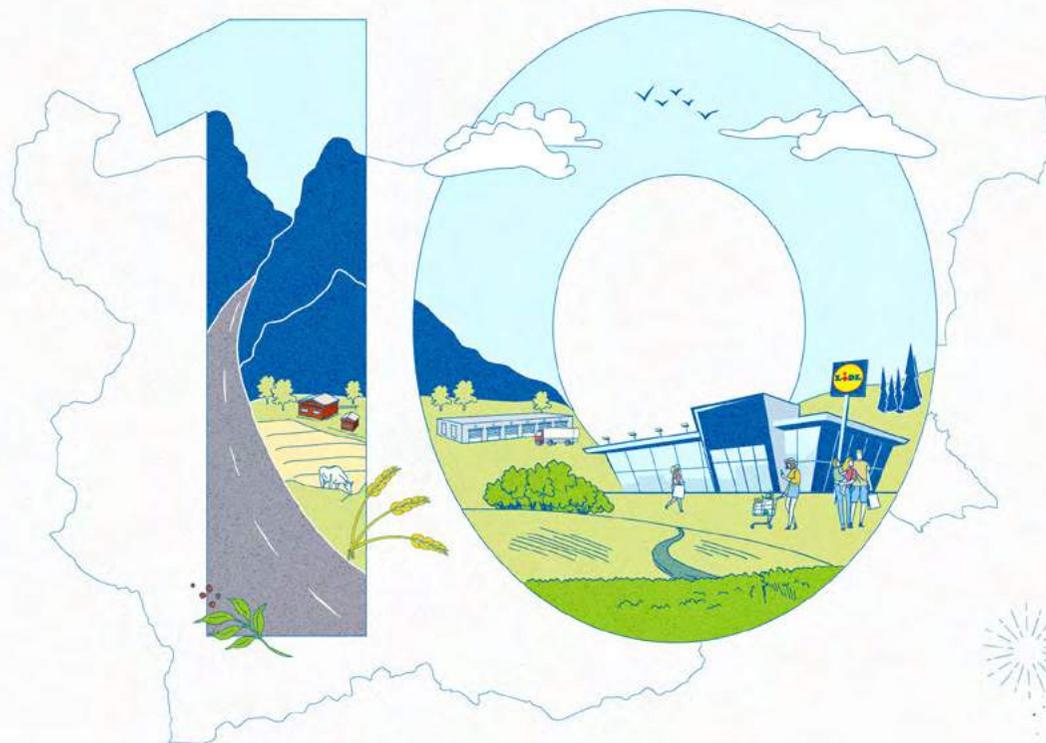




Sustainability Report 2018-2019 Lidl Bulgaria



10 years of responsibility in everything we do



TABLE OF CONTENTS



01. ABOUT THIS REPORT – 3

02. A WORD FROM OUR CHIEF EXECUTIVE OFFICER – 4

03. ABOUT THE COMPANY – 5

- 3.1. Highlights – 6
- 3.2. About the company – 8
- 3.3. Sustainable Management – 11
- 3.4. Materiality Analysis – 17

04. RESOURCES & AGRICULTURE – 20

- 4.1. Protection of Ecosystems: Pollution – 21

05. SUPPLY CHAIN & PROCESSING – 24

- 5.1. Environmental Standards along the Supply Chain: Packaging – 25
- 5.2. Supplier & Market Development:
Fair Business Relations – 28

06. OPERATIONS & PROCESSES – 31

- 6.1. Corporate Environmental Management – 32
- 6.1.1. Climate Protection – 33

- 6.1.2. Conservation of Resources – 36
- 6.2. Employee Responsibility – 38
- 6.2.1. Training and Development – 40
- 6.2.2. Labour Rights – 43
- 6.2.3. Occupational Safety and Health Promotion – 45

07. CUSTOMER & SOCIETY – 49

- 7.1. Design of the Product Range – 50
- 7.1.1. High-quality Products and Product Safety – 51
- 7.1.2. Sustainable Products – 53
- 7.1.3. Local Sourcing – 55
- 7.2. Transparency at Point of Sale – 57
- 7.2.1. Product Labelling – 57
- 7.2.2. Traceability – 59
- 7.2.3. Ingredients and Nutrition Information – 60
- 7.3. Social Value Creation – 61
- 7.3.1. Security of Supply – 62
- 7.3.2. Compliance – 63
- 7.3.3. Corporate Citizenship – 64
- 7.4. Responsible Communication – 68
- 7.4.1. Customer Awareness – 68
- 7.4.2. Communication – 70

08. GRI CONTENT INDEX – 72

09. THIRD PARTY ASSESSMENT – 80

01 ABOUT THIS REPORT

We are proud to present the second Sustainability report of Lidl Bulgaria. The report outlines the topics which we have identified as important for both Lidl Bulgaria and the company's stakeholders over the last two years. Each of the 20 topics that we have selected and analyzed is of significant importance for us to develop our business in a more sustainable way and, at the same time, to provide our customers with a high-quality and fulfilling life.

This Report has been issued in accordance with GRI Standards: Core option. It is published on a two-year basis. The Global Reporting Initiative (GRI) Standards are among the best known and well established non-financial reporting methodologies. Material topics have been defined through the GRI Standards materiality analysis process. More information is available on pp. 17–19. All numbers and practices described in the report refer exclusively to the stores, regional distribution centres, and the head office of Lidl in Bulgaria. Unlike the previous report which covered two calendar years (2016 and 2017), this report covers the German financial years of 2018 and 2019, i.e. the period from March 1, 2018 to February 29, 2020 respectively.

This Report has been audited by Ernst & Young, an independent auditor, on the basis of terms of reference set out in advance and described in detail in the assurance statement at the end of the Report.





Milena Dragiyska,
CEO of Lidl Bulgaria

02 RESPONSIBILITY IS WHAT MOVES US FORWARD FOR 10 YEARS

In front of you is the second Sustainability report of Lidl Bulgaria. For us it is special for two reasons. Firstly, because we're continuing our engagement towards sharing transparently and openly our progress in the sustainable development area and the results we've achieved, as well as the future targets we're setting to pursue.

Secondly, we're especially delighted that the publishing of this report coincides with the year, when Lidl celebrates 10 years on the Bulgarian market. On the occasion of our 10th anniversary we decided to look back in the past and find the success recipe of Lidl. We asked ourselves which are the fundamentals, on which it lies, as well as what makes us different.

Let me start by the fact that throughout the past 10 years Lidl Bulgaria changed the appearance of the modern trade in the country. We've established a new business model that stands on the conviction that good quality should be widely available and that everyone deserves the best quality for their money. Therefore, the principle of „best value-for-money ratio“ has always been and will be our leading mission.

For these 10 years we've proved that we're not afraid to be innovators - not only towards our products, but also in many other fields - including a number of

business processes, employer practices, advertising communication, and many more.

We've proved that trust is built with persistence, professionalism and honesty. Following these three principles, we've deserved the trust of the Bulgarian consumer and we do our best everyday to justify it.

We have also declared definitely one more thing during these past 10 years - that business and responsibility should go hand in hand. Every business should have a strategic vision, an innovative view and an ambition to move forward. Responsibility is though the thin red line that should be seen through every business action and that makes a business valuable, meaningful and sustainable over time. Responsibility is namely what leads us for 10 years - in everything we do and in the relationships with everyone life meets us with.

That is why this second report is special to us. It is not only a sign for the acceptance of and persistence in sustainable development that we follow, but is also an act of the responsibility, in the spirit of which these 10 years have passed and all the coming years will follow. It is a particle of that thin red line that makes us different and moves us forward for 10 years.

Enjoy reading!



03

ABOUT THE COMPANY

3.1 HIGHLIGHTS

All data relevant as of February 29, 2020.



in 48 Bulgarian cities

1.19

turnover,
BGN bn

financial year of 2019



We published policies for conscious nutrition, sustainable purchase of resources and due diligence corporate responsibility in the supply chain



International plastic strategy REset Plastic which aims to reduce the usage of plastic and to improve the recyclability of Lidl private label products

82% of customers

would recommend our products*



*according to the largest tasting test, conducted by IPSOS in Bulgaria

13

new stores

over the 2018-2019 period

8 in Sofia and one each in Varna, Plovdiv, Sts. Konstantin i Elena, Tsarevo, Pomorie



2,794

employees

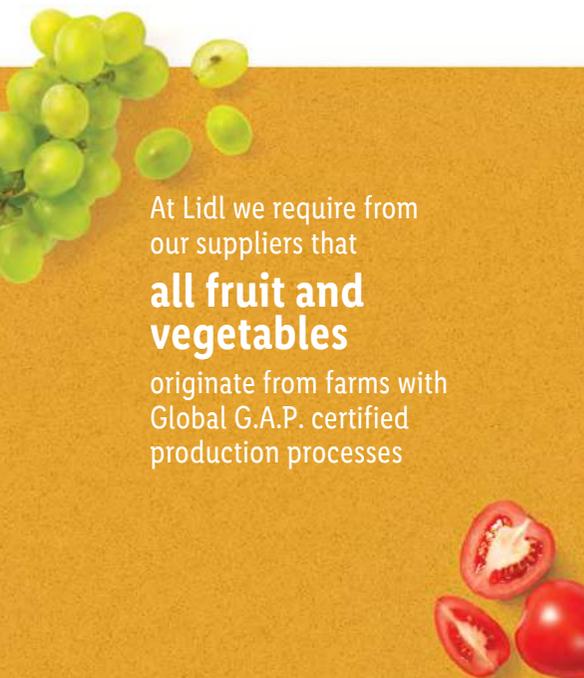


Certified energy efficiency management system (ISO 50001)



3.1 HIGHLIGHTS

All data relevant as of 29 February 2020.



At Lidl we require from our suppliers that **all fruit and vegetables**

originate from farms with Global G.A.P. certified production processes



Retail chain with **the best value-for-money** ratio



EDGE-certified green building



for highest quality in the categories of chocolate, ice cream, beer and milk according to the customers' vote.

over **470,000** BGN donations

in 2018 and 2019



1,542

products from Bulgarian suppliers

in the permanent assortment in the financial year 2019



Award by the Bulgarian Donors Forum in the „Best Donation Program“ category in 2018 and in the „Most Successful Partnership“ category in 2019 for the initiative You and Lidl for a Better Life



ЗА ПО-ДОБЪР ЖИВОТ

3.2 ABOUT THE COMPANY

Lidl currently present as a food retailer



32 countries around the world.

This includes around



11,200 stores

and over **200** regional distribution centres

in a total of **29** countries.

Lidl employs more than



310,000 people.

Lidl Stiftung & Co. KG

Lidl is part of the Schwarz Group. The Lidl Stiftung & Co. KG, which is headquartered in Neckarsulm, Germany, specifies the framework for the operational business in coordination with the national subsidiaries. As a system provider, it is responsible for the conception and design of standardized processes.

Schwarz Group

The Schwarz Gruppe is an international retailing company. At its core, it consists of the two retailing divisions Lidl and Kaufland, which are headquartered in Neckarsulm, as well as the companies Schwarz Production, GreenCycle/PreZero, and Schwarz services (Schwarz Dienstleistungen). The Schwarz Group employs **458,000** employees around the world and operates in **more than 12,500** stores and specialist-stores in **33** countries.

Today, the Schwarz Group covers a large portion of the value chain in the food retailing industry, ranging from production and retail to recycling. Schwarz Production produces the store brands in the beverage, bakery, and ice cream segments, as well as chocolate and dried fruits. The next step is the construction of a coffee roastery.

Additionally, the Schwarz Gruppe has been committed to collecting, sorting, and recycling recyclable materials for many years. The group-wide disposal and recycling service provider for this is PreZero.

Lidl Bulgaria started its business

At the end of the financial year of **2019**, the company had

2 **100** stores and
regional distribution centres,
while the total number of
employees of the company is **2,794**.

At Lidl Bulgaria customers can find an extensive and high-quality permanent product range, which includes 3,056 individual products for everyday use as of the end of the reporting period. This is enhanced by 952 individual promotional items. In addition to food, we sell near-food and non-food products, such as cosmetics, clothing, and small electrical devices. As a smart discounter, Lidl places value on simplicity and process orientation in the stores as well as in the regional distribution centers and the national subsidiaries. On this basis, Lidl can offer its customers an optimal value-for-money ratio on a daily basis.

Lidl Bulgaria EOOD AND CO KD (GRI 102–45)

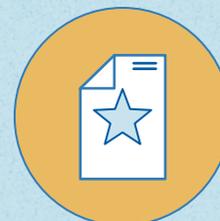
is a limited partnership with general partner Lidl Bulgaria EOOD (single-member limited liability company) and limited partner Lidl Bulgaria GmbH. The head office in Bulgaria is at 1 Treti Mart Street, Ravno Pole, Elin Pelin municipality.

**Number of employees – men**

901	1,042
2018	2019

**Number of employees – women**

1,558	1,752
2018	2019

**Number of employees on a permanent contract**

2,452	2,769
2018	2019

**Number of employees on a temporary contract**

7	25
2018	2019

**Number of full-time employees**

2,279	2,578
2018	2019

**Number of part-time employees**

180	216
2018	2019



List of new stores opened in the financial years of 2018 and 2019:

- Sofia, Borovo, 2018
- Sofia, Dragalevtsi, 2018
- Plovdiv, 2018
- Sofia, Lyulin, 2018
- Varna, 2018
- Sofia, Obelya, 2018
- Sts. Sts. Konstantin i Elena, 2018
- Pomorie, 2019
- Sofia, Stochna Gara, 2019
- Sofia, Evlogi Georgiev, 2019
- Tsarevo, 2019
- Sofia, Alabin, 2019
- Sofia, Knyazhevo, 2019

Cities with Lidl stores
 Logistics Centre
 Head Office Administration
 New Store

3.3 SUSTAINABLE MANAGEMENT

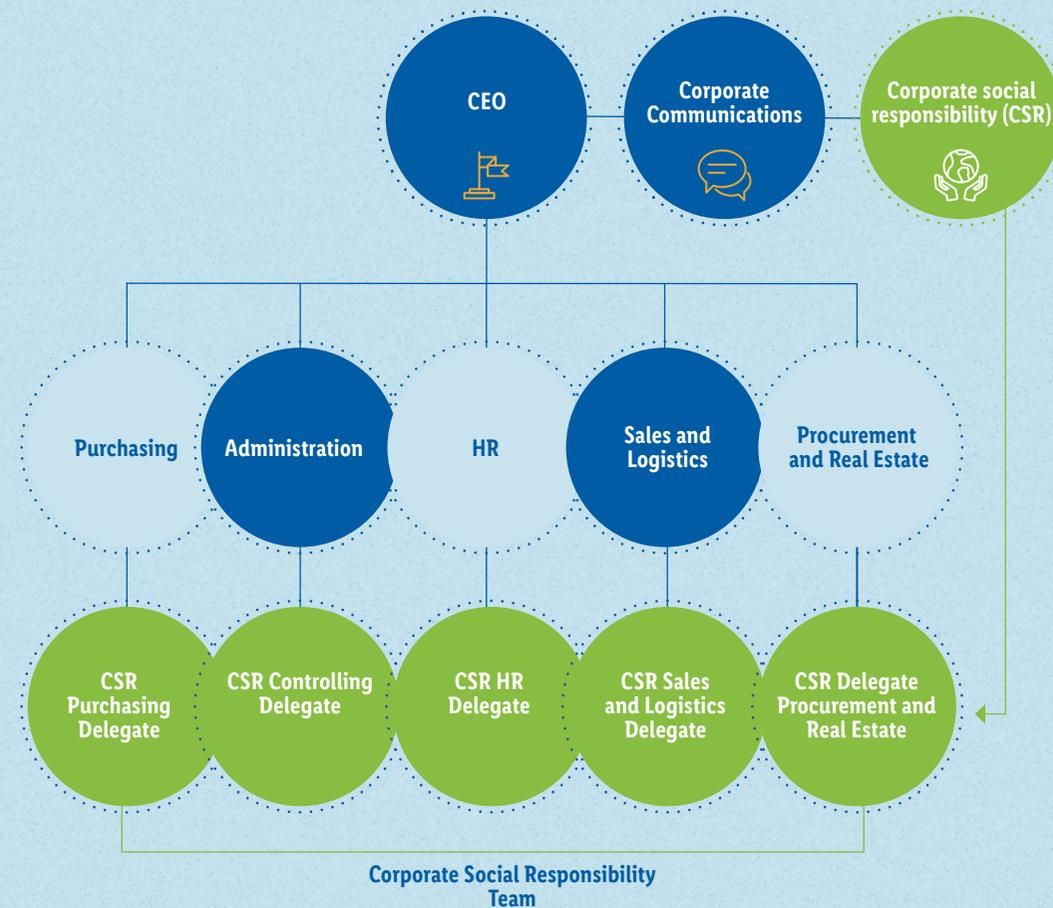
Sustainable development is a core task anchored in the Lidl business model and it is a guiding principle in all our activities. We aim to generate profit in a responsible and sustainable way which is consistent with environmental responsibility and social reality. The people in the organization, regardless of their department or hierarchical level, are aware of their role in the responsible implementation of the Lidl business model. The strategic importance of this topic for Lidl Bulgaria is reflected in the four value chain steps on the basis of which **the Lidl Responsibility Model** has been developed as outlined on pages 13-14.



Sustainability as a strategic and operative core task in the company is anchored in the management for Lidl Bulgaria. The overall responsibility lies with its chairperson. The Corporate Communications Department, part of which is the Corporate Social Responsibility coordination, reports directly to the Chief Executive Officer. It handles the coordination of the cross-departmental sustainability activities of Lidl Bulgaria. The sustainability department is supported by the CSR Team which is comprised of representatives from all Lidl Bulgaria's departments. Within this CSR-Team the trends and topics of sustainability are discussed in the separate departments. Goals and measures agreed on there are presented to the management who then decides on the strategic guidance and implementation of the sustainability engagement of Lidl.

Sustainability as a strategic and operative core task in the company is anchored in the management for Lidl Bulgaria. The overall responsibility lies with its chairperson. The Corporate Communications Department, part of which is the Corporate Social Responsibility coordination, reports directly to the Chief Executive Officer. It handles the coordination of the cross-departmental sustainability activities of Lidl Bulgaria. The sustainability department is supported by the CSR Team which is comprised of representatives from all Lidl Bulgaria's departments. Within this CSR-Team the trends and topics of sustainability are discussed in the separate departments. Goals and measures agreed on there are presented to the management who then decides on the strategic guidance and implementation of the sustainability engagement of Lidl.

Sustainability Organization of Lidl Bulgaria





We follow the precautionary principle

In the context of our business decisions, we strive to avoid and/or substantially reduce all possible negative impacts or damage to the environment and human welfare. This makes the precautionary principle in the Rio Declaration on Environment and Development an integral part of our corporate management.

In October 2019, we published our new Human Rights and Environmental Due Diligence Policy for the responsible sourcing of our private label products, outlining social and environmental risks in our commercial operations and the appropriate mitigation measures.



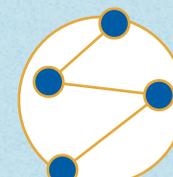
Our management builds on our values,

through which we guarantee that each employee strives for the attainment of our shared goal, i.e. to provide products with the optimal value-for-money ratio to our customers. Therefore we are:



goal-oriented

We measure our success with the results achieved and we follow our goals.



dynamic

We build together a strong, flexible and dynamic team which makes daring and far-reaching plans.



honest

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



ambitious

The more we grow, the higher our goals become.

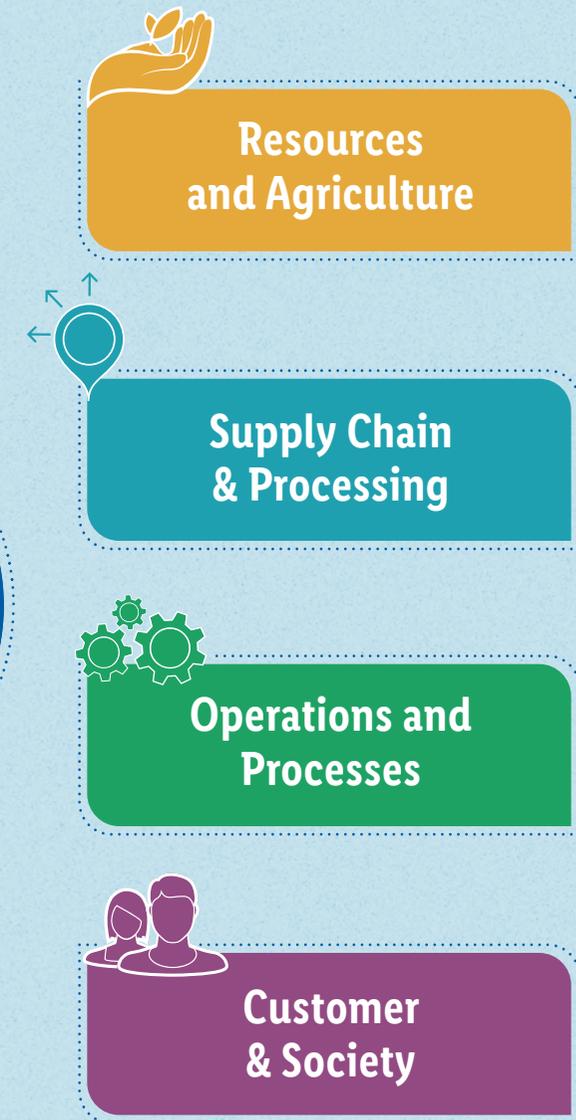


responsible

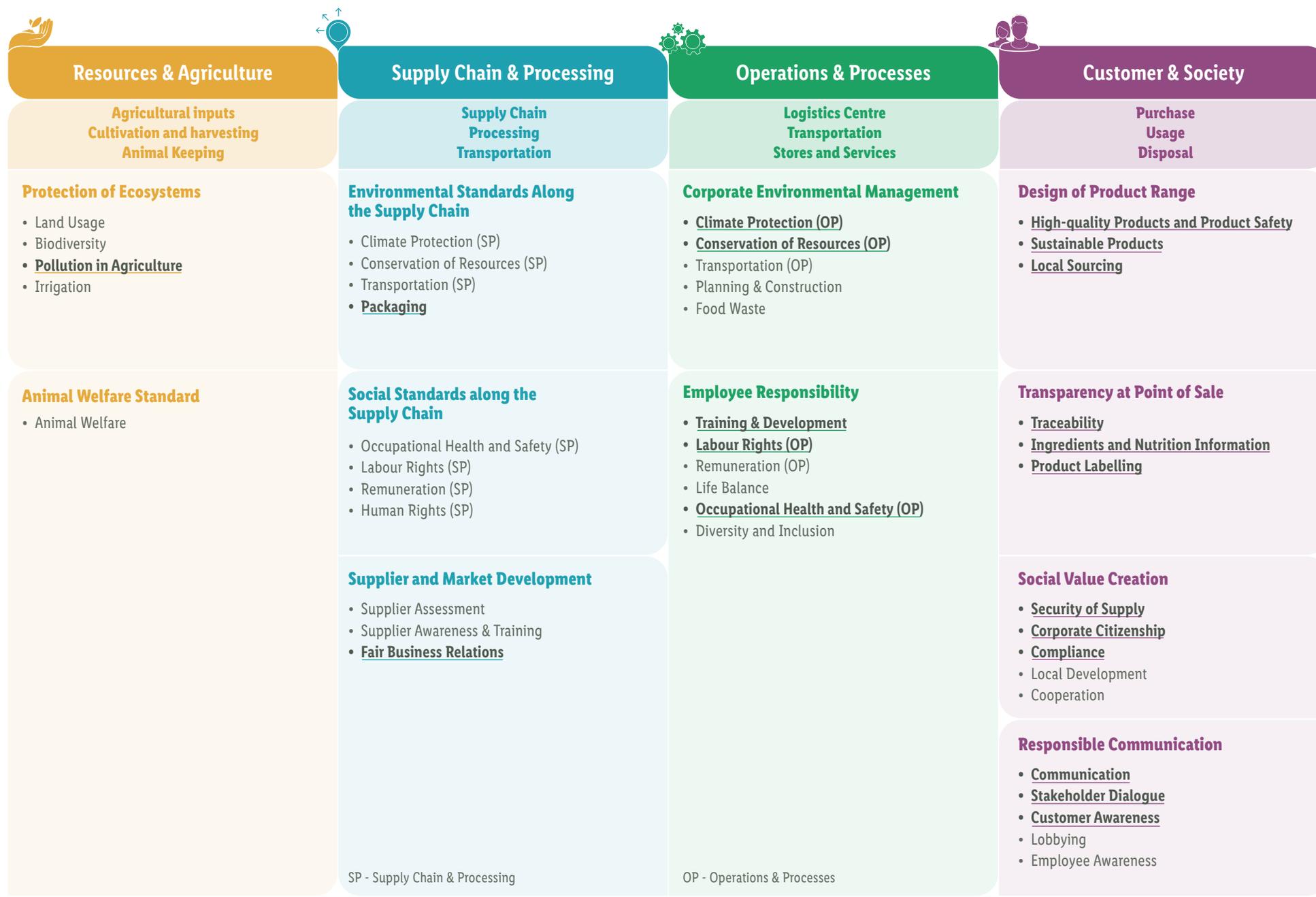
We bear the responsibility of a major international corporation and, at a human level, our deep responsibility to society.

LIDL RESPONSIBILITY MODEL

The great responsibility we undertake comes with the great development prospects for our business and for our employees. We understand that the impact of our business is not confined to our own operations only as they can be seen throughout the supply chain. The Lidl responsibility model identifies four main value chain steps and each of them presents in detail the main impact areas of our business and a total of 43 specific CSR topics which are the basis for our sustainable development strategy. We have identified our impact at each value chain step – from production to the sale of our products – and we are committed to minimizing the negative impacts and enhancing the positive ones. This report presents in detail 20 topics of the Lidl Responsibility Model that have been identified as material topics for Lidl Bulgaria and the stakeholders of the company. They are highlighted in bold in the Lidl Responsibility Model on p. 14.



LIDL RESPONSIBILITY MODEL





Stage 1: Resources & Agriculture

Agricultural inputs | Cultivation and harvesting | Animal keeping

Inputs are among the most important factors in the food sector and therefore we focus our efforts on a sustainable range of products with the optimal value-for-money ratio. As early as January 2018, we introduced the requirement for all fruit and vegetables supplied to Lidl Bulgaria to originate from farms with production processes certified under the global quality standard GLOBAL.G.A.P.

Our commitment to ensure sustainable purchase of fish, mussels, crustaceans and products of them was complemented by our clear position on a more sustainable purchase of coffee, cocoa, tea, palm oil, eggs, flowers and plants, cellulose and cellulose containing products, which is available on our corporate website. The goals set out in these documents are mandatory and they are observed both by our Purchasing Department and the producers with whom Lidl works. We comply with the most widely established, recognized and strict responsible cultivation standards, such as Bio, Fairtrade, Fairtrade Sourcing Program, Rainforest Alliance, UTZ, MSC, ASC, FSC, RSPO and others.

Lidl Bulgaria supports the responsible animal keeping. It is our commitment to fully eliminate fresh eggs from cage-raised laying hens and the products containing such eggs from our permanent range of private label products by the end of 2025. Therefore we have set ourselves the goal for the eggs we offer to our customers to be at least from floor-raised laying hens and we have included free-range and bio eggs in our permanent product range for the whole country. We are proud that we are the only ones to offer private label fresh meat and fresh fish which have been tested and certified by SGS, the global leader in food control.



Stage 2: Supply Chain & Processing

Production | Processing | Transportation

The quality assurance system of Lidl is implemented in the same way in all countries in which we operate. We maintain direct contact with producers and suppliers so as to manage our overall footprint on the environment and the community. We process inputs to preserve their nutritional value and freshness all the way to the end user. We have stringent requirements to quality and to occupational health and safety. We demand responsible attitude of our suppliers towards their employees.

We know how important it is to use resources reasonably and to recycle and dispose of waste. Therefore we make efforts to make 100% of our own brand packaging maximum recyclable and to achieve a 20% reduction of the plastic used in the own brand packaging by 2025.



Stage 3: Operations & Processes

Logistics centre | Transportation | Stores and services

We have two logistics centres (in Ravno pole and Kabile) which serve the regions of the country to ensure security of supply. We follow supply routes that are optimized continuously with a view to reducing the distance covered per product unit so as to ensure maximum freshness of the products and, at the same time, reduced CO₂ emissions from transportation.

We strive for comprehensive corporate environmental management of our operations. We have strict requirements to the establishment of our stores and we renovate them on a regular basis for the purpose of ensuring optimal consumption of resources.

We provide equal access to opportunities for training and career development of each employee. The uniform processes for remuneration, benefits and talent and potential assessment of our employees are based on objective criteria, such as professional experience, qualifications and skills. We support the development of professional skills of young people through dual training and internship programmes.



Stage 4: Customer & Society

Purchase | Usage | Disposal

The main feature of all private label products that we offer is the optimal value-for-money ratio. We help our customers make their informed shopping choice not only through the labels in compliance with the legal requirements but also through adding voluntary information on the packaging, e.g. sustainability certificates, information on lactose- or gluten-free products, vegan products or information on environmental improvements of the packaging. Our awareness campaigns and corporate social responsibility projects focus on important topics for the society and the environment.

As part of Lidl, Lidl Bulgaria abides strictly by the principles and policies of the following international organizations:

Supply Chain Initiative	World Banana Forum
Ellen MacArthur (as part of Schwarz Group)	Forest Stewardship Council (FSC)
Amfori Business Social Compliance Initiative (BSCI)	Fruit Juice Platform
Partner for Sustainable Textiles	Sustainable Agricultural Supply Chain Initiative (INA)
ACT (Action, Collaboration, Transformation)	Global G.A.P. u GlobalG.A.P. GRASP
ACCORD	Alliance for Water Stewardship
German Initiative on Sustainable Cocoa	Charta der Vielfalt e.V.
Round Table on Sustainable Palm Oil (RSPO)	International Network Leading Executives Advance Diversity (LEAD)
Round Table on Responsible Soy (RTRS)	Marine Stewardship Council (MSC)
Donau Soja	Aquaculture Stewardship Council (ASC)
Leather Working Group	Fairtrade
UN Global Compact (as part of Schwarz Group)	

Lidl Bulgaria is a member and an active participant in the development of the following organizations:

Association for Modern Trade	Bulgarian Industrial Association – Union of the Bulgarian Business
Bulgarian Association for People Management	Bulgarian Pallets Association
Bulgarian Association of Software Companies (BASSCOM)	Council of Women in Business in Bulgaria
Bulgarian Business Leaders Forum	German-Bulgarian Chamber of Industry and Commerce
Bulgarian Donors Forum	National Association for Health and Safety at Work

3.1 MATERIALITY ANALYSIS

Stakeholder Management (GRI 102-40, 102-42, 102-43)

The continuous exchange of information with our internal and external stakeholder groups – such as customers, non-governmental organizations (NGOs), political authorities, business partners, employees, and the media – is an important part of Lidl Bulgaria's sustainability management.

This exchange with our stakeholder groups takes place in both directions: we actively inform all of our stakeholders using various formats, such as sustainability reports and press releases for external stakeholders and customers, as well as intranet portal and other internal communication channels for our employees. We also organize and encourage the direct and mutual exchange of information through events and personal meetings. Through their expertise, observations, and both critical and constructive interactions with our company, our stakeholders provide valuable feedback that flows through in our work. In addition, Lidl Bulgaria is involved in a range of collaborations and networks and actively participates in dialog and information exchange formats organized by third parties.

We analyze the relevance of sustainability topics for Lidl Bulgaria at short, regular intervals, but at least every two years as part of a stakeholder survey.

Materiality Analysis (GRI 102-43)

In 2019 Lidl Bulgaria conducted a materiality analysis to identify the material topics in the field of corporate social responsibility (CSR) for its own business activities. For that purpose, Lidl Bulgaria surveyed key stakeholders and evaluated the positive and negative effects of its activities on people, the environment, and society. The materiality analysis will be updated at least every two years as part of the sustainability reporting.

Identification of key topics from the perspective of the stakeholders (GRI 102-44)

To identify the key topics from an external perspective, Lidl Bulgaria conducted an online survey with its key stakeholders. A total of 361 participants and external stakeholder groups were surveyed, including employees, business partners, as well as representatives of NGOs, media, and an organization related to trade policies. The customer survey was conducted separately in the form of interviews by a market research institute and it was combined with the results of the survey of the other stakeholder groups.

The aim of the representative surveys was to determine the perceptions and expectations that these stakeholder groups have in relation to the activities and sustainable development of Lidl Bulgaria. The surveys were based on the 43 CSR topics from the Lidl Responsibility Model. The respondents rated every CSR topic based on its relevance to Lidl Bulgaria.

The results of the survey showed that the CSR topics of “High quality products and product safety”, “Local sourcing”, and “Sustainable products” were most relevant to Lidl Bulgaria from a stakeholder perspective. The vertical axis of the materiality matrix on p. 19 classifies the CSR topics by stakeholder relevance.

Evaluation of the positive and negative impacts of Lidl Bulgaria (GRI 102-46, 102-49)

In addition to the stakeholder survey, Lidl Bulgaria evaluated its influence on the 43 CSR topics. The impacts of Lidl Bulgaria on people, the environment and society were first analyzed by the CSR coordinator of the company and then the analysis was used by the CSR Team to either confirm the initial analysis or adapt it accordingly.

The resulting classification of the positive and negative impacts is shown on the horizontal axis of the materiality matrix (p. 19).

Both the results of the stakeholder survey and the internally identified impacts of Lidl Bulgaria were then once again analyzed and validated in a workshop together with the management of the company. The result of that materiality analysis highlighted 15 CSR topics on which Lidl Bulgaria had a significant impact or which were relevant to the stakeholders. They are within the company’s materiality threshold and form the basis for this report (see Materiality Matrix, p. 19).

In addition to the CSR topics identified as material, other strategically relevant CSR topics are also included in this report. They are identified with a symbol (●) in the materiality matrix. The primary reason for including these topics is the requirement for transparency of the stakeholder groups. Thus the total number of material CSR topics presented in this report is 20.

LIST OF MATERIAL TOPICS (GRI 102-47)



Resources & Agriculture

1 Pollution



Supply Chain & Processing

2 Packaging

3 Fair Business Relations



Operations & Processes

4 Climate Protection

5 Conservation of Resources

6 Occupational Safety and Health Promotion

7 Labour Rights

8 Training & Development



Customer & Society

9 High-quality Products and Product Safety

10 Sustainable Products

11 Local Sourcing

12 Product labelling

13 Traceability

14 Ingredients and Nutrition Information

15 Corporate Citizenship

16 Security of Supply

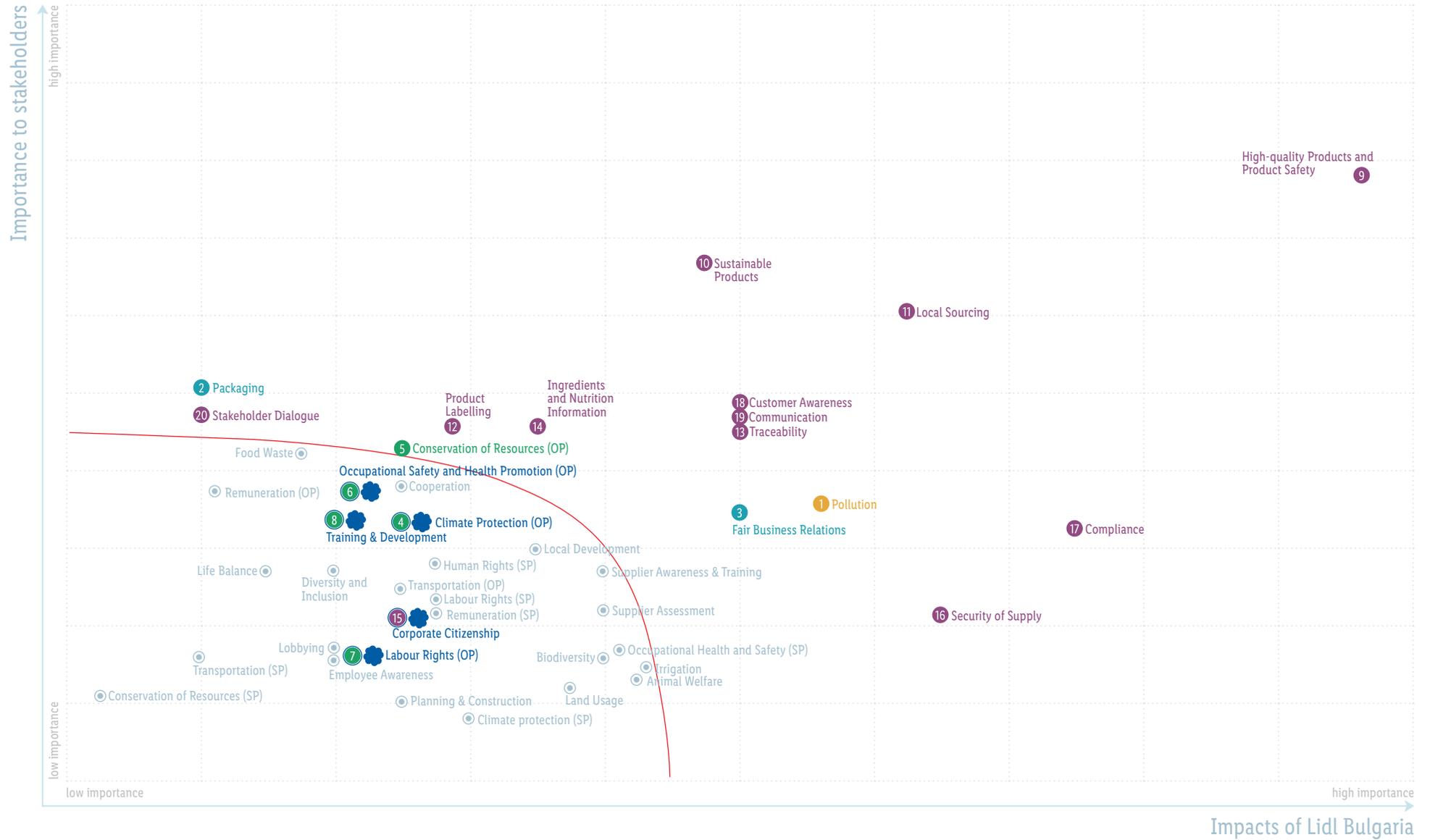
17 Compliance

18 Customer Awareness

19 Communication

20 Stakeholder Dialogue

MATERIALITY MATRIX



🌸 Topics of low materiality but of strategic importance for Lidl Bulgaria
 ● Topics of low materiality
 (SP) Supply Chain and Processing
 (OP) Operations and Processes (Lidl Bulgaria)



RESOURCES & AGRICULTURE

4.1 PROTECTION OF ECOSYSTEMS: POLLUTION IN AGRICULTURE

Being a company specialized in retail, we offer a wide range of private label products and products of other brands in response to our customers' demand. We exert direct impact on our private label products containing numerous and diverse inputs.

In 2019, Lidl worked intensively on the preparation of a new and more ambitious purchasing strategy, in the process of which we identified seven priority impact areas and worked out additional goals and measures to respond to the specific risks in each of them. The greatest impacts on the ecosystems in supply chains take place at the input materials extraction stage. Within the framework of this process, we identified climate change, water resources, the circular economy, human rights, input materials, biodiversity, and sustainable products as the key action areas in the Lidl purchasing strategy. For the purpose of identifying the resources on which to focus, we consider the risk assessment result, taking into account the opinions of the stakeholders and the availability of certificates and products as additional criteria.

Against the backdrop of the scarcity of resources, our initiatives related to the more sustainable production of resources should guarantee that we as a retailer chain will be able to continue offering these consumer products under our guiding motto "optimal value for money". It is our understanding that all participants in the value chain should contribute responsibly to the improvement of environmental and social standards.



Our Code of Conduct which is part of the contracts we sign with our suppliers entails a commitment on their part to observe the minimum social and environmental standards set out in the Code.



The intensive development of the agricultural sector leads to the production of goods of ever higher quality but also to increasing environmental impacts. Therefore Lidl Bulgaria was among the first companies to introduce a requirement that all fruit and vegetables, supplied to Lidl Bulgaria, should originate from farms with production processes certified under the global quality standard GLOBALG.A.P. Thus we contribute to ensuring that the fruit and vegetables we offer to our customers are products of a safer and more sustainable agricultural production. As a result of our focused work with the suppliers, we have succeeded in offering our customers certified products as early as the beginning of 2018. This ensures that all suppliers who have adopted the GLOBALG.A.P. certification have a corporate environmental management mechanism (GRI 308-2).



All fruit and vegetables at Lidl Bulgaria originate from production processes, certified under the GLOBALG.A.P Standard.



Percentage of Bulgarian producers whose processes are GlobalG.A.P. certified



GLOBALG.A.P. a certification system that stands for compliance with the global good practices in agriculture. The stringent control required and imposed by the standard includes traceability and inspection of the products in accordance with numerous criteria. The certification requires compliance with criteria such as work with high-quality fertilizers and seeds, pesticide control, regular analysis of water, soils and products, strict control of supplies to the customer, observance of optimal hygiene, traceability in the production process, etc. The production processes of all our producers are subject to re-certification on an annual basis.



A sustainable initiative

which Lidl Bulgaria launched in the beginning of 2019 is providing Bulgarian agricultural producers the opportunity to visit the best Lidl producers around the world and to learn from their experience and good practices.

The global standard GLOBALG.A.P. is only one of the tools which Lidl Bulgaria uses to control and guarantee the quality of fruit and vegetables. The company performs regular monitoring through tests at accredited laboratories and sensory analysis, while the well-known Freshness Manager takes on-the-spot care of the freshness and good appearance of the fruit and vegetables offered at the store.

Lidl has internal requirements to the quality and safety of the fruit and vegetables it offers to customers even above and beyond the statutory requirements. In accordance with the [Lidl Conscious Nutrition Policy](#), our main goal is to offer fruit and vegetables as much free of pesticide residues as possible. Therefore, Lidl Bulgaria performs regular tests for more than 600 pesticide residues in its fruit and vegetables at accredited laboratories at intervals that depend on the relevant risk within the framework of our monitoring programme. These laboratory tests serve also as a way to verify the compliance with the GlobalG.A.P. requirements in relation to the use of pesticides in production. In the event

of a result that does not comply with the Lidl requirements, measures are taken in due course with regard to the producer and the relevant tested lot. Depending on the result, the lot is not offered to the customers or it is immediately withdrawn from our stores in certain cases.

Since 2020, Lidl Bulgaria has introduced a requirement for suppliers of fresh fruit and vegetables to have GlobalG.A.P. Risk Assessment on Social Practice (GRASP) certification. It complements the GLOBALG.A.P. certificate with an assessment of the social risk by a certifying assessor in terms of 11 criteria, including employees' representation, appeals procedure, self-declaring of good social practices, access to national labour legislation, employment contracts, working hours reporting, remuneration and others. In this way, we enhance our requirements to the producers in relation to their employees and address in greater depth the social aspects of production, aiming at certification of all producers we work with by the end of 2021.



Lidl Bulgaria applies this responsible approach not only to the fruit and vegetables supply chain but also to the supply of flowers. For this purpose, we have developed a Position Paper on the more sustainable purchasing of flowers and plants. Furthermore, we achieved our targets to have all imported flowers and plants in our product range from suppliers with production processes certified under GLOBALG.A.P, as well as assessed according to social aspects (GRASP).

Target for the next period	
Targets for the next period Protection of Ecosystems	Deadline
All current suppliers of fruit and vegetables to Lidl Bulgaria to be GRASP certified	2021



SUPPLY CHAIN & PROCESSING

5.1

ENVIRONMENTAL STANDARDS ALONG THE SUPPLY CHAIN: PACKAGING

Lidl Bulgaria is committed to the efficient use of resources in its own operational activities and also in those involved in the production of the products we offer at our stores. Plastic packaging has versatile properties that are widely used in various sectors and production processes. They ensure the safety and long shelf life of food products, generate less carbon emissions during transportation because they are lightweight, and facilitate the labelling of products to inform customers.

For the core business of Lidl – the trading of food products – resources are indispensable as transport and packaging material. Anyone who brings plastic into the cycle also bears responsibility for its further use. This is a fundamental principle and the reason why the Schwarz Group, to which Lidl belongs has for many years been particularly committed to collecting, sorting and recycling of these resources.



The vision of "less plastic – closed loops" is also consistently pursued against an economic background. In order to live up to its self-conception as a future-oriented innovation driver, the Schwarz Group has committed itself to reducing plastic consumption by 20 percent by 2025 and to making 100 percent of the packaging of its private label packaging maximum recyclable by 2025. In addition, the Schwarz Group

signed the Global Commitment of the New Plastics Economy of the Ellen Mac Arthur Foundation in 2018. To implement the goals set, the Schwarz Group launched the plastics strategy REset Plastic in 2018.

As part of the Schwarz Group, Lidl makes an important contribution to the implementation of REset Plastic. We work with suppliers who appreciate the importance of this issue and take steps together with us for better environmental management. We join our efforts in designing improvements to the packaging of our private label products.

REduce

We reduce — wherever sustainably possible — the plastic used in our activities and not only in packaging.

REdesign

We design recyclable packaging and close loops.

REcycle

We collect, sort and recycle plastics to close the loop.

REmove

We support the removal of plastic waste from the environment.

REsearch

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

We are working on the reduction of the packaging weight and hence on the reduction of the quantity of the material used to manufacture the packaging, as well as on the replacement of materials by recyclable inputs or use of already recycled materials, wherever possible. The examples below reveal that we have already achieved a lot:

REdesign

In 2018, we reduced the weight of the packaging tray of our pre-packed private label fresh meat to save over 30 tonnes of plastic annually. We take systematic steps to reduce the plastic content of the bottles of our private label products. The projects we have implemented to this effect since 2018 in relation to our private label water, soft drinks, vinegar and detergents have reduced the quantity of the plastic input by more than 32 tonnes annually. We are working on the widening of our range of soap and detergent refills in the near future, which will contribute substantially to the reduction of the use of plastic.

REdesign



An important large-scale project we worked on in 2019 was the replacement of the multi-component non-recyclable plastic used in the packaging of our private label meat “A Portion of Freshness” by APET mono-material. In this way, it will be possible to recycle the meat packaging trays together with water and soft drink plastic bottles without any obstacles to the recycling process or adverse effect of the recycled end material. Besides, the trays will be of lighter weight, wherever possible in the production process, and made of 90% to 100% highly purified recycled material, which enables us to reuse the existing plastic and to avoid the production of further quantities of plastic for our products. In December 2019, we already had our first supplier working with the new trays. In 2020, after the trial phase and the use up of the available packaging, we expect the other Bulgarian suppliers of fresh meat to introduce the lightweight recyclable packaging with at least 90% recyclable APET material.

An example of another private label product with reduced plastic content in the packaging is:

Cow Milk Cheese 600 g — 18% less plastic in the packaging



REdesign

An example of a private label product with substantial reduction of the plastic used in the packaging is Liquid Hand and Body Soap 1 l where the reduction is 21%.

REdesign





REduce

In 2018, following our long-term strategy to reduce our footprint on the environment, we announced our intention to stop the sale of certain single-use plastic products and, more specifically, cups, plates, forks, knives, spoons, drinking straws and cotton bud sticks. Therefore, after the remaining available quantities were sold in 2019, these products have not been offered any more at our stores since 1 January 2020. Our commitment leads to 51 tonnes of plastic less on an annual basis in comparison to 2017 and 2018.



REmove



We support the removal of plastic waste from the environment through our initiatives. Within the framework of the *Give Balkan Trout a Chance* initiative we released Balkan trout, one of the most endangered species, in rivers and we also organized the cleaning of the areas around these rivers. In the course of the implementation of the initiative, we cleaned a total of 25 km alongside the rivers to prevent waste from reaching the water bodies.



We set ourselves the goal of reducing plastic in our own brand products packaging by 20% by 2025, as well as making 100% of branded product packaging recyclable by the same date.



REcycle (GRI 301-2)

We aim at using recycled material, wherever possible, in the packaging of our private label products. An example of this is the packaging of our W5 All Purpose Cleaner 1.25 l with 86.2% recycled plastic in the packaging. The specially designed logo “Improving and reducing – packaging responsibly” can be seen on an ever greater number of such products (learn more about the responsible packaging criteria for the logo on page 58).



Targets for the next period

Targets for the next period Environmental Standards along the Supply Chain	Deadline
20% less plastic used in the packaging of our private label products	2025
Make 100% of own private label packaging maximum recyclable	2025

5.2

SUPPLIER & MARKET DEVELOPMENT: FAIR BUSINESS RELATIONS

The sustainable partnership with our Bulgarian suppliers is of high importance to Lidl Bulgaria so as to contribute to the economic development of the country on a long-term basis and to guarantee the supply of regional products with an optimal value-for-money ratio.

In 2018, Bulgarian suppliers achieved sales worth more than BGN 30 million at Lidl stores in Europe, which was a 100% year-on-year growth rate. Almost 60% of those products came from our permanent product range, which implied year-round continuous exports. This makes the planning of production volumes and revenues easier and more reliable for our partners. Thanks to their partnership with Lidl Bulgaria, many Bulgarian companies export their products abroad and the results achieved in 2018 exceeded the value of the sales in 2016 and 2017 together.

By the end of 2019  **39** Bulgarian suppliers

made successful sales in the Lidl retail network at a total value of more than

BGN 40 million  offering

 **124** products in **22** markets

while **60%** of these products

came from the permanent product range in the countries, which implied year-round continuous exports.



Targets in our 2016-2017 report	Deadline	Progress
Increase of the exports of Bulgarian suppliers by 20%	2019	Achieved Exports grew by more than 150% in 2019 in comparison to 2017
With the support of Lidl Bulgaria, increase in volumes and production capacities, expansion and upgrade of the production facilities of our key suppliers.	Current	Ongoing



In 2019, the exports of Bulgarian suppliers through Lidl Bulgaria increased by 34% in comparison to the preceding year and by 171% in comparison to 2017 – 39 local suppliers exported a total of 124 products to Lidl stores in 22 European countries.

Exports of Bulgarian suppliers through Lidl Bulgaria



We export also to new markets such as Great Britain, Northern Ireland and Serbia. Thanks to the professionalism and innovations of the Bulgarian suppliers and the responsible attitude of Lidl Bulgaria in this partnership we manage to achieve sustainable results together. The trends reveal a substantial increase of the export of products of Bulgarian suppliers every year.



Lidl is an example of a responsible business partner because it assists the development of small companies in the country.

We started working with Lidl Bulgaria at the end of 2017. Since then our partnership has been growing every year and increasing the volume of our production. Our collaboration has brought about the employment of new staff in our production with an increase of 50%. We had to expand our cheese production and to invest in a new modern packaging hall in order to fulfill the big orders placed by Lidl Bulgaria.

Nenko Trifonov
Manager of Nenko Trifonov Foods



Lidl works with us on the basis of the “win-win” principle by which both companies grow and make profit. Lidl is responsible for the quality of the food and beverages it offers. The company is also active in the development of healthy and bio alternatives to many categories offered to our customers, depending on the customers’ preferences in the various countries.

We started our joint work with Lidl in December 2016. Lidl was the first international retailer to put trust in our brand and product and to start promoting it actively at its stores through price promotions and positioning in the checkout area. Also, we launched an international production project under our Sondey private label. Our production capacity increased four times, whereas the staff levels grew several-fold from the initial 8 employees in November 2016 to 245 employees in July 2019.

Nikolay Kolev

Executive Director of Nuhealth AD



We have long-term partnership based on mutual trust, which guarantees the best possible quality at the best possible price.

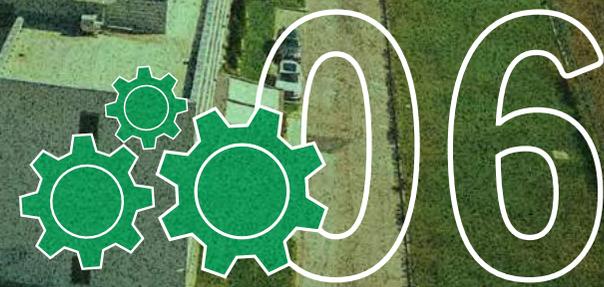
Our joint project started in 2015. This gave us the opportunity for further development of our brands with a stable and strategic partner. Besides, it opened new horizons to our business. The most important added value for us is the opportunity to be presented on various European markets through the export of bio bars to many Lidl countries.

Yani Dragov

Executive Director of Smart Organic



Targets for the next period Supplier and Market Development	Deadline
10% increase of the export of Bulgarian suppliers	2021
10% growth of the payments to Bulgarian suppliers	2021



OPERATIONS & PROCESSES

6.1 CORPORATE ENVIRONMENTAL MANAGEMENT

The consistent and sustainable expansion of Lidl Bulgaria enables an increasing number of customers to benefit from the optimal value-for-money ratio. At the same time, we understand that our environmental impacts will grow. Therefore it is crucial for us to control and streamline our processes, achieving maximum efficiency, while trying to manage the consumption of the resources we need in a responsible way.



Targets in our 2016-2017 report

Targets in our 2016-2017 report	Deadline	Progress
Introduction and certification of an energy efficiency management system under the ISO 50001 standard of all our stores, the head office and the regional distribution centres	2018	Achieved
Reduction of the CO ₂ emissions by 2,480 tonnes	2019	Achieved
Reduction of the CO ₂ emissions through the introduction of climate-friendly refrigerants	2019	Achieved
Energy-efficient renovation of 25 stores	2018	Achieved (We renovated 30 stores)
Replacement of the entire own fleet so that 100% of the vehicles are compliant with the Euro 6 standard	2019	Ongoing At the end of 2019, our fleet consisted of 262 vehicles, 84% out of which were compliant with the Euro 6 standard and the remaining 16% were compliant with the Euro 5 standard
Reduce the average distance travelled per pallet by 20%	2018	Achieved 22.5% reduction in comparison to 2017
Increase in the absolute amount (tonnes) of recycled waste by 7%	2018	Achieved

6.1.1 CLIMATE PROTECTION

(CO₂ EMISSIONS AND ENERGY)

The climate protection topic was reflected explicitly in the targets of the corporate environmental management of Lidl Bulgaria which we set out for 2018 and 2019. The main focus was the energy consumption in our network of stores as the biggest source of carbon emissions. By November 2019, we managed to certify all our 99 stores existing at that time under ISO 50001. The certification process of the 100th store which was built in the beginning of 2020 will start at the end of 2020.

The following processes are implemented when the ISO 50001 energy management system is introduced:



Description and update of energy flows



Systematic energy consumption assessment



Planning and introduction of energy optimization measures



Regular evaluation and documenting of the results achieved in the energy optimization process

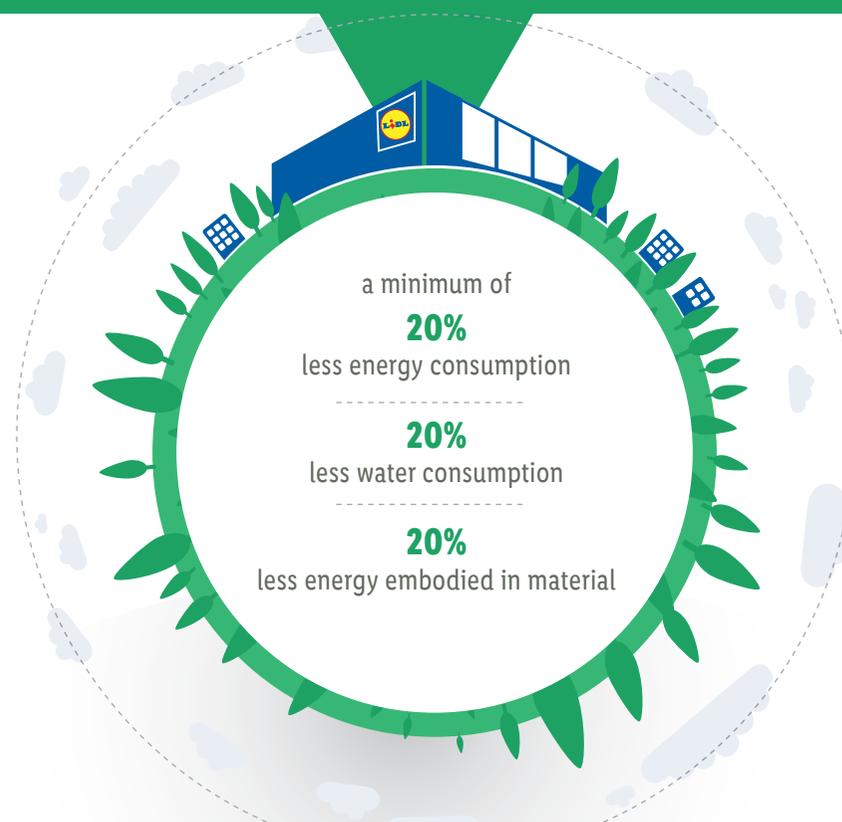


Systematic update of the activities aimed at improving energy efficiency

In the context of our sustainable development strategy, we planned the certification of all by the end of the reporting period 100 newly built stores (99 certified until Nov 2019, 1 will be certified in 2020) as well as the future stores under ISO 50001 as a long-term measure to achieve energy efficiency. In this way, the Lidl energy management system in compliance with the standard is applied to all our facilities.

We take into account the energy consumption of our new buildings as early as the phase of their construction – 89 stores and the two regional distribution centres of Lidl Bulgaria are EDGE-certified for green building.

EDGE – Excellence in Design for Greater Efficiency – green building certification system. EDGE creates the opportunity for identifying the most profitable green design and building methods, taking into account the specific features of the local climate and international good practices. In comparison to a conventional building, EDGE-certified facilities provide:



We improve our energy efficiency



Although the target was 25 stores, we renovated 30 stores aiming at increasing energy efficiency. Besides, we switched to LED lighting in 90% of our stores so as to optimize our energy consumption and to reduce carbon emissions by 2 480 tonnes.



All new stores are already equipped with interior and exterior LED lighting, while all existing facilities which have not been renovated yet will be refurbished by the end of 2020.

As well as lighting, we replace the existing equipment. In most stores, the area of chilled product aisles and bakeries has expanded due to the increased customer demand. Although our total energy consumption is on the growth, an analysis in relative terms, e.g. energy consumption per square meter of built-up area, reveals that we have even managed to reduce our energy intensity over the recent years.



Energy consumption and energy intensity (GRI 302-1, 302-3)

Energy consumption*	Unit of measurement	2015	2016	2017	2018	2019
Electricity	MWh	38,469	43,395	46,914	50,696	53,706
Natural gas	MWh	2,208	1,620	1,747	1,105	1,038
Diesel fuel for vehicle fleet	MWh	3,387	3,618	4,032	4,724	5,131
Petrol for vehicle fleet**	MWh				34	403
Total fuel consumption from non-renewable sources	MWh	3,387	3,618	4,032	4,758	5,534
Total energy consumption in the organization	MWh	44,545	49,026	53,386	56,558	60,278
Energy intensity (energy consumption in the organization (including all fuels and electricity) divided by the built-up area)	kWh/m ²	322	335	341	211	218

*Change to the data collection and calculation methodology for 2018 and 2019. The diesel fuel for heating and the diesel fuel for generators were not included in the calculation of energy quantities in 2018 and 2019 because of their negligible levels. That consumption was included in the calculations of the total energy consumption in the organization for the 2015–2017 period. The calculation of the electricity consumption in 2018 and 2019 includes also the consumption in incomplete months (calculated by internal tool). The company does not sell electricity. The conversion factors used in the calculation of electricity consumption are aligned with the GHG Protocol Corporate Standard.

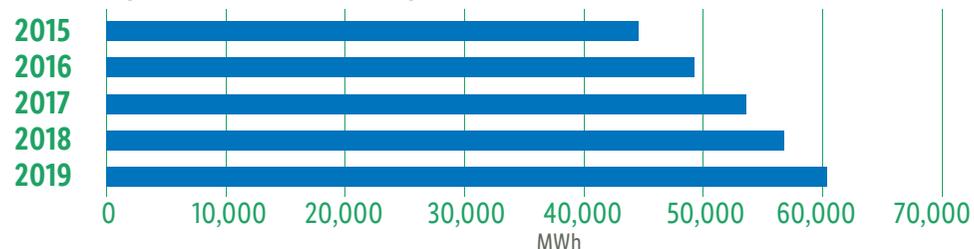
**The significant change in the quantity of petrol used in 2018 and 2019 is due to the greater number of petrol engine vehicles used in 2019 in comparison to the preceding year.

The data for the 2015–2017 period refer to calendar years (January 1 - December 31), whereas the data for the 2018–2019 period refer to financial years (March 1 - February 29) and therefore they are not directly comparable.

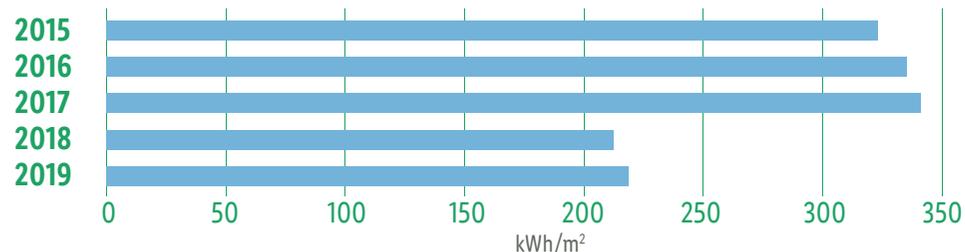
Total fuel consumption from non renewable sources (diesel, petrol) in gigajoules (GJ): for financial year 2015 - 12,193 GJ; 2016 - 13,025 GJ; 2017 - 14,515 GJ; 2018 - 17,129 GJ; 2019 - 19,922 GJ (GRI 302-1 a). Total energy consumption in the organization in gigajoules (GJ): for financial year 2015 - 160,362 GJ; 2016 - 176,494 GJ; 2017 - 192,190 GJ; 2018 - 203,609 GJ; 2019 - 217,001 GJ (GRI 302-1 e).

Restated data on energy, energy intensity, emissions and emission intensity in 2017 (GRI 102-48).

Total energy consumption in the organization



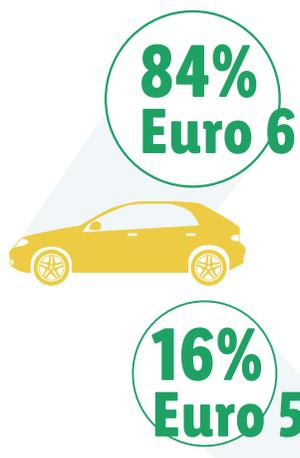
Energy intensity (energy per built-up area)



The planned measures to limit our impact on climate include a transition to climate-friendly refrigerants. The programme started in March 2019 with the replacement of the refrigerating facilities in several stores and it will continue until 2030. It plans a stage-by-stage reduction of the number of installations using fluorinated refrigerants with lower global warming potential, which are equivalent to less carbon emissions. We managed to replace 12 refrigerating installations with installations with natural refrigerants and we aim at gradual replacement of all installations.

When we expand the bread bakery zones (Lidl's Bakery), we replace the old installations with new equipment that uses refrigerants with much lower global warming potential (GWP).

The results of the replacement of installations can already be seen in the reduced intensity of our carbon emissions.



Another big source of carbon emissions is the fuel needed for the vehicles in our own fleet. As our network of stores expands, so do our business trips and the use of fuels and related emissions accordingly. Our measures to this effect relate to the requirements we have to the vehicles that we purchase. By the middle of 2019, our fleet consisted of 262 vehicles, 84% out of which were compliant with the Euro 6 standard and the remaining 16% were compliant with the Euro 5 standard.

CO₂ emissions and intensity (GRI 305-1, 305-2, 305-4)

CO ₂ emissions*	Unit of measurement	2015	2016	2017	2018		2019	
					location-based		market-based	
Scope 1 (total)	tCO ₂	4,638	4,757	6,416	4,285	3,158	4,285	3,158
Refrigerants	tCO ₂	3,165	3,363	4,807	2,860	1,740	2,860	1,740
Natural gas	tCO ₂	441	323	349	201		201	
Diesel fuel for vehicle fleet	tCO ₂	903	965	1,076	1,216	1,320	1,216	1,320
Petrol for vehicle fleet**	tCO ₂				8	98	8	98
Scope 2 (total)	tCO ₂	19,465	21,394	23,363	23,910	27,418	23,874	27,400
Electricity	tCO ₂	19,465	21,394	23,363	23,910	27,418	23,874	27,400
Total emissions (Scope 1 + Scope 2)	tCO ₂	24,103	26,150	29,779	28,195	30,575	28,160	30,558
Emissions intensity (emissions per built-up area)	kg CO ₂ /m ²	174	179	190	105	110	105	110

*Change to the data collection and calculation methodology for 2018 and 2019. The diesel fuel for heating and the diesel fuel for generators were not included in the calculation of energy quantities in 2018 and 2019 because of their negligible levels. That consumption was included in the calculations of the total energy consumption in the organization for the 2015-2017 period.

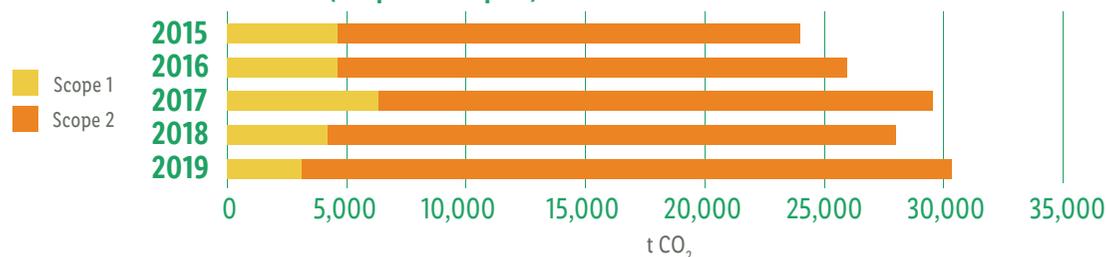
**The significant change in the quantity of petrol used in 2018 and 2019 is due to the greater number of petrol engine vehicles used in 2019 in comparison to the preceding year.

The calculations cover the following gases: carbon dioxide (CO₂), methane (CH₄), dinitrogen oxide (N₂O), sulfur hexafluoride (SF₆), hydrofluorocarbons (HFC), perfluorocarbons (PCF) and nitrogen trifluoride (NF₃). [GRI 305-1 b, 305-2 c, 305-4 d] The calculation of the greenhouse gas intensity includes the emissions in Scope 1 and Scope 2. [GRI 305-4 c] 2018 is the base year because the calculation of Scope 1 and Scope 2 emissions began at that time. [GRI 305-1 d, 305-2 d] The following sources are involved, inter alia, in the analysis of emission factors: industrial associations and organizations (e.g. Plasticseurope, FEFCO), public LCA databases (e.g. Ecoinvent), international/intergovernmental organizations (e.g. IPCC, IEA). [GRI 305-1 e, 305-2 e] The requirements of the GHG Protocol Corporate Accounting and Reporting Standard (Scope 1+2) & Scope 2 Guidance) were used as the basis of the calculations. Emissions are calculated for Lidl Bulgaria on the basis of the consolidation approach in accordance with operational control. [GRI 305-1 f & g, 305-2 f & g]

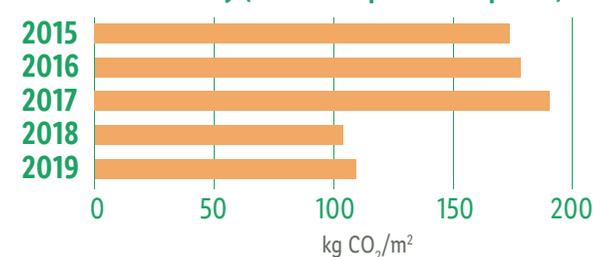
The data for the 2015-2017 period refer to calendar years (1 January-31 December), whereas the data for the 2018-2019 period refer to financial years (1 March-29 February) and therefore they are not directly comparable.

Restated data on energy, energy intensity, emissions and emission intensity in 2017 (GRI 102-48).

Total emissions (Scope 1 + Scope 2)



Emissions intensity (emissions per built-up area)



6.1.2 CONSERVATION OF RESOURCES

The business expansion of Lidl Bulgaria is inevitably accompanied by an increase of the absolute quantity of waste that we generate. We apply effective solutions aimed at optimization of all processes and the related costs in order to achieve recycling of maximum quantities of secondary and transport packaging waste.

Waste from secondary and transport packaging is collected separately at all our stores.



Following the efficient waste management process established at our storage facilities, this waste is baled and sent for recycling.



We send over **98%** of the secondary and transport packaging for recycling

Trainings on this topic are planned for our sales employees through the LEON digital platform.



Targets for the next period

Targets for the next period Corporate Environmental Management	Deadline
Reconstruction of the Logistics Centre in Ravno Pole	Start 2020–2024 Increase of the storage facilities, modernization, construction of a new refrigerator installation, replacement of the existing lighting by LED lighting, including the exterior lighting and the lighting of the parking area.
Programme for the reduction of the number of installations using fluorinated refrigerants with GWP (global warming potential) above 2,500 and over 40 t CO ₂ equivalent	By 28 February 2022 , 15 chilled product aisles with a total equivalent of 4 118 t CO ₂ are to be replaced.

WASTE BY TYPE AND DISPOSAL METHOD (GRI 306-2)

Waste type	Disposal method*	GRI indicator	Unit of measurement	2015	2016	2017	2018	2019
Hazardous waste***								
Batteries	Recycling	GRI 306-2a	tonne	12.91	5.97	7.54	14.98	
Oils	Recycling		litre	0.00	0.00	0.00	0.00	
Electrical equipment	Recycling		tonne	6.70	7.80	0.54	3.72	
Fluorescent lamps	Recycling		tonne				0.59	
Total (hazardous)			tonne	19.61	13.77	8.08	19.29	6.92**
Non-hazardous waste								
Paper, cardboard	Recycling	GRI 306-2b	tonne	6,426.74	7,208.26	8,129.00	8,876.32	10,598.36
Wood	Recycling		tonne	207.55	267.15	289.00	280.08	226.36
Plastic (film)	Recycling		tonne	353.47	395.69	382.00	423.56	534.38
Metal	Recycling		tonne	16.62	21.10	100.30	179.60	136.42
Other waste ¹	Recycling		tonne			89.80	0.00	0.00
Mixed household waste and others ²	Landfill		tonne	710.36	910.98	981.00	1,904.02	1,976.02
Food material (of animal origin) ³	Incineration/processing		tonne				385.48	606.00
Food (fruit, vegetables, other of non-animal origin) not sold to clients ⁴	Other ⁵		tonne	409.51	441.46		615.18	608.00
Total (non-hazardous)			tonne	8,124.25	9,244.64	9,971.10	12,664.24	14,685.54

*The disposal method for each type of waste is determined by the waste management companies, except for landfilled waste, in accordance with the existing legislation

**Change to the methodology for collection of data on the quantities of hazardous waste

***The total amount of hazardous waste is recycled

The data for the 2015–2017 period refer to calendar years (1 January – 31 December), whereas the data for the 2018–2019 period refer to financial years (1 March – 29 February) and therefore they are not directly comparable.

¹ Other waste – other recyclable materials = all recyclable materials which do not fall in any other category (paper and cardboard, organic waste, PET, plastic, wood, textile); The following items are not included in this definition: electrical waste; scrap metal; Bric-a-brac; defective non-food products; glass; fluorescent lamps; industrial batteries; hazardous waste; others. No quantities of that category were reported in 2018 and 2019.

² Mixed household waste and others according to acting legislation

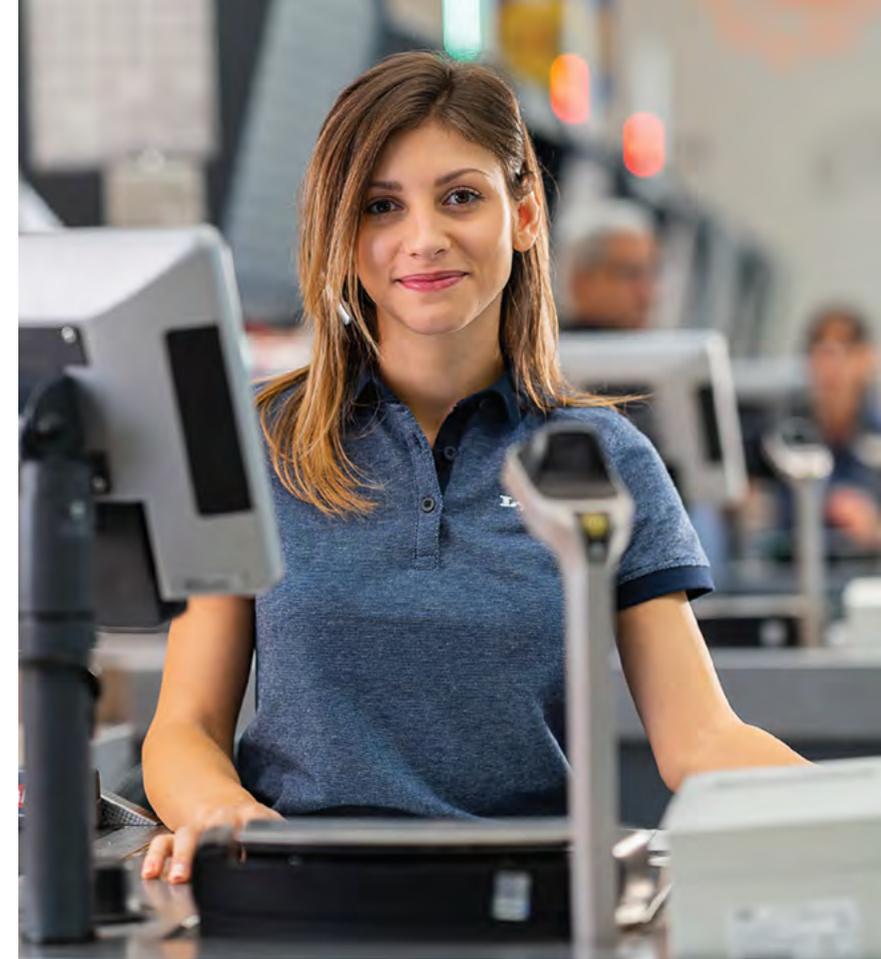
³ Food material (of animal origin) - food material (side products of animal origin, subproducts or other products of animal origin) considered material according to Category 3 of the Regulation (EU) 1069/2009 and not intended for human consumption.

⁴ Food (fruit, vegetables, other of non-animal origin), not sold to clients - food not sold to clients due to lower quality than required by Lidl, but safe for consumption.

⁵ Other (disposal method) - given as animal food in accordance with the requirements of the applicable law

6.2 EMPLOYEE RESPONSIBILITY

In Bulgaria, unemployment rates have followed a clear downward trend over the past 5 years, while, modern facilities (for production, technology and more) offer many new employment opportunities in the country. These and many other economic and social factors create conditions for high competition on the labour market. There is tangible shortage of people with various qualifications and companies compete in offering attractive conditions and benefits.



Under these competitive conditions, Lidl Bulgaria recognizes how important it is to build relations of transparency and trust with its employees. We consider it crucial to provide sound foundations as early as the time when employment relations and remuneration are established, to complement them with learning and development opportunities for all, and to create conditions which ensure safety and security and enable our employees to achieve life balance. The main indicators of the success of our efforts are the availability of the number and quality of staff that are needed in our business and the positive feedback of our employees.

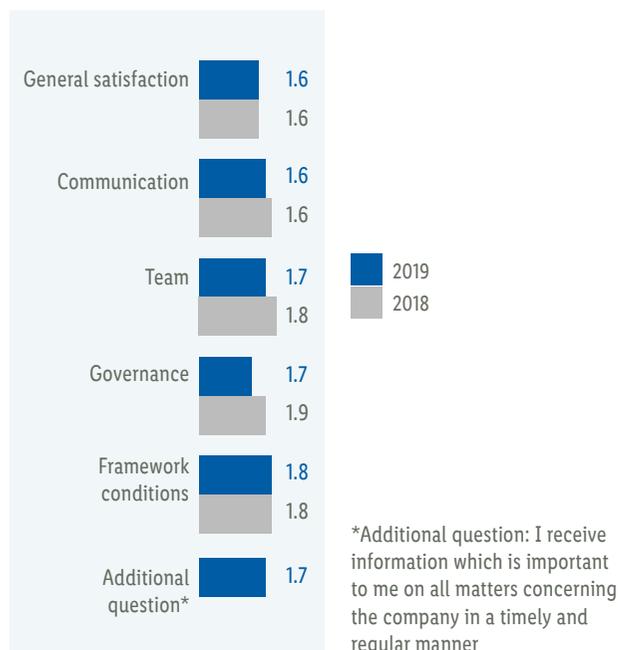


HOW SATISFIED ARE YOU? JOIN THE SURVEY AND TELL US WHAT YOU THINK!

We collected information through our regular Lidl Pulse survey among all employees and the exit interviews that we hold with each leaving employee.

The Lidl Pulse survey reveals the level of satisfaction and motivation of the employees, focusing on **6 main indicators**:

- ✓ **General satisfaction**
- ✓ **Open and honest communication**
- ✓ **Team dynamism and target orientation**
- ✓ **Effective management and work with supervisors**
- ✓ **Framework conditions**
/workplace, work tools, working hours/
- ✓ **Timely and effective employee awareness**



Average rate on a scale from 1 (strongly agree) to 5 (strongly disagree).

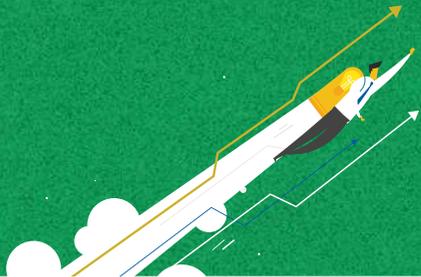
and willingness of the employees to recommend the company as a good employer. In 2019, the survey included an additional question specific to each individual country. In this way, the survey presents not only the global picture for the Lidl group as a whole but also more specific information on Lidl Bulgaria at the national level.

For the purpose of being fully transparent and obtaining objective information, we collect feedback also from the employees who decide to leave us. They are invited to share their views on what made them leave, what they liked in Lidl and what could be improved in their opinion. This allows us to analyze the information and to work out specific measures to make Lidl Bulgaria an even better place to work at.

Targets in our 2016-2017 report

Targets in our 2016-2017 report	Deadline	Progress
Increase the number of employees who are offered career development opportunities by 3%	2020	Achieved One in five employees of Lidl Bulgaria received career and professional development opportunities
Reduce the annual staff turnover rate by another 5%	2019	Ongoing A new project was launched in June 2020 to achieve the desired staff turnover reduction.
Implement focused leadership programmes and cover at least 5% of all staff members on an annual basis	2020	Ongoing Due to the emergency situation in the country, these programmes were rescheduled for 2021.
Deploy the work-life balance approach through dedicated programmes with full reach-out, covering all employee levels	2020	Achieved Two projects were implemented at the Head Office and the administrative units of the Regional Distribution Centres on remote work and flexible working hours. We've also introduced the rule for one free weekend per month for each store employee.

6.2.1 TRAINING & DEVELOPMENT



The training and development of our employees are always high always of high importance for us. People have diverse development opportunities at Lidl Bulgaria and the steps in this process depend on the extent to which the individual is personally committed and active.

The main approach in the development concept of the company is 70:20:10



**learning through
expansion of job
assignments**



**learning in social
interaction**



**formal
trainings**

Each employee has an **individual development plan** subject to review by their manager from time to time. Training at Lidl is closely linked to several principles:

- ✓ **Aligned to a specific development target**
- ✓ **Practical**
- ✓ **In line with the work assignments**
- ✓ **Supportive of business objectives**
- ✓ **Facilitating career development**

In this way, the company helps its people develop and implement a vision on their development and advancement in the company.

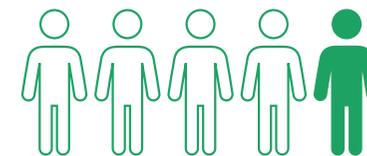


We have prioritized the development of leadership over the last two years. At the end of 2019, we launched our leadership academy, “LidlShip Academy”, focused on senior and middle management. The objective of the programme is to help Lidl managers enhance their skills to lead their teams in a positive environment of communication, empowerment and commitment. The Academy employs modern tools for development of people at their workplace and, in this way, we further strengthen the commitment of the participants to this topic. To ensure the effectiveness of the programme, each participant is encouraged to set himself or herself a personal development target through the 360-degree feedback tool upon

his or her enrollment. The programme includes coaching, trainings, exchange of experience, and work in smaller or larger groups.



At the end of the programme each participant can use the 360-degree feedback tool once again to measure the level of attainment of his or her target.

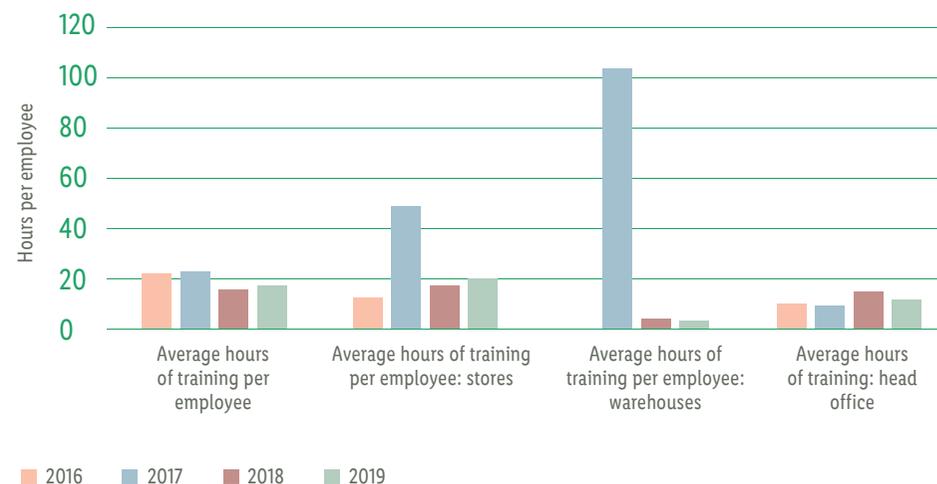


One in five employees at Lidl Bulgaria has an opportunity for career and professional development.

Focused training concepts are introduced at the Sales and Logistics departments on a stage-by-stage basis. In 2018 and 2019, employees had 17 hours of training on the average. The 2017 boom due to the preparations for the opening of the Regional Distribution Centre in Kabile and the related trainings of the staff went back to normal levels in 2018 and 2019. Since 2018 the focus on learning by doing (following the 70:20:10 model) has become a permanent practice in the organization, which can be seen in the decreasing average hours of routine training at the Head Office and the administrative units of the Regional Distribution Centres (office). Thus Lidl lays increasing emphasis on hands-on assignments to enable our employees to develop their knowledge, skills and understanding of business.



Average hours of training per employee by categories (GRI 404-1)





Lidl Bulgaria has a system of online-based functional trainings to provide effective and focused training to the employees at its stores. Our digital training platform LEON (LEarning ONline) ensures equal quality of the training process and open access to all staff members at our stores. The interactive environment of LEON engages the attention of the trainees, requires active participation, and checks knowledge and achievements.

We offer a series of career orientation and development programmes targeted at young people and university students:

Apprenticeship Programme

The target group consists of school students in the 11th and 12th grades, who are aged 18 or above. The programme enables them to make the first steps in their professional development through a 1.5-month paid apprenticeship at a Lidl Bulgaria store. The programme teaches them the fundamental principles of communication with customers, products arrangement, product range, and the main corporate processes and activities. The programme was introduced in 2012 and it involved 88 and 71 apprentices in 2018 and 2019 respectively. The participants gave very positive feedback. Ten apprentices in the 2019 programme had been participants in the previous programme and some of them were recruited permanently in Lidl.

Dual Training

The programme enables school students enrolled in dual education school programmes to learn the practical dimensions of business on the basis of the theoretical knowledge gained in the classroom. The terms and conditions for the training processes are set out clearly by the government and Lidl Bulgaria builds on them with its good practices. Each participant in the programme is assigned a tutor in the training process. Tutors are typically store managers in Lidl Bulgaria. We select our most experienced employees to become tutors because their relationship with the school students is crucial not only for the performance in the programme but also for the future career development of the young people.



In 2018, we welcomed the first class of students in the real working environment of the stores. The school students enrolled in dual education programmes (we had 55 registered students in 2019/2020 and 11 out of them already started their apprenticeship in our stores) say that a major benefit from the programme at Lidl, alongside with the development of work habits, team work and business dynamics, is the career consultation they receive beyond their conventional schooling.

Trainee Programme

We offer long-term internship programme to undergraduates and recent graduates. Its duration varies from 12 to 18 months. The participants work at all Lidl units to obtain in-depth knowledge of the business, which prepares them for middle management positions in the company.

Internship Programme

We are developing a new short-term summer internship programme for university students. It enables the participants to become familiar with the company and to start developing hands-on business skills and apply their academic theoretical knowledge to practice. The purpose is to assign every intern to a specific project so that to enable interns to see the actual outcomes of their work. The programme started in the summer of 2020.

6.2.2 LABOUR RIGHTS

Fair labour relations are the basis of the trust we build with our employees.

Lidl offers transparent and fair conditions and our employees are confident that they can rely on these conditions on a long-term basis. Upon signing his or her employment contract, each employee becomes aware of the working conditions and the four levels of remuneration for his or her position. There is no collective bargaining agreement in the company. (GRI 102-41)

Labour relations were closely scrutinized by the relevant authorities and Lidl met all the requirements consistently throughout the period under review as established in the inspections performed by the Labour Inspectorate. In 2019, we received highly positive assessment also at the internal corporate audit by Lidl International, which came to prove the proper match between the compliance with the Bulgarian legislation and the occasionally more stringent corporate requirements of the group.



We take complaints and/or alerts from employees very seriously. We perform internal checks and take measures, if needed. We are confident in the effectiveness of our alert communication channels, be it officially or through trusted persons.



Our employees feel free to discuss sensitive issues and trust that they will receive the necessary attention in any situation.

Lidl Bulgaria pursues a clear policy of fair remuneration and the conditions it offers are among the best in the retail sector.

Furthermore, our employees receive:



additional health insurance

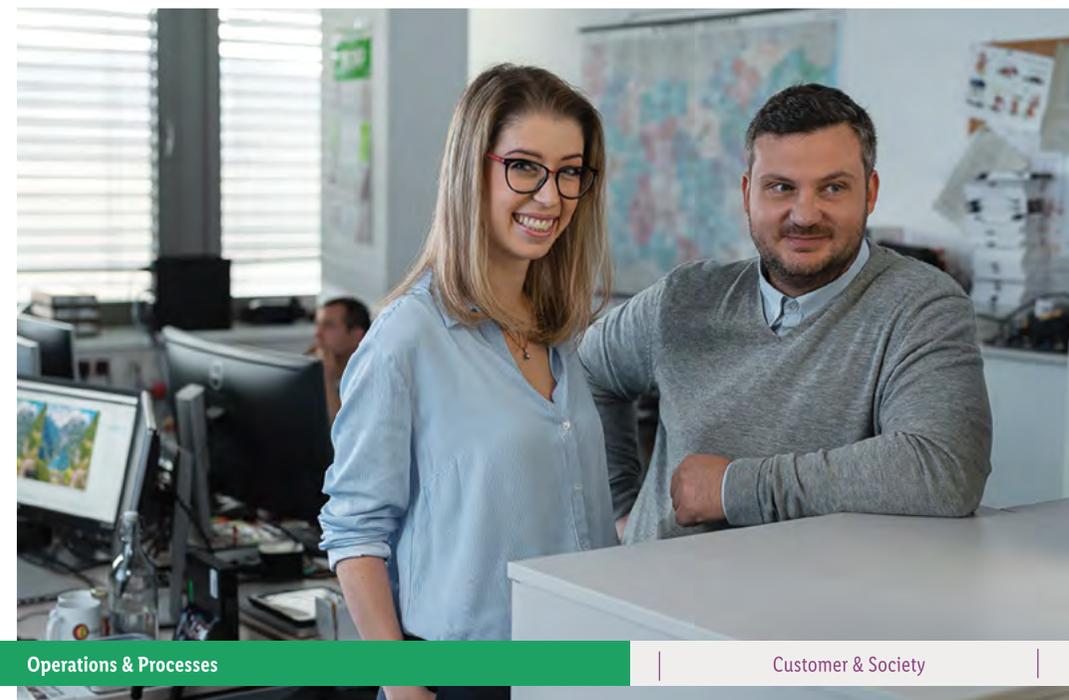


food vouchers



a gift and a financial contribution on the occasion of the birth or adoption of a child

Lidl Bulgaria is the first chain to have introduced positive electronic reporting of working time, guaranteeing accurate payment of every working minute. The electronic reporting system ensures full transparency of the working time reported by the employees and ensures compliance with all statutory requirements in the interest of the employees' health and ability to work.



The nature of operations at stores and regional distribution centres necessitates daily shift work of our employees. We try to ensure at least one free weekend monthly for our store employees in order to match their rest period with the non-working days of the family.



We recruited employees willing to work only at night at the stores where a night shift is needed to supply products. This solution is beneficial also to the other employees at the same store because it minimizes the need for them to work on night shifts.

In 2019, we launched two programmes for the employees at the Head Office and the administrative units of the regional distribution centres to further promote their work-life balance. The first programme introduced flexible working hours. Employees can reach an agreement with their supervisor on the working hours

so as to combine work with personal commitments. The second programme is focused on remote work. Employees at the Head Office and the administrative units of the regional distribution centres are free to choose two working days a month for remote work.



We develop fair labour relations with an attractive remuneration and numerous additional benefits and we support a good life balance.

A new benefit for each employee of Lidl Bulgaria, which was introduced in 2019, is the extra birthday leave. Everybody is entitled to take this additional day of leave to celebrate this private occasion on his or her day of birth, the day before or the day after it.



6.2.3 OCCUPATIONAL SAFETY AND HEALTH PROMOTION

Lidl Bulgaria considers occupational safety and health promotion to be crucial for our employees and we make serious efforts to this effect. We comply with all the statutory requirements and complement them with health-related initiatives.

Each employee attends regular training on occupational health and safety, depending on the position, in order to refresh, enhance and complement the knowledge and skills in this sphere.

Lidl Bulgaria strives for increasingly interactive trainings which attract the attention and interest of employees and refresh and enhance their knowledge and skills.

Lidl conducts regular measurement of the job strain at our stores and regional distribution centres. The data collected is used to make risk assessments and to determine the physiological regime of work.



In accordance with the Bulgarian and EU legislation on health and safety at work, Lidl applies innovative approaches and develops good practice to provide a safe and comfortable working environment. Our Building Management System (BMS) reports various types of deviations which the people assigned with this responsibility can remove in a timely manner. Machines and equipment are subject to daily maintenance.

Another good practice is the maintenance of electronic boards in the warehouses to report the number of days without any accidents at work. Besides, we stream video materials on health and safety issues to inform our employees and external counterparties.



PHYSIOLOGICAL STUDY OF THE JOB STRAIN: The indicator used to measure the job strain is the heart rate measured and recorded with a pulse telemetric system during the work shift of the employees. The heart rate is a highly informative and easily accessible indicator used in clinical, sports and labour medicine and physiology.

The heart rate is an integral indicator of the functional condition of the cardiovascular system at work, revealing the strain exerted on the organism in every type of activity – physical, neuro-psychic or neuro-sensory.



GRI 403-2

Indicator	Unit of measurement	2015	2016	2017	2018	2019
Number of incidents (women)	number	17	15	23	28	26
Number of incidents (men)	number	3	3	12	11	11
Frequency of incidents (women)	rate	0.0000096	0.0000073	0.0000103	0.0001027	0.0000822
Frequency of incidents (men)	rate	0.0000027	0.0000017	0.0000087	0.0000750	0.0000644
Lost working days due to incidents (women)*	rate	0.0002855	0.0015395	0.0008847	0.0023285	0.0016770
Lost working days due to incidents (men)*	rate	0.0000774	0.0003636	0.0008351	0.0013132	0.0008322
Lost working days due to sick leave (women)**	rate	0.0564509	0.0619080	0.0676618	0.0681388	0.0660468
Lost working days due to sick leave (men)**	rate	0.0278577	0.0279269	0.0273296	0.0324635	0.0298728
Morbidity rate due to accidents at work (women)***	number	0	0	0	0	0
Morbidity rate due to accidents at work (men)***	number	0	0	0	0	0
Fatalities (women)	number	0	0	0	0	0
Fatalities (men)	number	0	0	0	0	0

*the indicator is calculated on the basis of planned man-days

**change to the method of calculation of indicators for 2018 and 2019. The indicator is calculated on the basis of planned man-days

***no occupational diseases due to accidents at work reported

The data for the 2015–2017 period refer to calendar years (1 January – 31 December), whereas the data for the 2018–2019 period refer to financial years (1 March – 29 February) and therefore they are not directly comparable.

Incidents occur mainly in our stores because there is the largest concentration of employees. Therefore all employees must use high-quality protective equipment, provided by Lidl Bulgaria, such as protective footwear, heat-resistant gloves at the bakeries, etc. During the recent years as a result from these measures and more trainings on health and safety, accidents have become much less serious occurring mainly in relation to the operation of low lift electric pallet trucks. No serious accidents at work have been reported.

Our target is to reduce or keep that level of accidents at work, notwithstanding the increase of staff numbers as a result of our growing business.

95%

Lidl's health status

In 2019, the health status of Lidl was close to 95%, i.e. sick leaves accounted for only 5% of the working time. We have introduced various good practices to achieve and retain this result and to take care of our employees' health. The health management programme entitled *Always Healthy with Lidl* aims at helping our employees lead a healthier life. The initiatives within the framework of this programme include various sports activities, healthcare, and recreation.



one-day hiking activities

Once a year, we organize one-day hiking activities for the employees at our administrative office and the regional distribution centre in Ravno Pole, the regional distribution centre in

Kabile, and the office in Varna. We plan similar outdoor activities for employees in other regions too, to promote mobility and active lifestyles. We organized office stretching events for the employees at the Head Office.

We provide our employees with Multisport cards at preferential prices. In the autumn and winter season we distribute high-class vitamins among all employees at the stores and warehouses because they are in contact with many people every day and hence they are more susceptible to diseases.

In 2019, we enhanced the programme with the installation of massage chairs in all stores, the Head Office, and the regional distribution centres. They create conditions for a fulfilling rest of employees with care for their health.

We conduct annual surveys among our employees with a view to expanding our health management programme in accordance with their needs. End of 2018 a series of trainings for the managers took place. They covered the topics healthy eating, physical activity and ergonomics, as well as stress prevention.



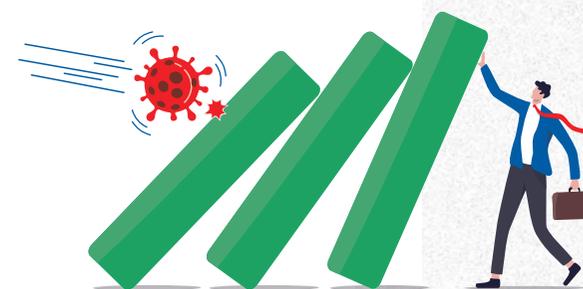


Targets for the next period

Targets for the next period	Deadline
Implement the Leadership Academy and promote a strong leadership culture at all levels of the organization	2022
Digitalize processes	2020-2023
Develop and introduce a digital training platform for occupational health and safety	2021
Develop a strong employer's brand and promote the company as a top employer in the retail sector	2022
Provide the staff needed to our business through high-quality selection and recruitment process	2021

In relation to the epidemiological situation during the first months of 2020, we implemented a number of additional safety measures to prevent the spread of COVID-19 in our stores, warehouses, and Head Office:

- Personal protective equipment (masks, gloves, and helmets) was provided to all employees;
- Sanitizers were provided to all employees, customers, visitors, and counterparties;
- Arrangements were made to control entries on all sites;
- The tills, the reception area and the meeting rooms were equipped with protective plexiglass dividers;
- Employees were divided into separate teams with no contact between them, wherever possible;
- Sanitizers and immunostimulants were distributed among our employees for personal use;
- We regularly disseminate reminders and update the measures and ways to prevent the spread of COVID-19;
- All contact surfaces, such as shopping carts, lockers, packaging tables, toilets, checkout till surfaces, and floors are sanitized regularly;
- Disinfection cubicles were installed at the entrance of our Head Office and warehouses;
- We marked the recommended distance between customers in the checkout area;
- Shopping baskets and small carts were withdrawn because the bigger shopping carts ensure proper distance between customers;
- The number of shopping carts was reduced to the allowed number of visitors per square meter;
- Wherever possible, employees were transferred to remote work and meetings were organized online.





CUSTOMER & SOCIETY

7.1 DESIGN OF PRODUCT RANGE

Bulgarian consumers demonstrate clearly that they are interested not only in the price of the product but also in its quality. Their attention is increasingly focused on the quality and freshness of products, natural and healthy ingredients, clean recipes, seasonality and origin of products. Consumer expectations are constantly growing and Lidl is faced with the challenge to meet them all, offering its customers a diverse product range with an optimal value-for-money ratio.

To this end, we work actively together with the producers of our private label products. We offer our customers an increasing number of products of Bulgarian origin and update our Rodna Stryaha line of products of traditional Bulgarian taste. We maintain a careful approach and high requirements to each stage a product undergoes: from ingredients selection, considering for instance the quality, origin and extraction of raw inputs, through adhering to health and safety requirements during the production process and reaching to packaging and labelling the products in order for customers to be able to make an informed shopping decision. We developed our [Conscious Nutrition Policy](#) and many other policies to address the important questions which customers ask about the quality of foods. Besides, we worked out a series of position papers on some major agricultural inputs in our products. We are committed to the use of more sustainable input materials and the offering of more products developed responsibly to the environment and to the people engaged in the production process. We apply this approach to both food and non-food products.

In 2019, we succeeded in achieving the planned targets and making good progress towards the attainment of the longer-term targets:



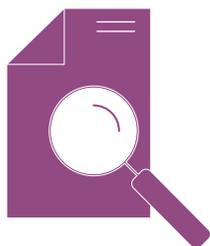
Targets in our 2016-2017 report

Targets in our 2016-2017 report (private label products)	Deadline	Progress
Increase by 5% in the number of products from Bulgarian suppliers, part of the Rodna Stryaha product line	2018	Achieved
Increase by 20% in the number of sustainable products and the amount of sustainable input materials in our private label products	2019	Achieved
Reduction by 20% in the average weighed added salt and sugar content in our private label products, taking into account the volume of sales	2025	Ongoing
Introduce eggs from floor-reared laying hens as a mandatory minimum standard	2025	Ongoing
Usage of sustainable cocoa only in all cocoa-containing private label products	2022	Ongoing
Zero hydrogenated fats in 80% of the products in Lidl Bakery	2018	Achieved
Zero hydrogenated fats and preservatives in all Bread, Baguette and Semmel products in Lidl Bakery	2018	Achieved
Introduction of textiles processed with resource efficient technologies	2019	Achieved
Introduction of textiles based on the cradle-to-cradle concept	2019	Achieved

7.1.1 HIGH-QUALITY PRODUCTS AND PRODUCT SAFETY

Lidl's private label brands are a tool to guarantee the quality of our products. All suppliers of Lidl private label products need to have been certified under a food safety and quality standards – IFS, BRC or FSSC 22000 – even before we start our collaboration. Each producer is subject to initial and ongoing risk assessment based on the nature of the product supplied to Lidl and on the results of preliminary unannounced audits. Depending on the result of the risk assessment we determine the frequency of unannounced audits of every production facility. The implemented quality assurance system for the products is unified and applicable to all countries in the Lidl group.

After the products are placed on the market, we conduct regular laboratory tests, as well as sensory analyses by in-house experts or external tests with consumers. Additional regular tests by the SGS independent accredited laboratories are conducted with regard to some of the most sensitive categories – fresh meat and fish from Bulgarian suppliers. As to pollutants and residues in food products, we do not confine ourselves to the statutory thresholds but we apply our own more stringent requirements. Where no statutory provisions exist, we take additional preventive measures, such as product certification or additional indicators in the product specifications within the framework of the consistent consumer protection.



In 2019, we conducted **35 audits** of production facilities of Bulgarian suppliers throughout the country. As a rule, a detailed report is drawn up at the end of each audit. The report is made available to the supplier and discussed.

Where the audit does not end with a satisfying result, we expect the relevant supplier to submit a corrective action plan which meets Lidl requirements towards the production facility and the private label products. In the case of a more sensitive product, we suspend its supply until we receive assurance that the corrective actions have been implemented. If the supplier has recurrent unsatisfactory results of audits or laboratory tests, we discontinue our partnership (GRI 416-1).



The quality and safety of Lidl's private label products is guaranteed through a stringent quality control system with a broad scope of activities.

A major priority in relation to the quality of our private label products is to provide the best ingredients and to remove certain additives from the recipes. Our team implements a monitoring programme to follow the discussions and trends in the regulatory and sectoral requirements to the various categories of foods. On the basis of our observations and research over the recent years, we identified several groups of substances which need special attention. We have undertaken a definite commitment to reduce each of them, specifying ambitious measurable targets in either reducing them in the contents of the product or eliminating them altogether, wherever technologically feasible. A detailed description of the risks related to each substance and the measures planned by the company can be found in our [Conscious Nutrition Policy](#).

Target



Our target is to reduce by 20% the average weighed added salt and sugar content in our private label products, measured in the volume of sales.

Deadline

2025

We work actively on reducing the salt and sugar content in our private label products, especially those which are regularly consumed by children and seniors (bread, sausages, snacks, desserts, etc.). The challenge is to achieve the specific taste of the product notwithstanding the reduced salt and sugar content. On the other hand, salt and sugar are often directly linked to the validity of the products and their safety respectively.

Therefore the ingredients of each product have to be analyzed individually in order to achieve the best balance possible without deteriorating the taste or safety of the product.



-13% salt

Baroni Macedonian sausage 500 g

The salt content was reduced by 13% from 2.06 g/100 g to 1.80 g/100 g of the product. We further removed the carmine colourant.



-12%
sugar

Rodna Stryaha Raspberry jam 230 g

The sugar content was reduced by 12% from 68 g/100 g to 60 g/100 g of the product.

As a final step of the quality assessment of our private label products, we take into account the feedback from our customers. We treat carefully all complaints and claims that arrive through our official communication channels. Every alert is thoroughly checked and thanks to our functioning quality control system the cases in which we recall product lots from our network are minimized.

In 2019, we conducted one of the largest-scale consumer surveys in the country. We asked over 4,600 respondents to rate the quality and taste of 199 products of 24 private labels of Lidl. The participants tested our dairy products, meat and fish, sausages, beer, and ice cream. The results of the survey were exceptionally positive and the whole Lidl team is proud of them. This is what the respondents said about our products:

87%

of them described the taste as very good

83%

find the product quality to be excellent or very good

82%

would recommend our products to their family and friends



The product with the highest taste rating was the almond ice cream.

7.1.2 SUSTAINABLE PRODUCTS

When it comes to Lidl's private label products, we strive to guarantee not only the quality of the products, but also the responsible extractions of the input materials used in the production process. Some indispensable input materials are the subject-matter of in-depth scientific discussions at the international level concerning the farming or manufacturing practices and their impact on the environment or the workers. Our team follows the discussion and has clear positions on the issues. We developed and submitted 8 position papers on inputs of great importance for the production of foods and product range of Lidl, the extraction of which was associated with various environmental and/or social risks and undertook binding commitments with regard to each of them.

We are committed to offering more products certified in accordance with the best established international standards, such as Bio, Fairtrade, Rainforest Alliance, UTZ, MSC, ASC, GlobalG.A.P., FSC, RSPO, etc.

Topic	Target and position	Applicable certificates
Sustainable purchasing of fish, mussels, crustaceans and products of them	Our long-term commitment is to offer more fish products certified in accordance with the best established international standards, such as MSC (Marine Stewardship Council), ASC (Aquaculture Stewardship Council) and GlobalG.A.P.	  
More sustainable purchasing of eggs	Our target is to fully eliminate fresh eggs from cage-reared laying hens and the products containing such eggs from our private label product range by the end of 2025. After that date, our product range will include only eggs from floor-reared or free-range laying hens and/or bio eggs.	Note in the content: <i>*Eggs from floor-reared hens</i>
More sustainable purchasing of flowers and plants	By the end of 2019, all our imported flowers and plants will be certified under environmental and social standards, such as GLOBALG.A.P. and GRASP.	
More sustainable purchasing of cocoa	By the end of 2022, our target is certification of the cocoa used in all our private label cocoa-containing products under any of the following standards: Fairtrade, Fairtrade Cocoa Program, Rainforest Alliance, Bio or UTZ.	   
More sustainable purchasing of tea	By the end of 2022, our target is certification of 100% of our private label green, black and rooibos tea and 50% of our private label herbal and fruit infusion tea under any of the following standards: Fairtrade, Rainforest Alliance, Bio, UTZ or UETB/UTZ. The precondition is availability of the input material of an appropriate quality in the relevant country of origin.	   
More sustainable purchasing of coffee	By the end of 2020, our target is certification of at least 30% of the Lidl private label coffee under any of the following standards: UTZ, Rainforest-Alliance, Fairtrade or Bio. By the end of 2022, our target is certification of at least 50% of the Lidl private label coffee.	   
More sustainable purchasing of palm oil	By the end of 2022, our target is to use Segregated sustainable RSPO palm oil in our private label food products and Mass Balance sustainable RSPO palm oil in our private label non-food product range, insofar as this is technically feasible and sustainable input quantities are available.	
More sustainable purchasing of cellulose for private label cellulose-containing products and packages.	By the end of 2020, our target is to shift to recycled or FSC/PEFC-certified primary fibers for all private label promotional non-food products. By the end of 2022, our target is packaging and labels of recycled or FSC/PEFC-certified primary cellulose fibers for the private label food, household and cosmetic products.	  

We work in close collaboration with our suppliers with a view of achieving all our targets and commitments. There is definite progress, for example, with regard to the target to offer eggs from laying hens that are at least floor-reared. Packages of 6 and 10 free-range eggs and 6 bio eggs were introduced in the nationwide permanent product range. Furthermore, we started offering private label eggs from floor-reared hens in the permanent product range at our stores in the big cities, thus helping our supplier to invest in animal welfare measures in the rearing of laying hens. As a result of these measures, after the target was announced in February 2019, the share of eggs from floor-reared, free-ranged and bio laying hens increased from 5% to 30% within 12 months. The recipes of some Bulgarian egg-containing products, such as Chef Select Ruska salata (400 g and 1 kg) and Kania Mayonnaise 40% and 55% and many others in our product range, were changed to have them prepared with eggs from floor-reared laying hens. Here are some examples:



**Gaufrettes
Confiserie Firenze
250 g**



**Ruska salata
(Russian salad)
400 g and 1 kg**



**Lasagna
Pork,
Chef Select, 1 kg**



Our products are made in a responsible manner, with care to the environment and society.

In accordance with our sustainable purchasing commitments, we monitor the number of sustainable products in our permanent and promotional product range and take measures to increase it.

Certificate	Product range	Number of product	
		2018	2019
	permanent	11	55
	permanent	112	110
	promotional	89	81
Bio fruit and vegetables	permanent	29	30
	permanent	93	77
	permanent	5	5
	permanent	155	200
Sustainable fish products	permanent	23	29
	promotional	45	39
Certified sustainable fish products 	permanent	-	28
	promotional	-	34
Certified sustainable fish products 	permanent	-	5
	promotional	-	5
Sustainable palm oil	permanent	-	26
	promotional	-	0

7.1.3 LOCAL SOURCING

The partnership with Lidl Bulgaria gives many opportunities for Bulgarian producers to sell their products: sales in over 100 stores of the chain, production of Lidl private label products, Rodna Stryaha product line. We are proud that Lidl suppliers grow together with us, as is seen in the constant relative share of spending on our Bulgarian suppliers alongside our growth: 42.7% in 2018 and 42.8% in 2019 (GRI 204-1). Actually, those payments increased substantially in absolute terms in comparison to the previous reporting period (as is seen in the chart below). In the financial year of 2019, we reported a 43% grow rate of spending on Bulgarian suppliers in absolute terms in comparison to the financial year 2017. Our customers were offered 1,066 and 1,542 items of Bulgarian origin in those two years respectively.

Textile Product Range

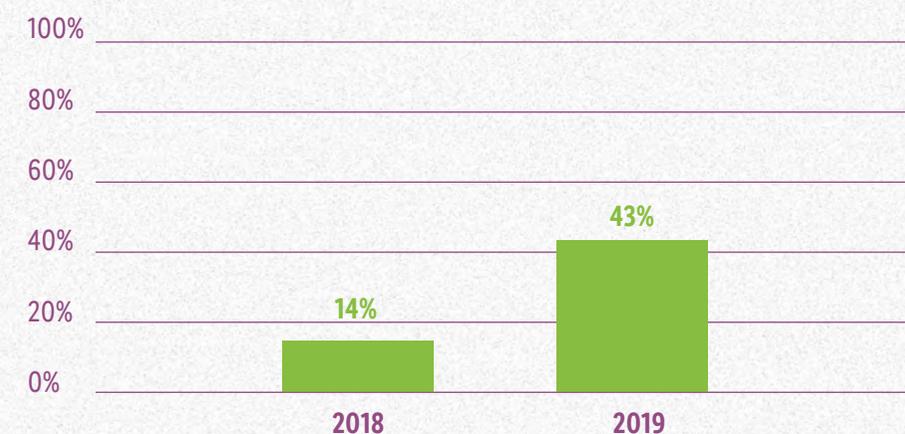
Although part of our promotional product range, our textile products are considered carefully and they are subject to specific control. We adhere to environmentally friendly principles in their production, such as the cradle-to-cradle concept focusing on each stage of the “life” of clothes or the Archroma technology, an innovating textile dyeing technology which needs much less resources. Thanks to it, our water consumption is 92% less in comparison to conventional methods, the energy needed is 30% less, and carbon dioxide emissions are reduced by 15%.

The quality of our textile products is tested all the way from the manufacturing of the fabric to the final product. Our partner is the Hohenstein Institute with more than 70 years of experience in testing and quality assurance. Before the production of a certain textile product begins, samples are tested at the Institute for their strength, safety and presence of hazardous substances at the cellular level, colorfastness, stability, functionality, dimensions, comfort, and resistance to various climatic conditions.

How can you recognize tested products:



Percentage growth of payments in absolute terms to Bulgarian suppliers in comparison to 2017.*



*All data refer to the financial year (2018 - from 01.03.2018 until 28.02.2019, 2019 - from 01.03.2019 until 29.02.2020). Base year for comparison is 2017.



The preferences of our customers for the traditional Bulgarian taste and their increasing expectations with regard to the quality of products underlie the development of our Rodna Stryaha product

line. We try to meet these expectations by offering our customers products with the taste of good old-time Bulgarian recipes, which are supplied locally. The Rodna Stryaha product line is continuously growing both in terms of sales volume and percentage of the company's turnover.

We develop new items all the time and optimize the product range under the Rodna Stryaha brand.



The Rodna Stryaha product range is complemented by products with a special own farm designation. Their characteristic feature is the use of own input materials that are extracted and processed by producers themselves as a guarantee for constant high quality of the supplied products.

At the end of the financial year of 2019, the product line consisted of **79** products supplied by **31** producers throughout the country.



We support Bulgarian producers and the preservation of traditional Bulgarian recipes.



A great recognition of the Rodna Stryaha product line is the award for the Rodna Stryaha Chili Peppers Jam of the Jams category in the 2019 Product of the Year nationally representative consumer rating, together with two more products from the Lidl portfolio – Clean Label Ham and Lupilu Bio Fruit.



Targets for the next period

Targets for the next period Design of Product Range	Deadline
Increase by 15% of the Rodna Stryaha private label products in the permanent product range	2021
Expansion of the promotional regional offers of Rodna Stryaha private label products	2021

7.2 TRANSPARENCY AT POINT OF SALE

Being a sustainable company, Lidl Bulgaria finds it particularly important to provide transparent, clear and detailed information about its products. The labelling of each product offered by Lidl Bulgaria on the Bulgarian market is unswervingly compliant with the statutory requirements and also in line with our aspiration to provide our customers with all the necessary information to make their informed shopping decisions.

Lidl's private label products are a tool to guarantee the quality of our products. Lidl takes the control of all its private label products very seriously and responsibly, working with a stringent and uncompromising quality assurance system which starts with requirements for certification and audit of producers and involves regular control through continuous and in-depth laboratory tests.



7.2.1 PRODUCT LABELLING

With regard to labelling, Lidl Bulgaria is compliant with all requirements of the Bulgarian and EU legislation on the content and presentation of the information, including the font size. When new national or EU regulations and directives are adopted or existing ones are amended, their provisions are checked to see whether it is necessary to adjust the information on the packaging so as to comply with the applicable statutory requirements.



Full transparency in the labelling of Lidl private label products.

All food products are labeled in accordance with Regulation (EU) No 1169/2011 of the European Parliament and of the Council of 25 October 2011 on the provision of food information to consumers, including information on the shelf life or minimum durability and the special storage conditions. Lidl adheres to the principle that the compliance with these parameters ensures food safety for consumers.

Beside labeled in accordance with the legislation, some of the product packaging contains also additional voluntary information - for instance about optimizations in the product packaging, certificates for sustainable purchasing of input materials (described on p. 54), as well as information about the use of input materials, originating from a closed production cycle.

Cleaning agents and all similar liquids and mixtures containing hazardous substances and mixtures are labeled in accordance with all applicable Bulgarian and EU statutory provisions, including the basic Regulation (EC) No 1272/2008 of the European Parliament and of the Council of 16 December 2008 on classification, labelling and packaging of substances and mixtures.

We place the necessary safety instructions and generally comprehensible signs and pictograms, such as those indicating toxicity and/or flammability, as well as environmental risks.

Besides, all these products are accompanied by a safety information leaflet made available to consumers (e.g. products like bleach and all-purpose cleaner).

As to cosmetic products, we comply with the rules set out in Regulation (EC) No 1223/2009 of the European Parliament and of the Council on cosmetic products. In relation to their safe use, we indicate the following:



For products with validity of up to 30 months we indicate the date to which the cosmetic product is fit and safe for use, provided it is stored under appropriate conditions. For cosmetics with validity of over 30 months, we put the PAO (period-after-opening) symbol on the packaging.



Particular precautions to be observed in use, and any special precautionary information on cosmetic products for professional use.

In the case of other non-food products, such as toys, bike helmets, or electric appliances, all the relevant standards for quality and placement on the market are observed, such as CE marks and other which prove the safety of the product.

With regard to the disposal of products and the impacts on the environment and society, we fulfill the requirement for every packaging placed on the market to be compliant with the relevant legislation. In this respect, we pay the product fees under the Waste Management Act and label each pre-packed product for separate collection and recycling of the packaging and for the type of material it is made of.



Another example of additional information on the product label is the logo „Improving and reducing - packaging responsibly“ (GRI 417-1). The packaging should meet at least one of the following four criteria to have this logo:

- **At least 80% of the packaging is recyclable**
- **At least 30% of the packaging consists of recycled material**
- **The packaging is made of a sustainable alternative material**
- **The volume or weight of the packaging has been reduced by at least 10%**

The logo is used very carefully and there is a specific description of the improvements on the packaging. For greater clarity, specific information on the changes to the packaging and on the criterion for its eligibility to be marked as responsible is provided on the back side of packaging with the logo “Packed Responsibly”.

Lidl designs the packaging of private label products in accordance with the requirements and criteria of the relevant brands. Each private label brand has its specific style, print requirements and own font. In this respect, Lidl Bulgaria takes pride in the positive feedback it receives from customers and counterparties.



7.2.2 TRACEABILITY

Being a responsible company, Lidl Bulgaria provides clear and transparent information with as much detail as possible about the origin of the products and the country of production. Lidl ensures the traceability of each product through its system of stringent procedures in accordance with the Foods Act and the EU Regulations in the field of foods and their safety.

For instance, the origin of foods of animal origin is seen in the oval sign on the label of each product with the country code and the registration number of the producer (in accordance with Regulation (EC) No 853/2004 of the European Parliament and of the Council laying down specific hygiene rules for on the hygiene of foodstuffs).



A good example is our Rodna Stryaha brand – the clear and comprehensible labelling helps consumers see that these are products of Bulgarian producers, while our private label brand guarantees that they are subject to very strict quality control. Moreover, the packaging of many Rodna Stryaha products indicates the precise location of the production facility on the map of Bulgaria so that customers can see where it comes from (GRI 417-1).



We ensure high traceability of our products through detailed and clear information on their origin.



Lidl makes sure that all new requirements are met, such as those laid down in the Regulation* on the indication of the origin of the primary ingredient of a food, which entered into force in April 2020. Even before its adoption, about a year earlier, Lidl Bulgaria organized training of all staff members involved in its implementation: sales force, Brand & Packaging Department, Quality Assurance Department, and the Advertising Division. Each label that Lidl used was reviewed very carefully and changed, if necessary, in accordance with the new legal framework. Furthermore, we sent out a series of legal monitoring information messages via e-mail with instructions on this matter.

*COMMISSION IMPLEMENTING REGULATION (EU) 2018/775 of 28 May 2018 laying down rules for the application of Article 26(3) of Regulation (EU) No 1169/2011 of the European Parliament and of the Council on the provision of food information to consumers, as regards the rules for indicating the country of origin or place of provenance of the primary ingredient of a food

7.2.3 INGREDIENTS AND NUTRITION INFORMATION

In accordance with the applicable Bulgarian and EU legislation, each packaging must contain a list of the ingredients, the substances causing allergies or intolerance, and the nutritional value of the product. As well as the mandatory labelling, additional pictograms are placed on the packaging of some products. These are, for instance, the pictograms for vegan, lactose-free or gluten-free products.



We provide detailed information on our product ingredients in accordance with the national legislation and the EU regulation requirements.

The added voluntary supplementary information on the packaging, e.g. sustainability certificates of some inputs and others, illustrates our striving for transparency to our customers and the other stakeholders. Consumer awareness is important to us and we achieve it through information on our website or in our weekly leaflets. They enable our customers to learn more about sustainable products and make a better informed shopping choice. Another example is the egg-containing private label products. Products with eggs from floor-reared laying hens are marked with * in the ingredients.



Targets for the next period Transparency at Point of Sale	Deadline
At least 60% of the permanent fresh meat range with the label „Packaging Responsibly”	2020
Offering of various types of sustainable chocolate with high traceability of the cocoa to the farmers’ producer cooperative	2021
Publish the list of suppliers of products in our non-food private label range, including textiles, footwear, toys, etc.	2020
Conduct an awareness campaign on the clean recipes of our private label products	2022

7.3 SOCIAL VALUE CREATION

Being one of largest companies in the country, Lidl Bulgaria is aware of its impact on the environment in which it operates through its products, as well as through its conduct and label. Our quality requirements to our suppliers, the communication with the customers, and the care of our employees – all these transform the overall environment in which we work at the local and national level. We manage our business in full compliance with the legislation and make efforts to ensure that the changes of our environment are positive. We support consumers and local communities in their striving for a fulfilling life.



Targets in our 2016-2017 report

Targets in our 2016-2017 report	Deadline	Progress
Ensure the successful implementation of all projects selected for funding in the first edition of <i>You and Lidl for a Better Life</i>	2019	Achieved
Select and finance sustainable projects with sustainable impacts on local communities in the second edition of the initiative	2019	Achieved



We conducted with the help of a professional partner two national representative surveys in two consecutive years (2017 and 2018) to gauge the factors underlying a fulfilling life in Bulgaria. The surveys involved interview of over 1 000 respondents who highlighted 10 main aspects of a fulfilling life in their opinion:

- 1 Good health of the family
- 2 Be in good health myself
- 3 Have a good family
- 4 Sleep well
- 5 No stress
- 6 Fulfilling communication with the children
- 7 Have children
- 8 Be financially secure
- 9 Be financially independent
- 10 Healthy eating

The results of the survey contributed to the development of our approach to social value creation. In 2020, we are going to conduct our third national representative survey to measure the fulfilling life index in Bulgaria.

7.3.1 SECURITY OF SUPPLY

(WITH OPTIMAL VALUE-FOR-MONEY RATIO)

On the basis of the results of the national representative surveys, we identified our direct role in supporting a fulfilling life through the offering of quality products at the best price. This principle underlies the Lidl business model – we apply the principle of maximum simplicity, high quality and responsibility in each activity and process. Our aim is to offer the best quality at the best possible price. The Lidl business model, too, builds on our understanding of responsibility and sustainable development – we want to generate profit in a responsible and sustainable manner which is compatible with the care of the environment and social realities.



We provide increasing access to products with an optimal value-for-money ratio.



The Best Buy Award was a sign of recognition of our systematic efforts to ensure best value for money. **Bulgarian consumers choose Lidl as the retail chain with the best value for money in the country.** Lidl won the biggest number of votes in the Retail Chains category of the 2019/2020 Best Buy Award survey which the international certification association ICERTIAS conducted on the Bulgarian market. The survey was held among 1 200 Bulgarians in January 2019.

The ICERTIAS – Best Buy Award survey aims at assessing customers' personal experience and identify the products and services which customers find to have the best value for money. The survey is conducted in accordance with the International Code on Market and Social Research of the International Chamber of Commerce (ICC) and the European Society for Opinion and Marketing Research (ESOMAR).

Furthermore, the company received awards in the following three categories:

★ **Sour cream**

★ **Delicatessen**

★ **Clothing sector**

Another aspect of the efforts to achieve access to the best value for money is reaching more customers. When we expand our network, we try to reach out wider groups of the population and to make shopping convenient. The easy access for our customers is an important criterion in selecting a store location. Moreover, we try to be closer to all and open stores sub-areas of the big cities' neighborhoods or in districts in the smaller cities, as well as in communities with certain socio-economical characteristics, even with less than 20.000 inhabitants although this is untypical of big retail chains.

In 2018 and 2019, a total of 13 new stores were opened throughout the country, including some small Black Sea resorts (e.g. Sts. Konstantin i Elena, Tsarevo and Pomorie) and central parts of the capital city (e.g. Alabin Street, Evlogi Georgiev Blvd.).

Thus our chain of 100 stores in 48 cities and towns reached out to more than 4.5 million Bulgarians or 55% of the population of the country at the end of 2019.

The opening of new stores, especially in smaller communities, is not merely an opportunity for more customers to get access to our products. Each new store or warehouse creates additional jobs, starting from construction works all the way to its operation. Moreover, we make efforts to develop the space around our new stores by improving the infrastructure and creating new recreational areas (GRI 203-2).

7.3.2 COMPLIANCE

The sustainability of the business of a large company like Lidl depends, first and foremost, on its compliance with the applicable statutory requirements. Lidl Bulgaria understands the concept of compliance as compliance with both the legislation and the in-house corporate rules and procedures which, in some cases, are even more stringent than the external ones.



We comply with applicable law and internal guidelines.

“

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 the company and its employees are therefore based on the following principle: „ We comply with applicable law and internal guidelines.”

This fundamental corporate principle is binding on all employees. The company and its management have undertaken an explicit commitment and they guarantee its implementation.

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



This is the main way in which Lidl Bulgaria monitors compliance with the legislation. 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 (in the fields compliance, data protection, competition law), as well as the tracking of all internal and external evidence of possible rights infringement. Each employee, including managers, has to attend these trainings. The interactive online training Compliance Fundamentals covers a number of topics, including anti-corruption and anti-fraud. (GRI 205-2).

It is important for us to ensure a comprehensive positive and responsible attitude to our partners and to avoid infringement upon third-party rights.

The corporate units in charge of compliance review the effectiveness of these measures and they investigate and clarify all internal and external evidence of infringement upon rights.



Besides, Lidl Bulgaria has:

- ★ An electronic contracts storage and management system
- ★ An online system of reporting violations – alerts can be reported by employees and also by people outside the company (e.g. customers, suppliers). Each alert must be examined. Every new supplier receives information about the system and guidance on how to use it, if necessary.

One of the big challenges for Lidl Bulgaria in 2018–2019 was to develop its Data Protection Policy in accordance with the GDPR. Right from the outset of its presence on the Bulgarian market, Lidl had a very robust data protection system which enabled us to meet the new requirements within a very short span of time. We have a special Data Protection Officer and a software with a register of data processing activities. In 2019, we introduced a new improved CCTV concept in our stores.

One of our targets is to fully shift to the signing and recording of e-contracts. In September 2019, the gradual implementation of that idea began. We implement CMS-Business Partner software as part of our CMS to assess the risk in the business relations of Lidl with business partners.

7.3.3 CORPORATE CITIZENSHIP

Being aware of our impact on the environment in which our business operates, we at Lidl Bulgaria insist on investing in initiatives and policies that leave a positive trace in society and support a fulfilling life style of the people and the protection of the environment. Thus each of our actions is a testimony of our commitment to our better future.



We invested more than BGN 540,000 in initiatives and policies that benefit the community, the environment and the fulfilling life style, to leave a positive impact on the Bulgarian society.

Corporate Citizenship Initiatives

You and Lidl for a Better Life



The largest socially responsible initiative of Lidl Bulgaria – *You and Lidl for a Better Life* – aims at supporting civil society projects which help people lead a better-quality and fulfilling life in various regions of the country. These projects are implemented in the field of education, environment, culture and historical heritage, and active life style. In 2018 and 2019, the initiative supported a total of 42 projects (20 in 2018 and 22 in 2019). Thus the three rounds of the initiative since 2017 managed to raise a fund of BGN

545 000 and to finance 73 projects all over the country. Our partners in the initiative are the Workshop for Civic Initiatives Foundation and the Bulgarian Donors Forum. The initiative and its results so far come to show that we can work successfully to the benefit of society together with our customers and civil society organizations. Some of the financed projects are not one-off local actions but they are sustainable projects which will continue to exist in their communities in the years to come. In 2019, *You and Lidl for a Better Life* won the Most Successful Partnership award in the annual awards of the Bulgarian Donors Forum. This prestigious award recognizes partnerships between companies and non-governmental organizations that have contributed to the solution of a real problem. It is the only category in which the award is conferred on the basis of the vote of socially responsible companies in Bulgaria.

Initiatives for families with children

Muzeiko at School

Muzeiko at School with Lidl is a continuation of the two-years initiative of Lidl Bulgaria *Lidl Sunday at Muzeiko*. It was focused mainly on supporting parents in the care of their children in the field of learning and development of talents. In 2019, Lidl and Muzeiko initiated a tour of Bulgaria to give the opportunity to more children to get in touch with the immense world of science. The educational tour *Muzeiko at School with Lidl* started in October 2019 and covered six regions of the country – Sofia, Pernik, Pazardzhik, Blagoevgrad, Kyustendil, and Vratsa. The main focus of the programme implemented in the format of public lessons was learning through experience. The learning content was targeted to schoolchildren in the first four school grades with topics of science covered in the elementary school curriculum. Lidl Bulgaria was the main partner in this educational initiative. The support of the company included financial assistance to the implementation of the initiative and payment of 50% of the ticket of each child. By November 2019, over 500 children were involved in the public or specialized lessons of Lidl and Muzeiko. We expect a total of more than 4 000 children to be involved by the end of the initiative in April 2020.



Umnitsi Gladnitsi (Clever Heads, Hungry Mouths)

In 2019, Lidl Bulgaria launched a healthy and balanced eating programme for schoolchildren in the 1st-4th grade under the motto *Umnitsi Gladnitsi (Clever Heads, Hungry Mouths)* in partnership with the Parents Association and with the support of the Ministry of Education and Science. The main objective of *Clever Heads Hungry Mouths* is to introduce the topic of balanced eating at school in an entertaining and intriguing manner. The first part of the initiative took place in the form of a competition in which teachers, together with the schoolchildren, had to develop an entertaining and useful lesson on healthy and balanced eating. For that purpose, guidance notes on the topic which were specially prepared by Lidl Bulgaria and Parents Association were made available to the teachers. The initiative will continue in 2020 publication of a special book with good practices containing the 15 best lessons.



UNICEF and Lidl in support of early childhood development



партнеря



ГРИЖА, ЛЮБОВ, ИГРА
ЗА ВСЯКО ДЕТЕ

In 2019, UNICEF and Lidl Bulgaria joined their efforts to support parents in the care of their children as part of the early childhood development programme of the organization. The programme aims at developing the skills, knowledge and resources of caregivers of young children so as to ensure their optimal growth and proper social, emotional and mental development.

In support of early childhood development Lidl Bulgaria donated part of the revenues from the sale of products in the Lupilu baby range in March and April 2019. The donation amounted to a total of BGN 150 000.

The funds raised in the joint campaign were used to encourage better parental care through a network of home patronage services in the country, including the training of home patronage nurses throughout the country. Thus many parents got access to high-quality comprehensive parenthood support.

Indicator	Unit of measurement	2018	2019
Donations	BGN	295,770.24	175,243.38

Environmental Initiatives

Give Balkan Trout a Chance

Lidl Bulgaria set the beginning of the *Give Balkan Trout a Chance* initiative in 2013. The objective is to preserve the biological diversity in Bulgarian rivers and, more specifically, one of the most endangered species in Europe – the Balkan trout. Our partner in this initiative is the Balkan Trout Anglers Club (Balkanka Anglers Club). We released 350,000 trouts in 31 Bulgarian rivers together with our partner in the course of the initiative. As we always try to build on our efforts, we combine the fish release campaigns with cleaning of the areas around the rivers. Thus we cleaned an area of 25 km during the implementation of the initiative. We continue our efforts to this effect in 2020, as well.



Green Line Vitosha and Sofia Urban Challenge



The care of nature and of the need for more people to get access to the mountain was reflected in the transformation of the *Vitosha Green Line* initiative of Lidl Bulgaria into *Sofia Urban Challenge*. After the *Vitosha Green Line* initiative had provided the inhabitants and visitors of the capital city with easy access to the mountain through free buses for pedestrians and bike riders, it was transformed into the *Sofia Urban Challenge* project in 2019. Lidl Bulgaria and Green Sofia – City of Sofia offered a new way to reach the mountain freshness during the summer season. 15 electric bikes were offered for hire at the Lidl

information kiosk located in front of the National Museum of History to reach the areas of Tihia Kat and Zlatnite Mostove located within the Vitosha Natural Park. We contributed to the partnership by providing indoor space – the Lidl information kiosk – as the starting point for all enthusiastic bikers seeking mountain adventures.

Targets for the next period

Targets for the next period Social Value Creation	Deadline
Execution of campaigns and initiatives aiming at creating awareness about CSR and sustainable development.	Current
Achieve maximum percentage of trained employees in the fields of compliance and data protection, including the introduction of a software training module for employees at stores and warehouses.	2021
Compliance Awareness fostering, for example through a specially dedicated event.	2021

7.4

RESPONSIBLE
COMMUNICATION

The responsible communication with our stakeholders is crucial for Lidl Bulgaria. The provision of sufficient, timely and transparent information enables the stakeholders to make their best and informed decisions. We believe that this is the proper way to build mutual trust between Lidl Bulgaria and our stakeholders.

When we tell the stories of our products and talks about our targets and aspirations, our campaigns and initiatives, and all the efforts we make to achieve the best balance between quality and price, we strive for full transparency in our communication. We pay particular attention to the communication with our customers and employees. It is important to provide sufficient information about our products to the former and about the attitude of the company to key issues as a responsible employer and a natural market leader to the latter.

7.4.1 **CUSTOMER AWARENESS**

We reach our clients through various information channels which are geared to the various target groups. An example of this versatile approach is our 360-degrees awareness campaign on the advantages of the Lidl model to offer only pre-packed fresh meat and on the importance of the certification of such products. We are the only ones to offer Bulgarian certified fresh lamb meat and it is important for us to make sure that the message reaches our consumers and they can make an informed shopping choice.



We support our customers in making informed choice.

We pay great attention to the certification of our products and the provision of more information on what certification logos stand for. In addition to all statutory requirements to the product labelling, we develop supplementary information materials and awareness campaigns to help customers make their informed choice. Examples to this effect are our leaflets and the additional page on fresh fruit and vegetables, which are certified under GlobalG.A.P. The leaflet includes brief information on some important requirements of the certificate awarded to the relevant products, which could be of key importance to our customers:



Other communication campaigns in 2018 and 2019:



“Tasty Bread from Crust to Crumb” campaign



Campaign on private label sausages without mechanically deboned meat



Campaign on Lidl private label fresh meat – the only fresh meat in Bulgaria, which is SGS-certified for freshness, quality and purity.



A campaign in which consumers can receive the “Favourite Bulgarian Dishes” cookbook which has been developed to preserve the local tradition together with Associate Professor M. Markova from the Bulgarian Academy of Sciences.



Campaign on private label textile products approved by the German Hohenstein Institute for Quality



Campaign for balanced children’s diet in which we prepared a cookbook with recipes of chef Manchev, chef Shishkov and parents, all of those recipes edited by Professor V. Duleva, National Consultant on Nutrition and Dietetics.

Our awareness campaigns and advertising communication with customers do not remain unnoticed. Together with our creative partner Saatchi & Saatchi we were winners of the 2018 Effie Gold Award for our *Tasty Bread from Crust to Crumb* campaign and the 2019 Effie Bronze Award for the advertising campaign of Lidl Bulgaria *A Chain of Favourite Products* in the 12th edition of the competition which recognizes the most effective communication campaigns every year. We won the award in one of the most competitive categories – Services. It is an important recognition of the success and efficiency of the overall advertising presence of the Lidl brand.

7.4.2 COMMUNICATION

The provision of information on the key objectives and priorities of the company and the guidelines for its development are a major priority of Lidl Bulgaria.



A recurrent topic which we communicate regularly through internal and external channels is our corporate social responsibility and its various manifestations – from our responsibility for and quality of our products through the care of the employees and the company as employer to our diverse corporate citizenship initiatives and the corporate responsible policies and practices.

When we communicate our sustainable practices, we apply an integrated approach to reach the stakeholders in an as efficient and effective way as possible. Our communication channels include a mix of weekly leaflets, point of sale materials, television, outdoor advertising, radio and online formats (website, online advertising), which is adapted to the needs of the company. Online communication occupies an important place in the overall communication strategy to disseminate our sustainable practices. They are communicated also via social media in a way which is suitable for the target audience and the relevant social media. The communications approach of Lidl Bulgaria towards the leading Bulgarian media and journalists is characterized with regular, innovative and always substantial communication in terms of facts and content.



The sustainable practices of Lidl Bulgaria are disseminated through advertising communication channels and also through public relations – external communication to media and consumers (press releases, media events, media publications and reports), internal communication with various notices to the employees and adapted communication in the social media.

Both external and internal awareness campaigns vary in terms of their contents and targets. Our external awareness campaigns are remarkably varied, ranging from a competition for the best recipe of a parent to sponsorship for the national volleyball team. Internal awareness campaigns can involve in-house corporate events, news on the Intranet, branding the premises of offices, stores and warehouses, organization of games, dissemination of information materials, and others.

An example of internal communication was the large-scale one-year awareness campaign **Re-discover Lidl's Private Labels**. It was held in 2019 to make our employees aware of our private label products and to convince them in their quality.



Part of the campaign was the development of a series of 11 video materials with the participation of representatives of our Purchasing division presenting our major private label products, which were published on the corporate Intranet webpage. We held an internal competition for a favourite private label product of the employees and selected 16 Lidl ambassadors. A series of news and branding materials presented the results of the biggest tasting test of Lidl private

label products to our staff. At the same time, we encourage our employees regularly to take part in our corporate citizenship initiatives, such as *You and Lidl for a Better Life*, *Give Balkan Trout a Chance*, and others.



The key corporate objectives and priorities as well as the corporate responsible management commitments are communicated openly.



Targets for the next period

Targets for the next period Responsible Communication	Deadline
Campaign on the presentation of our cooperation with Bulgarian producers	2020
Campaign on the reduction of food waste – <i>No Food Waste, Big Discount on Place</i>	2020

08 GRI CONTENT INDEX



This 2018–2019 Sustainability Development Report has been submitted to GRI for the implementation of the GRI Materiality Disclosures Service. The correct position of the Materiality Disclosures (GRI 102-40 – 102-49) in this Report has been confirmed by the team of GRI Services. All GRI Disclosures comply with the standards published in 2016.

Disclosure	Chapter of the Report	Page	Comments
GRI 101: Foundation 2016			
GRI 102: General Disclosures 2016			
102-1 Name of the organization	About the Company	9	
102-2 Activities, brands, products, and services	About the Company	8	
102-3 Location of headquarters	About the Company	9	
102-4 Location of operations	About the Company	10	
102-5 Ownership and legal form	About the Company	9	
102-6 Markets served	About the Company	8	
102-7 Scale of the organization	About the Company	8, 9	
102-8 Information on employees and other workers	About the Company	9	
102-9 Supply chain	About the Company	13-15	
102-10 Significant changes to the organization and its supply chain	About the Company	13-16	
102-11 Precautionary Principle or approach	About the Company	12	
102-13 Membership of associations	About the Company	17	
102-14 Statement from senior decision-maker	A Word by our Chief Executive Officer	4	
102-16 Values, principles, standards and norms of behavior	About the Company	11, 12	
102-17 Mechanisms for advice and concerns about ethics	Operations & Processes	38, 39	
102-18 Governance structure	About the Company	11	

Indicator	Chapter of the Report	Page	Comments	
102-40	List of stakeholder groups	About the Company	17	
102-41	Collective bargaining agreements	Operations & Processes	43	
102-42	Identifying and selecting stakeholders	About the Company	17	
102-43	Approach to stakeholder engagement	About the company	17	
102-44	Key topics and concerns raised	About the company	18	
102-45	Entities included in the consolidated financial statements	About the Company	9	
102-46	Defining report content and topic boundaries	About the Company	17	
102-47	List of material topics	About the Company	18	
102-48	Restatements of information	Data and results	34-35	Restated data on energy, energy intensity, emissions and emission intensity in 2017
102-49	Changes in reporting	About the Company	18	The same LRM and the same topics were used as those in the previous report; no significant change to the topic boundaries
102-50	Reporting period	About this Report	3	
102-51	Date of most recent report	About this Report	3	
102-52	Reporting cycle	About this Report	3	
102-53	Contact point for questions regarding the report	Contact point for questions regarding the report	82	
102-54	Claims of reporting in accordance with the GRI Standards	About this Report	3	
102-55	GRI Content Index	GRI Content Index	72-79	
102-56	External assurance	External assurance	80, 81	

GRI Content Index: Specific Disclosures

Thematic field	Material topic	Specific GRI disclosure*		Chapter of the Report	Page
Resources & Agriculture					
Protection of Ecosystems	Pollution in Agriculture	GRI 103 Management approach 2016	103-1 Management approach – explanation of the material topic and its boundary	Resources & Agriculture	21, 22
			103-2; 103-3 Management approach – management approach and its components	Resources & Agriculture	21, 22
		GRI 308 Supplier Environmental Assessment 2016	308-2 Negative environmental impacts in the supply chain and actions taken	Resources & Agriculture	22
Supply chain and Processing					
Environmental standards along the supply chain	Packaging	GRI 103 Management approach 2016	103-1 Management approach – explanation of the material topic and its boundary	Supply Chain & Processing	25
			103-2; 103-3 Management approach – management approach and its components	Supply Chain & Processing	25
		GRI 301 Materials 2016	301-2 Recycled input materials used	Supply Chain & Processing	27
Supplier and Market Development	Fair business relations	GRI 103 Management approach 2016	103-1 Management approach – explanation of the material topic and its boundary	Supply Chain & Processing	28
			103-2; 103-3 Management approach – management approach and its components	Supply Chain & Processing	28
		Specific Lidl indicator	Fair business practices	Supply Chain & Processing	28, 29
Operations & Processes					
		GRI 103 Management approach 2016	103-1 Management approach – explanation of the material topic and its boundary	Operations & Processes	33
			103-2; 103-3 Management approach – management approach and its components	Operations & Processes	33

Thematic field	Material topic	Specific GRI disclosure*		Chapter of the Report	Page
Corporate Environmental Management	Climate Protection	GRI 302 Energy 2016 <i>Change to the data collection and calculation methodology for 2018 and 2019</i>	302-1 Energy consumption within the organization	Operations & Processes	34
			302-3 Energy intensity	Operations & Processes	34
		GRI 305 Emissions 2016 <i>Change to the data collection and calculation methodology for 2018 and 2019</i>	305-1 Direct (Scope 1) GHG Emissions Omission under 305-1c due to non-availability of information.	Operations & Processes	35
			305-2 Energy Indirect (Scope 2) GHG Emissions	Operations & Processes	35
		305-4 GHG emissions intensity	Operations & Processes	35	
	Conservation of Resources	GRI 103 Management approach 2016	103-1 Management approach – explanation of the material topic and its boundary	Operations & Processes	36
			103-2; 103-3 Management approach – management approach and its components	Operations & Processes	36
		GRI 306 Effluents and waste 2016 <i>Change to the data collection methodology for 2019</i>	306-2 Waste by type and disposal method	Operations & Processes	37
	Occupational Health and Safety	GRI 103 Management approach 2016	103-1 Management approach – explanation of the material topic and its boundary	Operations & Processes	45
103-2; 103-3 Management approach – management approach and its components			Operations & Processes	45	
GRI 403 Occupational health and safety 2016 <i>Non-available information: 403-2 b. Non-applicable since most of the work is done by employees. The organization does not collect such data on sub-contractors.</i>		403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Operations & Processes	46	

Thematic field	Material topic	Specific GRI disclosure*		Chapter of the Report	Page
Employee Responsibility	Labour Rights	GRI 103 Management approach 2016	103-1 Management approach – explanation of the material topic and its boundary	Operations & Processes	43, 44
			103-2; 103-3 Management approach – management approach and its components	Operations & Processes	43, 44
		GRI 401 Employment 2016	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Operations & Processes	43, 44
	Training & Development	GRI 103 Management approach 2016	103-1 Management approach – explanation of the material topic and its boundary	Operations & Processes	40, 41
			103-2; 103-3 Management approach – management approach and its components	Operations & Processes	40, 41
		GRI 404 Training and education 2016	404-1 Average hours of training per year per employee <i>Non-available information: breakdown by gender. This information is not available because the organization does not collect these data with a breakdown by gender.</i> <i>Change to the calculation methodology for 2018</i>	Operations & Processes	41
Customer & Society					
Products	High-quality Products and Product Safety	GRI 103 Management approach 2016	103-1 Management approach – explanation of the material topic and its boundary	Customer & Society	52
			103-2; 103-3 Management approach – management approach and its components	Customer & Society	51
		GRI 416 Customer health and safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	Customer & Society	51
	Sustainable Products	GRI 103 Management approach 2016	103-1 Management approach – explanation of the material topic and its boundary	Customer & Society	53
			103-2; 103-3 Management approach – management approach and its components	Customer & Society	53

Thematic field	Material topic	Specific GRI disclosure*		Chapter of the Report	Page
		Lidl specific disclosure Food industries	% of products certified in compliance with sustainability standards	Customer & Society	54
	Local Sourcing	GRI 103 Management approach 2016	103-1 Management approach – explanation of the material topic and its boundary	Customer & Society	55
103-2; 103-3 Management approach – management approach and its components			Customer & Society	55	
GRI 204 Procurement practices 2016		204-1 Proportion of spending on local suppliers	Customer & Society	55	
Transparency at Point of Sale	Product labelling	GRI 103 Management approach 2016	103-1 Management approach – explanation of the material topic and its boundary	Customer & Society	58
			103-2; 103-3 Management approach – management approach and its components	Customer & Society	58
		GRI 417 Marketing and labelling 2016	417-1 Requirements for product and service information and labelling	Customer & Society	58
	Traceability	GRI 103 Management approach 2016	103-1 Management approach – explanation of the material topic and its boundary	Customer & Society	59
			103-2; 103-3 Management approach – management approach and its components	Customer & Society	59
		GRI 417 Marketing and labelling 2016	417-1 Requirements for product and service information and labelling	Customer & Society	59
Ingredients and Nutrition Information	GRI 103 Management approach 2016	103-1 Management approach – explanation of the material topic and its boundary	Customer & Society	60	
		103-2; 103-3 Management approach – management approach and its components	Customer & Society	60	
	Lidl specific disclosure	Provision of comprehensible and full information on the ingredients and nutritional values	Customer & Society	60	

Thematic field	Material topic	Specific GRI disclosure*		Chapter of the Report	Page
Social Value Creation	Corporate Citizenship	GRI 103 Management approach 2016	103-1 Management approach – explanation of the material topic and its boundary	Customer & Society	65
			103-2; 103-3 Management approach – management approach and its components	Customer & Society	65
		GRI 201 Economic performance 2016	201-1 Direct economic value generated and distributed	Customer & Society	66
	Provision of access to the best value-for-money ratio	GRI 103 Management approach 2016	103-1 Management approach – explanation of the material topic and its boundary	Customer & Society	62
			103-2; 103-3 Management approach – management approach and its components	Customer & Society	62
		GRI 203 Indirect economic impacts 2016	203-2 Significant indirect economic impacts	Customer & Society	62
Responsible Communication	Compliance	GRI 103 Management approach 2016	103-1 Management approach – explanation of the material topic and its boundary	Customer & Society	63
			103-2; 103-3 Management approach – management approach and its components	Customer & Society	63
		GRI 205 Anti-corruption 2016	205-2 Communication and training about anti-corruption policies and procedures	Customer & Society	64
	Customer Awareness	GRI 103 Management approach 2016	103-1 Management approach – explanation of the material topic and its boundary	Customer & Society	68
			103-2; 103-3 Management approach – management approach and its components	Customer & Society	68
	Specific Lidl indicator	Encouraging responsible consumption models through training and awareness raising	Customer & Society	69	

Thematic field	Material topic	Specific GRI disclosure*		Chapter of the Report	Page
	Communication	GRI 103 Management approach 2016	103-1 Management approach – explanation of the material topic and its boundary	Customer & Society	70
			103-2; 103-3 Management approach – management approach and its components	Customer & Society	70
		GRI 417 Marketing and labelling 2016	417-1 Requirements for product and service information and labelling	Customer & Society	71
	Stakeholder Dialogue	GRI 103 Management approach 2016	103-1 Management approach – explanation of the material topic and its boundary	Customer & Society	17, 18
			103-2; 103-3 Management approach – management approach and its components	Customer & Society	17, 18
		GRI 102 General disclosures 2016	102-21 Consulting stakeholders on economic, social and environmental topics	Customer & Society	17, 18

*This is non-applicable to all indicators that require presentation of data with a breakdown by location because the report is drawn up at a nationwide level.



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Independent assurance report

To the Management of Lidl Bulgaria EOOD & Co KD

Scope

We have been engaged by Lidl Bulgaria EOOD & Co KD (hereafter “Lidl Bulgaria”) to perform a ‘limited assurance engagement,’ as defined by International Standards on Assurance Engagements (hereafter “the engagement”) to report on the accuracy and completeness of the quantitative data of the following GRI Standards topic specific disclosures included in the Entity’s “2018-2019 Sustainability Report” (hereafter the “Subject Matter”):

- ▶ GRI 302-1 Energy consumption within the organization
- ▶ GRI 302-3 Energy intensity
- ▶ GRI 305-1 Direct (Scope 1) GHG Emissions
- ▶ GRI 305-2 Energy Indirect (Scope 2) GHG Emissions
- ▶ GRI 305-4 GHG emissions intensity
- ▶ GRI 306-2 Waste by type and disposal method
- ▶ GRI 403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and
- ▶ number of work-related fatalities

Other than as described in the preceding paragraph, which sets out the scope of our engagement, we did not perform assurance procedures on the remaining information included in the Entity’s “2018-2019 Sustainability Report”, and accordingly, we do not express a conclusion on this information.

LIDL Bulgaria’s 2018-2019 Sustainability Report is covering the financial years 2018 (1 March 2018- 28 February 2019) and 2019 (1 March 2019- 29 February 2020).

Criteria applied by Lidl Bulgaria

In preparing the Subject Matter, Lidl Bulgaria applied the requirements of the 2016 version of the GRI Standards.

Lidl Bulgaria responsibilities

Lidl Bulgaria management is responsible for selecting the Criteria, and for presenting the Subject Matter in accordance with that Criteria, in all material respects.

This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the subject matter, such that it is free from material misstatement, whether due to fraud or error.

EY’s responsibilities

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

We conducted our engagement in accordance with the International Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information (‘ISAE 3000’), and the terms of reference for this engagement as agreed with Lidl Bulgaria on the 11th

of February 2020. Those standards require that we plan and perform our engagement to obtain limited assurance about whether, in all material respects, the Subject Matter is presented in accordance with the Criteria, and to issue a report.

The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error.

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

Our Independence and Quality Control

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

EY also applies International Standard on Quality Control 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Description of procedures performed

Procedures performed in a limited assurance engagement vary in nature and timing from and are less in extent than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Our procedures were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance.

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

A limited assurance engagement consists of making enquiries, primarily of persons responsible for preparing the Subject Matter and related information, and applying analytical and other appropriate procedures.

Our procedures included:

- ▶ Performed interviews with the Entity's Management executives in order to understand its corporate responsibility and sustainable development processes, policies and activities for the reporting period.
- ▶ Tested, on a sample basis, underlying source information to check the accuracy and completeness of quantitative data regarding the Entity's sustainable development performance during financial years 2018-2019, as these are presented in the Report.
- ▶ Checked the Entity's process for determining material topics to be included in the Report.
- ▶ Interviewed executives responsible for managing, collecting and processing data related to the GRI

Specific Disclosures under the scope of our engagement, for both internal and public reporting purposes.

- ▶ Checked relevant documentation and reporting systems, including data collation tools.
- ▶ Checked the Report for the appropriate presentation of the GRI Specific Disclosures under the scope of our engagement, a procedure which also included discussions about limitations and assumptions relating to the way these data are presented.

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

Conclusion

Based on our procedures and the evidence obtained, we are not aware of any material modifications that should be made to the Entity's "2018-2019 Sustainability Report", in order for it to be in accordance with the Criteria.

Restricted use

This report is intended solely for the information and use of Lidl Bulgaria in accordance with the terms of reference agreed between us and is not intended to be and should not be used by anyone other than Lidl Bulgaria.

Sofia, 09 December 2020

For and on behalf of ERNST & YOUNG AUDIT OOD

Milka Natcheva
Partner

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Sustainable Development Report
2018-2019