

Lidl Bulgaria
Sustainability Development Report
2016–2017



*For
a fulfilling
life*



Introduction

Lidl Bulgaria is proud to present its first Sustainability Development Report, which you are holding in your hands. In this report we will explain our sustainable development strategy and vision. You will learn about the benefits of our business model and the aspects which we believe are important. We present to you our Fulfilling Lifestyle platform and our ongoing efforts to help customers enjoy a better quality of life.

As a leader in the retail industry, we believe it is important to make our customers aware that responsibility and sustainable development are fundamental to our business model and transpire in everything we do.

The present report is based on the Sustainability Development concept of Lidl International, in partnership with denkstatt Bulgaria - a consulting company with years of experience in creating non-financial reports - and according to the Core option of GRI Standards. The report covers all operations of Lidl Bulgaria for the period between 01.01.2016 and 31.12.2017 and in the future it will continue to be issued on a two-year basis.

In this report the information for 2017 has been audited by EY.

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RESPONSIBLE BUSINESS MUST BE THE ENGINE OF A POSITIVE CHANGE

When Lidl entered the Bulgarian market in 2010 we set one key goal – to make Lidl Bulgaria top-of-mind retailer and a company people love and trust.

Eight years later, we can proudly declare that we have managed to achieve this goal. We have experienced an exceptional growth, strengthened our position as a leading retailer, responsible investor and employer. We have also introduced a new business model that affirmed Lidl Bulgaria as a smart discounter offering high quality at a good price. Last but not least, we have never departed from our main mission – to act responsibly and to take care of our clients, employees and partners.

In 2016 and 2017 we opened our first new-concept store and our second logistic center. Our total income reached almost BGN 1,6bn. We declared our support for Bulgarian producers even stronger and focused our efforts on supporting our clients in leading a more quality and fulfilling life.

Our future plans are even more ambitious – we are looking forward to the opening of our 100th store. We keep investing in the quality of our products, in the sustainable partnership with our key stakeholders and in developing our business in a responsible and sustainable way.

This report will present to you namely our vision and strategy for sustainable growth. It will give you an idea of what we stand for – the belief that responsible business must be the engine of a positive change.

It's our great pleasure to welcome you in Lidl's world where sustainability is irremovable part of everything we do. Hope you'll enjoy it!



Milena Dragijska,
Chief Executive Officer
Lidl Bulgaria

About Lidl Bulgaria

1



HIGHLIGHTS *

* All data is by 31.12.2017

CLOSE TO CUSTOMERS

86

stores in

45

cities

RESPONSIBLE EMPLOYER OF

2379

staff members

Over BGN 55 mln paid in salaries and social security in 2017.

Best Bulgarian Employer 2017 Award according to the ranking of AON Consultancy company

AON
BESTEMPLOYERS
BULGARIA 2017



INVESTOR

883

million
invested in seven years

GROWTH

In just five years after our entry in the Bulgarian market, we became the country's **2nd largest** retail chain by turnover and market share (According to data of ICAP Bulgaria for 2016)

BGN **840** mln turnover in 2017

CERTIFIED PRODUCTS

249

private label brands with sustainability certificates in the permanent assortment Qudal Quality Awards for

+450 proprietary-branded products



SUPPORTING BULGARIAN PRODUCERS

87

products from 31 Bulgarian suppliers in our product line "Rodna stryaha"

Exports by Bulgarian producers totaled over BGN **15 mln** in 2017



ENVIRONMENTAL RESPONSIBILITY

Over **98%**



of secondary and transport packaging is recycled

Up to **30%** higher energy efficiency in the new-concept stores

SUPPORTING LOCAL COMMUNITIES

A special fund of

BGN **253 000**

allocated to the initiative "You and Lidl for A Better Life"



OUR OFFER

We strive to best quality at best possible price

ABOUT LIDL



The story of Lidl began in 1973 as the company opened its first store in Ludwigshafen, Germany, with just 3 employees and a product range of 500 items.

Today, 40 years later, Lidl is Europe's first and the world's fourth largest retailer. Being part of the Germany-based Schwarz-Gruppe, the company is present in 30 countries with 10 500+ stores and more than 150 Regional Distribution Centres in Europe. In 2017 Lidl made another important expansion step by entering the American market.

The success story of Lidl Bulgaria EOOD & CO. KD (GRI 102-45) began on the 25th of November. On that very day, the chain opened its first 14 stores in 11 Bulgarian cities. This was followed by a breathtaking development – although it is the last one to enter the Bulgarian market, in just five years Lidl Bulgaria became the country's second largest retailer by sales volume and market share.



A DIFFERENT BUSINESS MODEL: HIGH QUALITY, OPTIMISATION AND EFFICIENCY

Lidl brought a different business model when stepped into the Bulgarian market. Global practices and tools as well as international know-how which our company transferred from its Head Office in Germany is combined successfully with local expertise to give us a key competitive advantage.

WHAT IS OUR COMPETITIVE ADVANTAGE?

In every activity and process, we follow the principle of maximum simplicity, high quality and productivity.

Owing to this approach, Lidl's business model promptly demonstrated its efficiency and Lidl Bulgaria deservedly became a smart discounter of choice which provides its customers high value for money, saves them time and transforms the shopping into a different experience.

The steadily growing number of customers who choose Lidl as their modern discounter quickly acknowledge our convenient locations, buyer-friendly shelves, and carefully selected assortments. They also appreciate the variety of our proprietary brands and the optimal value-for-money ratio.

Part of an International Network



We are part of a global retail group which operates in 30 countries. This enables us to contract large volumes at low prices.

Product range



We stand out for carefully selected assortment and an ample portfolio of proprietary-branded products which have become synonymous to great quality. Acknowledged brand products complement our assortment competence.

Suppliers



When talking about our proprietary-branded products we work only with IFS, FSC or BRV certified suppliers. By the end of 2017 we had 974 active suppliers in the food and non-food sectors, including 60 suppliers of fruit and vegetables.

Regional Distribution Centres (RDCs)



Our two RDCs contribute to the optimisation of our business and logistics processes. They make sure our 86 stores in 45 cities are fully stocked each day and guarantee for fresh supplies for our clients.

Logistics



We work towards a maximum optimisation of the logistics and transport functions. We identify the most efficient delivery routes and ensure that our trucks are fully loaded and optimised at all times.

Stores



Important features of our stores are their easy and convenient locations, and customer-friendly, orderly shelves. In combination with the carefully selected assortment this means we save our client's time and money.

Products Presentation & Packaging



We present our products in aesthetic and at the same time functional cartons - thus we optimize costs and processes and as a result the best retail prices for our clients are ensured.

Customers



Every single day we strive to provide the best quality-price ratio, high quality and always fresh products as well as added value for our clients.

Head Office



Our head office is currently at 1 "Treti Mart" str., Ravno Pole, Elin Pelin Municipality.

2379
employees



- 2010 – the first Regional Distribution Centre (RDC) was opened in the village of Ravno Pole near Sofia following an investment of BGN 56 million.
- 2017 – second RDC was opened in the village of Kabile near Yambol, where more than BGN 80 million were invested.

THE BULGARIAN RETAIL SECTOR: CONSUMER TRENDS

Consumer behavior is constantly changing. The way retail chains answer customer needs and demands determines their success. That's why our main priority is to keep in step with market trends and to forebode and meet consumer expectations and purchasing habits.

INCREASING COMPETITION

In 2016 and 2017 the competitive rivalry in the retail industry increases. The top retail chains in Bulgaria increase their market share, invest significantly in the expansion and modernization of their stores and enrich their portfolio of own products. This makes Lidl Bulgaria face the challenge of being even closer to customers, making shopping easier and more pleasant and comfortable, offering rich portfolio of own products and at the same time strengthening its main competitive advantage – the optimal value-for-money ratio.

QUALITY AND FRESHNESS

The customer demand for quality and fresh products takes the lead in consumer trends. That's why – in order to successfully answer these habits – our fresh assortment is our key priority. We focus both on the fruit and vegetables assortment as well as on other fresh products such as fresh meat, fish, bake off and others.



SUPPORTING THE LOCAL TASTE

The love of Bulgarians for native taste is another never-ending trend that takes the lead during the last years. The enormous interest that our product line with quality products from Bulgarian suppliers – Rodna Stryaha – provoked is quite a proof for this. That's why we keep investing in further developing and enriching the selection with new favourite tastes – such as the products from our product line "My farm". Thus, we not only contribute for preserving Bulgarian traditional recipes but we also support Bulgarian suppliers and stimulate local production.

A VARIETY OF TASTES

Besides the love for native taste, the Bulgarian is also interested in discovering new tastes. This is how another consumer trend is being outlined – the curiosity and the affinity for tasting different cuisines. This trend is proved by the growing interest in Lidl's thematic weeks – thanks to them the authentic tastes of Italian, French and other cuisines enter the Bulgarian homes.

FOCUS ON HEALTHY EATING

Consumer demand for healthy products and "clean" recipes becomes more and more clearly outlined. In response to this growing demand, we dedicated a special zone under the motto Closer to nature, bringing together all the bio, vegan, gluten-free and lactose-free products. We are the first to introduce our Clean Label series including products with no artificial preservers, taste enhancers and colorants. Lidl Bulgaria is the only retailer to offer fresh meat certified by SGS. The importance of healthy and high-quality products can be seen in our rich portfolio of certified products and products acknowledged with international awards such as Qudal and Best Buy Award. The improvement of recipes of our own products together with the reduction of added salt and sugar are also significant part of our constant endeavors to provide healthy nutrition for our clients.

E-COMMERCE

Although still fragmented, online habits are becoming more and more distinctive – they appear in a different way among different target groups. Online shopping has become more and more popular in the non-food segment and in the home food delivery. However, it is still in progress as far as traditional food products are concerned. In this segment the Bulgarian keeps following the tradition – he still gives higher credit to stationary trade that will always offer him more social contacts as well as bigger guarantee for the quality and freshness of the products he's looking for.





FOR FULFILLING LIFESTYLE

Following our strive to always offer our clients added value, we made the next important step - we conducted a nationwide representative survey with one main objective - to find out which are the most important factors which make Bulgarians believe they live well.

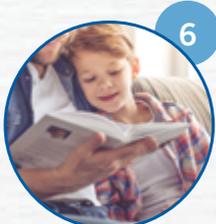
METHODOLOGY

Face-to-face interviews with 1007 respondents.

FINDINGS:

The survey revealed the factors which Bulgarians believe to be the most important elements of a fulfilling lifestyle.

WHICH ARE THE TOP 10 FULFILLING LIFESTYLE FACTORS, ACCORDING TO THE SURVEY?

| | | | | |
|---|---|---|--|--|
|  <p>1 MY FAMILY AND FRIENDS TO ENJOY GOOD HEALTH</p> |  <p>2 ENJOYING GOOD HEALTH FOR MYSELF</p> |  <p>3 HAVING A GOOD FAMILY</p> |  <p>4 SOUND SLEEP</p> |  <p>5 LACK OF STRESS</p> |
|  <p>6 MAINTAIN MEANINGFUL COMMUNICATION WITH MY CHILDREN</p> |  <p>7 HAVE CHILDREN</p> |  <p>8 BEING FINANCIALLY SECURE</p> |  <p>9 BEING FINANCIALLY INDEPENDENT</p> |  <p>10 EATING HEALTHY</p> |

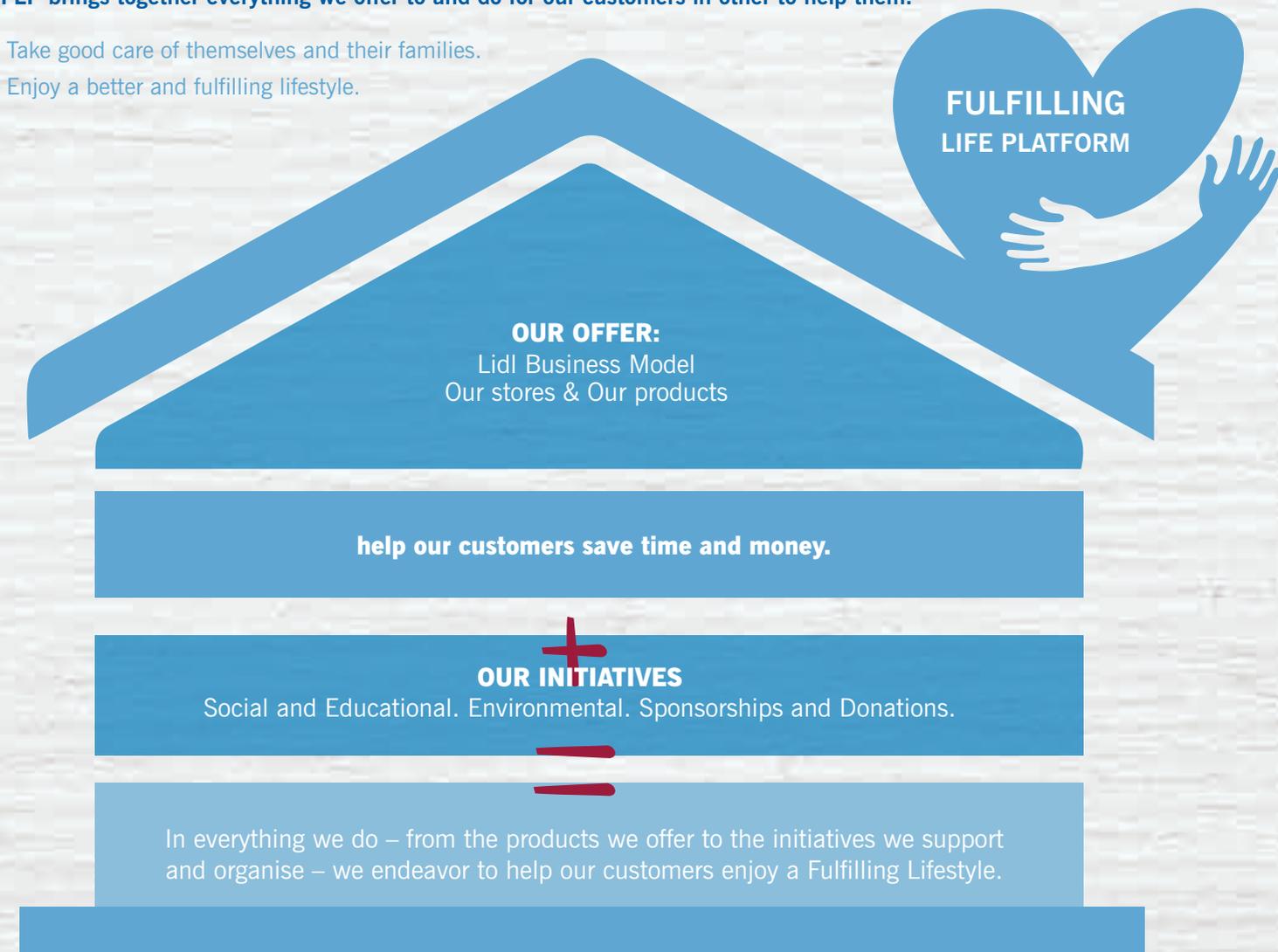
LIDL FULFILLING LIFESTYLE INDEX (LFLI)

Together with the partners from the marketing agency Progress Consult, Lidl calculated the first-ever Fulfilling Lifestyle Index for the Bulgarian population. It gave a clear understanding as to whether the quality of life of the Bulgarians meets their expectations and provided us with a strong scientific foundation on the basis of which we identified the priority areas and respectively focuses of our efforts.

THE FULFILLING LIFESTYLE PLATFORM (FLP) OF LIDL BULGARIA

The FLP brings together everything we offer to and do for our customers in order to help them:

- Take good care of themselves and their families.
- Enjoy a better and fulfilling lifestyle.





WE BELIEVE THAT OUR TOMORROW DEPENDS ON OUR RESPONSIBILITY TODAY

OUR UNDERSTANDING OF RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT IS EMBODIED IN OUR BUSINESS MODEL

Our aim is to offer the best quality at the best possible price.



We aim to generate profit in a responsible and sustainable way which is consistent with environmental responsibility and social reality.

IN EACH ACTIVITY WE GIVE A CLEAR ANSWER TO THE FOLLOWING THREE QUESTIONS:

WHY?

Working responsibly is our way to continually deliver on our commitment to quality and thereby foster our future.

HOW?

Adhere to streamlined and simplified processes. Our aim is to continually improve quality, sustainability and efficiency across all our activities.

WHAT?

We focus on five strategic priorities.

A Better Tomorrow. Strategic priorities

2



A BETTER TOMORROW.

FIVE STRATEGIC PRIORITIES



Products

Product quality is our top priority. We apply rigorous quality requirements and continually endeavor to improve our assortment. Our stores offer the widest portfolio of sustainability-certified proprietary brands.



Employees

Our employees contribute to a great extent for the success of Lidl Bulgaria and for making the chain one of the most successful companies. Therefore, taking proper care of our employees is one of our flagship missions.



Business partners

The principles of transparency, integrity and professionalism ensure sustainable collaboration with our business partners. We share with them knowledge and experience, and foster their development.



Environment

We conduct our operations in an environmentally responsible manner. Day in, day out we strive to ensure that our sites perform to high sustainability and functionality standards by organising our processes in a way which minimises their footprint.



Local communities

We can drive a positive change for the people around us. In this respect, we initiate and support initiatives and projects which help communities in different regions of the country enjoy a better and fulfilling life.





LIDL RESPONSIBILITY MODEL

RESOURCES & AGRICULTURE

| Agricultural inputs | Cultivation & Harvesting | Animal Keeping |
|--|--------------------------|----------------|
|  <p>Protection of ecosystems</p> <ul style="list-style-type: none"> • Land usage • Irrigation • Biodiversity • Pollution | | |
|  <p>Animal welfare Standards</p> <ul style="list-style-type: none"> • Animal welfare | | |

SUPPLY CHAIN & PROCESSING

| Production | Processing | Trnsportation |
|---|------------|---------------|
|  <p>Environmental Standards along the Supply Chain</p> <ul style="list-style-type: none"> • Climate Protection (SP) • Conservation of Resources (SPBiodiversity) • Transportation (SP) • Packaging | | |
|  <p>Social Standards along the Supply Chain</p> <ul style="list-style-type: none"> • Occupational Health and Safety (SP) • Remuneration (SP) • Labour Rights (SP) • Human Rights (SP) | | |
|  <p>Supplier and Market Development</p> <ul style="list-style-type: none"> • Supplier Assessment • Fair Business Relations • Supplier Awareness & Training | | |

OPERATION & PROCESSES

| Logistic Centre | Transportation | Stores & Services |
|--|----------------|-------------------|
|  <p>Corporate Environmental Management</p> <ul style="list-style-type: none"> • Climate Protection (OP) • Conservation of Resources (OP) • Planning & Construction • Food Waste • Transportation (OP) | | |
|  <p>Employee Responsibility</p> <ul style="list-style-type: none"> • Occupational Safety & Health Promotion (OP) • Labour Rights (OP) • Remuneration (OP) • Diversity & Inclusion • Training & Development • Life Balance | | |

CUSTOMER & SOCIETY

| Agricultural inputs | Usage | Disposal |
|---|-------|----------|
|  <p>Design of the Product Range</p> <ul style="list-style-type: none"> • High-quality Products & Product Safety • Local Sourcing • Sustainable Products | | |
|  <p>Transparency at Point of Sale</p> <ul style="list-style-type: none"> • Traceability • Ingredients & Nutrition Information • Product Labeling | | |
|  <p>Social Value Creation</p> <ul style="list-style-type: none"> • Corporate Citizenship • Security of Supply • Local Development • Cooperation | | |
|  <p>Responsible Communication</p> <ul style="list-style-type: none"> • Communication • Stakeholder Dialogue • Customer Awareness • Employee Awareness | | |

The strategic pillars of our sustainable development cover topics throughout our entire value chain. From agriculture, through the supply chain and our internal operations, to the impacts on the customers and the society, we have identified specific topics related to products, environment, business partners, employees and local communities, which are potentially relevant to our business. Through the materiality assessment process we have outlined the ones, which are trully significant and we have addressed them in this report.



IMPORTANT ASPECTS FOR US AND OUR STAKEHOLDERS

The interests and requirements of internal and external audiences have a strong impact on the development of our business.

The range of people, companies and organisations which we interface and collaborate with on a continuous basis is exceptionally diverse and broad.



Together with our **business partners** we guarantee the best possible quality of our products.

We collaborate with a range of **non-government organisations** to enrich our contribution for a better tomorrow, and our **employees** are those who chart the success of our company. This is exactly why the aspects which are relevant to our stakeholders are also key drivers of our activities and responsibilities.

The Materiality matrix is an end-to-end description of the process used to analyse the context in which the company operates, the aspects that are important from the perspective of people and organisations working with us, and our impact on them and on the environment. The output shows to us which are the most important aspects across the five defined areas, which we pursue as a matter of priority and on which we focus our efforts.

To ensure that we are fully unbiased and comprehensive, we have structured the analysis in four steps which follow the good practices of GRI (GRI 102-46).

Step 1

IDENTIFICATION OF THE ASPECTS

In Step 1, we identified 42 aspects which are relevant to the impacts of our operations at each phase of the value chain, and also corresponding to the five defined areas.

Step 2

IMPACT ASSESSMENT

For each aspect we made an assessment of our measures and activities and used it as a basis for rating the importance of each impact we produce.

Step 3

SURVEY AMONG STAKEHOLDERS (GRI 102-42, 102-43)

We worked to measure the extent to which the same aspects are important to our stakeholders, too. We consulted clients, employees, suppliers, non-government organisations, media outlets and institutions. Each group received customized questionnaires for assessing each aspect. We interviewed some respondents face-to-face in order to obtain deeper understanding of how important the various aspects are. The information gleaned from the questionnaires and from the interviews was consolidated, processed, analysed and benchmarked to our assessments in the IAM.

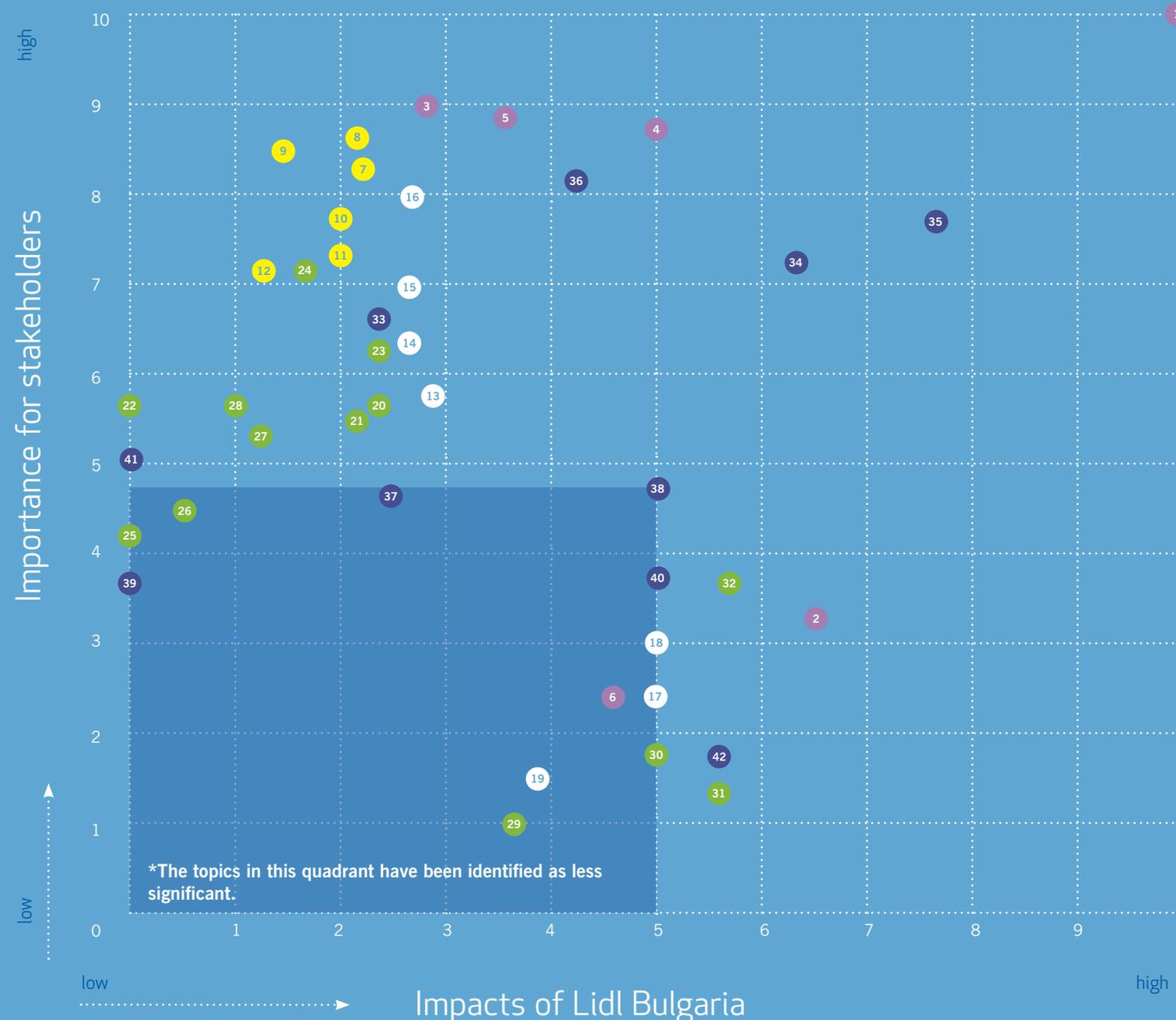
Step 4

VALIDATION OF THE MATRIX

The finalised matrix and the entire process used to create the matrix were presented to, discussed with and approved by the management of Lidl Bulgaria.



THE TOPICS OF GREATEST IMPORTANCE (GRI 102-47) MATERIALITY MATRIX



Products

- 1 High-quality Products & Product Safety
- 2 Local Sourcing
- 3 Product Labeling
- 4 Traceability
- 5 Ingredients & Nutrition Information
- 6 Sustainable Products



Employees

- 7 Occupational Safety & Health Promotion (L)
- 8 Labour Rights
- 9 Remuneration (L)
- 10 Diversity & Inclusion
- 11 Training & Development
- 12 Life Balance



Business partners

- 13 Occupational Health and Safety (SP)
- 14 Labour Rights (SP)
- 15 Remuneration (SP)
- 16 Human Rights (SP)
- 17 Supplier Assessment
- 18 Fair Business Relations
- 19 Supplier Awareness & Training



Environment

- 20 Climate Protection (L)
- 21 Conservation of Resources (L)
- 22 Transportation (L)
- 23 Planning & Construction
- 24 Food Waste
- 25 Climate Protection (SP)
- 26 Conservation of Resources (SP)
- 27 Transportation (SP)
- 28 Packaging
- 29 Land usage
- 30 Biodiversity
- 31 Irrigation
- 32 Pollution



Local communities

- 33 Corporate Citizenship
- 34 Security of Supply
- 35 Compliance
- 36 Local Development
- 37 Cooperation
- 38 Communication
- 39 Stakeholder Dialogue
- 40 Customer Awareness
- 41 Employee Awareness
- 42 Animal Welfare

*(SP) Supplier

*(L) Lidl Bulgaria

□ High significance

■ Low significance



COMMUNICATION WITH STAKEHOLDERS

Our communication with stakeholders goes far beyond the assessment of important aspects. We interface with them on a daily basis.(GRI 102-40, 102-43, 102-44)

Customers

All questions raised by our customers through our hotline, social media or via other channels are processed as a matter of high priority. We develop awareness campaigns related to the quality and origin of products. In the context of the important aspects analysis, we made a survey by conducting 210 interviews with our customers.



Employees

Our employee training, development and evaluation programmes, corporate Intranet platform and routine face-to-face communication enable us provide information on a regular basis and receive direct and timely feedback from our employees.



Suppliers

When suppliers or partners sign their first contracts with Lidl, together with the contract they receive a pack of information materials on aspects important to both parties, such as the Code of Ethics and the irregularities reporting system. At regular working meetings we exchange information on innovative projects developed by each side and do groundwork for initiating joint innovation projects.



Non-government organisations

We develop sustainable and long-term partnerships with a number of non-government organisations.

We involve them as partners in our key initiatives and support them across a number of socially relevant projects which correspond to our five priority areas.

Institutions

Our two main channels of liaison with institutions are face-to-face meetings of Lidl Bulgaria managers with relevant officials, and proactive communication on our part to keep them informed of the key areas our company works in.



Mass media

We keep mass media abreast of the aspects associated with the development of Lidl Bulgaria, and of all our initiatives, campaigns and activities. Channels for communicating with them include media events, one-on-one meetings, corporate interviews, dissemination of press releases, and other. All enquiries from media representatives are dealt with a priority and answered promptly and correctly.





OUR GOALS

We stand by our commitments with specific, time bound goals and we take the necessary actions to achieve them. The presented targets are planned based on year 2017.

Products

FOOD ASSORTMENT

| | |
|---|------|
| Increase by 5% the number of products from Bulgarian suppliers, part of product line "Rodna stryaha" (accomplished in 2018) | 2018 |
| Increase by 20% the number of certified products and the amount of certified input materials used in proprietary brands | 2019 |
| Reduce by 20% the added salt and sugar content in proprietary products in own products | 2025 |
| Eggs from floor-reared poultry to become an obligatory minimum standard | 2025 |
| Use only certified cocoa in all proprietary branded products containing cocoa | 2022 |
| Zero hydrogenated fats in 80% of the items produced in Lidl Bakery (accomplished) | 2018 |
| Zero hydrogenated fats and preservers in all Bread, Baguette and Semmel products in Lidl Bakery (accomplished) | 2018 |

NON-FOOD ASSORTMENT

| | |
|--|------|
| Introduce textiles processed by resourceefficient technologies | 2019 |
| Introduce textiles made by the concept Cradle to cradle | 2019 |

Employees

| | |
|---|-----------|
| Increase the number of employees who are offered development opportunities by 3% | 2020 |
| Reduce the annualized staff turnover rate by another 5% | 2018-2019 |
| Implement focused leadership programmes and cover at least 5% of all staff members on an annual basis | ongoing |
| Reduce the number of accidents at work by 20% | 2019 |
| Deploy the work-life balance approach by dedicated platforms with the aim to encompass all employees | 2020 |

Business partners

| | |
|--|---------|
| Increase the volume of Bulgarian exports with 20% | 2019 |
| 100% of our Bulgarian suppliers of fruit and vegetable to achieve GLOBALG.A.P. certification | 2019 |
| Increase volumes and production capacities, expand and upgrade the production facilities of our key suppliers thanks to their partnership with Lidl Bulgaria | ongoing |

Environment

| | |
|---|------|
| Achieve certification to the ISO 50001 standard of all our stores, head office and RDCs | 2018 |
| Reduce CO ₂ emissions with 2480 tons | 2019 |
| Introduce a programme for working with climate-friendly refrigerating agents | 2019 |
| Energy-efficient renovation of 25 stores | 2018 |
| Replace the whole own fleet so that 100% of the vehicles are compliant with the Euro 6 standard | 2019 |
| Reduce the average distance travelled per pallet by 20% (accomplished in 2018) | 2018 |
| Increase the absolute amount (tonnes) of recycled waste by 7% (accomplished in 2018) | 2018 |

Local Communities

| | |
|--|-----------|
| Ensure the successful implementation of all projects selected for funding in the first edition of You and Lidl for A Better Life | 2018-2019 |
| Select and finance sustainable projects with sustainable impacts on local communities in the second edition of the initiative | 2018-2019 |

Products

As part of our responsibility, our approach to quality is based on exceptional professionalism and rigorous standards. We encourage certified products and will focus on their development in the following years.

- We use sustainably and responsibly the resources involved in the production of high-quality proprietary brands;
- We offer certified products;
- We apply an uncompromising food quality and safety system;
- We work with savvy Bulgarian and international suppliers;
- We subscribe to transparent and proven labeling processes;
- We apply a streamlined system for direct communication with and feedback from our customers.

3

We strive to offer
best quality
at best possible
price

450+
proprietary brands with
Qudal Quality Awards



The only SGS certified
fresh meat in Bulgaria

249
proprietary-branded products
with sustainability certificates
in the permanent assortment

TARGETS

FOOD ASSORTMENT

Increase by 5% the number of products from Bulgarian suppliers, part of product line "Rodna Stryaha" (accomplished in 2018)

2018

Increase by 20% the number of certified products and the amount of certified input materials used in proprietary brands

2019

Reduce by 20% the added salt and sugar content in proprietary products in own products

2025

Eggs from floor-reared poultry to become an obligatory minimum standard

2025

Use only certified cocoa in all proprietary branded products containing cocoa

2022

Zero hydrogenated fats in 80% of the items produced in Lidl Bakery (accomplished)

2018

Zero hydrogenated fats and preservers in all Bread, Baguette and Semmel products in Lidl Bakery (accomplished)

2018

NON-FOOD ASSORTMENT

Introduce textiles processed by resource efficient technologies

2019

Introduce textiles made by the concept Cradle to cradle

2019

100%

of proprietary chocolate
brands J.D.Gross and
Fin Carre are certified to
UTZ, Rainforest Alliance or
Fairtrade Cocoa Program

of our international
fruits and vegetables
suppliers are
GLOBALG.A.P. certified

Innovator

Pioneers in the processed meat sector with the innovative Clean Label – without artificial preservers, taste enhancers or colorants, and gluten and lactose-free





HIGH-QUALITY PRODUCTS & PRODUCT SAFETY

A characteristic feature of our portfolio is that it is selected on the basis of stringent requirements in respect of quality and price advantage.

We offer a variety of products for the daily and weekly shopping basket. Our carefully selected assortments mean that we save our customers' time and money.

We have more than **2 300** products in the permanent portfolio, of which 1 700+ proprietary brands and more than 600 international and Bulgarian brands

+ OVER **4 800** action items on a yearly basis – more than 1 200 in the food and 3 600+ in the non-food segment.

Thus, our portfolio offers the required variety for both daily and weekly shopping. This means we provide the benefits which are most important for nowadays customers: best quality at best possible price, time efficiency and more time to spend on things that really matter in life.

SECURITY OF SUPPLY

We steadily increase the number of our stores thus ensuring we get closer to our clients. We started with 14 stores in 2010 and at the end of 2017 we have already reached 86 stores in 45 cities. This makes our products easily accessible to a wide proportion of the population.



LIDL OWN BRANDS – A QUALITY GUARANTEE

Our own brands are a tool by which we guarantee the quality of our products. We control product quality across the entire chain, from concept to production and then to presentation at the store. We optimise processes and work every single day to achieve the best value-for-money ratio.

SUPPLIER ASSESSMENT

Lidl applies a uniform control system across all countries in which it operates. The system is structured around the following categories and is based on risk assessment:



Tests of Lidl's proprietary-branded products

These tests take place at certain periods which depend on risk levels. They are carried out by laboratories accredited to the ISO 17025 standard. The main objective of the tests is to check the quality and safety parameters of our proprietary brands.



Audits at the production premises of the suppliers of proprietary-branded products

The production facilities of all suppliers of our proprietary-branded products are certified in accordance with the requirements of one these three international standards: IFS, BRC or FSSC.

This is a condition which they have to meet before they can become our partners.

The frequency of our audits at the suppliers' premises depends again on the risk assessment. Supplies from new production facilities can begin after these facilities are certified by an independent auditor and approved audit.



Sensor tests of proprietary-branded products

There are two types of sensor tests: internal (carried out by experts) and external (carried out by consumers/end users). The objective of these tests is to assess conformity with certain quality and taste criteria and the perception of our products by end users.



Handling of customer complaints and enquiries

The feedback received from customers is used to enhance the quality and other properties of our products, and to improve the processes of our suppliers.



Routine risk assessment

This is a process of routine risk assessment which caters on results from laboratory and sensor tests, audit reports, customer complaints, inspections by supervisory authorities, notifications from suppliers and tests by NGOs of products including ones offered by Lidl.

Besides all these measures, we also conduct unexpected audits of producers' centers in order to ensure that high quality standards are applied. An explicit proof for the quality of our products is the fact that in 2017 we are acknowledged with 7 Best Buy medals for best price-quality ratio as well as 7 Qudal medals for our own products having the highest quality.



PRODUCT INFORMATION AND RESPONSIBILITY

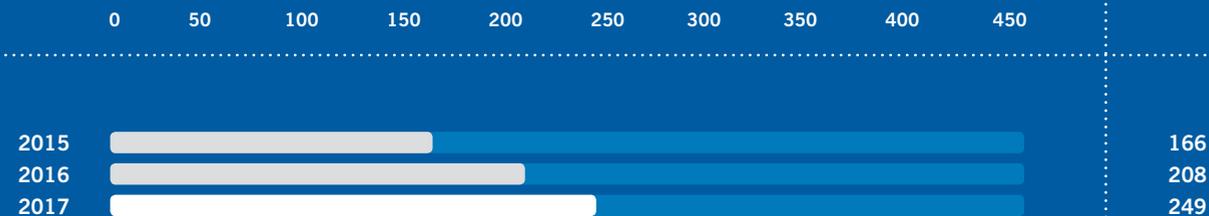
We stand for the sustainable production of our own brand products. We encourage and support our suppliers to follow various sustainability practices focusing on environmental protection, employee well-fare and customer health and wellbeing.

- **We invest in** the implementation of sustainable policies and practices.
- **Certified products** feature the certificate logo on their packaging and a brief explanation of their function.
- **We improve** the recipes of our proprietary brands.
- **We develop** and expand our range of organic products.
- **We do this in order** to achieve high quality and deliver on our sustainable development commitments by undertaking relevant action.

GROWTH OF CERTIFIED FOOD PRODUCTS

In 2015 – 2017 the number of certified food products in our portfolio was increased by **50%**.

CERTIFIED PRODUCTS



Sustainability certificates in food assortment

The certificates presented below guarantee that the inputs used in the relevant production processes have been obtained in an environmentally and socially responsible manner. The annotations illustrate the stringent requirements to the producers and the strict rules for the responsible growing of the raw materials with due regard to their impact on the environment and on the people involved in the relevant production process.

| | | |
|--|-------------------------|--|
| | BIO | The EU bio product label applies to all pre-packaged organic food produced in an EU Member State and to the EU's organic farming guidelines. Some of the criteria are, for example, not containing genetically modified organisms (GMOs), no flavor enhancers, no artificial flavors or colorants. The use of synthetic plant protection products and soluble mineral fertilizers is not allowed. |
| | Fairtrade Cocoa Program | This is a cocoa certification program which enables small-scale producers sell more cocoa at fair trading terms. We are one of the first partners of the Fairtrade Cocoa Program (since 2014). The program label can only be displayed on the product packaging if the cocoa needed and used in the product is purchased in accordance with all Fairtrade requirements. |
| | Fairtrade International | Fairtrade means better conditions for small farmers and workers in Africa, Asia and Latin America. More than 1.6 billion people already benefit from stable minimum prices, democratic organizational structures, environmental protection, and safe working conditions. |
| | MSC | Marine Stewardship Council (MSC) is an international non-profit organization. It aims to prevent global overfishing as well as make the world's fishing industry more sustainable. MSC ensures that fish stocks remain at a certain level, that fishing gears develop consciously, that by-catches are minimized, and that the habitats of fish and other marine animals are preserved in the long run. |
| | ASC | The Aquaculture Stewardship Council (ASC) is an independent non-profit organization founded in 2010 to achieve more sustainable fishing practices. Its label is for fish and seafood from farms that adhere to sustainable cultivation practices, thus reducing impacts on humans and nature. |
| | UTZ | The UTZ-certified tracking system creates transparency in the retail sector and ensures that effectively used products are created sustainably. This increases confidence both for the buyer and for the seller and lays the foundations for negotiating adequate prices for sustainable goods. The Sustainability Program presents farmers with good agricultural practices for economic consolidation and sustainable production. Training includes better methods of harvesting, effective environmental protection, and higher incomes. |
| | RAINFOREST ALLIANCE | The label marks products that contain ingredients from farms and forests that have a Rainforest-Alliance certificate. The origin of these ingredients should be used in accordance with the strict SAN (Sustainable Agriculture Networks) guidelines. This includes criteria for environmental protection, social responsibility, and cost-effectiveness. The guidelines are designed to protect animals as well as plants, soils and wildlife. They also aim to improve the living conditions of workers, their families and local communities. |



IRRIGATION AND POLLUTION RELATED TO AGRICULTURE

Agriculture is a sector with high influence on the environment. Raising crops and animals requires big amounts of natural resources such as land and water, while emitting some gases which are infavourable to the climate or the air. That is why we find it important that agricultural producers understand the stakes and put effort in mitigating the related risks.

As a responsible company, we strive to take care of the environment at the very first phases of our business such as land usage, irrigation, pollution etc. Although we don't have direct impact, we aim at working with suppliers that prevent land degradartion, pollution of oil, air and water and that use water in agriculture efficiently considering local circumstances.

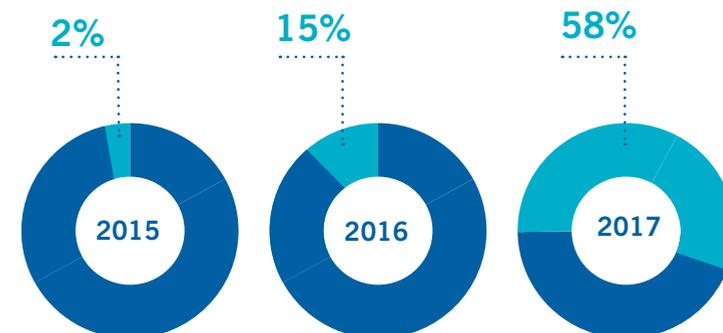


Our fruit and vegetables are with high quality and come from tested suppliers.

GLOBALG.A.P. is the global standard for safe and sustainable agricultural production. As a member of the GLOBALG.A.P. organization, Lidl Bulgaria requires all its partners to ensure that the fruits and vegetables they deliver are product of safe and sustainable agricultural production. **GLOBALG.A.P. is a guarantee for compliance with good world farming practices.** The standard covers the following key criteria: food safety, observance of optimal hygiene and traceability in the production process, safe and legitimate use of pesticides, integrated pest management, soil protection, safe and healthy working conditions, worker welfare, environmentally friendly agricultural production, waste management and pollution, responsible water use, post-harvest treatment and energy efficiency.

We are in the process of supporting our Bulgarian suppliers achieve GLOBALG.A.P. certification. The proportion of certified Bulgarian suppliers rose steeply from 2% to 58% over the last three years, and we intend to reach our 100% by the end of 2018.

By working with producers with GLOBALG.A.P. certificate, we make sure once again, that the products which we offer to our customers are part of an environmentally safer and more sustainable production process and that our suppliers adhere to the global standard for good agricultural production practices.



Proportion of GLOBALG.A.P. certified Bulgarian suppliers



COMMUNICATION

Responsibility and honesty find expression in our daily communication with our clients. Through key advertising channels - such as brochure, official website, and others, we contribute to full and transparent consumer awareness. We constantly inform our customers of key company's socially responsible initiatives, the ethical work practices we follow, and the responsible and sustainable way we produce our own branded products.

Besides the responsible communication, another proof for our responsibility is the fact that our brochure is produced on FSC certified paper.

An explicit proof for the successful way we communicate with our clients is the direct feedback we receive via different channels such as: client service department - e-mail, phone line, contact fill-in form on the official website, social media as well as direct contact with the Corporate communications department through e-mail and phone number.

We have 97% response rate of clients inquiries and complaints in social media.

PRODUCT LABELLING AND TRACEABILITY

As a responsible company, we provide our clients with the most detailed, accurate and transparent information about our products - product properties, certification, information about resource use etc. Thus we guarantee that our clients are not misled and that they have all the information they need to make the best decision.

Each product we offer on the Bulgarian market is labelled in compliance with the requirements of the relevant applicable legal act depending on the category to which the product belongs. We strictly adhere to the requirements of the Bulgarian legal and regulatory framework as well as with the acts of the European Union, which in many cases set the rules for the content of the labels.

As part of our commitment to transparency, when fruits and vegetables are concerned we have introduced a traceability label with important additional information about the product such as origin, producer, country of manufacture, packing centre, supplier, lot ID, product size as well as class and variety for certain fruit and vegetable. By providing clear and complete information about the product origin and the country of manufacturing, we guarantee transparency and fairness.

Each product undergoes routine checks so that we can maintain a continually quality standard. All organic fruits and vegetables are tested at least every fourth week. All other fruits and vegetables are subject to laboratory tests at periods of four, eight or twelve weeks depending on the particular product risk.

Our clients can adress and submit alerts by one of the following ways: client service department - e-mail, phone line, contact fill-in form on the official website, social media as well as direct contact with the Corporate communications department through e-mail and phone number.

We have a procedure for customers complaints management as every client's inquiry or complaint is to be processed and answered in a certain period - in 3 hours when inquiries in social media are concerned, till 7 days at latest.

INNOVATIONS IN MEAT PRODUCTS QUALITY AND SAFETY

Lidl Bulgaria is the first retail chain to introduce the innovative processed meat series Clean Label in response to the increasing consumer demand for better and more pristine products made entirely from natural ingredients. We are also pioneers in another area – Lidl is the only retailer in Bulgaria to offer fresh meat certified by SGS, a global leader in the surveillance of foodstuffs.

PRODUCT INNOVATION

It's namely Lidl Bulgaria that introduces the first meat series Clean Label on the Bulgarian market. Clean Label includes products which do not contain artificial preservatives, taste enhancers and colorants. The artificial additives are replaced with natural ones such as red beet and vitamin C. At the time of writing (2017 inclusive) the series features four products – cured salami, aged flat sausage (lukanka), ham and bacon. All the four come under the brand Pikok and are made by Bulgarian producers.



PRODUCTS WITHOUT MECHANICALLY DEBONED MEAT



In 2017 our chain introduced an even higher quality standard for all its proprietary brands of processed meat products. The brands Pikok, Baroni, Dulano and Rodna Stryaha (Eaves of Home) do not contain any mechanically deboned meat, which helps reduce the amount of various additives and ingredients such as preservatives, taste enhancers, colorants, and proteins. By using only mechanically deboned meat for our proprietary brands we ensure that our customers enjoy high-quality meat products with genuine and unadulterated taste, made to improved recipes. This applies both to the higher and lower price segments.



We are innovators in yet another area as we are the first Bulgarian retail to offer fresh meat certified by SGS, a global leader in the area of foodstuffs surveillance.

The SGS sticker means:

Meat with guaranteed **freshness and quality**.

The product is **compliant with specific requirements** set out in CODEX

Alimentarius, a set of internationally recognized food standards.

The meat is **packaged in a protective atmosphere** which helps retain its freshness and taste properties longer and most important -under optimal hygienic conditions, unlike the non-prepacked fresh meat offered on a shelf.



The only SGS-certified fresh meat in Bulgaria

“ **Stiliyana Pencheva,**
Marketing and sales Director at Bony Ltd:

The responsibility of Lidl Bulgaria is clearly visible in the relationships with their suppliers. They are a loyal partner which helps us reach international markets. We are supported at every step of the export process: from specification to transport and then to the final destination. We meet like-minded professionals when it comes to quality of the production process and of the final produce, fair wages and training of employees, and responsible rearing of the animals. At our farms we maintain high animal welfare standards, and care for their health and comfort way beyond the minimum requirements laid down in the legislation. These standards have become fundamental to our business culture.

”

100% Bulgarian fresh chicken meat in the permanent assortment





ANIMAL WELFARE

LIDL BULGARIA IS THE FIRST CHAIN TO:

- **offer** frozen and canned fish covered by a sustainable fishery certificate from MSC, according to an independent study of 2012;
- **make** an official pledge for the sustainable purchasing of fish, oysters, shrimps and other seafood, and publish it on its website www.lidl.bg.



The areas in which we look for sustainable and efficient solutions:



All our meat suppliers are fully compliant with the European regulatory standards regarding animal welfare.

Lidl Bulgaria has officially published its statement concerning the topic of sourcing of fish and fish products. Our position paper represents our views and commitments regarding a more sustainable fish sourcing and is an integral part of our business relationship with our fish suppliers.

OUR POSITION

- **We support** the sustainable farming, harvesting and use of fish, seafood and fish products.
- **We commit to** protect and conserve marine ecosystems across the world, and to follow the principles of sustainable fishery.
- **We promote** products certified by MSC (Marine Stewardship Council), ASC (Aquaculture Stewardship Council), and will continue this trend in the following years.

RESPONSIBLE SELECTION OF THE PRODUCT ASSORTMENT

When we build our assortment, we focus on non-endangered species of fish and seafood. Therefore, we avoid fish species which originate from endangered stocks or are vulnerable to excessive fishing. We also reject species which are threatened by extinction, or the stocks/fishing opportunities of which cannot be determined due to the lack of relevant data.

AQUACULTURE, FARMING, FEEDING

We work with suppliers which foster sustainable fishing and farming. To this end, we require our suppliers to apply the Lidl Code of Ethics.

ORIGIN, TRANSPARENCY, TRACEABILITY:

We absolutely defy all illegal, undeclared or unregulated fishing.

We demand full disclosure of the origin of fish and crustacean products, and full traceability of the entire supply chain. Thus we ensure that each aspect, including harvesting, area and fishing vessel, and the place of production, is fully transparent and that our requirements are met at each and every step.

USE OF MEDICATIONS AND IMPACT ON THE ENVIRONMENT AND ON THE ANIMALS

We expect our suppliers to rear their animals in a way which prevents the occurrence of diseases. They can apply only authorised medications.



INGREDIENTS & NUTRITION INFORMATION



In response to the growing consumer demand and in line with our strong focus on healthy eating, in 2017 we arranged dedicated spaces under the motto Closer to Nature where in 2017 we offered a variety of 35 products. Within these spaces, customers can find all the bio and vegan products, gluten-free and lactose-free products.

As part of our responsibility we give detailed and transparent information about ingredients and nutrition of foods thus ensuring that our clients have all the important product information.

Again, half of the Closer to Nature goods come from Bulgarian suppliers – yet another proof of our sustainable support for local production. Organic products can also be found in the fruits, vegetables and dairy sectors. We also hold on a regular basis thematic weeks celebrating a diversity of organic foods. The increasing customer interest to those products as well as the constant enrichment of this assortment are an explicit proof for the adequacy of this approach.

CLEAN RECIPES IN LIDL BAKERY

As part of our commitment to contribute to healthy eating and lifestyle, in 2017 we launched a process the aim of which is to improve the recipes used for the products made by Lidl Bakery. The main focus of the recipe development process was to ensure that they are as 'clean' as they can be - this means reducing salt content and lacking preservers and hydrogenated fats.



QUALITY AND FRESHNESS AT A GOOD PRICE

We are the only retailer to apply the so called Time to Final Consumption model. Based on the remaining shelf life of a particular item, a special-purpose system calculates the time at which the price of that item has to be discounted. This approach ensures that customers have sufficient time to enjoy the freshness and quality of the advantageously priced item.



LOCAL SOURCING

PRODUCT LINE RODNA STRYAHA

In the beginning of 2017 we launched Rodna Stryaha, the first line of high-quality products supplied exclusively by Bulgarian producers.



87 products

from 31
Bulgarian producers

Various choice of
My Farm products



MY FARM PRODUCTS

We continue to expand our product variety by adding foods from raw materials originating from the producer's own farm in the dairy and meat assortment. These products are distinguished by a special logo on their packaging. What makes them special is the fact that the raw materials come from the producer's farm. In this way we encourage the production of high-quality local raw materials and contribute to the freshness of the final product.

We achieve high quality of the ready products, apply rigid controls and ensure traceability of the ingredients used in the final product.





QUALITY AND SAFETY OF NON-FOOD ASSORTMENT

Our non-food products have earned more than 30 quality certificates and awards. Below we present you the most common in our assortment.

Electrical appliances, toys, household items or clothes – each product we offer has passed uncompromising tests for safety, reliability and high quality, and the entire production process is subject to rigorous monitoring. Renowned institutions such as Stiftung Warentest and Ökotest of Germany conduct additional quality tests which complement those carried out by our experts.

Furthermore, our products have dozens of certificates for advanced coatings and materials.



CLOTHES, SHOES AND BEDWARE

| | | |
|--|--|--|
| | <p>Hohenstein</p> | <p>This certification confirms three important characteristics of the textile products offered by Lidl:</p> <ul style="list-style-type: none"> a) absence of hazardous substances, b) constant conformity with the sizes shown on the label and c) the ability of clothes to preserve their physical properties after multiple laundering cycles. |
| | <p>Hohenstein „Gentle to skin“:</p> | <p>Guarantees that baby textiles, underwear and bedware items have high content of cotton and have passed skin tolerability tests.</p> |
| | <p>PFI FITTING TESTED</p> | <p>This certification guarantees the quality of our shoes and leather goods.</p> |
| | <p>GOTS</p> | <p>The GOTS certification guarantees that the organic cotton used in Lidl's textile goods is produced in accordance with environment-friendly criteria throughout the growing, production and supply chain of the textile products.</p> |
| | <p>STANDARD 100</p> | <p>Guarantees that the textile brands Crivit®, Lupilu®, Livergy®, Meradiso®, Esmara® and Pepperts® offered at Lidl have passed tests which confirm the absence of harmful substances.</p> |

ELECTRICAL APPLIANCES

| | | |
|--|-----------------------------|---|
| | <p>TUV SUD</p> | <p>Is an organisation of independent experts who test the electrical appliances and tools offered by Lidl.</p> |
| | <p>TUV Rheinland</p> | <p>Is an international body which certifies the quality of the electrical appliances sold at Lidl.</p> |
| | <p>TUV SUD GS</p> | <p>Is a certificate awarded by TÜV SÜD which confirms that the product has passed safety tests and does not pose risks to the end user.</p> |
| | <p>VPA GS</p> | <p>Is the body which certifies the home/gardening tools, instruments and appliances offered by Lidl.</p> |
| | <p>LGA tested</p> | <p>Means that the furniture, home accessories and household goods offered by Lidl have passed quality tests.</p> |

HOUSEHOLD

| | | |
|--|--------------------|---|
| | <p>FSC</p> | <p>Preserving forests for our future generations is a key goal of the Forest Stewardship Council (FSC). To achieve this, FSC has developed standards for sustainable afforestation. FSC Certification is the main element of the system and confirms that a forest area is handled in accordance with the FSC criteria.</p> |
| | <p>PEFC</p> | <p>Is an international forest certification organisation which certifies that the timber used in Lidl's products has been obtained from responsibly managed forest farms.</p> |



Employees

The race for skilled personnel has already gone global. New generations, their behaviours and attitudes have reversed the trends and today it is people who choose their employers rather than employers comfortably picking their employees. In the light of these developments corporations are facing challenges unseen so far. Other factors, such as negative demographic trends, aging workforce, migration, failures of education systems and low skill levels, also continue to influence the situation.

Recognising these new realities, we focus our efforts on the following priorities:

- Continually invest in employee care.
- Offer top-level working conditions, one of the highest wage levels in the industry and ample development and qualification opportunities.
- Promote principles such as equality, fair and honest attitude towards everyone.

4

2379

 employees

One out of **10** has had a career development

2,2% month-average staff turnover rate

34% of all management positions are occupied by women

20% of the current management staff are Bulgarians who have returned from abroad



Always Healthy with Lidl – a health management programme launched in 2016



Together at Lidl Intranet platform and LEON e-learning platform – launched in 2017

A deep change of management culture in 2016 – "The Our 5" Governance Charter, encouraging real leadership in everyday behavioral practices

TARGETS

Increase the number of employees who are offered development opportunities by 3%

2020

Reduce the annualized staff turnover rate by another 5%

2018 - 2019

Implement focused leadership programmes and cover at least 5% of all staff members on an annual basis

ongoing

Reduce the number of accidents at work by 20%

2019

Deploy the work-life balance approach by dedicated platforms with the aim to encompass all employees

2020

The first chain to introduce positive electronic reporting to guarantee **accurate payment of every working minute.**

BEST EMPLOYER IN BULGARIA

In 2017 Lidl Bulgaria earned the Best Bulgarian Employer award according to the rankings of the consultancy company AON. Among 56 companies in 10 industries, we were the only awardees in the Large Companies category.



BEST BULGARIAN EMPLOYER Large Companies sector

1st place

2012

2nd place

2017

Targeted policy and sustainable investments in the welfare of our employees

MANAGEMENT PRINCIPLES AND VALUES

“ **Milena Dragijska**
CEO

Communication with employees has always been the most exciting and rewarding part of our workday. Together we achieve many, including apparently impossible things and set a lasting footprint across a variety of institutions, enterprises and people. We believe our footprint is in positive shades.

”

OUR VALUES

Be focused:

We measure success by the results achieved and pursue our objectives.

Be dynamic:

Build a strong, flexible and dynamic team which makes daring and far-reaching plans.

Be honest:

Our word is firm as our bond. We have a clear structure and straightforward internal rules.

Be responsible:

We cherish the responsibility of a major international corporation and, at a human level, our deep responsibility to society.

Be ambitious:

The more we grow the higher the objectives we set.



HEADCOUNT TRENDS

*As at 31 December of the year shown

| | | | |
|---|------|--|------|
| Headcount - men | 2015 | | 656 |
| | 2016 | | 715 |
| | 2017 | | 832 |
| Headcount - women | 2015 | | 1326 |
| | 2016 | | 1431 |
| | 2017 | | 1547 |
| Number of employees on a permanent contract | 2015 | | 1975 |
| | 2016 | | 2136 |
| | 2017 | | 2368 |
| Number of employees on a temporary contract | 2015 | | 7 |
| | 2016 | | 10 |
| | 2017 | | 11 |
| Full-time employees | 2015 | | 1528 |
| | 2016 | | 1755 |
| | 2017 | | 2088 |
| Part-time employees | 2015 | | 454 |
| | 2016 | | 391 |
| | 2017 | | 291 |



MANAGEMENT PRINCIPLE:

THE GOVERNANCE CHARTER OF LIDL BULGARIA



Efficient and inspiring management is our main task. To this end, in 2017 we developed a Governance Charter titled "High Five". The Charter sets out all our management principles and messages with a focus on the following five priorities:

- 1 **Communication-based management**
- 2 **Employee development**
- 3 **Maintain efficiency and dynamics**
- 4 **Create trust and integrity**
- 5 **Assume responsibility and lead by example**

All managers in the company were introduced to the Charter in a series of training and workshops where every manager made his own commitments and promises regarding the management of people. We designed also specific development programmes for Branch Managers and for Regional Sales Managers. The confirmation of the Charter continues every day.



REMUNERATION

Lidl Bulgaria offers excellent working environment in the country, one of the highest wage levels in the industry, an attractive social package and various career and skills development opportunities. Thus not only our employees but the whole society benefits since in this way we reduce workers whose incomes are still too low. There is no collective labour agreement in the company (GRI 102-41).

AMONG INDUSTRY-HIGHEST WAGES

In order to have highly motivated and satisfied employees, we guarantee fair and regular payment policy. Every year we undertake a detailed review of wage levels, follow the Mercer wage survey and the findings of other survey providers as well as the official statistics of wage levels in the Bulgarian market. We conduct our own wage surveys by region, take onboard best practices and take into account regional features. Thus, in 2016 and 2017 we have paid in total to our employees in salaries, social security and benefits, respectively BGN 45 227 879 and BGN 55 541 286

COMPARISON BETWEEN THE REMUNERATION IN LIDL BULGARIA AND THE COUNTRY MINIMUM WAGE

| | 2015 | 2016 | 2017 | |
|---|------|------|------|-------------------------------------|
| Average gross salary in Lidl | | | | 1 590 BGN 1 607 BGN 1 721 BGN |
| Average gross salary in Bulgaria | | | | 877 BGN 948 BGN 1 060 BGN |
| Minimum gross salary in Bulgaria | | | | 370 BGN 420 BGN 460 BGN |

At 2017 yearend the average gross wage at Lidl is 1.6 times the country-average.

* Data by NSI

LABOUR RIGHTS

As a correct and fair employer, we stand for and ensure labour rights for all our employees. Thus we confirm our responsibility and engagement to ensure the best working conditions for our employees.

In order to guarantee labour rights, we apply the following approaches:

- We have a general assembly of representatives of employees (established in 2010) who are assigned to protect employees' interests, to represent them in front of the employer and to participate in procedures of informing and consulting.
- In order to guarantee accurate payment of every working minute, we're the first retail chain in Bulgaria to introduce positive minute by minute time recording. This means that each fixed-time employee electronically, reports his work/rest time within the rules of summarized reporting of working time by himself.

WE USE DIFFERENT TOOLS TO ASSESS THE EFFECTIVENESS OF OUR MEASURES:

- Trusted point of contacts who receive feedback from our employees.
- We're planning to introduce an annual survey for employees - Pulse Survey - so that we have feedback on key topics such as general satisfaction, communication, team, leadership, working conditions and recommendation tendency.

WORK – LIFE BALANCE



Achieving an appropriate work-life balance is significant for the motivation of our employees. Therefore, one of our main goals as a responsible employer is to provide them with the necessary prerequisites for doing so.

Shift work for store and RDCs employees – Employees in our stores and RDCs work on shifts, thus having the flexibility and the ability to easily and comfortably combine personal and professional engagements.

Part-time (4 or 6-hour shift) – More and more students, mothers or small business owners take advantage of this opportunity as it allows them to combine work with private life.

Sabbatical – Lidl Bulgaria employees can take a Sabbatical. Any employee who has been part of the company for at least 5 years can have unpaid leave of 1 to 3 months – a period he can use to spend with his family, for additional qualification or just for a career break.

Free weekend for store employees – Each store manager strives to plan at least one free weekend monthly for every employee in the store. Thus, store employees – who are usually most busy at weekends – can spend the weekend with their families.

Working time for administration – Added value for administration employees is the working time on Friday – it lasts 6 hours and ends at 15:00. Monday-Thursday workday is 8 hours and a half.

EXCELLENT WORKING ENVIRONMENT

Modern office buildings, stores and distribution centres, convenient social premises and other benefits such as an attractive health package, food vouchers, supplementary health insurance, group transport for employees of head office and RDCs and company cars for certain positions.





TRAINING AND DEVELOPMENT

Our aim is to assert our status of most attractive employer in the FMCG sector.

We are aware that the first steps towards this goal are:

- Constant investment in the training and skills improvement of our current employees.
- Attracting the best talents available.

Lidl follows clear procedures for trainings and has a complex system of tracking the development of each employee. We provide various training opportunities and conduct diverse internal and external trainings to all our employees. When tracking career development we focus on positions rather than gender. Therefore, we cannot provide aggregated data on how much time have our male or female employees received as trainings.

EMPLOYEE DEVELOPMENT PROGRAMMES



We invest intensely in the development of our new employees.

At **Head Office** level, individual onboarding plans for new recruits are tailor-made to their position. In our stores individual training plans for employees are part of established training concepts for each target group - cashiers/store attendants, branch managers, deputy managers and junior deputy managers. Similar concepts exist at the **Regional Distribution Centres** and are addressed to staff members in the three main sectors: receipt, dispatch and commissioning of goods.

We evaluate the effectiveness of our development programs by gathering insights from obligatory surveys for the participants in every training.

The results are being analyzed so that next measures and activities are defined. We also receive feedback from all employees during the evaluation process in the talent management program.

DIGITAL E-LEARNING PLATFORM LEON

In 2017 we introduced LEON (LEarning ONline) – a digital e-learning platform for stores, which makes the induction training of new recruits even more easy and user-friendly. LEON has helped reduce induction times by 10 hours on the average and meanwhile, guarantees maximum accessibility, actuality, time flexibility and interactivity.



HOURS OF TRAININGS FOR AN EMPLOYEE

| | | | |
|---|------|---------------------------------|----------|
| Total hours of trainings | 2016 | | 48 422,5 |
| | 2017 | | 54 606,5 |
| Average training hours per employee | 2016 | | 22,56 |
| | 2017 | | 22,95 |
| Average training hours per employee: stores | 2016 | | 12,88 |
| | 2017 | | 49,92 |
| Average training hours per employee: warehouses | 2016 | data unavailable for the period | - |
| | 2017 | | 104,08 |
| Average training hours per employee: in office | 2016 | | 10,71 |
| | 2017 | | 9,47 |

INTRANET PLATFORM TOGETHER AT LIDL

In 2017 we launched our Intranet platform 'Together at Lidl'. The platform aims to improve the efficiency of our employee communications by conveying to them, on a daily basis, information about all important things happening within the company, from daily news briefs to strategic development guidance.





FOCUSED PROGRAMMES FOR SCHOOL AND UNIVERSITY STUDENTS

Spending on the development of young people is investment in success. Driven by this understanding, we implement various programmes addressed to school and university students.

TRAINEE PROGRAMME



LAUNCHED: 2017

TARGET GROUP: Candidates who have recently finished or are about to finish their university studies.

DESCRIPTION: Paid trainee programme for university students which gives them a very solid start in the career. Participants can develop to medium management level and gain valuable experience in our key areas of operation. Depending on the department, the trainee program may last from 12 to 18 months.

DUAL TRAINING



LAUNCHED: 2015

TARGET GROUP: School students enrolled in dual training programmes

DESCRIPTION: This training programme is an opportunity for high-school students to combine theoretic vocational studies with hands-on application of what they have learned in a real business environment. Thus, when they finish their studies they earn both a high school graduation diploma and a vocational training certificate. Lidl Bulgaria is one of the companies which provide practical training jobs for students enrolled in dual-education classes.

APPRENTICESHIP PROGRAMME



LAUNCHED: 2012

TARGET GROUP: 11th and 12th grade school students

DESCRIPTION: The programme includes a month and a half working experience at our stores in summertime. Candidates are given the chance to make the first steps in their professional life as they sign their first employment contract, earn their first salary, gain valuable experience and become part of a strong and motivated team.

BULGARIANS ABROAD



DESCRIPTION: Since our very first days in the Bulgarian market we are encouraging Bulgarian graduates who have recently completed their studies in Austria and Germany to come back home and join our organisation, where they can expect excellent starts of their careers and development opportunities similar to those in Germany or Austria.



DIVERSITY AND INCLUSION

We realise that attracting new talents and keeping and motivating our current employees are two sides of a coin. In both areas we stick to variety of measures. Equal treatment of all employees regardless of their age, gender, origin and religion is of key importance and for establishing culture of inclusion within and outside the team.



We provide ample opportunities for career development and skills improvement. Many employees who started as cashiers or store attendants have gone long way to become Branch Managers, Regional Sales Managers or other key managers in other departments in the Head Office. Being part of a global company means that we offer opportunities for international exchange of experience and expertise with as many as 30 countries in which Lidl is present, including the Head Office in Germany.

EQUAL TREATMENT

We respect and value all forms of diversity and clearly recognise that the spectrum of male, female, age, education, ethnic background and other profiles enriches our team and makes it stronger. We promote the balance between work, family and private life. Each new employee is informed about our non-discrimination policy and is obliged to adhere strictly to it.

TRUSTED POINT OF CONTACT

Employees in Lidl Bulgaria can rely on trusted point of contact. These are the people to whom they can always turn when they have questions or problems that they cannot or do not want to discuss with their supervisors or colleagues. Trusted point of contact are considered to advise them on conflicting and problematic situations and to support them in finding a solution. All inquiries from employees are strictly confidential.

Lidl Digital

In 2017 Lidl International selected Bulgaria as the host country of its high-tech IT Development Centre, Lidl Digital.



PRESENCE: Germany, Spain, Romania and Bulgaria.
NEW JOBS: 105 in total by the end of 2019.



STRATEGIC ROLE:

Lidl Digital will serve all Lidl countries and will be responsible for key IT projects of the international retail chain in the field of e-commerce and online trade. It's core work will be the development of specific platforms, systems and solutions which will be used by all Lidl countries for e-commerce as a new complimentary dimension of the existing and successful brick-and-mortar business of our company.





OCCUPATIONAL SAFETY



Employees health and safety are a key priority for Lidl. We comply with all requirements laid down in the Health and Safety at Work Act of Bulgaria. We apply uncompromising health and safety rules and verify compliance with these rules by a cascade of checks:

- Triennial risk assessments
- Assessments in the framework of the audit programme of Lidl Bulgaria
- Regular internal audits on the part of Schwarz Gruppe, audits by insurers, the World Bank and other stakeholders

The most important control however is exercised by team leaders in the course of daily work. Our objective is to minimise accidents and demonstrate to our employees the importance of safety at work by having them think preventively and assess each and every risk. To this end, we conduct on a regular basis specific health and safety training and qualification courses. Branch managers are encouraged to manage and foster good and appropriate working habits, and compliance with safety rules. We also conduct annual medical exams for all our employees. Safety starts with the working equipment - for employees in Lidl Bulgaria it is as high quality and safe as that in countries such as Switzerland, England, Germany, Denmark and others.

Our headcount has been growing steadily in recent years. This explains to a large extent the increasing number of work-related accidents and days off work. Another driver of this trend is our policy of transparency and responsibility which obligates us report even the most innocent accidents. Although work-related accidents are on the rise, most of them relate to mild injuries, while absence due to sickness leave is actually sloping downwards.

OCCUPATIONAL INJURIES

| Year | NUMBER OF INJURIES (WOMEN) | NUMBER OF INJURIES (MEN) | FREQUENCY OF INJURIES (WOMEN) | FREQUENCY OF INJURIES (MEN) | LOST DAY RATE (WOMEN) | LOST DAY RATE (MEN) | FATALITIES (WOMEN) | FATALITIES (MEN) |
|------|----------------------------|--------------------------|-------------------------------|-----------------------------|-----------------------|---------------------|--------------------|------------------|
| 2015 | 17 | 3 | 0,010 | 0,003 | 0,29 | 0,08 | 0 | 0 |
| 2016 | 15 | 3 | 0,007 | 0,002 | 1,54 | 0,36 | 0 | 0 |
| 2017 | 23 | 12 | 0,010 | 0,009 | 0,88 | 0,84 | 0 | 0 |

Calculated by dividing the number of injuries per 1000 worked hours

Calculated by dividing the number of lost days due to injuries per 1000 worked hours

Lidl Bulgaria complies with all requirements laid down in the Health and Safety at Work Act of Bulgaria.

HEALTH PROMOTION

In 2016 we launched a health management programme under the motto 'Always Healthy with Lidl' with the sole objective to help our employees enjoy a healthier lifestyle.

SPORT



Gym at Head Office



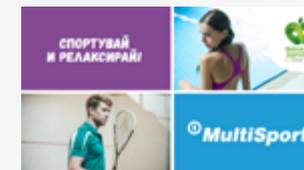
Yoga courses at Head Office



Football field freely available to those keen on soccer



Mountain tracking



Membership in sport centres at preferential prices for all employees

HEALTH & HEALTHY NUTRITION



Free reproductive health prevention campaign for ladies



Awareness campaign on healthy eating in the form of regular news on our Intranet site



Healthy Eating workshop for employees at Head Office



Free drinking water and awareness campaign highlighting the benefits of regular water intake for all employees



Special campaign at stores: dedicated Fruit Days, ensuring citrus presses, blood pressure meters and free tea for staff members

Business partners

As a company operating on the Bulgarian market, it's crucial that we support local producers and buy local production. Thus, not only we contribute for the development of local economy and producers, but we also ensure high quality of the products we offer and increase the assortment's share of regional products.

- We adhere to the principles of transparency, loyalty and professionalism as a guarantee for long-lasting and efficient business relationships.
- We share experience and knowledge with our suppliers in order to boost their sustainable development and offer the best quality at the best possible price.

5

100%



of our suppliers of own brand food products are IFS, FSCC or BRC certified

40% of our present Bulgarian suppliers have been our partners since 2010



14% growth of Bulgarian suppliers in 2017 compared to 2016



26 Bulgarian producers export in 22 countries thanks to Lidl Bulgaria

Export over

BGN 15 million made by 26 Bulgarian companies in 22 European countries during 2017



TARGETS

Increase the volume of Bulgarian exports by 20% 2019

100% of our Bulgarian suppliers of fruit and vegetables to achieve GLOBALG.A.P. certification 2019

Increase volumes and production capacities, expand and upgrade the production facilities of our key suppliers thanks to their partnership with Lidl Bulgaria Ongoing



CODE OF ETHICS:

Human Rights, Occupational Health & Safety, Labour Rights, Remuneration in the supply chain

We apply the same criteria regardless of whether we work with international or Bulgarian suppliers: constant quality and volume stability, compliance with international standards, and ethical rules of working. We invest in long-term relations with our partners whereby we follow established patterns of behaviour.

We apply fair treatment to our employees and insist on our suppliers treating their employees in the same way. In the Code of Ethics - that is an integral part of the contractual process with our suppliers - we address key issues such as:

- Human rights and dignity
- Law compliance
- Prohibition of child labour
- Prohibition of practical labor and disciplinary measures
- Remuneration and working conditions
- Prohibition of discrimination
- Freedom of assembly
- Occupational safety and healthy working conditions
- Protection of environment

100% of our suppliers have signed the Code of ethics and thus have committed to following its principles.

COMPLIANCE

Infringements of applicable laws can entail financial damages and reputational loss for Lidl Bulgaria. In addition, mentioned violations can result in personal claims for compensations and criminal consequences for individual employees or members of the corporate body. The actions conducted by Lidl Bulgaria and our employees are therefore based on the following principle: „We comply with applicable law and internal guidelines.” This represents a central corporate principle that is binding for all employees. Lidl Bulgaria and its management expressly commit to complying and safeguarding this corporate principle.

Against this background we have implemented a Corporate Management System (CMS), that includes binding CMS-standards. These CMS-standards specify certain requirements and elements to ensure an appropriate level for compliance. An

essential element of CMS is, that infringements of applicable law and internal guidelines should be avoided and identified violations consequently prosecuted/punished ("zero tolerance principle").

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

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

LOCAL DEVELOPMENT



Opportunities in the Bulgarian market

- 1 Selling products from Bulgarian producers in **86** Lidl stores across the country
- 2 Product line Rodna Stryaha
- 3 Producing proprietary-branded products for Lidl Bulgaria



Opportunities in international markets

- 1 Permanent export: **20** are part of the permanent assortment of **8** countries in which Lidl operates
- 2 Promotional export: **34** promotional products in **22** countries up to 4 times yearly

AS OUR BUSINESS PARTNERS BULGARIAN PRODUCERS ACHIEVE MORE:

Quality

Improving the quality of the production

Sales

Growth of sales and production volumes

Production

Business expansion and modernization of production

Competitiveness

Increasing competitiveness in the Bulgarian and international markets



LOCAL SOURCING

In the beginning of 2017 we launched Rodna Stryaha, the first line of high-quality products supplied exclusively by Bulgarian producers.

It is a natural continuation of our long-term policy which fosters intensive cooperation with Bulgarian producers, and demonstrate in practice how we actually support Bulgarian production.



MAP OF RODNA STRYAHA SUPPLIERS



THE RESULTS

In just one month (March 2017 vs. February 2017)



LOCAL DEVELOPMENT

Lidl Bulgaria provides its Bulgarian suppliers with exceptional export opportunities for the retail industry. Each high-quality product traded with us has a realistic chance of going international.

Lidl Bulgaria offers several types of export opportunities:

- **Permanent export**, For example, bakery products, dairy and others
- **Promotional export**, export of a particular product. For example, Balkan week, wine, trout and others



- The last three years have seen a nearly 2.5-fold increase of the number of Bulgarian producers which export to other Lidl countries
- 26 Bulgarian companies exported goods worth over BGN 15 million to 22 European countries in 2017

PARTNERSHIP FACTSHEET, 2016–2017

| | 2016 | 2017 |
|----------------------------------|------------------|----------------------------|
| Bulgarian suppliers export goods | 20 | 26 |
| To | 11 countries | 22 countries |
| Exports comprise | 40+ items | 50 items |
| Export volumes exceed | BGN 12.5 million | BGN 15.3% or 22% more YoY. |



BALKAN WEEK

The successful example for campaign-linked export

Following the success of the thematic weeks – like Italian, French etc.,

in 2017 Lidl stores in Europe had a Balkan week for the first time. Being part of it, Lidl Bulgaria together with other Balkan countries presented traditional Balkan products.

THE FIRST EDITION OF BALKAN WEEK 2017

14 products of **6** Bulgarian suppliers

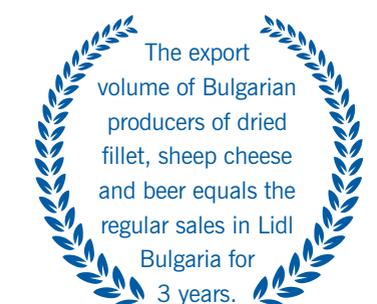
19 countries in Europe = **7000** Lidl stores

RESULTS

OVER BGN 3 MILLION TURNOVER FOR THE BULGARIAN PRODUCERS JUST FOR 1 WEEK



If we compare the sales volume from one Balkan week with the regular sales in Lidl Bulgaria stores, the following impressive figures come out:



TOTAL EXPORT VOLUME FOR BULGARIAN SUPPLIERS IN 2017 (PERMANENT AND PROMOTIONAL EXPORT):

EXPORT VOLUME WORTH OVER BGN 15 MILLION



50 products

26 Bulgarian suppliers

22 European countries

FURTHER DEVELOPMENT

The success of the Balkan Week campaign calls for further development of this initiative. In the next edition, already scheduled for 2018, more products will be added to the items presented during the previous edition, including Rodna stryaha buffalo cheese, yoghurt from buffalo or sheep milk, ajvar condiment, etc.



THE PRODUCERS ABOUT THEIR PARTNERSHIP WITH US

Venetsa Co.

Producer of Turkish-style delights, Village of Dobrevtsi

“ **Ivona Panayotova, Owner**

In 2016 when we were part of the product line Rodna Stryaha, it took us only one month to surpass our annual turnover, thanks to Lidl Bulgaria.



”

Nenko Trifonov Foods

Dairy products producer



Nenko Trifonov Foods (NTF) became our supplier in November 2017. Our partnership is a good example of the growth opportunities we can provide. The company started its business in 2008 as they opened their own farm in the village of Vedrare, Karlovo Municipality. In 2014 they added a dairy plant. Now they are the first dairy producer in Bulgaria with a BRC-A rating (food safety and quality certification). The company is also certified to the Bulgarian national standard (BDS). Only in the first month of their participation in the product line Rodna Stryaha NTF increased their sales by nearly 25%.

Eco Mes



Eco Mes has been our supplier since the beginning of our product line Rodna Stryaha. Only in one month during which Eco Mes were part of Rodna Stryaha, they produced 62 000 pieces, which for them is a very high volume and capacity utilisation rate. In one year Eco Mes increased their

sales by 100% thanks to Lidl Bulgaria.

“ **Mira Andonova, Owner**

We are a family business with a production plant in the village of Velichkovo near Pazardzhik, where we are a leading employer of nearly 300 employees. Our observations demonstrate that we share common values with Lidl Bulgaria and this makes our partnership with them so rewarding. We have developed successful synergies between our curiosity, sustainable development goals and new ideas, on the one hand, and Lidl's rigorous quality criteria, on the other hand. We are proud of our Clean Label projects and we are happy that these products are reaching more consumers through our partnership with Lidl.

”

“ **Dragomir Iliev**

Managing director of the Stock Supply and Marketing department in Lidl Bulgaria

With their participation in the Rodna Stryaha product line Bulgarian producers experience exponential growth of their sales and turnovers and obtain realistic opportunities to step on foreign markets. We are convinced that by contributing to their sustainable development we equally contribute to a secure and encouraging business environment, and to the overall development of the Bulgarian economy.

”



Apitrade

Bee honey producer

The family-owned business Apitrade is a leading distributor and exporter of Bulgarian bee honey, and a long term partner of Lidl Bulgaria. As part of Rodna Stryaha product line, in the first nine months of 2017 they surpassed their annual turnover by 250%.

Best Partner of Bulgarian Producers

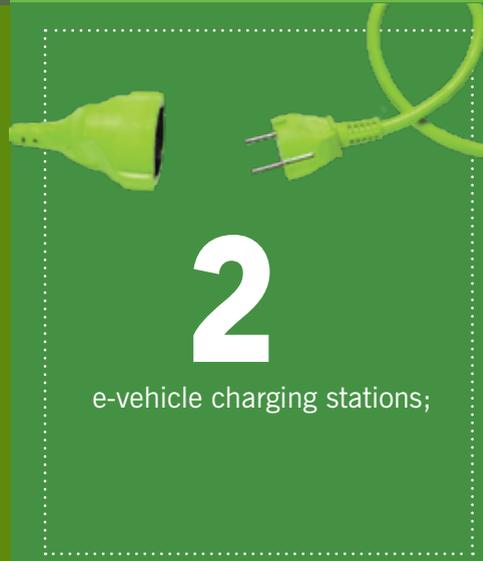
In 2017 Lidl Bulgaria earned the Best Partner of Bulgarian Producers recognition in the framework of a discussion organised by Standard Daily under the motto 'Yes! To Bulgarian Food'. The award recognised the remarkable results achieved by Bulgarian producers through their partnership with us.

Environment

We demonstrate our environmental responsibility with concrete measures across the following priority areas:

- Responsible construction – certificates and standards
- Energy and resource conservation
- Recycling
- Transport and logistics

6



TARGETS

| | |
|---|------|
| Achieve certification to the ISO 50001 standard of all our stores, head office and RDCs | 2018 |
| Reduce CO ₂ emissions with 2480 tons | 2019 |
| Introduce a programme for working with climate-friendly refrigerating agents | 2019 |
| Energy-efficient renovation of 25 stores | 2018 |
| Replace the whole own fleet so that 100% of the vehicles are compliant with the Euro 6 standard | 2019 |
| Reduce the average distance travelled per pallet by 20% (accomplished in 2018) | 2018 |
| Increase the absolute amount (tonnes) of recycled waste by 7% (accomplished in 2018) | 2018 |

First new-concept Lidl store and RDC

- BREEAM certification with an Outstanding rating (2016), the highest possible level
- The Regional Distribution Centre (RDC) in Kabile – BREEAM certificate with an Excellent rating (2017)



PLANNING & CONSTRUCTION

Responsible construction is one of our priority commitments. We apply sustainable and environment-friendly construction standards and adhere to all environmental, social and economic requirements. We create energy-efficient buildings - in this way we save energy, optimise the working processes and contribute for the comfort and health of our employees and clients.

In particular, we:

- Create energy-efficient buildings
- Use high-quality materials
- Implement innovative energy and water saving systems
- Maximum optimization of our working processes

2016: NEW-CONCEPT STORES

In the end of 2016 we opened the first new-concept Lidl store in Bulgaria.

WHAT MAKES IT DIFFERENT?

- The first and only retail store in Bulgaria which has earned BREEAM certification with an Outstanding rating at project stage – the highest level possible
- The first certified smart building in the Bulgarian retail sector which has been designed and built with a focus on protecting the environment
- Long-lasting construction materials were used in the building and the performance of the thermal insulation system surpasses the regulatory requirements by a wide margin
- The store is equipped with a Building Management System (BMS) which controls automatically the facade blinds, air conditioning, heating and ventilation systems and others.
- Remote monitoring of energy consumption
- The entire store is equipped with energy-saving LED lighting
- The refrigerating plant and the heating, ventilation and air-conditioning (HVAC) system use an environment-safe refrigerating agent
- The design of the HVAC system allows the recuperation of the heat released by the refrigeration equipment and its subsequent use for heating the building, which is another energy-saving measure
- During non-shopping hours lighting in the shopping area is reduced automatically by more than 60%

UP TO 30% HIGHER ENERGY EFFICIENCY COMPARED TO THE EFFICIENCY OF A STANDARD BUILDING



RENOVATION

2016 – 2017: 25 stores renovated in line with the new concept and with a strong focus on customer and employee comfort and environmental performance.



REGIONAL DISTRIBUTION CENTRES



RDC RAVNO POLE (2010)

The environment-friendly and highly efficient technologies used for the construction of our first RDC in the village of Ravno Pole help conserve natural resources and lead to an efficient and optimised energy consumption.



RDC KABILE (2017)

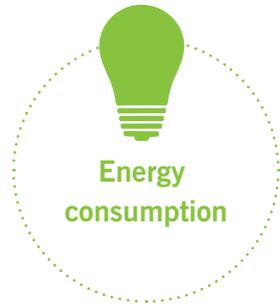
- The only logistical facility in Bulgaria with an Excellent rating at the project stage according to the BREEAM certification scheme.
- The BREEAM certificate stands for high energy efficiency, improved environmental performance and a range of technologies and innovations which contribute to high service levels and to the exceptional sustainability and functionality of the RDC.
- Environment-safe and long-lasting materials used in the construction of the building.
- LED lighting installed in the entire building.
- Rainwater collected and used in lavatories and for irrigating the green areas.





CLIMATE PROTECTION

As we grow our business it is inevitable that we use more resources in our operations. We focus on being efficient in our activities and reduce or keep at the same level the energy and GHG intensity of our operations.



LIGHTING AND CONDITIONING SYSTEMS

Efficient lighting and conditioning systems management is an important part of our efforts to improve energy efficiency, use resources in a sustainable way and reduce CO₂ emissions.

- The stores built to our new concept are designed to use sensors for light control and help use efficiently the energy inputs.
- In our Regional Distribution Centres (RDS) and in some new-generation stores we recuperate the heat released by refrigerating and save energy again
- We maintain different temperature zones in order to keep the products as fresh as they should be. Much thought has been put behind the layout of these zones in order to achieve maximum optimisation and energy savings
- We use energy-saving LED lighting in order to reduce energy use and CO₂ emissions.



REFRIGERATING AGENTS

Many of our products need a special temperature regime without which it would be difficult to preserve their quality and freshness. On the other side, our commitment to the efficient and prudent use of energy and resources requires us to prioritise the use of natural refrigerating agents (such as propane R290). They help reduce CO₂ emissions by up to 99% compared to synthetic refrigerating agents.



WATER

All said about energy savings, water is another resource we feel very responsible about. Accordingly, we carry out perpetual monitoring on the efficient use of water.

- In all washrooms in our new-concept stores we use water mixers controlled by photocells.
- A special-purpose system in RDC in Kabile captures rainwater which is then used in the lavatories and irrigating the green areas.

ENERGY EFFICIENCY AND CO₂ EMISSIONS

As we expand we open more stores, and we transport more products to more destinations. This means the energy we use and our CO₂ emissions increase as well. Yet, we continuously improve our process efficiency and for every 1000 leva of turnover we make, we need less energy and emit less emissions every year.

| Unit | kWh / BGN 1000 | | |
|--|----------------------------------|--|--------|
| Energy intensity (includes all of the above fuels and electricity; divided by the turnover of the company) | 2015 | | 69,401 |
| | 2016 | | 66,285 |
| | 2017 | | 65,241 |
| Unit | kg of CO ₂ / BGN 1000 | | |
| CO₂ emissions intensity (includes the emissions from Scope 1 and 2; divided by the turnover of the company) | 2015 | | 37,55 |
| | 2016 | | 35,36 |
| | 2017 | | 33,62 |



CONSERVATION OF RESOURCES

Recycling and minimising the amount of waste is among our key priorities. To this end we optimise our purchase orders and manage the processes in a way which maximises the recycling rates.



We focus our efforts in the following areas:

- Resource efficiency
- Preventing the formation of waste streams
- Promoting the reuse of materials
- Recycling and recovery of secondary materials

Conservation of resources is the cornerstone of our business model. All processes are optimised constantly to achieve higher efficiency, minimise footprint on environment, reduce costs and ultimately offer better product prices to our customers. We present our products in aesthetic and at the same time functional cartons. This leads to optimization of processes and costs, which allows us to almost fully recycle the packaging materials. As business expands and sales increase, inevitably, the quantities of products and their secondary and transport packages also increase in absolute values (tonnes). This however doesn't stop us from applying the same rules for treating and maintaining similar levels of recycling in the company.

PACKAGING

We adhere to a streamlined system that has proven its efficiency in terms of packaging optimisation - we reduce packaging materials and waste as well as increase the sustainable packaging materials.

- Recycle over **98%** of secondary and transport packaging.
- Separate the packaging waste as early as it occurs in our stores. Divide the packaging waste in three streams – paper, colorless film and colored plastics – in order to facilitate the subsequent recycling processes.
- Apply an efficient waste management programme at RDCs: the streams of packaging waste are sorted, pressed, baled and made ready for the recycling phase.

FOR EACH TYPE OF WASTE WE HAVE A LICENSED PARTNER WHO IS RESPONSIBLE FOR OFF-TAKING AND PROCESSING THE WASTE MATERIAL.



TOTAL RECYCLED WASTE

Waste materials passed on for recycling (metal, wood, paper, plastic, batteries and electronic equipment):

QUANTITIES AND TYPES OF THE WASTE GENERATED (TONS)

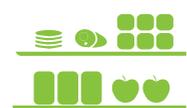
| | Unit | Hazardous waste - 100% recycling; Landfilling is strictly forbidden by law. | | |
|---|--------|---|----------|----------|
| | | 2015 | 2016 | 2017 |
| Batteries | Tons | 12,91 | 5,97 | 7,54 |
| Oil | litres | 0,00 | 0,00 | 0,00 |
| Non-Hazardous waste - Recycling | | | | |
| Paper, cardboard | Tons | 6 426,74 | 7 208,26 | 7 880,52 |
| Wood | Tons | 207,55 | 267,15 | 366,08 |
| Plastic | Tons | 353,47 | 395,69 | 353,56 |
| Metal | Tons | 16,62 | 21,10 | 100,03 |
| Other waste, which could be recycled | Tons | - | - | 156,60 |
| Total recycled waste | Tons | 7 017,29 | 7 898,17 | 8 864,33 |
| Non-Hazardous waste - Landfill | | | | |
| Other waste | Tons | 710,36 | 910,98 | 820,36 |



FOOD WASTE

According to a Eurobarometer survey, about 740,000 tons of food is thrown annually in Bulgaria, which is 105 kg. per person on an annual basis. Figures for the European Union are even more drastic - 88 million tons of food is discarded each year, or 173 kg per person. 5% out of these is generated by the retail sector and 53% by the consumer. These statistics turn the food waste issue into an increasingly important problem.

We are vigilant about food waste and adhere to streamlined system and processes that have proved their efficiency - from the daily planning and orders at our stores to the optimisation of the transport processes and the cooperation with the non-government sector.



HOW DO WE ORDER?

All daily orders at our stores are made by an order optimisation system. The system calculates the quantity to be ordered on the basis of the quantities sold until the time of the order and the quantities available at the stores, customised for each store on a product basis.



TIME TO FINAL CONSUMPTION MODEL

This is another optimisation tool, which again helps us reduce the amount of food waste.



LOGISTIC PROCESSES

We optimise the logistics processes to ensure that food products arrive at our stores in the freshest possible state and that at the same time we efficiently reduce the amount of food waste.

COOPERATION WITH THE NON-GOVERNMENT SECTOR

We also invest efforts in building partnerships with local non-government organisations. In 2017 Lidl Bulgaria started a collaboration with the Bulgarian Food Bank (BFB). Our support comes in the form of storage space and donation of foodstuffs, which the BFB and their network of partner organisations distribute across Bulgaria so that the foods reach many thousands of people in need. Together we believe that the Bulgarian Food Bank is a reliable partner of the food industry and utilizes that the excess but edible food reaches the needy in time, instead of becoming food waste.



Zanka Milanova

Executive director of the Bulgarian Food Bank

For one year the Bulgarian Food Bank manages to save around 300 tons eligible food. We do believe that together with socially responsible companies such as Lidl Bulgaria this number can grow and together we can contribute for saving more food and donating it to those in need.



The BHB is the first Bulgarian organisation which collects, stores and distributes donated foods with short shelf life in full compliance with all food safety standards.



TRANSPORTATION

Being a key component of the supply chain, our logistics model follows one fundamental rule – maximum optimisation, efficiency and insurance of the temperature regime.

MAIN PRINCIPLES

- Plan the most efficient routes
- Use the most optimal truck loadability possible in order to achieve maximum optimisation of transport operations, thus guaranteeing the security of supply

THE SUPPLY CYCLE



THE RESULT

Owing to the well-planned and optimised transport and logistics operations, we reduce our environmental footprint and CO₂ emissions.

THE NUMBERS

Over **97%** truck capacity utilisation rate in the last two years.



RDC KABILE

One of the most important transport optimisation projects was the construction of our RDC in the village of Kabile. The RDC location was chosen with a view to its strategic role. RDC Kabile is responsible for deliveries to Lidl stores in East Bulgaria, while the first logistics centre, the RDC in Ravno Pole near Sofia, supplies the stores in West Bulgaria. This pattern ensures fast access to all our stores across the country, which in turn leads to shorter transport routes and to greater efficiency and optimisation of processes.

THE NUMBERS

Average distance travelled by one pallet



MANAGEMENT OF OUR OWN PASSENGER CAR FLEET

- ~190 company cars
- Focus on the use of high-end vehicles with improved environmental performance
- Our dynamic expansion and accordingly the increasing number of stores and employees mean that we have to do more business trips. This explains why the amount of diesel fuel used rose by 19 % between 2015 and 2017
- In 2018 and 2019 we look forward to gradually replacing the existing fleet with vehicles compliant with the Euro 6 standard, which is a guarantee for very low emissions of fine particulate matter and nitrogen oxides

E-VEHICLES CHARGING STATIONS

In 2017 we deployed two charging stations for electric vehicles, one at our store in Mladost, Sofia and another one in Samokov



Vladimir Georgiev
Mayor of Samokov

It is important for Lidl to sense the pulse of living in our Municipality and keep in pace with it. I had my positive impressions of the company yet before they opened their first store in Samokov. I was impressed with their environmental initiatives which fit well in our plans and intentions. However, Lidl managed to exceed our expectations with the classy store they built for our citizens and guests, and by setting up the first e-vehicles charging station in this city. Another positive impression comes from the investments they make in the skills of local employees, which we thought might be a challenge in the early days of our collaboration.

Local communities

We at Lidl Bulgaria clearly recognise that our operations can and should have a positive community footprint. Accordingly, it has been our established tradition to initiate and support socially responsible causes and sustainable projects for the sole purpose of helping society and contributing to its better future and fulfilling life.

- We develop long-term partnerships with recognised local and international organisations;
- We focus our efforts in two main areas: helping young families take care of their children and supporting local communities in the various regions we are present in.

7

Environmental initiatives

Green Line to Vitosha – over **47 000** people benefited and have gone to the mountain with it for 7 years

Give Balkan Trout a Chance – **300 000** Balkan trout specimens released in Bulgarian rivers for 4 years

TARGETS

Ensure the successful implementation of all projects selected for funding in the first edition of You and Lidl for A Better Life

2018 – 2019

Select and finance sustainable projects with sustainable impacts on local communities in the second edition of the initiative

2018 – 2019

Supporting Fulfilling lifestyle



31 projects financed

15 000+ direct participants

BGN 252 741 Fundraising reached

Lidl Sunday at Muzeiko

19 000 parents and children attended the initiative in 2017



Local communities development

- In RDC Kabile we made an additional investment of BGN 1.5 million in projects which are essential for the region and for the local community
- When we build new stores, we make infrastructural improvements, too: we build playgrounds for kids, pedestrian alleys, traffic lights, etc.



CORPORATE CITIZENSHIP

Our environmental responsibility goes beyond the way in which we build our sites. We organise and support many environment-friendly initiatives.



GREEN LINE VITOSHA

Green Line Vitosha demonstrates how Lidl Bulgaria takes actual care of the environment. The aim of this initiative is to reduce the harmful emissions from the use of private cars in the mountain, and at the same time help and encourage citizens spend more time in nature. Our partner in this initiative is Sofia Municipality..



THE INITIATIVE DURING THE YEARS

2011 – Launch of the initiative. For the first time ever, the citizens and guests of Sofia could use free of charge bus lines and climb easily to the Dendrarium and Golden Bridges – the starting points of popular tracking paths.

2014 – The Green Line added free of charge buses for cyclists helping them easily reach the uphill biking routes to Aleko Hut and Zheleznitza village.

2017 – The initiative operated four free of charge buses on three lines for pedestrians and bicyclists.

THE RESULTS:

More than 47 000 have benefited from the green initiative in the course of seven years.



GIVE BALKAN TROUT A CHANCE



The aim of this initiative is to contribute to the conservation of biodiversity in Bulgarian rivers and to protect one of the most seriously endangered species in Europe – Balkan trout. The Initiative partners with Fishing Club Balkanka and forms part of our overarching sustainable development and environment protection policy.

LAUNCHED IN 2013

The campaign began as a game in the Facebook page of Lidl Bulgaria. Users were invited to 'fish' Balkan trout in special app. For each virtually caught trout Lidl Bulgaria released one real fish in Bulgarian rivers.

UPGRADED IN 2017

In 2017 we did more than fish-planting: We helped clean part of the riverbed of Chaya river, including a stretch by which Bulgaria will apply to host the World Fishing Championship in 2020.

THE RESULTS:

From the start of the initiative in 2013 until 2017 we have introduced nearly 300 000 Balkan trout specimens in Bulgarian rivers. Lidl Bulgaria has become one of the largest investors in the conservation of biodiversity and of the Balkan trout population in Bulgaria.

Viktor Brunchev,
Fishing Club "Balkanka"

Lidl Bulgaria has become one of the top Balkan trout planters in Bulgaria during the recent years. We appreciate their sustainable interest in the conservation of this endangered species in Bulgaria, and the results are self-explanatory. Our monitoring demonstrated that at most sites the planted trout is thriving in its new habitat and populations are getting larger.





WE RECOGNISE THAT EACH NEW STORE WE OPEN CAN ADD VALUE TO THE HOST COMMUNITY.

- We improve the surrounding infrastructure
- We build playgrounds for kids, pedestrian alleys, traffic lights and other facilities
- We create green spaces for citizens to relax and enjoy

How we develop sustainable and beneficial partnerships with local municipalities?

- 1** We take into account the local development strategy
- 2** We try to find common ground between the community's priorities and those embodied in our corporate social responsibility strategy
- 3** We assert our reputation of a responsible and loyal employer who creates jobs, offers excellent working conditions and opens development opportunities to people in the region



Fulfilling Lifestyle Survey The Basis for New Initiatives

The results of the national representative survey helped us find out which are the most important factors which make Bulgarians believe they have a fulfilling lifestyle.

By analyzing the results, we defined those priority areas where we can offer added value and can focus our efforts on. According to the survey, our family and friends enjoying good health and the fulfilling communication with our children are among the TOP 10 Fulfilling Lifestyle factors. Based on these findings, we focused our attention on two main directions - supporting ideas that would contribute to a better quality life for people from different regions and giving parents the opportunity to spend fulfilling time with their children and to help them take care of their children.

So we launched two new big initiatives: **You and Lidl for a better life** and **Lidl for your child**.



CORPORATE CITIZENSHIP

YOU AND LIDL FOR A BETTER LIFE – The biggest socially responsible initiative of Lidl Bulgaria

OUR OBJECTIVE – To support socially relevant projects across the country and contribute to improving the life of communities in various regions.

FIRST EDITION 2017

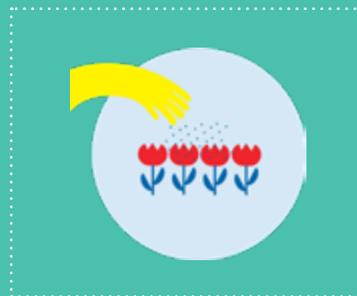
HOW THE INITIATIVE WORKS



Our customers contributed each time they shopped with us



From each cash receipt we set aside BGN 0.03 in the course of six weeks, while NGOs and civil-society organisations applied for project grants up to BGN 10 000



We used the funds raised to support projects important to local communities across Bulgaria

SUPPORTED AREAS

We supported projects primarily in the following four areas:



Education



Environment



Culture and historical heritage



Healthy lifestyle

THE RESULTS

- **425** organisations from **143** places in Bulgaria applied for support from the Initiative.
- Fundraising reached **BGN 253 000**

31 projects from **18** cities and towns across Bulgaria approved for funding in 2017

THE PARTNERS



“ Iliyana Nikolova

Executive Director, Workshop for Civic Initiatives Foundation

"You and Lidl for a better life" gave a strong impetus to civil activity in Bulgaria. The 425 entries that we received come to show that there is an active civil society in Bulgaria, that is concerned and ready to work for the better life of its community. "You and Lidl for a better life" is an example of how the business and the NGO sector can work together and how they can contribute to a positive change of national scale. This is practically the largest Bulgarian grant program of a corporate company and also the largest investment of a corporate organization till now.



“ Krasimira Velichkova

Director, Bulgarian Donation Forum

"You and Lidl for a better life" makes it very easy for customers to contribute – all they have to do is shop at Lidl's stores. This is exactly the most valuable aspect of the programme: funds raised by customers meet ideas raised by civil society organisations in a bid for relevant initiatives which contribute to a better life.





SUPPORTING FULFILLING LIFESTYLE

As part of our corporate social responsibility, we are committed to support young families raise their children.

LIDL FOR YOUR CHILD

Our largest kids-focused initiative was launched in 2017.



OUR OBJECTIVES

- Help parents raise their children
- Contribute to the holistic and healthy development of children

ACTIVITIES IN THREE KEY AREAS



Balanced and healthy eating



Sport and active lifestyle



Education and talent development

OUR PARTNERS

- Muzeiko – the only Children's Museum in Bulgaria
- Teach for Bulgaria Foundation
- BG Be Active Association

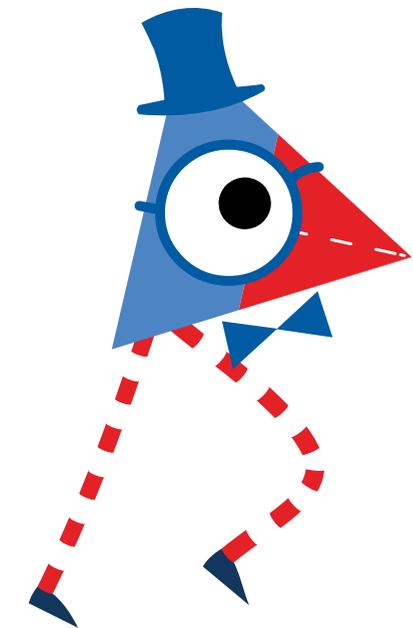
LIDL SUNDAY AT MUZEIKO

Our first step in the area of talent development is the Lidl Sunday at Muzeiko initiative. Our partner is Muzeiko, the first children's museum in Bulgaria.



On the second Sunday of each month children and their parents can visit the centre for the symbolic price of BGN 2. In this way we contribute to making the boundless world of science even more accessible to younger and older children.

Each edition is dedicated to a specific theme, which is always linked to one of the three priority areas of the Lidl for Your Child initiative.



RESULTS

Nearly **19 000** kids and their parents attended Lidl Sundays at Muzeiko in 2017.



ORGANIZATIONAL STRUCTURE OF LIDL BULGARIA

Typical for the organizational profile of Lidl Bulgaria is the clear and simple structure that follows the model of the company headquarters and that has proven its effectiveness over the years.

Chief Executive Officer manages, plans and coordinates the overall business of the company - defines goals, strategies and policies and determines LIDL's strategic positioning on the market and future growth opportunities.

He coordinates and consolidates the strategy, objectives and action plans of the other four managers, each of whom is responsible for a specific division – Sales and Logistics, Stock Supply and Marketing, Administration, Construction & Expansion.

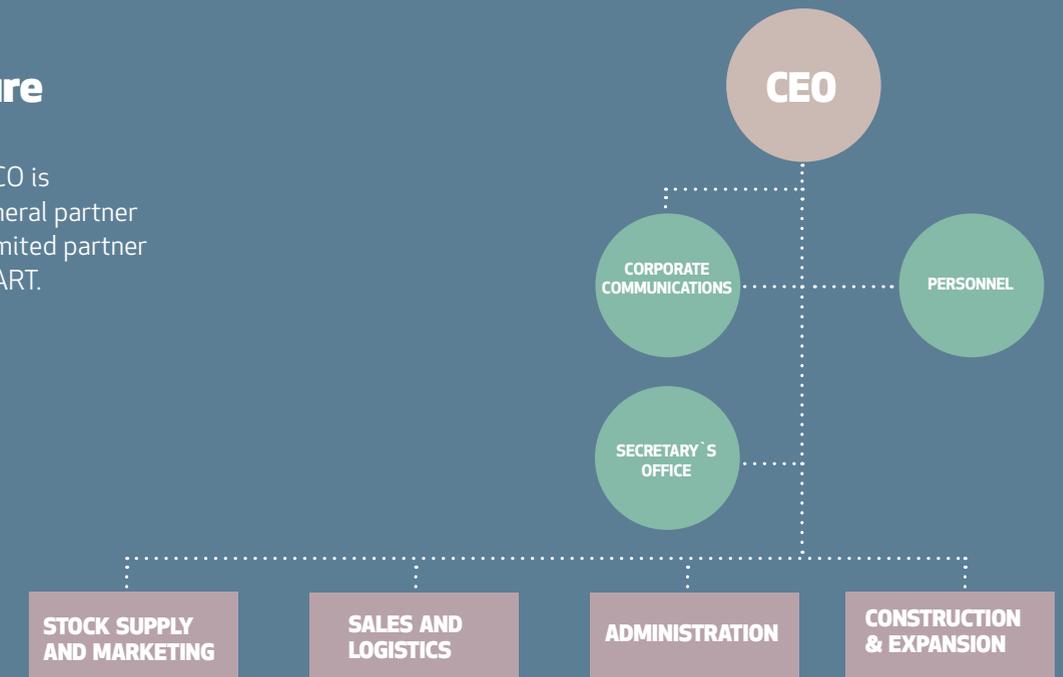
The Chief Executive Officer directly manages the Personnel and the Corporate Communications Departments as well as Secretary's office.

About this report

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Property Structure

LIDL BULGARIA EOOD AND CO is a limited partnership with general partner LIDL BULGARIA EOOD and limited partner Lidl Bulgaria GmbH, STUTTGART.





MEMBERSHIPS

Lidl Bulgaria is a member of the following organizations:

- German-Bulgarian Chamber of Industry and Commerce
- The Association for Modern Trade
- Bulgarian Industrial Association – Union of the Bulgarian Business
- Confederation of Employers and Industrialists in Bulgaria
- Bulgarian Business Leaders Forum
- Bulgarian Donor's Forum
- Bulgarian Association for People Management
- National Association for Health and Safety at Work
- Bulgarian Pallets Association
- Council of Women in Business in Bulgaria

INTERNATIONAL MEMBERSHIPS AND COMMITMENTS

As part of Lidl Group, Lidl Bulgaria sticks rigidly to the principles and policies of the following international organizations:

- The German Retail Federation
- EuroCommerce
- CSR Europe
- Business Social Compliance Initiative
- Partnership for Sustainable Textiles
- German Initiative on Sustainable Cocoa
- Round Table on Sustainable Palm Oil (RSPO)
- GlobalG.A.P.
- Sustainable Protein Animal Feed Forum
- Diversity Charter

CONTACT PERSON

Elitsa Georgieva
Head of Corporate Communications

Phone: + 359 2/ 8026 356
E-mail: elitsa.georgieva@lidl.bg



INDEPENDENT ASSURANCE STATEMENT

To,

The Board of Directors and Management

Lidl Bulgaria EOOD & CO. KD, Sofia, Bulgaria

The Lidl Bulgaria Sustainability Report 2016 - 2017 ("the Report") has been prepared by the Management of Lidl Bulgaria ("the Company"), which is responsible for the collection and presentation of information contained in the Report. Our responsibility, in accordance with the instructions of Lidl Bulgaria Management, is to provide independent assurance of the agreed scope, as defined below, in accordance with the International Standard for Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000 (Revised)).

Our responsibility in performing our assurance activities is to the Management of Lidl Bulgaria only and in accordance with the terms of reference agreed with them. We do not therefore accept or assume any responsibility for any other purpose or to any other person or organization.

WHAT WE DID TO FORM OUR CONCLUSION

Our assurance engagement has been planned and performed in accordance with the International Federation of Accountants' International Standard for Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000 (Revised)). Our evidence-gathering procedures were designed to obtain a 'limited' level of assurance (as set out in ISAE 3000 (Revised)) on reporting principles.

THE SCOPE OF OUR ASSURANCE

The scope of our assurance is limited to the indicators below and comprising the relevant on-site operations in Bulgaria, (together "the Selected Information") which has been prepared based on the GRI Standards and the Company's internal reporting guidance as explained in the Report. The Selected Information includes the Performance Indicators listed below, which are based on the GRI Standards from 2016, and the associated Management Approach to these Indicators as defined by GRI 103 Management Approach:

1. Energy consumption within the organization per GRI 302-1
2. Energy intensity as per GRI 302-3
3. Direct GHG Emissions (Scope 1) as per GRI 305-1
4. Energy Indirect GHG Emissions (Scope 2) as per GRI 305-2
5. GHG Intensity as per GRI 305-4
6. Total weight of waste by total and disposal method as per GRI 306-2
7. Types of injury and rates of injury as per GRI 403-2
8. Training per employees as per GRI 404-1



THE COMPANY'S RESPONSIBILITIES

The Company's management is responsible for the preparation, collection and presentation of the Selected Information in accordance with the Standards. In addition, the Company's management is responsible for ensuring that the documentation provided to the practitioner is complete and accurate. The Company's management is also responsible for maintaining the internal control system that reasonably ensures that the documentation and information described above is free from material misstatements, whether due to fraud or error.

OUR RESPONSIBILITIES

We conducted our assurance engagement in accordance with International Assurance Standards, particularly International Standard for Assurance Engagements Other than Audits or Reviews of Historical Financial Information ISAE 3000 (Revised). These regulations require that we comply with ethical standards and plan and perform our assurance engagement to obtain limited assurance about the Selected Information.

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

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

The assurance engagement performed represents a limited assurance engagement. The nature, timing and extent of procedures performed in a limited assurance engagement is limited compared with what is necessary in a reasonable

assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is lower.

The procedures selected depend on the practitioner's judgment. The procedures include, in particular, inquiry of the personnel responsible for collecting and reporting on the Selected Information and additional procedures aimed at obtaining evidence about the Selected Information.

In respect of the Selected Information mentioned above the procedures performed include the following procedures:

1. Interviewed select key senior personnel of Lidl Bulgaria to understand the current processes in place for capturing the Selected Information pertaining to the reporting period;
2. Reviewed Selected Information on site covering Lidl Bulgaria Corporate Office in Bulgaria and the off-site review of the Selected Information pertaining to the Company's other facilities in Bulgaria, against evidence, on a sample basis;
3. Evaluated the design and implementation of key processes and controls over the Selected Information;
4. Re-performed, on a sample basis, calculations used to prepare the Selected Information for the reporting period;
5. Evaluated the disclosure and presentation of the Selected Information in the Company's Sustainability Report for the 2017 calendar year period.

OUR CONCLUSION

As a result of our procedures, nothing has come to our attention that indicates the Selected Information reviewed for the year ended 31 December 2017 is not prepared in all material respects in accordance with the Reporting Guidance.

OUR ASSURANCE TEAM

Our assurance team, comprising of multidisciplinary professionals, has been drawn from our climate change and sustainability network and undertakes similar engagements with a number of significant international businesses.

We permit this report to be included in Lidl Bulgaria's Sustainability Report for the year ended 31 December 2017, to enable the Directors of Lidl Bulgaria to show they have addressed their governance responsibilities by obtaining an independent assurance report in connection with the Selected Information. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Directors as a body and Lidl Bulgaria for our work or this report except where terms are expressly agreed between us in writing.

MILKA NATCHEVA

PARTNER

SOPIA, 7 DECEMBER 2018

Ernst & Young Audit OOD
Polygraphia Office Centre
47A, Tsarigradsko Shose Blvd., fl. 4
1124 Sofia

| Indicator | Report Chapter | Page | Comment |
|---|----------------------------|--------|---------|
| GRI 101: Foundation 2016 | | | |
| GRI 102: General Disclosures 2016 | | | |
| 102-1 Name of the organization | About Lidl Bulgaria | 5 | |
| 102-2 Activities, brands, products, and services | Products | 27, 39 | |
| 102-3 Location of headquarters | About Lidl Bulgaria | 7 | |
| 102-4 Location of operations | About Lidl Bulgaria | 7 | |
| 102-5 Ownership and legal form | About this report | 91 | |
| 102-6 Markets served | About Lidl Bulgaria | 6, 7 | |
| 102-7 Scale of the organization | About Lidl Bulgaria | 4 | |
| 102-8 Information on employees and other workers | Employees | 44 | |

| Indicator | Report Chapter | Page | Comment |
|--|----------------------------|--------|-------------------------------------|
| 102-9 Supply chain | About Lidl Bulgaria | 16, 17 | |
| 102-10 Significant changes to the organization and its supply chain | About Lidl Bulgaria | | This is the company's first report. |
| 102-11 Precautionary Principle or approach | A better tomorrow | 13 | |
| 102-13 Membership of associations | About this report | 92 | |
| 102-14 Statement from senior decision-maker | | 3 | |
| 102-16 Values, principles, standards, and norms of behavior | Employees | 45 | |
| 102-17 Mechanisms for advice and concerns about ethics | Business partners | 52, 58 | |



GRI Content Index

| Indicator | Report Chapter | Page | Comment |
|--|----------------------------|--------|---------|
| 102-18 Governance structure | About this report | 91 | |
| 102-40 List of stakeholder groups | A better tomorrow | 22, 23 | |
| 102-41 Collective bargaining agreements | Employees | 46 | |
| 102-42 Identifying and selecting stakeholders | About Lidl Bulgaria | 18, 19 | |
| 102-43 Approach to stakeholder engagement | About Lidl Bulgaria | 22, 23 | |
| 102-44 Key topics and concerns raised | About Lidl Bulgaria | 22, 23 | |
| 102-45 Entities included in the consolidated financial statements | About Lidl Bulgaria | 5 | |
| 102-46 Defining report content and topic Boundaries | About Lidl Bulgaria | 18, 19 | |

| Indicator | Report Chapter | Page | Comment |
|--|----------------------------|---------|---|
| 102-47 List of material topics | About Lidl Bulgaria | 20, 21 | |
| 102-48 Restatements of information | GRI Content Index | 99 | This is the company's first report. |
| 102-49 Changes in reporting | GRI Content Index | 99 | This is the company's first report. |
| 102-50 Reporting period | Introduction | 0 | |
| 102-51 Date of most recent report | GRI Content Index | 99 | This is the company's first report. |
| 102-52 Reporting cycle | Introduction | 0 | |
| 102-53 Contact point for questions regarding the report | About this report | 92 | |
| 102-54 Claims of reporting in accordance with the GRI Standards | Introduction | 0 | This report has been prepared in accordance with the GRI Standards: Core option |
| 102-55 GRI content index | GRI Content Index | 96, 113 | |
| 102-56 External assurance | About this report | 93 | |



GRI Content Index: Specific Disclosures

| Area | Material Topic | GRI Specific Disclosure | Report Chapter | Page | Area | Material Topic | GRI Specific Disclosure | Report Chapter | Page | |
|---|--|--|----------------|--------|--------------------------------|---|---|---|----------|----|
|  Products (The products we offer) | | | | | | | | | | |
| High-quality products and product safety | GRI 103: Management Approach 2016 | 103-1 Management approach – explanation of the material topic and its boundaries | Products | 26 | Product labeling | GRI 103: Management Approach 2016 | 103-1 Management approach – explanation of the material topic and its boundaries | Products | 33 | |
| | GRI 103: Management Approach 2016 | 103-2, 103-3 Management approach – the management approach and its components | Products | 26, 29 | | GRI 103: Management Approach 2016 | 103-2, 103-3 Management approach – the management approach and its components | Products | 33 | |
| | GRI 416: Customer health and safety 2016 | 416-1 Assessment of the health and safety impacts of product and service categories | Products | 32 | | Lidl Specific Indicator | Requirements for product labeling | Products | 33 | |
| | G4 Guidelines Food Processing Sector Disclosures | FP2 % of products certified according to sustainable standards | Products | 30 | | Traceability | GRI 103: Management Approach 2016 | 103-1 Management approach – explanation of the material topic and its boundaries | Products | 33 |
| | G4 Guidelines Food Processing Sector Disclosures | FP6 Products with reduced fat, sodium and sugar levels | Products | 34 | | | GRI 103: Management Approach 2016 | 103-2, 103-3 Management approach – the management approach and its components | Products | 33 |
| Local Sourcing | GRI 103: Management Approach 2016 | 103-1 Management approach – explanation of the material topic and its boundaries | Products | 56 | Lidl Specific Indicator | Requirements for product labeling | Products | 33 | | |
| | GRI 103: Management Approach 2016 | 103-2, 103-3 Management approach – the management approach and its components | Products | 60 | | Traceability | GRI 103: Management Approach 2016 | 103-1 Management approach – explanation of the material topic and its boundaries | Products | 33 |
| | Lidl specific indicator | Number of locally produced products | Products | 39 | | | GRI 103: Management Approach 2016 | 103-2, 103-3 Management approach – the management approach and its components | Products | 33 |



GRI Content Disclosures

| Area | Material Topic | GRI Specific Disclosure | Report Chapter | Page | Area | Material Topic | GRI Specific Disclosure | Report Chapter | Page |
|---|--|--|----------------|------|---------------------------------|---|--|----------------|------|
|  Products (The products we offer) | | | | | | | | | |
| Ingredients and nutrition information | GRI 103: Management Approach 2016 | 103-1 Management approach – explanation of the material topic and its boundaries | Products | 38 | Remuneration of Lidl Employees | GRI 103: Management Approach 2016 | 103-1 Management approach – explanation of the material topic and its boundaries | Employees | 46 |
| | GRI 103: Management Approach 2016 | 103-2, 103-3 Management approach – the management approach and its components | Products | 38 | | GRI 103: Management Approach 2016 | 103-2, 103-3 Management approach – the management approach and its components | Employees | 46 |
| | Lidl specific indicator | Provision of understandable and complete information on ingredients and nutritional values | Products | 38 | | Lidl specific indicator | Comparison between the average gross salary in Lidl and country minimum and average gross salary | Employees | 46 |
|  Employees | | | | | Indicators audited by EY | | | | |
| Labour Rights of Lidl Employees | GRI 103: Management Approach 2016 | 103-1 Management approach – explanation of the material topic and its boundaries | Employees | 46 | Training and development | GRI 103: Management Approach 2016 | 103-1 Management approach – explanation of the material topic and its boundaries | Employees | 48 |
| | GRI 103: Management Approach 2016 | 103-2, 103-3 Management approach – the management approach and its components | Employees | 46 | | GRI 103: Management Approach 2016 | 103-2, 103-3 Management approach – the management approach and its components | Employees | 48 |
| | Lidl specific indicator | Payments of salaries, social security and benefits | Employees | 46 | | GRI 404: Training and education 2016 | 404-1 Average hours of training per year per employee | Employees | 48 |



GRI Content Disclosures

| Area | Material Topic | GRI Specific Disclosure | Report Chapter | Page |
|---|---|---|----------------|------|
|  Employees | | | | |
| Diversity and Inclusion | GRI 103: Management Approach 2016 | 103-1 Management approach – explanation of the material topic and its boundaries | Employees | 50 |
| | GRI 103: Management Approach 2016 | 103-2, 103-3 Management approach – the management approach and its components | Employees | 50 |
| | Lidl specific indicators | Women on management positions | Employees | 43 |
| Life Balance | GRI 103: Management Approach 2016 | 103-1 Management approach – explanation of the material topic and its boundaries | Employees | 47 |
| | GRI 103: Management Approach 2016 | 103-2, 103-3 Management approach– the management approach and its components | Employees | 47 |
| | Lidl specific indicator | Contribution of the company to the life balance of the employees | Employees | 47 |

| Area | Material Topic | GRI Specific Disclosure | Report Chapter | Page |
|---|--|--|-------------------|------|
| Indicators audited by EY | | | | |
| Occupational Safety and health promotion | GRI 103: Management Approach 2016 | 103-1 Management approach –explanation of the material topic and its boundaries | Employees | 54 |
| | GRI 103: Management Approach 2016 | 103-2, 103-3 Management approach – the management approach and its components | Employees | 54 |
| | GRI 403: Occupational health and safety 2016 | 403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities The health&safety rules of Lidl Bulgaria apply to all workers on the company sites. All workers are instructed on H&S at the beginning of their job at the site. Yet, the injury-related information of non-employees is incomplete to be included in this report and will be included in further reports. | Employees | 54 |
|  Business partners (Supporting Bulgarian Producers) | | | | |
| OHS (SP); Payment (SP); Labour Rights (SP); Human Rights (SP) | GRI 103: Management Approach 2016 | 103-1 Management approach – explanation of the material topic and its boundaries | Business partners | 58 |
| | GRI 103: Management Approach 2016 | 103-2, 103-3 Management approach – the management approach and its components | Business partners | 58 |



GRI Content Disclosures

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Business partners (Supporting Bulgarian Producers)

| Area | Material Topic | GRI Specific Disclosure | Report Chapter | Page |
|-------------------------|--|--|-------------------|------|
| | Lidl specific indicator | Percent of suppliers who have signed the Code of ethics | Business partners | 58 |
| Supplier Assessment | GRI 103: Management Approach 2016 | 103-1 Management approach – explanation of the material topic and its boundaries | Products | 29 |
| | GRI 103: Management Approach 2016 | 103-2, 103-3 Management approach – the management approach and its components | Products | 29 |
| | Lidl specific indicator | Assessment criteria and supplier audits | Products | 29 |
| Fair Business Relations | GRI 103: Management Approach 2016 | 103-1 Management approach – explanation of the material topic and its boundaries | Business partners | 58 |
| | GRI 103: Management Approach 2016 | 103-2, 103-3 Management approach– the management approach and its components | Business partners | 58 |
| | Lidl specific indicator | Ensuring fair business practices | Business partners | 58 |



Environment

| Area | Material Topic | GRI Specific Disclosure | Report Chapter | Page |
|---------------------------|--|--|--------------------|------|
| | | Indicators audited by EY | | |
| Climate Protection | GRI 103: Management Approach 2016 | 103-1 Management approach –explanation of the material topic and its boundaries | Environment | 72 |
| | GRI 103: Management Approach 2016 | 103-2, 103-3 Management approach – the management approach and its components | Environment | 72 |
| | GRI 302: Energy 2016 | 302-1 Energy consumption within the organization | Energy consumption | 114 |
| | GRI 302: Energy 2016 | 302-3 Energy intensity | Environment | 73 |
| | GRI 305: Emissions 2016 | 305-1 Direct (Scope 1) GHG emissions | GHG emissions | 115 |
| | GRI 305: Emissions 2016 | 305-2 Direct (Scope 2) GHG emissions | GHG emissions | 115 |
| | GRI 305: Emissions 2016 | 305-4 GHG emissions intensity | Environment | 73 |
| Conservation of Resources | GRI 103: Management Approach 2016 | 103-1 Management approach – explanation of the material topic and its boundaries | Environment | 74 |



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Environment

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| Transportation | GRI 103: Management Approach 2016 | 103-2, 103-3 Management approach – the management approach and its components | Environment | 74 |
| | GRI 306: Effluents and waste 2016 | 306-2 Waste by type and disposal method | Environment | 75 |
| | GRI 103: Management Approach 2016 | 103-1 Management approach – explanation of the material topic and its boundaries | Environment | 78 |
| | GRI 103: Management Approach 2016 | 103-2, 103-3 Management approach – the management approach and its components | Environment | 78 |
| | Lidl specific indicator | Reduction in km travelled per pallet | Environment | 79 |
| Planning and Construction | GRI 103: Management Approach 2016 | 103-1 Management approach – explanation of the material topic and its boundaries | Business partners | 68 |
| | GRI 103: Management Approach 2016 | 103-2, 103-3 Management approach– the management approach and its components | Business partners | 68, 71 |
| | Lidl specific indicator | Infrastructure investments | Business partners | 7 |

Area Material Topic GRI Specific Disclosure Report Chapter Page

| | | | | |
|-----------|---|---|-------------|----|
| Foodwaste | GRI 103: Management Approach 2016 | 103-1 Management approach –explanation of the material topic and its boundaries | Environment | 76 |
| | GRI 103: Management Approach 2016 | 103-2, 103-3 Management approach – the management approach and its components | Environment | 76 |
| | Lidl specific indicator | Ensure a responsible handling of food residues | Environment | 76 |
| Pollution | GRI 103: Management Approach 2016 | 103-1 Management approach – explanation of the material topic and its boundaries | Products | 32 |
| | GRI 103: Management Approach 2016 | 103-2, 103-3 Management approach – the management approach and its components | Products | 32 |
| | Lidl specific indicator | Percent of suppliers certified by GLOBAL G.A.P. | Products | 32 |



GRI Content Disclosures

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Environment

| | | | | |
|------------|---|---|----------|----|
| Irrigation | GRI 103: Management Approach 2016 | 103-1 Management approach – explanation of the material topic and its boundaries | Products | 32 |
| | GRI 103: Management Approach 2016 | 103-2, 103-3 Management approach – the management approach and its components | Products | 32 |
| | Lidl specific indicator | Percent of suppliers certified by GLOBAL G.A.P | Products | 32 |
| Packaging | GRI 103: Management Approach 2016 | 103-1 Management approach – explanation of the material topic and its boundaries | Products | 74 |
| | GRI 103: Management Approach 2016 | 103-2, 103-3 Management approach– the management approach and its components | Products | 74 |
| | GRI 306: Effluents and waste 2016 | 306-2 Waste by type and disposal method | Products | 75 |



Local communities (Supporting local communities)

| | | | | |
|-----------------------|--|--|---------------------|-------|
| Corporate Citizenship | GRI 103: Management Approach 2016 | 103-1 Management approach –explanation of the material topic and its boundaries | Local communities | 80 |
| | GRI 103: Management Approach 2016 | 103-2, 103-3 Management approach – the management approach and its components | Local communities | 80 |
| | Lidl specific indicator | Community investment initiatives | Local communities | 82-87 |
| Supply Security | GRI 103: Management Approach 2016 | 103-1 Management approach –explanation of the material topic and its boundaries | Products | 28 |
| | GRI 103: Management Approach 2016 | 103-2, 103-3 Management approach – the management approach and its components | Products | 28 |
| | GRI 203: Indirect economic impacts 2016 | 203-2 Significant indirect economic impacts | About Lidl Bulgaria | 4 |



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| Area | Material Topic | GRI Specific Disclosure | Report Chapter | Page | Area | Material Topic | GRI Specific Disclosure | Report Chapter | Page |
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|  Local communities (Supporting local communities) | | | | | | | | | |
| Compliance | GRI 103: Management Approach 2016 | 103-1 Management approach – explanation of the material topic and its boundaries | Business partners | 58 | Communication | GRI 103: Management Approach 2016 | 103-1 Management approach – explanation of the material topic and its boundaries | Products | 33 |
| | GRI 103: Management Approach 2016 | 103-2, 103-3 Management approach – the management approach and its components | Business partners | 58 | | GRI 103: Management Approach 2016 | 103-2, 103-3 Management approach – the management approach and its components | Products | 33 |
| | Lidl specific indicator | Grievance mechanisms for incidents of non-compliance or unethical business behavior | Business partners | 58 | | Lidl specific indicator | Educational campaigns targetting customers | Products | 33 |
| Local Development | GRI 103: Management Approach 2016 | 103-1 Management approach – explanation of the material topic and its boundaries | Business partners | 56, 84 | Animal Welfare | GRI 103: Management Approach 2016 | 103-1 Management approach – explanation of the material topic and its boundaries | Products | 37 |
| | GRI 103: Management Approach 2016 | 103-2, 103-3 Management approach– the management approach and its components | Business partners | 56, 59, 65, 84 | | GRI 103: Management Approach 2016 | 103-2, 103-3 Management approach – the management approach and its components | Products | 36 |
| | GRI 203: Indirect economic 2016 | 203-2 Significant indirect economic impacts | Local communities | 81 | | G4 Guidelines 'Food Processing Sector Disclosures' | FP2 % products certified according to sustainable standards | Products | 36 |



Energy consumption

| | | | |
|---|------|--|--------|
| Electricity (TJ) | 2015 | | 138,49 |
| | 2016 | | 156,22 |
| | 2017 | | 171,28 |
| Natural gas for heating (TJ) | 2015 | | 7,95 |
| | 2016 | | 5,83 |
| | 2017 | | 7,06 |
| Diesel for heating (TJ) | 2015 | | 1,02 |
| | 2016 | | 0,88 |
| | 2017 | | 1,14 |
| Diesel for power generation (TJ) | 2015 | | 0,71 |
| | 2016 | | 0,54 |
| | 2017 | | 1,36 |
| Diesel for vehicle fleet (TJ) | 2015 | | 12,19 |
| | 2016 | | 13,02 |
| | 2017 | | 14,72 |
| Renewable sources of energy (TJ) | 2015 | | 0,00 |
| | 2016 | | 0,00 |
| | 2017 | | 0,00 |
| Electricity sold (TJ) | 2015 | | 1,5 |
| | 2016 | | |
| | 2017 | | |
| Total energy consumption within the organization (TJ) | 2015 | | 160,36 |
| | 2016 | | 176,49 |
| | 2017 | | 195,56 |
| Energy intensity (includes all of the above fuels and electricity; divided by the turnover of the company) kWh / 1000BGN | 2015 | | 69,40 |
| | 2016 | | 66,29 |
| | 2017 | | 65,24 |

GHG emissions

| | | | |
|--|------|--|-----------|
| Scope 1 (t of CO ₂) | 2015 | | 4 637,61 |
| | 2016 | | 4 756,63 |
| | 2017 | | 4 297,13 |
| Cooling agents (t of CO ₂) | 2015 | | 3 165,02 |
| | 2016 | | 3 363,19 |
| | 2017 | | 2 630,12 |
| Natural gas for heating (t of CO ₂) | 2015 | | 440,70 |
| | 2016 | | 323,43 |
| | 2017 | | 391,53 |
| Diesel for heating (t of CO ₂) | 2015 | | 75,84 |
| | 2016 | | 65,00 |
| | 2017 | | 84,26 |
| Diesel for power generation (t of CO ₂) | 2015 | | 52,67 |
| | 2016 | | 39,86 |
| | 2017 | | 100,68 |
| Diesel for vehicle fleet (t of CO ₂) | 2015 | | 903,38 |
| | 2016 | | 965,15 |
| | 2017 | | 1 090,54 |
| Biogenic CO₂ emissions (t of CO ₂) | 2015 | | 0,00 |
| | 2016 | | 0,00 |
| | 2017 | | 0,00 |
| Scope 2 (t of CO ₂) | 2015 | | 19 465,31 |
| | 2016 | | 21 393,74 |
| | 2017 | | 23 694,34 |
| Electricity consumption (t of CO ₂) | 2015 | | 19 465,31 |
| | 2016 | | 21 393,74 |
| | 2017 | | 23 694,34 |
| Total CO₂ emissions (Scope 1+2) (t of CO ₂) | 2015 | | 24 102,92 |
| | 2016 | | 26 150,37 |
| | 2017 | | 27 991,47 |
| CO₂ emissions intensity (includes the emissions from Scope 1 and 2; divided by the turnover of the company) kg of CO ₂ / 1000BGN | 2015 | | 37,55 |
| | 2016 | | 35,36 |
| | 2017 | | 33,62 |

For the energy consumption calculations the GHG Protocol Corporate Standard has been used. All assumptions and factors are aligned with the Protocol.

All GHG emissions calculations are aligned with the GHG Protocol Corporate Standard. The used emission factors and global warming potentials (GWP) are sourced from the IPCC Fifth Assessment Report based on a 100-year timeframe. Only CO₂ is included in the presented emissions, as it constitutes 99% of the total GHG emissions. An operational control consolidation approach was used to account for emissions.



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