

OUR ACTIONS DO THE TALKING



**Sustainability report
for the fiscal year 2020**

**Our
actions
do the
talking.**



Kaufland

THE REPORT

This document is the first sustainability report published by Kaufland Slovenská republika v.o.s.¹ (Kaufland Slovakia), covering the 2020 fiscal year (1 March 2019 to 29 February 2020).² It summarizes all of Kaufland's strategic goals, measures, projects, and activities which have significant social, economic, and environmental impacts and which have been identified as relevant by all Kaufland stakeholders.

Our activities are further described in five chapters organized by topic – Production, Product Range Development, Point of Sale, Operational Processes, and Social Involvement.

This sustainability report is intended for the company's business partners, customers, employees, and suppliers, as well as representatives of the public and non-profit sectors, experts, the general public, and the media.

REPORTING GUIDELINES USED

This report was created using the international standards of the Global Reporting Initiative (GRI). The GRI Sustainability Reporting Standards (GRI Standards) are a global set of standards that can be used to create reports on corporate social responsibility and sustainability. This report was prepared in accordance with the Core option of the GRI standards.³ The disclosures used in the report are based on the GRI Content Index, which can be found on pages 130 to 133.

EXTERNAL ASSURANCE

The compliance of this report with the GRI Standards was checked by the Pontis Foundation throughout its preparation. Selected disclosures have been verified by an external auditor – Ernst & Young Slovakia s.r.o. The auditor's statement is presented on pages 134-135⁴

¹ GRI 102-1
² GRI 102-50
³ GRI 102-54
⁴ GRI 102-56



PUBLICATION DATE
22 DECEMBER 2020⁵

REPORTING CYCLE

We will publish the sustainability report every

2 YEARS.⁶

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⁵ GRI 102-51
⁶ GRI 102-52
⁷ GRI 102-53
⁸ GRI 102-3

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“If you stop being better,
you stop being good.”

The motto of Schwarz Group

At Kaufland, we believe that our actions do the talking. We understand corporate social responsibility (CSR) in a wider sense – not just as mitigation of the direct or indirect impacts of our business. Our market position comes with great responsibility towards our employees, as well as customers, society, and our local communities. By publishing Kaufland Slovakia’s first sustainability report, we aim to set an example for other companies and contribute to transparency in this area. We will publish a new sustainability report biennially, allowing us to transparently measure our progress in individual areas, as well as our goal fulfilment.

Our first sustainability report focuses on five areas that were identified as important in our materiality matrix. These five areas give this report its structure. For each of them, we have set goals that we want to achieve in the near future.

If we are to contribute to positive change in the behavior of our customers, partners, and society as a whole, we need to lead by example. Because of this, we always build new stores with consideration for the environment, we modernize them on a regular basis, and we have been equipping them with heat recovery ventilation systems since 2013. We monitor and analyze waste production on a monthly basis, and we are looking for ways how to change the packaging of products sold under our private labels to minimize its impact on the environment. Our priorities include healthy, high-quality products that contribute to sustainability and a fair approach across the value chain – from farmers through producers to customers. We and our partners have made the commitment to follow our principles, meet minimum social standards, offer fair remuneration, and focus on environmental protection for the entire duration of our cooperation. We want our activities to have a long-term positive impact on the living situation of people in producing countries. In order to achieve this goal, we work with non-profit organizations and with other international companies. We are committed to the textile production and use of environmentally friendly textiles and natural resources, which is why we joined a Greenpeace Detox’s commitment in 2015.

We understand that our business relies on stable, long-term relationships based on partnership and trust. Together with domestic suppliers, we are constantly trying to find ways to expand the portfolio of domestic products on our shelves, and thus boosting the economy and employment in various regions of Slovakia.

The trends and problems that we have seen so far, especially in other countries, such as obesity, unhealthy eating habits or the preference for sustainable and environment friendly products - are slowly starting to appear here as well. Therefore, it is important for us to keep expanding our offer of healthy and sustainable products, while also spreading awareness about them among our customers. Our support for healthy eating habits starts at an early age, as the Čerstvé hlavičky project sees us working with schools all over Slovakia.

In order to reach our sustainability goals and contribute to change, we need motivated and proud employees. Our employees come first, which is why they need adequate remuneration, scope for personal development and the option to rely on their employer.

This report is just a first step that allows us to show people where our company wants to be headed. As a company with a nationwide presence employing more than 7,000 people, we are glad that we can contribute to a better future for everyone.⁹

Paul Pauls

Paul Pauls

CEO Kaufland Slovenská republika, v. o. s.

ABOUT US



HISTORY

1855 Anton Lidl is operating a store offering exotic fruit in Heilbronn.

1929 Josef Schwarz formed his own food wholesale business.

1930 Josef Schwarz joins successors of Anton Lidl and so Lidl & Schwarz KG was born. This company formed the basis for the current Kaufland and Lidl stores.

1963 Dieter Schwarz, Jozef's son is taking over and his arrival ushered in an era of retail business.

1968 Kaufland's first large retail store was built under the name Handelshof. It was the first self-service retail store in Backnang, Baden Württemberg.

1984 On 1 September the first store operated under the Kaufland brand was opened in Neckarsulm.

1991 New stores would only be operated under the name Kaufland.

2000 First retail store in Slovakia was opened in Poprad.

2019 Around 1,300 self-service retail stores in 8 countries.¹⁰

¹⁰ GRI 102-6

WHERE YOU CAN FIND US¹¹:



¹¹ GRI 102-4

KAUFLAND IN SLOVAKIA

Kaufland Slovenská republika v.o.s. is a general partnership that was **established in Slovakia on 26 May 2000**. On 13 June 2000, it was registered in the Commercial Register maintained by the Bratislava I District Court, section Sr, entry No. 489/B. The company is part of Schwarz Group – a business group registered in the Federal Republic of Germany. Its ultimate parent company is Kaufland Stiftung & Co. KG, which is responsible for preparing the consolidated financial statements.¹²

Kaufland Slovenská republika v.o.s. has two partners: FMRS Warenhandel GmbH and Kaufland Management SK s.r.o. On 29 February 2020 and 28 February 2019, FMRS Warenhandel GmbH had a 99.999% share in the company, amounting to €137,196,418 on 29 February 2020 and €118,512,589 on 28 February 2019. On 29 February 2020 and 28 February 2019, Kaufland Management SK s.r.o. had a 0.001% share in the company, amounting to €1,372 on 29 February 2020 and €1,185 on 28 February 2019.¹³

Kaufland's main business activity is the retail sale of food and consumer goods through its store chain. In addition to food, the company also offers non-food products such as cosmetics, clothing, and household goods. The company's full list of business activities can be found in the Slovak Commercial Register.¹⁴



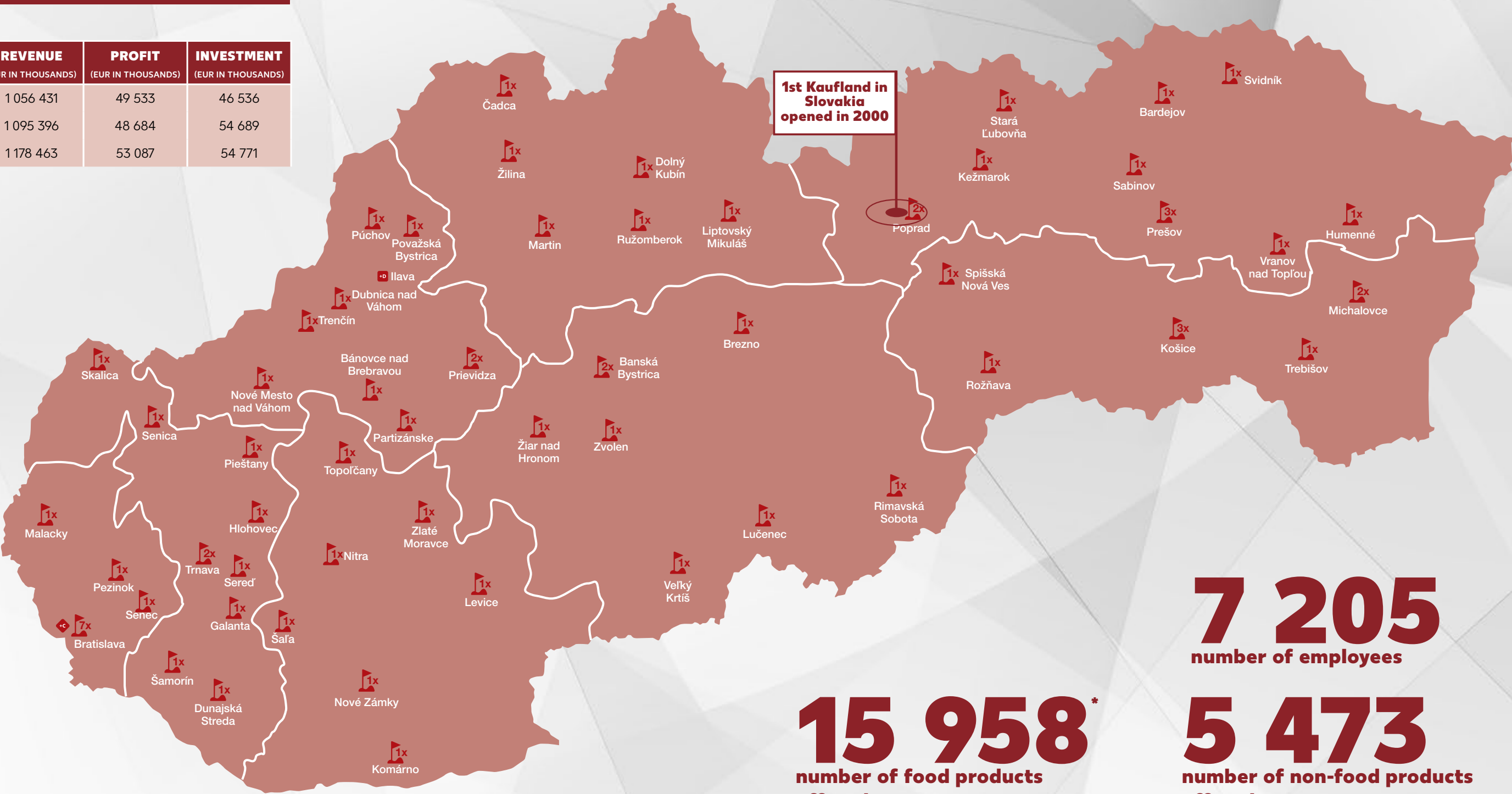
¹² GRI 102-5

¹³ GRI 102-45

¹⁴ GRI 102-2

IMPORTANT FIGURES FOR THE 2020 FISCAL YEAR¹⁵

FISCAL YEAR	REVENUE (EUR IN THOUSANDS)	PROFIT (EUR IN THOUSANDS)	INVESTMENT (EUR IN THOUSANDS)
2017	1 056 431	49 533	46 536
2018	1 095 396	48 684	54 689
2019	1 178 463	53 087	54 771



70
stores

1
administrative center

1
logistics center

7 205
number of employees

15 958*
number of food products offered

5 473
number of non-food products offered

1 857
private-label products

14 101
branded products

1 252
private-label products

4 221
branded products

¹⁵ GRI 102-7; as of 29.02.2020

* Food products also include cosmetics and products for pets. We are not taking into account seasonal and one-off product offers.

MANAGEMENT STRUCTURE¹⁶

The systematic development of sustainability topics in our company is directly overseen by the senior management of Kaufland Slovenská republika v.o.s. In cooperation with the wider CSR team, our senior management also ensures that these are in line with the company's main business activities:

- » Primary responsibility for all of our sustainable goals and activities is held by our CEO Paul Pauls.
- » The implementation of our CSR strategy and the resulting communication with stakeholders are managed by our Corporate Communications Department, which also includes a CSR Project Manager.
- » Representatives of individual areas and experts on sustainability topics are organized in our CSR Project Team, in which they regularly communicate about sustainability trends and challenges. The organization of these meetings and communication of CSR topics are managed by our CSR Project Manager, who serves as a link between the Kaufland parent company and our employees. All measures and goals agreed upon by the CSR team are subsequently presented to the management.¹⁷



¹⁶ GRI 102-18
¹⁷ GRI 102-18, GRI 102-19, GRI 102-20

INDUSTRY TRADE GROUPS AND INITIATIVES¹⁸



CSR ASSOCIATIONS AND INITIATIVES¹⁹



2013

2014

2018

2014

2016

2018

¹⁸ GRI 102-13
¹⁹ GRI 102-12

Slovak Superbrands Award 2019



Every year, the Superbrands program with the Brand Council – its expert committee – award elite brands that serve as examples of successful development and consistent growth in terms of brand value. In 2019, Kaufland received this award for the fourth time in a row.

Hermes 1st place



In the Social Responsibility category for the Čerstvé hlavičky project.

Hermes 2nd place



In the Retail Chain category.

Most Trustworthy Private Label of 2019



In 2019, the K-Classic private label became the most trustworthy brand in the Private Label category for the fourth time.

Best Company Media of 2018 - 2nd place



In the Company Brochure and Flyer category for the Christmas Brochure project.

Best Company Media of 2018 - 3rd place



In the Facebook Page and Instagram category for our Facebook page, in the Viral category for the project Recepty dejateľov – Z lásky k tradícii (Recipes From Historical Figures – With Love to Tradition).

Top Employer Slovensko 2019

The Top Employers Institute is a global certification company that recognizes employers with an excellent employee-focused approach and good opportunities for employee development.



SOCIAL RESPONSIBILITY





Lucia Vargová
Head of Corporate Communications

“We are aware of the impact that our business activities have on society, people, animals, and the environment. Only by constantly improving and respecting the principles of sustainability can we move forward and be a truly responsible partner and employer. We use our everyday decisions and actions to actively participate in improving the situation in these areas because we believe that it is our actions that do the talking. The precautionary principle which is enshrined in the “Declaration on the environment and development from the UN Conference in Rio de Janeiro held in 1992”, is an integral part of our company culture.”²⁰



OUR COMPANY VALUES AS A BASIS

We are an international retail company that aims to set an example with its responsible approach towards its employees and the wider public. We focus on three company values that guide our every step and help us achieve our common goals:



PERFORMANCE

Our performance is a crucial foundation of our success. It requires actions, determination, courage and passion. This applies to every individual employee as well as the entire team.



DYNAMICS

Dynamics is the force that allows us to improve the good and create something new. It requires willingness and ability to change as well as resolutely taking responsibility. This is the key aspect of our strength of implementation.



FAIRNESS

Fairness is based on appreciation and respect. It is an essential pillar for a trustful cooperation. With fairness we are consistently achieving our aims.

COMPANY PRINCIPLES

Our company principles serve as a basis for our everyday work. Their goal is to create added value for our customers, employees, society, and the environment.

- » We strive for customer satisfaction
- » Having a better price-performance ratio determines our position on the market
- » We grow by expanding and constantly improving our stores
- » As a store-based company, we work systematically
- » Short decision-making processes and simple workflows ensure our success
- » We abide by the law and internal guidelines
- » Economic, social, and environmental responsibility are part of our everyday work
- » Our policy is to be fair towards everyone
- » We respect and support each other
- » We honor agreements and trust each other
- » Praise, recognition, and the ability to accept criticism allow us to maintain a good company atmosphere every day
- » We surround ourselves with “strong” workers – ensuring that we have available substitutes in all areas.



Our priority is to continuously improve, which is only possible with motivated employees. In Slovakia, we have more than 7,000 employees who help us fulfill our goal of customer satisfaction. According to the annual Original CX survey conducted by KPMG, the things that Kaufland customers appreciated most in 2019 were:

a pleasant store environment with a wide product offer that fulfills their expectations, our fair and transparent behavior, and our honest company philosophy that understands their lifestyle. This proves that Kaufland’s values and visions are truly and believably manifested in the company’s relationship with its customers.²¹

²⁰ GRI 102-11

²¹ GRI 102-16

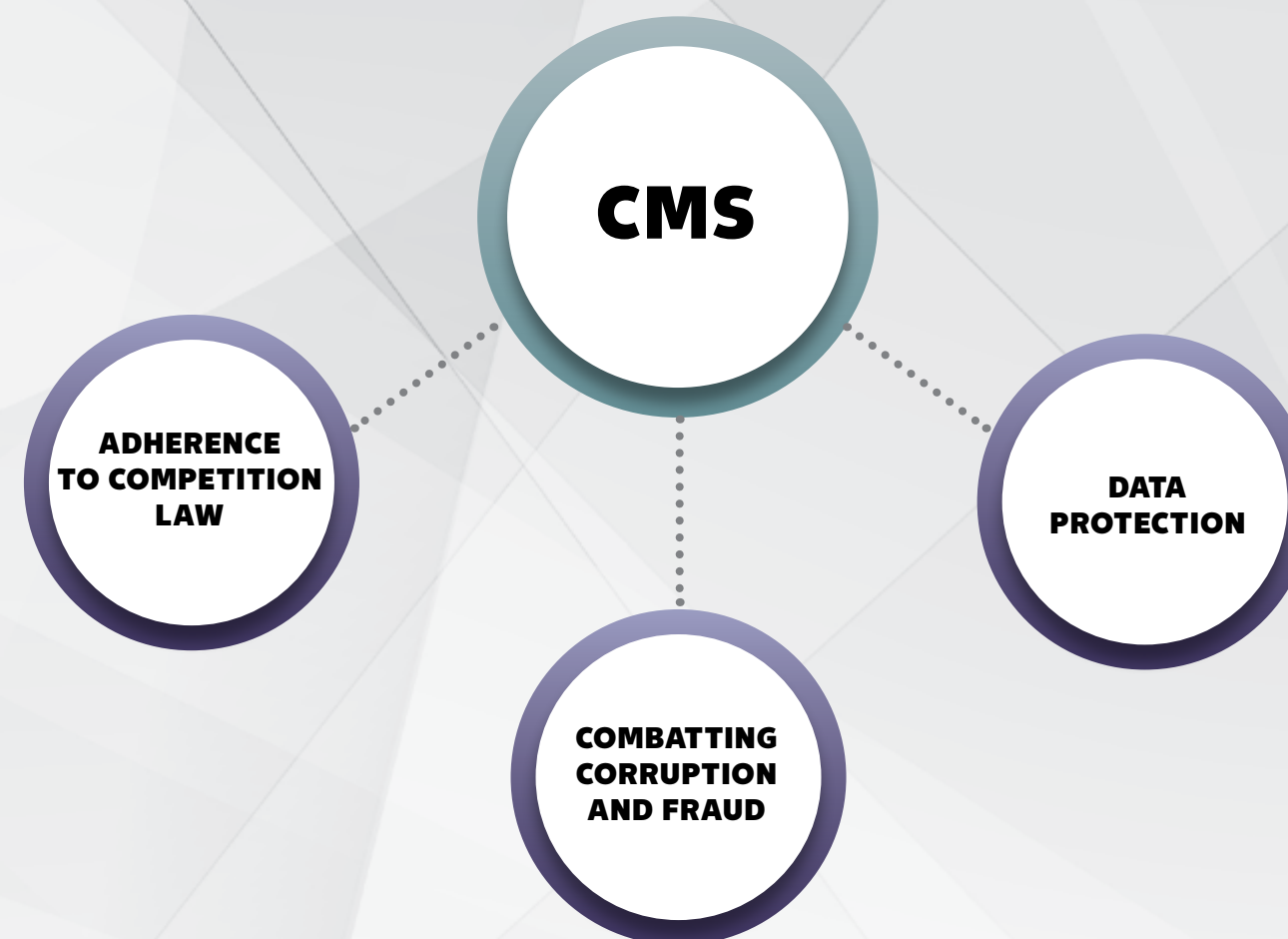


Responsible behavior, adherence to legislation, a fair approach, and respecting people's rights and responsibilities in all areas – these things are the alpha and omega of our business. The above principles do not just apply to our company, but we also require our employees and business partners to follow them.

Not only may the violation of laws lead to reputation loss and financial damage, but individual employees and/or members of the company's statutory body may face compensation claims and legal action. Therefore, the actions of our company and employees must **comply with all applicable laws and internal regulations.**

Adhering to this central company principle is mandatory for all employees. Because of this, we have implemented a **compliance management system (CMS)**. It includes mandatory CMS regulations that define specific requirements and other components in order to ensure an appropriate level of compliance. An important part of our CMS is avoiding (preventing) violations of laws and internal guidelines, tracking and identifying violations, and responding to all violations that are identified (applying a zero-tolerance principle).

Our CMS measures primarily include publishing and communicating guidelines (such as guidelines on gifts, data protection guidelines), organizing educational training sessions, and examining all internal and external reports of potential law violations. The company department responsible for compliance monitoring checks whether the above measures are observed. Additionally, the department also checks and investigates internal and external signs of rule violations.²²



²² GRI 102-17

Together with our partners, we are committed to benefitting society and protecting the environment. We also involve our customers in this process. We look for innovative ways of constantly increasing our impact as a responsible retail company. We contribute to improving the quality of life in the countries where we operate. **We strive to increase efficiency and sustainability in all our fields of activity, and we set strategic goals in 7 areas of corporate social responsibility:**



HEALTHY DIET

We want people to have healthy lifestyles, especially when it comes to a healthy diet. That is why we use the best means available to support our customers in conscious shopping.



HOMELAND

We offer a wide range of products made in Slovakia, and we work in close cooperation with our national and regional suppliers and producers. In addition to that, we are actively involved in our local communities.



EMPLOYEES

We create a work environment that expands the potential of our employees, contributes to their development, and enables them to have a good work-life balance.



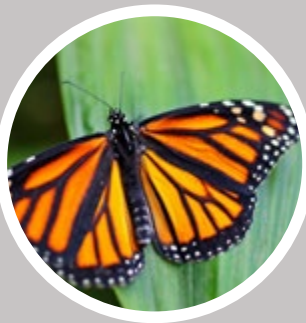
ANIMAL WELFARE

We are actively involved in animal welfare, and we advocate for the responsible handling of animals.



SUPPLY CHAIN

We are committed to fair business practices, transparency, good working and living conditions, as well as conscious behavior towards the environment.



NATURE

We support the protection of biodiversity, and we are aware of the problems presented by plastics.

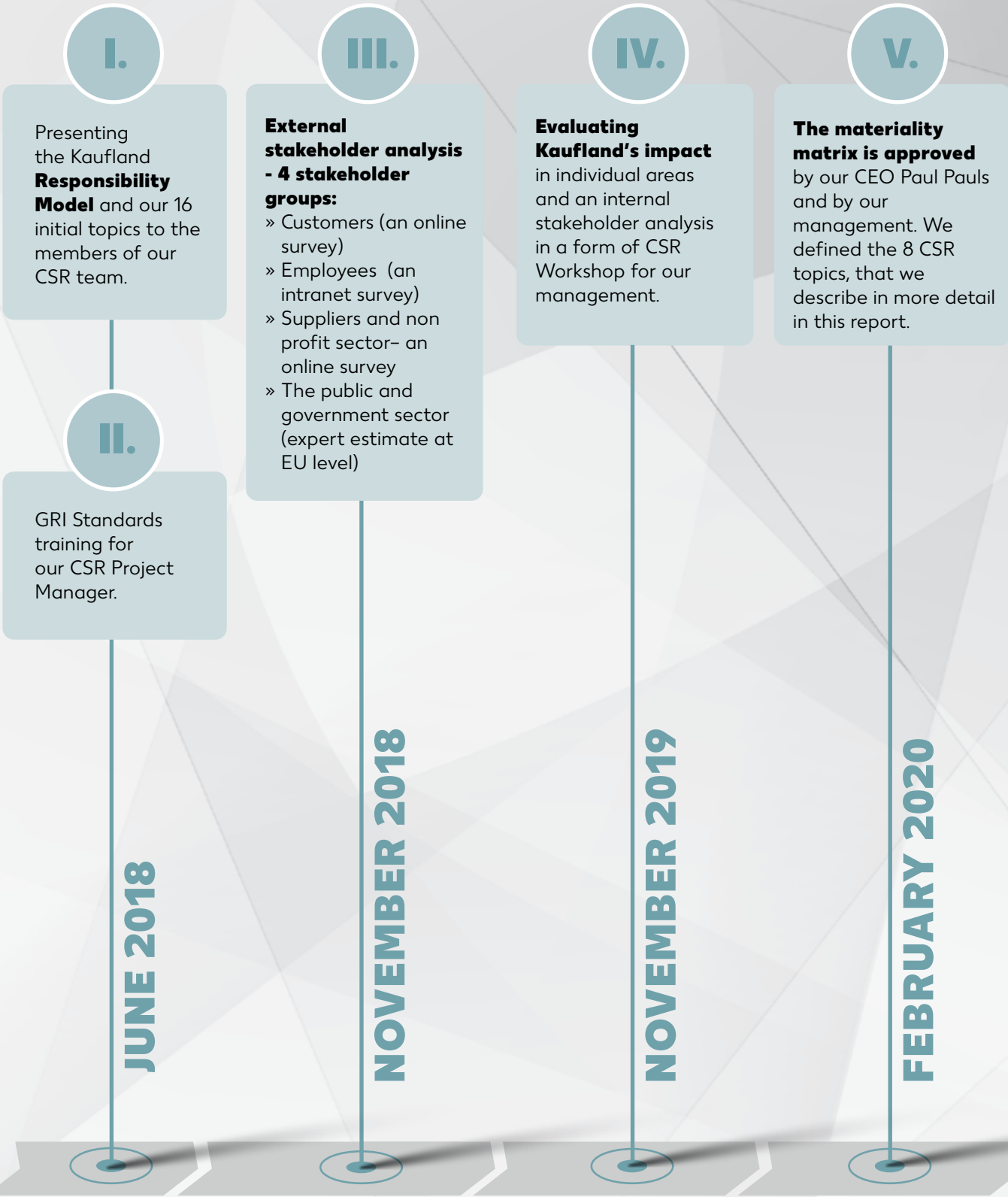


CLIMATE

We are using natural resources responsibly and efficiently, while also further increasing our energy efficiency. By doing so, we contribute to climate protection.

OUR SUSTAINABILITY REPORT CREATION PROCESS



In order for our sustainability report to fulfil all GRI requirements in regard to its content and quality, our CSR Project Coordinator attended several trainings before starting to work on it, including a specialized GRI Standards training that took place in Germany. The Pontis Foundation helped us follow all GRI reporting principles during data collection and the writing process of this sustainability report.²³



²³ GRI 102-46

RESPONSIBILITY MODEL

The responsibility that we feel towards our stakeholders and their expectations motivated our parent company to define the basic content of this report, which was identical for all countries. Our parent company identified 16 key topics that we then presented to our main stakeholders:²⁴

-  within Kaufland's direct sphere of influence
-  outside of Kaufland's direct sphere of influence



²⁴ GRI 102-46

COMMUNICATION WITH STAKEHOLDERS

Our stakeholders are individuals, groups, and organizations that influence our activities, goals, and policies. Communication with stakeholders flows in both directions.

Throughout the year, our CEO, Head of Corporate Communications, and CSR Project Manager regularly meet with the civic and non-profit associations that we support (such as the Slovak Red Cross or Úsmev ako dar). Regular meetings allow them to lead a dialogue with our key partners in the food sector, such as the Slovak Alliance of Modern Trade, the Slovak Supply Chain Initiative, the Food Chamber of Slovakia, and the Ministry of Agriculture and Rural Development of the Slovak Republic.

Our partners continuously provide us with feedback. Their valuable advice helps us to create better projects and provide help where it is needed. We communicate about our CSR activities and projects in interviews, media outputs, leaflets, point-of-sale posters, social media, and press releases.²⁵

Based on the analysis of company's business activities and an expert estimation performed by CSR Team at international level we define 4 key groups of stakeholders at whose opinions needed to be considered when preparing this report.²⁶

²⁵ GRI 102-21, GRI 102-43

²⁶ GRI 102-42

²⁷ GRI 102-40, GRI 102-43

OUR MOST IMPORTANT PARTNERS AND THE TOOLS WE USE TO COMMUNICATE WITH THEM ²⁷

INTERNAL



EMPLOYEES



Intranet Connect



The Health Calendar



Notice boards, stands, posters, and fliers



CSR Team/ CSR Project Group



Trainings



Info day for new employees



Confidants

EXTERNAL



CUSTOMERS



SUPPLIERS



NON-PROFIT ORGANIZATIONS



THE GOVERNMENT AND THE PUBLIC SECTOR



THE MEDIA



BANKS



Leaflets



Newsletter



The Kaufland app



Point-of-sale posters



The Kaufland website (www.kaufland.sk)



Social media



Press releases



Customer service helpline



Interest groups and associations that we have joined

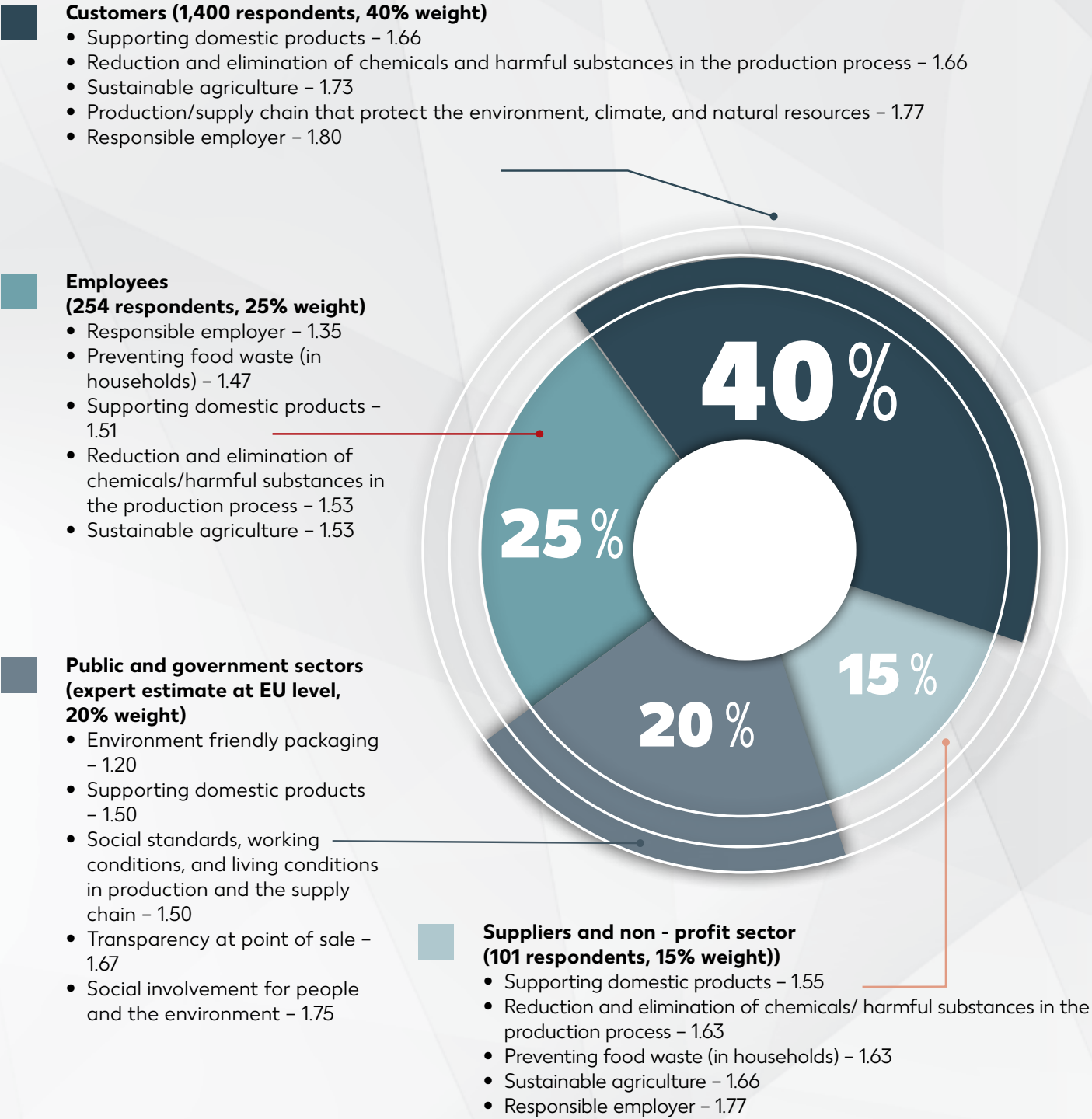


Personal meetings and discussions



THE RESULTS OF EXTERNAL STAKEHOLDER ANALYSIS

The most material topics in individual stakeholder groups (on a scale of 1 to 5, 1 denoting maximum importance):²⁸

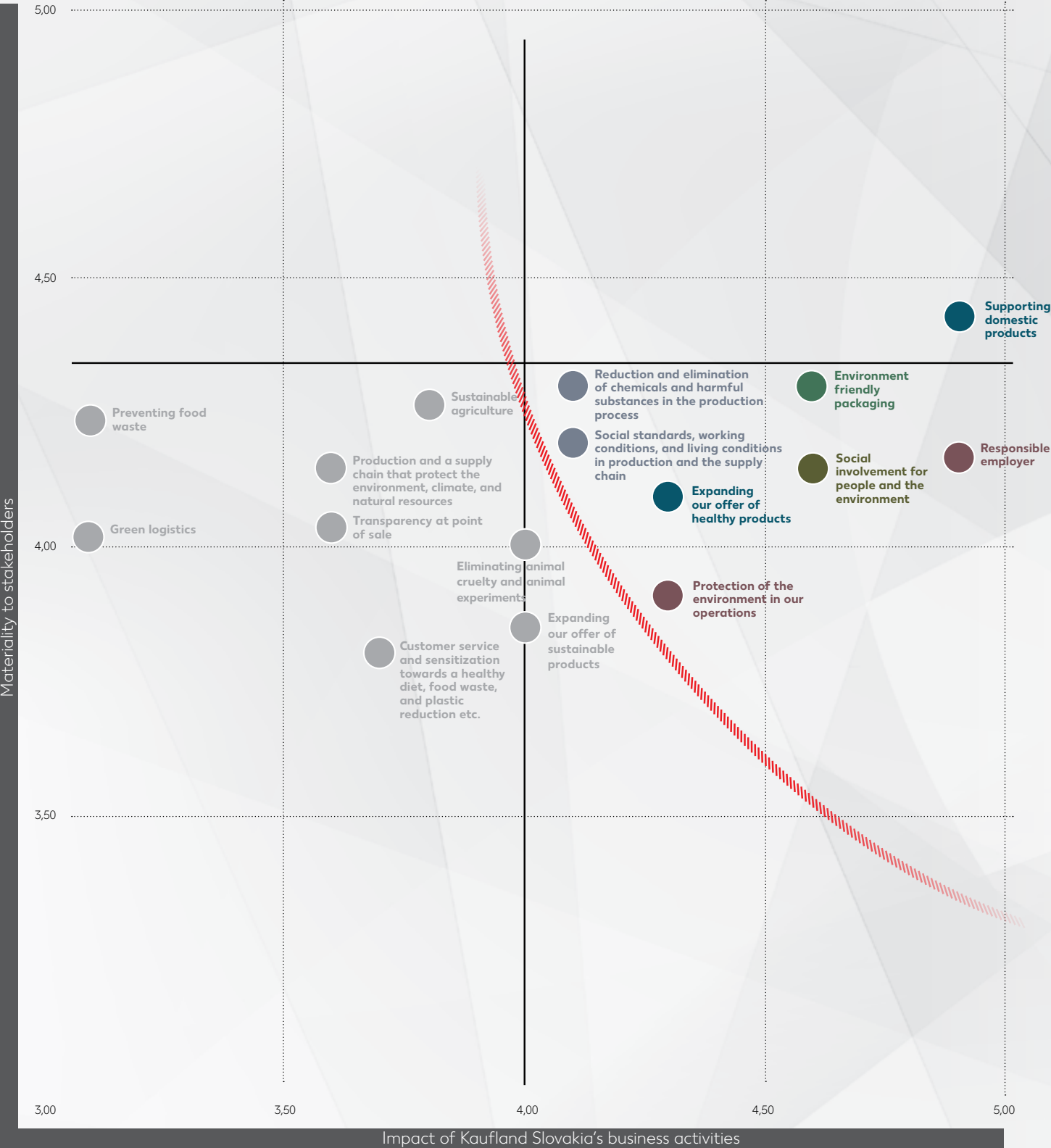


²⁸ GRI 102-44



FINAL MATERIALITY MATRIX

Our internal and external stakeholder analyses led to the creation of a materiality matrix that summarizes the opinions of key stakeholders. The X-axis represents the impact of Kaufland’s business activities on sustainable development in individual CSR topics. The Y-axis represents the materiality of topics for Kaufland’s most important stakeholders. High values on both axes (top right quadrant) indicate topics that are the most important for Kaufland from the perspective of sustainability, which is why we focus on them in this report.²⁹



THE MATERIAL TOPICS INCLUDED IN THIS REPORT³⁰



²⁹ GRI 102-46

³⁰ GRI 102-47

PRODUCTION



A single Kaufland store can contain as many as 20,000 products. However, this poses a challenge for us in the form of a complex, global value chain. That is why we strive for long-term cooperation with our business partners, as well as joint efforts in regard to sustainability. We are committed to building a value chain that supports fair business practices, transparency, good living and working conditions, human rights, and environmental protection. By doing so, we establish our standards throughout the whole supply chain.



Richard Bendik
Purchasing Director

“Our priority is to offer customers quality products for a good price, which can only be achieved through long-term cooperation with suppliers. This puts sustainable, long-term relationships with suppliers at the core of our business model. We select suppliers and their products using strict criteria. We follow national legislation, as well as our internal guidelines, our Code of Conduct, and the principles of sustainability. We do not work with suppliers who fail to meet our standards and refuse to support sustainability. We have introduced an online reporting system for our suppliers’ employees, allowing anyone to file an anonymous complaint about violations of our principles and Code of Conduct.”

Every contract is negotiated by the corresponding purchasing agent, and the four-eyes principle requires every contract to be co-signed by his or her superior – the manager of the corresponding department. Purchasing agents receive regular trainings and they are instructed only to enter into contracts that are in line with our principles and goals. We currently have 19 purchasing agents. Every purchasing agent is responsible for his or her corresponding product group, which belongs to one of the following purchasing areas: Frische (perishable food items), Food (non-perishable food items), NonFood (non-food products). The individual purchasing area leads report to the Purchasing Manager.³¹



³¹ GRI 103

SOCIAL STANDARDS, WORKING CONDITIONS, AND LIVING CONDITIONS IN PRODUCTION AND THE SUPPLY CHAIN

Assuming environmental and social responsibility is at the core of our everyday actions, but we also expect this responsibility from our business partners. In addition to the commitment to follow our own Code of Conduct, we are also a member of the Slovak Fair Trade Initiative. By having joined this initiative established by the Slovak Alliance of Modern Trade together with the Food Chamber of Slovakia, we commit to promoting the principles of good business, fair practices along the whole supply chain, and proper resolution of any conflicts that may arise.³²



The following principles are important to us in the context of sustainability in the supply chain:

1

The conditions of competition need to be fair in both a European and an international context. To achieve this, binding rules and standards need to be in place on an international level.

2

Binding regulations need to be applicable in the same way for all value chains. Due diligence procedures need to be equally practicable for coffee supply chains and textile supply chains.

3

Due diligence thresholds should always reflect the actual economic and legal capabilities of a company in the supply and value chains.

4

Every component of a value chain needs to be aware of their own responsibility and respect human rights. All violations of these rights need to have consequences because no company may profit at the expense of people and their rights.

5

We need solutions that will enable people in developing countries to live decent lives.

³² GRI 103

VOLUNTARY COMMITMENT TO PROVIDING LIVING INCOMES AND WAGES

Many people in developing countries do not get appropriate wages or other forms of remuneration for the work they do. We want to contribute to a decent living standard for farmers and the families of workers in global supply chains. Since we cannot achieve this alone, we have joined forces with other international retail companies, as well as the government, and together we have chosen this as our goal.

A living wage is defined as a net household income paid for work performed under decent working conditions that is high enough to ensure an appropriate living standard for all family members. The term “living wage” applies to the wage earned by an individual with an employment contract at a factory or on a plantation, for instance. The term “living income” applies to the income earned by an individual small-scale farmer or small-scale entrepreneur.



CODE OF CONDUCT

Since 2011, we have been requiring our business partners to follow our **Code of Conduct. As an international company, we advocate for fair working conditions and social standards in our own company, as well as the whole supply chain.** This means that all our suppliers are forbidden from participating in forced labor, child labor, or any other form of exploitation. All our business partners are required to follow our Code of Conduct.³³

Our Code of Conduct is based on the following international standards and guidelines:



THE INTERNATIONAL LABOR ORGANIZATION (ILO)



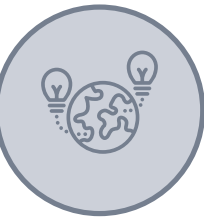
THE UN UNIVERSAL DECLARATION OF HUMAN RIGHTS



THE UN CONVENTION ON THE RIGHTS OF THE CHILD



THE UN GLOBAL COMPACT



THE OECD GUIDELINES FOR MULTINATIONAL ENTERPRISES

Our Code of Conduct also applies to our business partners' subcontractors participating in the production of our products or the provision of services for our company. The following principles are minimum requirements that need to be met:

³³ GRI 408-1, GRI 409-1

1.

COMPLIANCE

Require compliance with: international laws and regulations, regulations valid in the country where business is conducted, minimum industry standards, ILO and UN conventions, and all other relevant legal provisions.

2.

DISCRIMINATION (ILO CONVENTIONS 100, 111, 158, AND 159)

Any form of discrimination in the recruiting process or employment relationship is prohibited.

3.

FORCED LABOR AND DISCIPLINARY MEASURES (ILO CONVENTIONS 29 AND 105)

Forced labor is prohibited. This prohibits all employment relationships where a person is coerced into working by force or through threats, such as slavery, debt bondage, or serfdom.

4.

CHILD LABOR (ILO CONVENTIONS 79, 138, 142, AND 182, ILO RECOMMENDATION 146)

Child labor is not tolerated. The minimum working age may not be lower than the age of finishing compulsory education. It may in no case be lower than 15 or 14 if national legislation allows it, in line with ILO Convention 138.

5.

FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING (ILO CONVENTIONS 87, 98, AND 135, ILO RECOMMENDATION 143)

Employees have the right to form or join an association of their choice with the goal of supporting and protecting employee interests. The right to collective bargaining must be granted.

6.

WORKING HOURS AND WORK CONTRACTS (ILO CONVENTIONS 1 AND 14)

Working hours are governed by the corresponding national laws and industry standards. Weekly working hours may not exceed the number of weekly working hours defined by law. As a rule, employees may not be required to work more than 48 hours per week (or 60 hours per week including overtime).

7.

REMUNERATION (ILO CONVENTIONS 26 AND 131)

As a minimum, the paid wage must correspond to the minimum legal or industry standards. The work performed by the employee must be remunerated regularly and in full. Using wage cuts as a sanction is prohibited.

8.

HEALTH AND SAFETY AT WORK (ILO CONVENTION 155)

Business partners must ensure that the health and safety of their employees at work are not at risk.

9.

ENVIRONMENTAL PROTECTION

All national laws concerning environmental protection and valid regulations must be observed. Valid procedures and standards must be followed, especially when dealing with waste, dangerous chemicals and substances, as well as emissions and water protection.

10.

CORRUPTION

Every business relationship is based on ethically correct behavior and observance of the corresponding national and international regulations and standards. Corruption, bribery, and embezzlement in any form are prohibited.

Every business partner must use appropriate and verifiable measures to ensure that their company follows the principles defined in the Code of Conduct.



RISK ANALYSIS OF GLOBAL SUPPLY CHAINS

We are continuously evaluating potential and actual risks of human rights violations in the supply chain. We follow internationally recognized studies, indicators, and developments – such as Transparency International, the Failed State Index, the Corruption Perceptions Index, and the Child Labor Index – to evaluate which producing countries are the most likely to experience human rights violations.

Using such an analysis, we have reached the conclusion that countries in Southeast Asia, Africa, and Latin America are considered high-risk and they experience human rights violations most frequently. **These are the countries where our suppliers of textiles and agricultural products like fruit, vegetables, plants, and flowers operate. Therefore, we place special emphasis on the observance of social standards, the prohibition of child labor, and the prohibition of forced labor in these countries.** The same standards also apply to all our operations in Slovakia. However, from a forced or child labor perspective, Slovakia is not a high-risk country.³⁴

SOCIAL AUDIT PROGRAM

While we require all our suppliers to sign our Code of Conduct, we do not conduct initial checks of social standard compliance (so-called social screening). In order to ensure and maintain the standards listed above, we conduct regular checks with both internal and external auditors. We evaluate all suppliers in regard to their risk potential, for instance if their country or industry is considered high-risk. When doing so, we focus on the evaluation of specific producers of our private-label products. If problems are identified during these inspections, we apply corrective measures in cooperation with our suppliers and we guide them through their implementation. In the 2020 fiscal year, we conducted

389
international social inspections
at our Asian suppliers of
non-food goods.³⁵

³⁴ GRI 408-1, GRI 409-1
³⁵ GRI 414-1

BKMS ONLINE REPORTING SYSTEM

Everyone – from our closest business partners to seamstresses in Bangladesh – has the opportunity to submit a complaint through our online reporting system (BKMS).

The system allows the people concerned or observers to submit reports discreetly, 24 hours a day. The reports may concern any violations of human rights, social standards, or environmental standards. The system is available in more than 25 languages, making it accessible and comprehensible to every person who could potentially be exposed to violations. Reports are also accepted via email.

We have made a commitment to investigate every report submitted, and we ensure a fair approach when dealing with reports. Having offices in Southeast Asia brings us close to our suppliers, allowing us to act on the spot. We also work with local partners, such as the Center for Child Rights and Corporate Social Responsibility, in order to actively prevent child labor.

Since the launch of our online reporting system for human rights violations in November 2019, we have received one international report regarding a violation of workers' and human rights.

The reporting system is constantly being developed and improved. In the 2021 fiscal year, we aim to organize trainings for our employees, our business partners, as well as workers in individual producing countries.³⁶

³⁶ GRI 102-17



ETHICAL ANIMAL WELFARE

We work with international animal protection organizations with the goal of improving animal welfare. Our most important goals include preventing animal cruelty on farms and expanding our product range with animal products coming from farms that ensure optimal living conditions for their animals.



COMBATTING VIOLENT PRACTICES IN DUCK AND GOOSE HUSBANDRY

We have stopped sourcing our duck and goose meat from farms where animals are force-fed. Now we only purchase these products from suppliers who are demonstrably committed to humane animal husbandry.



NO ANIMAL FUR PRODUCTS

We have been part of the Fur Free Retailer program since 2015. We no longer offer any products made of natural fur, such as various textiles, accessories, or even children's toys.



EGGS FROM ALTERNATIVE HUSBANDRY SYSTEMS

The recipes for our private-label pasta and bakery products only use barn-laid and free-range eggs. Our customers are informed about this on product labels. We informed our suppliers about this goal already in 2017, and we made sure to communicate our new conditions clearly so that they could prepare for these measures, thus helping us fulfil this goal.



THE JUICE CSR PLATFORM

Since 2015, Kaufland has been a member of Juice CSR, a sustainability initiative for companies that produce fruit juices. The platform connects various partners in the global value chain and promotes responsible sourcing practices. It aims to support European juice makers in their efforts to integrate sustainability into their company strategies and promote responsible sourcing practices.



REDUCTION AND ELIMINATION OF CHEMICALS AND HARMFUL SUBSTANCES IN THE PRODUCTION PROCESS

To support our goal of providing high-quality products, we have created internal guidelines that support sustainability and prevent the use of harmful substances in the production process. These guidelines are stricter than the corresponding national regulations. They help us in the process of selecting suppliers, ensuring that their products meet our quality requirements.³⁷

We carry out regular lab analyses of selected food products in cooperation with independent, certified laboratories.³⁸ This helps us evaluate whether the results of analytical tests comply with Slovak and European legislation, but we also check if the actual values are in line with what our suppliers declare. We use the services of the following laboratories: Eurofins Food Testing Slovakia s.r.o. (used for analyzing food products), Analytisches Institut Bostel Stuttgart (used for analyzing fruit and vegetables). If any discrepancies are identified, we always contact our suppliers and implement corrective measures.

In the 2020 fiscal year official inspections aimed at food quality resulted in 21 products being deemed unsuitable from a health and safety perspective. Seven of these administrative proceedings resulted in fines (at the time of drafting this report).

In the aforementioned fiscal year, only one product was recalled by the Regional Veterinary and Food Administration and two products were recalled at our own request.

Over the fiscal year, we also received a total of **994 customer reports** about the quality and safety of our products, which is **approximately 15 reports per store. Most of these customers contacted us through our customer service helpline.**³⁹



MEAT AND MEAT PRODUCTS

Since meat is a high-risk commodity in regard to production and manipulation, all our suppliers of meat and meat products need to have effective quality-assurance systems in place. Their implementation is usually attested by certificates for production and packaging plants, such as the FSSC 22000, ISO 22000, IFS, and BRC standards. **In the 2020 fiscal year we took 64 samples in the assortment of meat and poultry. The deficiency was found only for one sample.**⁴⁰

THIS IS HOW THE QUALITY CHECKS TAKE PLACE

COUNTRIES OF ORIGIN

In our stores you will find quality meat from Slovakia, Germany, Czech Republic, Holland, Spain and Ireland.

HYGIENE PACKAGING STANDARDS

The meat is packed in a protective atmosphere or in a vacuum, thus maintaining top quality from supplier to store.

LOGISTICS CENTER

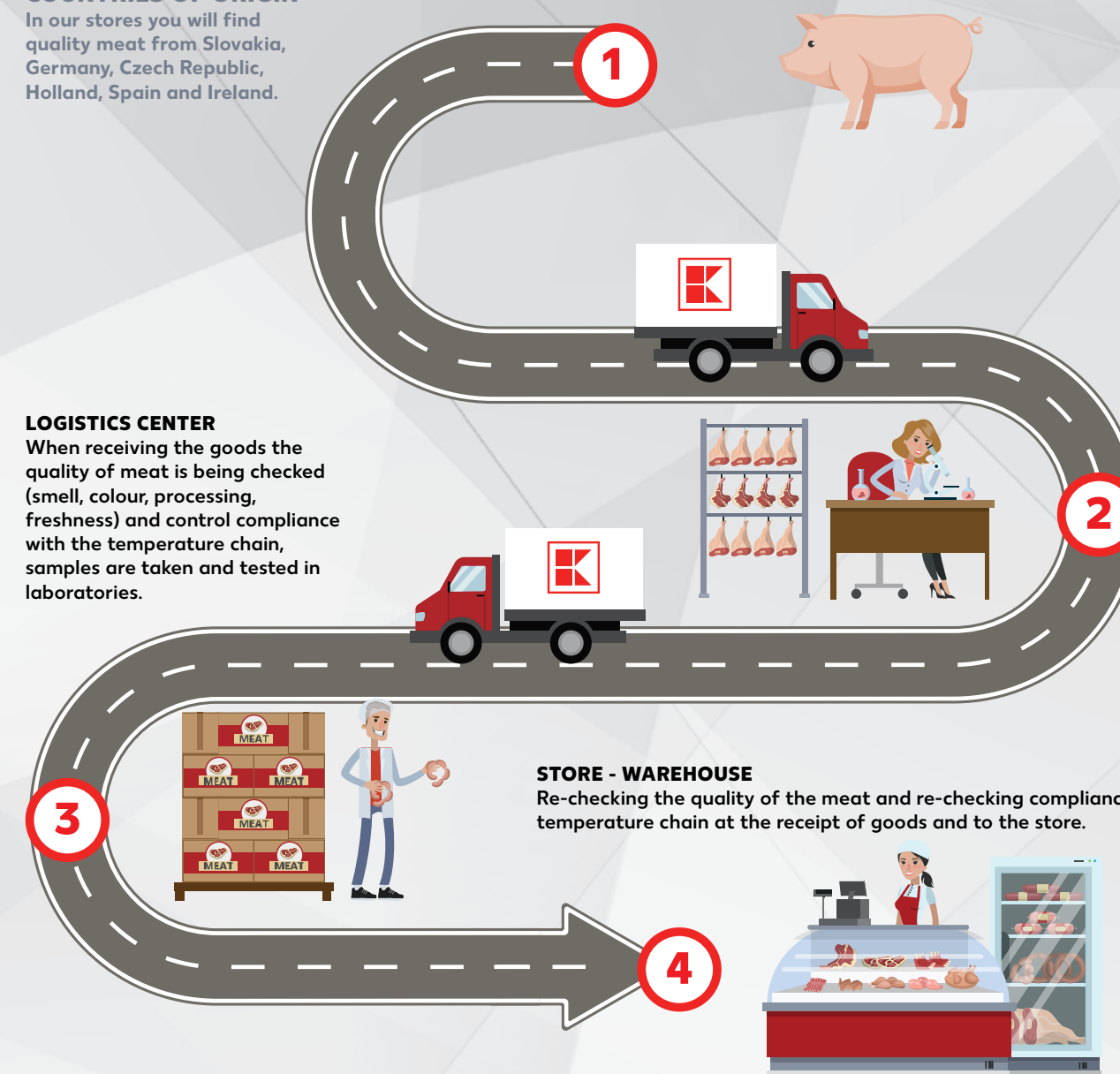
When receiving the goods the quality of meat is being checked (smell, colour, processing, freshness) and control compliance with the temperature chain, samples are taken and tested in laboratories.

STORE - WAREHOUSE

Re-checking the quality of the meat and re-checking compliance temperature chain at the receipt of goods and to the store.

COUNTERS

Our trained employees regularly check the quality and expiry date and will be happy to advise you on choosing your favorite meat.



³⁷ GRI 103

³⁸ GRI 416-1

³⁹ GRI 416-2

⁴⁰ GRI 416-2

PESTICIDE-FREE FRUIT AND VEGETABLES

We follow the principle of minimization. This means that pesticide use is either completely eliminated or at least kept to the absolute minimum necessary.

Our goal is to achieve a paradigm shift in the production process and promote sustainable alternatives that are beneficial to people and the environment. That is why we are constantly expanding our offer of fruit and vegetables from organic farming or integrated production systems.

We carry out internal and external sensory checks of products on a daily basis. In the case of fruit and vegetables, we hire independent laboratories which conduct separate analytical tests to detect potential pesticide residues. **In the fiscal year 2020, 296 analyzes of fruit and vegetables were carried out, of which 2.7% analyzes proved a violation of the by law authorized substances.⁴¹**

DID YOU KNOW?

Integrated production refers to a system of agricultural production that preserves natural resources and makes careful use of additives like fertilizer and pesticides. It is a nature-friendly and sustainable cultivation method that emphasizes the protection of human health and the environment. Integrated production systems aim to achieve a balance between environmental benefits, profitability, and social requirements, which is why they are associated with the careful selection of biological methods, agricultural techniques, and chemical processes. The ultimate goal is to achieve stable production. Farmers in integrated production systems analyze soil samples and crops to identify their content of nitrates, hazardous components, and pesticide residues. This gives our customers certainty that they are buying high-quality products that meet modern society's strictest criteria for a healthy lifestyle.

⁴¹GRI 416-2



SUSTAINABLE FLOWERS AND PLANTS

In addition to focusing on protecting the health of our customers and producers, we also strive to protect biodiversity and ecosystems.

Since 2013, we have been working with our partners on reducing pesticide use. When growing flowers and plants, we avoid their use completely.

The implementation of this pesticide management system also relies on independent chemical analyses of products, which take place annually on an international level. Testing and sample collection at certified laboratories take place directly at our suppliers, as well as our Kaufland logistics centre.

If we are to maintain the highest quality standards and protect people and the environment, we often have to go beyond the regulations that are in force.

In addition to internationally recognized certificates like **Fairtrade and GLOBAL G.A.P.**, we also rely on internal standards. They are stricter than the corresponding laws and they place strict limits on active substances in order to keep pesticide use as low as possible.

Together with our suppliers and farmers, we have created a list of prohibited substances that includes particularly dangerous or harmful pesticides.

In order to achieve these goals, we have defined 4 main pillars:



Standards and certification



Effective and regular inspections



Equal and long-term relationships with suppliers



Education and research



SAFE TEXTILES

As a retail company, we also recognize our responsibility in helping our customers make more conscious and responsible consumer decisions.

That is why we are gradually adapting our product offer to include products that protect the environment and preserve resources, even when it comes to textiles, clothing, and footwear. We are constantly modifying our product quality requirements and expanding our environmental standards in supply chains.

In December 2015, we made the Detox commitment. Together with our suppliers, we are working on meeting the obligations that result from it.

Detox is a worldwide Greenpeace campaign that aims to make textiles and footwear free of chemicals that are harmful to people and the environment.

Since July 2015, the Manufacturing Restricted Substances List has been part of all our contracts with suppliers of textile products sold under our private labels.

Since 2017, we have been publishing an annual international report for the Detox commitment, presenting all our progress in a transparent way.

We have stopped using perfluorinated compounds (PFC), alkylphenols (AP), and alkylphenol ethoxylates (APEO) in textile and footwear wet processing, replacing these with more environmentally friendly alternatives.

Whenever possible, our textiles are:



made of organic cotton and GOTS-certified or



dirt- and water-repellent thanks to our innovative BIONIC FINISH® technology



OEKO-TEX®-certified



We require all our textile suppliers to join our Detox commitment and also follow other environmental standards. We conduct in-depth checks when negotiating with suppliers, who need to present proof that they meet our criteria (so-called environmental screening).⁴²

In order to guarantee and maintain these standards, we use an independent specialized testing institute to check water contamination caused by the production of textile subcontractors.

In the 2020 fiscal year, Kaufland conducted 111 tests of water (both fresh and wastewater) in 7 countries, in a total of 63 textile-producing plants that use wet processing:

111

tests did not contain APs or APEOs

109

tests did not contain PFCs

15

tests did not contain heavy metals

51

tests did not contain brominated or chlorinated flame retardants

We agreed on a remedy with all the suppliers of the mentioned products of our private label brands (100%).⁴³



CALENDAR YEAR 2019



CALENDAR YEAR 2020
Goal achievement



CALENDAR YEAR 2021 AND BEYOND
Our commitments after 2020

- » Our new focus on synthetic fibers complements our previous focus on natural materials
- » Forming a project-based multi-stakeholder initiative in Asia with the goal of identifying the sources of harmful substances and reducing or eliminating their presence
- » Implementation of the Kaufland online reporting system (BKMS)

- » Eliminating dangerous chemicals from the production process, with measurable limits derived from state-of-the-art technology
- » Supporting circular economy principles
- » Working with clean factories exclusively

- » Continue fulfilling our Detox commitment – ensure that only socially and environmentally compatible chemicals are used in the production of products sold under our private labels
- » Expanding our commitment regarding critical chemicals so that it also requires more sustainable working and production conditions
- » Increasing our share of environmentally friendly and resource-efficient textile products
- » Constant optimization of product packaging
- » Expanding the principles of our Detox commitment to include transparency in the supply chain and the removal of chemicals in other non-food product groups

⁴² GRI 308-1

^{*} The data includes water samples taken at all active companies that produce textiles using wet processing. We also took into account tests which were not requested by Kaufland, but which meet our requirements and have been added to the database of the Institute of Public & Environmental Affairs (IPE).

⁴³ GRI 308-2

MALÉ

PLASTY, veľký problém.

Od roku 2013 meníme zloženie kozmetických, prácích a čistiacich produktov našich vlastných značiek na receptúru bez mikroplastov. Pre svoju veľkosť sa dostávajú cez odpadovú vodu do prostredia a tak predstavujú veľkú záťaž pre životné prostredie aj pre náš organizmus.

Viac na kaufland.sk/mikroplasty



In total, our product range in Slovakia includes more than 70 cosmetics products of private label bevola® with "Recipe without microplastics" logo, also including a whole product range of bevola® Baby cosmetics for the little ones.

DID YOU KNOW?

With the goal of protecting the environment and oceans, in particular, in 2013 we made our **"own microplastic-free commitment,"** declaring that **we would stop using microplastics in cosmetics, laundry detergents, and cleaning products sold under our private labels.** This measure is also embedded in the general terms and conditions that apply internationally in regard to the production of cosmetics and cleaning products sold under Kaufland's private labels. These have mainly been replaced by natural and renewable substances. We have extended our goal also to the liquid microplastics. All private - label products that are free of microplastics will be progressively marked with the "Recipe without microplastics" logo. We are engaged in a constant dialogue with our suppliers of branded products in order to achieve similar progress in this area as well.

PRIMARY VS. SECONDARY MICROPLASTICS

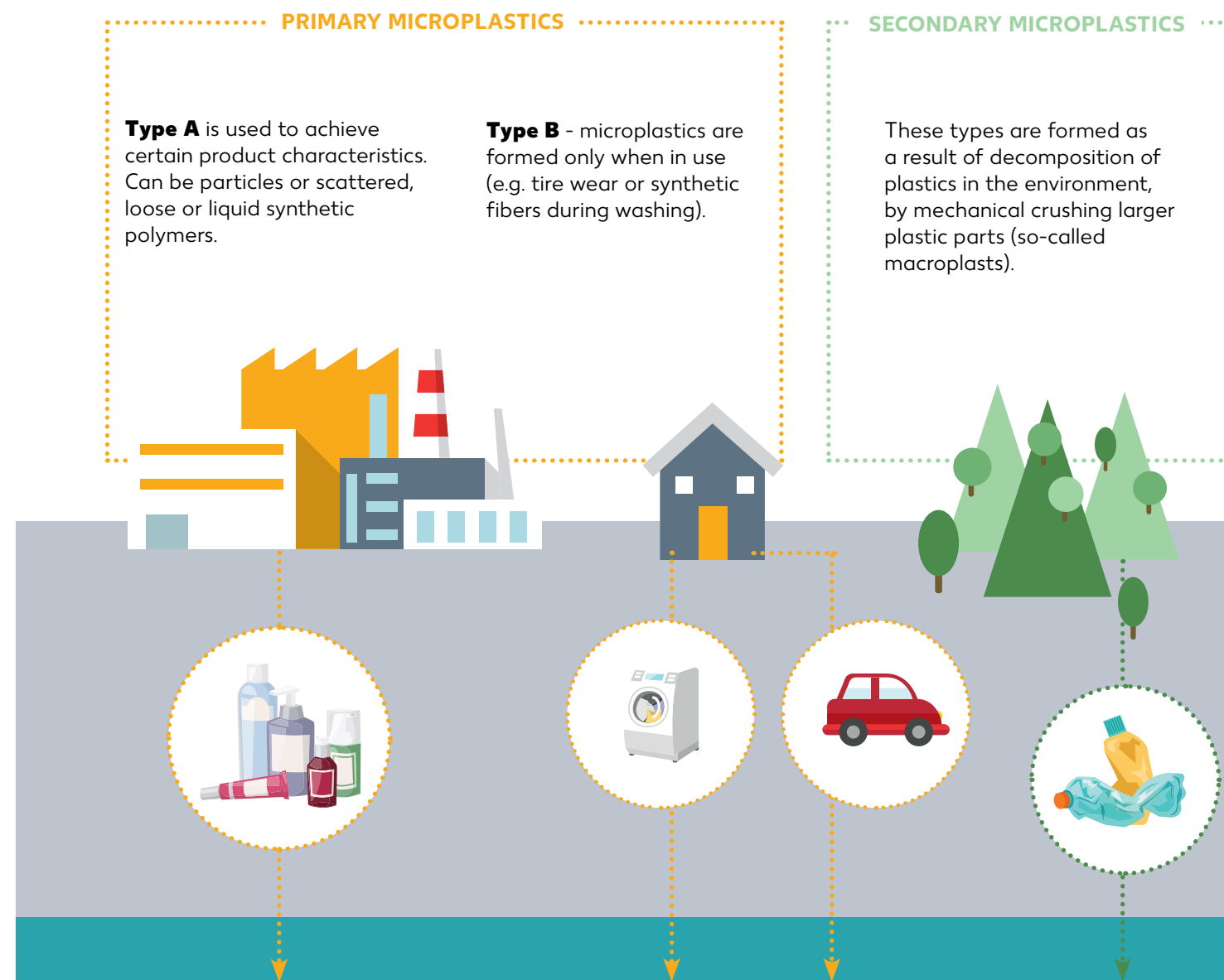
PRIMARY MICROPLASTICS

Type A is used to achieve certain product characteristics. Can be particles or scattered, loose or liquid synthetic polymers.

Type B - microplastics are formed only when in use (e.g. tire wear or synthetic fibers during washing).

SECONDARY MICROPLASTICS

These types are formed as a result of decomposition of plastics in the environment, by mechanical crushing larger plastic parts (so-called macroplasts).



PRODUCTION – GOALS FOR THE COMING FISCAL YEARS⁴⁴

SUSTAINABLE DEVELOPMENT GOAL THAT WE CONTRIBUTE TO



TARGET 12.2

By 2030, achieve the sustainable management and efficient use of natural resources.

TARGET 12.4

By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimize their adverse impacts on human health and the environment.

2021

- » We will stop using environmentally damaging chemicals in the production of clothing and home textiles sold under our private labels.
- » We will strengthen our responsibility in the value chain by joining the UN Global Compact and the UN Universal Declaration of Human Rights in global value and supply chains.

2022

- » By the end of 2021, our goal is to modify the formulas of cosmetics products, body care products, and laundry and cleaning detergents including car care products sold under our private labels so that they are free of solid and liquid microplastics, as long as the removal of synthetic polymers has no significant effect on the effectiveness or safety of these products.*
- » By the end of the 2021 calendar year, all textile products sold under our private labels will be made of GOTS-certified organic cotton.

2023
AND BEYOND

- » From the fiscal year 2024, we will purchase a complete product range of plants and flowers exclusively from sustainable and certified cultivation.
- » By the end of the 2025 calendar year at the latest, we will no longer purchase and sell cage-laid eggs. The same applies to eggs used as ingredients for the products sold under our private labels.
- » From the 2025 fiscal year, we will offer a complete product range of fruit, and vegetables exclusively from sustainable and certified farming systems.

⁴⁴ GRI 102-15
* This commitment does not apply to shaving products and it only applies to the formula, not the packaging or products they are applied with (makeup remover pads, cloths).



PRODUCT RANGE DEVELOPMENT



Our mission as a responsible retail chain is to offer high-quality products for good prices. We care about the health of our customers, which is why we are constantly expanding our range of gluten-free, lactose-free, vegetarian, vegan, and certified products. The selection of products for our range is handled by individual purchasing agents. Sustainability in Purchasing is managed by a single person who reports directly to the Purchasing Director. This demonstrates how important this topic is in the whole purchasing process.⁴⁵

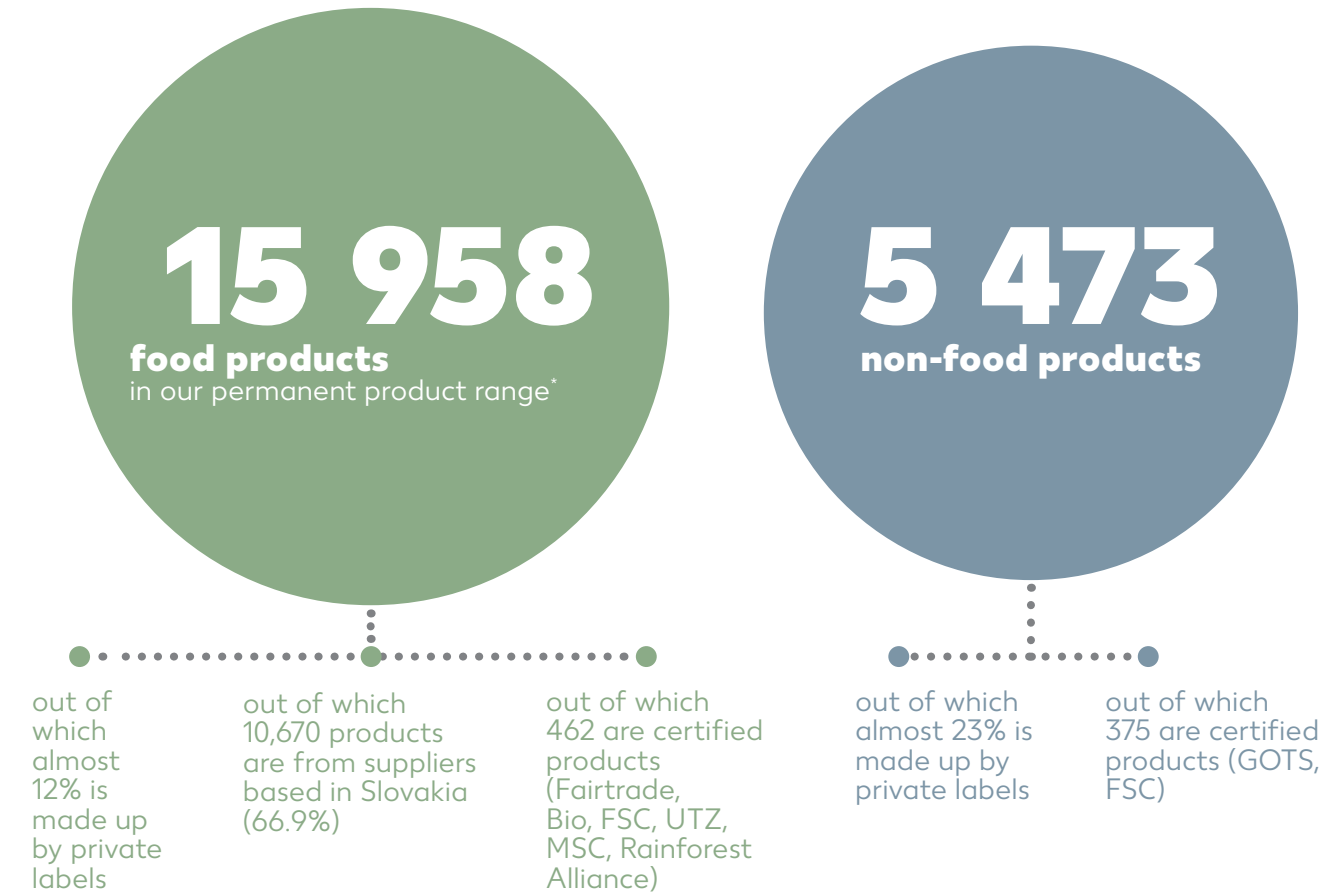


Iveta Hollá
CSR Project Manager in Purchasing department

“Climate change, a lack of natural resources, modern-day diseases like obesity and food intolerance – these are just some of the challenges that lie ahead of us. To address them, we always look into the future when creating our product offer. We also monitor and analyze the share of responsible and healthy products in our product range on an annual basis. We are constantly looking for ways how to expand this product offer, giving our customers the option of buying products which are beneficial for their health or which protect the environment and support sustainability. We develop projects to support domestic suppliers, strengthening the regional economy and employment, while also reducing CO₂ emissions. Because of this, we are constantly on the lookout for new Slovak suppliers with whom we can build long-term partnerships, while also giving them the opportunity to present their products to a larger customer base. Our support for Slovak suppliers has also been confirmed by a GfK survey from July 2019 that focused on the retail availability of Slovak products. On average, customers can find 5,908 Slovak products on offer at a Kaufland store, which is the highest absolute number among our competitors.”

⁴⁵ GRI 103

OUR PRODUCT RANGE CONSISTS OF⁴⁶

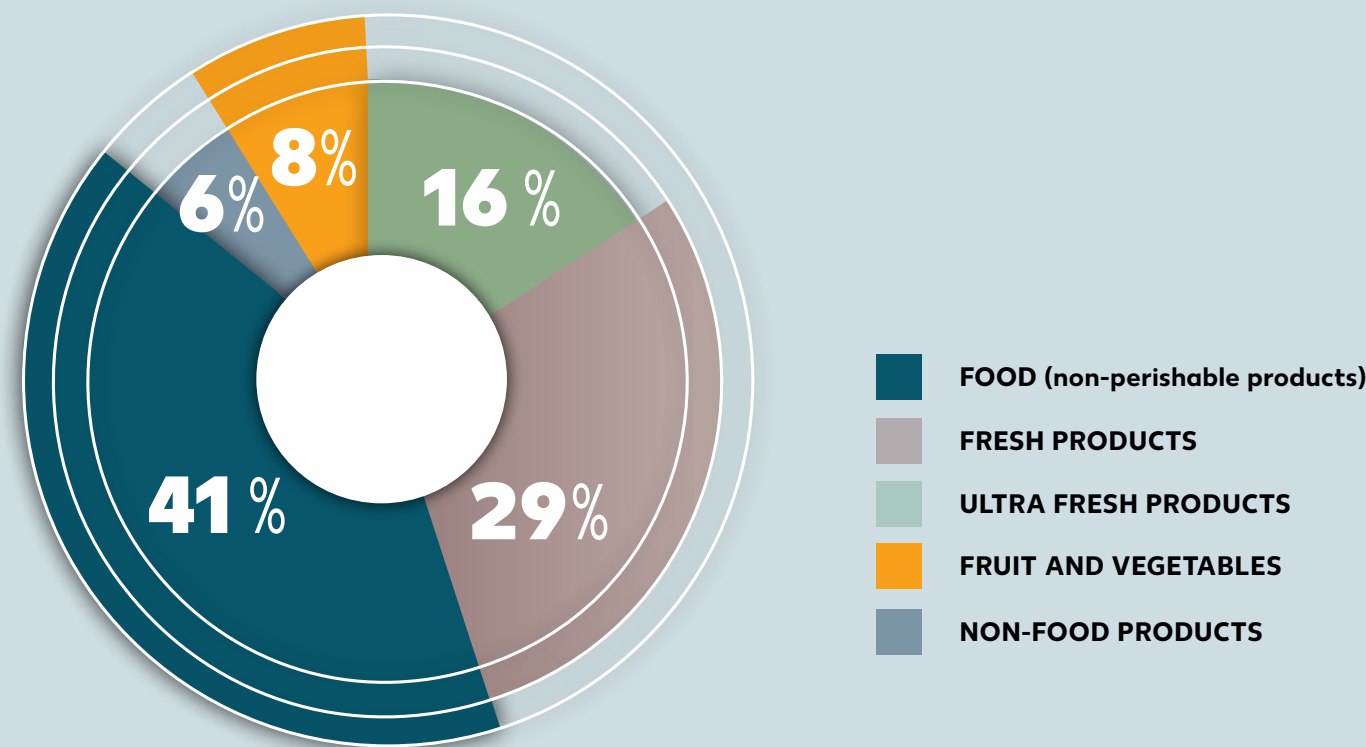


Our value chain in the 2020 fiscal year⁴⁷



⁴⁶ GRI 102-2, As at 29.02.2020
* Food products also include cosmetics and products for pets. We are not taking into account seasonal and one-off product offers.
⁴⁷ GRI 102-9, GRI 102-10

Supplier structure by product type



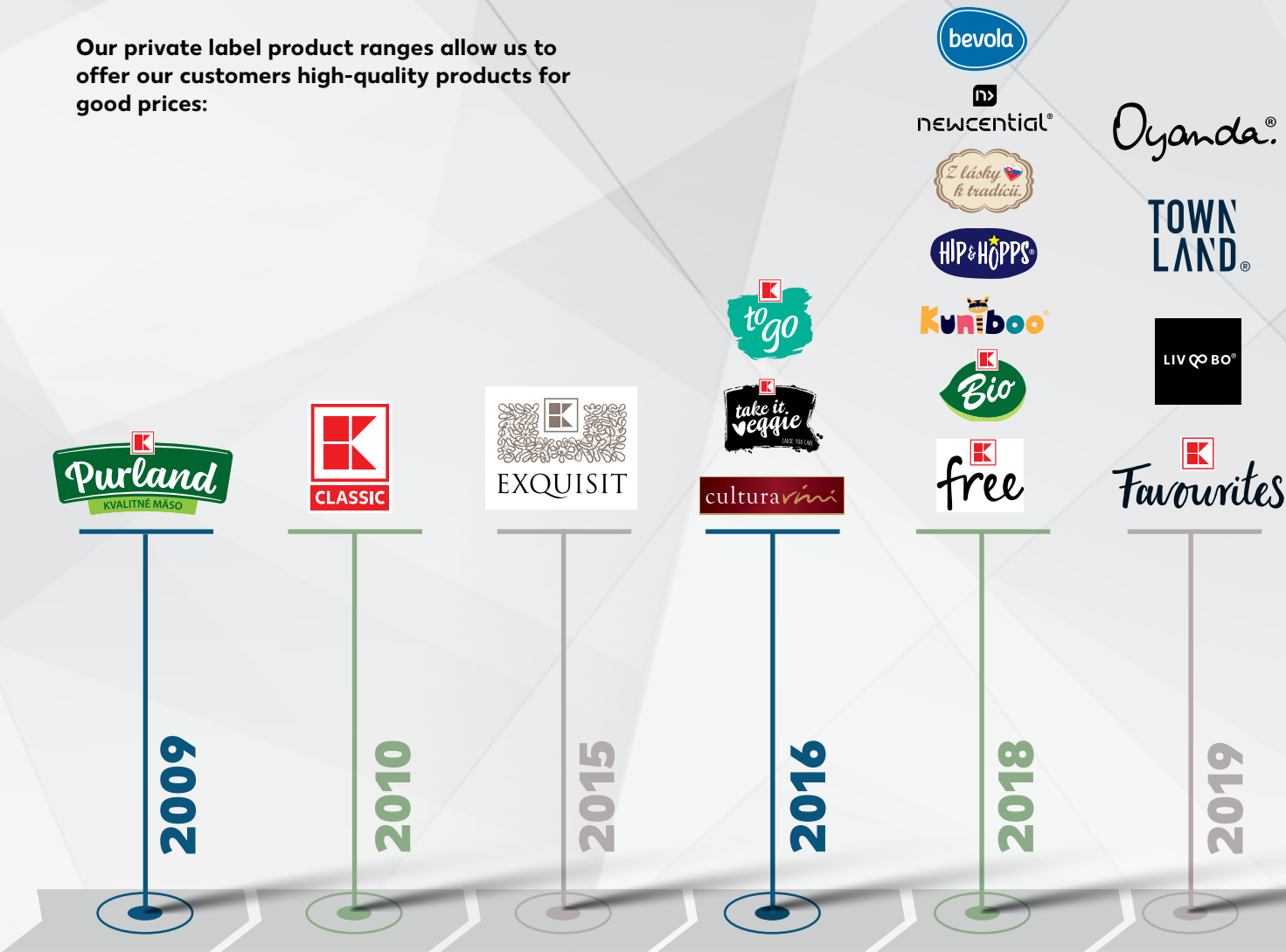
In fiscal year 2020, local suppliers⁴⁸ made up 8% of all our food suppliers. In comparison to the year before, the number of local suppliers had increased by more than 27%.



⁴⁸ The term "local suppliers" refers to suppliers who supply their products directly to stores in their vicinity.



Our private label product ranges allow us to offer our customers high-quality products for good prices:

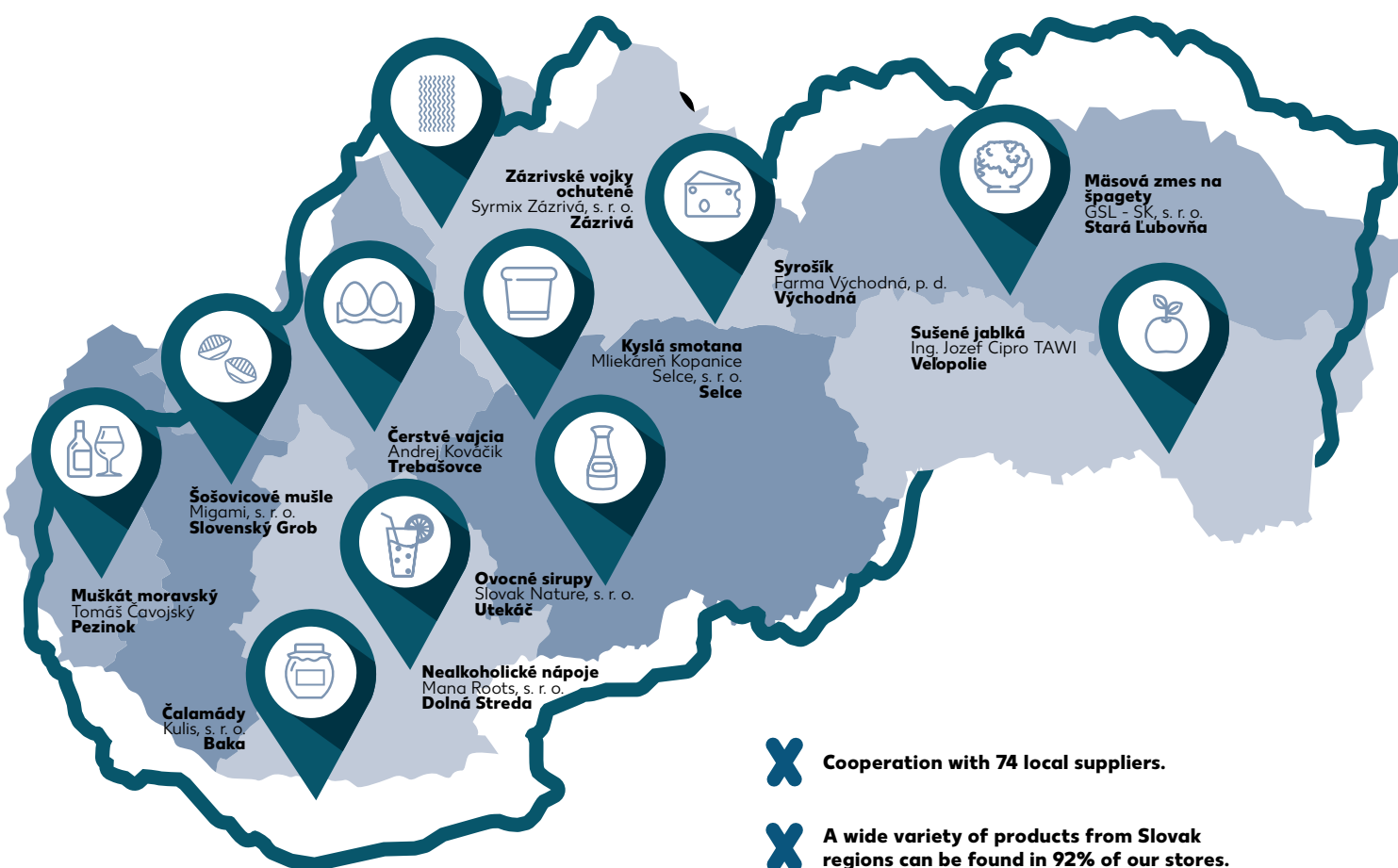


SUPPORTING DOMESTIC PRODUCTS

Our business strategy also focuses on cooperation with domestic suppliers, enabling us to boost the Slovak economy and increase regional employment. Products from Slovak suppliers can be found in both our permanent and temporary product ranges. Slovak suppliers primarily provide us with milk and dairy products, bakery products, wines, poultry, and fruit and vegetables.

As much as 60% of our total purchasing costs for products offered in our Slovak stores went to suppliers based in Slovakia.⁴⁹

THE BEST FROM SLOVAKIA



SUPPORTING LOCAL SUPPLIERS

In January 2017, we launched a project aimed at supporting local producers, giving them the opportunity to expand our product offer with products typical for specific regions. Due to limited production capacities, these suppliers are only able to offer their products at a few stores in their area. We try to make this cooperation as easy as possible in the following ways:



We offer consulting in regard to suitable packaging selection, know-how, and tips on how to make the packaging as environment friendly as possible.



We present these products on specially labeled shelves.

Enabling the cooperation of small local suppliers with a large retail chain improves employment in specific regions, but it also allows producers to experience a retail chain supply system.

“ We started working with Kaufland as a local supplier for Trnava. Our main motivation was to give customers the opportunity to buy craft beers when doing their regular shopping. Now our products are also available in Kaufland stores in Bratislava, which is a significant step forward for us. ”

Dagmara Klasová
CEO of the Sessler brewery

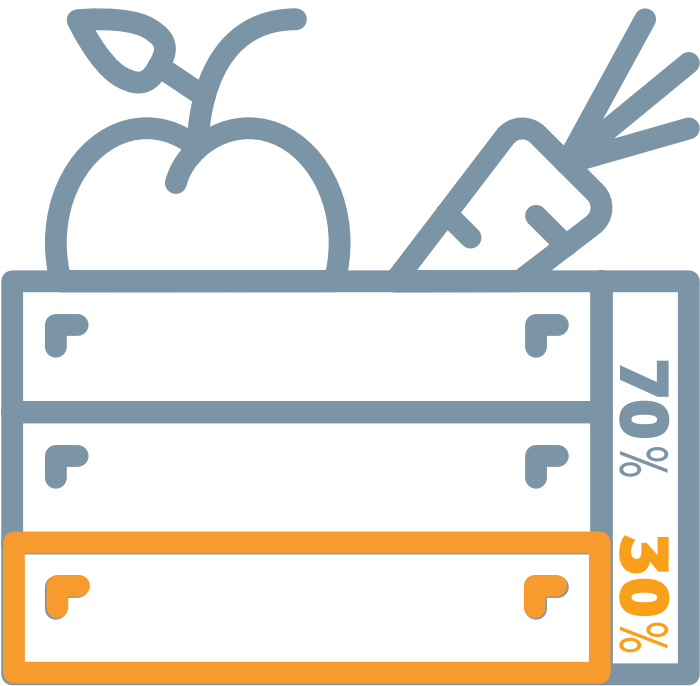


⁴⁹ GRI 103, GRI 204-1, we define the Slovak suppliers as suppliers who's registered office is in Slovakia

SUPPORTING FRUIT
AND VEGETABLES FARMERS

Since 2004, we have been sourcing Slovak fruit and vegetables from **5 wholesalers** who unite more than **200 farmers**. We work with the Association of Vegetable and Potato Growers of Slovakia with the aim of increasing the production and consumption of Slovak products. In the previous fiscal year, we offered more than

38 million kilograms
of fruit and vegetables produced in Slovakia.



■ Imported fruit and vegetables
■ Fruit and vegetables from Slovak producers

INTERESTING COOPERATIONS



A Slovak producer of cucumbers has been able to double their farm area, allowing them to export their goods to Kaufland stores in the neighboring Czech Republic.



Since 2017, we have been working with a Slovak supplier of sweet potatoes. Our goal is to have an exclusive supplier of sweet potatoes for all stores and support this supplier in growing a larger amount, potentially allowing them to try to store sweet potatoes too.



Since 2018, we have been working with a Slovak supplier of oyster mushrooms, grown on an area of 350 square meters. We currently purchase around 700 – 800 kilograms of these per week.



In 2019, we started working with a Slovak producer of oyster mushrooms and shiitake mushrooms. This is the first Slovak producer of shiitake mushrooms.

SLOVAK MEAT SUPPLIERS

Our goal is to offer our customers Slovak beef and pork. In 2018, we launched a project that supports Slovak farmers and meat processing plants by labeling products 100 % slovenské mäso (100% Slovak meat). When buying products with this label, our customers have the guarantee that the meat comes from animals born, raised, slaughtered, and processed in Slovakia. In the 2020 fiscal year, we offered almost



193 t
of Slovak beef

33t
of Slovak pork

SLOVAK POULTRY

In the 2020 fiscal year, whole chickens and chicken parts from Slovakia had a more than 76% share in our stores, products from the Czech Republic had a 23% share, and the remaining 1% came from Slovenia. These were sourced exclusively from renowned, certified production plants. We do not source these products from any other countries. We have also expanded our K-Purland private label to include poultry and poultry products from Slovakia and the Czech Republic.



OUR Z LÁSKY K TRADÍCII (WITH LOVE TO TRADITION) PRODUCT RANGE

The Z lásky k tradícii product range, which was introduced in 2018, offers dairy and meat products that local suppliers make using tried-and-tested recipes and Slovak ingredients exclusively. As a result, all these products have the original and unmistakable taste loved by generations. We also plan to further expand this range.



20
products on offer

EXPANDING OUR OFFER OF HEALTHY PRODUCTS

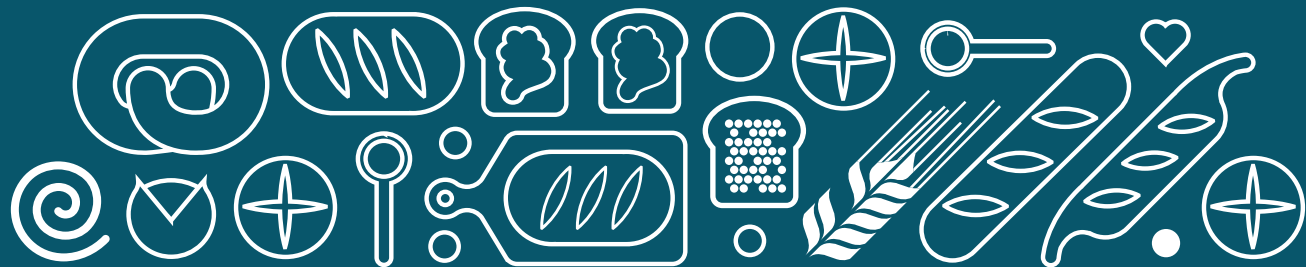
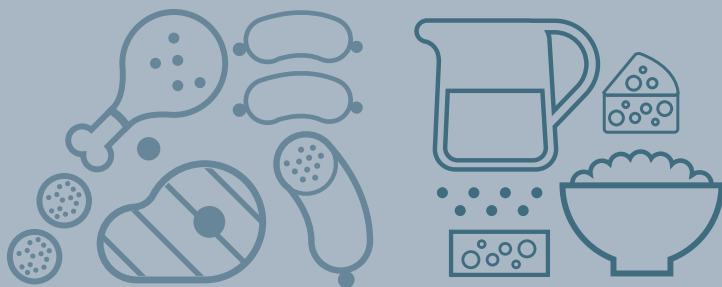
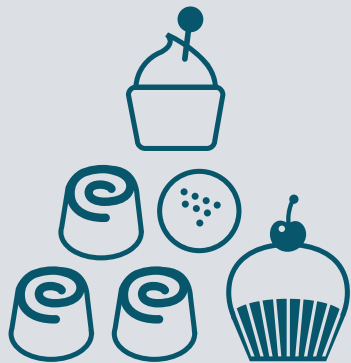
The loss of many animal species, food intolerance, and diseases of affluence – these are just a few of the challenges of our time. Now more than ever before, we need to be considerate of our future. That is why we strongly emphasize responsible design of a product range that protects people, animals, and the environment.⁵⁰



⁵⁰ GRI 102-15

REDUCING SUGAR, FAT, AND SALT CONTENT

The great prevalence of diseases like diabetes, obesity, and high blood pressure – which can be effectively mitigated by dietary changes – create a demand for healthier food among our customers. We have been focusing on modifying the recipes of products sold under our private labels so that they contain less salt, sugar, and fat, as their excessive consumption poses a health risk. Our goal is to do so without using substitute ingredients. We work with our suppliers in the product development phase to be able to offer our customers healthier alternatives. Reducing salt, sugar, and fat content is primarily a goal for dairy products, non-alcoholic beverages, frozen food, spreads, bakery products, and meat products. **Our customers can already find 43 products like this in our offer, comprising 1% of our total revenue from food products and 4% of our total revenue from food products sold under our private labels.**⁵¹



CERTIFIED PRODUCTS

Human needs and ecology are not just something we are very interested in – they are also a business priority. Proof of this can be found in our product offer, which includes increasingly more products made with respect for the environment and fair business.



VEGETARIAN AND VEGAN PRODUCT RANGE

Since the demand for meat alternatives is increasing and we also want to offer our customers these types of products. In addition to branded products, we also have our private label **K-Take it veggie**. Products sold under this label have the V-label seal of quality and many of them are organic. V-label is an internationally recognized symbol used for vegetarian and vegan products. This product range is very diverse – in addition to tofu and ready-to-cook products like schnitzel, lasagna, and falafel, we also offer spreads, yoghurts, drinks, and non-dairy substitutes for products like ice-cream.

120

products for
vegetarians
and vegans



LACTOSE- AND GLUTEN-FREE PRODUCTS

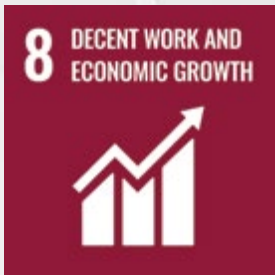
For those people who are lactose- or gluten-intolerant we have wide range of products to choose from. For example, our **K-Free** private label is developed in cooperation between specialists and select experienced suppliers.

350

gluten- and lactose-free
products

PRODUCT RANGE DEVELOPMENT – GOALS FOR THE COMING FISCAL YEARS⁵²

SUSTAINABLE DEVELOPMENT GOALS THAT WE CONTRIBUTE TO



TARGET 8.3
Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services.

2021

- » By the end of the 2021 fiscal year, we will significantly expand our Z lásky k tradícii product range.

2023
AND BEYOND

- » By the end of the 2023 fiscal year, the number of local products offered will increase by 50% and they will be offered at all stores.
- » By the end of the 2023 fiscal year, we will offer Slovak lamb in all stores year round.
- » In the 2023 fiscal year, we will increase our revenue from Slovak beef and pork by 50%.
- » By the end of the 2025 fiscal year, we will increase the share of fruit and vegetables that can be normally grown in Slovakia to 50%.*



TARGET 3.4
By 2030, reduce by one third premature mortality from non-communicable diseases through prevention and treatment and promote mental health and well-being.

2022

- » By the end of the 2022 fiscal year, the number of bio products offered will increase by 50%.

2023
AND BEYOND

- » By the end of the 2023 fiscal year, we will increase our offer of vegan and vegetarian products by 50%.

⁵² GRI 102-15
* Crops normally grown in Slovakia: Eggplants, broccoli, peaches, garlic, red onions, spring onions, yellow onions, zucchini, beetroot, cherries, blackberries, blueberries, quinces, gooseberries, grapes, pears, apples, strawberries, kohlrabi, white cabbage, red cabbage, Chinese cabbage, cauliflower, savoy cabbage, corn, raspberries, apricots, watermelons, muskmelons, carrots, nectarines, bell peppers, tomatoes, parsnip, pattypan squash, parsley, leek, rhubarb, radish, currants, greengages, sweet potatoes, plums, butterhead lettuce, iceberg lettuce, asparagus, pumpkin, Hokkaido squash, butternut squash, cucumbers, celery root, potatoes.



POINT OF SALE



ENVIRONMENT FRIENDLY PACKAGING

Due to the legislative framework and hygienic requirements, it is impossible for a retail chain to operate without the use of packaging. Packaging is used to inform customers about a product's ingredients and origin. It also protects products from external elements and makes transportation possible.

This area is managed by the Logistics Project Manager, who is responsible for identifying new opportunities and partnerships in waste recovery.⁵³

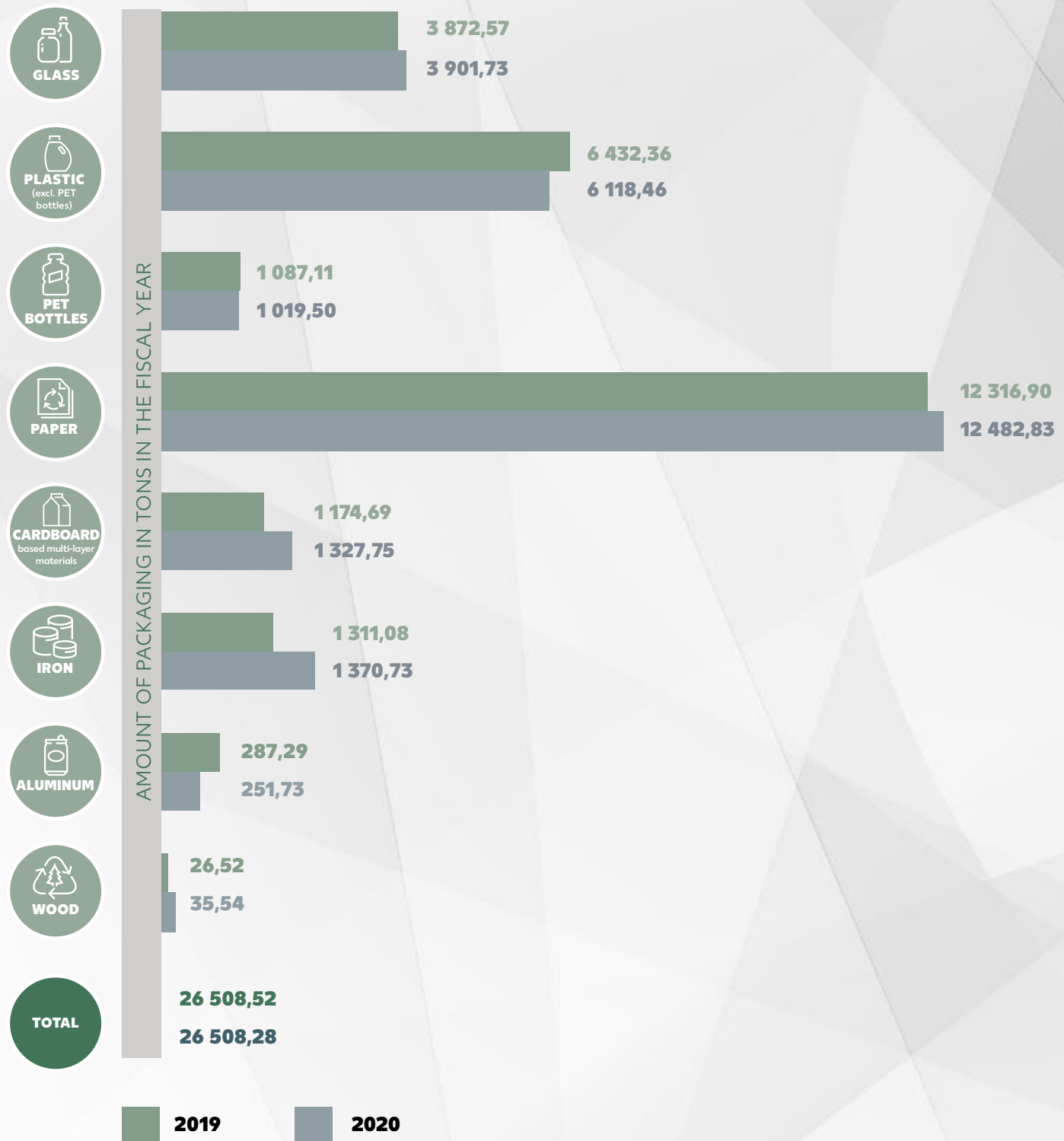


Roman Briatka
Waste Management Project Manager

“We are constantly dealing with packaging, evaluating its environmental impact, and searching for ways how to optimize its use. For instance, in just one year we have reduced our consumption of single-use plastic bags by 1 ton. We also monitor and analyze the packaging materials used for products sold under our private labels. Our goal for 2025 is to make the packaging of products sold under our private labels as recyclable as possible. Achieving this goal is the responsibility of individual purchasing agents for our private labels. On a monthly basis, we monitor the amount of waste produced and its recycling quota, and we set goals for the following period.”



The following data shows what amount of packaging and “non-packaging” (products made of the listed material) we placed on the market as a producer or importer in 2019 and 2020 fiscal years. We have the obligation to report this data to the authorities through the NATUR-PACK producer responsibility organization. When it comes to our packaging consumption, we stayed at nearly the same total weight despite the fact that these figures could not be adjusted for expansion (new stores).⁵⁴



⁵³ GRI 103

⁵⁴ GRI 301-1 Products made in Slovakia and products imported by suppliers to Slovakia are not included in this report. It is the supplier or producer, not the retailer, who has the obligation to report packaging and non-packaging volume to the authorities. Kaufland does not have access to this information from suppliers.



The Schwarz Group - together with the Kaufland and Lidl retail chains - is one of the biggest retail companies, so it takes environmental protection with great responsibility. The REset Plastic initiative creates a comprehensive international strategy which aims to reach vision: "Less plastic - closed loops".



FIVE AREAS OF ACTIVITY:

1. REDUCE

We reduce - wherever sustainably possible - plastic.

2. REDESIGN

We design recyclable packaging and close loops.

3. RECYCLE

We collect, sort and recycle plastics to close the loop.

4. REMOVE

We support the removal of plastic waste from the environment.

5. RESEARCH

We invest in research and development of innovative solutions and educate on recycling.



We phased out single-use plastic dishes, cutlery, straws, and cups.

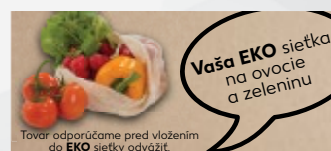


In 2017, we were the first retail chain in Slovakia to join **Bez igelitiek** (No Plastic Shopping Bags), an initiative created by the Ministry of the Environment. After joining, we stopped selling the lightest, most commonly sold type of plastic shopping bag.

In October 2019, the Minister for the Environment sent us a letter of appreciation for our decision to stop selling all single-use plastic shopping bags.

By removing the lid, we were able to reduce the amount of plastic used for the packaging of coffee drinks sold under the K-To go private label by 33%.

We introduced an environment friendly bag made of organic cotton as an alternative way of packing fruit and vegetables.



Uletel nám dekel.
Namiesto neho nájdete na nápojoch s kávou K-to go nový praktický uzáver a o 30 % menej plastu.

We phased out plastic-stemmed cotton swabs and replaced them with a more environment friendly alternative.

We phased out single-use plastic bags.



As part of our REset Plastic strategy, we started changing the packaging of products sold under our private labels. We use the Consciously packed label to draw attention to products that are packed using more environmentally friendly materials, or which have had part of the plastic packaging removed, thus reducing its weight. Thanks to this new label, customers can immediately see which products have had their packaging changed in line with our commitment, meaning that the packaging has a lower environmental footprint. In order to be labeled with this logo, the product packaging has to meet at least one of these criteria:



at least **80 %** recyclable



at least **30 %** content of recycled material



reduction in packaging weight by at least **10 %**



the K-Class rapeseed oil packaging contains **50% recycled plastic**, saving approximately **11.5 tons** of new plastic per year



the K-Class yoghurt drink has packaging that **saves 0.93 tons** of plastic per year



the K-to go drink packaging **saves 1.3 tons** of plastic per year



MAY 2019

JUNE 2019

AUGUST 2019

NOVEMBER 2019

JANUARY 2020

BOXES FOR FRUIT AND VEGETABLES

Since 2015, we have been using green folding boxes produced by Euro Pool System (EPS) for the transport of fruit and vegetables. Thanks to these boxes it is possible to keep fruit and vegetables in the same box throughout the whole logistics process – from distributors to our stores. By using these boxes, we prevent the use of additional single-use cardboard boxes, which would turn into waste. Last year, EPS boxes reduced our CO₂ emissions⁵⁵

by 3,183 tons.

HOW EXACTLY IT WORKS?

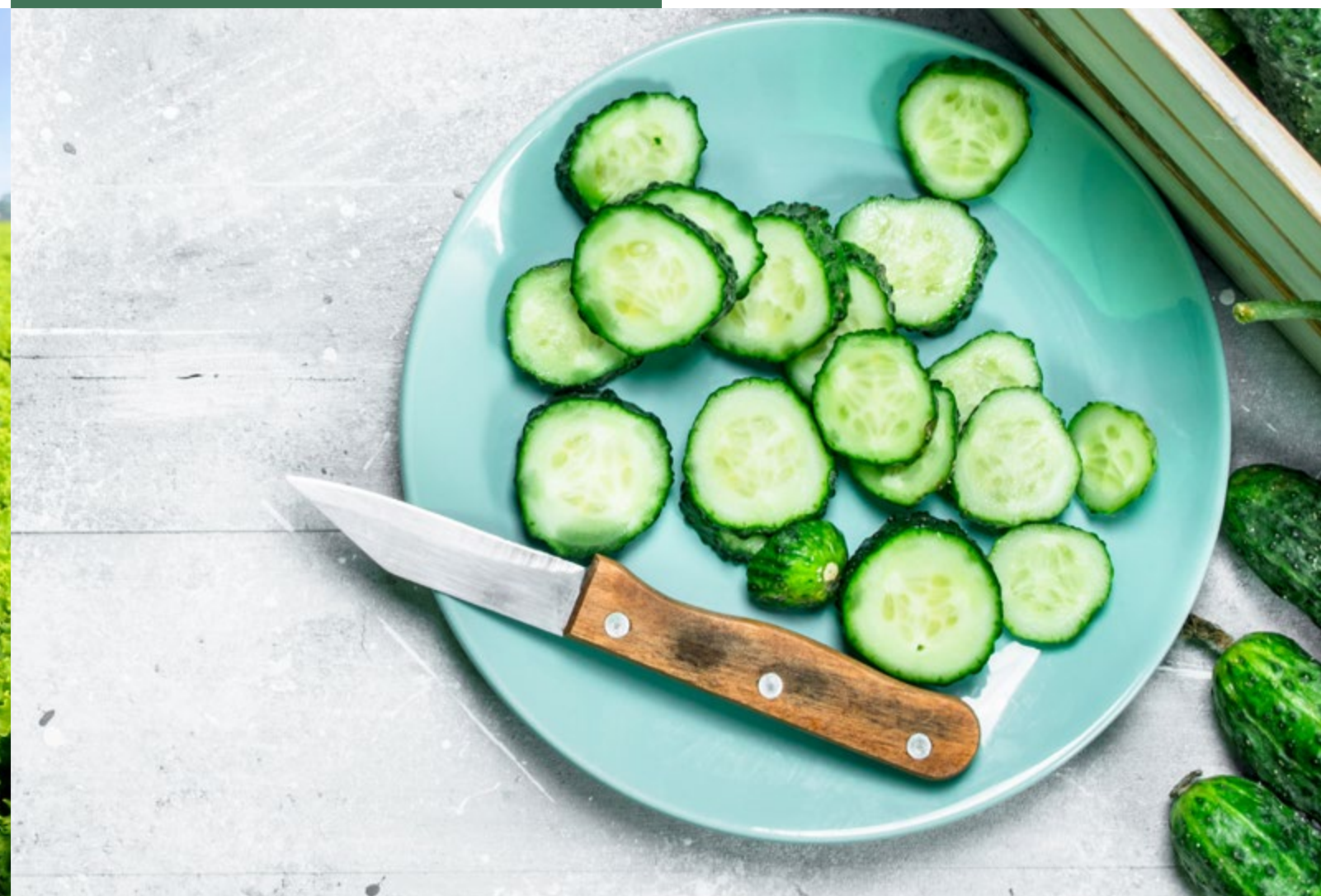
EPS provides clean boxes to the supplier, who fills them with fruit and vegetables. The products remain in these boxes until they are transported to the store. Empty boxes are sent back to the logistics center, where EPS picks them up and transports them to one of 70 EPS service centers in Europe. At the service centers, the boxes are cleaned in line with the strictest standards and then put back into circulation.

FRUIT AND VEGETABLES PACKAGING

When it comes to fruit and vegetables, we are constantly looking for ways how to reduce the amount of packaging material or replace it with more eco-friendly alternatives without putting the products at risk of damage. Acting upon the results tests and analyses, in the 2020 fiscal year we decided to stop selling foil-wrapped cucumbers.

15 tons

of new plastic saved thanks to the removal of plastic cucumber foil.



⁵⁵ This reduction was calculated using an environmental conversion that was based on an analysis of their life cycle and developed by the SIM foundation (Stiftung Initiative Mehrweg – The Foundation for Reusable Systems). The environmental conversion is based on an independent study commissioned in 2009 at the University of Stuttgart and SIM. This study shows that the CO₂ emissions of a single reusable boxes are equivalent to the emissions of 50 – 100 single-use cardboard boxes. By using these boxes 9,049,998 times in 2019, Kaufland Slovakia reduced its CO₂ emissions by 3,183 tons.

POINT OF SALE – GOALS FOR THE COMING FISCAL YEARS⁵⁶

SUSTAINABLE DEVELOPMENT GOAL THAT WE CONTRIBUTE TO



TARGET 12.5

By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.

2021

- » We will launch refill stations with environment friendly cosmetics and cleaning products (i.e. without single-use packaging).
- » We will introduce a reusable lid as a sustainable alternative to the single-use plastic lid for all 500-gram K-Classic cups. We will also remove plastic lids from selected products.

2023
AND BEYOND

- » By the end of the calendar year 2023, we will remove black plastics from all our private label packaging.
- » By the end of 2025 calendar year, the packaging of products sold under our private labels will be as recyclable as possible, and we will reduce our use of plastics by 20%.



⁵⁶ GRI 102-15

OPERATIONAL PROCESSES



RESPONSIBLE EMPLOYER



Karin Marková
Head of HR department

“We want to be an attractive and fair employer. We would not be able to achieve such excellent results and success without our active and involved employees. Therefore, it is our responsibility to create excellent working conditions that enable them to perform as best as possible, while also providing them with motivating remuneration, interesting tasks, growth opportunities, and a good work-life balance. Our cooperation with our employees is based on fairness and supporting the potential of each employee. Together, we form a strong, dynamic, and high-performing team that can offer its customers the best service possible.”

» **A well-thought-out employee orientation process, individual development plans, and career advancement opportunities in our own company.**

» **Fair treatment, equal opportunities, and a good work-life balance.**

» **A modern work environment, and attractive work conditions and remuneration.**

Care for our employees is our priority. We have repeatedly succeeded in an audit carried out by Top Employers Institute, an international expert organization that recognizes the best employers every year.

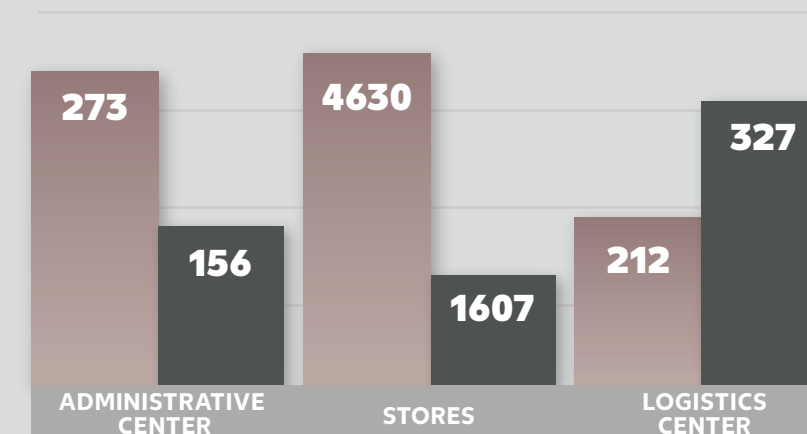
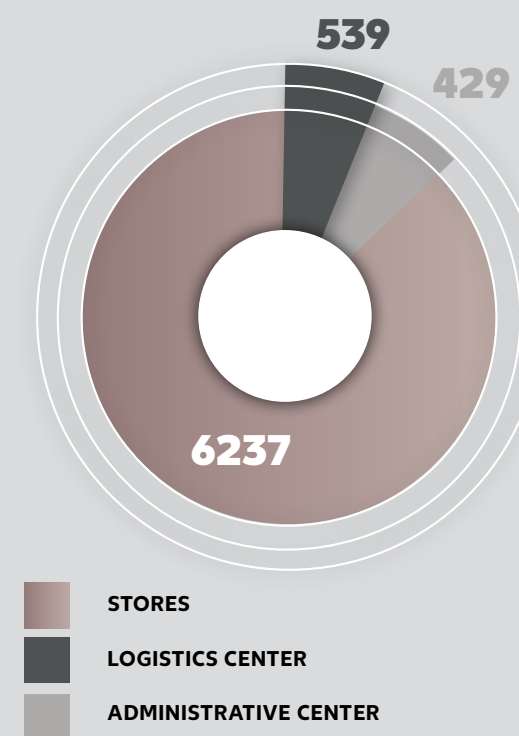
HR consists of several departments: Staff Organization, Staff Service, Staff Training, Recruiting and Marketing, and Employee Relations.⁵⁷

57 colleagues from our HR department support our employees

2019
6 892
employees

2020
7 205
employees⁵⁸

Employee data for the 2020 fiscal year as of 29 February 2020⁵⁹

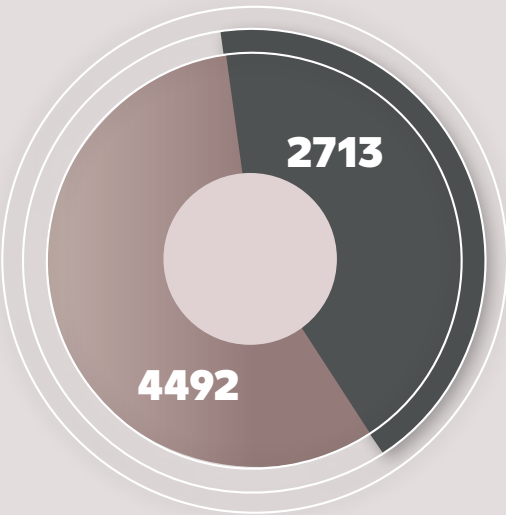


⁵⁷ GRI 103

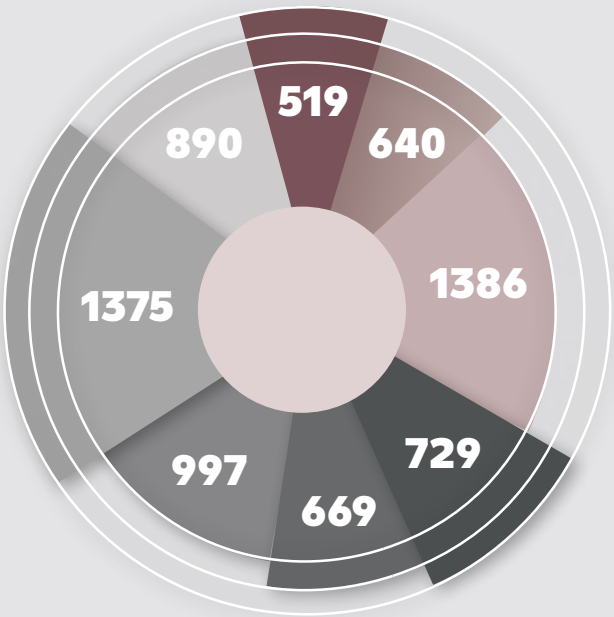
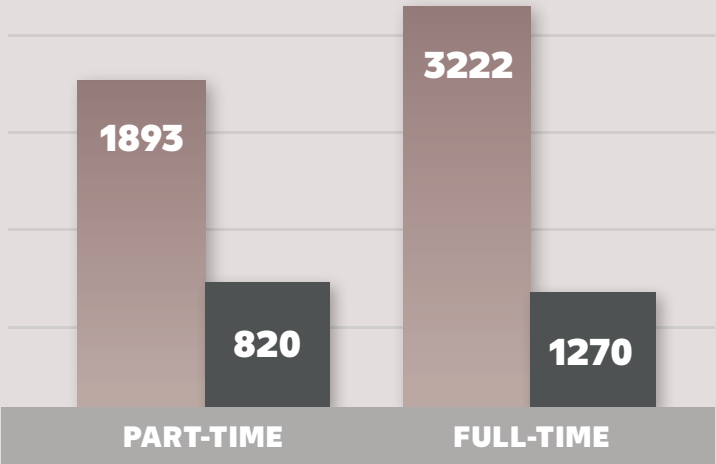
⁵⁸ GRI 102-8

⁵⁹ We present the numbers of active employees who had an employment contract with Kaufland Slovenská republika, headcount as of 29.2.2020.

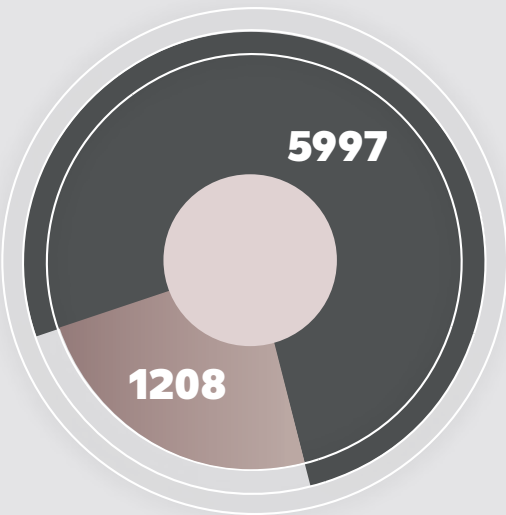
Employee data for the 2020 fiscal year as of 29 February 2020



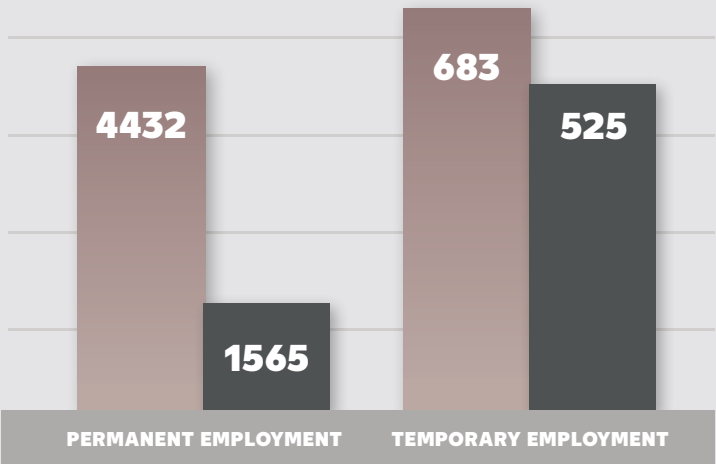
FULL-TIME
PART-TIME



THE BANSKÁ BYSTRICA REGION
THE BRATISLAVA REGION
THE KOŠICE REGION
THE NITRA REGION
THE PREŠOV REGION
THE TRENČÍN REGION
THE TRNAVA REGION
THE ŽILINA REGION



PERMANENT EMPLOYMENT
TEMPORARY EMPLOYMENT



DISTRIBUTION BY REGION	MEN	WOMEN	PART-TIME	FULL-TIME	PERMANENT EMPLOYMENT	TEMPORARY EMPLOYMENT	PERMANENT EMPLOYMENT		TEMPORARY EMPLOYMENT	
							M	W	M	W
The Banská Bystrica Region	149	491	247	393	573	67	124	449	25	42
The Bratislava Region	494	892	319	1067	1240	146	415	825	79	67
The Košice Region	199	530	350	379	552	177	118	434	81	96
The Nitra Region	159	510	285	384	512	157	94	418	65	92
The Prešov Region	243	754	493	504	808	189	116	642	77	112
The Trenčín Region	516	859	445	930	1170	205	439	731	77	128
The Trnava Region	229	661	359	531	677	213	130	547	99	114
The Žilina Region	101	418	215	304	465	54	79	386	22	32

OUR MANAGEMENT MODEL AS A PROMISE TO OUR EMPLOYEES

Leading people is a key role for all managers. At Kaufland, we all pull together regardless of one’s team or work position. This principle allows everyone to cooperate with each other. We are all aware that we are part of a team, so succeeding as a team is our priority. That is why we have the obligation to observe the following principles.⁶⁰



COMMUNICATE CLEARLY & GIVE DIRECTION

Communication in our company reflects our business model – **it is straightforward and direct**. We communicate clearly and approach conflicts in a constructive manner, making sure we handle them openly and resolve them on time. We communicate directly and on the same level. We give our employees all the information and data they need to fulfil their tasks, making sure it is provided in a structured form to ensure efficiency. We are thorough and transparent in our decision making. If necessary, we explain the reasons for our decisions and make sure people understand their context. We respect employees who have the courage to ask questions even if they include criticism. We devote appropriate attention to our answers and make sure we are understood.



DEVELOP EMPLOYEES & BE A ROLE MODEL

Our performance is a deciding factor for the success of our whole company. Because of this, every manager needs to develop the potential of his or her employees. The power of our employees and their development in all areas of our company are a measure of our success. We develop and support our employees, enabling them to grow. At the same time, we require everyone to fulfill their tasks with commitment. We know how important recognition is to our employees. We create an environment where performance and commitment bring recognition that motivates our employees to perform as best as possible. Our employees have the right to know how they are evaluated. That is why we offer them constructive and appreciative feedback. However, we are not the only ones who provide feedback. We also require regular feedback from our employees. This is because we know that good managers always need to reflect on their own behavior.



PERFORM STRONGLY & CREATE DYNAMICS

We strive for continuous improvement. We thoroughly evaluate current solutions and initiate the necessary changes. We create targeted momentum that makes good solutions even better. The best solutions are then kept. Our business model requires simple and effective solutions. As managers, we make sure that procedures and optimizations in everyday processes have the necessary structure. By following predefined procedures, we can ensure the same high standard in all countries, but we also have the flexibility to adapt it to current conditions. We are responsible for the team we are part of. Additionally, we are also responsible for cooperation between other teams. When fulfilling our duties, we never forget that we contribute to the success of the whole company.



FAIR HANDLING & TO CREATE TRUST

As managers, we appreciate others and act without prejudice. We respect the personalities and capabilities of our employees. Respect for others is something we also expect from our employees. We trust our employees to manage the responsibility that comes with their work. The supervision that allows us to constantly improve is a support tool, not an expression of distrust. We strive to create a team atmosphere where employees are not afraid to come up with new solutions. We see mistakes as a chance to learn something new and grow. We are stable and reliable partners for our employees, just as they are for us. We stand by our values and we honor agreements. By applying a fair approach and creating mutual trust, we give everyone the opportunity to give their best to the company.



LIVE RESPONSIBLY & BE A ROLE MODEL

As managers, we think and act responsibly. We make decisions as if the company were our own. We use resources wisely. We give our employees room for self-actualization and responsibility. We also give them the opportunity to make decisions on their own, while also clearly defining their responsibilities. As managers, we have a great impact on our team, which is why we aim to set a good example in everything we do. We always highlight our team’s performance. We act with confidence, while also exercising restraint. We are role models.

WE HAVE SOMEONE TO CONFIDE IN

Whenever needed, our employees can discuss problems with **confidants**, who support compliance with our company values and leadership principles, ensure the sustainability of our positive company atmosphere, and help increase employee satisfaction and motivation, while also identifying and solving potential conflicts and problems. Each of our **four confidants acts as a contact person that employees can reach out to in difficult situations they are unable to solve on their own – no matter if these appear in their private lives or at work**. Our confidants will gladly offer advice regarding HR matters or company benefits. We guarantee absolute discretion and anonymity in regard to all information provided. Confidants can only address problems with the relevant people if they receive explicit consent from the confiding employee.

⁶⁰ GRI 103

FAIR REMUNERATION AND BENEFITS, AND A FAIR APPROACH

Remuneration is a central topic for us. In HR, remuneration is managed by the Staff Organization department, which is responsible for preparing an annual remuneration analysis, as well as a wage increase proposal, which the department approves together with the company management. The company management is also responsible for approving the staff plans and staff budgets for individual areas. Our goal is to be a top employer in regard to remuneration, which is why our wages have long been and continue to be set above the market average.⁶¹

ATTRACTIVE REMUNERATION

Equal opportunities for men and women, attractive and fair remuneration – these things are common practice in our company. **Our remuneration system guarantees equal pay for men and women on all levels and at all work positions in our company.**⁶²

A motivating remuneration scheme is necessary if we want to have a successful relationship with our employees, but we also see it as a way of showing recognition and appreciation of their work and results. Because of this, we evaluate our employees' wages regularly. In the 2020 fiscal year, we increased the wages of our store employees again, in comparison with the 2019 fiscal year

by almost
13,21%.

⁶¹ GRI 103

⁶² GRI 405-2

⁶³ GRI 202-1 Since we guarantee equal pay for men and women, listing different starting wages by gender is irrelevant.

In the 2019 fiscal year, the average starting wage at the "store employee" position was 46% higher than the legal minimum wage in Slovakia.⁶³

Full-time employment at Kaufland stores and in our logistic center is defined as 38.75 hours per week.

Our fair approach can also be seen in our work overtime policy. As a rule, employees keep a record of every minute worked overtime. Overtime hours can then be used to take compensatory leave or be paid out in the relevant balancing period.



BENEFITS

We want our employees to be satisfied, which is why we reevaluate existing benefits and add new ones on an annual basis.

Benefits offered to employees whose work for Kaufland is their principal occupation (both full-time and part-time)⁶⁴:

- » **Bonuses for various life events, such as weddings or the birth of a child**
- » **Bonuses for work anniversaries**
- » **Bonuses for unpaid blood donations**
- » **Benefit in the event of the employee's death**
- » **Christmas packages and gift vouchers**
- » **Employee referral bonus**
- » **Loyalty leave that goes beyond what is required by the Labor Code**
- » **Sabbatical**
- » **Multisport card**
- » **Fruit days**
- » **Employee discounts**
- » **Group events**

We offer our employees several opportunities to recover and relax. One of them is a sabbatical that can last up to three months. Employees are entitled to a sabbatical after they have worked for us for at least five years. They can use this time off for a variety of purposes – travel, further personal development, or spending time with family and friends. At the end of the sabbatical, employees return to their positions and continue to perform their duties. **In the 2020 fiscal year, 5 employees took a sabbatical and 14 employees took unpaid leave lasting more than a week.**

Activities that promote physical health play an important role in our benefit offer. For two years now, we have been offering our employees a Multisport card, which enables them to pick a sport or wellness activity of their choice. In the 2020 fiscal year, 646 employees made use of this benefit. Employees have the option of using the fitness center located at our headquarters. Once a week, our employees working in stores and logistic center get fresh fruit. The employees working at our headquarters receive it once a month. In the 2020 fiscal year, we provided our employees

almost
74 tons
of fruit.

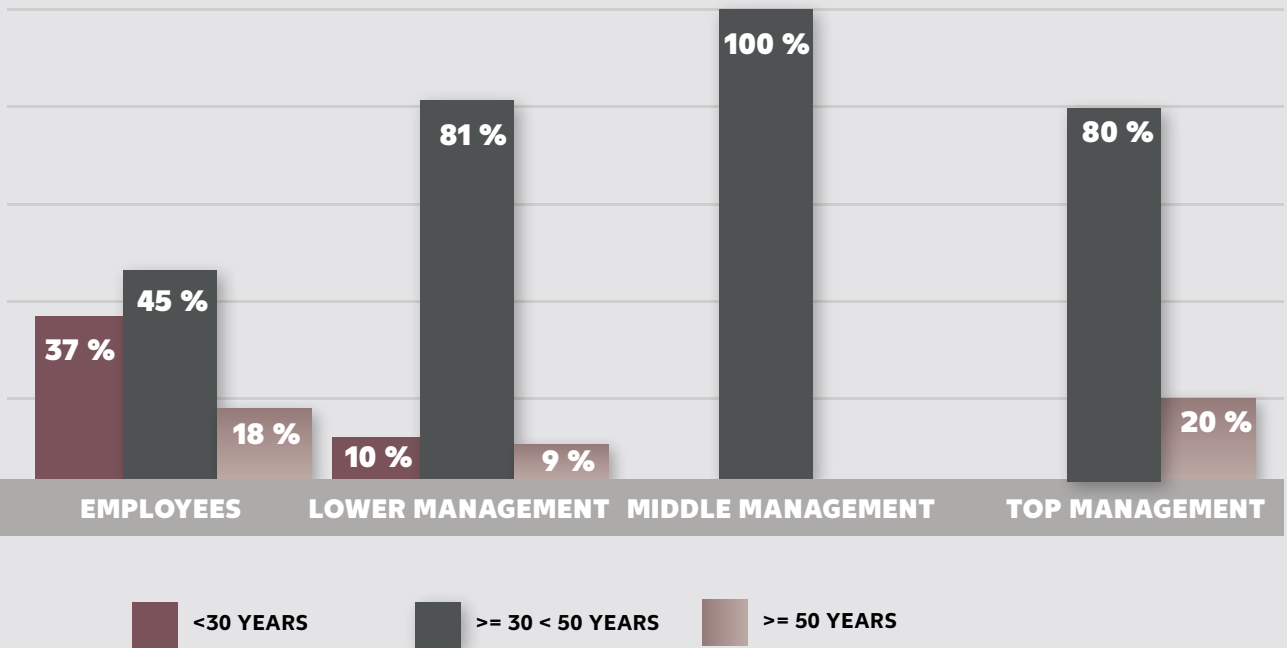
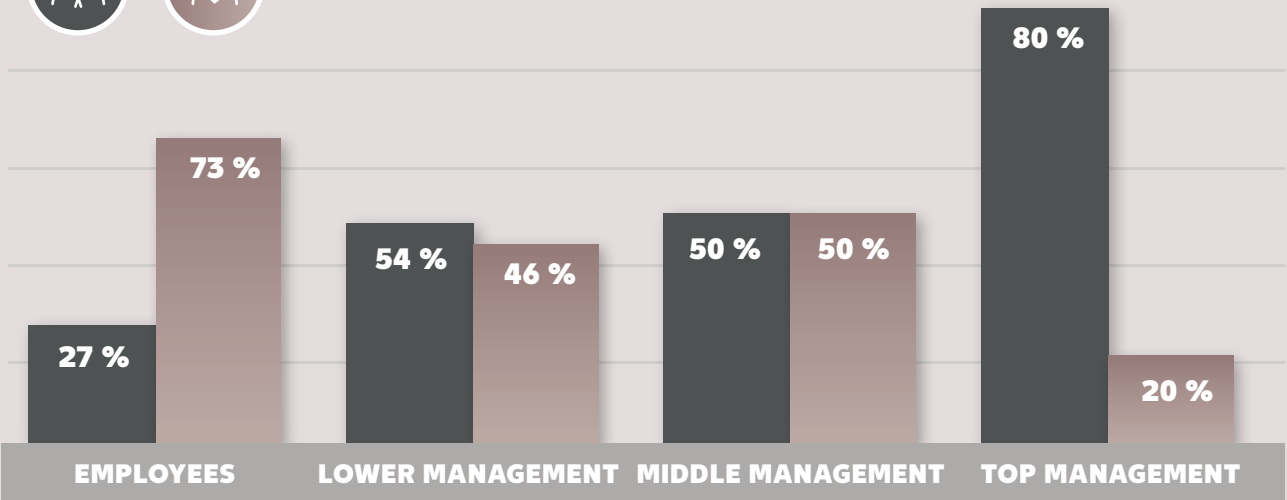
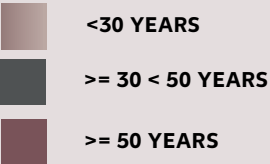
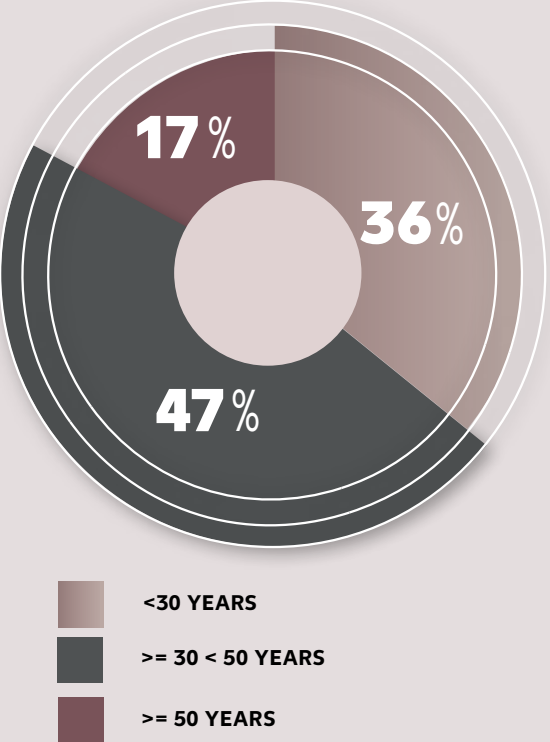
⁶⁴ GRI 401-2 Employees with permanent employment contracts receive the same benefits regardless of whether they work full-time or part-time. We offer a specific group of employees accident insurance, life insurance, and liability insurance. In the 2020 fiscal year, 565 employees were entitled to group insurance. Pension contributions are typically only offered to employees in the third risk group as defined by law.

DIVERSITY AND INCLUSION

As a responsible and fair employer, we want to create equal conditions for all employees, regardless of their social background, beliefs, origin, gender, sexual orientation, or age. With the goal of supporting diversity, we have implemented a wide range of measures that offer our employees a good work-life balance, equal opportunities, and various career and personal development opportunities. We see diversity as a key factor of success. In the 2020 fiscal year, all employees (including people working based on a contract of work performed outside of employment) attended a training that focused on preventing discrimination and increasing awareness about this topic.⁶⁵

WE SUPPORT DIVERSITY

Diversity is a principle that enables all people – regardless of their individual differences – to fully develop their personal potential. For us, it means accepting and supporting the talents of individuals. Kaufland’s employee structure is very diverse, also in regard to its age and nationality composition. We have employees of as many as **13 different nationalities**. We offer jobs to both professionals and candidates without work experience. Our company has a high share of women, who make up as much as 71% of all employees. **Almost half (46%) of all managers are women.**⁶⁶



WE FOCUS ON THE INCLUSION OF DISADVANTAGED GROUPS

As a responsible employer, we focus on the inclusion of disadvantaged groups. **Every year, we arrange cooperation with sheltered workshops to support their activities.** We support people with autism spectrum disorder in finding work. As a result of these activities, we now have **two colleagues with ASD working at our headquarters – one in the accounting department, another in the payroll department.**

IN THE 2020 FISCAL YEAR, our cooperation with sheltered workshops amounted to **€263,000**



⁶⁵ GRI 103
⁶⁶ GRI 405-1

WORK-LIFE BALANCE

Employee Relations is the part of HR that is responsible for company benefits, employee events, internal communication of HR topics, as well as employee participation in CSR activities. Creating conditions to find a balance between work and personal life, as well as support for employees in various life situations, are two important topics for us.⁶⁷

The most common way of finding a good balance between work and care for children is by choosing **part-time employment**, which is flexible and allows parents to adapt and plan their working time.

The employees working at our headquarters and administrative employees working at our logistics center have a flexible working time. This group includes 512 employees in total, which amounts to 7.1% of our employees in Slovakia.

Wherever made possible by the nature of their work, our employees can **work from home once every two weeks**, in exceptional cases even more frequently.

The employees working at our headquarters can make use of the **Parent Room**, which increases their flexibility in emergency situations, allowing them to take care of their children at work. This office for parents combines the functions of an office and a children’s room. It is adapted for the specific needs of working parents and their children.

IN THE 2020 FISCAL YEAR,
38%
of our employees worked part-time

113
employees used the home office option



⁶⁷ GRI 103

TRAINING AND DEVELOPMENT

Employee development is one of the priorities of our Training and Development department, which creates comprehensive learning programs that are custom-built for specific groups and the individual needs of their attendees, whether it is university graduates, junior managers, or senior managers. The programs are built on both a national and an international level, and carried out in cooperation with external training companies. In addition to development, we also offer our employees high-quality education opportunities that take into account their individual needs and potential for professional and personal growth. We also have a talent management system, a leadership program, and we cooperate with secondary schools by offering students dual education and practical training opportunities.⁶⁸

Our company values and leadership principles are integrated in the employee orientation process, which includes a welcome day and an **info day**. They also play an important role in the first module of the **New Leader** program, which was attended by 20 new managers last year.

The average number of training hours per employee in the 2020 fiscal year⁶⁹

ALL EMPLOYEES	MEN	WOMEN	NON-MANAGERS	MANAGERS
1,8	3,6	1	0,5	21

TRAININGS

All our employees, regardless of gender or age, attend trainings. Our new employees make use of a well-thought-out employee orientation system, combined with on-the-job training under the supervision of a patron and a trainer, as well as self-education via online trainings. This system makes it easy to pass on knowledge, making learning time-independent and directly connected to work. **Our education portal includes as many as 163 courses and 17 main activities** in which employees can develop as part of their work. The offered trainings include Data Privacy, Discrimination Prevention, The Selection Process, Talent Management and Employee Evaluation, and Health and Safety at Work. They also include professional trainings for specific positions, such as Department Managers and Day Managers (they represent Store Managers), as well as professional trainings for individual store departments that provide information about processes and procedures, hygiene regulations, etc.

IN THE 2020 FISCAL YEAR,
79,011
courses attended on our K-education portal

These courses were completed by employees performing work on the basis of an agreement on work performed outside the employment relationship. The most common form of employee development is **on-the-job** training with support from superiors, as well as external trainings, workshops, etc. Our basic list of employee trainings can be found in the easy-to-navigate **Education Catalogue that is published every fiscal year**. Individual trainings are composed in a way that develops the skills and capabilities employees need to perform their work and to increase their potential in regard to further career development. In addition to this training package, we also offer professional and language trainings (German, English), external coaching, trainings focusing on the development of management skills offered as part of our Management Academy and New Manager programs, as well as other professional and development programs for managers.

⁶⁸ GRI 103

⁶⁹ GRI 404-1 The data does not include on-the-job training by supervisors.

TALENT MANAGEMENT

Offering our employees targeted individual development is incredibly important to us. It is based on the evaluation of individual employee competencies as part of our talent management process. This is because we know that good managers always need to reflect on their own behavior, and constructive criticism makes personal development possible. In the 2020 fiscal year

3 990

employees,

attended an evaluation review, which is 100% of all employees who met the evaluation criteria.⁷⁰ The condition that needs to be met is having worked under one superior for at least 6 months. The annual evaluation review is then used to create an individual development plan.

Evaluation process within Talent Management



THE KAUFLAND LEADERSHIP PROGRAM AND DUAL LEARNING

The Kaufland Leadership Program is aimed at university graduates. They receive a professional mentor, giving them the opportunity to gain practical experience, professional knowledge, and management skills over a period of 12 months. We work closely with secondary schools and provide education to our future colleagues as part of the dual education system. In the 2020 fiscal year, we had

3

trainees

54

students in the dual education system

NEW MANAGER

The New Manager program aims to support new managers from the very beginning of their work as managers, helping them fulfil the expectations stemming from their new duties and responsibilities. The program introduces our values, our management concept, and the basic management tools used at Kaufland. Every attendee is supervised by their superior throughout the program.

MANAGEMENT ACADEMY

At the start of the 2020 fiscal year, we joined one of the most comprehensive training programs at Kaufland. Management Academy is a 12-month international program for all operational managers. Superiors serve as trainers, guiding their employees throughout the program. This means that they are directly responsible for their employees' further growth, strengthening their role as managers. All trainings are closely linked to practice. By implementing experience from everyday work and providing regular feedback, the program makes sure that the knowledge gained can be used in the long term. The program consists of four training modules where attendees gain experience that help them become even better at organizing and fulfilling their managerial duties. An important part of the program is the creation of an individual development plan for every attendee. This ensures that the qualifications gained are also retained after the program.

FEEDBACK

We create an environment where performance and commitment bring recognition that motivates our employees to perform as best as possible. Regular feedback is part of our company culture. We strongly support open communication on all levels of our company, as well as targeted development for all our employees. However, we are not the only ones who provide feedback – we also require regular feedback from our employees. We collect it during our annual interviews, where every employee provides feedback to his or her superior, and via the PULS employee survey.

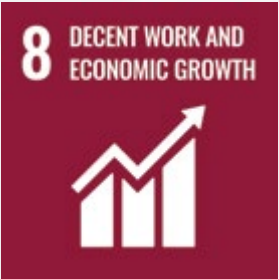
An important part of the questionnaire is the subsequent team discussion about its results, where employees have the opportunity to propose specific measures and improvements that would help the company become better.



⁷⁰ GRI 404-3

RESPONSIBLE EMPLOYER – GOALS FOR THE COMING FISCAL YEARS⁷¹

SUSTAINABLE DEVELOPMENT GOALS THAT WE CONTRIBUTE TO



2021

2022

2023
AND BEYOND

TARGET 8.5

By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value.

- » Wage review; analysis of wage and benefit conditions.
- » Updating our wage and benefit review; evaluating the effectiveness of implemented changes.
- » We want to maintain our position on the labor market as an attractive employer who can reach and attract the best candidates. We also want to systematically work on increasing employee satisfaction by creating the best possible conditions for work and development.



2021

2022

TARGET 4.4

By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship.

- » Development of our Talent management program, which focuses on the identification and development of talents, and the creation and execution of individual development plans.
- » Preparation and launch of development programs for lower and middle management with a focus on the development of managerial skills.
- » Launching the first edition of a development center for senior managers.

2023
AND BEYOND



2022

- » The power of our employees is a deciding factor in our success, which is why we want to offer our employees intensive development, support, and growth opportunities. By improving the managerial skills of our managers, we promote the Kaufland leadership principles.
- » As a responsible and fair employer, we want to continue ensuring equal conditions for all employees, while also providing opportunities for personal and career development for women and graduates without work experience.

TARGET 5.5

Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life.

- » Creating a program for supporting women in management positions.



2021

2023
AND BEYOND

TARGET 3.4

By 2030, reduce by one third premature mortality from non-communicable diseases through prevention and treatment and promote mental health and well-being.

- » Meeting the technical requirements and creating the framework conditions necessary to enable as many employees as possible to work from home.
- » We want to continuously offer our employees the best working conditions possible and support them in finding a good work-life balance.
- » We are aware that the health of our employees, as well as their mental and physical wellbeing, are a basic condition for motivation and successful performance.

⁷¹GRI 102-15

PROTECTION OF THE ENVIRONMENT IN OUR OPERATIONS

In our everyday business, we take on environmental, economic, and social responsibility. We are aware of the impact our business activities have on the environment, which is why its protection is a long-term priority for us. Since 2013, we have been equipping all our newly built stores with heat recovery ventilation systems. We also save energy by using LED lighting, new cooling equipment whose coolant has a low environmental impact, and new display coolers with glass doors. In the 2020 fiscal year, we built our first Slovak store with a roof covered with green plants. Our company has also implemented an energy management system in line with the ISO 50001 standard. To our knowledge, we have never violated any environmental guidelines or directives.⁷²



David Horváth
Technical Purchasing Manager

“We consistently implement measures to protect the environment and climate in all areas of our company. We use energy-efficient technology, plan environmentally friendly buildings, and optimize logistics processes. When planning new buildings and expanding our logistics center, we follow internationally recognized guidelines and internationally defined requirements for environmental protection. Kaufland stores in various countries are built in line with the same standards.”

⁷² GRI 307-1
⁷³ GRI 103

Environmental protection is managed by several departments in our company:

- » We have a manager responsible for energy consumption, energy efficiency, and cooling devices, who also monitors compliance
- » The project manager of the Expansion and Construction department
- » We also have a project manager focusing on waste management in logistics
- » Manager of Technical purchasing department

We are consistently monitoring and analyzing each area of our business – no matter if it is the energy intensity of our stores or the amount of waste they produce – and we are looking for ways how to reduce our environmental impact. We regularly set ambitious goals for the near future.⁷³

ENVIRONMENTALLY FRIENDLY EXPANSION

In the 2020 fiscal year, we opened three new stores – in Skalica, Svidník, and Ľubotice near Prešov. Each expansion represents a burden on the environment in terms of CO₂ emissions and waste generated. On the other hand, by opening stores in towns and cities where we did not have a presence before, we have increased the availability of our products and services, while also supporting the employment rate and economy of Slovak regions.⁷⁴

STORE	SALES AREA IN SQUARE METERS	CONSTRUCTION PERIOD
SKALICA	2 835,00	15 July 2019 – 5 December 2019
SVIDNÍK	2 525,00	3 June 2019 – 23 January 2020
ĽUBOTICE	3 188,00	28 August 2019 – 27 February 2020

2018	2019	2020
2 newly opened stores	2 newly opened stores	3 newly opened stores
5 modernized stores	4 modernized stores	3 modernized stores

LOGISTICS CENTER IN ILAVA

In order to reduce energy intensity, we have installed **LED lighting** in the whole logistics center complex. Our cooling **equipment uses a natural coolant with a low GWP value. The heat produced by cooling is reused for heating.** We have installed waterless urinals and reduced the flow duration of our sensor taps in order to save potable water. The premises are equipped with a rainwater harvesting system and a system that then purifies the harvested water, removing petroleum products.

⁷⁴ GRI 102-10, GRI 102-15, GRI 203-1

CO2 EMISSIONS

We are constantly reducing our greenhouse gas emissions through a variety of measures. In order to achieve further reductions in CO₂ emissions, **energy and cooling** have become our primary areas of focus.

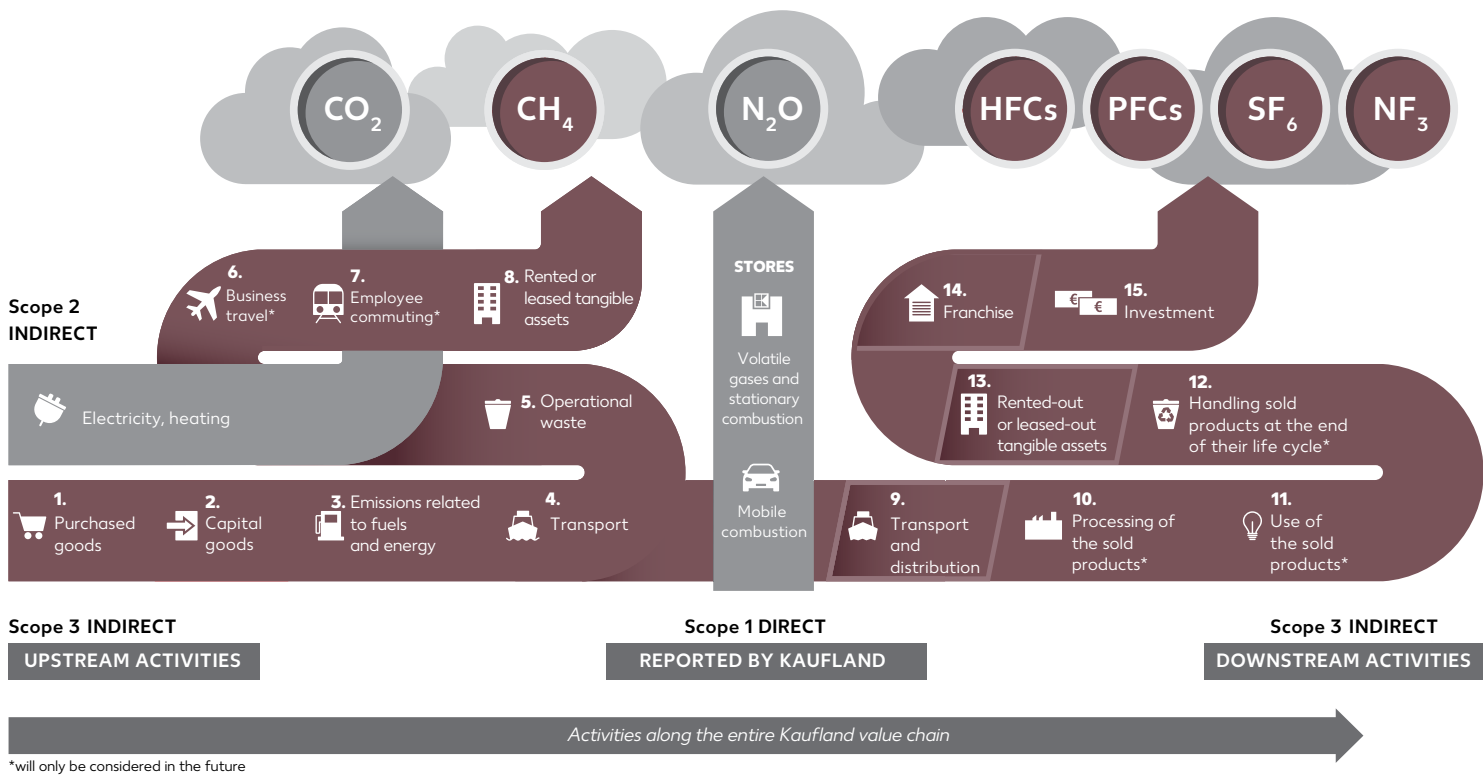
Our carbon footprint report includes GHG emissions released in connection with our business activities (both directly and indirectly) in specific fiscal years. In order to enable comparisons between different greenhouse gases, their global warming potential (GWP) is calculated and expressed as a so-called carbon dioxide equivalent (CO₂-eq). For instance, 1 kg of methane has the same GWP as 28 kg of CO₂, which would be listed in our report as 28 kg CO₂-eq.

- Greenhouse gas emissions are calculated in three steps:
- 1. Collecting relevant consumption data, e.g. energy consumption.
 - 2. If necessary: converting the consumption data to the emission factor reference unit (e.g. m³ per kg)
 - 3. Calculating greenhouse gas emissions (CO₂-eq.): [kg CO₂-eq.] = [consumption ME] x [kg CO₂/ ME emission factor]



Scopes of the Kaufland climate balance

Direct and indirect emissions: Scopes 1, 2, and 3 according to the GHG Protocol



Results based on the GHG protocol for the 2019 and 2020 fiscal years^{75,76}

		2019		2020	
		Emissions (tCO ₂ e)	CO ₂ emissions per square meter of sales area (sales area = sales area + ancillary areas) (kgCO ₂ c/m ²)	Emissions (tCO ₂ e)	CO ₂ emissions per square meter of sales area (sales area = sales area + ancillary areas) (kgCO ₂ c/m ²)
Scope 1	Volatile gas	7 593,84	25,70	10 655,43	34,91
	Mobile combustion	1 443,55	4,89	1 659,73	5,44
	Stationary combustion	3 780,93	12,80	3 766,85	12,34
TOTAL		12 818,32	43,39	16 082,01	52,69
Scope 2	Heat	1 398,70	4,73	1 466,05	4,80
	Electricity	22 069,32	74,70	26 538,62	86,94
TOTAL		23 468,02	79,43	28 004,67	91,74
Scope 3	Purchased goods	12 274,00	41,54	14 787,61	48,45
	Fuels and energy emissions	7 147,39	24,19	7 192,15	23,56
	Transport	8 650,92	29,28	8 295,67	27,18
	Operational waste	7 674,50	25,98	5 538,82	18,15
TOTAL		35 746,81	120,99	35 814,25	117,33

- Scope 1:** covers all CO₂ emissions that are produced directly at the company and can be regulated by Kaufland (direct CO₂ emissions)
- Scope 2:** covers indirect CO₂ emissions caused by the production of energy purchased from external energy suppliers
- Scope 3:** covers other indirect emissions

⁷⁵ GRI 305-1, GRI 305-2, GRI 305-3, GRI 305-4

⁷⁶ GHG emissions released in the production chain of products sold in our stores are not recorded. Our carbon footprint report does not take into account emissions created by customers (traveling to the store, using products, etc.).

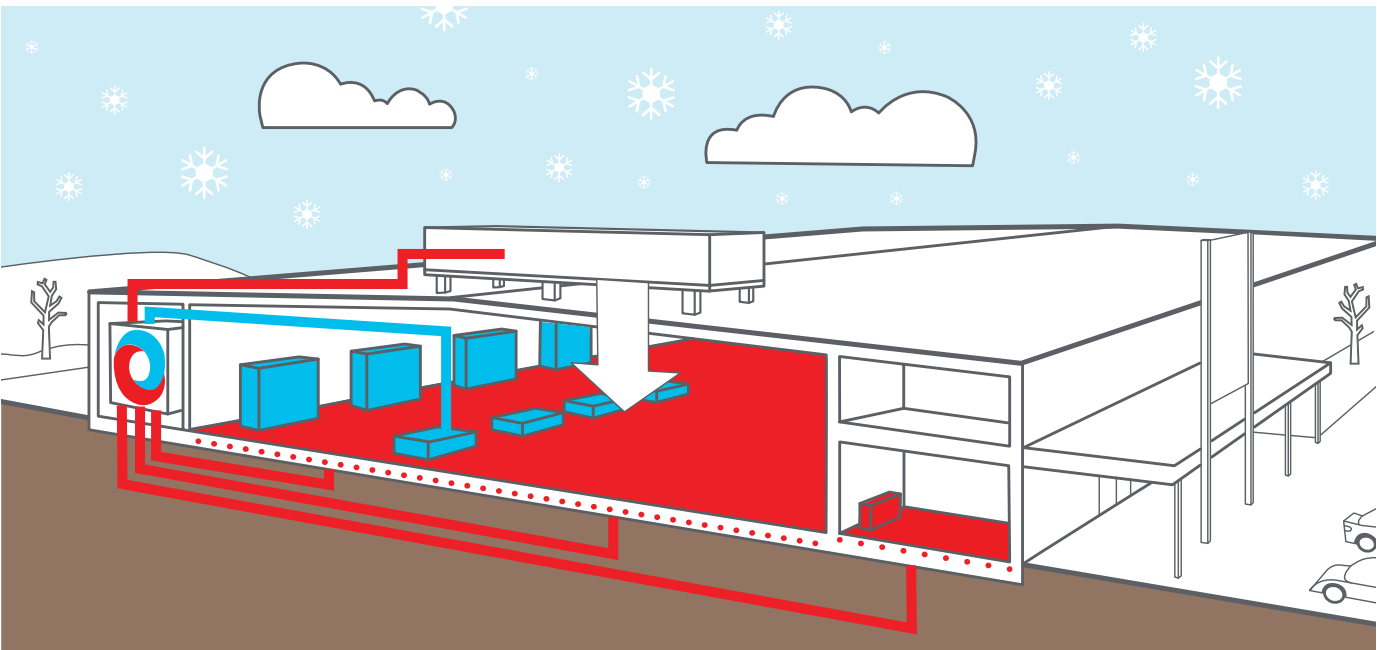
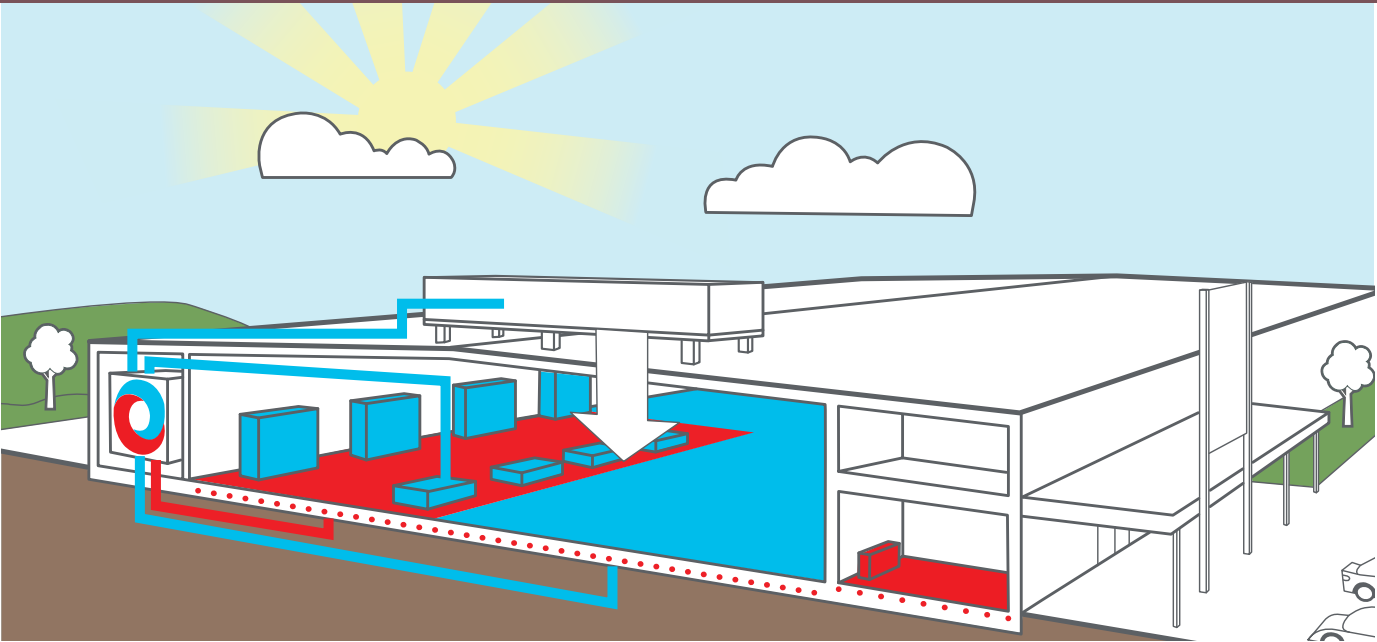
HEAT RECOVERY VENTILATION

Since 2013, we have been equipping newly built stores with heat recovery ventilation. We currently have 19 of these stores.

Heat recovery ventilation allows us to finally make use of waste heat, which is especially useful in winter and saves natural resources like oil, gas, and wood. It can provide as much as 80% of the heat needed. The ground and the foundation slabs serve as heat storage, which is optimal for use at low inlet temperatures between 38 and 40 °C. The system also includes ventilators, air curtains at entrances, as well as heaters in office and social spaces. Additionally, office and social spaces are also equipped with traditional underfloor heating. The heat recovery ventilation system covers the increased heat consumption using water-to-air heat pumps. This way we can do it without the use of fossil fuels.

In summer, additional compressors provide enough cold for the ventilation system and industrial underfloor heating, thus significantly improving indoor temperature. However, waste heat is also used for instance for industrial underfloor heating of the fresh product section. This store section is heated year-round because otherwise it would be uncomfortably cold for our customers in the hot summer. In the 2020 fiscal year, heat recovery ventilation helped us save

1,834 tons CO₂.



ENERGY MANAGEMENT

Our next step further in environmental protection is **receiving the ISO 50001 certificate** – an international standard that defines requirements for the creation, maintenance, and improvement of an energy management system. **With this certificate, we publicly express our commitment to efficient energy management, through which we aim to reduce the negative impact of our company on the environment.** The system allows us to regularly monitor and evaluate energy efficiency, consumption, and efficient energy usage. By doing so, we also save money and resources.

In the 2020 fiscal year,

49 out of 70 stores were equipped with LED lighting.

By replacing old lighting with LED technology, we can reduce the electricity consumption of our sales area by 25% on average.

Energy consumption in megajoules in the fiscal years 2019 and 2020⁷⁷

		2019	2020
Consumption of non-renewable fuels	Consumption of gas ⁷⁸	74 664 464,4	74 679 395,4
	Diesel consumption (fleet)	20 173 952,9	22 726 313,6
	Gasoline consumption (fleet)	21 173,6	521 881,5
Heat consumption		20 485 526,4	21 471 818,4
Electricity consumption		346 487 288,4	351 117 324,0
Total energy consumption		461 832 405,7	470 516 732,9

When calculating energy consumption, we used data collected manually from energy meters and the invoices provided by our energy suppliers.

The increase in gasoline consumption between the 2019 and 2020 fiscal years was caused by an expansion which added gasoline-powered cars to our vehicle fleet. In the 2019 fiscal years, the cars traveled approximately 4,000 km, in 2020 this increased to approximately 146,000 km.

Electricity consumption by area in megajoules in the fiscal years 2019 and 2020

	2019	2020
Electricity consumption in stores	315 369 417,6	323 209 083,6
Electricity consumption in the logistics center	30 136 658,4	27 019 173,6
Electricity consumption in the administrative center	981 212,4	889 066,8
Total electricity consumption	346 487 288,4	351 117 324,0

When calculating energy consumption, we used data collected manually from energy meters and the invoices provided by our energy suppliers.

Total energy consumption intensity in megajoules in the fiscal years 2019 and 2020⁷⁹

	2019	2020
Energy consumption per employee	67 009,9	65 263,5
Energy consumption per square meter of sales area	2 278,3	2 248,0

⁷⁷ GRI 302-1 We did not purchase cooling or steam. We did not sell any type of energy that we produced.

⁷⁸ Data for 2020 fiscal year

⁷⁹ GRI 302-3

CHARGING STATIONS FOR ELECTRIC CARS AND BICYCLES

We try to help our customers and inform them about environment friendly means of transport. To support this goal, we install **charging stations for electric cars and bicycles at our store parking lots. Charging is free of charge.**

You can charge your car at stores:

- » Bratislava, Trnavská cesta
- » Trnava, Trstinská cesta
- » Lubotice near to Prešov



ENVIRONMENTALLY FRIENDLY OPERATION

PAPERLESS ADMINISTRATION

Instead of traditional paper, we use **recycled and FSC-certified paper**. We follow the motto "papierloses Büro" (paperless offices) so we try to reduce paper waste.

» **Invoicing** – operation-related invoices are sent electronically by 89.3% of our suppliers. Goods-related invoices are sent through EDI by 53.6% of our suppliers, and via email by 41.2%.

» **Leaflets** – our Kaufland advertising magazine, which is published every week, is fully recyclable and printed on recycled paper produced with the addition of FSC-certified recycled paper pulp.

ELECTRIC VEHICLES IN OUR FLEET

Our vehicle fleet includes an electric car – a vehicle running on truly clean energy with zero CO₂ emissions. In the 2020 fiscal year, it was used

101

times for
business travel.

EMPLOYEE CLOTHING

We care about our employees and the environment. Since 2018, we have been offering our store and logistics center employees **work clothes made of Fairtrade and GOTS-certified organic cotton.**

DID YOU KNOW?

Regular cotton is a water intensive crop – the production of a single T-shirt requires approximately 4 thousand liters of water. In addition to that, while cotton farms only take up 2.5% of the global agricultural land, they are responsible for as much as 16% of the world's pesticide consumption. Every year, approximately 77 million people working in the cotton industry suffer from pesticide poisoning. **GOTS-certified cotton reduces water consumption by as much as 71% and organic cotton is free of harmful chemicals.**



WATER

Monitoring and evaluating water consumption is important if we want to identify whether it is being wasted. **Our company has recorded a 9% year-on-year drop in water consumption.**

Water consumption (in m³) in the fiscal years 2019 and 2020⁸⁰

	2019	2020
Water consumption in stores	93 934,9	85 840,7
Water consumption in the logistics center	10 604,0	9 779,0
Water consumption in the administrative center	370,1	409,4
Total water consumption	104 909	96 029,1

We used the manual rest of the meters to calculate the water consumption.



⁸⁰ GRI 303-5 No areas in Slovakia are at risk of experiencing water shortages.

WASTE

We take care to sort the waste produced at our stores and logistics center. **Our waste-sorting rate is at approximately 75%, which means that we already meet the Slovak and EU-level waste-sorting quotas for 2030.** Our employees at the administrative center have **waste-sorting bins** at their disposal. They are prohibited from placing mixed-waste bins next to their desks, thus motivating them to sort their waste.

Waste in the 2020 fiscal year⁸²

Recycled	13 319,00
Fermentation – organic waste	3 038,00
Heat processing	367,00
Landfill	4 572,00
Total safe waste in tons	21 296,00
Thermal recovery	1,41
Recycled	2,37
Landfill	0,41
Total hazardous waste in tons	4,19
Total waste	21 300,19

Decisions about the method of waste processing are made in line with the law. The data listed above has been provided by individual service providers, who base it on weighing the waste they collect from us.

Types of safe waste in the 2020 fiscal year

TYPE OF MATERIAL	AMOUNT
Paper	12 303
Organic waste	3 038
Plastic	661
Wood	367
Glass	149
Scraps	206
Other waste	4 572
Total waste	21 296

Decisions about the method of waste processing are made in line with the law. The data listed above has been provided by individual service providers, who base it on weighing the waste they collect from us.

We also produce waste that cannot be recycled. Unsold food like fruit and vegetables, bread and other bakery products, and animal waste (meat) are used to produce biogas, which is then transformed into electricity and heat. Glass, paper, plastic, and metal are recycled. Wood is sent for energy recovery, while mixed waste is sent to waste collection companies for additional sorting and recycling.

Since 2018, customers have had the option to recycle their used cooking oil at 9 selected stores. In the 2020 fiscal year, they brought a total of

11 285^{kg}
of used cooking oil.

⁸¹ The Slovak Waste Act requires a waste-sorting rate of at least 65% of the total packaging weight by the end of 2025, and 70% of the total packaging weight by the end of 2030.

⁸² GRI 306-2

PROTECTION OF THE ENVIRONMENT IN OUR OPERATIONS – GOALS FOR THE COMING FISCAL YEARS⁸³

SUSTAINABLE DEVELOPMENT GOAL THAT WE CONTRIBUTE TO



2021

- TARGET 12.2**
By 2030, achieve the sustainable management and efficient use of natural resources.
- TARGET 12.5**
By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.

- » By the 2021 fiscal year, we aim to reduce the energy consumption of our sales areas by 1% kWh/m² by adding electricity submeters where needed. This will allow us to quickly and accurately evaluate the consumption of individual technologies and identify early on where and why excessive energy consumption occurs. We aim to achieve this goal by replacing lighting and adding frequency converters to make ventilation more efficient.
- » We will launch an eco-friendly logistics project with our first LNG-powered truck, thus reducing CO₂ emissions per trip by 20% in comparison with diesel-powered trucks.

2022

- » Collection containers for customers' used cooking oil will be available at all stores.

2023
AND BEYOND

- » We will replace traditional high-consumption lighting with efficient LED lighting in all stores.
- » We will maintain the ISO 50001 energy management certificate.
- » By the end of the 2023 fiscal year, we will reduce the amount of organic waste produced per store by 20%.
- » By the end of the calendar year 2025, we will have the packaging of our own brand products as recyclable as possible and use 20% less plastic.

⁸³ GRI 102-15



SOCIAL INVOLVEMENT



As a company operating in Slovakia, it is very important for us to be a good partner for the community where we operate. We follow the motto "Our Actions Do the Talking". After all, only action can create a better future for all of us.

The field of corporate social responsibility (CSR) is managed by our CSR Project Manager, who is part of Corporate Communications department. The CSR Project Manager deals with general CSR activities and project, implements international projects and standards, and represents the company in communication with the third sector. The CSR Project Manager has regular meetings with representatives of specialized departments responsible for CSR and together they promote our CSR strategy across the company. Our community support strategy relies on long-term partnerships, in which we reevaluate our goals for the coming period on an annual basis.⁸⁴



Martina Machánková
CSR Project Manager

“We offer a helping hand to people in need, provide support to cities and city districts, and we focus on promoting a healthy diet among children. We participate in volunteering projects like Our City and we support our employees to follow the principles of corporate social responsibility in their everyday work. In 2018, we established the Foundation Fund Kaufland. It is managed by the Center for Philanthropy Foundation and allows us to support public-benefit activities in Slovakia.”



Amount in thousands

FISCAL YEAR 2020 ⁸⁵	TURNOVER	1 193 660
	CONSUMED VALUE:	1 169 697
	COSTS OF PROCUREMENT OF SOLD GOODS	848 465
	WAGES AND BENEFITS	122 169
	OTHER OPERATING AND FINANCIAL COSTS	163 778
	PAYMENTS TO CAPITAL PROVIDERS	32 401
	PAYMENTS TO THE GOVERNMENT AND PUBLIC ADMINISTRATION	2 362
	COMMUNITY INVESTMENT	523
	PROFIT WITHOUT DIVIDENDS	23 963

⁸⁴ GRI 103

120 ⁸⁵ GRI 201-1

COOPERATION WITH THE SLOVAK RED CROSS

To help is human. And very important. At Kaufland, we identify ourselves with this value, so in 2014 we started working closely with the Slovak Red Cross – an organization whose main mission is helping people. And here is the result of the cooperation so far.



281 t
of donated food



777 l
of donated blood



16 vehicles
for social service field workers



12 tents

BLOOD DONATIONS

We regularly participate in Divadelná kvapka krvi and Daj pár deci – two blood donation drives that motivate our employees and the public to donate blood.

Divadelná kvapka krvi

Every year on World Blood Donor Day, which takes place on 14 June, we organize the Divadelná kvapka krvi event in theaters. As a thank you, our employees who donate blood during this event receive a theater ticket, and every donor is entitled to a day off as part of the benefits. In the 2020 fiscal year, donated in eight theaters

Daj pár deci

We regularly challenge our employees at the beginning of the year to donate blood during our internal blood donation project. In the 2020 fiscal year donated

311

donors

almost

140

liters of blood.



227

employees

102

liters of blood.

“According to the data collected by the Central Office of Labor, Social Affairs, and Family, as many as 139 thousand people in Slovakia were receiving assistance in material need in August 2019. In our work, we meet people experiencing poverty on a daily basis. The food packages prepared from the collected food will primarily be donated to families with multiple children, socially disadvantaged citizens, seniors, or other people who have found themselves in social hardship.”

Zuzana Rosiarová Kesegová
General Secretary
of the Slovak Red Cross

"POMÁHAME POTRAVINAMI" FOOD COLLECTION

Every October, on World Food Day, a food collection is held at all Kaufland stores, aiming to help people in need. And this is the result for the 2020 fiscal year:

72 tons
of non-perishable food items

815
volunteers
from the Slovak Red Cross

4,800
hours of volunteering

SOCIAL SERVICES FIELDWORK

In the 2020 fiscal year, Kaufland helped the Slovak Red Cross expand its fleet of vehicles with **6 specially modified vehicles**.

WHAT DOES SOCIAL SERVICES FIELDWORK INCLUDE?

Social services fieldwork provided by the Slovak Red Cross primarily focuses on transport and home care, as well as social consulting and the delivery of clothing and food aid. The transport service includes assistance with transport or doctor's visits. Social services fieldwork is offered to people in need, handicapped people, cancer patients, mothers with children, and those who live in difficult-to-access areas or places with irregular public transport, as well as people who have difficulties leaving home without help. This way, social services fieldwork reduces social isolation.



ČERSTVÉ HLAVIČKY

We care what the world we live in, as well as the future of our children. We want children to be healthy and full of energy, allowing them to have a happy childhood and proper development. We believe that one of the key ways of achieving these goals is fresh, healthy food. Therefore, we have created the Čerstvé hlavičky project, which motivates children to eat fruit and vegetables.

As part of this project, we looked for a partner school for every store. A total of 248 elementary schools applied for the project. The schools that received the most votes from Kaufland customers received weekly approximately 200-gram portions of fruit and vegetables for every pupil throughout the entire 2019/2020 school year.



62
partner schools



almost
23,000
pupils



4,5 tons
of fruit and
vegetables every
week



DO ŠKOLYYY!



Dostaňme ovocie a zeleninu do školy!

Zaregistrujte pokladničné bločky z nákupu v Kauflande a rozhodnite, ktorá škola získa ovocie a zeleninu na nasledujúci školský rok.

Hlasujte na cerstvehlavicky.sk



€ 6,308

for leisure time centers

SUPPORT UPON OPENING NEW STORES

When opening the first Kaufland store in a new Slovak town, we want to use this opportunity to support the local community. During the first three days after opening a new store, we support a local organization with €1 for every purchase worth at least €20. In the 2020 fiscal year we donated

DONATING FOOD PAST THE BEST-BEFORE DATE

Since 2018, we have been donating food past the best-before date to the Food Bank of Slovakia. In the 2020 fiscal year

50

stores, in total donated

114 159

products worth

€179 607

48

stores donated
products to

80

organizations all over
Slovakia

DONATING NON-FOOD GOODS

Every store can donate non-food items to local non-profit organizations, as long as these donations are made in line with predefined conditions. These organizations may include children's homes, social services homes, etc. In the 2020 fiscal year

THE FOUNDATION FUND KAUFLAND

The Foundation Fund Kaufland was established in July 2018 under the Center for Philanthropy Foundation with the goal of supporting various public-benefit projects and activities.

An education project focusing on informal education and meaningful leisure time for children aged 6 to 15

€ 19 000

Support for talented children of Kaufland employees and organizing activities aimed at developing their talents

€ 22 050



Support for the Slovak Red Cross

€ 131 984



Supporting the production of a documentary aimed at spreading awareness about sports among children and potential young hockey players

€ 10 000

SOCIAL INVOLVEMENT – GOALS FOR THE COMING FISCAL YEARS⁸⁶

SUSTAINABLE DEVELOPMENT GOALS THAT WE CONTRIBUTE TO



TARGET 10.2
By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status.

2021

» We will launch a grant program to support low-threshold centers in Slovakia.



TARGET 12.2
By 2030, achieve the sustainable management and efficient use of natural resources.

TARGET 12.3
By 2030, halve per capita global food waste at the retail and consumer levels and reduce food losses along production and supply chains, including post-harvest losses.



TARGET 17.17
Encourage and promote effective public, public-private and civil society partnerships, building on the experience and resourcing strategies of partnerships.

2021

» We will find every store a partner school for the Čerstvé hlavičky project.

2022

- » We will launch our own employee volunteering program focusing on ecology and plastic waste management.
- » All Kaufland stores will participate in our project aimed at donating food past the best-before date.
- » We will extend our food collection event to two days and ask our employees to participate as volunteers.

2023
AND BEYOND

» Every store will have a partner non-profit organization including a signed framework agreement in line with our CSR strategy.



⁸⁶ GRI 102-15

GRI CONTENT INDEX⁸⁷

GRI DISCLOSURE	PAGE NUMBER	SECTION NAME	NOTE
GRI 102: GENERAL DISCLOSURES 2016			
Organizational profile			
GRI 102-1 Name of the organization	2	The report	
GRI 102-2 Activities, brands, products, and services	12, 61	About us; Product range development	
GRI 102-3 Location of headquarters	3	The report	
GRI 102-4 Location of operations	11	About us	
GRI 102-5 Ownership and legal form	12	About us	
GRI 102-6 Markets served	10	About us	
GRI 102-7 Scale of the organization	14	About us	Total capitalization data are considered to be confidential.
GRI 102-8 Information on employees and other workers	91 – 93	Operational Processes	We present the numbers of active employees who had an employment contract with Kaufland Slovenská republika, headcount as of 29.2.2020. For better clarity, we present the total number of active employees and then the percentages according to individual categories.
GRI 102-9 Supply Chain	61 – 62	Product range development	
GRI 102-10 Significant changes to the organization and its Supply Chain	61 – 62, 107	Product range development; Operational processes	
GRI 102-11 Precautionary Principle or approach	22	Social responsibility	
GRI 102-12 External initiatives	18	About us	
GRI 102-13 Membership of associations	18	About us	
Strategy			
GRI 102-14 Statement from senior decision-maker	7	Introductory word from CEO	
GRI 102-15 Key impacts, risks, and opportunities	56, 69, 74 – 75, 86, 104 – 105, 107, 116, 128 – 129	Production; Product range development; Point of sale; Operational processes; Social involvement	
Ethics and integrity			
GRI 102-16 Values, principles, standards, and norms of behavior	22 – 23	Social responsibility	
GRI 102-17 Mechanisms for advice and concerns about ethics	24, 45	Social responsibility; Production	
Governance			
GRI 102-18 Governance structure	16 – 17	About us	
GRI 102-19 Delegating authority	16	About us	
GRI 102-20 Executive-level responsibility for economic, environmental, and social topics	16	About us	
GRI 102-21 Consulting stakeholders on economic, environmental, and social topics	30	About us; Social responsibility	
Stakeholder engagement			
GRI 102-40 List of stakeholder groups	30 – 31	Social responsibility	
GRI 102-41 Collective bargaining agreements			A collective agreement is usually concluded between an employer and a trade union, however we do not have one in Kaufland. For this reason, none of our employees is covered by the collective agreement.

⁸⁷ GRI 102-55

GRI DISCLOSURE	PAGE NUMBER	SECTION NAME	NOTE
GRI 102: GENERAL DISCLOSURES 2016			
Stakeholder engagement			
GRI 102-42 Identifying and selecting stakeholders	30	Social responsibility	
GRI 102-43 Approach to stakeholder engagement	30 – 31	Social responsibility	
GRI 102-44 Key topics and concerns raised	32	Social responsibility	
Organizational profile			
GRI 102-45 Entities included in the consolidated financial statements	12	About us	
GRI 102-46 Defining report content and topic Boundaries	27 – 29, 34	Social responsibility	Each topic is more precisely defined directly in the individual chapters.
GRI 102-47 List of material topics	35	Social responsibility	
GRI 102-48 Restatements of information	n/a		This is our first responsible business report.
GRI 102-49 Changes in reporting	n/a		This is our first sustainability report.
GRI 102-50 Reporting period	2	The report	
GRI 102-51 Date of most recent report	3	The report	This is our first sustainability report.
GRI 102-52 Reporting cycle	3	The report	
GRI 102-53 Contact point for questions regarding the report	3	The report	
GRI 102-54 Claims of reporting in accordance with the GRI Standards	2	The report	
GRI 102-55 GRI content index	130 – 133	GRI content index	
GRI 102-56 External assurance	2, 134 – 135	The report; Independent auditor's statement	
SPECIFIC STANDARD DISCLOSURES			
GRI 201 Economic performance 2016			
GRI 103 Management Approach 2016 (inclusive for 103-1, 103-2, 103-3)	120	Social involvement	
GRI 201-1 Direct economic value generated and distributed	120	Social involvement	
GRI 202 Market presence 2016			
GRI 103 Management Approach 2016 (inclusive for 103-1, 103-2, 103-3)	90, 94 – 96	Operational processes; topic: Responsible employer	
GRI 202-1 Ratios of standard entry level wage by gender compared to local minimum wage	96	Operational processes; topic: Responsible employer	The data applies to the following of our operations in Slovakia: 70 stores and 1 logistics center.
GRI 203 Indirect economic impacts 2016			
203-1 Infrastructure investments and services supported	107	Operational processes; topic: Protection of the environment in our operations	
GRI 204 Procurement practices 2016			
GRI 103 Management Approach 2016 (inclusive for 103-1, 103-2, 103-3)	60, 64	Product range development; topic: Supporting domestic products	
GRI 204-1 Proportion of spending on local suppliers	64	Product range development; topic: Supporting domestic products	
GRI 301 Materials 2016			
GRI 103 Management Approach 2016 (inclusive for 103-1, 103-2, 103-3)	78	Point of sale; topic: Environment friendly packaging	

GRI DISCLOSURE	PAGE NUMBER	SECTION NAME	NOTE
SPECIFIC STANDARD DISCLOSURES			
GRI 301 Materials 2016			
GRI 301-1 Materials used by weight or volume	79	Point of sale; topic: Environment friendly packaging	Products made in Slovakia and products imported by suppliers to Slovakia are not included in this report. It is the supplier or producer, not the retailer, who has the obligation to report packaging and non-packaging volume to the authorities. Kaufland does not have access to this information.
GRI 302 Energy 2016			
GRI 103 Management Approach 2016 (inclusive for 103-1, 103-2, 103-3)	106	Operational processes; topic: Protection of the environment in our operations	
GRI 302-1 Energy consumption within the organization	111	Operational processes; topic: Protection of the environment in our operations	
GRI 302-3 Energy intensity	111	Operational processes; topic: Protection of the environment in our operations	
GRI 303 Water and effluents 2018			
GRI 103 Management Approach 2016 (inclusive for 103-1, 103-2, 103-3)	106	Operational processes; topic: Protection of the environment in our operations	
GRI 303-5 Water consumption	114	Operational processes; topic: Protection of the environment in our operations	
GRI 305 Emissions 2016			
GRI 103 Management Approach 2016 (inclusive for 103-1, 103-2, 103-3)	106	Operational processes; topic: Protection of the environment in our operations	
GRI 305-1 Direct (Scope 1) GHG emissions	108	Operational processes; topic: Protection of the environment in our operations	
GRI 305-2 Energy indirect (Scope 2) GHG emissions	108	Operational processes; topic: Protection of the environment in our operations	
GRI 305-3 Other indirect (Scope 3) GHG emissions	108	Operational processes; topic: Protection of the environment in our operations	
GRI 305-4 GHG emissions intensity	108	Operational processes; topic: Protection of the environment in our operations	
GRI 306 Effluents and waste 2016			
GRI 103 Management Approach 2016 (inclusive for 103-1, 103-2, 103-3)	106	Operational processes; topic: Protection of the environment in our operations	
GRI 306-2 Waste by type and disposal method	115	Operational processes; topic: Protection of the environment in our operations	
GRI 307 Environmental compliance 2016			
GRI 103 Management Approach 2016 (inclusive for 103-1, 103-2, 103-3)	106	Operational processes; topic: Protection of the environment in our operations	
GRI 307-1 Non-compliance with environmental laws and regulations	106	Operational processes; topic: Protection of the environment in our operations	
GRI 308 Supplier environmental assessment 2016			
103 Management Approach 2016 (inclusive for 103-1, 103-2, 103-3)	38 -39, 48	Production; topic: Reduction and elimination of chemicals and harmful substances in the production process	
308-1 New suppliers that were screened using environmental criteria	53	Production; topic: Reduction and elimination of chemicals and harmful substances in the production process	
GRI 308-2 Negative environmental impacts in the Supply Chain and actions taken	53	Production; topic: Reduction and elimination of chemicals and harmful substances in the production process	
GRI 401 Employment 2016			
GRI 103 Management Approach 2016 (inclusive for 103-1, 103-2, 103-3)	90, 94 - 96, 98, 100	Operational processes; topic: Responsible employer	
GRI 401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	97	Operational processes; topic: Responsible employer	Employees with permanent employment contracts receive the same benefits regardless of whether they work full-time or part-time.

GRI DISCLOSURE	PAGE NUMBER	SECTION NAME	NOTE
SPECIFIC STANDARD DISCLOSURES			
GRI 404 Training and education 2016			
103 Management Approach 2016 (inclusive for 103-1, 103-2, 103-3)	90, 94 - 96, 98, 101	Operational processes; topic: Responsible employer	
404-1 Average hours of training per year per employee	101	Operational processes; topic: Responsible employer	We present the numbers of active employees who had an employment contract with Kaufland Slovenská republika, headcount as of 29.2.2020.
GRI 404-3 Percentage of employees receiving regular performance and career development reviews	102	Operational processes; topic: Responsible employer	We present the numbers of active employees who had an employment contract with Kaufland Slovenská republika, headcount as of 29.2.2020.
GRI 405 Diversity and equal opportunity 2016			
GRI 103 Management Approach 2016 (inclusive for 103-1, 103-2, 103-3)	90, 94 - 96, 98, 100	Operational processes; topic: Responsible employer	
GRI 405-1 Diversity of governance bodies and employees	98	Operational processes; topic: Responsible employer	We present the numbers of active employees who had an employment contract with Kaufland Slovenská republika, headcount as of 29.2.2020.
GRI 405-2 Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	96	Operational processes; topic: Responsible employer	
GRI 408 Child labor 2016			
GRI 103 Management Approach 2016 (inclusive for 103-1, 103-2, 103-3)	38 - 39, 40	Production; topic: Social standards, working conditions, and living conditions in production and supply chain	
GRI 408-1 Operations and suppliers at significant risk for incidents of child labor	42, 44	Production; topic: Social standards, working conditions, and living conditions in production and supply chain	
GRI 409 Forced or compulsory labor 2016			
103 Management Approach 2016 (inclusive for 103-1, 103-2, 103-3)	38 - 39, 40	Production; topic: Social standards, working conditions, and living conditions in production and supply chain	
409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	42, 44	Production; topic: Social standards, working conditions, and living conditions in production and supply chain	
GRI 414 Supplier social assessment 2016			
103 Management Approach 2016 (inclusive for 103-1, 103-2, 103-3)	38 - 39, 40	Production; topic: Social standards, working conditions, and living conditions in production and supply chain	
414-1 New suppliers that were screened using social criteria	44	Production; topic: Social standards, working conditions, and living conditions in production and supply chain	
GRI 416 Customer health and safety 2016			
GRI 103 Management Approach 2016 (inclusive for 103-1, 103-2, 103-3)	38 - 39, 48	Production; topic: Reduction and elimination of chemicals and harmful substances in the production process Product range development; topic: Expanding our offer of healthy products	
GRI 416-1 Assessment of the health and safety impacts of product and service categories	48	Production; topic: Reduction and elimination of chemicals and harmful substances in the production process	
GRI 416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	48 - 50	Production; topic: Reduction and elimination of chemicals and harmful substances in the production process	
GRI G4 Sector disclosures: Food processing sector			
GRI 103 Management Approach 2016 (inclusive for 103-1, 103-2, 103-3)	60, 70	Product range development; topic: Expanding our offer of healthy products	
FP 6 Percentage of total sales volume of consumer products, by product category, that are lowered in saturated fat, trans fats, sodium and added sugars	70	Product range development; topic: Expanding our offer of healthy products	Due to the unavailability of information by individual categories, we present a cumulative percentage of sales of these products.

INDEPENDENT AUDITOR'S STATEMENT⁸⁸



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Správa nezávislého odborníka

Manažmentu spoločnosti Kaufland Slovenská republika v.o.s.:

Táto správa je vyhotovená pre manažment spoločnosti Kaufland Slovenská republika v.o.s. (ďalej len "spoločnosť") pre účely poskytnutia limitovaného uistenia pre vybrané údaje vstupujúce do správy o trvalej udržateľnosti pripravenej spoločnosťou za finančný rok končiaci 29. februára 2020 (ďalej len "Správa o trvalej udržateľnosti") v súlade so štandardmi Global Reporting Initiative ("GRI").

Predmetné informácie a platné kritériá

Zákazka na uisťovacie služby sa vzťahuje na predmetné informácie v rámci Správy o trvalej udržateľnosti na stranách 64, 91-93, 101, 120, zlučujúce informácie o aktivitách spoločnosti na Slovensku (spolu "vybrané informácie"), ktoré boli vyhotovené na základe štandardov GRI za obdobie finančného roku 2020 (od 1. marca 2019 do 29. februára 2020). Limitované uistenie je vydávané na nasledujúce GRI indikátory: Informácie o zamestnancoch a iných pracovníkoch (102-8), Vygenerovaný a rozdeľovaný priamy ekonomický úžitok (201-1), Priemerný čas školenia na rok a zamestnanca (404-1) a Pomer nákupov od lokálnych dodávateľov (204-1).

Obmedzenie použitia

Správa je vyhotovená iba na účely uvedené v prvom odstavci tejto správy a nesmie byť využitá na iný účel ako dodatok Správy o trvalej udržateľnosti. Správa sa vzťahuje výlučne na vybrané informácie a nemôže byť spájaná s inými účtovnými závierkami spoločnosti alebo s inými časťami Správy o trvalej udržateľnosti.

V najširšom rozsahu povolenom zákonom nepreberáme zodpovednosť za túto správu voči nikomu inému ako spoločnosti a jej manažmentu.

Zodpovednosť manažmentu spoločnosti

Manažment spoločnosti je zodpovedný za prípravu, zber a prezentáciu vybraných informácií podľa štandardov GRI. Manažment je najmä zodpovedný za dizajn a implementáciu interných kontrolných mechanizmov tak, že zabráni vzniku významných nesprávností vo vybraných informáciách.

Manažment spoločnosti je zodpovedný za zabezpečenie úplnosti a presnosti dokumentácie poskytnutej odborníkovi. Manažment spoločnosti je tiež zodpovedný za systém vnútornej kontroly, ktorý zabezpečí primerané uistenie, že vyššie opísaná dokumentácia neobsahuje významné nesprávnosti, či už z dôvodu podvodu alebo chyby.

Zodpovednosť odborníka

Uskutočnili sme uisťovaciu zákazku v súlade s Medzinárodným štandardom pre uisťovacie zákazky ISAE 3000 (revidované znenie). Podľa tohto štandardu máme dodržiavať etické požiadavky, naplánovať a vykonať preverenie tak, aby sme získali limitované uistenie o vybraných informáciách.

Dodržiavame Medzinárodný štandard na kontrolu kvality ISQC 1 a máme zavedený systém na kontrolu kvality, vrátane zdokumentovaných zásad a postupov pre dodržiavanie súladu s etickými požiadavkami, odbornými štandardmi a relevantnými legislatívnymi požiadavkami.

Spoločnosť zo skupiny Ernst & Young Global Limited
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vedenom Slovenskou komorou audítorov pod č. 257.



Dodržiavame nezávislosť a iné etické požiadavky Etického kódexu pre účtovných odborníkov IESBA, ktorý stanovuje základné zásady integrity, objektivity, odbornej spôsobilosti a náležitej starostlivosti, dôveryhodnosti a profesionálneho správania.

Zvolené postupy závisia od odborného úsudku odborníka. Medzi tieto postupy patrí najmä komunikácia s osobami poverenými zberom a vykazovaním vybraných informácií a dodatočné procedúry zamerané na získanie dôkazov týkajúcich sa vybraných informácií.

Uisťovacia zákazka zodpovedá limitovanému uisteniu. Časovanie, typ a škála uisťovacích procedúr je tým pádom limitovaná oproti procedúram pri primeranom uistení. Tento fakt má za následok celkové nižšie uistenie.

V súvislosti s vybranými informáciami uvedenými vyššie sme vykonali najmä tieto procedúry:

- ▶ Rozhovory s vybraným personálom spoločnosti, zodpovedným za konkrétne vybrané oblasti, pre pochopenie procesu zberu a kompilácie vybraných informácií, ktoré boli použité v reporte
- ▶ Preverku vybraných informácií z hľadiska detailného posúdenia a odsúhlasenia na zdrojovú podkladovú dokumentáciu na báze vybraných vzoriek
- ▶ Analytickú preverku vybraných informácií a ich súladu s našimi očakávaniami a posúdenie ich celkovej primeranosti
- ▶ Prepočítanie vybraných informácií na báze vybranej vzorky
- ▶ Posúdenie prezentácie a zverejnenia vybraných informácií v rámci Správy o trvalej udržateľnosti.

Záver

Na základe vykonaných procedúr a získanej podpornej dokumentácie sme nezistili významnú skutočnosť, ktorá by vyžadovala prehodnotenie vybraných informácií tak, aby boli v súlade so štandardmi o trvalej udržateľnosti GRI.

21. decembra 2020

Bratislava, Slovenská Republika

Ernst & Young Slovakia, spol. s r.o.

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