



2021

Sustainability Report

Kaufland Hrvatska k.d.

2020 | 2021

**Our
actions
do the
talking.**



Kaufland



Dear reader,

I am glad to be able to present to you the second edition of the Kaufland Hrvatska k.d. Sustainability Report, now for 2020 and 2021.

Since the very beginning of our operations in Croatia, we have been implementing a range of projects to make our activities more sustainable. In 2016, we defined specific strategies, goals and areas of action that we have been particularly engaged in since, especially regarding children's health and welfare in Croatia. With numerous projects, such as the Kaufland School of Fruits and Vegetables, or our Food Waste reduction strategy, that we are conducting in cooperation with the Croatian Red Cross and Croatian Caritas, we are able to show our commitment to the community and have a direct impact on a better future. Meanwhile, the wellbeing of our employees and customers is always our top priority.

As a large international company, we bear great social and economic responsibility, and do our best every day to support our 3,256 employees during their daily work. We pay special attention to employee health and safety, and offer our employees opportunities for development through various training programmes. Fair treatment for us also means that every minute that our employees work is electronically recorded and paid. With above-average salaries, two net bonuses each year, Christmas and Easter bonuses and birthday gifts, we ensure that our employees are adequately compensated for their every day work.

We also put great emphasis on sustainable procurement. We work with carefully selected, responsible suppliers who help us create an attractive sustainable assortment. Like us, they wish to contribute to a greener future. The complete transition to electrical energy from renewable resources in 2021 was an additional great step forward on the path towards our goal of reducing CO₂ emissions. Another important part of our engagement is REset Plastic – the holistic plastics strategy of the Schwarz Group through which we are ensuring circular recycling processes whenever possible. These are just two of many measures by which we are contributing to protecting the climate, and our efforts in this sphere will only increase in the future.

Our top priority is and will always be employee and customer satisfaction. We are aware that only by being proactive, in line with our slogan "Our actions do the talking", can we contribute to a better future for us all.

Sincerely,

Patrick Rudat
CEO Kaufland Hrvatska k.d.



About the Sustainability Report

This Sustainability Report has been created for a two-year reporting period, covering the 2020 and 2021 fiscal years (from 1 March 2020 to 28 February 2022), in accordance with the internationally recognised framework for non-financial reporting – GRI Standards: core option. The last report was released in December 2020 and covered the 2018 and 2019 fiscal years.

The Report transparently presents non-financial information regarding the impact of the operations of Kaufland Hrvatska k.d. and the associated company Europe – upravljanje nekretninama d.o.o. on society, the economy and the environment.

All non-financial information for the purpose of compiling this report was collected by the Working Group for non-financial reporting covering multiple Kaufland departments, with the support of the Croatian Institute for Corporate Social Responsibility (IDOP).

The content of this report is defined on the basis of (1) dialogue with stakeholders, (2) an

analysis of the importance and engagement of corporate social responsibility topics as ranked by stakeholder groups, (3) a materiality matrix, and (4) the identified sustainable development goals to which Kaufland most contributes.

In order to further raise the quality of this sustainability report, three GRI indicators were selected and further verified by an external expert, the consulting company Ernst & Young. That report is available at: pages 128. and 129.

Amounts in EUR were converted using a fixed conversion rate (EUR 1 = HRK 7.53450).

The report was prepared in print and PDF format, and published on the Kaufland corporate website: kaufland.hr/izvjestaj

We invite stakeholders to read the report and share their comments and suggestions with us via the following e-mail address: kommunikacije@kaufland.hr.

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About Kaufland

Kaufland in Croatia – Our actions do the talking.

Kaufland International Corporate Profile

Kaufland operates more than 1,350 stores and employs more than 139,000 employees in eight European countries. Whether in Germany, Poland, the Czech Republic, Romania, Slovakia, Bulgaria, Croatia or the Republic of Moldova, the company offers a comprehensive range of convincing quality food and everyday mass use consumer goods. Across Europe, the company operates five meat processing plants and 17 distribution centres.

Kaufland is a full-range retailer that sells healthy and sustainable products of high quality that suit all needs. The core focus lies on fresh products. The product range includes a broad selection of attractive private label items, regional products and a wide variety of articles that help protect people and animals and conserve nature. The

company is also committed to protecting the environment, mitigating climate change and conserving wildlife.

Kaufland Stiftung is based in Heilbronn. It functions as the corporate headquarters and works in consultation with the national companies to lay down the framework for the operational business.

Kaufland Hrvatska k.d.

Kaufland Hrvatska k.d. is an indirect subsidiary of Kaufland Stiftung & Co. KG.

Kaufland has had a presence in Croatia since 2001. With 3,200 staff and 44 stores, Kaufland is one of the leading food retailers in Croatia. The headquarters of Kaufland Croatia k.d. is in Zagreb.



44

stores in Croatia
in 2022



Basic information about Kaufland Hrvatska k.d.

First store opened in Croatia: 2001

Number of stores in Croatia on 28
February 2022: 44

Number of employees on 28 February
2022: 3,256 (including long-term absent
employees)

Headquarters: Donje Svetice 14, Zagreb

Slogan: *Djela, ne riječi.* Our actions do
the talking.

Schwarz Group

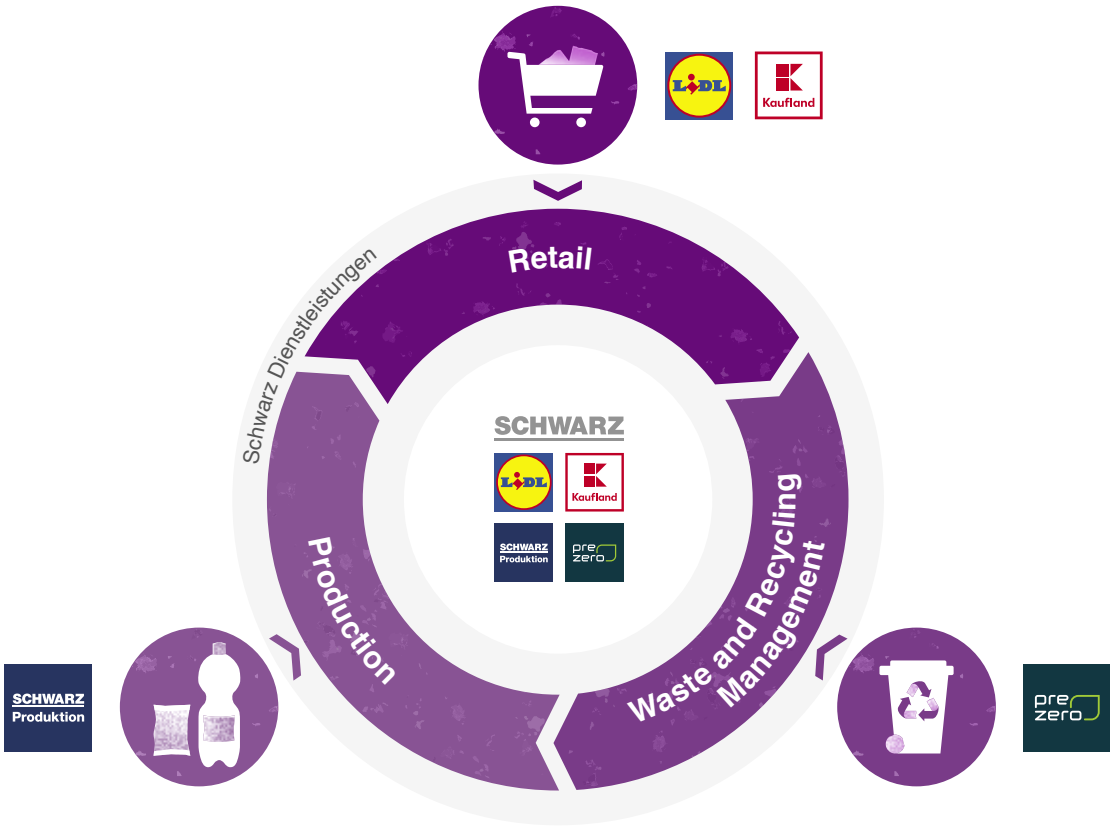
Kaufland is part of the Schwarz Group, one of the leading international retailers with about 13,300 stores and over 530,000* employees in over 30 countries. The company is headquartered in Neckarsulm, Germany.

The Group’s total revenue for the 2021 fiscal year amounted to EUR 133.6 billion. Divided into a production, retail and environmental division, the Schwarz Group covers the entire added value generation cycle. Lidl and Kaufland are its pillars in food retailing. Many private label products on Lidl’s and Kaufland’s shelves ranging from ice cream to beverages are produced at the Schwarz

Produktion. Special emphasis is placed on the use of sustainable raw materials and environmentally friendly packaging. With its environmental service provider PreZero, the Schwarz Group pursues its vision of closed loop recycling in waste and recycling management and thus contributes to a cleaner tomorrow. Schwarz Dienstleistungen, the Group’s corporate services division, provides administrative and operational services. All companies in the Schwarz Group share a common sustainability vision: Acting globally responsible with diversity.



* The number of employees is different from the one indicated at Schwarz Group’s official website. The number indicated here is the internal control figure which at its base has a different employee definition than used in the year-end financial statement.



Retail

Our Lidl and Kaufland retail divisions offer their customers a wide range of products in around 30 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.

Schwarz Dienstleistungen

Schwarz Dienstleistungen supports Lidl, Kaufland, Schwarz Produktion and PreZero: By bundling various administrative and operational services – in fields like controlling, finance, human resources or procurement – it is possible to realise potential synergies and act efficiently and sustainably.

Production

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

Removing / Recycling

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

Kaufland private labels

In addition to top brand-name products, Kaufland stores also offer a large number of private label products. Local producers' products are increasing their share in our private labels. These products are healthier for consumers and have a lower impact on the environment. We pay special attention to product freshness, and customer and employee satisfaction is always our top priority.



Ailé

Amelia

Benita

bevola

COUNTRY
Side®



cultura *vini*

Dante



HIP & HOPPS®

Katy



Classic
baby

Favourites

free
Bez glutena

free
Bez laktoze



Kuniboo®

LIV & BO®

MY
PROJECT

NEVOS

newcential®

newletics®

Oyanda®

passenger



SAN
TERRA

Soltino



SWITCH ON®

TALENTUS®

TOWN
LAND®



Vitae
d'Oro

WICKIES

Direct economic value generated and distributed (in million)						
	2021.		2020.		2019.	
	HRK	EUR	HRK	EUR	HRK	EUR
Direct economic value generated – Revenues (Revenue from the sale of goods, assets, palettes, paper, lease, logistics services, interest)	4,266	566.2	3,936	522.4	3,940	522.9
Economic value distributed	4,007	531.8	3,758	498.8	3,719	493.6
Operating expenditures (expenditures for material costs, insurance, group costs, transactions, lease, work clothing, employee training)	3,564	473.0	3,350	444.6	3,302	438.3
Employee expenditures (Wages)	280	37.2	263	34.9	259	34.4
Payments to providers of capital (Interest costs)	6	0.8	7	0.9	9	1.2
Payments to national government (Income tax, pension and health care contributions)	152	20.2	130	17.3	144	19.1
Community investments (Donations in goods and monies)	5	0.7	8	1.1	5	0.7
Economic value retained	259	34.4	178	23.6	221	29.3

Paid taxes and other benefits (in million)						
	2021.		2020.		2019.	
	HRK	EUR	HRK	EUR	HRK	EUR
Value added tax	345	45.8	315	41.8	306	40.6
Profit tax	20	2.7	0	0.0	14	1.9
Excise duties	14	1.9	13	1.7	13	1.7
Membership fees	2	0.3	2	0.3	2	0.3
Utility charges	17	2.3	15	2.0	16	2.1
Income taxes and contributions	128	17.0	125	16.6	128	17.0
Total	526	69.8	470	62.4	479	63.6



Memberships and recognitions

External initiatives and memberships of Kaufland in Croatia

Kaufland Hrvatska k.d. actively helps shape the political and social dialogue. As such, a core element of our work is to monitor legislative changes, maintain a dialogue with political stakeholders and engage in association work to shape industry opinions. This is aimed at rapidly and smoothly implementing legal requirements in operational practice and working together with suppliers to identify emerging issues early on.

Kaufland Hrvatska k.d. is a member of the following associations and organisations:

HRVATSKA
GOSPODARSKA
KOMORA

Croatian Chamber of Economy
(since 2001)

Deutscher-Kroatische
Industrie- und Handelskammer
Njemačko-hrvatska industrijska
i trgovinska komora

German-Croatian Chamber of
Industry and Commerce
(since 2002)

HUP
Hrvatska udruga poslodavaca

Croatian Employers' Association
(since 2005)

Certificate of registration
Kaufland Hrvatska k.d.
www.spcinitiative.com

Supply Chain Initiative
(since 2014)

CEP
CERTIFIKAT
POSLODAVAC
PARTNER

Certificate Employer Partner
(since 2016)

TVRTKA
PRIJATELJ
ZDRAVLJA

Certificate Health Friendly
Company (since 2019)

Povelja
o volontiranju
zaposlenika

Volunteering Charter
(signed in 2019)

top
TOP EMPLOYER
2020

Top Employer
(since 2020)

Through Kaufland Stiftung, Kaufland Hrvatska k.d. is also represented in the following international associations and organisations:

AKTIONSBÜNDNIS FÜR
NACHHALTIGE BANANEN
ACTION ALLIANCE FOR
SUSTAINABLE BANANAS

Action Alliance for
sustainable bananas

amfori
Trade with purpose

amfori Business Social
Compliance Initiative

FORUM
Nachhaltiges Palmöl

Forum Nachhaltiges Palmöl

FUR FREE
RETAILER

Fur Free Retailer

GLOBALG.A.P.
MEMBER
2021

GLOBALG.A.P.

IFS
Food

International
Featured Standard

Partnerschaft für
Nachhaltigen Orangensaft

The Juice CSR platform

Roundtable on
Sustainable Palmoil

ELLEN MACARTHUR
FOUNDATION
Member

Ellen MacArthur Foundation

WE SUPPORT
UN GLOBAL COMPACT

UN Global Compact

SCIENCE
BASED
TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Science Based
Targets initiative

Through the Schwarz Group, Kaufland Hrvatska k.d. is a member of the following institutions:

ELLEN MACARTHUR
FOUNDATION
Member

Ellen MacArthur Foundation

WE SUPPORT
UN GLOBAL COMPACT

UN Global Compact

SCIENCE
BASED
TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Science Based
Targets initiative

Challenges and opportunities

The economic and sustainable growth of the environment in which Kaufland operates depends partly on how the organisation combats corruption and anti-competitive behaviour. Kaufland strictly adheres to the applicable legislation, because fair competition is a pillar of efficient and sustainable economic growth. Corruption and anti-competitive behaviour can have negative effects across the value chain. This type of behaviour can influence customer choice, product pricing, and other factors that are important to an efficient market, and the initiation of administrative proceedings in this area against a company raises concerns among its potential business partners. No administrative proceedings have been instituted against Kaufland for acting contrary to the principle of freedom of competition, i.e., the prohibition of cartels, demonstrating the company's commitment to corporate social responsibility. Further, in this reporting period, no administrative proceedings were instituted against Kaufland for any unfair market practice that would result in the

As one of the first steps in preparing this report, the workshop to identify measures and goals had the following tasks:

- To understand and identify social and environmental risks that can have a significantly adverse effect on business.
- To seek answers to risks in the form of measures that should be taken.
- To minimise the associated risks by achieving the set goals.

imposition of administrative or punitive measures against the company.

According to the GfK methodology of household panels, Kaufland is the third largest company on the Croatian retail market, and its market share is continually growing. The Household Panel survey collects data on the purchase of consumer goods and uses innovative technologies to aggregate collected information into findings and recommendations that assist companies in improving their product supply, thereby expanding consumer choice.

Success on the Croatian market is also dependent on the complexity of climate and social change. Some believe that the consequences of climate change are only relevant in the long run and do not necessarily have an impact on today's business decisions. This has proven to be faulty logic. Both climate change and social change pose global market risks, while on the other hand, they also create opportunities that cannot be ignored. Social and environmental risks represent uncertain social and environmental changes and conditions that, if they occur (due to changes in social or environmental factors), can create a significant negative impact on business.

For these reasons, while preparing the first Sustainability Report, Kaufland Hrvatska k.d. established a Working Group for non-financial reporting to analyse and identify potential risks, as well as measures and goals that should be implemented to create the conditions for doing business with a less negative environmental impact.

In the process of identifying risks, measures and goals, the Kaufland Hrvatska k.d. Working Group for non-financial reporting applied the recommendations for risk identification as prescribed by the Task Force on Climate-Related Financial Disclosures (TCFD). These recommendations provide a clear starting point for companies to identify risks, measures and goals in facing future challenges, which creates benefits and improves business performance in

the long run. The table outlines the identified social and environmental risks that could significantly affect the business and sustainability of Kaufland Hrvatska k.d., and the identified measures and goals that minimise social and environmental risks.

In the future, these measures and goals will be monitored and adapted as necessary.

Identified risks that can significantly affect the business and sustainability of Kaufland Hrvatska k.d. and an overview of measures and goals that minimise those risks*		
Risks	Measures	Goals
1. Increasing energy costs	Independent energy generation More efficient use of energy sources (electricity, rainwater collection, etc.)	Reduce energy consumption Stabilise energy expenditures Reduce dependence on external energy suppliers
2. Increased damages to property and/or goods due to extreme weather / natural disasters	Organised crisis management	Timely identification and removal of material damages Customer and employee safety
3. Challenges in retaining and attracting good labour	Labour market monitoring Adapting to market needs Providing above-average working conditions Developing employer image	Competitive position on the retail labour market Kaufland's image as a desirable and reliable employer
4. Hindered assortment availability	Include alternate food suppliers Developing and expanding the supply chain (geographic diversification)	Constantly provide customers with a sufficient assortment, good prices and high quality
5. Assortment health safety	Suppliers have one of the valid GFSI certificates (IFS or BRC) Conduct supplier audits	Always provide customers with a safe assortment range
6. Increased consequences due to environmental pollution	Encourage local production Offer customers a wider selection of regional products Maintain and increase cooperation, education and informing local producers in line with Kaufland standards	Ensure safe food production Reduce CO ₂ emissions
7. Data privacy breaches	Cooperation only with companies that abide by high standards of data protection Continuously re-examine own business processes Continuously train personnel	Image of a reliable retail chain, employer and partner

* Risks, goals and opportunities are not presented in order of priority.

Significant changes during the reporting period

17 September 2020 opening of a new store in Zagreb – Barutanski jarak

The modern 40th Kaufland store was opened in Zagreb's Bukovac neighbourhood, at the address Barutanski jarak 54. Upon opening in mid-September 2020, the Barutanski jarak store immediately became involved in the project Kaufland Schools of Fruits and Vegetables. Clear boxes were installed at the exit of the store where customers could cast their vote on the ballot obtained at the till, to vote for one of the neighbourhood primary schools. The school with the most votes became the store's school partner.

4 February 2021 opening of a store in Rovinj

Upon opening this store in Istria, Kaufland sent an invitation to local producers and family farms from the Rovinj area to submit their offer to place their products on the shelves of the new store – from meat and dairy products to honey, pasta, fruit and vegetables. A smart bench made by a Croatian manufacturer was installed in front of the store, enabling customers to take a rest while charging their electronic devices using solar energy. At the opening of this 41st store in Croatia, Kaufland showed that it pays particular attention to environmental protection, and that it is involved in the community where it operates.

25 February 2021 opening of the store in Biograd na Moru

Just as in Rovinj a few days earlier, in Biograd na moru Kaufland invited local producers and family farms to apply to put their products on the store shelves of the newly opened store.

In honour of opening its 42nd store, Kaufland decided to give the town its thanks with a donation of a smart bench made by a Croatian manufacturer. The bench was installed on the Petar Krešimir IV promenade, and a second was installed in front of the store. In addition to giving customers a chance to take a rest, the bench is also a solar device, enabling the charging of mobile phones and other devices, thanks to the integrated solar panels.



16 December 2021 opening a store in Zagreb – Peščenica

When opening new stores, Kaufland always keeps in mind the local community where it operates. At the location Zagreb – Peščenica, HRK 500,000 (EUR 66,361.40) was invested in the public area adjacent to the store. This project was implemented in conjunction with the neighbourhood board and city authorities. The result of this cooperation is a large green space open to the public – a gift to our new neighbours and employees, and of our headquarters which is located right across the street.

Kaufland headquarters now permanently located at Donje Svetice

In January 2021, we successfully concluded negotiations and signed the sales contract for the entire property complex at the address Donje Svetice 14/Planinska 13a in Zagreb. With this, Kaufland has secured a permanent address for its headquarters.



9 February 2022 opening a store in Zabok

Since Kaufland is particularly dedicated to the health and welfare of children, when opening its new store in Zagreb, the company made a donation of HRK 20,000 (EUR 2,654.46) to the Paediatric Ward of Zabok General Hospital and the Croatian Veteran's Hospital. The hospital will use this donation to procure a transacutane bilirubinometer, a device to monitor newborn jaundice.

All newly opened Kaufland stores have a system for sustainable waste management, the use of waste energy for heating, and systems are installed to monitor the consumption of electricity and water. There is also a charging station for electric vehicles. All this is confidence of our dedication to the green, sustainable construction we support.

28 February 2022 opening of the logistics and distribution centre for frozen goods

We place special emphasis on the optimisation of processes in the supply chain to ensure optimal freshness and product availability in our stores throughout Croatia. We are proud of the newly constructed part of our logistics and distribution centre, which was built up to the highest modern standards. The new warehouse covers an area of 5,873 square metres and ensures the safe storage of frozen products.

Sustainable development strategy

Dialogue with stakeholders and defining materiality

Our materiality process

The ongoing dialogue with our internal and external stakeholder groups – such as employees, suppliers, customers, non-government organizations (NGOs), associations, or politicians – is an essential part of the sustainability management at Kaufland Hrvatska k.d.

This dialogue is extremely important to us, therefore we regularly and proactively share information with our shareholders. We use different methods to do this, such as sustainability reports, press releases, a weekly newsletter and websites for external stakeholders and customers, and applications and a magazine for our employees. We also facilitate and encourage direct and mutual exchange by organising a range of workshops and personal meetings. These enable stakeholders to give us valuable feedback by sharing their expertise, observations and constructive criticism about our company, which we then incorporate in what we do. Kaufland Hrvatska k.d. also gets involved in collaborations and networks in various ways and participates in opportunities for dialogue and exchange initiated by third parties.

We evaluate the relevance of sustainability topics in Kaufland Hrvatska k.d. at frequent, regular intervals.

Materiality analysis

Kaufland Hrvatska k.d. carried out a materiality analysis in 2021 and 2022 to identify the CSR topics that are relevant for its own business activities. Kaufland Hrvatska k.d. surveyed key stakeholders and also carried out an assessment of the impact Kaufland can have on these topics. The materiality analysis is updated at least every two years as part of the sustainability reporting process.

Identifying material issues from the stakeholder perspective

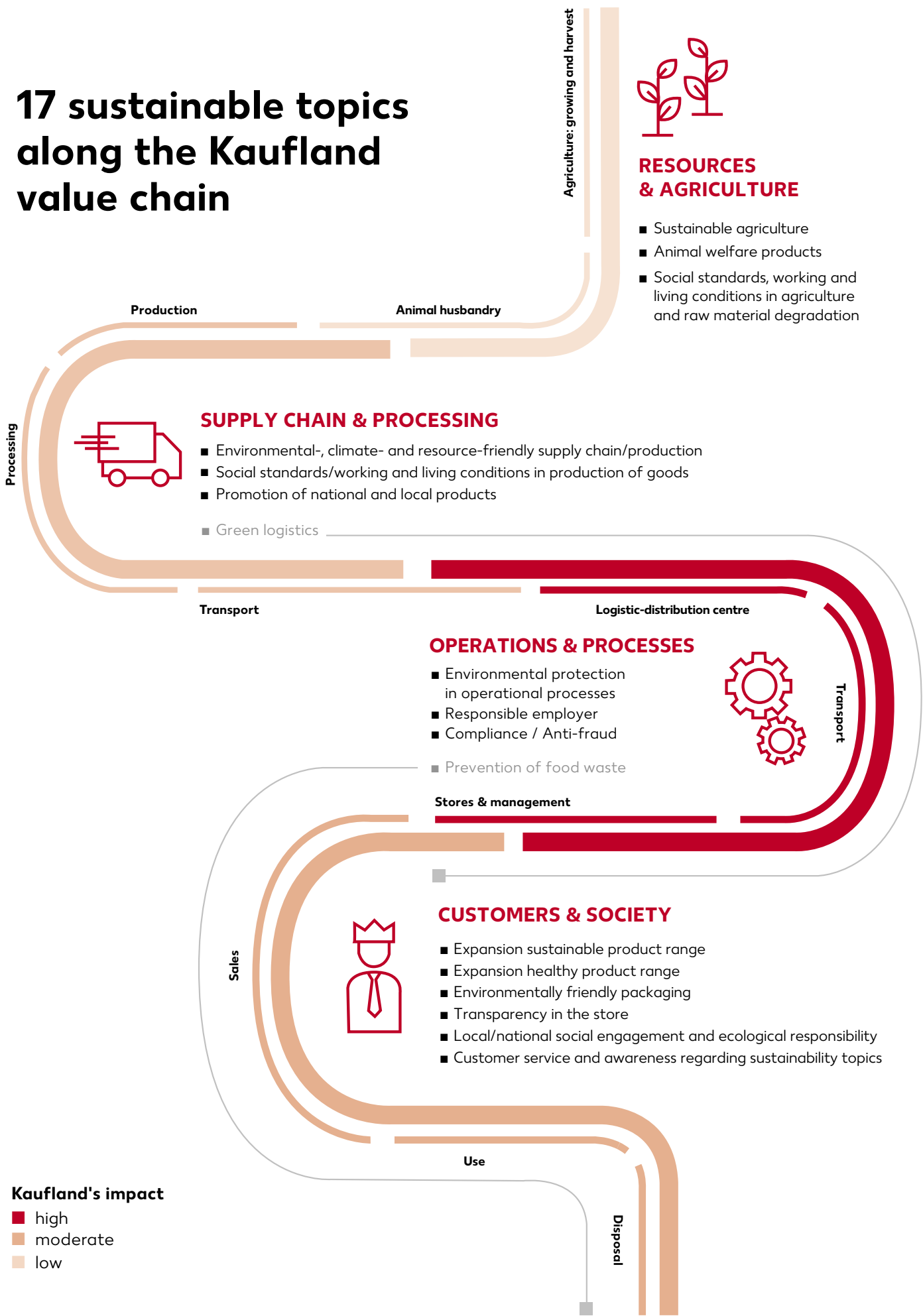
To identify the material issues from an external perspective, Kaufland Hrvatska k.d. carried out an online survey with key stakeholders in the period from April to August 2021. A total of 1,890 people within internal and external stakeholder groups were surveyed, including employees, suppliers, plus representatives from NGOs, associations, science and politics, and consumers and customers. The consumer survey encompassed 1400 people and was conducted by an external market research agency and then combined with the survey results for the other stakeholder groups.

The aim of these representative surveys was to identify stakeholder ratings of and expectations from Kaufland Hrvatska k.d. and of sustainability. The surveys were based on 17 CSR topics from along Kaufland's value chain. The respondents assessed each CSR topic in terms of its relevance for Kaufland.

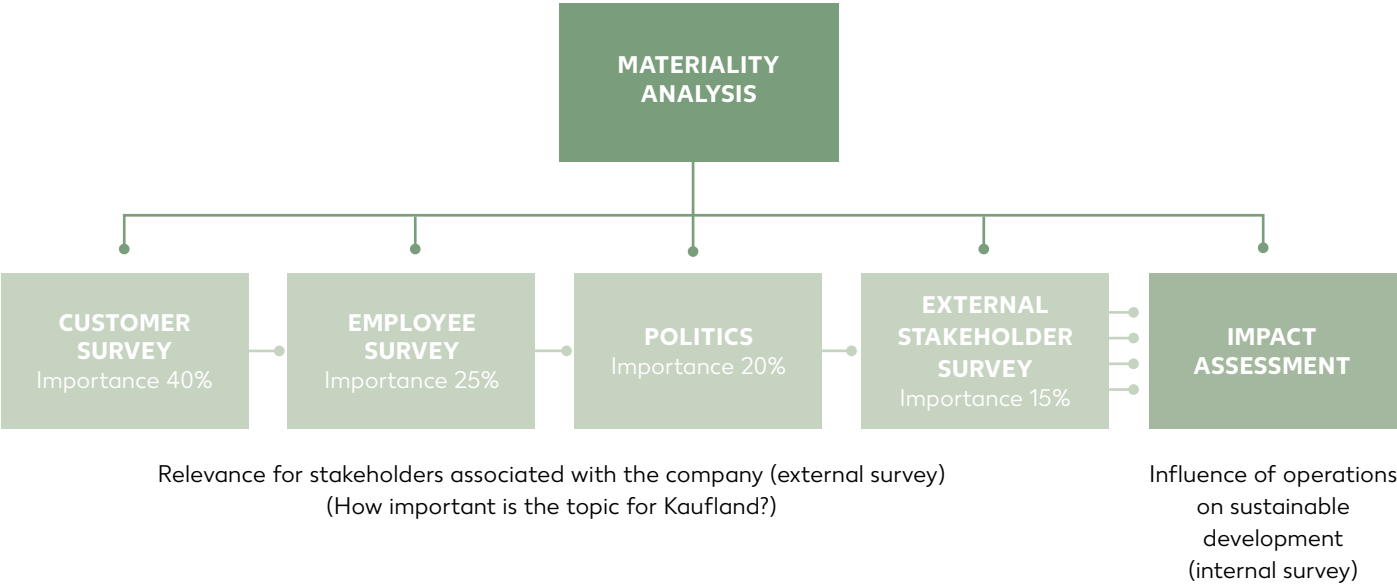
Groups of surveyed stakeholders	
Stakeholder group	Number surveyed
Customers	1,400
Employees	332
Politics	1
External stakeholders*	158
Total	1,890

* External stakeholders include suppliers and representatives of NGOs, associations and science.

17 sustainable topics along the Kaufland value chain



Assessing influence is an important element in the materiality analysis



In addition to the sustainability topics that were determined as material, this report found other strategically relevant topics, such as:

- **Expanding the healthy and sustainable assortment, Customer service and raising awareness of current sustainability issues, and Sustainable agriculture** (described in the section Sustainable assortment)
- **Animal welfare**
- **Environmentally friendly packaging** (described in the section Reducing plastic)
- **Operational environmental protection** (described in the section Influence of operations on environmental protection)

The reasons for reporting on these topics are high strategic relevance and requirements for transparency from stakeholders.

The topics **Operational environmental production, Avoiding food waste, and Promoting national and local products** received a higher rating of significance from stakeholders in comparison with the previous materiality matrix. Meanwhile, it was shown that Kaufland has a higher impact on those topics and, in comparison with the last analysis, was assessed

to have a better understanding of the topics and operational changes, such as expanding the assortment and building new stores.

Dialogue with stakeholders

With the aim of analysing the importance of and engagement in corporate social responsibilities issues that are relevant for Kaufland Hrvatska k.d., workshops were held with the Kaufland Management Board, and Kaufland employees and external stakeholders. The workshop for management was attended by the Chairman of the Management Board, Management Board members, the director of the Human Resources and Corporate Communications department. A total of 12 companies participated in the workshops for external stakeholders, while workshops for employees encompassed employees from different departments. At the workshops, stakeholders prioritised the ESG topics based on the influence that Kaufland Hrvatska k.d. has on society, the environment and the economy. The workshop was moderated by the Institute for Corporate Social Responsibility (IDOP), a Croatian organisation focused on developing corporate social responsibility and promoting sustainability reporting through independent research.

Results of the materiality analysis

The results of the survey show that the CSR topics "Promoting national and local products" and "Responsible employer" are the most relevant for Kaufland Hrvatska k.d. from the point of view of the stakeholders and customers, while employees highlighted "Salary and additional benefits", "Work atmosphere" and "Work-life balance/ working hours" as the most important topics.

In comparison to the previous survey, from the perspective of external stakeholders and customers, the relevance remained highest for the topics "Promoting national and local products" and "GMO-free products", "Pesticide-free produce" and "Ensuring animal welfare and eliminating animal testing". In 2020 and 2021, external stakeholders placed new emphasis on the topic of "Operational environmental protection" instead of "Support to small regional suppliers", while employees felt that

the topic "Work atmosphere" or the attitude of management towards employees, communication, teamwork and jobs was a more important CSR topic in 2020 and 2021 than the topic "National and local products".

It can be concluded that in comparison to the last reporting period, local products and support for local suppliers and topics pertaining to salaries, working hours and working conditions retained their significance among all groups. An increase in significance was seen for the topics "Operational environmental protection" and "Work atmosphere", and new emphasis was placed on the topic "Avoiding food waste".

Important sustainability topics from the stakeholder perspective		
Stakeholder	2020 and 2021	2018 and 2019
Employees	<ul style="list-style-type: none">• Salary and additional benefits• Work atmosphere (attitude of management towards employees, communication, team work, work positions, etc.)• Balancing work and private life /working hours• Employee health	<ul style="list-style-type: none">• National and local products• Salary and additional benefits• Balancing work and private life /working hours
External stakeholders	<ul style="list-style-type: none">• Promoting national and local products• Responsible employer• Operational environmental protection• Avoiding food waste	<ul style="list-style-type: none">• National and local products• Pesticide-free produce• Support to small, regional suppliers
Customers	<ul style="list-style-type: none">• Promoting national and local products• Ensuring animal welfare and eliminating animal testing• Responsible employer• Avoiding food waste	<ul style="list-style-type: none">• National and local products• GMO-free products• Responsible employer

Assessing Kaufland's impact in Croatia

In addition to the stakeholder survey, the management of Kaufland Hrvatska k.d. together with the director of the Human Resources Director and the Corporate Communications Department assessed the company's impact on the 17 CSR topics. As a quantitative calculation of impact would be extremely time-consuming and also inaccurate, the assessments were done on a qualitative basis and relative to one another.

The resulting classification of impact is shown on the horizontal axis of the materiality matrix.

The results of the stakeholder survey and the internal assessments of the impact of Kaufland Hrvatska k.d. form the materiality matrix and shows that there are 6 CSR topics on which the business activities of Kaufland Hrvatska k.d. have the highest impact or which are most relevant for stakeholders. Accordingly, they are above the company's materiality threshold and form the basis for this report. The important environment, social and economic topics are:

Promotion of domestic/ local products,
described in the section
Sustainable assortment



Local/national social engagement and ecological responsibility,
described in the section
Dedication to the community



Responsible employer,
described in the section
Employees



Social standards/working and living conditions in agriculture and raw material degradation,
described in the sections
Employees, Sustainable assortment, and Responsible sourcing

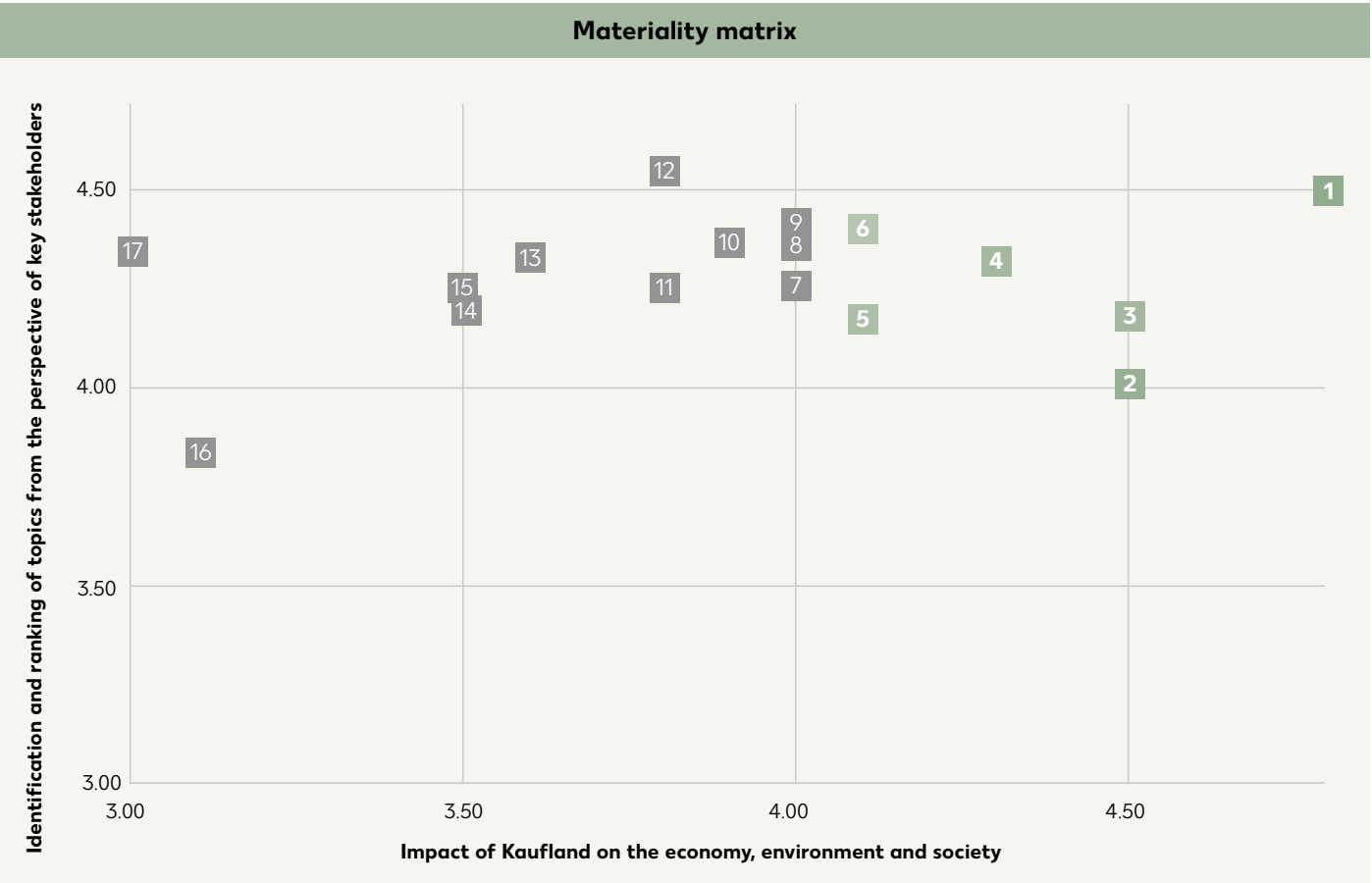


Environmental-, climate-and resourcefriendly supply chain/ production, described in the sections
Impact of operations on environmental protection, and Responsible sourcing



Prevention of food waste,
described in the section
Reducing food waste





The relevance of CSR topics for stakeholders is shown on the vertical axis of the materiality matrix.

1. **Promotion of domestic/local products**

2. **Local/national social engagement and ecological responsibility**

3. **Responsible Employer**

4. **Social standards/working and living conditions in agriculture and raw material degradation**

5. **Environmental-, climate-and resource-friendly supply chain/production**

6. **Prevention of food waste**

7. Compliance / Anti-fraud

8. Social standards/working and living conditions in production of goods

9. Environmental protection in operational processes
10. Sustainable agriculture

11. Expansion healthy product range

12. Environmentally friendly packaging

13. Animal welfare products

14. Expansion sustainable product range

15. Green logistics

16. Customer service and awareness regarding sustainability topics

17. POS-Transparency

Identification of the sustainable development goals to which Kaufland contributes the most

Kaufland recognises 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, as part of the entire Schwarz Group, the company Kaufland Stiftung joined the United Nations Global Compact (UNGC), the world's largest and most important initiative for responsible corporate governance. We thereby commit

ourselves to the ten universal principles of the UNGC in the areas of human rights, labour, environment and anti-corruption. In this way, we provide a global framework for our extensive commitment to sustainability.

Kaufland Hrvatska k.d., as part of the 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.

Kaufland Hrvatska k.d. is committed to sustainable operations through a responsible relationship with its employees, the community and the environment, thereby directly contributing the UN Sustainable Development Goals. The slogan *Djela, ne riječi*, "Our actions do the talking", is focused on the health of people and the planet, taking account of the principles of responsible procurement and fair business practices in the supply chain, implementing healthy living initiatives among employees and in the community, and developing strategies to reduce the use of plastic and waste.

The highest priority sustainability goals of the company have been defined with a focus on the health of employees, customers, and business partners, and on environmental protection. Below are the four sustainable development goals that Kaufland most actively contributes to, while taking the remaining UN Sustainable Development Goals into account. Properly set overall goals and strategically defined sub-goals are applicable to Kaufland, and over time ensure the consecutive implementation of sustainable projects that contribute to achieving the sustainable development goals.



Kaufland contributes to the eradication of hunger and improved nutrition through the consumption of safe and high quality food, and supports sustainable agriculture in the supply chain.

- Support to local farmers and their inclusion in the supply chain
- Sustainable sourcing through the implementation of comprehensive procedures for the control and supervision of goods
- Preventing food waste by cooperating with registered intermediaries in the food donation chain



Kaufland conducts employee education programmes on a healthy lifestyle and nutrition, and contributes to the well-being of the community in which it operates.

- The Healthy Life initiative aims to raise awareness of the importance of health care and to promote a healthy lifestyle
- The Flexible work programme provides support to balancing employees' private and work life
- Through the project Kaufland Schools of Fruits and Vegetables, Kaufland donates fresh fruits and vegetables to participating public schools throughout the school year



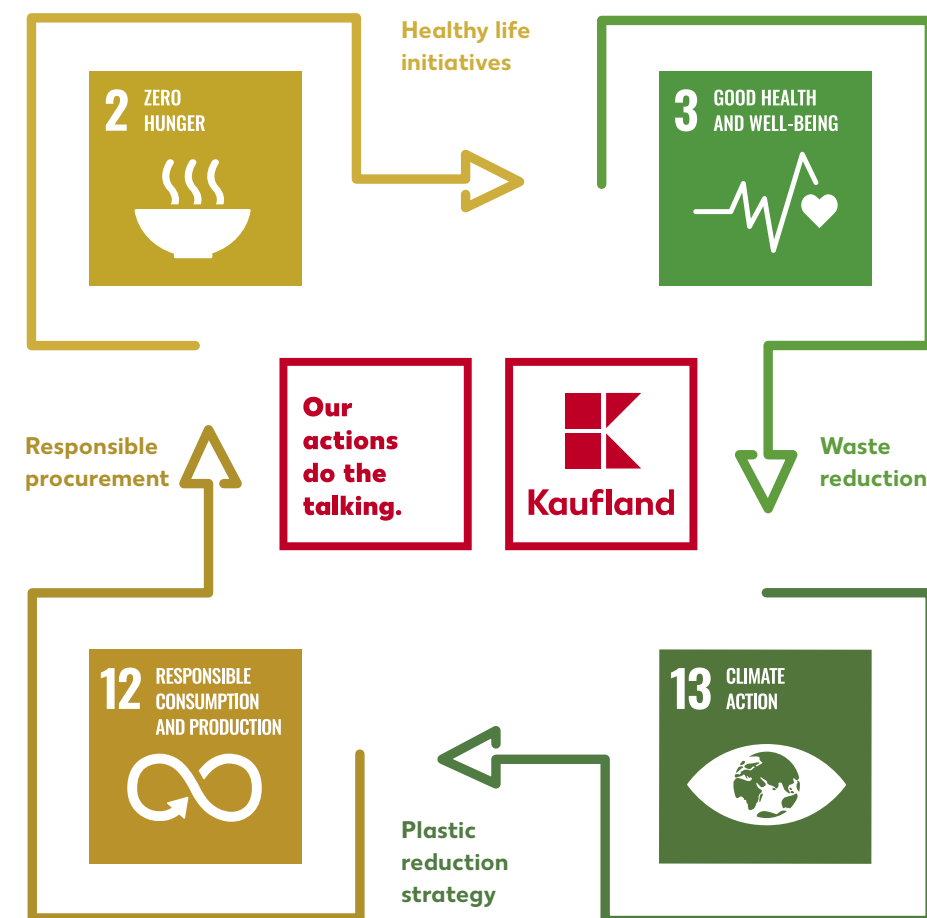
Kaufland develops and implements business models for responsible consumption and production.

- Effective use of natural resources
- Reducing food waste
- Educating employees on sustainable action



Kaufland aims to reduce environmental pollution and thus minimise the negative impacts on climate

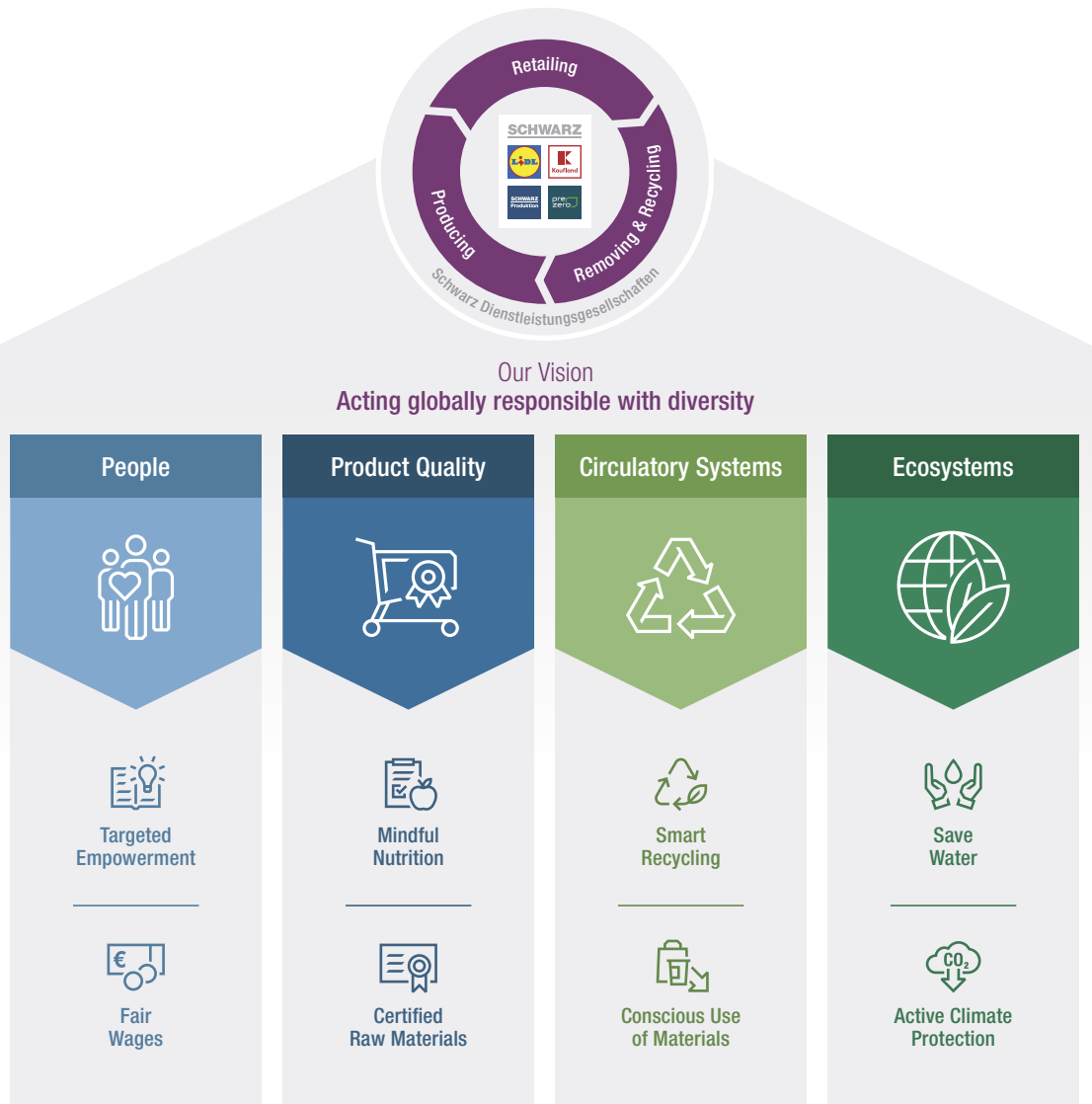
- Using recyclable packaging materials for private label products
- The industrial cooling system uses waste heat generated by the operation of refrigerated display cases for heating in winter
- Investment in renewable energy sources - solar energy



Schwarz Corporate Responsibility Strategy

Schwarz Group aims to use its influence to set standards for a coexistence of respect and a liveable environment. Framework for that is our corporate responsibility strategy that encompasses all companies within the group and is based on 4 main areas: people, product quality, circulatory systems and ecosystems.

Within these main areas, the Group sets ambitious goals and continuously works on determined implementation, keeping in mind all companies within the group.



This corporate responsibility strategy represents the development of strategic contents from our first Sustainability report for years 2018 and 2019. Then set targets are compounded by the current strategy.

Management of the Sustainability Strategy at Kaufland in Croatia

Corporate Communications

The Corporate Communications Department was established on 1 December 2016 and is responsible for coordinating all topics related to corporate social responsibility. However, the company's concern for the environment, society and the economy began much earlier, as Kaufland has always based its business on socially responsible foundations in accordance with international principles. However, the establishment of this department in 2016 placed an even stronger emphasis on topics such as the environment, society and the economy, and a clear strategy and vision were defined for all further activities.

On 1 December 2021, the Corporate Social Responsibility Unit was established within the Corporate Communications Department. In selecting and implementing projects and activities, the CSR Unit focuses on three

key determinants: Health, Children and the Environment.

The Corporate Communications Department answers directly to the company CEO.

Working Group

After completion of the first Sustainability Report, the Working Group involved in its drafting continued to meet regularly to coordinate all topics pertaining to corporate social responsibility.

Decisions on economic, environmental and social impacts are made by the Management Board, consisting of the CEO and three board members responsible for business areas within the company (Sales and Logistics, Finance and Administration, and Procurement).



Employees

Employees

Development, teamwork, education and care for employees are the foundations of sustainability upon which Kaufland bases the successful implementation of its business strategy. Kaufland creates a work environment that respects the identity of each individual, while continually opening new opportunities for the professional development of employees, ensuring the growth of the company as a whole.

Corporate principles

The foundation for our work every day and our cooperation are the following fundamental corporate principles:

- Customer satisfaction influences our actions.
- Superior value for money determines our market position.
- We continue to grow through expansion and continuous improvement in our markets.
- Being an affiliated company, we take a systematic approach.
- Short decision-making processes and simple workflows ensure our success.
- We comply with applicable laws and internal guidelines.
- We assume economic, social and ecological responsibility in our work, every day.
- Fairness towards every staff member is imperative.
- We respect and promote one another.
- Agreements are respected in a climate of trust.
- Praise, recognition and feedback determine our corporate climate in our daily work.
- We surround ourselves with “strong” employees – deputies are in place in all departments.



Organisational values as a foundation

Organisational values are the fundamental principles that determine our behaviour.

- **PERFORMANCE** – Our performance is the decisive factor for our success. It requires action, determination, courage and passion. This goes for each and every individual, and for the team as a whole.
- **DYNAMICS** – Dynamics is the force behind making good things great and coming up with new ideas. There has to be a willingness and ability to change, and the resolution to take responsibility. Our ability to implement our ideas stems from this.
- **FAIRNESS** – Fairness is based on esteem and respect. It is an essential pillar upon which reliable cooperation is founded. It is something we need in order to consistently achieve our goals.

Leadership principles under the slogan “Give me five” (Croatian: “*Daj pet*”) are based on Kaufland’s organisational values. All managers are entrusted with “living” these management principles, while it is also Kaufland’s binding promise to its employees:

1. Communicate clearly & give direction
2. Develop employees & recognise potential
3. Perform strongly & create dynamics
4. Be fair & build trust
5. Live responsibly & be a role model

Employee records in Kaufland

Kaufland keeps all employee records in SAP, and these records were used to determine the employee structure indicators as shown below.

Long-term absent employees (e.g., employees on parental leave) were not included in the calculation.

Composition of management bodies and employee structure by category, by gender, age group, minority group affiliation and other diversity indicators*

2,974
employees in 2021



Employees			
Year	Total employees	Share of women	Share of men
2020	2,957	70.3%	29.7%
2019	2,809	69.5%	30.5%

Employee structure by age and gender					
Women		Under 30		Average age	
2021	2,083	2021	652	2021	39.3
2020	2,078	2020	649	2020	38.9
2019	1,952	2019	598	2019	38.9
Men		30 – 50			
2021	891	2021	1,813		
2020	879	2020	1,851		
2019	857	2019	1,805		
Total		50+			
2021	2,974	2021	509		
2020	2,957	2020	457		
2019	2,809	2019	406		

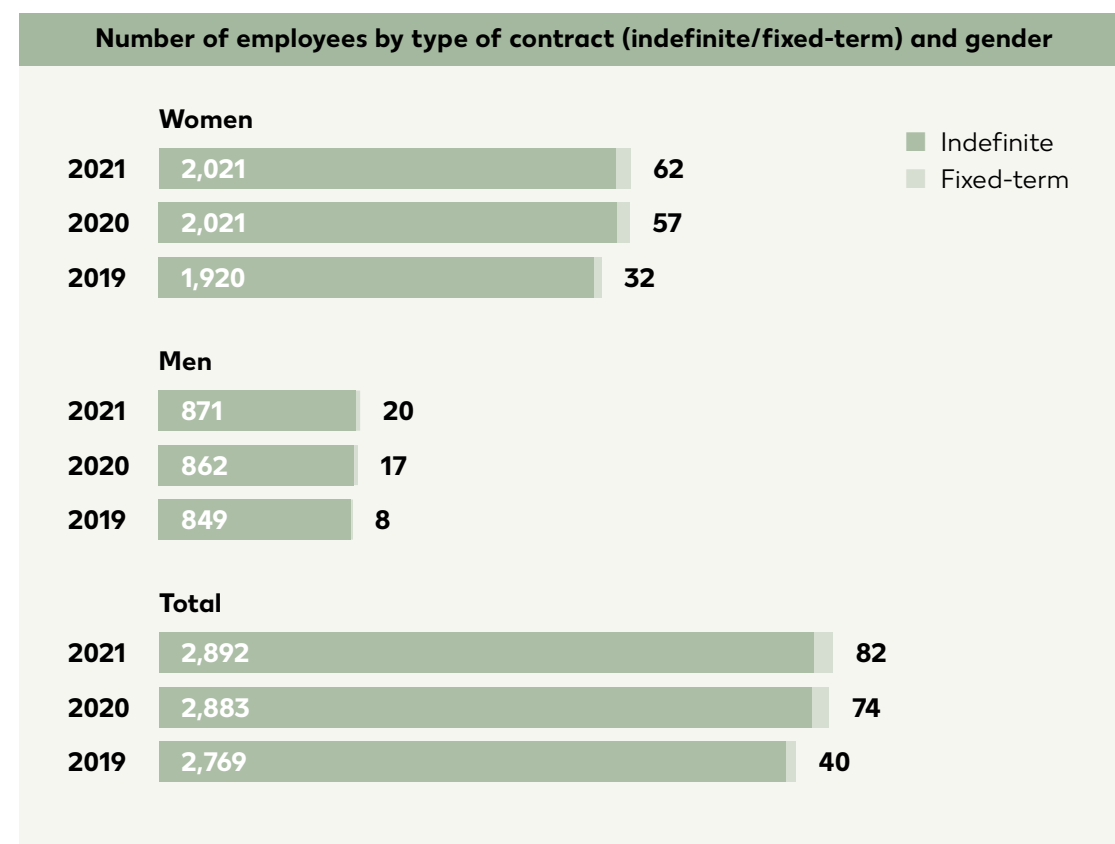
* Long-term absent employees (e.g., employees on parental leave) were not included in the calculation



Management structure and share by age and gender						
Middle and operational Management						
	2021		2020		2019	
Female	126	48.5%	123	47.7%	125	48.6%
Male	134	51.5%	135	52.3%	132	51.4%
under 30	25	9.6%	26	10.1%	32	12.5%
30 – 50	205	78.8%	205	79.5%	207	80.5%
50+	30	11.5%	27	10.5%	18	7%
Total	260		258		257	
Senior management						
	2021		2020		2019	
Female	1	33.3%	1	50%	2	28.6%
Male	2	66.7%	1	50%	5	71.4%
under 30	-	-	-	-	-	-
30 – 50	3	100%	2	100%	7	100%
50+	-	-	-	-	-	-
Total	3		2		7	
Top management						
	2021		2020		2019	
Female	-	-	-	-	-	-
Male	4	100%	5	100%	6	100%
under 30	-	-	-	-	-	-
30 – 50	4	100%	5	100%	6	100%
50+	-	-	-	-	-	-
Total	4		5		6	



Full-time and part-time employees enjoy equal benefits.



Total number and rate of new employee hires during the reporting period by age and gender						
	2021		2020		2019	
Men	259	39.5%	151	30%	224	40.2%
Women	397	60.5%	353	70%	333	59.8%
Under 30	362	55.2%	280	55.6%	309	55.5%
30 - 50	263	40.1%	200	39.7%	214	38.4%
50+	31	4.7%	24	4.8%	34	6.1%
Total	656		504		557	
Employee turnover (%)	22.1%		16.4%		25.5%	
Average turnover	2,906		2,833.2		2,843.4	
Departures	642		464		726	

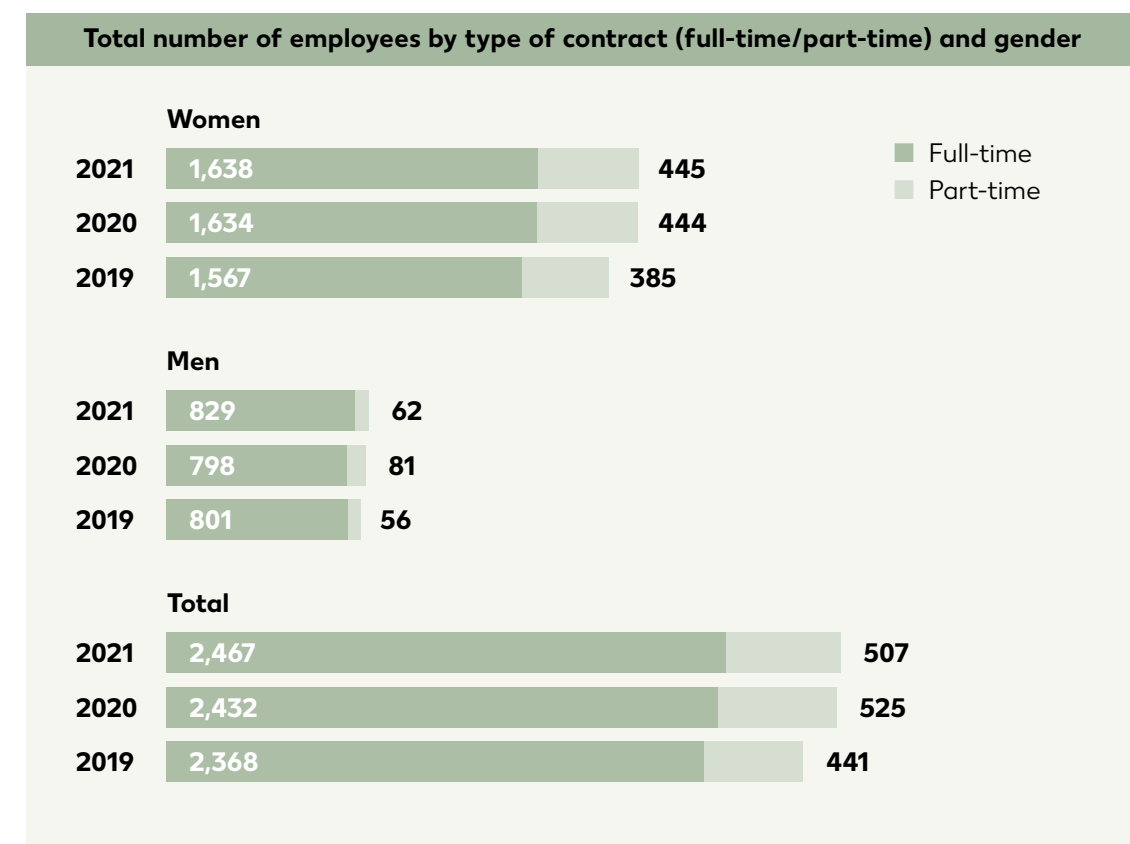
The aim of the recruitment policy is professional and fast search for and selection of candidates, recruiting the appropriate candidates to the right positions, and positioning Kaufland as a desirable employer on the labour market.

Kaufland invests special attention to the professional search for and selection of candidates, and the procedure is characterised by objectivity, validity, reliability and fairness. All candidates in the procedure are treated with respect and without discrimination.

A culture of trust is encouraged, in which the employee can openly discuss their desire to change their job positions with their direct supervisor.

As a rule, before starting the selection procedures, internal candidates notify their current direct supervisor of their desire to change their job position, not later than at the time of the employment decision.

The store manager is responsible for the candidate management system in stores, while the direct superior is responsible in Head Office and Logistics. Both internal and external candidates are able to apply for specific, announced positions via the direct link to the job advertisement on the Kaufland Careers website. For all other information about open job positions, hiring opportunities and more, candidates can write directly to: karijera@kaufland.hr.



Balancing work and private life

Kaufland's policy is to enable all employees to use maternity and/or parental leave and to return to work in the same or a comparable position. All parents returned to work after using maternity/parental leave, while a small number of employees left the company at their own request.

According to the retention rate, in 2021 84% of employees remained employed for 12 months after returning from parental leave.

Financial benefits

Net bonus: Employees are paid a net bonus for achieved working results twice a year, in the net amount of a minimum of HRK 2,400 (EUR 318.53), depending on their position and engagement.

Christmas and Easter bonuses: All employees in non-management positions receive a holiday gift from the employer in the pre-holiday period, in the form of a HRK 2,500 (EUR 331.81) gift card. In the same way, employees receive a HRK 500 (EUR 66.36). gift card as an Easter bonus.



Paid leave for the first day of school

Parents of first-graders are given the opportunity to receive paid leave for their child's first day of school.

Baby gift package

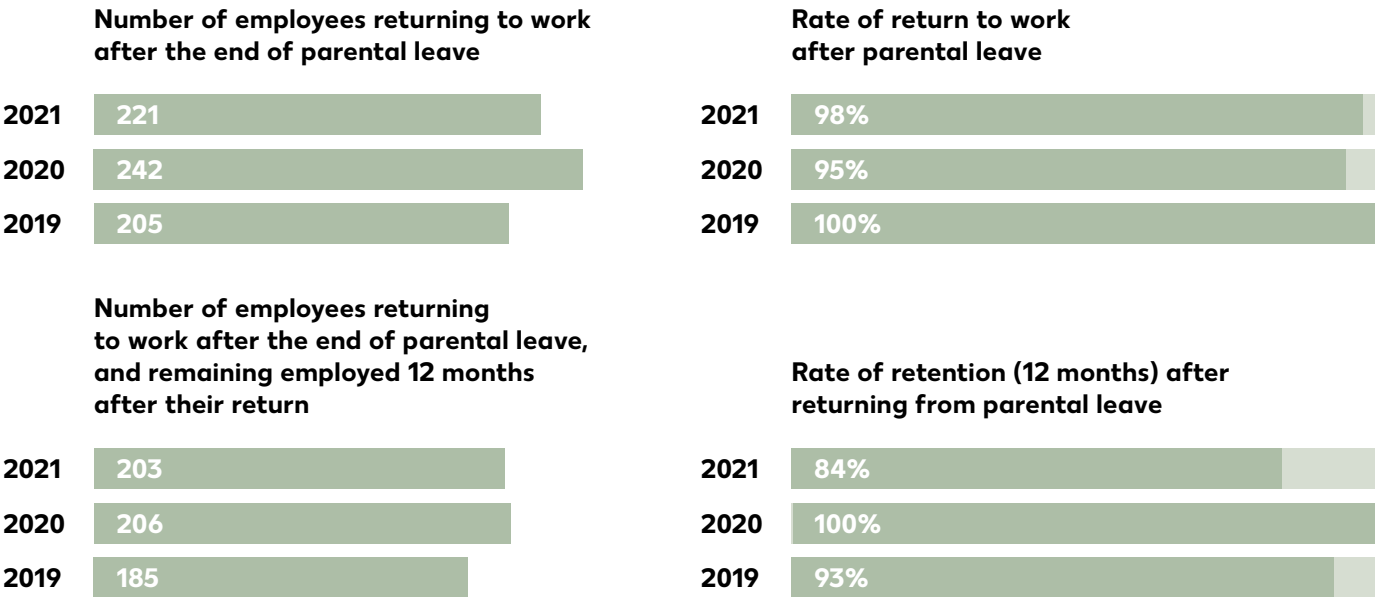
All babies born to Kaufland employees receive a special gift package with products from Kaufland's private label brands Kuniboo and Bevola.

Flexible work arrangement

All parents returning from maternity or parental leave are offered the opportunity to work 50% or 75% of their working time in the first month in a flexible work engagement, to enable an easier return to the working world.

Kaufland pays attention to details!

With a special holiday gift package in the last month of the year, Kaufland thanks its employees for their dedicated work during the year. On their birthday, every employee also receives a small sweet gift from the employer from their manager. Several times a year, social team gatherings are organised. For every child registered on an employee's tax card, Kaufland gives a gift in the amount of HRK 200 (EUR 26.54) that is paid out to the employee in December with the salary for November.



Number and structure of male and female employees using the right to maternity/parental leave									
	2021		2020		2019		2021	2020	2019
	M	F	M	F	M	F	Total	Total	Total
Total number of employees entitled to take maternity/parental leave	913	2,343	901	2,274	901	2,382	3,256	3,175	3,283
Number of employees who used the right to take maternity/parental leave	19	206	19	237	10	210	225	256	220

Occupational health and safety

Kaufland Hrvatska k.d. is constantly working to promote workplace health through various initiatives to promote a healthy lifestyle. Accordingly, educational lectures and workshops on different health related topics and sports challenges were organised in the reporting period. During 2020 and 2021, due to social distancing measures, the majority of sessions on the topic of healthy eating and exercise were held online, to ensure that all participants could feel safe.

Since 2019, all employees are able to take advantage of the *Multisport* card. As an employer, Kaufland subsidises the cost of the card for employees, thus encouraging them to engage in physical activity and develop healthy habits.

Since 2019, Kaufland had held the certificate *Tvrta prijatelj zdravlja* (Health Friendly Company), awarded by the Croatian Institute of Public Health (HZJZ) to companies that enable their employees to adopt healthy habits, promote health in the workplace and show positive care for the health of employees, consumers and clients and environmental protection.

The ISO 45001 Occupational Health and Safety Management System was implemented and certified at the end of 2019 in the headquarters, stores and the logistics-distribution centre. This system encompasses all legal regulations in the field of employee protection in the performance of daily work tasks. For many processes, the internal standards, measures and procedures adopted by the Schwarz Group are applied, which often go above and beyond the minimum legal obligations. In 2020 and 2021, activities continued to be held as in the preceding period. A new motivational campaign for employees with a step counter challenge was introduced at the individual and group level. Online training on the topics of a healthy diet and exercise were also held.

Compliance of the ISO 45001:2018 system with its standard and efficiency requirements is verified through both internal and external audits with contractual partners. Every year, different tasks are assigned with the occupational health and safety management system and the implementation of those tasks are monitored at least once per year and the success is assessed. The results are reported to the Management Board, posted on the announcement board and on the intranet. Since Kaufland Hrvatska k.d. fully complies with the requirements and guidelines of the ISO 45001:2018 standard, there were no recent changes made in the sense of access to system management.

Total number of sick leave hours			
	2021	2020	2019
Sick leave hours (total)	271,121.1	375,480.8	388,567.1

Prevention and mitigation of work-related health and safety impacts

Negative health effects and countermeasures taken:

1. Working under lower temperatures in cooling chambers – Kaufland strives to provide the highest quality personal protective equipment for employees working in lower temperature conditions. Additionally, organisational measures have limited the maximum time spent in the cooling chamber to 20 minutes at any one time. In the case of a larger volume of work in the chambers, more employees are encouraged to do the work.
2. Dynamic work (manual lifting and carrying heavy loads, physical labour) – in all Kaufland stores, electric forklifts are available to minimise the load of lifting and carrying loads. If loads heavier than 15 kg are handled by women and 25 kg for men, managers and employees are regularly educated that two persons should jointly handle such loads, whenever possible. All procedures and rules for proper lifting and correct movements when lifting heavier loads are provided for employees, with illustrated instructions.
3. Stress in the workplace (working with customers, customer service, high pace of work during crowds, responsibility for employees and company assets) – company management decided to introduce a maximum five-day work week, giving employees more free time and reducing psychological and physiological strain. Kaufland encourages healthy nutrition (gift packages) and engaging in sports activities. Moreover, Kaufland encourages managers to speak with employees to identify sources of stress on time, and react to reduce them.
4. For employees working at the computer for more than 4 hours per day, stretching exercises are recommended, with a 5-minute pause every hour.

All employees are able to hold anonymous discussions with the employee representatives. Employee representatives act as a neutral, independent person that the employee can turn to in confidence at any time, with ideas on how to optimise work processes, cooperation in their team, working conditions, and the application of management principles and organisational values in practice. Kaufland builds this process on trust, and that is why it is important to stress that employee confidentiality is guaranteed when speaking with the employee representative.

Work procedures are reviewed and analysed regularly and adapted as necessary to minimise risks to employee health and safety.

Supervision over non-routine activities and the activities of workers who are not employees but whose work is overseen by the organisation, is performed through regular internal revisions of ordered works/activities that are performed by external persons for the organisation. The organisation has acquainted all external partners with the contract and general terms of operation of the requirement to abide by all legal provisions in the sense of the occupational health and safety of employees, and with the provision on retaining the right to control/supervise the tasks performed by external persons for the needs of Kaufland, and the possibility of removing persons from the workplace in the case of non-compliance.



Professional health services

To eliminate hazards and reduce occupational health risks, Kaufland provides professional health services such as:

- 1. Medical examinations of employees:**
The occupational medical service conducts preliminary, periodic and extraordinary medical examinations of employees in jobs with special working conditions (forklift operators, work under unfavourable temperatures, work with hazardous substances) and vision check for employees working more than 4 hours at the computer.
- 2. Records of examinations and cooperation with Occupational Medicine:** The occupational medical service is a permanent member of the Occupational Health and Safety (OHS) committee. If necessary, the service visits the business unit, inspects the workplace and speaks with employees. The medical examination schedule is kept by a special application, which automatically informs the responsible person of the upcoming medical examination.

To ensure employee participation, occupational safety counselling and communication, employees are encouraged to regularly report potential hazards and accident risks to their immediate supervisor. It is up to the supervisor to ensure that hazards are eliminated as soon as possible. The occupational safety expert conducts a quarterly internal review of the application

of occupational safety and fire protection measures in each business unit, discusses any identified shortcomings with the responsible person, and jointly adopts measures to eliminate any shortcomings and to ensure they do not recur in the future. These efforts are aimed at preventing workplace accidents and injuries, or the occurrence of occupational diseases.

Risk assessments are available to employees in paper (info-desk) and electronic form (intranet). Occupational safety, fire protection regulations and other important news and instructions are available on the bulletin board and intranet. Employees and their representatives are notified of significant changes in the business that could affect them, in accordance with the law, and with the deadlines before the implementation of activities. Kaufland continuously cooperates and communicates with the Employees' Council, which is informed about current topics and changes within the legally stipulated time period.

Through Occupational Safety and Health Commissioners, employees participate in the work of the Committee, where current issues and possible improvements are discussed. The Committee meets at least twice per year. In order to continuously improve occupational safety, the Committee plans and monitors the use of rules, organisation of occupational safety, occupational safety information and training, and the prevention of occupational risks and its effects on employee health and safety.



Workplace injuries

After every incident/accident that is reported by Crisis Management to the Safety Review Department, Safety Review conducts an analysis of the workplace injury and defines corrective measures to prevent the reoccurrence of the incident. The analysis of the workplace injury most often uses the widely-known rule of investigation, the 5W1H method (who, what, when, where, why and how).

The contracted health care service (occupational medicine) monitors the health status of employees with special working conditions. Occupational medicine also participates in the preparation of risks assessments and defining measures to reduce risks to employees. It also participates in the Occupational Safety Board that meets twice per year, and proposes measures to improve employee working conditions concerning employee safety.

Employee occupational safety training (theoretical and practical) includes training for:

- emergencies (first aid, evacuation, fire)
- Employer Authorised Officers and Employee representatives
- electric/gas forklift operators
- work with hazardous chemicals
- employees in administering first aid
- janitors for the control of safety technical systems and work equipment
- employees in jobs related to occupational safety
- ensuring the minimum level of personal hygiene.

In addition to conducting the legally prescribed training and education, employees also have access to courses via the K-Portal for education. K-Portal for education is a modern and technologically advanced system based on Internet technology (SAP Success Factors).

When hiring, new employees take the assigned courses on the first working day, which they subsequently repeat every year.

Online courses are designed and developed internally, according to the business needs of Kaufland and the Schwarz Group.

Employees covered by the occupational safety system

The health and safety management system at Kaufland Croatia is based on the legal requirements and/or recognised standards and guidelines. The system is applicable for all employees, and for those who are not employees but whose workplace is controlled by the organisation and who are covered by such a system or who are internally audited.

The ISO 45001 Occupational Health and Safety Management System prescribes the process of drafting documented procedures, and lays down the requirements for the procedures for initiating, drafting, designing, issuing, revising and distributing documented procedures for the occupational health and safety management system.

All safety-relevant information is stored in digital systems and/or in hardcopy.

In last five years we have succeeded in reducing our accidents by 20%. However, the recent accident increase from FY2020 to FY2021 is caused by the specific business circumstances during the COVID-19 pandemic continuously which resulted in a higher workload with reduced present staff in our business units and an increased worker fluctuation in our distribution center. We strive to continuously adapt and improve our training programs in accordance with the changed circumstances based on our in-depth analysis.

Number of workplace injuries per 1,000 full-time employees			
	2021	2020	2019
Lost time accidents (lost time ≥1 day) / 1,000 FTE	28	23	25
Lost hours due to lost time accidents	22,241	13,186	25,560

Skills programme and life-long learning

Employee development is very important at Kaufland. The company is constantly working on providing tailored employee education and professional development programmes focusing on the necessary skills and competencies. Depending on the position and needs of the workplace, all employees have access to internal and external training sessions, in the form of online courses and classroom training.

The first day for new Kaufland employees is marked with a symbolic event called Welcome Day, designed to facilitate the integration of new employees into the team.

There are several online training programmes designed to raise employee awareness of the importance of sustainable energy management, such as: "Sustainable Energy Management" and "Kaufland's Energy Management Policy" that all store employees are required to attend.

The training schedule for each employee is planned with the manager for the business year, based on the available courses in the development measures catalogue. Managers



have access to a variety of training and skills development programmes in line with Kaufland's managerial principles. All new employees are required to undergo a structured on-boarding process, during which they are trained to take up operational responsibilities at their new workplace. The quality of employee education is monitored through feedback from participants (evaluations filled out by participants after the training), and for some training courses through feedback from managers. The feedback shows the company what has to be done to improve internal education processes. For example, certain changes were introduced to Kaufland's educational programmes, such as changing the dynamics of certain courses, and refining their content to better adapt to the needs of the target group, etc.

All employees have equal access to training opportunities, the only differences being in the requirements of each position.

Employee training and education are monitored through indicators, such as the average number of training hours by business area, hierarchy and gender, as shown in the table.



Average number of employee training hours by business areas, hierarchy and gender			
Based on business area			
	2021	2020	2019
Logistics	26.1	6.9	26.9
HQ	57.7	48.2	68.8
Sales	21.3	25.4	27.7
Based on hierarchy			
	2021	2020	2019
Top and senior management	19	75.3	110.5
Middle and operational management	41.7	34.3	61.2
Non-management positions	24.4	25.2	28.5
Based on gender			
	2021	2020	2019
Male	37.2	29	43.3
Female	22	25.3	28.4

* Long-term absent employees (e.g., employees on parental leave) were not included in the calculation

The employee development plan is developed as part of the talent management process. The process begins with an assessment of competencies and performance of employees, and an assessment of their development potential. Since 2021, the development potential is assessed for all employees participating in the process, regardless of the assessment of their performance.

The assessment process is followed by structured yearly talk between the employee and the manager, as a result of which individual development plans or development guidelines for the employees are drawn up. The execution of the plans is then monitored throughout the year. After 12 months, the process begins again: the employees' competencies and work performance are reassessed based on displayed behaviors and results achieved in the past period.

Average number of training hours per employee*		
2021	2020	2019
26.6	26.4	32.9

Talent management process

In 2020 and 2021, annual performance reviews were conducted and development plans were drawn up following the performance appraisal process. The trainee programme for young recruits just starting their careers was launched in 2018. Through the Trainee programme, young people have the opportunity to gain experience and insight into the business world, receive guidance from a professional mentor, participate in interesting tasks and projects, and then later continue their career in the company after completing the programme and receive an attractive income.

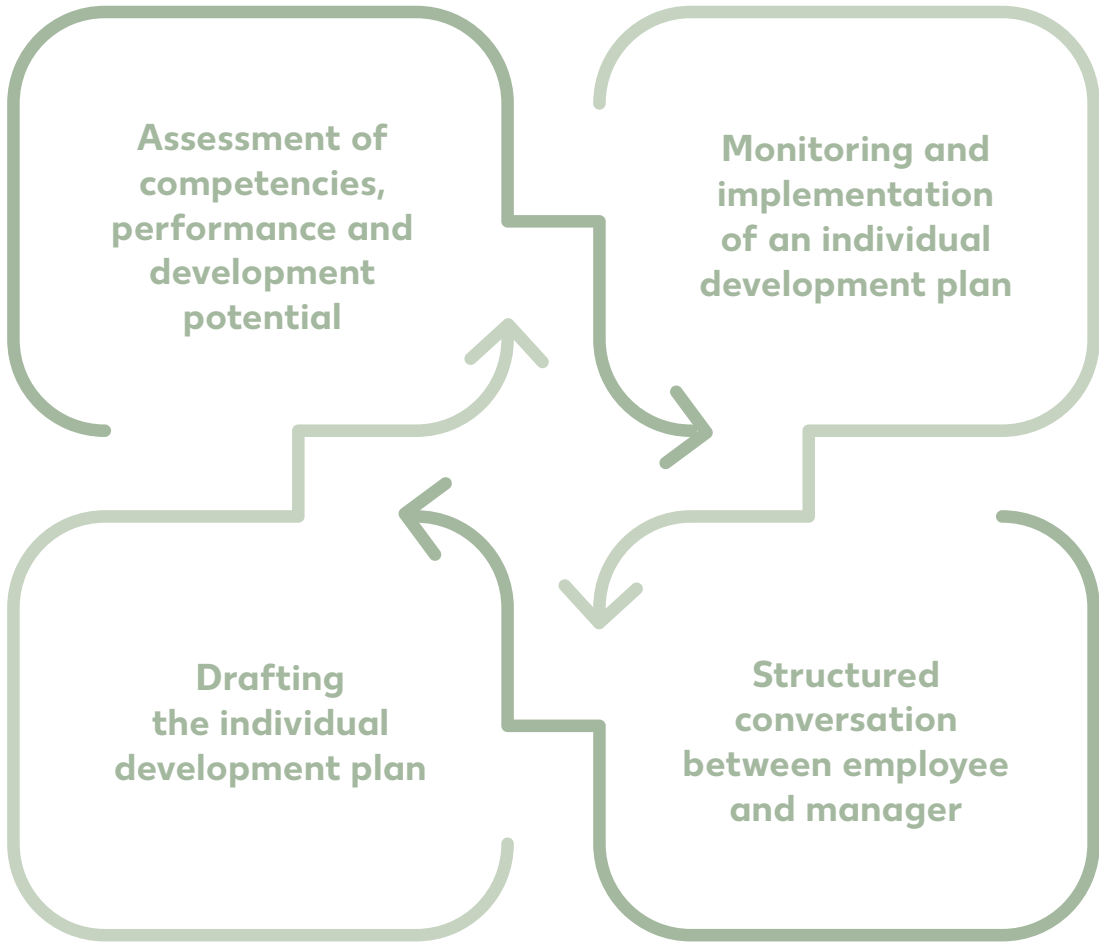
Since 2019, the K-portal for education (a SAP SuccessFactors application) has supported the onboarding process. Today all new employees in stores and all employees in stores who are changing their position learn about the tasks at their new positions through a structured on-boarding process, which is fully electronically supported. The learning process itself is structured in a blended way: a part of it is computer-based, while the other part happens on the sales floor. A similar on-boarding program was developed in 2021 for new employees at the Logistics and Distribution center. Today all new employees who are recruited as warehouse pickers, and they account for about 50% of new

recruits in the Logistics and Distribution center, are on-boarded based on an electronically-integrated on-boarding program.

As a fair employer, Kaufland’s wage and benefit policy is based on objective criteria and activities, regardless of gender. Guided by the principle of transparency, Kaufland has a clearly defined salary system.

Employees who are retiring receive a one-time benefit to which they are entitled if they bring in their retirement confirmation within 45 days.

There are several salary grades, and employees in non-management positions are guaranteed a pay increase in advance. The labour contract lists the salary grades that the employee is entitled to in the forthcoming period. Every year, new employee benefits are introduced, in the sense of additional benefits, pay increases or new pay bonuses.



Percentage of employees who participated in the talent management process in relation to total employees by category			
Based on gender			
	2021	2020	2019
Male	62.1%	69.7%	70.9%
Female	56.3%	71.1%	63.1%
Based on hierarchy			
	2021	2020	2019
Top and senior management	0%	0%	0%
Middle and operational management	80.2%	65.1%	72.3%
Non-management positions	55%	71.7%	64.6%

* Long-term absent employees (e.g., employees on parental leave) were not included in the calculation

In 2021, the average net salary in Kaufland was 4.6% higher than in 2020 and in 2020 it was 4.6% higher than in 2019.



Business impacts on environmental protection

Schwarz Group Climate Strategy

Climate change poses enormous challenges for our society and demands action at all levels of society. As part of the Schwarz Group, Kaufland aims to keep the effects of climate change as low as possible and to constantly minimise greenhouse gas emissions. To achieve this, we are 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 compensate the operational greenhouse gas emissions based on internationally recognised standards.

Science Based Targets as Basis of our Climate Targets

As part of our group-wide climate strategy, the Schwarz Group 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 defined according to the method of the initiative. These were filed together with 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.

Our Climate Targets

The Schwarz Group will reduce its operational greenhouse gas emissions (Scope 1 and 2) by 55 percent by 2030 compared to 2019 levels. As part of this, Kaufland has set itself the goal of reducing its operational greenhouse gas emissions by 80% over the same period. To achieve this goal, the entire Schwarz Group will procure 100%* of its electricity from renewable energies as of the 2022 fiscal year (www.kaufland.hr/klima). Kaufland goes one step further and focuses on climate neutrality starting in 2025.** The Schwarz Group also commits to reducing its absolute Scope 3 emissions with regard to the use of solid fuels, by 27.5% by 2030 compared to 2019 levels. Suppliers who are responsible for 78 percent of product-related emissions are encouraged by Kaufland to set their own climate targets by 2026, according to the criteria of the SBTi.

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

In 2021, Kaufland Hrvatska k.d. switched to electricity from renewable resources. Thanks to our cooperation with HEP Opskrba, Croatia's leading electricity supplier, Kaufland holds the ZelEn – friend of nature certificate.



About the Science Based Targets initiative

The Science Based Targets initiative (SBTi) is an alliance of the renowned environmental and climate protection organisations 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 recognised 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.



Examples of the Schwarz Climate Strategy in Kaufland Hrvatska k.d.

Stores with e-chargers: 11

Stores with photovoltaic plants: 3

Stores that are cooled via an industrial cooling system: 15

Stores with a heat pump: 21

Expansion of the climate neutral* assortment**

Use of multiple use carriers for produce

Group plastic strategy REset Plastic (www.kaufland.hr/plastic)

Industry – a new way of transporting goods from the supplier

*** Climate neutral projects for climate protection – for more information see www.kaufland.hr/klimatskineutralna

* Excluding any purchase agreements that the Schwarz Group cannot influence, such as those for individual leased properties with a binding electricity procurement clause

** Remaining operational greenhouse gas emissions (Scope 1 & 2) are compensated by offset projects

Energy and emissions

Kaufland's energy management aims to encourage energy-conscious employee actions, increase energy efficiency on all properties, and achieve sustainable store management to the greatest extent possible. Through the software management system, it is possible to monitor the energy flows of stores, the logistics centre and headquarters. In the case of derogations of consumption from usual levels, corrective measures are taken and regularly documented. It is also possible to identify potential for new savings and continuously monitor the implemented energy saving measures. When procuring new technology, energy efficiency and sustainability are considered. This is also applied to all new properties and when modernising existing properties.

Kaufland successfully implements energy management in its stores, the logistics centre and headquarters in Croatia in compliance with the ISO 50001 international standard, which was confirmed with the reissue of the certificate on 11 January 2022.

Identification of potential savings and cost reductions

To identify potential savings, consumption data is continuously collected, monitored and verified at all locations.

Thanks to the energy management system, excess energy consumption is detected to avoid such excess in the future. Electricity consumption is monitored in all stores, including total consumption and the individual consumption of the cooling system, lighting, heating and ventilation, and bakeries. Energy information from building management and other data sources are used to simplify the analysis. For example, if lighting consumption in an individual store

deviates from the average consumption, the energy manager receives a warning and must implement appropriate measures.

In addition to electricity consumption, Kaufland's energy management system also monitors the consumption of other energy sources, which together with electricity make up the overall energy balance. The energy consumption monitoring system offers better analysis and enables improvements to reduce consumption.

In its energy management, Kaufland is guided by the following principles:

- 1. Improving energy efficiency
- 2. Increasing the transparency of energy costs
- 3. Reducing CO₂ emissions

Ongoing investments into innovative technologies are certain one step forward towards achieving these goals.

Innovative technologies in practice

For a number of years, Kaufland has been researching various aspects of how to save energy during construction and the modernisation of existing stores. Numerous areas for energy savings have been identified and some are outlined below.

Refrigeration system and industrial cooling during winter and summer

In the logistics and distribution centre, a natural refrigerant - ammonia (NH₃) is used in the refrigerated warehouses and halls for fresh products. In new stores, only refrigerants that do not negatively impact the climate are used in refrigerated areas.



There is the possibility of leakage of refrigerants in cooling systems. For this reason, leak detectors have been installed to give the maintenance department timely warning of any leaks. Twice a year, the system is regularly serviced, including controls that there are no leaks in the cooling system installations.

Energy efficient technology is used in stores. The 15 newest stores also receive part of their heating from the industrial cooling systems. This technology conserves natural resources: instead of fuel such as oil or gas, stores are heated entirely from the waste heat generating by the cooling chambers.

Thanks to the industrial cooling system, previously

unused waste energy has now become useful during winter, and covers a large portion of the necessary amount of heat. Waste heat is used in the industrial floor heating that is laid under the entire sales areas.

In the summer months, additional compressors generate sufficient cooling strength to supply the ventilation system. The industrial floor cooling system means improved ambient temperature indoors. Despite this, waste heat is still used, i.e., for the industrial floor heating in the fresh products section. These departments are heated year round, for otherwise during summer the cooling chambers would cool the space to such an extent that the temperature inside would be uncomfortable.

Total energy consumption in the company				
	Unit of measure	2021	2020	2019
Electricity consumption	kWh	54,463,399.2	49,995,561.5	52,379,963
Gas consumption	kWh	6,661,708.7	5,566,172.9	4,940,088
Heating oil	kWh	-	211,220	222,963
Mobile combustion energy consumption	kWh	4,629,810.4	4,223,302.8	4,665,526.4
Total energy consumption	kWh	65,754,918.3	59,996,257.2	62,208,540.4
Space (sales + auxiliary areas)	m ²	185,186.8	174,127.6	172,201.8
Total energy consumption per m² of sales and auxiliary areas	kWh/m²	355.1	344.6	361.3



LED lighting in stores

Every new store, and every newly renovated Kaufland store, has exclusively LED lighting in the sales area. In 2021 and in early 2022, all fluorescent lamps were replaced with LED lighting in the administration building, and eight stores were retrofitted to replace the existing fluorescent lamps with LED lighting.

Glass doors and lids and LED lighting in refrigerated display cases

To avoid the loss of cold air, refrigerated display cases enclosed with glass doors or sliding glass covers are part of the standard equipment when opening new or modernising existing Kaufland stores. In early 2022, the deep freeze bins in five existing stores were fitted with glass lids, while in six stores, the existing fluorescent lighting was replaced with LED lighting in all display cases, as an additional energy saving measure.



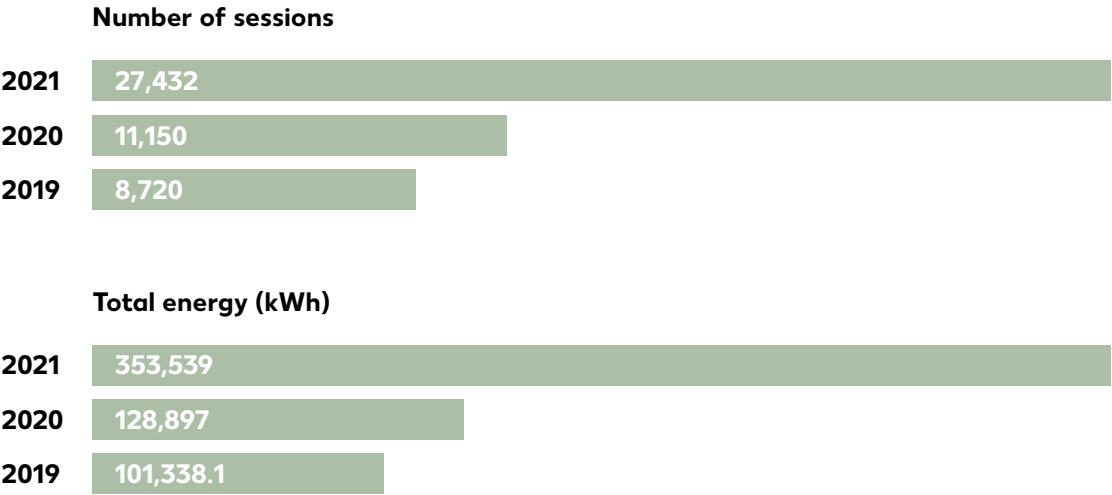
E-charging stations

In 2020 and 2021, the trend continued to install charging stations for electric vehicles in the parking lots of new stores and while modernising existing stores. Today, DC chargers are available at a total of 11 locations.

During the past two business years, the total number of charging stations has risen from 5 to 11.



Number of charging sessions and electricity consumption for electric vehicles during the reporting period



Photovoltaic plants

After the installation of photovoltaic power stations in the stores at Blato (Solar carport) and Šibenik in early 2022, a photovoltaic plant was installed and put into operation on the roof of the Kaufland store at Zadar (Sinjoretova). This contributes to establishing the strategic goal to reduce CO₂ emissions through the use of renewable energy sources.

Data on total energy consumption within the organisation was obtained by a direct method based on the purchased quantities of each energy source.

The applied conversion factors were obtained from the data of the Institute for Energy and Environmental Research in Heidelberg (IFEU).

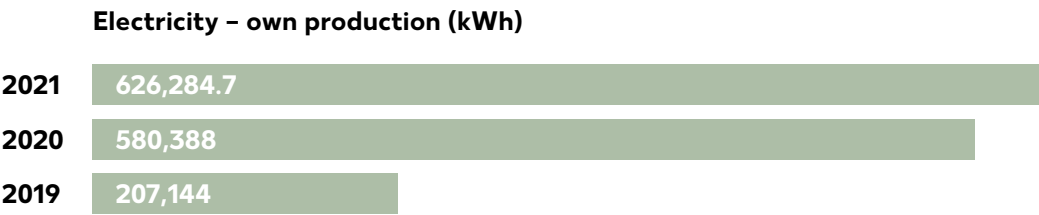


Reducing energy consumption

After the existing parking areas were refurbished in 2018 to generate electricity from renewable energy sources by building the Solar Carport, a carport with built-in PV panels, in 2020 and 2021 photovoltaic plants were installed on the roof of the Kaufland buildings in Šibenik and Zadar Sinjoretovo.

With this, the total installed power of these three photovoltaic plants is 770.2 kWp.

Photovoltaic plants				
	Solar panel area (m²)	Number of photovoltaic panels	Annual generation (kWh)	Percent of store energy needs covered by the photovoltaic plant
Zagreb-Blato	1,266	755	207,000	17%
Šibenik	1,987	1,190	449,845	31%
Zadar-Sinjoretovo	1,092	588	260,585	26%



Emissions

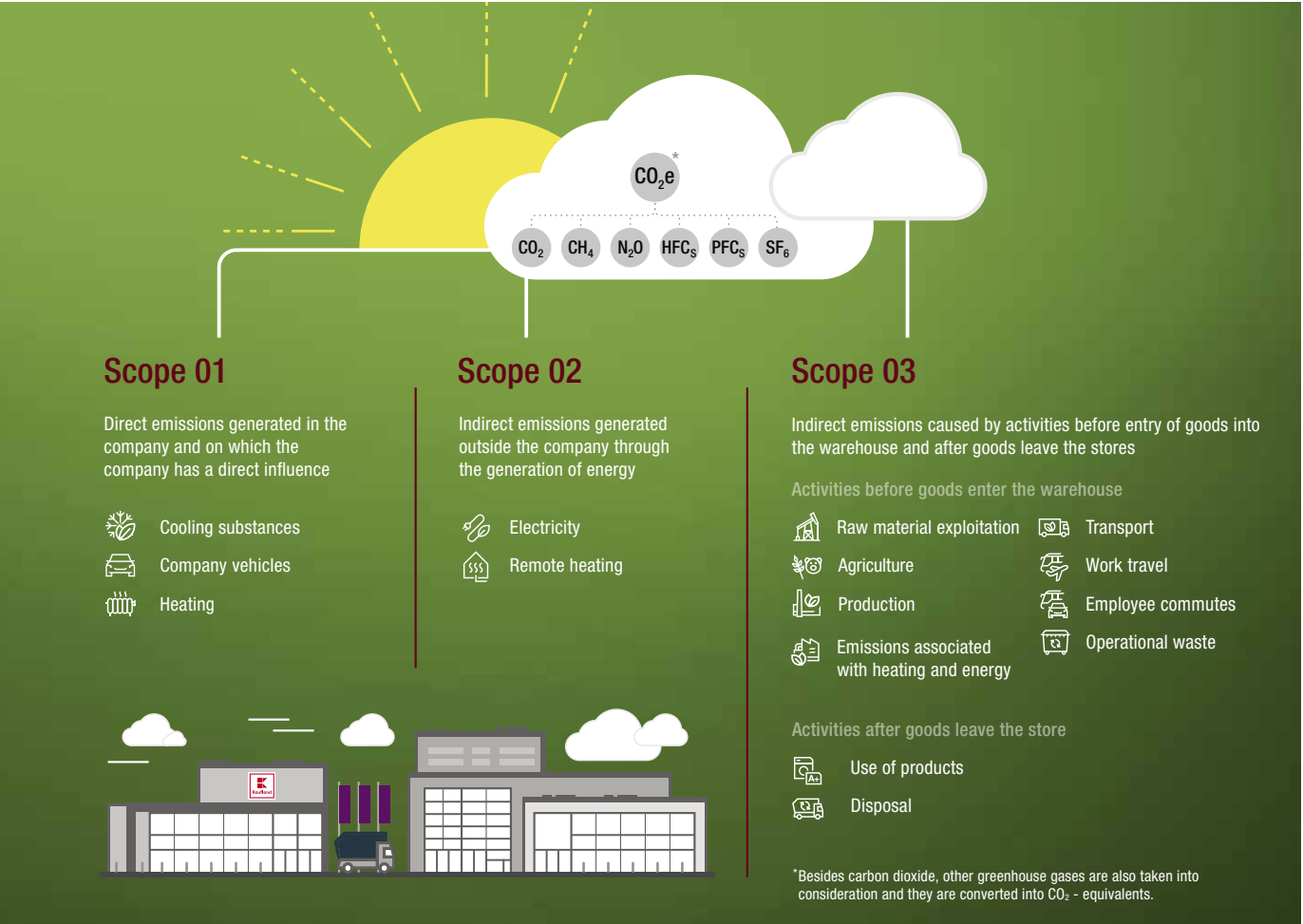
Kaufland Climate Balance

- **Direct emissions (Scope 1)** result from activities owned or controlled by Kaufland. These include emissions that appear directly within the company.
- **Indirect energy emissions (Scope 2)** are the result of the generation of purchased or procured electrical energy, heating, cooling and steam consumed in Kaufland. This includes emissions generated from the production of energy that Kaufland purchases from suppliers.
- **Other indirect emissions (Scope 3)** are all other indirect emissions (not include under Scope 2) and are generated outside of Kaufland. By joining the Science Based Targets initiative, it was no longer enough to only partially collect the other indirect emissions. For that reason, Kaufland added in the emissions from the 2019 baseline year that are generated prior to the entry of goods into our warehouse, and after goods leave our stores.

Additional categories that are considered in the calculation of emission, and which were not included in the previous report are: purchased goods, work travel, employee commutes, use of sold products, handling sold products at the end of their lifecycle.

Intensity of greenhouse gas emissions in comparison to total surface area of Kaufland premises for scope 1, 2 and 3 (sales + auxiliary areas)			
	2021	2020	2019
Indicator (kgCO ₂ /m²)	4,984	5,042	5,186

The carbon footprint of Kaufland is measured through the monitoring and analysis of greenhouse gas emissions. The introduction of new technology, and use and protection of energy from renewable sources are ongoing measures applied to reduce the emissions of greenhouse gases.



I Business impacts on environmental protection

The CO₂ calculation was obtained using the standard GHG Protocol Corporate as developed by the World Resources Institute (WRI) and the World Business Council on Sustainable Development (WBCSD) in accordance with the IPCC 2006 Guidelines for National Greenhouse Gas Inventories, and in line with the requirements of the ISO 14064-1 criteria.

The baseline year is 2019. Data were monitored earlier, but additional parameters were not considered until 2019 when the calculation of indicators and detailed calculation began.

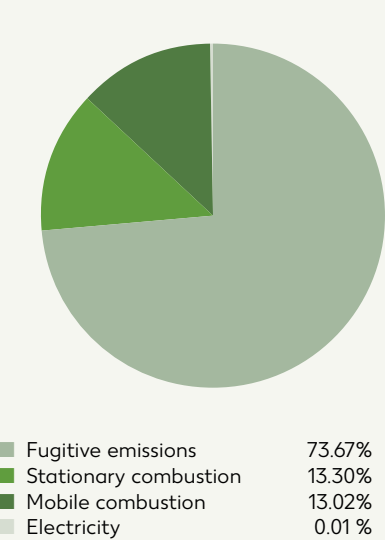


Total emissions of greenhouse gases for Scopes 1, 2 and 3 for 2021

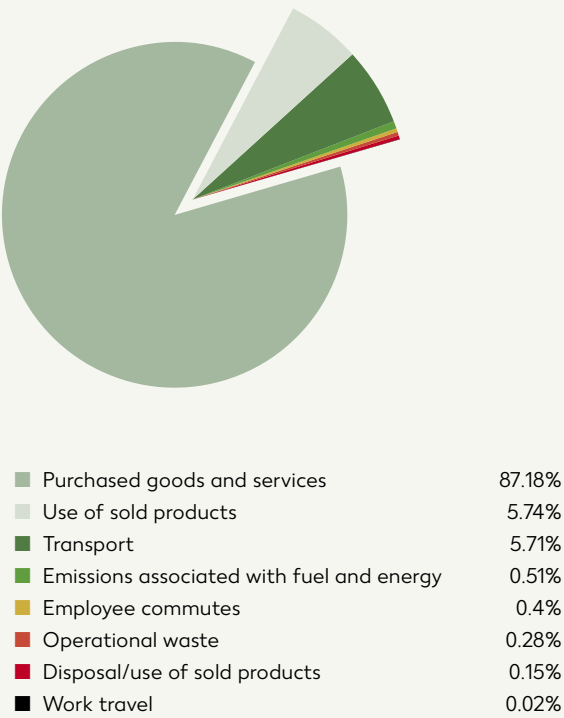
CO₂ emissions by scope
Total 923,034.36 tCO₂e



Scopes 1+2
(1% of all emissions)



Scope 3
(99% of all emissions)



Total emissions of greenhouse gases for Scopes 1, 2 and 3

Scope	GHGP category	2021		2020		2019*	
		Emissions (tCO ₂ e)	%	Emissions (tCO ₂ e)	%	Emissions (tCO ₂ e)	%
Scope 1	Fugitive emissions	6,729.47	73.68	4,662.53	68.64	5,461.05	71.61
	Mobile combustion	1,188.91	13.02	1,085.89	15.99	1,210.62	15.87
	Stationary combustion	1,214.43	13.30	1,043.97	15.37	954.43	12.52
	Total	9,132.81	1.00	6,792.39	0.77	7,626.1	0.85
Scope 2	Electricity	1.2	100	6,463.48	100	6,834.63	100
	Remote heating	0	0	0	0	0	0
	Total	1.2	0	6,463.48	0.74	6,834.63	0.77
Scope 3	Purchased goods and services	796,776.08	87.18	731,281.62	84.56	745,733.59	84.88
	Emissions associated with fuel and energy	4,650.97	0.51	3,568.85	0.41	4,685.42	0.53
	Transport	52,195.7	5.71	60,551.1	7	60,485.28	6.88
	Operational waste	2,551.55	0.28	2,218.88	0.26	1,988.78	0.23
	Work travel	217.5	0.02	257.55	0.03	700.1	0.08
	Employee commutes	3,672	0.4	3,596.4	0.42	3,589.2	0.41
	Use of sold products	52,499.39	5.74	61,973.29	7.17	60,222.49	6.85
	Disposal/use of sold products	1,347.16	0.15	1,320.13	0.15	1,147.02	0.13
Total		913,900.35	99	864,767.82	98.49	878,551.88	98.38
Total Scope 1 + 2 + 3		923,034.36	100	878,023.69	100	893,012.61	100

* in 2021 the emissions calculations also included additional criteria and a new calculation was made for 2019

Water

Water is an important resource for life. At Kaufland, water consumption is monitored daily in all stores, headquarters and the logistics and distribution centre. Water is supplied from the local water supply system. Consumption is rationalised through efficient management and new technologies.

Every deviation is documented, and after analysis, measures are introduced to remove the cause of the observed deviations in water consumption. Wastewaters are equal to consumption. Water is discharged from the internal system into the public drainage system. Consideration is given to all relevant legal regulations, with regular controls by Kaufland employees in stores and their colleagues responsible for maintenance in stores, headquarters and the logistics and distribution centre.

According to the trends seen and in the comparison between 2021 and 2020 in relation to 2019, it can be concluded that there was an overall increase in consumption. The reason for this increased consumption was the opening of new stores in Croatia

Reducing water consumption through new technologies

Constant efforts are invested to optimise production processes and to save water using new procedures and to make these efforts visible to customers. All products for which water consumption was reduced thanks to new technology can be recognised by the logo “Water saving” (*Štedimo vodu*). With their purchasing decisions, customers can thus contribute to more sustainable consumption.

One of the specific steps to reduce water consumption is saving water when dyeing textiles. Conventional textile production requires large quantities of water. Since it is important to Kaufland to reduce water consumption, in the production of textiles we use more ecologically friendly dyeing procedures, such as the “dope dyed” and “dry dyed” techniques.

“Dope dyed” is a centrifugation process in which a polymer is mixed together with colour granules and then used to dye the fabric. Since the dyeing procedure is integrated into the centrifuge procedure, it is possible to better control the use of chemicals. An additional advantage of this technology is that the entire fibre is dyed, giving the fabric a longer-lasting and bright colour. The “dry dyed” technique is a drying procedure that is also an environmentally friendly alternative to the usual dyeing process. The material is dipped in the dye, and using high temperature and air pressure, the pigment is able to uniformly penetrate deep into the fibre where it is fixed.

With both techniques, water consumption can be partially or completely eliminated. Energy consumption and CO₂ emissions can also be significantly reduced in comparison with classic dyeing techniques – to protect the environment and the climate.



Water consumption (m³)			
Category	2021	2020	2019
Stores	53,095	48,038	42,049.2
Logistics and distribution centre	4,767	3,244	4,032
Headquarters	1,493	1,245	1,936
Total water consumption	59,355	52,527	48,017.2



Waste

Waste management during the performance of activities is regulated as follows:

- 1. primary sorting of waste by fractions at the site of origin,
- 2. disposal of separate waste fractions in receptacles or on load carriers,
- 3. removal and disposal of waste fractions in the defined manner through authorised companies.

This waste management system avoids threats to human health, risks of soil, water or air pollution, and the risk of explosion, fire or other accidents.

As a seller of single-use packaging beverage products, Kaufland Hrvatska k.d. has recognised the problem of the disposal of this packaging in the environment. Funds were invested to procure automated disposable packaging return machines for plastic, glass and metal beverage bottles. In 2020, 39 stores had installed this automatic return device (TOMRA) with a special upgrade unit for crushing PET packaging. As a result, customers return this packaging to the store, and it is not discarded into the environment, and the packaging becomes a raw material for production reuse.

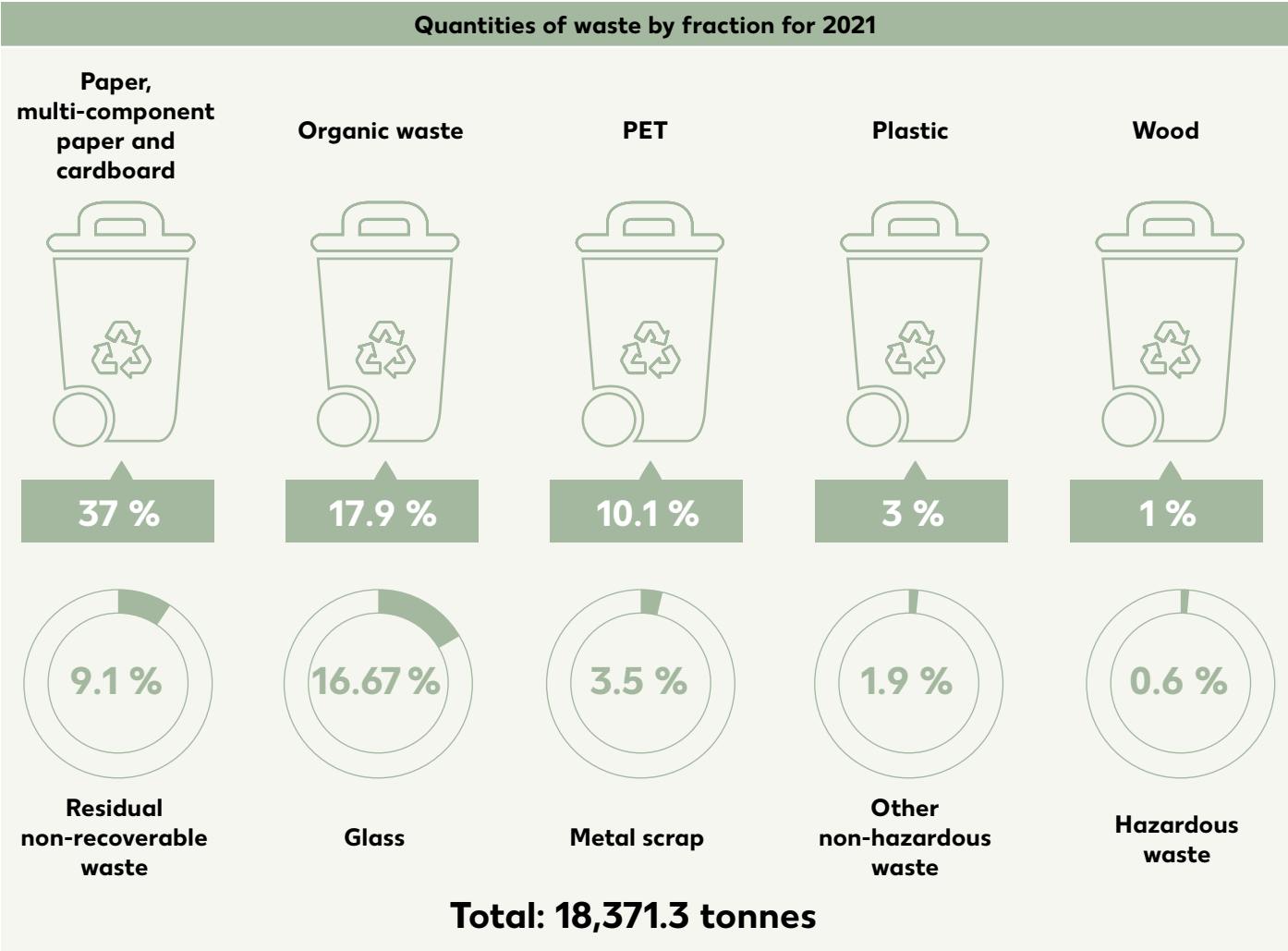


In 2021, this number was increased to 42 stores. Kaufland hands over the packaging to authorised waste packaging collectors who perform the initial sorting, after which the PET is baled and taken to be rinsed of all impurities. The material is then mechanically reduced into granules.

The produced bales weigh 450–600 kg, which transfers a larger mass per unit volume per round to the waste collector.

Kaufland cooperates with partners who can ensure that recovery and/or disposal operations are less harmful to people and the environment. Food waste is handed over for recovery to biogas plants where fermentation gas is used to produce energy. Waste edible oil is handed over to partners who use this raw material to produce biodiesel fuel.

In 2020, 44 devices for baling cardboard packaging and 5 devices for baling packaging foil were installed at Kaufland stores. In 2021, this number was increased to 48 devices for baling cardboard packaging.



Quantities of waste by fraction				
Category	2020		2019	
	tonnes	%	tonnes	%
Paper, multi-component paper and cardboard	6,366.1	40.5%	6,646	42.1%
Organic waste	2,472.3	15.7%	2,486	15.8%
PET	1,579.2	10%	1,675	10.6%
Plastic	428.8	2.7%	429	2.7%
Wood	138.2	0.9%	148	0.9%
Residual non-recoverable waste	1,455.3	9.3%	1,224	7.8%
Glass	2,493.9	15.9%	2,524	16%
Metal scrap	476	3%	69	0.4%
Other non-hazardous waste	231.2	1.5%	530	3.4%
Hazardous waste	81.7	0.5%	49	0.3%
Total	15,722.7	100%	15,780	100%

Non-hazardous waste (in tonnes)			
Category	2021	2020	2019
Reuse	Data not collected	Data not collected	10
Thermal use	Data not collected	Data not collected	2,431
Disposal	1,672.3	1,455.3	1,224
Recycling	13,344	11,775.7	12,066
Total	15,016.3	13,211	15,731
Hazardous waste (in tonnes)			
Incineration	Data not collected	Data not collected	2
Recycling	116.2	77.4	47
Total	116.2	77.4	49

Kaufland monitors the consumption of all materials it uses. This enables the company to have insight into resources and their availability according to consumption. The monitoring process results in an approach for the selection of recycled materials or their reuse.

Kaufland's customer leaflets are primarily printed on FSC®-labelled paper from proven responsible sources. Consideration is always given to whether internal document need to be printed, and internal processes are optimised, e.g., through the

introduction of digital authorisation in accounting and salary calculations, and other sectors, in order to avoid unnecessary printing. Recycled paper is primarily used for the printing and copying of other documents.

Quantities of consumed materials (in tonnes)			
Category	2021	2020	2019
Advertising material - fresh fibre	24	3,488	3,830
Advertising material - recycled	4,318	1,406	-
Printing paper - fresh fibres	10.1	6.1	7
Printing paper - recycled	18.4	16.4	19
Garbage bags	19.9	2.5	15
Plastic bags for fruits and vegetables	84	74.8	95
Stretch film or foil (packaging material)	84.5	79.3	98

Waste separation system in Logistics

In 2017, as part of the campaign “Valuing recyclables”, each of the four halls within the Logistics Centre in Jastrebarsko were analysed in cooperation with the company GreenCycle, part of the Schwarz Group. Based on the results, disposal areas for individual waste fractions were planned and set up, with special focus on facilitating sorting by employees and ensuring optimal waste collection. These measures increased the sorting quota of individual waste groups, due also in part to the standardised icons used across the entire Schwarz group.

Special attention is paid to municipal waste, as almost 3/4 of municipal waste is made up of recyclable materials that can be reused or converted into other products.

Proper waste sorting is a great economic and environmental potential that should be implemented in order to achieve Kaufland's goals, i.e., reducing mixed municipal waste by separating waste fractions and preparing fractions for recycling. This is part of the company's contribution to protecting the environment and the workplace.

Waste sorting measures

With good preparation, the job is already half done. This is why great attention is placed on proper sorting, to ensure an efficient recycling process. This avoids the need for extra work and creates added value for people and the environment.

The aim of waste management is to return as much material into use, to achieve a circular flow of raw materials. An example in which the cycle has already been closed is the multi-use bag, made from waste foil from Kaufland accounts for 80% of the raw materials, or our office paper that is made from recycled paper.

Customers are also stimulated to engage in good practices, and Kaufland stores offer boxes for the disposal of spent light bulbs, batteries, small electronic devices, foils, and paper and cardboard packaging. These receptacles are either found in the recycling stations at the entrance into the store, or at the info desk. The waste return system ensures the recycling of high quality raw materials, and the proper disposal of all harmful compounds.



Commitment to the community



Commitment to the community

Working with the community is immensely important to provide customers with a shopping experience that positively affects their society and the environment. Kaufland expresses its commitment to the community through socially responsible activities; this is an important component of its business policy and an ongoing focus that is aligned with the sustainability strategy for human health and the planet.

Since the opening of the first stores in Croatia, Kaufland has contributed to community-building through partnerships and socially responsible programmes, projects, donations and sponsorships that create a positive impact on the broader communities in which it operates, thereby contributing to positive change in society.

At Kaufland, donations and sponsorships with a socially responsible purpose are granted in accordance with clearly defined guidelines. These, and other activities, are managed by the Corporate Communications Department. Applications by political organisations and parties, unions and religious organisations are not considered. Donations are not approved for individuals. All applications are forwarded to the Corporate Communications Department and are reviewed by at least two people. Applications that meet the prescribed criteria are then furthered to the CEO for final approval.

Examples of Kaufland projects are outlined below, showing how the company directly contributes to the communities. In selecting projects, preference is given to those projects that address at least one of the strategic determinants of Kaufland: children, health and environment. In the projects, the aim is to encompass as many people as possible, which is why most of the projects Kaufland supports have a national character.

Collecting donations for the Croatian Red Cross

For several years, grocery collection baskets have been set up in Kaufland stores three times per year. The Croatian Red Cross distributes the donated goods to those in need and to soup kitchens. Customers regularly have the opportunity to help those in need, by purchasing dry goods such as flour, oil, rice, pasta, tinned goods, etc. and then donating them to the basket after purchase. In 2020, our customers donated goods valued at HRK 190,136.30 (EUR 25,235.42), and in 2021, at HRK 156,358.70 (EUR 20,752.37).



Volunteering

After the pandemic year in 2020 in which there was a break from corporate volunteering, in 2021 the Kaufland volunteers were delighted to accept the invitation to a new action. The Kaufland employees joined in the Green Cleanup campaign as part of the World Cleanup Day movement, which aims to clean up the environment and raise awareness about the generation and disposal of waste.

In cooperation with the Žmergo Association and a large number of cities across the country, Kaufland organised a corporate volunteering campaign for their employees, focused on

cleaning up the environment. Kaufland employees cleaned up green areas in Zagreb, Sinj, Zadar, Šibenik, Zaprrešić, Dugo Selo, Vukovar, Umag and Vinkovci.

Employees from nearly 40 stores, the logistics and distribution centre, and Kaufland headquarters pitched in throughout Croatia to contribute to cleaning up illegal landfills and other waste disposal sites that are not only a burden on the environment, but also a threat to humans and animals. All employees that participated in the volunteer campaign received a paid day off and a thank you for their engagement.



Kaufland School of Fruits and Vegetables

The project Kaufland school of Fruits and Vegetables has been implemented since 2017. The aim of this project is to raise awareness of the need for a healthy diet and its impact on children’s health. In 2021, the project was recognised and supported by the Ministry of Science and Education.

The pandemic year of 2020 posed a challenge for Kaufland in selecting new partner schools. The previous practice of organising creative contests aimed at giving schoolchildren the opportunity to express themselves in the most creative ways was not possible in 2020, since schools were closed at the national level. Therefore, in the 2020/21 school year, our cooperation continued with those partner schools selected for the 2019/20 school year.

During the school closures, the donations intended for schools were redirected to the Croatian Red Cross, and the donated fruits and vegetables made their way to people who lost their homes during the devastating earthquake



in Zagreb. The network of the Croatian Red Cross distributed the donations.

During the 2020/21 school year, about 140 tonnes of fresh fruits and vegetables were donated through this project. In the first five years of the project, Kaufland donated nearly 500 tonnes of fresh produce to schools.

In the 2021/22 school year, the project Kaufland School of fruits and vegetables was further expanded to include not only the 42 partner schools, one for every Kaufland store, but also

an additional 12 schools – all primary school institutions with regular and special programmes for children with developmental disabilities who applied in the programme.

An additional feature of the programme that was developed in the 2021/22 school year was the special award for the best partner school. Our expert panel judged all entries in the competition to create a video for Kaufland’s winning song “Dobre stvari su pred nama” (Good things lie ahead) by the band Nova Generacija. The best video was selected as the performance that was most creative and invested the most effort, and the winner received the chance to film a professional music video directed by the school and Kaufland.

Quantitative success indicators for Kaufland’s School of Fruits and Vegetables	
Year	Quantity of donated fresh fruit and vegetables in kg
2021	147,651
2020	88,516
2019	130,209



ZAPJEVAJ:

Dobre stvari su pred nama!

Kaufland te poziva da zapjevaš i zaplešeš u ritmu pjesme “Dobre stvari su pred nama” te tako sudjeluješ u zabavnom natjecanju! Poslušaj pjesmu, osmisli kratak video, snimi sebe i svoje prijatelje iz škole i osvoji svježe voće i povrće za cijelu školsku godinu! Saznaj više na: kaufland.hr/skolavip



Christmas donations

Unfortunately, many children do not have the opportunity to grow up in warm family home. Their fate depends on foster families and guardians, and on all the rest of us in the community. That is why in 2020, Kaufland donated products worth a total of HRK 250,000 (EUR 33,180.70) for a joyous Christmas for all children in children's homes in Croatia. The aim of this donation was to make the Christmas holidays nicer, so that every child has a Christmas dinner and a present to open.

This donation encompassed 1,000 children living in homes across Croatia. The donated amount was determined for each child, so that every child could choose something for themselves – the homes were able to choose what they needed most from the Kaufland assortment.

In 2021, the Christmas donation in the amount of HRK 350,000 (EUR 46,452.98) was directed to a project of our partner UNICEF. Thanks to this donation, UNICEF equipped five inclusive cabinets at higher education institutions in Zagreb, Split, Osijek, Pula and Rijeka. The inclusive cabinets contain didactic and teaching

equipment and aids, basic equipment for sensory integration (such as a tactile walls, sensory set for the stimulation of the senses of smell and vision, dyslexia set, sensory balls, tactile discs and light-up LED panels), furnishings and software for assisted communication technology that future teaching experts will be able to use in practical classes and in learning innovative teaching methods in working with children and in inclusive education.

Some 1,500 childcare experts and 1,500 primary school teachers will be educated every year in the inclusive cabinets, representing an exceptional contribution to all future generations in Croatia.



POMOĆ DJECI



Donations to COVID Hospitals

With Kaufland's sister company Lidl Croatia, a total of one million kuna (EUR 132,722.81) was donated to Croatian hospitals in 2020 following two disasters – the COVID-19 pandemic and the powerful earthquake that struck Zagreb on 22 March 2020.

The donations were spread out across Croatia, so the Dubrava Clinical Hospital and Dr. Fran Mihaljevic Infectious Disease Clinic each received HRK 250,000 (EUR 33,180.70), while Split Clinical Hospital, Osijek Clinical Hospital, Rijeka Clinical Hospital, Varaždin Clinical Hospital, and Pula Clinical Hospital each received HRK 100,000 (EUR 13,272.28).



The aim was to facilitate the procurement of the necessary materials and equipment for the daily battle against COVID-19, and to care for the most critical patients in intensive care.

Donation after the Petrinja earthquake

In difficult situations, Kaufland and Lidl join forces to make a significant joint donation in 2020. After the devastating earthquake that hit Petrinja on 29 December 2020, affecting citizens from the area of Petrinja, Sisak, Glin and even the broader Zagreb area, together with Lidl Hrvatska a donation of HRK 15 million (EUR 1,990,842.13) was made to the account of the Croatian State Budget in the campaign "Helping to rebuild after the earthquake". This donation was aimed to facilitate the care of people affected by the earthquake and to repair the affected buildings.



Donation of children's masks

In February 2021, Kaufland donated nearly 800,000 children's disposable masks to school children in the partner schools in the programme Kaufland School of Fruits and Vegetables, city branches of the Croatian Red Cross, Croatian Caritas and the Lekenik SOS Children's Village, to help more quickly stabilise life in earthquake affected areas. In the second wave in November 2021, more than 350,000 children's masks were donated to Kaufland Schools of Fruits and Vegetables partner schools and to health care institutions. This donation of over a million children's masks was distributed via a mediator to children in three Croatian counties where the state of emergency was declared after the earthquake on 29 December 2020.

After the large financial donation that was paid to aid in the reconstruction of affected areas, this was Kaufland's next step in helping those affected.



Charity stands

Free space for charity stands in stores is a socially responsible project that Kaufland has been implementing for many years. At the end of every year, an annual plan is drawn up for the schedule of stands for the following year, and this is aligned with societies and stores.

The promotion of humanitarian activities in Kaufland stores is exceptionally important. In this way, societies have direct communication to potential donors, and they can directly inform them about their work and how a donation will contribute to achieving the society's goals.

The societies we support in this way are: UNICEF Hrvatska, Croatian SOS Children's Village, Krugovi and Crveni nosovi.



Cloth bags

Back in January 2020, Kaufland was the first retail chain in Croatia to completely eliminate the use of disposal plastic bags at the till. Kaufland continued working on sustainable alternatives, and in January 2022, launched a large interactive campaign. A competition was organised called "Design of good things" for students to join in the battle against plastic waste and disposable plastic bags.

Through this project and their ideas and creative solutions, students were able to raise the popularity of using multi-use cloth bags by

presenting their design for cloth bags to Kaufland. Students were able to base their design on a number of topics: climate, biodiversity, reducing food waste, and reducing plastic use.

Four winners were selected with the best graphic design, that were then applied to the cloth bags. With the changing seasons, the winning bags are changed on the shelves of all stores in Croatia – one design per season. Each of the four winners also won a valuable prize: an Apple MacBook Pro laptop computer.



Milky Way

In 2020 and 2021, Kaufland was again the main sponsor of the UNICEF Croatia Milky Way Run, for the fourth and fifth year in a row.

A large number of citizens, including the Kaufland team, participated in this grand charity event that became virtual, inclusive and national due to the COVID-19 pandemic.

In 2020, UNICEF organised the Milky Way Run to raise funds to procure new sensory equipment to

open sensory rooms for children with disabilities in Croatia, and to educate experts to carry out sensory integration therapy. In 2021, the funds raised went to establishing and improving day care services, psychosocial support and good quality support programmes for the parents of children with disabilities, especially where those services are absent or less accessible.



Donating blood

Even though it was not possible to organise a blood donation campaign at headquarters in 2020 due to the pandemic, in 2021 it was again possible to come together to donate blood.

Due to the low stocks of blood, the Croatian Blood Transfusion Institute regularly calls upon all those who can donate blood to do so, to help save lives. Kaufland is always pleased to accept this invitation and goes one step further: as a company organises a day of voluntary blood donations at its headquarters. On the day of giving blood, employees get the rest of the day off.

Sustainable assortment

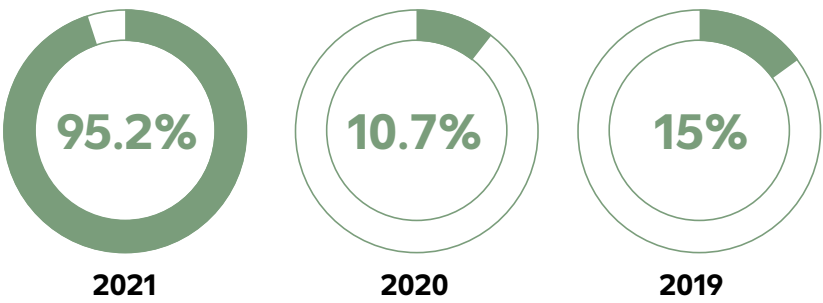
Sustainable assortment

As a retail chain, Kaufland pays special attention to offering a sustainable product assortment. Advocating responsible production conditions, animal welfare and conservation of nature and the marine environment is an important component of corporate policy. Through this, Kaufland takes responsibility for the environment and shows its deep concern for climate change, the scarcity of natural resources and biodiversity loss.

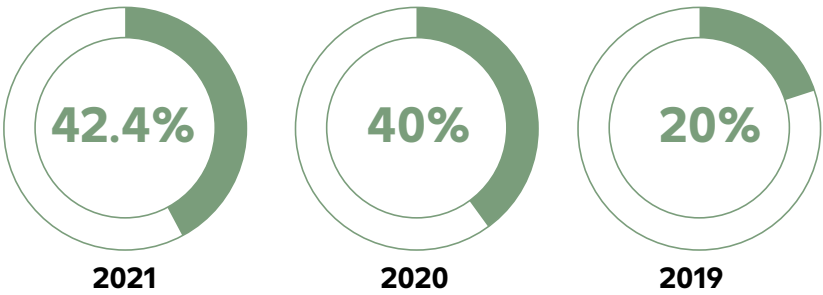
By creating an assortment with a vision for the future, Kaufland as a retail chain pays special attention to the sustainable selection and packaging of the assortment through its commitment to responsible production conditions, suitable animal husbandry conditions and the preservation of marine diversity.

Kaufland is aware of its responsibility toward humankind and nature, and stands behind the Detox campaign of the independent global organisation Greenpeace for quality and safety in the production of clothing, home textiles and shoes. All polo shirts and employee work shirts bear the world's leading cotton certificates: Global Organic Textile Standard (GOTS) and Fairtrade, meaning that these items contain no harmful substances and were produced exclusively with organic cotton in controlled and fair working conditions.

Share of sustainable coffee in the private label coffee brand



Share of eggs from sustainable breeding in the egg assortment



Products sourced according to sustainability standards			
Type of product*	2021	2020	2019
Fairtrade articles	144	42	41
Bio-articles	426	294	256
Articles with the FSC® certificate	54	17	10
Articles with the Rainforest Alliance certificate	144	33	2
Articles with the UTZ certificate	86	38	45
Coffee from sustainable farming	55	3	4
Sustainable eggs	14	12	5

* Articles that could be ordered on the final day of the business year. Exceptions are articles that are only temporarily available, seasonal and non-food items

External product certificates



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 labour 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: <https://www.bmel.de>



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



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 labelling.
More at: www.global-standard.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/



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 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 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 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 UTZ seal is awarded to sustainably produced coffee and tea. The UTZ mission is to create a world where sustainable production is the norm.
More at: www.utz.org



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.eu


Kaufland product labels



Our actions do the talking.

We want to make the world a bit better too. That's why we have long committed ourselves to things like food from sustainable suppliers and protection of the environment, climate and animals. Our commitment has the slogan "Our actions do the talking."


More at: www.kaufland.com/actions



Water-saving

This logo indicates products where water was saved compared with the traditional production process. This enables us to make water-saving measures transparent.


More at: www.kaufland.com/water



Microplastic Free Formula

Using our "Microplastic free" seal, you can see at a glance whether microplastics are contained in one of our private label products or not. The seal refers to the formulation for the products, not to the packaging or carriers like towels or pads.


More at: www.kaufland.com/plastic



Consciously packed


The "Consciously packed" logo informs customers about our packaging optimisation measures.

More at: www.kaufland.com/packaging




Reuse again and again

This logo indicates non-food products that can be reused and are not single-use items. It is only used in communication and not on the packaging.



Bez ambalaže

This logo indicates fruit and vegetable products and is only used in communication and not on the packaging.



**KLIMATSKI NEUTRALNO
CO₂
CLIMATE NEUTRAL**

We indicate our climate-neutral products with this label, enabling our customers to track our climate neutrality and find out more about the climate protection project. That's why we provide as much transparency as possible.

More at: www.kaufland.com/climate

*The remaining operational greenhouse gas emissions (Scope 1 and 2) are compensated by certified climate protection projects

Vegetarian and vegan products

At Kaufland, it is possible to find more and more vegetarian and vegan products in all our product groups, such as meat substitutes, dairy products and spreads. These products for vegans and vegetarians, and for all other customers, are a responsible alternative.

The K-take it veggie product line includes numerous tasty, affordable and high quality alternatives – many of which hold a bio-certificate. For better orientation, the appropriate products from the remainder of the private label assortment bear the mark "V", denoting vegetarian and vegan products, in accordance with the regulations of the European Vegetarian Union (EVU).

K-take it veggie

Plant-based food has a lower CO₂ footprint* than foods of animal origin. The Kaufland private label K-take it veggie offers numerous benefits. All products in the K-take it veggie line are climate neutral** so that all CO₂ emissions generated from their production to disposal are compensated through the climate protection project. The packaging of the K-take it veggie line is also regularly improved to switch to more environmentally solutions, which further reduces emissions.



* Source: https://www.wf.de/fileadmin/user_upload/living-planet-report/2020/Living-Planet-Report-2020-english-version.pdf

** Climate neutral means: after all CO₂ emissions of our products have been calculated, we compensate them by supporting certified climate protection projects

Clean drinking water: [https://fpm.climatepartner.com/project/1321/de?utm_source=\(direct\)&utm_medium=climatepartner.com](https://fpm.climatepartner.com/project/1321/de?utm_source=(direct)&utm_medium=climatepartner.com)

Biogas: <https://fpm.climatepartner.com/project/1358/de>

Clean cooking ovens: <https://fpm.climatepartner.com/project/1322/de>

Kaufland supports biological diversity

Since spring 2021, Kaufland Hrvatska k.d. has decided to mow less often the grass around the headquarters building. In this way, bees are able to find nectar and pollen on this grass, collecting it to feed their entire colonies.

Biological diversity – the foundation of all life

Ecological diversity, also called biological diversity or biodiversity, is the foundation for all life on Earth. The diversity or richness of species, alongside genetic diversity and ecosystem diversity, is an aspect of biological diversity. These three aspects are closely tied together and create the network of biological diversity that makes our planet unique.

Millions of species are facing extinction

The diversity of species on land, in water, underground and in the air is important for ecosystem functioning and the human food chain. For example, a large number of insect species, such as wild bees, pollinate up to 80% of the wild and useful plants on Earth. However, nearly half of all insect populations are declining, and scientists believe that many are facing extinction in the near future. Reasons for this are increasing agriculture, monocultures and the use of agrochemicals. Many other species are also facing extinction.



Kaufland and sustainable pesticide use

For us, biological diversity is the foundation of our rich assortment of foodstuffs. However, growing our products can negatively impact species diversity. We take specific measures to contribute to the protection and conservation of species diversity, and to minimise our impacts on the environment. One of the important components of our activities is sustainable pesticide use.

Since 2006, we have implemented projects together with suppliers for integrated agriculture and reduced pesticide use in growing fruits and vegetables. Through this systematic approach, we reduce the use of pesticides, and exceed the legal requirements. We consistently advocate that producers should use plant protection compounds only when there are no suitable technical agrarian

methods to use. As part of our independent chemical controls, we also regularly verify whether our internally set standards are being met. Today we are already leaders in reducing pesticide use in growing fruits and vegetables, and flowers and plants, and our regulations are among the strictest in the branch.

At the product level, we perform various certification processes that consider the biological diversity criteria, such as the bio-certificate, FSC® certificate (Forest Stewardship Council) for wood products, MSC (Marine Stewardship Council) and ASC (Aquaculture Stewardship Council) for fish, Rainforest Alliance for coffee and bananas and Fairtrade for cocoa.



Analysis of fruits and vegetables for pesticides

Every year, Kaufland submits more than 450 fruit and vegetable products to an independent laboratory in Germany for analysis of pesticide residues. Since 2000, our goal is that every product in the assortment be tested at least two times per year for pesticide residues. All Kaufland producers also must be certified with the Global GAP certificate, which guarantees complete application of all legal regulations and rules of good manufacturer's practice in all steps of agricultural production.

Special standards for private label products

Categorisation of articles			
Articles from Croatian suppliers			
	2021	2020	2019
Private label products	234	175	Data not collected
Products of different brands	21,793	22,905	Data not collected
Articles from suppliers outside Croatia			
	2021	2020	2019
Private label products	3,691	3,898	Data not collected
Products of different brands	2,539	3,331	Data not collected
Total sum	28,257	30,309	Data not collected

- Kaufland sets general requirements for food and special requirements that pertain to specific food such as eggs, meats, and meat products. These requirements are part of the framework agreement concluded between the producer and Kaufland. If a product from the agreement to which this pertains is not in accordance with the general and special requirements, then it is considered deficient.
 - Kaufland also prescribes requirements pertaining to packaging material and auxiliary materials, and components that are not in direct contact with the product (such as sticky track, etc.). It also prescribes the migration values for paper and cardboard packaging, and for packaging in direct contact with the product, and for printed packaging materials.
- The product must not contain AZO-dyes: E102, E104, E110, E122, E124 i E129.
 - The product must not contain raw materials or ingredients treated with IR radiation.
 - Eggs or egg-based products are exclusively from floor or free-range breeding.
 - Meat products do not contain machine deboned meat or any flavouring.
 - Products do not contain microparticles smaller than 100 nm.
 - The supplier undertakes to deliver only products with trans-fatty acids of no more than 2% of the total share of fats, except for products containing animal fat.



Recall of private label brands		
2021	2020	2019
3	2	5

Assortment quality and sustainability

Kaufland places special emphasis on the quality and sustainability of its assortment, and works to increase the share of its products that are better for consumers and for the planet.

This is seen in the many certificates Kaufland possesses.



Support for domestic producers

Kaufland offers its customers a large selection of local products, such as fruits, vegetables, dairy products and cured meat specialties, and his supply depends on the region and season. Short transport routes preserve the climate and strengthen local producers.

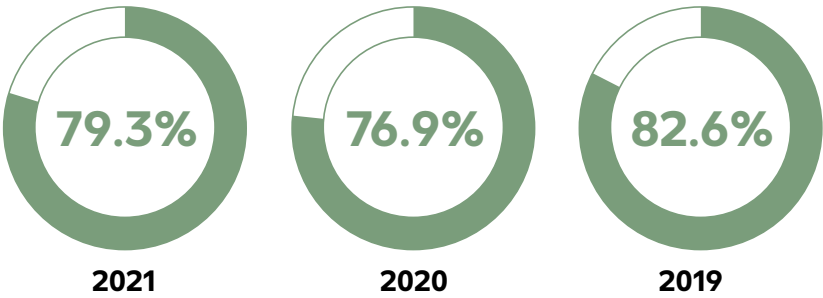
In terms of the value of procurement in the food and non-food product assortments in 2021, 79.3% of goods were sourced from suppliers in Croatia, and 20.7% from suppliers outside Croatia. In terms of the number of suppliers, 59% are from Croatia, and the rest from other countries.

During its almost 20 years in Croatia, Kaufland has established cooperation with numerous domestic producers. In 2018, this cooperation resulted in the campaign entitled "Local suits me best" (*Naše mi najbolje paše*), and with it, cooperation was expanded in the brands K-Classic and K-Favourites. From Slavonia to central and northwestern Croatia, to Dalmatia and Istria, Kaufland works with more than 80 producers. "Naše mi najbolje paše" label guarantees Croatian raw materials, Croatian origin, Croatian producers, as well as traditional recipes and original flavors.

In the sector of Fruits and Vegetables, and Fresh Meats, Kaufland works directly with producers in Croatia. Since entering the Croatian market, Kaufland has nurtured intense cooperation with 56 direct producers of fruits and vegetables.

The stable cooperation of local producers and Kaufland secures jobs at the supplier. Kaufland always regularly settles its obligations, giving suppliers security in planning their operations, which in turn ensures job security.

Percentage of products* from national suppliers



* products that could be ordered on the last day of the business year. Excludes articles that are only temporarily available, seasonal or non-food items

Animal welfare



Animal welfare

Animal protection is very important to Kaufland, which is why the conditions of animal husbandry are actively improved to guarantee more responsible production of foods of animal origin.

Kaufland applies clearly defined guidelines in its care of animal welfare in animal husbandry. This implies the more responsible production of foods of animal origin. Above all, this excludes all animal keeping conditions that represent animal torture, improves animal welfare standards in all production facilities, and complements the assortment with products that put special emphasis on animal welfare in production processes.

In defining the requirements and implementing measures, the International Standards for Animal Welfare and the Five Freedoms of the World Organisation for Animal Health (OIE) were taken into account:

- 1. Freedom from hunger, malnutrition or thirst
- 2. Freedom from fear and distress
- 3. Freedom from heat stress or physical discomfort
- 4. Freedom from pain, injury and disease, and
- 5. Freedom to express normal patterns of behaviour.

Further targeted communication measures are aimed at raising awareness about more responsible consumption of foods of animal origin.

In order to achieve these goals, the following is important:

- create transparency along the entire supply chain,
- intensive cooperation and regular exchange of information with suppliers, non-governmental organisations, scientific institutions, policy-makers, and the profession,
- requiring suppliers to implement and abide by the defined standards and requirements, even if they are stricter than the legal requirements,
- regular visits and controls of the defined criteria for suppliers that are performed on site at Kaufland's request.

100% grown in Croatia

Kaufland cooperates with three Croatian farms holding the SGS Adriatica certificate, which raise pigs according to Kaufland standards. Piglets must be born and raised in Croatia, and fed exclusively with GMO-free feed produced in Croatia. With the legally prescribed conditions, additional conditions also apply, such as special toys that reduce animal stress.

The standard supply of pork at the butcher's counter is all of Croatian origin, and specially marked with this black label.

No fur products

Through its participation in the "Fur Free Retailer" programme since 2014, Kaufland completely ceased the sale of natural fur products or fur lining. This includes various textile products, fashion accessories and animal toys.

No plucking of feathers, no overfeeding

Geese and ducks are still plucked or fed excessively during fattening. As the protection of animals is extremely important to Kaufland, this is actively prevented and such meat has not been included in the Kaufland assortment since 2016.

Eggs from alternative breeding

In the production of Kaufland brand products (such as pasta and pastries), the use of eggs from floor farmed or free-range hens is very important. Selected products, such as fresh waffles, bear the mark "with floor-farmed eggs" on the packaging.

Kaufland's goal is to ensure that by 2025, its assortment contains no fresh eggs from caged hens or breeding in small groups, nor shall any private label processed products contain such eggs.



Cooperation with national producers

Kaufland cooperates with three Croatian farms holding the SGS Adriatica certificate, which raise pigs according to Kaufland standards.

Piglets must be born and raised in Croatia, and fed exclusively with GMO-free feed produced in Croatia.

Regular product quality controls are conducted at Kaufland in the categories:

- a) fresh meat, fish, egg and dairy products,
- b) regional private label fresh meat products,
- c) regional private label products that are not fresh meat,
- d) fruit and vegetable products.



Number of analyses conducted on private label food products



* Fruit and vegetable products, which are listed separately on page 87, are excluded from the analysis

Contribution to a diverse marine world

The world seas are burdened with pollution and overfishing.

In order to preserve the marine habitat and ensure fish stocks for future generations, Kaufland is committed to clean seas, fishing that will ensure the continued existence of stocks, environmentally conscious fishing, and environmentally-friendly aquaculture. In addition, we choose our products carefully, insisting on strict certification guidelines and attaching great importance to information and transparency.

Kaufland's seafood sourcing guideline is the basis for sustainable assortment selection and it encourages sustainable consumption. The seafood sourcing policy applies to the entire

assortment, regardless of whether they are private label products or branded products.

The goal is to ensure responsible seafood sourcing and to replace the existing seafood assortment with more sustainable products. This will ensure and expand sustainable fish catches and aquaculture that uses responsible use of available fish quantities. The following goals and measures have been established:

- complete transparency and traceability
- refraining from catch methods that have a negative impact on the environment
- refraining from catching endangered fish species
- regular dialogue with suppliers, policy-makers, non-governmental organisations, and scientists
- stimulating sustainable consumption through consumer education
- abiding by the minimum social and ecological standards.

In the long-term, precedence will be given to producers holding certificates (MSC, Bio, ASC, GlobalGap).



Sustainable seafood with MSC-certification

Kaufland's assortment of MSC-certified sustainable fishery products is constantly expanding. As an independent and non-profit organisation, MSC is committed to sustainable fishing worldwide.

For more about Kaufland's fish sourcing guidelines and listed fish species that are not included in the Kaufland assortment, please see:



Kaufland's seafood sourcing guideline

Number of articles holding the MSC certificate			
Category	2021	2020	2019
Articles holding the MSC certificate	37	13	10

Quantity of seafood articles			
Category	2021	2020	2019
Seafood articles	251	283	219
Sustainably sourced seafood	86	40	35

Food Waste Reduction

Strategy to reduce food waste

Kaufland is actively engaged in preventing food waste.

Even before ordering, the actual quantity of each product required in store is verified.

The goal is to meet customer demand in terms of quality and freshness and quantity. In addition to the automated system that calculates stocks and ordering, the current products in stock at stores is monitored, and goods that are soon to expire

are discounted on time to ensure they are sold. The donation of food products that are about to expire is another way to reduce food waste.

By the end of 2030, the Schwarz Group will reduce* food waste at the group level by 50%**. In the supply chain, we will also reduce food waste with regard to certain raw materials.



* For private label production, raw material waste will be reduced by 50% (food) by 2025 (in comparison with the 2017 baseline, in relation to the quantities placed on the market)

** In comparison with the 2018 baseline year for the company



Food donations via registered organisations

One of the greatest problems of the 21st century is the excessive production of food and its waste. In order to prevent stockpiling of edible food in landfills, and to help those who really need it, throughout Croatia since 2016, Kaufland employees remove soon-to-expire articles which are sent to the logistics and distribution centre. Here, they are collected by Caritas of the Zagreb Archdiocese and then distributed to beneficiaries of soup kitchens and homes, and to other beneficiaries in their area of operation.

In mid-2019, a project to donate fresh food, i.e., fruits, vegetables and bakery products, was launched in 18 stores with the Caritas network. In 2020, the City branch of the Croatian Red Cross joined in the campaign, which now includes 36 Kaufland stores that donate fresh fruit, vegetable and bakery products twice a week directly from the store. Following from this good practice, in June 2021, it was decided that goods with an upcoming expiry date would no longer be sent back to the Logistics and Distribution Centre in Jastrebarsko, but would instead be donated locally. It was also agreed that donation mediators could, in agreement with individual Kaufland stores, come to pick up goods more frequently than twice a week. On 28 February 2022, 40 Kaufland stores had a contracted food donations mediator.

This enables more frequent donations, and now the registered mediators can pick up fresh

fruits, vegetables, bakery goods and soon to expire goods from their local Kaufland store every day. The process has been fully localised, making Kaufland even better support and a better partner to the local community in which it operates.

In 2020, Kaufland donated 83,405 kg of fruits and vegetables and 78,401 pieces of bakery products to the Croatian Red Cross, and in cooperation with the Croatian Caritas network, to help those most in need. Given the fully adapted and localised process of donating food products, these figures were further improved in 2021, when twice the quantity of bakery products were donated over 2020, and three times the fruit and vegetables: a total of 159,149 pieces of bakery products and 257,441 kg of fruits and vegetables.

Quantitative indicators of donations to Caritas	
Year	Total quantity of donated products in a calendar year
2021	257,441 kg of fruits and vegetables and 159,149 pieces of bakery products
2020	83,405 kg of fruits and vegetables and 78,401 pieces of bakery products
2019	25,097 kg and 163,340 pieces*

* This refers to fruits and vegetables, bread and bakery products and products close to their best before date.

Food Waste

In 2021, Kaufland launched a major information campaign entitled "Placing focus on taste", aimed at raising awareness of food waste and improving consumption planning in the household. The campaign was repeated in February 2022 under the new slogan "No food in the trash".

The attractive marketing campaign turned customer interest to this important problem, and Kaufland shared tips with customers on how to reduce food waste in their own households. At the same time, Kaufland shared information about all measures it is implementing to reduce food waste.

TKO BACA

nije faca.



ZRELA

za novi početak.



ISKORISTI

do zadnje mrvice.



NE BACAJ.

Iskoristi.



RECI NEĆU

hrani u smeću.

Bacanje hrane je loša navika, ali svatko može poduzeti nešto protiv toga. Važno je ne bacati hranu, nego je pametno iskoristiti. Dobrim planiranjem možeš izbjeći viškove, a ukoliko se ipak pojave, napravi od njih ukusna jela. Budi dio promjene i primjer ostalima!

kaufland.hr/nebacajhranu



Responsible sourcing

Business ethics

Kaufland’s organisational culture is characterised by responsibility and trust. Legal conduct and fair competition are integral parts of management and important prerequisites for the sustainable protection of Kaufland's entrepreneurial success.



Compliance management system

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

“We comply with applicable laws and internal guidelines.”

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

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

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

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

Kaufland and its employees operate under the slogan “We comply with applicable regulations and internal guidelines”, which is firmly anchored in the day-to-day operations. This slogan is a central principle of Kaufland's business and is binding for all employees. Kaufland and its management expressly undertake to adhere to and ensure the implementation of this principle.

Protecting market competition

Protecting market competition is an integral part of the Kaufland compliance management system. Employees working with business partners are trained in topics of protecting market competition, and specialised training is given as required. Guidelines are in place for conduct in business negotiations, and in the case of inappropriate conduct of a business partner. Business partners are also able to report any illegal conduct by Kaufland employees. An online module has been prepared for employees to enter cases of improper behaviour of business partners, and to enter the Kaufland reactions. The module is checked on a quarterly basis by the compliance officer. Regarding the ban of unfair business practices, the company participates via professional associations in consultations to amend regulations and consultations to change regulations. In the case of uncertainties in operations, external experts are consulted.

The Kaufland policies are aligned internationally at the level of the Schwarz Group. Policies are compliant with international standards and exceed the national regulations. The purpose of the policy is to protect the company reputation and avoid fines and claims for compensation. The

long-term goal is the permanent alignment with the Market Competition Protection Act and the Act on Prohibition of Unfair Market Practices in the Food Supply Chain.

The administrative procedure launched in 2018 against Kaufland for setting unfair trading practices in the food supply chain against by the supplier Vindija d.d. was completed in the reporting period. Kaufland was fined HRK 1.1 million (EUR 145,995.09) by the Market Competition Protection Agency on two counts: (1) charging a discount for centralised delivery of product to the Kaufland central warehouse, which according to the Agency represented a transfer of logistics costs to the supplier after the executed delivery, and (2) for concluding the contract for an unlimited time. The penalty was confirmed by the Croatian High Administrative Court. After receiving final confirmation from the Market Competition Protection Agency, Kaufland remedied both of these stated incompliances.

Communication and training on ethical business

The company has appointed a compliance manager to implement systematic alignment of company operations with the valid regulations. Customers and business partners can report their specific claims of illegal conduct to the compliance manager. Confidentiality is guaranteed, as is anonymity as required, and all personal data are handled in accordance with the valid legal regulations on personal data protection.

The notification system BKMS® is available on the Kaufland website, allowing reports of compliance violations to be made from anywhere at any time. Kaufland's appointed compliance officer processes all notifications received in this manner.

The BKMS® system for filing reports of compliance violations can be accessed at this link: <https://tvrka.kaufland.hr/kaufland/nase-vrijednosti/compliance.html>



All employees, board members and business partners are informed of the organisation's anti-corruption policies and procedures.

In order to respect business ethics and prevent anti-corruption behaviour, managers and all employees are trained in anti-corruption policies and procedures. Training is held at the beginning of employment and at regular intervals during the employment period for all employees and managers. Furthermore, regular training of all employees is conducted in the form of mandatory online courses on subjects such as codes of conduct and personal data protection.

Number of training hours by type			
Type of training	2021	2020	2019
Basics of Compliance	363	406	381
Anti-corruption	23*	59	82
Conflict of interest	56*	227	251
Personal data protection	1,175	2,645	648
Cartel law	210	36	76
Anti-discrimination	1,698	1,355	2,911
Total	3,525	4,737	4,349

* In the 2021 business year, a new course was introduced that combined anti-corruption and conflict of interest training (continued into 2022 business year)

Responsible communications and product labelling

All products sold at Kaufland must be labelled in accordance with the valid legislation. Kaufland requires suppliers to comply with the legally stipulated labelling. All safety and technical regulations and standards, as well as the provisions of applicable laws relating to food, tobacco products and consumer protection must be complied with. The supplier is obliged to place the legally prescribed label on each individual product that is for sale.

The supplier assumes a guarantee for its deliveries in accordance with legal regulations. This also applies to possible violations of the rights of protection of third parties by delivering goods. Where contractual obligations pertaining to material and legal defects of goods are breached, if this results in a liability of Kaufland

towards third parties, Kaufland is entitled to recoup any damages caused from the supplier.

The declaration's composition is defined by law depending on the type of goods. The Quality Assurance department of Kaufland drafts declarations for its private label products on the market. Goods of other brands are declared and the supplier is responsible for the declaration.

Organisational procedures for data and labelling of products and services that operate in accordance with the legal framework prescribe the labelling of products that can be grouped as follows according to their impact on society and the environment:

Product labelling according to impact on society and the environment	
	YES or NO
Indication of the source of components of the product or service	Yes
Content, in particular with regard to substances that may affect the environment or society	Yes
Safe use of the product or service	Yes
Product disposal and environmental/social impacts	Yes

Where do Kaufland private label products come from?

Kaufland wants to offer its customers the highest possible certainty concerning the origin of products in its private label brands. All food products must bear a marking of the country of origin, pursuant to the legal provisions. In this way, customers are more easily able to track where a specific product comes from.

In 2020 and 2021, no incompliances were established for Kaufland private label brands of the regulations or voluntary code concerning

marketing communications, including advertising, promotions and sponsorships. In terms of regulations pertaining to the labelling of goods, in 2020, only three cases of incompliance with regulations were confirmed for Kaufland private label goods and this resulted in a fine. In 2021, there were also three cases of incompliance with these regulations.

Sustainable supply chains

Schwarz Group conducts its due diligence of human rights on the risk-based approach. Such approach enables companies within the group to:

- identify relevant stages in value-added chain,
- be knowledgeable of central risks associated with human rights and to effectively prevent human rights violations and
- if needed, to have access to a solution.

The aim on the one hand is to improve the protection of human rights throughout the entire supply chain around the world, while on the other ensuring legal security and fair competitive conditions for companies in the supply chain.

Solution that would apply to the whole Europe or even the whole world is by Schwarz Group seen as the best way to achieve a systemic impact on environmental and human-rights aspects in global supply chain. For this reason, Group advocates for the compulsory regulation of supply chain on international level. Following aspects are of particular importance:

- Competitive conditions must be fair in the entire European and international context. Therefore, special regulations and standards are required that are internationally binding.
- These binding regulations must be applied uniformly across all supply chains. Processes



connected with performing due diligence, for example, must be equally practical for the coffee supply chain as for the textile supply chain.

- The limits of the due diligence should always reflect the true economic impact and possibility of a company's legal action in the entire supply and value chains.
- Every link in the supply chain must fulfil its responsibilities and abide by human rights. Violations of these regulations should not pass unpenalised, as no company should gain profit at the expense of people.
- Solutions are needed to enable people in countries from which goods originate to live a dignified life in a preserved environment.



Voluntary commitment to living wages

Many people in developing countries still do not receive adequate compensation or payment for their work. A living wage is a net salary that the employee earns by working in humane working conditions and which is sufficient to secure an adequate standard of living for all family members, and to cover unexpected costs. A "living wage" pertains to contracted employees in a factory or plantation, while "dignified revenue" pertains to small, independent farmers or small businesses that Kaufland, in cooperation with other small retail companies, wishes to secure a dignified standard of living.

Code of Conduct

Since 2011, business partners are required to abide by the Kaufland Code of Conduct. As an international retail company, Kaufland's focus is not only on just working conditions and abiding by social standards within Kaufland, but also throughout the entire supply chain. This means that Kaufland does not permit a single supplier to engage in forced labour, child labour or any other form of abuse. Each of Kaufland's business partners is obliged to abide by the "Schwarz Group Code of Conduct for Business Partners".

By signing the Code of Conduct, all Kaufland suppliers undertake to act fairly towards their employees: to comply with national laws, regulate working hours, deliver employment contracts, guarantee occupational health and safety and protect the environment. The Code of Conduct is based on international standards and guidelines, such as the principles of the International Labour Organisation (ILO), UN General Declaration on Human Rights, UN Convention on the Rights of Children, principles of the UN Global Compact, and the OECD guidelines for multinational companies.



Business Partners' Code of Conduct Schwarz Group



How is abidance with the guidelines verified?

In order to ensure that these standards are upheld in the long-term, Kaufland’s inhouse or external auditors conduct regular checks and controls. All suppliers are assessed for their potential risk, for example if the country is classified as high-risk or if the economic branch is classified as high-risk.

Announced and unannounced social audits are conducted regularly. During this, the manufacturers are assessed.

In the event shortcomings are revealed, remedial measures are taken together with the supplier and their implementation is monitored. Through these comprehensive controls, Kaufland takes on social responsibility, thereby directly contributing to improve working conditions.

Statement on Principles

Together with employees, customers, business partners and stakeholders, the promotion of human rights is on the agenda every day. The Schwarz Group in particular advocates the abidance of business practices and good working and living conditions.

On this basis, the **Statement on Principles** was drawn up for all companies in the Schwarz Group. This supplements the existing corporate principles and guidelines and pertains to effective activities in all locations and all business areas around the world.

Kaufland continually assesses the potential and true risk of violation of human rights in the

supply chain. On the basis of internationally recognised studies, indices and trends – including Transparency International, Failed State Index, corruption, child labour – assessments are made in which production countries there are likely violations of human rights.

Through this analysis, the conclusion was made that the countries of Southeast Asia, Africa and Latin America are at particularly high-risk, and that violations of human rights occur most often in those regions.



Schwarz Group
Human Rights
Policy Statement

Fair business practices

Kaufland conducts fair negotiations with its suppliers, within the framework of the Supply Chain Initiative, launched in Brussels in 2013. Kaufland has voluntarily committed to adhere to and put into practice the ten principles of fair business practice in the food supply chain. Kaufland advocates for fair business practices, transparency, food working and living conditions, human rights and ecological conduct in its added value creation chain. Through this, we stimulate the establishment of ambitious standards in the supply chain.

Long-term and sustainable relationships with suppliers form the basis of Kaufland's business model. Every day, customers' wishes and needs

are met with a diverse, sustainable and regional assortment of high-quality fresh products at affordable prices. This can only be achieved in cooperation with suppliers; therefore, fair business practice and partnership come first for Kaufland.

The central element of the voluntary Initiative is the Internal Complaints Office, which companies regulate as part of their obligation. This office can be contacted whenever one of the business partners considers that the other party is not behaving in accordance with good business practices. Kaufland fulfils this obligation by allowing suppliers who also participate in the voluntary Supply Chain Initiative to report problems quickly and easily via Kaufland's online BKMS notification system.

Producers of private label goods

All private label products, both national and international, are made by producers holding one of the valid GFSI (Global Food Safety Initiative) certificates: BRC, IFS.

If the supplier of private label products does not hold one of the defined certificates, before signing the contract authorized verification company is sent in the audit of the supplier with the aim to determine whether supplier/producer meets all the criteria for producing private label products. If supplier/producer passes the audit, it is approved for production of private label products.

For high-risk products such as fresh meat, it is not enough for the producer to have a valid certificate, and a certified auditor also carries out an audit on behalf of Kaufland.



Suppliers

In 2021, Kaufland Hrvatska k.d. was supplied by 1,078 suppliers, responsible for the standard assortment, seasonal assortment and one-time assortment.

There were 634 Croatian suppliers, while the remaining suppliers were from 26 different countries.

Trade is an extremely dynamic industry and business cooperation is conditioned by market trends and, above all, the demand for goods.

In the Fruits and Vegetables and Fresh Meat sectors, Kaufland directly cooperates with producers from Croatia. Since entering the Croatian market, this cooperation has developed to now include 56 direct producers of fruits and vegetables.

Furthermore, all suppliers of goods receive letters on the abidance of compliance and on the abidance of good practices in the food supply chain.

Supplier specification by country:	
Supplier country	Number of suppliers
Croatia	634
Germany	184
Poland	51
Italy, Czech Republic	32
Austria	20
Hungary	19
Slovenia	18
Netherlands	15
Belgium, Greece	9
France, Romania, Slovakia	8
Spain	7
Denmark, Ireland, Switzerland	4
North Macedonia	3
Bosnia and Herzegovina, Bulgaria	2
Finland, Liechtenstein, Lithuania, UK, UAE	1
Total	1,078

REset Plastic



RReset 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, we have been committed to collecting, sorting, and reusing plastics for many years – centralising our initiatives since 2018 through RReset Plastic. This is the international, holistic plastics strategy adopted by all Schwarz Group divisions and countries. With the group-

wide RReset Plastic strategy, we not only want to reduce the use of plastic and promote recycling, but also to create new awareness and fundamentally change the way we deal with plastic.

As part of the Schwarz Group, Kaufland has committed itself as part of the group-wide RReset Plastic strategy to reduce plastic consumption by 20% by 2025, to make 100% of our private label packaging maximum recyclable and to use an average of 25% recyclate in our private label packaging. That's why, in 2018, we signed the Global Commitment of the New Plastics Economy of the Ellen MacArthur Foundation as a group of companies.

Our vision: Less plastic – closed loops.



-  We aim to make **100%** of our private label packaging maximum recyclable by 2025.
-  We aim to use **20%** less plastic by 2025.
-  We aim to use on average a minimum of **25%** recyclate in our private label packaging by 2025.

Products from the circular recycling process

Household products from our own recycling processes

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

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.

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



Microplastics

The smallest plastic particles pollute us and our environment almost unnoticed. Microplastics are used in particular in cosmetic products, detergents, cleaning supplies or agents, where they are intended to achieve abrasive and cleaning effects, for example. In addition, microplastics are formed by the decomposition of larger plastic waste, for example as a result of weathering, wave action and solar radiation. From the environment, plastic particles with a diameter of less than 5 mm can also enter the human body via the food chain.

Therefore, as part of our REset Plastic strategy, we avoid the use of microplastics wherever

possible and sustainable. As of the end of 2021, microplastics will no longer be used in the formulations of our private label detergents, cleaning agents and cosmetics products – provided that doing so does not significantly limit product performance and/or safety. In this project, we receive competent scientific support from Fraunhofer UMSICHT Institute.

In addition, since 2020, Kaufland Hrvatska k.d. has introduced the "Formulation without microplastics" seal for products manufactured without microplastics.



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External verification

Independent practitioner’s assurance report – limited assurance on underlying subject matter and the applicable criteria

To the management of Kaufland Hrvatska k.d.:

This report is intended solely for the management of Kaufland Hrvatska k.d. (hereinafter “the Company”) for the purpose of reporting on 3 Indicators (302-1, 305-1 and 404-1) within Sustainability Report prepared by the Company for the year ended 28 February 2022 (“the Sustainability Report”) in accordance with the GRI Standards (“the GRI Standards”).

Underlying Subject Matter and Applicable Criteria

The assurance engagement relates to the following subject matters within the Sustainability Report on which the following applicable criteria are applied:

- Energy consumption within the organization as per GRI Standard 302-1
- Direct (Scope 1) GHG emissions as per GRI Standard 305-1
- Average hours of training per year per employee as per GRI Standard 404-1

Specific Purpose

This report is intended solely for the purposes specified in the first paragraph above and for your information and must not be used for other needs or distributed to other recipients. The report refers exclusively to the Sustainability Report and must not be associated with any Company’s financial statements as a whole.

Responsible Party’s Responsibilities

The Company’s management is responsible for the preparation of the Sustainability Report in accordance with the GRI Standards. In particular, the Company’s management is responsible for internal controls being designed and implemented to prevent the Sustainability Report from being materially misstated.

In addition, the Company’s management is responsible for ensuring that the documentation provided to the practitioner is complete and accurate. The Company’s management is also responsible for maintaining the internal control system that reasonably ensures that the documentation described above is free from material misstatements, whether due to fraud or error.

Practitioner’s Responsibilities

We conducted our assurance engagement in accordance with International Assurance Standards, particularly ISAE 3000 (revised). These regulations require that we comply with ethical standards and plan and perform our assurance engagement to obtain limited assurance about the Sustainability Report.

We apply International Standard on Quality Control 1 (ISQC 1), and accordingly, we maintain a robust system of quality control, including policies and procedures documenting compliance with relevant ethical and professional standards and requirements in law or regulation.

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

The procedures selected depend on the practitioner’s judgment. The procedures include, in particular, inquiry of the personnel responsible for financial reporting and risk management and additional procedures aimed at obtaining evidence about the Sustainability Report. The assurance engagement performed represents a limited assurance engagement. The nature, timing and extent of procedures performed in a limited assurance engagement is limited compared with that necessary in a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is lower.

In respect of the subject matter mentioned above we have performed mainly the following procedures:

- Understanding of the Company’s internal controls, processes and systems set up for the preparation of the Sustainability Report.
- Reconciliation, on a sample basis, of 3 indicators (302-1, 305-1 and 404-1) presented in the Sustainability Report with the supporting documentation provided by the Company.

- Reading the Sustainability Report and review of the presentation of 3 indicators (302-1, 305-1 and 404-1) in accordance with the GRI Standards.

Practitioner’s conclusion

Based on the procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that 3 Indicators (302-1, 305-1 and 404-1) within the Sustainability Report were not prepared, in all material respects, in accordance with the GRI Standards.

25 October 2022



Filip Hitrec, Partner

Ernst & Young d.o.o.
Radnička cesta 50
10 000, Zagreb
Croatia

Attachment
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