

22 23

**KAUFLAND
FOR MORE
SUSTAINABILITY**

SUSTAINABILITY REPORT

Bulgaria

2022 | 2023

**Our
actions
do the
talking.**



Kaufland



*„Actions do the talking -
and our change continues.“*



**Dear Ladies
and Gentlemen,**

Today, sustainability is no longer just a topic in companies strategic plans — it is the very direction that business must take. If in the past sustainable development was perceived as a good-to-have, today it's a mandatory commitment that no responsible business can ignore.

I believe that this is the clearest sign of our society maturity and the transformation that the global economy is undergoing — from striving for growth at any cost to creating tangible, added value for people and the planet.

At Kaufland Bulgaria, sustainability is not a separate initiative, but is part of our overall identity. It is present in the decisions we make, in the partnerships we build, and in the products we offer to our customers. We believe that a responsible business has the power to be a driver of positive change, which is measured not just in numbers, but in the opportunities it creates, the improved quality of life, and a healthier environment for future generations. Under the motto „Actions Do the Talking“, we continue to build on our corporate sustainability model, based on three key directions that reflect our vision for a modern, engaged, and responsible presence in society.

The first is climate protection and reducing the impact on environmental components. We realize that business should be among the first to make concrete commitments in this direction. That is why Kaufland Bulgaria is implementing specific measures to optimize energy efficiency, introduce renewable sources, reduce the carbon footprint and manage waste in a responsible and sustainable manner. We also became the first hypermarket chain to introduce a pilot project for the return of packaging from PET bottles and aluminum cans. Because for us, sustainable resource management is not just part of our strategy - it is an expression of our respect for the world we live in.

The second direction is to strengthen the connection between culture and education by promoting Bulgarian culture and art. We believe that a strong economy is built on spiritual foundations – knowledge, identity and inspiration. That is why we support initiatives that enable children and young people to experience

Bulgaria's cultural heritage, develop their creative potential and appreciate their homeland. Our projects in the field of culture and education are a bridge between tradition and the future.

The third direction is caring for children and their future. This is a cause that takes us beyond the business framework, into which we invest our efforts.

Our goal is to expand access to both more sustainable and high-quality products and to a safer, healthier, and more modern environment where every child can grow and thrive.

We believe that a true investment in the future begins with caring for children. This is a direction in which we will continue to invest with all our conviction and heart in the coming years. At Kaufland Bulgaria, we view sustainability as a continuous process that requires ongoing commitment, transparency, and dialogue. We listen to the community, we develop alongside our partners, and we believe that real change occurs when shared efforts turn into concrete results.

Today, more than ever, a responsible business should be part of the solution, not the problem.

I am proud to share that our team proves this every day with ideas, initiatives, and dedication that translates words into action. It is our colleagues who are our greatest asset. They are the people who believe that sustainable development is not a project with a beginning and an end, but a long-term philosophy. Thank you to everyone in #teamKaufland, but also to our partners and customers who share our values and help us continue on the path of responsible development.

Together we will continue to prove that good business is the one that cares about people, society and the planet.

Actions do the talking - and our change continues.

Sincerely,

Ivan Chernev,

CEO of Kaufland Bulgaria

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01 ABOUT THE COMPANY

ACCENTS FOR 2023



65
STORES

in 35 cities in Bulgaria

1,2
BILLION BGN

turnover

86%

of the food items from
national suppliers

6201

employees

17

YEARS

on the Bulgarian market

TOP

EMPLOYER

for 6 consecutive years



KAUFLAND IN BULGARIA AND AROUND THE WORLD

Profile of the Companies of Kaufland Group

With more than 1,550 stores and about 155.000 employees, the companies of Kaufland Group are represented in eight European countries. Whether in Germany, Poland, Romania, the Czech Republic, Slovakia, Bulgaria, Croatia or the Republic of Moldova - everywhere the Kaufland brand stands for relevant selection, convincing quality, low prices and easy shopping. Across Europe, companies of Kaufland Group operate five meat plants and 17 logistics locations.

Following the guiding principle „Kaufland enables everyone to buy good, healthy and sustainable products“, Kaufland hypermarkets, as full-range retailers, offer a wide selection of groceries and other products for all needs. The focus here is on the fresh food departments. The overall assortment includes brand-name articles, attractive private labels, regional products and a large number of articles that contribute to the protection of people, animals and nature. The companies of Kaufland Group are also jointly committed to comprehensive environmental, climate and species protection.

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



Kaufland in Bulgaria

Kaufland Bulgaria EOOD & Co KD is an indirect subsidiary of Kaufland Stiftung & Co. KG. Kaufland has been present in Bulgaria since 2006. With 6201 employees and 65 stores Kaufland is one of the leading food retailers in Bulgaria. The headquarters of Kaufland Bulgaria is located in Sofia.

About the Companies of Schwarz Group

The companies of Schwarz Group, with business activities in 32 countries, together form one of the leading retail groups in the world. With their around 13.900 stores and about 575,000 employees, the companies of Schwarz Group jointly generated total sales of 167.2 billion euros by the end of the 2023 fiscal year. As one of only a few retail groups, Schwarz Group thus covers the entire value cycle, from production and retail to recycling and digitalization. The retail divisions Lidl and Kaufland are the Group's pillars in food retailing. Many private label products on Lidl's and Kaufland's shelves, ranging from ice cream to beverages, are produced by the companies of Schwarz Produktion. Special emphasis is placed on the use of sustainable raw materials as well as the manufacturing, use and recycling of environmentally friendly packaging. The environmental service provider PreZero pursues the vision of closed loop recycling in waste and recycling management and thus contributes to a cleaner tomorrow. Schwarz Digits as IT and digital division offers compelling products and services, which comply with Germany's strict data protection standards. Schwarz Dienstleistungen, the Group's corporate services division, provides administrative

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

The companies of Schwarz Group share a jointly elaborated sustainability strategy and the sustainability vision "Assuming Global Responsibility. Acting with Diversity". Under the umbrella of this strategy, they together pursue and implement various activities in four focus areas: People, Product quality, Circular systems and Ecosystems.



**Assuming Global Responsibility.
Acting with Diversity.**

Value Creation Circle of the Companies of Schwarz Group



• Retail

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

• Recovery and Recycling

In terms of waste and recycling management, the environmental service provider PreZero pursues a vision of closed-loop material cycles in eleven countries, thus investing in a clean future.

• Production

The companies of Schwarz Produktion produce beverages, chocolate, ice cream, baked goods, nuts and dried fruit, coffee, pasta and paper for Lidl and Kaufland. Three plastics and recycling plants are also part of a unique PET material cycle.

• IT and Digitalization

Schwarz Digits is the IT and digital division of Schwarz Group. The brands of Schwarz Digits provide IT and digital solutions worldwide and develop them further, for example for digital production facilities, stores and e-commerce formats as well as loyalty programs. In addition, they offer external customers superior cloud services, cyber security, AI and retail media solutions.

• Administrative and Operational Services

At Schwarz Dienstleistungen, experts support the companies of Schwarz Group with administrative and operational services in fields such as accounting, finances, human resources, and procurement.

Kaufland Bulgaria's value chain

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

The extraction of raw materials, the further processing of agricultural primary products and the production and transport processes involved have ecological and social impacts. Kaufland

Bulgaria wants to contribute to the step-by-step improvement of environmental and social standards. To achieve this, the company works in partnership with suppliers, reduces the use of raw materials where possible, and incorporates the idea of recycling as early as the production stage. Through its commitment, Kaufland Bulgaria also works to improve the living and working conditions of people in the countries of production.

Kaufland Bulgaria also wants to use its influence in downstream activities. Specifically, the company has the opportunity to influence the consumer behavior of a large number of people and enable them to make sustainable, informed and healthy purchasing decisions. That's why we continuously review how we can make our assortment more sustainable and healthier – and transparently inform our customers about it.

OUR VALUES

As an international trading company, we focus on results, dynamics and the right attitude. These are the values that motivate us. Our management model is also based on them. This is how we make change possible and achieve our goals. In our approach to work and management, we follow the principles of our corporate culture:

Our company values are guiding principles shaping our behavior. They guide our understanding, decisions and actions every day. They determine what is important to us and what motivates us. At the heart of our brand promise „Better shopping - Better Life“ are the following values:

Results

The results achieved are the foundation of our success. It requires actions, purposefulness, courage and passion. This applies to the whole team.

Dynamics

Dynamics is the power, with which we perfect the good results already achieved and we create something new. Through it we become better and better at applying innovations.

Correctness

Correctness is based on respect. It is the support of our collaboration, based on mutual trust. Through it we achieve our goals.

Quality

Quality is paramount at Kaufland Bulgaria, encompassing product assortment, customer service, and all business processes. The company prioritizes product quality through rigorous supplier standards and multi-level quality control throughout the supply chain. Kaufland's core promise is to offer a diverse, high-quality product range at competitive prices.

Variety

Diversity sets Kaufland apart from the competition, with the company constantly developing its range to offer customers everything they need.

Price

The price is key for Kaufland, as it is not just an aim in itself, but expresses the company's aspiration to give the largest possible number of people access to the best and quality products.

Facilitation

Convenience is at the core of Kaufland's comprehensive approach to being not just a supermarket, but a multifunctional customer center that provides everything you need.

The principles that guide us in our work every day are:

- Satisfied customers are our goal.
- The superior ratio between prices and quality defines our position in the market.
- We continue to grow through expansion and continuous development of existing hypermarkets.
- As a company with a branch structure, we work according to an established system.
- Quick decisions and a clear way of working ensure our success.
- We comply with applicable law and internal company rules.
- In our daily work, we assume economic and social responsibility and act with care about the environment.
- Fairness between each of us is a commandment in the company.
- We respect and support each other.
- Agreements are executed in an environment of mutual trust.
- Praise, recognition and constructive criticism are essential components of our daily work.
- We surround ourselves with „strong“ employees - continuity in departments is guaranteed.

The principles that guide us in our work every day are:

1. Clear communication and guidance
2. Development of employees and revealing their potential
3. Efficiency and creating dynamics
4. Fairness and building trust
5. Responsibility and role model



INITIATIVES AND MEMBERSHIPS

With 65 stores and more than 6200 employees, the Kaufland Bulgaria sees itself as an active partner in the socio-political debate. Therefore, monitoring legislation, exchanging views with political stakeholders and working with associations on opinion-forming processes in the industry are an integral part of our work. The aim is to implement legal requirements quickly and smoothly in operational practice and to work together with suppliers on future issues at an early stage. services – for example with regard to controlling, finances or personnel – for all other companies of the Group.

The companies of Schwarz Group share a jointly elaborated sustainability strategy and the sustainability vision "Assuming Global Responsibility. Acting with Diversity". Under the umbrella of this strategy, they together pursue and implement various activities in four focus areas: People, Product quality, Circular systems and Ecosystems.

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

- Association for Modern Trade
- Bulgarian donation forum
- Bulgarian Chamber of Commerce
- Bulgarian Network of the UN Global Compact
- Bulgarian Forum of Business Leaders
- German-Bulgarian Chamber of Industry and Commerce

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



AWS – Alliance for Water Stewardship
since 2023



Food for Biodiversity
since 2021



The A.I.S.E. Charter for Sustainable Cleaning
since 2019



Forum for Sustainable Palm Oil (FONAP)
since 2013



Donau Soja
since 2014



Fur Free Retailer
since 2014

	GLOBALG.A.P. since 2019		Partnership for Sustainable Orange Juice (PNAO) since 2020
	International Featured Standard (IFS) since 2013		ProTerra since 2022
	Juice CSR Platform since 2015		Round Table on Responsible Soy (RTRS) since 2022
	Roundtable on Sustainable Palm Oil (RSPO) since 2012		World Banana Forum (WBF) since 2023

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



Ellen MacArthur Foundation
Member since 2018



UN Global Compact
Participation since 2020

Ellen MacArthur Foundation

Solving the global plastic problem requires innovative and holistic solutions. To this end, the companies of Schwarz Group regularly look beyond the borders of their own businesses and work together with research institutes, foundations, and associations worldwide. As part of Schwarz Group, Kaufland Bulgaria has joined the Ellen MacArthur Foundation, a non-profit organization founded in 2010 with which the companies of Schwarz Group want to share and realize their vision of a functioning circular economy. By signing the Global Commitment of the Ellen MacArthur Foundation, as part of the holistic plastics strategy REset Plastic, they have committed themselves to actively participating in the more sustainable use of plastic. To this end, the companies of Schwarz Group are developing new strategies and solutions within the global network of Ellen MacArthur Foundation, together with all companies involved, as well as with governments and NGOs, to promote the circular economy.

Support & Participation of UN Global Compact Initiative

Kaufland Bulgaria recognizes its special responsibility on sustainable development and acts in a manner that social, health and environmental awareness is promoted in its day-to-day business. It is the intention of Kaufland Bulgaria that this clear commitment to sustainability is also made transparent to the public. For this reason, at the beginning of 2020, the companies of Schwarz Group together joined the United Nations Global Compact (UNGC), the world's largest and most important initiative for responsible corporate governance. They thereby commit themselves to the ten universal principles of the UNGC in the areas of human rights, labor, environment, and anti-corruption. In this way, a global framework is provided for the companies' extensive commitment to sustainability, which has grown over the years. Kaufland Bulgaria, as part of the companies of Schwarz Group, provides an important contribution, and has already implemented a variety of measures in the past to support the principles for a sustainable global economy.

OUR PEOPLE

During the financial year 2022 Kaufland Bulgaria provided employment to 6,125 people, 5,127 of whom on full-time basis and 998 as permanent employees. In comparison to that, in 2023 our employee base has grown even further to 6,201, 5,173 of which on full-time basis and 1,028 as permanent ones.

2022



1,673
Male



4,452
Female

2023



1,755
Male

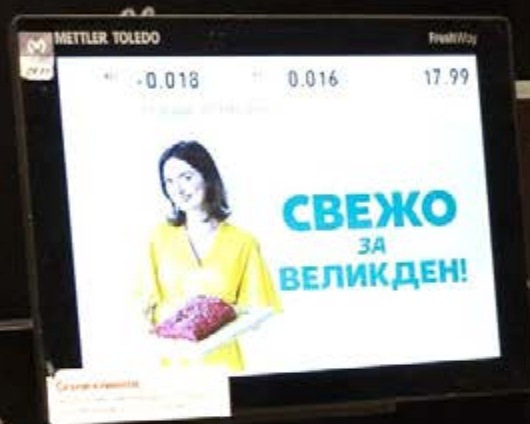


4,446
Female

Total



КУСНИ РИБНИ
ЕЛИКАТЕСИ





02

CORPORATE SUSTAINABILITY

SUSTAINABILITY GOVERNANCE

Organizational structure

As a company in the food trading sector, we are aware of our responsibility towards people, animals and the environment. Responsible behavior is enshrined as a principle in the jointly developed strategy of the Kaufland Group companies. Kaufland's strategic guiding principle for all sustainability activities is: „We enable everyone to buy good, healthy and sustainable products“. In doing so, we express our commitment to sustainable action and at the same time underline our ambitions in this area.

The basis of our commitment to sustainability is our jointly articulated socially responsible identity. The sustainability-related topics are part of the company's DNA, therefore they are deeply embedded in every sphere of its activity. They are mainly managed by the „Corporate Communications and Social Responsibility“ department, under the leadership of Kremena Georgieva, head of the unit. The unit is under the direct authority of the CEO of the company. Since the topics cover the entire activity of the company, in each of the departments led by the managers there are employees who are engaged with the company's ESG topics. These employees

are part of an internal CSR committee which holds regular meetings to discuss strategic topics related to sustainability.

Kaufland Bulgaria's management team, here referred to as the highest governance body, is the body that is tasked with guiding the company's business strategy as well as with decision-making on and overseeing the management of the organization's impacts on the economy, environment, and people. It has the following composition:

- **CEO - Ivan Chernev (The CEO of Kaufland Bulgaria is also the Chair of the highest governance body)**
- **Commerce and marketing - Yalcin Cem**
- **Central departments - Petya Vladimirova**
Administration and finance - Ivan Georgiev

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

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

Against this background, Kaufland Bulgaria has implemented a Compliance Management System (CMS) that includes binding CMS specifications. The CMS specifications define certain requirements and elements to ensure an appropriate level of compliance. A key component of the CMS is that violations of applicable law and internal policies are avoided and identified violations are consistently pursued and punished



(„zero tolerance principle“). The CMS focuses on areas such as anti-corruption/anti-fraud, antitrust law and data protection.

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

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

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

Kaufland Bulgaria is committed to maintaining the highest standards of ethical conduct and corruption prevention. To this end, the company implements a comprehensive training program for its employees, designed to address potential risks and ensure compliance with anti-corruption policies. Throughout each fiscal year, Kaufland Bulgaria conducts a variety of training sessions, both face-to-face and online, tailored to specific target groups and risk profiles within the organization. These sessions consistently include corruption prevention as a core topic, reinforcing the company's zero-tolerance stance on unethical practices.

While the completion rate for online trainings has been consistently high—96% in fiscal year 2022 and 98% in fiscal year 2023—it's important to note that these figures do not fully capture the extent of our training efforts. Face-to-face sessions,

which form a significant part of our training program, are not easily quantifiable in percentage terms but are equally crucial in our anti-corruption initiatives. To ensure comprehensive coverage, Kaufland Bulgaria utilizes ARIS processes to govern these training programs. Additionally, our Law and Compliance department provides ongoing support to various units, addressing emerging compliance needs as they arise.

Kaufland Bulgaria remains steadfast in its commitment to fostering a culture of integrity and transparency, continuously evolving its training methodologies to effectively combat corruption risks in all aspects of our operations

Conflicts of Interest

In alignment with best practices for corporate governance and integrity, Kaufland has established a rigorous process for identifying, reporting, and mitigating potential conflicts of interest. This process is designed to ensure transparency and uphold the highest ethical standards across all levels of the organization.

Potential conflicts of interest must be promptly reported to both the immediate supervisor and the Compliance Officer. The reporting process involves completing a detailed form that thoroughly documents the situation, including a description of the circumstances and the specific measures implemented to mitigate any associated risks. This documentation is crucial in ensuring that any potential conflicts are managed proactively and with due diligence.

The completed form is securely maintained by the Compliance Officer, who is responsible for overseeing the integrity of the conflict-of-interest management process. Furthermore, should there be any changes in the circumstances surrounding the reported potential conflict of interest, the employee who initially reported the issue is obligated to immediately inform both their supervisor and the Compliance Officer. This continuous communication ensures that the company remains vigilant in preventing and addressing conflicts of interest, thereby safeguarding Kaufland's reputation and commitment to ethical business practices.



STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT

Stakeholder engagement

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

This dialogue exists in both directions: We regularly inform the entire circle of our stakeholders about our activities. For this purpose, we use various formats such as sustainability reports, press releases, customer brochures for external stakeholders and customers as well as intranet portals for our employees. In addition, we enable and promote direct and mutual exchange through a series of events and personal discussions. In turn, our stakeholders provide us with valuable feedback through their expertise, observations and critical-constructive engagement with our company, which is then incorporated into our work. Kaufland Bulgaria also contributes to corporations and networks in a variety of ways and also participates in external dialog and exchange formats.

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

Materiality Analysis

Kaufland Bulgaria has revised the process for determining its material topics in 2023 that is continuously enhanced to meet the requirements. In this way, we take into account new and changed (regulatory) requirements at an early stage, including the updated materiality definition of the GRI Standards 2021 and the adoption of the European Corporate Sustainability

Reporting Directive (CSRD).

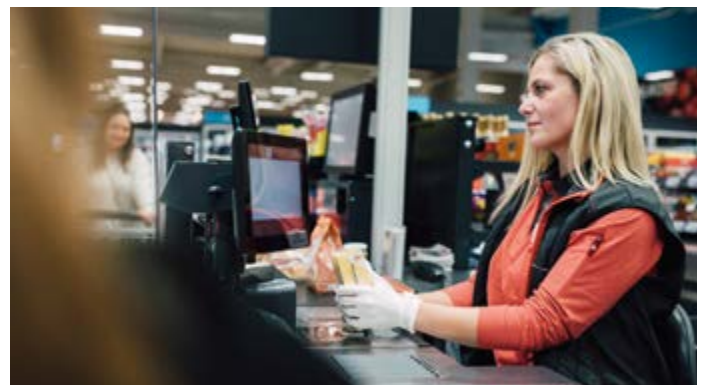
The basis for the new process is the Kaufland topic model, which comprises a total of 20 topic areas¹.

As part of the materiality analysis, the 16 topic areas were assessed on the basis of two dimensions:

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

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

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



¹ The materiality analysis comprises of 20 topics including the overarching topics Integrity, Communication & Dialogue, Transparency and Strategic Partnerships. The CR strategy model represents 16 topics.



1) Assessment of the impact of Kaufland Bulgaria

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

- **Conducting a quantitative exposure analysis**

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

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

materiality scores of the individual topic areas and thus the first building block of impact relevance.

- **Conducting qualitative expert interviews**

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

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

The combination of exposure analysis and expert interviews resulted in the international impact relevance values for the 20 topic areas, which at the same time represent the values of the x-axis in the materiality matrix (Figure 1).

2) Assessment of the business relevance of Kaufland Bulgaria

To assess the business relevance, Kaufland Bulgaria conducted a workshop with the CR responsables in Bulgaria as well as CSR Committee and Management Board. They had the task of individually assessing the 20 topic areas of the Kaufland topic model with regard to their business-related opportunities and risks. The results were then discussed and transferred to the materiality matrix in the form of the y-axis. In addition, the results were subsequently validated by the management. This resulted in the business relevance in the materiality matrix (Figure 1). The results were also incorporated into the adjustment of the sustainability strategy in 2023.



3) Merging the two dimensions of analysis Kaufland Bulgaria

The results show that the following topic areas have the greatest relevance for Kaufland Bulgaria:

- **Attractive employer**
- **More climate-friendly locations**
- **Social commitment**
- **Regionality**
- **Circular economy**
- **More climate-friendly supply chain**
- **Food waste**
- **Raw materials**
- **Strategic partnerships**

Overall, 8 material topics and one cross-cutting general topic were identified for Kaufland Bulgaria. This means that Kaufland Bulgaria's business activities have a major impact on people, the environment and society in the respective topic and/or the greatest business-related opportunities and risks for Kaufland Bulgaria lie there. Accordingly, they are within the company's materiality threshold and form the basis for this report (see Figure 1).

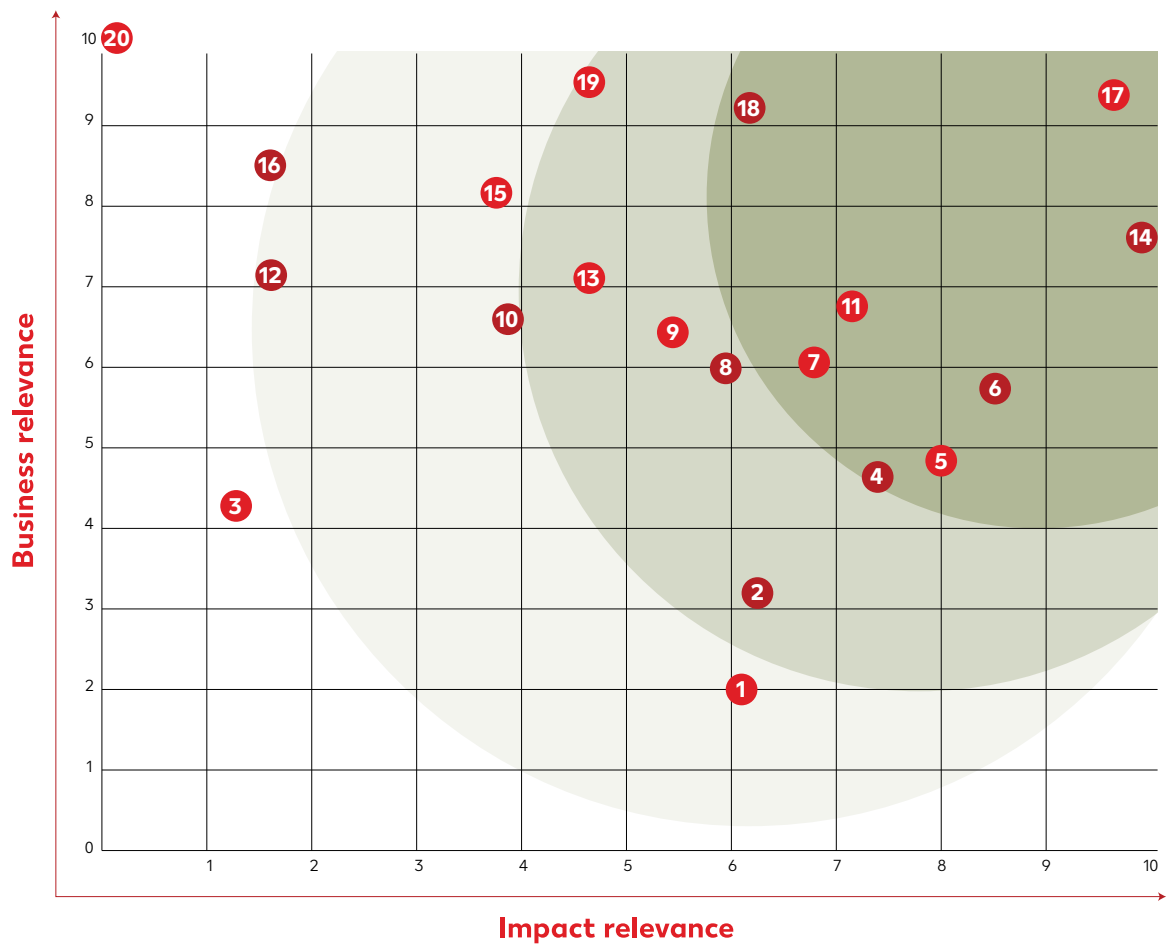
In addition to the topic areas determined to be material, we consider in this report other strategically relevant topic areas, such as Social commitment, Raw materials, and Strategic partnerships. They are marked with an * symbol in the materiality matrix and shown separately in the GRI Index. The reason for this is, among other things, the high strategic relevance of these topics.

By reporting on Social Commitment, Kaufland Bulgaria can effectively communicate its role as a responsible corporate citizen, emphasizing initiatives that contribute to societal well-being. Transparent reporting on Raw materials underscores

the company's dedication to sustainability, showcasing efforts to reduce environmental impact and ensure ethical sourcing. Furthermore, highlighting Strategic Partnerships in the GRI report allows Kaufland to demonstrate how collaboration with key stakeholders enhances its ability to innovate, scale sustainable practices, and create shared value for the business and society. These topics are integral to Kaufland's overall sustainability strategy and are crucial for building trust with stakeholders.

The materiality threshold has been set at 7.5, indicating that all topics with impact relevance above 7.5 and business relevance above 7.5 have been reported in detail in this report. These topics are the following: attractive employer, more climate-friendly locations, social commitment, regionality, circular economy, more climate-friendly supply chain, food waste, and raw materials. Moreover, we have reported on the topic of strategic partnerships as we consider it relevant for the operations of Kaufland Bulgaria.





- | | |
|--|---|
| 1 Animal welfare | 11 Labor & human rights |
| 2 Fresh water | 12 Integrity |
| 3 Diversity & equal opportunities | 13 Fair pay |
| 4 Biodiversity & soils | 14 Strategic partnerships* |
| 5 Raw materials* | 15 Social commitment* |
| 6 Food waste | 16 Climate-friendlier locations |
| 7 Transport & logistics | 17 Climate-friendlier supply chain |
| 8 Transparency | 18 Circular economy |
| 9 More sustainable and healthy alternatives | 19 Regionality |
| 10 Communication & dialogue | 20 Attractive employer |

Figure 1: Materiality matrix 2.0





03

**WELCOME TO
KAUFLAND
BULGARIA**

STRATEGIC PARTNERSHIPS

The shops of Kaufland are based on the hypermarket concept. Its distinctive feature is the huge abundance of products. Kaufland offers customers both a wide range of own brand products and a diverse assortment of preferred brands and companies. We strive to offer a large selection of local and regional products and are constantly expanding the product range with established sustainability certificates. Also, our customers can find everything they need under one roof, as Kaufland leases part of the hypermarket space to various small businesses, such as pharmacies, pet stores, nut stands, household bill payment and more. Kaufland Bulgaria is the first company in the sector to introduce the unique to the country One Stop Shopping concept, in response to the modern needs of customers to expand the social significance of the hypermarket as a place for communication. In parallel with the direct impacts on operational business results and customer behavior, the concept supports the growth of small and local businesses by providing them with conditions and access to new markets and consumer segments. All this allows us to be proud of the wide variety of goods and services, which we have been offering to our customers for more than 15 years. Today, we can safely say that Kaufland is not an ordinary hypermarket, but a multifunctional shopping center that provides a variety of products and services and is completely oriented to the customer and his needs.



What you can find at Kaufland

Own brands - food and non-food

Kaufland Bulgaria offers a diverse selection of over 20,000 products, all backed by guaranteed quality, which remains our distinctive hallmark. We carefully curate our assortment, closely overseeing production conditions and emphasizing fair trade, organic practices, and regional agriculture. Kaufland is committed to developing and expanding a comprehensive portfolio of its own brands. In 2023, our product range featured over 3,400 private-label items, sourced from both well-known international suppliers and Bulgarian producers, available in our hypermarkets nationwide. Our private-label products span both food and non-food categories, including textiles, home and garden items, and children's toys. The quality of Kaufland's own brands is ensured by stringent production standards.





Own brands - food and non-food



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

More at: www.kaufland.com/actions



The „Consciously packed” logo informs about our packaging optimization measures.

More at: www.kaufland.com/packaging



The “Without killing chicks” logo indicates fresh eggs where the supply chain is 100% free of killing day-old male chicks.

More at: www.kaufland.de/kueken



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



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

More at: www.kaufland.com/microplastic



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



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

More at: www.kaufland.com/water

REGIONAL AND LOCAL PRODUCTS

Kaufland's long-term strategic vision is centered on the progressive enhancement of our portfolio with Bulgarian-produced products, extending their availability throughout the year. This strategy is intricately designed to not only support local agriculture but also to champion sustainability by ensuring that these products are cultivated using environmentally responsible methods and technologies. To this end, we actively promote the certification of local agricultural practices according to esteemed standards such as GLOBAL G.A.P., thereby reinforcing our commitment to high-quality and sustainable sourcing.

Our dedication to fostering collaboration with Bulgarian producers is a cornerstone of Kaufland's operational policy. By the conclusion of 2024, we are poised to significantly bolster our procurement of Bulgarian fruits and vegetables, with a targeted investment exceeding 85 million BGN. This initiative will augment the cumulative value of domestically purchased products since 2019, reaching an impressive 394 million BGN. In alignment with our strategic goals, we are also focused on increasing the proportion of Bulgarian products in our assortment by an additional 30%. This effort is complemented by the implementation of a range of measures aimed at strengthening partnerships within the sector, furthering our commitment to regionalism and local economic support.

Kaufland remains committed to the ongoing monitoring and assessment of these objectives. We have established robust structures dedicated to overseeing and evaluating the execution of our commitments to customers, ensuring that we consistently meet and exceed our goals.

In our pursuit of regionalism, our utmost priority is to collaborate with Bulgarian producers and to promote the high-quality Bulgarian brand Brey! which epitomizes the essence of being crafted by Bulgarians for Bulgarians.

The responsibility for advancing the regionalism agenda at Kaufland is entrusted to several key departments:

- The Commercial Department
- The Fruits and Vegetables Division
- The Fresh Foods Division
- The Dry Foods Division
- The Private Labels Division



Each of these departments plays a vital role in driving our commitment to regional sourcing and sustainability, ensuring that our strategies are effectively implemented, and our objectives are achieved.

In the long term, we aim to increase the number of local producers offering their products in our chain. We collaborate with Bulgarian producers and suppliers from nearly all regions of the country.

Local production is predominant in food categories such as sausages, dairy products, fruits and vegetables, bread, and baked goods. The greatest presence of local products is observed in seasonal offerings, where we stock fresh fruits and vegetables grown by our Bulgarian partners.

For easy identification, we place a brown heart with the text "From Our Region" on the price tag of each regional Bulgarian product included in our assortment. This is an addition to our longstanding practice of marking each domestically produced item with a heart in the colors of the national flag.

To enhance the presence and market share of Bulgarian fruits and vegetables within its store network, Kaufland initiated a Contractual Agricultural Produce Purchase Program in 2019. This strategic program is designed to support local agriculture by securing the procurement of produce through formal agreements with Bulgarian farmers. In 2023, the fruits and vegetables sold under this program reached an impressive volume of over 25 million units/kg, translating to a substantial value of 39 million BGN.

These contractual relationships with Bulgarian producers offer a dual advantage: they provide a reliable and stable market for domestic products while also ensuring that these products are

prominently featured and readily available in every Kaufland hypermarket across the country. This initiative significantly expands market opportunities for local producers and facilitates access to an extensive customer base of over 1.5 million individuals on a weekly basis.

The agreements established under this program guarantee long-term procurement of agricultural produce, thereby aiding producers in revenue forecasting and enabling them to better manage logistics expenses through the provision of transportation services for their products. In the year 2023 alone, Kaufland successfully entered into contracts with 28 agricultural producers nationwide, thereby securing a diverse range of over 73 different varieties of fruits and vegetables. This approach not only strengthens Kaufland's commitment to supporting Bulgarian agriculture but also underscores its role in fostering sustainable and mutually beneficial partnerships within the agricultural sector.

For a consecutive year the number of contracts for the purchase of goods we conclude increases. This also leads to an increase in the number of items purchased from national suppliers in our total assortment. In 2022, we had 13 458 food items from national suppliers and in 2023, we had an increase up to 14 562 items.



What Our Producers Receive



Security

We guarantee the purchase of the agreed-upon quantity.



Partnership

We collaboratively plan quantities, select products and varieties, work together, monitor, observe, consult, and listen. All these efforts aim to achieve the highest possible quality for our fruits and vegetables.



Trust and Development

By signing the contract, the producer receives a document that can be used to apply for loans and subsidies from various agencies and funds. Contractual purchasing of produce ensures.



Quality

We discuss with our producers the quality seeds that yield excellent harvests.



Fresh Selection

We offer products from Bulgarian producers throughout the year in our stores.

BULGARIAN PRIVATE LABELS

The „Brey!“ brand

The „Brey!“ brand represents the inaugural national private label food product line introduced by Kaufland Bulgaria. This brand stands as a testament to our commitment to quality, marked by a distinct seal of approval from Bulgarians for Bulgarians. Each product is crafted with exceptional care and dedication, reflecting a deep-rooted commitment to excellence. „Brey!“ is an extension of Kaufland Bulgaria’s mission to promote products that embody national flavors and uphold traditional Bulgarian culinary practices. Through this initiative, the company supports local agricultural producers, thereby ensuring that consumers have access to products of verified quality while simultaneously fostering domestic production. The „Brey!“ product range encompasses nearly 146 items (as of the present date), spanning key categories traditionally found on the Bulgarian table. This includes a variety of dairy products such as yoghurt, cheeses, and yellow cheese, as well as an array of typical meat delicacies. Additionally, the range features



staples such as pasta, beans, lentils, and traditional spreads like lyutenitsa, alongside fresh fruits and vegetables. The continuous enhancement of the „Brey!“ assortment has positioned it as the most rapidly expanding private label brand in Bulgaria over the past five years. In just three years since its market introduction, the brand has earned numerous accolades, including „Product of the Year“ and „Favorite Brand.“ Among the most distinguished products are lyutenitsa, carrots, cow’s cheese, yogurt, pastry sheets for banitsa, and ayran. These achievements underscore our dedication to quality and innovation, while also reinforcing Kaufland Bulgaria’s commitment to supporting local agriculture and meeting consumer needs with premium products.

Number of items from the “Brey!” brand

INDICATOR	2022	2023
Number of “Brey!” items	125	146

As of the end of 2022, Kaufland Bulgaria has strategically expanded the assortment of its proprietary brand, „Brey!“, to include a diverse selection of fresh fruits and vegetables. This expanded portfolio features a variety of seasonal produce, including but not limited to, pink tomatoes, cucumbers, iceberg lettuce, raspberries, strawberries, and blueberries. Each product bearing the „Brey!“ label is meticulously sourced to ensure Bulgarian origin and is accompanied by stringent quality certifications, including the esteemed international GLOBAL G.A.P. certification. In addition to this, all producers meet the rigorous standards set by the socially responsible GRASP certification, ensuring ethical and sustainable agricultural practices. Moreover, every item is subjected to comprehensive testing in independent laboratories to uphold the highest standards of quality. The selection process for the „Brey!“ brand involves thorough screening to identify only the most flavorful and consumer-preferred varieties. Each product label transparently indicates the specific region of production, providing clarity and assurance of authenticity.

The „Brey!“ range is a key component of Kaufland’s Contractual Purchasing Program for Bulgarian Produce, a strategic initiative launched in 2019. Since its inception, the program has seen a significant increase, with the number of participating producers and the variety of supplied items expanding by 50%. This growth reflects Kaufland’s ongoing commitment to supporting local agriculture and enhancing the availability of high-quality Bulgarian products within our stores.



Chef Butcher: Ensuring Freshness and Quality

The Chef Butcher brand is dedicated to offering an exceptional selection of fresh meat products. This premium range includes fresh poultry, pork, and beef, along with a variety of meat delicacies, ground meat, and minced meat.

TÜV Nord Bulgaria, an esteemed and independent certification body specializing in food safety, plays a crucial role in our commitment to quality. This institution performs thorough inspections and continuous monitoring of all Chef Butcher suppliers to ensure that all production processes adhere strictly to legal requirements and high industry standards. The „Controlled Quality at the Producer” certification mark underscores our dedication to maintaining excellence in quality, delivery, and production.

Our rigorous quality assurance process involves a detailed four-step verification system. This includes unannounced on-site inspections at supplier facilities, comprehensive laboratory testing of samples, close monitoring of transportation conditions from suppliers to the retail network, and evaluations by „secret shoppers” who test products through independent, accredited laboratories.

To guarantee optimal freshness, meat products under the Chef



Butcher brand are packaged using advanced packaging technologies directly at the production site. This process occurs immediately after portioning, ensuring that the meat is at its freshest. The packaging is conducted in a protective atmosphere tailored to each specific product, thereby preserving its freshness, color, and flavor for an extended period.

Through these rigorous measures, Chef Butcher not only delivers high-quality products but also reinforces our commitment to sustainability and excellence in food safety.

Number of items from the “Chef Butcher” brand

INDICATOR	2022	2023
Number of “Chef Butcher” items	40	41

Expansion of Farmer’s Stands Across Our Stores

We are actively working towards achieving our objective of ensuring that our network of farmer’s stands is present in all our retail locations. Our current strategy involves the following measures: the inclusion of a Farmer’s Shelf in each newly opened store, as well as the installation of a Farmer’s Shelf during the renovation of existing stores. The detailed data regarding the number of locations equipped with farmer’s stands is provided in the table below.

Retail locations

INDICATOR	2022	2023
Number of retail locations	46	49



SUSTAINABLE PRODUCT RANGE

More responsible sourcing of raw materials

Raw materials are not only the basis for our assortment, but also for the livelihood and income of many people. Therefore, it is even more important to source raw materials in an environmentally and socially responsible manner - to promote positive impacts in the countries of origin, while at the same time reducing and avoiding potential negative impacts on people, animals and the environment. Specific negative impacts include, for example, human rights violations such as child and forced labor or inhumane working conditions, the loss of biodiversity by using pesticides and fertilizers in agriculture, or the promotion of climate change through deforestation for agricultural use. In addition, in a globalized world, supply chains are highly complex making it difficult to trace raw materials back to their origin. Supply chain transparency and the traceability of raw materials are therefore essential if concrete environmental and social standards are to be enforced in supply chains.

The products of Kaufland Bulgaria are primarily made of agricultural raw materials and primary products that our suppliers obtain both from Bulgaria and from other countries of origin. Together with our suppliers and external partners around the

world, we work to reduce and avoid the negative impacts of raw material extraction and processing. The basis for this is compliance with minimum legal standards. With voluntary commitments and standards, we go beyond the legal requirements and work with suppliers and partners on projects and measures.

Specific requirements for the protection of people and the environment are set out in the jointly developed Code of Conduct of the companies of Schwarz Group and in the Declaration of Principles on Respecting Human Rights and Protecting the Environment, which form an integral part of the contractual relationship with all our suppliers. These are supplemented by sustainability requirements within the Procurement/Purchasing Management. As of 2024, they are part of the contract annex „GSR - General Sustainability Requirements“ that summarizes the Kaufland requirements regarding environmental criteria, social standards and animal welfare, which are regularly updated.

Guidance for raw material sourcing is set out in topic-specific, jointly developed internal policies and guidelines, for example for relevant raw materials such as palm oil, coffee, cocoa, fruits and vegetables, fish or overarching topics such as improved animal welfare.

Raw materials strategy

Coordinated by the international Sustainability Purchasing department, the more sustainable procurement of raw materials is a key topic of the overall strategy jointly developed by the companies of Kaufland Group. Within the framework of a raw materials strategy, structures and processes were jointly created to comply with legal requirements continuously and fully, define voluntary commitments for more sustainable raw materials procurement, and implement projects in dialogue with stakeholders.

As part of this raw materials strategy, we have identified key raw materials that are particularly important to our business because of their impact and relevance. Kaufland considered both existing risk analyses and the expertise of various stakeholders. After several years of auditing suppliers using a risk-based approach, in 2020 individual raw materials were systematically assessed for their social and environmental risks. This included analyzing impacts on issues such as human rights, climate, water, biodiversity, deforestation, security of supply and the circular economy. As a result of this and further analysis in connection with the German Supply Chain Sustainability Act (LkSG) and dialogue with stakeholders, a total of 14 focus raw materials have been identified. By 2025, Kaufland wants to have defined specific targets for these focus raw materials and introduced measures for the private label products procured by Kaufland Stiftung & Co. KG for all companies of Kaufland group. By the end of the 2022 financial year, measures and projects had already been initiated for most of the focus on raw materials. These are reflected in the mentioned guidelines.

More sustainable raw materials in the range

A key approach to making our product range more sustainable is the sourcing of certified raw materials. Certifications can be used to implement, document and show customers certain sustainability aspects of a product, such as how raw materials are grown or extracted, or to improve the traceability of raw materials. As part of voluntary commitments, we therefore require standards and certifications for certain raw materials and products that go beyond the legal requirements.

Focus raw materials at a glance

- Flowers & plants
- Fruit & vegetables
- Fruit juice/nectar (banana, orange, passion fruit, pineapple)
- Cocoa
- Coffee & tea
- Tea
- Palm oil
- Soy
- Nuts
- Rice
- Fish
- Animal products (poultry, pork, beef, milk, eggs)
- Cotton
- Cellulose



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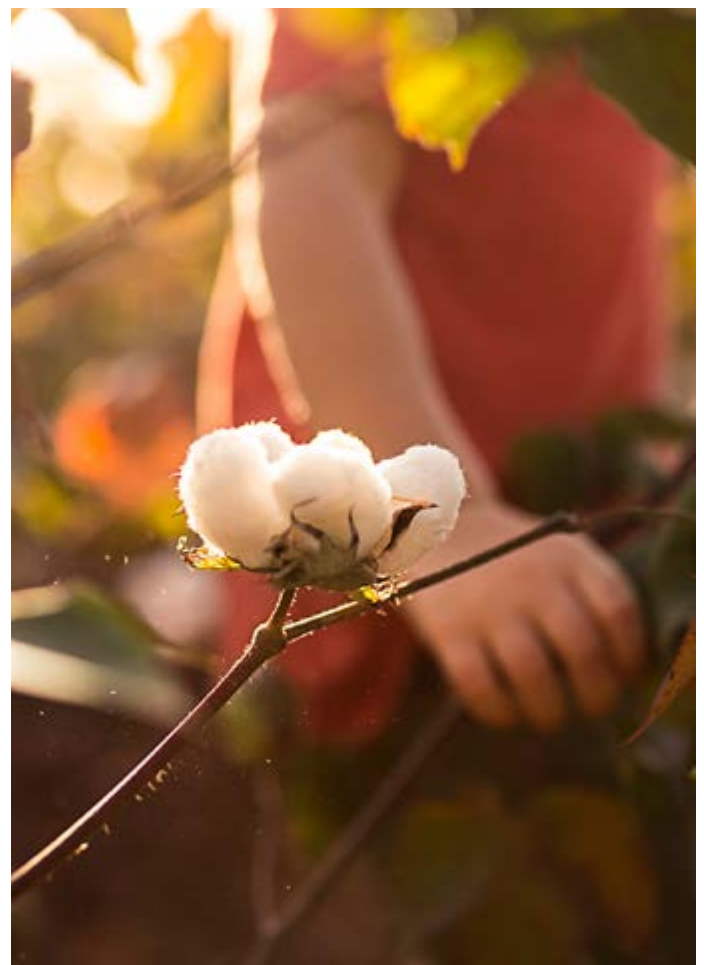
Selected raw material certifications in Kaufland Bulgaria private labels

- **Fruits & Vegetables:** Since the end of 2023, all strawberries from Spain are AWS or GLOBALG.A.P. Spring certified. Our goal is to have all our fruit and vegetable growers in Spain, Portugal, Italy, Greece, Egypt, South Africa, Morocco, Israel and Chile certified according to recognized water standards by the end of 2025.
- **Palm oil:** As of 2019, private label products containing palm oil are being certified according to the standards of the Roundtable on Sustainable Palm Oil (RSPO). As a founding member of the Forum for Sustainable Palm Oil (FONAP), Kaufland is also committed to a more sustainable production of palm oil in the countries where it is grown and fulfill FONAP's additional criteria.
- **Soy in animal feed:** As of January 1, 2022, we source only certified soy feed for the production of our private label animal products, preferably through physically traceable supply chains. We require Donau Soja / Europe Soya as our first source of European soy. When soy must be imported for animal feed, we rely on the Pro Terra or RTRS (Round Table of Responsible Soy) certification systems.
- **Fish:** In our fish sourcing, we aim to a 100 percent raw material certification by the MSC (Marine Stewardship Council), ASC (Aquaculture Stewardship Council), GLOBALG.A.P., Organic and BAP (Best Aquaculture Practice) sustainability labels for all permanently listed fish products and private label products made from fish by the end of 2025. With a few exceptions, this goal has already been achieved. For tuna, we also require the SAFE label for dolphin friendly catching methods.
- **Black, green, white and rooibos teas:** All private label black, green, white and rooibos teas are Fairtrade, Rainforest Alliance or EU organic certified. The certified proportion of herbal and fruit teas is continuously being increased.
- **Cocoa:** By the end of 2024, Kaufland Bulgaria wants to offer only private label products containing cocoa that are certified with the Fairtrade, Organic or Rainforest Alliance sustainability seals. Such products include chocolate, pralines, baked goods, snacks and seasonal items, cakes, ice cream and cereals.
- **Coffee:** Since the end of 2023, we have only been offering private label blended coffee drinks, instant coffee, capsules and cappuccino that are Fairtrade, Rainforest Alliance or EU organic certified.

In an annual process, the departments Purchasing and Sustainability Purchasing identify opportunities for sustainability improvement. Products that meet defined criteria are preferred as more sustainable alternatives. In addition to the use of certified raw materials, these include the use of regenerative cultivation methods, the promotion of living wages, the use of environmentally friendly packaging materials, and measures to reduce and avoid greenhouse gas emissions in the supply chain.

In dialog with our stakeholders

Another important component of Kaufland's jointly developed raw materials strategy is to engage with different stakeholder groups, such as suppliers, independent organizations and scientific institutions, or through multi-stakeholder initiatives. This includes the initiation of projects with relevant partners in the supply chain and the development of joint industry-wide solutions.



Selected products from our sustainable assortment

- **Eggs from free range hens**

It is of great importance to us to use eggs from free-cage or free-range hens in the production of dough and dough products of our own brands. Selected goods such as K-Classic waffles, for example, have a label on their packaging that they are produced from eggs from free-range hens.

- **K-take it veggie**

Our own brand K-take it veggie offers a diverse range of vegan and vegetarian products. All products under this brand have an internationally recognized organic certificate, attesting to the high quality of our vegan and vegetarian products.

- **Kuniboo and Kidland**

From 2021, our permanent assortment includes wooden toys from our own Kuniboo and Kidland brands, which are made from sustainable wood. The wooden toys are FSC-certified, a label showing that the wood is sourced in an environmentally friendly way and that sustainable forestry practices have been followed.

- **K-Bio**

We offer organic products in all product categories - from fruits and vegetables, through dairy products, beverages, coffee and tea to canned and deep-frozen foods. Many of these products are from Kaufland's own brand K-Bio. The European organic farming logo on the packaging shows that the products are produced according to strict EU rules and regulations under constant control by independent, state-authorized institutions.

- **Clean Label**

Kaufland bakeries across the country now offer a variety of Clean Label products. The so-called "clean label" refers to products that are distinguished by the fact that they do not contain GMOs, hydrogenated fats and artificial additives, making them completely natural. We have introduced these changes to the composition of several of our products from our bakery's permanent assortment as part of our consistent efforts to continuously improve the quality of our product portfolio.

- **UTZ Certified**

The UTZ logo is awarded to sustainably produced coffee and tea. UTZ's mission is to create a world where sustainable production is the norm. The UTZ certification program is now part of the Rainforest Alliance. More at: <https://utz.org>

- **Fairtrade**

Chocolate products from the K-Classic and K-Bio brands, which bear the Fairtrade Cocoa program logo, are produced with Fairtrade cocoa. The Fairtrade Cocoa program enables farmers to sell more of their crop under fair trade terms. By purchasing a product bearing this logo, consumers contribute to improving the living and working conditions of small producers.



- **FSC (Forest Stewardship Council)**

The FSC® label designates wood and paper products that have been independently certified according to the strict guidelines of the Forest Stewardship Council®. This promotes responsible forestry globally. Our range includes a huge selection of products with the FSC logo, including napkins, toilet paper and tissues, as well as charcoal for grilling.

- **GOTS (Global Organic Textile Standard)**

We are constantly expanding our assortment of products with certificates such as the Global Organic Textile Standard (GOTS), and we use organic cotton for the production of our employees' work clothes. The GOTS standard guarantees sustainable and socially responsible textile production along the supply chain - from the collection of organically produced natural raw materials, through ecologically and socially responsible production to transparent labeling.

- **Charter for sustainable cleaning**

Laundry and cleaning products from our own K-Classic brand carry the "Sustainable Cleaning" logo, which stands for the pan-European initiative called the Sustainable Cleaning Charter. This ranks Kaufland among companies committed to a safer and more environmentally friendly production of laundry and cleaning products.

Other sustainable certificates and labels in our assortment



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

More at www.asc-aqua.org



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

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



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

More at: www.cottonmadeinafrica.org



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

More at: <https://agriculture.ec.europa.eu/farming/organic-farming/organic-logo>



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 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



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



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

More at: www.fsc.org



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

More at: www.global-standard.org



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

More at: www.ggn.org



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

More at: www.textileexchange.org



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

More at: www.leatherworkinggroup.com



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

More at: www.msc.org



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

More at: www.textileexchange.org



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

More at: www.madeingreen.com

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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-certified.org



The Rainforest Alliance Certified seal can be found on products that contain one or more ingredients that are grown in accordance with ecological, social and economic requirements.

More at: www.rainforest-alliance.org



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

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



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

More at: www.cleanright.eu



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

More at: www.vegansociety.com



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

More at: www.v-label.com



HEALTHY PRODUCT RANGE

Offering healthy and quality food products is amongst our priorities. Therefore, increasing the share of products with reduced sugar, salt and fat content in our assortment, as well as those without gluten and/or lactose, is our long-term goal. We also strive to avoid the use of preservatives, colorings and flavor enhancers, as well as pesticides and other plant protection preparations in fruits and vegetables production.

Gluten and lactose-free products

The selection of gluten- and lactose-free products is expanding rapidly. Kaufland Bulgaria offers a range of lactose-free options, including fresh and sour milk, cheese, yellow cheese, plant-based cooking creams, and drinks. The pasta category features gluten-free breads, pizza crusts, tortillas, and plant-based flours. For sweets, we provide chocolates, desserts, chips, and plant-based snacks that match the taste and appearance of traditional products. Additionally, we offer a line of live sourdough breads and durum wheat bread, underscoring Kaufland’s dedication to innovation within its product range. Expanding our assortment with healthy options reflects our commitment to catering to the trend towards healthier eating, meeting the demand for high-quality products, and fulfilling our customers’ needs—all at affordable prices.



Reduced pesticides

As a food retailer, we recognize our responsibility to people, animals, and the environment. Pesticides, for example, pose risks to the health of our customers and producers, as well as to biodiversity. Since 2006, Kaufland, in collaboration with our partners, has initiated projects for integrated agriculture, focusing on reducing and avoiding the use of pesticides in fruit and vegetable cultivation. Our systematic approach exceeds legal requirements for pesticide use. We advocate that producers use pesticides only when no agrotechnical alternatives are available. Through independent inspections, we ensure adherence to our rigorous standards.

Healthy products

Indicator	Unit	2022	2023
Lactose-free items	number	80	87
Gluten-free items	number	377	456
Vegan items	number	379	475

Goals	Period
Increasing the assortment of gluten- and lactose-free products	annually
Avoidance of pesticides when growing fruits and vegetables from our suppliers	annually



Investment in quality

As a market leader, Kaufland is responsible for ensuring the quality of the food offered in its hypermarkets. Kaufland's commitment to ensuring the quality of the offered goods and services is part of the company's philosophy, with the main goal being that every customer is able to make a reasonable and informed choice. Kaufland is constantly increasing its guarantees for the quality of the offered assortment, including through certification of key products and processes. Over the past two years, Kaufland Bulgaria has successfully secured several key quality certificates, including a guarantee of quality and compliance from TÜV AUSTRIA for mince and minced meat from the service counter of the retailer's own brands - "Brey!" and "Chef Butcher". All of the packaged „Brey!“ and "Chef Butcher" meat products have also successfully passed a detailed audit and received a TÜV NORD quality certificate. In 2022 the storefront of the hypermarket in the capital's Banishora district also received an

award for compliance of processes and became the world's first TÜV certified storefront. The company also certifies part of the key activities carried out in the Logistics Center, which ensure the selection and storage of foods from main commodity groups.

In 2023, Kaufland invested over BGN 1,000,000 in quality control, of which BGN 640,000 for laboratory analyzes and external expertise. The company has carried out more than 12,000 checks throughout the whole chain in a year, which include laboratory analyzes in independent laboratories, external expertise and tests, and a number of internal checks by the departments committed to safeguarding the strict processes the company has in place in order to guarantee the high quality of the products that are being offered.



NEW GENERATION STORES

Managing the impacts of our daily activities on the environment is both a challenge and a top priority for Kaufland. We have continued to invest a significant amount of funds and efforts in the modernization of our hypermarkets in the last couple of years. "New generation stores" is a concept that includes the buildings, their interior and the way we include the care of the environment in the process of designing them. We manage to reduce our environmental impact through more efficient energy management, more advanced technologies, as well as more optimized product packaging. All these measures are part of two key strategies for Kaufland that the company has developed at group level - our climate strategy and the one to reduce the use of plastic - REset Plastic.

Managing our environmental footprint

Kaufland Climate Partners

Climate change poses enormous challenges for our society and demands action at all levels of society. As part of the Schwarz Group, Kaufland Bulgaria aims to keep its own contribution to climate change as low as possible and to steadily minimize greenhouse gas emissions.

To achieve this, the companies of Schwarz Group, jointly committed themselves to the following principles:

- 1. We prevent the generation of greenhouse gas emissions wherever possible.**
- 2. We reduce those greenhouse gas emissions which are unavoidable.**

Science Based Targets as Basis of Joint Climate Targets

As part of their joint climate strategy, the companies of Schwarz Group already joined the Science Based Targets initiative (SBTi) in August 2020. After preparing a complete climate impact assessment and analyzing the carbon footprint, climate protection targets were mutually defined according to the method of the initiative.

These were filed together with jointly elaborated measures to reduce, prevent, or compensate CO₂ emissions in operation and along the supply chain. These science-based targets were validated and released by the SBTi in September 2021.

Shared Climate Targets

The companies of Schwarz Group are working together to reduce their operational greenhouse gas emissions (Scope 1 and 2) by 48 percent by 2030 compared to 2019² levels.

As part of this, Kaufland has set itself the goal of reducing its operational greenhouse gas emissions by 80 percent over the same period. To achieve this mutually set goal, all companies of Schwarz Group will procure 100 percent of their electricity from renewable energies as of the 2022 fiscal year (<https://zanas.kaufland.bg/otgovornost/deistviyata-nosyat-promyanata/opazvane-na-okolnata-sreda.html>). With the new NetZero commitment by 2050, Kaufland is now taking the next step and is setting itself binding greenhouse gas reduction targets that go far beyond the existing goals. In terms of indirect emissions (Scope 3), we base our Kaufland targets on the jointly adopted targets of the companies of Schwarz Group. In specific terms, this means reducing indirect emissions in the agriculture and forestry sector by 42.4 percent as well as by 35 percent in the energy and industrial processes category by 2034 (base year 2022). Kaufland has also committed to reducing its absolute Scope 3 emissions resulting from the use of sold fuel by 58.8 percent by 2034 compared to 2022.

Kaufland commits itself that suppliers who are responsible for 80 percent of product-related emissions will set their own climate targets by 2026, according to the criteria of the SBTi. In the fall of 2023, we started a process of identification of our suppliers and we sent 28 of them a link to access a system where they can fill in data for an environmental assessment. After registration, they need to fill in up-to-date data and report on progress annually. We perceive shared responsibility as the basis of our successful cooperation. We expect our partners to register with the Network Platform / ClimatePartner, such as Kaufland Stiftung & Co. KG. Kaufland accompanies and supports its business partners in the process of registering and committing to a climate strategy, as well as in the process of goals setting and annual and progress reporting. This commitment is further explained by the fact that in the coming years, legal requirements and regulations regarding climate protection strategy and activities will be increasing. By setting a climate target against the Science Based Targets Initiative (SBTi), our partners are preparing ahead of schedule and ensuring our collective advantage over the competition.

² * This target for scope 1 and 2 also includes biogenic emissions and the removal of biogenic raw materials (only PreZero).

** Excluding any purchase agreements that DIVISION cannot influence, such as those for individual leased properties with a binding electricity procurement clause. Further information can be found at <https://zanas.kaufland.bg/otgovornost/deistviyata-nosyat-promyanata/zaedno-rabotim-za-po-dobro-badashte.html#klimat>

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

Kaufland Bulgaria stores with EV charging stations:

19

Buildings with photovoltaics systems:

8

Buildings with heat recovery from product cooling:

26

Buildings with building air-conditioning with natural refrigerants:

1

Buildings with heat pumps:

27

Buildings with product cooling with natural refrigerants:

24

Kaufland Climate Partners

In the fall of 2023, Kaufland Bulgaria launched an initiative to enhance our commitment to environmental sustainability by engaging with our suppliers on climate action. As part of this effort, we identified 28 key suppliers and provided them with access to a dedicated system for submitting environmental assessment data. Following their registration, these suppliers are required to update their data annually, enabling us to monitor progress effectively.

This initiative is aligned with the overarching strategy of Kaufland Stiftung & Co. KG, which focuses on reducing harmful environmental impacts. In support of the United Nations' objective to limit global temperature increases to a maximum of 1.5°C and to reduce greenhouse gas emissions, Kaufland, along with all other companies within the Schwarz Group, has committed to the Science Based Targets Initiative (SBTi). This commitment encompasses specific climate goals, both for Kaufland and its business partners, aimed at achieving significant emissions reductions.

By 2030, Kaufland aims to reduce its greenhouse gas emissions by 80% compared to 2019 levels. Additionally, by 2026, we expect that our business partners, who collectively contribute to 80% of supply chain emissions, will have set their own climate targets in accordance with SBTi criteria.

We recognize that shared responsibility is fundamental to successful business collaboration. Therefore, we expect our partners to register on the Network Platform / ClimatePartner. Throughout this process, Kaufland Stiftung & Co. KG will provide guidance and support, assisting partners in establishing their climate strategies, setting specific data points, and ensuring that progress is reviewed and reported on an annual basis.

This proactive approach is further reinforced by the anticipated increase in legal requirements and regulations related to climate protection strategies in the coming years. By setting climate goals in line with the Science Based Targets Initiative (SBTi), our partners will be well-prepared to meet these future challenges, securing a competitive advantage for our collective business operations.



III Welcome to Kaufland Bulgaria

Sustainable construction

Kaufland Bulgaria is strongly committed to climate protection. Our strategy is based on sustainable construction and energy efficiency. As part of this commitment, Kaufland aims to reduce its operational greenhouse gas emissions by 80% by 2030, compared to 2019 levels.

The company is also actively working with real tests for the application of construction materials with recycled content. For example, replacing reinforced concrete with a wooden structure, introducing cladding facade panels containing 55% recycled content, impact protection system with 80% share of recycled material, roof insulation materials, foils, etc.

Over the past two years, Kaufland Bulgaria EOOD & CO KD has invested over BGN 215 million in green construction of new stores and modernization of existing ones. In the past two years, Kaufland Bulgaria has opened 4 new hypermarkets in the capital city, where all the technological innovations that we use in our daily business along the entire value chain have been implemented - from construction and design, through our smart system for planning and positioning goods, to the relationship with customers and the overall customer experience.

The green hypermarket

Kaufland-Gorublyane is „Building of the Year“ 2022. It is also the first „green“ hypermarket of the chain, built entirely according to all recent standards for ecological and energy-efficient construction. It is equipped with a number of environmentally friendly systems. The facility is powered by 100% „green“ energy, and all lighting is LED based. A photovoltaic installation is located on its roof, which covers approximately 20% of the hypermarket's own annual needs. In addition to this, more than 6,000 m² of the area of the property on which Kaufland Gorublyane is built has been turned into a park. Different types of trees and shrubs are planted, and their selection is based on their ability to absorb large amounts of carbon dioxide. This decision directly contributes to the reduction of the city's heat islands and reduces the impact of car traffic on Samokovsko Shosse Blvd.

The „most technological“ hypermarket

Kaufland-Manastirski Livadi is the „most technological“ hypermarket of the chain and is built on an area of nearly 10,000 square meters. It is designed to combine functionality and sustainability of space and materials. The building is arranged vertically on 3 levels, two of which are intended for parking purposes with 200 parking spaces. This solution saves horizontal construction and frees up to 40% more green areas within the field.

Central Halls

In 2022, Kaufland Bulgaria received approval for the implementation of its investment project to restore the original appearance and function of the Central Halls in Sofia. In the following months, a series of renovations were carried out,

including removal of severely compromised elements from the interior of the building and a comprehensive specialist cleaning of the facade. The iconic clock in the tower of the building was restored after 40 years.

The total value of the investment to restore the original appearance and function of the Central Halls exceeds BGN 50 million. The project that intended to bring back to life the emblematic building was fully compliant with the recommendations of the National Institute for Immovable Cultural Heritage and the Ministry of Culture. The activities were carried out with absolute attention to every detail and uncompromising quality of the work. This project is part of Kaufland Bulgaria's commitment to improving the urban environment and is extremely important for the company. It represents a significant investment aimed at preserving the building's original form - as it was created by its author - arch. Naum Torbov in 1911. At the „basement“ level of the building, the new owner, with the expert help of the Regional History Museum - Sofia, has made public the archaeological heritage of Ancient Serdika. Next to the remains of Ulpia Serdika's defensive wall and Roman bath, discovered back in 2000, there is a designated area for history and culture, which the company plans to develop as an event and arts stage in 2024.

Electromobility

Another „green“ practice and part of the company's long-term energy efficiency program is equipping our stores with fast-charging electric stations for free use. We started introducing them back in 2017. With this Kaufland aims to provide its customers owning electric cars with the comfort of charging their vehicle while shopping. The newest charging stations can be found in the company's newly opened stores in Sofia - in „Manastirski livadi“ and in „Lyulin“-3. Thus, the total number of fast-charging electric charging stations of Kaufland Bulgaria, located in the parking lots of hypermarkets throughout the country, is now 19 - 17 for cars and 2 for bicycles.

The topic of climate change and our journey to turn our stores into more climate-friendly shopping destinations are both very important for us. We, as a leading company in the retail sector of the Bulgarian market, have made it our mission and responsibility to set a good example.

We implement a variety of initiatives every year, focusing on using best practice energy-efficient technologies in order to design and build every new building in a way that is best for the environment.

During the last two years, we once again made significant investments in energy efficiency and environmental protection.

In 2023 as a result of our efforts we have achieved 1.9 % reduction in electricity use compared to 2022.



We have also:

- Since 2012 we have stopped using fossil fuels for heating in all newly built stores
- For all heating and cooling purposes we have been using waste energy entirely from our refrigeration plants
- We have implemented highly efficient LED lighting
- We carry out annual reviews of our ISO 50001 certificate: „Energy management systems“
- Building photovoltaic systems to produce electricity for our own needs
- A network of electric car charging stations in our parking lots
- Use of natural refrigerant in our refrigeration plants with the lowest global warming potential.

Progress on goals

Goals set in the previous reporting period	Deadline	Progress
Transition to using 100% renewable energy	March 2022	Reached
Reduction of operational GHG emissions by 80% (compared to 2019)	2030	In progress
A requirement for our suppliers to set their own climate targets	2026	In progress
Replacement of cooling agent R404A in all stores	2024	Reached (excluding one store for which the goal is set for 2025)
LED lighting equipment in all stores	December 2022	Reached
Equipping each new store with a photovoltaic installation	4 new installations in the period 03.2023 - 02 2024	Reached
Equipping stores with charging stations for electric cars	2 new stations by December 2022	Reached

III Welcome to Kaufland Bulgaria

What is ahead:

- Certification of 1000 branches in all countries under the EDGE system for green and sustainable buildings
- Use of wood as a building material
- Introduction of heat pumps with a safe refrigerant (propane) for new and existing branches
- Maximizing the use of recycled materials in new construction
- Reduction of energy costs through proper system management.

GOALS	Deadline
Equipping each new store with a photovoltaic installation	3 new installations by March 2025
Equipping stores with charging stations for electric cars	1 new installation by March 2025
Replacement of the entire refrigeration system and refrigerated display cases with a more energy-efficient installation and with an environmentally safe refrigerant (CO ₂) in three stores	2025
Reduction of electricity consumption with a minimum of 1%	2025
Replacement of existing refrigeration machines with energy-efficient heat pump units in three stores	2025
Certification of 63 Kaufland stores under the EDGE certificate for energy-efficient buildings	November 2024
Certification of Kaufland Central Warehouse under the EDGE certificate for energy-efficient buildings	2025

Water consumption

The total water consumption of all objects that are assigned to our activities in order to carry out business operations. This applies to all objects that are owned or all externally rented and self-operated locations. The following are not taken into account:

- external tenants/concessionaires.

Water consumption includes, for example, consumption for:

- cleaning - irrigation of outdoor areas - customer toilets - social rooms (toilet, kitchen, shower, etc.)

Water quantities that are part of items for sale (e.g. mineral water, hot drinks vending machines) are not included. Water consumption is recorded by reading the meter readings or the invoice, or another suitable method for determining consumption.

Biodiversity - the basis of all life

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

Biodiversity on land, in water, in the soil and in the air is central to a functioning ecosystem and the human food chain. A wide range of insects, such as wild bees, are responsible for pollinating 80 per

cent of the world's wild and cultivated plants. But nearly half of all insect species are in steep decline, and scientists believe that many may soon become extinct. Reasons include the expansion of agricultural land, monocultures and the use of agrochemicals. Many other species are also threatened with extinction.

The Kaufland Pesticide Management

For us, biodiversity is the foundation of a rich food supply. However, agricultural cultivation in particular can have a negative impact on biodiversity. To protect and preserve biodiversity and minimize negative impacts on the environment, Kaufland Bulgaria takes a wide range of measures. An important part is Kaufland's pesticide management for fruits and vegetables. Since 2006, Kaufland has been working with suppliers on own projects to promote integrated agriculture and the reduction and avoidance of pesticides in fruit and vegetable production. With a systematic approach pesticide use is being reduced. Kaufland standards go beyond the legal requirements by also severely restricting approved active ingredients in order to keep the use of pesticides in cultivation as low as possible. The „General Kaufland Specifications“ and the „Kaufland Exclusion List for Particularly Hazardous or Harmful Pesticides“ provide detailed information and guidance. The exclusion list contains all active ingredients that are banned or excluded by Kaufland or international

specifications (WHO Lists 1a and 1b and the Rotterdam and Stockholm Conventions).

Kaufland Bulgaria is committed to ensuring that growers only use crop protection products where there are no agronomically viable alternatives. We regularly carry out independent audits to ensure compliance with our internal standards. With success: we are already pioneers in reducing the use of pesticides in the cultivation of fruit and vegetables, flowers and plants. Our standards are among the most stringent in the industry. In our transparency reports Fruit & Vegetables and Flowers & Plants, we provide detailed insight into the strictly regulated use of pesticides at Kaufland Bulgaria and our commitment to preserving biodiversity.

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

bananas, and Fairtrade for cocoa.

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

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

Ecological packaging

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 the core business, trading in food and non-food products. However, due to the long life of the material, it can become a problem if released into the environment. Anyone putting plastic into the cycle is therefore also responsible for its further use.

In response, the companies of Schwarz Group have been committed to collecting, sorting, and reusing plastics for many years – centralizing their initiatives since 2018 through REset Plastic. This is the international, holistic plastics strategy adopted by all companies of Schwarz Group. With the group-wide plastics strategy REset Plastic, the companies of Schwarz Group not only want to reduce the use of plastic and promote recycling but also create new awareness and fundamentally change the way they deal with plastic.



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



III Welcome to Kaufland Bulgaria

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

- Fruit and vegetable nets **(REduce)**
- Product packaging or product with high plastic savings **(REdesign)**
- Product packaging or product with a high proportion of recyclate **(REdesign/REcycle)**
- Product packaging or product with high recyclability **(REdesign/REcycle)**
- National/international cooperation for waste disposal from the environment **(REmove)**
- Educational/research projects on plastic **(REsearch)**



We aim to make 100% of the private label packaging maximum recyclable by 2025.



We aim to use 30% less plastic for private label packaging and transport aids by 2025 (compared with 2017).



We aim to use an average of 25% recyclate in our private label packaging by 2025).

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

REduce

We reduce plastic wherever sustainably possible

REdesign

We design recyclable packaging and close loops

REcycle

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

REmove

We support the removal of plastic waste from the environment

REsearch

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



Household Products from group-wide recycling loop

In cooperation with PreZero, the environmental division of Schwarz Group, Kaufland Bulgaria 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 some time now.

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

Ocean Bound Plastic

With REmove – an action area of the group-wide plastics strategy REset Plastic – Kaufland Bulgaria assumes responsibility for plastic that is already in the environment and therefore outside of the loop. On the one hand, Kaufland Bulgaria supports the removal of existing plastic waste from rivers, lakes, the sea and on land. On the other hand, plastic waste is supposed to be actively prevented from entering the environment in the first place. Here, focus is laid in particular on the main source of marine pollution: ocean bound plastic.

Ocean bound plastic is plastic waste that was disposed of directly into nature due to a lack of collection and recycling infrastructure and ends up in the sea through rain, wind, and tides. To protect the oceans, the companies of Schwarz Group are thus helping to set up waste management systems, especially in coastal areas and on waterways. Together with global partners, such as the environmental „One Earth – One Ocean e.V.“, or „Project STOP“ (Stop Ocean Plastics), the companies of Schwarz Group ensured, also in FYs 2022 and 2023, that plastic waste was systematically collected on site and permanently integrated into recycling processes.

Deposit Strategy

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

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

REmove

• OEEO: One Earth – One Ocean

Southeast Asia is the region of the world most affected by plastic waste. As part of Schwarz Group, Kaufland Bulgaria takes its social and ecological responsibility seriously and is committed to consistently avoiding, reducing, and recycling plastic as part of the jointly developed, international plastics strategy REset Plastic. In the REmove field of action, the companies of Schwarz Group assume responsibility for plastic that is already in the environment and is thus outside of recycling loops. In doing so, they pursue two goals: On the one hand, they want to actively prevent plastic waste from entering the environment in the first place. On the other hand, they support the removal of existing plastic waste from rivers, lakes, the sea and on land. To this end, the companies of Schwarz Group work together with various partners on a global level.

In cooperation with One Earth – One Ocean e.V., the waste and recycling management specialist Wasteforchange, and with the support of the Indonesian government and the city of Bekasi, the companies of Schwarz Group initiated the BRIC (Bekasi River Cleanup) project, for example. The goal of this cooperation is the sustainable cleaning of the river close to the megacity, even before the waste can reach the seas. In addition to the removal of waste from the river, a particular focus here is on the development of a recycling infrastructure for the river waste as well as on the most climate-friendly project operation possible, for example, via self-generated electricity from photovoltaic systems. The project was set up to run for three years (2019-2022) and was successfully handed over to local stakeholders on the ground in early 2023.

• Project STOP

Kaufland Bulgaria is committed to consistent avoidance, reduction, and recycling of plastic as part of the jointly developed, international plastics strategy of the companies of Schwarz Group, REset Plastic. Together, they pursue the vision "Less plastic – Closed Loops." In the REmove action area, they contribute in particular to preventing plastic waste from entering the environment or removing plastic waste from the environment and, at best, returning it to the recycling loop.

In this context, Kaufland Bulgaria has, as part of Schwarz Group, joined Project STOP (Stop Ocean Plastics), working with cities and communities in Southeast Asia to prevent marine and coastal litter. The aim of this project is to establish an effective waste management system in Indonesia. Because a global challenge also needs local solutions. For this purpose, the companies of Schwarz Group offer technical expertise and impart the necessary knowledge. The approach: Waste should be recycled and not end up in the oceans in the first place. In doing so, they are not only helping the environment – numerous jobs, especially for women, are created in this context. Cooperation with the project has been in place since March 2019. In 2021 alone, 260,000 households were connected to waste systems; 20,000 tons of waste, including 2,400 tons of plastic, were recycled and 226 full-time jobs were created. In addition, five waste processing plants (in Muncar, Pasuruan, East Java, Jembrana, Bali) with a total processing capacity of 150 tons per day were completed.

The STOP pilot project launched in Muncar, a coastal region of Indonesia, in 2018 was just the beginning. More town twinning projects have already been established and new regions are continuously being opened up for follow-up projects.

TRANSPORT AIDS AND TRANSPORT PACKAGING FOR CUSTOMERS

Bread bags

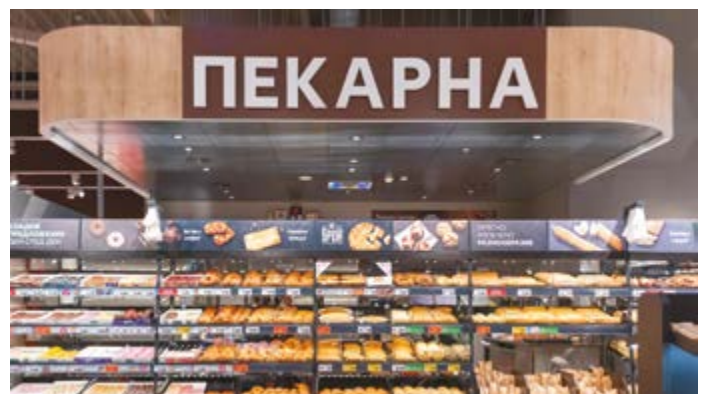
Plastic-reduced bread bags

With the holistic plastics strategy REset Plastic, Kaufland Bulgaria wants to reduce the use of plastic for private label packaging and transport aids by 30 percent by 2025, compared with 2017. For this purpose, Kaufland Bulgaria questions the use of plastic in all areas of the company and puts processes and packaging to the test.

Kaufland Bulgaria has reduced the amount of plastic in bread bags for transporting loose baked goods from the baking stations: By optimizing the size and film thickness of the viewing window, the paper thickness and the dimensions of the bags themselves, Kaufland is on track with its goal to reduce the use of plastic for private label packaging and transport aid by 30 percent by 2025.

Plastic-free bread bags

Kaufland Bulgaria offers the customers plastic-free bread bags for the transport of loose baked goods from the packing stations: Instead of the conventional plastic viewing window, the new, optimized bags have a viewing window made of glassine paper. Thanks to the glassine paper, the bags can also be completely disposed of with the paper waste – prior separation into plastic and paper components is no longer necessary – this also makes them easier to recycle.



Reusable Bread Bag Solution

In order to sustainably reduce the use of plastic in accordance with the plastics strategy Reset Plastic, Kaufland Bulgaria has been offering reusable bags for transporting loose baked goods from the baking stations as an alternative to disposable bread bags since September 2022. The reusable bags for baked goods are made from 100 percent recycled plastic. In this way, Kaufland Bulgaria ensures more sustainable transport aids in two ways: The durable bags are not just made without virgin plastic, but also conserve valuable resources with each multiple use.



Reusable Fruit & Vegetable Nets Made From 100% rPET

The holistic plastics strategy of the companies of Schwarz Group, REset Plastic, includes measures to reduce plastic as well as activities in favor of the circular economy – for example through the use of recycle. With reusable nets for transporting loose fruit and vegetables, Kaufland Bulgaria meets both objectives in equal measure: The durable, reusable nets reduce the consumption of knot bags with each multiple use.



We work closely with PreZero, the environmental division of the Schwarz Group. Our goal is to close the recycling loop and save resources. Mechanical plastic recycling is the most sensible approach from an economic and environmental point of view. As mechanical recycling only makes it possible to produce new packaging out of recycled packaging to a limited extent, as part of a pilot project we are also involved in chemical recycling. The pyrolysis process turns mixed plastic waste into oil, which then can be used for the production of new products or packaging. The final product of our pilot project is carrot bags that will be used in some Kaufland hypermarkets in Germany. They can be mechanically recycled after use. The material used for the packaging is certified under ISCC (International Sustainability and Carbon Certification). The packaging can be recognized by our „Packaged with Responsibility“ logo.

SEPARATION INSTRUCTIONS

With the holistic plastics strategy REset Plastic, the companies of Schwarz Group want to establish recycling loops. However, the success of the targeted recycling processes depends not least on the correct separation of recyclable materials: Only if plastic waste is properly collected and sorted can high-quality recyclables be obtained from it. To make it easier for the customers to dispose of their waste correctly, the companies of Schwarz Group have thus developed their own separation and disposal instructions. In particular, packaging made up of several components causes difficulties when separating waste. A well-known example are yogurt cups, which consist of a lid, a plastic cup and a paper sleeve. Once they are separated from one another, all materials can be recycled very well, but if they are not separated, at least one valuable material will be lost. Therefore, the separation instructions provide information about the materials from which the individual packaging components are made, help with correct disposal and thus contribute to better recycling in the long term.

Regenerated products and their packaging

Our organization ensures that collected recyclable materials are not repurposed into new packaging nor incorporated into our products and services. We are committed to reducing unnecessary packaging materials by thoroughly examining the packaging of our own brand items and assessing the necessity of each component. We emphasize the use of environmentally friendly materials in our processes. Our target by 2025 is to decrease plastic usage by at least 20%.

We convert used plastic into recycled granulate, known as recyclate, which is utilized in the production of new PET bottle preforms and packaging materials for many of our own brand products. Our objective by 2025 is to incorporate an average of 25% recyclate into the packaging of our own brand products.

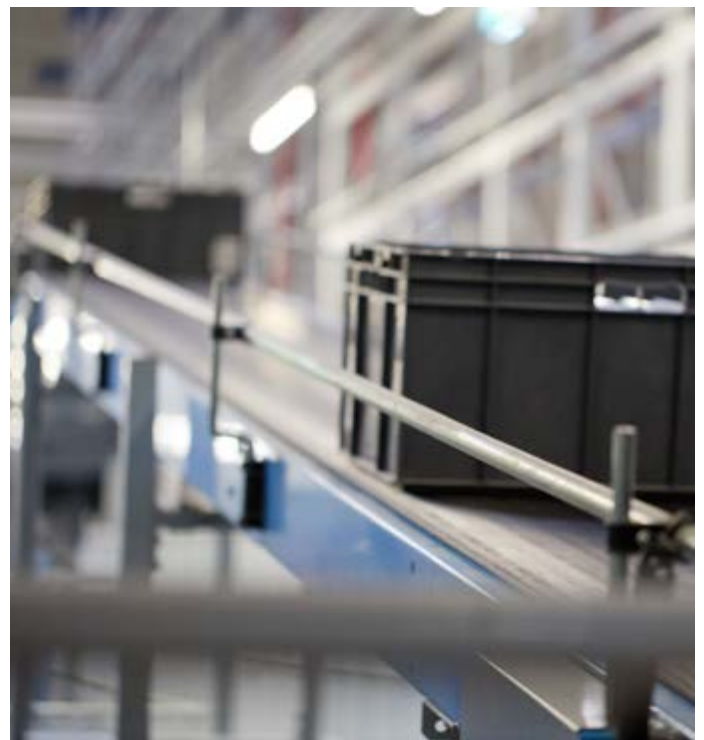
Our focus extends to minimizing plastic in the packaging of our own brand products and ensuring their recyclability. We are dedicated to supporting the sustainable reuse process and aim to make 100% of our own brand product packaging recyclable by 2025. Additionally, we plan to eliminate the use of black plastic in our packaging.

Our approach to sustainability is comprehensive, addressing the avoidance of plastic waste, product design, recycling, innovation, and education. This holistic strategy is essential for preventing plastic waste and achieving our goal of a closed-loop production cycle. We mark our optimized packaging with the „Responsibly Packed“ logo, such as K-Classic sunflower oil in PET bottles made from at least 30% recycled plastic, to make our plastic reduction

initiatives visible to consumers.

In practice, we continuously explore opportunities to reduce plastic usage, eliminating it where it is not essential for protecting products or maintaining freshness. The recyclability of our packaging is a priority, and we collaborate with experts to develop innovative solutions and strategies.

We advocate for reduced packaging even in our own operations. Products like fruits and vegetables are offered in bulk and without packaging, marked with the „Unpackaged“ logo. This initiative not only highlights our extensive selection of bulk produce but also underscores our commitment to reducing plastic use, enhancing the sustainability of shopping in our stores.



Reuse

Our „Use Again and Again“ logo aims to inform customers about the reusability of certain products. This logo applies to items such as reusable containers, thermos boxes, reusable straws, and storage boxes. Labeling these reusable products is a straightforward measure to mitigate waste.

Sustainable Alternatives

We have undertaken significant steps to limit single-use plastics in our product range. As of early 2020, we ceased the sale of single-use plastic dishes and cutlery, replacing them with sustainable alternatives that can be either recycled or composted. This initiative has resulted in an annual reduction of 88 tons of plastic.

Proper Sorting of Packaging

Effective waste reduction is greatly facilitated by proper sorting of packaging. To this end, selected own-brand products with multi-component packaging now feature information and guidelines to ensure correct recycling practices. This is a critical step in preventing the accumulation of plastic waste, as proper disposal enables packaging to be processed and reused.

Compensation for Unavoidable CO₂ Emissions

Compensation for unavoidable CO₂ emissions reflects a company's commitment to climate and environmental protection.

Products from Recycled Plastic

In 2021, Kaufland introduced a variety of products made from recycled plastic, including pet beds and toys, laundry baskets, storage boxes, and sportswear (see p.46, Newcential Sports Accessories). These items are manufactured from recycled plastic packaging, such as discarded PET bottles. In 2022, Kaufland further expanded its offering to include toys made from 100% recycled materials, certified by the Global Recycled Standard (GRS).

Hazardous Waste Management

Our organization has successfully managed to avoid sending hazardous waste to landfills by implementing various recycling and reuse initiatives. Specifically, we have prepared toner cartridges for reuse. Additionally, we have recycled 1.1 tonnes of fluorescent lamps and 1.4 tonnes of used motor oil. Other renewable actions have also contributed to this effort.

Non-Hazardous Waste Management

Similarly, we have made significant strides in managing non-hazardous waste, ensuring that substantial quantities are recycled or prepared for reuse instead of being sent to landfills. We have prepared 29,795 pieces of wooden pallets and broken EPAL pallets for reuse; these items are sold by count rather than by weight.



Waste Renewal Locations

For the renewal of waste, we do not perform any renewal activities on-site. All waste is treated by subcontractor companies, which possess the data on the proportion of the total weight we provide that is renewed. The quantities mentioned above reflect the data available from these subcontractors. There are no off-site renewal activities reported.

Waste Destined for Landfills

In the reporting period, the total weight of hazardous waste directed to landfill amounted to 1,1 tonnes. The amount of 1,1 tonnes in 2022 was reduced to 0,4 in 2023. This waste was exclusively handled through incineration without energy recovery, as no hazardous waste was incinerated with energy recovery. The total weight of non-hazardous waste directed to landfill included 9.37 metric tonnes of vegetable fats, which were incinerated with energy recovery for biogas production. The distribution of the total weight, measured in metric tonnes, of hazardous and non-hazardous waste directed to landfill is detailed by waste renewal location. For on-site waste renewal, no activities were conducted. All waste renewal operations were handled off-site by subcontractor companies, which are responsible for treating the waste and have provided data on the amount of total waste weight that was processed.

III Welcome to Kaufland Bulgaria

Recyclable Waste

The primary goal is to reduce recyclable waste as much as possible. Therefore, employees are trained on how to sort packaging waste generated in stores to keep it suitable for subsequent recycling. All paper, cardboard, plastic, and metal waste from stores are recycled. In its Central Warehouse, Kaufland has a recycling site with an area of 1,800 square meters. There, paper and plastic waste from all chain stores in the country are baled. In 2022, 10,583 tons of paper and 729 tons of plastic film were recycled in the facility. Since 2014, all hypermarkets in Sofia have had separate containers for fruits, vegetables, and flowers. This waste is composted and given to farmers as fertilizer. Since 2020, we have been recycling employees' work clothes, for instance reusing cotton t-shirts in the automotive network as rags.

Pilot Project of a Deposit System

In March 2023, Kaufland introduced the first reverse vending machines for packaging in the retail sector in our country. The stations are located in five hypermarkets in Sofia, Plovdiv, and Varna. For each returned PET bottle or aluminum can, customers receive an eco-voucher worth 5 stotinki. The interest in the recycling stations is enormous, so their capacity was doubled in 2024. The absolute record-holder for collection is the station in Varna, where the largest quantities of packaging are collected, not only in our country but also in all of Europe.

The company's investment in expanding the machines is worth a total of 115,000 BGN, and the total paid deposit amount exceeded 300,000 BGN at the beginning of 2024. The collected plastic bottles are processed at the „ITD EOOD Bulgaria“ plant. The aluminum cans are sent for further processing to „Hamburger Recycling Bulgaria“. Kaufland Bulgaria has already handed over nearly 28 tons of bottles and cans for recycling. By the end of FY23, nearly 8 million packages were returned, equivalent to 210 tons of plastic and aluminum.

The material obtained from the plastic will be used for new plastic products by Bulgarian manufacturers. This way, the use of plastic is reduced, resources are saved, and the life cycle of raw materials is closed. From the amount of plastic handed over so far, nearly 3 million new plastic bottles can be produced with 30% recycled material content in the packaging.

Return of Coffee Capsules

In November 2023, Kaufland Bulgaria launched a project in collaboration with NESCAFÉ® Dolce Gusto® to position containers for the return of coffee capsules. This innovative recycling service is available at five of the chain's locations in Sofia—in the Kaufland hypermarkets in all Buxton, Mladost 4, Gorublyane, Malinova Dolina, and Kriva Reka districts. Over 25,000 coffee capsules were returned for recycling by Kaufland and NESCAFÉ® Dolce Gusto® customers in the retailer's stores during the first five months of the partnership, and the recycled plastic amounts exceeded 70 kg. In 2024, the retailer plans to double the number of stores where a coffee capsule return container is positioned.

Kaufland's Partnership with „Books for Waste“

Kaufland is a traditional partner of the „Books for Waste“ initiative, the largest national eco-initiative that simultaneously promotes plastic recycling and reading. Since the beginning of the initiative in Bulgaria, over 120 tons of plastic have been recycled, and books worth over 1 million BGN have been distributed.

Blue Receipt

In 2021, we introduced the durable blue receipt in all our hypermarkets. Its innovative thermal paper is sourced from sustainably managed forests and is certified by the international FSC standard. Unlike conventional receipts, the blue receipt can be disposed of separately with wastepaper and later recycled. Along with the change in receipt paper, we also replaced the packaging for the receipt paper rolls, which were previously made of foil. The recyclable receipts are another step in the joint strategy of the companies in the Schwarz Group—REset Plastic, aimed at reducing plastic use and contributing to even more eco-friendly shopping.

No Microplastics in Our Cosmetic Products

We set a goal to adapt the formulas of all our private label cosmetic and body care products, as well as laundry and cleaning detergents, including automotive products, by the end of 2021. The aim is to eliminate the use of microplastics and non-biodegradable pure synthetic polymers, provided this does not significantly affect the performance or safety of the product*. Due to challenges with some product formulations, their properties, and the availability of suitable raw materials, we were unable to bring all the planned new products to market by the end of 2021. We are working closely with our suppliers on further developments, some of which need to be developed in the market first. We label our packaging with the „No Microplastics“ logo to transparently inform customers that we do not use microplastics in our product formulations. For more information, visit: kaufland.com/microplastic.

Newcential Sports Accessories

Kaufland is the first retail chain in Bulgaria to launch a collection of textiles made from recycled plastic. The Newcential sports line is made from plastic waste, such as PET bottles. These bottles are cleaned, shredded, then melted and spun into threads. The woven threads are turned into recycled polyester, from which the collection is made. All items in the collection are also recyclable, thus Kaufland closes the recycling loop by offering textiles that can be used multiple times.

Progress on goals

Goal	Period	Progress
Reducing the use of plastic in our own brand packaging by a minimum of 20%	2025	Reached
The plastic packaging of 100% of our own products is maximally recyclable	2025	In progress
Use of an average of 25% recyclate in the packaging of own brand products	2025	In progress

In 2023, Kaufland reported a 27% reduction in plastic usage, surpassing its goals set for three years ahead of schedule. For the fiscal year 2022 (compared to the baseline year 2017), Kaufland achieved a 33% reduction in plastic use across all its countries of operation. During the same period, the chain also made significant progress by reaching 50% recyclability of its packaging. Kaufland also reported nearly 24% progress towards its commitment to include recycled content in its private label product packaging.

Through various measures, Schwarz Group companies have exceeded their initial target of using 20% less plastic in private label product packaging by 2025. The result for fiscal year 2022 is 28%. As a result, a new, even more ambitious goal has been set. Overall progress towards the other goals of REset Plastic is significant for the Schwarz Group: achieving a result of 17% in incorporating an average of 25% recycled content in private label product packaging and reaching 53% towards the goal of maximizing the recyclability of these packages.

Kaufland Bulgaria's Partnership with Bulgarian Polar Expeditions - Together Against Climate Change

Kaufland Bulgaria is a dedicated partner of Bulgarian polar expeditions, significantly contributing to environmental and climate protection as part of its sustainability policy. At the end of 2022, Kaufland supported Bulgarian researchers' historic 31st Antarctic Expedition by donating 10 tons of food to the Bulgarian

Antarctic Institute and the Naval Academy „Nikola Y. Vaptsarov.” This support enabled scientists to reach the Bulgarian polar base on Livingston Island for the first time with their research vessel, providing essential food supplies for the crew and scientists during their stay at the South Pole. This marked Kaufland as the first Bulgarian retailer to set foot on Antarctica.

In 2023, Kaufland expanded its support by donating over 30 tons of food and non-food products for the needs of the scientists and crew of NIK 421 on their journey to and during their stay in Antarctica. The expedition, lasting approximately five months, involved the transport of construction materials for a new laboratory and facilitated research on Smith Island, part of the South Shetland Islands archipelago.

Since 2022, Kaufland's strategic partnership with the Bulgarian Antarctic Institute has provided crucial support, freeing up resources for extensive research on the impact of plastic pollution on Antarctica's flora and fauna. Over the past two years, eight studies on microplastics have been conducted, revealing their presence in the coastal waters around Livingston Island and their effects on marine organisms. Additionally, Bulgarian researchers will undertake ten scientific projects during the current expedition, each aimed at mitigating the negative impacts of climate change.





KAUFLAND FOR THE PEOPLE AND THE ENVIRONMENT

Taking care of our employees

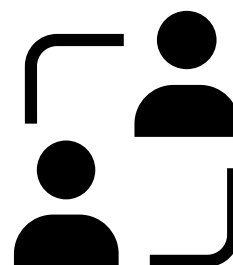
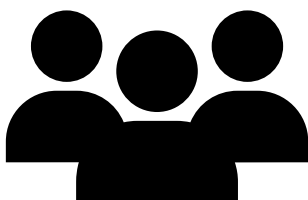
The strategic importance of human capital management at Kaufland Bulgaria is deeply rooted in the findings of numerous labor market studies and comprehensive feedback from our employees. This alignment with both external market trends and internal employee insights ensures that our approach to human resource management remains not only relevant but also dynamic, adapting to the evolving needs of our workforce and the broader business environment. This relevance is integral to our success as a leading retail company, reinforcing our commitment to fostering a workplace that values employee satisfaction, development, and well-being.

Impact of Kaufland Bulgaria on the topic

Kaufland Bulgaria plays a pivotal role in shaping the narrative around responsible and fair employment practices within the industry. Through a meticulous analysis of the priorities and needs across various departments, we have identified and defined key strategic aspects that underpin our vision of being a responsible employer. These aspects are critical in building a workplace culture that resonates with our employees' expectations and aspirations.

Our strategy encompasses several core areas:

- **Career Development Opportunities:** We are committed to providing our employees with robust career paths, enabling them to grow and progress within the company. This focus on career development is a cornerstone of our talent management strategy.
- **Leadership Development:** Recognizing the importance of effective leadership, we invest in the development of leadership styles that inspire, motivate, and guide our teams toward achieving their full potential. This not only enhances productivity but also fosters a culture of mutual respect and collaboration.
- **Recognition and Appreciation:** Acknowledging the efforts and contributions of our employees is fundamental to our company culture. We have instituted various recognition programs that celebrate individual and team achievements, reinforcing the value of each employee's contribution to the company's success.
- **Attractive Compensation and Working Conditions:** To retain top talent, we ensure that our remuneration packages are competitive and aligned with industry standards. In addition, we strive to create a work environment that is not only safe and secure but also conducive to productivity and job satisfaction.
- **Job Security:** We prioritize the security of our employees' jobs, recognizing that stability is a key factor in maintaining a motivated and engaged workforce. Our policies and practices are designed to offer long-term employment prospects, thereby fostering a sense of loyalty and commitment among our staff.
- **Employee Well-being:** Caring for our employees' physical and mental well-being is a priority. We have implemented various health and wellness initiatives that support our employees in maintaining a healthy work-life balance.
- **Digitalization Processes:** In response to the growing importance of technology in the workplace, we are continuously improving our digital processes. This ensures that our employees have access to the tools and resources they need to perform their duties efficiently in an increasingly digital world.



Measures taken by Kaufland Bulgaria

Kaufland Bulgaria has adopted a comprehensive approach to developing its employer branding strategy, with a focus on creating an attractive business position, ensuring equal access to development opportunities, and fostering a modern working environment. These measures are not merely reactive but are part of a proactive strategy aimed at positioning Kaufland Bulgaria as an employer of choice within the competitive retail sector.

- **Attractive Business Positioning:** Our efforts to position Kaufland Bulgaria as an attractive employer are reflected in our branding and recruitment strategies. We emphasize our strengths as a leading employer, highlighting our commitment to employee development, innovation, and social responsibility.
- **Equal Access to Development Opportunities:** We are committed to providing all employees with equal opportunities for professional growth. This is achieved through various training programs, mentorship opportunities, and career development initiatives that are accessible to everyone, regardless of their position or tenure within the company.
- **Modern Working Environment and Benefits:** We recognize that a modern and supportive working environment is essential for employee satisfaction. Therefore, we continually invest in upgrading our workplace facilities and offering a comprehensive benefits package that addresses the diverse needs of our workforce.

Long-term goals and commitments of Kaufland Bulgaria

Looking ahead, Kaufland Bulgaria has established several long-term strategic goals that align with our broader business objectives and societal responsibilities. These goals reflect our commitment to continuous improvement and our desire to make a positive impact both within our company and in the wider community.

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Training and reskilling in alignment with business needs:

We are committed to providing ongoing training and reskilling opportunities for our employees. This ensures that our workforce remains adaptable and capable of meeting the evolving demands of our business, particularly in areas of emerging technologies and industry trends.

Development in artificial intelligence and digitalization:

As part of our long-term vision, we are focusing on the development of competencies in artificial intelligence and digitalization. This not only enhances our operational efficiency but also prepares our employees for the future of work, where digital skills will be increasingly important.

Support for social causes with societal impact:

Our commitment to corporate social responsibility is demonstrated through our support for various social causes. We actively contribute to initiatives that have a meaningful impact on society, reflecting our belief in the importance of giving back to the communities in which we operate.

external factors. By focusing on key strategic aspects such as career development, leadership, recognition, compensation, job security, employee care, and digitalization, we are well-positioned to maintain our reputation as a responsible and fair employer.

Our long-term objective remains clear: to sustain employee satisfaction levels above 85% on an annual basis. This goal is not only a benchmark for our success but also a reflection of our unwavering commitment to our employees and their well-being.

New hires and employee turnover:

Data and exact number on the new hires and employee turnover for the years 2022 and 2023 have been presented in the table below. The data is separated into the following categories: Total number of new employees, new employees below 30 years of age, new employees between 30 and 50 years of age, new employees above 50 years of age, percentage of new employees below 30 years of age, percentage of new employees between 30 and 50 years of age, percentage of new employees above 50 years of age, total of new employees men, total of new employees women, percentage of new male employees, percentage of new female employees, total employee turnover, employee turnover among male employees, and employee turnover among female employees.

Responsible Teams within Kaufland Bulgaria

The responsibility for implementing and overseeing these strategic initiatives lies with the Human Resources Directorate at Kaufland Bulgaria. This department plays a crucial role in driving the company's human capital strategy, ensuring that our goals are met and that we continue to build a supportive, inclusive, and forward-thinking workplace.

In summary, our comprehensive human capital management strategy, which is informed by extensive research and employee feedback, continues to evolve in response to both internal and



Employee development and competitive compensation

As an integral component of our comprehensive human resources strategy, our company is committed to offering highly competitive compensation packages that rank among the most attractive within the modern trade sector. This commitment is underscored by a significant investment of over BGN 6.8 million in 2021 alone, dedicated to enhancing employee well-being through a robust array of social benefits.

Investing in specialized training for employees is a key component of our company's employer policy. In 2023, we invested over BGN 650,000 in staff training, providing each team member with the opportunity to undergo various training programs. These programs are designed not only to continually enhance skills and professional competencies but also to focus on the emotional and physical well-being of our employees.

Recognizing that our people are our greatest asset, we are devoted to fostering an environment that supports continuous professional development and personal growth.

. This includes access to opportunities for further qualifications, ensuring that our workforce remains at the forefront of industry standards.

Furthermore, we prioritize transparency and open communication, offering regular and constructive feedback on employee performance. This approach is complemented by a comprehensive mentorship program, designed to guide employees through their professional journey, providing them with the tools and knowledge necessary for success.

In addition, our company is deeply invested in the ongoing education and skill enhancement of our team members. To this end, we facilitate participation in a variety of training programs, averaging two per employee annually. These programs are carefully curated to enrich the experience and expertise of our staff, enabling them to excel in their roles and contribute meaningfully to the company's success.

Social benefits

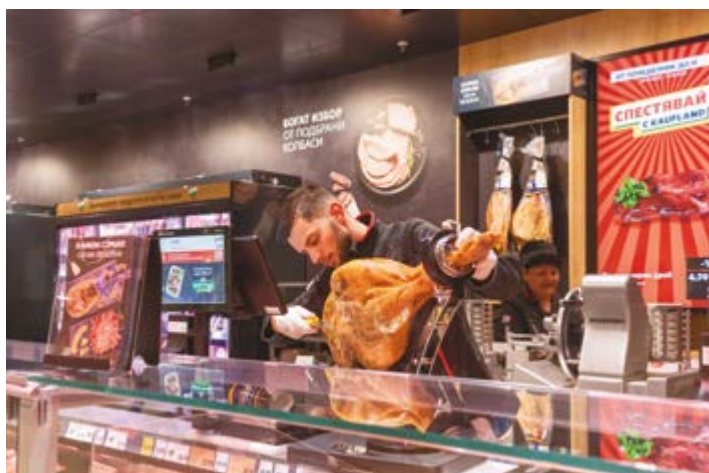
Kaufland Bulgaria is committed to fostering a supportive and family-friendly work environment by continually expanding its employee benefits package. This approach is part of Kaufland's long-term strategy to meet the diverse needs of its team, enhance employee satisfaction, and support them during significant life stages.

In 2023, Kaufland Bulgaria increased the number of annual leave days to 22, surpassing the legally mandated minimum by 2 days. Additionally, employees with 5 or more years of service receive an extra day of leave, and those who have been with the company for 5 years are eligible for a 3-month creative sabbatical. These initiatives reflect Kaufland's dedication to offering flexibility and recognizing the contributions of long-serving employees.

To further demonstrate its commitment to being a caring and empathetic employer, Kaufland introduced several family-focused benefits. The company provides a „Baby Bonus“ of BGN 600 to employees who expand their families, accompanied by a „Baby Package“ containing essential items for newborns. These benefits highlight Kaufland's prioritization of significant life moments and its support for employees as they navigate parenthood.

In addition to these financial and material supports, Kaufland has also established an internal Employee Support Fund. Starting from the end of 2023, this fund assists employees and their children up to 18 years of age with health-related needs, further underscoring the company's commitment to the well-being of its workforce.

Kaufland's dedication to its employees is also evident in its parental leave policies. In 2023, 155 employees benefited from maternity protection, and 127 employees took parental leave, reflecting the company's commitment to providing the necessary time and resources for employees to care for their children during the crucial early years. These figures illustrate Kaufland's ongoing efforts to support its employees' work-life balance and ensure their families are well taken care of.



III Welcome to Kaufland Bulgaria

Occupational Health and Safety Management System

Kaufland's Occupational Health and Safety Management System (OHSMS) is firmly grounded in processes, procedures, and documentation that are meticulously aligned with the legal requirements governing health and safety in the workplace. This system ensures compliance with a comprehensive range of legislative frameworks, including but not limited to the Labor Code, Social Security Code, and the Health and Safety at Work Act. The system also incorporates regulations such as the Disaster Protection Act, the Road Traffic Act, and the Law on People with Disabilities, among others.

Moreover, the system is aligned with numerous ordinances that set minimum standards for health and safety conditions in various aspects of our operations. These include regulations on construction and assembly works, mandatory medical examinations, the use of personal protective equipment, and the functioning of occupational health services. Specific ordinances also address the training of representatives on working conditions, the periodic assessment of workplace risks, and the maintenance of healthy microclimates in workspaces.

The OHSMS extends its coverage across all key operational areas within our company. For employees within the branch network, the scope of work includes manual handling of goods, operating manual and electric pallet trucks, and using various machines and equipment essential for retail operations. In our service office, the focus is on administrative tasks, where employees predominantly work with video displays and must adhere to ergonomic standards. Meanwhile, the logistics center's activities involve the operation of order-picking trucks, working in environments with varied microclimates, and using cleaning and waste management equipment within the central warehouse.

This system comprehensively encompasses all the described activities and workplaces, ensuring that every aspect of Kaufland Bulgaria's operations adheres to stringent health and safety standards. Our commitment to a safe and healthy working environment is reflected in its adherence to these established legal and regulatory requirements, ensuring the well-being of all employees across different operational contexts.

Hazard identification, risk assessment, and incident investigation

At Kaufland Bulgaria, our approach to Occupational Health and Safety (OHS) is anchored in a systematic process for hazard identification, risk assessment, and incident investigation, all of which are integral components of our Occupational Health and Safety Management System (OHSMS). These processes are meticulously designed to ensure that we eliminate hazards and minimize risks in the workplace, creating a safer and healthier environment for all our employees.

One of the primary methods we use to identify hazards and control risks is through monthly internal inspections focused on health and safety. These inspections are conducted at each site by our designated health and safety inspectors. Their purpose extends beyond merely identifying irregularities; they also involve monitoring the implementation of corrective measures to

address any non-conformities. This continuous process ensures that any issues are promptly and effectively resolved.

To maintain the quality of these processes, we conduct an annual quality control audit across all our sites. This audit is performed by a national-level health and safety expert, who evaluates whether the corrective measures implemented meet our high standards. These audits are crucial in ensuring that our health and safety practices are consistent and effective across all sites. Moreover, these official inspections help us focus on recurring issues identified during the monthly inspections, ensuring that persistent problems are systematically addressed.

In addition to these regular inspections, our national-level expert periodically conducts joint inspections with on-site health and safety inspectors. The primary objective of these joint inspections is to provide quality control over the inspection process itself, ensuring that all health and safety inspections are carried out with the utmost accuracy and attention to detail. To further support these efforts, all our Health and Safety at Work (HSW) responsible persons are required to undergo annual training, lasting no less than six hours. This training ensures that all responsible persons remain up-to-date with the latest health and safety standards and best practices, further enhancing the quality and effectiveness of our OHSMS.

We prioritize continuous improvement through quarterly interdepartmental meetings. These sessions review health and safety inspection results from our national HSW expert, focusing on the top five negative findings. Departments collaborate to implement measures that address these issues and enhance overall safety performance across the organization.

Risk assessments are conducted by our Occupational Health Service (OHS), in collaboration with the national-level HSW expert. These assessments are based on the specific job roles of our employees and the equipment used at our sites. The risk assessment process is dynamic and responsive; we review and update it whenever there is a change in processes, legal requirements, work equipment, or following an incident. Periodic reviews are also conducted to ensure that the risk assessment remains current and relevant. Once updated, we communicate the assessment to all affected personnel through formal training sessions, ensuring that all employees are fully informed of any changes and understand the measures in place to protect their health and safety.

As part of our commitment to risk management, we develop an annual risk minimization plan for the following year. This plan sets out strategic goals and measures aimed at reducing risk, reflecting our proactive approach to health and safety.

We have established robust mechanisms for reporting work-related hazards and dangerous situations, ensuring that our employees can raise concerns without fear of retaliation. One of the key channels for providing feedback on workplace risks and hazards is through the Occupational Health and Safety Committees (OHSC) established at each site. These committees include two worker representatives who have the authority to express employee concerns during quarterly meetings. Additionally, during the monthly internal inspections conducted by local health and safety inspectors, as well as during annual official inspections by the national-level expert, our employees



are encouraged to engage in discussions about workplace risks, the suitability of personal protective equipment, and the use of machinery and equipment. These discussions provide employees with the opportunity to report hazardous situations directly to our OHS specialists.

In the event of workplace accidents, we take a systematic approach of investigation and learning. We prepare documents summarizing the lessons learned from each incident and distribute them to the respective sites. These documents are intended to inform our employees about the incident and the lessons learned, with the goal of minimizing the chance of recurrence. Additionally, every three months, we share these lessons at the national level across all stores, further reinforcing the importance of preventive measures. This proactive communication strategy ensures that our employees are aware of the risks associated with certain actions or activities and understand the importance of avoiding behaviors that could lead to accidents.

Our incident investigation process is thorough and involves a dedicated investigation committee. This committee includes an HSW inspector, a representative of the employer, and a representative of the employees. The investigation process is further supported by our national-level HSW expert and staff from other departments, ensuring a comprehensive and multi-faceted approach to understanding and addressing the causes of incidents. During the investigation, we determine corrective actions based on the lessons learned from the incident. These actions can be technical, organizational, administrative, or long-term, depending on the nature of the incident and the necessary improvements identified.

To ensure that we remain at the forefront of OHS best practices, we conduct an annual analysis of accidents, followed by a meeting between departments to discuss the findings and propose measures for improvement. This collaborative approach ensures that all our departments are aligned in their efforts to enhance workplace safety, allowing us to continue providing a safe and healthy environment for all our employees.

Occupational health services

At Kaufland Bulgaria, we work closely with an external Occupational Health Services, which play a crucial role in ensuring the safety and well-being of our employees. We are committed to identifying and eliminating workplace hazards, minimizing

risks, and maintaining a high standard of occupational health and safety across all our operations. To achieve these objectives, we implement a comprehensive range of services and processes that are designed to protect our workforce and promote a safe working environment.

One of our key functions is the continuous monitoring, analysis, and evaluation of the health status of our employees. This enables us to proactively identify potential health risks and take appropriate measures to address them. We prioritize the health and safety of our team by providing regular training programs in first aid, health, and safety. Additionally, we equip our employee representatives in the Occupational Health and Safety Committees (OHSC) with the knowledge and skills they need to effectively advocate for their colleagues' well-being.

Our Occupational Health Services also include providing expert assistance to our management team in the application of labor legislation related to safety and health at work. We ensure that our company complies with all relevant legal requirements, thus safeguarding our employees from workplace hazards.

To further support the well-being of our employees, we have developed a physiological regime of work and rest during working hours. This regime is in accordance with Regulation No. 15, State Gazette No. 54/31.05.1999, and is designed to optimize the balance between work and rest, thereby reducing the risk of fatigue associated with health issues.

We also offer consultations regarding the selection and effectiveness of personal protective equipment, ensuring that our employees are adequately protected in their daily tasks. Our Occupational Health Services provide expert opinions and issue statements on extraordinary inquiries, offering valuable guidance on complex health and safety matters.

Additionally, we take a proactive approach to risk management by developing health and safety risk assessments for employees in our Service Office, Central Warehouse, and Branches. These assessments are conducted upon request by the employer and in compliance with Regulation No. 5 of May 11, 1999, which governs the procedures, methods, and frequency of risk assessments.

At Kaufland Bulgaria, we are committed to maintaining the highest standards of occupational health and safety. Through our Occupational Health Services, we strive to create a safe and healthy working environment for all our employees, ensuring their well-being and enabling them to perform their duties effectively and confidently.

III Welcome to Kaufland Bulgaria

Worker participation, consultation, and communication on Occupational Health and Safety

As a company, we prioritize the active participation and engagement of our employees in matters related to occupational health and safety. We ensure that our workforce is well-informed and involved in the development, implementation, and ongoing evaluation of our health and safety management system.

Every year, all our employees undergo comprehensive training and briefings on health and safety. These sessions are designed to reinforce their understanding of the essential safety protocols and to keep them updated on any new regulations or procedures. In addition to these training sessions, our employees have the opportunity to contribute to health and safety discussions through their participation in the Occupational Health and Safety Committees (OHSC) that we have established at each of our locations.

These committees play a crucial role in maintaining a safe working environment. Comprising two employer representatives and two employee representatives - who are elected by their peers during a general assembly - these committees meet quarterly to discuss and address various health and safety issues. The topics covered in these meetings are comprehensive, ranging from the results of the latest official inspections to lessons learned from workplace incidents. The outcomes of these discussions are then communicated to the central management to ensure that any necessary actions are taken promptly.

To facilitate effective communication and ensure that all employees have access to the latest information, there are information boards placed in social areas throughout our facilities. These boards are regularly updated with info-sheets that highlight key health and safety topics. Additionally, our internal online platform hosts a dedicated page where employees can find all relevant materials and documents related to health and safety. This resource is accessible to everyone, ensuring that all team members are equipped with the knowledge they need to work safely.

We recognize the importance of continual learning and improvement in health and safety practices. Therefore, the representatives of our OHSCs receive annual training, in line with regulatory requirements, to enhance their capabilities in overseeing and advising on workplace safety matters. Through these comprehensive efforts, we ensure that health and safety remain a top priority at Kaufland Bulgaria, fostering a culture of safety that benefits all our employees.

Training for new employees

For new hires in our branches, we provide online training on safety and health relevant to their specific roles. This training covers essential topics including:

- General safety instructions
- Additional safety regulations
- Safety procedures for working in a bakery
- Safety protocols for operating service counters
- Use of waste baling presses

At Kaufland Bulgaria, we are committed to ensuring the safety and well-being of all our employees through a comprehensive training program on occupational health and safety. This program is designed to address both general safety concerns and specific hazards related to our diverse range of operations.

In our HQ, new employees receive training focused on office safety rules. New employees in our Logistics Center undergo training on safety instructions for their work.

Concerning ongoing training, we conduct periodic online training for all branch employees, which includes regular safety briefings and reviews. Employees in the HQ also receive periodic training on office safety rules. Whereas, for those working in the Central Warehouse, we provide ongoing training on safety instructions specific to their roles.



Specialized Training

As a company, we prioritize the active participation and Our Occupational Health and Safety (OHSC) responsible personnel receive specialized training on managing safety and health at work. Designated trainers who conduct health and safety inductions are also trained in effective safety practices.

Representatives on the OHSC undergo targeted training to ensure they are well-versed in health and safety matters. Additionally, management and supervisors who oversee labor processes in branches, the HQ, and the Central Warehouse receive training on managing safety and health within their areas of responsibility.

Additional Training Topics

We provide specific training on:

- **First Aid:** Employees in the Central Warehouse, branches, and the HQ are trained in first aid procedures.
- **Fire Safety:** Employees across all locations, including the Central Warehouse, branches, and HQ, receive training in fire safety protocols.
- **Electrical safety:** Employees from the Technical department across all locations of the company undertake a specialized course to be trained in safe working practices.
- **Boiler safety:** Employees from the Technical department across all locations of the company where boilers are used for heating undertake a specialized course to be trained in safe working practices.
- **Work at height training and working on mobile platforms:** Employees in the Central warehouse whose responsibilities are related to using mobile platforms and working at height undertake an in-house training on the safe working practices.
- **Qualification in operating electrical pallet trucks, order picker pallet truck and forklift trucks:** Employees in the Central warehouse and branches receive such training in order to get qualified on safe use of this work equipment.

Through our rigorous training programs, we ensure that all employees at Kaufland Bulgaria are well-informed and prepared to maintain a safe and healthy work environment.

Promoting employee health

At Kaufland Bulgaria, we prioritize the health and well-being of our employees through a comprehensive range of services and programs designed to facilitate access to medical care and promote a healthy lifestyle.

To ensure our employees have access to essential medical services, we provide supplementary health insurance for all staff members. This coverage includes outpatient care with reimbursement up to 300 BGN, hospital care, preventive check-ups, and an option for reimbursement of expenses related to health products and prescription glasses. Furthermore, family members of our employees are also eligible for this preferential package.

We facilitate mandatory annual preventive check-ups at various locations, including medical centers, on-site at our stores, and at our office and logistics center. This arrangement helps employees

save personal time and increases their likelihood of undergoing necessary health screenings.

Our employees have access to free consultations with our in-house psychologist whenever needed. In particular situations, such as a workplace fatality, we provide team consultations to support the mental health of our colleagues.

Additionally, we have established an internal fund, K-Fond, through which we conduct a voluntary fundraising campaign called "Donate Health." This initiative involves contributions from colleagues nationwide to support the treatment of employees or their children under 18 who are in need. Launched in 2023 with an initial donation of 100,000 BGN from Kaufland, this fund assists with medical activities and procedures not fully covered by mandatory health insurance, the National Health Insurance Fund (NHIF), or the supplementary health insurance provided by the employer.

Our voluntary health services and programs focus on promoting a healthy lifestyle, work-life balance, and psychological security. Currently, our internal K-Fit campaign encourages employees to set and achieve personal health goals. The program features a diverse calendar of events, including interactions with sports experts and nutritionists such as Ines Subashka, Sami Hosni, and Hristo Tsvetkov. We also offer a reward fund for employees who achieve outstanding results in the program.

Throughout the year, we enhance employee comfort by providing massage chairs or on-site massages at our offices and branches. We address stress management, burnout symptoms, and psychological security through various annual training sessions and workshops for both employees and managers.

Employees also benefit from preferential access to a Multisport card, which allows them to utilize a wide range of services to support their health and well-being. We encourage participation in marathons, sports events, and outdoor activities, and we organize a major annual family sports event, inviting all our colleagues and their families to join in.



III Welcome to Kaufland Bulgaria

Preventing and mitigating health and safety impacts directly related to business relationships

As an organization we are dedicated to preventing and mitigating significant negative impacts on health and safety that may arise from our operations, products, or services through our business relationships and the associated hazards and risks.

To address these concerns, we start by performing a comprehensive analysis of all operations, products, and services that could potentially pose risks to employee health and safety. This process includes gathering data on past incidents to identify potential risks. Our approach ensures that we are well-informed about the possible hazards and can implement effective preventive measures.

We then develop and implement a range of preventive measures to control risks. These measures include the use of personal protective equipment (PPE), engineering controls, and administrative controls such as changes in work processes. Additionally, we provide training to our staff on safe working practices and the correct use of PPE to ensure they are well-equipped to handle potential risks.

To ensure the effectiveness of these measures, we conduct regular inspections and audits. These evaluations help us assess the performance of the implemented controls and identify areas for improvement. We have established a robust system for reporting and analyzing incidents, which allows us to learn from any occurrences and refine our practices accordingly.

Continuous improvement is a key aspect of our health and safety management. We regularly review and update our safety policies and procedures based on new data and changes in legislation. Furthermore, we actively promote a safety culture by encouraging our employees to participate in health and safety management processes. This approach helps us maintain high standards of safety and continually enhance our practices to safeguard our workforce effectively.

Occupational accidents

At Kaufland Bulgaria, we are committed to identifying, preventing, and mitigating health and safety risks in our operations. Our approach begins with comprehensive risk assessments to identify potential hazards, analyze work processes, and review past incidents. During the reporting period, we focused on addressing severe injury risks, particularly slips, trips, falls, and injuries from moving goods with manual electric trolleys. To mitigate these risks, we have implemented various measures. These include ensuring appropriate non-slip flooring, maintaining regular cleaning schedules, providing adequate lighting, organizing warehouses to reduce collisions risks, and restricting equipment operation to trained personnel.

We conduct safety training for new employees within 10 days of hiring, covering general safety instructions and specific protocols for their work areas. This includes safety procedures for bakeries, service counters, and waste management. Similar training is provided for HQ and Logistics Center employees. Additionally, we conduct annual safety refresher training for all employees, reviewing and updating safety procedures as needed.

Furthermore, we provide specialized online training every two years for employees in key positions such as Cash Department Head, Goods Department Head, Fresh Food Department Head, Branch Manager, and Assistant Manager. This training covers dangerous goods handling, including receipt, unloading, packaging, loading, and dispatching. Safe work instructions are regularly reviewed and updated. Annual safety and health training is also provided for key personnel, including occupational health and safety inspectors, designated trainers, health and safety representatives, and managers overseeing labor processes in branches, the HQ, and the Central Warehouse.

We provide annual training on "First Aid" and "Fire Safety" for employees in the Central Warehouse, branches, and the HQ. Additionally, we conduct biannual evacuation drills in branches, the HQ, and the Central Warehouse. Our risk assessment in the Sales Department is reviewed regularly, and monthly inspections are documented by Occupational Health and Safety Inspectors to ensure compliance with legal and internal safety requirements. At least annual inspections are conducted by the central-level safety and health expert in all sites across the country.

Quarterly meetings of the Occupational Health and Safety Committee (OHSC) are held to discuss the overall occupational health and safety activities of the previous quarter, with active participation from Corporate Security. These meetings focus on health and safety issues based on inspection results, accident analysis, and focus topics sent to branches for review and discussion. We also hold regular quarterly meetings to review the summarized results of health and safety inspections, aiming to find solutions for identified violations and implement corrective actions.

We monitor the implementation of measures included in the Risk Prevention, Reduction, Limitation, and Control Program and review the current list of Personal Protective Equipment (PPE) for relevance, updating information as necessary and communicating it to the branches.

The percentages related to these statistics are calculated based on 1,000,000 hours worked, as applicable. If any workers are excluded from this disclosure, we provide explanations for such exclusions, including the types of excluded workers.

Our health and safety approach adheres to national laws and regulations while assessing workplace risks through hazard identification and analysis. We document incidents with detailed reports and conduct regular audits and inspections for compliance. We implement expert recommendations for improvements, maintain effective incident reporting and employee training procedures, and continuously monitor the work environment. This comprehensive methodology ensures effective safety measure implementation across our operations.



Work-related health deterioration

During the reporting period of FY 2022 and FY 2023 there are no fatalities as a result of work-related health deterioration, nor any registered cases of work-related health deterioration. The identification of work-related hazards that pose a risk for poor health has been conducted through a risk assessment, which involves identifying potential risks associated with specific work activities, analyzing work processes and working conditions, and reviewing cases of health deterioration during the reporting period.

The primary hazards include:

- **Work that involves systematic intense strain on muscles, ligaments, tendons, fasciae, bones, and joints.**
- **Work that requires significant visual strain.**
- **Activities related to accelerations, speeds, jolts, and optokinetic effects when operating electric pallet trucks, forklifts, and electric lifts.**
- **Year-round work in sub-zero temperatures for more than half a working day.**

To eliminate these hazards and minimize the risks, the following measures have been implemented:

1. Mandatory periodic medical examinations for all employees.
2. Receiving and distributing a comprehensive health analysis prepared by the Occupational Medicine Service to company departments for awareness and discussion.
3. Coordination and designation of positions and workplaces with reduced work capacity in accordance with Article 315, Paragraph 1 of the Labor Code

Our approach to data collection is rooted in a comprehensive methodology that encompasses several key elements. We conduct detailed risk assessments to identify potential hazards, followed by thorough analysis and evaluation to understand their impact on worker health. Based on these assessments, we implement control measures designed to mitigate identified risks. Our health monitoring efforts involve regular medical check-ups and health assessments for employees, along with tracking health conditions and morbidity trends within the workforce.

Our data sources include analyses of morbidity related to temporary incapacity, which are prepared by the Occupational Medicine Service (OMS). This information is integral to our understanding of health issues affecting our employees.

We also incorporate a range of recommendations and practices to enhance our health and safety protocols. Internal recommendations come from our own safety and health experts, who provide valuable suggestions to improve working conditions. Additionally, we seek guidance from external consultants and



organizations with expertise in health risk assessment. These external insights help us ensure compliance with both national and international legislative requirements.

Our procedures involve continuous monitoring of the work environment to assess the effectiveness of health and safety measures. We also run health promotion programs aimed at fostering a healthy lifestyle among our employees, which include initiatives for physical exercise, proper nutrition, and effective stress management

Long Term Projects:

- In 2021, a Fresh Food Academy was launched, upgrading the professional skills of storefront employees with service in hypermarkets. Over 790 employees throughout the country participate in the program.
- As part of a comprehensive strategy to attract and develop young personnel, every year Kaufland accepts interns and practitioners, as well as students from vocational high schools, who get the opportunity to gain real experience in the modern trade sector. Many of them start their career development with us and become a permanent part of the team.
- Our long-standing "Managers of the Future" initiative continued during this period. The program supports students in their final year or graduates who undergo one-year training in various departments of the company in the country and abroad. This gives them the opportunity to stand out and prepare for expert or management positions

"Trusted Person" feature

In 2019, we created the „Trusted Person“ feature, which allows employees to confidentially discuss various topics that are important to them. Employees share with the trustees various difficulties in the performance of work duties, proposals for improving the work process and climate, working time issues, team relations, work-life balance. This feedback helps the company to improve its employment practices so that our employees are as satisfied as possible in their workplace. Kaufland trustees reach a large part of the team, conducting over 6 000 conversations annually.

Future projects

A scholarship program for students that provides an opportunity for development in some departments during a paid 3-month internship and an attractive scholarship.

Development of our employees

In order to increase the level of satisfaction of our employees and their qualifications, we implemented a number of internal training programs and initiatives. As a result, 57% of our employees stay with the company for more than 3 years, and 80% of managers are internally developed and promoted.

In 2022, we conducted performance evaluations for a total of 617 employees. This represented 9.5% of our workforce for that year. In 2023, the number of employees who underwent performance evaluations slightly increased to 669, accounting for 10.3% of our workforce. These figures reflect our ongoing commitment to assessing and improving employee performance within the organization.

Moreover, in line with our commitment to fostering diversity and promoting equal opportunities, we have provided a comprehensive overview of the diversity of governance bodies and employees, highlighting key aspects such as gender, male/

female representation in management, and demographic division by age groups of employees. By reporting on this metric, Kaufland underscores its dedication to creating an inclusive workplace where diversity is valued, and equal opportunities are accessible to all.

In 2022 and 2023 we at Kaufland have worked hard on advancing our set goals and targets, with respect to digitalization, launching leadership training programs, and maintaining employee satisfaction. Extensive information on the above topics is available in the table below.

Progress on goals

GOALS	Deadline	Progress
Digitalization: implementation and/or optimization of various systems and projects (HR Portal; Concur; Dayforce; NoPrint; Payslip)	December 2022	Concur, as well as most of the SAP SuccessFactors modules, have been implemented so far, with new functionalities being continuously introduced. All our HRM processes (Recruitment, Compensation and Benefits, Performance Management, Training and Development, etc.) are available in digital format.
Launching leadership training programs (e.g., Superpower Leader and Visionary Leadership), with 30% of team leaders encouraged to participate.	December 2022	In addition to the regular leadership programs, we offer to our newly promoted managers at the sector/department and direction levels (From Manager to Leader, Superpower Leader, Visionary Leadership), in 2024 we will also launch an exclusive leadership program for key positions in the organization: the Kaufland Leadership Academy. Since the summer of 2023, we have also been conducting a Sales Development Academy, aimed at preparing managerial talent within our store network.
Maintaining employee satisfaction above 85%	annually	According to our 2023 annual PULSE survey, the average employee satisfaction is 83%. This percentage is based on a survey of employees across all our units, including branches. In all categories (except one), we have seen an improvement in results compared to the previous year, with an increase of between 1.5 and 2 points.

Top Employer

For the sixth consecutive year, Kaufland Bulgaria has been certified as a Top Employer by the prestigious international independent institute, Top Employers Institute. This achievement, awarded by the most authoritative global certification organization for employers creating excellent work environments for their teams, further underscores the high standards of our company in human capital management, employee care, working conditions, and staff development.

Kaufland has earned the Top Employer certification for the sixth consecutive year following a comprehensive analysis and audit of all human resource processes within the company. Our performance as an employer was evaluated by an assigned international auditor after nearly six months process, aimed at thoroughly examining the practices, processes, and tools we have implemented for human resource management. The universal certification method of the Top Employers Institute is applied in over 125 countries worldwide.

The independent panel's conclusion is based on 20 categories under review. Notably, Kaufland achieved a perfect score of 100% in eight categories, reflecting our unwavering performance across various criteria included in the certification. These categories include „Business Strategy,“ „Leadership,“ „Digital HR,“ „Work Environment,“ „Employer Branding,“ „Talent Acquisition,“ „Purpose and Values,“ and „Ethics and Integrity.“

Bulgaria Wants You

Kaufland Bulgaria has been a key partner of the „Bulgaria Wants You“ initiative since the project's inception in 2020. The aim of the initiative is to attract Bulgarians living outside the country with opportunities for career development and training back home. Our partnership with this platform reinforces our position as one of the largest and most stable employers in the country, offering our employees secure jobs in favorable conditions, along with care and diverse development opportunities.

Kaufland signs the Diversity Charter in Bulgaria

Kaufland Bulgaria has joined the organizations that have signed the Diversity Charter in Bulgaria. By doing so, the retailer commits publicly to taking active steps in support of diversity, equality,

and employee care, in line with the company's consistent and long-term corporate social responsibility policy.

Diversity remains a top priority for the company. Kaufland Bulgaria actively implements established policies on diversity and equal opportunities, regardless of gender, sexual orientation, physical abilities, age, religion, race, or ethnic background. Our team comprises employees from over 10 nationalities, with varying ages and diverse interests. We support their career development by providing equal opportunities for growth in an excellent work environment with favorable conditions. Equality within the company is ensured through our human resource management processes and a work atmosphere that promotes an inclusive environment, fosters a culture of respect, and supports equal opportunities.

Kaufland Business Academy – UNWE

The Kaufland Business Academy – UNWE is the first of its kind practice-oriented business academy developed by Kaufland, the leading retailer in Bulgaria, for students seeking an exciting career. The Kaufland Business Academy – UNWE is designed for undergraduate and graduate students from the University of National and World Economy (UNWE) who aspire to undergo in-depth specialized training, followed by paid practical experience in various departments at the German company's headquarters in Bulgaria.

The innovative program of the Business Academy focuses on developing practical skills aligned with current business trends and challenges. It includes 15 lectures divided into 6 thematic modules, covering all key aspects of the business environment in the country. Students gain comprehensive knowledge, from planning and programming in a highly competitive environment to market order fulfillment, brand identity building, and team management.

One of the advantages of the Business Academy is the opportunity to develop real business solutions for actual business cases. The program also includes a two-month internship, tailored to accommodate participants' schedules and needs. Following the exceptional success of the first edition of the Kaufland Business Academy – UNWE, one-third of the participants continued their career development within the company, and Kaufland plans to conduct a second season of the program.



SOCIAL COMMITMENT

Sustainable development is a process in which the achievement of results is possible with the inclusion and active interaction with all participants of the so-called value chain. This includes participation both in the initial stage of value creation and in each subsequent step up to the final stage - its use and the emergence of the possibility of recycling residual products.

We at Kaufland believe that the opportunity to reach millions of consumers annually is also an opportunity to set a good example of sustainable practices and social commitment to people and the environment, as well as to encourage our customers to implement such practices - both on a daily level, as well as participating in our initiatives and projects. Therefore, we make efforts to serve our customers and use different methods of communication, to also bring awareness of current sustainability topics. A large part of our information campaigns and initiatives during the considered period are in support of active lifestyle, responsible use of resources, protecting biodiversity, avoiding and reducing food waste.

Our concept of sustainable development is a big part of Kaufland's everyday activities, principles and culture. The company has a comprehensive approach to sustainable development under the motto „Actions bring change” and it shows Kaufland's behavior and drive for change through real action and good example for employees, partners and customers. We believe that

every small step and concrete action make sense in achieving meaningful change for a better life and a cleaner planet. The company implements projects and programs aimed at three main directions - environment, education and society. In 2023, it implemented projects under 2 key strategies - Climate Strategy and ReSet strategy for reducing plastic.

Kaufland Bulgaria expands and deepens its work with local communities and focuses its priorities on children's topics. In the last 2 years the retailer has focused its priorities on improving the living environment, implementing various programs for children in different age groups. The spectrum of support is wide - from donation programs, through educational and social campaigns, to increasing the sustainable assortment in the store network for children and their parents.

In 2022, for example, we made donations of nearly 152,008 BGN, and in 2023 they exceeded 327,077 BGN. The long-term Corporate social responsibility policy of Kaufland Bulgaria has received numerous awards and distinctions, among which is the Annual Sign of Donation. It recognized the company's efforts to promote and develop donation as part of the company culture and the contribution of employees who continue to donate to organizations helping people in need.



Donation

Donation is part of the overall policy for sustainable development, which Kaufland Bulgaria deploys under the slogan „Actions bring change“. The company consistently works on projects and initiatives contributing to the well-being of people and nature. For its long-term corporate social responsibility policy, Kaufland Bulgaria has been awarded numerous awards. Among them is the „Largest Corporate Donor“ prize of the Bulgarian Donors Forum. To conduct a second season of the program.

“Hot Lunch”

Kaufland Bulgaria supports underprivileged children by donating funds to the Bulgarian Red Cross (BRC). The company has been a partner of the project for 14 years now, and the initiative is implemented in two ways - by placing donation boxes in the hypermarkets of the chain and through a marketing campaign with a cause - where funds from the sales of children's toys from the company's own brands during the Christmas holidays are deducted to support the „Hot Lunch“ campaign.

More than BGN 520,000 is the amount of funds donated by customers of Kaufland Bulgaria since the beginning of the partnership with the BRC in 2010. Nearly 2 million free hot lunches have been distributed by the Program, and approximately 24,000 children have been supported.

Kaufland employees donated over 20,000 to foster families

Kaufland employees unite in support of foster care in Bulgaria. In 2023, they donated over BGN 20,000 to various organizations supporting foster parenting. The funds were collected from food vouchers that employees receive as a social benefit, as well as from a traditional Christmas bazaar. Our staff supports foster families who are taking care of young children or are about to foster a child. In solidarity, they are giving up their monthly food vouchers to donate to the noble cause.

2022
152,008

Donations (EUR)

2023
327,077

Donations (EUR)



DONATE - A little for you is priceless for others

The initiative is held together with the DMS platform under the motto „DONATE - A little for you is priceless for others“, and the funds are distributed among people in need of treatment and with active campaigns in DMS. Since the beginning of the partnership between the largest retail chain in Bulgaria and the DMS platform, nearly BGN 180,000 have been raised for children and adults in need of funds for treatment. Large-scale „DONATE“ campaigns are traditionally held twice a year - during the Easter and Christmas holidays and in response to numerous requests from customers of the chain to collect funds for treatment.

Kaufland donated toys to all kindergartens in Karlovo

In 2022 Kaufland made a Christmas surprise to the children from all municipal kindergartens in Karlovo by giving them the most desired Christmas toys from its assortment - KidLand wooden children's kitchens. The company provided toys to each of the groups from all kindergartens in the territory of the municipality, and the initiative is part of its commitment to improving the environment in which it conducts its business.

III Welcome to Kaufland Bulgaria

Kaufland and the Bcause Foundation **#GenerousTuesday**

In order to increase the level of satisfaction of our employees and As a continuation of its overall policy of donation and promoting donation among its customers, in 2023 Kaufland Bulgaria became a partner of the Bcause Foundation in promoting the global initiative „Generous Tuesday”. It aims to increase interest in donating by enabling businesses, charities and local communities to come together to support socially important charity causes. In 2023 the campaign took place in 3 locations in the chain’s hypermarkets in Sofia. On November 28, customers of the stores in Mladost 3, Kriva Reka and Vitosha districts had the opportunity to find out more about the global initiative, as well as become a good example for their friends on social media themselves by taking a picture with the key campaign vision with #GenerousTuesday.

Donate with DARA

IDonate with DARA is our joint social initiative with one of the most beloved Bulgarian music stars - DARA. Our collaboration is based on a common cause – support for excellent students without parents to continue their education. Every month, the singer calls for the purchase of different products from our assortment, and we allocate funds for scholarships. The cause supports excellent 11th and 12th grade students in public schools and university students who have lost one or both parents or who grew up in a specialized institution. Young people will be selected based on two criteria - excellent grades and motivation for development. Through the program, they will have the opportunity to continue their education, as well as receive support to start their career and meet top employers. The funds will be distributed by the BCause Foundation, through the national “Ready for Success” program. The campaign is valid until 31/10/2024. The products participating in the campaign in the respective month are marked with the campaign logo and can be found in the nearest Kaufland.

Fairy-tale productions for the little ones at Kaufland Varna - Troshevo

In 2023, Kaufland launched a joint initiative with the State Puppet Theater - Varna and during the long winter months provided an opportunity for the children of Varna to immerse themselves in the magic of the puppet theater. Children and their parents could watch puppet theater for free every Sunday in our store in Troshevo district. So far, 30 free productions have been performed. The joint efforts with the theater institution is another significant event. Kaufland conducts the initiative as part of its sustainable CSR policies. It is aimed at the children of Varna and their families, giving them the opportunity to immerse themselves closely and directly in the magic of puppetry.

Caring for children starts from the little ones

The company launched a long-term educational project with the Bulgarian Pediatric Association, within the framework of which a series of educational videos was made. Participants in the video series „My baby is growing” are pediatricians and specialists who give valuable advice related to all important aspects of a baby’s life in the first 12 months.

More space for games and entertainment

In recent years, Kaufland has carried out complete reconstructions of playgrounds, turning them into special educational places for children to play. The total value of the investment for the renovation and reconstruction of playgrounds so far amounts to over BGN 250,000. In each one of our 65 hypermarkets across the country, we strive to set a place for a pleasant stay for the little ones. The size of the spaces allocated for children’s play vary depending on the capabilities of the individual branches. Kaufland - Varna - Troshevo has the largest vertical children’s playground, and Kaufland - Manastirski livadi in Sofia has a special children’s corner for interactive educational games.



Educational alternatives and mentoring for more sustainability

From 2022, Kaufland is a WWF partner in the PandaLabs educational program aimed at young people between 15 and 25 years old. Its goal is to train them to become advocates for the sustainable development of our country, to protect wildlife and to deal with climate change. The program is implemented through thematic hackathons, within which participants develop solutions related to the future of waste, food and mobility. Each year, 200 young people are selected to participate in the three thematic hackathons.

Kaufland on Antarctica

From Kaufland Bulgaria has been a strategic partner of Bulgarian polar expeditions for 2 years now. The company supported the Bulgarian researchers of Antarctica for the first time at the end of 2022 by donating 10 tons of food to the Bulgarian Antarctic Institute and "Nikola Yonkov Vaptsarov" Naval Academy. In 2023, Kaufland increased its support, donating more than 30 tons of food and non-food products for the needs of the scientists and crew of the Naval Research Vessel (RSV) 421 on their way to Antarctica and their stay on the Ice Continent.

„Since this is the second year, we have been choosing our food from Kaufland, I can say that the researchers definitely have more preferred foods, and they are mostly those related to the feeling of home. Such a feeling is brought, for example, by the „Bray!“ products, which are based on our national preferences and the traditional Bulgarian cuisine. This brand helps us reduce homesickness, at least in terms of our meals. And one more thing - with them we bring a delicious piece of Bulgaria to the Ice Continent“, shares Prof. Hristo Pimpirev about the partnership with the retailer.

Kaufland Bulgaria supports the Bulgarian Antarctic Institute in the context of its climate strategy. With its help, the company directly supports more than 15 scientific studies in the field of climate.

„This year there are a lot of interesting studies related to the rate of glacier melting and the adaptation of fish to climate change. We hope that when all the scientists bring their research together, they will be able to make future predictions that will be significant on a global scale. This will reflect the real importance of Kaufland Bulgaria's support for the Bulgarian Polar Expedition“, emphasized Ivan Chernev, Executive Director of Kaufland Bulgaria.



Kaufland promotes engagement through an internal campaign for its sustainable practices

Kaufland has launched an internal project targeting the company’s core sustainability strategy. A dedicated page on the chain’s website „Working together for a better future” brings together the sustainable practices that the company and its employees put in place for the benefit of society and the environment. It shows the faces of our hard-working colleagues and their daily efforts to achieve impressive results in various socially responsible causes. You can see the first stories in a special video that the company filmed for the launch of the campaign. The aim of the program is to encourage the internal integrity of employees towards activating actions in favor of sustainability as part of Kaufland’s corporate culture.

Kaufland’s forest

In the spring of 2023, Kaufland donated 20,000 oak saplings to the Sofia Municipality and participated with volunteer work in the afforestation of the „New Forest of Sofia 2”, which is located on an area of 137 decares near the village of Negovan, Novi Iskar. The company implemented the initiative together with its customers, who for 2 weeks had the opportunity to provide part of the points from their loyalty cards - Kaufland Card in support of afforestation. Thus, for the second year in a row, Kaufland and the company’s millions of customers are involved in the planting of the largest shared forest - the Kaufland Forest. It is part of the Sofia Municipality’s „New Forest of Sofia” project, the goal of which is to create a green area around the capital.

River CleanUp Collective

In 2022 and 2023, our team joined the Schwartz Group’s global initiative for cleaner rivers - „Together for cleaner rivers: River CleanUp Collective”. The initiative focuses on reducing plastic pollution in nature. Together with 300 colleagues and their families, we cleaned up over 1.5 tons of waste on the banks of the Stryama River, near our Central warehouse. We collected 182 sacks of waste, which were then transported with the assistance of the Rakovski municipality, thus making another corner of the homeland cleaner, more welcoming and more beautiful. In 2022, we focused our efforts on cleaning the Danube River, together with teams of 10 countries from the Schwarz Group through which the Danube River passes. We participated in the cleaning of the riverbank in the vicinity of the city of Ruse - near the town of Marten and the village of Sandrovo.

Supporting the beekeepers in Bulgaria - Kaufland and „Real Honey” Beekeeping University

The first amateur school for beekeepers in Bulgaria - „Beekeeping University” was founded in 2022, initiated by the „Real Honey” organization and with the main partnership of Kaufland Bulgaria. The mission of the initiative is to inspire a new generation of beekeepers in our country to support beekeeping. Kaufland Bulgaria recognizes the cause of promoting beekeeping as part of its commitment to protecting bees and biodiversity. Over 56 participants completed their beekeeping education in the University’s first two graduation classes.

Goal setting

Goal	Period
Promoting an active lifestyle	Annually
Promoting corporate volunteering	Annually
3 educational or informational campaigns per year, 1 of which for children	Annually



AVOIDING FOOD WASTE

The generation of food waste is a global problem with complex consequences - environmental, socio-economic, and ethical. Food waste occurs throughout the entire value chain - from producers and suppliers, warehouses and stores, to clients and consumers. For this reason, we at Kaufland are concerned about food waste and our mission is to use all our resources in an intelligent way to contribute to its reduction. We at Kaufland take full responsibility for our food waste by fully managing it ourselves, without external help from third parties.

Every year, Bulgaria generates around 400 000 tons of food waste³. From an environmental perspective, it leads to the waste of scarce and valuable resources such as water, soil and energy, as well as the production of avoidable greenhouse gases. From a social perspective, wasted food can affect the global food situation. It also contributes to unnecessary animal suffering when animals die without their meat being consumed. Through direct contact with consumers, as well as activities within the company and along the value chain, food retailers have many levers at their disposal to counteract food waste.

How we define food waste

The companies of Schwarz Group mutually define food waste as the amount of food that is lost or discarded along the value chain. It is therefore the sum of food losses and food waste. Food losses occur particularly in the first stages of the value chain during the production or processing of food. Food waste occurs in retail, catering and private households. This always involves food that was intended for human consumption.

Kaufland Bulgaria is committed to avoiding and reducing food waste in retail and among consumers. In line with the overarching objective, jointly elaborated by the companies of the Schwarz Group, Kaufland Bulgaria aims to reduce food waste in relation to sales volumes by 50 percent by 2030, compared to 2018. The target is based on the United Nations Sustainable Development Goals (SDG 12.3 - Waste less food), among other things. In our own operations, we want to utilize food that is no longer suitable for human consumption for the highest possible quality. At the same time, in our role as an interface, we want to support both producers and consumers in minimizing food waste.

The reduction of food waste is a cross-divisional task at Kaufland Bulgaria. Furthermore, Kaufland Bulgaria is in close dialogue with Kaufland International and with companies of the other divisions of Schwarz Group on the topic of food waste to jointly develop overarching strategic measures and goals. For example, a cross-divisional and cross-departmental working group was jointly set

up by companies of Schwarz Group to reduce food losses and waste.

Our approach to tackling food waste

At Kaufland, we implement a comprehensive approach in the fight against food waste by involving the entire value chain. All relevant departments are included - from „Procurement“ and „Logistics“ to our stores. This way we can consider the different aspects of food waste and address this issue properly. Kaufland has defined four focus areas to reduce Food Waste and losses. These four focus areas, prevent, avoid, reuse, and communicate, form the basis of our actions:

- **Prevent.** We prevent Food Waste in the supply chain through close collaboration with our suppliers.
- **Avoid:** We avoid Food Waste in our own operations through concepts and cooperation.
- **Reuse.** We reuse waste that we cannot avoid through recycling or other use.
- **Communicate.** We want to make our customers aware of the challenges and communicate our knowledge.

We achieve this by putting a serious effort in developing, optimizing and implementing measures against food waste in our everyday business. More about the challenges that we face in our day-to-day operations and some insight of the approach and measures we use to address them can be found in our Food Waste Guideline that we developed in 2023.

Our goal is to reduce food waste by 50% by the end of 2030. Furthermore, we at Kaufland are proactively encouraging our customers to join us on our mission and do the same.

Goal	Period
Reducing food waste in our chain stores by 50%	2030
Bringing awareness to the end user by conducting annual campaigns related to the topic	Annually

3 *Source: Bulgarian Food Bank, <https://www.bgfoodbank.org/en/our-impact>



How do we tackle the problem of food waste?

To contribute to reducing food waste, we at Kaufland are tackling the problem in two main directions - raising awareness through information campaigns for the public and optimizing the processes inside our company.

Raising awareness through information campaigns for the public

We organize campaigns for the public that aim to raise awareness on the subject and to inform the end user of his options for contributing towards food waste reduction. In addition to the useful information that we share on our site, we also conduct various initiatives to actively interact with our customers.

For example, we created a culinary book for children, named "My First Culinary adventure", with the purpose to foster a sustainable culture and attitude towards both preparing and consuming food. For the creation of the book, Kaufland employees and their children collaborated to publish the first children's cookbook on the Bulgarian market. The book includes easy-to-follow, fun-to-make photo recipes for a complete menu. These recipes are accessible for children to prepare on their own or with minimal help from an adult family member. Additionally, it introduces them to the qualities and characteristics of various food products. Furthermore, in 2023, Kaufland Bulgaria launched a large-scale educational campaign in collaboration with the „Foodobox“ platform for „saving unsold food“ under the slogan „Food belongs in the fridge, not the trash.“ The initiative aims to raise students' awareness of the global food waste problem and encourage them to seek alternative ways to prepare meals using the food available in their refrigerators. During the pilot edition of the campaign, more than 4,000 students from grades 1 to 7 in public

schools in Sofia participated in specially prepared interactive educational lectures. The socially significant initiative also aims to change habits and attitudes towards more sustainable and responsible consumption of food resources.

„The goal of the initiative is to raise students' awareness of the global food waste problem and to encourage them to seek alternative ways to prepare meals using the food available in their refrigerators. With Kaufland Bulgaria, we are like-minded in addressing this issue, because responsible food consumption is a responsibility towards the future and towards others,“ said Jane Dimitrova, co-founder and CEO of Foodobox.



Optimization of processes inside the company

We follow the company's internal processes for optimization and control of the supply, storage, and sale of food products to minimize the amount of food waste. We use advanced information technology systems to track the entire product journey, from suppliers to stores and the end user. This process is based on a comprehensive system that indicates the key stages and parameters, considering the behavior of our customers, seasonality of products, weather forecasts, and any other external factors that may affect the behavior of our customers. How does this happen?

Processes used for data collection and monitoring

In the spring of 2023, Kaufland donated 20,000 oak saplings to Our policy on processes for data collection and monitoring is robust and multi-faceted, ensuring comprehensive tracking and management of waste-related processes. We gather information from subcontractor companies to maintain transparency and accuracy in reporting. We at Kaufland introduced the GCM platform, a cutting-edge tool designed to monitor and track all activities related to waste management. Additionally, we employ a sorting quota system to ensure effective waste segregation and recycling. The GC databank, an international platform, is utilized to collect and analyze data on waste generation from various countries, enabling us to benchmark its performance and implement best practices both locally and globally.

Food waste reduction through price reductions

Kaufland Bulgaria has successfully conserved nearly 11 million kilograms of food through the implementation of daily price reductions. Discounts ranging from 40% to 99% on selected items are part of the company's strategy to mitigate food waste. As a result of these daily price reductions, over 90% of food items nearing their expiration date are sold rather than discarded. Detailed data supporting this success is provided in the accompanying table. Additionally, a series of operational measures have been instituted to ensure the effectiveness of the MHD control process, aiming to minimize the volume of items approaching their expiration date, thereby reducing waste and enhancing sales. Furthermore, we aim for the ratio between price reductions and direct waste in product groups to reach 70/30.

Utilization through donations

Donating food nearing its expiry date represents a key strategy in combating food waste. In 2023, we initiated a collaboration with the 'Verniyat Nastoynik' food bank to regularly donate such food items. Through our 'Food Banking' initiative, we have provided vital assistance to numerous households and social institutions across the country.

During the initial six months of our partnership, we donated over 4000 kg of food nearing expiry. Looking ahead to 2024, we aim

to extend our collaborative efforts to additional regions across the country.

„To date, our support has reached tens of thousands of households and social institutions nationwide. Our partnership with Kaufland enables us to broaden our aid to those in need. In the upcoming months, we plan to expand our partnerships to include five more cities (Varna, Rousse, Veliko Tarnovo, Pleven, and Stara Zagora),” stated Nikolay Nikolov, Coordinator at the 'Verniyat Nastoynik' food bank.

10,930,715

Kilograms of food saved in 2023
thanks to Store Discounts

30,029

Kilograms of food saved daily on
average thanks to Store Discounts

910,893

Kilograms of food saved per month on
average thanks to Store Discounts

1. Automatic Ordering

More than 90% of store orders nationwide are automatically generated using an electronic system. This system calculates and orders the optimal quantities of products needed for a specific period, ensuring there are neither shortages nor excess supplies.

2. Smart system planning

The company's calculations show that more than 22 million units/kilograms of food waste have been saved as a result of the effective planning of the unique smart system we use. This system operates based on an analysis of historical data over an eight-year period, with indicators such as interest in the product, seasonality, weather forecasts, holidays, promotions, and placement in brochures or in-store.

3. Optimization of transport

We continuously assess and enhance our logistics procedures. We employ a pallet optimization system to minimize pallet damage and reduce food waste through efficient usage.

4. Daily deliveries

We forecast inventory for fresh products, and deliveries of fruits and vegetables occur daily. We maintain optimal storage conditions in both warehouses and stores, with ongoing temperature monitoring.

5. Constant monitoring of the expiration date

We adjust the expiration date in our system to be a few days earlier than the supplier's set date. This ensures that customers have ample time to use the product comfortably at home, reducing the need for hurried consumption or disposal due to nearing expiration.

6. Check the expiration date

Monitoring expiration dates and adhering to the first-in, first-out (FIFO) principle is crucial for maintaining the freshness of our products. Rigorous oversight ensures that we consistently provide fresh items to our customers while minimizing losses from expired goods. To encourage waste reduction, we offer incremental discounts on products approaching their expiration dates. Additionally, we maintain daily price lists for our fruits and vegetables, enabling us to adjust prices throughout the day as needed.

A low-angle, upward-looking photograph of a dense forest. The image captures the intricate network of tree branches and vibrant green leaves that form a natural frame around a bright, cloudy sky. Sunlight filters through the foliage, creating a dappled light effect. The perspective draws the viewer's eye towards the center of the frame, where the sky is most visible.

04

ADDITIONAL DATA

Table 1. Employee count* by contract type and gender – GRI 2-7

Year	Full-time employees	Part-time employees	Permanent employees	Temporary employees
2022				
	5127	998	6080	45
	(M) 1423 (F) 3704	(M) 250 (F) 748	(M) 1656 (F) 4424	(M) 17 (F) 28
2023				
	5173	1028	6123	78
	(M) 1485 (F) 3688	(M) 270 (F) 758	(M) 1718 (F) 4405	(M) 37 (F) 41

* Employee count in Headcount

Table 2. Number of food and non-food products of own brand – Kaufland-specific indicator

Year	Total	Food items	Non-food items
2022			
Number of products	20,251	15,592	4,659
Number of food products	15,592	Own brand 1,729	Other brands 13,863
Number of non-food products	4,659	Own brand 1,455	Other brands 3,204
2023			
Number of products	21,908	16,929	4,979
Number of food products	16,929	Own brand 1,954	Other brands 14,975
Number of non-food products	4,979	Own brand 1,455	Other brands 3,524

Table 3. Purchased products – Kaufland-specific indicator

Indicator	Unit	2022	2023
Fruits and vegetables			
Value of the purchased products	million BGN	68	77
Value of purchased products from 2019 until now	million BGN	232	309
Contractual purchase of agricultural produce			
Value of purchased production under Contractual Purchase from 2019 to date	million BGN	103	142
Value of production sold under Contractual Purchase from 2019 to date	million BGN	32	39
Types of fruits and vegetables	number	65	73
Number of contracts from 2019 to date	number	98	126 (28 new in 2023)

Table 4. Food items from national suppliers – GRI 204-1

INDICATOR	Unit	2022	2023
Food items sourced from national suppliers	number	13,458	14,562
Share of food items from national suppliers	%	86.3	86.0
Share of national suppliers (food)	%	74.1	73.4

Table 5. Energy consumption and energy intensity within the organization - GRI 302-1, 302-3

INDICATOR	Unit	2022	2023
Total energy consumption	kWh	115,356,422	113,750,994
Electricity consumption	kWh	95,113,489	93,287,624
Share of electricity consumption from renewable energy	%	74.1	73.4
Electricity consumption without renewable energy	%	100%	100%
Own electricity generation from renewable energy	kWh	998,794	1,512,636
District heating consumption	kWh	1,283,652	1,236,725
Heating oil	l	41,858	60,367
Energy consumption - heating oil	kWh	442,062	637,538
Energy consumption - transport	kWh	5,329,563	5,591,112
Energy consumption of own vehicle fleet - diesel	kWh	4,994,346	5,222,155
External logistics - diesel	l	369,361	626,823
External logistics - CNG	kg	2,794,595	2,370,470
Energy consumption of own vehicle fleet - gasoline	kWh	335,216	368,958
Amount of fuel - own vehicle fleet	l	507,878	532,969
Amount of fuel - own vehicle fleet - diesel	l	472,905	494,475
Amount of fuel - own vehicle fleet - gasoline	l	34,973	38,493
Natural gas consumption	kWh	12,847,602	12,459,466
Total energy consumption per m2 sales area	kWh/m2	569	591
Total energy consumption per m2 sales/ancillary area	kWh/m2	389	405

Table 6. Emissions - GRI 305-1, 305-2, 305-3, 305-4

INDICATOR	Unit	2022	2023
Direct GHG emissions (Scope 1)	tCO₂e	15 507	15 530
Total amount of refrigerants	kg	8,637	13,820
Store refrigerant	kg	8,549	13,766
Non-store refrigerant	kg	88	54
R 744	kg	1,706	7,005
R 404A	kg	990	1,010
R 410A (Store)	kg	-	2
R 410A (Storage, production, administration)		-	54
R 407C (Store)	kg	72	53
R 407C (Storage, production, administration)		88	0
R 134A	kg	2,076	2,997
R 449	kg	2,043	950
R 448	kg	1,662	1,749
Indirect GHG emissions (Scope 2) location-based	tCO ₂ e	35,609	37,968
Other indirect GHG emissions (Scope 3)	tCO ₂ e	1,720,973	1,867,151
GHG emissions intensity (Scope 1+2)	kgCO ₂ e/m ²	175	188
GHG emissions intensity (Scope 1+2+3) e/m ²	kgCO ₂ e/m ²	6,559	6,236

The emission factors used for the evaluations above were slightly adjusted in FY 22 and remained the same in FY 2022 and FY 2023.

Table 7. Water consumption - GRI 303-5

INDICATOR	Unit	2022	2023
Total water consumption	m ³	352 523	306 492

Table 8. Materials used by weight and volume – GRI 301-1

INDICATOR	Unit	2022	2023
Advertising materials	t	5,802	4,503
Advertising materials - non-recycled	t	5,802	2,245
Advertising materials - recycled	t	-	2,258
Printer paper	t	49.1	48.7
Printer paper - non-recycled	t	28.5	11.1
Printer paper - recycled	t	20.6	37.6
Paper bread bags	t	126	124.3
Reusable nets for fruits & vegetables	number	18,960	13,536

Table 9. Generated Waste - GRI 306-3

TYPE OF WASTE	Unit	2022	2023
Paper and carton	t	11,469	11,418
Plastics	t	780	762
Organic waste	t	533	574
Wood waste	t	618	2,119
Textile	t	3.5	2.7
Metal	t	129	111
Other waste	t	5,980	6,035
Other non-hazardous recyclable waste	t	1,059	947
Hazardous waste	t	84	79
Total waste	t	20,655	22,046

Table 10. Waste diverted from landfills – GRI 306-4

TYPE OF WASTE	Unit	2022	2023
Total non-hazardous waste - Reuse	t	596	2,090
Total non-hazardous waste - Recycling	t	13,461	13,414
Total non-hazardous waste - Composting	t	266	276
Recyclable PPK	t	11,469	11,418
Organic recyclable materials	t	271	292
Recyclable empties plastics	t	-	146
Recyclable Plastics	t	780	762
Recyclable wood materials	t	618	2,119
Recyclable Textiles	t	3.5	2.7
Recyclable scrap metal	t	129	111

Table 11. New hires and employee turnover – GRI 401-1

INDICATOR	Unit	2022	2023
New hires	Number	2,079	2,136
New hires <30 years of age	Number	966	960
New hires 30-50 years of age	Number	841	840
New hires >50 years of age	Number	272	336
New hires <30 years of age	%	47	45
New hires 30-50 years of age	%	41	39
New hires >50 years of age	%	13	16
New hires - male	Number	810	913
New hires - female	Number	1269	1223
Share of new employees - male	%	39	43
Share of new employees - female	%	61	57
Employee turnover	%	37	37
Employee turnover - male	%	31	31
Employee turnover - female	%	53	54

Table 12. Occupational accidents – GRI 403-9, 403-10

INDICATOR	Unit	2022	2023
Fatalities due to occupational accidents	number	0	0
Work-related injuries with significant consequences (excluding fatalities)*	number	0	0
Recorded work-related injuries*	number	21	52
Frequency rate*	number	1,95	4,79
Number of hours worked (excluding sick leaves)	hours	10,766,527	10,847,361
Main types of occupational accidents		Slip, trip, and fall	Slip, trip, and fall

* High-consequence work-related injury - work-related injury that results in an injury from which the worker cannot, does not, or is not expected to recover fully to pre-injury health status within six months

* Work-related incident - occurrence arising out of or in the course of work that could or does result in injury or ill health. An incident that results in injury or ill health is often referred to as an 'accident'. We take into consideration accidents with one or more days lost time, without commuting accidents.

* Frequency rate - It is based on 1 million working hours and represents accidents per 1 million working hours.

* Rate of recordable work-related injuries = Number of recordable work-related injuries / Number of hours worked x [1,000,000 working hours]

Table 13. Number and share of employees according to categories – GRI 405-1

INDICATOR	2022	2023
Men in management	206 (48%)	208 (48%)
Women in management	226 (52%)	224 (52%)
Total number of employees in management	432	432
Male employees (external hires)	810 (39%)	913 (43%)
Female employees (external hires)	1,269 (61%)	1,223 (57%)
Total number of employees (external hires)	2 079	2 136
Employees <30	1,295 (21%)	1,265 (20%)
Employees 30-50	3,399 (56%)	3330 (54%)
Employees >50	1,431 (23%)	1,606 (26%)
Total number of employees	6 125	6 201
Employees in management <30	58 (13%)	48 (11%)
Employees in management 30-50	348 (81%)	353 (82%)
Employees in management >50	26 (6%)	31 (7%)
Total number of employees in management	432	432

GRI Content Index

Statement of use

Kaufland Bulgaria has reported the information cited in this GRI content index for the period March 2022 - February 2024 in accordance with the GRI Standards.

GRI 1 used

GRI 1: Foundation 2021

Material Topic	GRI Standard	Section	Page	Comment
Mandatory Disclosures GRI 2				
	GRI 2-1 Organizational details	Kaufland in Bulgaria and Around the World		
	GRI 2-2 Entities included in the organization's sustainability reporting	About this report		
	GRI 2-3 Reporting period, frequency and contact point	About this report / Materiality Assessment		
	GRI 2-4 Restatements of information			No restatements made.
	GRI 2-5 External assurance	About this report		
	GRI 2-6 Activities, value chain and other business relationships	Kaufland in Bulgaria and Around the World		
	GRI 2-7 Employees	Additional data		
	GRI 2-8 Workers who are not employees	Our people		
	GRI 2-9 Governance structure and composition	Sustainability Governance		
	GRI 2-10 Nomination and selection of the highest governance body			The information is confidential.
	GRI 2-11 Chair of the highest governance body	Sustainability Governance		
	GRI 2-12 Role of the highest governance body in overseeing the management of impacts			The information is unavailable.
	GRI 2-13 Delegation of responsibility for managing impacts			The information is unavailable.

GRI 2-14 Role of the highest governance body in sustainability reporting

The Executive Board validates international strategic guidelines, including the materiality assessment. Additionally, the Management Board of Kaufland Bulgaria reviews and approves annual sustainability KPIs throughout the collection process and prior to report publication.

GRI 2-15 Conflicts of interest

Sustainability Governance

GRI 2-16 Communication of critical concerns

Sustainability Governance

GRI 2-17 Collective knowledge of the highest governance body

The information is unavailable.

GRI 2-18 Evaluation of the performance of the highest governance body

The information is unavailable.

GRI 2-19 Remuneration policies

The information is unavailable.

GRI 2-20 Processes to determine remuneration

The information is unavailable.

GRI 2-21 Annual total compensation ratio

The information is unavailable.

GRI 2-22 Statement on sustainable development strategy

Statement from the CEO

GRI 2-23 Policy commitments

Our values / Initiatives and Memberships

GRI 2-24 Embedding policy commitments

Our values

GRI 2-25 Processes to remediate negative impact

Sustainability Governance

GRI 2-26 Mechanisms for seeking advice and raising concerns

Sustainability Governance

GRI 2-27 Compliance with laws and regulations

No information is provided for business reasons

GRI 2-28 Membership in associations

Initiatives and Memberships

GRI 2-29 Approach to stakeholder engagement

Stakeholder engagement and materiality assessment

GRI 2-30 Collective bargaining agreements

There is no collective bargaining in the company.

IV Additional data

Material Topic	Topic-Specific Standard	Section	Page	Comment
Attractive employer	GRI 401: Employment 2016			
	3-3 Topic Management	Taking care of our employees		
	401-1 New employee hires and employee turnover	Additional data		
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Taking care of our employees		
	401-3 Parental leave	Taking care of our employees		
	GRI 403: Occupational Health and Safety 2018			
	3-3 Topic Management	Taking care of our employees		
	403-1 Occupational health and safety management system	Taking care of our employees		
	403-2 Hazard identification, risk assessment, and incident investigation	Taking care of our employees		
	403-3 Occupational health services	Taking care of our employees		
	403-4 Worker participation, consultation, and communication on occupational health and safety	Taking care of our employees		
	403-5 Worker training on occupational health and safety	Taking care of our employees		
	403-6 Promotion of worker health	Taking care of our employees		
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Taking care of our employees		
	403-9 Work-related injuries	Additional data		
	403-10 Work-related ill health	Additional data		
	GRI 404: Training and Education 2016			
	3-3 Topic Management	Taking care of our employees		

404-1 Average hours of training per year per employee

Taking care of our employees

404-2 Programs for upgrading employee skills and transition assistance programs

Taking care of our employees

404-3 Percentage of employees receiving regular performance and career development reviews

Taking care of our employees

GRI 405: Diversity and Equal Opportunity 2016

3-3 Topic Management

Taking care of our employees

405-1 Diversity of governance bodies and employees

Additional data

405-2 Ratio of basic salary and remuneration of women to men

Taking care of our employees

GRI 405: Diversity and Equal Opportunity 2016

3-3 Topic Management

Taking care of our employees

406-1 Incidents of discrimination and corrective actions taken

Taking care of our employees

More climate-friendly locations

GRI 203: Indirect Economic Impacts 2016

3-3 Topic Management

New generation stores

203-1 Infrastructure investments and services supported

Managing our environmental footprint

GRI 302: Energy 2016

3-3 Topic Management

Managing our environmental footprint

302-1 Energy consumption within the organization

Additional data

302-3 Energy intensity

Additional data

302-4 Reduction of energy consumption

Not available

GRI 303: Water and Effluents 2018

3-3 Topic Management

Managing our environmental footprint

IV Additional data

	303-5 Water consumption	Additional data	
	GRI 304: Biodiversity 2016	Taking care of our employees	
	3-3 Topic Management	Managing our environmental footprint	
	304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Not applicable	
	304-2 Significant impacts of activities, products and services on biodiversity	Managing our environmental footprint	
	304-3 Habitats protected or restored	Managing our environmental footprint	
	304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations	Not applicable	
	GRI 305: Emissions 2016		
	3-3 Topic Management	Managing our environmental footprint	
	305-1 Direct (Scope 1) GHG emissions	Additional data	
	305-2 Energy indirect (Scope 2) GHG emissions	Additional data	
	305-3 Other indirect (Scope 3) GHG emissions	Additional data	
	305-4 GHG emissions intensity	Additional data	
	305-5 Reduction of GHG emissions		Not available.
	305-6 Emissions of ozone-depleting substances (ODS)		Not available.
	305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions		Not available.
Regionality			
	GRI 204: Procurement Practices 2016		
	3-3 Topic Management	What you can find at Kaufland	
	204-1 Proportion of spending on local suppliers	Additional data	

Circular economy

GRI 306: Waste 2020

3-3 Topic Management	Ecological packaging	
306-3 Waste generated	Additional data	
306-4 Waste diverted from disposal	Additional data	
306-5 Waste directed to disposal		Not available

GRI 306: Effluents & Waste 2016

3-3 Topic Management	Ecological packaging
306-3 (2016) Significant spills	

GRI 301: Materials 2016

	Ecological packaging
3-3 Topic Management	Ecological packaging
301-1 Materials used by weight or volume	Additional data
301-2 Recycled input materials used	Ecological packaging
301-3 Reclaimed products and their packaging materials	Ecological packaging

More climate-friendly supply chain

GRI 203: Indirect Economic Impacts 2016

3-3 Topic Management	Managing our environmental footprint
203-2 Significant indirect economic impacts	Managing our environmental footprint

GRI 302: Energy 2016

3-3 Topic Management	Managing our environmental footprint
302-2 Energy consumption outside the organization	Managing our environmental footprint
302-5 Reductions in energy requirements of products and services	Managing our environmental footprint

GRI 305 Emissions

3-3 Topic Management	Managing our environmental footprint
305-3 Other indirect (Scope 3) GHG Emissions	Managing our environmental footprint

IV Additional data

GRI 308: Supplier Environmental Assessment 2016		
	3-3 Topic Management	Managing our environmental footprint
	308-1 New suppliers that were screened using environmental criteria	Managing our environmental footprint
	308-2 Negative environmental impacts in the supply chain and actions taken	Managing our environmental footprint
Food waste		
	GRI 306 Waste 2020	
	3-3 Topic Management	
	306-1 Waste generation and significant waste-related impacts	Avoiding Food Waste
	306-2 Management of significant waste-related impacts	Avoiding Food Waste
We also report on Kaufland topics not covered by the GRI Standards:		
Social commitment		Kaufland for the people and the environment
Raw materials		More responsible sourcing of raw materials
Strategic partnerships		Welcome to Kaufland Bulgaria

LEGAL NOTICE

KAUFLAND BULGARIA EOOD & CO. KD is a limited partnership managed and represented by the general partner Kaufland Bulgaria EOOD.

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Disclaimer: This report has been prepared with the greatest possible care. However, the possibility of typographical or printing errors cannot be entirely excluded.