

*Our actions
do the talking:*

STEPPING TOWARDS RETAIL SUSTAINA- BILITY






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Dear Friends,

Once again, it is with great honor that I introduce our sixth sustainability report: ***Our Actions Do the Talking: Stepping Towards Retail Sustainability.*** As we continue our journey, we constantly search for ways to demonstrate our commitment to sustainability through tangible actions and meaningful involvement in our communities.

Navigating through these social and environmental changes is not an easy task for any business, especially in a retail industry that hinges on several key dependencies. From sustainable sourcing of raw materials and ethical supply chain practices to aspects like energy consumption and waste management, but also consumer behavior and sustainable assortment, these are all challenges that we need to tackle through well designed strategies, commitments, and actions.

For this reporting cycle, we have conducted a rigorous reevaluation of our material topics, ensuring that we pinpoint and prioritize the most relevant environmental and social topics in terms of impact, risks, and opportunities. This ensures our efforts are directed towards what truly matters to our stakeholders, community and towards protecting the environment.

In 2022 we made significant investments, focusing on reducing our negative impact and increasing the positive outcome of our projects. We directed more than 24.2 million lei to expanding our waste collection equipment network and more than 12.8 million lei to the installation and maintenance of electric vehicles charging stations. We continued to develop our renewable energy production infrastructure and an additional 75 million lei were allocated to equip 62 stores and 2 logistic centers with more than 39,900 solar panels. At the same time, our actions helped us to decrease our Scope 1 and 2 emissions by more than 18%.

Our commitment to sustainability also extends to our local communities. We constantly look towards deepening our partnerships with local suppliers, not only to stimulate economic development but also to diminish the carbon footprint associated with transportation and logistics. Our emphasis on local sourcing underscores our dedication to fostering resilient, thriving communities.

We also take pride in what we have achieved through our community investments. With more than 95 partner NGOs, 130 projects implemented and 2 grant programs, we made a positive and lasting impact on education, healthcare, environment, and social initiatives.

I would also like to take this opportunity to recognize and celebrate the outstanding contributions of our employees who have gone above and beyond to champion sustainability within our organization. As they invest time and resources to challenge and change conventional practices, their passion and dedication inspire us all, setting an example for the entire industry.

I learned this way that our time must be used for doing as much good as possible and that this time is today. Together, motivated by your continued support and partnership, we will continue to make substantial steps towards a more sustainable and inclusive retail industry.

Thank you for joining us on this transformative journey, step by step, towards a better world. Now is the moment for meaningful change!

Marco Höbl
General Manager Kaufland Romania



ABOUT THE REPORT

This is Kaufland Romania's sixth sustainability report that provides information regarding the economic, social, and environmental impact of the company during financial year 2022 (01.03.2022 – 28.02.2023). The report was prepared under the GRI Standards 2021 (in accordance).

The report's structure and content were based on the materiality process that took place in 2023, based on the updated materiality definition of the GRI Standards 2021 and the adoption of the European Corporate Sustainability Reporting Directive (CSRD).

Kaufland Romania's 2022 sustainability report was developed with the support of the company's entire sustainability team:

Adrian Isip
Alexandru Dumitru Ion
Bogdan Alexandrescu
Bogdana Popa
Cătalina Eugenia Iancu
Cristina Lupei
Elena Diacănu
Ilinca Gobjilă
Ionuț Mihu
Livius Diaconu
Loredana Samoilă
Luiza Neag
Mihaela Caracuda
Mihaela Zabavă
Mihai Mitrea
Paula Butmaloiu
Radu Crăciun
Ruxandra Dediu
Sorina Pauna
Ștefan Sfeatcu
Valer Hancaș

Consultancy

Kaufland Romania's 2022 Sustainability report was developed with the support and technical guidance of The CSR Agency.

Contact

For more information regarding this report, or comments, suggestions, questions concerning our approach in regard to the sustainability principles, you can contact us at:

Loredana Marilena Samoilă
loredana-marilena.samoila@kaufland.ro
+40 372 090 176

www.kaufland.ro

HEAD OFFICE:
120-144 Barbu Văcărescu Street, 020284
Bucharest – 2nd District

01 KAUFLAND AT A GLANCE

ABOUT THE COMPANIES OF SCHWARZ GROUP

The companies of Schwarz Group, with business activities in over 30 countries, together form one of the leading retail groups in the world. With their about 13,300 stores and more than 550,000 employees, the companies of Schwarz Group jointly generated total sales of 133.6 billion euros by the end of the 2021 fiscal year. Divided into production, retail and environmental divisions, the companies of Schwarz Group together cover the entire value cycle. Lidl and Kaufland are the Group's pillars in food retailing. Many private label products on Lidl's and Kaufland's shelves, ranging from ice cream to beverages, are produced by Schwarz Produktion. Special emphasis is placed on the use of sustainable raw materials as well as the manufacturing, use and recycling of environmentally friendly packaging. The environmental service provider PreZero pursues the vision of closed loop recycling in waste and recycling management and thus contributes to a cleaner tomorrow. Schwarz Dienstleistungsgesellschaften, the Group's

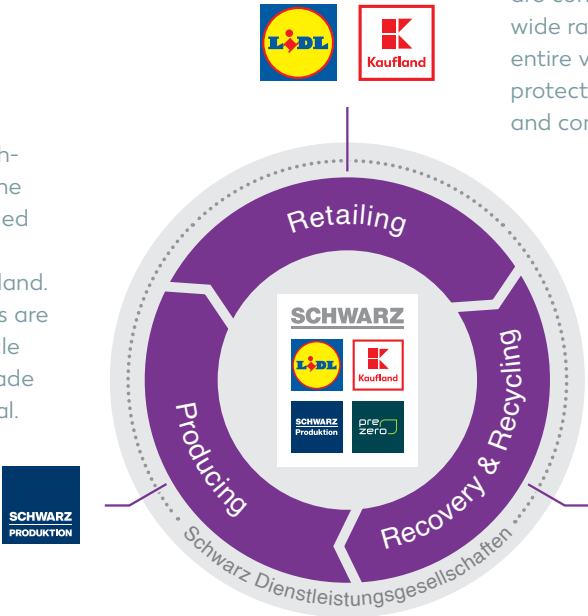
corporate services division, provides administrative and operational services – for example with regard to controlling, finances, personnel or IT – for all other companies of the Group.

All companies of Schwarz Group share the jointly elaborated sustainability strategy and the sustainability vision "Acting globally responsible with diversity". Under the umbrella of this strategy they together pursue and implement various activities in four focus areas: People, Product quality, Circular systems and Ecosystems.

The companies of Schwarz Group at a glance

PRODUCTION

Schwarz Produktion produces high-quality private label products in the areas of beverages, chocolate, dried fruit, baked goods, ice cream and coffee products for Lidl and Kaufland. Three plastics and recycling plants are also part of a unique material cycle in which PET bottle bodies are made from 100 percent recycled material.



SCHWARZ DIENSTLEISTUNGSGESELLSCHAFTEN

The Schwarz Dienstleistungsgesellschaften support Lidl, Kaufland, Schwarz Produktion and PreZero by offering various administrative and operational services – in fields like controlling, finance, human resources, or procurement.

RETAIL

The Lidl and Kaufland retail divisions offer their customers a wide range of products in around 32 countries every day. Both divisions are continuously committed to a wide range of measures across the entire value chain, such as climate protection, preserving biodiversity, and conserving resources.

RECOVERY / RECYCLING

The PreZero environmental division is active in waste and recycling management. Its services include the collection, sorting, processing, and recycling of reusable materials. With innovative solutions, resources are conserved, and the amount of non-recyclable waste is reduced towards zero.

Company profile of the Kaufland Group

With more than 1,500 stores and over 155,000 employees, the companies of the Kaufland Group are represented in eight European countries. Whether in Germany, Poland, Romania, the Czech Republic, Slovakia, Bulgaria, Croatia or the Republic of Moldova - everywhere the Kaufland brand stands for relevant selection, convincing quality, low prices and easy shopping. Across Europe, companies of the Kaufland Group operate five meat plants and 17 logistics locations.

Following the guiding principle „Kaufland enables everyone to buy good, healthy and sustainable products“, Kaufland hypermarkets, as full-range retailers, offer a wide selection of groceries and

other products for all needs. The focus here is on the fresh food departments. The overall assortment includes brand-name articles, attractive private labels, regional products and a large number of articles that contribute to the protection of people, animals and nature. The companies of the Kaufland Group are also jointly committed to comprehensive environmental, climate and species protection.

The companies of the Kaufland Group act in accordance with jointly developed guidelines and strategies that apply to all companies of the Group.



KAUFLAND IN ROMANIA

KAUFLAND IN ROMANIA

Kaufland Romania is an indirect subsidiary of Kaufland Stiftung & Co. KG.
Kaufland has had a presence in Romania since 2005. With 16,612 employees and 167 stores, Kaufland is one of the leading food retailers in Romania.
The headquarters of Kaufland Romania is in Bucharest.



in Romania,
in 2022:

167

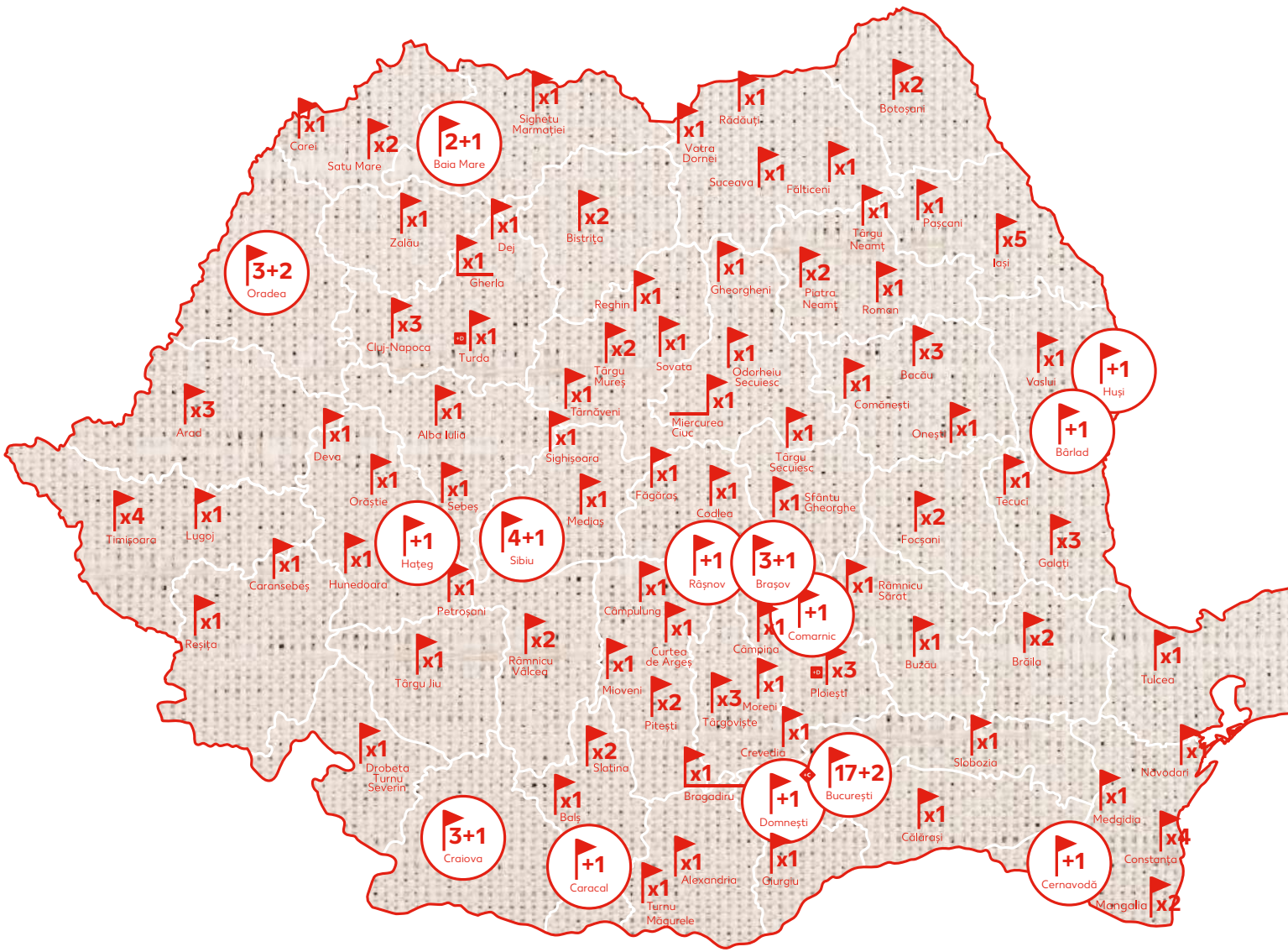
stores

2

logistics
centers

2

administrative
offices



- Store
- Logistic center
- Headquarters
- Stores opened in 2022
- Financial Year

KAUFLAND ROMANIA'S VALUE CHAIN

As a retailer, Kaufland Romania operates at the interface between producers and end consumers. In this function, the company has direct and indirect relationships with its customers and a large number of suppliers in numerous supply chains. The upstream value-added activities include the cultivation and harvesting of agricultural primary products as well as livestock breeding and fishing operations. The value chain covers the processing of raw materials through to the transport of goods to the logistics centers and to the stores. There, Kaufland Romania offers the finished products to end consumers - our central customer group, which is thus also at the center of our downstream value-added activities.

The extraction of raw materials, the further processing of agricultural primary products and the production and transport processes involved have ecological and social impacts. Kaufland Romania wants to contribute to the step-by-step improvement of environmental and social standards. To achieve this, the company works in partnership with suppliers, reduces the use of raw materials where possible, and incorporates the idea of recycling as early as the production stage. Through its commitment, Kaufland Romania also works to improve the living and working conditions of people in the countries of production. Kaufland Romania also wants to use its influence in downstream activities. Specifically, the company has the opportunity to influence the consumer behavior of a large number of people and enable them to make sustainable, informed and healthy purchasing decisions. That's why we continuously review how we can make our assortment more sustainable and healthier - and transparently inform our customers about it.



RESPONSIBLE BUSINESS MODEL

OUR VALUES AND PRINCIPLES

We are a growth company, founded in the spirit of fairness and innovation and have always recognized that our strength and success come from our values and principles.

We strive for sustainable growth, both for our business and for our people, basing our decisions on values that help us meet our goals:

Dynamism.

Dynamism is the power through which, on one hand, we improve what is good and, on the other hand, create something new. It requires openness and the ability to make changes, as well as taking firm responsibility. This is our power to implement change.

Performance.

Our performance is the foundation of our success. It requires action, perseverance, courage and passion. These aspects characterise each of us and our entire team.

Fairness.

Fairness is based on appreciation and respect. It is the foundation of our collaboration, characterised by trust. Through fairness we consistently achieve our goals.

Our everyday activities are guided by the **company's principles**, that lay at the foundation of Kaufland's business model:

- Customer satisfaction marks our daily actions.
- Our position in the market is determined by a superior quality/price ratio.
- We develop through expansion and continuous improvements in our stores.
- As a company with many stores, we operate on a system basis.
- Short decision-making paths and simple operational processes are the determinants of our success.
- We respect current legislation and internal regulations.
- We take very seriously our economic, social and environmental responsibility.
- Fairness is a mandatory condition in how we behave, especially with our colleagues.
- We respect and support each other.
- Agreements are respected in a climate of mutual trust.
- Appreciation, recognition of merits and the ability to take criticism on board characterize our working environment.



ECONOMIC PERFORMANCE

We are committed to a rapid and sustainable pace of expansion, which means creating jobs, increasing quality of life and local community development.

As a result, at the end of the financial year 2022 (February 28, 2023), we had a direct economic value generated of more than 16,549 million lei.

At Kaufland Romania, we use our economic performance to grow the number of sustainable products we offer, to support the local communities, to invest in social projects that bring positive impact, and we maintain our position as one of the top private employers in the market. In the future, we will continue to improve both operationally and in terms of our involvement and support in developing the local economy and we will remain a responsible and reliable partner.

Financial year (March- February)	2018 01.03.2018- 28.02.2019 Million lei	2019 01.03.2019 – 29.02.2020 Million lei	2020 01.03.2020 – 28.02.2021 Million lei	2021 01.03.2021 – 28.02.2022 Million lei	2022 01.03.2022- 28.02.2023 Million lei
DESCRIPTION					
Direct economic value generated	11,051.50	12,136.31	12,989.52	14,261.382	16,549.54
Revenues	11,051.50	12,136.31	12,989.52	14,261.382	16,549.54
Economic value distributed	-10,255.09	-11,264.14	-12,081.71	-13,364.36	15,548.12
Operating costs	-8,962.83	-9,837.59	-10,584.05	-13685.19	-13,704.81
Employee wages and benefits	-691.70	-781.87	-903.19	-993.5	-1,152.27
Payments to shareholders	-9.71	-8.41	-6.93	-11,08	-59.04
Payments to government/state budget	-560.334	-594.35	-552,79	-620,65	587.71
Community investments	-30.5	-41.92	-34,75	-40,93	-44.29
Economic value retained*	796.41	872.15	907,80	897,02	1,001.41
Net sales	10,347.17	11,257.09	11,934.04	13,063.30	15,143.64
Private label sales	1,239.04	1,465.53	1,814.69	2,060.54	2,461.30
Exemptions granted by the state					
Tax credit	30.50	36.69	38.31	40.80	42.33
Reinvested profit	4.70	11.05	17.58	16.56	24.88

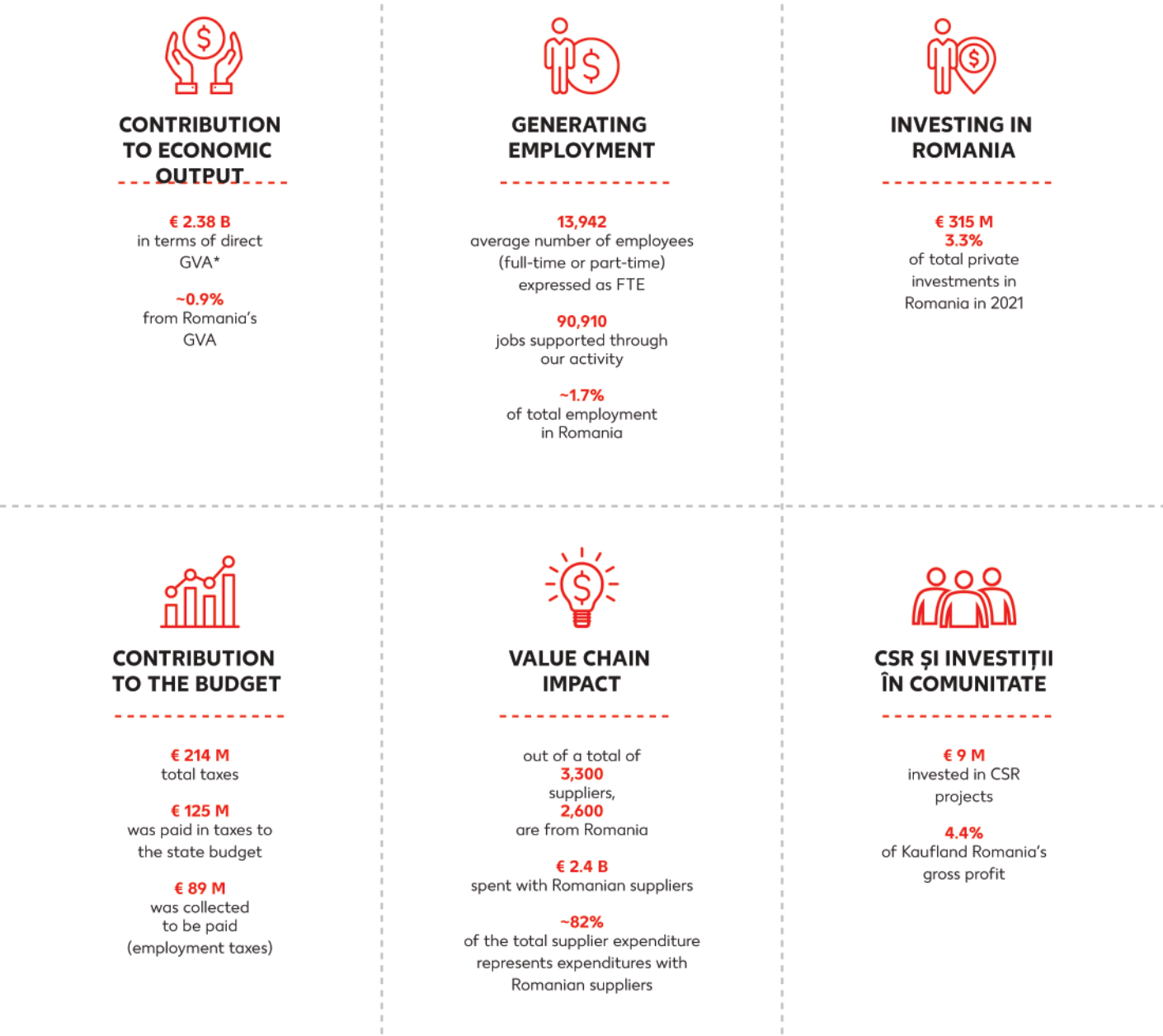
Notes:

- We have adjusted the indicators for previous years according to the FY2022 calculation, i.e.: from operating costs we excluded income from depreciation of fixed assets; in the payments to the state budget, we included the specific tax
- The community investments value includes the total amount of sponsorships and the total value of the products (44,285,480 lei) donated through the 217/ 2016 Law on reducing food waste.

The community investments are defined as the total expenditures with donations and sponsorships in 2022 financial year (March 2022 – February 2023), in accordance with the national regulations (Law no. 32/ 1994 on sponsoring with the subsequent amendments and Law 217/2016 on food waste with the subsequent amendments).

*Small differences may appear for the total amounts due to rounding

Our indirect economic impact



*GVA - Gross Value Added

The key figuers presented above were calculated based on the financial results and data for 2022 financial year (March 2022- February 2023)

AWARDS



Our efforts towards sustainable development were recognized in 2022 as well, the company receiving for the fifth consecutive year, the title of "The most transparent and successful company towards sustainability" in Romania. **Kaufland Romania ranked first in the top of the most sustainable companies in the country, with 97 points out of 100**, according to the analysis conducted by the consulting agency The Azores and presented in the Romania CST Index 2022.

Kaufland Romania was awarded the Gold Level distinction at the "Best Practices in Corporate Sustainability 2022" conference, based on the evaluation of several categories, namely: corporate governance, diversity, economic impact, climate change, environment, human rights and anti-corruption policy, employees, marketing, community investment and supply chain.

The Gold Level distinction recognizes Kaufland Romania's efforts to bring together - in a sustainability report aligned with GRI Standards - all relevant non-financial information, in a full exercise of transparency, cooperation and commitment to investment and performance targets. Therefore, monitoring and reporting on non-financial performance indicators is and will remain a strategic priority for us in the coming years.



For the eighth year in a row, our company has obtained the Top Employer certification in Romania and for the fifth time at European level. This achievement proves once again that employees are a priority for the company and that being highly performant, including in terms of caring for the Kaufland team, has now become a tradition.

The distinction was rewarded by Top Employers Institute in the Netherlands, following a rigorous analysis of the company's human resources processes, benefits offered and professional development programs available for employees at any level.

The distinction received at local level also includes a European symbol that confirms, at Group level, a culture based on respect and orientated towards supporting the evolution of employees, that has now become associated with Kaufland.



Sustainability Project of the Year - National Network of Automated Selective Collection of Packaging | „Schimba PET-ul cu biletul” (Exchange the PET for a ticket) campaign



Community Index is the first and only index of programs and projects developed by Romanian companies to invest in communities, launched in 2019. The ranking represents the largest database of CSR projects in Romania. With a focus on aspects like stakeholder dialogue, project sustainability, medium and long-term impact assessment, the Index is part of the CST Index, the most important analysis of corporate sustainability and transparency in Romania.

In 2022, Kaufland Romania was awarded the Gold Level Recognition in the Diversity and Inclusion category for the Social Canteen project, implemented with the NGO Sansa Ta (Your Chance). Also, we received the Bronze Level Recognition, in the Education for Pupils category for "Pungața cu două cărți" (Two books in a bag) project (implemented by Kaufland Romania and OvidiuRo Association).



- The best shop in Romania**
- Creativity in Retail**
- Best shopping experience**
- Grand Prize for Best Retailer in Romania**
- Best Sustainability Programme**



Silver award for Excellence in the „Corporate Communication” category - Recycle and save campaign

Silver award for Excellence in the „Environmental Communication” category - Tourism without waste campaign, Kaufland Romania & Act for Tomorrow organisation

Silver award for Excellence in the “Digital PR” category - Kaufland Romania & v8: Grand Job Experience and On Romanians Mother Tongue campaigns

Golden Award for Excellence in “Social Media” category - Kaufland Romania & v8: On Romanians Mother Tongue

Golden Award for Excellence in “Employer Branding & Diversity Management” category - Kaufland Romania & v8: Grand Job Experience



Progresiv Awards is a project started to showcase successful people, companies, brands, and projects from the FMCG industry.







In 2022, Kaufland Romania was awarded “Best International Retailer” and Marco Hößl, CEO Kaufland Romania was awarded “Best Manager of the Year”. The category is dedicated to managers and entrepreneurs who have made a significant contribution to the development of successful business in the retail and FMCG market in 2022, leaders recognised by the people in their organizations and the local business community.

We have also won the “Best CSR Campaign”, with our national campaign „Tourism without waste” which was launched in Constanta on Environment Day.















External initiatives and memberships in associations of Kaufland Romania

Kaufland Romania sees itself as an active partner in the socio-political debate. Therefore, monitoring legislation, exchanging views with political stakeholders and working with associations on opinion-forming processes in the industry are an integral part of our work. The aim is to implement legal requirements quickly and smoothly in operational practice and to work together with suppliers on future issues at an early stage.

Kaufland Romania is a member of the following associations and organizations:

 <p>International Advertising Association Romania – IAA</p> <p>Member since 2017</p> <p>iaa.ro</p>	 <p>Association of Major Retail Networks in Romania – AMRCR</p> <p>Member since 2008</p> <p>amrcr.ro</p>	 <p>American Chamber of Commerce in Romania – AmCham Romania</p> <p>Member since 2022</p> <p>amcham.ro</p>
 <p>Romanian-German Chamber of Commerce – AHK</p> <p>Member since 2004</p> <p>ahkrumaenien.ro</p>	 <p>European Supply Chain Initiative - SCI</p> <p>Member since 2014</p> <p>supplychaininitiative.eu/ro</p>	 <p>Sustainable Romania Coalition – CRS</p> <p>Member since 2019</p> <p>ambadasustenabilitatii.ro</p>
 <p>HR Club</p> <p>Member since 2021</p> <p>hr-club.ro</p>	 <p>Romanian Diversity Chamber of Commerce – RDCC</p> <p>Member since 2020</p> <p>rdcc.ro</p>	 <p>Diversity Charter</p> <p>Member since 2018</p> <p>cartadiversitatii.ro</p>

The interests of Kaufland Romania are also represented in the following associations, initiatives and organizations through the membership of Kaufland Stiftung & Co. KG:

 <p>Action Alliance on Sustainable Bananas (ABNB)*</p> <p>since 2014</p>	 <p>AWS – Alliance for Water Stewardship</p> <p>since 2023</p>	 <p>The A.I.S.E. Charter for Sustainable Cleaning</p> <p>since 2019</p>
 <p>Donau Soja</p> <p>since 2014</p>	 <p>Food for Biodiversity</p> <p>since 2021</p>	 <p>Forum for Sustainable Palm Oil (FONAP)</p> <p>since 2013</p>
 <p>Fur Free Retailer</p> <p>since 2014</p>	 <p>GLOBALG.A.P.</p> <p>since 2019</p>	 <p>International Featured Standards – IFS</p> <p>since 2013</p>
 <p>Juice CSR Platform</p> <p>since 2015</p>	 <p>Partnership for Sustainable Orange Juice (PANAO)</p> <p>since 2020</p>	 <p>ProTerra</p> <p>since 2022</p>
 <p>Round Table on Responsible Soy (RTRS)</p> <p>since 2022</p>	 <p>Roundtable on Sustainable Palm Oil (RSPO)</p> <p>since 2012</p>	

*As of July 2022, the ABNB has dissolved. The activities of the ABNB were transferred to a working group within the World Banana Forum (WBF), in which Kaufland will also be involved in the future.

As part of the companies of Schwarz Group, Kaufland Romania’s interests are represented in the following institutions:



Ellen MacArthur Foundation
Member since 2018



UN Global Compact
Since 2020

Kaufland Romania also works with the following partner organizations:



Sustainability Embassy in Romania

The most important thing for us is to invest in the welfare of the future generations. This is why, in 2018 we became a founding partner of the Sustainability Embassy in Romania, a non-profit initiative whose mission is to promote the transition to the new economic model, the sustainable business, where companies can solve social and environmental problems without sacrificing economic efficiency and profit.

Through programs such as *Sustainability School*, *Sustainability Ambassadors*, *Afaceri pentru Viitor* (Business for the future), meeting, workshops, and conferences, it is actively creating a community of sustainability professionals that apply responsible business practices.



Sustainable Romania Coalition

Sustainable Romania Coalition is a unique program launched in 2019 by the Sustainability Embassy in Romania and represents the first non-political platform for sustainable development in our country. The program is based on collaboration and partnerships between sectors, a prerequisite for achieving the Sustainable Development Goals (SDGs) and the 2030 Agenda.

The main action instrument of the Coalition is represented by Task Forces / Working groups members’ only, addressing pressing sustainability issues for the Romanian society. There are currently 5 active working groups and we are a part of the Combating Food Waste and Non-financial reporting ones; there are more activities planned in upcoming groups (Diversity & Inclusion, Decarbonization – Net 0 Economy), and we play an active role.

Support of UN Global Compact Initiative

Kaufland Romania recognizes its special responsibility on sustainable development and undertakes to act in a manner that promotes social, health and environmental awareness in its day-to-day business – this clear commitment to sustainability should also be made transparent to the public.

For this reason, at the beginning of 2020, the companies of Schwarz Group together joined the United Nations Global Compact (UNGC), the world’s largest and most important initiative for responsible corporate governance. They thereby commit themselves to the ten universal principles of the UNGC in the areas of human rights, labour, environment, and anti-corruption. In this way, a global framework is provided for the companies’ extensive commitment to sustainability, which has grown over the years.

Kaufland Romania, as part of the companies of Schwarz Group, provides an important contribution and has already implemented a variety of measures in the past to support the principles for a sustainable global economy.

Human Rights	
principle 1	Businesses should support and respect the protection of internationally proclaimed human rights.
principle 2	Businesses should ensure that they are not complicit in human rights abuses.
Labour	
principle 3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.
principle 4	Businesses should advocate the elimination of all forms of forced and compulsory labour.
principle 5	Businesses should advocate the effective abolition of child labour.
principle 6	Businesses should advocate the elimination of discrimination in respect of employment and occupation.
Environment	
principle 7	Businesses should support a precautionary approach to environmental challenges.
principle 8	Businesses should undertake initiatives to promote greater environmental responsibility.
principle 9	Businesses should encourage the development and diffusion of environmentally friendly technologies.
Anti-Corruption	
principle 10	Businesses should work against corruption in all its forms, including extortion and bribery.

We support the 17 Sustainable Development Goals

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



GOAL NO. 4

QUALITY EDUCATION

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

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



GOAL NO. 2

ZERO HUNGER

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

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

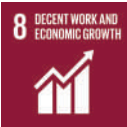


GOAL NO. 3

HEALTH & WELL-BEING

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

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



GOAL NO. 8

DECENT WORK & ECONOMIC GROWTH

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

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



GOAL NO. 12

RESPONSIBLE CONSUMPTION AND PRODUCTION

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

- ◊ Reducing water consumption
- ◊ Reducing food waste
- ◊ European Supply Chain Initiative
 - ◊ Products and services
 - ◊ Efficient material use

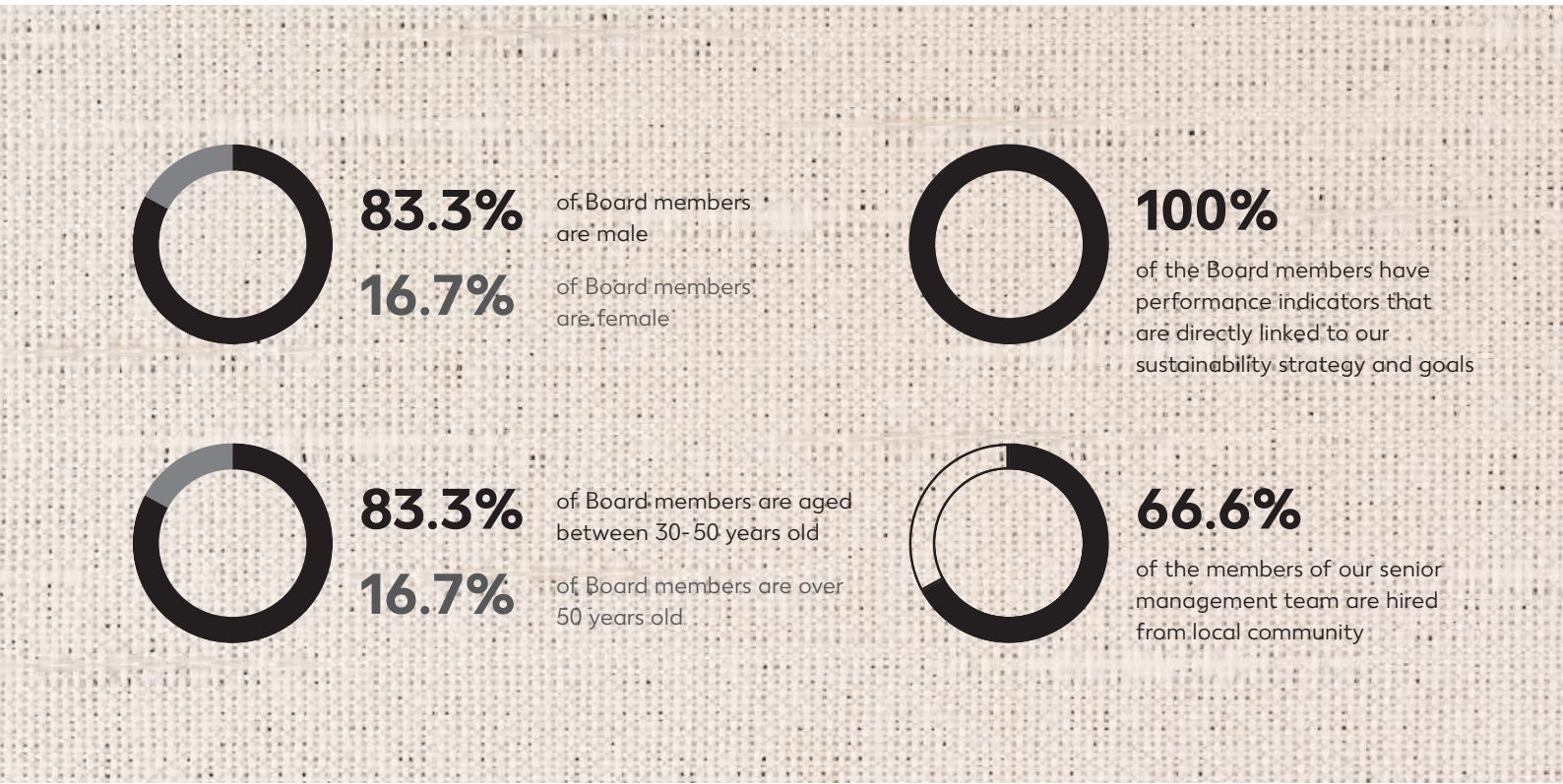
MANAGEMENT

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

The Board of Directors

at 28th Feb 2023

SALAT SZILARD-LEHEL Executive Director Sales Romanian	PANĂ MARIUS GABRIEL Executive Director Sales/SCM Romanian
HÖBL MARCO Executive Director German	BINGENHEIMER NICOLAI Executive Director Purchasing German
CIROMELA ANDREEA Executive Director Central Division Romanian	FALĂ SERGIU Executive Director Romanian



Note: Senior Management = Board of Directors, Local = Romanian employees, Significant locations of operations = Romania

COMPLIANCE

Kaufland Romania acts following clear principles. These include avoiding and minimizing the negative effects of our business activities on the environment, the economy and society as part of our corporate diligence, and consistently complying with all applicable laws.

Violations of applicable laws can result in financial damage and loss of reputation for Kaufland Romania Furthermore, such violations can lead to personal claims for damages and penal consequences for individual employees or board members of the company. The actions of Kaufland Romania and its employees are therefore subject to the principle: „We comply with applicable law and internal guidelines“. As a central corporate principle, it is binding for all employees. Kaufland ROMANIA and its management are expressly committed to adhering to and ensuring the implementation of this corporate principle.

Against this background, Kaufland Romania has implemented a Compliance Management System (CMS) that includes binding CMS specifications. The CMS specifications define certain requirements and elements to ensure an appropriate level of compliance. A key component of the CMS is that violations of applicable law and internal policies are avoided and identified violations are consistently pursued and punished („zero tolerance principle“). The CMS focuses on areas such as anti-corruption/anti-fraud, antitrust law and data protection.

The CMS measures include in particular issuing and communicating policies regulations (e.g. donation and privacy policies), conducting trainings and following up on all internal and external information of potential violations. If an information reveals a gap in the existing mechanisms, the findings are used to improve the compliance management systems. The guidelines and specifications are published in a central IT system.

The company departments responsible for compliance check the effectiveness of the measures described. For this purpose, the Legal & Compliance department evaluates various data extracts from IT systems and commissions separate audits on an ad hoc and risk-based basis. The Kaufland Audit department regularly monitors the compliance management system in its entirety. The compliance officer and compliance team (compliance@kaufland.com), the lawyers of confidence, and an IT-supported online reporting system are available as contact persons and reporting channels for information on possible compliance violations. The online reporting system is available in several languages around the clock. Employees can also contact the works council, members of the compliance team and the persons of trust - also anonymously and confidentially. The Legal & Compliance department at Kaufland Romania prepares quarterly and annual reports to inform the management about significant events and developments. Low-threshold access to decision-makers means that information can always be passed on and exchanged. All significant critical concerns at Kaufland Romania are communicated to the highest management body.

All contracts concluded between Kaufland Romania, and business partners contain a compliance clause. In this clause, Kaufland Romania points out its obligation to comply with all relevant legal provisions. In addition, the standard contracts at Kaufland Romania contain the Code of Conduct for Business Partners.

Anti-corruption and anti-competitive behavior

Our goal is to minimise the risk of corruption, so all business partners that are signing contracts with our company are being informed in regard to the organization’s anti-corruption and compliance policies, through the Code of Conduct that they sign at the beginning of any kind of contractual relation.

Kaufland Romania employees have access to the company’s anti-corruption policies and procedures in several ways. On the one hand, processes are mapped and described in an integrated information system; on the other hand, the Legal & Compliance department publishes information via its departmental website, a compliance wiki, individual articles on the intranet and the store portal. If required, other channels such as a department newsletter are also available.

Every year, all Kaufland Romania employees take part in risk-based and target group-oriented online training courses on corruption prevention.

All members of governing bodies were informed and trained regarding the organization’s Policy concerning anti-corruption and compliance in financial year 2022 (March 2022 - February 2023). Likewise, all employees (regardless of their role within the company) were informed regarding the behavior they must adopt in such situations, in accordance with company provisions.

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

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

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

Compliance training is at the core of our organization’s risk management system, and we provide constant training to our employees so that all applicable regulations are fully respected. From ensuring a safe workplace to protecting consumer data and privacy or corruption and conflict of interests, we cover a wide range of training so that employees are up to date with all regulations.

Program	Women	Men
Principles of competition law in real estate/expansion	18	26
Principles of competition law	67	64
Principle of competition law in procurement	67	21
Principles of competition law in internal procurement	7	2
Gifts, invitations, other benefits	2,302	614
In-store data protection	4,893	1,035
Data protection basics and Data protection basics for Store Managers	198	176
Phishing	429	399
Information exchange	435	404
Compliance basics and Compliance for Store Managers	407	404
Corruption and conflict of interests	218	321

Fines and penalties

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

In such situations, for matters related to consumer’s protection, marketing communications, labelling, socioeconomic and environmental protection regulation, Kaufland Romania was sanctioned approximately 790 times in 2022, the company getting promptly involved for their immediate remediation and for establishing measures which prevent the reappearance of such non-conformities.

Reporting channels

Our employees are not just encouraged but are required to speak up and to report any suspected or observed violations of the law, or if they are asked to do something that might be a violation. External stakeholders are empowered to do the same.

We are making sure that all potential irregularities are identified at an early stage, and we carefully examine all notifications regarding breaches of the compliance principles, confirmed cases being punished accordingly.

We offer all our employees, customers, competitors and partners the possibility of reporting non-compliance with legislation, the code of conduct or internal regulations and to seek advice if needed. To protect those involved, we treat every information we receive strictly confidentially. In this sense, we adapted and integrated the [online reporting system BKMS®](#), an online communication platform that enables sending information regarding violation of compliance principles, within our operations. All information is processed by the Internal Compliance Manager.

At the same time, all complaints or inquiries regarding compliance principles or compliance principles violations can also be addressed directly to the Compliance Manager, at compliance@kaufland.ro.

Examples of what constitutes a compliance principles violation include:

- ♦ cases of corruption
- ♦ violations of the competition laws
- ♦ breaches of confidentiality
- ♦ economic crimes

Any complaints submitted through the BKMS® system can be sent completely anonymous. The system guarantees data protection and security and is available in multiple languages..

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

General feedback regarding in-store experience or other general complaints can be addressed to the Customer Relations department, through a [dedicated form](#) available on our website.

In the financial year 2022 there were 52 complaints from employees, that fell into the following categories: pay, contractual conditions, management, working conditions, and discrimination. All of them were checked and analyzed and, where appropriate, the necessary measures were taken to remedy the situations reported.



**QUALITY
THROUGH OUR
PRODUCTS**



QUALITY THROUGH OUR PRODUCTS

As one of the largest retailers, we reach millions of people of all ages and backgrounds, with different buying habits. Through our products, we offer them quality products, at affordable prices, while having in mind their diverse needs in terms of food, nutrition and health. We are constantly expanding our responsible product ranges and growing our selection of healthy alternatives.

While following the highest quality standards, we focus on sourcing local products, thus boosting our indirect economic impact, creating value for our suppliers, and shortening supply chains. At the same time, sourcing local products also contributes to lower carbon emissions generated by complex logistic chains.

Type of products	2022	2021	2020
Lactose-free items (private label)	6	5	3
Lactose-free items (brand)	158	88	35
Gluten-free items (private label)	23	14	16
Gluten-free items (brand)	232	176	127
Vegan items (private label)	86	56	20
Vegan items (brand)	311	171	105
Bio items (private label)	264	233	157
Bio items (brand)	419	587	438



OUR PRIVATE LABEL FOOD PRODUCTS



At international level, we have approximately 40 Kaufland registered private label brands, covering all three main product categories: food, non-food and cosmetics. Brands such as K-Classic, bevola, K-Take it veggie, Kuniboo or Vreau din Romania (I want Romanian products) are just a few of them.

In Kaufland Romania stores, customers have permanent access to over 7,000 private label products, food and non-food.



Crazy Wolf

Our Crazy Wolf energy drinks have flavours ranging from guarana and ginseng to apple and raspberry and are also available in a sugar free version.

Cultura Vini

Cultura Vini offers a variety of exclusive wines from several countries (Portugal, Italy, Spain, Australia, or Chile) that are selected by oenologists.

K-Bio

Includes a variety of bio products, fairly priced, produced in accordance with the Regulation (EU) 2018/848 of the European Parliament and of the Council on organic production and labelling of organic products.

K-Classic

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

K-Favourites

K-Favourites offers a wide range of quality products and delicacies. The products under this label can have MSC, ASC, Fairtrade certificates and the Rainforest Alliance seal.

K-Free

Range of gluten- or lactose-free products for people with food intolerances or allergies. The K-free gluten-free range is comprised of high-quality, tasty products, while the K-free lactose-free range comprises lactose-free products – heavy cream, UHT milk 1.5% or 3.8% fat. The products were developed in collaboration with selected experts and suppliers, their quality being checked in independent laboratories.

K-take it veggie

Wide range of vegan or vegetarian products, offering great variety for all clients wishing to adopt a healthier, balanced diet.

K-Purland

K-Purland is our private label for fresh meat of highquality, portioned and freshly packed.

Vreau din Romania

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

Countryside

Gardening and outdoor design product range, aimed at those who love spending time outdoors. The warranty period for electrical equipment is longer than the legally imposed one, and the wood items are FSC certified.

Kidland

The first toy private label focusing on verified safety and quality, offers a variety of fairly priced models. The Kidland world provides new playtime ideas and includes the most diverse toy categories, for all ages. All wooden articles in the collection are FSC (Forest Stewardship Council) certified.

Kuniboo

Designed for children and babies, Kuniboo is our private label comprised of carefully selected products that meet the highest quality and comfort criteria. Most natural fibers are made using GOTS (Global Organic Textile Standard) certified organic cotton, the buttons are strong enough to avoid tear, and the paper packaging is FSC® (Forest Stewardship Council) certified.

bevola

Personal care product range, which includes lotions, shower gels, hair products, skincare products, cosmetic products for men, as well as other product types that address the daily needs of the entire family.



RESPONSIBLE ASSORTMENT

Sustainability and transparency play an increasingly important role in the buying habits of the customers.

On the shelves of our stores, we offer a wide range of products, made with regard to the environment and people, and we are constantly expanding our range of responsible products labelled accordingly.

At Kaufland, we highly value responsibility and we promote transparency along our entire supply chain. We want to offer our customers certainty regarding our own-brand products and they are subject to strict quality standards and labelling standards developed in cooperation with our suppliers and buying departments.

Labels and certifications play a key role for our strategic commitment both to a more sustainable raw material procurement process and to our fundamental goal of building up our assortment of sustainable products.

Our actions do the talking.

Also we want to make the world a little better. That's why we have long been committed, for example, to food from sustainable cultivation and to environmental, climate and species protection. Our commitment has the motto "Our actions do the talking."

+ More at:
www.kaufland.com/actions



The "Microplastic Free Formula" logo indicates that the product is free of microplastic. The logo refers to the formulation of the respective products, not to the packaging or carriers like towels or pads.

+ More at:
www.kaufland.com/microplastic



The "Consciously packed" logo informs about our packaging optimization measures.

+ More at:
www.kaufland.com/packaging



The "Unpackaged" logo indicates fruit and vegetable products, which are offered without packaging, and is only used in communication.



The "Reuse again and again" logo marks non-food products that can be reused and are not single-use items. It is only used in communication.



The "Water saved" logo indicates products in which water has been saved compared to the original manufacturing process. In this way, we make water-saving measures transparent.

+ More at:
www.kaufland.com/water

MARKETING AND LABELLING

By aligning our marketing and labelling practices with our commitment to transparency, we aim to empower our customers to make informed choices. **Our goal is to meet customer satisfaction and for them to have the best shopping experience, whilst having easy access to information regarding the products in our stores.**

Transparency lies at the heart of our commitment to sustainability, and that's why we place significant importance on clear and accurate product labelling. We understand that our customers desire to make informed choices, and we strive to provide them with all the necessary information to do so and for them to have full visibility into the social and environmental impacts of their purchases.

Product labelling is a process regulated by specific legislation for each product category: food, cosmetics, detergents, toys, etc. Within Kaufland Romania, the Quality Department (QS) checks the declaration of our private labels, while the Private Label Department defines the information regarding packaging.

Nutrition facts: Our products offer a short presentation of the most important nutritional information, such as calories per 100g and 100ml. On the back and sides of the packaging, additional nutritional information is available: ingredient list, allergen indications, special instructions for people with food intolerances, fats, sugar, or salt. Clients can quickly and easily evaluate the calory intake and nutrient dose.

Detailed information regarding ingredients: We see transparency and safety as very valuable. We offer clients clear information about the ingredients of all our private label products.

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

Information regarding fish and meat traceability

Traceability involves the identification of batches of products and their relationship to batches of raw materials, packaging that comes into direct contact with the food and packaging that potentially comes into direct contact with the food. So all products have batches on the batch label - a set of food units that has been produced under identical conditions.

To guarantee total transparency regarding our supply chain to our customers, we work closely with all our suppliers. On the packaging of canned fish and other fish products that are imported, there is a tracking QR code that provides information on the traceability of the products.

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

- ◊ Using the LOT number placed on the packaging, close to the expiration date. Accessing www.ftrace.com and introducing the LOT code, customers can access information regarding the origin of the fish.
- ◊ Scanning the QR code on K-Classic fish packaging using their phone.

We carefully select the best products for our customers and consumers, and we acknowledge the fact that we are responsible for the impact our operations have on the environment and the communities working along our whole value chain. That is why we strive to offer our clients as many products certified according to international standards as possible.

The **Aquaculture Stewardship Council (ASC)** label indicates responsibly bred fish and seafood. ASC-certified producers must demonstrate that they work in an environmentally friendly way and ensure good and fair working conditions.

+ More at: www.asc-aqua.org



The **Blue Angel** indicates products and services that are particularly environmentally friendly. They meet high requirements for both health and labor protection and suitability for use.

+ More at: www.blauer-engel.de/en



Cotton made in Africa (CmiA) is an internationally recognized standard for sustainable cotton sourced from africa. The focus is on environmental protection and better working and living conditions for small scale farmers and for the workers in the ginneries.

+ More at: www.cottonmadeinafrica.org



The **EU organic logo** indicates food that was produced and inspected according to EU legislation on organic farming. It represents organic production and appropriate livestock farming.

+ More at: www.madr.ro/agricultura-ecologica



The **EU Ecolabel** is awarded for products and services for everyday life. The label indicates products that have a lower environmental impact than comparable products.

+ More at: www.ecolabel.eu



Fairtrade stands for better prices for small scale farming families and humane working conditions for employees on plantations in developing and emerging countries.

+ More at: www.fairtrade.net



Fairtrade Cocoa Mark: Cocoa producers can sell additional shares of their harvest under Fairtrade conditions. This improves their living and working conditions and ensures more environmentally-friendly production.

+ More at: www.fairtrade.net



I Kaufland at a Glance

The **FSC®** label indicates wood and paper products that are independently certified according to the strict guidelines of the Forest Stewardship Council®. This encourages responsible forestry worldwide.



+ More at: www.fsc.org

The **Global Organic Textile Standard** (GOTS) guarantees sustainable production of textiles along the supply chain. From the harvesting of organically produced, natural raw materials, through environmentally and socially responsible manufacturing to transparent labeling.



+ More at: www.global-standard.org

The **GGN** label (GLOBALG.A.P. number) identifies products that come from farms certified to an international standard for responsible agricultural practices.



+ More at: www.ggn.org

Products certified with the **Global Recycled Standard** (GRS) contain recycled material. The GRS logo may be used if products comprise at least 50% recycled material.



+ More at: www.textileexchange.org

Kaufland is a member of the **Leather Working Group** (LWG) and promotes responsible environmental practices throughout the leather supply chain.



+ More at: www.leatherworkinggroup.com

The **Marine Stewardship Council** (MSC) label indicates fish from sustainable fisheries. MSC-certified fisheries ensure that fish stocks are in a good condition, protect the sea habitat, and minimize by-catches.



+ More at: www.msc.org

The **Organic Content Standard** (OCS) records the precise proportion of organic material in products and tracks it through the manufacturing chain. It means that organic wool was used.



+ More at: www.textileexchange.org

The **OEKO-TEX® MADE IN GREEN** label ensures the traceability of textile products and guarantees environmentally friendly, safe and socially responsible production.



+ More at: www.madeingreen.com

The **Non GMO** label indicates food which does not contain any genetically modified ingredients, up to a limit value of 0.1 percent.



+ More at: www.og-info.org

The **Rainforest Alliance Certified** seal is awarded to cocoa, coffee, tea, citrus fruits or bananas that are grown according to ecological, social and economic requirements.



+ More at: www.rainforest-alliance.org

The **SAFE** label from the American Earth Island Institute certifies products from tuna fishing where there is no danger of dolphins getting caught in the nets.



+ More at: www.savedolphins.eii.org/campaigns/dsf

The **Sustainable Cleaning** mark labels cleaning products that meet high standards for environmental safety, minimize waste and provide clear and transparent information on how to use those products in a more sustainable way.



+ More at: www.cleanright.eu

The **Vegan Flower of the British Vegan Society** identifies products that are free from animal ingredients and therefore suitable for a vegan lifestyle.



+ More at: www.vegansociety.com

The **V-Label** is applied to products that are either vegetarian or vegan. Vegan products contain no animal ingredients or processing aids like meat, fish, egg and dairy products.



+ More at: www.v-label.com

We have created a dedicated section on our website so that all consumers can access information about the logos that are illustrated on many of the product packages in our stores.

Palm oil

At international level, for our private labels, we are replacing palm oil with other vegetable fats, such as sunflower seed oil, or we are minimizing the amount of palm oil by adjusting recipes. For products that still contain palm oil, we are gradually making the switch to using certified palm oil, sourced from responsible sources. The Group is also part of the "Sustainable Palm Oil Forum", advocating for sustainable palm oil production in developing countries. In Romania, for products that have palm oil in their recipe, we require from our suppliers the RSPO (Roundtable on Sustainable Palm Oil) certification. Kaufland Stiftung is a member of the German Initiative, Roundtable for Sustainable Palm Oil.

Fur Free Retailer

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

Eggs

Regarding egg products and own-brand processed products, such as baked goods or pastry products, we committed to using only free-range eggs. Items such as waffles made using fresh eggs are marked accordingly, the packaging including a notification regarding the use of free-range eggs. Kaufland has committed to stop using eggs coming from hens confined in cages and enclosed spaces in own-brand products by 2025.

Microplastics

Already in 2013, we committed ourselves to completely eliminate microbeads in the formulas of our own-brand cosmetic, body care, laundry and household cleaning products. Among other things, we have replaced them with natural and renewable raw materials. In the meantime, we have expanded our definition of microplastics to include other non-biodegradable synthetic polymers in addition to the microbeads mentioned above.

By the end of 2021, we aimed to adapt the formulas of all own-brand products in cosmetic and body care, detergents and cleaning products, including car care, and to renounce the use of microplastics and non-biodegradable purely synthetic polymers, provided that this does not significantly affect the performance or the safety of the product*. Quality and safety assurance are

*does not refer to packaging or carrier materials such as cloths, pads, etc.

**the total number of certified items does not represent unique articles, as one article can have one or multiple certifications.

the highest priority for our products. Due to the challenges related to some of the product recipes, the associated properties, and the availability of appropriate raw materials, we were unable to launch all of our planned novelties by the end of 2021. We work closely with our suppliers on further developments, some of which must first be developed on the market. We label our packaging with the „Microplastic Free Formula“ logo to transparently communicate to our customers that we do not use microplastics in our product formulations*. For more information please see: Kaufland.com/microplastic.

Certification	Private labels		Other		Total certified articles	
	2021	2022	2021	2022	2021	2022
Fairtrade	83	92	9	14	92	106
Organic	233	264	587	419	820	683
FSC®	12	14	16	24	28	38
Rainforest Alliance	31	84	1	57	32	141
UTZ	37	40	21	15	58	55
Sustainable fishing	14	11	6	12	20	23
Sustainable cocoa	74	69	0	0	74	69
Sustainable coffee	27	30	20	6	47	36
Sustainable tea	2	0	38	15	40	15
Sustainable eggs	0	0	20	4	20	4
MSC	13	10	2	9	15	19
GOTS	463	N/A	1	N/A	464	N/A
TOTAL**	989	614	721	575	1,710	1,189

GOTS certified items were not monitored in 2022, as we are updating the indicator to include all sustainable cotton certified items.



CONSUMER HEALTH AND SAFETY

Consumer health and safety is very important to us. That is why, in all our actions and activities, we prioritize the quality of the products that customers and consumers find in our stores. Beyond customer satisfaction, we care about their health and safety, therefore we take measures to ensure that they have access to fresh products that follow the quality standards every day.

We require our private label suppliers to strictly follow legislative norms and regulations applicable in the country of origin regarding product quality. Likewise, in order to become a supplier for Kaufland's private labels, suppliers of food and nearfood/cosmetics must first be certified in compliance with International Featured Standards (a Global Food Safety Initiative recognized standard for auditing food manufacturers) or Global Supply Chain Assurance (BRCGS), a leading global brand and consumer protection scheme, - BRC-Food Safety or BRC-Consumer Products standards. The IFS standards focus on the safety and quality of production processes and audits aspects related to senior management responsibility, resource management, product safety and quality management systems, production processes planning and action plans for responding to unforeseeable situations. In addition, for certain product categories, the company can request additional audits carried out by an internal team or a third party, based on previously established criteria.

More than that, our private-label food suppliers

receive and acknowledge the Kaufland Quality Requirements, that list all the requirements we expect from them when it comes to packaging, ingredients or animal welfare, with a minimum expectation of full compliance with the national and European laws and regulations.

Safety doesn't end with placing the products on the shelf. We are continuously monitoring and analysing our products to ensure that they are safe and meet our requirements. In Romania we do not have nationally developed non-food private label products, therefore audits are only carried out at food manufacturers. **In 2022, 18 audits of private label suppliers were carried out by external partners.** There were non-conformities were identified, for which suppliers presented the corrective and preventive measures they implemented in order to prevent their recurrence. The final results of these audits did not require the suppliers to be blocked from ordering.

Supplier self-check program

To better ensure that our products meet the highest requirements of quality, all nationally sourced private label are included in the annual self-monitoring plan, according to which they are reviewed quarterly. We require from our suppliers the tests to be conducted by external authorized laboratories.

During 2022, a total of 790 national private label product analyses were conducted on these products, compared to 693, in 2021. In addition to these private label products, weekly, by alternation, samples of vegetables and fruits received in the 2 logistic platforms, Ploiesti and Turda, are tested. During 2022, 954 tests (fresh vegetables/fruits) were conducted. In addition to these products, items marketed under the producers' brand were also tested in 2022 (57 tests on meat items, 12 tests on fish items).

Product recalls

In 2022, one national private label food product was recalled. Following regular checks, it was found an exceeded value of patulin in the product „Vreau din Romania Apple and cherry juice 3L“. As a health risk cannot be excluded and for reasons of consumer safety, Kaufland reacted without delay and withdrew the product from the market. There were other two international private label food products (avocado and roasted pistachio) and two non-food products (multifunctional grater and an insect-killing product) that were recalled.



02 **SUSTAINABILITY AS STRATEGY**

STRATEGY AND COMMITMENTS

STRATEGY AND COMMITMENTS

Joint Climate Strategy of the Companies of Schwarz Group

Climate change poses enormous challenges for our society and demands action at all levels of society. As part of the companies of Schwarz Group, Kaufland Romania aims to keep its own contribution to climate change as low as possible and to steadily minimize greenhouse gas emissions. To achieve this, we, the companies of Schwarz Group, are jointly committed to the following three principles:

1.

We prevent the generation of greenhouse gas emissions wherever possible.

2.

We reduce those greenhouse gas emissions which are unavoidable.

3.

We offset operational greenhouse gas emissions (scope 1 and 2) that we can currently neither prevent nor reduce, based on internationally recognized standards.

Science Based Targets as Basis of Joint Climate Targets

As part of their joint climate strategy, the companies of Schwarz Group already joined the Science Based Targets initiative (SBTi) in August 2020. After preparing a complete climate impact assessment and analysing the carbon footprint, climate protection targets were mutually defined according to the method of the initiative. These were filed together with jointly elaborated measures to reduce, prevent, or compensate CO₂ emissions in operation and along the supply chain. These science-based targets were validated and released by the SBTi in September 2021.

Shared Climate Targets

In total, the companies of Schwarz Group will reduce their operational greenhouse gas emissions (scope 1 and 2) by 55 percent by 2030 compared to 2019*. To achieve this mutually set goal, all companies of Schwarz Group will procure 100 percent** of their electricity from renewable energies as of the 2022 fiscal year. Kaufland goes one step further and aims for climate neutrality in relation to operational scope 1 and scope 2 emissions starting in 2025.***

The companies of Schwarz Group also commit together to reducing their absolute scope 3 emissions with regard to the use of solid fuels, by 27.5 percent by 2030 compared to 2019 levels. Kaufland Romania commits itself, that suppliers who are responsible for 80 percent of product-related emissions will set their own climate targets by 2026, according to the criteria of the SBTi.

*This target for scope 1 & 2 also includes biogenic emissions and the removal of biogenic raw materials

** Excluding any purchase agreements that Kaufland Romania cannot influence, such as those for individual leased properties with a binding electricity procurement clause; further information can be found at www.kaufland.ro

*** Remaining operational greenhouse gas emissions (scope 1 and 2) are offset by certified climate protection projects

A variety of measures to reduce, avoid or offset CO₂ emissions in operations and along the supply chain serve to achieve these targets.

Kaufland Romania stores with EV charging stations:

84

Buildings with photovoltaics systems:

6

Buildings with heat recovery from product cooling:

90

Buildings with heat pumps:

83

Buildings with product cooling with natural refrigerants:

82*

Group-wide plastics strategy "REset Plastic"

* Not all the cooling equipment in the store have natural refrigerant.

The companies of Schwarz Group are contributing to limit global warming to 1.5 degrees Celsius and are jointly committed to, in total, reducing operational emissions by 55 percent by 2030 compared to 2019.

- ◊ All companies of Schwarz Group procure 100 percent** of their electricity from renewable energies, starting in fiscal year 2022
- ◊ Lidl and Kaufland become climate neutral*** (Lidl from 03/01/2022 // Kaufland by no later than FY 2025)

The companies of Schwarz Group commit themselves jointly that suppliers who are responsible for 78% of product-related emissions set themselves climate targets by 2026 according to the criteria of the Science Based Targets initiative.

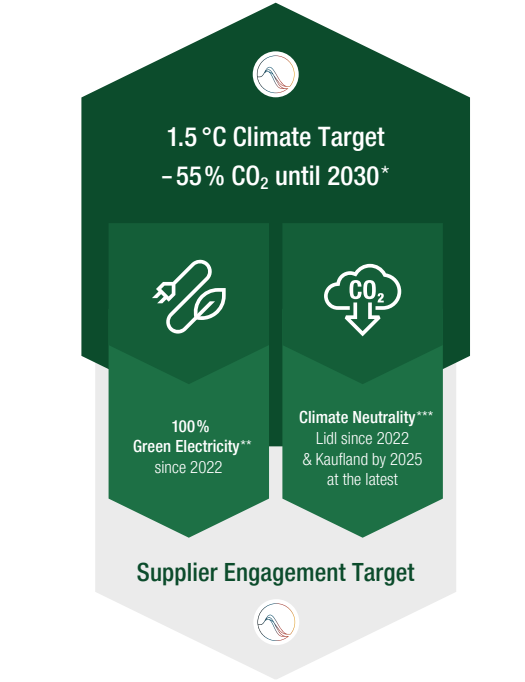
* Reduction of operational emissions (scope 1 and 2) compared to 2019

** Excluding any purchase agreements that the companies of Schwarz Group cannot influence, such as those for individual leased properties with a binding electricity procurement clause – further information can be found at gruppe.schwarz/en/responsibility/ecosystems

*** Remaining operational emissions (scope 1 and 2) are offset through certified climate protection projects

About the Science Based Targets Initiative

The Science Based Targets initiative (SBTi) is an alliance of the renowned environmental and climate protection organizations and initiatives CDP (formerly Carbon Disclosure Project), UNGC (United Nations Global Compact), WRI (World Resources Institute), and WWF (World Wildlife Fund). The SBTi’s goal is to promote science-based climate targets in companies in order to achieve a low-carbon economy in the long-term despite constant population growth. It aims to establish a framework that allows companies to reduce their greenhouse gas emissions on a scientific basis. Worldwide, more than 2,000 companies have already joined the initiative.



The SBTi has become an internationally recognized standard for companies with the goal of reducing emissions. When assessing the climate targets, the SBTi considers the sector as well as the size of the company. This means that companies can align their emissions reductions to a specific target to combat climate change more effectively and achieve the global targets established by the Paris Agreement.

REset Plastic

the holistic plastics strategy of the Schwarz Group

Plastic is an integral part of our everyday life. It’s easy to understand why: The material is robust, light and flexible to use. The recyclable material is also indispensable as a transport and packaging material for our core business, trading in food and non-food products. However, due to the long life of the material, it can become a problem if released into the environment. Anyone putting plastic into the cycle is therefore also responsible for its further use.

In response, the companies of Schwarz Group have been committed to collecting, sorting, and reusing plastics for many years — centralizing our initiatives since 2018 through REset Plastic. This is the international, holistic plastics strategy adopted by all Schwarz Group divisions and countries.

With the group-wide plastics strategy REset Plastic, the companies of Schwarz Group not only want to reduce the use of plastic and promote recycling, but also create new awareness and fundamentally change the way they deal with plastic.

As part of Schwarz Group, Kaufland has committed itself as part of the group-wide REset Plastic strategy to reduce plastic consumption for private label packaging and plastic transport aids by 30 percent by 2025 compared with 2017, to make 100 percent of the private label packaging maximum recyclable and to use an average of 25 percent recyclate in private label packaging. Therefore, in 2018, the companies of Schwarz Group signed the Global Commitment of the New Plastics Economy of the Ellen MacArthur Foundation.

Common vision:
Less plastic –
closed loops.



REset Plastic is a holistic and cross-divisional strategy of the Schwarz Group. The organizational structure thus involves all relevant areas of the company and defines clear responsibilities for implementation and target fulfillment. At Kaufland Romania, the responsibility for implementing REset Plastic lies with the following departments: Waste management, CSR, Procurement, Sales, Acquisitions.

Kaufland Romania makes a decisive contribution to the implementation of the group-wide plastics strategy REset Plastic and has already achieved numerous successes:

Fruit and vegetable nets

Product packaging or product with high plastic savings

Product packaging or product with a high proportion of recycle

Product packaging or product with high recyclability

National/international cooperation for waste disposal from the environment

REduce

REdesign

REdesign/REcycle

REdesign/REcycle

REmove

Ever since the first public discussions regarding the implementation of the Deposit-Return System (SGR) in Romania, Kaufland Romania has had an extremely active component among all stakeholders. The representatives of the company have been attending the meetings with the authorities in order to transparently provide the necessary information to facilitate the implementation. Currently, Luiza Neag, Environmental Systems Manager at Kaufland Romania, is President of the Retailers' Association for the Environment and Valer Hancas, Director of Corporate Affairs and Communication, is a member of the Supervisory Committee.

We are informing our customers, media representatives and employees through communication, marketing, and CSR projects about the importance of recycling and we encourage them to use the infrastructures from Kaufland stores.

We are in close contact with our suppliers and create different marketing campaigns in order to offer attractive discount percentage to different type of products if they recycle the packaging. Kaufland is part of the RetuRo Association. RetuRO will work with manufacturers and traders to help them understand their obligations, providing support to prepare for the launch of the SGR, which is due in November 2023.

In addition, we implemented various projects to encourage recycling and waste collection:

- ◊ **Act for Waters project** - 3D murals painted by students with purifying paint and waste collection facilities in the shape of giant sea animals on beaches were available on the Black Sea coast. The 6 animals represent the best-known protected species in Romanian waters and are intended to raise the alarm about the impact of waste on aquatic ecosystems. Complementary to this action, during the summer season (July-September), together with Act for Tomorrow Association we ran an awareness campaign where, with the support of volunteers, who informed tourists about the impact that water pollution with waste can have on endangered species.

- ◊ The **national campaign "Tourism without waste"** was launched on Environment Day, in Constanta, whereby with the Act for Tomorrow Association we invited tourists and city residents to join us on a journey for a greener and cleaner country. Through this campaign, volunteers helped clean up the waste irresponsibly thrown in the middle of nature and restore the charm of the most beautiful tourist areas in Romania.
- ◊ In 2022 we have **expanded the infrastructure for recycling personal care products and housing** (PET, HDPE and LDPE plastic) in all our stores in Romania.

Educational/research projects on plastic

REsearch

Starting October 2021, the students of the Faculty of Environmental Science and Engineering benefits from the Integrated Waste Management Laboratory, with the support of Kaufland Romania. This is the first privately funded laboratory in the faculty, where students have the opportunity to learn and improve on ways to properly manage waste, which will result in reducing its impact on the environment.

Also, in 2022, we launched The Recycling Championship program, which is the first national environmental education campaign designed to promote the Deposit-Return System (SGR) for primary non-refillable packaging. The project is based on the infrastructure of automated RWM collection machines provided by Kaufland Romania - the only national retail network in Romania fully equipped with automated packaging waste collection machines.

This project is one of the most ambitious environmental education initiatives in our country and aims to mobilise communities across the country around a common goal: to create more engaged citizens and contribute to cleaner cities.

In addition to the separate waste collection activity, the project integrates two key environmental education activities. In a first phase, teachers will be able to participate in training sessions where they will learn the basics of environmental education and how to conduct environmental education classes. The second phase consists of teachers facilitating actual environmental education classes for their students.

Based on the points received for involvement in project activities, schools will be able to win prizes totalling over 250,000 lei. The prizes will consist of investments in the educational infrastructure of the schools, depending on their needs and the amount of money won.

There is no simple solution to the issue of plastics. To do justice to the complexity, we have introduced five action areas that highlight the subject holistically:



REduce

We reduce plastic wherever sustainably possible.

REdesign

We design recyclable packaging and close loops.

REcycle

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

REmove

We support the removal of plastic waste from the environment.

REsearch

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

Circular and recyclable materials

Household Products from our own recycling loop

In cooperation with PreZero, the environmental division of the Schwarz Group, Kaufland Romania has also been offering its customers promotional merchandise in the household goods section of its private label, which are made from 100 percent* recycled plastic, for some time now.

For production, PreZero collects packaging waste from private households. The plastics are then sorted, cleaned and processed into regranulate. The valuable material recovered is used to produce new, high-quality household goods. The entire recycling and manufacturing process takes place in Europe, saving resources and the environment. A large part of the added value is thus covered by the Schwarz Group's participating divisions.

In 2022, our customers could find on our shelves household products like lids and various depositing boxes.

*Plastic content (approx. 95 percent) of the product made from 100 percent recycled plastic, additional use of additives and color (about 5 percent).

Ocean Bound Plastic

With REmove – an action area of the group-wide REset Plastic strategy – Kaufland Romania assumes responsibility for plastic that is already in the environment and therefore outside of the loop. On the one hand, we support the removal of existing plastic waste from rivers, lakes, the sea and on land. On the other hand, we want to actively prevent plastic waste from entering the environment in the first place. Here we focus in particular on the main source of marine pollution: Ocean Bound Plastic.

Ocean-bound plastic is plastic waste that was disposed directly into nature due to a lack of collection and recycling infrastructure and ends up in the sea through rain, wind and tides. To protect the oceans, we are thus helping to set up waste management systems, especially in coastal areas and on waterways. Together with our global partners, such as the environmental „One Earth - One Ocean e.V.“ or the dem „Project STOP“ (Stop Ocean Plastics), we are ensuring that plastic waste is systematically collected on site and permanently integrated into recycling processes.



Deposit Strategy

Less Plastic – Closed Loops: This is the vision that Kaufland Romania is pursuing with the holistic plastics strategy Reset Plastic as part of the Schwarz Group. Deposit systems are an important building block in the expansion of a functioning circular economy: They support the sorted collection of recyclable materials, which can then be further processed in high-quality recycling processes. As part of the group-wide deposit strategy, Kaufland Romania is thus committed to introducing retailer-friendly collection and deposit systems for single use PET beverage bottles and beverage cans throughout Europe.

This puts us in line with two important EU directives: On the one hand, according to this, by 2025, 70 percent of beverage bottles are to be collected separately for recycling purposes by 2025, and this figure must be as high as 90 percent by 2029. On the other hand, 25 percent of beverage bottles are to be made of recycled plastic by 2025 – and as much as 30 percent by 2029. From our point of view, both requirements can best be met by a modern deposit system: In this way, plastic bottles could be sorted by type and thus be processed more easily into new bottles – a functioning cycle.

Our priorities include recovering as much packaging as possible from the market and getting involved and supporting programs for recycling. Kaufland Romania is a founding member of the Retailers for the Environment Association, an association with a 20% shareholding in RetuRo – the company that will oversee implementing the Deposit – Return System (SGR) for beverages packaging in Romania. RetuRO Sistem Garantie Returnare S.A. is the company created exclusively for the management of Deposit - Return system in Romania, which has been appointed administrator of SGR. We have been actively involved in all the steps regarding the implementation of the system.

REmove

Act for Waters Project (A.P.A.)

„Act for Waters! - A.P.A.” is the largest water protection program in Romania, launched in 2019, at national level, by Kaufland Romania and Act for Tomorrow Association, with the support of the Ministry of Environment, Water and Forests, National Administration of Romanian Waters. The programme’s strategic directions include involvement in preventing and combating waste pollution of Romanian waters, conducting studies on water pollution, community education and waste recycling campaigns, and integrating new waste recovery technologies to facilitate the transition to a circular economy.

Through the A.P.A. program, tourists are encouraged and reminded to stop throwing waste on the beach and to choose to collect it separately in the specially designated areas. This approach increases the collection rate, providing a rewarding experience for children and adults alike, as they learn basic environmental information in a pleasant seaside setting.

In the 2022 edition of the A.P.A program, more than 75 tonnes of waste were collected and over 950 volunteers participated in the 7 events that were organised to clean up waste.

Broscuta (Turtle), the first national infrastructure for collecting personal care and housing products

In order to encourage and support the behavior of consumers to protect the environment, in 2022 we have expanded the infrastructure for recycling personal care products and housing (PET, HDPE and LDPE plastic) in all our stores in Romania.

Our goal is to become the most accessible and convenient destination for recycling and to reward responsible behavior. Thus, for every three containers of personal and household care products brought to the installation in the form of a frog in stores, customers will receive a coupon with discounts of up to 35% on products in the campaign for that month.

Recycling Vending Machines

We are the only hypermarket in Romania that has placed recycling machines for plastic containers, bottles and aluminium cans in the parking lots. To encourage our customers to use the vending machines and recycle packaging we offer them discounts on their purchases as part of the “Recycle and Save” campaign. Our goal is to become the most accessible and convenient destination for recycling and to reward responsible behavior.



OUR PROGRESS

OUR PROGRESS

2021 MATERIAL TOPICS		MATERIAL TOPIC	MATERIAL TOPIC
Local/national social engagement and ecological responsibility		Promotion of local/ national products	Prevention of Food Waste
OUR GOALS FOR THE FUTURE		OUR GOALS FOR THE FUTURE	OUR GOALS FOR THE FUTURE
To become the leader of the retail industry on community and environmental involvement		To become the leader of the retail industry on supporting local suppliers and producers	To increase awareness among the general public as well as among our employees, in order to reduce food waste both internally, in stores, and externally at our customers and suppliers
OUR TARGETS		OUR TARGETS	OUR TARGETS
◇ By 2023, to eliminate at least 40 tonnes of plastic, under the Remove component of our REset Plastic strategy.	◇ By 2023 to ensure access to education and prevent school dropout for at least 22,000 children in disadvantaged communities.	◇ By 2023, to identify at least 5 local producers on fruits and vegetables, cold cuts, drinks, bakery, meat	◇ By 2023, to conduct at least 5 internal workshops on reducing food waste, with our employees
PROGRESS	PROGRESS	PROGRESS	PROGRESS
100%	100%	100%	100%
More than 74 tonnes collected through the Actionam pentru Ape (A.P.A) program.	More than 25,000 children benefited from the 12 projects implemented together with our partners, projects that aimed at improving access to education and preventing school dropout.	More than 10 new local suppliers listed in 2023, from all categories: fruits and vegetables, cold cuts, drinks, bakery, meat.	The internal food waste workshops were replaced by Zero Waste trainings, that included the Food Waste component. The training was dedicated to employees from our stores.
◇ In 2023, the community investment budget for the Environmental pillar of our strategy to reach at least 700,000 Euros	◇ In 2023, the community investment budget for the Education pillar of our strategy to reach at least 1,400,000 Euros	◇ By 2023, to implement at least a project dedicated to supporting local producers	◇ To continue the <i>Atentie, delicios!</i> campaign
PROGRESS	PROGRESS	PROGRESS	PROGRESS
100%	76%	100%	100%
More than 1.1 million Euro invested in projects unde the Environmental pillar.	In progress: in 2022, the community investment budget dedicated to our Education pillar reached more than 1.07 million Euro.	Green Hub Kaufland by Ultragreens is an extensive environmental and smart agriculture project. We inaugurated the first vertical greenhouse in Romania, whose production is entirely directed to the retailer's stores.	The campaign was continued internally with our employees. We uploaded informative articles on reducing food waste to the Connect platform and organised a competition to raise awareness.
◇ By 2023, to increase by 5% the number of recipients collected by our Recycling Vending Machines			
PROGRESS			
100%			
More than 15.7 million recipients collected, compared to 10.8 million during 2021 Financial Year.			

Note: the naming of Material Topics changed in 2022 due to an adaptation of the topic model.

OUR FUTURE GOALS



TOPIC

Strategic partnerships

GOAL

Engagement with Romanian suppliers on the development of innovative circular and sustainable packaging solutions. – 2025

DEADLINE

2025

GOAL

Conducting 5 trainings for Kaufland Suppliers on sustainability topics in partnership with the Sustainability Embassy in Romania

DEADLINE

2025



TOPIC

Circular economy

GOAL

100% of our stores in Romania to be equipped with:

- ◊ Reverse Vending Machines (RVMs)
- ◊ Electric vehicle charging points

DEADLINE

2027

GOAL

To extend the Zero waste certification

DEADLINE

2024



TOPIC

Social commitment

GOAL

To plant a network of 6 mini urban forests in the period.

DEADLINE

2025



TOPIC

Attractive employer

GOAL

To receive the Top Employer Certification for 2023 financial year.

DEADLINE

2023



TOPIC

Diversity and equal opportunities

GOAL

To reach at least to 600 employees with disabilities.

DEADLINE

2025



TOPIC

Food Waste

GOAL

To increase by at least 3% the quantity of food donated to in order to prevent food waste.

DEADLINE

2025

MATERIALITY ASSESSMENT

The ongoing dialog with our internal and external stakeholder groups – such as employees, suppliers, customers, non-government organizations (NGOs), associations, or politicians – is an essential part of sustainability management by Kaufland Romania.

MATERIALITY ANALYSIS

1. Stakeholder engagement

The continuous exchange with our internal and external stakeholders - including customers, non-governmental organizations (NGOs), political actors, business partners, employees or the media - is an essential part of Kaufland Romania's sustainability management.

This dialogue exists in both directions: We regularly inform the entire circle of our stakeholders about our activities. For this purpose, we use various formats such as sustainability reports/press releases/ e-mails and written correspondence or customer brochures/ surveys for external stakeholders and customers, and intranet portals/direct mailing and newsletters for our employees. In addition, we enable and promote direct and mutual exchange through series of events and personal discussions. In turn, our stakeholders provide us with valuable feedback through their expertise, observations and critical-constructive engagement with our company, which is then incorporated into our

work. Kaufland Romania also contributes to cooperations and networks in a variety of ways and also participates in external dialog and exchange formats, as described in the "Initiatives and Memberships" section of this report.

We evaluate which stakeholders are relevant for the company at regular intervals, but at least every two years. This is based on external inquiries, for example from NGOs, and extensive monitoring of the social debate. At the same time, we take into account changes in responsibilities on the part of politicians or NGOs, for example. In addition, a comparison is made with the results of the materiality analysis and the associated topics.

On specific topics such as Circular Economy and Food Waste, an intensive exchange with non-governmental organizations, authorities and industry representatives takes place - for example in the form events, debates or public policy consultations.

STAKEHOLDER GROUP	Interests	How we engage and communicate with our stakeholders	STAKEHOLDER GROUP	Interests	How we engage and communicate with our stakeholders
Consumers (individuals or businesses)	products, services, events, Kaufland newspaper, product quality, product availability, pricing, rent prices, services, events	Kaufland website: www.kaufland.ro Kaufland Romania Facebook page (www.facebook.com/kaufland.romania) Kaufland Romania Careers Facebook page (www.facebook.com/kaufland.romania.cariere) poftadegratar.ro website Instagram: @kauflandromania YouTube, LinkedIn Kaufland, TikTok, Newspaper, Surveys, TV and outdoor advertising, Dedicated events, Sponsorship events, Professional conferences, Newsletters, Telephone calls through the Customer Relations Department Direct mailing Kaufland Card App Personal meetings Telephone calls In-store radio	Suppliers	products, services, events, Kaufland newspaper, terms of partnership, collaboration, project communication, terms of engagement	Dedicated events Direct mailing Personal meetings Telephone calls Surveys Professional conferences
			Authorities		E-mails and written correspondence Telephone calls Personal meetings Professional association meetings Surveys Press conferences
			Civil society/NGOs		Direct mailing Personal meetings Dedicated events Surveys Press conferences Trainings
			Academic representatives		E-mails and written correspondence Dedicated events Direct meetings Telephone calls Surveys
			Mass-media		Press releases Press conferences Direct mailing Telephone calls Surveys
Employees	company projects, events, legislation, administrative information, development opportunities, benefits, health and safety, recognition	Intranet, Connect App Kaufland Romania Social Media pages Surveys Internal events Direct mailing Professional training courses Notice boards Newsletters In-store radio Professional conferences		partnerships for students, employment, research opportunities collaboration, project communication, quality of information	

2. Materiality Analysis

Kaufland Romania has revised the process for determining its material topics in 2023. In this way, we take into account new and changed (regulatory) requirements at an early stage, including the updated materiality definition of the GRI Standards 2021 and the adoption of the European Corporate Sustainability Reporting Directive (CSRD). The basis for the new process is the Kaufland topic model, which comprises of total of 20 topic areas.

As part of the materiality analysis, the 20 topic areas were assessed on the basis of two dimensions:

- ◊ First, the positive and negative impacts of Kaufland on people, the environment and society are considered (so-called "inside-out perspective").
- ◊ Secondly, the influence of the topic areas on Kaufland's business success is considered (so-called "outside-in perspective").

Assessment of the impact of Kaufland Romania

Kaufland's impact on people, the environment and society is assessed internationally by the Kaufland Stiftung on behalf of the national Kaufland companies in a two-stage process consisting of an exposure analysis and expert interviews.

Conducting a quantitative exposure analysis

The exposure analysis is used to identify potential direct and indirect impacts of Kaufland on people, the environment and society in a data-based manner. It considers sustainability-related risks that potentially arise from Kaufland's business activities. The analysis and survey of Kaufland's environmental and social impacts was carried out quantitatively on the basis of macroeconomic as well as company- and industry-specific data across the international value chain. In order to account for Kaufland's internationality, the potential local needs for action were determined in relation to each other at country level. This allowed comparability between the topic areas. In

The Kaufland materiality analysis is updated at least every two years in the course of sustainability reporting. It is carried out in a standardized manner for all national Kaufland companies and at the same time enables the integration of the national perspective. The analysis is carried out in three steps:

1. a cross-country survey of impact relevance (consisting of exposure analysis and expert interviews),
2. a country-specific survey of business relevance (via national workshops), and
3. validation and consolidation of the results in a country-specific materiality matrix.

order to identify the countries where Kaufland has a potentially high leverage effect, the next step was to model Kaufland's value chain on the basis of sales data, industry information and economic data.

This made it possible to identify country-specific direct and indirect economic activities and to apply an economic weighting in the analysis. This weighting especially takes into account countries in which Kaufland has a high level of activity based on the data and therefore has a potentially higher influence on the respective topics. In the final step, the combination of the need for action with the economic relevance resulted in the materiality scores of the individual topic areas and thus the first building block of impact relevance.

Conducting qualitative expert interviews

In parallel to the exposure analysis, the statistical results were validated by a qualitative survey. The mix of methods increases the resilience of the analysis, allows for deeper conclusions and reduces potential weaknesses of the methodologies standing on their own. For this purpose, international experts from the relevant Kaufland stakeholder groups were interviewed to gain an even deeper understanding of Kaufland's impact with regard to the 20 topic areas.

When selecting the experts, the market-specific characteristics of the countries as well as the diversity of topics in the area of sustainability were taken into account. The preparation, implementation and evaluation of the interviews were carried out by an external partner.

The combination of exposure analysis and expert interviews resulted in the international impact relevance values for the 20 topic areas, which at the same time represent the values of the x-axis in the materiality matrix.

Assessment of the business relevance of Kaufland Romania

To assess the business relevance, Kaufland Romania conducted a workshop with the CR responsible in Romania as well as members of the sustainability team and CSR Committee. They had the task of individually assessing the 20 topic areas of the Kaufland topic model with regard to their business-related opportunities and risks. The results were then discussed and transferred to the materiality matrix in the form of the y-axis. In addition, the results were subsequently validated by the management. This resulted in the business relevance in the materiality matrix). The results were also incorporated into the adjustment of the sustainability strategy in 2023.

Merging the two dimensions of analysis

The results show that the topic areas "strategic partnerships", "food waste", and "labor and human rights" have the greatest relevance for Kaufland Romania,

Overall, 9 topic areas are material for Kaufland Romania: "strategic partnerships", "food waste", "labor and human rights", "circular economy", "climate friendlier supply chain", "raw materials", "communication and dialogue", "social commitment", and "integrity". This means that Kaufland Romania 's business activities have a major impact on people, the environment and society in the respective topic and/or the greatest business-related opportunities and risks for Kaufland Romania lie there. Accordingly, they are within the company's materiality threshold and form the basis for this report.

In addition to the topic areas determined to be material, we consider other strategically relevant topic areas such as regionality, fair pay and transport and logistics in this report. They are marked with an * symbol in the materiality matrix and shown separately in the GRI Index starting on p. XX . The reason for this is, among other things, the high strategic relevance of the topics transport and logistics and fair pay and the transparency requirements of our consumers in terms of products regionality.

Materiality matrix



MATERIAL TOPICS

MATERIAL TOPICS

Material topics:

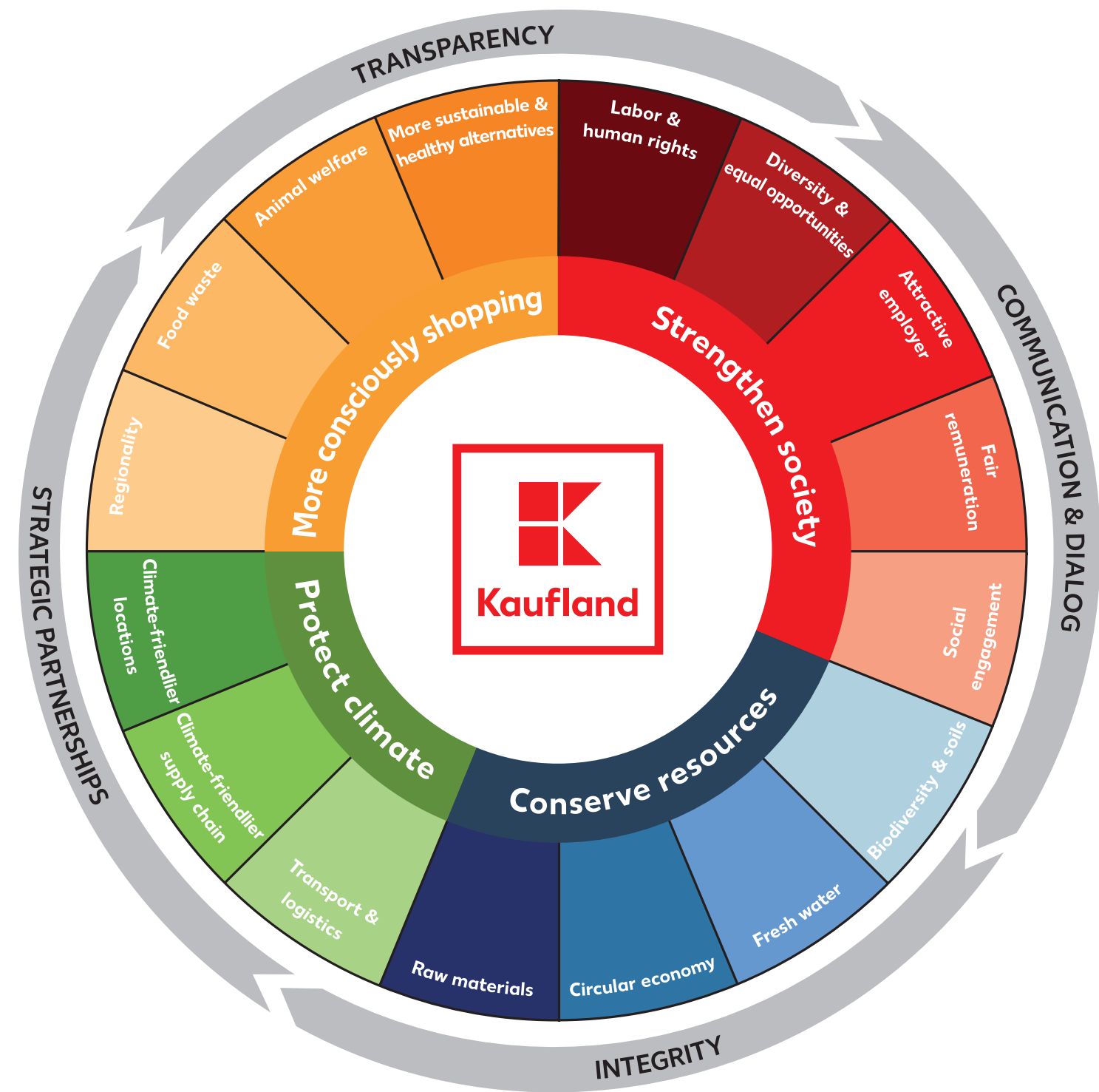
- 1. Strategic partnerships
- 2. Food waste
- 3. Labor and human rights
- 4. Circular economy
- 5. Climate friendlier supply chain
- 6. Raw materials
- 7. Communication and dialogue
- 8. Social commitment
- 9. Integrity

Additional topics monitored:

- 10. Regionality
- 11. Fair pay
- 12. Transport and logistics

Topics that are not material:

- 13. Climate-friendlier locations
- 14. Attractive employer
- 15. Diversity and equal opportunities
- 16. Transparency
- 17. Fresh water
- 18. Biodiversity and soils
- 19. More sustainable and healthy alternatives
- 20. Animal welfare



The background of the entire image is a close-up, high-resolution photograph of dark brown, moist soil. The soil has a granular, clumpy texture with many small, irregular particles and some tiny roots or organic matter visible. The lighting is even, highlighting the natural texture of the earth.

03 THE PEOPLE BEHIND THE COMMITMENT



The performance and commitment of our employees are at the heart of our success. To show appreciation of this engagement, we are providing secure working conditions, attractive benefits and long-term career development prospects. We invest in our people and we focus on motivating and supporting hard-working teams. At Kaufland Romania, we provide multiple trainings and opportunities, fostering a productive and employee-focused workplace.

For the eighth year in a row, our company has obtained the Top Employer certification in Romania and for the fifth time at European level, distinctions awarded by the Top Employers Institute in the Netherlands following a rigorous analysis of the human resources processes within the company, the facilities provided and the development opportunities available to employees at all levels. The award once again proves that employees are a priority and that every team member is treated equally, while having the opportunity to grow professionally.

OUR TEAM



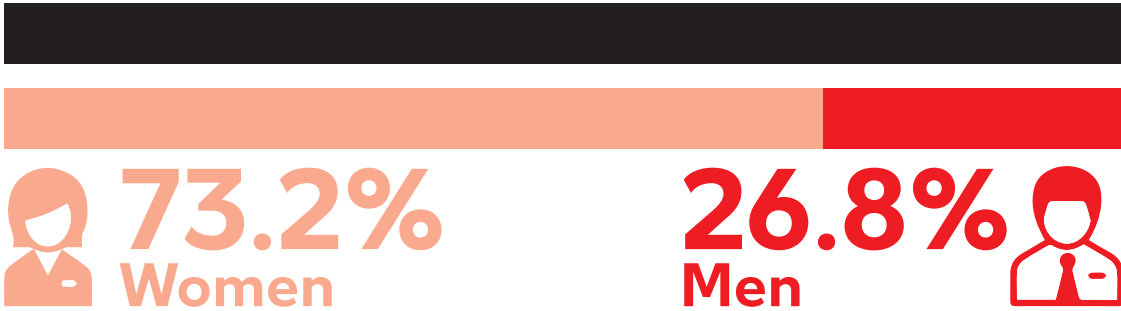
OUR TEAM

We firmly believe that sustainable progress begins with the people and their motivation of making a difference.

At Kaufland, a team of over 16,000 people strives every day to become better at what we do, through connection, understanding and shared values. Our HR approach entails well-qualified, motivated, and engaged employees who have the support of a positive leadership culture represent a sustainable contribution to the development of our organisation.

Our activity and actions towards sustainable development are based on the joint efforts of our team, which in 2022, counted 16,612 employees - 12,166 (73.2%) women and 4,446 (26.8%) men.

16,612 employees



Number of employees by employment contract and working hours*

EMPLOYMENT CONTRACT	2019		2020		2021		2022	
	Women	Men	Women	Men	Women	Men	Women	Men
Permanent contract	10,054	3,978	11,069	4,181	11,353	4,253	12,121	4,419
Temporary contract	101	40	42	29	66	33	45	27
Total	14,173		15,321		15,705		16,612	

*types of contract at the end of the financial year 2022 (28.02.2023)

EMPLOYMENT TYPE	2019	2020	2021	2022
Full time	10,355	10,885	11,291	11,908
Part time <8h	3,818	4,436	4,414	4,704

Data for 2019, 2020, 2021 was calculated at the end of the Financial Year (28th of February), compared to the previous reporting cycle, when these indicators were calculated as an average of the entire year, considering temporary employment contracts of every month. Temporary employees hired for seasonal events, such as Christmas, Easter, peak periods etc. were also included.

I The People behind the Commitment

New employees and staff turnover

CATEGORY	2021				2022			
	01.03.2021 – 28.02.2022				01.03.2022 – 28.02.2023			
	New employees		Employees who left		New employees		Employees who left	
	No.	Rate (%)	No.	Rate (%)	No.	Rate (%)	No.	Rate (%)
GENDER								
Women	3,250		3,101		3,980		3,558	
Men	2,025	34,6	2,143	34,4	2,192	39,3	2,176	36,5
Total	5,275		5,244		6,172		5,734	
AGE*								
<30	2,356		2,291		2,532		2,399	
30-50	2,334	34,6	2,355	34,4	2,804	39,3	2,611	36,5
>50	585		598		836		724	
Total	5,275		5,244		6,172		5,734	
REGION								
Area 1 (Banat-Crisana)	1,556		1,522		925		880	
Area 2 (Moldova)	1,163		1,222		861		807	
Area 3 (Muntenia-Dobrogea)	1,169		1,011		1,223		1,136	
Area 4 (Oltenia-Muntenia)	663		762		961		834	
Area 5 (Transilvania)		34,6		34,4	1,653	39,3	1,507	36,5
HQ	148		116		132		80	
Ploiești logistics center	386		389		278		324	
Turda logistics center	190		222		139		166	
Total	5,275		5,244		6,172		5,734	

The data refers to the age of the employee at the time of arriving at the company and at the time of leaving the company.

New employees rate

No. of new employees in financial year 2022

Average number of employees during the financial year 2022

x 100

Employees who left rate

No. of employees who left during the financial year 2022

Average number of employees during the financial year 2022

x 100

The number of employees that left the company does not include employees that left the same month they were hired (not active during the last day of the month).

Average number of employees during the financial year 2022

=

Σ[people inventory turnover] of the last 12 months (03.2022-02.2023)

Average number of employees during the financial year 2022: 15,697

Number of employees in administrative offices

LOCATION	2019		2020		2021		2022	
	No.	%	No.	%	No.	%		
Bucharest, Barbu Văcărescu	444	56	474	58	482	57	509	59
Bucharest, Tunari	249	31	232	28	219	26	220	25
Head office - DL (Dienstleistung)*	105	13	111	14	140	17	135	16
Total	799	100	817	100	841	100	864	100

*Dienstleistung is a new subdomain comprised of those that are part of the head office but do fieldwork or work in a different location in the country when registered here.

Number of external workers

CATEGORY	2019	2020	2021	2022
External*	44	97	65	120

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

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

92

GRI 401-1

GRI 2-8

93

DIVERSITY AND EQUAL OPPORTUNITY

DIVERSITY AND EQUAL OPPORTUNITY

Being a sustainable company also means fostering a diverse and inclusive workplace that empowers all individuals to thrive. At Kaufland Romania, we embrace diversity and create equal opportunities for our employees.

At the core of our human resources policy is a strong commitment to ensuring that all employees are treated equally, regardless of gender, and we prohibit any discriminatory behavior.

We are signatories of the Diversity Charter since March 2018, making a commitment to strengthen the initiative to make diversity, equal opportunities and social inclusion recognized and respected values both within the company and within Romanian society.

Kaufland is also part of the Romanian Diversity Chamber of Commerce, a non-profit organization that promotes the principles of diversity and inclusion in the Romanian business community and supports the development of the Romanian economy through implementation of greater diversity and inclusion.

In 2022, the company did not register any confirmed incidents of discrimination. During the financial year 2022 there were 2 complaints on the subject of discrimination within the workplace but which upon thorough review were not substantiated. In total, there were 52 complaints forwarded by our employees.

We provide online trainings so that we raise awareness of discrimination at work and help employees understand their rights. We also seek to help them implement the best practices and create a positive and inclusive work environment, while meeting all the legal requirements. Our trainings “General legislation on the prevention of all forms of discrimination” and “Communicating with people with disabilities” provides useful information and advice on how to deal with discrimination in the workplace including how to prevent it.

PROGRAM	Women	Men
General legislation on the prevention of all forms of discrimination	4,552	1,901
Communicating with people with disabilities	2,031	567

Employees with disabilities are employees who, according to the legal provisions in force in Romania, hold a valid certificate of disability, issued by the competent authorities.

A.C.C.E.S. program

We promote a culture that respects and celebrates differences, and we aim to build a more resilient and dynamic organization that drives positive change within our industry and the communities we are part of.

In 2019 we launched the A.C.C.E.S. program, a Kaufland employment and integration initiative for people with disabilities.

The program involves three key lines of action:

- ◊ developing recruitment channels dedicated to people with disabilities and promoting these channels to interested persons, potential beneficiaries or institutions dedicated to people with disabilities
- ◊ making Kaufland an inclusive employer by meeting the physical and mental needs of people with disabilities
- ◊ communication and internal training programs to support the integration of new colleagues into the Kaufland team

We extended the program to the entire company, across all departments and in all areas or cities of the country where we are present with stores or logistics centers.

Currently, on average, 1 employee with disabilities works in each Kaufland location in the country. Our goal of employing at least 500 people with disabilities was achieved in 2021. During the financial year 2022, the total number of employees with disabilities was 580, compared to 533 in 2021. And at the end of 2023, the number of colleagues with disabilities reached 439 employees.

The future of the program now includes the following main objectives:

- ◊ continuing to offer a wide variety of positions dedicated to people with disabilities in all Kaufland locations in Romania.
- ◊ adapting Kaufland workspaces to increase the inclusion of people with disabilities (employees or customers)
- ◊ providing resources for the education of our own employees (internal trainings) and the efficient integration of new colleagues with disabilities into the team
- ◊ becoming a reliable partner for people with disabilities, but also for national institutions and associations whose activity is to integrate them into society
- ◊ international coverage of the program by the companies of Schwarz Group

In its efforts to promote social inclusion, to mark Diversity Month, at Kaufland Romania we launched in May an awareness campaign on the inclusion of people with disabilities in the workplace and shared with the public through a series of videos the success stories of our team members. The campaign brought to the forefront the experiences of colleagues with disabilities, in stores, warehouses or headquarters, both in the recruitment and accommodation process and in their day-to-day work.

In 2022 FY, Kaufland Romania was involved in multiple actions to promote diversity and inclusion as part of the A.C.C.E.S. programme, such as:

- ◊ The Global Accessibility Awareness Day (GAAD) conference organised on 19 May by the Romanian Diversity Chamber of Commerce with the support of Kaufland Romania.
- ◊ DHL Carpathian Marathon, an event marking the Paralympic Sport Day, on 18 June, at Cheile Grădiștei - Fundata.
- ◊ DHL Marathon, organized by MPG, with the support of Kaufland Romania as main sponsor in Brasov, on June 18.
- ◊ ED&I Regional Conference in CEE, organised by the Romanian Diversity Chamber of Commerce with the support of Kaufland Romania on 29 June.
- ◊ Atipic Beauty, a fashion event with models in wheelchairs, organised by Open Your Heart Association with the support of Kaufland Romania: on 7 June at Unirii Square in Oradea, on 9 June at Timisoara Iulius Mall, on 16 June at the Parliament Palace in Bucharest and on 6 August at Iasi Palas Mall.
- ◊ BRD-Kaufland Wheelchair Tennis Open 2022, on 11-14 August in Pitesti - Bascov and 15-18 August in Bucharest.
- ◊ National Wheelchair Billiards Competition, 2022 Edition, organized on September 23 by the Sports Association Always Together for People in partnership with Asmio Sports Club and with the support of Kaufland Romania, at IDM Bucharest.
- ◊ The wheelchair basketball tournament, BERAFLOR Cup, organised by the Association Primii Pasi spre Performanta with the support of Kaufland Romania, in September in Brasov.
- ◊ - Workshop on Regional Policies in Inclusive and Social Entrepreneurship in Romania organised by Liaise Better Incubation on 17 October, hosted by Impact Hub Bucharest.
- ◊ Fit For Future, sports event held in November to raise awareness of movement, especially for vulnerable groups, people with reduced mobility or disabilities.
- ◊ National Table Tennis Championship in Bascov - Pitesti in November.

In 2023, we continued to support important activities that involve communities of people with disabilities all over the country, such as:

- ◊ Beyond Inclusion Conference, organized by the Psychology Faculty in Bucharest- active participation by bringing the example of A.C.C.E.S. Program insights into the event.
- ◊ National Wheelchair Billiards Competition, 2023 Edition, organized in May by the Sports Association Always Together for People in partnership with Asmio Sports Club and with the support of Kaufland Romania, at IDM Bucharest.
- ◊ Brasov marathon, supported by Kaufland Romania with a special race for people with disabilities that are doing sports.
- ◊ Kaufland Wheelchair Tennis Tournament in Arges (Bascov) and Bucuharest – august 2023; organized by the Romanian Tennis Federation.
- ◊ Atipic Beauty Gala – wheelchair fashion show organized by Open your Heart Association; the Gala took place in Bucharest – at the Palace of Parliament and in 6 other cities in Romania: Oradea, Timisoara, Bistrita, Iasi, Bacau (May – August).
- ◊ ED&I Eastern Europe Conference, Romanian Accesibility Awareness Day, Inclusive Recruitment Conference - a series of 3 Conferences organized by Romanian Diversity Chamber of Commerce and supported by Kaufland Romania, as main sponsor; the events where held in Bucharest in May and October 2023.
- ◊ Job fairs dedicated for people with hearing impairment, organized by the Romanian National Association of the Deaf; the fairs took place in Bucuresti, Brasov, Timisoara and Cluj-Napoca – April – May 2023.
- ◊ Creating accessibility for people with disabilities on IOR Titan Lake in Bucharest, event organized by the Caiac Smile Association – October 2023.
- ◊ SMARTHTR Conference – including A.C.C.E.S. Program on the map of dedicated programmes supporting ED&I at WORK

The inclusion of A.C.C.E.S. Program as a good practises example in the “Diversity Management in Romanian Organizations”, published by the Diversity Charter – June 2023.

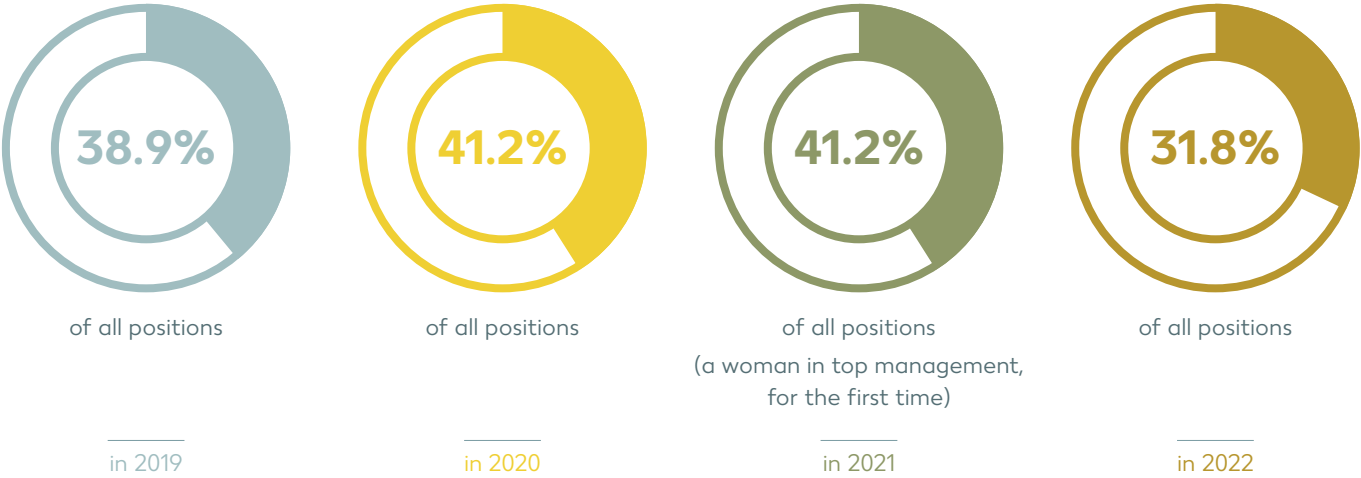
Employees with disabilities

POSITION	2020		2021		2022	
	Men	Women	Men	Women	Men	Women
Non-Management	189	258	220	312	223	356
Management	1	0	1	0	1	0
Total	448		533		580	

Employees, by age, gender, and position within the company

CATEGORY		Non-management	Management	Executive management	Top management	Total	
2021	Men	<30	1,219	31	0	0	1,250
		30-50	2,044	397	5	4	2,450
		>50	570	15	0	1	586
		Total	3,833	443	5	5	4,286
	Women	<30	1,786	31	0	0	1,817
		30-50	6,860	390	6	1	7,257
		>50	2,301	44	0	0	2,345
		Total	10,947	465	6	1	11,419
2022	Men	<30	1,219	27	0	0	1,246
		30-50	2,135	386	10	4	2,535
		>50	645	19	0	1	665
		Total	3,999	432	10	5	4,446
	Women	<30	1,776	25	0	0	1,801
		30-50	7,150	437	6	1	7,594
		>50	2,715	56	0	0	2,771
		Total	11,641	518	6	1	12,166

Out of all positions in Executive- and Top-Management), women held:



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



The average age of employees was:



PROFESSIONAL DEVELOPMENT AND BENEFITS

PROFESSIONAL DEVELOPMENT AND BENEFITS

We are a dynamic, strong, and fair company and we want to offer our colleagues a balanced working environment built on strong values and principles, such as open communication and mutual respect.

We have a team of over 16,500 people who strive every day to become better at what they do. In this context, we ensure that all Kaufland team members feel safe at work and find stability and predictability here - both in terms of working conditions and the pay they always receive on time. We have continually adapted our benefits package so that it remains relevant to our colleagues and their families.

Therefore, all our employees are justly compensated, and the company's minimum wage is significantly higher than the nationally regulated minimum wage (by 59.19%). Beyond the benefits that we provide, we constantly invest in their training and professional development, according to the needs and specifics of each employee.

In January 2023, the lowest net salary paid was 1,826 Ron, to which are added bonuses, meal vouchers, holiday vouchers and other benefits. The total value of holiday vouchers that have been granted in 2022 is more than €1.5 million, plus a series of benefits worth over €5 million.

For the eighth year in a row, our company has obtained the Top Employer certification in Romania and for the fifth time at European level, distinctions awarded by the Top Employers Institute in the Netherlands following a rigorous analysis of the human resources processes within the company, the facilities provided and the development opportunities available to employees at all levels. The award once again proves that employees are a priority and that every team member is treated equally, and they all have the opportunity to grow professionally.

Benefits

BENEFITS	Full time, part time, temporary/ contracts internships (lei)		
	2020 01.03.2020 - 29.02.2021	2021 01.03.2021 - 28.02.2022	2022 01.03.2022 - 28.02.2023
Meal vouchers	47,347,837	49,061,630	73,091,818
Life insurance	360,870	389,180	440,617
Aid in case of personal events (wedding, birth, death, social aid etc.)	3,078,356	3,556,682	3,088,265
Seniority bonuses	2,472,392	2,450,035	2,751,109
Retirement provisions	756,212	588,317	777,097
Private health insurance	1,849,671	2,272,636	3,696,093
Gift vouchers and bonuses for employees and minor children of employees + vouchers	12,333,890	9,634,396	38,713,649
Others (in-kind benefits, rent etc.)	16,328,471	12,559,279	11,893,735

The total financial value of benefits provided to employees



Benefit platform and partner discounts

We offer our employees an online platform through which they can purchase various products or services across the country at special discounts. Telecom, electro&IT, children and parents, medical, restaurant, sport, hobby, culture are part of the categories of products and services available on the Benefitonline.ro platform.

We also work with a number of partners to offer discounts to our colleagues. They can buy tickets to concerts, festivals and plays at discounts of between 10 and 20%, purchase electronic devices or accessories at discounts of up to 15%, use the cleaning services in the Kaufland Barbu Văcărescu parking lot or relax by the pool at more advantageous prices.

Our leadership model - the promise to our employees

Clear communication and guidance

Developing and identifying potential in our employees

Performance and dynamism

Fairness and trust

Daily accountability and role modeling

Our first play and care centre for employees' children

In May 2022, we opened our first play and care centre in Timisoara, dedicated to the children of our employees.

The investment made by the company in this centre exceeded 1 million lei, and the project represents a first in the Romanian retail market, helping our employees to achieve a balance between personal and professional life.

Since then, during working hours, Kaufland employees in Timisoara can bring their children to the play and care centre dedicated exclusively to them.

All activities are carried out under the guidance of the Family Hub team, whose members are trained in modern, international pedagogy and are specialised in working with pre-school children. Moreover, by attending Kaufland Day Care, children learn German, a complex language that is easier to learn at an early age.

Kaufland Day Care has a maximum capacity of 17 children per group per day, and the centre also caters for children with special needs.

Package of benefits:

- ♦ leave and additional days off for special family events
- ♦ extra paid vacation days, based on active seniority
- ♦ holiday vouchers are granted according to the criteria of active seniority in the company
- ♦ family and free time (access to the Bookster library, free language courses for our employees' children, online financial education courses)
- ♦ gym subscriptions
- ♦ sports events and internal championships
- ♦ access to quality medical services and medical insurance
- ♦ free or reduced tickets to certain events
- ♦ holiday card and preferential rates for accommodation in Romania and abroad

Also, our employees have the right to receive the following compensation:

- ♦ Bonus for overtime: bonus of 80% applied to the basic salary for the first 10 whole hours of overtime worked in a month and a bonus of 100% applied to the basic salary for anything beyond that.
- ♦ Bonus for working on bank holidays: bonus of 100% applied to the basic salary for every hour and minute worked during a bank holiday.
- ♦ Bonus for working on Saturdays: bonus of 10% applied to the basic salary for every hour and minute worked on a Saturday.
- ♦ Bonus for working on Sundays: bonus of 15% applied to the basic salary for every hour and minute worked on a Sunday.
- ♦ Bonus for working at night: bonus of 25% applied to the basic salary for every hour and minute worked at night, between 10:00 pm and 06:00 am.
- ♦ Additional bonuses: for employees in certain areas (such as the Fish area, the Assisted Shelf etc.).
- ♦ Travel allowance (amount compensating accommodation and/or travel expenses): given monthly to employees in the Sales Department.

Other types of allowance (other than the ones provisioned by the law):

- ♦ Employee referral bonus (including people with disabilities)
- ♦ Allowance for giving birth/adopting a child for one of the parents if both are Kaufland employees.
- ♦ Allowance for the first marriage for one of the spouses if both are Kaufland employees.
- ♦ Funeral allowance – granted to the family in the event of the employee's death or death caused by a work accident, a work-related accident or occupational illness.
- ♦ Allowance granted to the employee in the event of their spouse's death or the death of a first degree relative.
- ♦ Additional days off (granted for active seniority in the company, for people with disabilities, for weddings, death, births, changing residency or blood donors).

Shorter working hours:

- ♦ Reducing it with 1 hour a day for employees who give up the legal parental leave (until the child celebrates their second birthday).
- ♦ Reducing it with 2 hours a day for employees who are breastfeeding (child under the age of 1).
- ♦ Anniversary bonuses (to recognize continuous activity within the company at the following milestones: 10 years, 25 years, and 40 years)

We enable our employees to use two days of vacation time each year to volunteer in projects organised by Kaufland Romania such as ecological actions in partnership with Act for Tomorrow Association, building housing for low-income families or reforestation actions etc.

In our internal platform, Portal HR, employees have the possibility to register their days off, including voluntary days off, thus making the procedure easier and simpler. Until now, the registration of volunteer days could only be done with the help of the department's Time Correction Officer (ZKB/ RCT) or with the help of colleagues in Working Time (PZW).

In the FY 2022, 130 employees volunteered 1,468 hours in total.

Youth recruitment programs

In recent years, Kaufland has developed a series of programs that meet the knowledge, learning and development needs of young people in the university environment, offering students in their final years, master's students or recent graduates multiple employment opportunities within the company.

Kaufland Internship Experience

Kaufland Trainee Program

Kaufland Talent Program

The first of these, the **Kaufland Internship Experience**, brings a challenge to young people because it runs in the summer during the holidays. Students or master's students who apply for this experience go through an accelerated learning process over three months. It's an opportunity for them to put into practice what they have learned at university, to understand the role of each department and how teams interact for the smooth running of the company.

The **Kaufland Trainee Program** is aimed at students or young graduates and lasts for 12 months, during which time young people are directly and actively involved in the tasks of the department in which they want to develop, as well as honing their skills and discovering new ones.

The **Kaufland Talent Program** is a rotational learning experience that prepares young people for their first level of management. In this program, the young person works with the management team in the department they are interested in and, during the program, can take on one of the department's projects to analyze and optimize it. This program is aimed at students or young graduates.

Also, through the **"Student de 10" campaign** we support performance in education and reward students from state universities who graduated the summer session with a 10 grade with free access to UNTOLD or Neversea festivals. Through innovative Employer Branding activities and a consistent offer of information about career opportunities within the company, we stayed close to young people not only for the duration of the festivals, but also for the first steps they take on their career path.

Training

Systematic training and development are key elements for ensuring the continued success of our company. At Kaufland Romania, we provide trainings and development programs for our employees, offering help, supervision and guidance where needed.

We encourage individual and group training and career development and ensure they are constantly and consistently growing in the direction in which they want to develop.

We also conduct an annual performance review and in the feedback discussion, the employee and the manager discuss their points of view and establish a future development plan.

Some of the trainings we provide:

- ◇ Rules for safe office work
- ◇ Recruitment process (Recruiter/HR Manager)
- ◇ Cash Registers - Sales Prohibitions, Secure Card Payment
- ◇ Data protection in stores
- ◇ Sustainable energy management
- ◇ General legislation on the prevention of all forms of discrimination
- ◇ Frequent accidents at work
- ◇ Recruitment and selection process
- ◇ Communicating with people with disabilities
- ◇ Safety in the bakery
- ◇ Recycling makes a difference!

Average hours of training/ employee category/ gender

CATEGORY	Women	Men
Non-management	16.38	19.95
Management	18.98	21.78
Executive management	14.01	15.82
Top management	60.91	53.64

Note: the information regarding employees training includes only training programs managed by the Personnel Department and does not include the legal trainings that employees must go through.

Total number of
hours of training:
290,281

Total number of
hours of training per
employee in 2022:
17,47



Talent Management

At Kaufland Romania, we focus on identifying, attracting, engaging, retaining, and deploying the best talent within the marketplace. Building effective teams and departments is based on good collaboration. We strive to keep our employees engaged and we also want to improve our communication processes so that we are proactive and meet their needs.

The Talent Management process represents the feedback process that takes place annually and addresses all our employees. The manager evaluates a set of employee behaviors and performance. In the actual feedback discussion,

the employee and the manager discuss their points of view and establish a development plan for the employee. The employee also can provide feedback to the manager regarding his management style. Within this annual process, the employees with development and promotion potential are identified.

The Talent Management process took place in 2022 in both electronic format and in face-to-face discussions. Out of the total of 12,374 forms registered, around 87% were conducted on paper, with the employees, and 13% were conducted online.

OCCUPATIONAL HEALTH AND SAFETY

OCCUPATIONAL HEALTH AND SAFETY

The health and safety of our employees remains one of our top priorities and we are working hard to make sure that we minimize risks in all our stores and warehouses.

In compliance with the national legal requirements in the field of occupational health and safety, we operate an internal prevention and protection service. The internal service is composed of 3 specialists, one of whom is designated as head of the service. At the level of each central warehouse, where the number of workers is more than 250, an internal service is organized. The internal service organized at the company level collaborates with the internal services set up at the central warehouse level.

The main activities that the internal service carries out, depending on available resources, are:

- ♦ participation in the identification and assessment of risks;
- ♦ elaboration and revision of own instructions for the completion and/or application of OH&S regulations;
- ♦ development of training topics for workers in OH&S;
- ♦ coordination and collaboration with external prevention and protection services;
- ♦ establishment of a quality assurance program for the services provided by external prevention and protection services;
- ♦ participation in the investigation of events according to legal competences.

The other activities in the field of occupational health and safety, for which the internal prevention and protection service has no resources, are carried out by 2 external prevention and protection services.

The identification and assessment of OH&S risks is an obligation stipulated in the Occupational Health and Safety Law No. 319/2006. and is carried out for each component of the work system, i.e., the worker, the workload, the work equipment, and the working environment.

Evaluating risks

Risk assessment is carried out with an internally developed tool, with risks being classified into three categories (minor, medium and major) according to probability and possible consequences. Depending on the risk assessment, a prioritization of prevention and protection measures is made. Risks are reviewed when new work equipment is introduced, after an event, when new risks are identified or when risks are omitted to be identified and assessed, and, in other cases foreseen by the law. Prevention and protection measures are documented in the Prevention and Protection Plan.

In order to monitor the effectiveness of the protective measures and to eliminate risks, preventive inspections are carried out at the workplaces and the unit managers are informed of the findings.

Reporting hazards

Any worker can report to their direct supervisor any hazard / dangerous situation to their health and safety. For circumstances that may put the health and safety of workers at risk, we have internal instruction for cases of serious and imminent danger. The main measures in such cases are to stop the equipment, evacuate the staff, notify the specialized services, notify the line managers, and eliminate the cases. Also, for such situations, the managers of the workplaces have a guide for exceptional events in which the main measures for rescuing people are described, as well as the contact details for specialized emergency services and the operational method for announcing situations of serious and imminent danger.

Investigating work accidents

Employees are instructed to inform their direct supervisor of any injury they have suffered. The first step in investigating accidents at work is to report the event to the territorial labor inspectorate. In such situations, an investigation committee is set up, which includes the occupational health and safety specialist. The stages of investigating accidents at work are specified in the methodological rules for the application of the law on OH&S and foresee the collection and analysis of relevant information about the injured person, the equipment involved, the work process and others, the conclusions being contained in the report of the investigation of the event which, following the description of the place where the event occurred, the equipment involved, the circumstances and the manner in which the event occurred, the causes that led to its occurrence, the persons responsible and the measures established to avoid the occurrence of similar events are established. The measures set out in the investigation report are carried out by the manager of the workplace, the external/internal prevention and protection service, and after their completion, the manager of the workplace notifies the Territorial Labour Inspectorate in the timeframe set out in the investigation report.



OH&S committee

Within each workplace there are persons elected from among the workers who act as workers' representatives with specific responsibilities in the field of OH&S and they attend a specialization course in OH&S and can actively contribute to the improvement of OH&S conditions.

Within the company, there are 4 committees for OH&S, which include representatives of the workers and representatives of the employer, as following:

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

The 4 committees are established as follows:

- a) a committee for the administrative headquarters.
- b) a committee for the entire sales division (representative for all stores);
- c) a committee for each central warehouse.

Employees are provided with an e-mail address where they can inform the OH&S Committees of workplace safety issues to be discussed at meetings.

Training for OH&S

OH&S training consists of three types of training programs:

- a) general introduction training;
- b) on-the-job training;
- c) periodic training.

Training of employees is provided during working hours, with the employer bearing all the necessary costs.

For other training purposes, as well as for those in the field of occupational health and safety, computer-assisted training programs are developed within the company. In computer-assisted programs, situations, equipment, workplace risks and prevention and protection measures are being presented. The language used is simple, precise and the situations are exemplified with suggestive images. The effectiveness of the training and the understanding of the materials by the employees are verified by tests, both during the program and at the end of the training session.

All employees from stores and administrative offices participate in computer-assisted training. For central warehouses, programs are in development and are to be implemented.

	2021		2022	
	Total	Frequency Rate	Total	Frequency Rate
Number of fatalities caused by accidents at work	0	0	0	0
Serious accidents, resulting in lost time more than 180 calendar days	3	0.11	2	0.07
Accidents resulting of a minimum lost time of one day	130	4.76	125	4.46

***Frequency rate of work-related injuries** = $\frac{\text{total number of accidents} \geq 1 \text{ day lost time}}{\text{average FTE employees} \times 2,000} \times 1,000,000$

2,000 represents the working time per employee

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



Total number of hours worked in 2022:

25,196,265.56

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

There were no illness or death due to illness as a result of exposure to workplace hazards.



04 GROWING TOGETHER

SUPPORTING OUR COMMUNITY



SUPPORTING OUR COMMUNITY

At Kaufland, we are dedicated to making a positive difference in the communities we serve and to support the growth of the community. As our motto states, „our actions do the talking”, this is why our focus is on creating a lasting impact on both society and the environment.

We believe in the power of unity and responsible business practices, and we take responsibility as a retailer, employer, business partner, and neighbour. We support a wide range of projects and initiatives, all in line with our belief that actions speak louder than words.

In 2022, the total community investments budget reached 44.285.480 lei.

OUR PROGRAMS

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

The pillars that lay the foundation of our community investment strategy are:

EDUCATION

- ◇ preventing early school leaving
- ◇ supporting children from disadvantaged backgrounds to facilitate access to education
- ◇ developing competences, skills that enrich the school curriculum
- ◇ complementary, extra-curricular programmes for young people

SOCIAL

- ◇ community development
- ◇ supporting and helping vulnerable groups

SPORTS & HEALTH

- ◇ promoting a healthy lifestyle
- ◇ supporting sports activities
- ◇ improving conditions in the healthcare system
- ◇ raising public awareness

ECOLOGY

- ◇ improving infrastructure for the use of alternative means of transport
- ◇ prevention of natural disasters (floods, landslides)
- ◇ restoration of damaged green areas
- ◇ environmental actions to raise awareness of responsible behaviour
- ◇ promoting alternatives to single-use plastic

CULTURE

- ◇ promotion of local art and culture
- ◇ supporting artists without financial power
- ◇ supporting cultural events for social/charitable purposes

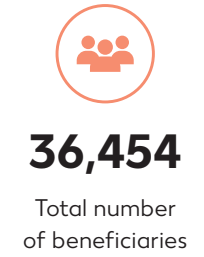
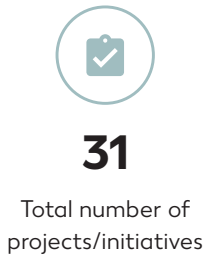
More information about the impact of our community investments can be found in our Annual Community Investment Report, available here: despre.kaufland.ro/responsabilitate/investitii-comunitare



In stare de bine

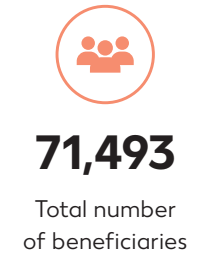
In stare de bine is a financing program we launched in 2018, aimed to provide funding for non-governmental organizations, with the purpose of developing sustainable projects for Romania.

The program implemented by The Foundation for the Development of Civil Society (FDSC), to improve the quality of life of those living in rural and urban communities, aims to support cultural projects, sports events and those promoting a healthy lifestyle, and is the largest funding program for non-governmental organisations in Romania, offering annually non-reimbursable grants totalling of €1 million.



Start ONG

Start ONG is a program implemented by Act for Tomorrow Association, aims to support the non-governmental sector and provide opportunities for these entities to develop their communities through social responsibility projects.



COMMUNITY INVESTMENTS AND LOCAL DEVELOPMENT

We support various projects that fall under the main pillars of our community investment strategy, and we aim to create new opportunities and to improve the lives of people in the communities where we operate.



The first environmental education editorial project

In 2022 was launched the first publishing project on environmental education in collaboration with the writer Ioana Chicet-Macoveiciuc. The volumes „Ema and Eric take care of nature” and „The planet is our home”, signed by Ioana Chicet-Macoveiciuc, in partnership with Kaufland Romania and Didactica Publishing House, are addressed to children aged 2-3 and 3-7 respectively, and explain, in a simple and appropriate language, the concepts of recycling and selective collection. The campaign also has a social component, supported by the OvidiuRO Association and the Ministry of Education, whose mission is to make pre-school education accessible and effective for all children in Romania, and in this case to promote environmental education among teachers and pre-schoolers.

Thus, through the OvidiuRO Caravan, the two volumes will reach 500 kindergartens located in five areas of Romania - Bucharest and the counties of Brasov, Cluj, Iasi and Timis. Each kindergarten will receive a pack of 10 sets of books and 10 board games on eco-habits, which will be used in class as a support for recycling activities. Teachers from the 500 kindergartens will participate in 5 training sessions with literacy and ecology workshops, supported by OvidiuRO Association and SNK Association.

Swap plastic for a free ride

The national campaign „Romania Swap your PET for a ticket” promotes public transport travel in exchange for separate waste collection. Residents of the cities where the campaign took place mobilised in an exemplary way and collected 87,000 waste items, contributing to the development of cleaner cities and a healthier environment.

The campaign, developed by the Act for Tomorrow association and Kaufland Romania, with the support of the Ministry of Environment, Water and Forests, as part of the national Green Friday programme, took place in the parking lots of Kaufland stores across the country, and those willing to participate brought 5 trash items (PET, aluminium cans, glass) and put them in the separate collection machines provided by Kaufland Romania. Following this process, for those who collected the waste separately, the machines issued a coupon on the basis of which they received a bus ticket with two trips or valid for 24 hours, depending on the specifics of each city, from the volunteers present at each collection point.

More than 12,000 people in 63 cities took part in the campaign.

Kaufland forest

In 2022 we completed the planting for a new forest, equal to the number of employees, Prahova County. The Kaufland forest, planted by the company’s employees, is the largest internal volunteering project developed by Kaufland and the Act for Tomorrow Association, as well as a strategic project of sustainability and social involvement.

The planted forest in the shape of a „K”, inspired by the company’s logo, includes 16,000 seedlings of 6 different tree species, and covers an area of 4 hectares. 610 employees participated as volunteers in the 9 planting events organized between March 2021 and April 2023, which will become a new source of oxygen for the local community.

Support for Ukraine

The companies of Schwarz Group, through Lidl and Kaufland, have been working with a number of non-governmental organisations since the beginning of the crisis in Ukraine and has donated €10 million in cash and goods. By providing non-perishable food, household textiles, hygiene items and other essentials, a significant contribution is being made as quickly as possible to the supply of refugees in areas close to the Ukrainian border.

Wishing Tree: Childhood Memories

„The Wishing Tree: Childhood Memories is a charity project, a first for the Romanian film industry. Directed by Andrei Huțuleac, the film is based on the true stories of several of the foundation’s child patients. Although inspired by a painful reality, the feature film aims to convey a message of hope, while also being a foray into the fantasy world of one of the most important literary works for children, Ion Creanga’s „Childhood Memories”. The film is made is made with the support of Kaufland Romania, for the benefit of the HOSPICE Casa Speranței foundation for the support of palliative care services for adult and child patients in Romania, which was later extended and half of the proceeds from the film’s ticket sales in cinemas went to support Ukrainian refugees.

DEVELOPMENT THROUGH LOCAL SUPPLIERS





DEVELOPMENT THROUGH LOCAL SUPPLIERS

We offer our customers products that are not only fresh and of the highest quality but also produced by our communities. By collaborating closely with local producers, we ensure that our supply chain remains efficient, environmentally responsible, and rooted in the principles of fair trade. These relationships not only benefit the environment but also supports local farmer, developing a mutually beneficial relationship.

When listing, all company suppliers confirm that they have read the provisions of our Code of Business Conduct and commit to respecting it. The Code also applies for commercial sub-units authorized by our business partners, that are involved in making products or supplying services for Kaufland. The Code of Business Conduct was reviewed and updated in august 2023.

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

- ◊ Complying with legislation in force, minimum industrial standards, International Labor Organization (ILO) and the United Nations (UN) convention;
- ◊ Forbidding any kind of discrimination when an employee is hired and in all employee relationships, equal opportunity and equity;
- ◊ Forbidding forced labor and all employee relations where work is forced through coercion or threat, such as slavery;
- ◊ Zero tolerance for child labor – strictly following national legislation in force regarding child and young employee protection;
- ◊ Freedom of association and collective bargaining – disciplinary actions against employees who use their right to associate in a peaceful, legal way are not allowed;
- ◊ Respecting national provisions and industrial standards regarding working hours and employment agreements;
- ◊ The business partner must ensure that the workplace does not endanger employee health and safety, by establishing and implementing clear rules and procedures concerning labor safety and by periodically informing and training employees;
- ◊ Strictly following national legislation regarding environmental protection, especially that concerning waste, hazardous chemical substances, greenhouse gas emissions and water pollution;
- ◊ Any kind of corruption, bribery or embezzlement is strictly forbidden, the business partner being responsible for ensuring that such incidents do not happen, through appropriate control systems.

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

Likewise, all our partners are informed accordingly and agree with Kaufland’s request, with undertaking social audits within their own company or relevant production units. These social audits are carried out by Kaufland or by third parties authorized by Kaufland. When the audit takes place, compliance and implementation of the basic principles mentioned in the Code of Conduct must be documented, in order to establish potential improvement measures together. In the event of non-compliance with the Code of Conduct, the business partner must implement appropriate remedial measures. In this sense, the company allocates enough time, as well as support, should the partner request it. In 2022, 9 such social audits were held.

You can read more about our responsibility across the entire supply chain [here](#), or by visiting [despre.kaufland.ro](#), Sustainability section.

Respect for human rights

Respecting and protecting human rights is embedded in our culture, and we use human rights principles to shape the way we work and guide our interactions with employees, suppliers, and business partners. We are committed to fair business practices and good working and living conditions.

We aim to drive positive change for people across our value chain, as we believe that human rights are a universal requirement that we are committed to upholding.

Our policy statement on human rights complements existing corporate principles and policies and addresses the impact of our activities at all locations and in all our business operations around the globe.

As part of the Schwarz Group, we conduct risk assessments as part of our business operations. This involves a company-specific, risk-based classification of business partners and products, for instance based on the analysis of recognized indices and studies regarding the risk assessment for countries of origin, raw materials, and products and – in some cases – in consultation with civil society organizations and experts. The findings of these risk assessments are used to develop specific measures to avoid or mitigate adverse impacts caused by our business activities. We believe that overcoming human rights challenges in our global value chains is an ongoing task that requires systemic changes in addition to our company-specific activities. One key element for us is therefore to engage with civil society organizations, experts and other businesses – often in the form of multistakeholder partnerships – in the aim of achieving improvements and solving complex social issues in a collaborative effort.

Assessing compliance risks

In order to avoid company and reputational damage caused by our partners, compliance risks (e.g. corruption risks) are assessed even before contracts are concluded with the help of the GPC (compliance check commercial partners) platform.

Support for Local Suppliers

Small local producers need our support, especially at a time when the entire economy is under strain.

Supporting local producers is a priority in Kaufland Romania’s purchasing policy. The company has always supported Romanian producers and has chosen to collaborate with them whenever possible, and this program reinforces this promise. We want to be there for them, always looking for new solutions to help them grow.

Animal welfare

For products of animal origin, we are striving to use more responsible production processes and improve animal welfare in livestock husbandry. Firstly, this means improving animal welfare standards, for example by using better husbandry systems. Secondly, it means expanding our assortment or replacing items in our assortment with products where special consideration is given to animal welfare concerns.

Our belief and aim is that animals should be kept using modern methods and must not suffer under any circumstances. Kaufland has zero tolerance for the violation of animal protection laws. All measures that we take over and above the legal requirements have been put in place for the purposes of animal welfare. Our guiding principle is “to use and protect animals.”

Responsible purchase alternatives

We enable people to buy good, healthy, and more sustainable products. We do this by offering a large selection of fairly traded products and continually expanding our organic range.

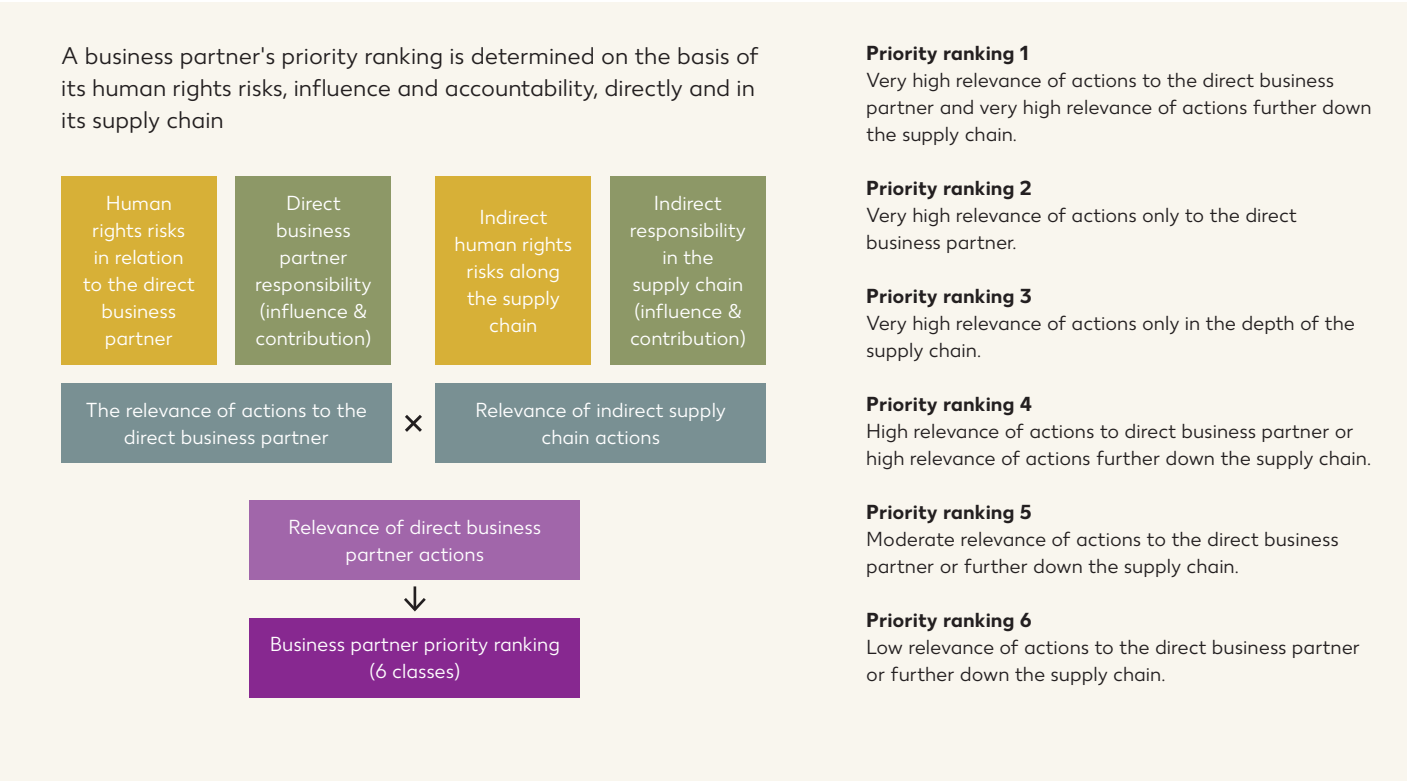
Our organic products must comply with the strict standards and requirements of the EU Organic Regulation. We also support local farmers, promote sustainable organic farming, and build long-term partnerships. Where we offer organic alternatives to a conventional product, we try to position these alternatives in a visible location for our customers. They are positioned directly next to their conventional equivalent where possible.

Supply chain risk-assessment

Kaufland is aware of its responsibility regarding the observance of human and environmental protection and has therefore been to fair social standards, ecological standards and working conditions in global supply chains for years. The aim is to promote their importance and prevent their violation.

We conduct an annual risk-analysis of our global supply-chains so that we can uncover and assess the potential and real risk of human rights violations and, where necessary, to derive specific preventive measures.





The dimensions that are evaluated for each supplier in the risk analysis are: child labor, forced labor, occupational health and safety, freedom of association, discrimination, remuneration, environmental agreements, environmental degradation, land rights, and security forces.

At Kaufland, we will conduct the risk analysis annually always for the timeframe of one year.

Throughout the year a risk analysis for new suppliers will be part of the onboarding.

Along the Value Chain

We always consider our aims in a global context and use the United Nations 17 Sustainable Development Goals (SDGs) for guidance. The aim of the SDGs is to ensure that all people and creatures are able to live a dignified life in harmony by 2030. Through the work that we are doing, we are supporting the implementation of these SDGs. What’s more, Kaufland considers all stages of the value chain: Kaufland is committed to ensuring a supply chain that is fair to humans, animals, and the environment – and animal welfare is an important part of this.

At Kaufland Stiftung & Co. KG, the Executive Vice President of Purchasing is responsible for animal welfare. The strategy for this issue is developed in cooperation with the Sustainability department.

The purchasing teams at Kaufland are required to include the defined animal welfare requirements as a key factor in their assortment decisions and must require suppliers to do the same.



An overview of the measures implemented at Kaufland Romania to promote animal welfare:

Assortment development

Outlook: From 2024 introduction of quality program “Lamb IMF” (intramuscular fat) for lamb at service counters

Animal welfare audits

As part of the “100% Romanian pork” animal welfare program for pork, regular external inspections are conducted on site at the farms to check whether they are complying with animal welfare standards and using GM-free feed.

Outlook: From 2024, regular participation by Kaufland purchasing teams in general supplier audits; our aim is to expand the existing supplier audits to include criteria relating to the delivery of live animals, holding pens, and conditions during stunning and slaughter

Dialog

We are in direct contact with our farmers and communicate on a regular basis. We meet with representatives from producers, abattoirs, and feed manufacturers at least once a year.

Outlook:

- ◇ From 2024, establishment of industry dialog. Starting in 2023, the Kaufland meat purchasing team is initiating annual meetings with contract farmers, meat producers, and – where necessary – feed producers in Romania. The aim is to further develop the quality of meat throughout the entire value chain while at the same time considering aspects relevant to the promotion of animal welfare
- ◇ From 2024, increase in the quantities of Romanian, GM-free soy grown for feed production to 3,000 tonnes, whereby any quantities not used can be given to other farms; additional checks for pesticides, heavy metals, and salmonella

Animal feed

GM-free feed that is 100% grown in Romania and regularly inspected by independent institutions is also used to produce the pork in the “100% Romanian pork” national program. Using feed grown on the farm guarantees a deforestation-free and conversion-free supply chain and ensures short transport distances.

Promotion of better husbandry conditions

At Kaufland Romania, we launched the first national animal welfare program for pork in Romania. To promote high-quality domestic production, in November 2017 we launched “crescut” – the first national program for “100% Romanian pork” – in collaboration with agricultural association “Țara Mea”. The program is supported by the Romanian Commission for Agriculture and Forestry and the Ministry of Agriculture and Rural Development.

Broilers (meat production)

Outlook:

- ◇ 2024 - Introduction of the new animal welfare own brand for chicken at the service counter
- ◇ 2025. Laying hens (fresh eggs), We also intend to stop procuring eggs from caged and cramped conditions for our own brands internationally in the future – for both processed products and fresh eggs

Stunning

Outlook

2024

- ◇ Expansion of existing supplier audits to include animal welfare criteria relating to the delivery of live animals, holding pens, and conditions during stunning and slaughter. The focus is on ensuring stress-free unloading, considerate handling of animals at the abattoir, for example when driving them, and humane stunning prior to slaughter.
- ◇ Introduction of a national origin program for lamb

Vreau din Romania I want Romanian products

Through our brand "I want Romanian products", we offer our customers a variety of traditional Romanian products, prepared according to time-tested recipes. The range includes food that is entirely made locally, by producers and suppliers in our country, and carries the guarantee of the quality of Kaufland products.

Having been very well received by consumers, the assortment has gradually grown, doubling the number of products since its launch. Among the 150 now available, they range from staples such as flour, cornflour, peas, to dairy and cheese, over 90 types of fresh meat and sausages, canned vegetables, sweets, bakery products and soft drinks (water, fruit juices and syrups).

The first vertical greenhouse in Romania

Together with Ultragreens, we inaugurated the first vertical greenhouse in Romania, whose production will be entirely directed to the retailer’s stores. Green Hub Kaufland by Ultragreens is a broad environmental and smart agriculture project, oriented towards new trends in healthy consumption and in line with the UN sustainable development agenda.

The investment of Ultragreens, the leading producer of micro plants and herbs in Romania, for the development of Green Hub Kaufland by Ultragreens amounts to 350,000 euro.

The entire operating cycle of the unit has been taken into account in order to develop a long-term sustainable activity, so the greenhouse has been built in close proximity to the Kaufland Ploiesti Logistics Centre, in order to reduce the transport logistics chain and the impact on the environment.

Kaufland Romania is a strong supporter of local producers, so the hub’s annual production of around 60 tonnes will be distributed entirely in the Kaufland hypermarket network. To develop this partnership and ensure a constant flow of fresh plants throughout the network of 157 hypermarkets, a second Green Hub unit will be built in Turda by Ultragreens.

The production unit is installed in a modern industrial hall with a footprint of 180 m2 and a cultivation area of 1250 m2, obtained by overlapping seven cultivation areas. The plants are grown efficiently all year round, with 95% less water consumption than traditional agriculture. Production cycles vary between 10 and 20 days, with lettuce, radish, broccoli, chives and herbs grown hydroponically.

The plants are also grown using UV light, with energy-saving LED bulbs, while the closed vertical cultivation system allows for sustainable farming that excludes pesticide and fertiliser pollution in the soil.

Sol si Suflet, the first regenerative farm in Romania

Sol si Suflet/Soil and Soul, the first regenerative farm, founded by the Institute for Research in Permaculture in Romania (ICPR), with the support of Kaufland Romania, launched in 2022 its online shop, where you can buy the best quality regenerative-organic vegetables. The newly launched platform, Solsisuflet.ro, gives Romanians the possibility to set up an annual subscription, which can also be paid in instalments. Through the subscription system, customers have access to products grown in a regenerative-organic system on the farm, and at the same time actively contribute to the development of regenerative agriculture and the solution of environmental problems.

At the same time, Kaufland Romania’s support for this unique project on the local market reiterates the company’s commitment to promote and

support the development of local producers. Soon, customers will also be able to purchase Sol și Suflet farm products from the Kaufland Barbu Vacarescu store (120 Barbu Vacarescu Street) in Bucharest.

At the same time, we continued our pork meat program, Born and raised in Romania that supports local suppliers and the Romanian pork meat production to implement superior animal welfare standards. We also collaborate with producers and farmers during the Romanian fruit and vegetable season (May to October) so that the assortment of vegetables and fruit on the shelf reaches over 90% Romanian products in season. Through this collaboration, local producers benefit from greater predictability, production risks are reduced, while we are able to offer our customers fresh and quality products.

SUPPLIER EXPENDITURES

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

We focus on bringing a great diversity of local products to our customers and always choose local solutions first, whenever available.



The supplier expenditure data was extracted from our internal systems and covers the financial year 2022 (March 2022 – February 2023).

Local suppliers = suppliers based in Romania

Number of suppliers

TYPE	Local	International	Total
Suppliers for stores	942	471	1,413
Services and administrative suppliers	1,636	278	1,914
Total	2,578	749	3,327

Supplier expenditures (LEI)

TYPE	Local	International	Total
Suppliers for stores	11,945,614,702.00	2,916,193,803.04	14,861,808,505.04
Services and administrative suppliers	2,948,644,960.00	600,686,636.00	3,549,331,596.00
TOTAL	14,894,259,662.00	3,516,880,439.04	18,411,140,101.04

Supplier expenditures (EUR = 4.9 lei)

TYPE	Local	International	Total
Suppliers for stores	2,437,880,551.00	595,141,592.50	3,033,022,144.00
Services and administrative suppliers	601,764,277.60	122,589,109.40	724,353,386.90
TOTAL	3,039,644,828.98	717,730,701.80	3,757,375,531.00



05 **DRIVING PROGRESS**



From our stores to administrative offices, we aim to reduce the amount of energy and resources we consume.

As a responsible corporate entity, we acknowledge our role in addressing this global crisis and strive to be a catalyst for positive change.

We place a particular focus on reducing our energy consumption and CO₂ emissions and on efficient use of resources.

REDUCING ENERGY CONSUMPTION

REDUCING ENERGY CONSUMPTION

Reducing energy consumption and carbon dioxide emissions related to buildings is essential for protecting the environment and reducing our impact.

That is why we focus on implementing measures and projects that contribute to making energy consumption more efficient and adopting new technologies on the market.

In total, the companies of Schwarz Group will reduce their operational greenhouse gas emissions (scope 1 and 2) by 55 percent by 2030 compared to 2019*. To achieve this mutually set goal, all companies of Schwarz Group will procure 100 percent** of their electricity from renewable energies as of the 2022 fiscal year. Kaufland goes one step further and aims for climate neutrality in relation to operational scope 1 and scope 2 emissions starting in 2025.***

* This target for scope 1 and 2 also includes biogenic emissions and the removal of biogenic raw materials (only PreZero)
** Excluding any purchase agreements that Kaufland Romania cannot influence, such as those for individual leased properties with a binding electricity procurement clause; further information can be found at www.kaufland.ro.
*** Remaining operational greenhouse gas emissions (scope 1 and 2) are offset by certified climate protection projects

The companies of Schwarz Group also commit together to reducing their absolute scope 3 emissions with regard to the use of solid fuels, by 27.5 percent by 2030 compared to 2019 levels. Kaufland Romania commits itself, that suppliers who are responsible for 80 percent of product-related emissions will set their own climate targets by 2026, according to the criteria of the SBTi.

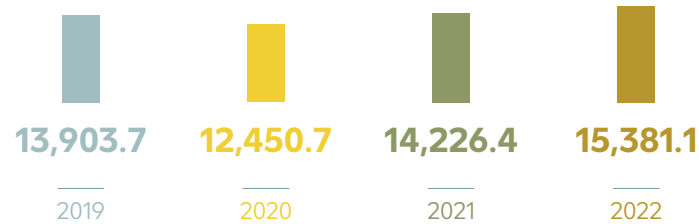


Fuel consumption

FUEL TYPE	2019		2020		2021		2022	
	L	MWh	L	MWh	L	MWh	L	MWh
Gasoline	68,477.00	656.06	101,525.81	973.12	191,388.00	1,834.50	242,471.60	2,324.10
Diesel	1,254,401.00*	13,247.73	1,086,791.86	11,477.61	1,173,368.00	12,391.90	1,236,344.60	13,057.00
Total	1,322,848.00	13,903.70	1,188,317.67	12,450.70	1,364,756.00	14,226.40	1,478,816.20	15,381.10

* it does not include the amount of diesel purchased for generators and sprinkler systems (139,306 L diesel)

Total fuel consumption (MWh)



Conversion factors:
1 liter of diesel = 10.561 kWh
1 liter of gasoline = 9.585 kWh

FUEL TYPE	2019	2020	2021	2022
	MWh	MWh	MWh	MWh
Natural gas	49,706.4	52,236.0	59,799.3	45,201.0

Electricity consumption

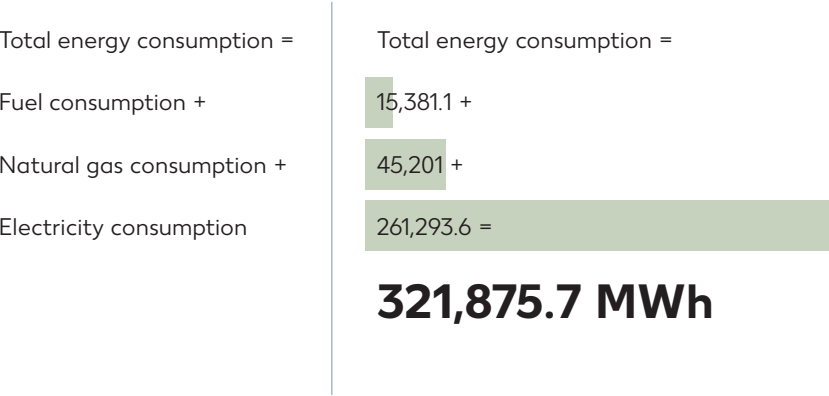
	2019		2020		2021	2022
	MWh		MWh		MWh	MWh
Electricity	227,833.5		232,915.5		252,332.2	261,293.6
Out of which electricity consumption from renewable sources (supplier)	222,315.3	97.58%	227,323.9	97.60%	242,680	258,188.5
Out of which electricity consumption from own generation					96.17%	98.8%
					1,919.5	2,166.3

Electric energy consumed from non-renewable sources comes from store consumption (2,487.3 MWh), before store opening, part from administrative office consumption (172 MWh), and part from warehouses consumption (445.7 MWh). Energy consumption from non-renewable sources is due to the operation of new stores opened, until they are included in the energy supply contract.

The electric energy consumption includes stores, administrative offices, and logistic centers consumption, but it doesn’t cover the concessionaires and electric charging station consumption. We understand that this increases the electricity demand, and we constantly monitor it.

ELECTRICITY CONSUMPTION	2021	2022
	MWh	MWh
Concessionaires	13,234.36	13,611
Charging stations	2,102.05	4,928.7
Total	15,336.41	18,539.7

Total energy consumption



Reducing energy consumption

In 2021, we made a major investment in renewable energy, while launching an initiative to equip stores and warehouses in several cities across the country with photovoltaic panels. At the end of financial year 2022, 1 logistic center and 6 stores were equipped with photovoltaic pannels with an installed power of 2.458 kWp.

In 2022, we continued investing in renewable energy, and an investment of €15 million has been planned in order to equip 62 stores and two logistics centers with more than 39,900 photovoltaic panels, which generate green energy and contribute to reducing the environmental impact by eliminating significant carbon dioxide emissions annually. In 2022, we equipped photovoltaic panels with an installed power of 7,966 kWp in 31 stores at a cost of approximately €6,4 million.

For the year 2023 we aim to implement 75 photovoltaic installations.

We have a comprehensive energy management system, in accordance with the international ISO 50001 standard, which records and analyses key indicators for all relevant energy sources. This allows our company to identify and exploit potential energy savings as easily as possible. A store with a sales area of around 3,000 square meters has on average 1,000 fixtures, so we made the decision to implement LED lighting in all stores to save energy. Wherever possible, our newly constructed or modernized buildings are also equipped with a photovoltaic system and self-generated electricity is used directly in the stores.

We are constantly taking measures to help us make our electricity consumption more efficient, such as: changing the lighting in the refrigerated display cases to LED; installing light sensors for moving staircases, open docks; motion sensors for refrigerated rooms, setting the lighting to two thirds of its intensity in the parking lot, warehouses, and closed docks, adjusting the temperature in the sales area and warehouses, etc. These changes lowered our electricity consumption with 3 kWh/m².

In addition to the savings made, all the electricity purchased by the company is from renewable sources.

Energy intensity

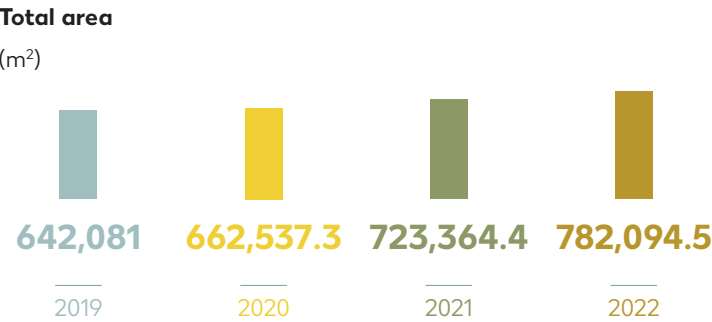
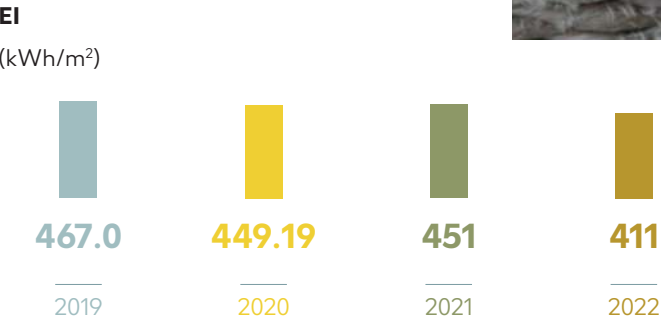
Energy intensity based on store and additional areas surface

Energy intensity

=

Total Energy Consumption

Total area (sales + additional areas)



Electric charging stations

At Kaufland Romania, we are actively involved in supporting the use of electric cars by developing the most complex national network of fast charging stations, with points in key cities in the country. In partnership with Renovatio, we set up the first public network of electric car charging stations in the country, which we subsequently expanded through our own investment in new charging points inaugurated for the first time on the Bucharest - Chisinau route. The stations are located in the parking lots of Kaufland stores in 84 stores all over the country, enabling electric car users to have the mobility they desire.

In 2022, we continued to invest in installing electric charging stations in our parking lots, reaching a total investment of 12,897,630 lei (including new installations, maintenance, and repair of existent charging stations).

*2021 energy intensity value was recalculated after a review and update of the 2021 total area surface

TACKLING EMISSIONS

Climate Strategy of the Schwarz Group



The methodology used for the inventory was reviewed and confirmed by the Heidelberg Institute for Energy and Environmental Research, in accordance with the GHG Protocol and ISO 14064-1.

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

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

- ◊ Market factors (emission factors describing CO₂ emissions from producing and supplying a material or a process; for example, electricity producers in the EU must take into account the CO₂ emissions generated by producing electricity);
- ◊ Location-based (for the majority of emission sources, determining CO₂ emissions can be done only by using secondary data from scientific database, such as, for example, IPCC - Intergovernmental Panel on Climate Change, IEA 2021).

*the difference in the 2021 Scope 1 quantity of emissions reported in the previous sustainability report comes from an update in calculation. In 2022 we performed a recalculation, that included also an additional diesel quantity that we use for emergency power systems. This quantity amounts for 351.77 tonnes of CO₂eq (added to the previous 52,046.05 quantity reported).

GHG EMISSIONS	2021	2022	Decrease/ Increase compared to 2021	
	tonnes CO ₂ eq	tonnes CO ₂ eq	%	
Scope 1	52,397,82*	42,325.82	-19.22%	
Scope 2	Location-based	86,693.76	71,026.8	-18.07%
	Market-based	1,981.59	587.68	-70.34%
Scope 3	4,444,929.52	4,176,158.43	-6.05%	
Total Market-based	4,499,308.93	4,219,071.93	-6.23%	

Emissions Intensity is given by the total emission quantity generated, in relation to total store sale area + secondary area.

EMISSIONS INTENSITY	2021	2022	Decrease/ Increase compared to 2021	
	tonnes CO ₂ eq/m ²	tonnes CO ₂ eq/m ²	%	
Scope 1	0.07467	0.054119	-27.52%	
Scope 2	Location-based	0.1235	0.090816	-26.46%
	Market-based	0.00282	0.00075	-73.35%
Scope 3	6.334	5.339711	-15.70%	
Total Market-based	6.412	5.395	-15.86%	

EMISSION FACTORS – SCOPE 2	2020	2021	2022
	kg CO ₂ eq/MWh	kg CO ₂ eq/MWh	kg CO ₂ eq/MWh
Emission factor electricity - market based	262,6	205,3	189.3
Emission factor electricity - location based	334,9	345,2	274.1

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

Scope 2 includes: emissions from producing electricity from the supplier

Scope 3, for which we extended the boundary in 2019, includes other emissions (procured goods and services, fuel and energy-related emissions, transport, waste generated in operations, business trips, use of the products sold, end-of-life treatment of sold products, and employee commuting)



MATERIALS AND WASTE

MATERIALS AND WASTE

Efficient management of materials and waste offers us an opportunity to improve our journey towards sustainability, as it is one of the measures that can help us prevent greenhouse gas emissions and reduce costs.

We are constantly improving our processes and daily operations so that responsibly using materials and recovering waste are a top priority for our sustainability strategy.

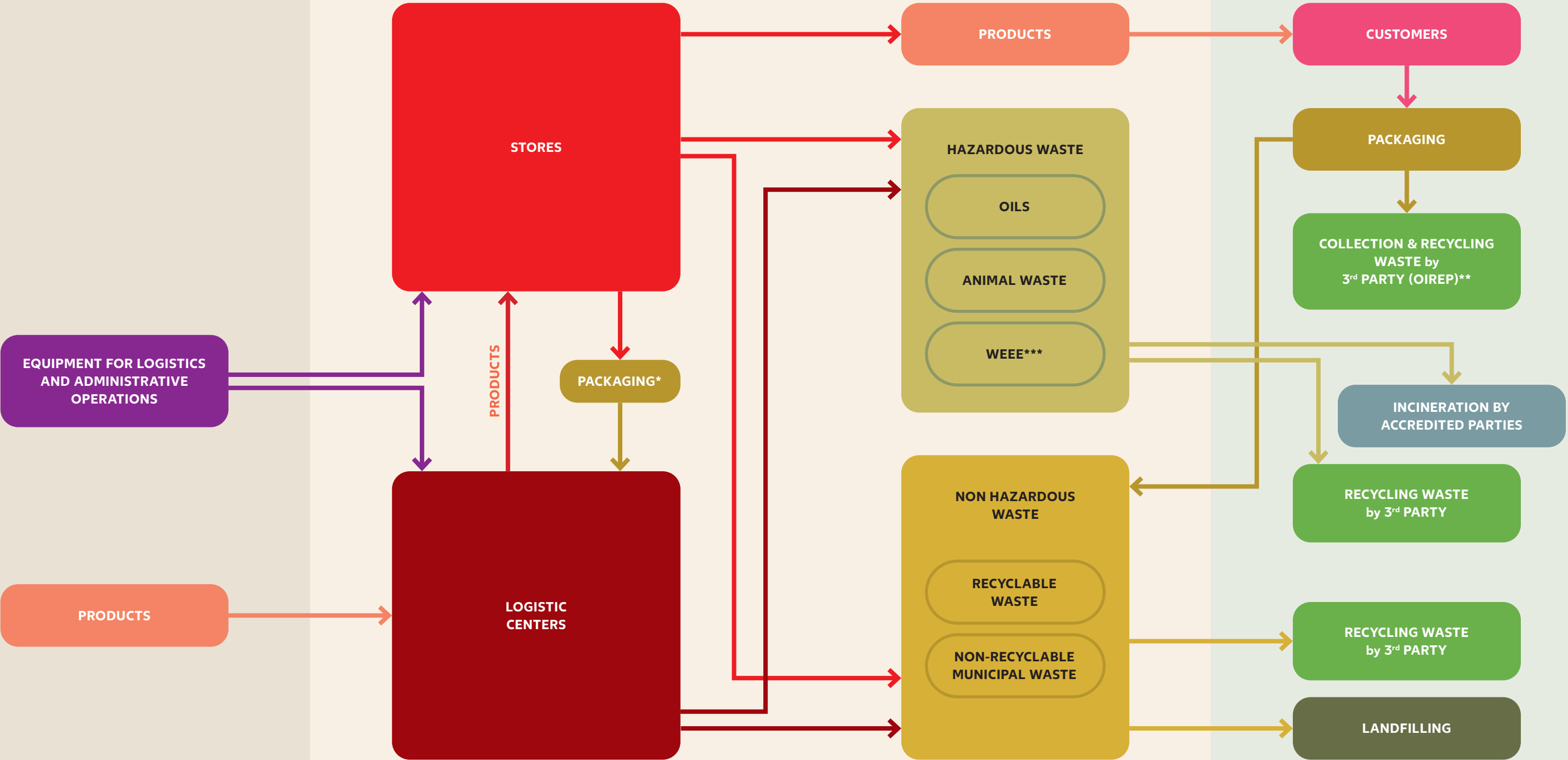
Within the company, material consumption and waste recovery fall under the responsibility of the Internal Procurement, Logistics and Sales departments. The collaboration between these departments helped us develop an efficient waste collection circuit.

We are also aware that, for better efficiency, our best practices should also be reflected across the value chain and therefore we work with our partners and also take measures in our stores to decrease the quantity of materials used and to increase the quantity of waste we recover.

UPSTREAM IN THE VALUE CHAIN

OWN ACTIVITIES

DOWNSTREAM THE VALUE CHAIN



*secondary and tertiary packaging, centralized in the logistic centers

**recycling quota in accordance with the legislation in force

*** Waste Electrical and Electronic Equipment

Waste generated in financial year 2022
(March 2022 – February 2023, own operations)

WASTE CATEGORY	Total amount of waste generated	Waste diverted from disposal	Waste directed to disposal (incineration with/ without energy recovery, landfilling)
	t	t	t
Glass	1158.975	1158.975	-
Aluminum	29.93	29.93	-
Plastic	2145.266	2145.266	-
PET	366.255	366.255	-
Cardboard and paper	30310.381	30310.381	-
Metal (steel)	1024.573	1024.573	-
Wood	9077.924	9077.924	-
Oil	62.288	62.288	-
Batteries	94.152	94.152	-
Lighting objects	2.213	2.213	-
WEEEs	343.103	343.103	-
Residual waste	11863.558	-	11863.558
Animal origin waste products	1255.787	1175.201	80.586
Fruits and vegetables	5018.926	5018.926	-
Textiles	14.462	14.462	-
Total	62,767.793	50,823.649	11944.144

PACKAGING MATERIALS

Packaging performs important functions: it protects goods and provides product information, among other things. We are constantly striving to minimize the transport as well as outer packaging, such as shelf-ready trays, and product packaging used on our private label articles, increase their recyclability, and use more sustainable raw materials, trying to make packaging more sustainable.

PACKAGING MATERIALS	2020	2021	2022
	kg	kg	kg
Paper/Carton	19,353,356	23,262,927	22,669,982
Plastic	10,308,449	12,077,973	12,604,744
Glass	4,123,099	5,024,801	4,727,318
Aluminum	493,783	517,707	381.557
Metal	2,062,909	1,496,507	1,315,030
Wood	3,074,388	3,675,180	2,849,537

Note: the data covers calendar year 2022

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



In 2022, we reached the targets set by the Romanian legislation in force, regarding packaging waste.

Towards a vision of “Zero Waste”

Kaufland Romania received, in February 2023, a certification from TÜV SÜD Management Service GmbH according to DIN SPEC 91436, maturity level – Silver, a new benchmark for operational waste and recyclable materials management.

Kaufland is the first company in Romania to obtain this certification. The certification indicates that at least 90% of our operational waste has been either prevented, reused, recycled, composted or fermented.

The name of the certification, as used in DIN SPEC 91436 standard, describes an operational reference model for all stakeholders in society who wish to adhere to a waste management system aligned with the Zero Waste vision. DIN SPEC 91436 was developed using the Publicly Available Specification (PAS) procedure and the processing platform is in this case provided by the internationally recognised German Institute for Standardisation (DIN).

In 2021, when we began investing in the process of reducing the level of operational residual waste, with the goal of being certified as a result of our efforts, the level of non-recyclable operational waste was 35%. Following Kaufland's €1 million investment in this process, the level of waste mentioned has dropped below 10%. This represents a reduction of over 70%, resulting from a series of programmes and measures implemented internally.

The certificate was issued on the basis of an audit of a representative sample of 12 stores, one logistics centre and the head office, and relevant documents such as waste prevention plans, waste balances for the period October - December 2022. Although the evaluation focused on the sample mentioned above, our waste reduction and management efforts and approaches over the last two years have been implemented across the entire Kaufland Romania store network, as the non-recyclable waste quota for certification is calculated at national level.



Handling waste and recyclables according to zero waste principle DIN SPEC 91436
Maturity level: SILVER

≥ 90% Prevention, reuse, recycling, composting or fermentation of the relative total amount of waste

www.tuvsud.com/ms-cert

Investing in recycling infrastructure for our communities

We want to be part of the solution and we are committed to support the removal of plastic and waste from the environment. One of our directions of action on this matter is to also make the recycling process easy and accessible for our clients.

We are aware of the importance actively prevent plastic from entering the environment and the fast-paced lifestyle our consumers have so we constantly invest in recycling machines in our parking lots and stores, to best suit their needs.

BIN-e smart bins for automatic waste sorting

We have installed smart bins in three stores in Bucharest for the selective collection of batteries, TetraPak packaging, plastic and metal waste, simplifying the recycling process for its customers. Using AI (artificial intelligence) technology, the BIN-e contactless smart bins automatically recognise the types of materials set, sort and compress them, controlling the fill level and processing data for efficient waste management. Customers can bring in used batteries, TetraPak packaging, plastic waste of all types and metal packaging such as cans or clean cans. The collected waste is then taken for recycling by a specialised partner company, Green PC Ambalaje.

Recycling Vending Machines

As a major retailer we are aware that what we do has an impact on the environment and we know the importance of being an example of best practices and positive influence in terms of reducing plastic use and collecting, sorting, and recycling. Therefore, we make efforts to support consumer awareness and their recycling efforts by constantly investing in recycling facilities. We also promote recycling programs and increase participation by offering discount vouchers to customers that deposit plastic bottles, glass containers and aluminium cans in the Recycling Vending Machines.

BROSCUTA Collection systems

Protecting the environment is important for us and to our customers so we are taking active measures to help them in their efforts of being more eco-friendly. Since 2020 we have successfully installed in all our stores a system for collecting empty containers of hygiene or cleaning products, which are then recycled to protect the environment. Customers can deposit containers of personal care products (shampoo, conditioner, shower gel, body, face or hand cream, mouthwash or liquid soap), cleaning products (laundry or dishwashing detergents, kitchen, bathroom, floor or window cleaning solutions) in a turtle-shaped container. Our company's goal is to become the most accessible and convenient destination for recycling and to reward responsible behaviour. Thus, for every three containers of personal care and household products brought to the turtle-shaped facility in stores, customers receive a coupon with discounts of up to 35% on products in that month's campaign.

Subsequently, the packaging is sorted and recycled with the help of two specialised partner companies - Green PC Packaging and FEPR. The comprehensive process consists of three stages: sorting of materials at the automatic station; preparation for recycling; actual recycling, through thermoforming.

We have also started a textile collection campaign in our stores in Bucharest and its surroundings. Customers can drop off clothing, footwear and other fabrics that are no longer of use to them in specially designated areas in the car parks. The waste is then collected by an authorised partner, who will take care of sanitising, repairing and converting the fabrics into new products, such as cleaning cloths.

In 2022 we initiated a new paper recycling campaign and expanded the collection program for electrical and electronic waste in Bucharest. Those who brought in wastepaper or electrical and electronic equipment (WEEE) to participating Kaufland stores in Bucharest receive in exchange up to 25% discount vouchers for the purchase of new stationery or new small appliances.

23.9 million lei invested for installing the Recycling Vending Machines infrastructure in all our stores*

312,581 lei invested for installing Broscuta Collection systems in our stores

More than 15,768,000 household and personal care recipients collected through our infrastructure

100% of our stores have a household and personal care collection infrastructure

* the amount includes also spendings on repairs and maintenance for the proper functioning of the machines

BREEAM In-Use V6 Excellent certification

Because sustainability and sustainable development are a priority for us, we want our commercial buildings to reflect long-term performance. Our store in Cluj-Napoca, Gheorgheni district, obtained the BREEAM In-Use V6 certification, rated Excellent. The certification, awarded at international level for the environmental performance of commercial buildings, certifies that the design, construction, and long-term performance of the Kaufland store comply with sustainable principles and the highest quality standards, above and beyond those required by applicable legislation.

With a score of 74.5%, the Kaufland store has achieved an Excellent rating according to the BREEAM In-Use standard, thanks to the implementation of sustainable solutions such as: EV charging stations, green roof, bicycle parking, reverse vending machine for three types of packaging items (PET bottles, glass bottles and aluminium cans), system for recycling packaging items of personal care or cleaning products, which are then picked up by recyclers.

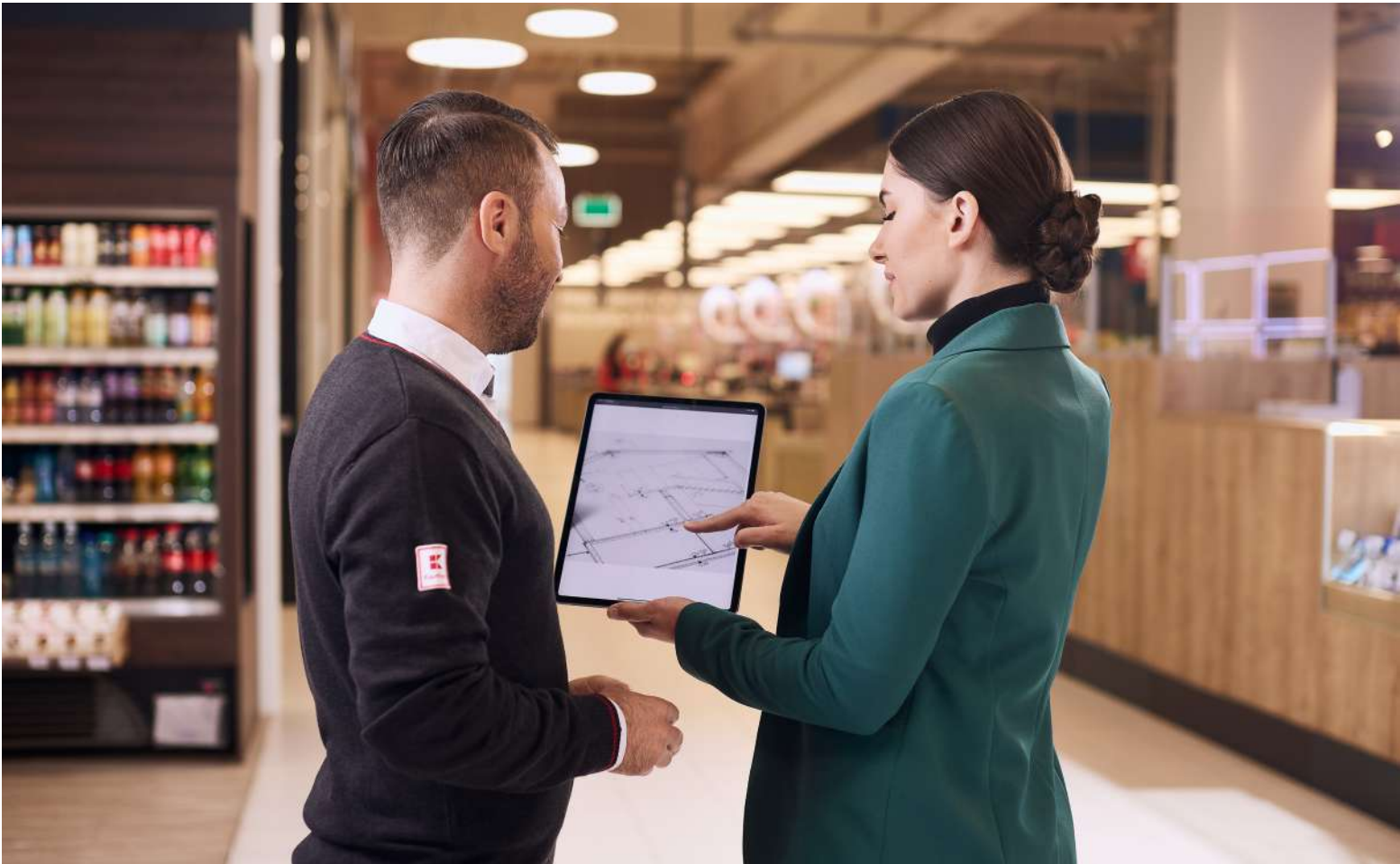
The store also has efficient air conditioning installations - complex, modern systems that recover heat from the refrigeration systems and save natural resources, LED-based interior and exterior lighting systems, equipment to optimise water consumption (photocell sinks, low-water consumption toilets) and a BMS (Building Management System), through which all building systems are managed and monitored.

Moreover, our goal is to develop and build our stores with a focus on sustainability. Through these measures, the Kaufland store aligns with the company's business strategy for sustainable practices, innovation and progress and demonstrates a low environmental impact and therefore a low carbon footprint. Currently, 16 stores are in the process of obtaining the EDGE certification, and we aim to achieve LEED and BREEAM certification for our stores in the future.

TRANSPORT AND LOGISTICS

We are constantly updating and streamlining our supply chain logistics operations and identify opportunities to follow sustainable operations.

We also place a great emphasis on reusing or recycling materials, replacing single use packaging for transport solutions with more sustainable alternatives. For example, all the plastic wrap used when transporting products from the logistic centers to the stores is collected and sent back to the logistic center. The plastic wrap that we use, must comply with specific requirements, therefore the plastic that we recycle has a low degree of impurities (less than 2%), resulting in a high efficiency of the revalorization process. We use the Dixi systems to press cardboard resulted from packaging, while both our logistic centers have a sorting and repairing pallets station.



CHEP Sustainability Certificate

In 2022, Kaufland managed to reduce carbon dioxide emissions by 1,450 tonnes, an increase of 3.5% above the value recorded in 2021. At the same time, we avoided the production of 116,000 kg of operational waste and saved around 1,250,000 dm³ of wood resources. This result was obtained through acquiring the CHEP pallet reuse services for the transport of products. The calculations above were based on the Life Cycle Assessment (LCA) of CHEP Euro Pallet versus the white-wood equivalent. CHEP LCAs are independently peer-reviewed and ISO 14044 compliant. CHEP timber sources are 100% certified sustainable by the Forest Stewardship Council (FSC) and the Program for the Endorsement of Forest Certification (PEFC).

Euro Pool System Certificate

Another recognition received for sustainable logistic practices came from Euro Pool System, Europe's leading provider of reusable packaging logistics for fresh produce. The certificate confirms that by using Euro Pool System reusable trays for the transport of our fruit and vegetables, instead of cardboard boxes, we achieved a carbon dioxide emission reduction of 3,500 tonnes in 2022, similar to the results in 2021. The savings have been calculated with the Life Cycle Assessment (LCA) Calculator, developed by SIM (Foundation for Reusable Systems). The assessment took into account over 10 million rotations of EPS trays, during 2022. The calculation tool was developed by the Stiftung Initiative Mehrweg (SIM) foundation in Germany, previously approved by the Fraunhofer IBP institute in Stuttgart. The foundation was established in 1996 with the aim of raising awareness of waste reduction in the retail industry.

Green Energy

In 2022, we made a major investment in renewable energy, while launching an initiative to equip stores and warehouses in several cities across the country with photovoltaic panels. An investment of €15 million has been made to equip 62 stores and two logistics centers with more than 39,900 photovoltaic panels, which generate green energy and contribute to reducing the environmental impact by eliminating significant carbon dioxide emissions annually. For the year 2023 we aim to implement 75 photovoltaic installations.

Own electricity generation renewable energies	2,166,296 Kwh
Own electricity generation renewable energies – Store	1,022,119 Kwh
Own electricity generation renewable energies - Distribution center/warehouse	1,114,177 Kwh



VALUING FOOD



Food Banks

We continued long term partnership, supporting operational and logistic costs for Bucharest Food Bank and we developed a guideline for donations to non-profit organisations, so that we can better plan our activity on the matter.

- ◊ We identify the food products that are to be donated, based on a predetermined list of articles. Only articles within shelf life can be donated.
- ◊ We communicate quantities to the contracted companies. And we also sort, register and store goods, according to their type and respecting the specially marked places. Our guideline includes the correct procedure for these processes.
- ◊ A representative operator collects the products from our store.

The Social Canteen

Launched in February 2021, the project addresses two main issues: reducing food waste in our stores and providing warm meals to low-income families and other vulnerable people in Bucharest and suburbs. The Social Canteen is implemented together with the NGO Sansa Ta (Your Chance).

A year after the inauguration, the canteen reached a capacity of 1,000 hot meals per day and, **in 2022, around 251,000 meals have been prepared**, thus saving 180 tonnes of food products. We also granted **social vouchers worth 1,600,020 lei** to the Canteen, which were used to purchase products.

Donations for animals

In addition, through our partnerships with local non-profit organizations, we regularly donate food products to zoos and other associations taking care of animals, such as "Arca lui Noe" Association for Animal Protection or Reșița Zoo.

In 2022, we donated approximately 180 tonnes of food products.

We focus on constantly improving our internal systems, so that we reduce the food waste within Kaufland warehouses and stores, and at the same time invest in campaigns and activities dedicated to our clients and consumers.

We, as a retailer, play an important part in educating consumers, for them to be able to stay informed and make the right choices, choosing quality products or products that are suitable for their health budget. Internally, our attention focuses on:

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

Within the company, we have the Supply Chain Management team that is responsible for ensuring that each store orders the optimal number of products that is needed for a certain period. We allocate stock found in warehouses so that we ensure availability for delivery to stores and at the same time do not overstock warehouses. Based on the sale history at store/item level, the system we use makes a daily order proposal for all store-item combinations. To achieve the best results, our colleagues who are in charge of the process guide the system, informing it about the "unforeseen factor" (season, weather, holiday etc.).

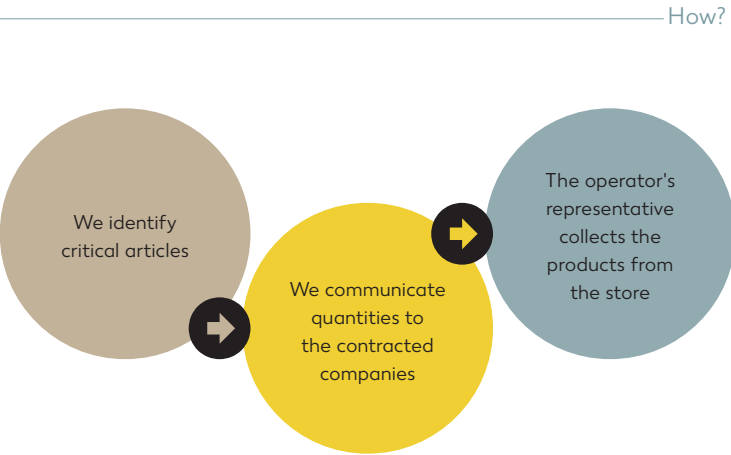
Automated orders – One-day or two-day stocks – The shortest supply journey – Permanently monitoring and verifying expiration dates (FIFO – first in, first out).

Accelerated sales process

We have implemented the accelerated sales process for the whole range of food products in all Kaufland stores in Romania. We carefully monitor relevant indicators such as the number of products entering the accelerated sale and the percentage they represent of total sales. We aim to reduce food waste in all Kaufland stores by up to 50% by 2030, and this strategy is yet an additional step towards achieving our goal.

We have developed two distinct strategies for the selection of good consumer products with a shorter shelf life. First, we have implemented an automated system that generates a daily list of products close to their best before date in all our categories. These products are included in the accelerated sales programme, ensuring a constant rotation of stock. The second strategy we have adopted is to allow staff and stores more flexibility in setting discounts for fruit and vegetable products. These discounts are determined by product type, stock availability and customer buying behaviour and are applied daily at different intervals in a gradual manner.

In total, in 2022, we sold 9,105,906 items (food, fresh and ultra fresh) in accelerated sales, amounting to 4,320,291 tonnes.



WATER CONSUMPTION

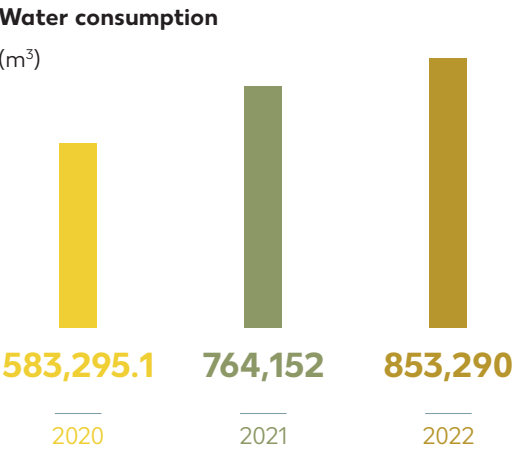


WATER CONSUMPTION

Monitoring water consumption and conserving water is important, and we make efforts to be as efficient as possible inside our stores, as well as in the logistical centres and administrative offices.

All water used in our operations comes from the public supply system. We do not use water from other sources, and we do not have an inventory of the way in which water is withdrawn by our supplier. Likewise, after usage, the water is discharged into the public sewer system. Effluents are discharged in accordance with the Environmental Permit of each working unit, that at the same time sets the requirements for the effluent quality parameters. The frequency of the analyses performed to determine the quality parameters is regulated by the specific provisions of each Environmental Permit.

WATER CONSUMPTION	2020	2021	2022
	m ³	m ³	m ³
	583,295.1	764,152	853,290





BIODIVERSITY AND PESTICIDES

BIODIVERSITY AND PESTICIDES

Biological diversity – the basis of all life

Biological diversity, also called biodiversity, is the basis of all life on earth. Species diversity is one aspect of biodiversity, along with genetic diversity and the diversity of ecosystems. These three sub-aspects are closely interlinked and form a network of biological diversity that makes our earth unique.

Biodiversity on land, in water, in the soil and in the air is central to a functioning ecosystem and the human food chain. A wide range of insects, such as wild bees, are responsible for pollinating 80 per cent of the world’s wild and cultivated plants. But nearly half of all insect species are in steep decline, and scientists believe that many may soon become extinct. Reasons include the expansion of agricultural land, monocultures and the use of agrochemicals. Many other species are also threatened with extinction.

The Kaufland Pesticide Management

For us, biodiversity is the foundation of a rich food supply. However, agricultural cultivation in particular can have a negative impact on biodiversity. To protect and preserve biodiversity and minimize negative impacts on the environment, Kaufland Romania takes a wide range of measures. An important part is Kaufland’s pesticide management.

Since 2006, Kaufland has been working with suppliers on own projects to promote integrated agriculture and the reduction and avoidance of pesticides in fruit and vegetable production. With a systematic approach pesticide use is being reduced. Kaufland standards go beyond the legal requirements by also severely restricting approved active ingredients in order to keep the use of pesticides in cultivation as low as possible. The „General Kaufland Specifications” and the „Kaufland Exclusion List for Particularly Hazardous or Harmful Pesticides” provide detailed information and guidance.

The exclusion list contains all active ingredients that are banned or excluded by Kaufland or international specifications (WHO Lists 1a and 1b and the Rotterdam and Stockholm Conventions).

Kaufland Romania is committed to ensuring that growers only use crop protection products where there are no agronomically viable alternatives. We regularly carry out independent audits to ensure compliance with our internal standards. With success: we are already pioneers in reducing the use of pesticides in the cultivation of fruit and vegetables, flowers and plants. Our standards are among the most stringent in the industry.

At product level, we rely on various certifications that also take biodiversity criteria into account. These include the organic seal, FSC® (Forest Stewardship Council) for wood-based products, MSC (Marine Stewardship Council) and ASC (Aquaculture Stewardship Council) for fish, Rainforest Alliance for coffee and bananas, and Fairtrade for cocoa.

Kaufland Romania is committed to biodiversity

Kaufland has been supported by the Lake Constance Foundation in the development of biodiversity projects since 2016. It evaluates biodiversity measures and nature-based solutions for climate protection and classifies them strategically. Employees have the opportunity to take part in regular virtual training sessions on biodiversity. Kaufland Romania benefits from this technical expertise and has access to current developments and findings.

As a founding member of the „Food for Biodiversity” association, Kaufland Stiftung on behalf of the national Kaufland companies is working together with players in the food sector, standard organizations and environmental associations to protect biodiversity. To this end, the company is testing the basic set of biodiversity criteria developed within the framework of the association in the form of pilot projects. Kaufland hopes that this will raise biodiversity standards in food production on the European market.

On 3 September 2022, Kaufland Romania organised a series of greening actions on the banks of the Danube and at the mouths of its largest tributaries, the Cerna, Jiu, Olt and Argeş rivers, together with its strategic partner, the Act for Tomorrow Association.

At Kaufland Romania, we also organized the largest ever event to clean up Lake Bicăz, where we collected over 4.6 tonnes of waste and involved 340 volunteers from 21 counties. The event brought together representatives of the most important local and county public institutions, local civil society and the local sanitation company. Together with them we decided to establish the Lake Bicăz Action Group, a structure through which its members aim to build education campaigns, intervene frequently for the collection of accumulated waste, advocate for the real implementation of waste legislation and develop new public policies that contribute to solving these problems.



We also became founding partner for the project “Asprete lives”, dedicated to conserving the asprete and saving it from extinction. The project has four pillars:

- ♦ the creation of the Asprete Sanctuary on the shores of the Vâlsan river at Galeşu – that is, the research and breeding base in captivity,
- ♦ the ecological reconstruction of the Vâlsan river, followed by the Argeş and Doamnei rivers, the historical habitat of Asprete, in which the fish to be later restocked (e.g., restoring fish habitats, ensuring the longitudinal and lateral connectivity of the river, etc.),
- ♦ having a firm but kind and efficient advocacy voice on the matter,
- ♦ continuous education, involvement, and empowerment of the local community.

INDEPENDENT LIMITED ASSURANCE REPORT

Independent Limited Assurance Report Regarding the Selected Information in the Sustainability Report

To the management of Kaufland Romania SCS

Introduction

We have been engaged by management of Kaufland Romania SCS (hereinafter – the “Company”) to provide limited assurance on the selected information defined in the section “Description of the subject matter and applicable criteria” and included in the Sustainability Report of the Company for the year ended 28 February 2023 (hereinafter – the “Sustainability Report”).

Description of the subject matter and applicable criteria

We assessed the qualitative and quantitative information as set out in the table below, that is disclosed in the Sustainability Report (hereinafter – the “Selected Information”), to obtain limited assurance that the Selected Information has been prepared, in all material respects, in accordance with the applicable criteria.

GRI Standard/Kaufland specific disclosure and related description		Referred to in the GRI content index of the Sustainability Report
202-2	Proportion of senior management hired from the local community	Yes
203-1	Infrastructure investments and services supported	Yes
302-1	Energy consumption within the organization	Yes
305-2	Energy indirect (Scope 2) GHG emissions	Yes
401-1	New employee hires and employee turnover	Yes
405-1	Diversity of governance bodies and employees	Yes
Kaufland specific	Commercial investments: Investment in EV Charging stations: “Kaufland Romania stores with EV charging stations”	No. Disclosed on page 57 of the Sustainability Report
	Investment in recycling infrastructure for our communities: “Broscuta Collection Systems” and “Recycling Vending Machines”	No. Disclosed on page 163 of the Sustainability Report
Kaufland specific	Employees with disabilities	No. Disclosed on page 99 of the Sustainability Report
Kaufland specific	Total financial value of sponsorships directed to community investments	No. Disclosed on page 121 of the Sustainability Report

The scope of our limited assurance procedures was limited to the Selected Information for the year ended 28 February 2023 only. We have not performed any procedures with respect to earlier periods or any other items included in the Sustainability Report and, therefore, do not express any conclusion thereon.

We assessed the Selected Information using applicable criteria consisting of reporting requirements, in the respective GRI Sustainability Reporting Standards 202, 203, 302, 305, 401 and 405 (hereinafter – the “GRI Standards”) published by the Global Reporting Initiative (GRI) and in the Kaufland Romania Corporate and Social Responsibility methodology approved by the Company’s Management (hereinafter – the “KAUFLAND Methodology”, and together with the GRI Standards – the “Reporting Criteria”). We believe that the Reporting Criteria constitute appropriate criteria to form the limited assurance conclusion.

Responsibilities of management of the Company

Management of the Company is responsible for:

- designing, implementing and maintaining internal control relevant to the preparation of the Sustainability Report including the Selected Information that is free from material misstatement, whether due to fraud or error;
- preparing, measuring, and reporting of the Selected Information in accordance with the Reporting Criteria; and
- the accuracy, completeness, and presentation of the Selected Information.

Our responsibilities

Our responsibility was to express a limited assurance conclusion whether the Selected Information has been prepared, in all material respects, in accordance with the Reporting Criteria. Our assurance does not extend to any other information included in the Sustainability Report.

We are responsible for:

- planning and performing the engagement to obtain limited assurance about whether the Selected Information is free from material misstatement, whether due to fraud or error;
- forming an independent limited assurance conclusion, based on the procedures we have performed and the evidence we have obtained; and
- reporting our limited assurance conclusion to management of the Company.

We performed a limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements other than Audits or Reviews of Historical Financial Information” (Revised) (“ISAE 3000 (Revised)”), issued by the International Auditing and Assurance Standards Board. This standard requires that we comply with ethical requirements, and for limited assurance engagements to plan and perform procedures to obtain limited assurance that the Selected Information for the year ended 28 February 2023 has been prepared, in all material respects, in accordance with the Reporting Criteria.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks. The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Quality management requirements and professional ethics

We apply International Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (the "IESBA Code"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behaviour.

Summary of the work performed

Our planned and performed procedures were aimed at obtaining limited assurance that the Selected Information has been prepared, in all material respects, in accordance with the Reporting Criteria. In doing so, we:

- made enquiries of the Company's management, including the sustainability reporting team and those with responsibility for sustainability reporting management and Company reporting;
- conducted interviews of personnel responsible for the preparation of the Sustainability Report and collection of underlying data;
- performed an analysis of the relevant internal methodology and guidelines, gaining an understanding of the design of the key structures, systems, processes and controls for managing, recording, preparing and reporting the Selected Information;
- performed limited substantive testing on a selective basis of the Selected Information to check that data had been appropriately measured, recorded, collated and reported; and
- considered the disclosure and presentation of the Selected Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our limited assurance conclusion.

Reporting and measurement methodologies

Under the GRI Standards there is a range of different, but acceptable, measurement and reporting techniques. The techniques can result in materially different reporting outcomes that may affect comparability with other organisations. The Selected Information should therefore be read in conjunction with the methodology used by management as described in the Sustainability Report and for which the Company is solely responsible.

Limited assurance conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe, that the Selected Information for the year ended 28 February 2023 has not been prepared, in all material respects, in accordance with the Reporting Criteria.

Restrictions of use and distribution

This report, including our limited assurance conclusion, has been prepared solely for management of the Company in accordance with the agreement between us, to assist management in reporting on the Company's sustainability performance and activities. We permit this report to be disclosed in the Sustainability Report of Kaufland Romania SCS, which will be published on the Company's website, to assist management in responding to their governance responsibilities by obtaining an independent limited assurance report in connection with the Selected Information.

The maintenance and integrity of the Company's website is the responsibility of management; the work carried out by us does not involve consideration of these matters and, accordingly, we accept no responsibility for any changes that may have occurred to the reported Selected Information or Reporting Criteria when presented on the Company's website.

To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Board of Directors of the Company for our work or this report, except where the respective terms are expressly agreed in writing and our prior consent in writing is obtained. The above does not relieve us of liability where such release is excluded by law.



PricewaterhouseCoopers Audit SRL.

Bucharest, 20th December 2023

GRI CONTENT INDEX

GRI CONTENT INDEX



For the Content Index - Essentials Service, GRI Services reviewed that the GRI content index is clearly presented, in a manner consistent with the Standards, and that the references for Disclosures 2-1 to 2-5, 3-1 and 3-2 are aligned with the appropriate sections in the body of the report. The service was performed on the English version of the report.

Statement of use	Kaufland Romania has reported in accordance with the GRI Standards for the period 1.03.2022 – 28.02.2023
GRI 1 used	GRI 1: Foundation 2021
Applicable GRI Sector Standard(s)	Currently not available

GRI Standard	Disclosure	Page(s) number(s), URL and/or direct answers	Omission		
			Requirement(s) omitted	Reason	Explanation
General Disclosures					
GRI 2: General Disclosures 2021	2-1	Organizational details	12, 13, 17		
	2-2	Entities included in the organization's sustainability reporting	9		
	2-3	Reporting period, frequency and contact point	9		
	2-4	Restatements of information	24, 147, 152		
	2-5	External assurance	180-183		
	2-6	Activities, value chain and other business relationships	16, 17, 18		
	2-7	Employees	91		
	2-8	Workers who are not employees	93		
	2-9	Governance structure and composition	34		
	2-10	Nomination and selection of the highest governance body	34		
	2-11	Chair of the highest governance body	34		

2-12 Role of the highest governance body in overseeing the management of impacts	34				
2-13 Delegation of responsibility for managing impacts	77				
2-14 Role of the highest governance body in sustainability reporting	77				
2-15 Conflicts of interest	36				
2-16 Communication of critical concerns	37				
2-17 Collective knowledge of the highest governance body	During the reporting period, no measures were taken to advance the collective knowledge, skills, and experience of the highest governance body on sustainable development.				
2-18 Evaluation of the performance of the highest governance body	34				
2-19 Remuneration policies	87, 104, 105, 107				
2-20 Process to determine remuneration	Not reported.	Confidentiality constraints	The organization considers the information confidential and cannot report it publicly.		
2-21 Annual total compensation ratio	Not reported.	Disclosure 2-21 a), b), c)	Confidentiality constraints	The organization considers the information confidential and cannot report it publicly.	
2-22 Statement on sustainable development strategy	7				
2-23 Policy commitments	28-33, 56-65, 68-71				
2-24 Embedding policy commitments	56-65				
2-25 Processes to remediate negative impacts	37, 70-71, 74, 77, 96				
2-26 Mechanisms for seeking advice and raising concerns	37				
2-27 Compliance with laws and regulations	35-37, 51				
2-28 Membership associations	26-31				
2-29 Approach to stakeholder engagement	74-75				
2-30 Collective bargaining agreements	All our employees are covered by collective bargaining agreements.				

Material Topics		
GRI 3: Material Topics 2021	3-1 Process to determine material topics	76-79
	3-2 List of material topics	82
Food waste		
GRI 3: Material Topics 2021	3-3 Management of material topics	168, 169
Kaufland Romania's specific disclosure	Projects implemented to reduce food waste	69, 71, 168, 169
Labor and human rights		
GRI 3: Material Topics 2021	3-3 Management of material topics	26, 71, 87, 96, 97, 108, 109, 112, 113
GRI 202: Market Presence 2016	202-2 Proportion of senior management hired from the local community	34
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	92
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	114
	403-2 Hazard identification, risk assessment, and incident investigation	113
	403-3 Occupational health services	112
	403-4 Worker participation, consultation, and communication on occupational health and safety	114
	403-5 Worker training on occupational health and safety	114
	403-6 Promotion of worker health	107
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	130-134
	403-8 Workers covered by an occupational health and safety management system	112
	403-9 Work-related injuries	115
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	109
	404-3 Percentage of employees receiving regular performance and career development reviews	109
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	99
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	96

Social commitment		
GRI 3: Material Topics 2021	3-3 Management of material topics	24, 25
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	122, 123, 126, 127
Kaufland Romania's specific disclosure	Total financial value of sponsorships directed to community investments	121
Circular economy		
GRI 3: Material Topics 2021	3-3 Management of material topics	157-159
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	160
	306-2 Management of significant waste-related impacts	59-64, 126
	306-3 Waste generated	160
	306-4 Waste diverted from disposal	160
	306-5 Waste directed to disposal	160
Raw materials		
GRI 3: Material Topics 2021	3-3 Management of material topics	161-163, 166
GRI 301: Materials 2016	301-1 Materials used by weight or volume	161
Climate friendlier supply chain		
GRI 3: Material Topics 2021	3-3 Management of material topics	144, 147, 150, 151
GRI 302: Energy 2016	302-1 Energy consumption within the organization	146
	302-3 Energy intensity	147
	302-4 Reduction of energy consumption	147
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	152
	305-2 Energy indirect (Scope 2) GHG emissions	152
	305-3 Other indirect (Scope 3) GHG emissions	152
	305-4 GHG emissions intensity	152
Strategic partnerships		
GRI 3: Material Topics 2021	3-3 Management of material topics	130-134
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	137

Communication and dialogue					
GRI 3: Material Topics 2021	3-3 Management of material topics	37, 60, 74			
Kaufland Romania's specific disclosure	Stakeholder engagement mechanisms	74, 75			
Integrity					
GRI 3: Material Topics 2021	3-3 Management of material topics	35, 36, 131, 132			
GRI 205: Anti-corruption 2016	205-2 Communication and training about anti-corruption policies and procedures	36	Requirement 205-2 e).	Information incomplete.	Only total number of employees that have received training on anti-corruption was reported, without percentage of employees, and without being broken down on employee category.
	205-3 Confirmed incidents of corruption and actions taken	36			
GRI 206: Anti-competitive Behavior 2016	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	36			
GRI 415: Public Policy 2016	415-1 Political contributions	36			



Kaufland Romania SCS

120-144 Barbu Văcărescu Street
020284, Bucharest, 2nd District



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actions
do the
talking.**



Kaufland