

OUR ACTIONS DO THE TALKING:

# Leading Romanian Sustainability

Kaufland Romania  
2017 Corporate Sustainability Report





Degustător  
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# Welcome message



**Dear friends,**

**I am honored to welcome you from the pages of Kaufland Romania's second sustainability report.**

**We began the non-financial reporting process two years ago to firmly build the accelerated growth of our company and develop a close collaboration with our stakeholders.**

The second sustainability report that I have the honor of presenting to our stakeholders, shows in detail the contribution that Kaufland brings to the Romanian society.

We take measures and implement projects that contribute to the achievement of UN's Sustainable Development Goals, addressing the planet's most pressing problems, from eradicating poverty to improving health and education, or making cities more sustainable. We support the UN Global Compact's recommended governance principles on human rights, anti-corruption, environmental protection and sustainable work practices.

We work every day to carry out our activities implementing best practices in our sector and following the national and international legal framework, as well as the highest standards in the industry. We make sustained efforts to support our communities, to take actions where our impact is greater and to support progress. That means more than just providing jobs, supporting employee training and paying taxes. It's about being a good neighbor and a resource that our communities can rely on.

We deliver products and services that contribute to increasing people's quality of life. We play a positive role for our stakeholders, but also for the society as a whole.

Our goal is to make profitable business while taking care of people and the environment. The future of our business depends on how we manage to achieve this goal. That is why we believe that every working process in our company should meet strong sustainability targets, taking into account its social, economic and environmental impact.

Sustainability is essential to how we do business. Our sustainability report, an absolutely necessary yearly endeavor, is proof of our progress as we continue to deliver our products and services and all the support that society needs for a sustainable development.

**Marco Höbl**

Managing Director Kaufland Romania

# About this report



Transparency and commitment to implementing responsible business practices are our priorities. This second sustainability report is part of our commitment to present our progress and to set ever more ambitious goals for a sustainable future.

This report has been prepared in accordance with the GRI Standards: Core option. In order to determine the structure and content of the report, as a first step we carried out a complex materiality assessment process. This revealed what are the relevant (material) topics for the company, considering two perspectives: topics that reflect Kaufland's economic, social and environmental impact and topics that influence stakeholders' decisions and assessments. Our goal was to provide an overview of the sectors where we make sustainable investments, targeting the community/ society, environment, supply chain, our customers and our employees. The report presents the commitments we undertake, the practices and principles that underlie our decisions and the outcomes of our initiatives. The report contains data collected from all Kaufland operations across Romania: our stores (divided into four regions), the two logistics centers and the headquarters. The report covers the 2017 financial year (01.03.2017 - 28.02.2018).

#### EDITORIAL TEAM

Kaufland Romania's second report was developed with the support of our sustainability team, composed of:

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#### SUPPORT

The preparation of our 2017 Sustainability Report was conducted with the support and scientific guidance of The CSR Agency.

#### CONTACT POINT

For more information about this report or for any comments, suggestions and questions regarding our sustainability approach, please contact us.

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**01** | introduction:  
about  
Kaufland  
Romania



# Our story

Kaufland is an European retail company operating in seven countries (Germany, Czech Republic, Slovakia, Croatia, Poland, Romania and Bulgaria) and is part of the Schwarz group.

The beginnings of the company go back to the year 1930. The first Kaufland store was opened in Germany in 1968. Later, the store concept was gradually expanded and Kaufland developed into one of the leading European retailers.

At the end of 2017, Kaufland operated a network of around 1,270 stores in Europe, with more than 140,000 employees and a turnover

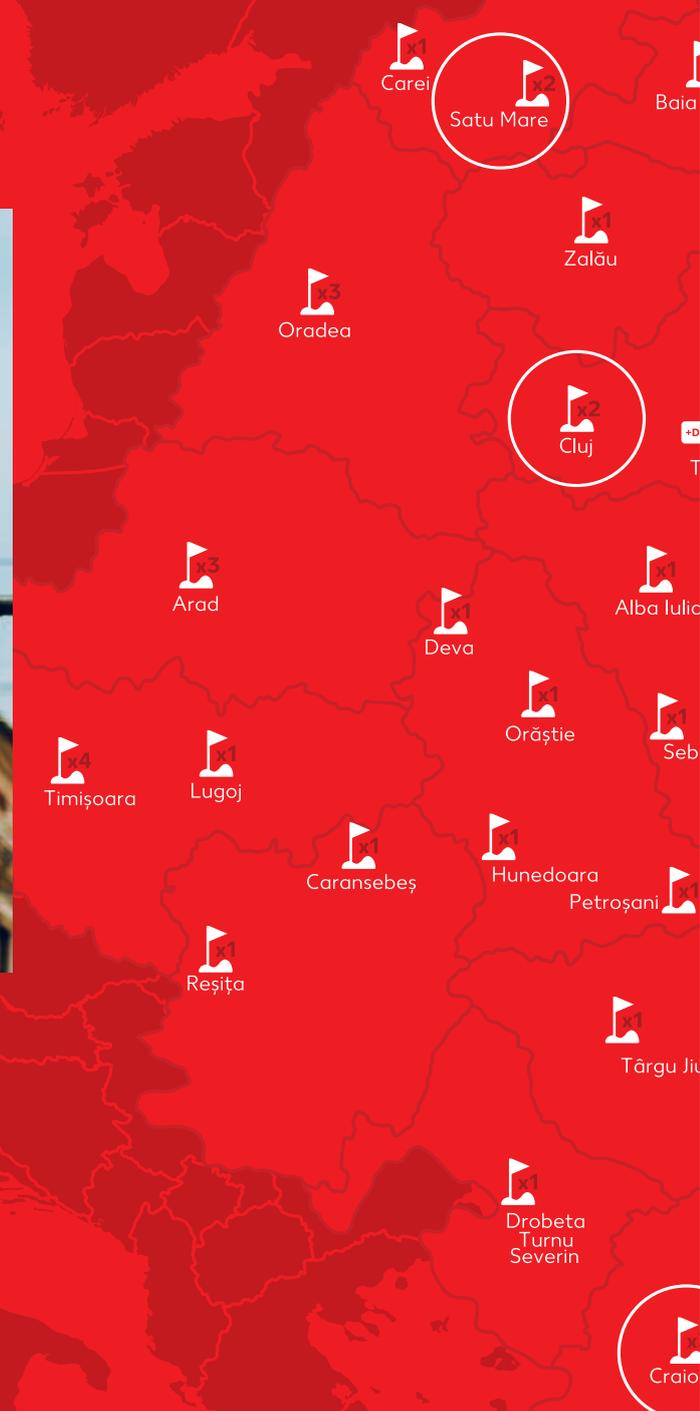
of 22 billion euros. The company has begun the steps for expansion in the Republic of Moldova and Australia. The expansion project in the Republic of Moldova is coordinated by Kaufland Romania.

In Romania, the company has been present since 2005 through Kaufland Romania SCS, and at the end of the 2017 financial year, included a network of 119 stores across the country. 6 new stores were opened during the reporting period.

We are leaders on the retail market in Romania and we are proud of our position because we have achieved it by respecting the principles of our organizational culture: performance, dynamism and fairness. These principles support us in achieving our most important goal, which is the satisfaction of our customers and employees.



Our promise is to offer a superior price-quality ratio, through our various private labels and an assortment that comes from **>77%** Romanian based suppliers.

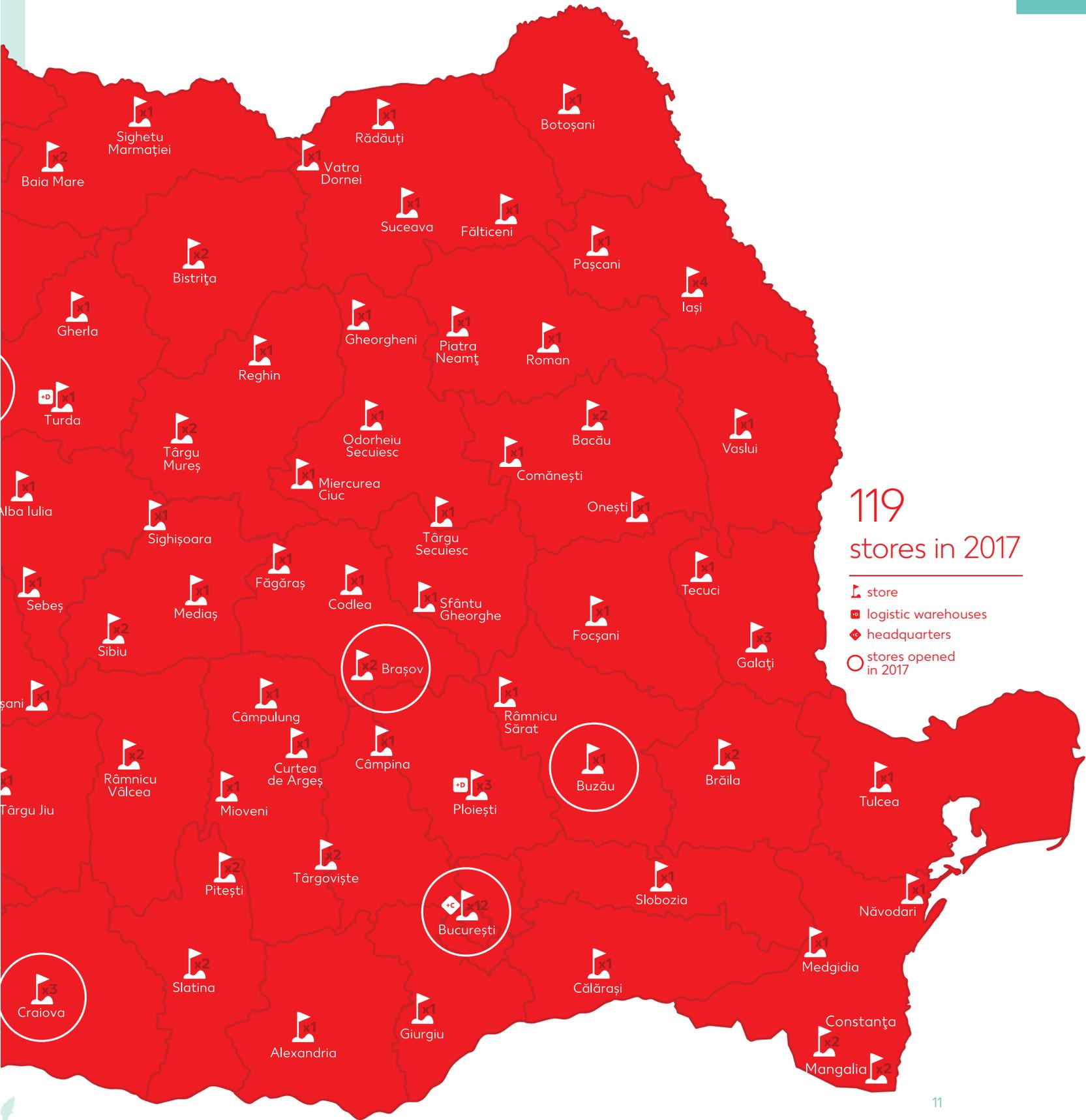


we are:



**1<sup>st</sup> place**

in the ranking  
of retail  
companies,  
by turnover



**119**  
stores in 2017

- store
- logistic warehouses
- headquarters
- stores opened in 2017

# Highlights 2017

## responsible retailer

We launched our private label **K-Ureau din România**, the main initiative that aims to increase the range of local products we sell in our stores.

**>77%**  
Romanian suppliers

We launched **Raftul românesc** - the first national program for **100%** Romanian pork meat.

We launched the **Food Court & Open Mall** concepts, to improve our customers' shopping experience.

## employees

**15,111**  
average number of employees in 2017

**27%**  
women in management position

**36**  
the average age in the company

**>48,225,000 lei**  
the total value of our employees benefits

**TOP Employer**  
award for the second year in a row



## environment

### **Organic cotton**

work clothes for our employees

We were granted

**ISO 50001**

certification

**100%**

of the energy we use in our open stores purchased from our supplier comes from renewable sources

## communities

**>1.000.000**

people benefited from the projects implemented together with our non-governmental partners

**>23,500,000 lei**

invested in our communities

**>150**

projects implemented for our communities



# Affiliations & Awards

Sustainable development has become part of our strategy and that is why we are members of the most powerful organizations that support us in improving our business practices.

## Supporting the 17 Global Goals for Sustainable Development

The Sustainable Development Goals (SDGs), were developed by the United Nations in 2015. These 17 goals are designed to tackle the major challenges of humanity at a global level. Over our 11 years of presence in Romania, we have focused on four priority directions for society and environment: social projects, environment projects, projects to promote a healthy lifestyle and educational projects and have developed strategic partnerships to help us tackle those challenges and improve social impact. As a major retailer, our key impact areas are mainly associated with five of the 17 goals, focusing on hunger, well-being, education, economic growth and sustainable consumption and production.



### GOAL 2: „Zero” Hunger

**Eradicating hunger, guaranteeing food security and quality nutrition; promoting sustainable agriculture.**

This is a key goal for us and is materialized through initiatives to support Romanian farmers, educate consumers and improve our internal systems to combat hunger.

- Supporting our supply chain
- Supporting local agriculture
- Complex and comprehensive system for monitoring and managing stocks
- Social initiatives involving food donation actions



### GOAL 3: Good Health and Well-being

**Securing a healthy life and promoting a healthy lifestyle at all ages.**

A healthy life style and healthy food contributes towards good health. We invest heavily in making sure that our customers can make informed choices about their purchasing decisions and enhance our portfolio of products to support current dietary requirements.

- A sustainable brand
- Offering the best to our customers
- Kaufland brands
- Products and services





GOAL 4:

## Quality Education



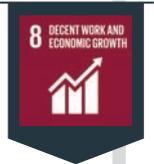
### Equitable access to education and promoting lifelong learning opportunities for everyone.

We understand that we can make a difference in Romania and therefore, we have decided to support and initiate causes that are linked to education and employment. At the same time, we make sure that we provide learning and development opportunities for our employees.

- Supporting the community by investing in educational projects
- Supporting employment through academic partnerships

GOAL 8:

## Decent Work & Economic Growth



### Promoting sustained, sustainable and inclusive economic growth, productive jobs and decent working conditions for everyone.

Kaufland Romania is an agent of economic development. Therefore, we support structures that enable human capital development and rewarding working environments.

- Ethics & governance
- Investing in our employees
- Compliance, safety, and risk management

GOAL 12:

## Responsible Consumption & Production



### Securing sustainable consumption and production models.

Kaufland Romania focuses on supporting, adhering, developing and applying systems to monitor and manage resource production in a sustainable manner.

- Protecting marine life
- European Supply Chain Initiative
- Water consumption
- Products and services
- How we reduce food waste

United Nations Global Compact Network, Romania - UNGC  
*member since 2016*

International Advertising Association Romania - IAA

Association of Major Retail Networks in Romania - AMRCR

We signed  
The Diversity Charter

European Supply Chain Initiative  
*member since 2014*

We aim to conduct our business and all our activities following the highest standards in our field. Sustainability and responsibility are essential parts of our strategy, allowing us to continuously improve our performance. In order to strengthen our commitments to sustainable business practices, we are members of some of the strongest organizations in the sector.

## We support the 10 Principles of Good Practice of the European Supply Chain Initiative

### CONSUMERS

Contracting parties should always take into account consumer interests and the overall sustainability of the supply chain in their B2B relations.

### FREEDOM OF CONTRACT

Contracting parties are independent economic entities, respecting each other's rights to set their own strategy and management policy, including the freedom to determine independently whether to engage or not in any agreement.

### FAIR DEALING

Contracting parties should deal with each other responsibly, in good faith and with professional diligence.

#### Specific principles:

### WRITTEN AGREEMENTS

Agreements should be in writing, unless impracticable or where oral agreements are mutually acceptable and convenient. They should be clear and transparent, and cover as many relevant and foreseeable elements as possible, including rights and procedures of termination.

### PREDICTABILITY

Unilateral change to contract terms shall not take place unless this possibility, its circumstances and conditions have been agreed in advance.

### COMPLIANCE

Agreements must be complied with.

### INFORMATION

Where information is exchanged, this shall be done in strict compliance with competition and other applicable laws, and the parties should take reasonable care to ensure that the information supplied is correct and not misleading.

### CONFIDENTIALITY

Confidentiality of information must be respected unless the information is already public or has been independently obtained by the receiving party, lawfully and in good faith. Confidential information shall be used by the recipient party only for the purpose for which it was communicated.

### RESPONSIBILITY FOR RISK

All contracting parties in the supply chain should bear their own appropriate entrepreneurial risks.

### JUSTIFIABLE REQUEST

A contracting party shall not apply threats in order to obtain an unjustified advantage or to transfer an unjustified cost.

# Recognitions



## Best Buy Award

ICERTIAS

In May 2017, Kaufland Romania was awarded the Best Buy Award, ranking first as the best value-for-money, in the Retail chain category in Romania. In the Retail category, which included other companies, Kaufland Romania was chosen with the highest number of votes by the consumers, as the retailer that is offering quality products at the best price on the market.



## Top Employer

Top Employer Institute, Netherlands

Kaufland Romania, a leader in the retail market, proudly received the Top Employer certification from the independent organization Top Employers Institute in the Netherlands. From organic cotton work clothes and social responsibility projects to youth programs, Kaufland Romania strives to create a pleasant work environment for its team, while helping to ensure a sustainable future.



## CSR Index, Gold Level

Azores Sustainability Index

Kaufland Romania achieved the highest score (94 points out of 100) in Romania CSR Index 2018 - a distinction awarded for the performance and transparency it showed through the publication of the sustainability report. Romania CSR Index 2018 is a complex analysis that used a measuring instrument with 49 indicators grouped in 9 categories. The index takes into account the most important CSR references. The distinction that we received demonstrates the effectiveness of the company's efforts to become a local leader in sustainability, through responsible business practices and effective communication with stakeholders.



## QuDal Certification

Valid until the end of 2017, the QUality meDAL certification programme awards Kaufland Romania for offering customers quality products and services.



## Customer's Friend Certification

Valid until June 2019, this certification strengthens the fact that Kaufland Romania provides expert assistance to customers at the highest quality level and at the same time the best customer shopping experience.

# 02 | sustainability strategy





# Sustainability Vision and Strategy

In order to maintain our position among local leaders in sustainability, we rely on three principles:



## SUSTAINABILITY

### We want to be sustainability leaders because:

every day in the life of a business is an endless series of social, economic and environmental impacts. Retail companies, along with the local business, government and civil society communities, play an important role in building a healthy economy and can change the course of economic and social development.



## TRANSPARENCY

### We want our responsible business practices to be transparent because:

What we have learned at Kaufland Romania in our more than 12 years presence in Romania is that our local procurement and investment practices can change the future of Romanian producers, that our payroll and ongoing training practices can change the lives of our employees, that our assortment practices can positively change the health of our consumers and that our community investment practices can bring added value where the community needs it.

Doing business is like climbing a ladder: business practices that target the needs of the community and the sustainability of its activities turn into good industry practices and then align with other good market practices that together make Romania a place where future generations will be able to live and work with confidence. Every step we take today is another brick to our common future – a future that is better and safer, built on sustainable principles.



## CONSULTATION

### We want our stakeholders to be consulted annually because:

We chose the sustainability path together with all our stakeholders, because they are the ones that give us the energy, the know-how, the safety and the trust we need to move forward. We consult them annually, both to be aware of their needs or problems, but especially to measure the impact of our business.

# Ethics & Corporate Governance

Satisfied customers and fairness as defining business features are the two basic rules that govern our strategy.

We ensure that we generate all the conditions for our customers to feel that they can find at Kaufland the best value-for-money, quality services provided by well-trained employees, environmental-friendly stores and an assortment chosen to encourage local producers and the protection of natural resources.

In order to be able to achieve these results and thus to ensure sustainable development that we integrate in all aspects of our business, we have taken specific actions by translating our long-term objectives into processes: we invest in developing a strong team and a solid organizational culture, we work alongside our suppliers to adopt a responsible business model, we encourage long-term partnerships and initiatives that focus on environmental protection and natural food sources in order to preserve our resources for the future.

## Compliance

Infringements of applicable laws can entail financial damages and reputational loss for Kaufland România. In addition, mentioned violations can result in personal claims for compensations and criminal consequences for individual employees or members of the corporate body. The actions conducted by the company and its employees are therefore based on the following principle:

**„We comply with applicable law and internal guidelines.“**

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

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

Main focus areas of CMS relate to anti-corruption, anti-fraud, antitrust law, business partner compliance and data-protection. The measures of CMS include in particular the issuing and communication of regulations (e.g. regulations regarding the handling of benefits and data protection rules), the implementation of training measures as well as the tracking of all internal and external evidence of possible rights infringement.

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

We guarantee the confidentiality of any message and process personal data in accordance with the European Data Protection Policy (GDPR), that came into force in May 2017, which can be consulted on our website and which we have integrated into all aspects our business.

## Reporting Channels

It is very important for us to fight possible misconduct directly and as soon as possible. Our online reporting system BKMS (Business Keeper System) allows us to receive notifications of possible misconduct and provides the opportunity to get advice on issues relevant to the compliance culture that target the company. All notifications are processed by the Internal Compliance Manager. The BKMS does not exclude other ways of transmitting a referral or requesting counseling (e.g. to the Compliance Officer), but this system permits anonymity, protection and security of the referral, and international character.

Examples of compliance principles violation include:

- Corruption;
- Unfair competition;
- Non-compliance with data protection regulations;
- Economic crime.

Notifications regarding the following topics are of particular importance:

- Wrong financial behavior
- Offences in competition matters
- Data protection violations
- Other serious violations of the law

## Anti-corruption

Some of the Kaufland Romania employees have direct relations with state authorities and business partners, which keeps us alert about the risk of corruption. Our operations are constantly evaluated against the risk of corruption. All our employees (including all members of the governing bodies) and business partners were informed in regards to the organization’s anti-corruption policies and procedures.

The company did not support political parties or causes, neither financially, nor in-kind.

There were no incidents of corruption recorded in 2017. There were no confirmed incidents of corruption involving employees, and no employees were dismissed or sanctioned as a result of corruption incidents. Similarly, no contract with business partners has been terminated due to corruption incidents. There were no public cases of corruption or accusations brought against the company or employees during the reporting period. Equally important, during the reporting period there were no legal actions directed against the company for non-compliance with social or economic laws or regulations, for anti-competitive behavior and violations of antitrust and monopoly laws, for violation of customer confidentiality or loss of personal data. There have also been no litigations relating to anti-competitive or breach of competition laws involving the company or its representatives.

## Fines and penalties

However, there were fines imposed by state institutions on topics important to us, such as consumer safety and health, labeling and promotion, or administrative issues. We have always paid maximum attention to these situations, and we have taken measures so that they will not be repeated in our stores, measured that will increase our performance both in the sectors where we excel and where there is room for improvement. We are transparent in the relationship with the authorities and always provide all the information they need to carry out the controls required by law. We received a total number of 510 fines, with a total value of 2,130,430 lei (total amount paid 909,931 lei, as per the OG 2/2001) following the controls carried out by the authorities: ANPC (270), ANSVSA (64), State Inspectorate of Construction (2), Territorial Labor Inspectorates (6), Romanian Police (22), CNAIR (101), Agriculture and Rural Development Ministry (6), the National Environmental Guard (4), Internal Affairs Ministry (25), Health Ministry (3), ANCOM (1) and others (6).

The fines received during 2017 were related to incidents of non-compliance concerning product and service information and labeling (205), marketing communications (18), non-compliance concerning the health and safety impacts of products and services (99), non-compliance with environmental laws and/or regulations (5) and other laws and regulations in the social and economic area (183).

### FINES RECEIVED

2016	2017
616	510

## Conflicts of interest

The principles that our employees have to strictly follow in their interaction with our partners are provided by the company's internal regulations. These are mandatory for every employee of Kaufland Romania:

- Avoid any conflict between personal interests and Kaufland Romania's business interests
- Do not grant and offer illegal and/ or immoral benefits to external business partners and authorities
- Do not ask for and do not accept personal benefits from external business partners and authorities

For all Kaufland employees is mandatory to inform their superior if they are offered or handed out financial or other benefits from third parties and the obligation to refuse to receive them. Besides their direct superior, the employees can use other reporting mechanisms to report possible conflicts of interest: *sesizari@k-confidential.ro*, *compliance@kaufland.ro* or through the online notification system available on *www.kaufland.ro*, Compliance section.

## Code of Conduct

Our Code of Conduct is a clear set of standards that we apply, along with the principles on which the organization is built, as we commit ourselves to lead our company responsibly, ethically and honestly. The Code of Conduct represents our values framework and all our employees, partners and suppliers have to follow it. The core content of the Code includes provisions on compliance with international rules and regulations, human rights clauses (prevention of discrimination, forced labor and work with minors, freedom of association and collective bargaining, work schedule, compensation, occupational health and safety) environment protection, auditing and application of the code to level 2 suppliers. The Code of Conduct is included as an appendix to all signed contracts with our business partners and we expect them to comply fully and without exception. All investment contracts and agreements, all procurement and energy supply contracts include human rights clauses.

## Sustainable management

The sustainability team and the CSR Committee (Corporate Social Responsibility) ensure the implementation of the sustainability strategy at each company level.

The sustainability team was created in 2017.

Each member of the team successfully attended a GRI Standards Certified Training Course, provided by a GRI Training Partner.

The sustainability team includes one member from each department of the company, meets monthly, is responsible for collecting the information presented in the sustainability report, develops internal mechanisms for the data collection process, develops and implements projects to improve performance on the company's material topics and aims to implement our sustainability principles in all strategic directions of the company.

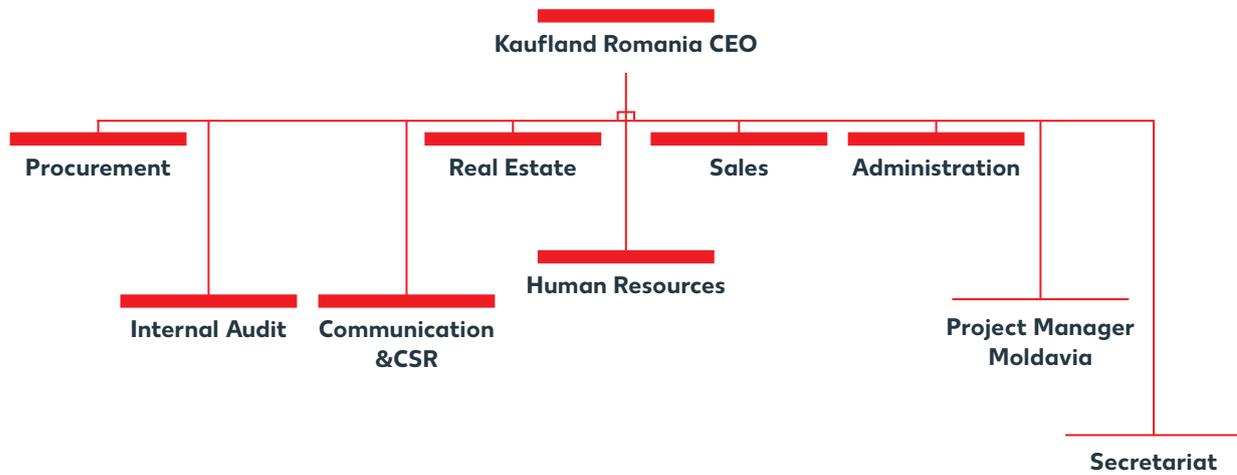
The CSR Committee was born in 2016, along with a process that improves the way sponsorship applications are analyzed and evaluated. We did this because we want to be transparent in making decisions about the projects we support and at the same time to involve as many colleagues as possible in the process.

The CSR Committee includes a representative from each department of the company (each member being appointed by the Board of Directors), meets once every three weeks, has the role of discussing and analyzing project proposals that our company receives, using various evaluation criteria, and submits these proposals to a vote. In the next phase, organizations implementing projects are legally verified to review if they are subject to sponsorship law. The CEO has the right to veto any decision. Projects exceeding 1 million lei are sent for approval to the Board of Directors.

# Organizational Chart

at 28.02.2018

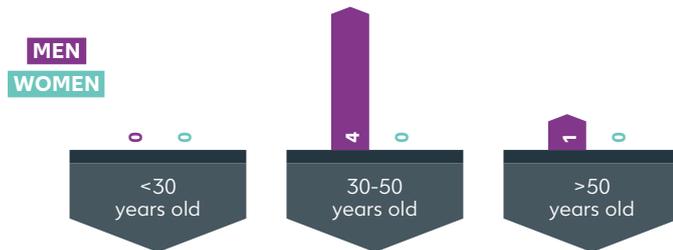
## BOARD OF DIRECTORS



Kaufland Romania is a limited partnership with two associate partners, one Romanian and one foreign. No state institution/ government authority is part of the company's shareholding structure. During the reporting period, no change in the company's share capital occurred.

## BOARD OF DIRECTORS BY GENDER & AGE

01.03.2016 - 28.02.2017



Of the 5 members of the Board of Directors, 3 are of German nationality and 2 of Romanian nationality.

# Economic Performance

We are looking forward to the future when we have this present that gives us the satisfaction of being part of a strong and financially sound company. Financial performance allows us to remain a solid business partner, an active citizen in our community, whose well-being we support.

The data provided by our audited financial statements, is extracted from the Profit and Loss Account.

DESCRIPTION	2016	2017
	01.03.2016-28.02.2017 lei	01.03.2017-28.02.2018 lei
<b>Direct economic value generated:</b>		
Total Revenues	9.6 billions	10.26 billions*
<b>Economic value distributed:</b>	<b>-9.2 billions</b>	<b>-9.5 billions</b>
Operating costs	-7.9 billions	-8.4 billions
Employee wages and benefits	-567.7 millions	-622.3 millions
Payments to shareholders**	-171.6 millions***	-10.1 millions
Payments to government****	-494.3 millions	-470.5 millions
Community investments	-28.5 millions	-23.5 millions
<b>Economic value retained</b>	<b>405.09 millions</b>	<b>725.7 millions</b>

\*out of which 9,4 billions represent the total store revenues.

The difference represents revenues from property rental

\*\*dividends

\*\*\*paid for the 2015 financial year, in 2016

\*\*\*\*includes buildings/ properties taxes, profit tax, VAT plus payments and other taxes payed to the state (excludes wage taxes that are included above)

DESCRIPTION	2017
	01.03.2017-28.02.2018 lei
Net sales	9.6 billions
Private labels sales	1.05 billions

TAX RELIEF	2016	2017
	01.03.2016-28.02.2017 lei	01.03.2017-28.02.2018 lei
Fiscal credit	26.5 millions	27.6 millions
Reinvested profit	4.7 millions	8.1 millions

# Materiality matrix

To prepare this report and to prioritize the most important issues and areas with the greatest impact on the company and our stakeholders, we conducted the second extensive materiality process, in order to evaluate the topics of interest to the company. The materiality research covered all stakeholder groups. We obtained over 600 valid answers, from which we extracted the main material topics that this report is based on.



## CORPORATE GOVERNANCE

1. Corporate governance and sustainability
2. Market presence
3. Indirect economic impact
4. Procurement practices
5. Anti-corruption
6. Anticompetitive behavior

## RESPONSIBLE RETAILER

7. Healthy living
8. Food waste and responsible consumption
9. Marketing and labelling
10. Customer privacy
11. Socio-economic compliance
12. Customer health and safety

## ENVIRONMENT

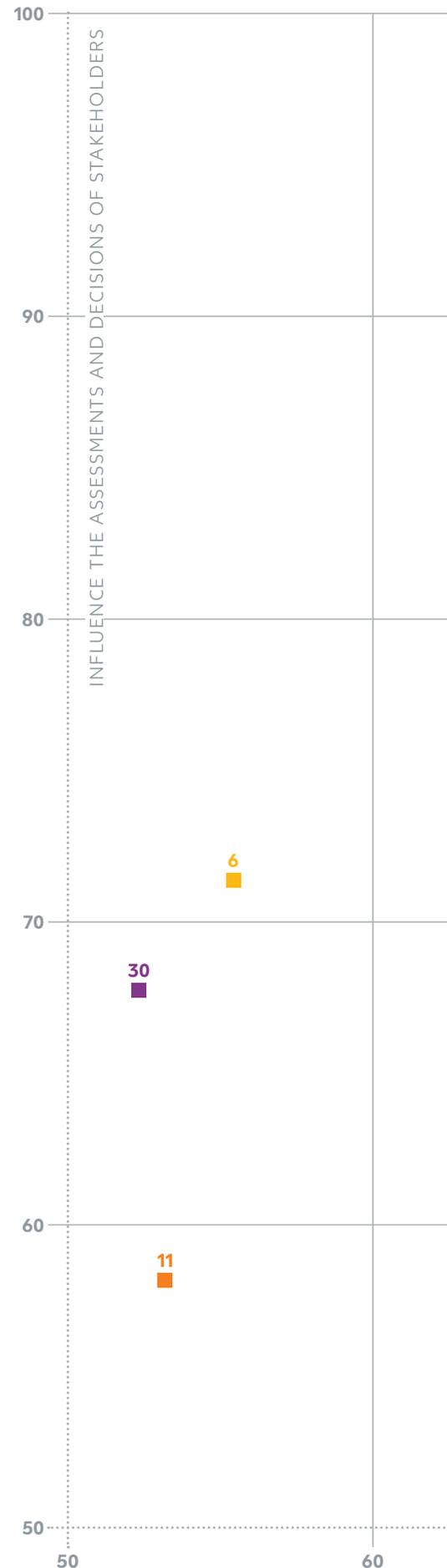
13. Materials
14. Energy
15. Water
16. Emissions
17. Effluents and waste
18. Environmental compliance
19. Supplier environmental assessment

## WORKPLACE

20. Employment
21. Labor-management relations
22. Occupational health and safety
23. Training and education
24. Diversity and equal opportunities
25. Non-discrimination
26. Freedom of association and collective bargaining
27. Human rights

## SOCIETY

28. Local communities
29. Supplier social assessment
30. Public policies





### Stakeholders' perspective: the results of the materiality process

- Valid answers from external stakeholders: **631**
- Employees: **74**
- Customer - B2B/ Juridical entities: **18**
- Customer - Individuals: **346**
- Partners: **21**
- Suppliers: **131**
- Authorities: **6**
- Journalists: **5**
- Civil Society-NGOs: **30**

COMPANY'S ECONOMIC, ENVIRONMENTAL AND SOCIAL IMPACTS

70

80

90

100

Material topic	Impact boundaries		Comments	Stakeholders
	Within the organization	Across the value chain		
<b>Indirect economic impact</b>	✓	✓	The indirect economic impact that Kaufland Romania's activity generates is manifested throughout the entire value chain, from the investments we make to support local producers and suppliers, to the community projects we finance in order to support local communities. This report presents the main projects we have initiated for Romanian suppliers. Our community investment projects are detailed in a separate report, available on <a href="http://www.Kaufland.ro">www.Kaufland.ro</a> .	
<b>Market presence</b>	✓	✓	We are aware that the impact we have on employees is indirectly reflected in the interaction with all stakeholders groups along the value chain. Therefore, in order to contribute to the economic well-being of our employees, besides the salary package with a value of 2800 lei in 2017, including meal vouchers (60% more than the minimum wage in Romania), we also offer health insurance, extra holidays and multiple personal development options.	
<b>Procurement practices</b>	✓	✓	We support the local economy by prioritizing investments to local suppliers. Indirectly, procurement from Romanian suppliers have a positive impact across the entire value chain, from producers to consumers, while contributing to the stability of the local economy and building trust-based relationships with local community members.	
<b>Corporate governance and sustainability</b>	✓	✓	We are aware that the impact our corporate governance principles have is manifested throughout the entire value chain, strongly influencing our stakeholder relationships. Therefore all the processes and mechanisms that underpin our way of doing business are built on strong sustainability principles.	
<b>Anti-corruption</b>	✓	✓	Anti-corruption is one of the topics that can generate negative impact in all aspects, from human rights to environmental protection and therefore the sustainable development of the company, and at the same time can significantly affect the relationship with all stakeholders. We ask our employees and all our partners to strictly adhere to all our anti-corruption policies and provisions, based on the principle of <i>zero tolerance</i> .	
<b>Anticompetitive behavior</b>	✓	✓	As with anti-corruption, anti-competitive behavior can have negative effects across the value chain, from business partners that supply our products to consumers. We strictly adhere to the legislation in force, being aware that fair competition is a basic pillar for an efficient and sustainable economy.	
<b>Healthy living</b>	✓	✓	We encourage our customers to adopt a healthier lifestyle both through the products we offer with the help of our suppliers and producers, as well as through the projects we implement together with our community partners.	
<b>Food waste and responsible consumption</b>	✓	✓	Food waste is an important topic that has implications across the entire value chain, from producers to customers / consumers. We are constantly investing in complex systems in order to reduce the impact our stores have, while engaging in dedicated campaigns and activities targeting our customers and suppliers.	
<b>Customer privacy</b>	✓	✓	We pay great attention to personal data protection, as data privacy represents a customer-oriented quality indicator. Depending on the contracted services, we also collect data from our business partners. The impact we have in this areas is managed in strict compliance with the provisions of the General Data Protection Regulation. Our privacy policies are made available to our customers and business partners on the company's website.	
<b>Customer health and safety</b>	✓	✓	Consumer health and safety is an extremely important aspect in our business, that impact all the entities across the value chain, from producers and suppliers to costumers and consumers. That is why we ask all our own brand suppliers to follow and adopt the highest safety and quality standards in the production process: IFS, BRC, FSSC 22000 or ISO 22000 standards.	
<b>Marketing and labelling</b>	✓	✓	Our product labelling and promotion processes have a high impact on consumers and end-users. In order to make informed decisions, they need to easily access information about the ingredients or the components of the products, their safe use or their management after the end of their lifecycle.	

<b>Socio-economic compliance</b>	✓	✓	Compliance with specific socio-economic laws and regulations, as well as national, or international standards, conventions and treaties, proves the organization's ability to comply with specific performance parameters and substantially influences decisions and relationships with all stakeholders across the value chain.	
<b>Environmental compliance</b> <b>Environmental compliance</b>	✓	✓	Compliance with environmental standards and regulations impacts both suppliers who, through signing our Code of Conduct, undertake to adopt responsible behavior and reduce their activities that can lead to environmental pollution, as well as consumers and customers who help us to achieve our goals in this direction.	
<b>Effluents and waste</b>	✓	✓	We pay particular attention to the management of waste resulting from our activity and we are constantly working to improve our internal processes. Also, in order to limit our impact across the entire value chain, we implement education and awareness campaigns on the importance of proper waste management and handling.	
<b>Emissions</b>	✓	✓	Our activities generate greenhouse gas emissions both directly through existing processes in our organization and indirectly through the activities of our product and service suppliers. We manage this impact through significant investments, especially in new, environmentally friendly technologies.	
<b>Energy</b>	✓	✓	Energy consumption and our impact in this aspect occurs across the entire value chain: from suppliers that provide us with the products sold in our store, to the consumers' use of products we sell and the end-of-life treatment of these products.	
<b>Water</b>	✓	✓	Although our activities do not involve a significant water consumption, across the value chain the impact occurs at our private label suppliers, for producing and packaging the products we sell. At the same time, water consumption can increase downstream, when managing and treating the products after the end of their lifecycle.	
<b>Materials</b>	✓	✓	When talking about our activities in stores, headquarters and logistic warehouses, the materials we use do not generate a significant impact. However, the impact occurs upstream, with the inputs used to manufacture and package the products we sell.	
<b>Supplier environmental assessment</b>	✓	✓	With more than 2,000 suppliers, we are aware of the negative environmental impact that might occur across our supply chain. Therefore, we require all our suppliers to fully comply with environmental regulations and we maintain the right to carry out verification checks, where the non-compliance risks are increased.	
<b>Human rights</b>	✓	✓	Human rights impact occurs directly, across all our operations, but also across the value chain, through our interactions and relationship with company stakeholders: suppliers, business partners and local communities.	
<b>Labor-management relations</b>	✓	✓	All aspects related to labor-management relations can have a significant direct impact for the company, but they can also influence indirectly the entire value chain. We are aware of how important is to constantly communicate with our team, that is why every important change that occurs within the company is always discussed with employees representatives.	
<b>Occupational health and safety</b>	✓	✓	The company's impact in matters related to occupational health and safety occurs directly for all our employees, as well as for those workers, that even though they are not under a direct contract with our company, their workplace or work are controlled by the company (Kaufland magazine distributors, security personnel). At the same the impact also appears across the value chain as a result of the company's business relationship with other entities.	
<b>Employment</b>	✓	✓	The company's impact in regards to employment and job creation is directly linked to the recruitment, hiring, retention and the working environment it creates. Through its activities and investments, the company also contributes to employment and job creation across the value chain, for suppliers and business partners.	
<b>Non-discrimination</b>	✓	✓	The company's internal regulations forbid any type of discrimination, both for employees and customers, stakeholders that the company directly impacts. At the same time, the relationship we have with our business partners give us an indirect responsibility towards all the stakeholders across the value chain.	

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

<b>Diversity and equal opportunities</b>	✓	✓	The company actively supports diversity and equal opportunities, both within the company, as well as across the value chain, areas that the company impacts, as equality offers significant benefits for the organization and the workers in the supply chain.	
<b>Training and education</b>	✓	✓	When it comes to training and education opportunities for employees the company is directly responsible and has a major impact in these regards. Employees skills and performance also impacts the company's relationship with all its stakeholders.	
<b>Freedom of association and collective bargaining</b>	✓	✓	Freedom of association and collective bargaining play an important role for the relationship we have with our employees, whom we directly impact through our operations. At the same time, freedom of association is a fundamental human right for all employees, no matter the entity they work for and therefore our impact occurs also upstream the value chain, across our suppliers and other business partners.	
<b>Local communities</b>	✓	✓	Our operations have a direct impact on the local communities that host and support our activities. Whether they're suppliers, clients, consumers or community partners, we constantly communicate with our stakeholders, to anticipate and identify any form of negative impact that the company's activities might generate.	
<b>Supplier social assessment</b>	✓	✓	Through our relationships with suppliers of products and services, the company generates and contributes to an indirect social impact across the value chain. In order to mitigate the risks associated with a negative impact, the company requires from its suppliers, through the Code of Conduct, to comply with all national and international regulations regarding social aspects and human rights.	
<b>Public policies</b>	✓	✓	Involvement in the development of public policies generates a positive impact for society but, at the same time, financial or in-kind contribution to political parties can generate risks associated with bribery, corruption and therefore a negative impact across the value chain. That is why the company does not contribute or support political parties neither financially, nor in-kind.	

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

## Stakeholder Dialogue

Kaufland defines its stakeholders as those groups that the company's activities have an impact on, or that can influence the company's activities. We mapped our stakeholders and divided them into key groups, committing ourselves to continuing to review this process to ensure we understand their vision and position regarding our company. We communicate with them in an efficient way and respond promptly to concerns about common issues of interest. After completing this materiality process, we can present the 2017 materiality matrix, the main starting point in defining Kaufland Romania's sustainability strategy.

Stakeholder group	Topics of concern	How we engage and communicate with our stakeholders
<b>Customers – individual customers</b>	products, services, events, Kaufland newspaper, product quality, product availability, pricing, ambiance	<ul style="list-style-type: none"> <li> Kaufland website: <a href="http://www.kaufland.ro">www.kaufland.ro</a></li> <li> Kaufland Romania Facebook page: <a href="https://www.facebook.com/kaufland.romania">f/kaufland.romania</a></li> <li> Kaufland România Carriers Facebook page: <a href="https://www.facebook.com/kaufland.romania.cariere">f/kaufland.romania.cariere</a></li> <li> <a href="http://poftadegratar.ro">poftadegratar.ro</a> website</li> <li> Instagram</li> <li> YouTube</li> <li> LinkedIn</li> <li> Kaufland Newspaper</li> <li> Surveys</li> <li> TV and outdoor advertising</li> <li> Dedicated events</li> <li> Newsletter</li> <li> Telephone calls through the Customer Relations Department</li> </ul>

<b>Customers – corporate customers</b>	quality and pricing products, services, events	<ul style="list-style-type: none"> <li>■ Direct mailing</li> <li>■ Personal meetings</li> <li>■ Telephone calls</li> </ul>
<b>Employees</b>	company projects, events, legislation, administrative information, development opportunities, benefits, health and safety, recognition	<ul style="list-style-type: none"> <li>■ Intranet</li> <li>■ Kaufland Romania Cariere</li> <li>■ Kaufland Romania Facebook page</li> <li>■ Surveys</li> <li>■ Internal events</li> </ul> <ul style="list-style-type: none"> <li>■ Direct mailing</li> <li>■ Professional training courses</li> <li>■ Notice board</li> <li>■ Newsletters</li> <li>■ Internal magazine</li> </ul>
<b>Business partners and consultants</b>	collaboration, project communication, terms of engagement	<ul style="list-style-type: none"> <li>■ Direct mailing</li> <li>■ Personal meetings</li> <li>■ Telephone calls</li> </ul>
<b>Suppliers</b>	products, services, events, Kaufland newspaper, terms of partnership	<ul style="list-style-type: none"> <li>■ Direct mailing</li> <li>■ Personal meetings</li> <li>■ Telephone calls</li> </ul>
<b>Journalist / Media</b>	collaboration, project communication, quality of information	<ul style="list-style-type: none"> <li>■ Press releases</li> <li>■ Press conferences</li> <li>■ Direct mailing</li> <li>■ Telephone calls</li> <li>■ Surveys</li> </ul>
<b>Representative of regulatory authorities/ public administration</b>	taxes, reporting, legislation, transparency	<ul style="list-style-type: none"> <li>■ Emails and written correspondence</li> </ul> <ul style="list-style-type: none"> <li>■ Telephone calls</li> <li>■ Personal meetings</li> </ul>
<b>Representative of civil society/of a nongovernmental organization</b>	social projects and sponsoring, local community involvement	<ul style="list-style-type: none"> <li>■ Direct mailing</li> <li>■ Personal meetings</li> <li>■ Events</li> </ul>
<b>Financial institutions</b>	transparency, reporting compliance to terms, viability of business	<ul style="list-style-type: none"> <li>■ Reports</li> <li>■ Personal meetings</li> </ul>
<b>Schwarz Group</b>	profitability, viability, reputation, sustainability	<ul style="list-style-type: none"> <li>■ Reports</li> <li>■ Personal meetings</li> </ul>
<b>Local Community</b>	active member, viability of business, job opportunities, sponsoring, local community involvement	<ul style="list-style-type: none"> <li>■ Kaufland Romania Facebook page</li> <li>■ Surveys</li> <li>■ Events</li> <li>■ Direct mailing</li> </ul> <ul style="list-style-type: none"> <li>■ Professional training courses</li> <li>■ Newsletters</li> <li>■ Social media</li> </ul>

Stakeholders opinion is essential for our business, that is why, every year we carry our various surveys in order to receive their feedback and improve the quality of our services. The surveys are targeted at measuring the customers/ employees satisfaction, assessing customers shopping behavior, measuring the impact of our communication and marketing campains, but also analysing and monitoring the Kaufland stores performance.



**03** | we invest  
for our  
partners



# *our customers*

Our customers are the focus of our strategy and processes. In order to provide them with a complete shopping experience, we constantly improve our stores, staff interaction, health and safety standards and assortment quality, but we also focus on delivering information on food quality, the importance of responsible shopping and social campaigns in which they can get involved.





# Responsible Products and Services

We pay close attention to the way we choose our product range.

We favor in this process, responsible production conditions, good animal husbandry conditions and conservation of resources. We strive to ensure that products arriving on Kaufland shelves have international certifications and follow the objectives we have set at the company level. Companies that supply products to Kaufland must comply with the applicable legislation on the proper labeling of the products. In order to ensure compliance with the standards and legislation in force, all Kaufland supply contracts have clauses on compliance with existing product labeling regulations.

## Fairtrade

We care about people and the environment. We offer a constantly growing selection of certified products, labeled with the Fairtrade logo, thereby contributing to the development of regional agriculture. We offer a variety of Fairtrade products in all categories: dairy products, beverages, coffee and tea, even canned and frozen products. Among them are many K-Bio products.

### *Fairtrade cocoa*

The Fairtrade cocoa program allows Fairtrade producers to sell larger quantities of their own crops under fair trade conditions. By purchasing the products marked with this seal, customers can actively support the improvement of the living and working conditions of small farmers and organic production. The Fairtrade logo guarantees fair and equitable business conditions. Fair trade thus supports producers in Africa, Latin America and Asia, improving living and working conditions, but also supporting the production of organic farming.

## Sustainable cleaning

K-Classic cleaning products carry the "Sustainable Cleaning" logo, which translates into environmental delicate products. We are among the companies that have committed themselves to manufacturing products in a safe and environmentally friendly way.

## GOTS

Many household textiles and garments in our private label range have high organic cotton content and bear the GOTS (Global Organic Textile Standard) seal, which guarantees an environmentally safe and responsible production process.

## FSC

K-Classic products include items with FSC® (Forest Stewardship Council) seal, which means they are produced in accordance with strict guidelines, demonstrating a responsible forest supply chain management. These include, among other things, napkins, hygiene products such as toilet paper or disposable napkins and barbecue charcoal. By purchasing certified FSC® products, we promote the worldwide responsible exploitation of forests. In order to protect natural resources in the manufacturing process of Kaufland private label products, we use FSC®-branded raw materials from responsible logging operations. Among these are the carton boxes of beverages and other packaging.





## ★ Rainforest Alliance

Our assortments include coffee items from certified Rainforest Alliance farms, like the mixed coffee and milk drinks from our K-Classic brand. We support the sustainable coffee production. Rainforest Alliance is an international nonprofit organization working to preserve biodiversity and protect the rights and welfare of farmers, their families and the local communities in the producing countries.

## ★ Palm oil

Internationally, in our own brands, we replace palm oil with other vegetable fats, such as sunflower oil, or reduce the proportion of palm oil by adjusting formulas. For the products that still contain palm oil, we convert the use to certified palm oil from responsible oil palm cultivation. The Group is also part of the "Sustainable Palm Oil Forum", thereby advocating more sustainable production of palm oil in the growing countries.

## ★ UTZ

UTZ-certified K-Classic chocolate products contribute to improving environmental conditions as well as improving economic and social conditions in cultivating countries. We thus ensure that all the cocoa needed to produce our chocolate products comes from sustainable crops.

## ★ Vegetarian and Vegan

In our K-take it veggie assortment you can find any high quality, and delicious alternative to the classic meat and dairy products - many of them even with the organic logo. To help you find them easier, such products of the rest of your own label range are labeled with V. This marks vegetarian and vegan products as required by the European Vegetarian Union (EVU), so you can easily identify them.

## ★ Fur free

We joined the "Fur Free Retailer" program, thus not selling natural fur products or fur lining. These include, for example, various textiles, accessories and toys for animals.

## ★ Eggs

In the case of processed products of our own labels, such as dough and pastry products, it is very important to use eggs from free-range hens raised on the ground or outdoor, in order to strengthen our commitment for animal welfare. Products such as fresh egg wafers are marked on the packaging with the message that they are produced with eggs from hens raised on the ground. Kaufland aims that, by 2025, at the latest, it should stop the use of eggs from caged and enclosed spaces hens in the production process of their own labels.

## ★ MSC

We are constantly expanding the range of fish products from sustainable fisheries on which the MSC (Marine Stewardship Council) seal is applied and signaling them accordingly. These include K-Classic products (e.g. herring fillets). As an independent non-profit organization, MSC supports sustainable fishing practices worldwide.

## ★ ECONYL

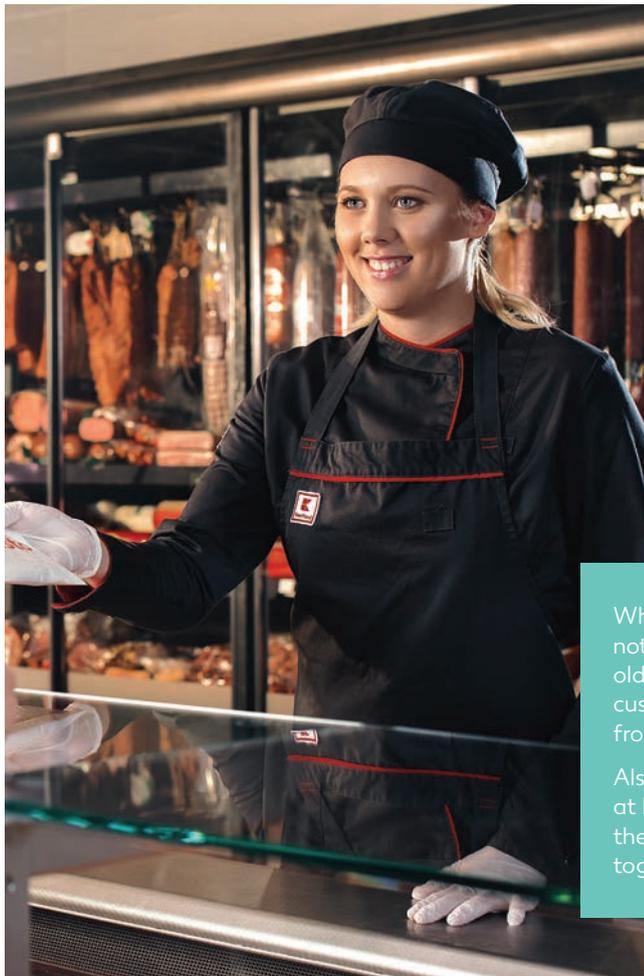
One tenth of the waste left in the oceans is abandoned fishing nets. These so-called ghost nets often float for many years and endanger the lives of fish and other marine creatures such as dolphins, sea birds or sea turtles. Thanks to the Healthy Seas initiative, nets are recovered and processed as part of an innovative recycling process in ECONYL® yarns, becoming raw material for socks and other similar products. As partner of Healthy Seas, we actively contribute to protecting the seas and preserving them for future generations.

## ★ Microplastics

In order to protect the environment, especially the seas, we decided not to use hard microplastics particles in our private label cosmetics and body care products, nor in detergents or household cleaners. We have set this up in the framework of voluntary elimination initiative that applies internationally to all cosmetics and detergents and cleaning agents in K-Classic products.

# Responsible Communication with Our Customers

We are a responsible retailer and we encourage all our customers to make informed, conscious decisions that do not have a negative impact on the environment and benefit suppliers and local communities. Our customers are encouraged to choose products taking into account their impact, brand and the environment, as our concern is to provide them with options to ensure a better quality of life in the long run. Our top recommendations are seasonal products that use less energy and water in the production process and fewer chemicals; local products to support domestic producers and reduce the environmental impact, as long-haul products have a greater environmental footprint; reduced use of bags and packaging and responsible shopping, to avoid food waste as a result of the purchase of excess quantities.



No Kaufland store resembles another. Each store is unique and tailored to local requirements. Each store is different in terms of location, surface and architecture.

The services we offer to customers are the same though because they were built to meet customer needs.

In the Kaufland stores in Romania we offer our customers the following services:

■ **Free phone numbers.**

If they have any complaints, wishes or want to give us feedback, they can call us at 0800 080 888 free of charge, from Monday to Friday between 8:00 - 20:00 and Saturday from 8:00 to 17:00 or in writing by visiting [www.kaufland.ro/contact](http://www.kaufland.ro/contact).

■ **Fresh bakery products throughout the day.**

At the Kaufland bakery, customers can always find fresh bread and fresh rolls from morning to late at night.

■ **Cash Registers without sweets.**

At Kaufland, parents benefit from the services of a cash register without sweets.

■ **Free call to taxi companies.**

To get home comfortable, Kaufland employees in stores can order a taxi for customers requesting this service at the Information Office.

■ **Return.**

Customers who plan a party can safely buy more drinks for guests. Unopened and undamaged bottles can be returned within 14 days presenting the cash receipt.

When selling alcohol and tobacco products, the notice "Sale allowed only for people over 18 years old" is displayed on the cash register and if the customer is a minor, the product will be withdrawn from the shopping cart.

Also, 100% of the Kaufland Romania stores, have at least one cashier desk with no sweets on the shelves, dedicated to the clients that shop together with their children.

# Kaufland private labels

What we promise with our private labels is quality and a great range of products.

Kaufland stores offer up a great variety of items (regional products, brand products, exclusive brands) and a large portfolio of private labels offers various products in the food category (canned, dairy, bakery products, cold cuts, beverages, sweets, etc.) and non-food (home appliances, household and paper products, stationery, clothing).

One of the company's key objectives is to continuously consolidate and develop Kaufland's private labels, improving their competitiveness while maintaining the lowest price. Our private label products

are successful among our customers, being recommended by the very controlled quality of the brand with the lowest price guarantee. We constantly make sure that products meet a high quality standard, independent quality control bodies guaranteeing the quality of our private labels. Topics such as the regionality, sustainability and origin of our products are becoming increasingly important. We implement new technological solutions to meet customers' expectations of quality, service and price.



## K-Vreau din România

In 2017 we have reached an important milestone in our development on the Romanian market by launching the first range of products made exclusively in Romania.. K-Vreau din România offers products made exclusively by local producers and suppliers, being the first brand of the company made entirely locally. The range includes basic

foods such as flour, corn flour, semolina, pearl barley, bakery products, cold cuts, sweets (e.g. croissants, jam rolls, chocolate salami, etc.), dairy products (cheese, cream, milk, yoghurt) natural fruit juice - and local dishes such as pork crackling, meats and more. The assortment was launched with more than 80 products and is constantly expanding.

# Food waste

The food waste topic is a continuing concern for Kaufland. We are continually investing human and financial resources to reduce the amount of wasted food, from suppliers to our warehouses and from our stores to the customer. Having a responsible approach towards consumption means to also take into account ways to prevent food waste - not just as a company, but also at home, through actions that are easy to implement. It means engaging in actions that standardize food access.



Throughout the year, we continued our efforts to prevent food waste:

- we improved our internal systems to help fight food waste
- we have a complex information system that monitors and manages stocks in order to prevent food waste
- we focus on supporting, adhering, developing and implementing systems to monitor and manage resource production in a sustainable manner



The retail industry can have an important role in educating consumers about choosing quality products and avoiding food waste. As a retailer, our role is essential in two aspects:

- educating consumers - to choose quality products or products suitable for their health in a correct, informed manner
- and providing them with concrete solutions, right on the shelf or by dedicated actions (awareness campaigns, profile events, etc.) so that they can choose what is right for them and avoid food waste

We organized events such as the Eat Smart conference during the financial year. The series of benchmark conferences began a year earlier, on June 23, 2016, at the Kaufland Basarab store.

On November 28, 2017 "Eat Smart" brought together representatives of the central and local public authorities, civil society and the business community, represented by the main players in FMCG, Retail, HoReCa (Hotels, Restaurants, Coffee shops), Industry, Transport, Producers.

Event participants had the opportunity to address questions to the central and local public authorities and find answers to important issues regarding food waste.

Internally we have consolidated the Supply Chain Management team. This ensures that each store orders the optimal amount of

products it needs for a certain amount of time. We keep stocks at a level that can ensure delivery availability to our stores and at the same time do not generate overstocking. Based on store / item sales history, the system we work with makes a daily order proposal for all item-store combinations. For best results, colleagues in charge of this process guide the system by informing it of the "unforeseen factor" (season, weather, holiday, etc.).

Because we always think about what we can do in this direction, our medium-term objectives are to develop partnerships with entities such as animal shelters and other organizations to whom we can donate products before the expiration date.

## Monitoring and managing stocks system

Our stock monitoring process is based on a complex system that uses different steps and parameters to take into account consumer behavior, product seasonality, weather forecast and other external factors could influence consumer preferences and behavior.

### 1. AUTOMATIC ORDERING

All the stores in the country generate their orders with the help of an electronic system that allows accurate assessment of the need for products. Thus we not only improve cost efficiency, but, most importantly, each store orders the optimal amount of products required for a specific period, preventing under or overstocking.

### 2. STOCKS FOR 1 OR 2 DAYS

For fresh products, especially fruits and vegetables, stocks are ordered for 1 or up to 2 days. Both warehouses and stores offer optimum storage conditions and temperatures are constantly monitored by electronic systems.

### 3. WE APPLY THE SHORTEST SUPPLY ROUTE PRINCIPLE

Stores receive products from the nearest warehouse, based on the shortest supply route principle. Day by day, more than two hundred trucks leave Kaufland's logistics centers loaded with the highest quality goods. Products are entered into the goods management system by item number, quantity, volume and shelf life, and are later arranged by employees in the shelving systems.

### 4. PERMANENT MONITORING OF SHELF LIFE

The shelf life set in the system is several days shorter than assigned by the supplier so the customer has sufficient time to use the product. This allows the customer to keep the product for a longer period at home, without being forced to use it quickly or to discard it because it expired.

### 5. CHECKING SHELF LIFE

The check of shelf life and the First In First Out (FIFO) principle are very important for fresh products. By strict control, we assure that we offer fresh goods to our customers and we prevent losses because of spoilage of expired goods.



*our  
suppliers*





# Supply chain

Being the largest actor on the retail market by turnover, we are aware that the impact we have along the supply chain of more than 2,000 suppliers is a major one. Our procurement policy is based on transparency, ethics and fairness, aspects that characterize Kaufland's entire business model. The partnerships we develop with our suppliers are based on a strong code of conduct, based on compliance with current legislation, which encompasses the provisions of the international standards and directives in force.

Although the screening of our new suppliers is not based on social and environmental criteria, all Kaufland future suppliers are required to fully comply with our business Code of Conduct, that includes regulations on the suppliers social and environmental behaviour.

For the reporting period March 2017 - February 2018, we focused on internal procurement practices and set up a data collection system in our internal departments. In the future, we take into account an analysis of procurement practices of Kaufland Romania's largest suppliers.

## Suppliers relations



All our partners throughout the supply chain receive and accept the Code of Conduct provisions before signing the contract.

The Code of Conduct clearly defines the requirements we have towards our business partners and states:

- the partner's obligation to comply with current national and international legislation, industry-wide minimum standards, International Labor Organization and United Nations conventions, and all other relevant legal provisions;
- no discrimination in employment and in work relations;
- the partner's obligation to ensure equal opportunities and treatment of its employees, regardless of race, color, sex, age, disability, sexual orientation, religion, political conviction, nationality or other personal characteristics;
- prohibition of all employment relations where labor is forced by coercion or threat;
- prohibition of any form of work with minors, if they are under the age limit at which the legal obligation of school education ends;
- the right of our partners' employees to freedom of association and collective bargaining;
- issues related to the employment contract (weekly working hours must not exceed the number of hours prescribed by the law, employees' salaries must correspond at least to the minimum legal standard etc.)
- the partner's obligation to ensure that the workplace does not endanger the health and safety of the employee;
- the partner's obligation to comply with national legislation on environmental protection and to avoid, respectively reduce, environmental pollution;
- prohibition in any form of corruption, bribery or embezzlement.

## Private Labels Suppliers

We partner with a wide range of suppliers to produce our private labels products. In order to be approved, suppliers and Kaufland private labels producers/ manufacturers, suppliers must acquire in advance certification in accordance with the IFS, BRC, FSSC 22000 or ISO 22000 Standards.

Also, for certain product categories, we require specific additional audit from a third party, based on a series of pre-determined criteria. This process is centralised and in agreement with the central department in Germany.

For the delivery of low or medium risk product, the suppliers who do not have one of the above certifications can be approved, provided they pass the Kaufland audit. The audit is conducted on an annual basis and within two years, the supplier is required to obtain one of the certifications listed above. However, for producers of high-risk products, the above external certifications are mandatory.

Our responsibility extends beyond our location of operation, therefore companies that produce the private label products for Kaufland Romania have to comply with the legislation in force in each area and country. In order to ensure compliance with the standards and legislation in force, Kaufland Romania reserves the right to carry out verification checks by means of contractual clauses.

# Local supply chain investments

The role we have come to play in the retail industry is also due to the strong partnerships that we have developed over time with our suppliers. As in the previous years, in 2017 we prioritized procurements from local suppliers.

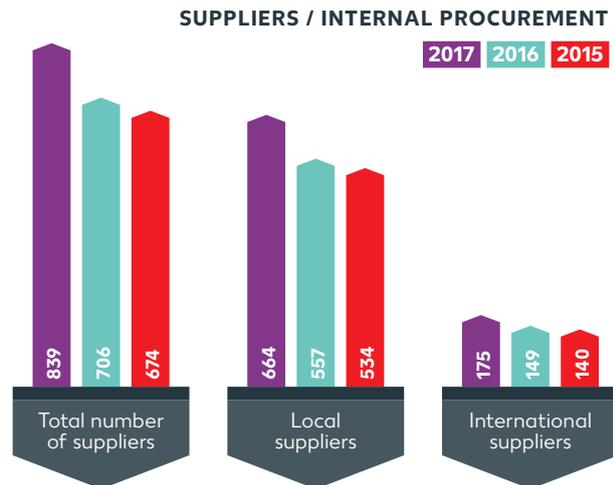
In our supplier and supplier investments analysis we defined local suppliers as Romanian based suppliers (headquartered in Romania) and considered other suppliers as international based suppliers.

Within Kaufland, procurement responsibility is divided into two directions:

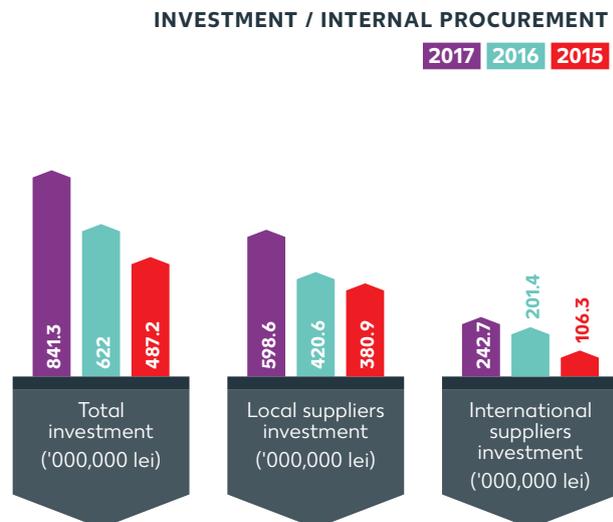
- the internal procurement department is responsible for purchasing internal use products and services that make it possible for the organization to operate as an economic entity;
- the procurement for stores department is responsible for products and services procurement for Kaufland stores.

## Internal procurement

SUPPLIERS / YEAR	2017	2016	2015
Total number of suppliers	839	706	674
Local suppliers	664	557	534
International suppliers	175	149	140



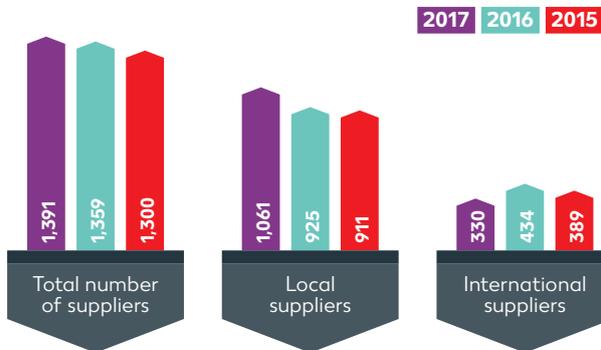
INVESTMENT ('000,000lei) / YEAR	2017	2016	2015
Total investment	841.3	622	487.2
Local suppliers investment	598.6	420.6	380.9
International suppliers investment	242.7	201.4	106.3



## Procurement for stores

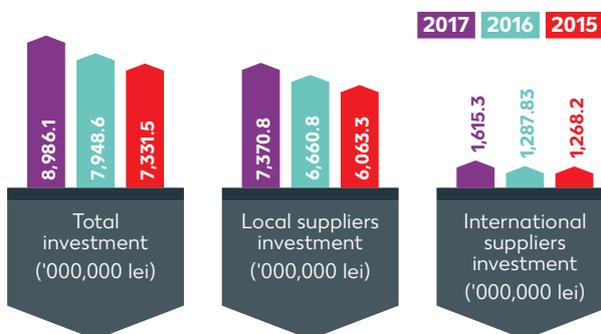
SUPPLIERS / YEAR	2017	2016	2015
Total number of suppliers	1,391	1,359	1,300
Local suppliers	1,061	925	911
International suppliers	330	434	389

SUPPLIERS / PROCUREMENT FOR STORES



INVESTMENT ('000,000lei) / YEAR	2017	2016	2015
Total investments	8,986.1	7,948.6	7,331.5
Local suppliers investment	7,370.8	6,660.8	6,063.3
International suppliers investment	1,615.3	1,287.8	1,268.2

INVESTMENT / PROCUREMENT FOR STORES



Compared to the last year, the total number of suppliers (*Internal Procurement + Procurement for stores*) from Romania increased by **5.59%**, reaching **77.35%** in 2017 (71.76% in 2016).



## SUPPORT FOR OUR LOCAL SUPPLIERS

# Supporting Romanian producers to receive the Global G.A.P. certification

Started in 2016, the program for supporting Romanian producers in order to receive the Global G.A.P. (Good Agricultural Practices) certification consisted in theoretical and practical educational workshops where fruit and vegetable producers, Kaufland's partners, became familiar with the necessary quality and safety standards and benefited from on field applied consulting.

Following the program, 5 Romanian fruits and vegetables crops are being or have been awarded international quality certificates. This ensures that producers, among other benefits, have access to several new outlets - both local and international, allowing Romanian products to be exported anywhere in the world.

Among the Romanian crops whose quality was recognized internationally in 2017 are: potatoes, onions, eggplants, tomatoes, cucumbers, cabbage, red beets, parsnips, carrots, peppers, lettuce, spinach, greens, mushrooms, black radish, watermelons and melons, celery, cauliflower, courgettes, peas, pumpkin - but also fruits such as apples, pears, quinces, plums, strawberries, raspberries, cherries, peaches and apricots.

The certification obtained by producers ensures that retailers take over the entire quantity of certified products, thus ensuring a more stable income and giving them access to new local and global outlets by introducing the certified products into a global database.

# Raftul românesc

Kaufland Romania launched the first national Romanian pork meat program in partnership with "Țara Mea" Cooperative and with the support of the Agriculture, Forestry Commission and the Ministry of Agriculture and Rural Development.

Named **Raftul Românesc (Romanian Shelf)**, the initiative increases the presence of local pork meat on the shelves in Kaufland stores, thus supporting the development of small Romanian farmers. The program supports the sustainable development of the domestic pork production capacity and responds with a solution to the fact that in Romania about 60% of the commercial pork originated from other countries.

**Raftul Românesc** is the first integrated national program that brings on our store shelves pork meat directly from the Romanian farmers which significantly increases the presence of Romanian pork meat in the Kaufland Romania network.

The initiative is structured on two pillars:

- the collection of pork meat from Romanian farmers
- and changing the way farmers in the program feed their animals.

## THE FARMERS EDUCATION COMPONENT: NATURAL FOOD FOR HIGH QUALITY ROMANIAN PORK MEAT

The program also comes with an educational component: "Țara Mea" Cooperative requires farmers to switch to natural food formats from forage coming exclusively from Romanian agriculture, without soybeans, in order to get the traditional taste of Romanian high quality pork meat compared to imported one.



The program includes

>50%

small and medium-sized farmers from Romania, and provides them with the warranty of integral takeover of pork meat from animals farmed in our country, as well as development and counseling support.

## HOW DOES THE PROGRAM WORK?

By initiating this program, Kaufland Romania and its partners are committed to the sustainable development of national agriculture and animal welfare in the supply chain, by increasing the supply of fresh meat from small and medium-sized farms in Romania.

Thus, on one hand, "Țara Mea" Agriculture Cooperative is responsible for the entire chain of planning, coordination, animals delivery to fattening farms, maintaining the relationship with over 100 small farmers in the program and management of the meat volume.

On the other hand, Kaufland Romania guarantees the full takeover of the quantity of fresh pork meat from the program and its sale in a dedicated area in the store - **Raftul Românesc** - specially designed to encourage customers to choose local products. Also, by the quality standard it introduces, it ensures that the product meets the highest quality criteria, including cutting, weight, microbiological and packaging standards.

# Romanian Good Products fairs

We continued to support Romanian producers by organizing national fairs, thus helping small local producers to bring their products closer to Romanians, offering them the necessary sales space and logistics free of charge.

At the fairs, visitors could enjoy Romanian dishes such as: home-made sweets, jams and marmelade made with traditional recipes, natural syrups, honey and bee products, but also hand-crafted items and decorations, popular costumes or leather products.

In 2017, 15 editions of the "Târgul de bunătăți" (Good Products Fair) were organized in Bucharest, Braşov, Turda, Piteşti, Craiova, Ploieşti, Tîrgu Mureş, Constanţa, Iaşi, Giurgiu, Râmnicu Vâlcea, Piatra Neamţ.



*our  
communities*





# Our community investment strategy

From March 1<sup>st</sup> 2017 to February 28<sup>th</sup> 2018, the budget invested in the community projects exceeded

**23,500,000 lei.**

We take responsibility towards the communities in which we operate and want to contribute with our partners to the sustainable development of Romania in order to leave a solid inheritance to future generations.

In addition to making direct investments for supporting local communities (local suppliers' support projects, development and training projects for our employees, etc.), annually we redirect important amounts of money in order to support projects developed by our partners in the following directions:

## Education:



- Preventing school drop-out
- Supporting disadvantaged children and facilitating their access to education
- Developing skills, competences, qualifications to enrich the curriculum
- Complementary, extracurricular programs for young people

## Environment:

- Infrastructure improvement for using and developing alternative means of transport
- Restoration of destroyed green spaces
- Fighting against natural disasters (floods, landslides)
- Greening actions for raising awareness of adopting a responsible behavior



## Social topics:

- Community development
- Supporting vulnerable groups (people coming from less developed rural areas, people suffering from terminal diseases)



## Culture/ Music:

- Promoting local culture and art
- Financing artists coming from a vulnerable environment
- Supporting cultural charity events



## Sport/Health:

- Promoting a healthy lifestyle
- Promoting sport activities
- Improving facilities in the healthcare system
- Raising public awareness



Every project developed and implemented with our partners involves a broad process of analysis and monitoring. Prior to implementing the project, the partner organization implements an analysis showing the impact of the project on stakeholders and beneficiaries. Also, after the completion of the project, the partner draws up a report describing the situation before and after the project, the improvements achieved through the implementation and the obtained results.

# Our projects

In order to have a complete analysis of the projects we are about to implement and to show transparency in our decision-making on the projects we support, the CSR Committee was founded in 2016. The Committee includes one representative from each department of the company, appointed directly by senior management, and meets once every three weeks.

Non-governmental organizations submitting project proposals that are approved for implementation are checked for legal compliance, in line with the sponsorship legislation in force.

## Education

### *Acces la educație pentru o viață mai bună*

**Access to education for a better life**

The project, developed in partnership with the **SAVE THE CHILDREN ROMANIA ORGANIZATION**, was supported by Kaufland Romania by funding the activities of 6 Educational Centers for disadvantaged children in Bucharest, Iași, Târgoviște, Cluj, Petrila and Constanța. The total number of beneficiaries was 2070 as it follows:

**134** children benefited from the **Grădinița Estivală (Summer Kindergarten)** program (educational activities carried out for two months during school holidays, for children who did not receive pre-school education).

■ **97%** of the children who attended Grădinița Estivală were subsequently enrolled in the school.

**371** children benefited from the **Școală după Școală (School after School)** program (socio-educational program for children at risk of school dropout).

■ **90%** of children enrolled in the Școală după Școală program have registered school progress

■ **44%** have achieved good and very good results.

**155** children benefited from the **A Doua Șansă (Second Chance)** program (socio-educational program for children who have dropped out of school or have never been enrolled in school and are passed the age of enrollment).

■ **85%** of children enrolled in the program have passed the exam and moved to the upper level,

■ **15%** continue training and will hold a new exam session

**776** children benefited from **educational and social counseling** to prevent school dropout.

**501** parents received **counseling and support** to solve the various problems they face.

**133** child protection and education professionals were trained in the **socio-educational integration** of vulnerable children.



# Grădinescu

## Environment

Grădinescu, the project developed by Kaufland Romania together with the **RESEARCH INSTITUTE FOR PERMACULTURE IN ROMANIA**, consists of a network of nine community **urban gardens**, three of which were located on store roofs, four in the car parking or behind the stores and two in schools in Bucharest.

The Kaufland store in Bucureștii Noi was the first to have the roof and exterior walls turned into urban gardens. The following stores that have been remodeled in the Grădinescu vision were the ones in Barbu Văcărescu and Tudor Vladimirescu and Apărătorii Patriei neighborhoods.

The cultivated area reached **2,500 m<sup>2</sup>**.

The vegetables produces in these gardens are not sold in Kaufland stores as this project is entirely intended for the community. Any person can request a lot where they can cultivate different vegetables or other plants. The total number of beneficiaries was

**5.000** people, inhabitants of Bucharest.



## Social topics

# MagicHome

Currently, 5,000 children in Romania are treated for oncological diseases. Approximately 500 new cases are diagnosed annually. Children who suffer from cancer require medical attention in pediatric oncology clinics, which are usually far from home. Over 70% come from families with a modest financial situation and the costs of transportation and accommodation are the main cause for many children being diagnosed late, postponing or interrupting treatment or consultation, which dramatically reduces their chances of recovery.

Parents who want to be with their children during treatment have only one option: a chair in a hospital room.

Currently, the MagicHOME Center, located in Bucharest near treatment facilities (The Bucharest Oncology Institute and Fundeni Clinical Institute), provides free hosting, support and other facilities to families with children diagnosed with cancer or other serious conditions. In the first half of 2017, **300 children and their parents** were accommodated free of charge.

Because the current MagicHOME Centers do not cover the real need for accommodation and support for children with serious conditions and their families, the **MagicCAMP ASSOCIATION** launched a fundraising campaign in the fall of 2017 to complete the construction of a new MagicHOME Center: Together # ForMagicHOME. The new center in Bucharest, for which

Kaufland Romania was one of the first financial supporters, will have an area of

**700 m<sup>2</sup>** and will accommodate **25-30** people daily, offering **~10.000** meals a year.

The number of people who can benefit each year from the MagicHome project is **~350** people.



## Bucurie în Mișcare

Sport/  
Health

Bucurie în Mișcare is a project promoting sport activities, initiated by 11even Association in 2012. Ever since then, the project has been implemented in more than 25 cities in Romania and in Chișinău, Moldova, bringing together tens of thousands of participants.

Bucurie în Mișcare integrates game ideas and easy ways of working out, designed to help participants to get inspired and choose working out every day, in a world invaded by technology.

Bucurie în Mișcare has the aim of bringing together children and parents, young people who share the same passions, in a lively, extremely appealing event.

>80.000 children, parents and grandparents participated at the 1.500 open air activities which took place in 16 cities as part of the national campaign Bucurie în Mișcare.

In 2017, between May 12th and June 4th, the organizers brought the joy of movement to Arad, Petroșani, Târgu Jiu, Craiova, Deva, Făgăraș, Ploiești, Râmnicu Vâlcea, Baia Mare, Botoșani, Timișoara, Zalău, Bacău, Cluj-Napoca, Galați and Piatra Neamț.



Culture/  
Music

## ONGFest

ONGFest, the largest outdoor event dedicated to the civil society in Romania, organized with our partners from the **CIVIL SOCIETY DEVELOPMENT FOUNDATION**, took place in Bucharest (June 17-18), Iași (24 June) and Cluj Napoca (July 1<sup>st</sup>). At its 8<sup>th</sup> edition, its goal is to increase the number of citizens actively involved in the community, to promote the associative spirit and to increase the involvement of non-governmental organizations in society.

>200 exhibiting NGOs from Romania, Switzerland and the Republic of Moldova and

>50.000 visitors participated in the events. On the occasion of the International Year of Sustainable Tourism for Development, ONGFest offered visitors and participants the chance to travel in a world of responsible initiatives through the "Civic Break" concept. The theme is a game of words that invokes the civic spirit of every citizen and invites him on a "journey" among the causes presented at the festival. As in a City Break, visitors could see how a sustainable Romania was built by NGOs.



Between March 2017 and February 2018, the company supported over 150 community investments projects. The impact the company has had through the projects implemented with our partners in the non-governmental area was presented in the **Kaufland Romania 2017 Community Investment Report: Crește România**. The report can be consulted here: [media.kaufland.com/images/PPIM/AP\\_MarketingDocument/rum/39/27/Asset\\_2483927.pdf](http://media.kaufland.com/images/PPIM/AP_MarketingDocument/rum/39/27/Asset_2483927.pdf)



# 04 | we invest in our employees







As part of the Global Compact Network Romania, we have committed to contributing to the sustainable development objective no. 8 - **Decent Work and Economic Growth**, closely monitoring our contribution to reaching the indicators in this area. That's why the company is constantly working to create the best working conditions for the team. We encourage **creativity** and **innovation** and promote **a transparent, fair and secure working environment**. Our employee policy focuses on **trust, dialogue, mutual respect** and **continuous improvement**.

Within the company, the Human Resources department is responsible for monitoring and managing all aspects of the employee relations.

All the aspects related to employees relations are provided in the internal regulations and the collective labor agreement. These cover issues related to internal labor discipline, occupational health and safety procedures and instructions, as well as the rights and obligations of employees in relation to Kaufland Romania.

All new employees are informed about the Internal Regulation provisions prior to commencing their activity in the company. We constantly communicate with them and we want to receive their feedback, therefore, for any suggestion or referral they have, they can communicate it to their direct manager or use the [vocea@kaufland.ro](mailto:vocea@kaufland.ro) email address. "Vocea Kaufland" forms are important tools that help us discover possible system errors and ultimately improve our internal processes and procedures.

At the end of February 2018, Kaufland Romania had 15,060 employees. Out of these, about 31% are men and 69% are women (the average number of employees the company had during the 2017 financial year was 15,111).



15,060 employees

31% men 69% women

**EMPLOYEES BY AGE, GENDER AND RANKING**

on 28.02.2018

CATEGORY	MEN				WOMEN			
	<30 years old	30-50 years old	>50 years old	TOTAL	<30 years old	30-50 years old	>50 years old	TOTAL
Non-management	1,665	2,113	465	4,243	2,471	6,690	856	10,017
First-level management	39	207	4	250	28	229	6	263
Second-level management	10	104	6	120	7	67	4	78
Third-level management	0	46	1	47	2	29	0	31
Executive management	0	3	0	3	0	3	0	3
Top Management	0	4	1	5	0	0	0	0
<b>TOTAL</b>	<b>1.714</b>	<b>2.477</b>	<b>477</b>	<b>4,668</b>	<b>2,508</b>	<b>7,018</b>	<b>866</b>	<b>10,392</b>

The data reflects the situation of active employees in February 2018 and was extracted from our internal systems. The employees with a suspended labor contract (e.g. parental leave) were not included.

**AVERAGE AGE IN THE COMPANY BY POSITION**

01.03.2017-28.02.2018

POSITION	2017
Non-management	36.67
First-level management	36.42
Second-level management	37.81
Third-level management	38.27
Executive management	36.67
Top Management	41.80
<b>TOTAL</b>	<b>36.69</b>

the average age of employees: 36.69

**NUMBER OF EMPLOYEES IN ADMINISTRATIVE OFFICES**

01.03.2017-28.02.2018

OFFICE LOCATION	2017	
	No.	%
Bucharest, Barbu Vacarescu	516	70%
Bucharest, Tunari	221	30%
<b>TOTAL</b>	<b>737</b>	<b>100%</b>

The distribution of employees in the two offices is purely administrative and was made as a result of the increase in the number of employees.



Bucharest, Barbu Vacarescu Bucharest, Tunari

## NUMBER OF EMPLOYEES BY EMPLOYMENT CONTRACT AND WORKING HOURS\*

01.03.2017-28.02.2018

EMPLOYMENT CONTRACT	2016	2017
Permanent contract	15,230	14,826
Temporary contract	338	286

EMPLOYMENT TYPE	2016	2017
Full time	12,623	11,365
Part time   <8h	2,945	3,746

\*average monthly values of ongoing contracts (in the financial year 2017)

### EMPLOYMENT CONTRACT



### EMPLOYMENT TYPE



### NEW EMPLOYEES AND STAFF TURNOVER

2017

CATEGORY	NEW EMPLOYEES *		TURNOVER ***	
	number	rate	number	rate
<b>GEN</b>				
women	3,167		3,313	
men	2,398		2,658	
<b>TOTAL</b>	<b>5,565</b>	<b>36.95</b>	<b>5,971</b>	<b>39.65</b>
<b>AGE **</b>				
<30	3,033		3,045	
30-50	2,213		2,527	
>50	319		399	
<b>TOTAL</b>	<b>5,565</b>	<b>36.95</b>	<b>5,971</b>	<b>39.65</b>
<b>REGION</b>				
1	1,307		1,265	
2	1,949		2,111	
3	749		925	
4	760		862	
Headquarters	178		153	
Ploiesti Logistic Centre	367		379	
Turda Logistic Centre	255		276	
<b>TOTAL</b>	<b>5,565</b>	<b>36.95</b>	<b>5,971</b>	<b>39.65</b>

The company collaborates annually with a number of partners that provide us with the human resources needed to distribute the Kaufland newspaper, cleaning, security and protection. During peak times, we work with leasing companies to cover the need for staff.

\* When referring to new employees, we also included those employees with a temporary contract, for seasonal activities - 896 (total number of contracts with temporary employees throughout the financial year)

\*\* The data refers to the age of the employees at the time the contract was terminated

\*\*\* When calculating the staff turnover, we also included those employees whose labor contract expired or left the company during their probation period

# A working environment in accordance with our values

Within the company, the promotion of fair employment relations is constantly pursued, which ensure the protection of employees, and the employment relations between the employer and the employee are based on the principle of equal treatment. At the same time, the company does not in any way tolerate behaviors that have the purpose or effect an unfavorable treatment or subjection to an inappropriate treatment of a person or a group of people. Any form of discrimination against an employee (or candidate for a vacancy) based on sex, sexual orientation, religion, genetic characteristics, age, nationality, race, color, ethnicity, political opinion, social origin, disability, family or material situation, membership or trade union activity are strictly prohibited.



Keeping a pleasant and fair work environment is an essential part of the company's policy, so any kind of discrimination or acts producing such effects are sanctioned dissolving the individual labor contract.

During the reporting period, two complaints from employees were recorded regarding discriminatory behavior. Following the analysis, the National Council for Combating Discrimination issued a decision declaring that both complaints were unfounded, solving the complaints in favor of the company.

Out of the total management functions, 53.12% are held by men and 46.88% are held by women.

## EMPLOYEES BY MANAGEMENT FUNCTIONS AND GENDER



## EMPLOYEES WITH DISABILITIES

**2017** 01.03.2017-28.02.2018

POSITION	MEN	WOMEN
Non-management	55	85
First-level management	1	0

The data on employees with disabilities within the company includes all active employees during the financial year 2017 (a part of them have completed their employment contract or been employed during the year).

## Top employer

Our care for employees and the strong principles that characterize relationships with them helped us to receive for the third consecutive time the title of top employer, the international certification granted by the Top Employer independent institute in the Netherlands.

Criteria such as primary and secondary employees benefits, working conditions, professional training and career development as well as organizational culture were considered in the analysis process.

## Benefits and remuneration policy

Employee remuneration respects the local legal framework and is made based on the employee's position in the company, in accordance with a predefined salary matrix. When setting the employees salaries, the company forbids any discrimination based on sex, sexual orientation, genetic characteristics, age, nationality, race, color, ethnicity, religion, political option, social origin, disability, family status or responsibility or union membership or activity.

When determining individual salaries, aspects such as the candidate's professional competence and skills, the degree of autonomy, the level of training and knowledge required, the duties and responsibilities of the position, the economic context and the market conditions, etc., are taken into account.

Withing the company, there is no difference between the basic salary offered to women compared to the basic salary offered to men.

### VALUE OF BENEFITS FOR THE EMPLOYEES

01.03.2017 - 28.02.2018

BENEFITS	2017
	'000 lei
	Full-Time, Part-Time, Temporary/internships
Meal vouchers	28,787.7
Life insurance	231.1
Aid from the company in case of birth, marriage, death, social aid	3,083
Seniority bonuses	1,733.7
Retirement provisions	196.5
Private health insurance	273.5
Gift vouchers and bonuses for employees and minor children of employees	4,835.7
Other -benefits in kind, rent	9,084.1

The total financial value of benefits provided to employees during the reporting period is >48,225,000 lei.

The company's internal regulation stipulates that benefits are granted to employees regardless of the contract type (permanent/temporary contract) or the working hours (full-time, part-time), in accordance with the provisions of the collective bargaining agreement.

## Type of employee benefits:

- gift cards for employees who have children for 1 June and Christmas
- gift cards for employees for Christmas and Easter
- a paid hour off (in addition to the legal provisions) for employees returning from parental leave (up to the age of 2 of the child)
- 2,150 lei (gross) bonus granted to one of the spouses, if it is the first marriage (all employees of the company are eligible, but only after the probationary period of 90 days for operational positions and 120 days for management positions)
- loyalty bonuses, at the 10<sup>th</sup>, 25<sup>th</sup> and 40<sup>th</sup> employee anniversary in the company
- in case the employer decides to terminate the employment contract for reasons beyond the employee's control, the latter receives compensatory salaries (3 salaries for employees in operational positions and 2 salaries for employees in management positions)
- 1,500 lei granted for the birth / adoption of a child (for one of the parents, if both are Kaufland employees)
- compensation to employees in case of collective redundancies, equal to the value of six gross salaries
- in case of retirement, the employee receives a bonus equal to the amount of a basic salary, if the employee has been part of the company's team for at least 4 years, the value of two basic salaries if the employee has been part of the company team for a period of 5 up to 8 years, the value of three basic salaries if the employee has been part of the company's team for more than 8 years
- in case of death of the employee, his / her family receives a 3,000 lei aid
- if the employee's death occurs as a result of a work related accident, the employee's family receives 6,000 lei
- 1,800 lei aid in case of death of a first degree relative

## Other benefits that the company makes available to employees for their personal development, but also to encourage adopting a healthy lifestyle:

- **voluntary health insurance**, through which employees have access to high-quality medical services, specialists and equipment.
- **Sport - 7 Card**: access to various activities in over 400 sports clubs;
- **Bookster** - access to the best books, articles, case studies, audiobooks and videos delivered directly to the workplace;
- **free courses for employees and their children** (German, English, programming, personal development);
- **discounts for products and services** (bicycles, telecommunication services, etc.);
- in addition, all employees benefit from **22 days of holiday leave** and, depending on their seniority, the number of days increases.

Also, the company offers employees the opportunity to volunteer, through the CSR department. The employees that take part in volunteering actions organized by the company during the weekends receive paid time off, limited at a maximum 2 days/year.

### PARENTAL LEAVE

**2017** 01.03.2017-28.02.2018

PARENTAL LEAVE	MEN	WOMEN
No. of working days off	7,229	221,810
No. of employees entitled to parental leave	4,705	11,305
No. of employees who took parental leave	61	1,464
No. of employees returned to work after parental leave ended	25	522
No. of employees that returned to work after parental leave ended that were still employed twelve months after their return to work by gender	7	321

# Employees development

Employee performance lies at the heart of Kaufland Romania's business model success. That is why we take responsibility to help each member of our team to reach their potential. The value of our employees and their growth in the company is an important indicator that allows us to evaluate our human resources policies.

We want our employees to be able to benefit from learning opportunities at all times, so we offer them training programs that meet their needs. The framework for the professional and personal development of employees is created and managed at all times by the Personnel Development Department, responsible for the development and implementation of training programs, internal and external training and organizational culture events.

The programs we develop for our employees are structured to cover professional competencies that meet the job requirements and implicitly the company's goals, as well as personal development skills. Training courses take place both face to face and online.

## EXAMPLE OF ONLINE TRAININGS FOR EMPLOYEES

ONLINE TRAINING	PARTICIPANTS	DURATION (h)
Other safety rules	9,637	1,124
My duties in the Information Office	114	21
Compliance basics	1,342	224
Daily cleaning of the slicing machine	2,636	176
Dialogue with the employee	602	452
Hygiene in the fresh foods department	2,584	861
General training for employees	10,257	6,838
Non-Food	128	85
Anticorruption policies	993	248
A day in the bakery	64	27
Basic principles of the cash register	1,365	1,138
Data protection: outsourcing of data processing	78	13
Data protection: Employee data management	504	168
Data protection: basics	1,954	814
Cash register recap	2,897	724
The Kaufland secret: Kindness to Customers (info)	12	8
Safety in the bakery	9,725	973
Safety at the assisted servicing displays	9,711	971
Day supervisor - daily activities and emergencies	63	58
Plants sale	129	26
Waste disposal	7,726	2,575
Sustainable energy management (a)	967	403
Sustainable energy management (b)	680	170





In 2017, the training programs offered to employees focused on personal skills development (change management, mindfulness, team coaching), methodological skills (negotiation, project management, time management, graphic design, online marketing, recruitment, etc.) social skills (discussion and debates, communication, employee dialogue, change dynamics and benefits management etc.), but also specialized skills (office package, lean management, non-financial reporting, etc.). The company also organizes teambuilding annually to help build strong teams based on mutual trust and effective collaboration.

Also, every new employee joining Kaufland Romania team benefits from a first day of training – called **First Day**, to help them understand the company's business model and the principles and values on which it is built. Also on the first day, the employee is trained on human rights and labor protection issues. Depending on the department they are part of, their training continues with personalized schooling to help them successfully take over job responsibilities.

## The career beginning

For young people starting their career, the company has developed a range of programs to support and facilitate professional development:



### KAUFLAND TRAINEE PROGRAM

It is a program dedicated to young students and graduates, that takes place over 12 months; it gives them the opportunity to start their professional activity within the company by engaging in the daily activities of a Kaufland department, to get to know all the company's specific processes.



### KAUFLAND MANAGEMENT PROGRAM

It gives applicants the opportunity to understand, during the 12 months, the mechanisms and processes in departments such as sales, logistics and headquarters departments the program targets young graduates with completed or in progress graduate studies and aims to prepare selected candidates to take a position in the company.



### KAUFLAND INTERNSHIP EXPERIENCE

It is a complex learning program tailored to the needs and hobbies of each person applying; Accepted participants receive a paid 3 months internship in which they have the chance to know the organization and understand how departments interact with each other; At the same time, they have the chance to visit one of Kaufland's stores, one of the company's logistical warehouses, and to be involved in various non-formal activities.

## Professional assessment

We constantly discuss with each employee to evaluate their performance, behavior and development within the company. Employee performance and professional performance must be evaluated at least once a year between June and September, according to internal regulations. Employee evaluation discussions take place with its direct superior, based on a standardized system. We use this process as a support to enable employees to increase their potential and continually improve their professional and personal skills.

We discuss and review employee performance in an open way, providing mutual feedback. New employees receive their performance review at the end of the probation period. During 2017, all employees that met the criteria of being active employees with at least 6 months of collaboration with their current manager, received their performance review.

# Employee representation and occupational health and safety

A trade union is set up within the company, but according to the legal provisions, it is not representative. According to the law (61/ 2011), the trade union must meet the minimum requirements set by the law that states that the union is representative if it has a membership of 50% plus one of the employees.

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

Because the Kaufland syndicate does not meet the minimum legal criteria, collective bargaining agreements are negotiated by employees' representatives. The election of the representatives is based on the Kaufland employees' General Assembly decision, which chooses the team that will represent the employees' interests. The team of representatives (3 from the stores, 1 from the central warehouses, 1 from headquarters) is then subjected to the vote of the company's employees. Their mandate is valid for a period of 2 years.

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

Regarding occupational health and safety, the organization takes all necessary measures to protect the life and health of employees, including occupational risk, information and training, and ensures that such measures are implemented.



Within the company, all these measures are implemented and monitored by the Occupational Health and Safety Committee (OHSC), set up as follows:

- A OHS committee for each store
- A OHS committee for every logistic warehouse
- A OHS committee for every administrative area

The occupational health and safety committees have the following members:

- the legal representative of the employer, who is the head of the site;
- representatives of the employer with occupational health and safety responsibilities; their number, together with the head of the site, shall be equal to the number of the employees' representatives;
- employees representatives with specific occupational health and safety responsibilities, chosen by the employees, by vote, for a period of 2 years;
- occupational physician

At store level, the minimum number of employees representatives with specific occupational health and safety responsibilities is established in accordance with the legal requirements (e.g. 2 representatives when the total number of store employees is between 10-100, 3 representatives when the total number of store employees is between 101-500).

Any work related accident occurring within the company is communicated to the authorities in accordance with the legal provisions. The accident is then investigated, and the report resulting from the investigation is filed with the local Work District Inspectorate (ITM). After the investigation report is approved, the reports and registration forms are submitted to the Bucharest Work District Inspectorate and the Pension Fund.

01.03.2017 - 28.02.2018

FOR EMPLOYEES	TOTAL 2017	AREA
Number of accidents (the number of accidents includes the number of all accidents reported to the Territorial Labor Inspectorate)	29	Sales area 1
	20	Sales area 2
	24	Sales area 3
	31	Sales area 4
	5	Logistics center Ploiesti
	6	Logistics center Turda
	2	Headquarters
	8	Sales area 1
Minor injuries (the number of minor injuries includes the number of accidents reported to the Territorial Labor Inspectorate with less than 3 days of incapacity)	6	Sales area 2
	6	Sales area 3
	9	Sales area 4
	2	Logistics center Ploiesti
	0	Logistics center Turda
	1	Headquarters
	1,33	Sales area 1
	0,88	Sales area 2
Injury rate (IR)*	0,97	Sales area 3
	1,26	Sales area 4
	0,76	Logistics center Ploiesti
	1,45	Logistics center Turda
	0,25	Headquarters
	422	Sales area 1
	302	Sales area 2
	552	Sales area 3
Calendar days of temporary work incapacity, caused by work related accidents	568	Sales area 4
	315	Logistics center Ploiesti
	115	Logistics center Turda
	74	Headquarters
	19,30	Sales area 1
	13,23	Sales area 2
	22,30	Sales area 3
	23,02	Sales area 4
Temporary work incapacity days rate (LDR)**	47,96	Logistics center Ploiesti
	27,84	Logistics center Turda
	9,20	Headquarters

Absenteeism includes days of sick leave due to incapacity of any kind (not just that caused by work related accidents). Absenteeism does not include parental leave or leave for special family events.

**Absentee Rate (AR)\*\*\* = 9781,04**

\*IR = total number of work accidents/ number of hours worked by employees x 200,000

\*\*LDR = total number of missed days caused by work accidents/ number of hours worked by employees x 200,000

\*\*\*AR = total number of missed days caused by any kind of sickness (including work accidents)/ number of days worked by employees x 200,000

200,000 is calculation basis (the number of hours worked by 100 employees, working 40 hours per week, for 50 weeks a year)

**05** | we invest in  
environmental  
protection





  
Kaufland

# Our environmental protection strategy

The basis of the values that characterize the activity that we carry out is the care for the environment and the communities in which we operate.

Being a retailer with national coverage, we focus on developing environmental policies that can be applied in all our stores. Thus, we are continuously analyzing and researching new and innovative technologies to identify the best solutions we can apply to reduce our environmental footprint.

## Materials and waste

As a responsible company we are aware of the importance and influence of our actions on the environment. That is why we focus on responsible natural resources management, on supporting ecology projects and collecting waste resulting in our stores and warehouses. That way, we aim to reduce the impact of our actions on the planet as much as possible.

Within the company, materials consumption and waste recovery is the responsibility of the Internal Procurement, Logistics and Sales departments. Collaboration between these

departments has helped us to develop an efficient waste collection circuit.

For 2018, we are committed to raising awareness among employees and clients of ways to act more responsibly on environmental issues (plastic reduction policy, automatic waste recycling machines in as many Kaufland stores - the project will run in several stages, by 2020, increasing the amount of recycled waste).

The fight against plastic is gaining momentum, and Kaufland assumes that the retail industry has a key role to play in this direction. In 2018, the company will begin implementing its most important strategy aiming to:

- Reduce plastic consumption for private label products by at least **20%** by 2025
- Provide **100% recyclable** packaging for all private label products by 2025
- Remove plastic items by the end of 2019, such as private label plastic cotton swabs, straws and disposable dishes



Kaufland Romania is part of REset plastic, the plastics strategy of the Schwarz Group. This holistic approach comprises five action areas: from avoidance and design to recycling and removal up to innovation and education. In doing so we reduce the use of plastic and close the loop.

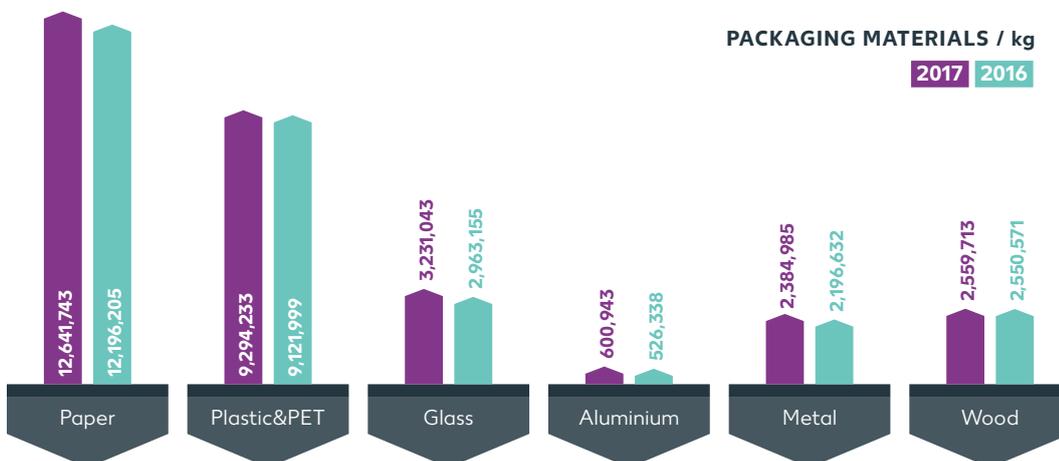
Learn more: [www.reset-plastic.com](http://www.reset-plastic.com)



PACKAGING MATERIALS (kg)	2017	2016
Paper	12,641,743	12,196,205
Plastic&PET	9,294,233	9,121,999
Glass	3,231,043	2,963,155
Aluminium	600,943	526,338
Metal	2,384,985	2,196,632
Wood	2,559,713	2,550,571

When calculating the quantities of materials used in operations, the packaging placed on the market in the calendar year 2017 was taken into account.

In addition to the help we receive from our partner when it comes to materials recovery, there are also company procedures in order to recover used materials on-site.



WASTE RECOVERY (through our partner) (tonnes)	QUANTITY PLACED ON MARKET 2017	QUANTITY RECOVERED	TARGET REQUIRED BY LAW 249/2015	KAUFLAND RESULTS 2016	KAUFLAND RESULTS 2017 *
Paper/Cardboard	12,641.7	11,972.84	60%	✓	✓
Glass	3,231.04	1,938.2	60%	✓	✓
Plastic	9,294.2	2,327.9	22.50%	✓	✓
Aluminium	600.9	126.2	21%	Not reported in the previous year	✓
Wood	2,559.7	695,297	15%	✓	✓
Metal	2,384.99	1,492.98	50%	✓	✓

\*The overall packaging waste recovery target set by Law 249/2015, is 60%

Waste collected on site represent materials recovered from our stores or logistics warehouses and include:

- Paper: paper and cardboard waste from bulk and wrapped products
- Plastic: disposable plastic bottles given to the employees during working hours, plastic foil coming from packaged goods and products
- Wood: pallets waste and fruit and vegetable boxes used to transport the products

Despite the efforts made to comply with all the legal regulations, during the 2017 financial year we received 5 fines for non-compliance with the waste management provisions (4) and lack of an environmental permit (1), with a total value of 107,500 of lei. The value of the fines paid (based on the OG 2/2001 provisions) was 52,000 lei.

WASTE COLLECTED (ON-SITE) (tonnes)	2017	2016
Paper/Cardboard	23,743	21,369
Aluminium	3.64	-
Metal	2,422.07	2,323
Light bulbs	1.60	8
DEEE	189.67	-
Oils	30.83	106
Batteries	144.14	27
Plastic&PET	1,498	1,391
Wood	369	62

In addition to the internal initiatives we implement at operational level to increase the amount of recycled waste, our company promotes recycling among its customers, both through its partnerships with nonprofit organizations in Romania and through its customer aimed campaigns.

## Recicleta continues in 2017

In partnership with ViitorPlus Sustainable Development Association, the **RECICLETA** program continued in 2017, providing free paper collection and recycling to a network of 300 apartment buildings in Bucharest.

Expansion of the paper collection and recycling infrastructure was possible following the conclusion of a strategic partnership for the period April 2017 - May 2018. The collaboration allowed the development of the **RECICLETA** program through:

- the purchase of new electric tricycles,
- increasing the collection infrastructure to include another 150 apartment buildings
- placement of specially designed collection boxes,
- creating and distributing information materials to residents about the necessity of recycling waste.

Also, in order to motivate new owners' associations in the program to get involved in recycling as much paper as possible, they are invited to compete in a contest with 10,000 lei worth of prizes. The money was invested to maintain and / or renovate the building entrances. Top 8 associations that collect the largest quantity of paper, during the 3 months, were designated as winners.

## Organic cotton work uniform

Starting December 2017, Kaufland employees benefit from organic cotton work clothing certified by **Fairtrade**.

Kaufland's employees new equipment is certified according to the highest international standards - Global Organic Textile Standard (GOTS) and the Fairtrade standard on cotton.

**100% organic cotton** was used to produce the collection, using methods and materials with low impact on the environment. The Fairtrade certification guarantees fair trading and compliance with working conditions.

## Let's Get Green!

### The largest national ecological education campaign

Romanian schools were able to win a **total transformation worth 15,000 €** as a result of registering in the largest national ecological education campaign.

The project, organized by **Let's Do It, Romania!** (LIDR) in partnership with Kaufland Romania is called **Let's Get Green!** and invited students, teachers and parents from all over the country to get involved in the first national competition dedicated to schools, in order to promote **responsible behavior towards the environment** in the race for a green future.

Registration took place between 17-29 October 2017 via the [www.letsgetgreen.ro](http://www.letsgetgreen.ro) platform.

First place, worth 15,000 euros, consisted of a complete transformation of the winning school, according to its needs. Also, 2 second place, amounting to 10,000 Euro each, 3 third place, amounting to 7500 Euros each, and 3 honorable mentions, amounting to 2250 Euro each, were awarded. The total prize pool was 64,250 euros.

Further, teachers trained by LIDR members held **ecological education classes to students** on topics such as waste types, selective collection, environmentally responsible behavior. A total of **2,410 teachers participated in training sessions**, resulting in the first and the largest community of teachers trained in the field of environmental protection.

The entire community was involved in the Let's Get Green! competition, which means that parents also played an important role: they will receive waste collection bags that they will have to fill properly.

#### RESULTS:

- **520** schools were registered in the campaign
- **53,459** students were involved
- **26,197** parents who took part in the campaign
- **416,473** kg packaging materials and **162,007** kg DEEE waste and batteries were collected
- **15,335** seedlings planted in an 16 acre area
- **330** of greenhouses with vegetables and **440** m<sup>2</sup> of vertical gardens

# Kaufland magazine

## PAPER CONSUMPTION

01.03.2017-28.02.2018

PAPER USED FOR PRINTING (tonnes)	2017
45 g/m <sup>2</sup> print paper	6,289.83
51 g/m <sup>2</sup> print paper	606.33
47 g/m <sup>2</sup> print paper	12,938.98
52 g/m <sup>2</sup> print paper	421.83
56 g/m <sup>2</sup> print paper	554.94
58 g/m <sup>2</sup> print paper	303.50
80 g/m <sup>2</sup> print paper	2.57

## RECYCLED PAPER USED FOR PRINTING

01.03.2017-28.02.2018

MATERIALS	2017	
	tonnes	%
45 g/m <sup>2</sup> print paper	6,289.83	100
52 g/m <sup>2</sup> print paper	139.1	32.98
56 g/m <sup>2</sup> print paper	554.94	100

## EMISSIONS

01.03.2017-28.02.2018

EMISSIONS (CO <sub>2</sub> eq tonnes)	2017
Paper transport by truck	210
Paper distribution	602

# Energy consumption

Our energy consumption policy was revised and updated during 2017 when we went through the ISO 50001 certification process. The energy consumption policy and procedures are established in accordance with our group policy, in order to strengthen our global commitment to significantly reduce CO<sub>2</sub> emissions and energy consumption.

Energy efficiency is a company commitment to the environment by protecting natural resources, reducing energy consumption and carbon emissions, as well as implementing as many green technologies as possible in Kaufland Romania's premises and activity. Within the company, the energy management team is responsible for implementing the energy efficiency policy. The team is subordinated to Kaufland's real estate manager and is composed of 4 employees, each working in departments that significantly affect the company's energy consumption. Every year, the energy management team sets targets that aim at making energy consumption more efficient in the company, implementing projects to support these goals, and verifying the results.

At the core of the company's energy consumption policies are national and international regulations.

In terms of energy efficiency, Kaufland Romania's policy requires adopting measures on the technologies used, improving work processes and changing employee behavior through information campaigns. The energy management team periodically conducts information and education campaigns on how all employees can positively influence energy consumption, campaigns conducted both through physical information materials (flyers/posters) and electronics (interactive trainings on Intranet). Also, if colleagues have suggestions/ideas about energy saving, they are encouraged to send them to the team's address: [ro-energie@kaufland.ro](mailto:ro-energie@kaufland.ro) or [idee@kaufland.ro](mailto:idee@kaufland.ro).

At the same time, when purchasing new equipment, energy efficiency is among the criteria taken into account.

In 2017, the company's efforts to increase energy efficiency have focused on:

- continuing the modernization process of the lighting installations (switching from the fluorescent lighting system to the LED lighting)
- installation of glass doors in positive temperature displays (0-9 degrees C, depending on the type of products exhibited)
- installation of a electricity consumption monitoring system on sub-consumers, namely on the installations serving the store and having an increased impact on the energy consumption (refrigeration system, air-conditioning, lighting, ovens, etc.)
- obtaining ISO 50001 certification at the end of a year-round process

Kaufland Romania has received the ISO 50001 energy certification for the entire network of stores, logistics warehouses and administrative premises that attest to the highest standards of energy sustainability and energy efficiency practices.

ISO 50001 is an important part of our sustainability strategy, being an international voluntary standard that provides organizations with a way to systematically optimize energy performance in all its processes and to promote more efficient energy management.

The certification confirms the best practices in implementing an energy management system at international standards and allows continuous monitoring and improvement of performance.

One of the unique technologies on the market that Kaufland Romania stores are already equipped with are frost-free freezers, which only work with CO<sub>2</sub> and thus protect the environment.

Also, the stores are heated by an ecological air-conditioning system - a modern, complex system that recovers heat from refrigeration installations and saves natural resources. If during winter it heats the store, in summer, the system reverses the process to get pleasant ambient temperatures in line with public health standards.

Implementation of frost-free R774 (CO<sub>2</sub>) refrigeration systems characterized by greater energy efficiency and reduced environmental impact

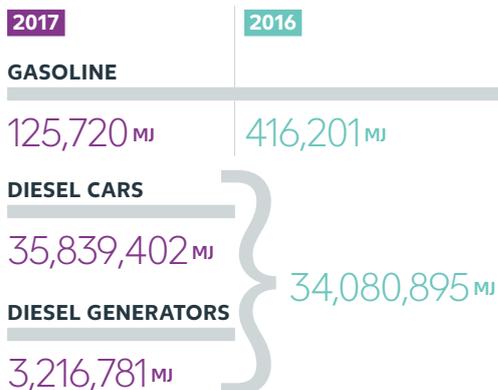
## Fuel and Energy Consumption

FUEL CONSUMPTION	2016			2017		
	l	MJ	MWh	l	MJ	MWh
Gasoline	12,398	416,201	116	3,745	125,720	35
Diesel Cars	890,073	34,080,895	9,467	935,999	35,839,402	9,955
Diesel Generators				84,011	3,216,781	894

Conversion factors used for transformation:

- 1 l gasoline = 33.57 MJ
- 1 l diesel = 38.29 MJ
- 1MWh = 3,600 MJ

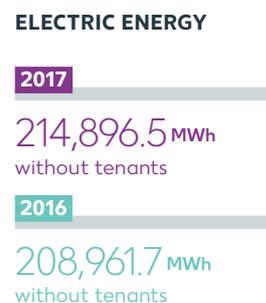
### Fuel Consumption



### Natural gas consumption



### Total energy consumption



### Energy consumption from renewable sources



Renewable energy is guaranteed by the certificates received from our electricity supplier. Energy consumption from non-renewable sources is due to the operation of new open stores until they are added to the supply contract.

## Energy Intensity

**TOTAL ENERGY CONSUMPTION**  
fuel + natural gas + electricity

280,262.5 MWh

**TOTAL SALES AND ANCILARY AREA**

516,000 m<sup>2</sup>

Energy intensity = 543.14 kWh/m<sup>2</sup>/year\*

\*when compiling the data for the 2016 financial year we used for calculation the total area of our stores, including tenants. This year we only took into account the total sales and ancillary area.

## Energy consumption reduction

ENERGY SAVED / YEAR	Quantity saved	Investment value to ensure savings	Initiative that led to the reduction of used energy <i>short description</i>
<b>ELECTRICITY</b>	1,845,655 kWh	>10,000,000 lei	LED lighting implementation, refrigerated furniture equipped with glass doors, employee information / involvement / awareness

The measures we implemented in order to decrease our energy consumption helped us save more than 1.8 millions of kWh.



Energy consumption reduction was calculated based on:

- the energy consumption reduction due to the LED lightning system installed
- the energy consumption reduction resulted from installing doors to the refrigeration cabinets

# Transport

In 2017 we continued the process of modernizing the company fleet, and this is reflected in fuel consumption. In 2017, we have reorganized sales areas so we can streamline transport and the shift of employees. As a result, the number of kilometers traveled by employees by car decreased by more than 50%.

FLEET	Fleet cars onboard km by 2016*	2017 01.03.2017 - 28.02.2018
Number of cars	514	640
Distance traveled by employees by car	32,709,717	16,034,881

\*When reporting for the financial year 2016, we took into account all the kilometers driven since the car entered the company's fleet.

In total, the company's fleet currently includes 631 diesel cars, 1 gasoline car, and 8 electric cars. The organization's transport policy states that the allocation of cars is based on the management level or whether the employee travels more than 25,000 km.

The cars in the company's fleet are replaced with new vehicles after 3 years of use or that have more than 180,000 km. When purchasing new cars, criteria such as low greenhouse gas emissions, fuel consumption, etc. are taken into account.



In 2016, we purchased 18 zero-emission electric cars, 2 of which we donated to non-profit partner organizations in the 2017 financial year

# Emissions

Our emission inventory presented below includes emissions generated from our activities and it does not cover the GHG emissions generated across the production chain, from products sold and placed on the market. The methodology used for emission inventory was reviewed and confirmed by the Institute for Energy and Environmental Research Heidelberg in accordance with the standards of the GHG Protocol Initiative and ISO 14064-1.

The carbon footprint includes greenhouse gas emissions within a financial year that are directly and indirectly released through the activities conducted in Romania. In order to be able to compare different greenhouse gases, we used CO<sub>2</sub> as a reference, transforming all emissions into CO<sub>2</sub> equivalent (CO<sub>2</sub>eq), using their Global Warming Potential. (for example, 1 kg of methane has the same greenhouse-damaging effect as 28 kg of CO<sub>2</sub> and would be shown in the emission inventory as 28 kg CO<sub>2</sub>eq).

The conversion of the consumption data into CO<sub>2</sub> eq is based on emission factors. The methodology uses two types of emission factor:

- **Market Based** (emission factors that describes the CO<sub>2</sub> emissions of the actual manufacturing and provisioning process for a material or process; for example, electricity producers throughout the EU must account for the CO<sub>2</sub> emissions of electricity generation)
- **Location Based** (for most emission sources, the determination of CO<sub>2</sub> emissions can only be achieved by using secondary data from scientific databases, like e.g. IPCC - Intergovernmental Panel on Climate Change)

We used the market-orientated approach to calculate electricity emissions, i.e. the emissions factors of each of our energy supplier are used to calculate the emissions. The following weighted emissions factor resulted due to electricity being procured from several energy suppliers: 0,002 kg CO<sub>2</sub>/ kWh of energy purchased. The emission factor is reduced due to the fact that in 2017 we committed to purchasing 100% electricity produced from renewable sources (however, before opening new stores, part of the energy used in the process is not generated from renewable sources).

$$\text{Emissions intensity} = 0.277 \text{ t CO}_2\text{eq/m}^2\text{/year}^*$$

## TOTAL SALES AND ANCILARY AREA

516,000 m<sup>2</sup>

# Water consumption

Water is an essential resource for the activities our company carries out. We closely monitor water consumption within the organization and we strive to make it more efficient in stores, logistics warehouses and administrative premises.

All the water used in our activities comes from the public system. We do not use water extracted from other sources and we do not have an inventory of how the water is extracted by our supplier.

## GHG emissions

2017

### SCOPE 1

66,785 tons CO<sub>2</sub>eq

### SCOPE 2

471 tons CO<sub>2</sub>eq

### SCOPE 3

49,928 tons CO<sub>2</sub>eq

### TOTAL

117,184 tons CO<sub>2</sub>eq

- **Scope 1** includes emissions that occur directly within the company and can be controlled: refrigerant leaks from the refrigeration systems in our stores and combustion of natural gas
- **Scope 2** includes emissions resulted from the production and generation of the energy we purchased from our suppliers
- **Scope 3** includes other emissions (comissioned logistics like procurement logistics and Kaufland magazine distribution and paper consumption)

## Total volume of water used

2017

561,948 m<sup>3</sup>

2016

432,228 m<sup>3</sup>



**06** | our goals  
for 2018



# Our progress

 OBJECTIVE
  GOAL FOR 2017
  PROGRESS

AREA:

## environment

### Green areas

 **Reduce environmental impact.**

 Green roofs initiatives in stores and parking spaces. 9 stores will be part of the program in 2017.

 6 urban gardens were opened in 2017. We plan on opening 3 more during the next year.

### Emissions

 **Donate more electric vehicles.**

 Donate 5 electric vehicles.

 We donated 3 electric vehicles. We plan on donating 2 more electric vehicles.

### Waste

 **Reduce waste.**

 Pilot program for selective collection of waste from employees implemented for administrative offices (Tunari).

 Our offices in Tunari have a selective waste collection system implemented.

 More communication regarding the recycling possibilities at the Kaufland sites.

 Press conference and press release - after installing the Tomra automated recycling sorting systems. We installed a Tomra system during the Untold festival in order to promote the importance of recycling waste.

 **Reduce food waste.**

 Improve internal process for inventory product management.

 We consolidated the Supply Chain Management Team. This way, we make sure that each store orders the optimal amount of products for a specific timespan.

 Developing a community investment program that will allow us to reduce the amount of food that is wasted by individuals.

 For administrative reasons, we had to postpone the implementation of the project until the end of 2019.

### Environmental education

 **Increase awareness of employees on business impacts and climate change.**

 Conduct informative sessions for employees on these topics.

 Monthly meetings with our sustainability team.

### Partnerships

 **Participate in initiatives that preserve natural resources.**

 Strengthen existing partnerships with local and international organizations to offer more sustainable products.

 We joined the Global Compact Romania Network and continued our efforts to address the Sustainable Development Goals. Our Corporate Affairs Manager was elected the President of the Local Network. We strengthen the partnership with the *Țara Mea Cooperative* and launched the **Raftul Românesc** Program.

 Developing community investment programs that will contribute to the natural resources preservation.

 An 8 kilometers Bike Route was set up in the Văcărești Natural Parc. We continued to promote and support the **I'Velo** bike sharing stations – the program registered 18,000 users in 2017.

AREA:

# employees & workplace

## Resource management

-  Recovering the marketing materials used (participation in Recicleta program).
-  30 tons of paper were collected from 150 apartment buildings. The program reached 10,000 people.
-  Increasing the number of local suppliers by 5% to reduce the transport costs due to international deliveries and optimize the delivery time.
-  We increased the number of local suppliers by more than 5%, compared to the previous year.

## Energy reduction

-  **Replacing existing technologies.**
-  Replacing the lightning system in 10 stores. Implementing LED lightning systems for all the new stores/offices.
-  We replaced the lightning system for 16 of our stores in 2017.

## Volunteering

-  **Increase number of employees volunteering.**
-  Reach 120 volunteers.
-  71 employees volunteered in 2017, with a total number of 114 days of volunteering.

## Communication on CSR reporting and platform

-  **Increase awareness of employees on CSR activities and outcomes.**
-  100% of the employees to be informed by their managers/supervisors about the sustainability report and its role.
-  In 2017 we started the development of a project dedicated to our employees and we launched competitions on topics that address sustainability and recycling practices.

## Benefits

-  **More benefits for employees. Improve quality employees'life.**
-  Develop more partnerships with external organizations that will offer additional benefits to employees.
-  We developed new partnerships with organizations that offer our employees benefits addressing a healthy lifestyle and a balance diet (7 Card subscriptions, personal trainer, Yoga classes, classes for quitting smoking), financial education and foreign languages.
-  **Learning scheme.**
-  Updating the training programs according to the employees and business needs.
-  We started the process of implementing a platform and an online program for employees training, that is easy to access.

## Health and Safety

-  **Guarantee a safe working environment.**
-  Reduce accidents and lost days.
-  The number of accidents and lost days has increased. However, most of the accidents are considered minor accidents that required less than one day off.

# Our progress

 OBJECTIVE
  GOAL FOR 2017
  PROGRESS

AREA:

## customers

### Stakeholder engagement

#### Improve our materiality process.

 Repeat the materiality exercise with external stakeholders. Tailored questionnaires for each stakeholders group.

 We repeated the materiality process.

### Supply chain

#### Support local suppliers.

 Continue the Certification program of local suppliers (GLOBAL G.A.P. certification).

 We continued the program. 4 crops received the Global G.A.P. certification.

#### Promote local farmers.

 Provide additional spaces for Romanian suppliers to exhibit and sell their products. Continue and expand **Târguri de bunătăți românești**, and increase the number of beneficiaries. Organize at least 15 editions in 2017.

 15 fairs were organised in Bucharest, Braşov, Turda, Piteşti, Craiova, Ploieşti, Tîrgu Mureş, Constanţa, Iaşi, Giurgiu, Râmnicu Vâlcea, Piatra Neamţ.

### Safe and sustainable products

#### Offer safe and sustainable products.

 Maintain, develop and expand the use of certified sustainable products (e.g. cocoa).

 We will begin the process of launching a new private label that will include clothes for babies and children up to six years old and other common items like toys, towels, blankets etc. All the clothing products will be certified against the OEKO-TEX® 100, an independent world-wide used standard that confirms the products have the highest standard of safety. In addition, all the natural fibers used for the new brand will use organic cotton certified according to GOTS (Global Organic Textile Standards).

### Awareness

#### More aware customers.

 Implement a new campaign aiming to inform and create awareness among customers, to promote a healthy lifestyle.

 We launched the **Noul Tu Trăiește Fresh**, a communication campaign that wants to encourage clients to adopt a fresh lifestyle, that starts every morning with fresh products and goes up trying new experiences.

AREA:

# community

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## Social activities

**+** Maximize the impact from social activities.

**▶** Reorganize the selection process for Cultural, Environmental, Educational, Social and Sport Activities according to our material topics.

**📈** We reviewed the results of the materiality analysis conducted in 2016. Every project that we receive is analyzed during the CSR Committee meetings, based on our stakeholders input and in accordance with our community investments strategy.

## Communication

**+** Communication of good deeds.

**▶** Prepare a separate report for all our CSR projects.

**📈** We developed and publish a separate report that presents all our community activities and projects implemented in 2017.

## Social initiative

**+** Measure the social impact from initiatives.

**▶** Implementing social impact measurement methodologies.

**📈** The community investment report was developed using the SRS and GRI Standards methodologies.

## Work experience

**+** Support employability of individuals.

**▶** Continue or expand the Shelving experience program.

**📈** We continued the **Shelving experience** program. This year, 126 young people from 24 high schools in București, Craiova, Sibiu, Cluj-Napoca, Oradea, Arad și Timișoara benefited from 24 hours of non-formal education and 72 hours of practice in the Kaufland stores.

# Our 2017 Commitments

## responsible retailer

For the following years our goals are:

to invest more in promoting and communicating our sustainability efforts to our employees in order to increase awareness on the importance of sustainable business practices

to increase corporate communication for our private brand products

to continue our support for local producers and increase our partnerships with local suppliers

## human resources

For the following years, we are committed to receiving the **Top Employer Certification**, in order to strengthen our employer brand.

We will also implement additional measures in order to increase the employee retention and their involvement in community and sustainability programs and projects.





## environmental

All the local projects and measures that we implement contribute to the global objectives that the group commits to.

Therefore, our efforts will focus on reducing plastic consumption with

# 20%

by 2025, making **all our own brands plastic packaging 100% recyclable and eliminating plastic from private label products** (like cotton swabs and single use plates etc.)

## social

For the following years we plan on extending the

### **Grădinescu program**

by opening 2 urban gardens in schools.

We will donate

# 2 electric vehicles.

In order to support and contribute to the development of more local NGOs we are planning on increasing our community investment budget by at least 10% compared to 2017 and we will focus on launching grants programs that will address more causes and increase our positive impact.

We will continue to publish a separate community investment report in order to measure our social impact.

# Sustainability Knowledge Group's Independent Assurance Statement

## Introduction

Kaufland România S.C.S. ("KAUFLAND") engaged SK Sustainability Knowledge Group Ltd (Sustainability Knowledge Group) to conduct an independent third-party assurance over selected sustainability content within its 2017 Corporate Sustainability Report (the "Report"), covering the activities that occurred in the 2017 financial year which ended on February 28<sup>th</sup>, 2018 (1.03.2017-28.02.2018).

## KAUFLAND Responsibility

The Report has been prepared by the Sustainability team of Kaufland, which is responsible for the collection and presentation of the selected data as included in the Report. KAUFLAND is responsible for the completeness and accuracy of the selected data and for maintaining records and adequate internal controls that are designed to support the reporting process. The preparation of the Report was conducted with the support and scientific guidance of The CSR Agency.

## Sustainability Knowledge Group Responsibility, Independence and Impartiality

Sustainability Knowledge Group is an international provider of sustainability advisory and training solutions. Sustainability Knowledge Group complies and abides by the ISSP Code of Ethical Practice and Values, a set of standards that are fundamental part of working for sustainability and for making sustainability a standard practice.

Sustainability Knowledge Group has not been responsible for the preparation of any part of the Report, nor has undertaken any commissions that would conflict with our independence. Sustainability Knowledge Group was not involved in the preparation of any internal reports, information or data included in the Report, except for this assurance statement.

Our responsibilities were to:

- Provide moderate level assurance over the accuracy, reliability and objectivity of the information contained within the Report;
- Form an independent conclusion based on the assurance procedures performed and evidence obtained;
- Report our detailed conclusions and recommendations in an internal letter to the management.

Sustainability Knowledge Group is, and remains, an independent assurer over the content and processes pertaining the Report.

## Assurance Scope, Type and Level

We performed our engagement in accordance with the AA1000 Assurance Standard (AS) 2008. The scope of our assurance engagement and level of assurance are agreed with KAUFLAND. We were engaged to provide Type 2 moderate level assurance. The procedures we carried out were designed to provide moderate level assurance, as specified in the AA1000 Assurance Standard (AS) 2008, based on which we shaped the conclusion to our engagement. These procedures are not as extensive as those required for providing reasonable assurance; consequently, a lower level of assurance is obtained.

We planned and performed our work in order to obtain the evidence we considered necessary to provide a basis for our assurance valuation and provide recommendation for improvement, regarding:

- KAUFLAND's adherence to the AA1000 AccountAbility Principles of Inclusivity, Materiality and Responsiveness.
- The accuracy and reliability of selected reported information and the plausibility of statements referring to:
  - Economic performance
  - Indirect Economic Impacts
  - Procurement practices
  - Anti-competitive behavior
  - Energy
  - Emissions
  - Effluents and Waste
  - Occupational Health and Safety
  - Training and education
  - Diversity and Equal opportunity
  - Local Communities
  - Customer Health and Safety
  - Marketing and Labeling
  - Customer privacy
- Global Reporting Initiative (GRI) Standards principles application

## Summary of Work performed

Sustainability Knowledge Group performed its work in accordance with the AA1000 Assurance Standard (AA1000AS, 2008), Type 2 requirements. As part of a Type 2 assurance engagement, we provide findings and conclusions on the AccountAbility Principles. To verify the reliability and accuracy of performance information, we looked at underlying systems, processes and data.

The following assessment criteria were used when undertaking the work:

- AA1000 Assurance Standard (AS) 2008
- GRI Standards Reporting Principles for defining report quality;
- GRI Standards Reporting Principles for defining report content.

Our work included:

1. Review of selected evidence related to information and data selection and development of the Report in accordance with the Global Reporting Initiative (GRI) Standards;
2. Assessment of documentation and evidence that supported and substantiated claims made in the Report including internal policies, procedures, guidance documents, guidelines, reference documents, announcements, calculations;
3. Telephone and online interviews with The CSR Agency to understand and review the processes in place for reporting on the AA1000 AccountAbility Principles and the Disclosures of the GRI Reporting Standards;
4. Review of external media reporting relating to KAUF LAND to identify relevant sustainability issues in the reporting period;
5. Review of KAUF LAND approach to stakeholder engagement and recent outputs;
6. Evaluation whether the evidence and data are sufficient to support our opinion and KAUF LAND assertions.

The following GRI Reporting Standards Disclosures were selected as part of the sampling:

1. Significant Indirect Economic Impacts (203-2)
2. Proportion of spending on local suppliers (204-1)
3. Legal actions for anti-competitive behavior, anti-trust, and monopoly practices (206-1)
4. Energy consumption within the organization (302-1)
5. Reduction of energy consumption (302-4)
6. Direct (Scope 1) GHG emissions (305-1)
7. Indirect (Scope 2) GHG emissions (305-2)
8. GHG emissions intensity (305-4)
9. Waste by type and disposal method (306-2)
10. Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities (403-2)
11. Percentage of employees receiving regular performance and career development reviews (404-3)
12. Ratio of basic salary and remuneration of women to men (405-2)
13. Operations with local community engagement, impact assessments, and development programs (413-1)
14. Incidents of non-compliance concerning product and service information and labelling (417-2)
15. Substantiated complaints concerning breaches of customer privacy and losses of customer data (418-1)

## Limitations

The reliability of the reported sustainability information and data is subject to inherent uncertainty, given the available methods for determining, calculating or estimating the underlying information. It is important to understand our assurance conclusions in this context.

- Our assurance does not include assurance over claims made by KAUF LAND that are statements of opinion, belief, aspiration, or future intent;
- With the exception of selected interviews with members of The CSR Agency, our process did not involve other stakeholders;
- Our review included interviews, online communication and the review of selected documentation; we did not perform any visit to KAUF LAND Headquarters, local offices or premises.
- We relied exclusively on the information provided to us by KAUF LAND, which we accepted in good faith as being complete, accurate, real and not misleading. Therefore, we did not submit it to any verification procedures, apart from the procedures explicitly stated in our Report and which arise from our mutually agreed methodology.
- Our engagement was limited to the English version of the Report. Therefore, in the event of any inconsistency in translation between the Romanian and English versions, as far as our conclusions are concerned, the English version of the Report prevails.

## Key observations

Based on our review of the Report, and related processes employed to collect and collate the information reported, we conclude:

- **Internal management of sustainability:** The Sustainability team that was formed in 2017 is entrusted with identifying the content of the Sustainability, reviewing qualitative information and quantitative data, assessing progress, presenting material in a well-structured and reader friendly way. Moreover, the Sustainability team is directly responsible for improving performance of material topics. The CSR team, whose members are appointed by the Board, focuses on sponsorships, project proposals and support, and contributes to the implementation of the Sustainability strategy of KAUFLAND.
- **Sustainability report:** KAUFLAND follows international standards, including GRI Standards, for the development of its Report. The process of the annual sustainability reporting enables KAUFLAND to continuously improve and enhance sustainability management and monitoring mechanisms, innovation and performance across social, environmental, and governance areas;

## Findings and Conclusions

Based on the scope of our review our conclusions according to the AA1000 AccountAbility Principles are outlined as follows:

### ■ In relation to the **Inclusivity Principle**

KAUFLAND maintains a wide range of engagement mechanisms and platforms specific to various key stakeholder groups. These tools facilitate relationship building and strengthen consistent and well-structured engagement with internal and external stakeholders. KAUFLAND presents all the platforms used per stakeholder to address their specific topics of concern. KAUFLAND has developed and issued a separate report for its social activities providing in-depth information on its approach. KAUFLAND provides extensive examples on the type of relationships established with various stakeholders and the way these relationships advance to tackle the material topics identified. We are not aware of any major key stakeholder groups that have been excluded from the stakeholder engagement process.

### ■ In relation to the **Materiality Principle**

KAUFLAND has conducted a second materiality analysis exercise involving external and internal stakeholders, across all key stakeholder groups. The materiality exercise was consistent with international best practice. Similar to the previous report, the process followed for the identification of material topics, comprised of an internal and an external assessment process. KAUFLAND's material topics are in general alignment with the GRI Standards principles of report content and quality. KAUFLAND used various techniques to assure stakeholder input. An extended list of material topics is presented. The presentation of information and results is simple and comprehensive. It allows readers to use the qualitative and quantitative information to make informed decisions. In our opinion, this process is relevant and representative of KAUFLAND's material issues in 2017.

### ■ In relation to the **Responsiveness Principle**

During our review we found evidence that KAUFLAND captures issues raised by stakeholders and engages and responds to stakeholders throughout its operations. KAUFLAND continues to formalize its commitment to Sustainability and its stakeholders and provides details on how it responds to the material topics raised by stakeholders, per stakeholder group. KAUFLAND has developed and communicated a separate report for its social activities providing in-depth information on its approach. KAUFLAND, among others, continues its responsible products programs, food waste initiatives and Romanian producers support. We believe that future reports should provide insights on the progress, effectiveness and impact of the initiatives taken in response to stakeholder engagement, and KAUFLAND will need to focus on the development and application of internal structures, strategies and policies and proactive action plans to address stakeholder priorities and support organizational strategy.

Based on our review of the Report, a fair representation of data and information has been included in the Report. KAUFLAND's selected sustainability performance data statements are accurate and reliable. KAUFLAND's statements, as they appear in the Report, are materially correct.

## Recommendations

The following recommendations have been defined to improve future sustainability reporting:

1. KAUFLAND to include additional indicators, focusing beyond the Sustainability initiatives implemented, to disclose more in-depth information on its impact on business, stakeholders and society at large;
2. KAUFLAND to continue deepening the consultations with its stakeholders across its business value chain;
3. KAUFLAND to continue enhancing and formalizing its systems for stakeholder engagement in order to capture trends, risks and opportunities to inform corporate sustainability strategy;
4. KAUFLAND to continue its systematic materiality engagements with internal and external stakeholders beyond the GRI reporting process;
5. KAUFLAND to continue to invest in the development of a solid Sustainability framework based on policies and procedures implemented by organizational teams;
6. KAUFLAND to continue applying the GRI Reporting Standards, improving its performance on material topics and where relevant include Sector specific Disclosures, as provided by GRI;
7. KAUFLAND to assure that communication mechanisms are updated regularly to meet the increasing transparency demands of stakeholders, including responding to recommendations from stakeholders, creating positive social and environmental impact and reporting back to stakeholders;
8. KAUFLAND to continue supporting the Sustainability team and the CSR Committee role and align stakeholder interests with organizational priorities;
9. KAUFLAND to continue to invest in goal setting and communicate in a transparent way organizational priorities, decisions and targets;
10. The issues emerging from the stakeholder engagement are analyzed, prioritized and addressed through appropriate sustainability strategies through Stakeholder engagement plan

A comprehensive report on specific findings and recommendations addressing sustainability reporting process improvements and adherence to AA1000 principles and the GRI Standards has been submitted to KAUFLAND management.

Aglaia Ntili  
SK Sustainability Knowledge Group Ltd

Limassol, Cyprus  
July 2019



# GRI Standards Content Index



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

The Kaufland Romania Sustainability Report for the financial year 2017 (March 2017 - February 2018) was developed according to GRI standards and meets the requirements of the "Core" option.

## GRI CONTENT INDEX

GRI Standard	Disclosures	Page number(s) and/or URL(s)	Omissions	External Assurance
<b>GRI 101: FOUNDATION 2016</b>				
<b>General Disclosures</b>				
GRI 102: General disclosures 2016	<b>Organizational profile</b>			
	102-1 Name of the organization	10		
	102-2 Activities, brands, products, and services	10, 11, 36, 39		
	102-3 Location of headquarters	7		
	102-4 Location of operations	10, 11		
	102-5 Ownership and legal form	24		
	102-6 Markets served	10		
	102-7 Scale of the organization	11, 25, 59		
	102-8 Information on employees and other workers	60		
	102-9 Supply chain	44, 45		
	102-10 Significant changes to the organization and its supply chain	No significant changes		
	102-11 Precautionary Principle or approach	16, 21, 38, 44		
	102-12 External initiatives	14, 15, 16, 36, 37		
102-13 Membership of associations	15			
<b>Strategy</b>				
	102-14 Statement from senior decision maker	5		
<b>Ethics and integrity</b>				
	102-16 Values, principles, standards, and norms of behavior	10, 14-16, 20-23, 36-39, 44		

<b>Governance</b>				
102-18 Governance structure		24		
<b>Stakeholder engagement</b>				
102-40 List of stakeholder groups		27, 30, 31		
102-41 Collective bargaining agreements		58, 63, 66		
102-42 Identifying and selecting stakeholders		26-31		
102-43 Approach to stakeholder engagement		31		
102-44 Key topics and concerns raised		26-31		
<b>Reporting practice</b>				
102-45 Entities included in the consolidated financial statements		25		
102-46 Defining report content and topic boundaries		26-29		
102-47 List of material topics		26-29		
102-48 Restatements of information		74, 75		
102-49 Changes in reporting		No changes in the reporting process		
102-50 Reporting period		7		
102-51 Date of most recent report		Sustainability Report 2016 (01.03.2016 – 28.02.2017)		
102-52 Reporting cycle		Annual reporting cycle		
102-53 Contact point for questions regarding the report		7		
102-54 Claims of reporting in accordance with the GRI Standards		7		
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<b>GRI Standard</b>	<b>Disclosures</b>	<b>Page number(s) and/or URL(s)</b>	<b>Omissions</b>	<b>External Assurance</b>
<b>MATERIAL TOPICS</b>				
<b>CORPORATE GOVERNANCE</b>				
<b>Procurement practices</b>				
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	28-30		
	103-2 The management approach and its components	44, 45, 81		
	103-3 Evaluation of the management approach	23, 44		
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	45, 46		✓

<b>Market presence</b>				
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	28-30		
	103-2 The management approach and its components	10, 11		
	103-3 Evaluation of the management approach	23		
GRI 202: Market presence 2016	202-2 Proportion of senior management hired from the local community	24		
<b>Corporate governance and sustainability</b>				
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	28-30		
	103-2 The management approach and its components	21-24		
	103-3 Evaluation of the management approach	22, 23		
<b>Indirect economic impacts</b>				
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	28-30		
	103-2 The management approach and its components	45, 50, 51		
	103-3 Evaluation of the management approach	23, 52		
GRI 203: Indirect economic impacts 2016	203-1 Infrastructure investments and services supported	46, 47, 52-54		
	203-2 Significant indirect economic impacts	50-54		✓
<b>Anti-corruption</b>				
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	103-2 The management approach and its components	20-23		
	103-3 Evaluation of the management approach	21-23		
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	22		
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<b>Anti-competitive behavior</b>				
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	28-30		
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	103-3 Evaluation of the management approach	21-23		
GRI 206: Anti-competitive behavior 2016	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	22		✓

## ENVIRONMENTAL PROTECTION

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GRI 302: Energy 2016	302-1 Energy consumption within the organization	74		✓
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GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	28-30		
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	103-3 Evaluation of the management approach	23, 77		
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	77		✓
	305-2 Energy indirect (Scope 2) GHG emissions	77		✓
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	305-4 GHG emissions intensity	77		✓

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GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	28-30		
	103-2 The management approach and its components	70, 72, 80		
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GRI 306: Effluents and waste 2016	306-2 Waste by type and disposal method	71		✓

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	103-2 The management approach and its components	70, 77		
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GRI 303: Water 2016	303-1 Water withdrawal by source	77		

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	103-2 The management approach and its components	70, 71		
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GRI 301: Materials 2016	301-1 Materials used by weight or volume	71		
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GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	28-30		
	103-2 The management approach and its components	44		
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GRI 308: Supplier environmental assessment 2016	308-1 New suppliers that were screened using environmental criteria	44		

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GRI 402: Labor/management relations 2016	402-1 Minimum notice periods regarding operational changes	66		

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GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	28-30		
	103-2 The management approach and its components	66		
	103-3 Evaluation of the management approach	23, 66		
GRI 403: Occupational health and safety 2016	403-1 Workers representation in formal joint management-worker health and safety committees	66		
	403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work related fatalities	67		✓

**Training and education**

GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	28-30		
	103-2 The management approach and its components	64, 65		
	103-3 Evaluation of the management approach	23, 64		

GRI 404: Training and education 2016	404-2 Programs for upgrading employee skills and transition assistance programs	64, 65		
	404-3 Percentage of employees receiving regular performance and career development reviews	65		✓

**Diversity and equal opportunity**

GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	28-30		
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	103-3 Evaluation of the management approach	23, 61		
GRI 405: Diversity and equal opportunity 2016	405-1 Diversity of governance bodies and employees	24, 61		
	405-2 Ratio of basic salary and remuneration of women to men	62		✓

**Employment**

GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	28-30		
	103-2 The management approach and its components	58, 62, 81		
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GRI 401: Employment 2016	401-1 New employee hires and employee turnover	60		
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GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	28-30		
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GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	28-30		
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GRI 412: Human Rights Assessment 2016	412-2 Employee training on human rights policies or procedures	65		
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GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	28-30		
	103-2 The management approach and its components	36-39		
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GRI 417: Marketing and Labeling 2016	417-2 Incidents of non-compliance concerning product and service information and labeling	22		✓
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<b>Customer Health and Safety</b>				
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	28-30		
	103-2 The management approach and its components	44		
	103-3 Evaluation of the management approach	21-23		
GRI 416: Customer Health and Safety 2016	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	22		
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GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	28-30		
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GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	28-30		
	103-2 The management approach and its components	20, 36-38		
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<b>Customer Privacy</b>				
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	28-30		
	103-2 The management approach and its components	21-23		
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GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	22		✓
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**Socioeconomic Compliance**

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**Supplier Social Assessment**

GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	28-30		
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**Kaufland**

GRILL

GRILL



PIRELLA GÖTTSCHE LOWE

2017

Sustainability Report  
Kaufland Romania