



OUR RESPONSIBILITY

for new generations deserving a better future



Sustainability Report Lidl Romania

Reporting period:
March 1st, 2019 – February 29th, 2020





Table of contents


Foreword 2


About the report..... 6

About the company..... 10

 Resources 15

 The supply chain..... 19

 Operations 29

 Customers 51

GRI content index..... 78

Our mission is to provide Romanians daily with a vast selection of products of the highest quality for the best prices, straight from the growers/manufacturers, through well-defined and sustainable actions.

We are launching Lidl Romania's third sustainability report in a time defined by uncertainty, when our main concerns are, to the same extent, public health and the state of the economy. While last year we were talking about how climate change influences our personal and professional lives and the fact that we must ensure a better future for our children, this year reality faces us with yet another great challenge, one with a more immediate impact. However, the situation at hand did not cancel out the challenges we were already facing. Therefore, we must better understand and assume our responsibility both as humans and as a company.

Since the early days of the coronavirus pandemic, we have been involved in and concerned with the health and safety of our employees, our customers and all those who played an important part in ensuring the continuity of our activity. We have taken measures worth mentioning and we will do so in our next sustainability report, which will cover the fiscal year 2020. The following report describes the results of our activity in the year 2019 (March 1st, 2019 – February 29th, 2020).

For us the financial year 2019 has been an extraordinary one:

We surpassed 7,800 employees, collaborated with over 9,200 suppliers, 7,600 of which are local, and extended our network to over 260 stores. We joined local and international initiatives that either teach us what we could be doing better with regards to sustainability or give us the opportunity to share our own experience and initiate collaborations for the future. Open and honest dialogue has always been our reliable ally in relations with our partners.

As for our relationship with employees, we continued to apply an appealing salary policy, with guaranteed annual raises in the first few years of employment. We pay special attention to the working conditions and benefits that we offer to our colleagues and all those employed by our company enjoy above-average salaries. We invest in the training of our employees, so that over time they can grow alongside us and take up different positions within the company. During the period covered by this report, there was an increase in the average number of hours of training per employee, due to the wide range of training modules available on our online learning platform.



RESOURCES



THE SUPPLY CHAIN



OPERATIONS



OPERATIONS



We continued to make significant investments, including to respond to our customers' needs, all of which we consider to be a priority. They pay very close attention to aspects such as product quality, traceability, purchasing from local growers/manufacturers, the type of packaging used, the carbon footprint and social engagement of the company. We are happy to prove to them that we are worthy of their trust, and that all of our actions are meaningful and align with our strategic goals.

We are constantly making efforts to certify or recertify products and ingredients retailed in our stores (referring to certifications such as Fairtrade, UTZ, Rainforest, Alliance, Organic etc.), as well as to increase the total number of responsibly made products.

As for our engagement with society, we supported 37 nongovernmental organizations and civic initiatives in this reporting period, making social investments worth 22,500,000 lei. In the next reporting period, we will increase that amount by at least 15% and continue to support the communities in which we are present.

Reducing our carbon footprint is a key aspect of our sustainability strategy. One of our most important achievements is the fact that our store located in Bucharest, at 58A Căpitan Aviator Alexandru Șerbănescu Street, obtained the BREEAM Outstanding certification with a score of 99.1%. It is the highest score ever obtained by a store, putting it in first place worldwide and making it the first store in Romania to receive this level of certification.

We look towards the upcoming period with confidence and ambition. We will focus on keeping our promise that by 2025 all of own-brand product packaging (making up approximately 80% of our product range) will be recyclable in the highest possible proportion. We will pay special attention to reducing salt and sugar content in food items by up to 20%. In response to our customers' preferences, we will also focus more on organic products. Moreover, all new Lidl stores we build will be equipped from the start with charging stations for electric vehicles.

But above all we will make sure to gain the trust of every employee, customer, business partner or institutional collaborator. It is only together that we can overcome any obstacle.

Thank you.

FRANK WAGNER

CEO of Lidl Romania

HIGHLIGHTS

(March 1st, 2019 – February 29th, 2020)

P. 25

79%

OF TRUCKS USED TO CARRY GOODS IN 2019 WERE EQUIPPED WITH AN EURO 5 OR EURO 6 ENGINE.



COMPARED TO **71%** IN 2018

P. 22

OVER
37,000
TONNES OF WASTE



SENT TO RECYCLING PLANTS IN 2019

P. 32

BREEM OUTSTANDING

CERTIFICATION OBTAINED BY OUR STORE LOCATED IN BUCHAREST, AT 58A CĂPITAN AVIATOR ALEXANDRU ȘERBĂNESCU STREET

P. 37

89 TONNES

FOOD ITEMS DONATED

221 TONNES

NON-FOOD ITEMS DONATED

252 TONNES

PET FOOD DONATED

P. 61

37
ORGANIZATIONS SUPPORTED

OVER
22,500,000
LEI – SOCIAL INVESTMENT BUDGET



P. 69

7,570

LOCAL SUPPLIERS OF GOOD AND SERVICES IN 2019

P. 70

+8%

WE INCREASED THE NUMBER OF ROMANIAN PRODUCT SUPPLIERS FOR THE WHOLE ASSORTMENT.

FROM **351** IN 2018 TO **380** IN 2019



92,057
TONNES

OF ROMANIAN FRUIT AND VEGETABLES PURCHASED.

P. 71



OVER
59,000,000 EURO IN 2019

WE CONTINUED TO FACILITATE THE EXPORT OF ROMANIAN PRODUCTS TO LIDL STORES ACROSS EUROPE.



Cristina Hanganu
Communications and CSR Manager



Irina Lapovița
CSR Manager

Taking action for a better future

We find ourselves in front of our third sustainability report and it is with even more optimism that we look towards a better future, that we can all bring our contribution to through concrete actions, together with our colleagues, partners and trusted suppliers, customers who enter our stores every day and organizations that are by our side in all of our projects.

In this reporting period (March 1st, 2019 – February 28th, 2020), as always, we continued to pursue transparency, guided by GRI Standards, but also the 17 Sustainable Development Goals (SDGs)¹ included in the 2030 Agenda of the United Nations. We invite you to discover how our activities align with these goals on page 78.

We started drafting this document on the basis of the results of a stakeholder consultation process conducted for the previous report, which we still consider to be valid, given that our activity has not changed significantly. Also taking into account that some of the topics in the Lidl Responsibility Model were redefined, we settled on 21 material topics (out of 41 included in the model) that will be discussed in the following pages. The report has once again been subject to an external assurance review, conducted by our partners at Denkstatt Romania. The results are available on www.corporate.lidl.ro

Facts speak for themselves. In the financial year 2019 we once again succeeded to improve our results, which is a permanent concern of ours. Thanks to our teams, the number of local suppliers of goods and services has increased by 11% compared to 2018, while the amount of Romanian fruit and vegetables increased by 23%. During the peak of the harvesting season, 81% of the fruit and vegetables our customers found in Lidl Market were grown in Romania.

We pride ourselves on setting a world record, thanks to our colleagues in the Construction department. We have the most sustainable store in the world, just a stone's throw from our headquarters, which is also among the most efficient and environmentally friendly buildings.

The Logistics department team worked towards another result that we are very happy with: 79% of the trucks used to carry goods in 2019 were equipped with an Euro 5 or Euro 6 engine – 8% more than in the previous year. Moreover, they managed to shorten the average warehouse-to-store distance by 25%, reaching an average of 114 km. In addition, over 37,000 tonnes of waste were sent to recycling plants – 21% more than in 2018.

We donated 89 tonnes of food items, 221 tonnes of non-food items and 252 tonnes of animal food from our five regional headquarters, in order to reduce waste and offer support to less fortunate people and pets around the country. We supported projects initiated by 37 Romanian NGOs with over 22,500,000 lei.

We invite you to learn more about these topics and others by browsing through this report, and if you have any questions or suggestions, please write to us at csr@lidl.ro

Acknowledgments

We would like to express our gratitude towards everyone who made this report possible: our colleagues who helped us collect the information, the CSR BootIQ teams and Sunday Morning Communication team, for drafting the report and creating its visual identity, as well as our colleagues at Lidl Stiftung, for their support and guidance.

¹ <https://sdgs.un.org/goals>



ABOUT THE REPORT

This is Lidl Romania's third sustainability report and it covers the financial year 2019 (March 1st, 2019 – February 29th, 2020).

GRI 102-46

This document was drafted in accordance with GRI Standards methodology – sustainability reporting standards provided by the Global Reporting Initiative (GRI). Our previous sustainability reports are available on the Lidl website: <https://corporate.lidl.ro/sustenabilitate/rapoarte-csr>

This report reflects the activity of the companies that comprise the Lidl Group in Romania and examines the economic, social and environmental impact of our activity. We aim to publish this type of report every year. Moreover, beginning with the fiscal year 2019, we are also under legal obligation to publish an annual nonfinancial disclosure. The disclosure is available on the company website: <https://www.lidl.ro/ro/cataloge/raport-non-financiar-2019/view/flyer/page/1>

The structure of the report reflects the 4 stages of the value chain that we consider to be areas of responsibility (1. Resources, 2. Supply chain, 3. Operations, 4. Customers) and details the topics identified as locally relevant by the management team and our employees, on the one hand, and our external partners and consultants, on the other hand.

The information provided has to do with Lidl Romania's activity and has been collected by the Communication and CSR department, in collaboration with all the other departments that are directly involved in the aforementioned areas of responsibility. Additionally, certain parts of the report have undergone an external assessment, the result of which is presented in the statement on page 81.

The report also includes information that does not directly refer to the activity of Lidl Romania, such as

statistical data, references to local and/or international legislation, studies and reports, specific initiatives, collaborative projects, but also information and data provided to us by other collaborators (typically suppliers). This information has been included in order to ensure a full and correct understanding of the sustainability context that we operate in and has been signaled and sourced accordingly.

The changes that occurred in the structure of our sustainability report, namely in the list of topics identified as relevant to the contents of this document, have been explained in the corresponding chapters. Aside from these updates, there have been no changes regarding our reporting goals, the scope or the data collection process. The way we apply the precautionary principle across the value chain has also remained the same.

The current sustainability report was drafted in accordance with the GRI Standards: Core Option. All the necessary explanations and references are included in the the GRI content index on page 78.

The scope of the report

The term stores refers to locations where our products are retailed. The scope of the information in this report is national, unless stated otherwise (for example, in the case of international initiatives or products purchased from outside Romania).

Some services (e.g. transportation, cleaning, security and occupational safety and health) are outsourced. As we do not possess any relevant information, the impact of these services is only partially covered by this report.

THE LIDL RESPONSIBILITY MODEL





ABOUT THE REPORT

Defining the content of this report

We have reached our third voluntarily drafted sustainability report and from the very start we used the most complex methodology available: the GRI Standards. In our previous report we used the Occupational Health and Safety Standard (GRI 403:2018), despite the fact that it will only become mandatory in 2021. Similarly, in the current report we used two other standards (GRI 303:2018 și GRI 306:2020)², which will become mandatory in 2021 and 2022, respectively.

In order to define the content of this report, we considered the results of our previous stakeholder consultation to be valid. It is our view that, in the absence of any major changes in our activity, the Romanian business environment or the legislation, those results are still valid. However, our relationship with stakeholders remains one based on openness, closeness and continuity, as proven by the explanations provided in the Dialogue with Stakeholders section on page 73.

The topics our stakeholders previously showed a major interest in were reviewed as part of the process of updating our sustainability strategy. These are grouped according to the 4 stages of the value chain (1. Resources, 2. Supply chain, 3. Operations, 4. Customers) and will be detailed in the following pages.

All the numbers referring to quantities throughout the report were rounded to the nearest integer, and variations were calculated after this operation.

GRI 102-44

TOPICS EXPLORED BY THE REPORT, SELECTED AS A RESULT OF STAKEHOLDER CONSULTATION



RESURSE

ANIMAL KEEPING STANDARDS

1. Animal welfare



LANȚUL DE APROVIZIONARE

ENVIRONMENTAL PROTECTION STANDARDS ALONG THE SUPPLY AND PROCESSING CHAIN

2. Circular economy
 3. Transportation
- ##### MARKET AND SUPPLIER DEVELOPMENT
4. Fair business practices



OPERAȚIUNI

ENVIRONMENTAL PROTECTION STANDARDS IN LIDL ROMANIA OPERATIONS AND PROCESSES

5. Environmental protection
 6. Planning and constructions
 7. Resource conservation
 8. Food waste
- ##### EMPLOYEES
9. Occupational safety and health
 10. Labor rights
 11. Employee training and development



CLIEȚI

RESPONSIBLE PRODUCTS

12. Sustainable products
13. Quality products and product safety

TRANSPARENCY

14. Traceability
15. Ingredients and nutrition information

CREATING SOCIAL VALUE

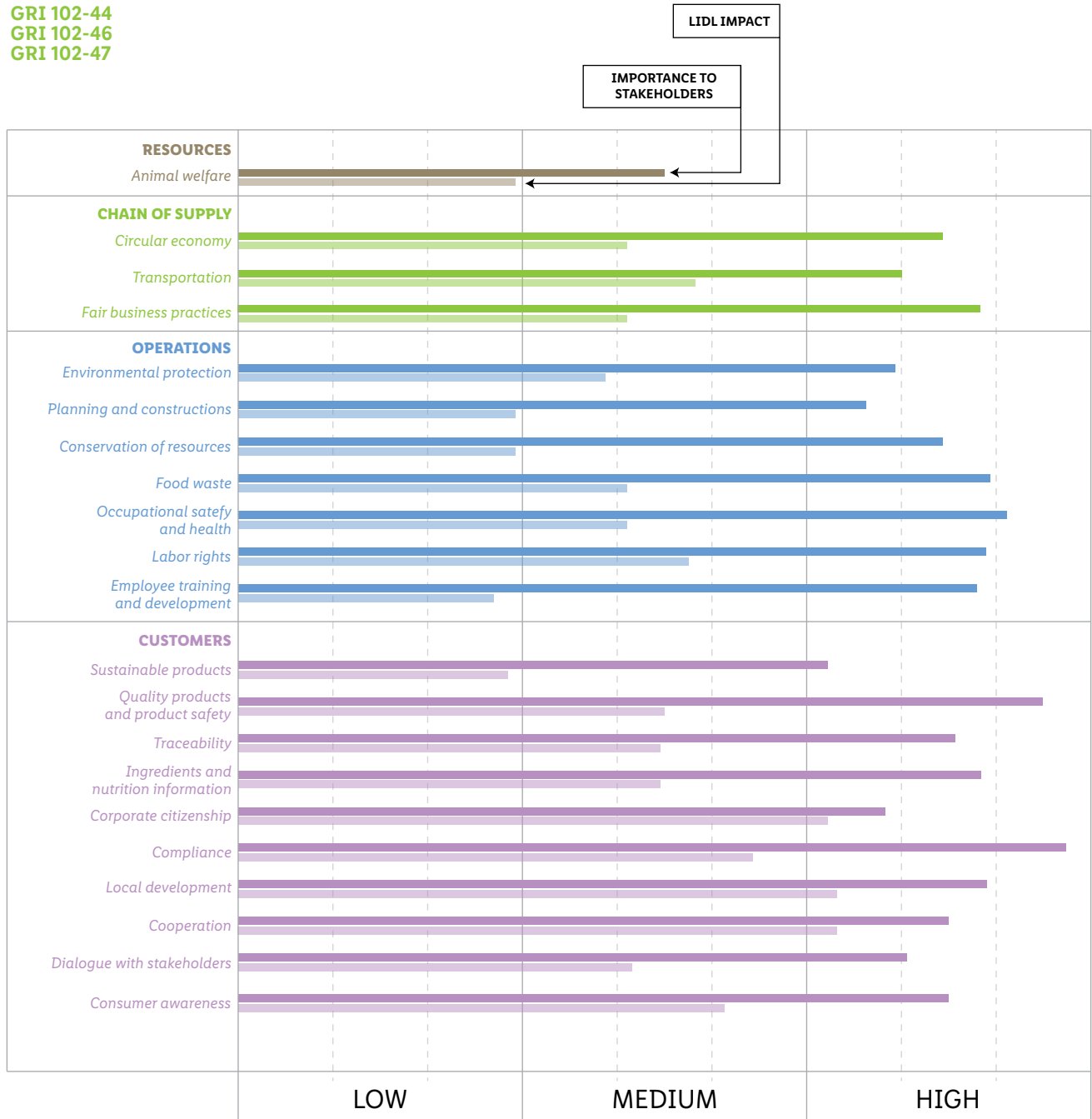
16. Corporate citizenship
17. Compliance
18. Local development
19. Cooperation

RESPONSIBLE COMMUNICATION

20. Dialogue with stakeholders
21. Consumer awareness

² Website GRI: <https://bit.ly/2Y1hNLb>

GRI 102-44
GRI 102-46
GRI 102-47





ABOUT LIDL ROMANIA

Lidl operates over 260 stores and 5 regional distribution centers in Romania, employing over 7,800 people.

The Lidl Romania central headquarters is located in Bucharest.

Customers that come into our stores can find a variety of products of the highest quality always available on our shelves, including an average of 3,155 daily use items. Our permanent product range is complemented by an average of 1,260 items available periodically, as part of our weekly offers. In addition to food items, our range also includes non-food items, such as cosmetics, clothing and small electrical appliances. Our own-brand products make up 82% of the entire product range. Products from other brands make up 18% of the total products range. 34% of products are purchased from local suppliers in the region. Our range also includes 151 organic food products and 47 Fairtrade certified products.

34% of products are purchased from local suppliers in the region. Our range also includes 151 organic food products and 47 Fairtrade certified products. As a discount retailer, Lidl values simplicity and process-oriented management, as well as its regional distributions centers and national subsidiaries, in order to provide high-quality products for the best prices to its customers on a daily basis.

Lidl Stiftung & Co. KG

Lidl is part of the Schwarz Group and is active on the food market in over 32 countries all over the world, with over 11,200 stores and over 200 warehouses

and distribution centers. Lidl employs over 310,00 people and has generated over €89 billion in sales the financial year 2019.

Lidl Stiftung & Co. KG, based in Neckarsulm, Germany, establishes the operational framework in collaboration with the national subsidiaries. As a systemic supplier, the company is responsible with conceptualizing and designing standardized processes.

The Schwarz Group

The Schwarz Group is an international retail company. Its core brands are Lidl and Kaufland, both based in Neckarsulm, Germany, but the group also includes companies like Schwarz Production, GreenCycle/PreZero and Dienstleistungen. The Schwarz Group employs over 458,000 people globally and operates over 12,500 stores and specialty stores in 33 countries. At the moment, the Schwarz Group covers a large share of the food industry value chain, from production and retail to recycling. Schwarz Production has its own brands of drinks, baked goods and ice cream, as well as chocolate and dried fruit. The next step is developing the freshly roasted coffee segment.

Moreover, in recent years the Schwarz Group has been committed to collecting, sorting and recycling materials. The company that provides collecting and recycling services within the group is PreZero.

TOTAL NUMBER OF WORKERS BY GENDER AND TYPE OF CONTRACT (PERMANENT/FIXED-TERM)/- TYPE OF EMPLOYMENT (FULL- OR PART-TIME)	2018		2019	
	MALE	FEMALE	MALE	FEMALE
NUMBER OF FULL-TIME EMPLOYEES	2,222	3,681	2,650	4,597
NUMBER OF PART-TIME EMPLOYEES	111	283	134	429
NUMBER OF WORKERS ON A PERMANENT EMPLOYMENT CONTRACT	2,337	4,001	2,779	5,023
NUMBER OF WORKERS ON A FIXED-TERM EMPLOYMENT CONTRACT	12	9	5	3



Retail is conducted through the two branches of the Schwarz Group, **Lidl** and **Kaufland**, that serve customers in various countries around the world daily.



At present, Schwarz Production's own-brand products include: mineral water and soft drinks, chocolate, dried fruit, baked goods and ice cream. Innovation and PET recycling are primary goals, in addition to that of supplying the retail divisions with high-quality products for the best prices.

SCHWARZ



Schwarz Dienstleistung supplies different administrative and operational services to the branches.



GreenCycle operates in the waste management and recycling sector, under the name (brand) **PreZero**, providing services such as collecting, sorting, processing and recycling materials. Through its innovative services, PreZero works towards the goal of reducing the amount of resources sent to landfills and generating zero waste.

AN OVERVIEW OF THE SCHWARZ GROUP

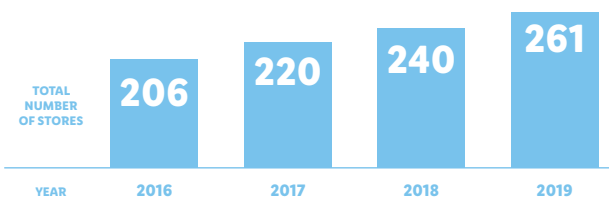
In the financial year 2019 Lidl Discount SRL generated a turnover of 10,275,405,255.03 lei. Starting this reporting period, financial information about our company will be disclosed in our non-financial report, drafted according to Directive 2014/95/EU. The report is available at: <https://corporate.lidl.ro/sustenabilitate/rapoarte-csr> The financial information disclosed at the end of december 2019 for each of the companies in the Lidl Romania group can be accessed through the website of the Ministry of Public Finance, using the tax identification number (CUI) listed in the table below.

COMPANY	CUI
Lidl Discount SRL	22,891,860
Lidl Imobiliare România Management SCS	15,139,385
Lidl România SCS	15,300,120
Lidl România SRL	14,962,609
Lidl România Digital	39,216,744

GRI 102-45

Details regarding our presence across the country, including the registered office addresses of each company in the Lidl Romania group and the addresses of our logistics centers, are available on page 11 of our previous sustainability report. The address of any store in our chain can be easily found by accessing our website: <https://www.lidl.ro/cautare-magazin>

Evolution of total number of stores 2016-2019:



A graphical representation of our supply chain was included on page 14 of our first sustainability report (for the reporting period 2016–2017)³. On page 15 of the same document you can also find a presentation of our brands and products. To give some examples: Cămara noastră, Brutăria Lidl, Fin Carré, Bellarom, Alesto, Pikok, Gelatelli, Lupilu, Cien, Pilos, Argus, Freeway and W5.



³ Lidl Romania Sustainability Report 2016-2017: <https://www.lidl.ro/cataloge/raport-de-sustenabilitate-2016/view/flyer/page/1>



Company management as of February 29th, 2020

Frank Wagner, Chief Executive Officer

Joachim Klaus Grabert, National Administrative Manager, member of the executive board

Anca Marcu, Human Resources Executive Director, member of the executive board

Zita Szlavikovics, National Sales and Logistics Director, member of the executive board

Daniel Ștefănescu, National Purchases and Marketing Director, member of the executive board

Dragoș Ionescu, National Central Services and Expansion Director

Affiliations

Lidl Romania's involvement in external initiatives and its affiliate organizations

Lidl Romania is an active participant in sociopolitical debate. Therefore, monitoring legislation, dialogue with political actors and collaborating with different associations in order to shape public opinion on a sectoral level are an integral part of our activity. Our main goal is to apply legislative requirements as quickly and efficiently as possible to our operational practices, while collaborating with suppliers to identify potential problems in the early stages.

Lidl Romania is has representatives in the following associations and organizations (a selection):

- AMRCR – the Association of Large Commercial Networks in Romania
- the German-Romanian Chamber of Industry and Commerce

Lidl Romania, through Lidl Stiftung, is also a member of the following international associations and organizations (a selection):

- | | |
|---|---|
| • Supply Chain Initiative | • Donau Soja |
| • Ellen MacArthur | • World Banana Forum |
| • amfori Business Social Compliance Initiative (BSCI) | • Forest Stewardship Council (FSC) |
| • Partner for Sustainable Textiles | • Fruit Juice Platform |
| • ACT – Action, Collaboration, Transformation | • Sustainable Agricultural Supply Chain Initiative (INA) |
| • Leather Working Group | • Global G.A.P. and GlobalG.A.P. GRASP |
| • ACCORD | • Alliance for Water Stewardship |
| • German Initiative on Sustainable Cocoa | • International Network Leading Executives Advance Diversity (LEAD) |
| • Roundtable on Sustainable Palm Oil (RSPO) | |
| • Round Table on Responsible Soy (RTRS) | |

As part of the Schwarz Group, Lidl Romania is also a member the following organizations:

- Ellen MacArthur
- UN Global Compact/ Pactul Global al Națiunilor Unite

Lidl Romania is also a partner of the following organizations (a selection):

- Marine Stewardship Council
- Aquaculture Stewardship Council
- Fairtrade

Our Sustainability Strategy

An in-depth description of the Lidl Responsibility Model, which in fact guides our sustainability strategy, is available on page 7 of our previous report. This model forms the foundation of CSR management and sustainability reporting. The 4 stages of the value chain that we consider to be major areas of responsibility have remained the same. The only changes that occurred are explained in the section Defining the content of the report on page 8. The scope of our responsibility continues to expand outside the

company itself. Our requirements regarding the social standards our partners uphold have been updated and added to our Code of conduct, which constitutes the basis of our business relations, our processes and the way we approach sustainability along the entire supply chain. The 4 stages of the value chain maintained their specific, relevant and measurable goals, with clear deadlines and results that will be monitored, analyzed, improved and reported regularly.

The 4 stages of the value chain are:



RESOURCES



THE SUPPLY CHAIN



OPERATIONS



CUSTOMERS





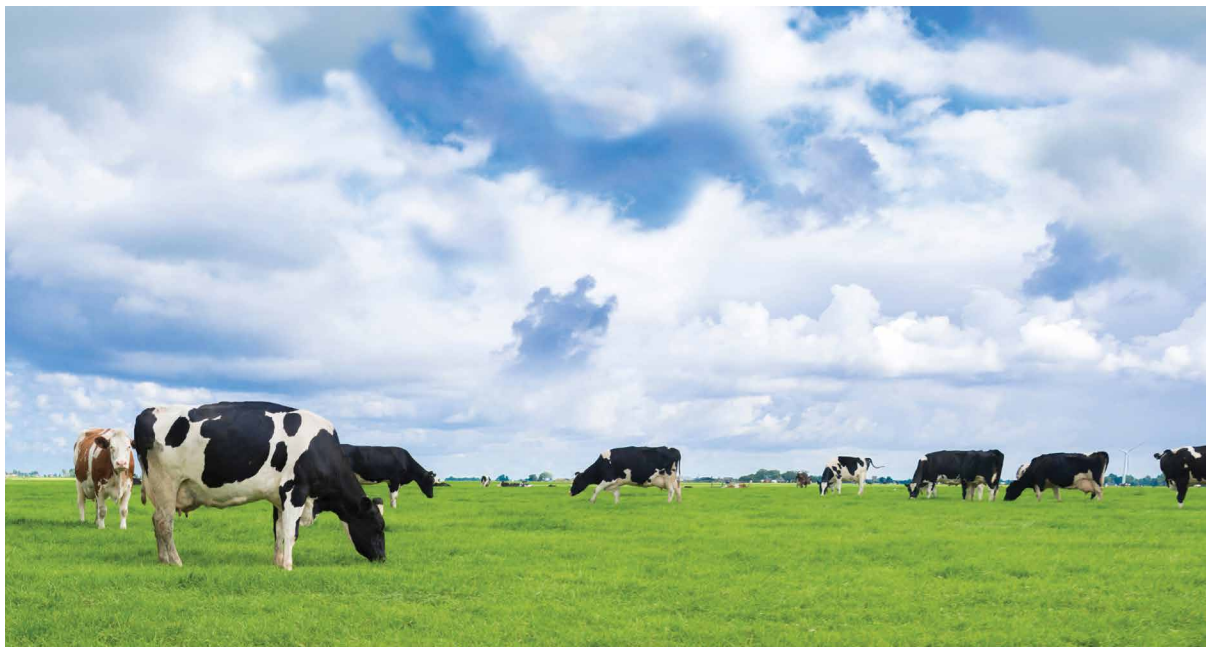
ANIMAL KEEPING STANDARDS

Animal welfare





Animal welfare



In the current reporting period, animal welfare remained one of Lidl's main concerns. The impact generated by the quantity of animal products retailed in our stores produces (indirect) effects across the entire value chain: from farmers and suppliers we collaborate with to consumers who make purchasing decisions in our stores.

Understanding our role and the responsibilities we have in this matter leads us to closely supervise the application of norms imposed by the law. Our purchasing department is the engine that drives this process.

In this reporting period, together with each supplier, we sought to meet the animal welfare criteria established by the company and listed in our previous report⁴. We collaborate and will continue to collaborate exclusively with suppliers who observe the law.

Prior results:



in 2016

we removed eggs produced by chickens raised in battery cages from our shelves.

in 2018

we also eliminated this types of egg from our local suppliers' recipes.

As a result of Lidl Stiftung & Co. KG adhering to the Fur Free Retailer Initiative, we have not sold any textile products, footwear or accessories made using mink, fox, coyote or rabbit fur.

⁴ Source: Lidl Romania Sustainability Report 2019, p. 18: <https://www.lidl.ro/ro/catalogue/raport-de-sustenabilitate-2019/view/flyer/page/1>







ENVIRONMENTAL PROTECTION STANDARDS ALONG THE SUPPLY AND PROCESSING CHAIN

*Circular economy
Transportation*



Maintaining high environmental protection standards and applying them along the entire supply and processing chain is how we ensure that the precautionary principle⁵ is observed in all purchasing processes and interactions with our suppliers. As defined by EU law, the purpose of the precautionary principle is to guarantee a high level of environmental protection through preventive measures and risk management.

Circular economy

This is one of the topics that have been renamed since our previous report (initially called Packaging). The Packaging chapter on pages 22 and 23 of that document⁶ contains a description of the policies and practices that we never deviate from and constantly seek to improve. Renaming was necessary because we believe that in this way we can better meet stakeholders' expectations, as circular economy is a more complex concept that encompasses not only the issue of packaging but also the steps we take in order to increase the potential of packaging waste as a resource.

The processing of resources occurs on the first level of the supply chain – suppliers that are in a direct contractual relationship with Lidl. Even though the impact we are responsible for is indirect, we know our responsibility manifests itself along the entire supply and processing chain. And because sustainability performance is very important to us, it is only natural that we exercise prudence in managing our purchasing processes and constantly improve our policies regarding this matter.

Resources are indispensable to our primary activity (food and non-food product retail) and some of them go into packaging. Any entity that introduces plastic into the commercial cycle is also responsible for its

perpetual use. Therefore, Lidl Romania and the Schwarz Group's have been interested in collecting, sorting and recycling these resources for many years.

We pursue the "*Less plastic – close the loop*" vision attentively and in close connection to the economy. The Schwarz Group – and Lidl Romania implicitly – deems itself an agent of innovation that is concerned with the future and aware of its responsibility towards society and the environment. In order to rise up to this standard, by 2015 we aim to reduce the amount of plastic used in our own-brand product packaging by 20% and take steps to maximize its recyclability. For this reason, we are very careful when it comes to making use of natural resources.



Furthermore, in 2018 the Schwarz Group signed the New Plastics Economy Global Commitment, an initiative of the Ellen MacArthur Foundation. To reach its goals, the Schwarz Group launched the REset Plastic strategy in the same year (see our previous report for details).



Let us remind you what the 5 principles of this strategy are:

REduce – We REduce the amount of plastic wherever it is possible and sustainable. And not just plastic packaging!

REdesign – Packaging is REdesigned to make it recyclable.

REcycle – We collect, sort and REcycle to close the recycling loop.

REmove – We support and initiate actions that actively contribute to the REMoval of plastic from the environment.

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

⁵ Source: European Union legislation portal, Communication on the precautionary principle: <https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=LEGISSUM:l32042>

⁶ Source: Lidl Romania Sustainability Report 2019, p. 22-23: <https://www.lidl.ro/ro/catalogue/raport-de-sustenabilitate-2019/view/overview/page/24>

Lidl Romania, as part of the Schwarz Group, has contributed to implementing REset Plastic in a significant way. Below are some examples of notable results obtained in the current reporting period (others are given in the Corporate citizenship chapter on page 61).



Due to the introduction of a new material in the manufacturing of Smoothie Solevita, there has been a 50% decrease in the total amount of virgin PET used.

-23,000 kg
of plastic

In the previous reporting cycle, we committed to taking action in this issue. Consequently, we replaced the plastic window of paper bags used in Lidl Bakery with one made of compostable material. Achieving this goal meant reducing the amount of plastic used by 23,000 kg.

-30,489 kg
of plastic



In the case of meat products, we redesigned the packaging for two products (sirloin steak and veal rib-eye) to fit our goals. Therefore, in 2020 the black plastic trays were replaced with cardboard packaging. As a result, we got a total of 30,489 kg (12,958 kg and 17,531 kg, respectively) of plastic off the market by the end of the reporting period.



-123,140 kg
of plastic

In Lidl Market we replaced the existing bags used for loose fruit and vegetables with ones that are 100% compostable. This endeavor saved 123,140 kg of plastic. After that, in January 2020, we introduced the option of purchasing reusable bags for weighing and transporting fruit and vegetables, as a sustainable alternative to single-use bags that we hope our customers will choose more and more often.



-39,204 kg
of plastic

Another initiative involved reducing the amount of plastic used for the packaging of Olidor oil. We reduced the weight of the container from 20 g to 18 g, which resulted in 39,204 kg less plastic being used overall.



Moreover, the PET packaging of our own-brand product Belbake Pudding was replaced fully with FSC MIX paper packaging.

In Lidl Market, we also replaced the plastic handle on potato and onion sacks with a paper label. In this case, the net amount of plastic used was reduced by 90%.



At the same time, in 2019 Lidl completely eliminated single-use plastic items, such as straws, cups, plates and cutlery, from its product range, thus keeping another commitment made in our previous report. Lidl aligns with the EU Council's decision to prohibit the use of single-use plastic items and took this measure voluntarily, prior to the decision coming into force in 2021. Single-use items were replaced with environmentally friendly alternatives.

We will continue to look for such solutions to either fully eliminate plastic from packaging or reduce the amount of plastic packaging we put on the market, selecting recyclable alternatives, if possible. We operate responsibly not only in our stores and in our relationship with customers, but also in our headquarters.

Therefore, by eliminating single-use containers, straws, cups and cutlery from the employee cafeteria and café at our central headquarters and replacing them with biodegradable alternatives at the end of March 2019, we reduced the amount of plastic used in those spaces.

With respect to the materials we use in our transit packaging, as well as other recyclable materials we collect in our warehouses and stores, we recycled the following quantities:

	2018	2019	Variation 2018/ 2019
Plastic and plastic film (tonnes)	1,315	1,605	22%
Cardboard and paper (tonnes)	27,420	32,413	18%
Iron (tonnes)	305	242	-21%
Wood (tonnes)	1,490	2,680	80%
WEEE – waste of electrical and electronic equipment (tonnes)	165	277	68%
Batteries (tonnes)	3	9	200%
Total (tonnes)	30,698	37,226	21%

459 trees saved

-569,987 kg CO₂e

-50,965 kg of waste

Alongside our partners at CHEP, we extended our collaboration regarding the shared use of reusable pallets, thus contributing to a decrease in the number of pallets used for packaging, transportation and storage.

According to the sustainability certificate issued by CHEP Romania, through the pallet reuse service we obtained the following results: we saved 459 trees from being cut (compared to 342 in the previous year), we reduced pollution by 569,987 kg CO₂e (compared to 426,485 kg CO₂e) and waste by 50,965 kg (compared to 38,494 kg).



COMMITMENTS FOR THE FUTURE

By 2025, all our own-brand product packaging (making up approximately 80% of the entire product range) will reach the highest possible percentage of recyclability. In addition, we will reduce the amount of plastic used in packaging by 20%.



We plan to reduce the amount of plastic that goes into raw meat packaging trays (chicken, turkey, pork and beef) and cookie containers. We also intend to eliminate the plastic window on cosmetic wipe packages.

We also aim to reduce the amount of plastic used for frozen stir-fried vegetables by replacing the existing plastic film with a thinner alternative.

At the same time, we plan to reduce the plastic used for the packaging of physalis fruit by 100%, by replacing it with recyclable cardboard.

We will continue to analyze our packaging and if any overcalibration is detected with regard to the composition or shape of the cardboard, we will adjust the respective parameters. We will have the same approach in the case of transit packaging used for fresh produce (meat, fish). In this case, we will seek solutions to prevent the loss of merchandise and optimize transportation space.





Transportation

According to the National Sustainable Development Strategy 2030⁷, the Romanian transportation sector is a priority, especially because of the interdependency between this sector and the other branches of the economy, but also because of how valuable these services are to the population and their massive impact on the environment. The same document states that the infrastructure is deficient in many aspects. Its condition according to the agreed system of classification is "50% good, 30% medium and 20% poor". On the other hand, one of the targets for 2030 is to reduce air pollution.

In recent years, air quality has become a constant concern for Romanian society as a whole. We at Lidl have taken an interest in the matter since the start of our activity, as transportation is a critical component of a steady supply flow. We know we must take action to limit emissions derived from transportation, which are one of the main sources of air pollution.

Our desire is to develop an efficient and less polluting transportation system, all the more so because our stakeholders consider this topic important. For this purpose, we attentively examine carriers on the Romanian market whose fleets produce less pollution, the optimal loading rate of vehicles and ways of optimizing routes.

In our previous report we mentioned our intention to test a scheduling and route planning app that would optimize the transportation process even more. Quintiq is a cutting-edge transportation management software and during this reporting period Romania was chosen as one of the first

countries to test it. The platform was successfully used in our logistics centers in Chiajna and Nedelea and will gradually make its way into our other regional centers as well. Quintiq helps us efficiently plan the loading of vehicles, calculate the minimum number of drop-offs at stores, reduce waiting times for carriers and have direct access to transportation costs.

A correct calculation of the minimum number of deliveries and the estimated duration (depending on traffic data at the time of delivery) enables us to reduce the number of kilometers driven, thus limiting the amount of emissions.

⁷ Source: <https://www.edu.ro/sites/default/files/Strategia-nationala-pentru-dezvoltarea-durabila-a-Romaniei-2030.pdf>



Depending on the local context, we are also committed to collaborating with carriers that use trucks equipped with Euro 5 or Euro 6 engines. In the purchasing process we continue to take into account the technical features of vehicles, as well as carriers' ability to renew their fleet and increase the number of trucks while complying with Euro 5 and Euro 6 norms.

	2018	2019	Variation 2018/ 2019
Number of transportation service providers	37	26	-30%
Number of trucks used	193	187	-3%
Euro 6 (% of total)	13%	25%	+12p.p.**
Euro 5 (% of total)	58%	54%	-4p.p.**
Euro 4 (% of total)	8%	11%	+3p.p.**
Euro 3 (% of total)	21%	10%	-11p.p.**
Average warehouse-to-store distance (km)	151	114	-25%
Total emissions* kg CO₂ (trucks)	6,059,991	5,874,917	-3%

*The average emission factor is 0.239 kgCO₂/km and is calculated as a weighted average, taking into account all the different types of trucks in the fleet (Euro 3, Euro 4, Euro 5 and Euro 6).

**Percentage points.

We also aim to reduce the average distance per warehouse and, consequently, fuel consumption and emissions. Before we opened our logistics center in Roman, we estimated that the average transportation distance would decrease by 116 km. After its inauguration, we found that the average distance dropped from 151.36 km to 114 km (25%).

We will keep optimizing transportation routes, in parallel to opening of our 6th warehouse, located in Cernica, which we expect to inaugurate in 2022.

All of this is the result of monitoring whether trucks are loaded to capacity and the routes they take (using GPS systems installed on semi-trailers) weekly, as well as quickly informing the carrier in case of irregularities.

At the end of each year, we analyze the indicators achieved compared to the target values and the Logistics department updates the standard delivery plan.

We are happy to report that in the financial year 2019 we received no fines for overloading and were not involved in any accidents resulting in personal injury.

In the next period we will pay close attention to the way each carrier complies with Euro 5 and Euro 6 pollution standards. Moreover, we will make sure that GPS systems are installed on every vehicle, which will allow us to closely monitor potential deviations from the established routes.

Fair business practices

In 2011, The Office of the UN High Commissioner for Human Rights adopted a set of guiding principles⁸ for the business environment. These principles outlined the role companies play in conducting business fairly, as well as their obligation to respect human rights and comply with the applicable legislation.

In lack of notable results or a significant decrease in the number of violations of these principles, in early 2020 the European Commission⁹ announced that it would pass new legislation meant to protect workers in the supply and processing chain. As a result, both national legislation and regulations regarding companies' responsibilities will make human rights and environmental due diligence on suppliers mandatory.

At the consumer level, the new societal shifts are already reflected in the care put into purchasing decisions. When choosing a product off the shelf, our customers want to be certain of the quality, that it was produced safely, that the raw materials come from renewable sources, that no person was forced to work, no child was exploited, work was duly and fairly remunerated, and all taxes were paid.



As a responsible retailer, we seek to develop our relationship with each of our over 9,200 suppliers of goods and services (7,500 of which are local). The number of products available on our shelves, supply continuity and our growth within the Romanian market are proof that we succeeded in building relationships based on trust with our suppliers, who we always pay on time, according to the applicable legislation and the deadlines agreed upon in the contract.

In October 2019 we published our policy¹⁰ regarding due diligence. It describes the following: our efforts to reduce risks, be they associated to the company or the environment; our concern for the wellbeing of our suppliers' employees; roles and responsibilities within the group and the local community; initiatives we adhered to related to this topic; goals and their respective deadlines.



In 2019 Lidl also joined the ACT (Action. Collaboration. Transformation.) initiative. The goal is to ensure that workers in textile manufacturing countries make a decent living and their rights are protected across the production chain. Details about this initiative are available here: <https://corporate.lidl.ro/sustenabilitate/textile>



As for our collaborations with local suppliers, we continued to facilitate the export of Romanian-made goods to Lidl stores in other countries. More examples are included in the Local Development chapter on page 69.

⁸ Source: Guiding Principles on Business and Human Rights: Implementing the United Nations 'Protect, Respect and Remedy' Framework: <https://tinyurl.com/yd2oxpze>

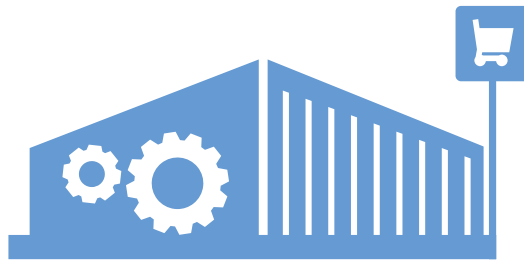
⁹ Source: Responsible Business Conduct, working group on new European due diligence legislation: <https://tinyurl.com/yd2go7ek>

¹⁰ Source: Lidl Romania website: <https://tinyurl.com/ycrg6fso>



	2018	2019
Amount invested in goods purchased from Romanian suppliers for the permanent product range (% of total)	47%	49%
Increase in the amount invested in goods purchased from Romanian suppliers for the permanent product range (%)	24%	32%
Amount invested in goods purchased from Romanian suppliers for the entire product range (% of total)	43%	45%
Increase in the amount invested in goods purchased from Romanian suppliers for the entire product range (%)	25%	33%





ENVIRONMENTAL PROTECTION STANDARDS IN LIDL OPERATIONS AND PROCESSES

Environmental protection
Planning and constructions
Conservation of resources
Food waste



Environmental protection

At the end of 2019, the European Commission put forth the European Green Deal¹¹, a strategic document aiming to turn risks related to climate and the environment into opportunities and ensure a just and inclusive transition to climate neutrality. This new European strategy refers to all economic sectors: from agriculture to textiles, from IT and technology to chemicals, from transportation and energy to buildings. The deal provides an action plan to move towards circular economy, boost the efficient use of resources, restore biodiversity and cut pollution.

The initiative was launched after repeated warnings from the United Nations, through the Intergovernmental Panel on Climate Change (IPCC)¹², regarding the accelerating rate of climate change and the consequences we will all have to face, both as individuals and as a society. In fact, in 2019 the European Environment Agency published a report¹³ warning that one of the major risks that lie ahead is the occurrence of extreme weather events, including exceptionally heavy rains followed by floods, but also heatwaves.

We are, therefore, intensely focused on reducing our own carbon footprint, so as to mitigate the negative impact of our activity as much as possible.

On page 30 of our previous report, we explained the international principles, norms and standards that guide us, many of which are also applicable to our suppliers. The fact that we have maintained our certifications (either through annual compliance audits or recertification) is proof of our desire and constant effort to operate using efficient management systems, to raise awareness of environmental issues among our employees, increase efficiency in the use of resources, generate as little waste as possible and constantly improve our environmental performance.

In the following pages you will find information about the measures we took in our stores, our logistics centers and our central headquarters in the reporting period, while the chapter Environmental Protection Standards along the Supply and Processing Chain describes our approach to environmental protection in our relationship with suppliers.

¹¹ Source: European Commission, European Green Deal: <https://tinyurl.com/rxt24ss>

¹² Source: IPCC – Intergovernmental Panel on Climate Change, Reports and recommendations: <https://www.ipcc.ch/reports/>

¹³ Source: European Environment Agency, The European environment – state and outlook 2020: <https://tinyurl.com/y78zm9g9> și <https://tinyurl.com/yb2xnr5s>



Planning and constructions

In recent years, Lidl Romania has undergone a significant expansion. We extended our network of stores, built logistics centers with nationwide coverage and moved our central headquarters into an environmentally friendly, highly energy efficient building, designed to meet the requirements set by the highest sustainability standard in the industry.



In parallel, we sought to obtain a confirmation that the environmental impact of these buildings is as low as possible, either through regular management system audits or through recertification processes.



33+1
stores logistics center

It gives us great pride that 33 new stores and our logistics center in Roman were awarded the **EDGE** (*Excellence In Design For Greater Efficiencies*) certification at the end of the fiscal year 2019.



THE MOST EFFICIENT AND SUSTAINABLE
STORE IN THE WORLD

BREEAM Outstanding

During the same period, our store at 58A Căpitan Aviator Alexandru Șerbănescu Street in Bucharest was awarded the **BREEAM** (*Building Research Establishment Environmental Assessment*) **Outstanding** certification with a score of 99.1%. This is the highest score ever obtained by a store, putting it in first place worldwide and making it the first store in Romania to receive this level of certification. At the end of the reporting period, our central office building and our warehouse in Lugoj were in the process of receiving the same certification. As of the publishing of this report, both have successfully obtained the BREEAM certification, as a confirmation of their efficiency and low environmental impact.



EVOLUȚIE NUMĂR DE MAGAZINE

	2018	2019	Variation 2018/ 2019
Number of stores (total)	240	261	9%
Number of newly opened stores	20	21	5%

In the next reporting period, we plan to maintain our current expansion rate of 15 stores per year.



Once it enters the retail network, each store is connected to our resource (water, energy) consumption monitoring system. The data generated by this system allow us to intervene in case of malfunctions, in order to quickly fix the problem, but also to identify the optimal moment to upgrade the building. When sales areas are expanded, we reassess the most feasible solutions for equipping the building.

5 stores were upgraded in the fiscal year 2019 and in 2020 we plan to upgrade 7 more.

Installing integrated building management systems (BMS) makes our infrastructure more energy efficient, by reducing energy consumption (by over 5%, according to internal monitoring systems), but also

by improving giving us more control over the use of equipment, especially in the case of lighting and HVAC systems.

These measures even help prevent fires that may occur as a result of malfunctions of electrical devices and are a step forward in local standards. In 2019 we replaced the old distribution boards with safer and more efficient ones in 7 of our stores.



We are also looking into installing solar photovoltaic panels on the roofs of our stores. This can lower the cost of energy purchased from external sources per store (by up to approx. 20%) and reduce our carbon footprint (by approx. 100,000 kg/year).

We want to make sure that the panels are feasible, especially given the fact that their efficiency depends on geographical location and the varying weather conditions in Romania.

Conservation of resources

We previously mentioned that all the measures we take also serve the purpose of cutting power consumption.

Therefore, in the reporting period we invested in:

- replacing heating, ventilation and air conditioning systems (HVAC) with more efficient options (replacing boiler/chiller systems with VRV systems)
- in former PLUS stores in our network where the sales area is being extended, we introduced and will keep introducing heat recovery ventilation systems – a solution we already implemented in stores we built from scratch.

In order to ensure high energy efficiency, we continued the series of audits conducted in our stores and logistics centers and made sure that the real-time consumption monitoring system (GLT) is perfectly

functional. One of our goals for the financial year 2020 is to be recertified to ISO 50001. This will be a confirmation of our level of efficiency and our compliance with European requirements regarding energy management.

The increase in our total electricity consumption compared to the previous reporting period is justified by our local expansion rate. However, the share of renewable energy according to the energy label has increased as well.

Although our efforts to find a supplier that is able to provide 100% renewable energy did not come to a positive conclusion, we will continue to pursue this goal. Our hope is that the local market will keep developing and we will be able to achieve this goal in the near future.

ENERGY	2018	2019	Variation 2018/ 2019
Total energy consumption (MWh)	118,961	136,852	15%
Energy consumption per unit of construction area (kWh/m ²)	214	210	-2%
CO2 emission factor for electricity (g/kWh) – according to the energy label provided by the supplier	308	231	-25%
Renewable energy (%) – according to the energy label	44%	45%	+1p.p.*
Coal (%) – according to the energy label	32%	22%	-10p.p.*
Nuclear (%) – according to the energy label	12%	24%	+12p.p.*
Natural gas (%) – according to the energy label	12%	8%	-4p.p.*
Heating oil (%) – according to the energy label	0.02%	0.01%	-0.01p.p.*
Other conventional sources (%) – according to the energy label	0.46%	1.67%	+1.21p.p.*
Total indirect CO ₂ emissions (t CO ₂) – approximation	36,609	31,558	-14%

* Percentage points.



Switching to 100% LED lighting in all of our stores, warehouses and parking lots was one of the goals we set in our previous reporting cycle. With the exception of former PLUS stores, where we are still looking into the best ways to increase efficiency, this goal has been achieved: all of our new stores and warehouses (including the most recent one in Roman) now use LED lighting exclusively.

The overall annual energy savings estimated in our network were around 16.2% (9,600 MWh). This is especially due to replacing conventional lighting systems with modern LED systems and represents the mean absolute deviation in relation to the scenario in which the buildings in our network would not have been equipped with this type of lighting.

For more efficient energy consumption, but also to substantially reduce the use of freon, in the reporting period we continued the process of replacing open display fridges in our stores with more environmentally friendly models.



We are even interested in reducing the negative, unintended and indirect impact on the environment

produced by the customers who come into our stores. This is why we came up with the idea to develop a network of electric vehicle charging stations. By the end of the reporting period we managed to reach a number of 33 functional stations – 21 at stores in Bucharest, Dumbrăvița, Timișoara, Reșița and Oradea, and 12 at our central headquarters in Bucharest and our administrative headquarters in Lugoj. Access to these stations as well as charging itself are free. In 2020 every new store we open will be equipped with charging stations.

Another goal we pay close attention to has to do with water consumption, namely measures regarding the early detection of water loss and dealing with malfunctions quickly, so that losses are kept to the minimum.

Many of the good practices for reusing water recommended in the WaterCore Guide¹⁴ have already been implemented by our company: recycling water for different uses, quickly detecting and dealing with leakage, using water-saving devices.

At the moment, around 20% of our stores are connected to the water usage remote monitoring system. We will continue updating this system in the following years, based on the periodical assessment of consumption and the potential to reduce it.

WATER	2018	2019	Variation 2018/ 2019
Total water consumption (m ³)	317,095	378,675	19%
Rainwater collected in accordance with current regulations (m ³)	411,396	430,311	5%

For now, none of our main headquarters (central and regional) are located in water-stressed areas and the water consumption per store has no significant negative impacts on the community.

¹⁴ Source: Interregional Cooperation Program – INTERREG IVC, Water CoRe Project, Good Practice Guide:
http://www.mmediu.ro/beta/wp-content/uploads/2013/08/2013-08-12_WATER_CoRe_Manual_bune_practici.pdf



Food waste

According to the National Sustainable Development Strategy 2030¹⁵, Romania has almost fully overcome its struggle with hunger.

However, Eurostat data¹⁶ shows that, despite the fact that the numbers have been dropping since 2012, 31.2% of Romanians still live or face the risk of living in poverty.

In terms of internal management, in order to cut food waste, we extended the system for generating orders from our stores across all warehouses. This allowed us to optimize stock and closely monitor which food and non-food items can be donated to our social partners.

Food products pulled from stores in optimal condition were checked and sorted. All items that were not past the expiration date and met all the requirements for human consumption were donated.

Returned non-food items in our warehouses were also divided into damaged and usable, then donated.

We want to keep the volume of food products that turn into waste to a minimum. Therefore, in the reporting period we continued to signal products near their expiration date with "30% off" stickers.

On top of that, in January 2020 we introduced daily sales in the fruit and vegetable section. This means that every day during the last two hours before closing time, our customers can buy certain items 30% cheaper than their price throughout the rest of the day (such as lettuce, green onions, radish bunches and others).



It is worth noting that in this reporting period we sent a total amount of 2,500 tonnes of waste consisting of goods unfit for human use to incinerators.

Beyond numbers, we see people. In order to come to their aid, we will continue to support the development of food banks in Romania and the founding of a Romanian National Food Banks Federation, including in joining the European Food Banks Federation.



**Reteaua
națională
a băncilor
pentru
alimente**

*Împreună împotriva risipei alimentare,
împreună împotriva sărăciei.*

In 2019 we covered the operating costs of (salaries, purchasing of vehicles and gas, renting warehouse space) and donated goods to several local food banks (see the Corporate citizenship chapter on page 61 for more details).

¹⁵ Source: Government of Romania, Department for Sustainable Development: <https://www.edu.ro/sites/default/files/Strategia-nationala-pentru-dezvoltarea-durabila-a-României-2030.pdf>

¹⁶ Source: Eurostat, People at risk of poverty and social exclusion: https://ec.europa.eu/eurostat/web/products-datasets/-/sdg_01_10

Amount of goods donated (including packaging)	2018	2019	Variation 2018/ 2019
Total amount of food items (tonnes)	48	89	85%
Total amount of non-food items (tonnes)	102	221	117%
Pet food (tonnes)	89	252	183%

On top of the amounts donated to food banks and other organization we work with listed in the table above, in partnership with the Cluj Food Bank, we also collected the excess merchandise in Lidl stores following Electric Castle, a festival sponsored by our company. 365.4 kg of food were donated to the bank. Moreover, several NGOs that deal with animal rescue (such as Kola Kariola, Robi, Cezar, Free Amely) received donations in pet food.

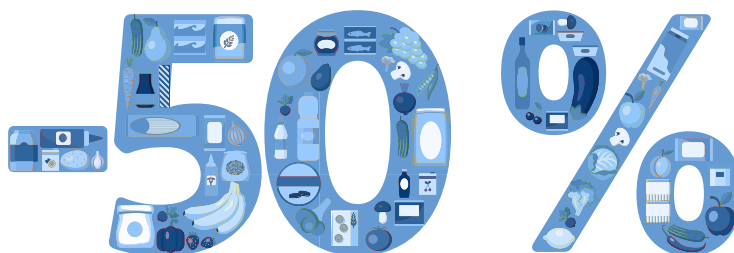


Commitments for the future

In the next reporting period, we will extend the range of products on sale in our stores, for the purpose of preventing food waste.

Apart from donating from our warehouses, we will begin donating leftover baked goods from our stores as

well. We will continue to support the opening of food banks, launch a new customer awareness campaign aiming to reduce food waste, as well as a sales campaign to encourage our customers to buy items that are still fit for use using reduced prices.



SDG 12.3¹⁷: One of the United Nations' Sustainable Development Goals is to halve food waste at on the individual level and across the retail industry, as well as reduce food loss generated along the supply and production chain. We bring our contribution to this goal through all the steps we will take to prevent food waste.

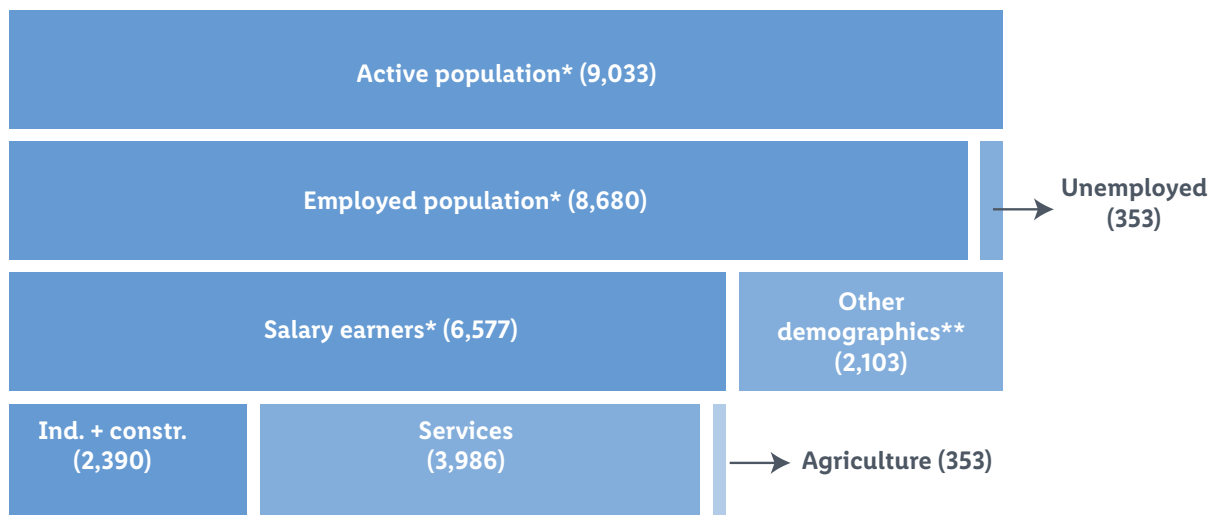
¹⁷ Source: United Nations Sustainable Development Goals: <https://sdgs.un.org/goals>

EMPLOYEES

While in the past 3 years Romania saw a decrease in its active population (9,033 thousand people¹⁸ in 2019, compared to 9,069 thousand people in 2018 and 9,120 thousand people in 2017¹⁹), the employment rate maintained an upward trend, reaching 70.9% in people aged 20 to 64 (compared to 69.9% in 2018 and 68.8% in 2017)²⁰.



Demographics in 2019 – in thousand persons –



* Including armed forces and similar staff and persons operating in the informal sector or on the black market.

** Other demographics: business owners, freelancers, unpaid family workers and members of agricultural associations and cooperatives.

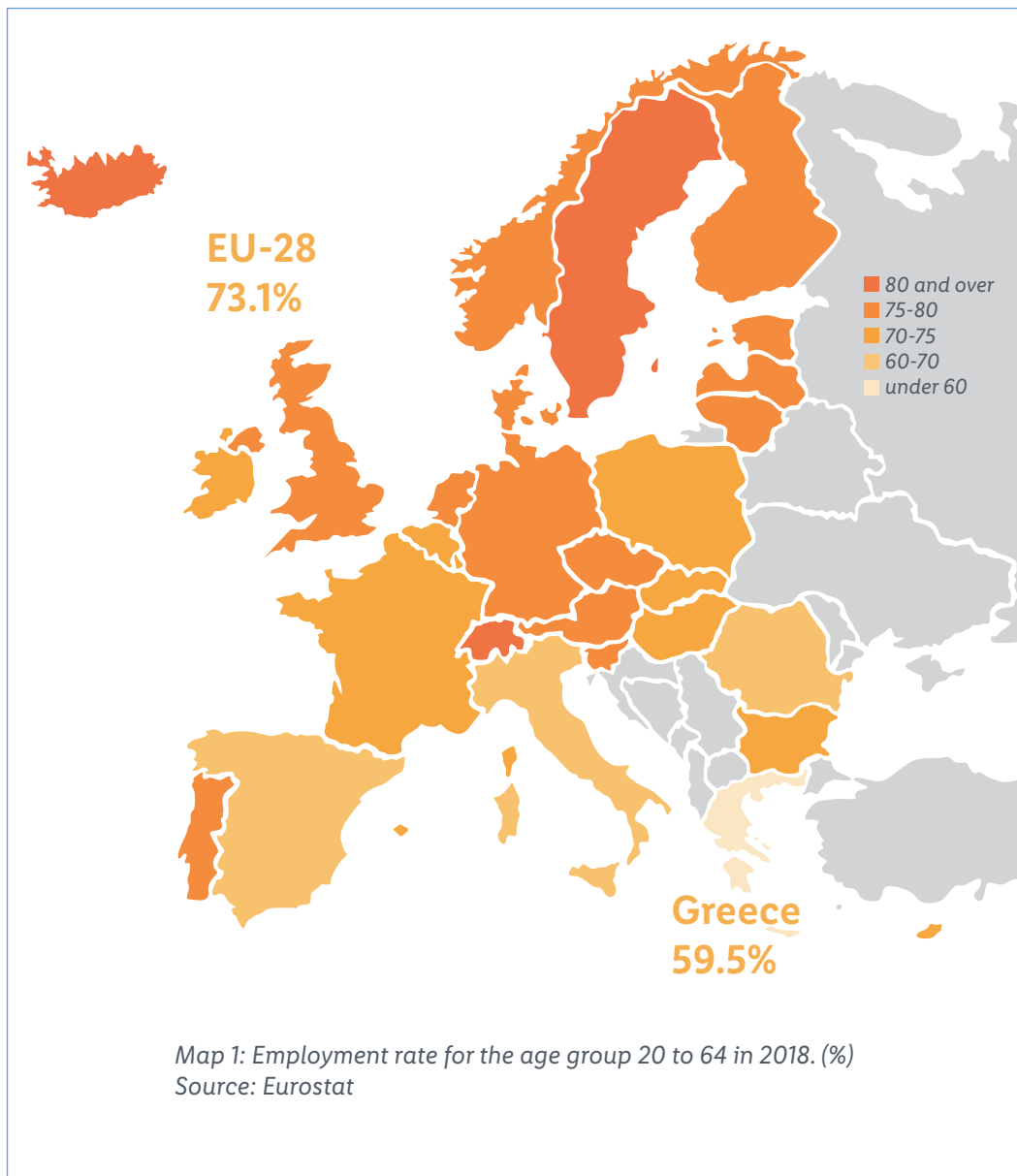
¹⁸ National Institute of Statistics: <https://bit.ly/3d3ohQ4>

¹⁹ National Institute of Statistics, Romania in Figures, 2019: <https://bit.ly/2LVkd8q>

²⁰ National Institute of Statistics: <https://bit.ly>, <https://bit.ly/2M3yD6x>

The employment rate for the age group 20 to 64 was 0.9 percentage points over the national target set by the Europe 2020 Strategy, but below the European average of 73.1% in 2018.

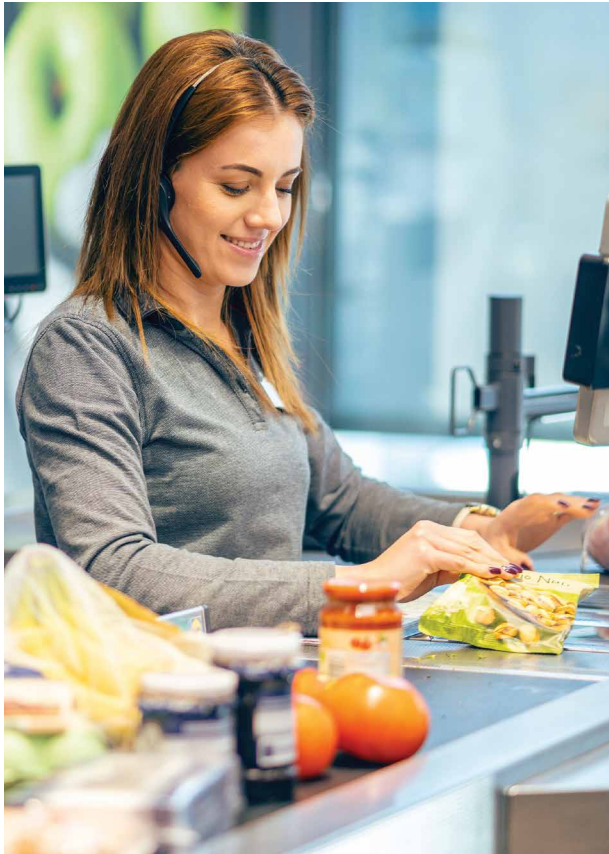
In the context of continuous population ageing (caused by a low birth rate and external migration), the growing employment rate will bring with it a more and more limited labor pool nationally.



Under these circumstances, Lidl's concern for providing a safe work environment, guaranteed pay and attractive benefits to its employees become all the more important.

Workplace safety

Providing a safe workspace for all of our employees is a constant priority. We employ all the medical services necessary to prevent, diagnose, monitor and treat occupational illnesses and protect our employees' health and ability to work. This is done through a collaboration with a supplier specialized in medical services and employees' health is monitored by occupational health physicians.



All employees must undergo the following examinations:

- Pre-employment medical examination, to establish a person's permanent or temporary ability/conditional ability/inability to meet the requirements of the job/profession.
- Routine medical examinations.
- Return-to-work medical examination, which occurs after a minimum of 90 days away from work due to health reasons or 6 months due to any other reasons, within the first 7 days since resuming activity.

Each of these examinations is followed by filling out the occupational health report. This can only be done by the occupational health physician, who must provide two copies of the report – one for the employer and one for the employee.

We keep our employees' personal health information confidential by restricting access to medical files opened upon hiring and monitored throughout employment. Only the occupational health physician and members of the HR department with responsibilities in this area may consult employee health records.

Medical records are kept for the minimum amount of time during which health is affected for each occupational hazard category, as follows:

- the occupational health and safety office keeps all the medical records, occupational risk exposure reports and data related to occupational morbidity;
- the employer keeps a list of jobs with associated occupational risks and the occupational health report (all information is confidential and access is only permitted under the conditions previously mentioned).

Our company's Occupational Safety and Health (OSH) Committee continued to operate as an internal component for monitoring all aspects of OSH (details about its structure and responsibilities are available on page 60 of our previous report). We consult employees on OHS matters through specific representatives with responsibilities in this area. They are consulted, they participate in the OSH committee's meetings and perform the following tasks:

- they collaborate with the employer to improve health and safety in the workplace;
- they accompany the team/person that performs risk assessments;
- they raise awareness of the importance of occupational health and safety measures among workers;

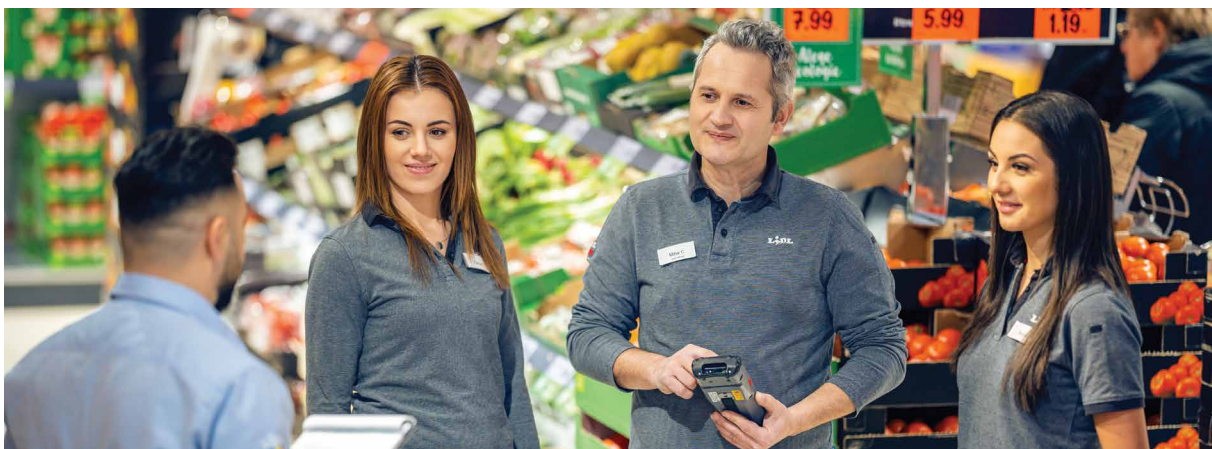
- they bring employees' suggestions for improving working conditions to the attention of the employer or the OSH committee.

As a way of promoting a healthy and safe work environment within the company, we provide OSH training to all employees. Training costs are fully covered by the company and training sessions take place during working hours. There are 3 types of OSH training:

1. general introductory training (1 h on the first day of employment, followed by an examination);
2. workplace training (1 h on the second day of employment);
3. recurrent training (1 h with the following frequency: every 4 months for junior staff; every term for senior staff).

This way we ensure that employees are fully trained with respect to:

- occupational safety and health legislation;
- possible consequences of not knowing or not following the applicable legislation;
- risk of accidents and occupational illness particular to each position within our company;
- specific provisions associated with the workplace/ position;
- company-wide measures for providing first aid, extinguishing fires and evacuating staff, as well as in case of serious and imminent danger;
- occupational safety and health regulations associated with specific tasks pertaining to the workplace/ position.

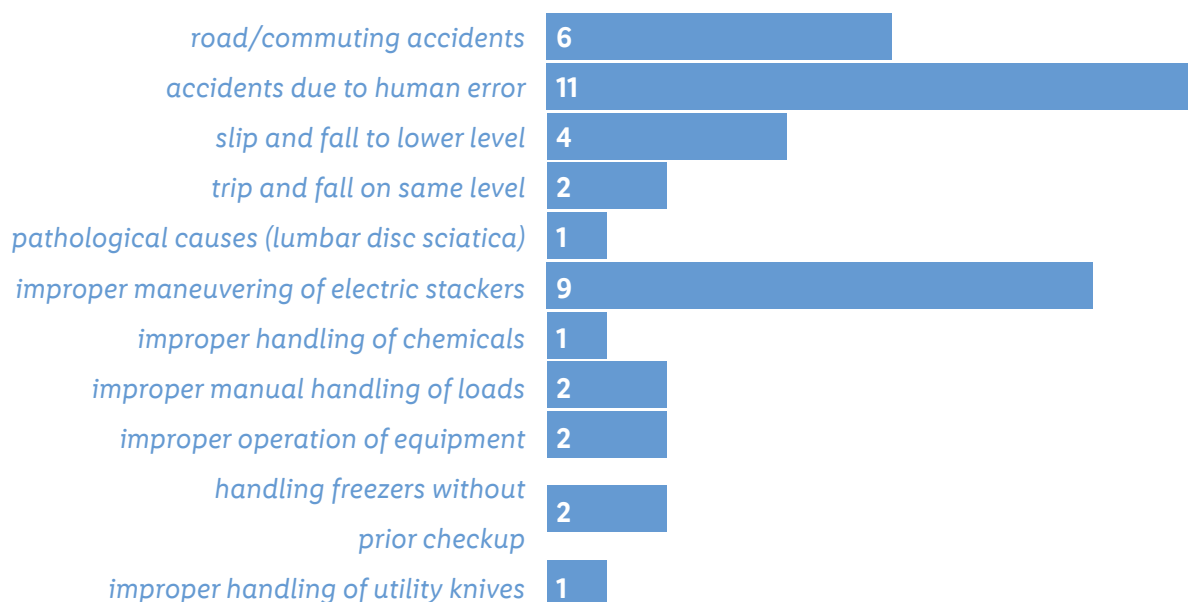




This is achieved through a combination of training techniques and methods that combine theory, case studies, viewing of slides and short films with practical demonstrations and exercises, as well as virtual simulations of real situations. Training is designed according to the needs identified for each type of staff, taking into account specific risks of illness and injury. In the reporting period, the average number of training hours per employee dedicated to occupational health and emergency situation management was 22.26.

In the course of the financial year 2019, 41 work-related accidents were reported. The accident rate was 3.29²¹, registering an increase compared to 1.93²² in 2018. Out of the total number of reported work-related accidents, there was one case of high-consequence injury²³. As a result, in this reporting period the rate of high-consequence work-related accidents was 0.08²⁴, registering a rise compared to 2018, when no such cases were reported. This rise occurred in parallel to an increase in the average number of employees (from 5,481 in 2018 to 7,418 in 2019) and a doubling of the number of commuting accidents.

Distribution by type of accident:



A tragic incident resulting in death was also reported. The person suffered a cardiac arrest while performing their work tasks. Following an investigation conducted by the competent authorities from the Territorial Labor Inspectorate, the event was not classified as a work-related accident.

²¹Rate calculated per 1,000,000 hours worked.

²²Rate calculated per 1,000,000 hours worked.

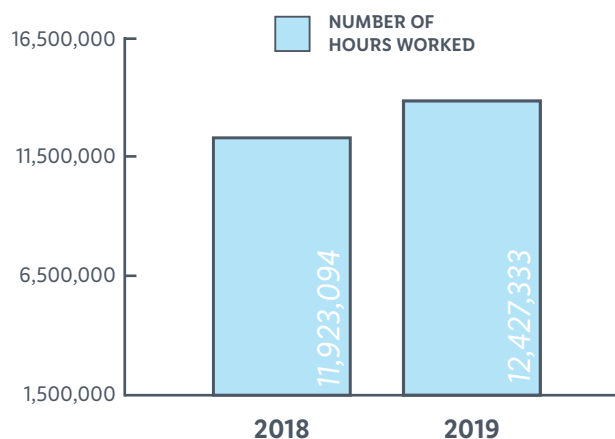
²³ According to the GRI 403 standard (2018): a work-related accident resulting in death or other injuries from which the worker does not or cannot recover to pre-injury health status within 6 months.

²⁴ Rate calculated per 1,000,000 hours worked.



In order to eliminate occupational risks, the OSH contractor conducted inspections and we made sure employees received training regarding the main causes of work-related accidents and the necessary safety measures. At the same time, we make sure that employees who handle electric stackers receive annual training. The following steps were also taken:

- we displayed the rules employees must follow with respect to unloading ramps in all of our stores;
- we displayed the work-related accident reporting procedure in all of our stores, in the employees' relaxation area;
- we rolled out efficient lifeline systems to protect workers (internal staff or contractors) who temporarily perform tasks on the roofs of our stores against slippage. As of this report 31 such systems were installed.
- installing roof access ladders in 80 stores.



With respect to leased employees, we are in the process of completing mechanisms for monitoring indicators related to their health and safety.

In our previous report we gave a detailed account of the processes and procedures we use to assess occupational risks facing our own staff, as well as leased employees working at our locations. Details about these processes and procedures are available on pages 41 and 42 of our previous sustainability report (<https://www.lidl.ro/ro/catalogue/raport-de-sustenabilitate-2019/view/overview/page/44>).

Here are several commitments we honored:

- ✓ by the end of March 2019 we managed to install additional safety signals in all 5 of our warehouses;
- ✓ by the end of June 2019 we installed traffic mirrors in all 5 warehouses to ensure better visibility for workers operating forklifts and electric stackers;
- ✓ we organized first aid training sessions for employees in our regional and central headquarters;
- ✓ we put together an instructional material on the causes of work-related accidents and ways to mitigate or completely eliminate risk of injury. The document was distributed to all of our colleagues.
- ✓ we created a feedback form on safety equipment; based on the outcome, we replaced protective footwear for all employees who provided a note from a medical specialist;
- ✓ the OSH contractor's inspection form was modified to include aspects regarding employees' behavior, in order to monitor procedures in our regional centers (stores and warehouses);
- ✓ we created a video about the potential risk of accidents in our stores, which is now being used to train employees;
- ✓ we drafted and distributed a series of informative materials on regulations regarding contractors and safety in Lidl warehouses, and instructions for the proper use of dock ramps;
- ✓ external contractors conduct annual OSH inspections in our stores;
- ✓ currently, the results of these inspections are sent to our competent colleagues, including those from regional headquarters, in order to monitor the measures taken as a consequence of the inspections.
- ✓ all the relevant persons are informed with regard to the types of work-related accidents reported;
- ✓ fire drills are organized regularly at our central headquarters.



You can read about our commitment to installing defibrillators in every store and our partnership with the SMURD Foundation in the Corporate citizenship chapter on page 65.

Commitments/goals for reducing the number of work-related accidents in the financial year 2020:

- ✓ we will continue training employees on the topic of OSH and emergency situation management;
- ✓ we will organize first aid training sessions for employees in our central and regional headquarters, as well as those working in stores, to teach them how to use the cutting-edge first aid devices installed in Lidl stores through the "Punct de prim ajutor. Fii salvator!" ("First aid point. Be a rescuer!") program (see the Corporate citizenship chapter on page 61 for further details);
- ✓ we will create training materials to further raise awareness of the causes of work-related accidents and ways to mitigate or eliminate risk of injury, and distribute them to all of our colleagues who work in stores and warehouses;
- ✓ we will create and display graphical guidelines on workplace ergonomics regulations, regulations regarding lifting and handling loads, and the most important rules of healthy eating in every warehouse;
- ✓ we will introduce an observational audit form that our external partner's representative will have to fill out after any work-related accident at the scene of the event (starting July 2020);
- ✓ with the help of our external contractor, we will conduct 3 OSH inspections in all Lidl stores;
- ✓ the results will be communicated to our competent colleagues, including those from regional headquarters, in order to monitor the measures taken as a result of the inspections.
- ✓ more lifeline systems will be installed on the roofs of our stores.

Commitments/goals for improving employee health in the financial year 2020:

- ✓ we will continue to monitor our employees' health with the help of our OSH service provider.

Labor rights

Our goal remains to offer our workers salaries above the market average.

We continue to apply our progressive pay plan, with guaranteed annual raises in the first 3 or 4 years of employment.



Frequent consultation with employees is the principle that governs all our major internal initiatives such as: the welcome event organized for each new employee, our development programs and our employee benefits. Aside from a satisfaction survey our employees fill out every year, we also use other tools for more targeted

assessments (such as focus groups and one-to-one meetings), depending on current needs, regarding internal programs and other initiatives for our colleagues.

One of our commitments regarding labor rights was to implement a way of measuring employee satisfaction across the entire company. Therefore, in the reporting period we distributed an internal survey to assess the overall level of satisfaction among our employees. The results show an improvement in employee retention and satisfaction levels, as well as positive feedback on programs and initiatives for employees in the past year. Based on these results, our managers identified and took improvement measures to raise the level of satisfaction within the teams they lead. Additionally, we conducted an internal culture audit meant to identify the main necessary improvements to the work environment. We already began a process through which we seek to integrate leadership principles into our set of values and we will transpose them into a new set of behaviors, to ensure coherence between these principles, our organizational culture and our employer brand. Future programs and initiatives will then integrate these values, as well as desirable behaviors that resulted from the cultural audit.

As always, we were very concerned with protecting labor rights during this report period. As mentioned in our previous report, within the company there are people tasked with ensuring the protection of labor rights and we are implementing several mechanisms that handle employee dissatisfaction, such as:

- ✓ complaint boxes in every Lidl store and warehouse;
- ✓ call centers through which requests can be submitted over the phone or by e-mail and forwarded to competent staff in each department;

- ✓ there are 5 regional engagement specialists and 2 at our central headquarters; they receive complaints by phone and e-mail, have one-to-one meetings and go on visits to stores and warehouses.

- ✓ employee survey;
- ✓ employee focus groups;
- ✓ feedback forms.

Respecting employee work time is an essential concern for us as a company. Because we want all employees to be aware of this, the importance of the matter is explained at the welcome event, when they are introduced to the company. It is very important that every employee is mindful of taking breaks and making sure they don't work overtime.

- We create two-week work plans for each branch and warehouse and any change to it must be justified. The reasons for any change are monitored, analyzed and reported.
- Failure to comply is reported and discussed weekly by the staff in regional headquarters, who make sure legislation and internal regulations are followed accordingly.

We continue to operate on the principle of rewarding every minute worked. If our employees happen to work overtime, we make sure to repay them with time off work equivalent to every minute worked overtime or money. At the same time, the reasons that led to the employee working overtime are analyzed and steps are taken to avoid such situations in the future.

For employees working weekends or bank holidays, we introduced a bonus for bank holidays and doubled the bonus we award for working weekends.

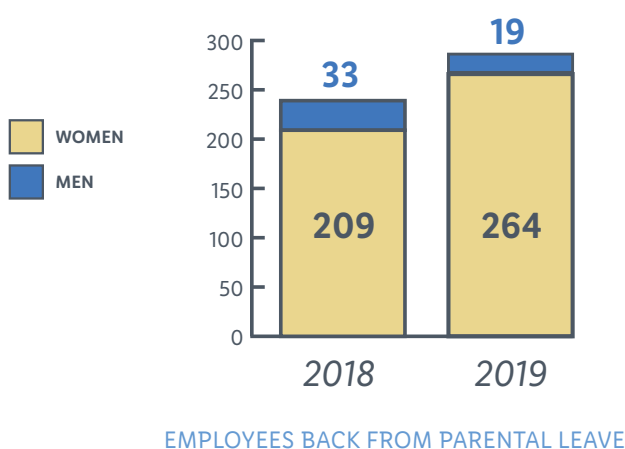
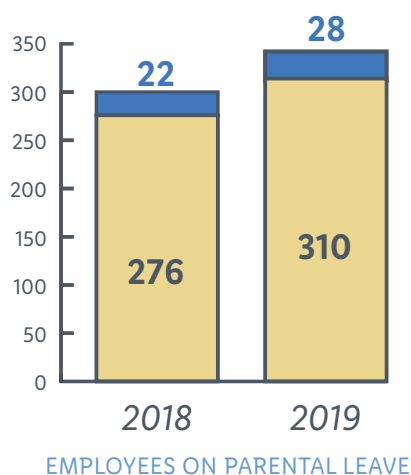
Regardless of the type of employment (full time or part time), all Lidl employees receive the following benefits:

- ✓ LIFE INSURANCE;
- ✓ HEALTH INSURANCE;
- ✓ INVALIDITY OR DISABILITY INSURANCE;
- ✓ PARENTAL LEAVE;
- ✓ PRIVATE PILLAR II PENSION;
- ✓ MEAL VOUCHERS;
- ✓ LOYALTY BONUS;
- ✓ ACCURATE TIMEKEEPING.

For more details about accurate timekeeping, as well as information on other benefits our employees enjoy, see our previous sustainability report:

<https://www.lidl.ro/ro/catalogue/raport-de-sustenabilitate-2019/view/overview/page/46>

298 employees benefited from parental leave in 2018 and 338 in 2019. 242 employees returned to work after parental leave in 2018 and 283 in 2019.



In the reporting period the total number of employees entitled to parental leave was 522, 319 of which were women and 203 were men. At the same time, 165 employees returned from parental leave in 2018 and remained in the company for over 12 months.

Sabbatical leave is also one of the benefits we offer to our employees.

More and more people want to be able to blend their career and their private life in a flexible and efficient way. This often includes the wish to spend more time with their families or invest more time into their passions or pursuing their studies. As an employer, we are responsible for our employees, so we must pay attention to their needs, that are constantly changing, and support them in improving work-life balance.

This benefit applies to any employee who has worked for the Schwarz Group for over 5 years. The duration of the sabbatical can be between 1 and 3 months, and at

the end of this period re-employment is guaranteed. Sabbatical leave may be taken every 5 years. During in the reporting period 5 of our colleagues have used this benefit.



Employee training and development

Due to our employees' constant efforts and the quality of their work, we are still among Romania's top employers. This is one more reason why we must provide employees an appropriate environment to grow and reach their full personal and professional potential.

Our desire for employees to grow alongside the company materialized in this reporting period as well, through the series of personal and professional development programs available to all our colleagues²⁵.

In our previous report we set a goal for 2019 to develop new tools for the Talent Management program, promote feedback culture on all levels of the company and raise the level of awareness of one's responsibility regarding individual development plans.

Therefore, we included an event in the Talent Management program dedicated to learning: the Learning Workshop. This event brings our colleagues closer to topical issues such as: the latest trends in learning, digital learning versus social learning, volatility, uncertainty, complexity and ambiguity (the VUCA model) or Self Energy.

We made sure to encourage feedback culture both through training sessions for managers in parallel to

initiating the annual Talent Management process and by introducing new feedback and coaching techniques based on the GROW²⁶ model in our leadership academies.

These are the leadership principles that guide us:



We believe in leadership based on communication.



We support employee development.



We are oriented towards performance and continuous evolution.



We act fairly and count on mutual trust.



We take responsibility and we are an example to others.

²⁵ For more details about the series of personal and professional development programs and the online learning platform available to our employees, see pages 46 and 47 of our sustainability report for 2017-2018: <https://www.lidl.ro/ro/catalogue/raport-de-sustenabilitate-2019/view/flyer/page/1>

²⁶ Goal/Reality/Options&Obstacles/Will

In 2019 the Sales Leadership program focused on strengthening skills among the managers in the Sales Department related to team motivation and development, as well as their coaching skills, so that they use them in everyday interactions with the members of their teams.

The Sales Entrepreneur program continued in the financial year 2019, its purpose being to develop leadership skills and entrepreneurial behavior among our colleagues who are store managers. By participating in personal development modules, as well as good practice exchange sessions, our colleagues had the opportunity to learn about a new leadership

style, oriented towards stability within the team. Among the topics discussed were recruitment and retention, and team motivation and development.

We continued to organize academies under the LidlShip umbrella for our new colleagues taking up key roles in the company or colleagues who had never participated in a leadership skill development program before. The purpose of these programs is to ensure that our leadership principles are uniformly implemented on all levels of the company. In the reporting period, 450 managers continued to develop their skills through this program.

We added the following components to the personal and professional development programs our employees benefited from in the past few years:

New Trainer Concept – its goal is to establish a transparent and coherent framework for selecting, developing and motivating all our colleagues who provide training in our stores. Applying this concept helped us ensure an optimal integration and learning experience for colleagues who joined us during this reporting period.

LidlEXPRESS
LidlShip[®]

Lidl Express (HIPO&Succesion) – it was launched in September 2019 and is meant to accelerate personal development, as well as the development of leadership skills. It is available to our employees who perform well or very well and have potential for further development. Through this program we want to support our colleagues both in becoming eligible for one of the leadership academies and in being able to take on more complex roles within the company. 8 of our colleagues were part of the first generation to complete this program.

FOUNDATION
@LOGISTICS

of LidlShip[®]
ACADEMIA LIDERILOR

Logistics – it is the development program dedicated to the 18 department heads in Lidl warehouses, but it also contains development modules for the colleagues that they interact with. In the current context, when new projects and processes are being introduced to warehouse operation, we are determined to increase their quality. Therefore, this program contributes to the development of leadership skills among department heads and raises awareness of the roles and responsibilities a department head has within a warehouse. In the long run, we aim to improve collaboration between the Sales department and Lidl warehouses.

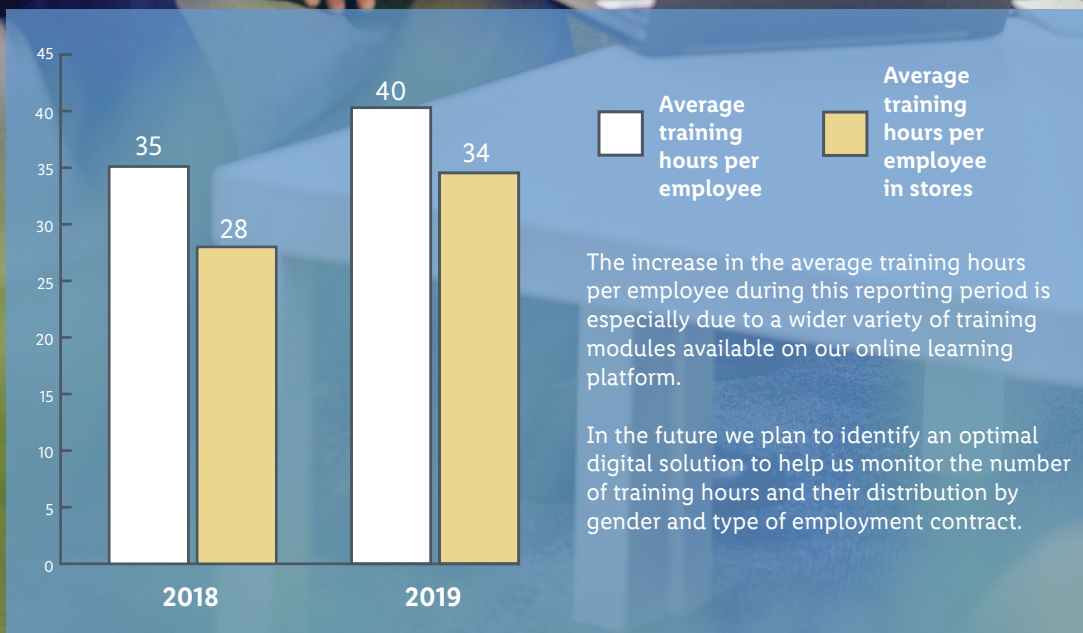
With respect to personal and professional development programs for employees, in the next reporting period we are committed to:

- creating new tools and measures to aid managers and employees' individual development, through the Talent Management program;
- implementing a national e-learning module to ensure a uniform framework for the development of each of our colleagues, as well as creating new e-learning content on different topics of interest;
- organizing the final training modules for our colleagues participating in the Sales Leadership program and the last module ("Efficient organizing and planning") for our colleagues participating in the Sales Entrepreneur program;
- continuing the programs of the academies under the LidlShip umbrella, so that colleagues who are on the same level hierarchically can apply the company's leadership principles uniformly.

LidlShip
ACADEMIA LIDERILOR

talent management

atelier de learning







CUSTOMERS

Sustainable products

High-quality products and product safety

Traceability

Ingredients and nutrition information

Corporate citizenship

Compliance

Local development

Cooperation

Dialogue with stakeholders

Customer awareness



Responsible products

- Sustainable products
- High-quality products and product safety

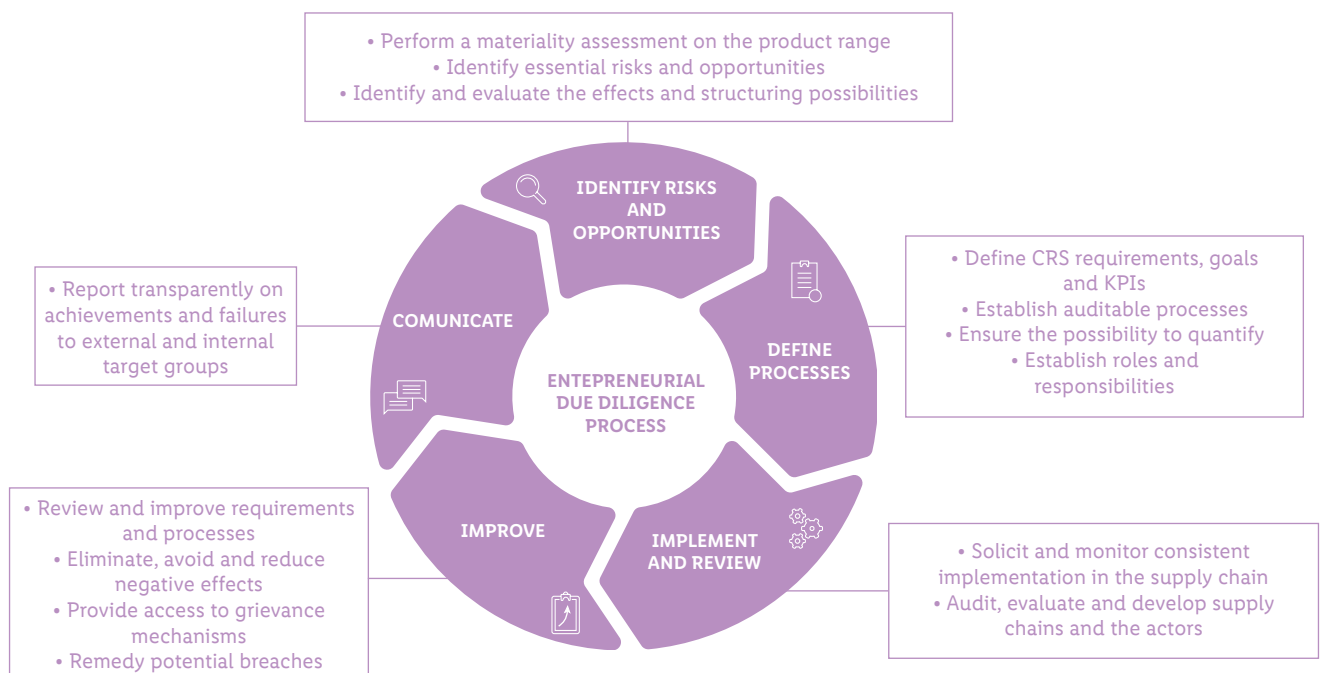


In the context of larger incomes and a shift in consumer preferences in the past 20 years, we saw a growth in global consumption. To give an example, when it comes to agricultural products, the European Union is the number one consumer of wheat per capita and the third biggest consumer of corn (after the USA and South America)²⁷.

A growing consumer demand leads to larger production, which impacts the environment and natural resources. The challenge is to expand production capacity in a responsible and sustainable way, so as to meet consumers' more and more diverse demands, but at the same time protect natural resources, through responsible exploitation or growing-harvesting-processing methods.

We want our customers to be satisfied and aim to put the safest and best quality products on our shelves. 80% of them are own-brand products, so we also face the challenges mentioned above. And because we take full responsibility, in 2019 we published our Human Rights and Environmental Due Diligence Policy for Product Sourcing²⁸.

Producing responsible products is one of the central areas of action in our strategy for sustainable procurement, through which we commit to using resources in the most efficient and eco-friendly ways. For this purpose, we identified key areas of action and established a framework, to we ensure that the strategy is implemented in a structured way.



²⁷ Source: European Commission website, https://ec.europa.eu/info/news/global-food-consumption-growing-faster-population-growth-past-two-decades-2019-sep-10_en

²⁸ Lidl Human Rights and Environmental Due Diligence Policy for Product Sourcing.

Sustainable products

In our previous report we spoke at length about our responsible sourcing policies for the following raw materials and products:

- ✓ cocoa
- ✓ coffee
- ✓ tea
- ✓ flowers and plants
- ✓ eggs
- ✓ fish, shellfish and other seafood products
- ✓ palm oil.









We stay true to the commitments we made in these documents. We set a goal to only retail flowers and plants from GLOBALG.A.P., Fairtrade or Milieu Sierteel Project certified sources by the end of 2019 and we succeeded. Since late 2019 we have only retailed

flowers and plants that received a GLOBALG.A.P. Chain of Custody certification or comply with other standards recognized by GLOBALG.A.P. Moreover, all the products in this category are evaluated from a social perspective, using the Risk Assessment on Social Practice (GRASP) methodology.



Commitments made in the previous report and kept:

- ✓ we published the Lidl policies regarding cellulose, a conscious diet and the obligation to perform procurement due diligence – all available on www.corporate.lidl.ro
- ✓ we made sure that we only introduce canned tuna that follows the guidelines for conservation and responsible and sustainable exploitation in fishing recommended by the Seafood Sustainability Foundation²⁹;
- ✓ we continued to develop products using ingredients from ecological agriculture and to retail certified products;
- ✓ we increased the number of responsibly made products:

	Type of responsibly made products	2018	2019*	Variations 2018/ 2019
	Organic products	179	276	54%
	FSC certified products	154	188	22%
	UTZ certified products	127	258	103%
	Organic cotton products	93	1,115	1,099%
	MSC products	28	63	125%
	GOTS products	39	783	1,908%
	Dolphin-safe products	6	7	17%
	Rainforest certified products	4	7	75%
	Total	630	2,697	328%

* The figures reported in 2019 include all versions of the same product. For example, if certified organic tea comes in 3 flavors (fruit, black, green), it is counted 3 times.

²⁹ More information about the organization is available on their website: <https://iss-foundation.org/who-we-are/about/>



We also paid special attention to including a larger share of vegan and vegetarian products in our range, which are available in all Lidl stores.

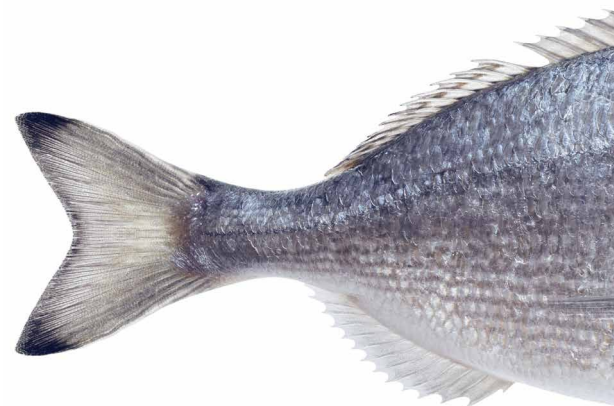
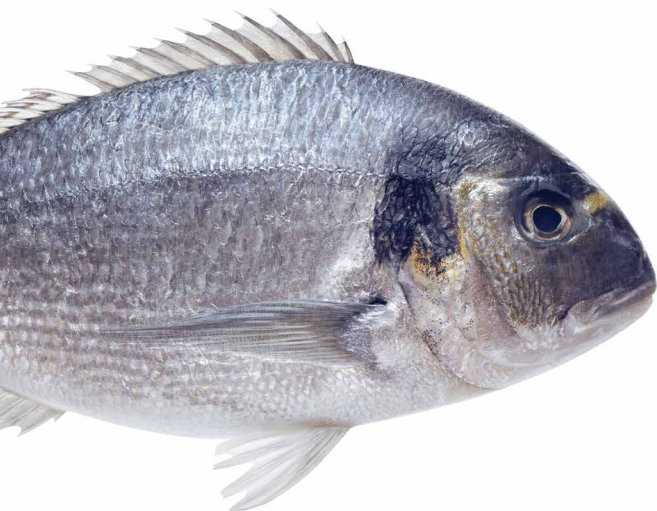
Next Level Burger Patties are vegan burgers made from pea, wheat and soy proteins, that can be grilled or fried in a pan. They are meat-free and made without contributing to the acceleration of climate change.

We will continue to pursue our long-term goals regarding fish, shellfish and own-brand seafood products from our permanent product range:

- increasing the number of MSC certified wild-caught fish and shellfish products in the following categories: frozen fish, canned fish and fish-based foods;
- increasing the number of ASC, GLOBALG.A.P. and Best Aquaculture Practices (BAP) certified farmed fish and shellfish products in the following categories: fresh fish and fish-based foods.



As for impacting consumers' purchasing decisions, we collaborated and will continue to collaborate with the WWF organization on a responsible fishing awareness campaign, through which customers learn about MSC (Marine Stewardship Council) and ASC (Aquaculture Stewardship Council)³⁰ certifications and how responsible fishing benefits not only the environment, but also the lives of fishermen, who are dependent on the long-term existence of fish as a resource.



We maintain our commitment to move to the Mass Balance certification model³¹ of the Round Table for Palm Oil (RSPO) initiative for our own-brand non-food products (near food: cleaning products, cosmetics etc.) by the end of 2020, to the extent to which it is technically possible and if certified goods are available in sufficient amounts. For the rest of our commitments regarding sustainable products, see our responsible range policies, which are available in the Sustainability section of our website: <https://corporate.lidl.ro/sustenabilitate/politici-sortiment>

³⁰ <https://rspo.org/certification/supply-chains>

³¹ <https://rspo.org>



High-quality products and product safety

"Best quality for the best price" is not our motto – it is our creed. It's not by chance that "Calitate pentru toți" ("Quality for all") is the name of the section on www.corporate.lidl.ro where we list the processes and measures that ensure that only the best products in terms of safety and quality make it to our shelves.

We do this because we are fully aware of the significant impact we have on the lives of millions of Romanians through the products we retail and we want to offer a healthy alternative through certified products, made and transported in the safest conditions.

**GLOBALG.A.P.
FOR
LIDL ROMANIA**



We are committed to only offering our customers fruit and vegetables certified by GLOBALG.A.P., whether grown in Romania or imported, and we managed to keep our promise throughout the reporting period.

Moreover, since late 2019 we only retail flowers and plants with a GLOBALG.A.P. Chain of Custody certification or that comply with other standards recognized by GLOBALG.A.P.



We permanently monitored each product development process, in order to make continuous improvements and ensure the highest possible levels of quality and safety in our products. In the reporting period we conducted 85 audits.

	2018	2019
Number of factory audits	69	85
Percentage of factories that obtained one of the requested certifications	98%	96%
Number of product assessments	2,042	1,505
Percentage of products that required improvements upon assessment	5%	7%

We also continued to develop our products based on consumers' feedback and used sampling to give customers the opportunity to express their opinions.

	2018	2019
Products sampled	240	241
Percentage of products that required improvements upon sampling (%)	5%	6%
Customers who sampled the products	2,762	2,561



As previously mentioned, last year we set a goal regarding a conscious diet. Our policy on this topic (available on our website³²) helps consumers gain a better understanding of nutrition information and the positive impact that a conscious diet has on health. The document will be updated in the next reporting period.

In 2019 we kicked off an assessment and reformulation process for our own-brand products. The main goal (but not the only goal) is to reduce added sugar and salt by 20% by 2025. This goal is also part of our policies regarding a conscious diet.

³² For more information, go to:
<https://www.lidl.ro/ro/catalogue/politica-lidl-cu-privire-la-o-dieta-constienta/view/flyer/page/1>





The main product groups targeted are:

For sugar:

- ✓ Breakfast cereal
- ✓ Yogurt/yogurt-based drinks
- ✓ Dessert
- ✓ Ice cream
- ✓ Sweet baked goods
- ✓ Sweet spreads
- ✓ Children's candy
- ✓ Sauces (ketchup etc.)
- ✓ Ready-to-eat foods

For salt:

- ✓ Bread (loaves and buns)
- ✓ Meat products and cold cuts
- ✓ Cheeses
- ✓ Precooked pizza and other dishes
- ✓ Sauces
- ✓ Soups
- ✓ Snacks
- ✓ Savory baked goods, potato chips etc.

Our plan is to use as little artificial coloring and flavors as possible, as well as to reduce the use of preservatives. For this purpose, we sent our suppliers a list of auxiliary ingredients approved by Lidl and our quality control and labeling departments are conducting an in-depth assessment in this regard.





Transparency

- *Traceability*
- *Ingredients and nutrition information*

As in the case of our responsibly made products, our interest in transparency towards customers arises from the business scope of the company and the industry we are part of: retail. In order to make an informed decision, consumers need accurate and complete information on the sourcing of raw materials and ingredients that go into a particular product, production and expiration dates, and how to appropriately use and dispose of the product.

Traceability



The care we put into filling our shelves with the best products also involves a responsibility to monitor information regarding the ingredients in our recipes down to the last detail.



We are constantly making sure that our suppliers obtain Fairtrade, UTZ, Rainforest Alliance or Organic certifications for products such as cocoa, coffee, tea or palm oil, and we inspect the documents that certify the origin of ingredients (proof of origin) and how the raw material was extracted.



As we announced in the previous report, in May 2019 we launched #TreciPeProaspăt (#GoFresh), a platform meant to ease customers' access to information about the provenance of Romanian fruit and vegetables, field-to-shelf quality control, and the local fruit and vegetable farmers we collaborate with. Customers can go on surprise.lidl.ro/scan and scan the QR code on produce crates to gain access to details regarding the origin of the products. On surprise.lidl.ro/piatalidl they can see who the growers are and find out their stories.



Information on local farmers is also available by accessing www.lidl.ro – Sortiment – Piața Lidl.

Wanting to get to know our local suppliers for Lidl Market, but also to promote them, in 2019 groups of workers from our stores and logistics centers paid visits to producers we collaborate with. Thus, by the end of the reporting period, our colleagues from regional centers had visited 38 greenhouses and local suppliers.

Because we understand the importance of accurate and

complete labeling, and our responsibility to ensure the quality and safety of products, in 2019 we decided that the Labeling subdepartment should be absorbed by the Quality Control department, which now also conducts expert assessment of our own-brand labels.

External experts assess, we examine internally and we constantly review the labels of our own-brand products from the point of view of the ever-changing legislation, but also in order to offer our customers additional useful information that is easy to read and understand.






Ingredients and nutrition information



In the previous reporting period, we committed to drafting a Lidl policy for a conscious diet. This document is now publicly available on the Lidl website: <https://www.lidl.ro/ro/catalogue/politica-lidl-cu-privire-lao-dieta-constienta>. It describes the process we are engaged in together with our suppliers to ensure food quality and safety, and it includes: the goals we set with respect to reducing salt and sugar in our own-brand products, details about the unwanted substances that can appear along the production line and the steps we take to prevent them from making it into our products.

2025: -20% sugar and salt

We bring a contribution to healthy eating among consumers through our strategy for reaching our goal of reducing added sugar and salt in our products by 20% by 2025.

 GOAL	<p>Our goal is to reduce the weighted average of added sugar and salt content in our own-products range by 20%.</p> <p>Foods preferred and consumed by children are especially targeted for sugar reduction. Commonly consumed products are especially targeted for salt reduction.</p> <p>We defined a wide-ranging program of concrete measures that aim to gradually reduce our customers' salt and sugar intake.</p>	January 2025
 START	<p>Reducing sugar in breakfast cereal as of 2011.</p> <p>Introducing a strategy for reducing salt and sugar content.</p>	2011 January 2025
 PRESENT	<p>Implementing the action plan as part of our strategy and presenting achievements through our leaflets.</p>	May 2019



In 2020 we aim to focus more on organic products, in response to the more and more refined preferences of our customers, and launch a communication campaign on this topic. We will therefore launch a BIO campaign, as a way of supporting our customers in making decisions that contribute not only to the environment, but to a healthy lifestyle as well. Within the company, aside from general information about our organic range, we will create a special BIO section on our website containing in-depth articles about these products and information on how to recognize them.



Creating social value

- Corporate citizenship
- Compliance
- Local development
- Cooperation



Corporate citizenship

Under the slogan "For a better future", we continued to support and develop programs and projects together with our partners from nongovernmental organizations, in the communities around the country where our stores and regional headquarters are located.

Strategic areas for
social investment:



ENVIRONMENT



EDUCATION



DEVELOPMENT OF
EMERGENCY SERVICES

37 NGOs and civic initiatives supported

Budget: **22,500,000** lei



The environment

Being aware of our impact on the environment, we continued to support organizations that implement environmental protection programs in the following areas: environmental education, recycling, combating food waste, reducing the amount of plastic in nature and excessive use of it, as part of the Schwarz Group's REset Plastic strategy³³. Here are some of the programs we support:



Cu apele curate (With clean waters)

In 2019 we launched a national program to remove plastic from the Danube river. Implemented by Mai Mult Verde and using cutting-edge technology, the program brings together volunteers, local communities from cities on the Danube's shores, and local and national authorities to clean up the plastic waste in the Danube.

Results in 2019

- 11 waste collection activities along the Danube – 550 volunteers collected 6.5 tons of plastic in: Sfântu Gheorghe, Giurgiu, Drobeta-Turnu Severin, Zimnicea, Cernavodă, Turnu Măgurele, Oltenița, Călărași, Tulcea, Brăila și Galați.
- 10 initiative groups formed around the issue of plastic pollution in communities along the Danube.
- First ever use of revolutionary technology for collecting floating plastic waste from rivers in Romania: Waste Shark – a drone that can collect up to 500 kg of plastic and other waste in 8 h.
- Developing good practice models in 10 communities along the Danube.

The goals of the program in 2020 are:

- increase local initiatives' capacity for intervention to reduce the amount of plastic that ends up in the Danube;
- to extend and promote the good practice models in communities along the Danube's affluents;
- to launch a new category of innovative solutions to combat and prevent plastic pollution;

Under the "Cu apele curate" umbrella, together with the Association for Community Relations, we launched a grant program offering 1,000,000 lei to projects aiming to combat plastic pollution in the Danube. We financed 10 projects, initiated by strategic NGOs such as WWF, with Patrula Zero Plastic (Zero Plastic Patrole), or the Romanian Ornithological Society, but also other groups and civic initiatives from Cernavodă, Brăila and Giurgiu. The projects will continue in 2020.

³³ See page 20 of this report for more details about the REset Plastic strategy.

Supporting food banks

Keeping the commitment we made in the previous report, in 2019 we continued to support existing food banks in Romania, as well as the opening of new ones that operate according to the principles of the European Food Banks Federation (FEBA).

In this reporting period we offered support to 5 food banks: Bucharest, Cluj, Roman, Oradea and Braşov (the latter two opened in 2019). This support was not only financial, but also in the form of food and non-food items donated from our warehouses.

We will keep supporting the opening of other food banks, in Timişoara, Constanţa, Galaţi and Craiova.

As with other food banks, we will support them financially, which is necessary to cover administrative and operating costs, but also by donating food and non-food items from our 5 warehouses.

In the future we also plan to donate baked goods through food banks. A number of Lidl stores are going to be selected for this purpose.

All producers, retailers and suppliers can donate such goods and we hope that many other companies will offer their support to expand the network.

89 tonnes of food and 221 tonnes of non-food items received from Lidl were distributed to disadvantaged, disabled, orphaned, elderly or homeless people through over 100 NGOs.

89 tonnes
of food

221 tonnes
of non-food items

Christmas food collection in our stores

In December 2019, with support from food banks, we organized our first in-store Christmas food collection. With the help of our customers, who we invited to buy items from our store and donate non-perishable products to disadvantaged people, 16.7 tonnes of food were collected in 2 weeks. Nearly 7,000 people benefited from the donations.

16.7 tonnes
of food

7,000 people
helped



● opened
● to be opened



CUSTOMERS

In 2020 we will be launching **ASAP – a first-time national program to educate on the use of plastic.**



ASAP is a behavior change program through which we aim to educate young people aged 14 to 20 on the impact of plastic use and possible solutions to prevent plastic waste from ending up in nature.

Developed in partnership with The Institute foundation, the program is going to be launched nationally in the summer of 2020.

The program will include:

- An online platform with a focus on education regarding plastic, its impact on nature and recycling.
- An influencer campaign involving the most important vloggers and artists in Romania, who will create content – a manifesto for a responsible attitude towards managing plastic waste..
- A long-term volunteering program for teenagers and young adults.
- A manifesto-song composed and performed by an influencer artist for the target group of this program.

Education

We continued to engage in supporting education and we invested in programs dedicated to all areas of it, from early education to primary and secondary school, up to the education of teenagers and young adults in high schools and universities. Another aspect of that was to support the development of teachers and school directors in vulnerable communities in Romania. Some of the organizations, projects and programs we support are:

Step by Step, Educație timpurie (Early education)



Purpose: contributing to the development of the Romanian early education curriculum, teacher training and improving legislation to support the development of early education on a systemic level.

Results:

- a conference and a summit for institutional decision-makers, education specialists, school inspectors and teaching staff;
- an audio guide of the Principles of Quality Education, a set of educational and learning materials necessary to support the quality of teaching in the classroom;
- regular meetings with business leaders and political decision-makers on this topic;
- training sessions with teachers who work in early education, as well as debate and informing sessions on this topic.

We continued supporting the Save the Children organization for the fourth consecutive year.



Salvați Copiii

Through its programs, preschool and school children in disadvantaged areas have access to: education, re-enrollment programs for dropouts, social counseling, free-time and extracurricular activities.

World Vision, Pâine și Mâine (Bread for Tomorrow)



Purpose: ensuring the access of children in disadvantaged Romanian villages to an afterschool program, where they are offered help with homework and a hot meal.

Results:

- in the school year 2018–2019 a new community was included: Bonțida village from Cluj county;
- 69.97% students taking part in the program showed a progress in school;
- 66.67% of the children improved their grades in Maths and 70.03% improved their grades in Romanian class.



Code4Romania,
Civic Labs



Code for
Romania

Civic Labs

Purpose: identifying technological solutions for the most pressing issues facing Romanian society.

Results:

- 67 technological solutions identified in 6 areas: education (training human resources in education), civic engagement (elections), health (mother and child health), environment (preparation and response in case of seismic hazard), transparency (open data and access to legislation), vulnerable groups (domestic violence);
- 3,438 hours of research, 805 hours of incubation and 3,293 hours developing prototypes of the solutions.

In partnership with the Romanian Police, in September 2019 we organized a new edition of the event



Verde la Educație pentru Circulație (Green Light for Traffic Education). Through this program, children learn the most important traffic regulations directly from police officers. These educational sessions were organized in the parking lots of Lidl stores around the country and serve the purpose of preventing road accidents that involve children.

2 strategic programs also continued in 2019, **Școala de carte și meserii (School of books and crafts)** and the **Duales Studium Program**.

Școala de carte și meserii (School of books and crafts)



is a dual learning program initiated in 2017, in collaboration with the Romanian-German Chamber of Industry and Commerce. In the reporting period, 75 students belonging to 3 different generations are doing parallel internships in Lidl stores. In the school year 2019–2020, the third generation of students started their internships.

Developing emergency services

In 2019, together with the SMURD Foundation, we launched "Punct de prim ajutor. Fii salvator!" ("First aid point. Be a rescuer!"), a wide-ranging program to educate the population on giving first aid



in emergency situations. By installing top-of-the-range equipment in busy public spaces, we seek to rescue people in emergency situations until paramedics make it to the scene. Specially-trained staff will be present around the clock in every point where such devices were installed, although training is not mandatory in order to use them.

Overall, Lidl will help set up 340 such locations around the country – in public places from the 8 largest Romanian cities and in every Lidl store. In the reporting period we rolled out these devices in our Bucharest stores. This process will continue in 2020 and 2021.

We supported SMURD in purchasing 4 more urban intervention motorcycles in Brașov and Galați, covering the costs both of the necessary equipment and training on how to operate it. We plan to continue supporting this service by purchasing motorcycles for other cities as well (e.g. Craiova).



First aid points consist of an automated defibrillator, a pulse oximeter to measure pulse and blood oxygen levels, an ECG device and an oxygen source. Once it is moved from its usual location, the device automatically calls 112 to signal the fact that it is being used and connect the person giving care on the scene to a medical professional who can guide them.





Bucureștiul pregătit (Bucharest is prepared)

Bucureștiul pregătit (Bucharest is prepared) is a program we developed with the Bucharest Community Foundation. The goal is to prepare the population in case of disasters. In the reporting period, together with other partner companies, we financed 5 projects to conduct activities in three areas of focus: first aid courses and disaster preparedness training, earthquake awareness and drills, and training search and rescue dogs. We will continue to support this program in the next reporting period.



Campaigns together with our customers

In the period covered by this report we continued to organize cause related marketing and fundraising campaigns at our checkout counters.

Cause related marketing campaign: Back to school
Organization: Teach for Romania

For every item in our "Școala în culori vesele" ("School in bright colors") school supplies range purchased between August 19th and September 1st, 2019, Lidl donated 1 leu to the Teach for Romania program. The total amount donated was 1,300,000 lei and it was used to support the activities of teachers who worked with over 3,000 children in vulnerable communities.



1,300,000 lei

Cause related marketing campaign: Christmas
Organization: UNICEF

For every toy purchased by our customers between November 11th and December 15th, 2019, Lidl donated 1 leu to UNICEF. We donated a total amount of 800,000 lei, helping 1,000 teenagers in vulnerable communities stay in high school and continue their studies.



pentru fiecare copil

800,000 lei

During the first half of 2019 (January 1st – June 30th) we raised funds for the Pâine și Mâine (Bread for Tomorrow) program at our checkout counters. This program provides a hot meal and help with homework to children in disadvantaged areas, thus helping them stay in school. Our customers donated 200,000 lei and we doubled that amount. Total amount donated: 400,000 lei.



400,000 lei

Between the 1st of July and 31st of December 2019, Lidl customers contributed to developing the water quality monitoring program for the rivers of Romania, launched by WWF Romania. The campaign conducted at Lidl checkout counters raised 170,000 lei in donations from customers. We added to this amount, reached a total of 340,000 lei.



340,000 lei

In the reporting period (in January 2020) we kicked off a new fundraising campaign for the Edu Networks program. The aim is to offer access to quality education to over 64,000 children, by facilitating collaborations between 100 schools in rural areas all around the country and education and business specialists.



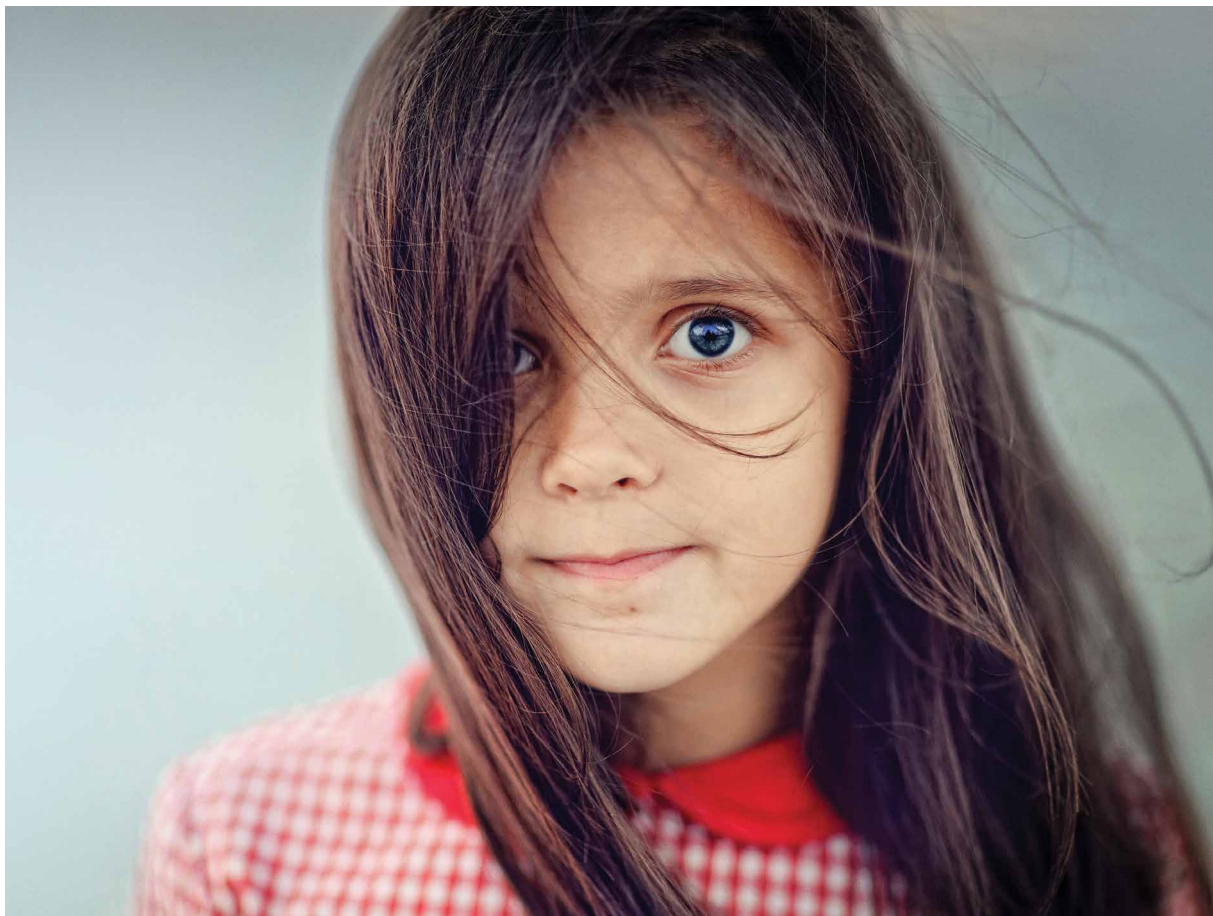
Strategic partnerships

We kept our strategic partnership with the Sustainability Embassy in Romania to promote sustainable development. The 100 de Români (100 Romanians) project – an x-ray of Romanian society on its 100th anniversary – continued with a new initiative researching the differences between how Romanians live in rural areas and how they live in cities. The project is called "România cu un singur chip" (The only face of Romania") and it is going to be presented in the next reporting period.

We also continued our partnerships with the Civil Society Gala and the People for People Gala – events that promote the best projects in Romanian's civil society.

You can find out more about the projects and programs we support in the Sustainability section of the Lidl website.

In addition to the commitments we mentioned in this chapter, together with the Romanian Federation of Community Foundations and 6 community foundations, in the next reporting period we will launch a program called "Fondul pentru un viitor mai bun în comunități" ("The fund for a better future in communities"). The program will offer 1,425,000 RON in financial aid, as well as mentorship to the best solutions to local challenges facing education and the environment identified in Brașov, Buftea, Cluj, Oradea, Vaslui and Brăila.





Compliance

Breaches of the law can lead to financial and reputational losses for Lidl Romania. Furthermore, such practices can lead to civil lawsuits for damages or penal consequences. This can impact employees, as well as the members of our executive board. The actions of and measures taken by the company and our employees are based in the following principle:

We fully comply with legislative requirements and internal norms.

This is a central corporate principle and it is mandatory for all employees. Both at the company level, and at the level of the board we are firmly committed to following the most important principle of our activity and guaranteeing that it is being followed.

In terms of measures we took, Lidl Romania implemented a Compliance Management System (CMS) that includes mandatory standards. These standards clearly stipulate the requirements and procedures pertaining to each level of compliance. An important element of the system deals with avoiding any breach of applicable law or internal norms, as well as punishing any documented deviations (the "zero tolerance" principle).

One of the most important chapters in CMS talks about anti-fraud and anti-corruption, competition law and data protection. The measures imposed by CMS especially have to do with drafting and distributing regulations (e.g. regulations regarding benefits and data protection norms), professional training on these topics, but also documenting any cases of internal or external violation of rights.

The departments responsible for ensuring compliance assessed the efficiency of the measures described above on a regular basis. Furthermore, they are mandated to investigate and solve any internal or external complaint regarding possible violations of rights.

Our channels for reporting compliance breaches are listed on page 64 of our previous report.

Aside from regularly informing all the members of our executive board about actions taken against corruption, as well as the results of risk assessments and constant training provided to all employees in our central and

regional headquarters, members of our store staff receive a compliance brochure and undergo training on this topic.

The annual communication plan involves, among other things, organizing communication sessions through our intranet portal. All of our colleagues are allowed access and the topics discussed include (but are not limited to): rules regarding gifts, invitations or other benefits, rules regarding managing conflicts of interest, presenting the available channels for reporting compliance breaches, and notices regarding national compliance days or the International Anti-Corruption Day.

On the occasion of the National Compliance Officer Day, we organized an informing session through our intranet portal regarding the role a compliance officer plays within our company: that of promoting the principles of ethics and compliance in all Lidl operations.

In most contracts we enter with our partners, depending on their objects, we added clauses regarding compliance, including the obligation to follow the Code of conduct, which contains the principal rules of business conduct, and the principles approved at the group level regarding integrity, fairness and respect for the law.

Under the circumstances described above, the number of incidents of corruption confirmed during this reporting period was zero. None of our colleagues were dismissed or held accountable for corruption. We did not register any cases of corruption filed in local courts against our company or any of our colleagues.

Next year we plan to take further steps to improve our processes in terms of compliance:

- organizing training sessions on topics related to compliance, to promote the principles of ethics and compliance in all Lidl operations;
- finding and implementing the appropriate measures to eliminate potential risks identified as a result of company-wide risk assessment;
- implementing the communication plan, including the most important topics that impact the activity of the entire company.



Local development

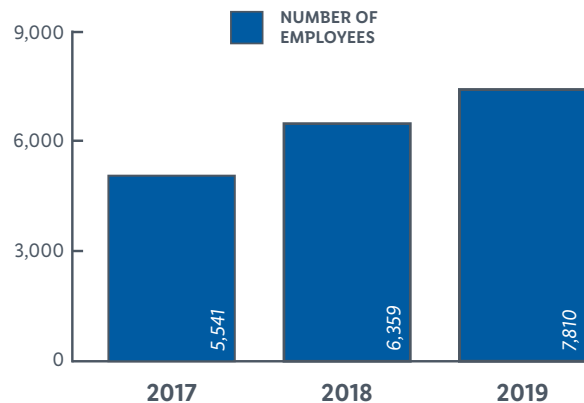
There is a symbiosis between any business and the environment it operates in, as they influence each other's growth. For us, as a company that is active on the Romanian market in a significant way, local development and collaborations with our partners are highly important. The rate at which local, county and regional communities grow, the capacity to maintain medium-term and long-term business relations, and constantly creating jobs all constitute enhancing factors for a long-term local presence.

In the Doing Business 2020³⁴ report published by The World Bank, Romania's economy is in 55th place out of 190 in terms of ease of doing business, going down 3 positions since 2010 and 10 since 2018. In this context, maintaining a steady growth and the way we manage our relationships with partners are all the more relevant.

In Romania, the stable and increasing number of jobs we create and the taxes we direct to the state budget generate a direct impact on development.

We contribute to local development by investing in extending our network of stores and logistics centers (for example, creating at least 20 new jobs), by contracting local services for every store we open, but also through our collaborations with suppliers and producers from that region.

Therefore, in the reporting period we collaborated with an even higher number of suppliers of goods and services both local and external, as the figures in the table below indicate.



Total number of suppliers of goods and services	2018	2019	Variație 2018/ 2019
Local	6,816	7,570	11%
External	1,605	1,653	3%
Total	8,421	9,223	10%

81% of suppliers of goods and services are local

³⁴ The World Bank, Doing Business 2020: <https://www.doingbusiness.org/en/rankings>

We kept our promise to our consumers and brought fresh products purchased from local suppliers into our stores, thus increasing the number of locally sourced Romanian products, as well as the number of local suppliers we collaborate with for our entire product range.

	2018	2019	Variation 2018/ 2019
Number of Romanian suppliers – permanent range ³⁵	276	290	5%
Number of Romanian suppliers – entire range ³⁶	351	380	8%
Number of Romanian products – permanent range	983	1,452*	48%
Number of Romanian products – entire range	2,222	3,492*	57%
Number of products in the "Cămara noastră" line	175	211*	21%

* The figures reported in 2019 were calculated taking into consideration all the different versions of the same product. For example, if the product fruit syrup comes in 3 flavors (raspberry, blueberry and strawberry), it is counted 3 times.



We now offer a wider range of fruit and vegetables purchased from local producers' cooperatives and groups. All of them have been audited and received GLOBALG.A.P. certifications. As a result, the quantity of Romanian fruit and vegetables we purchased went up by 18.37% compared to the previous reporting period, reaching 92,057 tonnes – more than the quantity of fruit and vegetables procured externally.

	2018	2019	Variation 2018/ 2019
Quantity of Romanian fruit and vegetables (tonnes)	75,146	92,057	23%

92,057 tonnes of Romanian fruit and vegetables

³⁵ The permanent range consists of all the products normally available in our stores.

³⁶ This consists of all the products available in our stores.



Moreover, we achieved and even surpassed one of the goals we set in our previous sustainability report. In 2019, during the peak of Romania's agricultural season, we wanted 70% of the fruit and vegetables in Lidl Market to be purchased from Romanian suppliers, depending on whether the varieties are adapted to Romanian pedoclimate. The percentage of Romanian fruit and vegetables achieved was 81%.

81% Romanian fruit and vegetables

In the reporting period we continued to facilitate the export of Romanian products to Lidl stores around Europe. This is an important goal that we wish to maintain and expand every year. While in 2018 the total value of these products was €28 million, in 2019 it reached over €59 million.

exports worth over 59,000,000 euro

We continue to promote the local suppliers we work with. Aside from providing a space on our website for them to tell their stories, we also organized 38 visits to suppliers and greenhouses, so that our regional staff and the suppliers can get to know each other better.

In addition to these efforts, during this reporting period we collaborated extensively with Goodies, Fabrica de Lapte and Reinert – suppliers whose development we supported. We plan to bring 30%

more of their products to our shelves annually, raise performance levels (by reducing the amount of preservatives and allergens in products) and support the export of merchandise outside Romania's borders (in the case of Goodies and Reinert). If necessary, they can also access loans by using the good reputation of our collaboration as a guarantee.

Through our partnership with the University of Agronomic Sciences and Veterinary Medicine, we benefited from expert consulting throughout the year. In the reporting period, all Lidl fruit and vegetable suppliers participated in 2 national seminars, where topics such environmental protection, reducing plastic packaging or new trends in production were discussed. 4 of our suppliers who are farmers had the opportunity to give presentations about their activity and share their experience with other participants.

Although every department in the company has a responsibility to manage this material topic, given the variety of local goods and services we contract, the goals we set involve the whole company.

In the next financial year:

- ✓ we will maintain the rate at which our network of stores is expanding, which will result in an increase in the number of local suppliers we purchase goods and services from;
- ✓ we want to keep increasing the amount locally sourced fruit and vegetables;
- ✓ our partnership with the University of Agronomic Sciences and Veterinary Medicine will continue and we want to keep developing new products for "Cămara Lidl" ("Lidl Pantry").



Cooperation

One of our guiding principles is a focus on efficiency and constant evolution. We cannot achieve this on our own, but only with the help of our local and international partners, who share our goals and concerns. Cooperation based on partnership principles gives us the opportunity to receive feedback, constantly develop and improve our processes, so that we can meet stakeholders' expectations.

Cultivat în
România
SPECIFIC ROMÂNESC



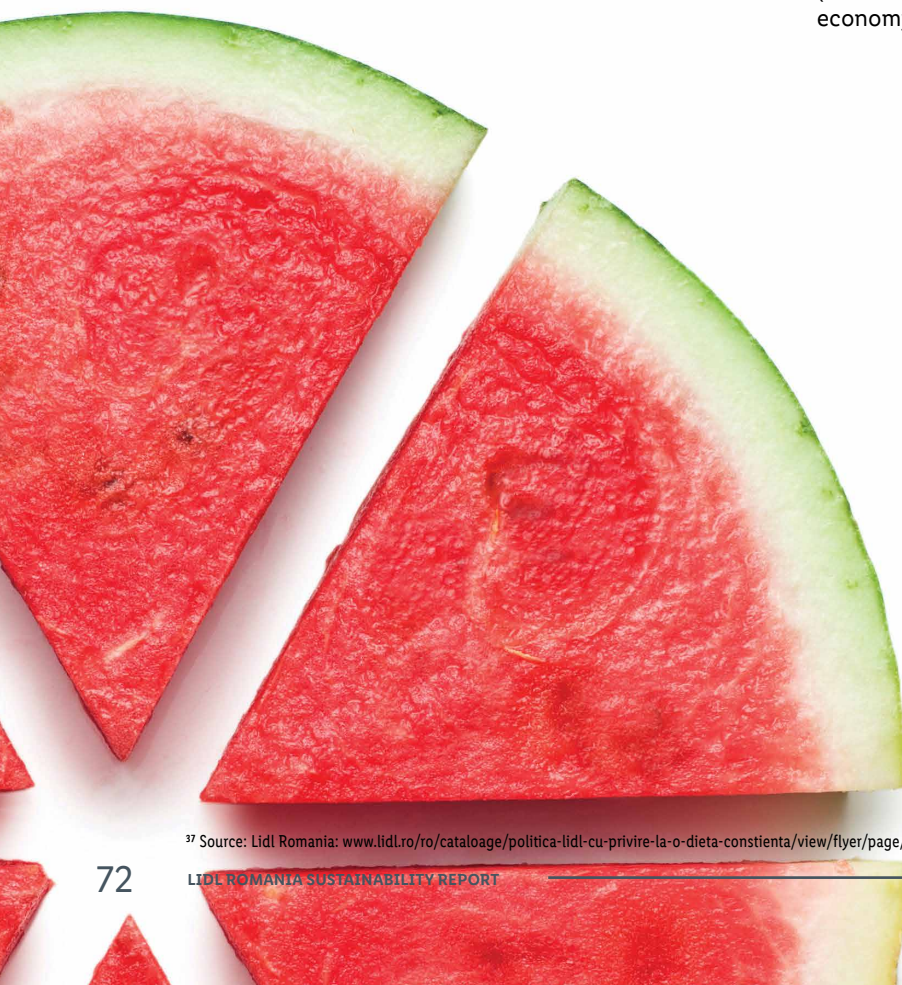
In our previous reports we talked about the "Cultivat în România" ("Grown in Romania") project, in partnership with the University of Agronomic Sciences and Veterinary Medicine. This program made it possible for Romanian agriculture to regain two indigenous

varieties, namely the Buzău 1600 tomato and the Buzău red onion, that made it back to Romanians' tables. In 2019 the collaboration continued and we kicked off the production and retail of red kapia peppers (the Potaissa variety), chili peppers (the Jovial variety) and watermelon (the Burebista variety).



In order to develop new products or change our own-brand recipes in compliance with our conscious diet policy³⁷, we count on our collaborations with national and international partners to ensure that the products we retail are fresh and of the highest quality.

We continued to cooperate with our partners to improve our transportation fleet (additional information is available in the Transportation chapter on page 24) and to achieve our goals regarding recycling (additional information is available in the Circular economy chapter on page 20).



³⁷ Source: Lidl Romania: www.lidl.ro/ro/catalogue/politica-lidl-cu-privire-la-o-dieta-constienta/view/flyer/page/1

Responsible communication

- *Dialogue with stakeholders*
- *Consumer awareness*

GRI 102-43

Dialogue with stakeholders

To become better every day, we need to be in constant dialogue with all those who contribute to the health of the Lidl ecosystem: employees, suppliers and customers, but also institutional partners (central and local authorities and the civil society). We know how to listen, to request and receive feedback. Based on suggestions, we constantly seek to improve our processes, launch new initiatives for employees, develop new products together with our suppliers, so as to be able to provide high-quality products to our customers for the best prices.

At the end of the financial year 2019, we had over 7,800 employees. We have been and wish to remain a top employer. This is only possible by making sure that we have enthusiastic, well-trained, healthy colleagues who we can always communicate with in an honest way. We have business relations with many partners from widely different areas. They stand by us because we stand by them, as our relations are built through



much effort and are based on mutual trust, as a result of long-term commitments we made together and transparently.

All those mentioned above work every day so that every customer who comes into our stores feels safe, trusts the quality of our products and the initiatives meant to convince them that they made a fully informed purchasing decision.

The civil society can find in Lidl an open and responsible partner, interested in the development and wellbeing of communities, sustainability management and its impact of the environment, the economy and society.

Last but not least, our channels for communication with local authorities are always open, to make sure that our whole activity and the measures we take are in full compliance with the applicable law.





To measure the degree of satisfaction among our employees, we take the company's Pulse every year. Pulse is a survey that looks into employee satisfaction and beyond, to the quality of communication, the work environment, the relationship between an employee and the team they belong to, but also the management team. Our eNPS38 score, that went up by 20% compared to the previous year, helps us continue focus group discussions. These take place both in our central headquarters and in our stores, focusing on our colleagues' areas of interest, and assess which initiatives and programs yielded the best results or which aspects we can improve on.



Following the feedback we received in the reporting period, we plan to increase the quality of our leadership practices, exercise empathy in our relationship with our colleagues, so that they feel understood and truly integrated into the company. We also want to improve our set of organizational values, so that they are reflected both in behaviors and the way we define our employer brand.

Collaboration with suppliers is essential to our activity. Every step, from identifying them to supporting them, involves attention to and openness towards the other's needs. In the reporting period we worked with 9,223 suppliers of goods and services. We always paid them on time, we developed alongside them and helped them grow, promoting them and giving them access to a safe and constant retail outlet. We elaborated on our understanding of how to collaborate with suppliers on pages 26 and 27 of this report, in the section titled Market and supplier development – Fair business practices.

Collaboration with suppliers is essential to our activity. Every step, from identifying them to supporting them, involves attention to and openness towards the other's needs. In the reporting period we worked with 9,223 suppliers of goods and services. We always paid them on time, we developed alongside them and helped them grow, promoting them and giving them access

to a safe and constant retail outlet. We elaborated on our understanding of how to collaborate with suppliers on pages 26 and 27 of this report, in the section titled Market and supplier development – Fair business practices.

In order to be up to date with our customer preferences, we conducted both online and offline assessments of how they perceive us in terms of product range, prices, quality, store layout and responsibility. In addition, we conducted studies regarding Lidl's image within the market, we looked at what the most popular product categories are and paid close attention to the ways in which we are and can be relevant to them.

"Părerea ta" ("Your opinion") (<https://www.lidl.ro/parereata>) is a project we launched in August 2018 with the goal of assessing customers' satisfaction with the buying experience in its entirety (the politeness of our store staff, cleanliness, product availability and the payment process). During the period covered by this report, we registered a total number of 26,392 comments, 85 of which were forwarded to the competent departments for them to be addressed. We were happy to find that 98% of those who expressed their opinion were satisfied with their experience in Lidl stores.

To improve the overall score, all negative opinions are analyzed and the course of action is discussed by the sales managers and store manager.

The Consumption - Target Group Survey helps us understand consumer habits and preferences across all categories of products. Our colleagues in the Marketing department analyze the data every term so that we can adapt to our customers' needs.

By our side in all of these efforts are media agencies, when it comes to market research, but also digital tools such as Google Analytics, that help us analyze tendencies and quickly adapt to demand.

Our relationship with nongovernmental organizations is direct and permanent. Based on specific needs, but also the national and local context, we consult authorities and participate through AMRCR in meetings with representatives of this sector.

Given the new sustainability context, as well as our concern for maintaining open dialogue, within the new reporting process we plan to conduct a materiality assessment, which will involve consulting stakeholders in this matter.

³⁸ Sursa: Netigate: NPS Employee Net Promoter Score – How engaged are your employees? <https://www.netigate.net/articles/employee-engagement/enps-how-engaged-are-your-employees/>



RESOURCES



THE SUPPLY CHAIN



OPERATIONS



CUSTOMERS

STAKEHOLDER GROUP

Lidl managers

Consumers

Suppliers

Central and local authorities

Business partners

NGOs

The academic environment

The media

MATERIAL TOPICS

Circular economy	✓	✓	✓	✓	✓	✓	✓	✓
Fair business practices	✓	✓	✓	✓	✓	✓	✓	✓
Environmental protection	✓	✓	✓	✓	✓	✓	✓	✓
Transportation	✓	✓	✓	✓	✓	✓	✓	✓
Food waste	✓	✓	✓	✓	✓	✓	✓	✓
Occupational safety and health	✓	✓	✓	✓	✓	✓	✓	✓
Labor rights	✓		✓	✓	✓	✓	✓	
High-quality products and product safety	✓	✓	✓	✓	✓	✓	✓	✓
Traceability	✓		✓	✓	✓	✓	✓	✓
Ingredients and nutrition information	✓	✓	✓	✓	✓	✓	✓	✓
Corporate citizenship	✓	✓	✓	✓	✓	✓	✓	
Compliance	✓	✓	✓	✓	✓	✓	✓	✓
Local development	✓	✓	✓	✓	✓	✓	✓	✓
Cooperation	✓		✓	✓	✓	✓	✓	✓
Dialogue with stakeholders	✓	✓	✓	✓	✓	✓	✓	✓
Consumer awareness	✓	✓	✓	✓	✓	✓	✓	✓
Planning and constructions	✓		✓	✓	✓	✓		✓
Employee training and development	✓	✓	✓	✓	✓	✓		✓
Sustainable products	✓	✓	✓	✓	✓	✓		
Conservation of resources	✓	✓	✓	✓		✓		✓

Consumer awareness

Aside from information about the products found on our shelves, our customers have access to our policies regarding sustainable products, data related to ingredients and nutrition factors, but also our care for the environment. We took it upon ourselves to provide information about sustainable development, which the general public is not very familiar with, for the very reason of helping our customers make well-informed purchasing and consuming decisions.

We invite all those interested in a healthy diet to access the same section of [www.corporate.lidl.ro](https://corporate.lidl.ro) and go through our policy for a conscious diet. In it they will find very useful information regarding food safety, organic, vegan and vegetarian food, but also how we label our products.

Organic products (vegetables and fruit, as well as the permanent range and in-out range), FSC certified products (furniture, toys, hardware, textile products made from organic cotton or Lenzing viscose) have been and are still available to those to prefer them or customers who pay attention to the carbon footprint, as well as the social footprint of these products.

Food waste, a topic we covered in a previous chapter, was also the object of a social media campaign regarding responsible consuming. "Banca pentru alimente" ("The Food Bank") is one example of a long-term project that we believe in and support (see the Corporate citizenship chapter on page 61).

In the financial year 2019 we organized a TV campaign with the theme "Și tu ești responsabil" ("You are responsible too") to encourage our customers to engage in responsible consumer behavior.

The Sustainability section of our website – <https://corporate.lidl.ro/sustenabilitate> – lists our policies for a responsible product range regarding the sourcing of:



Our website and the Lidl app are constantly updated, so that customers can put together a shopping list full of responsible and sustainable products before coming into the store, without wasting any extra time.

We invite you to our stores and all of our platforms!



GRI Standards Content Index

For the Materiality Disclosures Service, GRI reviewed that the GRI content index is accurately drafted and the references for disclosures 102-40 to 102-49 align with appropriate sections in the body of the document. The GRI service has been conducted on the Romanian language version of this report.



GRI Standard	Disclosure	Correlation of GRI standards with Sustainable Development Goals (SDGs)	Page, URL or other sources	Omissions
GRI 101: Foundation 2016				
GENERAL DISCLOSURES				
GRI 102: General Disclosures 2016	102-1 Name of the organization		10	
GRI 102: General Disclosures 2016	102-2 Activities, brands, products, and services		11	
GRI 102: General Disclosures 2016	102-3 Location of headquarters		11	
GRI 102: General Disclosures 2016	102-4 Location of operations		11	
GRI 102: General Disclosures 2016	102-5 Ownership and legal form		10	
GRI 102: General Disclosures 2016	102-6 Markets served		6	
GRI 102: General Disclosures 2016	102-7 Scale of the organization		2	
GRI 102: General Disclosures 2016	102-8 Information on employees and other workers	SDG 8, Target 8.8	10	
GRI 102: General Disclosures 2016	102-9 Supply chain	SDG 8, Targets 8.2 & 8.3 & 8.4	11	
GRI 102: General Disclosures 2016	102-10 Significant changes to the organization and its supply chain		During the reporting period, the Lidl Responsibility Model (LRM) was updated. Although some topics were redefined, the strategic orientation of the LMR remained the same.	
GRI 102: General Disclosures 2016	102-11 Precautionary principle or prudential control	SDG 13, Target 13.3	6, 20	
GRI 102: General Disclosures 2016	102-12 External initiatives	SDG 17, Target 17.10 & 17.15	12	
GRI 102: General Disclosures 2016	102-13 Membership of associations		12	
GRI 102: General Disclosures 2016	102-14 Statement from senior decision-maker		2, 3	
GRI 102: General Disclosures 2016	102-16 Values, principles, standards, and norms of behavior	SDG 5, SDG 8, SDG 16	This information is available on page 13 of our previous report. https://www.lidl.ro/ro/cataloge/raport-de-sustenabilitate-2019/view/overview/page/14	
GRI 102: General Disclosures 2016	102-18 Governance structure		12	
GRI 102: General Disclosures 2016	102-40 List of stakeholder groups	SDG 17, Target 17.17	This information is available on page 9 of our previous report. https://www.lidl.ro/ro/cataloge/raport-de-sustenabilitate-2019/view/overview/page/10	
GRI 102: General Disclosures 2016	102-41 Collective bargaining agreement	SDG 8, Target 8.8	0% of employees are covered by a collective bargaining agreement.	
GRI 102: General Disclosures 2016	102-42 Identifying and selecting stakeholders	SDG 17, Target 17.17	Informația este disponibilă în raportul nostru anterior, la pag. 9. https://www.lidl.ro/ro/cataloge/raport-de-sustenabilitate-2019/view/overview/page/10	
GRI 102: General Disclosures 2016	102-43 Approach to stakeholder engagement		This information is available on page 9 of our previous report. https://www.lidl.ro/ro/cataloge/raport-de-sustenabilitate-2019/view/overview/page/10	
GRI 102: General Disclosures 2016	102-44 Key topics and concerns raised		8, 9	
GRI 102: General Disclosures 2016	102-45 Entities included in the consolidated financial statements		11. The financial statements of all the entities mentioned in this report are available at http://www.mfinante.gov.ro/agentcod.html?pagina=domenii by entering the tax identification code.	
GRI 102: General Disclosures 2016	102-46 Defining report content and topic boundaries		According to the GRI Standard 103: Management Approach 2016, each material topic includes an explanation of its boundaries.	
GRI 102: General Disclosures 2016	102-47 List of material topics		9	
GRI 102: General Disclosures 2016	102-48 Restatements of information		There have been no restatements of information.	
GRI 102: General Disclosures 2016	102-49 Changes in reporting		There have been no changes in reporting.	
GRI 102: General Disclosures 2016	102-50 Reporting period	SDG 12, Target 12.6	6	
GRI 102: General Disclosures 2016	102-51 Date of most recent report	SDG 12, Target 12.6	2019	
GRI 102: General Disclosures 2016	102-52 Reporting cycle	SDG 12, Target 12.6	Annually (01.03.2019 – 29.02.2020)	
GRI 102: General Disclosures 2016	102-53 Contact point for questions regarding the report		5	
GRI 102: General Disclosures 2016	102-54 Claims of reporting in accordance with the GRI Standards		6	
GRI 102: General Disclosures 2016	102-55 GRI content index		78	
GRI 102: General Disclosures 2016	102-56 External assurance		81	

Material Topic-Specific Disclosures

RESOURCES

Animal Keeping Standards

Animal Welfare

GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary		16
	103-2 The management approach and its components		16
	103-3 Evaluation of the management approach		16
	Non-GRI: Policies and procedures for the making of (cruelty free) animal products	SDG 2, Target 2.5 SDG 14, Target 14.4	16

THE SUPPLY CHAIN

Circular Economy

GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary		20-23
	103-2 The management approach and its components		20-23
	103-3 Evaluation of the management approach		20-23
GRI 301: Materials 2016	301-1 Materials used by weight or volume	SDG 11, Target 11.6	21, 22

Transport (SP)

GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary		24-25
	103-2 The management approach and its components		24-25
	103-3 Evaluation of the management approach		24-25
	Non-GRI: Percentage of total vehicles in our transportation fleet equipped with Euro engines	SDG 12, Target 12.2	25

Market and Supplier Development

Fair Business Practices

GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary		26-27
	103-2 The management approach and its components		26-27
	103-3 Evaluation of the management approach		26-27
GRI 203: Indirect Economic Impacts 2016	203-2 Significant indirect economic impacts	SDG 8, Target 8.3 SDG 9, Target 9.3	26-27

OPERATIONS

Environmental Protection Standards in Lidl Operations and Processes

Environmental Protection (OP)

GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary		30
	103-2 The management approach and its components		30
	103-3 Evaluation of the management approach		30
GRI 306: Waste 2020	306-1: Waste generation and significant waste-related impacts	SDG 12, Target 12.5	21, 22
	306-2: Management of significant waste-related impacts	SDG 12, Target 12.5	20
	306-3: Waste (by type and disposal method)	SDG 12, Target 12.5	21

Planificare și construcții

GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary		30-33
	103-2 The management approach and its components		30-33
	103-3 Evaluation of the management approach		30-33
	Non-GRI: Policies and procedures regarding the sustainability criteria applied in planning and upgrading buildings (warehouses and stores)	SDG 9, Targets 9.4 & 9.8	31-32

Conservation of Resources (OP)

GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary		34-35
	103-2 The management approach and its components		34-35
	103-3 Evaluation of the management approach		34-35
GRI 302: Energy 2016	302-1 Consumul de energie la nivelul întregii organizații	SDG 7, Target 7.2 SDG 12, Target 12.2	34
GRI 303: Apă și efluenți 2018	303-1: Apa, o resursă comună	SDG 6, Targets 6.3 & 6.4	35
	303-2: Gestionarea impacturilor legate de evacuarea apei	SDG 6, Targets 6.3 & 6.4	35
	303-5: Energy consumption within the organization	SDG 6, Targets 6.3 & 6.4	35

Food Waste

GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary		36-37
	103-2 The management approach and its components		36-37
	103-3 Evaluation of the management approach		36-37
	Non-GRI: Quantity of food products not sent to landfills	SDG 12, Target 12.3	37

Employees

Occupational Health and Safety

GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary		39
	103-2 The management approach and its components		40-44
	103-3 Evaluation of the management approach		40-44
GRI 403: Promoting Occupational Health and Safety 2018	403-1 Occupational health and safety system	SDG 3, Targets 3.6 & 3.8 SDG 8, Target 8.8	40-44
GRI 403: Promoting Occupational Health and Safety 2018	403-2 Risk identification and assessment, incident investigation	SDG 3, Targets 3.6 & 3.8 SDG 8, Target 8.8	40-44
GRI 403: Promoting Occupational Health and Safety 2018	403-3 Occupational health services	SDG 3, Targets 3.6 & 3.8 SDG 8, Target 8.8	40-44
GRI 403: Promoting Occupational Health and Safety 2018	403-4 Worker participation, consultation, and communication on occupational health and safety measures	SDG 3, Targets 3.6 & 3.8 SDG 8, Target 8.8	40-44
GRI 403: Promoting Occupational Health and Safety 2018	403-5 Worker training on occupational health and safety	SDG 3, Targets 3.6 & 3.8 SDG 8, Target 8.8	40-44
GRI 403: Promoting Occupational Health and Safety 2018	403-6 Promotion of worker health	SDG 3, Targets 3.6 & 3.8 SDG 8, Target 8.8	40-44
GRI 403: Promoting Occupational Health and Safety 2018	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	SDG 3, Targets 3.6 & 3.8 SDG 8, Target 8.8	40-44
GRI 403: Promoting Occupational Health and Safety 2018	403-9: Work-related injuries	SDG 3, Targets 3.6 & 3.8 SDG 8, Target 8.8	42, 43

Labor Rights

GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary		45-47
	103-2 The management approach and its components		45-47
	103-3 Evaluation of the management approach		45-47
GRI 401: Employment 2016	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	SDG 3, Target 3.8 SDG 8, Targets 8.5 & 8.8	46
GRI 401: Employment 2016	401-3 Parental leave	SDG 10, Target 10.4	46, 47

Employee Training and Development

GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary		47-49	
	103-2 The management approach and its components		47-49	
	103-3 Evaluation of the management approach		47-49	
GRI 404: Training and Education 2016	404-1 Average hours of training per employee	SDG 4, Target 4.3	49	404-1-a-i: As of now, we have not collected sufficient data to cover this requirement, but we intend to identify the optimal digital solution to aid us in the matter.

CUSTOMERS

Responsible Products Sustainable Products

GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary		52-54	
	103-2 The management approach and its components		52-54	
	103-3 Evaluation of the management approach		52-54	
	Non-GRI: Total number of items produced responsibly per range (food and non-food)	SDG 2, Targets 2.4 & 2.5 SDG 12, Target 12.4	53	

High-Quality Products and Product Safety

GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary		55-57	
	103-2 The management approach and its components		55-57	
	103-3 Evaluation of the management approach		55-57	

GRI 416: Consumer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	SDG 3	56	
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Transparency Traceability

GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary		58-59	
	103-2 The management approach and its components		58-59	
	103-3 Evaluation of the management approach		58-59	

GRI 417: Marketing and Labeling 2016	417-1 Labeling and product information	SDG 2, Target 2.4 SDG 13, Target 13.3	60	
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Ingredients and Nutrition Information

GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary		58-60	
	103-2 The management approach and its components		58-60	
	103-3 Evaluation of the management approach		58-60	

	Non-GRI: Clear and complete information regarding ingredients and the nutritional characteristics of food products	SDG 3, Target 3.4	60	
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Creating Social Value Corporate Citizenship

GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary		61-67	
	103-2 The management approach and its components		61-67	
	103-3 Evaluation of the management approach		61-67	

	Non-GRI: Voluntary social engagement of the company (philanthropy) and supporting the well-known social actors on the market	SDG 1, Targets 1.1 & 1.5 SDG 2, Targets 2.1 & 2.2	61-67	
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Compliance

GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary		68	
	103-2 The management approach and its components		68	
	103-3 Evaluation of the management approach		68	

GRI 205: Anti-Corruption 2016	205-2 Communication and training about anti-corruption policies and procedures	SDG 16, Targets 16.5 & 16.6 & 16.7	68	
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GRI 205: Anti-Corruption 2016	205-3 Confirmed incidents of corruption and actions taken	SDG 16, Targets 16.5 & 16.6 & 16.7	68	
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Local Development

GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary		69-71	
	103-2 The management approach and its components		69-71	
	103-3 Evaluation of the management approach		69-71	

GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	SDG 2, Targets 2.3 & 2.4 SDG 8, Targets 8.2 & 8.3	27	
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	Non-GRI: Number of Romanian suppliers of good and services per total number of suppliers		69, 70	
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	Non-GRI: Number of items produced locally per product range	SDG 2, Target 2.4 SDG 8, Targets 8.2 & 8.3	69, 70	
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Cooperation

GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary		72	
	103-2 The management approach and its components		72	
	103-3 Evaluation of the management approach		72	

	Non-GRI: Cooperation with local and international partners selected according to Lidl's core business	SDG 17, Targets 17.14 & 17.15 & 17.16	72	
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Responsible Communication Dialogue with Stakeholders

GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary		73-75	
	103-2 The management approach and its components		73-75	
	103-3 Evaluation of the management approach		73-75	

	Non-GRI: Constant and systematic dialogue with stakeholders on sustainability-related topics	SDG 12, Targets 12.6 & 12.8	73-75	
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Consumer Awareness

GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary		76	
	103-2 The management approach and its components		76	
	103-3 Evaluation of the management approach		76	

	Non-GRI: Communication initiatives for the purpose of informing, raising awareness and promoting responsible consumer behavior	SDG 12, Target 12.8	76	
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Independent assurance statement

Following the actions performed during the auditing process, we have not identified anything to suggest that the information provided in the chapter titled "*Environmental Protection Standards in Lidl Operations and Processes*" of the Sustainability Report for the fiscal year 2019 is inexact or contains any material errors. Any errors or ambiguities identified in the course of the auditing mission have been corrected prior to the publication of the report.

The full statement is available on the Lidl website.



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Sustainability Report Lidl Romania

*Reporting period:
March 1st, 2019 – February 29th, 2020*