external prevention and protection services suppliers;
- investigating the events that take place, as required by law.

Other occupational health and safety activities, for which the internal prevention and protection team does not have the necessary resources, are conducted by two external prevention and protection services suppliers.

The occupational health and safety management system was implemented following the legal requirements of the Occupational Health and Safety Law No. 319/2006. The law describes the obligation of identifying and evaluating occupational health and safety risks, a process undertaken for each component of the occupational system: worker, task, equipment and work environment.

EVALUATING RISKS

In order to identify and evaluate occupational health and safety risks, an internally-developed tool is used to divide the risks into three categories (low, medium and high), according to the probability to occur and potential consequences that may follow. Following the risk evaluation, depending on each risk level, the proper protection and prevention measures are implemented.

Risks are usually reviewed in case new equipment is introduced, new incidents occur, new potential risks arise or there are risks that haven't been submitted for evaluation.

The preventive and protective measures are set out in the prevention and protection plan. In order to ensure the efficiency of the measures, as well as to eliminate risks, preventive checks are carried out, while unit leaders are constantly informed on the results and deficiencies identified.

For the Kaufland stores, the prevention checks are performed by an external provider, while for the logistic centers, apart from the monthly checks performed by the occupational health and safety responsible, an external provider carries out two prevention checks every year. For the headquarters and the second administrative office, the monthly checks are conducted by an external provider, while the internal occupational health and safety department conducts two additional checks per year.

REPORTING HAZARDS

Any worker can report any hazard/hazardous situation that could endanger their health and safety to their direct manager. Likewise, contact details for occupational health and safety specialists, responsible for each store, are available on the noticeboard. Moreover, workers can confidentially report any issues to their "Employee Counselor".

For situations that could endanger the workers' lives, health or safety and in the case of incidents of serious and imminent danger, we have strict and straightforward internal guidelines set in place. In compliance with the legal provisions, the state of serious and imminent danger can be ascertained by any worker that performs its activity on the company's premises. The main steps required in such cases are: disconnecting or turning off the equipment, evacuating the personnel, notifying specialized services, notifying superiors. Likewise, in such cases, managers have access to a guide for exceptional events, where the steps and actions that need to be followed are described. It also includes contact details for specialized emergency services and informs on how to signal serious and imminent dangers.

INVESTIGATING WORK ACCIDENTS

Employees are trained to inform their direct manager regarding any accident they were involved in. The first step in investigating work accidents is to notify and communicate the event to the territorial labor inspectorate. In such cases, an investigation committee is established, committee that includes the occupational health and safety specialist. The stages of investigating occupational accidents are described in the rules for application of occupational health and safety law and foresee the collection and analysis of relevant information about the person who was injured, the equipment involved, the work process and others. The findings and conclusions are then included in a report that describes the investigation, mentioning the place of the event, the context and manner in which the event took place. Therefore the report establishes the causes that led to the accident, those responsible for the accident and the measures that were taken to avoid similar events.

OCCUPATIONAL HEALTH AND SAFETY COMMITTEE

Within each place of business, specific workers are chosen to represent all employees, being assigned specific responsibilities in the occupational health and safety area. They undertake a training course on the matter and can actively contribute to improving occupational health and safety conditions. Part of the members of the Occupational Health and Safety Committee are selected from these representatives.

To ensure employees' involvement in elaborating and implementing decisions regarding occupational health and safety and labor protection, an Occupational Health and Safety Committee (OHSC) is set up within the company, organized in compliance with the provisions of the Occupational Health and Safety Law. At Kaufland, there are four such committees, that include the following members:

- the legal representative of the employer, who is the head of the site;
- representatives of the employer, responsible for occupational health and safety matters; there are as many employer representatives (including the head of the site) as employees' representatives;
- employee representatives with specific occupational health and safety responsibilities; they are elected by the employees for a period of 2 years; the vote is carried out in alignment with their own regulations;
- occupational physician.

These four committees are established as follows:

- one committee for the whole sales team (representing all stores);
- one committee for the administrative office;
- one committee for each of the two logistics center.

The OHSC is mainly responsible for analyzing, updating and implementing the occupational health and safety policy, for suggesting changes to be implemented to the work space set up, for reviewing work accidents reports and incident causes, as well as for submitting recommendations on work and personal protective equipment.

TRAINING FOR OCCUPATIONAL HEALTH&SAFETY

In order to ensure that Kaufland employees have strong knowledge on occupational health & safety, we implement different training programs, to update and improve their understanding in this regard. The occupational health and safety training has three stages:

- the introductory general training takes place when a new worker joins the company, when a worker is detached or delegated from a business unit to another or for a worker that is assigned from an employment agency. The purpose of the introductory general training is to inform the worker about company specific activities, the risks for health and safety at work, as well as the prevention and protection measures and activities at company or business unit level, in general.
- the workplace training that takes place after the introductory general training and aims to present the worker the specific health and safety risks and at the same time the prevention and protection activities and measures for their job/position.
- the periodic training takes place at least once a year for the technical-administrative staff and twice a year for the other workers, aiming to refresh and update their knowledge on aspects regarding occupational health and safety.

Employee training is conducted during working hours, with the employer bearing all the necessary costs. The training is conducted either face-to-face, or through computer-assisted programs. The efficiency of the training materials and the employee's understanding on the aspects presented are tested throughout

CATEGORY	2018 01.03.2018 - 28.02.2019		2019 01.03.2019 - 29.02.2020	
	M	W	M	W
Number of fatalities caused by work-related injuries	0	0	0	0
Number of high-consequence work-related injuries	0	0	0	0
Number of recordable work-related injuries	47	78	31	90
Rate of recordable work-related injuries*	5.08		4.72	

Total number of hours worked: 2018: **24,614,994** • 2019: **25,620,814**

the program, as well as at the end of the training session. The program uses simple, clear language and situations are explained using relevant imagery. All store and headquarters employees participate in computer-assisted trainings. For our logistics centers, the programs are currently under development.

WORK-RELATED HAZARDS

Work-related hazards that pose a risk of high-consequence injury are determined by using a matrix that takes into account probability and severity. A hazard is considered as posing a risk of high-consequence injury when it meets the following criteria: medium severity but very high probability, high severity and high/very high probability, and death with low/medium and high probability.

During the reporting period, a high-consequence injury was caused by a road accident, when an employee was injured as a pedestrian when crossing the street on a crosswalk.

A series of actions are undertaken in order to eliminate hazards and minimize risks. The introduction of new equipment and processes is tested by a coordination team before large scale implementation. The tests are conducted by a designated employee or team and the results are recorded in a dedicated "Test Management" platform. When the equipment or process concerned is health and safety-relevant, the Department responsible for Occupational Health & Safety is involved.

In addition, we strive to introduce the best technology available, to implement safety devices for existing equipments and to use cleaning substances that are less harmful for employees.

Main types of accidents: cut wounds when working with the slicer, cuts from different tools/sharp contours, contusions/fractures when working with lifting equipment, falls (tripping/slipping), road accidents.

$$\text{Rate of work related injuries} = \frac{\text{total number of accidents}}{\text{total number of hours worked}} \times 1,000,000$$

1,000,000 represents the basis for the calculation (total number of hours worked by 500 employees working 40 hours per week, for 50 weeks per year).

Other workers (e.g. contractors, service providers, etc.), besides employees, are not included in these calculations, as we do not have access to the data.

CARE FOR THE ENVIRONMENT



Apart from the economic and social component, the sustainable growth of a company is also reflected in caring for the environment and the measures it takes for minimizing the impact generated by its operations. We are leaders in the retail industry and at the same time, a nationally present retailer. That is why our policies regarding environmental protection make use of the best international practices and can easily be applied to the entire Kaufland store network in Romania. We are constantly analyzing and measuring the impact we have on the environment and therefore strive to identify and implement the best solutions to minimize the footprint our activity has on the environment.

MATERIALS

Responsibly managing the materials we use in our daily operations and recovering waste are issues found at the core of our environmental protection policy. We are aware that our impact goes beyond our company, across the entire value chain, that is why we strive to identify the best packaging solutions for our products and also constantly invest in actions that increase the quantity of waste we recover in our stores and through our partners.

Within the company, material consumption and waste recovery fall under the responsibility of the Internal Procurement, Logistics and Sales departments. The collaboration between these departments helped us develop an efficient waste collection circuit.

■ Packaging materials

CATEGORY kg	2017 January– December 2017	2018 January– December 2018	2019 January– December 2019
Paper/ Carton	12,641,743	14,148,799	17,677,100
Plastic	9,294,233	9,120,738	9,949,979
Glass	3,231,043	3,319,992	3,827,699
Aluminum	600,943	570,930	528,862
Metal	2,384,985	2,719,901	2,587,547
Wood	2,559,713	2,626,376	3,090,349

In 2018 and 2019, we reached the targets set by the Romanian legislation in force, regarding packaging waste.

In accordance with the legislation in force, both Romanian and European, the recycling quota for packaging materials placed on the market is annual and is calculated for the January 1st - December 31st period.

■ Waste collected (on-site)

CATEGORY	2017 tons	2018 tons	2019 tons	HOW IT WAS DISPOSED
Paper/Carton	23,743	26,119	30,503	Recycling
Aluminum	3.6	0.2	2.2	Recycling
Glass	Not reported	14	116	Recycling
Metal	2,422	1,063	1,057	Recycling
Lighting objects	1.6	13.4	7.7	Recycling
WEEEs*	190	200	111	Recycling
Oil	30.8	12.4	18.7	Recycling
Batteries	144	80	98	Recycling
Plastic and PET	1,498	1,764	1,919	Recycling
Wood	369	218	312	Recycling
Residual waste	Not reported	25,713	27,409	Landfill

*Waste of Electrical and Electronic Equipment

Waste collected on-site represents those materials that are recovered from our stores and logistics centers and includes:

- ▶ **Paper:** paper and carton waste from bulk and packaged products
- ▶ **Plastic:** single-use plastic bottles offered to employees during work hours, plastic foil from products and packaged products
- ▶ **Wood:** waste from pallets, fruit and vegetable boxes used to transport the products

■ Hazardous/non-hazardous waste generated**

CATEGORY	2018 tons	2019 tons
Non-hazardous waste	29,389.61	34,038.71
Hazardous waste (lamps, batteries)	93.47	105.70

**The types of waste generated are categorized in accordance with Ordinance no. 856 from August 16th, 2002 regarding waste management records and the approval of the waste list, which includes hazardous waste.



REset PLASTIC

Kaufland Romania is part of Schwarz Group. For the core business of Kaufland Romania – the trading of food products – resources are indispensable as transport and packaging material. Anyone who brings plastic into the cycle also bears responsibility for its further use. Accordingly, Schwarz Group has for many years been particularly committed to collecting, sorting and recycling these resources.

The vision of "less plastic – closed loops" is also consistently pursued against an economic background. In order to live up to its self-conception as a future-oriented innovation driver, Schwarz Group has committed itself to reducing plastic consumption by 20 percent by 2025 and to making 100 percent of the packaging of its own brands as recyclable as possible. In addition, Schwarz Group signed the Global Commitment of the New Plastics Economy of the Ellen Mac Arthur Foundation in 2018. To implement the goals set, Schwarz Group launched the plastics strategy REset Plastic in 2018.

The five guiding principles of the action areas of REset Plastic – the plastic strategy of Schwarz Group:

- | | |
|---|---|
| <p>1. REDuce
We reduce wherever sustainably possible – plastic. Not only in packaging!</p> | <p>4. REMove
We support the removal of plastic waste from the environment.</p> |
| <p>2. REDesign
We design recyclable packaging and close loops.</p> | <p>5. REsearch
We invest in research and the development of innovative solutions and educate on recycling.</p> |
| <p>3. REcycle
We collect, sort and recycle plastics to close the loop.</p> | |



!

The REset Plastic Objectives

- ✦ Our goal is to make 100% of our home brand packaging maximum recyclable by 2025.
- ✦ Our goal is to use up to 20% less plastic by 2025.
- ✦ Our goal is to delist all single-use plastic (disposable crockery, cotton buds etc.) by the end of 2019.

More information can be found at www.reset-plastic.com

As part of Schwarz Group, Kaufland Romania makes an important contribution to the implementation of REset Plastic. Numerous successes have already been achieved, as the following examples show:

- we eliminated the plastic lids from our K-to go coffee cups, integrating a drinking opening in the aluminium cap,
- we launched the first clothing line made from recycled PETs and plastic waste and fishing nets,
- we replaced the plastic bags from the fruit and vegetable sections in our stores with compostable biodegradable bags.

GRI 102-12 • GRI 102-15 • GRI 103-2 • GRI 103-3



In October 2018, we opened the first store in Romania that was reorganized following the plastic reduction strategy.

Therefore, the Kaufland store in Bucharest, 120-144 Barbu Văcărescu Street, became the first retail store in Romania implementing a plastic reduction strategy. The project represented a major investment, through which the company took important steps towards reducing pollution, bringing new solutions to the entire Romanian retail sector.

Over 90% of single-use plastic items were eliminated and replaced with 100% biodegradable or compostable materials.

Likewise, the bin liners in the parking lot were replaced with sustainable alternatives, while the Kaufland Grill is now equipped with 100% plastic-free materials, so that all packaging items (bags, cutlery, containers, trays, sauce pots and others), as well as consumables are made out of biodegradable materials.

At the tills, we introduced biodegradable bags and throughout the store, we introduced single-use products made of 100% biodegradable or compostable materials, that are kind to the environment, as an alternative to plastic products. These include straws, plates, knives and forks, glasses, bowls.

Waste bins that clients can use to eliminate biodegradable waste meant for composting were also introduced.

GRI 103-2 • GRI 103-3

The costs we committed to for the replacement of plastic items with biodegradable and compostable alternatives was four times higher, the investment reaching 300,000 euros per year.

Excessive plastic bag consumption can seriously harm our communities

In October 2019, we continued implementing changes that contribute to our plastic reduction strategy. **We expanded the action of introducing biodegradable compostable bags to the fruit and vegetables area, bulk and bakery sections.**

Moreover, in order to limit the excessive use of single-use bags, we introduced a tax, at the same time offering customers the option to weigh products without a bag or using reusable alternatives bought in our stores or brought from home. Likewise, starting January 1st 2020, we replaced all single-use plastic bags from the cash registers with reusable alternatives. These actions were supported by the communication campaign "Excessive plastic bag consumption can seriously harm our communities", aiming to support our customers to be more responsible when shopping.

Besides the internal initiatives we implement at operational level to increase the quantity of recycled waste, the company promotes recycling amongst clients, through its partnerships with non-governmental players in Romania, as well as through the campaigns it develops targeting its clients.

ENERGY CONSUMPTION

The footprint we have on the environment is also reflected on the energy consumption, that also contributes to greenhouse gas emissions. That is why we focus on implementing measures and projects that contribute to making energy consumption more efficient, adopting the newest and most innovative technologies on the market.

Our energy consumption policy was reviewed and updated in 2019, when we underwent the ISO 50001 certification process. The policy and procedures regarding energy consumption were established in compliance with our Group policy, in order to strengthen our global commitment to significantly reduce CO₂ emissions and energy consumption.

Fuel and energy consumption

FUEL TYPE	2017			2018			2019		
	l	toe	MWh	l	toe	MWh	l	toe	MWh
Gasoline	3,745	3.28	35	30,355	26.61	283	68,447	60.01	616.4
Diesel fuel	935,999	790.43	9,955	1,242,849	1,049.56	13,219	1,620,393	1,390.00	16,155

Note: The diesel fuel consumption also includes the diesel for powering generators. As we could not estimate the actual diesel consumption of the generators, we decided to include the whole amount purchased.

When calculating the energy consumption and making the conversion to toe (ton of oil equivalent), the methodological norm for reporting to the Romanian Energy Regulatory Authority (ANRE) was used.

Total fuel consumption within the organization from non-renewable sources (gasoline + diesel + natural gas)

TOTAL FUEL CONSUMPTION	2017		2018		2019	
	MWh	GJ	MWh	GJ	MWh	GJ
	65,472.0	235,699.2	78,085.0	281,106.0	66,477.4	239,318.6

As such, our energy flows are permanently recorded and updated, so that we can plan and introduce measures that optimize energy consumption. The results of the optimization processes are evaluated and documented regularly, while the actions planned for improving energy efficiency are continuously updated.

We strictly follow legislation in force, while the implemented measures target replacing older technologies with energy-efficient equipment, as well as changing the behavior of each department and of the company, as a whole. Therefore, our colleagues are constantly informed and involved in implementing these measures.

Within the company, the energy management team is responsible for implementing policies regarding making energy consumption more efficient. The team reports to the director of the "Real Estate" department of Kaufland and is comprised of 4 employees, each taking action in departments that significantly affect the company energy consumption. Every year, the energy management team establishes goals that aim to make the energy consumption more efficient, implements projects that help reach those goals and verifies the results.

Conversion factors:
 1 liter of gasoline = 0.735 kg
 1 liter of diesel = 0.845 kg
 1 tonne of gasoline = 1.05 toe
 1 tonne of diesel = 1.015 toe
 1 MWh = 0.086 toe
 1 toe = 11.63 MWh

NATURAL GAS	2017 MWh	2018 MWh	2019 MWh
	54,482	62,698	49,706



ELECTRICITY CONSUMPTION	2017 MWh		2018 MWh		2019 MWh	
		214,896.5	218,889.9	227,833.5		
Out of which energy from renewable sources	212,820	99.0%	218,604.6	99.9%	222,315.3	97.6%

Renewable energy is guaranteed by the certificates provided by our energy supplier. Energy consumption from non-renewable sources is due to the operation of new stores opened, until they are included in the energy supply contract.

TOTAL ENERGY CONSUMPTION (FUEL + ELECTRICITY)	2017		2018		2019	
	MWh	GJ	MWh	GJ	MWh	GJ
	280,368.5	1,009,326.6	295,089.9	1,062,323.64	294,310.9	1,059,519.24

REDUCING ENERGY CONSUMPTION

We continued implementing the measures started in previous years aiming to reduce energy consumption and make it more efficient. Therefore, changing the in-store lighting system contributed to a reduction of 446,633 kWh in energy consumption, in 2019.

Energy intensity

$$EI = \frac{\text{Total energy consumption}}{\text{Total surface}^*}$$

$$EI_{2018} = \frac{296,974.9}{594,002.7} = 496.78 \text{ kWh/m}^2$$

$$EI_{2019} = \frac{294,310.9}{624,081.9} = 471.59 \text{ kWh/m}^2$$

*Total surface = total sale area + the secondary area

In 2018, the energy intensity decreased by approximately 8.5% compared to 2017.

In 2019, the energy intensity decreased by approximately 5.1% compared to 2018.

EMISSIONS

Making an annual inventory of greenhouse gas (GHG) emissions helps us gain an overview of the impact we generate towards climate change and offers us the necessary foundation on which we can build measures that reduce and minimize these effects.

The information below includes emissions generated by our operations, but does not include GHG emissions from our production chain or from products sold and introduced on the market. The methodology used for the inventory was reviewed and confirmed by the Heidelberg Institute for Energy and Environmental Research, in accordance with the GHG Protocol and ISO 14064-1.

GHG EMISSIONS	2017 CO ₂ eq tons	2018 CO ₂ eq tons	2019 CO ₂ eq tons
Scope 1	66,785	55,849	59,188
Scope 2*	471	73	1,282
Scope 3	101,407	113,147	111,677
Total	168,663	169,069	172,147

*market-based energy indirect (Scope 2) GHG emissions

LOCATION-BASED ENERGY INDIRECT (SCOPE 2) GHG EMISSIONS	2018 t CO ₂	2019 t CO ₂
	70,176	78,033

Location-based emission factor 2018 = 320.6 g/CO₂

Location-based emission factor 2019 = 342.5 g/CO₂

Market-based emission factor: 2018 = 256.5 g/CO₂ | 2019 = 232.3 g/CO₂

Scope 2 emission calculations include: CO₂

The increase in the total GHG emissions is due to the new stores opened in 2018 and 2019. Although the company expanded and its activity increased, the emission intensity recorded a 4.9% decrease compared to 2018.

Emission intensity (Eml) is given by the total GHG emissions, in relation to total surface

$$Eml\ 2018 = \frac{\text{Emissions total}}{\text{Total surface}} = \frac{169,068.84}{594,002.7} = 0.285\ \text{tons CO}_2\text{eq/m}^2\text{/year}$$

$$Eml\ 2019 = \frac{\text{Emissions total}}{\text{Total surface}} = \frac{172,146.42}{624,081.9} = 0.276\ \text{tons CO}_2\text{eq/m}^2\text{/year}$$

The carbon footprint includes GHG emissions generated directly and indirectly through the activities undertaken in Romania during a financial year. In order to be able to compare different greenhouse gases, we used CO₂ as reference, transforming all emissions into CO₂ equivalent (CO₂eq), using their global warming potential (for example, 1 kg of methane has the same harmful greenhouse effect as 28 kg of CO₂ and would be presented as 28 kg CO₂eq in the inventory).

The conversion of data regarding CO₂eq consumption is based on emission factors. The methodology uses two types of emission factors:

- Market factors (emission factors describing CO₂ emissions from producing and supplying a material or a process; for example, electricity producers in the EU must take into account the CO₂ emissions generated by producing electricity);
- Location-based (for the majority of emission sources, determining CO₂ emissions can be done only by using secondary data from scientific data bases, such as, for example, IPCC - Intergovernmental Panel on Climate Change).

Scope 1 includes: emissions from the air conditioning system, refrigeration system, diesel fuel for generators, diesel and gasoline for cars, natural gas for boilers

Scope 2 includes: emissions from producing electricity from the supplier (from non-renewable sources)

Scope 3 includes: other emissions (procurement logistics, distributing the Kaufland magazine and paper consumption)

WATER CONSUMPTION

We closely monitor water consumption inside the organization and make efforts to make it more efficient inside the stores, as well as in the logistical centers and administrative offices. All water used in our operations comes from the public supply system. We do not use water from other sources and we do not have an inventory of the way in which water is withdrawn by our supplier. Likewise, after usage, the water is discharged in the public sewer system.

Effluents are discharged in accordance with the Environmental Permit of each working unit, that at the same time sets the requirements for the effluent quality parameters. The frequency of the analyses performed to determine the quality parameters is regulated by the specific provisions of each Environmental Permit.

WATER CONSUMPTION	2017 m ³	2018 m ³	2019 m ³
	561,948	549,231	530,835

TRANSPORT AND LOGISTICS

In 2018, the number of cars in the company fleet reached 708, employees traveling a total of 16,034,881 km.

In 2019, there were 665 cars in the company fleet, and employees traveled 16,201,584 km in total.

FLEET	2017	2018	2019
No. of cars	640	708	665
Distance traveled by employees with company cars (km)	16,194,126	16,034,881	16,201,584



OUR GOALS

	Our Goals in 2017	Our progress	Our goals for the future
Our suppliers	Increase support for local suppliers: by 2020, to sell pork meat from at least 300,000 animals coming from Romanian farmers in our <i>Raftul Românesc</i> Program.	In 2018, we reached over 200,000 pigs sourced from Romanian suppliers (animals raised in Romania).	To continue increasing the quantity of pork meat sourced from local suppliers and reach our target of purchasing at least 300,000 pigs raised in Romania/year, by 2020.
	To continue our support for local producers and increase our partnerships with local suppliers.	In 2019, the proportion of the budget dedicated to procurement of store goods spent with local suppliers increased by almost 10% compared to 2018.	To increase the proportion of the budget spent on store goods directed to local suppliers by 5%.
Our communities	To increase our community investment budget by 10%.	In 2018, we increased the community investment budget compared to 2017 by almost 30%. In 2019, we increased the community investment budget compared to 2018 by more than 20%.	In 2020, to increase our community investment budget by at least 10%.
	To launch grant programs for non-governmental organizations.	In 2018 and 2019 we launched 3 grant programs for non-governmental organizations: <i>În stare de bine</i> , <i>Start ONG</i> and <i>Creștem Grădinescu</i> .	To continue the 3 grant programs started in 2018 and 2019.
	To extend the <i>Grădinescu</i> program and open at least 2 urban gardens in schools.	One urban garden was developed in Bucharest in 2018, while in 2019, through the <i>Creștem Grădinescu</i> grant program, we funded the development of 3 gardens: two schools and one highschool.	To increase the number of organizations funded through the <i>Creștem Grădinescu</i> grant program.

Our team	To receive the Top Employer Certification every year.	We received the Top Employer Certification both for 2018 and 2019.	To receive the Top Employer Certification for 2020 financial year.
	To implement additional measures to increase diversity and inclusion.	In 2019, Kaufland Romania launched the first recruiting program for people with disabilities. Therefore, in 2019, the number of employees with disabilities increased from 170 to 247 (by 45.3%).	To employ at least 500 people with disabilities by 2020.
Our environmental commitment	To delist all single-use plastic products (disposable crockery, cotton buds etc.) from our private labels, by 2019.	We delisted all the single-use plastic products from our private labels. In addition, we replaced the plastic bags from the fruit and vegetable sections in our stores with compostable biodegradable bags.	To eliminate black plastic from our private label packaging by the end of 2023. To make 100% of our home brand packaging fully recyclable by 2025.
	100% of the energy we use in our opened stores to come from renewable sources.	All the electric energy consumption in our stores comes from renewable sources. Energy consumption from non-renewable sources is due to the operation of new stores opened, until they are included in the energy supply contract.	To continue purchasing 100% renewable energy for the consumption of our open stores.
	To reduce our GHG emission intensity.	In 2019, our GHG intensity decreased by 4.9%, compared to 2018.	By 2025, to reduce our Scope 1, Scope 2 and Scope 3 emission intensity, by at least 3% for each category, compared to 2019.

INDEPENDENT ASSURANCE STATEMENT

TO THE MANAGEMENT OF KAUFLAND ROMANIA SCS

The KAUFLAND ROMANIA SCS 2018-2019 Sustainability Report ("the Report") has been prepared by the management of KAUFLAND ROMANIA SCS ("Kaufland"), which is responsible for the collection and presentation of the information contained therein. Our responsibility, in accordance with Kaufland management's instructions, is to carry out a "limited level" assurance engagement on the English version of the Report.

Our responsibility in performing our assurance engagement is solely to the management of Kaufland and in accordance with the terms of reference agreed between us. We neither accept nor we assume any responsibility and for any other purpose, to any other person or organization. Any reliance any third party may place on the Report is entirely at its own risk and responsibility.

WORK SCOPE AND CRITERIA

Our assurance engagement has been planned and performed in accordance with ISAE3000 (revised) and the requirements of a Type 2 assurance engagement, as defined by AA1000AS, in order to provide limited level assurance on:

1. Adherence to the AccountAbility Principles of Inclusivity, Materiality, Responsiveness and Impact against the relevant criteria found in the AA1000APS
2. Adherence to the "In accordance - Core" requirements of the GRI Standards
3. Accuracy and completeness of quantitative data and plausibility of qualitative information related to the following GRI topic specific and Kaufland specific disclosures:
 - a. GRI 302-1 Energy consumption within the organization
 - b. GRI 202-2 Proportion of senior management hired from the local community
 - c. GRI 401-1 New employee hires and employee turnover
 - d. GRI 405-1 Diversity of governance bodies and employees
 - e. GRI 406-1 Incidents of discrimination and corrective actions taken
 - f. GRI 203-1 Infrastructure investments and services supported
 - g. GRI 413-1 Operations with local community engagement, impact assessments, and development programs
 - h. Specific Kaufland Romania disclosure: Number of community investment projects that promote healthy living

WHAT WE DID TO FORM OUR CONCLUSIONS

In order to form our conclusions in relation to the scope and criteria mentioned above, we undertook (but were not limited to) the steps outlined below:

- **Interviewed certain Kaufland Managers** to understand the current status of corporate responsibility activities and progress made during the reporting period.
- **Reviewed Kaufland's approach to stakeholder engagement** through interviews with the Sustainability team representative responsible, among others, for engagement activities at corporate level and reviews of associated documentation.
- **Reviewed Kaufland's processes for determining material topics** to be included in the Report, as well as the coverage of material topics within the Report, areas of performance covered in external media reports, and sustainability reports of selected European peers.
- **Interviewed specialists responsible for managing, collating and reviewing** sustainability data reported for internal and public reporting purposes, linked to the sustainability disclosures under the scope of our assurance engagement.
- **Reviewed the Report for the appropriate transposition and presentation** of the sustainability data linked to the sustainability disclosures under the scope of our assurance including limitations and assumptions relating to how these data are presented within the Report.
- **Read information or explanations to substantiate** key data, statements and assertions regarding the sustainability disclosures under the scope of our assurance engagement.

LEVEL OF ASSURANCE

The evidence gathering procedures were designed to obtain a limited level of assurance, as set out in ISAE 3000 (revised) on which we formed our conclusions. The extent of these evidence gathering procedures is less than those designed to obtain a reasonable level of assurance and therefore a lower level of assurance is provided. This is also expressed by the 'moderate' level of assurance, under AA1000AS, according to which "the assurance provider achieves moderate assurance where limited evidence has been obtained to support their statement".

LIMITATIONS OF OUR REVIEW

- ▶ Our review was limited to the English version of the Report. In the event of any inconsistency in translation between the English and any other versions, as far as our conclusions are concerned, the English version of the Report prevails.
- ▶ The scope of our work did not include any review of third-party activities or performance, nor attending any stakeholder engagement activities. In addition, it did not include any review of the accuracy of research results assigned to third parties, nor Information Technology systems used by third parties.
- ▶ Our review did not include financial data and the corresponding narrative text and testing of the Information Technology systems used or those upon which the collection and aggregation of data was based by Kaufland.
- ▶ We do not provide any assurance relating to future information such as estimates, expectations or targets, or their achievability.
- ▶ We did not review the plausibility of the qualitative information related to the GRI General and Topic-Specific Disclosures or of other Disclosures outside the scope of our engagement.

OUR CONCLUSIONS

Based on the scope of our review, nothing has come to our attention that causes us to believe that:

- ▶ any key stakeholder groups have been excluded from stakeholder engagement activities, or to conclude that Kaufland has not applied the Inclusivity principle in developing its approach to sustainability.
- ▶ Kaufland's materiality determination approach does not provide a balanced representation of material topics concerning its sustainability performance.
- ▶ Kaufland has not applied the responsiveness principle in considering the matters to be reported.
- ▶ Kaufland has not applied the impact principle for measuring, monitoring and evaluating its broader material economic, social and environmental impacts.
- ▶ the Report does not meet the requirements of the "In accordance – Core" option of the GRI Standards.
- ▶ errors or inaccuracies exist in the collation of the quantitative data related to the disclosures within the scope of our engagement, or in the transposition of these data to the Report, that would materially affect the way they are presented.

INDEPENDENCE

We conducted our assurance engagement in accordance with International Assurance Standards, particularly ISAE 3000 (revised), which requires that we comply with ethical standards and plan and perform our assurance engagement to obtain limited assurance about the scope described above.

We maintain a robust system of quality control, including policies and procedures documenting compliance with relevant ethical and professional standards and requirements in law or regulation.

We comply with the independence and other ethical requirements of the IESBA Code of Ethics for Professional Accountants, which establishes the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Athens, 24 December 2020

For and on behalf of

ERNST & YOUNG (HELLAS)
Certified Auditors Accountants S.A.

Vassilios Kaminaris
Partner



GRI CONTENT INDEX



For the GRI Content Index Service, GRI Services reviewed that the GRI content index is clearly presented and the references for all disclosures included align with the appropriate sections in the body of the report.

GRI standard	Description	Sustainable Development Goal	Page number(s) and/or direct answers	Omissions	External assurance
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GRI 101: Foundation 2016

General disclosures

GRI 102: General disclosures 2016	Organizational profile				
102-1 Name of the organization			6		
102-2 Activities, brands, products, and services			12-13, 16-18		
102-3 Location of headquarters			7		
102-4 Location of operations			12-13		
102-5 Ownership and legal form			13		
102-6 Markets served			12-13		
102-7 Scale of the organization			12, 14, 16, 61		
102-8 Information on employees and other workers		8.5	61-65		
		10.3			
102-9 Supply chain			46-47		
102-10 Significant changes to the organization and its supply chain			No significant changes.		
102-11 Precautionary Principle or approach			28-29, 33		
102-12 External initiatives			20-21, 24, 28-29, 46, 67, 80		

102-13 Membership of associations		17.3	19		
Strategy					
102-14 Statement from senior decision-maker			4-5		
102-15 Key impacts, risks, and opportunities			28-34, 80, 86-87		
Ethics and integrity					
102-16 Values, principles, standards, and norms of behavior		16.3	15, 24-25, 28, 32-34, 46, 60, 66-67		
102-17 Mechanisms for advice and concerns about ethics		16.3	26, 60		
Governance					
102-18 Governance structure			13, 30, 74		
102-22 Composition of the highest governance body and its committees		5.5	13, 61		
		16.7			
Stakeholder engagement					
102-40 List of stakeholder groups			32-34, 37-38		
102-41 Collective bargaining agreements		8.8	60, 64, 66		
102-42 Identifying and selecting stakeholders			31, 36-38		
102-43 Approach to stakeholder engagement			30, 37-38		
102-44 Key topics and concerns raised			31-34, 36-38		
Reporting practice					
102-45 Entities included in the consolidated financial statements			6		
102-46 Defining report content and topic Boundaries			31-34		
102-47 List of material topics			31-34		
102-48 Restatements of information			There were no restatements of information.		
102-49 Changes in reporting			62-63		
102-50 Reporting period		12.6	6		
102-51 Date of most recent report		12.6	Published in May 2018 for financial year 2017.		

102-52 Reporting cycle		12.6	Annual.		
102-53 Contact point for questions regarding the report			7		
102-54 Claims of reporting in accordance with the GRI Standards		12.6	6		
102-55 GRI content index			92-104		
102-56 External assurance			88-91		

MATERIAL TOPICS

CORPORATE GOVERNANCE

Procurement practices

GRI 103: Management approach 2016	103-1 Explanation of the material topic and its Boundary			32		
	103-2 The management approach and its components			16, 20, 32, 40-41, 46-47		
	103-3 Evaluation of the management approach			41, 47, 86		
GRI 204: Procurement practices 2016	204-1 Proportion of spending on local suppliers		8.3	47		

Market presence

GRI 103: Management approach 2016	103-1 Explanation of the material topic and its Boundary			32		
	103-2 The management approach and its components			60, 70-71		
	103-3 Evaluation of the management approach			13, 70-71		
GRI 202: Market presence 2016	202-2 Proportion of senior management hired from the local community		8.5	13		✓

Corporate governance and sustainability

GRI 103: Management approach 2016	103-1 Explanation of the material topic and its Boundary			32		
	103-2 The management approach and its components			14, 20-21, 36-38, 48, 60, 78		
	103-3 Evaluation of the management approach			14, 19, 48		

Indirect economic impacts

GRI 103: Management approach 2016	103-1 Explanation of the material topic and its Boundary			32		
	103-2 The management approach and its components			32, 46-48, 56		
	103-3 Evaluation of the management approach			47, 56, 86		

GRI 203: Indirect economic impacts 2016	203-1 Infrastructure investments and services supported		5.4	48, 50-56		✓
			9.1 9.4			
			11.2			
	203-2 Significant indirect economic impacts		1.2 1.4	47, 68, 70		
			3.8			
			8.2 8.3 8.5			

Anti-corruption

GRI 103: Management approach 2016	103-1 Explanation of the material topic and its Boundary			32		
	103-2 The management approach and its components			24-26, 28-29		
	103-3 Evaluation of the management approach			26		
GRI 205: Anti-corruption 2016	205-2 Communication and training about anti-corruption policies and procedures		16.5	26		
	205-3 Confirmed incidents of corruption and actions taken		16.5	26		

Anti-competitive behavior

GRI 103: Management approach 2016	103-1 Explanation of the material topic and its Boundary			32		
	103-2 The management approach and its components			24-27		
	103-3 Evaluation of the management approach			27		
GRI 206: Anti-competitive behavior 2016	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices		16.3			Confidentiality Constraints: due to the confidential nature of the information, as stated by the Schwarz Group internal regulations, all the reporting requirements under Disclosure 206-1 have not been reported.

ENVIRONMENTAL PROTECTION

Energy

GRI 103: Management approach 2016	103-1 Explanation of the material topic and its Boundary			33		
	103-2 The management approach and its components			82		
	103-3 Evaluation of the management approach			82-83, 87		

GRI 302: Energy 2016

302-1 Energy consumption within the organization		7.2 7.3	82-83		✓
		8.4			
		12.2			
		13.1			
302-3 Energy intensity		7.3	83		
		8.4			
		12.2			
		13.1			
302-4 Reduction of energy consumption		7.3	83		
		8.4			
		12.2			
		13.1			

Emissions

GRI 103: Management approach 2016	103-1 Explanation of the material topic and its Boundary			33		
	103-2 The management approach and its components			84		
	103-3 Evaluation of the management approach			84, 87		
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions		3.9	84		
			12.4			
			13.1			
			14.3			
			15.2			

GRI 102-55

305-2 Energy indirect (Scope 2) GHG emissions		3.9	84		
		12.4			
		13.1			
		14.3			
		15.2			
305-3 Other indirect (Scope 3) GHG emissions		3.9	84		
		12.4			
		13.1			
		14.3			
		15.2			
305-4 GHG emissions intensity		13.1	84		
		14.3			
		15.2			

Water

GRI 103: Management approach 2016	103-1 Explanation of the material topic and its Boundary			33		
	103-2 The management approach and its components			85		
	103-3 Evaluation of the management approach			85		
GRI 303: Water and effluents 2018	303-1 Interactions with water as a shared resource		6.3 6.4 6.A 6.B	85		
			12.4			
	303-2 Management of water discharge-related impacts		6.3			
	303-5 Water consumption		6.3			

GRI 102-55

Effluents and waste

GRI 103: Management approach 2016	103-1 Explanation of the material topic and its Boundary			33		
	103-2 The management approach and its components			78-79		
	103-3 Evaluation of the management approach			78-79		
GRI 306: Effluents and waste 2016	306-2 Waste by type and disposal method		3.8	79		
			6.3			
			12.4 12.5			

Materials

GRI 103: Management approach 2016	103-1 Explanation of the material topic and its Boundary			33		
	103-2 The management approach and its components			78, 80-81		
	103-3 Evaluation of the management approach			78, 80-81		
GRI 301: Materials 2016	301-1 Materials used by weight or volume		8.4	78		
			12.2			

Environmental compliance

GRI 103: Management approach 2016	103-1 Explanation of the material topic and its Boundary			33		
	103-2 The management approach and its components			25		
	103-3 Evaluation of the management approach			26, 78		
GRI 307: Environmental compliance 2016	307-1 Non-compliance with environmental laws and regulations		16.3	26		

Supplier environmental assessment

GRI 103: Management approach 2016	103-1 Explanation of the material topic and its Boundary			33		
	103-2 The management approach and its components			28, 42		
	103-3 Evaluation of the management approach			42		
GRI 308: Supplier environmental assessment 2016	308-1 New suppliers that were screened using environmental criteria			42		

EMPLOYMENT

Labor-management relations

GRI 103: Management approach 2016	103-1 Explanation of the material topic and its Boundary			34		
	103-2 The management approach and its components			37		
	103-3 Evaluation of the management approach			64		
GRI 402: Labor-management relations 2016	402-1 Minimum notice periods regarding operational changes		8.8	62, 64		

Occupational health and safety

GRI 103: Management approach 2016	103-1 Explanation of the material topic and its Boundary			34		
	103-2 The management approach and its components			20, 73-75		
	103-3 Evaluation of the management approach			74-75		
GRI 403: Occupational health and safety 2018	403-1 Occupational health and safety management system		8.8	73		
	403-2 Hazard identification, risk assessment, and incident investigation		8.8	73-74		
			3.6			
	403-3 Occupational health services		8.8	74-75		
	403-4 Worker participation, consultation, and communication on occupational health and safety		8.8	74		
			16.7			
403-5 Worker training on occupational health and safety		8.8	75			
403-6 Promotion of worker health		3.3 3.5 3.7 3.8	29, 69-70, 72			

403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships		8.8	46, 73-74		
403-9 Work-related injuries		3.6 3.9	75		
		8.8			
		16.1			

Training and education

GRI 103: Management approach 2016	103-1 Explanation of the material topic and its Boundary			34		
	103-2 The management approach and its components			15, 20, 68		
	103-3 Evaluation of the management approach			19, 68		
GRI 404: Training and education 2016	404-2 Programs for upgrading employee skills and transition assistance programs		8.2	68		

Diversity and equal opportunity

GRI 103: Management approach 2016	103-1 Explanation of the material topic and its Boundary			34		
	103-2 The management approach and its components			60, 66-67		
	103-3 Evaluation of the management approach			67		
GRI 405: Diversity and equal opportunity 2016	405-1 Diversity of governance bodies and employees		5.1 5.5	13, 60-61, 67		✓
			8.5			

Employment

GRI 103: Management approach 2016	103-1 Explanation of the material topic and its Boundary			34		
	103-2 The management approach and its components			60, 69, 72		
	103-3 Evaluation of the management approach			19, 63, 72		

GRI 401: Employment 2016	401-1 New employee hires and employee turnover		5.1	63		✓
			8.5 8.6			
			10.3			
	401-3 Parental leave		5.1 5.4	72		
			8.5			

Non-discrimination

GRI 103: Management approach 2016	103-1 Explanation of the material topic and its Boundary			34		
	103-2 The management approach and its components			66-67		
	103-3 Evaluation of the management approach			60, 67		
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken		5.1	67		✓
			8.8			
			10.3			

RESPONSIBLE RETAILER

Freedom of association and collective bargaining

GRI 103: Management approach 2016	103-1 Explanation of the material topic and its Boundary			34		
	103-2 The management approach and its components			28, 42		
	103-3 Evaluation of the management approach			42		
GRI 407: Freedom of association and collective bargaining 2016	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk		8.8	42		

Human rights assessment

GRI 103: Management approach 2016	103-1 Explanation of the material topic and its Boundary			33		
	103-2 The management approach and its components			27		
	103-3 Evaluation of the management approach			26		

GRI 412: Human rights assessment 2016	412-2 Employee training on human rights policies or procedures		5.2	26		
			8.5 8.8			
			10.3			
			16.2			

Marketing and labeling

GRI 103: Management approach 2016	103-1 Explanation of the material topic and its Boundary			33		
	103-2 The management approach and its components			39		
	103-3 Evaluation of the management approach			26		
GRI 417: Marketing and labeling 2016	417-2 Incidents of non-compliance concerning product and service information and labeling		16.3	26		
	417-3 Incidents of non-compliance concerning marketing communications		16.3	26		

Customer health and safety

GRI 103: Management approach 2016	103-1 Explanation of the material topic and its Boundary			33		
	103-2 The management approach and its components			20, 42		
	103-3 Evaluation of the management approach			42, 26		
GRI 416: Customer health and safety 2016	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services		16.3	26		

Food waste and responsible consumption

GRI 103: Management approach 2016	103-1 Explanation of the material topic and its Boundary			32		
	103-2 The management approach and its components			43		
	103-3 Evaluation of the management approach			43, 79		

Healthy living

GRI 103: Management approach 2016	103-1 Explanation of the material topic and its Boundary			32		
	103-2 The management approach and its components			16, 20, 48		
	103-3 Evaluation of the management approach			48, 53, 55		

Healthy living	Number of community investment projects that promote healthy living			48		✓
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Customer privacy

GRI 103: Management approach 2016	103-1 Explanation of the material topic and its Boundary			33		
	103-2 The management approach and its components			25		
	103-3 Evaluation of the management approach			25, 26		
GRI 418: Customer privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data		16.3	16,10		Confidentiality Constraints: due to the confidential nature of the information, as stated by the Schwarz Group internal regulations, all the reporting requirements under Disclosure 418-1 have not been reported.

Socioeconomic compliance

GRI 103: Management approach 2016	103-1 Explanation of the material topic and its Boundary			33		
	103-2 The management approach and its components			24-28		
	103-3 Evaluation of the management approach			26		
GRI 419: Socioeconomic compliance 2016	419-1 Non-compliance with laws and regulations in the social and economic area		16.3	26		

Supplier social assessment

GRI 103: Management approach 2016	103-1 Explanation of the material topic and its Boundary			34		
	103-2 The management approach and its components			28, 42		
	103-3 Evaluation of the management approach			26, 42		
GRI 414: Supplier social assessment 2016	414-1 New suppliers that were screened using social criteria		5.2	42		
			8.8			
			16.1			

SOCIETY

Local communities

GRI 103: Management approach 2016	103-1 Explanation of the material topic and its Boundary			34		
	103-2 The management approach and its components			20, 48		
	103-3 Evaluation of the management approach			48, 86		
GRI 413: Local communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs		4.4	50-56		✓
			11.2			
			17.17			

Public policy

GRI 103: Management approach 2016	103-1 Explanation of the material topic and its Boundary			34		
	103-2 The management approach and its components			27		
	103-3 Evaluation of the management approach			27		
GRI 415: Public policy 2016	415-1 Political contributions		16.5	26		

**Our
actions
do the
talking.**



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