

22
23

**KAUFLAND
FOR MORE
SUSTAINABILITY**

Sustainability Report
Kaufland Hrvatska k.d.

2022 | 2023

**Our
actions
do the
talking.**



Kaufland





"In order to support the development of domestic suppliers and the economic stability of our communities, we purchase more than 60 percent of our food products in Croatia." - Patrick Rudat, CEO Kaufland Hrvatska k.d.



**"We can be proud of the success we achieve year after year, and this success is the result of the dedicated work of all our employees throughout Croatia."
- Patrick Rudat, CEO Kaufland Hrvatska k.d.**

Dear readers,

As one of the largest retail chains in Croatia with 3,511 employees, we are aware of our social, economic, and environmental responsibility, and we do our best to become more sustainable at all levels of our business activities. In order to show you in a transparent way how we do this, we have published the third Kaufland Sustainability Report in Croatia, and I am glad to have the opportunity to present it to you.

With the ambition to continue to achieve our goals of sustainability and responsibility, in the past two years we have improved our development plans, initiatives and investments throughout the entire value chain. The quality that we offer and our customers appreciate includes care for the constant improvement of our sustainable assortment, promoting healthy lifestyles with strict quality and safety control of all products in our stores. In addition, we engage both our employees and customers in various initiatives that show concern for our society and the environment, such as regular donations of food products, partnerships with volunteer fire brigades and primary schools throughout Croatia, or volunteering at different locations in the country. In order to support the development of domestic suppliers and the economic stability of our communities, we purchase more than 60 percent of our food products in Croatia. Because of this, product delivery routes are shorter, so that we contribute to the reduction of CO₂ emissions at the same time. In addition, in the past two years, we have increased our investments in energy-efficient technologies, renewable energy sources and we have introduced measures for saving energy and the responsible use of water.

We are particularly committed to reducing food waste, as well as reducing plastic waste with the jointly elaborated REset Plastic Strategy of the companies of Schwarz Group. In cooperation with our suppliers, we have been developing sustainable packaging solutions. The sustainability of our business has been confirmed by numerous relevant certificates. We can be proud of the success we achieve year after year, and this success is the result of the dedicated work of all our employees throughout Croatia. In accordance with our motto "Our actions do the talking", we ensure the satisfaction of our employees by taking concrete measures such as a regular increase in income, above-average salaries, constant improvement of working conditions and benefits such as Christmas and Easter bonuses. This way, we want to show all members of our large Kaufland team how much we appreciate their work. I am glad that together we will continue to have a positive impact on society and the environment in which we live to ensure a slightly better world for the next generations. I want to thank all our colleagues who contribute to this goal every day.

Sincerely,

Patrick Rudat

President of the Management Board of Kaufland Hrvatska k.d.



ABOUT THE SUSTAINABILITY REPORT

At Kaufland, sustainability is achieved through mutual efforts of all the stakeholders involved – customers, employees, suppliers and partners. The third sustainability report of Kaufland Hrvatska k.d. brings forward the information about the strategic approach of managing business impacts on the specific topics of sustainability, current efforts, and results aimed at reducing the negative and increasing the positive impacts.

The data in this report refer to the two-year business period of the years 2022 and 2023. The business year starts on 1 March and ends on 28 February of the next year. Showcased non-financial information on business impacts on communities, economy and environment include the companies Kaufland Hrvatska k.d. and the affiliated company Europa – upravljanje nekretninama d.o.o. (Europa – real estate management). The previous sustainability report was published for the financial years 2020 and 2021.

The report has been prepared in accordance with the Global Reporting Initiative (GRI) standards. The contents are based on the identified material





topics and the strategic approach of Kaufland Stiftung & Co. KG, while taking into account the UN's Sustainable Development Goals (SDGs) as the global frame of reference. The data has been collected through the internal systems for collection and data analysis, and in direct contact with the departments in charge of specific sustainability topics, with the support of the external consultants from Hauska & Partner company.

In order to strengthen transparency and raise the quality of reporting, the selected indicators were checked by an external auditor, the company Ernst & Young Croatia d.o.o. The auditor's report can be found on [page 134](#).

This sustainability report is available in printed and digital formats, and is published on the company's website: kaufland.hr/izvjestaj

For more information, comments and recommendations for improving the sustainability of Kaufland, please contact us at: komunikacije@kaufland.hr

Contents

01	 <p>ABOUT US Kaufland in Croatia: Our actions do the talking. Schwarz Group Kaufland Hrvatska k.d. value chain Initiatives and Memberships</p>	7 8 12 14 20
02	 <p>SUSTAINABILITY AT KAUFLAND Challenges and opportunities Sustainability Contribution to SDGs & participation in the UN Global Compact Initiative</p>	25 26 28 32
03	 <p>OUR EMPLOYEES Our people, our values Work-life balance Health and safety of employees Employee development</p>	35 36 44 46 50
04	 <p>ENVIRONMENTAL PROTECTION Joint Climate Strategy of the Companies of Schwarz Group Energy and emissions Water Waste</p>	57 58 60 68 70
05	 <p>SUSTAINABLE ASSORTMENT Good for the environment and people Biodiversity – the basis of all life Vegan and vegetarian products Animal welfare</p>	83 84 96 102 104
06	 <p>RESPONSIBLE SUPPLY CHAIN Responsibility requirements for suppliers</p>	109 110
07	 <p>DEDICATED TO COMMUNITIES</p>	117
08	 <p>GRI INDEX</p>	127
09	 <p>EXTERNAL VERIFICATION</p>	134

01 ABOUT US

KAUFLAND IN CROATIA: OUR ACTIONS DO THE TALKING.

48

stores in Croatia
in 2024



Company profile of Kaufland Group

Kaufland has been present in Croatia since 2001.

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 an extensive selection, convincing quality, low prices, and convenient shopping experience. 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, offers 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, appealing 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 Kaufland Group.

Kaufland in Croatia

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

Kaufland has been present in Croatia since 2001. With 3,171 employees and 48 stores, Kaufland is

one of the leading food retailers in Croatia. The headquarters of Kaufland Hrvatska k.d. is located in Zagreb.

Basic information about Kaufland Hrvatska k.d.

First store opened in Croatia: 2001

Number of stores in Croatia on 29 February 2024: 48

Number of employees on 29 February 2024: 3,511 (including long-term absent employees)

Headquarters: Donje Svetice 14, Zagreb

New stores

Rijeka, October 2022, the 45th store

In October 2022, the second Kaufland store in Rijeka was opened at the address, Osječka 39. With this opening, Kaufland's network has expanded to 45 stores across Croatia. The sale surface of the store amounts to 2,804 square meters and its opening created 69 new jobs.

Župa dubrovačka, February 2023, the 46th store

In the very south of Croatia, in Župa dubrovačka, the first Kaufland store was opened in the Dubrovnik area, making it the 46th in Croatia.

The store offers the customers a wide assortment, with more than 15,000 products, covering the area of 2,200 square meters, with 163 parking spaces as well as charging stations for e-vehicles.

The construction of the photovoltaic power plant on the roof of the building has begun, which would procure 15 to 20% of the needed annual

electrical power for the store. The construction of the PV plant is planned for the end of the year 2024. Kaufland has undertaken a significant step of switching to the electrical energy from the renewable sources back in 2021 and continues to build its stores in compliance with the contemporary standards.

Vodice, July 2023, the 47th store

In July of 2024, the 47th Kaufland store was opened, occupying the area of 2,214 square meters and counting 201 parking spaces. Kaufland offers its customers as many as 16,000 products in the store in Vodice.

Varaždin, October 2023, the 48th store

The 48th Kaufland store, and the second in Varaždin was opened at the address Varteksova ulica 2. It covers the surface of 2,227 square meters, with 200 parking spaces for customers. Opening of this store created 43 additional jobs.

Modernisation of existing stores

Nova Gradiška – renovation of the interior and the exterior

From August until November of 2022, Kaufland store in Nova Gradiška has undergone a reconstruction. The result of the reconstruction was the opening of a new bakery with the adjacent storage for frozen products and a remodeled delicacy department. Also, a part of the parking lot for the customers has been renovated – around 2,000 square meters out of the total of 6,243 square meters. The green surface has been expanded, from which we removed the car washing facility.

The renovation of the store included rearrangement of products based on the new concept, replacement of the lighting in the sales area and the replacement of the entire cooling

system. After the renovation the sales area of the store amounted to 2,351 square meters.

Pula – new attire of the store

From September till November of 2022, the store in Pula underwent reconstructions. The facade was repainted, an e-charging station for vehicles was installed for which 20% of the parking space was reserved. The suspended ceiling in the covered garage was replaced, new LED lighting was installed, and the delicacy and bakery areas were refreshed.

In the reporting period of 2022 and 2023 no significant changes in the organization and its supply chain were recorded, except for the expansion of store network.



SCHWARZ GROUP

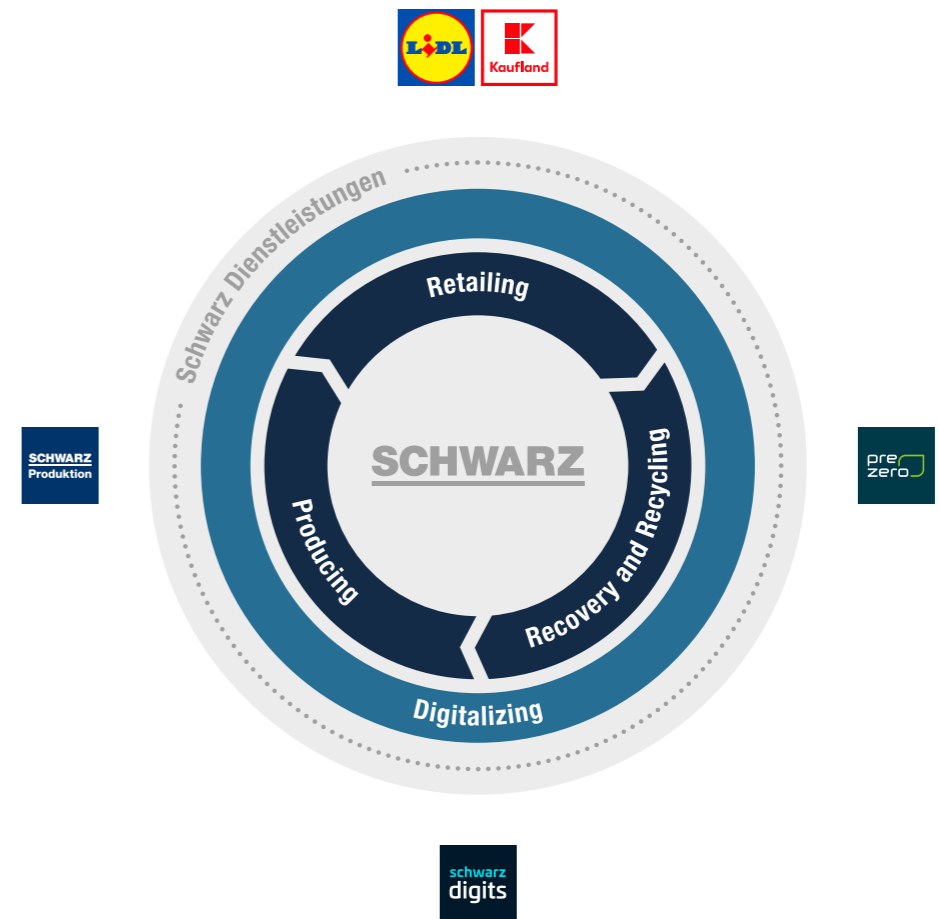
About the companies of Schwarz Group

All companies of Schwarz Group share the jointly elaborated sustainability strategy and the sustainability vision "Assuming Global Responsibility. Acting with Diversity".

The companies of Schwarz Group, with business activities in over 30 countries together form one of the leading retail groups in the world. With their about 13,900 stores and more than 575,000 employees, the companies of Schwarz Group jointly generated total sales of 167.2 billion euro by the end of the 2023 fiscal year. Divided into production, retail and environmental divisions, the companies of Schwarz Group together cover the entire value cycle. Lidl and Kaufland are the Group's pillars in food retailing. Many private label products on Lidl's and Kaufland's shelves, ranging from ice cream to beverages, are produced by Schwarz Produktion. Special emphasis is placed on the use of sustainable raw materials as well as the manufacturing, use and recycling of environmentally friendly packaging. The environmental service provider PreZero pursues the vision of closed loop recycling in waste and recycling management and thus contributes to a cleaner tomorrow. Schwarz

Dienstleistungsgesellschaften, the Group's corporate services division, provides administrative and operational services – for example with regard to controlling, finances, personnel or IT – for all other companies of the Group. Schwarz Digits, as an IT and digitization company, offers quality digital products and services that meet Germany's high data protection standards.

All companies of Schwarz Group share the 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.



Retail

The retail divisions Lidl and Kaufland offer their customers a wide range of products every day in over 30 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.



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.



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.



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.



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.

KAUFLAND HRVATSKA K.D. VALUE CHAIN

Kaufland Hrvatska k.d. wants to contribute to the step-by-step improvement of environmental and social standards.

As a retailer, Kaufland Hrvatska k.d. 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 extends to the processing of raw materials through to the transport of goods to the logistics centers and to the stores. There, Kaufland Hrvatska k.d. 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 processing of agricultural primary products and the production and transport processes involved have environmental and social impacts. Kaufland Hrvatska k.d. 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 Hrvatska k.d. also works to improve the living and working conditions of people in the countries of production.

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



Business ethics

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

Kaufland Hrvatska k.d. 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 Hrvatska k.d. 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 Hrvatska k.d. 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 Hrvatska k.d. and its management are expressly committed to adhering to and ensuring the implementation of this corporate principle.

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

The CMS measures include in particular issuing and communicating policies regulations (e.g. donation and privacy policies), conducting trainings and following up on all internal and external information of potential violations. If an information reveals a gap in the existing

mechanisms, the findings are used to improve the compliance management systems. The guidelines and specifications are published in a central IT system.

The company departments responsible for compliance check the effectiveness of the measures described. For this purpose, the Legal & Compliance department evaluates various data extracts from IT systems and commissions separate audits on an ad hoc and risk-based basis. The Kaufland Audit department regularly monitors the compliance management system in its entirety. The compliance officer and compliance team (compliance@kaufland.com), the lawyers of confidence, and an IT-supported online reporting system are available as contact persons and reporting channels for information on possible compliance violations. The online reporting system is available in several languages around the clock. Employees can also contact the works council, members of the compliance team and the persons of trust - also anonymously and confidentially. The Legal & Compliance department at Kaufland Hrvatska k.d. 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 Hrvatska k.d. are communicated to the Board.

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



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

Every year, all Kaufland Hrvatska k.d. employees take part in risk-based and target group-oriented online training courses on corruption prevention. 100 percent of Kaufland Hrvatska k.d. successfully completed the training courses by the end of the fiscal year.

Information regarding compliance and confirmed cases of corruption cannot be published for business reasons.

Our brands



Part of the products we offer to our customers are the products of our private label. In this way, we can achieve a greater control over the products we sell and secure that the high quality of our products is at the expected level. At Kaufland, customer satisfaction comes first. Kaufland recognized four key elements that customers consider when making a purchase and has implemented them in its business strategy.

- Price – equal accessibility of the product to all customers is of great importance. Kaufland

continuously markets its products on sale or sells them at discount prices, and during the peak season we keep prices the same regardless of the location.

- Quality – one of the characteristics we are proud of is the quality of our products. Our fruits and vegetables undergo controls that are significantly stricter than EU regulations, we cooperate with more than 100 domestic suppliers of fruit and vegetables, meat and eggs. Additionally, the information on all our fresh fruit and vegetables products from our

project of contracted production can be tracked through the AGRIVI application, which offers our consumers a transparent insight into what they buy.

- Choice – we offer our customers a large selection of as many as 20,000 products, of which more than 16,000 are products of famous brands, and more than 3,000 products are from our private label such as K-Classic, K-Favourites, K-Bio, Naše mi najbolje paše, K-Free, Bevola and K-take it veggie.

- Simplicity - we offer customers simplicity and speed, in addition to offering a large selection of products in one place, we invest in our infrastructure to make the purchasing process run quickly and smoothly. If all our cash registers are open, and customers wait longer than five minutes, we give them a gift card in value of two euros.

Ailé



COUNTRY Side

MY PROJECT



newcential

Oyanda



Dante

HIP & HOPPS



passenger



Favourites



switch on

TALENTUS

TOWN LAND

free
Bez glutena

free
Bez laktoze



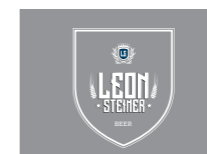
Purland



WICKIES

bevola
naturals
NATURKOSMETIK

Carinura



PARKSIDE



INITIATIVES AND MEMBERSHIPS

External initiatives and memberships in associations of Kaufland Hrvatska k.d.

Kaufland Hrvatska k.d. 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

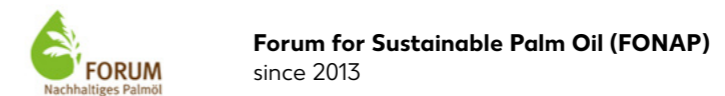
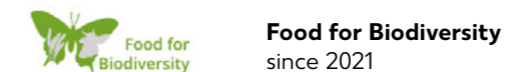
is to implement legal requirements quickly and smoothly in operational practice and to work together with suppliers on future issues at an early stage. More on external products labels of our products can be read in the chapter 'Sustainable assortment', on the [page 82](#).

Kaufland Hrvatska k.d. is a member of the following associations and organizations and a signatory of charters and holder of certificates:

	HGK, Croatian Chamber of Economy
	HUP, Croatian Employers' Association
	German-Croatian Chamber of Industry and Commerce
	Volunteering Charter
	Certificate Health Friendly Company



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



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



GLOBAL.G.A.P.
since 2019



International Featured Standard (IFS)
since 2013



Juice CSR Platform
since 2015



Partnership for Sustainable Orange Juice (PANA0)
since 2020



ProTerra
since 2022



Round Table on Responsible Soy (RTRS)
since 2022



Roundtable on Sustainable Palm Oil (RSPO)
since 2012

As part of the companies of Schwarz Group, Kaufland Hrvatska k.d. interests are represented in the following institutions:



Ellen MacArthur Foundation
Member since 2018



UN Global Compact
Participation since 2020



Kaufland Hrvatska k.d. also collaborates with the following partner organizations:

- Science Based Targets

Kaufland manages its economic performance in accordance with its Corporate Social Responsibility

Strategy. Therefore, positive business results must be generated in a socially responsible way, by which, in addition to economic efficiency, the company also generates social and environmental efficiency.

Direct economic value generated and distributed (in mil. EUR)	2021	2022	2023
Revenues	566,2	646,3	744,3
Operating expenditures	473,0	538,0	617,0
Employee expenditures (wages)	37,2	44,3	49,9
Payment to providers of capital	0,8	1,6	5,4
Payments to national governments (income tax)	20,2	23,5	28,8
Community investment (donations)	0,7	0,8	0,9

A young fern plant with several fronds is growing out of a mossy log in a forest. The background is a blurred green forest with sunlight filtering through the trees.

02 SUSTAINABILITY AT KAUFLAND



CHALLENGES AND OPPORTUNITIES

Timely and efficient adaptation to new market conditions can create new opportunities for sustainable business that is recognized as desirable by an increasing spectrum of customers.

The challenges that accompany Kaufland's business are numerous, and largely stem from the size of the company and the impact it subsequently has on the market but also vice versa. According to the GfK methodology of the household panel, which was conducted in the previous reporting period, Kaufland was the fourth largest company in the trade sector in Croatia, with a trend of continuous growth. Significant knowledge of market development trends is crucial for the continuous competitiveness of enterprises.

In addition to the economy in which it is located, which is influenced by a wide range of health and geopolitical influences as we could see in the near past and present events, external influences are numerous. The significant impact of our own management ability, external impacts such as climate change, but also their interdependence, which is manifested in green transformation, significantly affect Kaufland. In the process of a green transformation, increasing responsibility of the company towards its business, such as workplace and caring for own workers and those within the value chain, management, consumption,

and sources of energy consumed in the business, but also the application of comprehensive sustainable management patterns.

As a large international company, Kaufland is influenced by many factors, but it also has a wide scope of its own influence that it must have under control and validly manage. The fight against corruption, conduct under competition regulations and fair competition are the keys to stable economic growth.

Climate change and its complexity for Kaufland, which has a wide range of products that it procures from a large number of sectors, and a business that runs in large number of countries, can pose as a challenge, but also an opportunity. Timely and efficient adaptation to new market conditions can create new opportunities for sustainable business that is recognized as desirable by an increasing spectrum of customers. To take advantage of opportunities in time and set up mechanisms to avoid risks, we strive to identify all significant risks, including those in the field of sustainability.

For the previous reporting period, the Kaufland project group formed for the purpose of nonfinancial reporting defined risks, measures, and objectives according to the recommendations of the of Task Force on Climate-related Financial Disclosures (TCFD). Recognized goals are monitored to protect Kaufland's business from potential harmful impacts and to recognize opportunities for business improvement in time.

Currently, an international risk verification is being carried out and we will be able to communicate about the updated risks, the measures we take to mitigate and eliminate them, as well as the set goals in the following reporting periods.

Kaufland's impact in Croatia

As part of defining material topics at Kaufland, a series of interviews were conducted with professionals from various fields who recognized the challenges and opportunities that Kaufland dominantly encounters in Eastern Europe, including Croatia.

The main challenges recognized in the domain of human and workers' rights are the frequent association with lower standards and lack of regulations in relation to Western branches, potential human rights threats, and lack of benefits for employees. However, the results of the impact analysis showed that Kaufland is also recognized in the regions of Eastern Europe as an employer with good working conditions, fair work allowances and transparent communication practices.

In addition, Kaufland offers employment opportunities to a diverse range of people who are somehow considered socially vulnerable or

vulnerable groups, such as people with a lack of educational opportunities, especially among the younger generations. Also, among stakeholders, Kaufland's business model was perceived positively, and people believe that there is an adequate opportunity in the organization to achieve higher wages.

The recommendations passed forward by experts are that Kaufland continues to uphold and respect human rights in its business, to increase its positive impact on the families of employees, such as activities to improve the quality of life of children of employees. Also, it was recommended that, especially in rural parts of the region, criteria that accept various forms of diversity should be encouraged.



SUSTAINABILITY

Materiality analysis and 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 Hrvatska k.d. 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 or customer brochures for external stakeholders and customers as well as intranet portals and internet newsletter for our employees. In addition, we enable and promote direct and mutual exchange through series of events and personal discussions. In turn, our stakeholders provide us with valuable feedback through their expertise, observations, and critical and constructive engagement with our company, which is then incorporated into our work. Kaufland Hrvatska k.d. also contributes to cooperations and

networks in a variety of ways and participates in external dialog and exchange formats. Additionally, you can visit the chapter "About us" on the [page 6](#) to read more about our initiatives and memberships.

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

On specific topics such as reduction of food waste, intensive discussions with the Ministry of Agriculture are being conducted - for example, through signing the Voluntary Agreement on the Prevention and Reduction of Food Waste "Together Against Food Waste".

Materiality analysis

Kaufland Hrvatska k.d. has revised the process for determining its material topics in 2023 that is continuously enhanced to meet the requirements. In this way, we consider new and changed (regulatory) requirements at an early stage, including the updated materiality definition of

the GRI Standards 2021 and the adoption of the European Corporate Sustainability Reporting Directive (CSRD). The basis for the new process is the Kaufland topic model, which comprises of a total of 20 topic areas*.

*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.

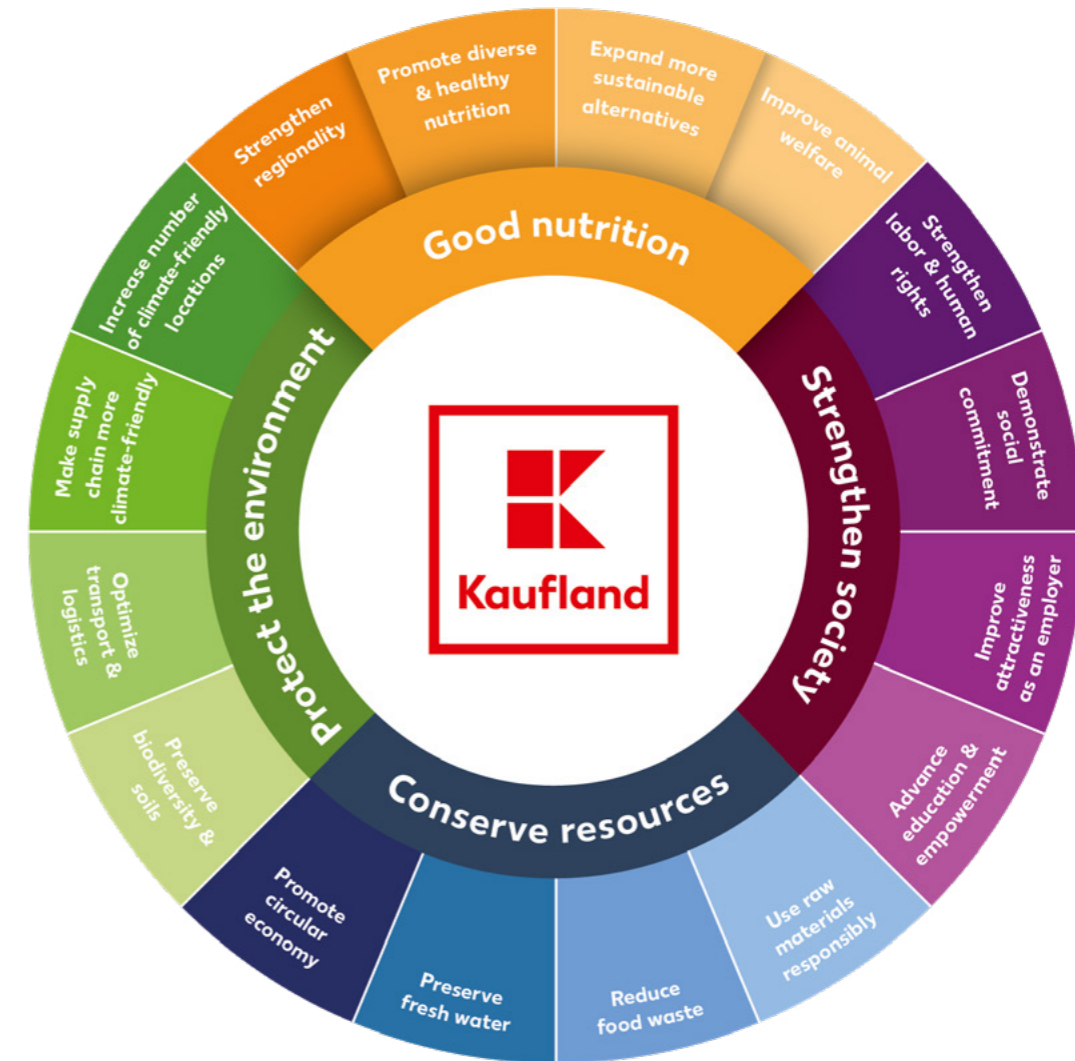


Figure 1: The Kaufland CR Strategy

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

- Firstly, 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:

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

Assessment of the impacts of Kaufland in Croatia

Kaufland's impact on people, the environment and society is assessed internationally by Kaufland Stiftung & Co. KG on behalf of national 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 regarding the 20 topic areas.

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 2).

When selecting the experts, the market-specific characteristics of the countries as well as the

Assessment of the business relevance of Kaufland Hrvatska k.d.

To assess the business relevance, Kaufland Hrvatska k.d. conducted a workshop with the CSR responsible in Croatia, as well as and with a sustainability working group consisting of managers of different departments within the company. 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 Z). The results were also incorporated into the adjustment of the sustainability strategy in 2023.

Merging the two dimensions of analysis

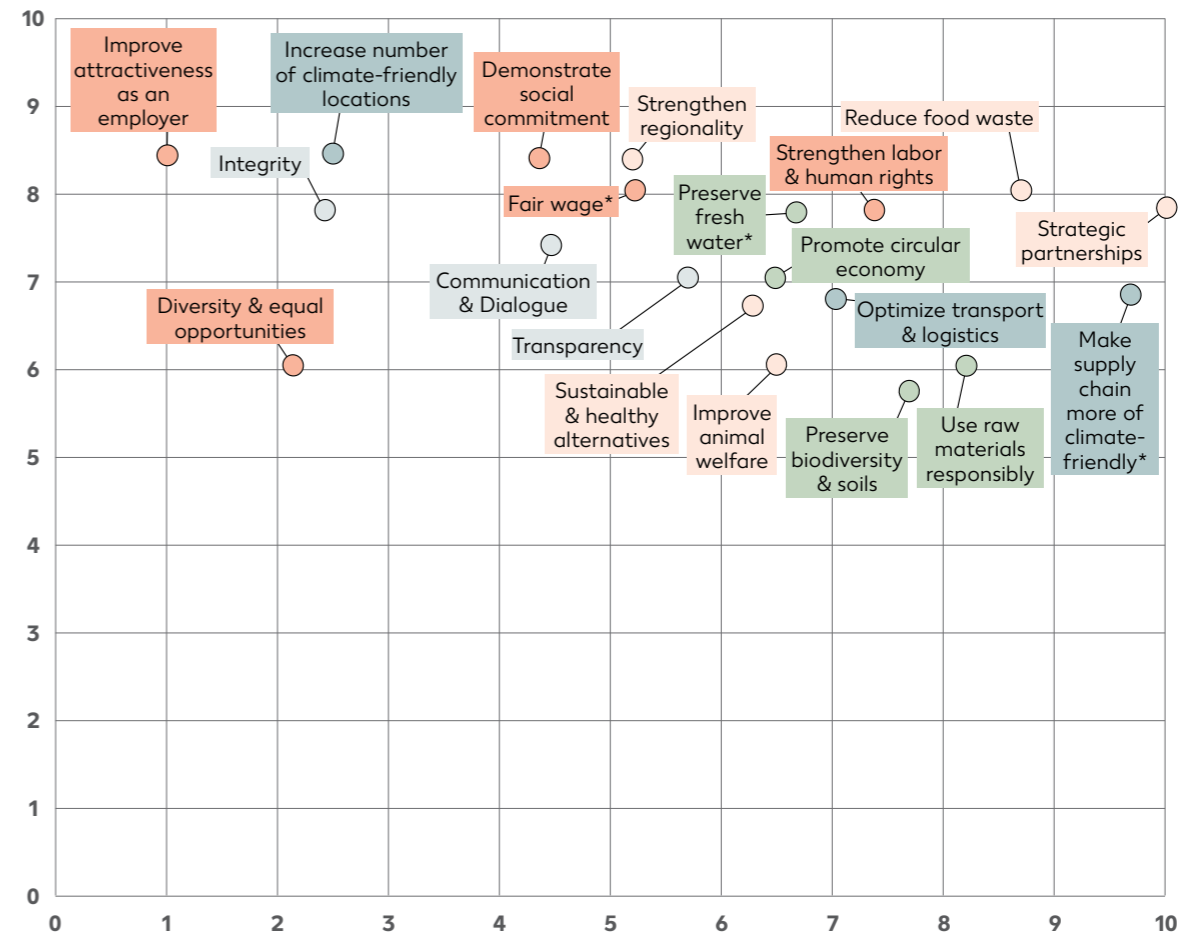
The results show that the topic areas "Improve employer attractiveness", "Increase number of climate-friendly locations", "Demonstrate social commitment", "Regionality", "Reduce food waste" and "Strategic partnerships" have the greatest relevance for Kaufland Hrvatska k.d.

there. Accordingly, they are within the company's materiality threshold and form the basis for this report (see Figure 2).

Overall, six topic areas are material for Kaufland Hrvatska k.d. This means that Kaufland Hrvatska k.d. business activities have a major impact on people, the environment and society in the respective topic and the greatest business-related opportunities and risks for Kaufland in Croatia lie

In addition to the topic areas determined to be material, we consider other strategically relevant topic areas such as "Fair wage", "Preserve fresh water" and "Make supply chain more of climate-friendly" in this report. They are marked with an * symbol in the materiality matrix and shown separately in the GRI Index starting on [page 126](#). The reason for this is, among other things, the high strategic relevance of these topics.

Figure 2: Materiality matrix 2.0



Topical areas "Improve employer attractiveness" (chapter 'Our employees', [page 34](#)), "Increase number of climate-friendly locations" (chapter 'About us', [page 6](#)), "Demonstrate social commitment" (chapter 'Dedicated to communities', [page 116](#)), "Strengthen regionality", (chapter 'Sustainable assortment', [page 82](#)) and "Reduce food waste" (chapter 'Environmental

protection', [page 56](#)) are then areas which were defined as important for Kaufland in Croatia. Additionally, identified as important were "Fair wage*" (chapter 'Our employees', [page 34](#)), "Preserve fresh water*" (chapter 'Environmental protection', [page 56](#)) and "Increase number of climate-friendly locations" (chapter 'Responsible supply chain', [page 108](#)).

CONTRIBUTION TO SDGs & PARTICIPATION IN THE UN GLOBAL COMPACT INITIATIVE

Contribution to the Sustainable Development Goals (SDGs)

In our daily business, we strive to act in a socially and environmentally responsible way, and we communicate our efforts transparently to the public.

The Sustainable Development Goals to which Kaufland contributes the most and recognizes a special responsibility towards are Goals 2, 3, 12 and 13. In our daily business, we strive to act in a socially and environmentally responsible way, and we communicate our efforts transparently to the public.

Since 2020, Kaufland Stiftung & Co. KG as a company of Schwarz Group has been participating in the UN's Global Compact initiative, UNGC, which has a reputation as the world's largest and most important initiative dealing with responsible corporate business.

As signatories, we act under the slogan "Our actions do the talking." (Djela, ne riječi.) by which we strive through our business to affect the health of people and the planet, equality, non-discrimination, justice and education for all. With our initiatives within the working environment,

plastic recycling and promotion of local supply chains, we strive to be a positive influence in the world. We try to contribute the most to the four goals that we have recognized as those closest to us.



SDG 2 Zero hunger

Sustainable procurement and encouragement of development of the short local supply chains and domestic production is something that Kaufland is already recognizable for. In addition to promoting local food production in this way, in cooperation with local farmers, we promote the principles of sustainable procurement and prevent the production of additional waste and emissions. In addition, Kaufland is continuously working to reduce food waste, and one of the methods it uses is to donate products that can no longer be sold, but are still healthy for consumption, to the registered intermediaries in the food donation chain. This process was initiated in 2016 in cooperation with Caritas of the Archdiocese of Zagreb, and later expanded to archdiocesan and diocesan Caritas, and the Croatian Red Cross. In this way, in addition to trying to reduce the amount of waste and food wasted, we try to directly help those most in need.



SDG 3 Good health and well-being

Our educational programs to promote healthy living among our employees contribute to the community of people in which we operate. With the "Health Friendly Company" initiative, we encourage health care through various activities intended for our employees. With flexible working conditions, we strive to take care of the quality of life of our employees and their work-life balance.



SDG 12 Responsible consumption and production

With business models that promote less waste generation, but also recycling, and reuse, we strive to efficiently manage the natural resources we use, reduce waste from the food we sell, and at the same time strive to educate our employees and customers about positive buying and selling practices.



SDG 13 Climate action

We strive to reduce the negative impact on the climate through activities aimed at reducing pollution. The packaging we use for our own products is recyclable, and we also have smart cooling systems, which use the excess heat generated for heating the stores. In addition, we strive to invest in renewable energy sources such as photovoltaic plants.

Support & Participation in the UN Global Compact Initiative

Kaufland Hrvatska k.d. 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 Hrvatska k.d. 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 Hrvatska k.d., 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.



03 OUR EMPLOYEES

OUR PEOPLE, OUR VALUES

Together, we create a stimulating working environment in which every individual has the opportunity to grow and develop.

People are the foundation of Kaufland's successful business. Work, effort and engagement of employees are key to successfully achieving goals at the level of the entire company. Together, we create a stimulating working environment in which every individual has the opportunity to grow and develop. Development, education, health care and promotion of teamwork are key to creating

an environment that provides opportunities for mutual growth and development. We strive to implement the values that Kaufland fosters and encourages in our business, and for this reason we have defined categories of principles for different situations, which are available to all employees and by which they must act.

Corporate principles

The corporate principles continue to be the basis of daily cooperation and behavior in stores and all other business areas. These principles form the basis of organizational culture at Kaufland, and

by promoting them we positively influence the culture in the working environment and maintain it at the high level that is the norm at Kaufland.

- Customer satisfaction influences our actions.
- Superior value for money determines our market position.
- We continue to grow through expansion and continuous improvement in our stores.
- Being an affiliated company, we take a systematic approach.
- Short decision-making processes and simple workflows ensure our success.
- We comply with applicable laws and internal guidelines.
- We assume economic, social and ecological responsibility in our daily work.

- Fairness towards every staff member is imperative.
- We respect and encourage one another.
- Agreements are respected in a climate of trust.
- Praise, recognition and feedback determine our corporate climate in our daily work.
- We surround ourselves with "strong" employees – deputies are in place in all departments.



Organizational values

Three organizational values are the foundation by which all Kaufland employees are guided, and which are interwoven through our business at

all levels, dictate internal behaviors, define our culture, communication, and customer attitude.

Performance

Our performance is the decisive factor for our success. It requires action, determination, courage, and passion. This goes for every individual, and for the entire team.



Dynamics

Dynamics is the force behind making good things great and coming up with new ideas. There has to be a willingness and ability to change, and the resolution to take responsibility. Our ability to implement our ideas stems from this.



Fairness

Fairness is based on esteem and respect. It is an essential pillar upon which reliable cooperation is founded. It is something we need in order to consistently achieve our goals.



Our leadership principles as a binding promise to our employees

The organizational values of Kaufland, on which internal relations within the organization are based, are united under the motto "High five" (Daj pet). They serve as a guide for executives when interacting with other employees, to provide them with a decent, high-quality, and motivating environment. Kaufland's core values are promoted through respect, fun and trust. Kaufland systematically invests in the organization of various joint activities that build connectivity between employees, create stronger ties, develops trust, and provides access to techniques to improve them, their business, and the entire team.

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

Organizational culture

The Kaufland Hrvatska k.d. workplace is based on equal treatment and cooperation under the same conditions, without prejudice and with respect for the diversity of our employees.

Executives should lead by example and live values in practice. In May 2022, two organizational culture development workshops were launched with the aim of bringing together executives and emphasizing their responsibility in the overall significance of team culture. By educating on the team culture mindset, team leadership opportunities and correct communication, we strive to improve relations and reach faster achievement of common goals. These workshops were endorsed by the Management Board, or rather its President and four line members.

The concept was created by an education company in cooperation with the Human Resources Department of Kaufland in Croatia, and it defined key values with all executives. Values are elaborated to the level of concrete patterns of behavior to enable their application in everyday practice. Management, middle and high-level executives participated in the first round of the program, and covered the topic of organizational values and behaviors that Kaufland employees apply in practice. The departments that participated in this round were Central Services, Procurement, Sales, SCM, Finance and Administration, Human Resources, Corporate

Communications and Logistics. In the second round, executives of other levels participated, such as managers of all stores and services in Logistics. All Kaufland employees in Croatia participated in the last round. It is noteworthy that the workshops were adapted to every type of business and were conducted in a shortened format for operational sales and logistics, due to the nature of their work and shifts.

During the workshops, the Management Board and managers were inquired on the possibilities of developing and improving the business, the goals of improvement and the benefits that Kaufland as an organization, its employees, customers, suppliers, and community can enjoy from achieving these goals. At the workshops, the common understanding was sought on the way of cooperation that would be crucial in further Kaufland operations and in implementing team culture through trust, respect and fun. The workshop also included various types of activities with an aim of connecting and consolidating interpersonal relationships, such as team cooking. At the end of the workshop, the leaders determined the current metrics of the values that are present in the culture of Kaufland and

their importance for the further development of individuals and the company. Each employee has decided which values they will begin to live, which ones they will continue and with which they will cease. With this, the employees made their promise to continuously work on the improvement of the team culture in every Kaufland store.

We plan to continue advancing the organizational values of the Kaufland Hrvatska k.d. team in 2024, during which we will harmonize our values with the new jointly elaborated organizational values of the companies of Schwarz Group.

Kaufland Hrvatska k.d. workplace is based on equal treatment and cooperation under the same conditions, without prejudice and with respect for the diversity of our employees. Different personalities of employees contribute to the added value and to the successful joint development, regardless of their social background, beliefs, gender, sexual orientation, ethnic origin, disability, age or other characteristics. To support diversity, we offer all our employees numerous measures and initiatives aimed at work-life balance and equal opportunities, both for career and personal development.

Kaufland Hrvatska k.d. does not have a signed Collective Agreement, but it does have an established Workers' Council with which the

employer regularly communicates and reports to it on current topics and changes within the legally stipulated deadlines. The Workers' Council is informed about important business decisions, and all inquiries of social partners are considered and responded to by the employer and after checking inquiries and requests, informs them about the conclusions and measures adopted.

We also communicate our values through our established communication channels such as MS Teams, Connect portal, Connect applications that are available to all employees, as well as bulletin boards, available primarily to employees of stores and logistics.

In addition, all employees have access to complaint mechanisms that can be used if they feel that their rights have been violated. During the reporting period, we received three reports of discrimination through these mechanisms. In all three cases, the applications were not found justified was established, and one case is still open. All employees are obliged to undergo an online training called Combating Discrimination once every two years. Three versions of this course are adapted to different departments – Central Functions, Sales and Logistics, due to the method of assignment to the target group. The percentage shown in the table indicates the course completion percentage for a particular fiscal year.

Defined values:



The organizational values of Kaufland in Croatia

Human rights

TRAINING	Total allocated	Total completed	Total exceeded	Completion percentage	Total hours
2022	1,472	1,464	8	99.5%	292.8
2023	1,452	1,452	0	100%	290.4

Also, a three-member commission for the protection of dignity was formed to take care for the protection of the dignity of workers and is authorized to receive and resolve complaints related to this topic. In this way, we take care of the dignity of our workers and enable them to report any irregularities that they have personally felt or have noticed while conducting business. On the other hand, if they have proposals for further growth and personal or organizational development of themselves, they can contact the Workers' Council with which we have a continuous

communication and cooperation, or directly to the employer.

In 2021, Kaufland Hrvatska k.d. launched the process of assessing and analyzing current business practices and became part of the MAMFORCE international community. The MAMFORCE standard is obtained by passing an audit that evaluates existing business practices, as well as the experience of work and satisfaction of employees in the company. This standard is a sign of the quality of an organization that is excellent

in the domain of family responsibility and gender equality. The recertification process was carried out again in 2023. In the same year, we relaunched the "NAJKolega" ("The best colleague") program in

which employees nominate their NAJKolegica and NAJKolege, and the winners became ambassadors of caring for employees in their organizational units.

Sustainability Ambassadors

We all want to live on a pristine planet. That is why a large number of our employees are engaged in different areas – environment, healthy eating, climate or community. Our common goal: to make the world a better place to live.

In 2023, we invited colleagues from all departments to apply and become sustainability ambassadors.

Four colleagues showed how they practice sustainability both at work and at home.



Employee composition*

3,171 Employees in 2023



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

Total employee composition

EMPLOYEES	2021	2022	2023
Total	2,974	3,190	3,171
GENDER	2021	2022	2023
Women	2,083	2,208	2,216
Men	891	982	955
Diverse	0	0	0
AGE	2021	2022	2023
< 30 years	625	731	727
30 - 50 years	1,813	1,900	1,852
> 50 years	509	559	592

Total composition of middle and operational management

MANAGEMENT	2021	2022	2023
Women	126	134	135
Men	134	141	142
Diverse	0	0	0
MANAGEMENT	2021	2022	2023
< 30 years	25	21	26
30 - 50 years	205	222	217
> 50 years	30	32	34
Total	260	275	277

Total composition of higher management

SENIOR MANAGEMENT	2021	2022	2023
Women	1	1	1
Men	2	2	3
Diverse	0	0	0
SENIOR MANAGEMENT	2021	2022	2023
< 30 years	-	-	0
30 - 50 years	3	3	4
> 50 years	-	-	0
Total	3	3	4

Total composition of top management

TOP MANAGEMENT	2021	2022	2023
Women	0	0	0
Men	4	4	5
Diverse	0	0	0
TOP MANAGEMENT	2021	2022	2023
< 30 years	-	-	0
30 - 50 years	4	4	5
> 50 years	-	-	0
Total	4	4	5

Workforce

WORKFORCE	2021	2022	2023
Agency workers (number)	4	3	5
Share of agency workers in the total workforce (%)	0.1%	0.1%	0.2%
OTHER TYPES OF EMPLOYEES	2021	2022	2023
Students (number)	165	167	213
Share of students in the total workforce (%)	5.1%	4.8%	6.2%
Other	4	6	6
Share of other positions	0.1%	0.1%	0.1%

Fluctuation

New hires

AGE	2021	2022	2023
< 30 years	362	569	529
30-50 years	263	419	364
> 50 years	31	93	58
GENDER	2021	2022	2023
Women	397	604	560
Men	259	477	391
Diverse	0	0	0

Departures

AGE	2021	2022	2023
< 30 years	263	358	391
30-50 years	342	404	403
> 50 years	37	77	63
GENDER	2021	2022	2023
Women	383	468	462
Men	259	371	395
Diverse	0	0	0

Contracts

FIXED-TERM CONTRACTS	2021	2022	2023
Women	62	122	54
Men	20	49	34
Diverse	0	0	0
Total	82	171	88
INDEFINITE CONTRACTS	2021	2022	2023
Women	2,021	2,086	2,162
Men	871	933	921
Diverse	0	0	0
Total	2,892	3,019	3,083

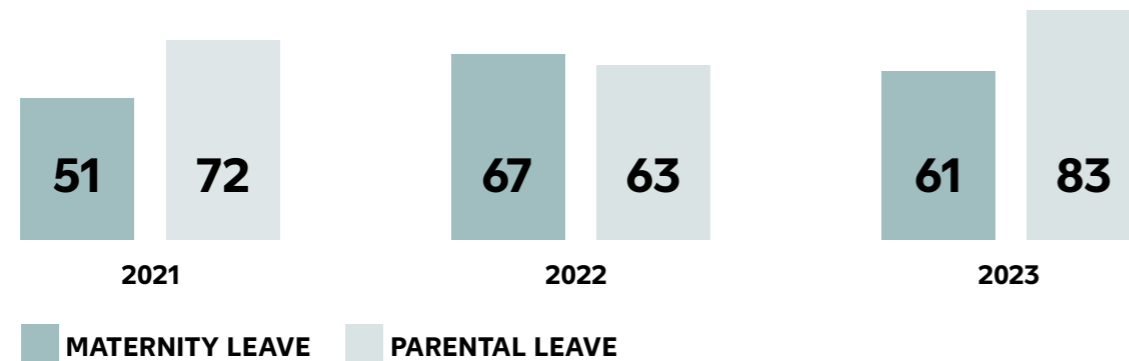


WORK-LIFE BALANCE

Kaufland strives to provide its employees with all the benefits to increase their quality of life. Awareness of the growing need for alternative forms of work has directed the development of a large part of new privileges in the direction of achieving a greater work-life balance. Thus, from atypical forms of work, we provide opportunities such as: Flexi parent (an initiative that enables employees to work from 50% to 75% of working hours for the first month after returning from

parental leave), work of pensioners, part-time work (from 20 to 30 hours per week) and work in a remote workplace (for employees working in office workplaces). Kaufland Hrvatska k.d. is currently working on the introduction of new models of work. We strive to create working conditions that will make it easier for the employees to return to the workplace and help them to easily balance their private and work obligations.

Used maternity and parental leave



TOTAL NUMBER OF EMPLOYEES WHO EXERCISED THE RIGHT TO MATERNITY AND PARENTAL LEAVE	2021	2022	2023
Men	19	18	17
Women	206	192	214
Total	225	210	231

In addition, out of the benefits we offer our employees, there are various forms of monetary and non-monetary benefits and incentives. We acquired our employees the Multisport card, provided them with the right to annual leave above the legal minimum that depends on the characteristics of the employee himself (seniority, family situation, etc.), paid leave and a day off

for first graders are provided for full-time and part-time employees in equal volume. We offer them a Christmas gift package, a package for St. Nicholas for children, healthy gift packages, a symbolic gift for birthdays, Christmas bonus and Easter bonus that are paid as a gift voucher for purchase in Kaufland stores, and the full amount of the commuting transportation costs.

TOTAL NUMBER OF EMPLOYEES WHO RETURNED TO WORK AFTER COMPLETING MATERNITY AND PARENTAL LEAVE	2021	2022	2023
Men	19	17	17
Women	202	187	210
Total	221	204	227
	98%	97%	98%

The companies of Schwarz Group together offer their respective employees with an uninterrupted working experience in one of the companies of Schwarz Group of more than five years, the option of using sabbatical for a period of one, two or three months. By electronic monitoring of working hours, we enable employees in non-managerial positions to pay salaries adequately and fairly, for the work performed.

Some benefits are determined by proportional amounts according to contracted working hours, such as meal allowance, reward for work results and recourse, and the contracted gross salary itself.

At Kaufland, we greatly appreciate the work of our employees. Accordingly, the entire overtime is also regulated and adequately compensated to employees. The way in which overtime is treated depends in part on whether the employee is in a non-managerial position, where employees record working hours on the terminal for working hours registration, or are in a managerial position, in which case the degree of independence in determining their working hours is higher.

In non-managerial positions, every minute of overtime is monitored and appropriately compensated for it, by cash payment or allocation of free time. Employees in stores and logistics have an unequal schedule of working hours over a

period of 12 months, which they are notified 7 to 10 days in advance on bulletin boards. Overtime is mandated exclusively in case of urgent need and increased workload. However, due to unequal working hours, employees in stores and logistics can work longer or shorter than agreed. In that case, if the employees have exceeded ten hours of work, they are properly compensated. There are no restrictions for the lack of hours and the employee is paid monthly in accordance with the contract. After the expiration of the period of unequal working hours, all excess hours are paid as overtime, and all the shortfall is reduced to zero.

If employees of the headquarters stay longer than the agreed working hours due to the need of work, each minute of overtime is recorded and compensated.

In order to track the satisfaction of our employees, Kaufland conducts a survey of employees' opinions with a pulse check survey. The last survey was conducted in the fall of 2023, to which 69% of employees responded, which is 18% higher than the average of the entire Kaufland Group. Participation in the survey is voluntary, anonymous and provides insight into the state and satisfaction of employees, and significantly helps in improving existing and implementing and structuring new activities, programs, and initiatives for improvement of the overall satisfaction in the company.

In order to track the satisfaction of our employees, Kaufland conducts a survey of employees' opinions with a pulse check survey.

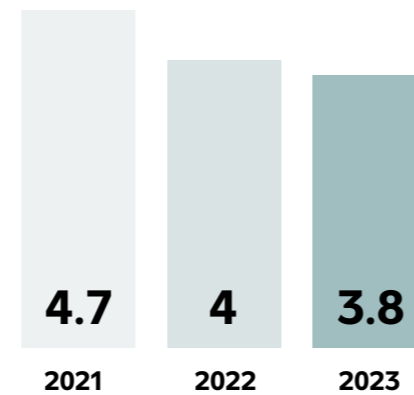


HEALTH AND SAFETY OF EMPLOYEES

Employee health

Employee health is of primary importance at Kaufland. We invest continuous efforts to promote a culture of health and safety. A function within the Human Resources Sector called "Caring for Employees" (Briga za zaposlenike) was established. It serves for the continuous strengthening of organizational values and principles of leadership in the organization through interviews with employees. Employee representatives act as neutral and independent interlocutors who can be contacted by each employee to discuss work processes, team collaboration, work conditions, management principles and organizational values. Human resources, on an annual basis define the budget and other benefits that will be offered to employees in different business areas. The health management system that we have been running since 2019 is according to ISO 45001 and includes the protection of all employees and third parties in the field of occupational safety. In addition, Kaufland is guided by various internal standards, which often go beyond the minimum legal obligations. Every year we define goals in the field of safety and health management, which are monitored throughout the year, and the success of implementation is evaluated. The results are transmitted to the Management Board and internal channels of communication.

The Corporate Safety Department, i.e. occupational safety experts carry out the process of monitoring hazards and risks by collecting and analyzing data on injuries and accidents at work. Supervision is conducted four times a year in all Kaufland stores, and twice a year in the logistics and distribution center Jastrebarsko and the headquarters. Persons conducting the analysis are



The rate of sick-leave hours

occupational safety experts who regularly attend seminars prescribed by law and bylaws to improve their expertise. In addition, responsible persons at all our locations conduct documented monthly safety technical tours to ensure safety and health protection at work. A legally prescribed number of occupational safety professionals is employed, of which there are currently eight. If employees notice malfunctions or irregularities related to health and safety issues, they can report such situations to appeal mechanisms. Every six months before the convened meeting of the Safety at Work Committee, data from the Worker's Safety and Safety Commissioner is collected and this information is presented to the Committee. The occupational safety committee is attended by the employer or his authorized representative, an occupational safety expert, an occupational medicine specialist and the worker's commissioner for occupational safety.

Kaufland continuously improves processes and activities to optimize them and provide safe working conditions for its employees.

Kaufland Hrvatska k.d. is the holder of the certificate "Company Friend of Health" (Tvrtka prijatelj zdravlja). As part of the certification, investments in employee health were confirmed through various initiatives and healthy working conditions. As part of the certification process in headquarters and logistics, healthy actions were organized during which employees were able to pass several healthy stations in which they checked their health status (measuring blood pressure, measuring weight and blood sugar levels, etc.). A series of activities aims to raise awareness and promote the importance of health among employees. A "Health Day" was also organized, which included workshops on healthy eating habits, physical activity, and other topics. All employees are offered the opportunity to participate in workshops and lectures dealing with this issue during the working hours. Employees receive so-called healthy gifts such as immunity-

boosting packages, water bottles, thermal bags with lunch box and brochures with healthy receipts.

The project "Sports Challenge" (Sportski izazov) has been implemented to encourage the habit of moving and raise awareness of physical activity as an important part of healthy living among all employees. This challenge, lasting for a month, encouraged the employees to collect as many steps as possible, and the best participants were presented with prizes.

The company is aware of the importance of bringing employees together in their teams and in less formal occasions, so the employees' gatherings are organized twice a year at the expense of the employer.

Management of risks and negative impacts

Contracted health services, i.e. occupational medicine specialists, participate in the assessment of risks to the health of employees, as well as in the development of measures to mitigate them. Mental health care is just as important as taking care of physical health. Kaufland is aware of this and thus continued the cooperation with the psychological counselling platform Exedra,

covering the costs of psychological counselling for employees referred to the platform by employee representatives. For all managers of high management, specialist medical examinations are provided, and employees, in accordance with the legal framework, are provided with paid health examinations during the periods set by the legislator.



We strive to closely monitor the risks we encounter in our business, and we implement concrete measures to eliminate them, reduce them as much as possible and prevent them from appearing in the future.

1. Microclimate in refrigeration chambers can have a negative impact on the employees working in these conditions, which is why we continuously improve the protection with high quality protective equipment. Also, we have introduced measures to limit the time spent in these conditions up to 20 minutes at a time, and in the case of a higher workload we encourage that the work be performed by more people.
2. Dynamic work (lifting, carrying loads and physical forms of work) is typical for our line of work. In all Kaufland stores, manual and electric forklifts are available to employees to help them with carrying out their tasks. Managers and employees are regularly educated that it is desirable that heavy loads, when the weight exceeds 15 kg for women and 25 kg for men, are manipulated by at least two people. Illustrated instructions on how to properly manage, lift and move this type of loads are available to our employees.
3. Psychological stress in the workplace can have various causes - working with customers, increased workload during a large number of

customers in the store, but also responsibility for employees and property are some of the factors that can contribute to it. By the decision of the Management Board, we introduced a five-day working week, which sought to reduce the psychophysiological efforts of our employees and allow them more free time to rest. With healthy gift packages that we present to employees, we try to encourage them to eat healthy, and we also promote sports activities. Furthermore, we encourage executives to develop open communication with employees in order to detect signs of stress in and react in a timely manner.

4. Long hours spent working with computers can also be detrimental to employees whose job description requires it. As a preventive measure for employees who work in this way for more than four hours, we encourage five-minute breaks every hour and regular relief exercises.

Employee representatives are always available to employees, and interactions are anonymous to make employees feel safe to discuss any topic. In addition, we supervise the non-routine business activities of workers who are not employees, but whose work is supervised by the organization through various and regular audits over the contracted work.



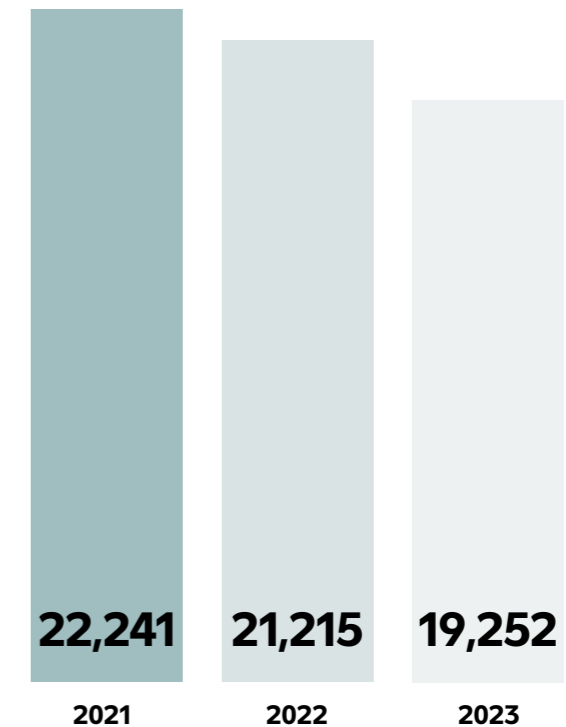
Injuries at work

Each injury at work is reported to the Corporate Security Department through the Crisis Management. Corporate Safety then conducts a 5W1H analysis of the resulting injury at work and defines an adequate corrective measure to fully minimize the risk of recurrence. The most common causes of injuries at work are slips, trips and falls on the same level, injuries caused by contact with electric forklifts and sharp objects. In June 2023, a tragic accident occurred in which one person died in an accident. Details cannot be presented for legal reasons.

We regularly follow positive and proven examples of occupational safety rules to reduce risks and implement them in our work processes.

Occupational safety respects all legal frameworks for training. Through K-Portal, courses are conducted in this domain for all employees, in the following areas:

- for emergency situations (first aid, evacuation, fire)
- for employer delegates and employee trustees in the field of occupational safety
- for electric/gas forklift operators
- for working with hazardous chemicals
- employee training for first aid
- for janitors in the field of control of safety and technical systems and work equipment
- for employees, for occupational safety-related jobs
- attendance at a hygienic minimum



Total number of lost hours

	2021	2022	2023
Serious accidents ¹⁾	4	5	6
Lost time injuries ²⁾	77	85	110
Accident rate	28.1	29.0	36.6

¹⁾ Serious accidents are considered as injuries the injured person could not recover or lost time more than 6 months

²⁾ The number of injuries shows the absolute number of injuries incl. serious accidents and fatalities. (injuries in commuting are excluded). The accident rate indicates the number of injuries per 1000 FTE (full-time workers).

EMPLOYEE DEVELOPMENT

All employees have access to education, while educational methods vary depending on the requirements of the employee's workplace.

Employee development is key to achieving the best possible level of quality business and the realization of goals at Kaufland. Employee development is an extremely important topic at Kaufland, and we are committed to provide employees with quality and targeted education and development programs aimed at professional development and acquisition of skills and competencies necessary for successful mastery of their work tasks and achieving business goals.

At Kaufland, procedures and policies for managing professional development have been elaborated in detail. Within Human Resources, the Development and Education Service takes care of the implementation of processes in the field of professional development and employee education. ARIS guidelines, internal guidelines that provide a detailed overview of individual processes and responsibilities within the process, serve as a basis for processes aimed at education and development of employees. Currently, there are 15 ARIS guidelines that regulate this area of activity, which speaks of the importance of this topic at the level of the entire organization and the comprehensive approach to the development of employees and their potential.

To lay a solid foundation for the development of employees and their potential, Kaufland has developed a structured onboarding for all new employees, both those who are externally employed and those who are internally promoted. The onboarding process begins on the first working day when the employee is presented with a plan by which Kaufland provides training to employees in order to successfully tackle their work tasks. In operational sales, the process of getting started is fully digitized and transpires through the K-portal for education. In this way, Kaufland provides a solid foundation for successful taking over of work tasks after the onboarding period and acts on early turnover of employees.

After successful onboarding and after the expiry of the trial period, employees are involved in further educational and development measures and initiatives. Depending on the position and needs of the workplace, employees have access to various internal and external education, K-portal for education, classroom education and learning a foreign language. Several online courses are available to employees on the K-portal. Education for each employee is planned for the business year, in agreement with the manager, based on the offered education in the catalogue of education. Executives at Kaufland are a target group of particular importance and Kaufland continuously and purposefully invests in the development of their managerial competencies. Accordingly, executives, depending on their hierarchical level, are automatically included in a series of mandatory development programs and education organized by the Development and Education Team. In addition, managers have at their disposal a series of optional trainings aimed at empowering them in a managerial role so that they can actively build successful teams and revive the organizational values of the company. The schooling catalogue is an internal document with a detailed offer of educational and development opportunities available to employees. In addition, managers have at their disposal the Catalogue of Development Measures in the Workplace, which serves to plan development measures that take place in the workplace itself and as such have the greatest impact on the development of business competences and skills. In the reporting period, the policy for the management of this area did not change.

To keep the quality of the education we offer at a high level, feedback on the satisfaction and quality of education and programs is continuously collected from the participants. The process of collecting feedback is digitized and takes place through the K-portal for education. Feedback is

collected after each education, workshop, and educational initiative. Evaluations are analyzed monthly, and according to feedback, modifications are made to the catalogue of education and the selection of coaches for cooperation. This area is also examined as part of the PULS survey, in which employees are also questioned about satisfaction with opportunities for development within the company.

All employees have access to education, while educational methods vary depending on the requirements of the employee's workplace.

Through the K-portal for education, employees are assigned mandatory educational content and training programs in operational sales and logistics. In addition, employees in The Central have at their disposal classroom education, which is focused on the development of competencies necessary for the development of skills for successful work in office positions. Experts and specialists also have at their disposal external coaching as a developmental measure.

In this sustainability report, a different methodology was used to calculate the number of employees compared to the previously published sustainability report.

AVERAGE NUMBER OF HOURS OF TRAINING PER EMPLOYEE	2021	2022	2023
Average	32.8	35.7	38.3
Total	94,704.8	109,477.8	119,432.8
Total number of employees	2,889	3,066	3,118

DIVISION BY BUSINESS AREA (NUMBER OF HOURS)		2021	2022	2023
Logistics	Average	10.3	17.7	21.1
	Total	2,965.2	5,801.6	6,617.9
Headquarters	Average	48.9	52.7	48.8
	Total	18,122.7	21,060.2	19,901.9
Sales	Average	33.0	35.4	38.8
	Total	73,617.0	82,616.0	92,913.0

NUMBER OF EMPLOYEES PER AREA*	2021	2022	2023
Headquarters	371	400	408
EUN	289	328	313
Stores	2,228	2,338	2,397
Total	2,889	3,066	3,118

* The calculation includes only the average number of employees for the year without long-term absences.

AVERAGE NUMBER OF HOURS OF EDUCATION BY GENDER	2021	2022	2023
Male	35.8	40.0	47.7
Female	31.5	33.8	34.2

EDUCATION BY HIERARCHY (NUMBER OF HOURS)		2021	2022	2023
Top and senior management	Average	7.8	56.5	64.3
	Total	62.2	395.7	578.8
Middle and operational management	Average	73.7	121.44	142.5
	Total	18,709.0	32,301.9	39,045.9
Non-managerial positions	Average	28.9	27.5	28.1
	Total	75,933.6	76,780.2	79,808.0

EMPLOYEE CATEGORIES	2021	2022	2023
Top and senior management	8	7	9
Middle and operational management	254	266	274
Non-managerial positions	2,627	2,792	2,836
Total	2,889	3,066	3,118

The key to the progress and satisfaction of employees is also ensuring adequate salaries to motivate the employees, and to ensure their quality of living standards. At Kaufland, at least once a year, the system of salaries and benefits of employees is checked and compared with the market salaries. The last analysis was carried out at the end of 2023, and from 1st of January 2024, the salaries of almost all employees were increased.

To ensure fair payment, Kaufland's job positions are systematized with 3 defined business areas,

Headquarters, Sales, and Logistics as well as job levels in each area.

In accordance with this systematization, salaries for each level of the workplace are defined, and in this way, we ensure that every employee at the same position receives the same salary. The difference exists in the sales business area where Kaufland has defined 3 categories of stores (LM – Landmarkt, SM - Stadmarkt and Zagreb, Istria and Kvarner), that also influence the salary.



Salaries are defined in multiple stages where employees at non-managerial levels have 2 levels of salary (entry salary and functional salary). The function salary is defined in the employment contract and comes to place after 12 months of work in the same position, and this period is extended if the employee has been absent for more than 3 months in a period of that year.

For managerial positions, the employer has defined 4 levels of salary, which initially grows after 12 months of work, with the prior approval of a direct and disciplinary superior. The approval of the next level of salary depends on the work results.

The employer monitors if the strategy on equal pay of men and women is successfully implemented and therefore conducts the analysis of the pay gap. Kaufland is already under 5% Pay Gap which is required by the EU pay transparency guideline from 2026 and the gap has been continuously reduced in the past 3 years.

In the reporting period, Kaufland earned the Equal Pay certificate from the Selectio group, which highlighted Kaufland, together with other Equal Pay Champions, as leaders in the introduction of equal pay practices, ambassadors of equality and equality, and representatives of organizations that understand the development of such practices as an upgrade to a transparent, inclusive and an open organizational culture.

Equality, in addition to salaries, is promoted in management positions. Thus, at Kaufland, a balance was achieved in the field of leadership.

More than half of the company's management positions are held by women, a trend that will continue to be promoted in the future to strengthen equal professional opportunities.

In the reporting period, several new development initiatives and projects were started and partially implemented. In 2022, 360-degree feedback was introduced as a tool and development measure. The process is fully digitized. In this way, employees receive feedback on their work and cooperation from their direct manager, associates, and colleagues and through self-assessment. This feedback is anonymous and serves as a basis for a conversation with an internal Human Resources consultant where the participant defines relevant development measures and subsequently coordinates them with his direct manager. The talent management process is a process that is carried out annually for the purpose of performance assessment and development of the employee potential. The process is carried out for all Kaufland employees, provided that the cooperation between workers and managers lasted at least 6 months. The process is digitized and is carried out through the Success Factors system for all employees with a personalized email address, while for employees without a personalized email address it is carried out in paper form. In 2023, the process was improved and Kaufland Croatia was a pilot country for additional digitalization of the process. Colleagues in the positions of head of department in stores, almost 250 of them, are involved in the digital implementation of the talent management process, which increased the efficiency of the entire process.

More than half of the company's management positions are held by women, a trend that will continue to be promoted in the future to strengthen equal professional opportunities.

Some of the prestigious certificates are Employer Partner certificate, TopEmployer certificate, Above&Beyond and others.

During the reporting period, the offer of online education was expanded with two new digital platforms available to employees. LinkedIn learning and PINKTUM are digital learning platforms. PINKTUM contains numerous trainings in the field of soft-skills topics focused on the development of business and personal competences of employees. In 2023, new educational topics were included in the education catalogue in response to the needs of employees.

All employees in the headquarters, holding the managerial, specialist and expert positions spend a day in the store to get acquainted with the processes that take place in it, which is the core of our business. Employees spend the day accompanied by a store manager, which allows them to connect their work practice with the store and see how the essential processes work.

The app SuccessFactors has developed the ability to edit a personal employee profile that allows administrators from the Development and Schooling team to search their profiles and enhance the process of employee involvement in development programs and initiatives that will personally be of greatest benefit to them for the work they do and the development they want.

At Kaufland, the performance evaluation process is carried out for all employees who have an indefinite contract, regardless of whether they work full-time or part-time. The process also does not depend on the gender of the employee, the only condition for the implementation of this process is a cooperation of at least 6 months between employees and managers. The performance evaluation process for 2023 was completed on 31 March 2024.

The performance evaluation process is part of the annual talent management cycle, and through its individual development goals are set for all employees whose process was carried out through the SuccessFactors application. For those employees who do not have their own e-mail address, this process is still enabled in paper form, and they are also helped to define development goals if they are assessed as being talented during the process. These are employees

who work on the sales surface in stores and the logistics and distribution center. When setting individual development goals, Kaufland follows the competency model and SMART methodology. The manager defines areas optimal for employee development, and together with him defines development measures that will help to achieve their goals. Development goals are defined on paper or digitally in SuccessFactors and are monitored throughout the year and their status is updated depending on the progress of employees in achieving goals.

FINANCIAL YEAR	2021	2022	2023
Number of performance assessments	1,750	2,464	2,408
Percentage of employees interviewed	60.5	80.4	75.9

The success of managing the field of development and education of employees at Kaufland has been confirmed by numerous certificates in the field of human resources management that we have been receiving for years for our investments in the field of human resources management. Some of the prestigious certificates are Employer Partner certificate, TopEmployer certificate, Above&Beyond and others. By following market trends and employee satisfaction, we shape offers and development programs that are aligned with the needs of employees.

By increasing the visibility of the wide range of development initiatives available to employees, we will be able to better connect employee groups with educations that are best for each individual level. Information about the tools we offer for professional development is shared through internal communication channels, thus seeking to increase interest and involve employees as much as possible in development initiatives.





04 **ENVIRONMENTAL
PROTECTION**

Kaufland continuously implements policies and programs that promote sustainability and responsible resource management, in accordance with all the relevant legal regulations. Commitment to the reduction of the greenhouse gas emissions is clearly visible through process optimizations, usage of energy from renewable sources, and responsible management of resources. Kaufland is proactively working to reduce the created waste through bettering the processes for waste management and promoting recycling and reuse of the materials. Biodiversity protection is being systematically integrated

into our activities and products, while promoting the preservation of biodiversity. Continuous education of the employees on the importance of environment protection, and encouragement of our suppliers and partners to apply sustainable practices, are the key elements of Kaufland's sustainability strategy. Through systematic monitoring and reporting on the impacts of these initiatives Kaufland is able to evaluate its impacts on the environment regularly, as well as enhance its environment protection practices in its activities and the whole value chain continuously.

JOINT CLIMATE STRATEGY OF THE COMPANIES OF SCHWARZ GROUP

Climate change poses enormous challenges for our society and demands action at all levels of society. As one of the companies of Schwarz Group, Kaufland Hrvatska k.d. is committed 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 (SBTs) 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

In total, the companies of Schwarz Group will reduce their operational greenhouse gas emissions (Scope 1 and 2) by 55 percent by 2030 compared to 2019¹. As part of this, Kaufland has set itself the goal of reducing its operational greenhouse gas emissions by 80% over the same period. To achieve this mutually set goal, all companies of Schwarz Group will procure 100 percent² of their electricity from renewable energies as of the 2022 fiscal year (kaufland.hr/klima). To date, Kaufland had set itself the goal of becoming climate-neutral in terms of operational Scope 1 and Scope 2 emissions by 2025. 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. The companies of Schwarz Group also commit together to reducing their absolute Scope 3 emissions with regard to the use of solid fuels, by 27.5 percent by 2030 compared to 2020 levels. Kaufland commits itself, that suppliers who are responsible for 80 % of product-related emissions will set their own climate targets by 2026, according to the criteria of the SBTi.

Science Based Targets initiative (SBTi)

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

Worldwide, more than 2,000 companies have already joined the initiative.

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



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

² Excluding any purchase agreements that Kaufland Hrvatska k.d. cannot influence, such as those for individual leased properties with a binding electricity procurement clause; further information can be found at: <https://tvrka.kaufland.hr/nasa-odgovornost/djela-ne-rijeci/Klima.html>

ENERGY AND EMISSIONS

Managing energy in our stores, logistics and distribution center and the headquarters in Croatia, is performed in accordance with the ISO 50001 norm.

Managing energy and emissions at Kaufland is crucial for prosperous business conduct and is directed towards the increase of energy efficiency of our stores, enhanced transparency related to the costs of the energy source, usage, and production of energy from renewable sources and continuous education of our employees.

Managing energy in our stores, logistics and distribution center and the headquarters in Croatia, is performed in accordance with the ISO 50001 norm, whose recertification was conducted in 2022. This system allows for continuous monitoring of the consumption, and identification of the potential energy saving areas, which also enables the reduction of the greenhouse gas emissions. Detailed understanding of the sources of consumption and emissions also allows for an innovative approach in designing measures.

Implementation of the renewable sources is a part of the business strategy. Kaufland continuously invests in its own photovoltaic power plants, which is not only an environmental step forward, but

also an economically viable move given the long-term savings in electricity costs. All measures for energy and emissions management aim to reduce the negative impact on the environment, increase energy efficiency and achieve sustainable business in accordance with the highest standards of sustainability and social responsibility.

The base year for the calculation of scope 1 and 2 emissions is 2019. The data had been monitored before, but additional parameters were not taken into account until 2019, when the calculation of indicators and detailed calculation began. The CO₂ calculation was obtained using the GHG Protocol Corporate standard developed by The World Resources Institute (WRI) and The World Business Council for Sustainable Development (WBCSD) in accordance with the IPCC 2006 Guidelines for National Greenhouse Gas Inventories and complies with the criteria of ISO 14064-1. The base year for Scope 3 is 2022 because from 2022 the calculation is done according to FLAG (Forest Land Agriculture) and E&I (Energy & Industry) guidelines.



Energy consumption

ENERGY	UNIT	2022	2023
Electrical energy from renewable sources	kWh	57,160,034.0	57,840,465.0
Total electricity consumption from renewable sources	kWh	57,160,034.0	57,840,465.0
External procurement electricity mix	kWh	188,255.0	0.0
Gas consumption	kWh	5,520,434.0	4,739,183.4
Mobile combustion non-renewable	kWh	5,244,193.8	5,980,859.3
Fuel for spare energy systems (emergency power supply devices)	kWh	203,943.5	85,016.1
Total consumption of non-renewable energy	kWh	11,156,826.3	10,805,058.7
Total energy consumption	kWh	68,316,860.3	68,645,523.8

Data for 2021 are calculated using a different methodology that is not comparable to the calculation for 2022 and 2023, and for this reason is omitted from the view.

ENERGY INTENSITY	UNIT	2022	2023
Surface (sales + side)	m ²	193,940.9	205,546.8
Total energy consumption per m ²	kWh/m ²	352.3	334.0

Energy from renewable sources

ELECTRICAL ENERGY FROM RENEWABLE SOURCES	UNIT	2022	2023
Electricity purchased from renewable sources (ZelEn)	kWh	56,277,120.0	56,638,192.0
Own electricity from renewable sources (FNE)	kWh	882,914.7	1,202,273.0
Total electrical energy from renewable sources	kWh	57,160,034.70	57,840,465.0
Share of electrical energy in renewable sources	%	99.7	100
Share of our own electrical energy from renewable sources	%	1.6	2

Emissions

CO₂, CH₄, N₂O, HFC_s, PFC_s and SF₆ gases are included in the calculation of emissions. Other greenhouse gases, except CO₂, are converted into CO₂ equivalents. **Scope 1** covers direct emissions generated by the company and affected by the company (cooling substances, company vehicles and heating).

Scope 2 covers indirect emissions that occur outside the company through the generation of energy (electricity, remote heating).

Scope 3 covers indirect emissions caused by activities before goods enter the warehouse (raw material exploitation, agriculture, production, transport, work travel, employee commuting, operational waste, emissions associated with heating and energy) and after goods leave the store (use of products and disposal).

GHGP CATEGORY		UNIT	2021	2022	2023
Scope 1	Total	tCO₂e	9,183.3	8,192.1	7,877.3
	Fugitive emissions	tCO ₂ e	6,729.5	5,787.8	5,457.1
	Mobile combustion	tCO ₂ e	1,188.9	1,345.5	1,534.3
	Stationary combustion	tCO ₂ e	1,264.9	1,058.9	885.8
Scope 2	Total	tCO₂e	93.4	24.9	0,0
	Electricity	tCO ₂ e	93.4	24.9	0,0
Scope 3	Total	tCO₂e	924,063.2	917,665.7	1,001,265.0
	Purchased goods and services	tCO ₂ e	804,287.8	752,975.2	855,981.4
	Emissions associated with fuel and energy	tCO ₂ e	4,750.8	4,642.4	4,288.2
	Transport	tCO ₂ e	52,245.7	53,009.7	56,080.0
	Operational waste	tCO ₂ e	2,551.6	2,540.1	2,547.4
	Work travel	tCO ₂ e	271.5	498.0	857.5
	Employee commutes	tCO ₂ e	3,568.8	3,828.0	3,805.2
	Use of sold products	tCO ₂ e	55,051.0	59,791.3	24,536.1
	Disposal/use of sold products	tCO ₂ e	1,390.1	40,3811.0	53,169.3
Total		tCO₂e	933,339.9	925,882.7	1,009,142.3

In the base year 2019, total Scope 1, 2 emissions amounted to 14,508.46 tCO₂e. This reduces Scope 1 and 2 emissions by over 43% in 2022 and over 45% in 2023 compared to 2019.

EMISSION INTENSITY	UNIT	2021	2022	2023
Scope 1	SA+AA (kgCO ₂ e/m ²)	50	42	38
Scope 2	SA+AA (kgCO ₂ e/m ²)	1	0	0
Scope 3	SA+AA (kgCO ₂ e/m ²)	4,990	4,732	4,871
Total	SA+AA (kgCO₂e/m²)	5,040	4,774	4,910

ENERGY EFFICIENCY AT KAUF LAND

Electrical energy from renewable sources

In 2021, Kaufland Hrvatska k.d. switched to electric energy from renewable sources. Through the cooperation with HEP Opskrba, the leading provider of electrical energy in Croatia, Kaufland owns a unique label "ZelEn – nature's friend"

(ZelEn – prijatelj prirode), which vouches that the purchased electrical energy is exclusively generated from renewable sources. Percentage of electrical energy from renewable sources is almost 100%.

Our own photovoltaic plants

Alongside purchasing the electrical energy from renewable sources, Kaufland continues to invest in photovoltaic plants. In 2023, we installed additional capacities on the roofs, canopies, and open spaces and we out into operation the photovoltaic power plants in Kaufland Zadar-Sinjoretovo, Kaufland Biograd na Moru, Kaufland

Rovinj, and at the end of this business year, Kaufland Barutanski Jarak. Total installed power of these plants has been doubled, and amounts to 1,443,5 kWp, and they meet around 25-28% of the total consumption needs of the stores in which they are mounted.

OUR OWN PVPS	UNIT	2021	2022	2023
Stores with installed PVPs	number	3	3	6
Area of PVPs	m ²	4,315.9	4,315.9	7,620.0
Installed power	kWp	770.2	770.2	1,443.5

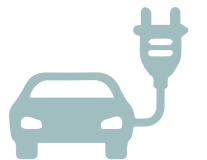
Photovoltaic plants

STORE	Surface of photovoltaic panels (m ²)	Number of photovoltaic panels	Annual production (kWh)	Share of covered needs of the store (%)
Zagreb-Blato	1,235	755	207,000	17%
Šibenik	1,987	1,190	449,845	31%
Zadar-Sinjoretovo	1,098	588	260,585	26%
Rovinj	1,225	656	301,461	28%
Biograd na moru	1,072	580	244,375	26%
Zagreb – Barutanski Jarak	999	512	195,646	20%

E-charging points

During the 2022 and 2023 infrastructural expansion, the installation of e-charging points in the parking lots of new stores and the modernization of existing stores continued. We recorded a significant growth in the total number of e-charging points and a total of 43 e-charging points were available in February 2024 at 19 different locations throughout Croatia.

This increase reflects our commitment to expand the charging station network, provide e-car drivers with more charging options and support the transition to sustainable mobility. With the increase in the number of charging stations, Kaufland further reaffirms its commitment to expanding electric mobility infrastructure and reducing CO₂ emissions from transport.



E-CHARGERS LOCATIONS	UNIT	2021	2022	2023
Stores	number	11	15	17
Distribution center	number	0	0	1
Headquarters	number	1	1	1
Total	number	12	16	19

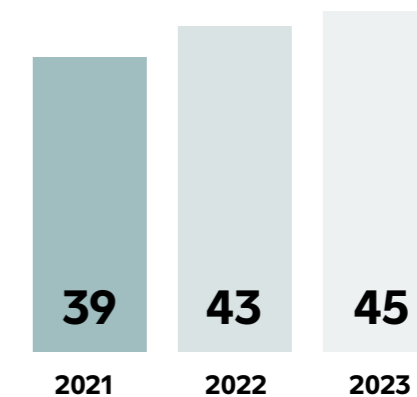
19
different locations throughout Croatia

TOTAL OF THE E-CHARGING POINTS	UNIT	2021	2022	2023
AC technology (altering)	number	13	17	20
DC technology (direct)	number	11	19	23
Total	number	24	36	43

43
e-charging points

LED lighting in stores

LED lighting in the stores of Kaufland is becoming a standard practice, which can be clearly seen in every new store and remodeled location which exclusively use LED lighting in their sale area, which additionally contributes to the energy efficiency. LED lighting is used at 45 of our stores, which is a significant increase. Apart from contributing to the reduction of the ecological footprint, LED lighting provides better lighting and a more comfortable environment for customers and employees.



Total number of stores with LED lighting

Energy efficiency of refrigerators in the sales area

Glass door of refrigerators in the sales area

To avoid the loss of cold and reduce the consumption of energy, refrigerated display cases with doors and sliding glass lids have become a standard equipment when opening new and modernizing existing Kaufland stores in Croatia. At the beginning of 2022, these energy saving measures were implemented in five existing stores where glass covers were installed at deep freezing pools, while six stores installed LED lighting in all refrigerated display cases as an energy saving measure.

In 13 of Kaufland Hrvatska k.d. stores, glass doors were built in the refrigerated display cases which resulted in significant savings of electric energy.

Efficient use of waste heat

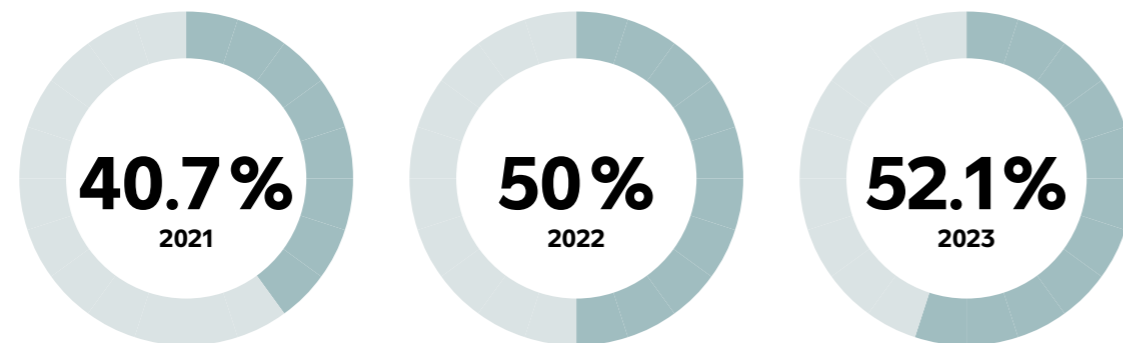
Energy efficient technology is used in Kaufland stores in Croatia, including industrial cooling systems that use the waste heat of refrigerated display cases to heat the space. This technology contributes to the preservation of natural resources, by substituting the traditional fossil

This project won an award Energy Scout in 2023 in Croatia as part of the Young Energy Europe program, initiated by the European Climate Initiative (EUKI) and AHK Kroatien / German-Croatian Chambers of Industry and Commerce with the aim of improving climate change adaptation measures in companies. The estimated electricity savings at 13 stores will be 650 MWh which is equivalent to the annual consumption of 163 single-family homes, and the reduction in CO₂ emissions 90 t corresponds to the annual CO₂ emissions of 63 cars in a year.

fuels such as oil and gas. Waste heat is used in industrial floor heating that is placed under the surface of the entire sale area. In the newly built stores in Župa dubrovačka, Vodice and Varaždin we use heat pumps alongside the waste heat of refrigerated cabinets during the winter.

NUMBER OF HEAT PUMPS	2021	2022	2023
Stores	21	23	25
Headquarters	1	1	1

Share of stores with a heat pump %





WATER

At Kaufland we systematically monitor the water usage management on different locations, including the stores, headquarters, and our logistics and distribution center. Each deviation in water consumption is documented in detail, and appropriate measures are undertaken following the analysis to remove the causes of deviations. The discharge of water from the internal water drainage system into the public drainage network is carried out in compliance with all the relevant

legal regulations and with regular controls by the staff members in charge of location maintenance. The analysis of the trends in water consumption detected an increased consumption in recent years, which is largely a result of opening of the new stores in Croatia. We take into consideration all the information we collect so that we can continue to optimize our water management processes and the reduction of our water footprint.

WATER CONSUMPTION	UNIT	2021	2022	2023
Stores	m ³	53,095.0	59,681.5	64,699.0
Logistics and distribution center	m ³	4,767.0	4,492.0	4,052.0
Headquarters	m ³	1,493.0	2,687.0	2,667.0
Total	m³	59,355.0	66,860.5	71,418.0
Surface (sale area + side)	m ³	185,186.8	193,940.9	205,546.8
Total water consumption per m²	m³/ m²	320.5	344.8	347.5

Products with a reduced water footprint

Kaufland continuously optimizes the production processes to save water, using the new and more efficient techniques, and wants to showcase these changes to its consumers. The products that use less water, supported by the new technologies, are marked with a logotype "Saving water." Customers can contribute to more sustainable water consumption with their purchasing decisions.



Case study: textile dyeing

One of the examples of reduced water consumption is a reduced usage of water during the textile dyeing process. The usual production of textiles requires large amounts of water. To reduce water consumption, Kaufland uses environmentally friendly dyeing processes such as "dope dyed" and "dry dyed" techniques.

"Dope dyed" is a centrifugation process in which the polymer merges with a color granulate and then used to dye the fabric. Since the dyeing process is integrated into the centrifuge procedure, better control of the use of chemicals is enabled. An additional advantage of this technology is that whole fibers are dyed and giving the fabric a longer lasting and bright color.

The "dry dyed" technique is also an environmentally friendly alternative to the usual dyeing process. The material is dipped in the dye, and using high temperature and air pressure, color pigments penetrate deeply into the fiber evenly where it is fixed.

Both techniques allow for partial or total elimination of water use. The consumption of energy and CO₂ emissions can be significantly reduced in comparison with the classic dyeing techniques, which contributes to the environment and climate protection.

WASTE

The primary focus of Kaufland is to reduce waste generation through process optimization and fully recover the generated waste.

Kaufland is dedicated to responsible waste management to contribute to the preservation of the environment and the successful management of natural resources. The primary focus of Kaufland is to reduce waste generation through process optimization and fully recover the generated waste.

We systematically monitor the amounts of all the waste fractions, and our internal catalogue for sorting the waste is continuously being developed and upgraded. We place a special emphasis on the reduction of the communal waste through the separation of the waste fractions and recycling preparations, which contributes to the environmental protection and the working environment. Good preparation is half of the work, and therefore we place great attention to proper sorting, for the purpose of effective recycling. In such a manner, we avoid added work and create added value for people and environment.

Generated waste is processed and disposed in accordance with the legal regulation and the company's values. Our contracted collectors are obliged to submit all valid permits for waste

management. Kaufland regularly visits their plants and checks the Register of the Environmental Pollution data with the competent county environmental authorities.

Employees are actively engaged in the process of waste management, through education on proper waste and raw material handling processes and through providing feedback on the situation in stores that are essential for improving waste generation measures and improving the waste management process. The annual goal is to reduce the total amount of communal waste or keep it at the same level as the previous year, taking into account new locations.

Apart from that, we encourage our customers to act according to good practices and for this reason Kaufland stores have boxes for storing spent bulbs, batteries, small electrical appliances, foil, paper, and cardboard packaging. The waste return system ensures that high-quality raw materials are recycled, and all harmful substances are properly disposed of.

Non-hazardous waste

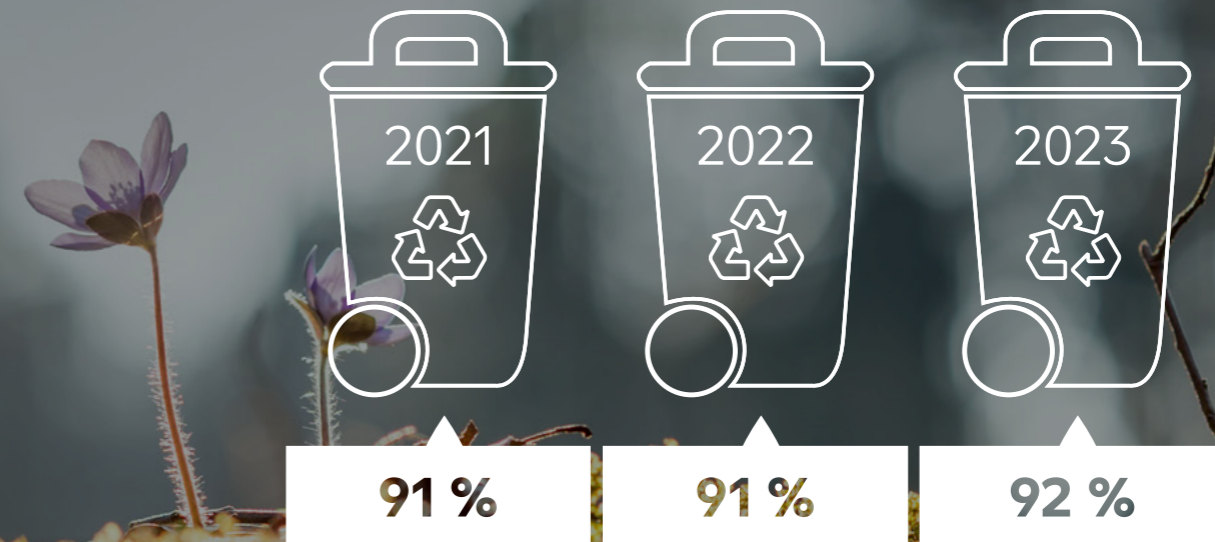
METHOD OF DISPOSAL	UNIT	2021	2022	2023
Recycling	t	13,344.0	13,725.2	14,316.9
Landfill	t	1,672.3	1,624.3	1,580.6
Fermentation	t	3,238.9	3,596.0	4,091.4
TOTAL	t	18,255.2	18,945.5	19,988.9

Hazardous waste

METHOD OF DISPOSAL	UNIT	2021	2022	2023
Incineration	t	Not collected	Not collected	4.6
Recycling	t	116.2	142.8	102.3
TOTAL	t	116.2	142.8	106.9

WASTE	2021		2022		2023	
	tons (t)	%	tons (t)	%	tons (t)	%
Glass	3,055.3	17%	3,365.1	18%	3,598.1	18%
Paper / cardboard	6,790.5	37%	6,530.6	34%	6,840.4	34%
PET	1,861.5	10%	2,031.3	11%	2,133.0	11%
Plastic	542.7	3%	614.5	3%	637.6	3%
Textile	-	-	-	-	5.2	0%
Wood	176.6	1%	215.6	1%	115.2	1%
Organic waste	3,280.1	18%	3,638.6	19%	4,135.1	21%
Metal waste	635.4	3%	596.7	3%	633.0	3%
Other recyclable non-hazardous waste	240.8	1%	328.8	2%	310.8	2%
Residual non-recoverable waste	1,672.3	9%	1,624.3	9%	1,580.6	8%
Total non-hazardous waste (I)	18,255.2	99%	18,945.5	99%	19,988.9	99%
Disposed of hazardous waste - recycling	116.2	1%	142.8	1%	102.3	1%
Disposed of hazardous waste - incineration	0	0%	0	0%	4.6	0%
Total hazardous waste (II)	116.2	1%	142.8	1%	106.9	1%
TOTAL WASTE (I+II)	18,371.4	100%	19,088.3	100%	20,095.8	100%

Total reused/recycled waste:



The data refer to waste that has been recycled, that is organic waste that was processed in the biogas plant, with whose thermal processing biogas was produced.

AGAINST THE WASTE OF FOOD

The reduction of food waste is a cross-divisional task at Kaufland in Croatia.

Every year, Croatia generates around 286,379 million tons of food waste⁴. 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 do we define food waste?

The companies of Schwarz Group 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 Hrvatska k.d. is committed to avoiding and reducing food waste in retail and among consumers. In line with the overarching objective of Schwarz Group, we aim to reduce food waste 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 in Croatia. Products that can no longer be sold but are still healthy for consumption Kaufland donates to the registered intermediaries in the chain of food donation. The whole process was initiated in 2016, when the employees of the Kaufland stores across Croatia, separated the products close to the expiration date at the end of each week and sent them to the logistics and distribution center where Caritas of the Archdiocese of Zagreb collected them and further distributed to users of soup kitchens, homes and other users in their area. In 2019, the collaboration with Caritas Croatia expanded in such a way that archdiocesan and diocesan Caritas registered as intermediaries in food donating in 18 stores, and started to collect the fruits, vegetables, and bakery products twice per week. In 2020, collaboration with the Red Cross Croatia was established with which the number of stores that had their intermediaries increased almost double – to the number of 34. Considering that Kaufland continuously tries to better its donation systems, since June of 2021, it started to donate its produce close to the expiration date locally, i.e. to direct intermediaries and the stores arrange the takeover of donations as needed directly with them, often more than twice a week as agreed until then. This optimization of the donation process resulted in double the amount of bakery goods, and triple the number of fruits and vegetables, being donated in 2021 in comparison to 2020. In 2022, the processes continued to advance, Kaufland donated 322,175 kg of fruit and vegetables and 224,939 of pieces of bakery products to its intermediaries, while in 2023, we donated 319,893 kg of fruits and vegetables and 229,850 pieces of bakery products.

Furthermore, Kaufland Hrvatska k.d. is in close dialogue with Kaufland Stiftung & Co. KG and with other companies 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

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. Thanks to our sophisticated goods management systems and automated goods ordering processes, quantities are ordered according to our real needs. In this way, we prevent creation of excess goods from the very beginning, which would otherwise end up being thrown out: in our bakeries, just before closing, only the standard products are being baked, the write-off system evaluates the generation of food and uses optimized pallet stacking to prevent its breakage, which would render the food unusable.



Reuse.

We reuse waste that we cannot avoid through recycling or other use. Fruit and vegetables, bakery products, and goods close to their expiration date that don't end up being sold but are still good for consumption, are donated to local registered intermediaries to help those in need. For our efforts, we received a recognition "Najdonator" which is awarded by a Croatian member of the European Parliament – Biljana Borzan. The received award was given for the category of large companies that donated the largest amount of food in 2022, as a percentage to total revenue.



Avoid.

We avoid food waste in our own operations through concepts and cooperation. The price of all produce reduces when their expiration date approaches. Such goods are clearly marked and visibly exhibited.



Communicate.

We want to make our customers aware of the challenges and communicate our knowledge. At the beginning of 2024 and for the fourth time, Kaufland has organized a big campaign dedicated to raising awareness of citizens of unnecessary food waste and tried to reduce it.

4 <https://poljoprivreda.gov.hr/vijesti/14-7-milijuna-kuna-za-banke-hrane-i-posrednike-u-doniranju-hrane/5872>

RESET PLASTIC: THE HOLISTIC PLASTIC STRATEGY OF THE COMPANIES OF SCHWARZ GROUP

As part of Schwarz Group, Kaufland has committed itself as part of the jointly elaborated group-wide REset Plastic strategy of the companies of Schwarz Group 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.



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



We aim to use 30% less plastic by 2025 for our private label packaging and the transport aids.



We aim to use on average a minimum of 25% recyclate in our private label packaging by 2025.

Household products from group-wide recycling loop

In cooperation with PreZero, the environmental division of Schwarz Group, Kaufland has also been offering its customers promotional merchandise in the household goods section of its private label, which are made from 100 percent⁵ 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 Schwarz Group's participating companies.

Deposit strategy

Less Plastic – Closed Loops: This is the vision that Kaufland Hrvatska k.d. is pursuing with the jointly elaborated plastics strategy REset Plastic of the companies 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 jointly elaborated group-wide deposit strategy of the companies of Schwarz Group, Kaufland 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 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.



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



Separation instruction

With the jointly elaborated 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 recyclate be obtained from it. To make it easier for the customers to dispose of their waste correctly, the companies of Schwarz Group have thus jointly developed own separation and disposal instructions. In particular, packaging

made up of several components causes difficulties when separating waste. A well-known example are yoghurt cups, which consist of a lid, a plastic cup and a paper sleeve. Once they are separated from one each other, 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.

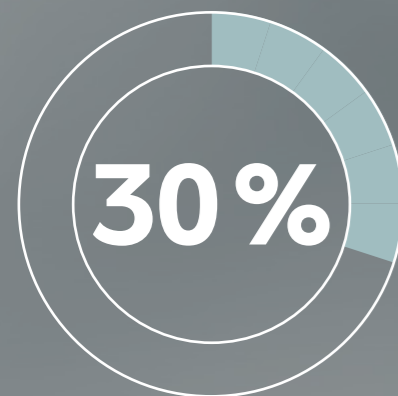
Special measures for less packaging waste in Kaufland products

At Kaufland, the waste management is approached in a holistic way. From avoiding the plastic waste through design of products and recycling, all the way to innovations and awareness efforts. With the logotype "Consciously packaged" Kaufland indicates the optimized

packaging, as is for example K-Classic sunflower oil in PET bottles, which has been produced with at least 30 percent recycled plastic. In this way, Kaufland makes its measures for plastic reduction transparent at every purchase.



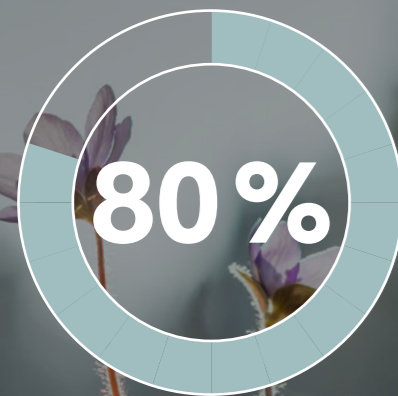
For more conscious packaging, the following criteria are relevant:



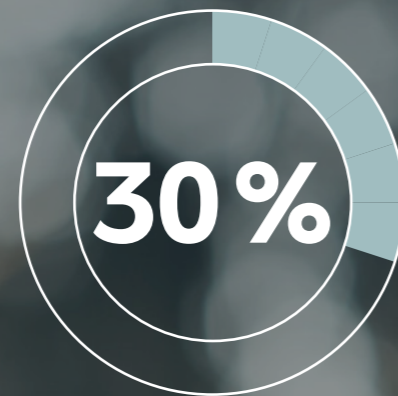
recycled material content or recycling content of at least 30% in plastics



material savings of at least 20%⁷



recyclable at least 80%⁶



alternative materials 30%⁸

⁶ Based on the official criteria of the German "Minimum Standard for the assessment of recyclability" Published by the authority "Zentrale Stelle Verpackungsregister" www.verpackungsregister.org

⁷ According to our own previous packaging and relevant packaging of the competition

⁸ E.g. paper made of spread silfia, chemical recycling

REMOVE

Ocean bound plastic

With REmove – an action area of the jointly elaborated group-wide plastics strategy REset Plastic of the companies of Schwarz Group – Kaufland Hrvatska k.d. assumes responsibility for plastic that is already in the environment and therefore outside of the loop. On the one hand, Kaufland Croatia 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 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, 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), companies of Schwarz Group ensured, also in the years 2022 and 2023, that plastic waste was systematically collected on site and permanently integrated into recycling processes.

OEEO: One Earth – One Ocean

Southeast Asia is the region of the world most affected by plastic waste. As part of Schwarz Group, Kaufland Hrvatska k.d. 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 Hrvatska k.d. 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, 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.





**05 SUSTAINABLE
ASSORTMENT**

GOOD FOR THE ENVIRONMENT AND PEOPLE

As a retail chain, Kaufland pays special attention to offering a sustainable product assortment. Availability of products that were produced in a responsible way – with respect towards the environmental and social norms – is important for us, our customers, and partners. In addition to offering our own labels, Kaufland recognizes its active role in supporting sustainable practices across its supply chains.

Sustainable assortment at Kaufland stands out for its engagement with local suppliers, a rich selection of vegetarian and vegan products, the preservation of the sea and oceans, and encouragement of appropriate animal breeding conditions. Responsible application of pesticides is crucial; thus, we carefully select certified products

that meet high standards of environmental protection, fair working conditions and respect for human rights.

With its commitment to increasing its sustainable range, Kaufland encourages a more sustainable diet that is not only good and healthy for consumers and communities, but also for our planet – thus creating a future where sustainable assortment becomes the norm. In the process, it is important to establish transparency along the entire supply chain. Close cooperation with various stakeholders, from suppliers, NGOs to the professions and scientific institutions, plays a key role in creating sustainable business practices and thus a sustainable assortment at Kaufland.

Availability of products that were produced in a responsible way – with respect towards the environmental and social norms – is important for us, our customers, and partners.

PRODUCTS SOURCED ACCORDING TO SUSTAINABILITY STANDARDS*	UNIT	2021	2022	2023
Products with Fairtrade certificate	number	144	130	143
Products with the label EU-BIO	number	426	401	431
Products with the FSC® certificate (food)	number	54	81	56
Products with the FSC® certificate (non-food)	number	182	114	120
Products with the Rainforest Alliance certificate	number	144	108	178
Tea from sustainable source	number	15	14	19
Coffee from sustainable farming	number	55	31	25
Eggs from sustainable growth	number	14	13	11

*Certified fishery products are listed in the section on the protection of the oceans

Kaufland product labels

Kaufland offers a wide range of its private label to which it applies special standards. Private label guarantees management to the highest standards. The specific requirements apply to the

product, but also to its packaging and are part of the framework contract concluded by the supplier and Kaufland.

ARTICLES	2021	2022	2023
Food items	15,801	14,525	14,655
Own product labels	2,159	2,058	2,175
Other labels	13,642	12,467	12,480
Non-food items	5,912	5,621	5,769
Own product labels	1,463	1,435	1,546
Other labels	4,449	4,186	4,223
Total	21,713	20,146	20,424
Food items (suppliers with headquarters in Croatia)	12,631	11,366	11,433
Food items (suppliers with headquarters in Croatia) - share (%)	79.9%	78.3%	78.0%
Non-food items (suppliers with headquarters in Croatia)	3,792	3,534	3,674
Non-food items (suppliers with headquarters in Croatia) - share (%)	62.5%	62,6%	63.7%

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 - in order 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 in Croatia are primarily made of agricultural raw materials and primary products that our suppliers obtain both from Croatia 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

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.

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 dialog with stakeholders, different focus raw materials have been identified. Kaufland defines specific targets for these focus raw materials and introduces measures for the private label products procured by Kaufland Stiftung & Co. KG on behalf of all companies of Kaufland Group. By the end of the 2022 financial year, measures and projects had already been initiated for the majority of the focus 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.

- **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 in Croatia 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.

Certifications can be used to implement, document and show customers certain sustainability aspects of a product.

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.

Focus raw materials at a glance



In dialogue 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.

As one of five partners, Kaufland is part of a pilot project on deforestation-free and conversion-

free soy supply chains organized by WWF Germany. The aim is to jointly develop a strategy for the implementation of deforestation- and conversion-free supply chains. WWF supports the implementation with a Deforestation and Conversion Free (DCF) Implementation Toolkit. The project is supported by the Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH (GIZ) on behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ).

Kaufland's external product labels



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 stands for better prices for small scale farming families and humane working conditions for employees on plantations in developing and emerging countries. More at www.fairtrade.net



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



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



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



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



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



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



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



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



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



The non-GMO label indicates food which does not contain any genetically modified ingredients, up to a limit value of 0.1 percent. More at www.og-info.org



The Rainforest Alliance Certified seal is awarded to cocoa, coffee, tea, citrus fruits or bananas that are grown according to ecological, social and economic requirements. More at www.rainforest-alliance.org



The SAFE label from the American Earth Island Institute certifies products from tuna fishing where there is no danger of dolphins getting caught in the nets. More at www.savedolphins.eii.org/campaigns/dsf



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



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



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



Kaufland internal product labels

Our actions do the talking.

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

More at: www.kaufland.com/actions

Consciously packed

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

More at: www.kaufland.com/packaging



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

Reuse again and again

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.

Microplastic Free Formula

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

Bez ambalaže

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

Local suits me best (Naše mi najbolje paše)

Kaufland Hrvatska k.d. has been cooperating with local suppliers, especially food producers and family farms, for many years and continuously expands the range of domestic products. It is our responsibility to offer and provide customers with the widest possible selection of fresh and healthy products, and our offer is seasonal and regional. By shortening the supply chains, it is possible to

achieve closer cooperation with the suppliers, greater transparency, reduced GHG emissions and the impact on nature, while strengthening local producers and local economy in general. In 2023, Kaufland Hrvatska k.d. retained a large share of local suppliers (i.e. those headquartered in Croatia) at 64%, who generate 77% of the total financial turnover.

SUPPLIERS	UNIT	2021	2022	2023
Suppliers with headquarters in Croatia	Number	565	549	518
Suppliers with headquarters outside Croatia	Number	297	266	287
Total	Number	862	815	805
Share of suppliers headquartered in Croatia	%	65.5%	67.4%	64.3%
Share of suppliers headquartered in Croatia in total volume	%	78.2%	77.7%	76.7%

LOCALLY PURCHASED FOOD	UNIT	2021	2022	2023
Locally purchased food items	Number	12,631	11,366	11,433
Share of locally purchased food products	%	79.9%	78.3%	78.0%

LOCAL FOOD SUPPLIERS	UNIT	2021	2022	2023
Food suppliers with headquarters in Croatia	Number	482	464	433
Share of food suppliers with headquarters in Croatia	%	64.2%	66.2%	62.6%

Through the project "Local suits me best" (Naše mi najbolje paše) Kaufland cooperates with 75 domestic producers, out of which up to 40 are producers of fruits and vegetables. These products are recognized as a symbol of domestic quality, and can be found under K-Classic, K-Favourites, K-Purland and K-Bio product lines.

The label "Local suits me best" (Naše mi najbolje paše) guarantees Croatian raw material, Croatian origin, Croatian producers and traditional recipes and original flavors. In addition, stable cooperation of domestic manufacturers with Kaufland ensures security in business planning, and thus job security.

Since 2022, we have implemented a model of contracted production of fruits and vegetables, which allows sufficient quantities of locally grown fruits and vegetables (strawberries, peaches, herbs, cabbage, onions, tomatoes, etc.).

The producers and Kaufland jointly agree and follow the entire process, which consists of four stages:

- selection of seeds (and quantity),
- planting,
- monitoring growth and
- harvesting.

Contracted production for our customers ensures:

- quality (the best seeds are selected for the best fruits)

- freshness and choice (throughout the year on our shelves you can find local products)
- safety (products are domestic and GMO-free).

With such an advanced process, Kaufland follows the strategy of sustainable development, takes into account biodiversity and encourages the development of domestic suppliers by offering them a guaranteed purchase and placement of goods on the market. Partners in this project are long-term suppliers of Kaufland from four regions: Međimurje, central Croatia, Dalmatia and Podravina. In 2023, the project provided over 10,000 tons of fruits and vegetables from domestic producers.

CONTRACTED PRODUCTION OF FRUITS AND VEGETABLES	UNIT	2021	2022	2023
Number of suppliers	Number	-	4	9
Number of products	Number	-	12	36
Amount	Tons	-	6.5	10.7





Green medal: Only the best from the locals

Organic and local production increasingly gain relevance, while encouraging local farmers and producers is beneficial to the society. Only through strong and healthy local agriculture can we ensure the protection of nature. A green medal prize contest was organized in the partnership between Kaufland and the media company 24 sata. For two years in a row, we selected the best eco-product or the best eco-producer. The prize contest attracted many local producers,

and the winners were assured the placement of at least one product on Kaufland shelves, for a period of 12 months, depending on the production capacities of the winners of the tender. The campaign nurtures the efforts of the best local eco-producers, facilitates market access, and educates the public about the importance of sustainable and responsible consumption.

AGRIVI: from fields to shelves

When it comes to local controlled production of fresh fruit and vegetables, Kaufland went a step further in 2023. Through the AGRIVI digital platform, it has ensured even better control of products and suppliers. Through the model of contracted production by which Kaufland ensures the availability of fresh fruit and vegetables and

carefully selected local producers participate in the cultivation of a particular variety (from selecting seeds, monitoring development, all the way to placing them in Kaufland stores), the platform now allows customers to check products.

By scanning the QR code available in the catalogue and stores, customers can find out relevant information about the variety, production process (cultivation and crop care procedures) and origin of the product. The platform collects information from the beginning to the end of the production process and thus offers customers additional safety when choosing food. Transparency, reliability of origin, quality and safety information as well as being informed about cultivation and crop care procedures are key to building trust in the product and producers and make it easier for customers to choose according to their values.

By scanning the QR code, the consumer can gain insight into traceability data such as used resources, applied nutrients (e.g. nitrogen), applied active substances, nutrition data (calories, proteins, carbohydrates, fats), geographical location of the field, farm photos, etc.



AGRIVI platform enables:

Traceability

Traceability, i.e. that the products come from reliable sources and are safe for consumption



Transparency and reliability

Transparency and reliability of origin, quality, and safety information



Awareness

Awareness of cultivation procedures and care for crops



Increase

Increase product confidence and loyalty to Kaufland's brand



Location

The location of the field on the map and photo of the farm



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.



Managing pesticides

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 Hrvatska k.d. takes a wide range of measures. An important part is Kaufland's pesticide management for fruit and vegetable.

Since 2006, Kaufland Hrvatska k.d. has been working with suppliers on national 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 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 Hrvatska k.d. is committed to ensuring that growers only use crop protection products where there are no agronomically viable alternatives. We regularly carry out independent audits to ensure compliance with our internal standards. With success: we are already pioneers in reducing the use of pesticides in the cultivation

of fruit and vegetables, flowers, and plants. Our standards are among the most stringent in the industry.

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

On an international level, 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. Kaufland Hrvatska k.d. 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 & Co. KG 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.

Kaufland Hrvatska k.d. is committed to ensuring that growers only use crop protection products where there are no agronomically viable alternatives.



HEALTHY SEAS AND OCEANS

Our seas and oceans are under constant pressure of climate change, overfishing and pollution. With an aim to contribute to their protection, we are committed to seas without plastic, sustainable fisheries and aquaculture. Kaufland, in its daily business conduct, assumes economic, social and ecological responsibility, which includes responsible assortment choices, including seafood products.

In 2017, Kaufland adopted a fish procurement policy to ensure accountability in procurement, steer its customers towards sustainable choices and, as a long-term objective, ensure the replacement of the existing assortment with more sustainable products. The procurement guidelines apply to the entire range of seafood products, for own, trade and industrial brands. The internal "List of fish for sustainable procurement" is continuously, at least once a year, updated according to new scientific knowledge.

The scope of the guideline includes Kaufland International and consequently sets minimum requirements for fish assortment in a comprehensive and binding manner. Competent employees in the Procurement Department are obliged to procure fish products exclusively in accordance with the Guidelines and inform

suppliers about it and legally oblige them to apply it. The guideline is also an integral part of the contract with our concessionaires.

As part of the responsible procurement of seafood products, the following objectives/ measures are highlighted:

1. Preferred list of certified products (e.g., MSC, ASC, GGN, BIO, etc.)
2. Inclusion of products from fisheries improvement projects (FIP) in the assortment
3. Full transparency and traceability of raw materials
4. Regular dialogue with suppliers, politicians, NGOs and science
5. Informing consumers and promoting sustainable consumption
6. Ensuring minimum social and environmental standards in the supply chain
7. Supporting projects related to fisheries and aquaculture

Whenever it is possible, we avoid fish, seafood, and shells:

- caught using methods that are extremely harmful to the environment (primarily bottom trawls, trawl nets with codends, deep-sea trawl nets, purse seines with Fish Aggregating Devices - FADs)
- endangered fish species or threatened with extinction
- which are considered to be overfished
- for whose stocks there is not enough data available for scientific evaluation.

Fish (and fish products) from illegal, unreported, and unregulated fishing (IUU) are excluded, as well as fish caught with illegal fishing methods.

For aquaculture products, the following applies:

1. Preferred list of certified products (e.g., ASC, GGN, BIO, etc.).
2. Reduce the share of seafood from industrial fisheries and increase the use of seafood from sustainable sources.
3. No preventive use of drugs, antibiotics, and chemicals; generally reduced and targeted use of drugs/chemicals.
4. Deforestation-free seafood farming.

5. No feeding with genetically modified food.
6. No farming methods that negatively affect flora and fauna (e.g. habitats of other species, mangrove forests, native wildlife species, etc.)
7. Measures preventing the escape of breeding animals.
8. Do not use wild caught fish eggs/juveniles for breeding.
9. Breeding density in accordance with the natural conditions of the individual species
10. Functional waste management systems to prevent water and soil pollution.

To achieve transparency in the supply chain, our suppliers are obliged to ensure the full traceability of products to the fishing vessel/farm and the catch date. To prove this information, the supplier is obliged to provide us with the appropriate documentation. When labelling products, it is necessary to comply with the minimum applicable legal regulations. In addition, the aim is that all products within the scope of these guidelines have a complete label on the product/packaging (where applicable), and in the case of fresh fish, also on the delivery note.

CERTIFIED SEAFOOD PRODUCTS	2021	2022	2023
Products with the MSC certificate	37	27	25
Own labels	24	19	15
Other products	13	8	10
Products with the ASC certificate	9	6	9
Own labels	4	3	7
Other products	5	3	2
Other certificated products	40	13	18
Total certified products	86	46	52
Share of sustainable seafood	34.3%	22.3%	27.8%

Although the number of certified seafood products is slightly lower compared to previous years, Kaufland continuously advances its assortment. Thus, in the coming period, it is planned to introduce new seafood products into the assortment. Part of our fresh fish products also bear the label "Fish of Croatia", which indicates the domestic origin of fish, which guarantees a reduction in greenhouse gas emissions.

You can read more about Kaufland's fish procurement guidelines as well as the list of species to avoid in the Kaufland assortment on the link.



We preserve *Posidonia Oceanica*, seaweed with a task

Posidonia (lat. *Posidonia Oceanica*) also known as the lungs of the Mediterranean, is an endemic species of the Mediterranean Sea, important for combating climate change and preserving biodiversity.

In addition to the procurement of sustainable seafood products, Kaufland contributes to preservation of marine life through various local projects that contribute to conservation of biodiversity. In cooperation with the Public Institution Kornati National Park, Kaufland has set up a total of 20 environmentally friendly anchor buoys in 2022 and 2023 that directly protect the meadows of Posidonia.

Posidonia (lat. *Posidonia Oceanica*) also known as the lungs of the Mediterranean, is an endemic species of the Mediterranean Sea, important for combating climate change and preserving

biodiversity. According to WWF, Posidonia's habitats are a haven for more than 400 plant and 1000 animal species. However, Posidonia is seriously threatened. On the one hand, it is extremely sensitive to marine pollution and temperature rises, and on the other hand - it is under constant impact of fishing nets and free anchoring. It is important to emphasize that buoys are not set in the usual way - by binding to concrete blocks, but by the method of drilling the rocky bottom and placing the so-called anchor that remains buried in the well without significant damage to the seabed.



PROTECT POSIDONIA, SEAGRASS WITH A MISSION

KAUFLAND FOR MORE SUSTAINABILITY



Meadows of seagrass *Posidonia* absorb large amounts of CO₂ and must be protected and preserved. That's why we set up 20 environmentally friendly mooring buoys in NP Kornati which prevent the use of classic ship anchors that destroy and cause irreversible damage to the natural *Posidonia* habitat.



Read more about the project at kaufland.hr/klima



KORNATI
Nacionalni park
National Park



VEGAN AND VEGETARIAN PRODUCTS

Our diet has a great impact on nature protection, and vegetarian and vegan products can contribute to reducing the ecological footprint and increasing animal welfare. First of all, choosing these products reduces the demand for meat and dairy products, which can positively affect the environment, reduce greenhouse gas emissions and the consumption of resources used in food production - such as water and land.

responsible alternative, and in order to ensure easier navigation, all products on the packaging have the "V-Label" logo, which indicates vegetarian and vegan products in accordance with the regulations of the European Vegetarian Union (EVU). More than 1,200 foods are available in the entire assortment, and in many cases the products carry a BIO-stamp that Guarantees Kaufland that it is a controlled organic farming.

Kaufland is constantly expanding its K-take it veggie product line and offers customers a more



ANIMAL WELFARE

Animal welfare requirements include strict rules in food and non-food products to ensure animals being treated ethically and with respect.

The Kaufland International Animal Welfare Guidelines serve as a binding specification for the conclusion of contracts for the supply of animal products. This guideline sets objectives and concrete measures that complement existing principles for more sustainable assortment selection and concretize the implementation of responsible procurement of goods, especially considering animal welfare aspects. Suppliers and our contract farmers are obliged to comply with the above standards and requirements. They are regularly checked by independent institutes or neutral certification bodies, as well as Kaufland's own animal welfare experts, so compliance with defined requirements is controlled as part of their visits and on-site audits.

Animal welfare requirements include strict rules in food and non-food products to ensure animals being treated ethically and with respect. Also, Kaufland promotes regional programs that practice forms of breeding that are fairer to animals.

In terms of nutrition, beef imported from Brazil is avoided and live fish are not sold. Also, excluded are the products that originate from:

- geese and ducks who are being force fed or plucked alive,
- where monkeys are used to harvest coconuts,
- genetically modified, cloned and/or animals subjected to genome editing techniques,
- kangaroo meat,
- animals threatened by extinction.

Excluded non-food products are:

- fur or products with fur parts,
- angora wool,
- silk,
- mohair,
- from sheep wool obtained by the mulesing method (removal of strips of wool-bearing skin from around the breech of a sheep),
- from exotic or protected wild animals (e.g. kangaroo, antelope, zebra, crocodile, ostrich),
- mink oil,
- from fluff and feathers obtained by plucking an animal alive.



In order to actively improve animal welfare standards, we have defined concrete measures,

approaches and goals. They are divided into the following seven pillars:

1. Assortment design

We take care of animal welfare both when choosing an assortment and when purchasing goods. We have established binding requirements for the procurement of food and non-food products.

2. Audit

Both our suppliers and our contract farmers are obliged to comply with the above-mentioned standards and requirements. They are regularly checked by independent institutes or neutral certification bodies, as well as by our own animal welfare experts, so compliance with defined requirements is controlled as part of their on-site visits and audits.

3. Dialogue

We see ourselves as an active partner in socio-political debate. We want to establish an active stakeholder dialogue in all countries where Kaufland operates. In addition, we regularly exchange information on all segments of the value chain with suppliers, agricultural representatives (manufacturers), producer groups, stakeholder groups, NGOs and representatives of science and politics, as well as other stakeholders in the industry. Meetings and trainings enable constant exchange of experiences with our contract farmers.

4. Promotion of better growing conditions

We oblige our suppliers and contract breeders to comply with and apply the prescribed standards and requirements in animal breeding daily. We also promote regional programs that practice forms of breeding that are fairer to animals.

5. Application of drugs and animal feed

By increasing the share of improved farming conditions, and thus hygiene standards, we want to contribute to reducing the use of medicines in animal farming to the necessary level. We promote fodder from domestic production and, in the case of soybeans, from cultivation without deforestation and land use change. We are committed to using alternative sources of protein.

6. Responsible transport and stunning of animals

We pay special attention to the transport of animals without stress, and we advocate that transport routes for livestock are as short as possible. As part of a country's animal welfare program, Kaufland agreed with contract breeders there that the distance between the farm and the slaughterhouse should not exceed 250 kilometers. Such an obligation applies, for example, to the pig program of the brand "K-Wertschätze" (today "K-Respekt fürs Tier") in Germany. We support the use of cameras in slaughterhouses to ensure stress-free unloading of animals and stunning before slaughter in line with animal welfare.

7. Initiatives, standards, and certificates

Kaufland is involved in national and international initiatives and cooperates with various standard providers. We label products from more sustainable sources with special labels to make them more visible to our customers.

Eggs from alternative cultivation

In the case of processed products of the Kaufland brand (e.g. pasta and rolls), it is very important to use floor or free-range eggs. Selected products on the package have the inscription "with eggs from floor farming". Kaufland has a clear goal: by

2025 at the latest, remove fresh eggs from cage farming or breeding in small groups, as well as processed products of its own brand containing such eggs.

SHARE OF EGGS FROM SUSTAINABLE CULTIVATION	2021	2022	2023
Own labels	100%	100%	100%
Other products	32.1%	34.8%	24.0%

100% grown in Croatia

Through the national program of pig welfare "100% bred in Croatia" and origin label "100% Croatian meat" for pork, which is 100% of Croatian origin, Kaufland supports regional producers and cooperates with farms in Slavonia that raise pigs on their farms. Animals have 10% more space than required by law. They feed exclusively on GMO-free fodder that originates entirely from Croatian and local fields and is regularly checked by independent institutes.

Own farming of fodder on the farm guarantees a supply chain without logging and land-use change and provides short transport routes. Preventing deforestation achieves a positive effect on the environment, which is diametrically opposed to the effect generated by the environmentally unacceptable production and delivery of imported soybean fodder, for example from Brazil. In addition, there are regular animal welfare audits. There is a direct contractual relationship with manufacturers that guarantees fair remuneration.

All products marked with label "Local suits me best" (Naše mi najbolje paše) represent poultry meat and its production of domestic origin and

are prepared according to the traditional recipe. All poultry products undergo strict quality control; each step of production can be monitored using a traceability system. To ensure the highest level of safety, the quality of products under our own brand "K-Purland" is also checked by the Teaching Institute of Public Health "Dr. Andrija Štampar". All poultry products within the label "Local suits me best" (Naše mi najbolje paše) also bear the label "Meat of Croatian farms" awarded by the Ministry of Agriculture of the Republic of Croatia. Suppliers of poultry products must have IFS or BRC certification, which is an additional guarantee of quality.

Kaufland Hrvatska k.d. is currently developing a program for a new private label, which is intended for chicken assortment from the service counter and is conducting negotiations with potential suppliers. It is important for us to consider relevant animal welfare criteria such as fodder that contains a higher proportion of maize and does not contain GMOs. In addition, it is desirable to use foods originating from Croatia or the EU or to use alternative sources of protein.



Only good milk

In 2023, Kaufland announced that from 2024 it will offer exclusively private label milk from the cultivation type 2 or upwards⁹ that guarantee better growing conditions and will provide

customers with transparency through gradual labelling when choosing milk from the appropriate breeding conditions.

⁹ Cultivation type 1 - cows live in a barn with boxes and a ratio of the number of animals to a bed of 1:1. This means that they have enough space to lie down and do not have access to fresh air; Cultivation type 2 - the lying area of the cow is larger, and if it weighs more than 350 kilograms, it is entitled to four square meters more space, it is carried out to fresh air for two hours 120 days a year in the yard or in a box in a small area; Cultivation type 3 - cows use a yard or pasture all year round, they are not tied up and have a little more space to lie down.

A close-up, high-resolution photograph of several thick, braided ropes. The ropes are made of natural fibers, likely cotton or hemp, and are arranged in a way that creates a strong sense of depth and texture. The lighting is soft and directional, highlighting the individual strands and the intricate braiding pattern. The overall color palette is a range of earthy browns, from light tan to deep, dark chocolate tones.

06 RESPONSIBLE SUPPLY CHAIN

Kaufland has a significantly long supply chain which involves people all around the world. Our suppliers live and work in diverse markets, cultures, and economic and climate circumstances. We are aware of our impacts on their welfare. We are committed to fair business practices, transparency, good working and living conditions, human rights, ecologically acceptable behavior along our value chain. Consistent international standards and policies for all sustainability issues affecting Kaufland support the implementation of sustainability objectives. Collaborating closely with experts for purchasing-related sustainability issues allows Kaufland to implement targeted measures that help us meet our chain responsibilities.

From our partners along the supply chain, we expect compliance with international standards and guidelines for ensuring fair and safe working and living conditions. Kaufland conducts a systematic risk analysis in its supply chain to detect and assess human rights and

environmental risks in a timely manner. Given the large number of business partners and products from around the world, we draw significant attention to risks along our supply chain. As part of the risk analysis, business partners are assessed based on a specific method and are classified on the risk basis. Assessments and analyses are based on conventions and UN documents, OECD's guidelines and recommendations, World Bank, International Labor Organization for risk assessment of countries of origin, raw materials, and products. Apart from being aligned with the international guidelines, Kaufland continuously assesses the potential and real risks of human rights violations in the supply chain, and based on internationally recognized studies, indexes, and developments – including the Transparency International and Failed State Index, assessments of corruption and child labor. Based on the risk analysis, we develop measures to avoid or reduce the negative effects of our business practices.

RESPONSIBILITY REQUIREMENTS FOR SUPPLIERS

All Kaufland's suppliers are obligated to accept the terms and abide by our Code of Conduct¹⁰. It stipulates the obligation to comply with international conventions and national laws, prohibits all types of discrimination, promotes fair treatment, decent working conditions including working hours, employment contract obligations, guarantee the protection of health and safety of workers, as well as strictly prohibits forced or child labor. In addition, it contains the provisions

on freedom of association, the right to collective bargaining, as well as suppression of corruption and obligations towards the environment. The Code also includes the instructions on reporting irregularities, provides the audit procedures and sanctions in case of non-compliance. Apart from referring to Kaufland's partners – direct suppliers, the Code obliges their subcontractors to apply the same rules of conduct.

¹⁰ https://kaufland.media.schwarz/is/content/schwarz/KODEKS_PONASANJA.HRpdf?contentDisposition=attachment

Our goal is to promote values of human rights and prevent their violation. Together with our employees, customers, business partners and stakeholders we work, daily to promote human rights – we are particularly committed to fair business practices and good working and living conditions. In order to express our clear positions on the protection of human rights, and to lay down a framework for consistent behavior in the supply chain, the companies of Schwarz Group are guided by their jointly elaborated Declaration of Principles on Respect for Human Rights¹¹. The Declaration serves to supplement the existing corporate principles and guidelines and affects the impacts of our activities in all locations and from all business areas around the world.



Compliance audits and supplier responsibility

The policies, processes, and programs on responsibility and compliance throughout the supply chain are developed, in accordance with German Law on Due Diligence in the Supply Chain (LkSG).

Kaufland regularly conducts analysis of the supply chain in accordance with the jointly elaborated regulations of the companies of Schwarz Group. Risk classification of our business partners and products is conducted individually on at the company level, e.g. based on the analysis of recognized indexes and studies related to the risk assessment of the country of origin, raw materials, and products and – in some cases – in cooperation with the organization and civil society experts.

In our direct field of impact on our business partners, we systematically focus on recognizing real cases of human rights violation, and then on the partner cooperation for the purpose of preventing them. Joint risk analyses of the companies of Schwarz Group showed that there is a common focus of risk in the field of raw materials. Therefore, the companies of Schwarz Group set concrete targets for human rights high risk raw materials and continuously work jointly together on implementing these measures. These activities include, e.g. certification of products and raw materials, whereby we also participate in the further development of standards and funding projects.

¹¹ <https://www.kaufland.com/compliance-kaufland.html>

We cannot carry out the improvements alone, so in their development we rely on cooperation with suppliers, but also with civil society organizations, experts, and other partners. We continuously check the effectiveness of our measures.

To ensure compliance with human rights in the supply chain, we carry out social audits with some suppliers, among other things. To be able to guarantee and maintain standards, Kaufland's own or external auditors conduct regular controls and assessments. Assessments are conducted for suppliers according to their risk potential, while special attention is given to the suppliers which come from the markets of high-risk countries or if they operate in an economic sector that has been classified as high risk. Social Audits are regularly carried out, which assess the manufacturers. If any irregularities are recognized during the assessment, we take measures for improvement and we see out their implementation, together with our suppliers. With this comprehensive controls we take on the responsibility and contribute to improvement of working conditions.

During the process of supplier audits, Kaufland checks the procurement of materials and raw materials, control and suppliers' rating, input materials and raw materials, control of the production, packaging, storing and labelling processes. Additionally, complete documentation tied to the process is checked. Eleven supplier audits were conducted in the year 2022, nine in 2023. All assessed suppliers conducted their

business in accordance with the sustainability policies. In the case of irregularities, the supplier needs to correct them in the given timeframe. If the irregularities are not removed in the stated timeframe, a temporary cessation of cooperation follows. Once the supplier has corrected the irregularities, business cooperation can be restored.

Voluntary commitment to fair remuneration and salaries

Many people in the developing countries still do not receive adequate remuneration for their work. Salary that allows for a dignified life is a net salary that an employee earns by working in humane working conditions and which is sufficient for ensuring an adequate life standard for the family members of the employee and can cover any

unexpected expenses. Kaufland, in cooperation with other retail companies, advocates for dignified life standard and wants to ensure dignified salary for the contracted employees in plants, or agricultural organizations, as well as dignified incomes for independent small farmers and entrepreneurs.

Effective complaints mechanisms

In addition to checking and monitoring the human rights situation and environmental protection of our suppliers, we are aware that an important part of the improvement is to ensure the possibility of reporting irregularities. To quickly detect and remedy human rights violations, Kaufland uses a complaints mechanism that allows affected parties or other stakeholders to report possible

human rights abuses in a confidential manner by direct and indirect business partners along the entire supply chain. It is understood that complaints are handled in a confidential manner with a guarantee of a fair complaint handling process. Access to the appeal mechanism is available in online format at the link.¹²

Fair business practices

Kaufland's business model is founded on long lasting and sustainable relationships with suppliers. This is why it is very important for us to cherish and develop these relationships in accordance with the principles of fair business practices. Kaufland has voluntarily committed to implementing the ten principles of fair business practices in the food supply chain. In doing so, we encourage the establishment of ambitious standards in the supply chain.

Kaufland approaches the process of contracting its suppliers in two ways: receiving an offer from the supplier or actively contacting a supplier of interest. The supplier is asked for a product offer, which is then analyzed. If the offer suits us and fits the store layout plan, we can find a place for the offered product or products, signing of the contractual documentation follows and opening the supplier in the system. Afterwards the supplier fills in the documentation for the inclusion of the

products in the assortment (completed form with all relevant data). While opening the supplier in the system, a Compliance Check is performed, which contains data in the database for the last four years. It is checked to see if the supplier has had any legal violations. Also, market is a good source of information on certain suppliers, as well as other publicly available sources of irregularities. Through Rapid Alert System for Food and Feed (RASFF) we collect information on public product recalls. We collect authorizations and certificates as proof that they can engage in a particular service or that they have a work permit if something is legally prescribed. In procurement of applications and information solutions, certificates

for IT security are required, certain ISO standards and registration are required for activities for various types of suppliers, and specific permits for agencies and security houses.

Further activities with products include monitoring the success of sales, possible planning of promotional activities and, if necessary, definition of certain measures. Throughout the process, transparent and regular dialogue between Kaufland and suppliers is important. On our website in the section Business Cooperation Competitions, we publish open calls for cooperation with suppliers from various fields.

Suppliers

Kaufland always strives to offer its customers the best, the most affordable and the latest products, which is why we continuously introduce new food and non-food products into our assortment. In 2022, we have introduced over 4,300 new products into our assortment, while in 2023, this number grew to over 6,000 new products. The share of our own private label is a constant, around 25%.

In 2023, Kaufland cooperated with a total of 805 suppliers, out of which 518 had their headquarters in the Republic of Croatia (64%), while 287 were foreign suppliers (36%).



Out of the financial turnover of goods, the suppliers headquartered in Croatia amounts to 77%, while international suppliers amount to 23%. In the total of international suppliers' financial turnover, suppliers from Germany have a stake of 39%, those from Czech Republic take 20% and from Poland 10%.

Products that we procure, and sell can be grouped in four main categories: food (43% financial value of the input of goods), fresh food (18%), ultra fresh food (29%), and non-food items (9%). At that, the drugstore's articles, so called "near food" articles are not categorized as non-food, but as food items. This type of articles comprises cosmetic products, as well as detergents, and cleaning supplies, paper confection such as toilet paper, paper towels and tissues.

In addition to the suppliers of the products we sell in our stores, we cooperate with a variety of partners that partake in construction, renovation and equipping of our stores. Out of all the suppliers we cooperated with in 2022

and 2023, 90% were companies registered in the Republic of Croatia, while other 10% were foreign suppliers. Most of our international partners come from Bosna and Hercegovina (5%) and Slovenia (3%), while others came from various markets (2%). While assessing risks during the process of contracting our suppliers in construction, we checked legal and bank guarantees, and all our suppliers are required to submit certain documentation (certificates, consents, attestations and more). In the process of due diligence, we checked the referent list of our suppliers, and we visit their plants. All of them must have authorizations for performing activities and for professional associates (designers, supervisors, construction site engineers and others).

In the reporting period 2022-2023 we have not recorded any inconsistencies of our suppliers with legal and other regulations relating to environmental protection or human rights.

Manufacturers for our private label

All products of our private label, both national and international, were produced by manufacturers that have one of the valid GFSI certificates (Global Food Safety Initiative), specifically BRC, IFS or FSSC. The standard is renewed each year, and it is the supplier's responsibility to deliver the required certificates, which is a prerequisite for continued cooperation. In the case that the supplier that is manufacturing one of our brands does not have a defined certificate, before conclusion of the contract, registered certification company conducts an audit with which it can determine whether the supplier, i.e. manufacturer satisfies the requirements necessary to be able to produce the products of our brands. If the manufactures satisfy the audit requirements, it is then approved to produce our brand's products.

For high-risk products, such as fresh meat, it is not sufficient for the supplier to have a required certificate, in addition, the certified auditor conducts an audit at the behest of Kaufland.

When it comes to the cooperation with suppliers, we have recognized a great benefit in working with Croatian suppliers, or in other words, in encouraging domestic production. Furthermore, we use Croatian raw materials when developing products of our own brand Local suits me best (Naše mi najbolje paše). We encourage domestic suppliers to develop their own sustainable practices by listing Croatian BIO products and complying with IFS or BRC standards. Articles of our private label are classified according to the risk level, and we conduct our regular audits and analysis appropriately based on the appointed level.





07 DEDICATED TO COMMUNITIES

When choosing a project, we give advantage to the ones that pertain to at least one of our strategic areas: children, health, and the environment

Since the launch of our operations in Croatia, Kaufland has been dedicated to local communities and through various activities, positively contributes to their welfare. Socially responsible conduct is a part of our business politics and is focused on sustainable communities, wellbeing of society and individuals, improvement of human rights, as well as cooperation with stakeholders to ensure a healthy and preserved environment in which we live.

Since the very beginning and the opening of our first stores in Croatia, Kaufland has been contributing to building a community through various socially responsible programs, projects, donations, and sponsorships with which we aimed to better the quality of life in communities and contribute towards positive changes in society.

Kaufland has clearly defined guidelines for approving donations and sponsorships which have a socially responsible purpose, and all other

activities that fall under the jurisdiction of the Corporate Affairs Sector. Requests from political parties and persons, trade unions and religious organizations are not approved in accordance with international guidelines. Donations are not approved for private persons either. All other requests are submitted to Corporate Affairs, and each is then reviewed by at least two people. Requests that meet the prescribed criteria are then forwarded for approval to the President of the Management Board.

In this chapter we list the projects in which we are engaged in socially responsible action in communities. When choosing a project, we give advantage to the ones that pertain to at least one of our strategic areas: children, health, and the environment. Also, through humanitarian and socially responsible actions, we strive to reach as many people as possible, so most of our initiatives are implemented at the national level.



Helping through volunteering

We engage employees in socially responsible activities, whenever possible. We have been participating in corporate volunteering activities since 2017, and through it, apart from helping our fellow citizens, we contribute to the preservation of the environment while strengthening our team spirit.

In 2022, our volunteering activities were focused on people, in collaboration with our long-lasting partner Red Cross Croatia. Across Croatia, our 60 employees participated in various activities aimed at helping vulnerable social groups. Our colleagues helped and brightened the days of the elderly, socially vulnerable, immigrants from Ukraine and the youngest ones in our community.

The following year we focused our volunteering activities locally. Employees suggested local

associations, in whose work they wanted to get involved in the volunteering program. We volunteered in Sisak, Slavonski Brod, Čakovec, Vukovar, Osijek, Vinkovci, Đakovo, Sinj, Jastrebarsko and Zagreb. All these actions had one common cause – helping socially vulnerable groups, and we managed to help elderly, socially vulnerable citizens, the youngest ones and abandoned animals. Kaufland provides all employees who volunteer with paid day off.

In addition to volunteering, our employees participated in the action of voluntary blood donation. In 2022 and 2023, four actions were organized in our headquarter, with the participation of 94 voluntary donors.

Kaufland School of Fruits and Vegetables

Since 2017, through the project "Kaufland School of Fruits and Vegetables" (Kaufland škola voća i povrća) we offer support to local manufacturers and public schools to encourage and support healthy eating habits of children. In 2021, the project was recognized and encouraged by the Ministry of Science and Education. For each Kaufland store, one school is chosen every year, which receives fresh fruit and vegetables free of charge every week throughout the school year.

In the school year 2022-2023, we have received 239 applications of public primary schools across Croatia for involvement in the project. Schools have applied by submitting a creative assignment – they created healthy cookbooks in the regional dialect, and the best ones selected by an expert jury brought participation of their schools in the project. Yearly supply of fresh fruit and vegetables was received by 45 public primary schools and six primary schools with regular and special programs for children with disabilities in six different regions. In the school year 2022-2023, Kaufland donated over 159 tons of fresh fruit and vegetables, through this project. For the two Zagreb primary schools that won the highest number of points from the expert jury, our ambassadors chef Pero Savanović and pastry chef Ivana Čuljak prepared culinary workshops in 2022.

In the competition for the school year 2023-2024, schools had to make a drawing on the theme of Food Waste. After the decision of the expert

jury, Kaufland's customers were also included. They helped select 36 schools with their 70,000 votes. For stores for which we received only one application the school that applied directly became a partner. In the school year 2023-2024, a total of 54 schools across Croatia received donations of fresh fruit and vegetables.

For the two schools that won the title of partner school every year since the inception of the project in 2017, free culinary workshops were organized as a reward for exceptional effort and dedication in September 2023. Over 400 students participated in educational workshops under the leadership of Domagoj Jakopović - Ribafish which were held in primary schools in Slavonski Brod and Vinkovci.

Even though our greatest reward for our socially responsible actions is the benefit we create in our communities and the realization that we have brought a smile to children's faces or supported those who need it most, it also makes us happy when others recognize our humanity in action. Kaufland's School of Fruits and Vegetables earned two prestigious rewards in 2023. At the Greencajt festival, we earned a GREEN PRIZ reward in the category Community Impact, and the International Public Relations Association (IPRA) awarded the project first place in the Golden World Awards for Excellence in the Community Engagement category.



**KAUFLAND
ZA ODRŽIVOST**

KAUFLAND ŠKOLA VOĆA I POVRĆA

Doniramo svježe voće i povrće školarcima partnerskih škola diljem Hrvatske svaki tjedan!
Saznaj više: kaufland.hr/skolavip



Christmas donations

In 2022, we focused the traditional Kaufland Christmas donation with the help of UNICEF to an area where the consequences of the devastating earthquake are still visible, and our customers played a major role in this. In the period from 2nd November to 24th December of 2022, we separated 5 kuna (0.66 euros) from every wooden toy sold by Kaufland's own brands Kidland and Kuniboo certified FSC® (Forest Stewardship Council), and Kaufland rounded up the total amount to 300,000 kuna, i.e. 39,817.84 euros.

With this donation, ten schools in Sisak-Moslavina County were equipped with didactic-sensory

equipment, and the teachers were additionally educated on their use.

In 2023, we dedicated our Christmas donation to the Red Noses Association, which provides support and fun to children going through treatment in hospitals through their Intensive Smile program. Our customers and Kaufland Card holders, once again showed their humanity and donated 30,162 Kaufland Card coupons, totaling at 60,324 euros.



Donations in new locations

When opening stores at new locations, Kaufland allocates a donation to the local community for humanitarian purposes, especially taking care of the health and well-being of children. In October of 2022, we opened a new store in Rijeka, and donated 2,654 euros (20,000 kuna) to the Red Noses to implement their Intensive Smile program in KBC Rijeka.

In February of 2023, during the opening of a new store in Župa dubrovačka, we donated 5,000 euros to the Dubrovnik General Hospital. With this donation, eight rooms in the Department of Pediatrics were equipped with TVs to make the stay in the hospital more pleasant and fun for the youngest patients. Alongside the televisions a scale was also acquired for measuring children's weight. In September of 2023, we marked the

opening of a store in Vodice with a 5,000 euros donation to the Pediatric Outpatient Medical Care Vodice, to enhance the quality of the healthcare of the children. The same amount was donated for the opening of the store in Varaždin, for equipping the new Pediatric Outpatient Medical Care in the Health Center of Varaždin County.



Collaboration with UNICEF

Kaufland has been supporting UNICEF's Milky Way race since its inception in 2017. In addition to the sponsorship donation for each registered participant in 2023, we additionally donated one euro. Kaufland employees traditionally participate

in the race and in this way, we additionally help to promote the valuable goal of this humanitarian action for support to the mental health of children and young people.

"Šumasti" toys for the SOS Children's Village

In the fall of 2022, we included our youngest in the educational and fun campaign "Šumasti", in which they could learn about trees by collecting cards. Funds were raised from the sale of Šumasti toys (forest-related character toys), which Kaufland

rounded up to HRK 100,000 (EUR 13,272) and donated them to SOS Children's Village Lekenik. A heat pump was purchased with funds to provide children with a warm home during the winter.



Investing in the knowledge of the young generations

Since 2022, Kaufland gave scholarships to 24 students of the newly founded major Logistics technician of a high school in Jastrebarsko. This project is an important step which strengthens the link between education and the needs of the economy. New young logisticians will be able to apply their knowledge in a few years at Kaufland, but also in other companies where transport and logistics are important for business.

In 2023, we participated in the third cycle of "Teachers in Companies - Internship for Teachers" (Nastavnici u poduzeća) - an initiative that links the educational sector and the economy. In a two-day professional visit to our store in Umag, two teachers of vocational subjects from the Buje School of Economics had the opportunity to get acquainted with the basic processes of

our Operational Sales and in practical work with our mentors they got an insight into the real competencies required of their students as future employees.

Kaufland also provides student internship opportunities for those who are educated for the profession of a salesperson according to the dual model of education. Students practice in our stores throughout Croatia under the guidance of mentors who transfer the knowledge necessary for their future occupation. In the 2022-2023 school year, the number of students who did the internship with us was 41. Kaufland works closely with faculties across Croatia, and at the end of 2022 we helped the renovation and remodeling of the hall at the Faculty of Economics and Business in Zagreb.



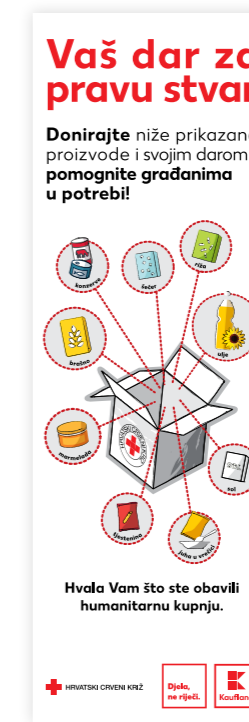
Charity stands

Kaufland in Croatia, for a long number of years, offers space free of charge in its stores to humanitarian organizations. At the end of each year, an annual plan for setting up charity stands for the whole of the next year is made, which is agreed on with associations and stores. Promotion of charity activities in the Kaufland stores is of great importance for these associations. In this way, they are

enabled to communicate directly with potential donors where they are directly introduced to the work of the association and the ways in which their donation will contribute to the achievement of the goal of the association. The associations that are supported in this way are e.g. UNICEF Croatia, SOS Children's Village Croatia, Krugovi and Red Noses.

Your gift for the right cause

For several years in a row, baskets have been set up in Kaufland stores for collecting groceries, which the Croatian Red Cross then distributes to its users and soup kitchens. Thus, three times a year, Kaufland customers can help people in need by donating products such as flour, oil, rice, pasta, cans and more, to the basket after passing through the cash register. This method collected goods worth 38,581 euros in 2022 and 41,359 euros in 2023.



Community engagement: The story of my city

Kaufland's stores are a part of the community. They are visited by thousands of customers daily, and our wish is for their satisfaction with the quality of their purchase, which is strategically important for our business, be additionally complemented with a pleasant and comforting atmosphere in our stores. In April of 2023, we started a campaign "The stories of my city" (Priče moga grada) to decorate the facades of some of our stores with graffiti. We invited customers to get involved and suggest what they would like

Kaufland to decorate its facades with, and that is connected to the city. Customers submitted their proposals on the website and social networks. Ten of our stores were decorated with creative and interesting murals. In June of 2023, stores in Split, Zadar, Šibenik, Rijeka and Pula were decorated, and in September of the same year same was done with stores in Zagreb, Karlovac, Varaždin and Slavonski Brod. Workshops for the children were held in each of the decorated stores, where they could get acquainted with the art of graffiti.



08 GRI INDEX

GRI Standard	Disclosure	Page number	Omission	External verification
GRI 2 General Disclosure 2021				
The organization and its reporting practices				
GRI 2 General Disclosure 2021	2-1 Organizational details	8		
	2-2 Entities included in the organization's sustainability reporting	4		
	2-3 Reporting period, frequency and contact point	4		
	2-4 Restatements of information	--		
	2-5 External assurance	134		
Activities and workers				
GRI 2 General Disclosure 2021	2-6 Activities, value chain and other business relationships	8		
	2-7 Employees	12, 37, 40		
	2-8 Workers who are not employees	37, 40		
Governance				
GRI 2 General Disclosure 2021	2-9 Governance structure and composition	37		
	2-10 Nomination and selection of the highest governance body	37		
	2-11 Chair of the highest governance body	16		
	2-12 Role of the highest governance body in overseeing the management impacts	16		
	2-13 Delegation of responsibility for managing impacts	16		
	2-14 Role of the highest governance body in sustainability reporting	16		
	2-15 Conflict of interest	16		
	2-16 Communication of critical concerns	16, 26		
	2-17 Collective knowledge of the highest governance body	37		
	2-18 Evaluation of the performance of the highest governance body	54		
	2-19 Remuneration policies	54		
2-20 Process to determine remuneration	54			
2-21 Annual total compensation rate	54			
Strategy, policies, and practices				
GRI 2 General Disclosure 2021	2-22 Statement on sustainable development strategy	3		
	2-23 Policy commitments	28		
	2-24 Embedding policy commitments	28		

	2-25 Processes to remediate negative impacts	16		
	2-26 Mechanisms for seeking advice and raising concerns	16		
	2-27 Compliance with laws and regulations	16		
	2-28 Membership associations	20		
Stakeholder engagement				
GRI 2 General Disclosure 2021	2-29 Approach to stakeholder engagement	28		
	2-30 Collective bargaining agreements	37		
MATERIAL TOPICS				
GRI 3: Material Topics 2021	3-1 Process to determine material topics	28		
	3-2 List of material topics	28		
CORPORATE GOVERNANCE				
Economic Performance				
GRI 3: Material Topics 2021	3-3 Management of material topics	12		
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	23		
Indirect Economic Impacts				
GRI 3: Material Topics 2021	3-3 Management of material topics	85		
GRI 203: Indirect Economic Impacts 2016	203-2 Significant indirect economic impacts	85, 110		
Procurement practices				
GRI 3: Material Topics 2021	3-3 Management of material topics	92		
GRI 204: Procurement practices 2016	204-1 Proportion of spending on local suppliers	92		
Anti-corruption				
GRI 3: Material Topics 2021	3-3 Management of material topics	16		
GRI 205: Anti-corruption 2016	205-2 Communication and training about anti-corruption policies and procedures	16		
	205-3 Confirmed incidents of corruption and actions taken			Information related to compliance and confirmed corruption cases cannot be reported due to business confidentiality reasons.
Anti-competitive Behavior				
GRI 3: Material Topics 2021	3-3 Management of material topics	16		

GRI 206: Anti-competitive Behavior 2016	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices		Information related to compliance and confirmed cases cannot be reported due to business confidentiality reasons.
ENVIRONMENT			
Energy			
GRI 3: Material Topics 2021	3-3 Management of material topics	58	✓
GRI 302: Energy 2016	302-1 Energy consumption within the organization	58, 60	
	302-3 Energy intensity	58, 61	
	302-4 Reduction of energy consumption	58, 60	
Water and Effluents			
GRI 3: Material Topics 2021	3-3 Management of material topics	68	
GRI 303: Water and Effluents 2018	303-4 Water discharge	68	
	303-5 Water consumption	68	
Biodiversity			
GRI 3: Material Topics 2021	3-3 Management of material topics	97	
GRI 304: Biodiversity 2016	304-2: Significant impacts of activities, products and services on biodiversity	97	
	304-3 Habitats protected or restored	97	
Emissions			
GRI 3: Material Topics 2021	3-3 Management of material topics	60, 61	✓
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	58, 63	
	305-2 Energy indirect (Scope 2) GHG emissions	58, 63	
	305-3 Other indirect (Scope 3) GHG emissions	58, 63	
	305-5 Reduction of GHG emissions	61	
Waste			
GRI 3: Material Topics 2021	3-3 Management of material topics	70	
GRI 307: Waste 2020	307-3 Waste generated	70	
	307-4 Waste diverted from disposal	70	
	307-5 Waste directed to disposal	70	
Materials			
GRI 3: Material Topics 2021	3-3 Management of material topics	70	
GRI 301: Materials 2016	301-1 Materials used by weight or volume	70	

RESPONSIBLE EMPLOYER			
Employment			
GRI 3: Material Topics 2021	3-3 Management of material topics	37, 38	
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	40	
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	40	
	401-3 Parental leave	45	
GRI 402: Labor/Management Relations 2016	402-1 Minimum notice periods regarding operational changes	38	
Occupational Health and Safety			
GRI 3: Material Topics 2021	3-3 Management of material topics	46	
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	46	
	403-2 Hazard identification, risk assessment, and incident investigation	46	
	403-3 Occupational health services	46	
	403-4 Worker participation, consultation, and communication on occupational health and safety	46	
	403-5 Worker training on occupational health and safety	46	
	403-6 Promotion of worker health	46	
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	46	
	403-8 Workers covered by an occupational health and safety management system	46	
	403-9 Work-related injuries	46	
Training and Education			
GRI 3: Material Topics 2021	3-3 Management of material topics	50	✓
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	50	
	404-2 Programs for upgrading employee skills and transition assistance programs	50	
	404-3 Percentage of employees receiving regular performance and career development reviews	54	
Diversity and Equal Opportunity			
GRI 3: Material Topics 2021	3-3 Management of material topics	38	

GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	40
	405-2 Ratio of basic salary and remuneration of women to men	53
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	38
COMMUNITY		
Local communities		
GRI 3: Material Topics 2021	3-3 Management of material topics	119
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	119
RESPONSIBLE SUPPLIER		
Supplier Social Assessment		
GRI 3: Material Topics 2021	3-3 Management of material topics	92, 110
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	110
Customer Health and Safety		
GRI 3: Material Topics 2021	3-3 Management of material topics	85
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	85
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	85
Marketing and Labeling		
GRI 3: Material Topics 2021	3-3 Management of material topics	85
GRI 417: Marketing and Labeling 2016	417-1 Requirements for product and service information and labeling	85, 88
	417-2 Incidents of non-compliance concerning product and service information and labeling	85
	417-3 Incidents of non-compliance concerning marketing communications	85
SECTOR STANDARDS: Food Production		
GRI 3: Material Topics 2021	3-3 Management of material topics	85, 104, 110
Sector Standards for Food Processing Sector	FP2 Procurement/Sourcing Practices	110
	FP5 Customer Health and Safety	85
	FP11 Animal Welfare	104





Shape the future
with confidence

Ernst & Young d.o.o.
Radnička cesta 50, 10 000 Zagreb
Hrvatska / Croatia
MBS: 080435407
OIB: 58960122779
PDV br. / VAT no.: HR58960122779

Tel: +385 1 5800 800
Fax: +385 1 5800 888
www.ey.com/hr

Banka / Bank:
Erste & Steiermärkische Bank d.d.
Jadranski trg 3A, 51000 Rijeka
Hrvatska / Croatia
IBAN: HR3324020061100280716
SWIFT: ESBCHR22

Independent practitioner's assurance report - limited assurance on underlying subject matter and the applicable criteria

To the management of Kaufland Hrvatska k.d.:

Scope

We have been engaged by Kaufland Hrvatska k.d. (the "Company") to perform a 'limited assurance engagement,' as defined by International Standards on Assurance Engagements, here after referred to as the engagement, to report on the 3 Indicators (302-1, 305-1 and 404-1) (the "Subject Matter") contained in the Company's Sustainability report for the year ended 29 February 2024 (the "Report").

Other than as described in the preceding paragraph, which sets out the scope of our engagement, we did not perform assurance procedures on the remaining information included in the Report, and accordingly, we do not express a conclusion on this information.

Criteria applied by the Company

In preparing the Subject Matter, the Company applied the following applicable criteria ("Criteria"):

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

Responsibilities of management

The Company's management is responsible for selecting the Criteria, and for presenting the Subject Matter in accordance with that Criteria, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the subject matter, such that it is free from material misstatement, whether due to fraud or error.

Our responsibilities

Our responsibility is to express a conclusion on the presentation of the Subject Matter based on the evidence we have obtained.

We conducted our engagement in accordance with the *International Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* ('ISAE 3000 (Revised)'), and the terms of reference for this engagement as agreed with the Company on 14 November 2023.

Those standards require that we plan and perform our engagement to express a conclusion on whether we are aware of any material modifications that need to be made to the Subject Matter in order for it to be in accordance with the Criteria, and to issue a report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error.

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

Our independence and quality management

We have maintained our independence and confirm that we have met the requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, and have the required competencies and experience to conduct this assurance engagement.

A member firm of Ernst & Young Global Limited
Mjerodavan sud: Trgovački sud u Zagrebu; Temeljni kapital: 20.000,00 kuna / 2.654,46 eura uplaćen u cijelosti;
Članovi Uprave: Berislav Horvat, Ivana Krajinović, Zvonimir Madunić
Applicable court: Commercial court in Zagreb; Registered share capital is 20.000,00 kuna / 2.654,46 euro, fully paid;
Members of the Board: Berislav Horvat, Ivana Krajinović, Zvonimir Madunić



Shape the future
with confidence

We also apply International Standard on Quality Management 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services engagements*, which requires that we design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Description of procedures performed

Procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Our procedures were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance.

Although we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

A limited assurance engagement consists of making enquiries, primarily of persons responsible for preparing the 3 Indicators (302-1, 305-1 and 404-1) contained in the Company's Sustainability report and related information, and applying analytical and other appropriate procedures.

Our procedures included:

- Understanding of the Company's internal controls, processes and systems set up for the preparation on 3 Indicators (302-1, 305-1 and 404-1) of the Sustainability Report.
- Reconciliation, on a sample basis, of 3 indicators (302-1, 305-1 and 404-1) presented in the Sustainability Report with the supporting documentation provided by the Company.
- Reading the part of Sustainability Report relating to 3 indicators (302-1, 305-1 and 404-1) and review of their presentation in accordance with the GRI Standards.

We also performed such other procedures as we considered necessary in the circumstances.

Conclusion

Based on our procedures and the evidence obtained, we are not aware of any material modifications that should be made to the 3 Indicators (302-1, 305-1 and 404-1) contained in Company's Sustainability report 29 February 2024 in order for it to be in accordance with the Criteria.

28 October 2024


Filip Hitrec
Certified auditor


Ivana Krajinović
Board Member

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

A member firm of Ernst & Young Global Limited
Mjerodavan sud: Trgovački sud u Zagrebu; Temeljni kapital: 20.000,00 kuna / 2.654,46 eura uplaćen u cijelosti;
Članovi Uprave: Berislav Horvat, Ivana Krajinović, Zvonimir Madunić
Applicable court: Commercial court in Zagreb; Registered share capital is 20.000,00 kuna / 2.654,46 euro, fully paid;
Members of the Board: Berislav Horvat, Ivana Krajinović, Zvonimir Madunić

Publisher: Kaufland Hrvatska k.d.
Consultants in preparing the report according to GRI Standards:
Hauska & Partner
Photographs: Kaufland archive
Design and layout: Hand Studio d.o.o.
(adaptation of the Kaufland International graphic background)
Printing: Grafo biro Dominić d.o.o.
Circulation: 15 copies
This report is printed on 100% recycled paper.

Kaufland Hrvatska k.d.

Donje Svetice 14
10000 Zagreb

kaufland.hr/izvjestaj

**Our
actions
do the
talking.**



Kaufland