

# A BETTER TOMORROW

SUSTAINABILITY REPORT 2017

LIDL  
SLOVAKIA



# HOW TIME WENT BY

Each one of us is an integral part of society, which is why Lidl cares about the future of Slovakia. We are aware that its future lies in children, so we have chosen a girl and a boy to guide you throughout this document. All you need to do is take their hand and set out on a journey together. They will show you everything we have already achieved as well as our future plans on our way towards a **better tomorrow**.

How to read this sustainability report?

- **4 areas = 4 colors**

The topics discussed in this report are divided into four areas. They are color-coded to help you know which one you are currently reading about.

- **GRI indicators and how they are labeled in the text**

The text contains direct references to relevant GRI indicators.

You can always find their numbers at the bottom of the page.

There is also a GRI index at the end of this report, which includes references to specific pages where individual indicators are reported.

- **SDGs = Sustainable Development Goals**

At the end of each topic, we list our goals along with relevant UN Sustainable Development Goals using their icons.

## 2017

This document is our first sustainability report and it covers the financial year 2017 (1 March 2017 to 28 February 2018). It provides information about all activities and measures that we focused on this year, along with indicators and results. We have also listed our future goals and commitments for each individual topic.

## 2025

This will be a year of fulfilling commitments. We want to achieve a 100% recyclability rate for the plastic packaging used for our own brands, reduce the total amount of packaging material by 20%, and reduce the amount of added sugar and salt in the products sold under our own brands by 20%.

By 2025, we will no longer purchase and use cage eggs, which covers the sale of fresh eggs as well as their use in products sold under our own brands. Our goal is to systematically develop the topic of sustainability.

## 2004

In September 2004, we entered the Slovak market and opened the first 14 stores. After a few months of dynamic expansion, their number had increased to 39 by the end of the year.



# ABOUT THIS REPORT

## CONTENT

This document is the first sustainability report published by Lidl Slovenská republika v.o.s. (Lidl Slovakia), covering the financial year 2017 (1 March 2017 to 28 February 2018).<sup>1</sup> The report summarizes all of Lidl's strategic goals, activities, and projects which have significant economic, social, and environmental impacts and which have been identified as relevant by all stakeholders. Lidl's activities in these areas are divided into separate chapters, which are composed in accordance with the structure for all potentially strategically relevant sustainability topics in the food retailing sector as defined by the parent company Lidl Stiftung & CO, KG. These topics are: Resources & Agriculture, Supply Chain & Processing, Operation & Processes, and Customer & Society. This categorization also applies to all subsidiaries. This sustainability report is intended for Lidl Slovakia's business partners, customers, and employees, the media, experts, representatives of the public and non-profit sectors, and the general public.

## DATE OF PUBLISHING

31 August 2018<sup>2</sup>

## REPORTING GUIDELINES USED

This report was created in line with the international standards of the Global Reporting Initiative (GRI). The GRI Sustainability Reporting Standards (GRI Standards) are the first global set of standards that can be used to create reports on corporate social responsibility and sustainability. This report was created in line with the core version of the GRI standards.<sup>3</sup> The indicators used in the report are based on the GRI Content Index, which can be found on pages 152–157.

## REPORTING CYCLE

Lidl Slovakia intends to publish its sustainability report every two years and update the information annually.<sup>4</sup>

## EXTERNAL VERIFICATION

The compliance of this report with the GRI Standards has been verified for selected disclosures by an external auditor – Ernst & Young Slovakia, spol. s. r. o. The verifier's conclusion can be found in the final chapter of the report on pages 158–168. In addition to compliance with the GRI Standards, Ernst & Young Slovakia, spol. s. r. o. also verified the quantitative and qualitative correctness of selected indicators.<sup>5</sup>

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**Do you want to learn more about our approach to sustainability?  
Send us an email at [csr@lidl.sk](mailto:csr@lidl.sk)!**



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Join us on an adventurous journey  
towards a better tomorrow!  
Visit our website and learn more  
about sustainability at Lidl.  
[www.spolocenskazodpovednost.sk](http://www.spolocenskazodpovednost.sk)

1.

# A WORD FROM OUR CEO



# A WORD FROM OUR CEO<sup>1</sup>

The topic of corporate social responsibility is more relevant than ever before. It is important for companies to realize what impact their activities have on the environment as well as their employees, business partners, community, and surroundings. Therefore, I am incredibly glad that Lidl Slovakia has reached a position that allows (and also obliges) us to be actively engaged in the area of corporate social responsibility. This is our opportunity to give back to society (even if only partially) and secure the best conditions possible for future generations. As our motto goes, we hope to contribute to **“A better tomorrow”**. Of course, the health and satisfaction of our customers come first, which is why product quality and safety are our top priorities. As a result, we view corporate social responsibility in the context of our product range. Our purchasing agents select products on a daily basis, always keeping in mind their effect on sustainability and the health of our customers. But even the best sales concept and goods would be useless without motivated employees, who are an integral ingredient of success. Caring for our co-workers is an important commitment for us. We support our employees through a wide range of training activities, but also by prioritizing existing employees when filling vacancies. Lidl cares about the future of our country, which is why we focus on improving healthcare for young patients with severe health issues, but we also try to help with children’s development and education. Our goal is to be good neighbors in the communities where our stores operate. We care about the world we live in now as well as the world we will leave our children. We understand what effects climate change has on people and the environment, which is why we are constantly looking for new ways of contributing to environmental protection.



**Matúš Gála**  
CEO of Lidl Slovakia



Rather than organizing isolated events, our whole structure of strategically relevant sustainability topics focuses on turning our activities into long-term projects that are interlinked, thus allowing for gradual, large-scale social change in all relevant areas. Because of that, the first group of sustainability topics – Resources & Agriculture – focuses on animal welfare and the protection of biodiversity. We realize that the key to a successful business lies in stable, long-term business relationships. Therefore, the second strategic area – Supply Chain & Processing – focuses on ensuring fair remuneration and minimum social standards for our suppliers. If we want to implement green solutions and modern technologies in our stores, we first need motivated employees. The third area – Operation & Processes – takes care of our excellent co-workers and ensures a pleasant work environment. We are the only traditional chain of discount supermarkets in the Slovak market. Our business is based on good prices and a simple range of fresh products. The last area – Customers & Society – brings customers and a sustainable product range to the center of attention. The CSR decisions in these four strategic areas are directly overseen by our senior managers, who are responsible for our CSR values.

Responsibility is our way of ensuring quality while also thinking about the future every day. We are convinced that as a global company, it is Lidl’s duty to react to the greatest social challenges and improve the conditions we live and work in. We use our global experience and our employees’ unique skills to create innovative solutions and we are proud of our local projects and the outcomes presented in the infographic on the following page.

Sustainability is ingrained in all of our company principles as well as our everyday work. It is part of our company DNA and also represents our attitudes. Since transparency is one of our key principles, we decided to create this sustainability report, which presents the impact and outcomes of our CSR activities. This Lidl Sustainability Report – the first one of its kind published in Slovakia – is written in accordance with the international GRI Standards.

Together with our 4,098 employees, who act as our sustainability ambassadors, we try to make our country a better place for life and work. I hope that you too will join us on our journey towards **a better tomorrow**.

I wish you a pleasant and inspiring read.

2.  
OUR CSR ACTIVITIES  
IN A NUTSHELL



# OUR CSR ACTIVITIES IN A NUTSHELL

**9,320 HOURS**

of trainings attended by our employees in tailor-made educational programs.

**39.7%**

of our stores used state-of-the-art LED technology.

**1,772**

of our business partners were informed about anti-corruption policies and the fight against bribery.

**100%**

of our employees attended a training focusing on energetic efficiency.

**96%**

of our total energy consumption consisted of electricity from renewable resources.

**432,498**

fans on Facebook received regular information about our responsible activities.

**109**

of the articles published on our internal LidlNet network focused on corporate social responsibility.

**185,000**

trees were planted in the forests of the High and Low Tatras damaged by a natural disaster.

**53**

neonatal care centers in Slovakia which allow mothers to give birth free of charge received new sets of neonatal intensive care units to save premature babies, all thanks to our customers. Around 55,000 children are born in Slovakia every year and more than one tenth of them need medical assistance right after birth. To combat this problem, over the last few years we have donated equipment worth **€2.5 million** to hospitals. This equipment also includes machines used to detect congenital heart defects and cure neonatal jaundice, which are available for all newborn children.

**€2,000,000**

The total value of CSR projects that we organized together with our customers in the previous financial year.

**10**

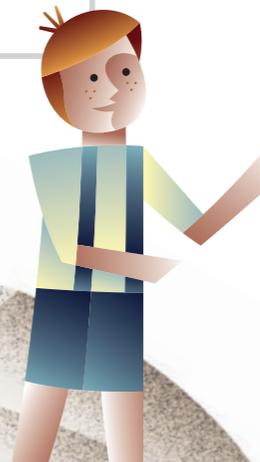
Slovak cities received modern and safe Lidl playgrounds for children, the so-called "Žihadielka" (Stingers).

**A 23%**

increase in the value of goods from Slovak suppliers between the financial years 2016 and 2017 (in terms of purchaser prices).

**100%**

of our suppliers committed to conduct business in accordance with our Code of Ethics by signing cooperation agreements.



# 3. ABOUT US

## IN THIS CHAPTER

- 3.1 BASIC INFORMATION ABOUT OUR BUSINESS
- 3.2 OUR MAIN COMPANY PRINCIPLES
- 3.3 OUR AWARDS FOR THE FINANCIAL YEAR 2017



# ABOUT US

// *He who stops being better stops being good.* //



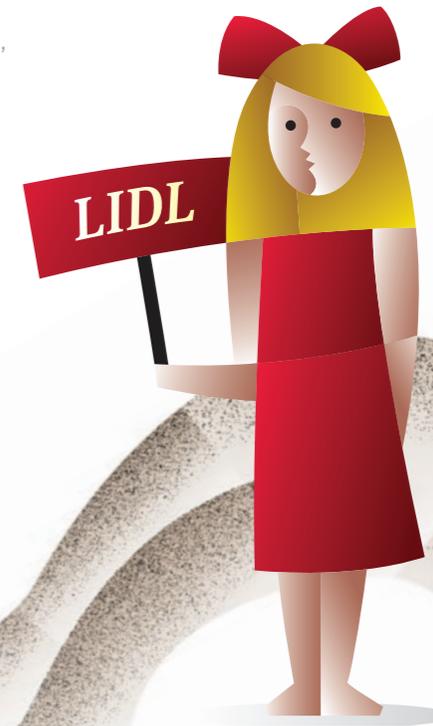
# BASIC INFORMATION ABOUT OUR BUSINESS

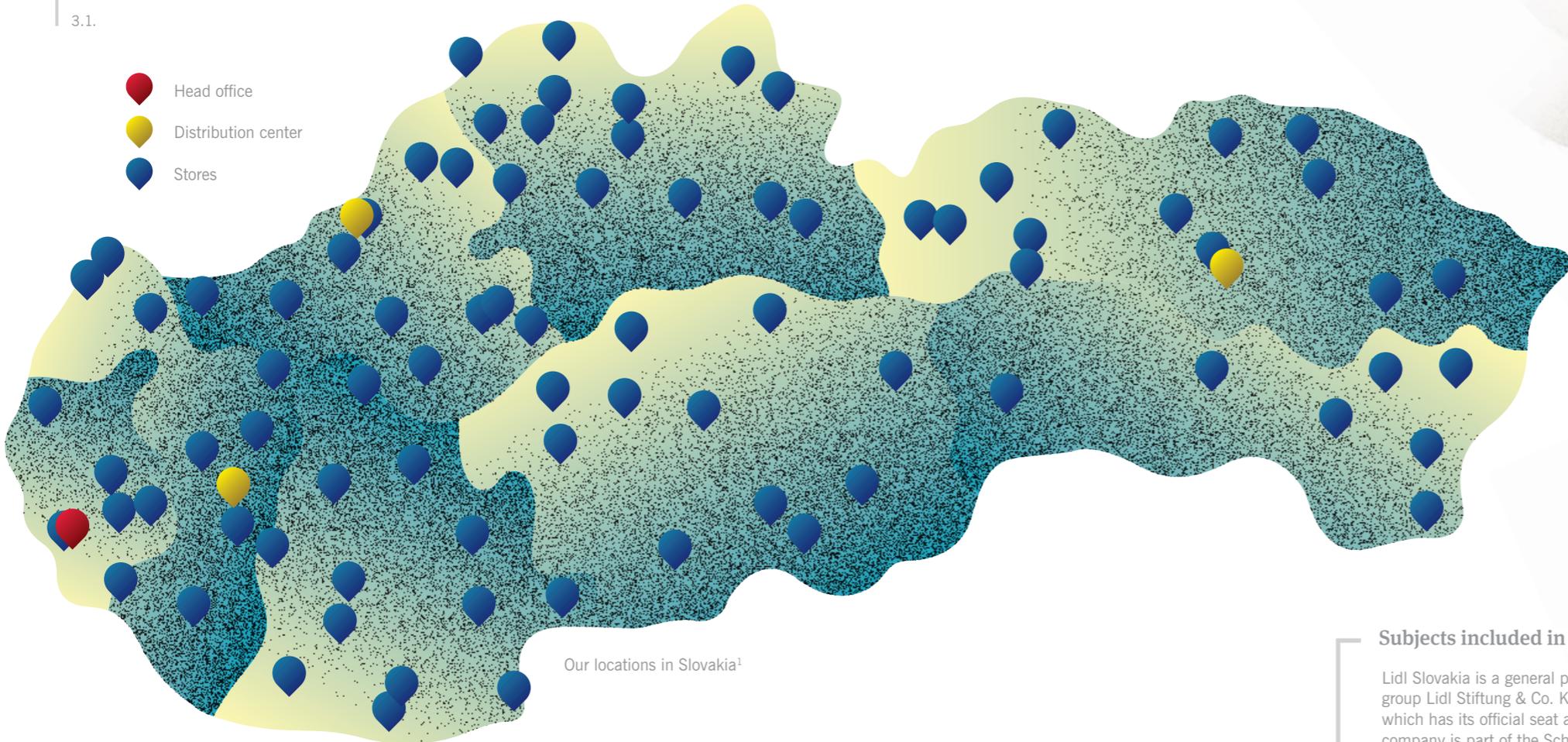
## LIDL IN SLOVAKIA

The company entered the Slovak market in September 2004 by opening the first 14 stores.

After a few months of dynamic expansion, their number had increased to 39 by the end of the year. At the end of the financial year 2017, the Lidl Slovakia chain included 131 supermarkets in 90 cities and towns all over Slovakia.

These stores are supplied from three distribution centers located in Nemšová, Záborské, and Sereď.<sup>1</sup>





Our locations in Slovakia<sup>1</sup>

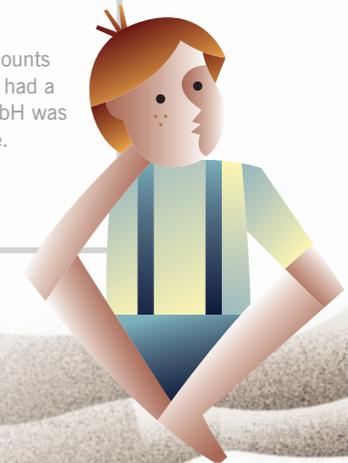
The company's main business activity is the retail sale of food and consumer goods in its chain of Lidl stores. In addition to food (such as dairy, frozen food, fresh meat, fresh fruit and vegetables), we also offer non-food products such as cosmetics, clothes, and smaller electrical appliances. The company's full list of business activities can be found in the Slovak Commercial Register. We are a leading retailer in Slovakia, aiming to appeal to a wide range of customers with our goods, services, and product range. A long-term trend shows that Slovak consumers primarily care about freshness, quality, and good prices. We also see a lot of interest in products sold under our own brands.

Our concept of Lidl brands allows us to offer our customers high-quality products for good prices. This gives us the opportunity to influence the quality of our goods, while our targeted purchases and the large volumes of goods purchased from our suppliers enable us to sell our products at reasonable prices. In the case of our own brands, which comprise a majority of our product range, we have a large amount of control over the ingredients and quality of products.<sup>2</sup> Our customers are the end consumers of our products and services (which means that we conduct business in a B2C market).<sup>3</sup>

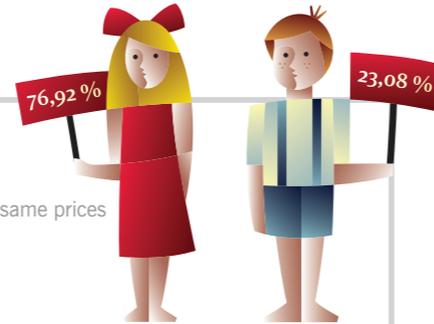
**Subjects included in our consolidated financial statement<sup>4</sup>**

Lidl Slovakia is a general partnership. The company is an indirect subsidiary of the German corporate group Lidl Stiftung & Co. KG.<sup>5</sup> Consolidation at a group level is managed by Lidl Stiftung & Co. KG, which has its official seat at Stiftsbergstr. 1, Neckarsulm, Baden-Württemberg 74172, Germany. The company is part of the Schwarz retail group.

On 28 February 2018, C E Beteiligungs-GmbH had a 100% share in the company, which amounts to €148,867,000. On the previously mentioned date, Lidl Holding Slovenská republika, s.r.o. had a 0% share in the company, which amounts to €0. On 28 February 2018, C E Beteiligungs-GmbH was entitled to 148,867 votes while Lidl Holding Slovenská republika, s.r.o. was entitled to 1 vote.



**Important figures for the financial year 2017:<sup>1</sup>**



**General**

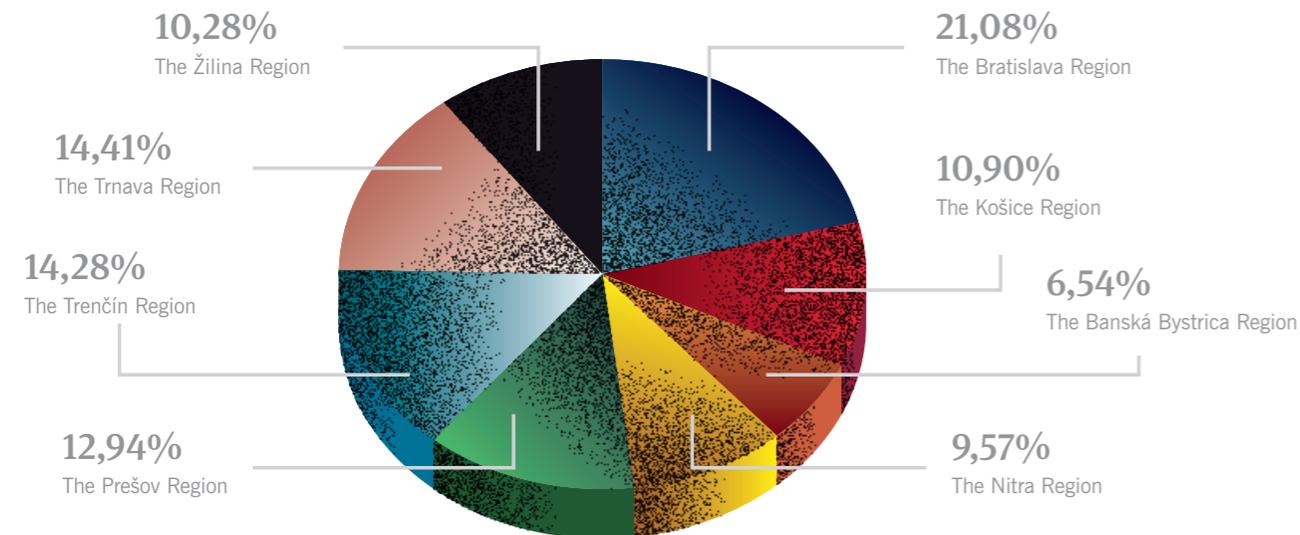
- ▣ 131 – number of stores in Slovakia, each one offering the same product range for the same prices
- ▣ €1,149,997,000 – our net revenue

**Product range**

- ▣ Approximately 1,700 products – our permanent product range
- ▣ 83% – the part of the permanent product range made up of our own Lidl brands
- ▣ 23% – the share of products from Slovak suppliers in the total value of our products
- ▣ 6.57% – the share of products that had the sustainability certificates Bio, Fairtrade, FSC, UTZ, or MSC considering the total value of all products

**Employees**

- ▣ 4,098 – the total number of employees
- ▣ Women 76.92% / men 23.08% of the total number of employees
- ▣ 99.56% of our employees working full-time, 77.39% of them women and 22.61% men
- ▣ 0.44% of our employees – temporary work contracts, 30% of them men and 70% women
- ▣ 15 nationalities in the Lidl Slovakia work force
- ▣ Employees according to age group (30 and younger: 29.29%, 31–50: 61.72%, 51 and older: 8.98%)
- ▣ Employees according to work contract type: full-time employees – 60.55% (27.97% of them men and 72.03% women), part-time employees – 39.45% (15.57% of them men and 84.43% women)
- ▣ Employees according to Region:



**Membership in industry trade groups and CSR initiatives**

**Industry trade groups and organizations in Slovakia<sup>2</sup>**

- ▣ SAMO – the Slovak Alliance of Modern Trade (established in 2014 with Lidl as one of its initiators)
- ▣ The German-Slovak Chamber of Industry and Commerce (since October 2013)
- ▣ AICO – The Association for Internal Communications (since September 2015)
- ▣ Fair Trade Initiative in Slovakia (since February 2018)

**CSR initiatives<sup>3</sup>**

- ▣ Business Leaders Forum (since March 2017)

**LIDL AROUND THE WORLD**

As part of the Schwarz retail group, Lidl is a leading retailer in Germany, Europe, and the United States. Lidl has a presence in 30 different countries, operating more than 10,000 stores and 150 distribution centers across 28 countries. In total, Lidl provides employment for more than 260,000 people around the world.<sup>4</sup>



# OUR MAIN COMPANY PRINCIPLES<sup>1</sup>



// We understand that in order to succeed we must harmonize the basic principles of our business – simplicity and customer focus – with a responsible approach towards our employees, customers, and suppliers as well as the environment and society. We have made sure to ingrain this philosophy in our company principles." //

**Matúš Gála**  
CEO

As an international company, we are aware of our size and public visibility. We respect and recognize the diversity of cultures, their values, and traditions.



## Our work is characterized by the following company principles:

- ▣ Customer satisfaction is our highest priority.
- ▣ Superior quality for the lowest price possible determines our position in the market.
- ▣ Our continued growth is determined by expansion and constant improvement in our stores.
- ▣ As an efficient company, we work according to defined processes and procedures.
- ▣ In our daily activities we make sure to abide by the law and internal guidelines.
- ▣ **We are an economically, socially, and environmentally responsible company.**
- ▣ Fairness to all in the company is imperative.
- ▣ We respect and encourage each other.
- ▣ Agreements are upheld in an atmosphere of trust.
- ▣ Recognition, acknowledgment, and constructive feedback determine the operating environment in our daily work.
- ▣ We foster an environment for leadership growth to ensure continuous success.

We always try to take on a responsible approach towards people and nature. We protect human dignity, fight forced and child labor, and reject discrimination of any kind. We are committed to improving environmental and climate protection, and we offer our co-workers fair remuneration as well as a safe and healthy working environment. All of these rules and many others are enshrined in our **Code of Ethics**, which aims to ensure adherence to social standards among all our partners. Because of this, the Code of Ethics is included in every contract we sign. Not only do the working conditions of our own employees matter, but we also care about the working conditions of our suppliers' employees. We avoid suppliers who do not comply with this position and refuse to support sustainability. Our goal is to continue developing these standards and work with our suppliers to document any new measures and decisions that need to be taken.

Our activities prove that we stand by our words and we are continuously working on achieving our motto – **A better tomorrow.**



# OUR AWARDS FOR THE FINANCIAL YEAR 2017

Not only is Lidl Slovakia popular with consumers, but with expert juries as well. We have received awards from prestigious competitions that we have been attending for several years now.

## MASTERCARD RETAILER OF 2017

Mastercard's award is intended for the best retailers in various categories. In 2017, we managed to win first place in two of them:

- ▣ 1st place – Mastercard People's Choice Award 2017 (earning 62,973 votes out of the total 111,442!)
- ▣ 1st place – Mastercard Food Retailer 2017

## VIA BONA SLOVAKIA 2017

A unique Slovak prize that has been awarded since 1998 in order to promote examples of corporate social responsibility and inspire other companies. This year, we received first place for our employee policies:

- ▣ 1st place – Great Employer

## BEST EMPLOYER OF 2017

JA prestigious competition organized by Profesia.sk – the best-known employment website in Slovakia. Compared to 2016, we managed to improve our image in the eyes of the general public, helping us win the following award:

- ▣ 1st place – Commerce and Services

## TOP EMPLOYER 2018

The Top Employers Institute is a global certification company that recognizes employers with an excellent employee-focused approach and good opportunities for employee development. **In February 2018, we became the first company in Slovakia to repeatedly receive the TOP EMPLOYER SLOVAKIA and TOP EMPLOYER EUROPE certificates for the Retail category.**



## HERMES COMMUNICATOR OF 2017

The only prize in Slovakia awarded to the organization with the best customer communication model. In 2017, we managed to win the main category (Best Company Communication) for the third time in a row. But that is not all since we also managed to win in the following categories:

- ▣ 1st place – PEOPLE'S CHOICE GRAND PRIZE
- ▣ 1st place – People's Choice Award in the RETAIL CHAIN category
- ▣ 1st place – Best communication in the RETAIL CHAIN category
- ▣ 1st place – 2017 Agency Prize in the Crisis Communication category
- ▣ 1st place – 2017 Agency Prize in the Innovative Marketing Approach category

## MÚZA MERKÚRA (THE MUSE OF MERCURY) 2017

An award for the most creative marketing and communication projects organized by Slovak retailers. Lidl was successful in the following categories:

- ▣ 2nd place – the Retail CSR category for the “Kamil and Emil” project
- ▣ 3rd place – the POS Product Placement category for the “Baby Shelf” project
- ▣ 3rd place – the Promotional Activities and Events category for the “Roses for International Women's Day” project

## BEST COMPANY MEDIA OF 2017

A competition where the Company Media Club identifies the best forms of internal and external corporate communication in several categories. This year, we won first prize for our internal communication and we were also successful in other categories:

- ▣ 1st place – for “Medzi nami” (Among Us) – Lidl Slovakia's internal magazine
- ▣ 3rd place – the Website and Intranet category for our careers website
- ▣ 3rd place – the Viral and Audiovisual Presentation category for our Lidlshop
- ▣ 3rd place – the Facebook Pages category

## MOST TRUSTWORTHY BRAND OF 2017

Trustworthy Brands is a marketing program in the Slovak market which monitors and rewards Slovak brands that Slovak consumers trust the most. **In 2017, we became the most trustworthy brand in the Food Retailer category.**

## THE MERKÚR AWARD

This award goes to the company that pays the highest income tax of all companies registered at the Tax Offices of individual regions of Slovakia as well as the Special Tax Authority. The Merkúr Award is presented by the Slovak Financial Directorate and Lidl has received it three times now.

# 4. OUR APPROACH TOWARDS SUSTAINABILITY

## IN THIS CHAPTER

- 4.1 HOW WE VIEW SOCIAL RESPONSIBILITY
- 4.2 THE LIDL CSR MODEL
- 4.3 OUR CSR TEAM
- 4.4 STAKEHOLDER DIALOG
- 4.5 STAKEHOLDER ANALYSIS AND THE SELECTION OF RELEVANT TOPICS



# HOW WE VIEW SOCIAL RESPONSIBILITY



Sustainability and responsibility are our way of ensuring quality while also thinking about the future every day. Because of that, we try to become more efficient and sustainable in all areas of our business. We also use simple procedures to set and fulfil strategic goals in five areas of corporate social responsibility: **the environment, society, product range, suppliers, and employees.**

## THE ENVIRONMENT

### Why we do what we do

We act responsibly towards the environment since quality and efficiency can only be achieved when acting in accordance with sustainable strategies.

### Our strategy

Every day, we work on making our procedures and technologies as sustainable as possible.

### Specific measures

- We invest in sustainable and energetically efficient technologies.
- We make efficient use of renewable energy.
- We are constantly optimizing our distribution system.
- We actively promote recycling

## SOCIETY

### Why we do what we do

As a large company with a wide presence, we can have a specific positive impact on society.

### Our strategy

We act responsibly because we want to be a good neighbor and a supporter of social responsibility everywhere we operate.

### Specific measures

- We focus on improving the health care of young patients with severe health problems, educating children, supporting sports activities, improving natural ecosystems, and volunteering.
- We promote an active, balanced, and responsible lifestyle.

## PRODUCT RANGE

### Why we do what we do

Corporate responsibility is important for our product range because it helps improve the quality of the products we offer.

### Our strategy

We work on improving and refining our standards of quality.

### Specific measures

- We make sure to offer high-quality products under our own brands.
- We are gradually increasing the volume of products with sustainability certificates and we also support responsible fishing.

## SUPPLIERS

### Why we do what we do

We act responsibly towards our suppliers because our standards of quality lead to stable business relations.

### Our strategy

We improve and develop these business relations.

### Specific measures

- Our standards of quality have long-term validity and they are transparent.
- Our Code of Ethics is included in all cooperation agreements.

## EMPLOYEES

### Why we do what we do

We act responsibly towards our employees because a good working environment is vital for success and good performance.

### Our strategy

We try to create the ideal working conditions for our employees and support their personal responsibility, team spirit, and good performance.

### Specific measures

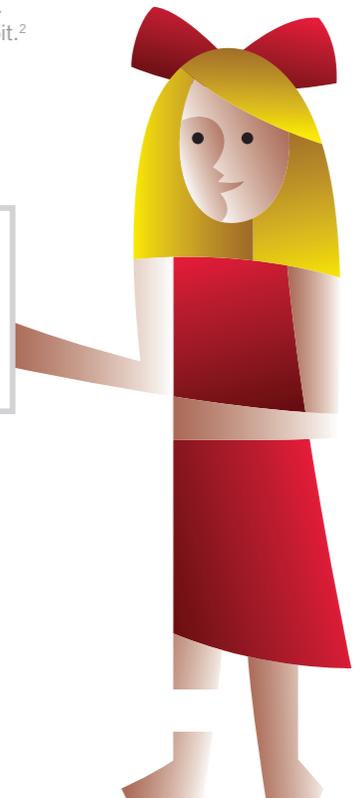
- We have tailor-made development paths for all employees.
- We offer fair and modern work conditions and equal opportunities for every employee.
- We promote a good work-life balance.



We want to make business decisions that either prevent potential damage to the environment and public health or contribute to their mitigation. The precautionary approach enshrined in the Rio Declaration on Environment and Development is also included in our company principles, making it an integral part of our company culture.<sup>1</sup>

Thanks to our structure of strategically relevant sustainability topics in the food retailing sector, we are constantly assessing risks and opportunities and we try to react to all challenges related to sustainability. We are aware that changes in legislation, fluctuating prices, or unavailable resources can influence our product range and production. Other problems like a lack of water, planting monocultures, or the consequences of climate change can have a negative impact on our strategic areas, which are dependent on agricultural production. Other challenges include the lack of a qualified labor force, the brain drain of young people from Slovakia, or the low competitiveness of domestic suppliers. As a good partner for the community, we realize that it is our duty to react to the greatest issues in the country where we operate. According to the IPSOS “Public Opinion in Slovakia 2017” survey, these include corruption, poverty, unemployment, poor health care, and a low-quality educational system. We try to address many of these problems through our CSR projects, thus also spreading awareness about the need to help. We strongly believe can everyone can contribute to a good cause, even if just a bit.<sup>2</sup>

We see sustainability as a guarantee of quality, while quality is a guarantee of the long-term viability of our company. Our CSR strategy is also inspired by the 17 Sustainable Development Goals (SDGs) set by the UN. The activities we use to achieve the SDGs are indicated in individual chapters of this report.



# A RESPONSIBLE SUPPLY CHAIN

Our suppliers are selected using the following transparent criteria: quality, the ability to regularly supply the required quantities, and price. Our philosophy is to offer all customers quality products for the best prices possible. That is why all 131 of our stores offered the same products for the same prices in 2017. Our distribution system relies on three distribution centers located in Sered', Nemšová, and Záborské, which then distribute the goods to our stores. These distribution centers allow us to have a centralized system of quality control since the goods are checked immediately upon receipt.



In the financial year 2017, our main focus was more active cooperation with Slovak suppliers, increasing their number by 10.8% in comparison with the financial year 2016. Slovak suppliers provide their products for both our regular and special product offer, supplying us with fruit and vegetables as well as consumer goods. In our food product range, Slovak suppliers often provide poultry, wine, beer, honey, and temperate vegetables. Contracts with these suppliers are signed by our Purchasing Department. What makes us different from our competition is the time our customers spend shopping, which is shorter since the products for our range are pre-selected and we focus on fast-moving consumer goods.

As much as 83% of our product range consists of Lidl brands. The most important suppliers of these brands include OWIM GmbH & Co. KG, OGL – Food Trade, Juan Garcia Lax GmbH, HYZA a.s., and VITA - ZEL.

The most important Lidl brands include Saguaro, Pilos, Alesto, Pikok, Milbona, Dulano, Crivit, Parkside, SilverCrest, and Esmara.<sup>1</sup>



# THE LIDL CSR MODEL

## Resources & Agriculture\*

- Protection of Ecosystems**
- Land Usage
  - Biodiversity
  - Pollution
  - Irrigation
- Animal Welfare Standards**
- \* **Animal Welfare**
- \*topic covered by this report

Social expectations, regulatory requirements, market competition, but even understanding that we are responsible for our impact and our effort to become a transparent company. Those were the things that motivated our parent company Lidl to define the basic points to be included in our sustainability report for the financial year 2017. These basics are the same for all countries where Lidl operates. This resolute action is part of a global Lidl program called CSR2020, which aims to allow each one of Lidl's subsidiaries (in all countries where Lidl operates) to start reporting CSR information in an efficient and professional manner.

## Supply Chain & Processing

- Environmental Standards along the Supply Chain**
- Climate Protection
  - Conservation of Resources
  - Transportation
  - \* **Packaging**
- Social Standards along the Supply Chain**
- Occupational Health and Safety
  - Labor rights
  - \* **Remuneration**
  - Human Rights
- Supplier and Market Development**
- Supplier Assessment
  - Supplier Awareness and Training
  - \* **Fair Business Relations**
- \*topics covered by this report

## Corporate Environmental Management

- Corporate Environmental Management**
- Climate Protection
  - Conservation of Resources
  - Transportation
  - \* **Planning & Construction**
  - \* **Food Waste**
- Employee Responsibility**
- Occupational Safety and Health Promotion
  - Labor rights
  - \* **Remuneration**
  - Diversity and Inclusion
  - \* **Training and development**
  - \* **Life Balance**
- \*topics covered by this report

## Customer & Society

- Design of the Product Range**
- \* **Sustainable Products**
  - \* **Local Sourcing**
  - \* **High-quality Products and Product Safety**
- Transparency at Point of Sale \*\***
- \* **Traceability**
  - Ingredients and Nutrition Information
  - Product Labeling
- Social Value Creation**
- \* **Corporate Citizenship**
  - \* **Security of Supply**
  - \* **Compliance**
  - \* **Local Development**
  - \* **Cooperation**
- Responsible Communication**
- \* **Stakeholder**
  - \* **Communication Dialogue**
  - \* **Customer Awareness**
  - Lobbying
  - \* **Employee Awareness**
- \*topics covered by this report

## THE AREAS OF STRATEGICALLY RELEVANT SUSTAINABILITY TOPICS FOR LIDL

Our responsibility model can be viewed as a gradual process of creating values. It is divided into four important phases:

### Resources & Agriculture

Agricultural products form the basis of the food sector. Therefore, it is immensely important to apply principles of sustainability in the earliest phase of production – growing crops and raising livestock. Our first strategic area focuses on the protection of ecosystems and together with our suppliers we also discuss ways of improving the living conditions of animals.

### Supply Chain & Processing

The second strategic area includes the processing of resources and especially our cooperation with suppliers. It is our goal to have our business partners maintain social and environmental standards throughout the whole supply chain. Because of that, we keep promoting an active dialog with them more and more because it helps us identify their impact on the environment, people, and society. On the other hand, as a fair market player we care about the protection of human rights, fair remuneration, healthy and safe working conditions, and correct business relations, which are enshrined in our Code of Ethics.

### Operation & Processes

Our company's direct sphere of influence starts in the third strategic phase, which enables us to distinguish ourselves from our competition. Our ambition here is to minimize the impact that our stores and distribution centers have on the environment by using modern technologies and implementing innovations. This phase also focuses on our employees, who deserve the best conditions for work and professional development as well as an inspirational work environment. We try to differentiate ourselves from our competition by providing motivating wages above the market average and work duties that ensure a good work-life balance.

### Customer & Society

Our company can only achieve true social impact if our employees, customers, and other partners all participate in sustainable activities. That is why we try to offer our customers products with international certificates of sustainability, support Slovak suppliers, and focus on products with a lower content of added sugar and salt. In order to make these choices easier, we always focus on transparently communicating the nutritional values and origin of our products. We also care about local communities, young families with children, and disadvantaged groups, which is why these groups are the target of our socially responsible projects. Our activities and their outcomes are communicated responsibly and openly through a variety of channels and we actively listen to the needs of our customers so that we can provide products and services with added social value.

# THE JOURNEY OF A TOMATO

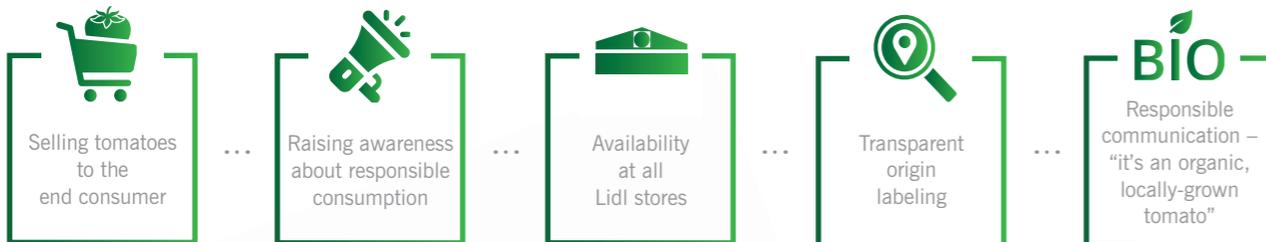
## Resources & Agriculture



## Supply Chain & Processing



## Customer & Society

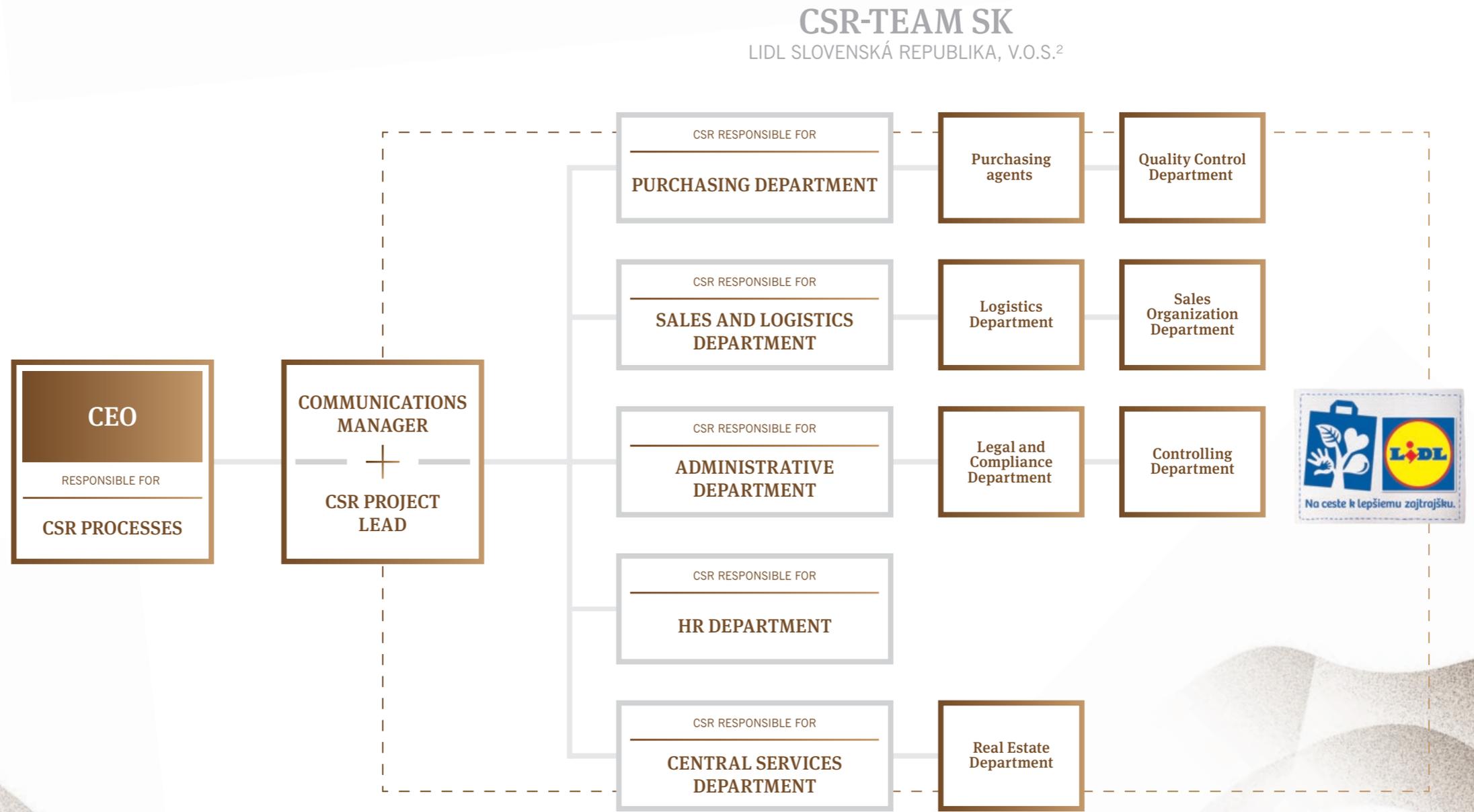


## Operation & Processes



# OUR CSR TEAM

The values of sustainability are directly guaranteed by the senior management of Lidl Slovakia. Our CEO Matúš Gála is directly responsible for all of our sustainable goals and activities. The implementation of our CSR strategy and communication with stakeholders is managed by our Communications Department. Our company also has a wider CSR team made up of people from individual departments and sustainability experts. The team organizes regular meetings where we discuss sustainability trends as well as the successes and challenges individual departments experience in their daily work. The organization of these meetings and communication of CSR topics and questions is managed by our CSR Project Lead, who communicates with both our parent company Lidl as well as our employees. All measures and goals agreed upon by the CSR team are presented to the management afterwards. The management is responsible for the systematic development of sustainability topics and ensuring that they are in line with the strategy and main business activities of our company.<sup>1</sup>



# STAKEHOLDER DIALOG



// \_\_\_\_\_  
 Regular exchanges of views and information with stakeholders and collecting feedback are vital steps to sustainability management in our company. Rather than asking our partners about their opinions solely for the purpose of creating this sustainability report, we lead regular discussions throughout the whole year. \_\_\_\_\_ //

**Tomáš Bezák**  
 Communications Manager

Exchanging information with our partners is a two-way process. We make sure to actively communicate and inform about our impact in selected CSR areas through personal discussions, press releases, our intranet, and leaflets, while our partners give us valuable feedback and their expert advice to help us improve our projects and activities. Throughout the year, our CEO and our Communications Manager organize regular meetings with civic associations that we support (such as the Slovak Red Cross) and other organizations and partners who are key players in the food sector (such as SAMO, the Supply Chain Initiative, the Food Chamber of Slovakia, the Slovak Agriculture and Food Chamber, and the Ministry of Agriculture and Rural Development of the Slovak Republic) in order to lead a constructive dialog.

Our goal for 2018 is to start organizing a round-table discussion where representatives of Lidl will meet with representatives of our most important stakeholders to discuss the impact of our activities on the economy, the environment, and society.<sup>1</sup>

### Our most important business partners:<sup>2</sup>

- ☐ Customers
- ☐ Employees
- ☐ Suppliers
- ☐ The non-profit sector
- ☐ The media
- ☐ Authorities and the government
- ☐ The public



### What tools do we use to communicate with our external partners?<sup>3</sup>

- ☐ Lidl leaflets, newsletters, and other marketing materials
- ☐ POS visual communication
- ☐ The <https://www.lidl.sk/> website
- ☐ Social media (Facebook, Instagram, LinkedIn, and YouTube)
- ☐ Press releases for journalists
- ☐ Our customer service helpline
- ☐ Interest groups and associations that we have joined
- ☐ Personal meetings and discussions

### What tools do we use to communicate with our internal partners?<sup>4</sup>

- ☐ Our "LidNet" intranet
- ☐ Our "Medzi nami" (Among Us) magazine
- ☐ Our CSR calendar
- ☐ Noticeboards, stands, and visual communication materials
- ☐ Our CSR team
- ☐ Trainings for new employees
- ☐ Internal newsletters
- ☐ Workshops

### Important topics for the financial year 2017:<sup>5</sup>

Supporting Slovak Suppliers, Food Waste, Transparent Product Labels, Food Quality and Safety, Remuneration Policies, Good Living Conditions for Animals, Local Development

# STAKEHOLDER ANALYSIS AND THE SELECTION OF RELEVANT TOPICS

In order for our sustainability report to fulfil all GRI requirements in regard to its content and quality, the members of our CSR team attended several trainings before they started working on it, including a specialized GRI Standards training that took place both in Slovakia and in Germany. The next step after these trainings was a large-scale analysis that took place between September 2017 and February 2018. Its results were used to select 22 strategic topics out of the total 43 defined by Lidl. These were then used as a basis for this sustainability report. The topics are reflected in Lidl's CSR strategy as well as its main goals and activities, while the results are regularly checked by the parent company. During the whole process of preparing this report, we received help from the Pontis Foundation – GRI's organizational partner in Slovakia. The Pontis Foundation helped us comply with all GRI reporting principles during data collection, report preparation, and the final phase of writing the sustainability report, not to mention the Foundation's help with delimiting the individual topics.<sup>1</sup>



// \_\_\_\_\_  
This was Lidl's very first comprehensive stakeholder analysis in Slovakia. Representatives of all our stakeholders participated, allowing us to collect almost 1,200 valuable opinions and constructive comments on individual CSR topics that are relevant for us. \_\_\_\_\_ //

**Zuzana Sobotová**

CSR Project Lead

### Stakeholder = an interested party/interest group/business partner/individual

An individual, group of individuals, or organization that comes into direct or indirect contact with our company. Stakeholders have the ability to influence our activities, goals, and policies in the area of corporate social responsibility (and others). Conversely, they are also influenced by our company. Like other companies, Lidl distinguishes between internal stakeholders (employees) and external stakeholders (customers, suppliers, business partners, the media, the government, non-profit organizations).

### How we identified the relevant stakeholders<sup>2</sup>

Our parent company has a globally defined framework with 6 basic groups of partners (stakeholders) whose opinions must be considered when writing each country's sustainability report. These groups include our **customers, employees, suppliers, the media, the non-profit sector, and the government (i.e. the public sector)**. We view our customers as the most important group, which is why this stakeholder group had a 50% weight in the stakeholder analysis, while the other five groups had equal weights of 10% (i.e. 50% altogether). All of these requirements are reflected in our sustainability report.

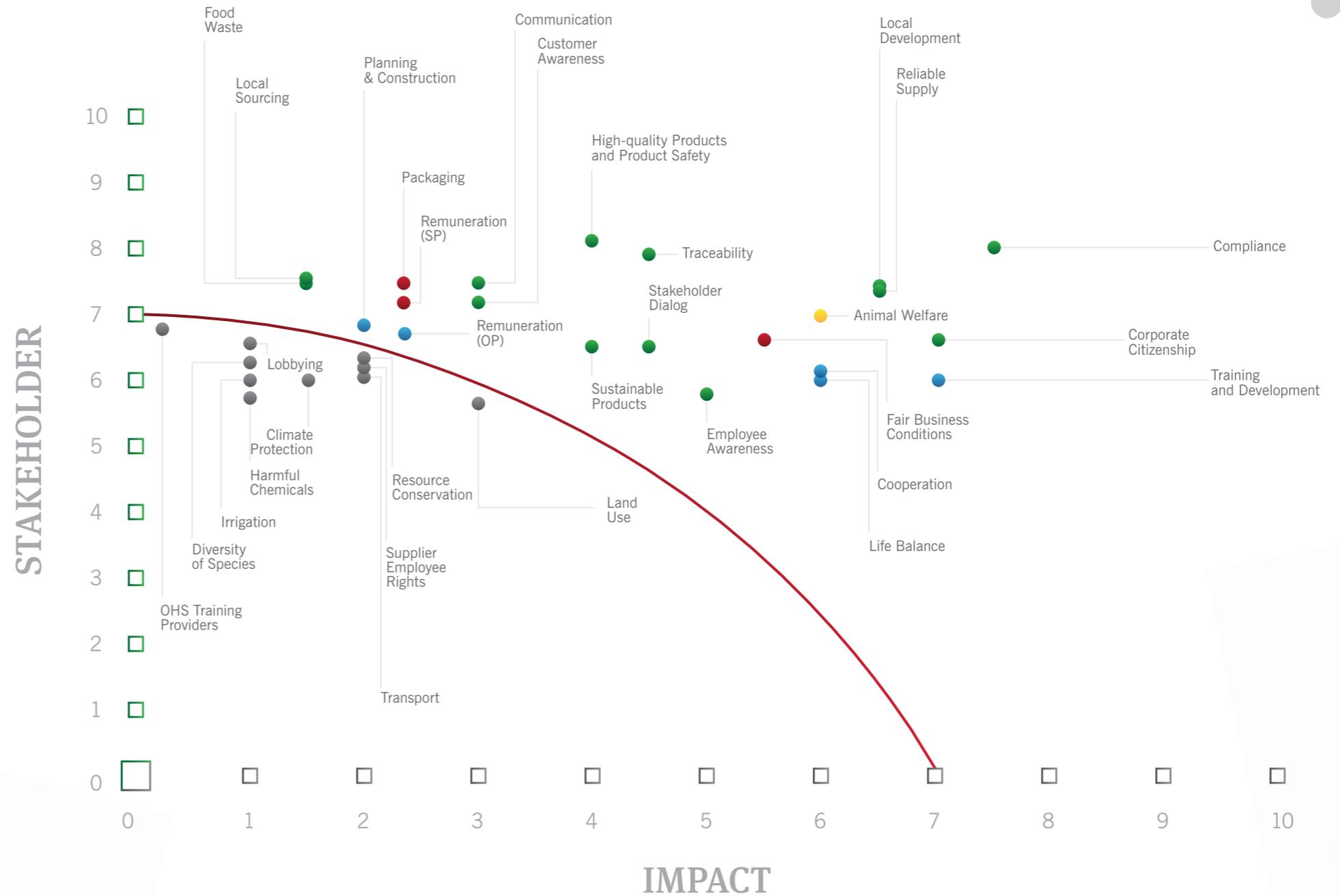
Three factors were considered in order to appoint stakeholder representatives for our stakeholder analysis and arrange them by importance: the results of our business activity analysis, internal consensus within the CSR team, and suggestions by the Pontis Foundation.



# FINAL MATERIALITY MATRIX (3.0)

Our comprehensive stakeholder analysis resulted in the creation of the materiality matrix pictured here. The X-axis represents the impact of Lidl Slovakia's business activities in individual CSR topics, while the Y-axis represents the materiality of these topics for Lidl's most important stakeholders. From the perspective of sustainability, topics that reach high values on both axes are most important for Lidl, which is why we focus on them in this report.

The materiality matrix shown here summarizes the opinions of Lidl Slovakia's internal and external partners.



## DEFINING THE ISSUES THAT MATTER MOST<sup>1</sup>

### Materiality matrix 1.0

#### 1. Presenting the Lidl CSR Model to the members of our CSR team

#### 2. Assessing Lidl Slovakia's impact on individual CSR areas

#### 3. Assessing Lidl Slovakia's impact on individual CSR areas + internal stakeholder analysis

- 2 CSR workshops for the members of our CSR team – 11 December 2017 (Resources & Agriculture, Operation & Processes, Customer & Society) and 18 December 2017 (Supply Chain & Processing)
- For all 43 topics, their positive and negative impact was assessed in the context of impact corridors set by the parent company Lidl and the relevance of individual topics for all stakeholder groups

### Materiality matrix 2.0

#### 4. External stakeholder analysis

- January – February 2018
- 6 groups of partners:
  - customers – a representative quantitative survey organized in cooperation with GfK Slovakia, 1,000 interviews with customers
  - employees – an intranet survey, 178 respondents
  - suppliers – an online survey, 3 respondents  
AGRO TAMI, STEPANOW, Metsa Tissue SK
  - the media – personal interviews, 2 respondents  
The economics section of the SME daily, The Slovak Spectator
  - the non-profit sector – personal and online video interviews, 3 respondents  
The Food Chamber of Slovakia, Sloboda zvierat (Freedom for Animals), Živica
  - the government (public sector) – personal interview, 1 respondent  
The Ministry of Agriculture and Rural Development of the Slovak Republic

### Materiality matrix 3.0

#### 5. The materiality matrix is approved by Lidl Slovakia CEO Matúš Gál

- Management Board Workshop – 23 February 2018
- The final materiality matrix is created and the final 22 CSR topics for this report are selected

## THE TOPICS INCLUDED IN THIS REPORT<sup>2</sup>

### Resources & Agriculture

- Animal Welfare Standards
- Animal Welfare

#### These topics prompted the greatest response:

- Barn Eggs, Organic Fresh Meat, Local Sourcing



### Supply Chain & Processing

#### Environmental Standards along the Supply Chain

- Packaging

#### Social Standards along the Supply Chain

- Remuneration (Supply Chain & Processing)

#### Supplier and Market Development

- Fair Business Relations

#### These topics prompted the greatest response:

- Fair Remuneration for Suppliers, Reducing Waste Materials and Resulting Waste, Recycling



### Operation & Processes

#### Corporate Environmental Management

- ▣ Planning & Construction
- ▣ Food Waste

#### Employee Responsibility

- ▣ Remuneration (Operations & Processes)
- ▣ Training and Development
- ▣ Life Balance

#### These topics prompted the greatest response:

Food Waste, Employee Wages and Benefits, Employee Training Programs



### Customer & Society

#### Design of the Product Range

- ▣ Sustainable Products
- ▣ Local Sourcing
- ▣ High-Quality Products and Product Safety

#### Transparency at Point of Sale

- ▣ Traceability

#### Social Value Creation

- ▣ Corporate Citizenship
- ▣ Security of Supply
- ▣ Compliance
- ▣ Local Development
- ▣ Cooperation

#### Responsible Communication

- ▣ Communication
- ▣ Stakeholder Dialog
- ▣ Customer Awareness
- ▣ Employee Awareness

#### These topics prompted the greatest response:

Transparent Product Labeling and Traceable Origin, Slovak Products, Certified Products, Communicating Responsible Consumption to Customers, the Systemicity of CSR Projects, Regular Dialog with Non-Profit Organizations and the Government, the Availability of Reasonably-Priced High-Quality Products



### From a sustainability perspective, which Lidl topics were the most relevant for stakeholders?¹

(on a scale of 0–100)

#### Customers (1000 respondents, 50% weight):

- ▣ The Availability of Reasonably-Priced High-Quality Products (Security of Supply) – 74.4
- ▣ Corporate Citizenship – 71.6
- ▣ Traceability – 69.7
- ▣ Compliance – 67.5

#### Employees (178 respondents)

- ▣ Compliance – 87.0
- ▣ The Availability of Reasonably-Priced High-Quality Products (Security of Supply) – 84.2
- ▣ Corporate Citizenship – 83.3
- ▣ Responsible Communication – 82.9

#### Suppliers (3 companies):

- ▣ Food Waste – 100.0
- ▣ Compliance – 100.0
- ▣ The Availability of Reasonably-Priced High-Quality Products (Security of Supply) – 100.0
- ▣ Responsible Communication – 100.0

#### The media (2 representatives):

- ▣ Animal Welfare – 95.0
- ▣ Food Waste – 95.0
- ▣ Local Sourcing – 90.0
- ▣ High-Quality Products and Product Safety– 90.0

#### Non-profit organizations (3 representatives):

- ▣ Local Sourcing – 100.0
- ▣ High-Quality Products and Product Safety – 100.0
- ▣ Food Waste – 100.0
- ▣ Local Development – 100.0

#### The government and the public sector (1 representative):

- ▣ Fair Remuneration in the Supply Chain – 100.0
- ▣ Fair Business Relations – 100.0
- ▣ Food Waste – 100.0
- ▣ Local Sourcing – 100.0
- ▣ Compliance – 100.0
- ▣ High-Quality Products and Product Safety – 100.0
- ▣ Local Development – 100.0



# 5.0 RESOURCES & AGRICULTURE

## IN THIS CHAPTER

- 5.1. ANIMAL WELFARE



# ANIMAL WELFARE



We focus on building and nourishing long-term business relationships with our suppliers. These relationships are what helps us actively cooperate with individual farmers and producers throughout the year, thus allowing us to continuously improve the quality of our products as well as the production methods used. Good living conditions for animals are an integral part of this process, which is why we see this mission as a great responsibility.



//  
Our company purchases animal products in line with standards based on the current Slovak legislation. All of our suppliers are contractually obligated to observe these rules. Our Purchasing Department is responsible for selecting suppliers, while specific products are selected by individual purchasing agents. In regard to our main commitments for the following years, our primary goal is to develop our cooperation with Slovak farmers and we also want to increase the share of animal products that come from sustainable farms. In this regard, the opinions of our customers play a big role. All of their inquiries received through our customer service helpline are recorded using our BSI CRM software and then discussed with the relevant departments.<sup>1</sup>  
//

## Martin Nagy

Lidl Purchasing Executive

## WE PREFER SLOVAK SUPPLIERS

More than half of the fresh meat and fish we sell comes from Slovakia. This brings us several advantages, such as short transport distances. It also helps us support the employment of domestic producers. However, the capacity and offer of Slovak suppliers are often not enough to satisfy the demand of our customers. Therefore, we also have to import some of our fresh meat and fish. In the financial year 2017, most of it was imported from Czech, Irish, Hungarian, German, Polish, and Slovenian suppliers.

55%

of the fresh meat and fish we sold in 2017 came from Slovak suppliers.



## OUR MEAT PRODUCTS MEET THE STRICTEST STANDARDS OF QUALITY

The demand for food safety is constantly increasing. Customers are continuously becoming more interested in the quality and safety of the food we offer. In order to meet both of these demands, our meat and meat products are also subject to rules and standards based on the current Slovak legislation. In this context, the relevant legislation includes the Slovak Food Act, implementing decrees passed by the Ministry of Agriculture and Rural Development of the Slovak Republic, and the Slovak Food Code.

All production sites managed by suppliers who sell their products under their own brands must have a valid certificate, i.e. comply with rules defined by international certification programs. In this case, the relevant standards are IFS (International Featured Standards), BRC (British Retail Consortium), and SSC22000 (Food Safety Systems Certification).

## ETHICAL ANIMAL HUSBANDRY<sup>2</sup>

Our suppliers provide animal products from various livestock farming settings – intensive, semi-intensive, extensive, or a combination of the previous three. We are aware that the conditions in which the animals live influence the quality of the meat and eggs we sell. Because of that, we have made a long-term commitment to prefer products from organic and sustainable agriculture.

# WE CARE ABOUT THE FUTURE<sup>1</sup>

We want to continue fulfilling our commitment to expand our selection of products with a focus on sustainability, which is why we have set several goals for our company.

In 2018, we want to incorporate free-range animal products into our Slovak product range.

By 2025 at the latest, we will no longer purchase and sell cage eggs. The same applies to eggs used as ingredients for the products sold under our own brands. We already informed our suppliers about these plans in 2017, making sure to communicate our new conditions clearly so that our suppliers and livestock farmers can prepare for these measures and help us fulfil this goal.

In regard to the living conditions of animals, our plan is to engage in more active communication with important stakeholders and experts in this area.



# 6. SUPPLY CHAIN & PROCESSING

## IN THIS CHAPTER

- 6.1. PRODUCT PACKAGING
- 6.2. REMUNERATION IN THE SUPPLY CHAIN  
& FAIR BUSINESS RELATIONS



# PRODUCT PACKAGING

The supply chain cannot operate without packaging. Packaging is used to keep our products fresh and protect them from damage. It is also used to inform customers about the products' origin, ingredients, and nutritional values. On the other hand, packaging also influences the price and it can have a negative impact on the environment. Therefore, our goal is to optimize the use of packaging materials throughout our operations.



// \_\_\_\_\_  
 Our company is aware of the environmental impact of product packaging materials. We buy them from a variety of suppliers, so our purchasing agents always try to arrange the most efficient packaging options with them. We are committed to sorting and recovering as much of our product packaging material as possible. Our Logistics Department collects monthly data about the recyclability of transport packaging, which is then evaluated, compared, and used to find solutions that will increase the rate of recycling. In this area, every warehouse has one department lead and approximately 20 employees who work in Waste Disposal. For the Logistics Department, this includes a Project Manager and a Junior Consultant who seeks new partners in the area of waste sorting and recovery.1 \_\_\_\_\_ //

## Miroslav Růžička

Sales and Logistics Executive

## RECYCLED AND RECYCLABLE<sup>2</sup>

Almost all of our products are stored in transport boxes made of cardboard, which are then sorted directly in our stores and distribution centers. In the financial year 2017, a total of 13,825 tons of paper were recovered this way. The material was transported back to our suppliers, who used it to pack more goods for our customers.

Every pallet is secured using packaging wrap that prevents the goods from being damaged. This wrap is sorted in stores and distribution centers. After use, the wrap is pressed at distribution centers and then transported to a processor, who can use the regranulate to produce new packaging wrap. In the financial year 2017, we recycled almost 800 tons of plastic. All of our stores have a strict waste sorting policy in place, which states that paper, plastic, and batteries must be recycled. We operate three distribution centers, each of which sorts almost all of the transport packaging that remains in stores – paper, cardboard, plastic wraps, glass, plastic, and even wood.

The amounts of recycled packaging materials in the financial year 2017

Type of material	Recycled amount (in tons)
Wood	2,186.80
Paper stacks	13,173.09
Colored wrap	138.06
Transparent wrap	634.54
Accumulators	17.60
Metal waste	219.15
Glass	10.38
Plastic	25.85
Other paper	651.91
<b>TOTAL</b>	<b>17,057.38</b>



# DID YOU KNOW...

## PAPER AND CARDBOARD WASTE

The moment a stack of cardboard is sent from the store to the warehouse, an interesting cycle starts. It ends with cardboard packaging that can once again be used to pack goods for our customers. 13,825 tons of cardboard and paper is equal in weight to 3,517 African elephants.

## FRUIT, VEGETABLES, BAKERY PRODUCTS, ANIMAL PRODUCTS

All fruit, vegetables, bakery products, and animal products that either go unsold or reach their expiration date are placed in high-capacity containers, which are then transported to biogas plants. The plants can use fermentation to convert this waste into electricity. A biogas plant can produce as much as 67 megawatts of energy in 24 hours, which is the average daily consumption of electricity for 7,000 households.

## WHITE AND COLOR WRAP

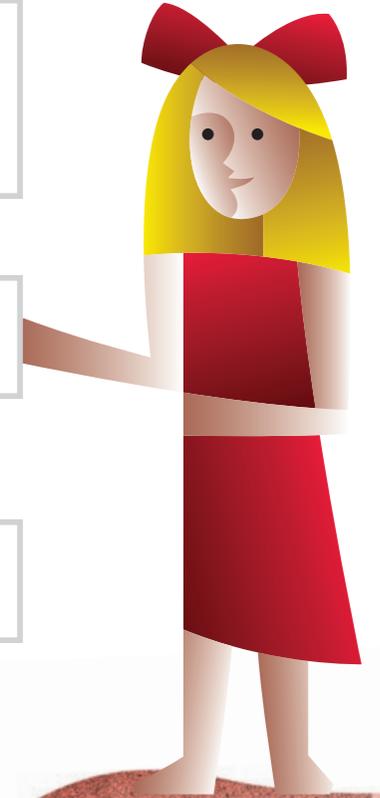
Recycling plastic wrap saves primary resources (oil) and protects the environment. Most of the plastic wrap used in our operations is regranulated and then used to produce plastic bags, packaging wrap, and waste bags. Plastic waste and wrap constitute as much as 11% of all municipal waste. The majority of these materials can easily be sorted and recycled.

## WOODEN CRATES

Our wooden crates are further processed, either as an alternative fuel for cement kilns or to produce particleboard for furniture manufacturers.

## BATTERY COLLECTION

Collecting and sorting batteries from our customers allows us to recover metals, which are then used in the metallurgical industry to produce steel and iron.



We try to motivate our customers to recycle. The stores that we constructed and opened in 2016 and 2017 offer the option to sort paper, plastic bottles, batteries, and light bulbs right next to the store entrance, simply by throwing the waste into specially labeled panels. These panels can be found in our stores in Spišská Nová Ves, Nová Dubnica, Moldava nad Bodvou, Galanta, Tvrdošín, Púchov, Komárno, and Prešov.



## WE HAVE PASSED AN ENVIRONMENTAL AUDIT

Our environmental audit helped us become an ENVI-PAK-certified responsible company.

// \_\_\_\_\_

The score of Lidl's environmental audit proves that the company has effective waste sorting and recovery procedures as well as a high level of environmental responsibility. Lidl has been focusing on becoming an environmentally responsible organization for some time now, for instance by organizing several useful and inspirational environmental projects for schools. \_\_\_\_\_ //

**Jana Gemeranová**

ENVI-PAK

# WE CARE ABOUT THE FUTURE<sup>1</sup>

We are investing in long-term efforts to reduce the amount of packaging materials while also increasing their recyclability. We support the Europe-wide strategy on plastics proposed by the European Commission, which is why we aim to reduce our use of plastics by at least 20%. By 2025, we also want to achieve a 100% recyclability rate for the plastic packaging used for our own brands, which make up approximately 83% of our product range.

We intend to remove the thinnest single-use plastic bags from our offer by the end of 2018. In 2017, we sold a total of **11,448,813 pieces, which amounts to 124.9 tons of plastic**. This volume represents our reduced environmental impact in 2019 since the plastics will be replaced by reusable, more environmentally-friendly alternatives.

We have also made a commitment to only use FSC-certified resources for primary (product) packaging and secondary (transport) packaging by the end of 2018. Our goal is to achieve a 20% reduction in the total amount of packaging material by 2025. In 2019, we also intend to completely remove single-use plastic dishes, plastic cutlery, straws, single-use cups, and plastic cotton swabs from our product range. These products will be replaced by new ones made of alternative, recyclable materials. In 2017, we sold almost 35 tons of single-use plastic dishes and cutlery, avoiding which represents a significantly lower impact on the environment in the future. In the future, we plan to increase the number of stores equipped with a specially labeled panel where customers can sort waste.



// \_\_\_\_\_

We have started discussions with our suppliers to find out which of our products have plastic packaging that can be either completely removed or replaced by other, more environmentally-friendly alternatives. In the case of fruit and vegetables, we are gradually increasing our selection of loose products. We also try to apply this principle for other product groups. For instance, certain types of clothing have been offered without plastic wraps for some time now. \_\_\_\_\_ //

**Martin Nagy**

Lidl Purchasing Executive

Our activities in this area aim to contribute to the following Sustainable Development Goals:



# REMUNERATION IN THE SUPPLY CHAIN & FAIR BUSINESS RELATIONS

Our selection of suppliers as well as communication and negotiation with them are all important parts of the Lidl concept, which is why our standards of quality and responsibility also apply to our business partners and suppliers.



// \_\_\_\_\_  
Our goal is to maintain and develop proper business relations. We always conduct business in line with national legislation as well as our own Code of Ethics. Every contract is negotiated by the corresponding purchasing agent and the four-eyes principle requires every contract to be co-signed by either the Purchasing Executive or a superior purchasing agent. Every purchasing agent is responsible for the corresponding product group and all purchasing agents are accountable to the Purchasing Executive. Not only do the working conditions of our own employees matter, but we also care about the working conditions of our suppliers' employees. We avoid suppliers who do not comply with this position and refuse to support sustainability. Our purchasing agents are instructed and encouraged only to enter into contracts that are in line with our principles. Our customer service helpline, which is based in the Czech Republic, can also be used to address inquiries in the area of supplier cooperation. Inquiries are processed every day in line with the procedures defined by our Quality Control Department – which are based on our internal standards – and by communicating with the corresponding purchasing agent.<sup>1</sup> \_\_\_\_\_ //

## Petra Kádárová

Purchasing Administrative Lead

## WE CARE ABOUT FAIR, LONG-TERM BUSINESS RELATIONS

We are a member of the **Supply Chain Initiative**, which includes a commitment to follow fair business practices in the supply chain, and the **Business Social Compliance Initiative (BSCI)**, which deals with the protection of human rights and describes the basic business principles in this area.

We have used these foundations to create our own **Code of Ethics** in order to improve the minimum social standards of our importers and producers from various countries. The standards are based on the UN's Universal Declaration of Human Rights and the **ILO Declaration on Fundamental Principles and Rights at Work**. Our Code of Ethics is an integral part of all our contracts since it creates a basic framework for our business relations. In the case of Slovak food producers, the cooperation agreements are valid for 3 months, while for other products the contracts usually expire after 12 months.

By signing the contract, our suppliers commit to adhere to all principles defined by our Code of Ethics (see the box below). The Code also includes a so-called "company execution" clause, which states that the adherence to these social standards must be secured by a corresponding internal procedure within the company. It is necessary to implement an internal system that enables employees to report violations of these social standards and protect them from being punished or penalized for doing so. Our business partners also express their agreement with the fact that their adherence to these social standards can be inspected by Lidl or an independent Lidl-appointed auditor at any time.

### Areas regulated by our Code of Ethics:

- ☐ Respecting human dignity
- ☐ Following legislation
- ☐ Prohibition of forced and child labor
- ☐ Suitable working conditions and fair remuneration
- ☐ Prohibition of discrimination
- ☐ Freedom of assembly and association
- ☐ Health and safety in the workplace
- ☐ Environmental protection
- ☐ Company execution

## FAIR REMUNERATION FOR EVERYONE

Our Code of Ethics, which applies to all our suppliers, also includes a fair remuneration policy. Its goal is to ensure that wages and other benefits cover living costs if the legal minimum wages are too low. Deductions for benefits in kind are only acceptable in a limited extent and should be proportional to their value.

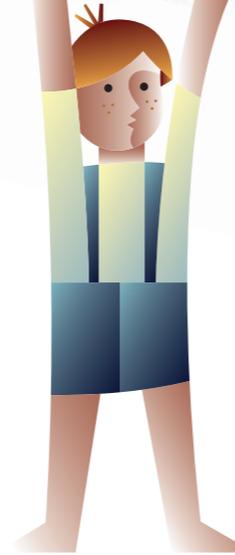
The maximum regular working time is set in line with the corresponding legislation. However, it cannot exceed 48 hours per week. The limit for overtime work is 12 hours per week. Further overtime hours are only permissible if they are necessary due to short-term operational reasons and if they are allowed by the collective agreement. Overtime hours must either be compensated financially or by granting vacation hours. After 6 subsequent working days, the employee has the right to have one day off. More than 6 subsequent working days are only permissible if this is in line with national legislation and the collective agreement.

In 2017, all suppliers for Lidl Slovakia signed cooperation agreements, thus also agreeing to observe the Lidl Code of Ethics. The same year, there were no complaints or inquiries about problems in this area.

## WE PROMOTE MODERN TRADE

Our discount supermarket chain is one of the founding members of the **Slovak Alliance of Modern Trade (SAMO)**. In June 2016, the alliance joined **EuroCommerce** – the Retail, Wholesale, and International Trade Representation to the EU. In February 2017, the alliance joined the **National Union of Employers** – the most important and influential organization that advocates for employers' interests at a governmental level.

SAMO promotes the principles of modern trade in line with customer needs. The alliance also ensures the observance of formal and informal (ethical) trade rules, and it delivers opinions on relevant political, economic, social, and environmental issues. In February 2018, **SAMO** and the **Food Chamber of Slovakia** co-signed the **Supply Chain Initiative in Slovakia**. By joining the European Supply Chain Initiative, we have made a commitment to promote the principles of fair business practices and to solve any conflicts in business relations in a transparent and correct way, especially considering the fact that as much as **90% of all food produced in Slovakia is sold by retail chains**.



## WE ARE FAIR TO SLOVAK SUPPLIERS

The number of products from Slovak suppliers in our product range increased by 42%. Between the financial years 2016 and 2017, the percentage of Slovak suppliers increased by 10.8% and the value of goods from Slovak suppliers (in terms of purchaser prices) increased by 23%.

## SELLING SUSTAINABLE CLOTHES AND TEXTILES<sup>1</sup>

We guarantee the quality of the textiles, clothes, and footwear sold under our own brands. We are also aware that their production gives us a responsibility towards people and the environment. For instance, the process of dyeing and printing clothes uses chemicals that could severely harm the ecosystem. Unskilled manipulation with dangerous chemicals can also pose a serious threat to people. In December 2014, we became the first retail chain with food and non-food products to take on a so-called **Detox Commitment**. In our case, the commitment aims **to remove 11 groups of chemicals from our supply chain by 2020 because they have all been identified as dangerous by Greenpeace**. This is one of our ways of achieving transparency in our clothing and textile supply chain. Our goal is to replace harmful chemicals with safe alternatives, thus achieving an overall reduction in chemicals used in clothing and footwear manufacturing and promoting more environmentally-friendly textile production procedures.

We have created the **Manufacturing Restricted Substances List and the Restricted Substances List**, which have been part of all our contracts with textile suppliers since July 2015. Organizing information events and trainings allows us to educate our suppliers and manufacturers.

All of our **textile manufacturing subcontractors are tested once a year** by an independent, specialized testing institute, which checks **the quality of the wastewater they discharge during production**. The results have been published by the Institute for Public and Environmental Affairs (IPE)

**Our suppliers have also stopped using perfluorinated and polyfluorinated substances (PFCs)**. For instance, the PFCs previously used to produce waterproof performance fabrics have been replaced by green alternatives that are biodegradable and their production does not lead to any harmful by-products. These textiles can be identified using the **BIONIC FINISH ECO** label.



# THE STORY OF A T-SHIRT

All textiles sold under our own brands can be reused, which reduces the need to use primary resources and the amount of waste.

We aim to use the quality and innovation of our clothing and textiles to demonstrate new production methods and promote them on a global level.





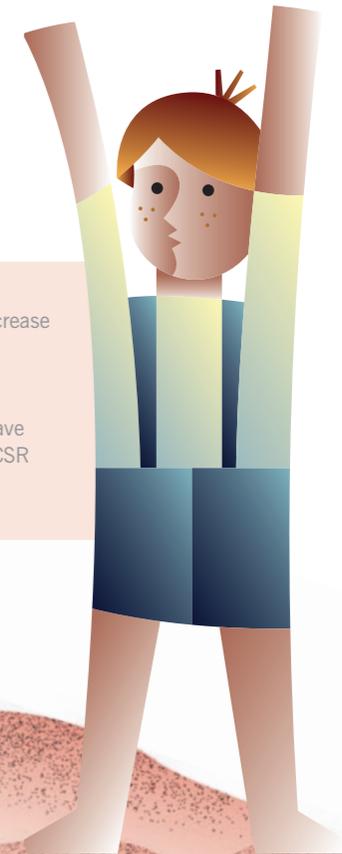
## TRANSPARENCY IN NON-FOOD PRODUCTS

As many as 98,93% of the suppliers of our non-food products are based abroad. Transparency is an important step towards better relationships in our supply chain, which is why in the financial year 2017 we became the first retail chain to publish a list of more than 600 textile and footwear suppliers, which also includes the locations of their main production sites. The list is updated every six months and available at [www.lidl.de/lieferkettentransparenz](http://www.lidl.de/lieferkettentransparenz)

## WE CARE ABOUT THE FUTURE<sup>1</sup>

Our goal for the future is to cooperate with more Slovak suppliers. Our plan for 2020 is to increase the value of products from Slovak suppliers by 20%.

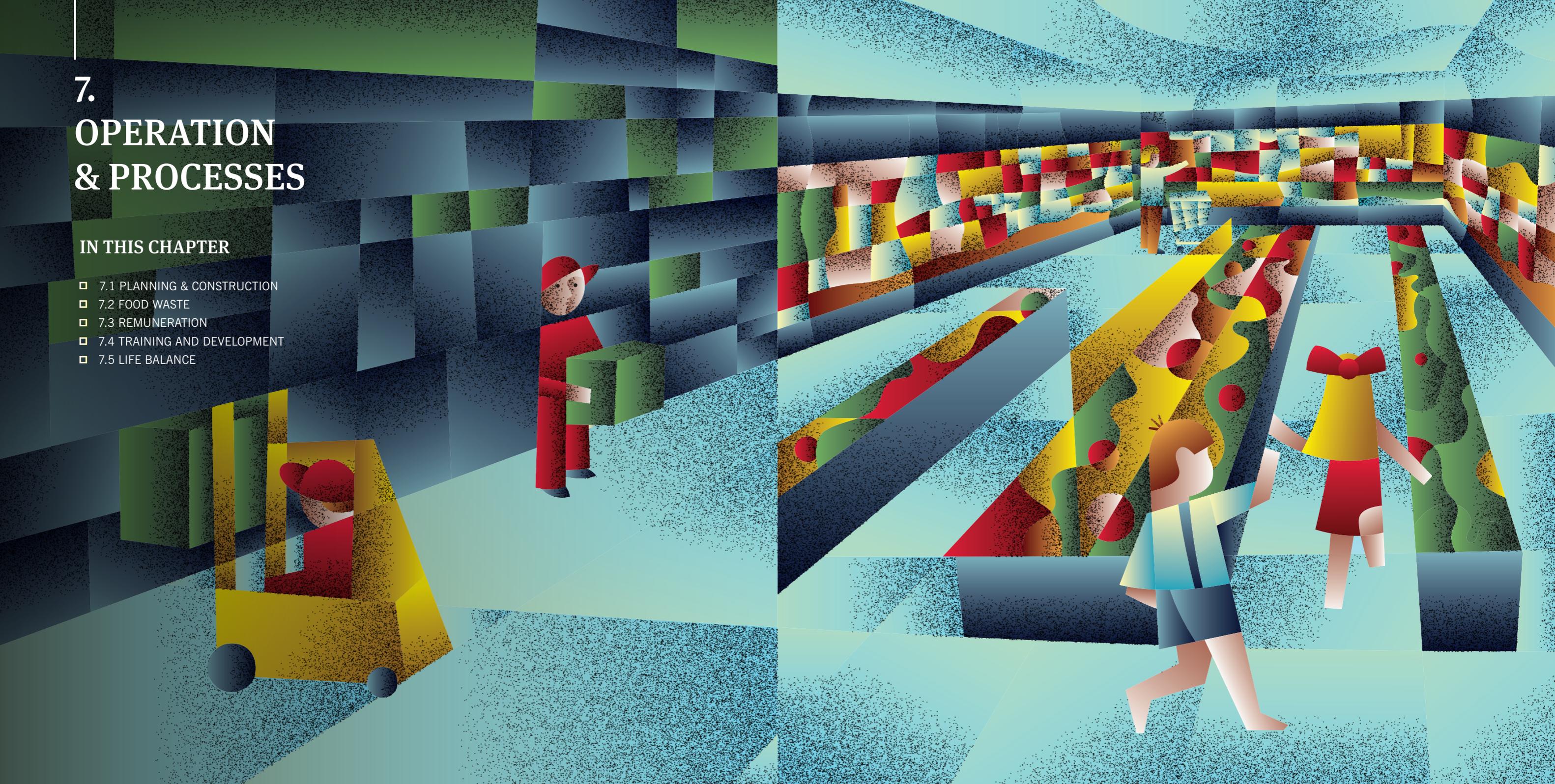
The topics of product sustainability and corporate social responsibility in the supply chain are very important for us. They require a lot of involvement on our side since we know that we have the power to influence things. Therefore, our goal for the financial year 2018 is to appoint a CSR Manager for Purchasing, who will focus on these topics full-time.



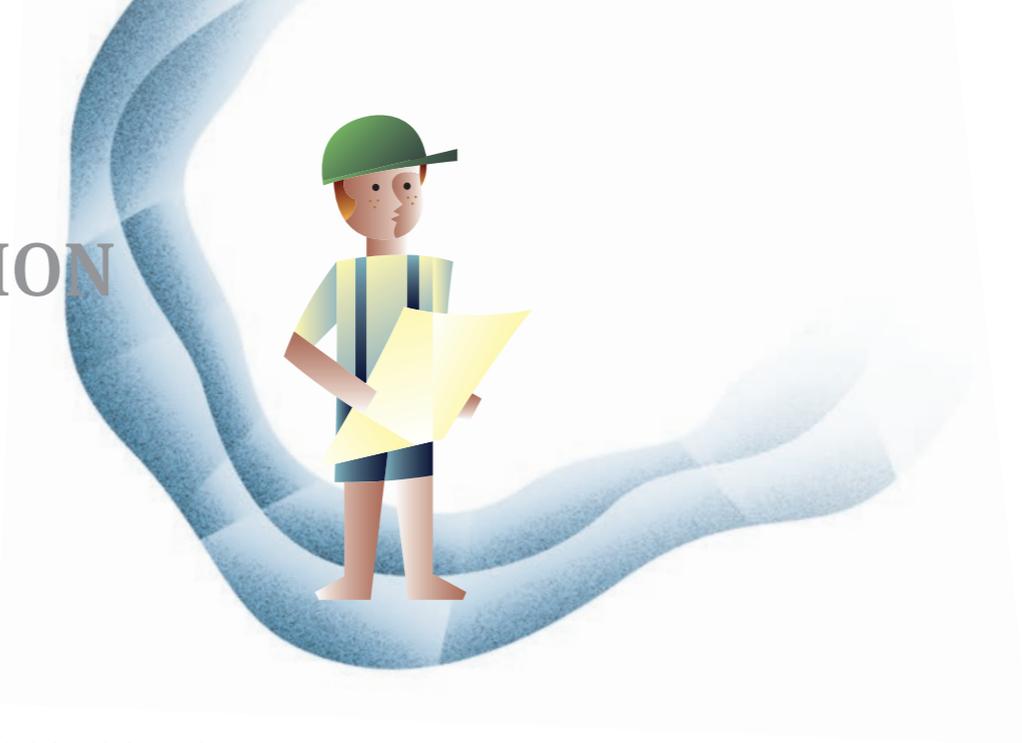
# 7. OPERATION & PROCESSES

## IN THIS CHAPTER

- 7.1 PLANNING & CONSTRUCTION
- 7.2 FOOD WASTE
- 7.3 REMUNERATION
- 7.4 TRAINING AND DEVELOPMENT
- 7.5 LIFE BALANCE



# PLANNING & CONSTRUCTION



Efficiency is our top priority, so we invest in sustainable logistics solutions and energetically efficient technologies, always with consideration for the environment.



// The impact of climate change on people and the environment is one of the most important topics of our time. Because of that, our plans to build and modernize stores or build distribution centers are always accompanied with an effort to find ways how we can contribute to environmental protection. At the same time, we try to think about the comfort of our customers, the creation of new jobs in Slovak regions, and investing back into the regions where we operate. We organize events related to the expansion of our company in regular intervals and on various levels. Until the end of the financial year 2017, the events had been governed by our Central Services Guidelines. We set specific goals in our three-year investment plan, which is then regularly reevaluated. In order to improve the transparency of our processes and the evaluation of our success in energetic efficiency, we are currently implementing the ISO 50001 energy management system.1 //

## Karol Krasowski

Central Services Executive

# WE HAVE ONE OF THE GREENEST DISTRIBUTION CENTERS IN EUROPE

One of our most important goals in the area of environmental protection is having a sustainable concept for our buildings. In line with this philosophy, our new distribution center opened in 2016 in Sereď was constructed as one of the greenest distribution centers Europe. The complex uses state-of-the-art technology – the building is equipped with efficient LED lighting, the refrigeration equipment uses a natural, environmentally-friendly coolant, and the waste heat produced during refrigeration is re-used for heating purposes. The premises are also equipped with rainwater harvesting systems and charging stations for electric cars. Thanks to these technologies, our distribution center in Sereď became the first building in Slovakia and the 14th building in the world to receive the highest (Outstanding) rating in the Industrial category of the BREEAM international certification scheme. In 2017, this distribution center provided the daily supply of products for 44 of our 131 stores.

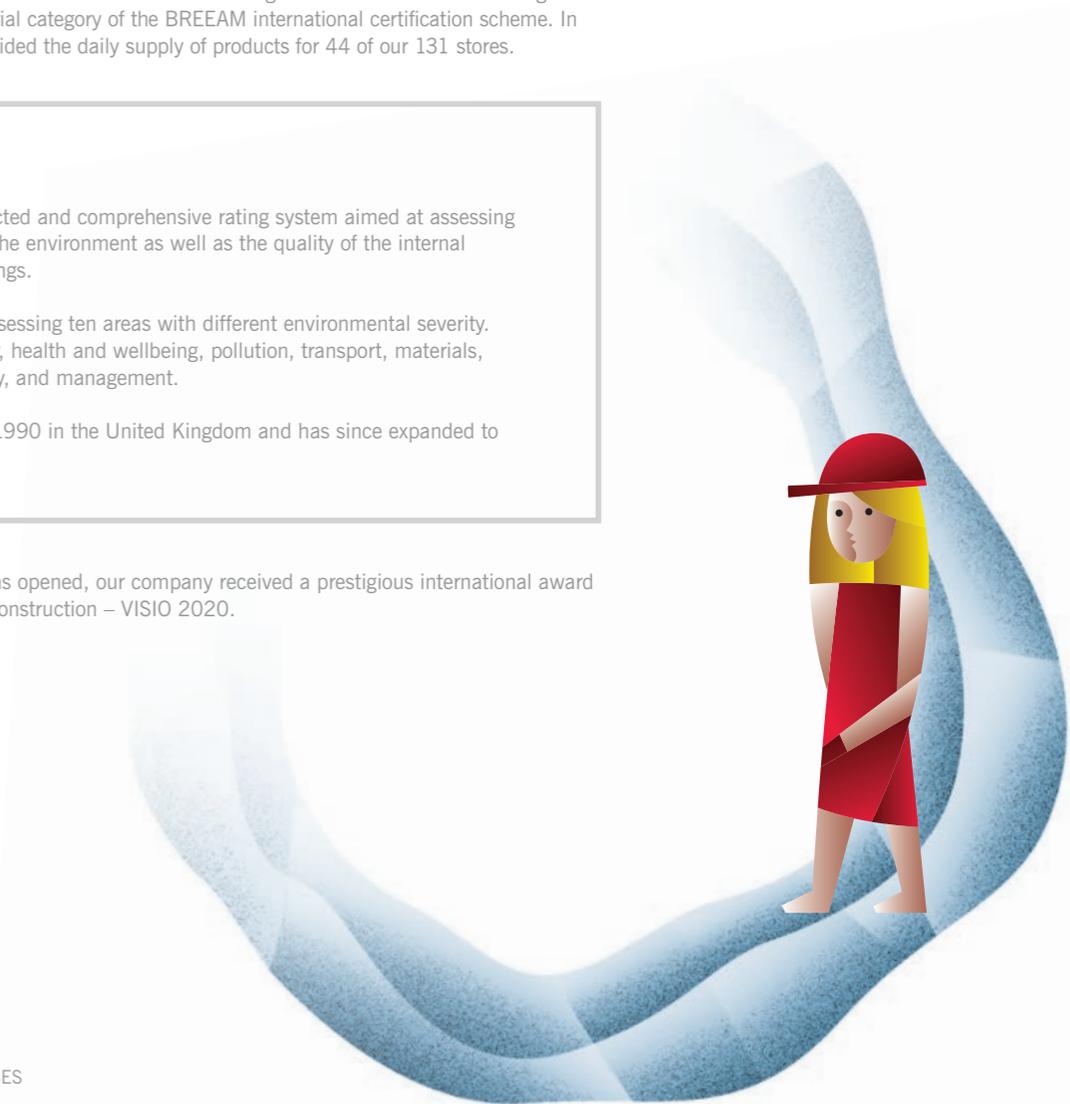
### BREEAM certificate

BREEAM is the most respected and comprehensive rating system aimed at assessing the impact of buildings on the environment as well as the quality of the internal environment of these buildings.

This method is based on assessing ten areas with different environmental severity. These include energy, water, health and wellbeing, pollution, transport, materials, waste, land use and ecology, and management.

BREEAM was launched in 1990 in the United Kingdom and has since expanded to more than 50 countries.

Two months after the complex was opened, our company received a prestigious international award for sustainable architecture and construction – VISIO 2020.



## SUSTAINABILITY-FOCUSED EXPANSION<sup>1</sup>

In the financial year 2017, we opened four new stores in Slovakia – in Poprad, Prešov, Komárno, and Košice. Once again, these new stores improved the availability of our products and services, created new jobs, and further expanded our chain in Slovakia. Of course, this expansion does come with the negative effect of an increased pressure on the environment.

### Our new stores opened in the financial year 2017

Store	Sales area	Time of construction
Poprad (Štefánikova)	1,194.00	20 April 2017 – 25 September 2017
Prešov (Bardejovská)	1,424.00	26 June 2017 – 4 December 2017
Komárno (A. Jedlíka)	1,427.00	12 June 2017 – 13 November 2017
Košice (Pri Prachárni)	1,435.00	7 August 2017 – 23 October 2017

\*All of these were commercial investments.

### New stores and construction activities aimed at modernizing, reconstructing, and expanding the stores; significantly changing the product presentation; or adding bakeries over the last three financial years

	Financial year 2015	Financial year 2016	Financial year 2017
Newly-opened stores	1	3	4
Store replaced with a new type of store*	0	3	0
Stores that were modernized, reconstructed, or expanded + stores where the product presentation was changed significantly or a bakery was added	44	31	58

\*Assuming an unchanged number of stores.

From a sustainability perspective, our new stores as well as all of our buildings and complexes primarily focus on energy efficiency. Our main goal is to optimize our consumption of electricity and gas since they represent a major part of our energy costs.

When assessing the energy efficiency of our company, the energy consumption in our stores serves as a basic indicator. This piece of data applies to both sales and non-sales areas and is expressed in kWh/m<sup>2</sup>. In our warehouses, the calculation is based on the number of received and shipped pallets – expressed in kWh/pallet.



## WE PREFER RENEWABLE SOURCES OF ENERGY

In 2017, as much as 95% of our total energy consumption came from hydroelectric power plants. The share of electricity from renewable resources in our total consumption has had an increasing trend for some time now – 27% in 2014, 42% in 2015, 93% in 2016, and 96% in 2017. The optimization of energy consumption has been allowing us to actively reduce our consumption of electricity for several years in a row. Some of our stores are equipped with photovoltaic panels that produce electricity directly from sunlight. We currently have them at 7 stores: in Levoča, Veľké Kapušany, Revúca, Košice, Sobrance, and Kráľovský Chlmec. Over the last few years, these panels have produced 137,350 kWh of electricity, which means that 40.2 tons of CO<sub>2</sub> emissions were never released into the atmosphere.

### The amount of energy we saved in the financial year 2017

- An 8.26 kWh/m<sup>2</sup> reduction in electricity consumption in stores compared to the financial year 2016
- A 0.54 kWh/pallet (calculated for received pallets) reduction in electricity consumption in warehouses and a 0.14 kWh/pallet (calculated for shipped pallets) reduction in electricity consumption in warehouses compared to the financial year 2016. Compared to the previous financial year, we also managed to reduce our consumption of gas in warehouses, specifically by 0.83 kWh/pallet (calculated for received pallets) and 0.56 kWh/pallet (calculated for shipped pallets)
- An 18,980.41 kWh reduction in electricity consumption at the Lidl Slovakia head office compared to the financial year 2016
- Reductions in electricity consumption compared to the financial year 2016 (calculated per employee) – 0.98 GJ in stores, 6.42 GJ in warehouses, and 1.95 GJ at the head office. Our consumption of gas in warehouses was also reduced by 6.28 GJ/employee

\*Note: The numbers are rounded off. 1 kWh = 3,600,000 J; 1 GJ = 1,000,000,000 J.

In the financial year 2017, we recorded a year-on-year increase in gas consumption in stores by 9.09 kWh/m<sup>2</sup> (1.39 GJ/employee). We are currently working on a more detailed evaluation of our annual gas consumption in a process titled “Reducing Gas Consumption” and we are trying to collect more detailed data\*.

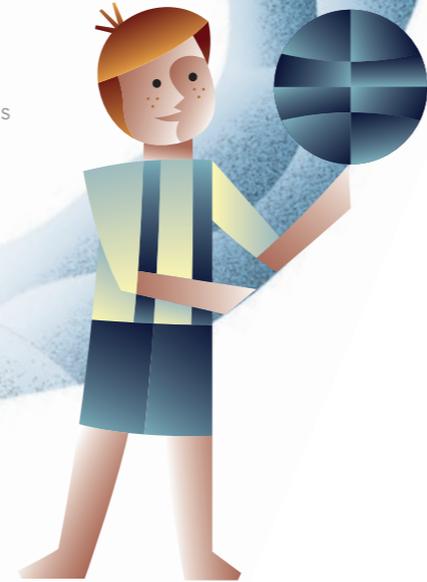
When calculating energy consumption, we used data collected manually from energy meters and the invoices provided by our energy suppliers.<sup>2</sup>



### OUR MEASURES AIMED AT REDUCING ENERGY CONSUMPTION

In order to promote the sustainability concept of our buildings, we are gradually replacing older lights with LED-based lighting (at the end of 2017, they were installed in 52 stores) and we use energy-efficient equipment. This includes refrigeration equipment that recovers waste heat, which is then used for heating using concrete core activation. We also have 7 photovoltaic panels with a power of up to 10 kW (a limit imposed by a so-called "STOP STATE" provision in Slovak legislation). We make efficient use of energy both during and outside of our opening hours. At night, we reduce lighting to a third of its usual intensity and we cover refrigeration units with night blinds. All newly-installed equipment is procured with consideration for energy efficiency. We are currently implementing the ISO 50001 system.

Our efforts to maximize energy efficiency also apply to our employees, who attend trainings that focus on saving energy and they also have the opportunity to contribute to our sustainable solutions with their own ideas. **In the financial year 2017, all of our employees attended this training.**



## WE CARE ABOUT THE FUTURE<sup>1</sup>

The areas of planning and construction include two main strategic operational goals – increasing transparency and energy efficiency. These goals include a commitment to install water-saving devices in all of our buildings by the end of 2019 so that we can reduce our consumption of water by 30%, and in order to increase transparency and improve the measurement of electricity, gas, and water consumption, we plan to install L-boxes and submeters at our head office, warehouses, and stores. From a long-term perspective, we want to ensure real-time, automated collection of data for our high-consumption equipment. The collected data will be used for a detailed analysis of consumption efficiency. We are also looking for systems that will enable the degradation of synthetic coolants and their replacement with natural alternatives. Another important environmental aspect is retaining rainwater in the soil at our buildings rather than draining it, which contributes to the protection of our landscape and groundwater. We are currently implementing the ISO 50001 system and we aim to finish the whole process by the end of the financial year 2018.

We want to continue modernizing our chain of stores all over Slovakia. By modernizing our older stores and replacing older technology with more modern alternatives, we aim to contribute to saving energy. That is why we regularly implement new services and solutions. We are also modifying the technological and visual aspects of our stores to be more in line with this goal.

Our activities in this area aim to contribute to the following Sustainable Development Goals:



# FOOD WASTE

We try to save resources and minimize waste in our everyday operation, so food is no exception. Although the majority of food waste comes from households, we believe that it is our duty to lead by example – to handle food with care and help our suppliers minimize food waste.



// \_\_\_\_\_  
As one of the biggest food retailers in Slovakia, we see the reduction of food waste as our duty. We instruct the employees at our stores to focus on the purchasing phase and only order volumes of products that they can sell in order to avoid food waste. We also have an indirect influence on our customers. Every December, we plan numeric indicators which also include estimates of unsold goods for the following financial year. Responsibility for the elimination of food waste is shared by three departments: Logistics, Sales Support, and Sales Management.<sup>1</sup> \_\_\_\_\_ //

## Miroslav Růžička

Sales and Logistics Executive



## LARGE AMOUNTS OF FOOD ARE WASTED IN SLOVAKIA

According to the European Commission, Europeans throw out approximately 88 million tons of food, which represents a loss of around €143 billion. So far, Slovakia does not have a comprehensive system of measuring food waste. However, a representative survey conducted by the Ministry of Agriculture and Rural Development of the Slovak Republic in 2018 showed that the average Slovak throws out 111 kilograms of food per year. One in five Slovak consumers admit that they waste food in their household. Although both food and resources are wasted throughout the whole supply chain, most food is wasted by the final consumers (more than 50%). On the other hand, EU-SILC 2017 data shows that 12.4% of Slovak inhabitants live below the poverty level. This part of the population largely relies on basic foodstuffs. We try to react to both of these challenges and look for solutions by working with various stakeholders.



## OUR MEASURES AIMED AT REDUCING FOOD WASTE

We are always striving to improve our procedures so that we can order the exact amount of food that we sell, thus minimizing the surplus of food in our everyday operations. In line with our concept of freshness, we have long been using a method of separating and labeling products near the expiration date, which are then sold at a reduced price. Food which can no longer be consumed or donated is transported to biogas plants. We also try to actively educate our customers about this topic.

These are the three basic measures we use to minimize the amount of food waste we produce:

#### Efficient purchasing procedures and high sales rates

When purchasing goods for our stores, simplicity and efficiency are key. We focus on fast-moving consumer goods and we always try to order the exact volume needed, especially in the case of fresh products. As a result, it might happen that our consumers' favorite bakery products will be sold out towards the end of our opening hours. Of course, while it is impossible to perfectly predict customer behavior, the availability of food will always be our priority so that our customers can buy the products they need. Thanks to our sales concept, which is based on the pre-selection of goods and a focus on fast-moving consumer goods, we have a high sales ratio, enabling us to minimize the volume of unsold goods. We are able to sell an overwhelming majority of our products with sufficient leeway. These measures help us minimize the waste of food that is still suitable for human consumption.

#### Discounts on food near the expiration date

Every day, our store employees check if our shelves include products near their expiration date. If they find any, these products are separated from the rest and offered at the discount shelves with a 30% discount. These discount goods are sold up until 1 day before the expiration date. This measure had already been implemented by the time the Food Act was amended and imposed this obligation on all food chains.

#### Customer education

As a member of the Slovak Alliance of Modern Trade, we participate in a project titled NEPLYTVAJ – SPOTREBUJ (“DON'T WASTE – USE”). It aims to inform and educate the general public about the topic of food waste and initiate a societal debate about more efficient food use.

We try to minimize the impact of food waste:

#### Food donations

Part of the unsold food is donated to the Food Bank of Slovakia, an organization which then distributes the food to people from socially disadvantaged groups in Slovakia. The Food Bank of Slovakia only receives food that fulfils all safety and hygiene standards.

#### Biogas plants

We even have a use for food that can no longer be consumed or donated. Food products like fruit, vegetables, animal by-products, and bakery products are returned to our distribution centers and placed into high-capacity containers. Afterwards, the waste is transported to biogas plants and used to produce electricity for the power grid. In 2017, the volumes delivered to biogas plants included 4,349 tons of fruit and vegetables, 389 tons of animal by-products, and 1,107 tons of bakery products.

# WE CARE ABOUT THE FUTURE<sup>1</sup>

We focus on the sustainable use of food and a secure cold chain throughout the whole sales process – from the moment we order the right amounts of goods, through their receipt and storage, right until the moment they are shipped to our stores and sold. Our goal for the following year is to minimize the volume of goods that go unsold and put a stronger focus on activities that raise our customers' awareness about food waste (since the biggest part of food waste in Slovakia is produced in households).



Our activities in this area aim to contribute to the following Sustainable Development Goal:



# REMUNERATION

We want to reward our employees for their good performance and we believe that fair remuneration is what motivates our co-workers to strive for everyday excellence and remain loyal to our brand.



// \_\_\_\_\_  
 Just as Slovaks value the exceptional freshness and quality of our products, we also want to stay in the lead in our field when it comes to remuneration. Since the fall of 2016, we have increased wages three times, which amounts to a 30% increase in wages for our store and warehouse employees (on average) and a 1/3 increase in starting salaries. We are glad that these measures have prompted a positive reaction among our employees and they have translated into a lower level of employee turnover. We try to communicate our remuneration policy in a transparent way and our goal is to raise our employees' wages even further. This topic will also remain relevant for us in the long run. The responsibility for this topic is shared by members of our senior management, who approve the budget, and the managers of individual departments. The wages are part of our staff management plans for individual departments.<sup>1</sup>  
 // \_\_\_\_\_

**Tatiana Cibulková**

Payroll Department Manager



## WAGES ABOVE THE MARKET AVERAGE

If we intend to continue offering our customers quality goods and services, we need skilled and motivated employees. Our company is committed to providing fair remuneration to every employee. We ensure the principle of equal pay for men and women, which applies to all levels and all work positions in our company. Moreover, the average monthly salaries at our stores and warehouses are one third higher than the market average in Slovakia. This is our way of thanking our employees for their commitment and results. Full-time employment at the Lidl stores and warehouses is defined as 38.75 hours per week.

### Average starting wage of cashiers in the financial year 2017

Period	Average gross starting wage (ASW)	Minimum wage (MW)	ASW to MW ratio*
01 March 2017 – 31 December 2017	€758.00	€435.00	1.74 : 1.00
01 January 2018 – 28 February 2018	€758.00	€480.00	1.58 : 1.00

\*For full-time employment of 38.75 hours per week. The ratio values are rounded to 2 decimal places.

In the financial year 2017, the wages of our full-time cashiers significantly exceeded the minimum wage in Slovakia.<sup>3</sup>

## WE WANT TO MOTIVATE PEOPLE

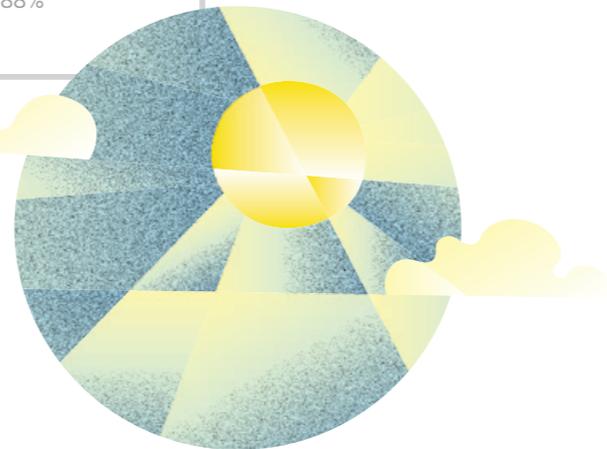
We understand that the company culture can significantly influence employee turnover. In addition to attractive remuneration, our co-workers can also enjoy a pleasant work environment, career development options, a sophisticated initial work training program led by an instructor, and many financial and non-financial benefits. In the financial year 2017, our employee turnover was 20.20%, which is 4.5 percentage points fewer than in the previous financial year. We are constantly trying to identify factors that cause this turnover and make our recruitment more effective since reductions in the level of turnover mean reduced costs on our side.

### Turnover in the financial year 2017<sup>1</sup> Total: 20.20%<sup>\*\*</sup>

By gender*	By Region*
<ul style="list-style-type: none"> <li>■ Male: 27.83%</li> <li>■ Female: 72.17%</li> </ul>	<ul style="list-style-type: none"> <li>■ The Banská Bystrica Region: 6.07%</li> <li>■ The Bratislava Region: 26.11%</li> <li>■ The Košice Region: 7.71%</li> <li>■ The Bratislava Region: 9.61%</li> <li>■ The Prešov Region: 7.16%</li> <li>■ The Trenčín Region: 12.15%</li> <li>■ The Trnava Region: 19.31%</li> <li>■ The Žilina Region: 11.88%</li> </ul>
<p>By age*</p> <ul style="list-style-type: none"> <li>■ 30 and younger: 45.24%</li> <li>■ 31–50: 46.60%</li> <li>■ 51 and older: 8.16%</li> </ul>	

\* calculated as the percentage of the total number of employees who left Lidl in the financial year 2017

\*\* The employee turnover indicator for the financial year 2017 was calculated on a monthly basis. The total number of existing employees also includes employees on maternity or parental leave. The number of employees who have left the company only includes those who leave after their trial period and it does not include employees going on maternity or parental leave.



## REPRESENTED BY OUR EMPLOYEES

Our employees are the best ambassadors of the Lidl brand. Because of that, in 2016 we launched the **Employer Brand** project. The project started with questions aimed at our co-workers, asking what they think about the Lidl brand. We organized several workshops, which were attended by 149 employees from all parts of the company. In the process of defining our values, we took a bottom-up approach – the company management did not dictate the values, but merely participated in the process as one of several parties. The results of several workshops showed us that our employees view Lidl as a **“DYNAMIC team that provides team players with STABILITY, while also giving them space for PERSONAL DEVELOPMENT. A FAIR company that takes RESULTS into account.”** We then gave our employees the opportunity to become the faces of our recruitment campaign, which was launched together with the information about increased wages for store employees. Seeing some of our co-workers present their faces in public to promote Lidl without any hesitation was also very motivating for the others. The project also improved employee loyalty, increased the number of job applications, and improved the public perception of our company. In the financial year 2017, we ran it again with new co-workers as the face of the campaign. This year, 31.06% of our total work force comprised of new employees.

### New employee hires in the financial year 2017<sup>2</sup> Total: 31.06%

By gender*	By Region*
<ul style="list-style-type: none"> <li>■ Male: 26.34%</li> <li>■ Female: 73.66%</li> </ul>	<ul style="list-style-type: none"> <li>■ The Banská Bystrica Region: 6.07%</li> <li>■ The Bratislava Region: 23.94%</li> <li>■ The Košice Region: 7.98%</li> <li>■ The Bratislava Region: 9.46%</li> <li>■ The Prešov Region: 11.94%</li> <li>■ The Trenčín Region: 13.56%</li> <li>■ The Trnava Region: 15.82%</li> <li>■ The Žilina Region: 11.23%</li> </ul>
<p>By age*</p> <ul style="list-style-type: none"> <li>■ 30 and younger: 48.94%</li> <li>■ 31–50: 44.07%</li> <li>■ 51 and older: 6.99%</li> </ul>	

\* calculated as the percentage of the total number of new employee hires in the financial year 2017



Lidl is the most attractive employer among retailers in the Slovak job market. This was confirmed by both the public and a group experts – our discount supermarket chain won its category in a Slovak competition titled Most Attractive Employer and retained first place in the international awards Top Employer Slovakia and Top Employer Europe. Our employment policy also received recognition in the VIA BONA SLOVAKIA AWARDS 2017, earning us first place in this category.



**najzamestnávateľ 2017**  
1. miesto *Obchod a služby*

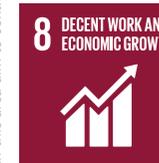


# WE CARE ABOUT THE FUTURE<sup>1</sup>

We want to retain our position as the most attractive employer in the Slovak job market and attract skilled and talented employees. We will also be focusing on systematically reducing the turnover rate and increasing the satisfaction and loyalty of our employees.



Our activities in this area aim to contribute to the following Sustainable Development Goals:



# TRAINING AND DEVELOPMENT

Acting in line with our motto “People make Lidl happen”, we try to offer our co-workers the best work conditions possible as well as good career and education options so that they can fully develop their potential in the dynamic world of today.

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The education and development of our employees is a long-term focus and one of the priorities of our HR policy. We offer our employees a lot of support to help them develop and they can also make use of sophisticated educational concepts that account for their individual needs. These concepts are largely created in-house and then carried out in cooperation with external education agencies. Some of the projects are organized at an international level. This allows us to receive support from our parent company, which actively participates in the creation and execution of these programs in all countries where the Schwarz Group operates. Our long-term goal is to be an attractive employer and to continue offering our employees and future candidates the widest possible options for professional and personal development. The topic of education and development is managed by our Employee Development and Education Department, which works in close cooperation with all regional HR departments as well as regional heads of education. We currently have a team with almost 20 members working on the education and development of our employees.<sup>1</sup>

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## Klára Kolínová

Employee Development and Education Manager

## THE DEVELOPMENT OF OUR EMPLOYEES IS OUR PRIORITY

Our employees demonstrate excellence every day, which is why they are a decisive factor that contributes to the success of our company. Because of that, we have decided to invest more time, money, and HR capacities in their future. Only motivated people can ensure that our ideas and concepts are executed.

New employees are prepared for their future duties through learning by doing and they also receive constant support from their trainers and mentors. This system is tailored to every work position and our new employees always receive individual guidance from an experienced colleague.

Our tailor-made education program, which is constructed in a way that allows our employees to effectively put their new knowledge into practice, is an integral part of employee development at every work position. In the financial year 2017, we retrained 655 of our employees (14.37% of our total work force), who attended a total 9,320 hours of trainings altogether. We are gradually organizing trainings for all our employees, choosing topics relevant for their positions.

### Hours of trainings attended in the financial year 2017

Training category	Women	Men	Total
For non-leadership positions	2,408	1,152	3,560
For leadership positions	464	1,192	1,656
Project management	688	1,072	1,760
Trainings not in the Education Catalog	1,128	328	1,456
Mentoring 1	320	128	448
Mentoring 2	224	96	320
External coaching	50	70	120
<b>TOTAL</b>	<b>5,282</b>	<b>4,038</b>	<b>9,320</b>

We have a wide selection of trainings offered to employees at both leadership and lower, non-leadership positions.



Both groups of employees (leadership and non-leadership positions) have the opportunity to first attend Level 1 trainings, which focus on the following topics:

- The ability to change
- Performance focus
- Business approach
- Result focus
- Understanding content and context
- Communication
- The ability to cooperate
- Managing conflict situations

After attending these trainings, employees can also attend the more advanced Level 2 trainings, which focus on their personal, methodological, social, and management skills (the last one only applies to employees in leadership positions).

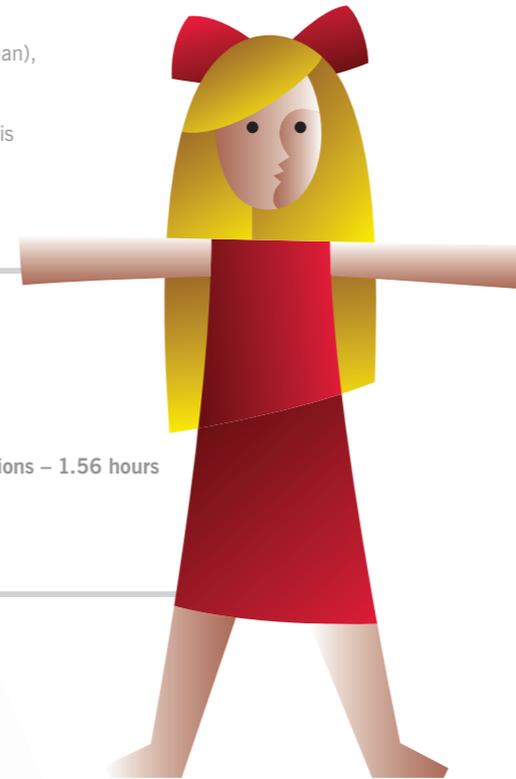
In addition to these two training packages, we also offer language courses (English and German), mentoring, internal and external coaching, job rotation, trainings in our High Five leadership principles, trainings in project management, and other internal and external trainings as well as tailor-made training programs. This training was attended by everyone who was eligible this financial year, regardless of gender.

**Average number of hours spent attending trainings in the financial year 2017:<sup>1</sup>**

- Employees total – 2.04 hours
- Women – 1.51 hours
- Men – 3.84 hours

- |  |  |
|--|--|
| <b>People in leadership positions – 8.67 hours</b> | <b>People in non-leadership positions – 1.56 hours</b> |
| □ women – 8.08 hours                               | □ women – 1.72 hours                                   |
| □ men – 9.06 hours                                 | □ men – 2.71 hours                                     |

<sup>1</sup>The values are rounded to 2 decimal places.



**A comprehensive, long-term educational program for store managers**

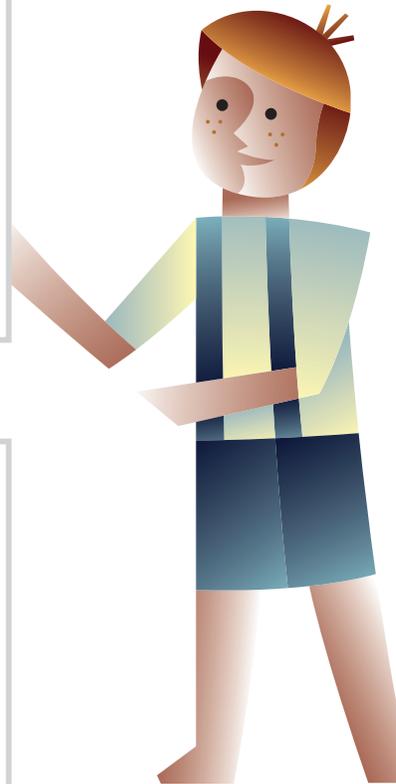
This unique educational training initiative aims to develop the skills of all store managers. These large-scale trainings will equip our co-workers in managerial positions with new professional, managerial, and leadership skills. A comprehensive educational system that focuses on the above-mentioned goals can only be effective if it is tailor-made for specific people. In the first phase of the program, all store managers attended a so-called development day, where their potential was analyzed in great detail. In the next phase, we created personalized education plans for them. Those employees who passed the initial assessment and met the newly-defined requirements for store managers automatically received this new status together with a company car as a bonus. Of course, this was by no means the end of their professional development – they have the option to attend more courses and trainings depending on their needs.

**High Five – our leadership principles**

Leadership is our key objective since it is present in our everyday operations. At Lidl, we work as one team which strives to achieve results that reach past hierarchical boundaries. This is what makes the development of our employees in managerial positions extremely important. The High Five program was launched in the fall of 2016. The launch was followed by four workshops attended by more than 300 employees in managerial positions, who received training in the new leadership principles. The High Five concept includes five commitments for people in leadership positions:

Leading through communication – Developing team members – Being dynamic and high-performing – Establishing trust and being fair – Being a role model and leading by example

This project has enabled us to improve leadership in our company, define better company values, and promote more open communication in teams, which has helped us receive more feedback from our employees.



## FEEDBACK FOR EVERYONE

We want to reach a point where things continuously improve, there is a friendly atmosphere in our company, and the performance of our employees keeps on increasing. This is why we view feedback as a chance for personal development. We take this commitment seriously, so all of the relevant co-workers attended a performance review in 2017. A total of 1,325 employees throughout the company (regardless of their gender or work position) received feedback using an assessment sheet and a competence model. Employee assessment is part of the Talent Management project, which was launched in early 2017. We use these assessments to pick personalized trainings for our employees and we are also creating a database of employees with the potential to grow and advance to higher work positions.

The assessment process consists of the following stages:



## TRAININGS FOR FUTURE EMPLOYEES WHO ARE STILL IN SCHOOL

Young people have several opportunities to start a career in our company. We have many positions suitable for graduates, but that is definitely not all. We cooperate with several secondary schools as part of the dual education system. University students from the second year onwards have the opportunity to apply for our Retail Academy, giving them the opportunity to meet experts working for Lidl who will prepare interesting topics and lectures with practical information from their work. We also have internship and trainee programs for university students and fresh graduates, which allow students to get involved in our company and learn by doing. The people who are interested in attending these projects can look forward to gaining unique experience and motivating wages. We also actively cooperate with AIESEC – the largest international student organization – by regularly attending their national conferences and organizing lectures and workshops.

### In the financial year 2017, we offered practical experience for:

- ▣ 35 students of our Retail Academy
- ▣ 21 students in the dual education system
- ▣ 15 interns
- ▣ 7 trainees

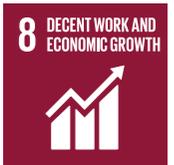


# WE CARE ABOUT THE FUTURE<sup>2</sup>

Our short-term goal for 2018 is to prepare a new educational concept. This concept will include a wide range of topics to improve the methodological, social, personal, and managerial skills of our employees. We are also preparing an internal educational conference that will be held under the title Lidl Forum. From a long-term perspective, we want to digitize our educational processes, which will allow us to focus on the individual needs of every employee in line with current trends and using modern methods.



Our activities in this area aim to contribute to the following Sustainable Development Goals:



# LIFE BALANCE

We live in a dynamic time that places high demands on every employee. We are aware that our employees can only prosper if they maintain a healthy work-life balance.

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Our whole company functions in line with our company principles as well as the principles defined in the High Five leadership concept, which also reflect the topic of work-life balance. Our goal is to offer our employees motivating work conditions. Motivation is a key factor that influences the quality of their work and the performance that makes Lidl an attractive and successful brand. Our employees receive a wide range of benefits, which are divided into three areas – family, health, and work. This whole concept is managed by our Employee Motivation department, which is part of the large HR department that operates at our head office. On a regional level, these duties are managed by our team of professional confidants, who support the execution of our centrally organized motivation projects, but they also meet our co-workers at stores and warehouses and offer counseling in job-related and personal matters.<sup>1</sup>

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**Zuzana Baloghová**

HR Manager

## CHANGES IN WORK DUTIES ARE ALWAYS PLANNED AHEAD

Most of our stores are open 7 days a week, specifically between 7:00 and 20:00 (or 9:00 and 20:00 on Sundays). Because of our long opening hours, work-life balance is a great challenge for us. On the one hand, we need to meet the needs of our customers, but the well-being of our employees is incredibly important for us as well. To help our co-workers in stores plan their leisure activities, all work shifts are planned at least two weeks in advance. These plans can only change under justified circumstances (for instance in cases of unexpected short-term absences). During the planning phase, we try to accommodate all of our employees' requests. If there are any changes or short-notice tasks, we always wait for their approval. We fully respect the legislation currently in force.

## SUPPORTING FLEXIBILITY

We also try to support our employees in their personal lives and various life situations, which is why we have implemented various measures to promote flexibility.

Co-workers in positions that allow this can work from home one day a week (in some cases even more). 253 employees are currently taking advantage of this opportunity. The ability to work from home is very valuable for parents. Many of them also choose to work part-time since it allows them to plan and adjust their working hours for greater flexibility. In 2017, 39.45% of our employees worked at Lidl part-time.

Employees at our central departments (the company head office and the administrative employees at our distribution centers) have the option to plan their working time flexibly. In 2017, 437 employees took advantage of this opportunity (8.46% of our total work force). Full-time employment at Lidl stores and warehouses is defined as 38.75 hours per week. We treat our employees fairly, so we keep track of every minute worked overtime. Overtime work is compensated with remuneration or compensatory leave.

## WE MAKE LIDL A BETTER PLACE FOR WORK

Every year, we use the feedback collected from our employees to improve our benefit package. We care about our co-workers' opinions, so we give them a regular opportunity to express them. We then use their answers to implement specific measures. Our standard package includes several benefits that go beyond what is required by the Labor Code. These include additional vacation days for all employees below 33 years of age, an additional pension contribution of €200 per year, a meal card with a daily meal allowance of €3.80, a birthday present, access to company events organized at various levels (including stores), etc. Other benefits include vouchers for leisure activities that employees receive twice a year (with a total value of €160). With the advent of fall, every employee receives a vitamin package to boost their immunity. On World Health Day in April, our store employees always receive fresh fruit. Our employees also appreciate the summer camps that we organize for 200 of their children.



## TIME FOR RELAXATION AND REGENERATION IS A MUST

After five years of work for the Schwarz Group (which Lidl is part of), our employees have the opportunity to go on a sabbatical – up to three months of unpaid leave that they can use to regenerate, travel, or care for a family member if they have an unfavorable family situation. When the sabbatical ends, the employee returns to his or her previous work position with the same duties. In 2017, 5 of our employees took advantage of going on a sabbatical. Our employees also have the opportunity to go on unpaid leave and 20 of them did so in the financial year 2017.

We understand that the physical and mental well-being of our employees is essential for the success of our company. Another benefit that we offer our employees is the Multisport Card. This card is useful for people who actively participate in sports as well as those who prefer more relaxed leisure activities. In 2017, we did a trial run for this benefit. The Multisport Card includes a long list of official partners for sports and leisure activities so that our employees can find whatever activity suits them best. This is our way of motivating co-workers to get regular exercise and relaxation.

## THERE IS ALWAYS SOMEONE TO TALK TO

It is important for us to give every employee someone who will lend them a helping hand if needed. That is why we have **professional confidants – communication partners for our employees who can help with all problems and worries** that they do not want to discuss with their superiors. Confidants can help our employees with employment matters as well as problems with co-workers or superiors that they find hard to solve on their own. **The confidentiality of these talks is guaranteed.** Only if the employee agrees with it is the confidant allowed to discuss the problem with the relevant people. Confidants are available at our head office, where they can either be visited in person or contacted by phone or email, and at each of our three central warehouses. Confidants from our central warehouses visit our co-workers in stores regularly, which allows them to build trust among the employees and solve many problems directly by engaging in discussions.



# WE CARE ABOUT THE FUTURE<sup>1</sup>

Work-life balance has become a key factor that has a great impact on the health and well-being of our employees, which, in turn, directly influence their performance. Therefore, we have set a short-term goal to promote health- and sports-related activities among our employees by communicating the new benefits more intensively in 2018. We also support work-life balance by organizing events that focus on the link between one's work and personal life (such as Family Days). Our goal for 2018 is to make the Multisport Card a permanent benefit available to all employees.

A long-term goal of Lidl Slovakia is to keep improving our health management policies and create a motivating work environment and conditions for our employees. One of our goals is to offer our employees comprehensive health care. In 2018, we want to allow those employees who have been working for us for more than two years to attend a premium health checkup at our partner health centers all over Slovakia.

We want our employees to become more engaged in projects that promote a healthy lifestyle, which would help us prevent illnesses and reduce the rate of absences from work.



Our activities in this area aim to contribute to the following Sustainable Development Goal:



# 8. CUSTOMER & SOCIETY

## IN THIS CHAPTER

- 8.1 REGIONAL AND SUSTAINABLE PRODUCTS
- 8.2 HIGH-QUALITY PRODUCTS AND PRODUCT SAFETY
- 8.3 TRACEABILITY AND SECURITY OF SUPPLY
- 8.4 COMPLIANCE
- 8.5 CORPORATE CITIZENSHIP, LOCAL DEVELOPMENT, AND COOPERATION
- 8.6 COMMUNICATION
- 8.7 CUSTOMER AWARENESS
- 8.8 EMPLOYEE AWARENESS



# REGIONAL AND SUSTAINABLE PRODUCTS

We also view corporate social responsibility in the context of our product range. Our product range is selected with sustainability and the environment in mind, and we also prefer products from local suppliers.



// We aim to continue increasing the share of Slovak products in both our permanent and our special product offer. This is even reflected in our model of supplier selection – if there are two identical offers, we choose the Slovak supplier over a foreign one. We also help Slovak suppliers export their products. Thanks to our own brands, in 2017 our Austrian and German customers could try Slovak Niva cheese – a Roquefort-like cow’s milk cheese, Hungarians and Poles could taste traditional Slovak bryndza cheese, and Belgians and Croatians could enjoy our plant-based spreads. In addition to increasing the share of Slovak products, we have also made a commitment to keep increasing the share of products with certificates of sustainability. Our progress for each of these goals in Slovakia is regularly monitored and evaluated. The selection of products is always managed by individual purchasing agents, who are responsible for the product categories they have been assigned. The purchasing agents directly report the results of their negotiations to our senior management.<sup>1</sup> //

**Lenka Hohošová**

Purchasing CSR Manager

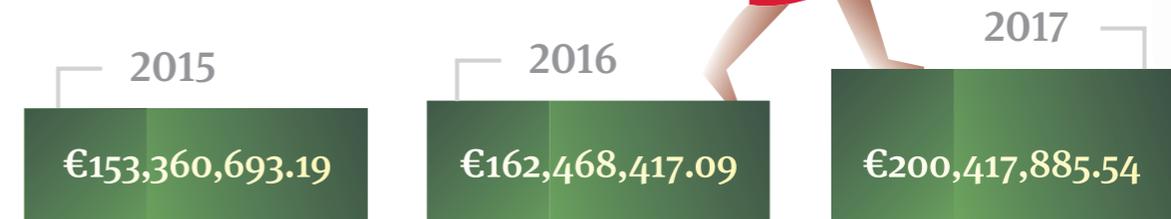
## WE SAY YES TO SLOVAK SUPPLIERS

In October 2017, we launched our “**Made in Slovakia**” campaign for the very first time. For this weekly special, we contacted new Slovak suppliers who had previously not been able to work with us due to their limited capacities. The special offer focused on typical Slovak products and it also aimed to support Slovak dairy producers as well as fruit and vegetable farmers. When we saw that this campaign was very popular with our customers, we started listing “**5 excellent offers from Slovakia**” in our weekly leaflets. Note that our special offers are the same in all Lidl stores in Slovakia, which differentiates us from other food chains that also have programs aimed at promoting Slovak suppliers.

In the fall of 2017, we created a campaign aimed at domestic suppliers titled “**Make Yourself Visible (Dajte o sebe vedieť)**”. This soon proved to be the right decision since the campaign helped increase the number of Slovak suppliers by more than 10%, bringing their number to approximately 150.

We are interested in further expanding the selection of Slovak products in our range, which is why we are constantly looking for Slovak suppliers who are able to fulfil our quality requirements, ensure continuity of supply, and sell their products at a competitive price. In the financial year 2017, the goods we bought from Slovakia-based suppliers made up 23% of the total value of all products sold at Lidl.<sup>2</sup> The increasing share of Slovak food in the product range of our discount food chain can also be seen in the following figures.

The value of products purchased from suppliers based in Slovakia (expressed in purchaser prices):



### WE HELP SLOVAK SUPPLIERS EXPORT THEIR PRODUCTS

In the financial year 2017, we continued to support local producers by helping 48 Slovak suppliers sell their products abroad. The total value of these goods was almost €45 million, which represented a 20% increase compared with the year before. The largest volumes of goods were sold in Lidl stores in the Czech Republic, Hungary, Bulgaria, Lithuania, and Poland. However, Slovak products were also sold in our stores in Austria, Belgium, Germany, and Switzerland. The biggest exporters include AGRO TAMI, MECOM, RAJO, SHP Harmanec, Stepanow, and Metsa Tissue.

#### The export of Slovak producers



### WE UNDERSTAND OUR RESPONSIBILITY TOWARDS PEOPLE AND NATURE

We promote ethical trade and environmentally-friendly agricultural practices in order to minimize their negative impact on people and the environment. To help us improve the traceability of our products' origin and ensure greater transparency for our employees, we cooperate with internationally recognized organizations like Fairtrade, Rainforest Alliance, UTZ, MSC, ASC, and FSC.

#### Number of certified products in the financial year 2017:



#### UTZ

is a global program that promotes the sustainable farming of cocoa, coffee, and tea. The program aims to educate farmers on optimal farming practices and to implement professional and sustainable farming methods that yield high-quality crops.

#### BIO

is a certificate for products grown in organic farming systems. The certificate indicates that no chemicals, fertilizers, or growth stimulators are used to grow the plants and that the products are GMO- and preservative-free. Organic farming systems make responsible use of natural resources like water or soil and they respect the natural cycles and systems.

#### MSC

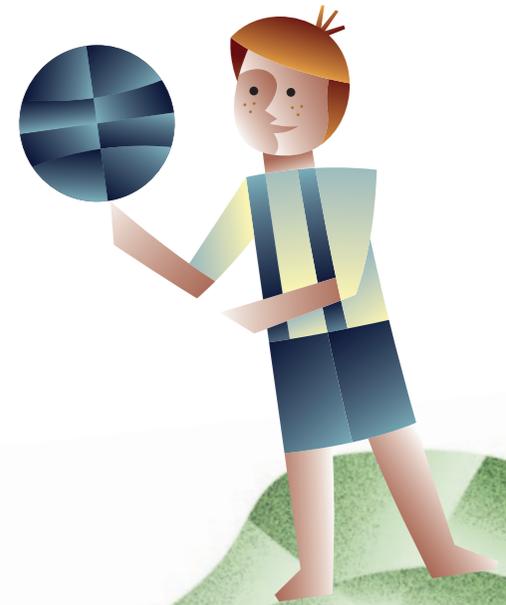
is a certificate for sustainable fisheries. The Marine Stewardship Council (MSC) has a long-term goal of promoting fishing methods that protect the environment and the responsible management of fish stocks.

#### FSC

is a certificate that guarantees that the labeled product comes from sustainably managed forests.

#### FAIRTRADE

is a trade principle that guarantees farmers and craftspeople from developing countries a fair wage for their work, allowing them to earn a decent living.



## UTZ-CERTIFIED CHOCOLATE

Our own chocolate labels Fin Carré and J. D. Gross are a symbol of our participation in the UTZ program, which promotes sustainably grown cocoa. The program provides farmers with access to courses and trainings in management, workplace safety, and environmental management. Its main goal is to help producers supply high-quality goods for reasonable prices. If the packaging of a chocolate bar includes the UTZ symbol, the customers know for certain that the cocoa used in production came from sustainable cocoa plantations.

## FISH FROM SUSTAINABLE FISHERIES

Lidl promotes the principles of sustainable fishing. One of the main challenges of our time is the preservation of marine ecosystems and securing sufficient fish stocks for future generations. As a reaction to this challenge, Lidl Slovakia has published the **Sustainable Fish and Crustacean Sourcing Policy**. With this policy that comes into effect on 1 January 2019, we have committed only to offer **MSC-certified products** in our range of deep-frozen fish and crustaceans caught in the open sea. Even our special offers, which are only available for a **short period of time**, will gradually be changed to include more MSC-certified products. Customers who buy MSC-certified fish in our stores have a guarantee that the fish are sourced from sustainable fisheries. In order to promote dolphin-safe tuna fishing, we also support the Earth Island Institute. Lidl joined the **Dolphin Safe** program as one of its first supporters and has remained an active member ever since. Our stores sell tuna cans with a blue label that reads "Safe", which is a guarantee of compliance with Earth Island Institute standards. This program enables us to contribute to the protection of dolphins and other marine life that is threatened by tuna fishing. We also promote the creation of new marine protected areas and the preservation of existing ones.



The share of certified products in the total volume of products purchased in the financial year 2017<sup>1</sup>

The total number of purchased products that have the Bio, Fairtrade, FSC, UTZ, or MSC certificate	97,723,658 pc/kg
The share of purchased products that have the Bio, Fairtrade, FSC, UTZ, or MSC certificate	6.57%
The share of BIO-certified products in the total number of purchased products	0.54%
The share of Fairtrade-certified products in the total number of purchased products	0.00%
The share of FSC-certified products in the total number of purchased products	2.09%
The share of UTZ-certified products in the total number of purchased products	3.53%
The share of MSC-certified products in the total number of purchased products	0.41%

BIO	Type of product	Purchased amount	% of the total number of BIO products	Origin
	BIO Fruit	882,660	11.10%	SK, IT, ES, CO/EC
	BIO vegetables	962,600	12.10%	SK, CZ, ES, IT
	BIO frozen food	21,204	0.27%	DE
	BIO refrigerated meat and dairy products	2,433,151	30.59%	CZ, DK, DE, IT, FR, GR
	BIO spices, sauces, condiments	80,124	1.01%	BE, DE, IT
	BIO oil	154,394	1.94%	GR, DE, ES
	BIO coffee, tea, cocoa	137,160	1.72%	DE
	BIO staple foods	4,368	0.05%	DE
	BIO spreads	49,524	0.62%	DE
	BIO canned food	51,384	0.65%	DE
	BIO baby food	331,392	4.17%	SK, DE, BE, ES
	BIO wine	14,538	0.18%	DE, HU
	BIO non-alcoholic beverages	19,104	0.24%	DE
	BIO bakery products, candy	2,741,546	34.46%	DE, IT, NL, FI
	BIO cosmetics	10,080	0.13%	DE
	BIO textiles and other products	61,987	0.78%	DE
<b>Total</b>	<b>BIO</b>	<b>7,955,216</b>		

Fairtrade	Type of product	Purchased amount	% of the total number of Fairtrade products	Origin
	Candy	24,640	93.56%	ES
	Hot beverages	1,696	6.44%	DE
<b>Total</b>	<b>Fairtrade</b>	<b>26,336</b>		

FSC	Type of product	Purchased amount	% of the total number of BIO products	Origin
	FSC frozen food	3,399,290	10.94%	BE, DE
	FSC refrigerated meat and dairy products	2,859,500	9.20%	DE, IT
	FSC spices, sauces, condiments	4,724,101	15.20%	CZ, DE
	FSC ready-made meals	120,960	0.39%	CZ
	FSC wines	37,650	0.12%	DE
	FSC alcoholic beverages	77,166	0.25%	DE
	FSC non-alcoholic beverages	443,456	1.43%	DE
	FSC candy	721,920	2.32%	DE, BE
	FSC long-lasting bakery products	923,148	2.97%	NL
	FSC bakery products	6,634,476	21.35%	DE, BE
	FSC cosmetics	270,456	0.87%	DE
	FSC paper products, wrap	8,337,030	26.83%	DE, FR, RO
	FSC home equipment	1,489,920	4.80%	PL, DE
	FSC garden accessories	6,300	0.02%	DE
	FSC furniture	10,484	0.03%	DE
	FSC toys	151,019	0.49%	DE
	FSC decorations	51,209	0.16%	DE, NL, BE
	FSC media	173,146	0.56%	DE
	FSC office supplies	385,133	1.24%	DE
	FSC home supplies	17,105	0.06%	DE
	FSC cleaning products	70,524	0.23%	DE
	FSC tools	1,720	0.01%	DE
	FSC home tools	5,876	0.02%	DE
	FSC creative tools, music	157,955	0.51%	DE
<b>Total</b>	<b>FSC</b>	<b>31,069,544</b>		

UTZ	Type of product	Purchased amount	% of the total number of UTZ products	Origin
	UTZ ice cream	6,901,866	13.14%	DE, BE, FR, NL
	UTZ refrigerated dairy products	6,724,963	12.81%	DE, IT
	UTZ coffee, tea, cocoa, instant beverages	867,080	1.65%	DE, PL
	UTZ staple foods	108,908	0.21%	DE
	UTZ spreads	616,752	1.17%	DE
	UTZ bakery products	5,601,897	10.67%	DE, FR, AT
	UTZ candy	19,986,895	38.06%	AT, BE, CZ, DE, ES, HU, NL
	UTZ bread, bakery products, pastries	1,693,646	3.23%	DE, NL
	UTZ frozen, store-baked bakery products	10,008,180	19.06%	DE, FR, PL, BE
	UTZ refills for vending machines	384	0.00%	DE
<b>Total</b>	<b>UTZ</b>	<b>52,510,571</b>		

MSC	Type of product	Purchased amount	% of the total number of MSC products	Origin
	MSC frozen goods	1,552,507	25.19%	DE, DK, PL, FR
	MSC refrigerated dairy products	3,835,800	62.25%	PL, CZ, LT
	MSC fish cans	773,684	12.56%	DE, IS
<b>Total</b>	<b>MSC</b>	<b>6,161,991</b>		

# WE CARE ABOUT THE FUTURE<sup>1</sup>

We aim to increase the share of Slovak and certified products in both our permanent product offer and our special/limited-time offers. We have made a commitment to increase the value of products purchased from Slovak suppliers by 20% by 2020.

The sustainability goals for products sold under our own brands are listed below.

Topic	Description	Goal	Deadline
Coffee	Certification of ingredients for our own brands	50%	2022
Tea	Our goal is to ensure that our own brands of green tea, black tea, and rooibos are certified (Fairtrade, Rainforest Alliance, UTZ, or Bio) in their country of origin	100%	2022
Cocoa	Certification of ingredients for our own brands	100%	2020
Palm oil in food products	Removing palm oil from food products	100%	2022
Palm oil in non-food products	Segregation of palm oil in non-food products.	100%	2020
Fish and seafood	The permanent product offer of deep-frozen fish and crustaceans sold under our own Lidl brands in the Slovak market will only include MSC-certified products caught in the open sea.	100%	2018
Paper and cellulose	All paper products will be either FSC- or PEFC-certified.	100%	2020

Our activities in this area aim to contribute to the following Sustainable Development Goals:



# HIGH-QUALITY PRODUCTS AND PRODUCT SAFETY



There is no room for compromise between quality and price. We view the health of our customers as a top priority, which is why our quality assurance team takes great care to ensure that the products we offer in our stores comply with the strictest standards.



// The quality and safety of our products is our top priority and lies at the center of our attention from a business perspective. Our long-term goal is to offer our customers high-quality, safe food for the best prices in the Slovak market. In order to reach this goal, we carry out regular analytical and sensory assessments of selected products and we also monitor our suppliers through third-party audits. We care about the opinions of our customers, which is why we actively handle every inquiry about the quality of our products. Of course, action speaks louder than words – in 2017, we invested approximately €278,000 to help us move towards our goals in the area of quality control.<sup>2</sup> //

**Andrea Balážová-Fuseková**

Quality Control Manager

## OUR PRODUCTS PASS A VARIETY OF QUALITY AND SAFETY TESTS

We carry out regular lab analyses of selected products in cooperation with independent, certified laboratories. This helps us evaluate whether the results of analytical tests comply with Slovak and European legislation, but we also check if the actual values are in line with what our suppliers declare. We use the services of the following laboratories: EUROFINS BEL/NOVAMANN s.r.o. (for the analysis of food products), Analytica Alimentaria GmbH and Galab Laboratories GmbH (for the analysis of fruit and vegetables). In the financial year 2017, we carried out a total of **614 food analyses** that focused on **258 products**. If there are any discrepancies identified, we always contact our suppliers and implement corrective measures. We also carry out regular internal and external sensory assessments of our products. **In the case of fruit and vegetables, we hire independent laboratories which conduct individual analytical tests to detect potential pesticide residues. Between October 2017 and the end of this financial year, we conducted 237 analyses on 58 products in this category.**

Since we want our customers to be able to rely on the high quality of our products, our suppliers must comply with very strict requirements. From a long-term perspective, we want all our business partners to have internationally recognized certificates in food safety and quality. We also follow a basic rule which states that our own brands should be equally good as the leading brands in the same category, if not better. Because of that, all factories that produce food for our own brands must pass regular audits carried out by independent external providers. We are constantly communicating with our suppliers, and if there are any discrepancies identified, we always implement corrective measures.

**92%**

the share of Slovak suppliers selling their products under our own Lidl brands who comply with the IFS Food Standard, BRC, and FSSC 22000 certificates. Our remaining suppliers have other ISO certificates.

All our suppliers also have HACCP systems in place (Hazard Analysis and Critical Control Points). Their goal is to ensure food safety and reduce consumer health risks. We are constantly communicating with our suppliers to help them obtain the preferred certificates since we view them as a requirement for long-term cooperation.



### IFS (International Featured Standards) Food Standard

is an audit standard for food producers that focuses on food safety, product quality, and process quality. It is relevant for food producers and food packaging companies.

### BRC (British Retail Consortium)

is a set of global standards that protect consumers and provide a guarantee that the certified products are safe, high-quality, and comply with legal requirements.

### FSSC 22000 (Food Safety System Certification)

is a standard of efficient company management from a food safety perspective. It is based on existing ISO standards, proving that the certified company has an extensive system of quality assurance that fulfils its consumers' requirements.

## OFFICIAL INSPECTIONS<sup>1</sup>

In 2017, we had a total of 1,158 official inspections that focused on food. These resulted in 90 administrative proceedings which ended in fines. We are not aware of any cases where identified problems or official inspections only led to a warning or notice. The total value of fines for the financial year 2017 was €215,700, the highest being €20,000.

In the financial year 2017, 7 products were recalled after decisions made by the Regional Veterinary and Food Administration, including one case when we were directly informed by our supplier (Opavia Zlaté venčeky). In most of these cases, the products were recalled due to inadequate labeling or unsuitable sensory characteristics.

Over the year, we also received customer inquiries about the quality and safety of our products – 3 per store on average. Most of these customers contacted us through our customer service helpline or our social media.



If the official inspection identifies a discrepancy and imposes a corrective measure, our task is to investigate the situation quickly and efficiently, collect the necessary information from our supplier, and implement the required corrective measures within the required deadline. In each of these cases, the health and safety of our customers lie at the center of our attention. Afterwards, we implement measures that help us prevent similar situations in the future.

If the authorities require a public recall of a product, our task is to immediately inform our customers through a public announcement. In cases like these, our customers can return the product at any of our stores without the need to bring a receipt and their money will be immediately returned.

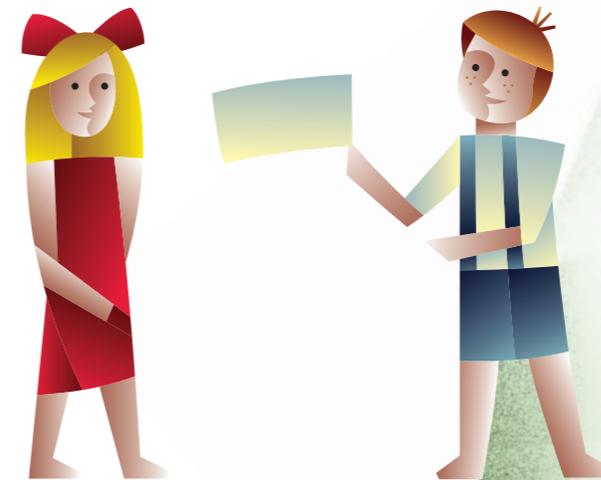
### WE ACCOMMODATE SPECIAL DIETS

Experts say that an increasing number of people have food allergies and intolerances. To react to this trend, we added special products to our product range in 2016. Our selection of dairy now includes products with a lower lactose content. We have also added a number of gluten-free and vegan products (such as pizza and pasta) to our range. Our special weekly offers that focused on healthy eating and special diets were also met with a very positive response.

## WE CARE ABOUT THE FUTURE<sup>1</sup>

In the following years, our plan is to continue performing food safety inspections in line with Lidl's international goals and strategies. We have also made a commitment to reduce the amount of added sugar and salt in selected product categories, our main focus being products popular among children. The main product categories where the sugar content will be reduced include breakfast cereal, milk desserts, candy, yoghurts, ice cream, and sweet spreads. In regard to reducing the amount of added salt, our main focus will be bakery products, ready-made meals, and meat products. We also want to stop using certain preservatives and colorings in our products.

By 2025, the amount of added sugar and salt in the products sold under our own brands will be reduced by 20% in a way that does not affect their taste.



Our activities in this area aim to contribute to the following Sustainable Development Goal:



# TRACEABILITY AND SECURITY OF SUPPLY

In order to help our customers choose which products to buy, we always offer trustworthy information about our product offer and we also label the products in accordance with the relevant legislation. We offer high-quality, inexpensive products in all regions of Slovakia since we view customer satisfaction as the main indicator of success.



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We comply with the legal requirements for labeling throughout our product offer. In this context, the most relevant legislation for us includes the laws passed by the National Council of the Slovak Republic and the Regulations passed by the European Parliament and the Council of the European Union. We conduct regular inspections in our product portfolio. If there are any changes in legislation or suppliers, we always modify our product packaging accordingly. The origin, certifications, and qualitative characteristics of our products are communicated using the product packaging, our special offer leaflets, our website, as well as our sustainability campaigns. If our customers have any inquiries, they can contact us at any time using our customer service helpline or our social media accounts. Product labeling is managed by the Purchasing Department.<sup>1</sup>

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## Nina Nováková

Print and Design Manager

## WHAT LEGISLATION WE COMPLY WITH

In the case of products made in Slovakia or imported from third countries, we comply with Slovak legislation (decrees and ordinances) relevant for each commodity. For animal products, we fully comply with the requirements set by Regulation (EC) No. 853/2004 of the European Parliament and the Council of 29 April 2004 laying down specific hygiene rules for food of animal origin. Other important laws and regulations concerning product labeling include:

- ▣ Act No. 270/1995 Coll. on the State Language of the Slovak Republic, 15 November 1995
- ▣ Act No. 152/95 Coll. on Food Products, as amended
- ▣ Act No. 250/2007 Coll. on Consumer Protection
- ▣ 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, amending Regulations (EC)

## TRACING THE ORIGIN OF OUR MEAT IS SIMPLE

Customers are becoming increasingly interested in finding out where our products come from and how they are produced. In the financial year 2017, it was possible to trace the origin of animal products. The packaging included information about the product's origin, either in textual form or using oval-shaped identification marks with the country code.

In addition to the ingredients, instructions for use or preparation, and packaging recycling instructions, the packaging must also include an EAN code (a barcode), a table with nutritional values, the weight, and sometimes even the number of portions. The packaging also includes important storage guidelines and, of course, the "best before" and expiration dates. We have started adding the Lidl logo to our own brands to make them more recognizable outside our stores.<sup>2</sup>

## RELIABLE SUPPLY

Our stores are spread across 90 cities and towns all over Slovakia. In 2017, all 131 stores were supplied with new goods at least once a day in the early morning, helping us ensure the availability of fresh products for our customers in all regions of Slovakia.



Freshness is key for us – something that can also be seen in the individual product groups. **Meat** is delivered to all 131 stores every day. It is sourced from reliable suppliers who rear animals under controlled conditions and usually pack the meat in a controlled atmosphere, which ensures optimal storage conditions all the way from the producer to our refrigerators. Fresh **fish** are sourced from sustainable fisheries and hygienically packed. All **fruit and vegetables** sold at Lidl are selected with great care, inspected, and supplied daily – even on Sundays. Our store employees prepare parbaked **bakery products** several times a day so that our customers can enjoy fresh, crispy baked goods all day long. Just like the rest of our product offer, our offer of **dairy products, milk, eggs, and cheeses** is different from other chain stores, which often sell a lot of products of the same type that are virtually identical, just with different packaging. Product preselection means that our customers do not need to waste time deciding between several products of the same type, which allows us to always offer fresh products in our stores.



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On average, our annual sales for each product are somewhere in the hundreds of thousands. We distribute millions of products to our stores every day. This means that no products stay on our shelves too long and our customers can enjoy them fresh even longer. For instance, the freshness and quality of our meat are guaranteed by reliable suppliers who rear animals under controlled conditions. If you choose products from our "Butcher's Fresh Choice" (Mäsiarova čerstvá porcia) offer, you can be sure that the meat was processed in accordance with the strictest standards of quality.

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## EASILY AVAILABLE

Our customers are what we care about most, which is why our stores are always built in locations that are easily accessible from a large catchment area, whether it is by public transport, by car, or on foot. Our stores have various forms: as individual buildings with parking lots adjacent to them, as parts of shopping malls, or as parts of densely built-up city centers. There are several features that ensure a comfortable and fast everyday shopping experience for our customers: parking options right next to our stores, a well-lit and modern sales area, and attractive product presentation, among others. Of course, all our stores offer the option to pay by card and by phone using Near Field Communication (NFC).

In addition to expanding our store network, we also focus on the modernization of existing stores, which allows us to remain an attractive shopping option for our customers. When choosing locations for new stores, we only consider places with catchment areas of at least 15,000 inhabitants, plots between 5,000 and 8,000 m<sup>2</sup>, and good access by car and public transport. The store driveways are easily accessible and the parking lots have a capacity of at least 100 spaces (with spaces reserved for families with children and people with disabilities, which are located close to the store entrance).

Our store construction concept contributes to the infrastructure of urban and suburban roads and sidewalks as well as the expansion of public transport stops, thus making the cities and towns where we operate more attractive and contributing to the development of new areas.

## Lenka Hohošová

Purchasing CSR Manager

# WE CARE ABOUT THE FUTURE<sup>1</sup>

We aim to make the packaging and labeling of our own brands clearer and unify the packaging of individual product groups using an umbrella brand, thus giving our customers a better overview of the products we sell. For instance, we have already unified all our products for children under the Lupilu brand, which now includes diapers, cosmetics, children's clothing, and even pureed baby food.



# COMPLIANCE

**We make sure to comply with laws and internal guidelines.** Compliance is an important part of our company culture and it is also reflected in our company values – respect, trust, responsibility, and recognition are part of our activities wherever our company operates.



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Our certified compliance management system ensures compliance with all relevant rules and regulations. Its framework is formed by our Compliance Program, which implements a number of preventive measures. Its goal is to continuously monitor the development of the business environment and legislative challenges, which allows us to react to potential risks with sufficient advance. The management of our company is directly responsible for everyday communication in regard to the importance of compliance with laws and internal policies using a “tone from the top” approach.<sup>1</sup> //

## Lilijana Remich

Administrative Executive



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Our employees can report suspected violations of legal or ethical standards internally to their superordinate, confidant, or our compliance responsible, but they can also use our anonymous whistleblowing channel (BKMS), send their report by post or email, or call our customer service helpline. //

## Patrícia Czannerová

Compliance Consultant

## WE TAKE YOUR INQUIRIES SERIOUSLY AND SUPPORT WHISTLEBLOWERS<sup>2</sup>

Our compliance management system allows our customers, business partners, and employees to act in accordance with unified, binding rules. In order to comply with legislation and internal guidelines, it is important to identify conduct that violates them early on. One of the tools we use to achieve this is a system that enables people to report potential violations of compliance. Violations can occur if our employees in Slovakia or abroad violate laws or internal guidelines when performing their work duties, or if these violations are committed against them. In this context, violations include corruption offences, offences against competition law or antitrust law, violations of personal data protections, and violations in accounting, finance, and the insurance deduction system.

In order to identify and prevent compliance violations, we place trust in our employees, customers, business partners, and third parties. They have various methods of reporting compliance violations at their disposal. One of these is our Electronic Whistleblowing System (BKMS). It is an online communication platform which allows whistleblowers to report criminal social conduct related to Lidl anywhere and anytime. Whistleblowers can also send their reports by email to [compliance@lidl.sk](mailto:compliance@lidl.sk) or submit them in person at our head office, where they will be received by our responsible person. The whistleblowing system is a confidential means of communication which gives everyone the option to report violations anonymously. **All ethics-related reports that we received in 2017 were thoroughly investigated.** In addition to reporting violations, this system also provides advice on topics of regulation compliance that are relevant from a business perspective, and our partners can also use it to report unfair business practices.

Lidl regularly updates its internal guidelines (or even more often if needed) so that they always reflect current legislative changes and compliance requirements.<sup>3</sup>

## WE STAND AGAINST CORRUPTION AND UNFAIR BUSINESS PRACTICES

We are always ready to protect the highest legal, ethical, and moral standards. We fight corruption and bribery, investigate fraud, and stand against unfair business practices. We value the trust of our customers and partners, which is why a zero-tolerance approach towards these problems is enshrined in our company principles.

## OUR COMPLIANCE TEAM WORKS IN CLOSE COOPERATION WITH OUR MANAGEMENT

We are convinced that we can only be successful if we implement effective measures to prevent fraud and bribery. Our Compliance Responsible acts as a partner and supporter of business procedures. He or she ensures that our employees' awareness about potential compliance risks increases through regular training and counseling. Our compliance communication policy requires our Compliance Responsible to regularly inform our management about this topic and vice versa.

In order to achieve the best results possible, our co-workers at all levels of management attend trainings about anti-corruption policies and activities.

**In the financial year 2017, our anti-corruption policies and procedures were communicated to:<sup>1</sup>**

- ▣ 10 senior managers
- ▣ 37 middle managers
- ▣ 1,054 employees
- ▣ 690 business partners providing non-commercial goods and services
- ▣ 1,082 business partners providing commercial goods

**In the financial year 2017, the following shares of our employees and partners attended trainings focusing on anti-corruption policies and the fight against bribery:**

- ▣ 100% of our senior managers (10 people)
- ▣ 92% of our middle managers (37 people)
- ▣ 23% of our employees (1,054 employees)
- ▣ 41% of our 1,685 business partners (non-commercial goods and services) were informed about this topic
- ▣ 77.5% of our 1,396 business partners (commercial goods) were informed about this topic



**Over the past years, all of our employees have been retrained in compliance.**

Our plans include trainings organized in regular two- or three-year intervals. The first year focuses on the co-workers at our head office, the second focuses on distribution centers, and the third on stores. In 2017–2018, the employees at our head office are attending continuous training courses. Compliance topics are also actively communicated through our notice boards, intranet, workshops, newsletter, internal magazine, and other communication channels.

## WE DO NOT RECEIVE STATE SUPPORT AND WE PROTECT YOUR PERSONAL DATA

Our company has never received any financial support or tax breaks from the government. We have never been part of any legal disputes regarding anti-competitive, anti-trust, or monopolistic conduct. Similarly, we have never provided any financial contributions or other support for political parties or movements.<sup>2</sup> We did not provide any financial contributions or other forms of support for political parties or movements in 2017 or any other previous year.<sup>3</sup> Another key topic in compliance is the protection of personal data. We only process personal data for the purposes for which they have been provided under Act No. 122/2013 Coll. on the Protection of Personal Data as amended.

## WE ALWAYS ACT TRANSPARENTLY WHEN SELECTING PARTNERS

Our internal guidelines specify strict rules that guarantee the best business conditions as well as transparency in the process of selecting new business partners. Naturally, we always announce a supplier selection procedure with clear conditions so that we can select from at least three different offers. The selection procedures are managed by our Technical Purchasing Department and individual relevant departments. In order to increase transparency even further, in 2017 our co-workers from the Technical Purchasing Department successfully tested the PROebiz corporate procurement system for our supplier selection procedures.



# WE CARE ABOUT THE FUTURE<sup>1</sup>

Our compliance goals are reevaluated every year and their final form is always approved by our management. Our goal for 2018 is to actively communicate key compliance topics to all our employees using the following activities:

- We want to increase our employees' awareness about potential risks arising from the violation of legal and ethical standards by providing regular trainings and counseling.
- Our plan for 2018 and 2019 is to retrain the co-workers at our distribution centers and then the co-workers in our stores who were previously only trained on their first day at work.
- In order to promote innovations, we want to cooperate with our Technical Purchasing Department and implement an electronic procurement project. This project aims to simplify, streamline, digitize, and ensure a unified, transparent selection procedure. The whole process and employee retraining will conclude in 2018 and 2019.

Our communication of compliance topics is structured in a way which allows it to reach all Lidl employees.

Our activities in this area aim to contribute to the following Sustainable Development Goal:



# CORPORATE CITIZENSHIP, LOCAL DEVELOPMENT, AND COOPERATION

As a company operating in Slovakia, we want to contribute to social development and the improvement of Slovak communities. In order to achieve this goal, we try to be good neighbors in the communities where our stores operate, we listen to the needs of our customers, and we engage in active cooperation with our stakeholders in the CSR topics we prioritize.



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Our long-term goal is to support and organize socially responsible projects beneficial for all of Slovakia. Lately, we have started to notice that our activities also have an international reach and they can be a model for other countries where Lidl operates. For instance, Lidl Hungary launched a similar project to Water for Trees, which helps plant new trees. In 2017, we focused on further developing our key topics – improving the health care of young patients with severe health problems, children's education, supporting sports activities, improving natural ecosystems, and volunteering. Our projects aim to provide help where it is needed the most. We create our plans several years in advance, which allows our help to be both strategic and systematic. We always cooperate with professionals in each area because we want our activities to be meaningful, long-term projects with a big impact. //

**Matúš Gála**

CEO

We care about the future, which is why we organized CSR projects with a value of more than €2,000,000 in 2017. Our corporate citizenship and local development projects as well as cooperation with the relevant stakeholders are managed by our Communications Department, which finances these projects from its budget and our endowment fund. Transparent income tax assignment is guaranteed by the foundation board that manages the Pontis Foundation's Lidl Endowment Fund. It consists of two representatives of Lidl and two representatives of the Pontis Foundation in order to maintain consensus. The members meet on a quarterly basis. The Pontis Foundation is an important partner for us. We want to preserve our endowment fund and continue finding new ways of using these resources. All of our goals are regularly reevaluated in cooperation with the Lidl Board of Directors.<sup>2</sup>



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Since we want our projects to have a long-term impact and reflect the actual needs of our target groups, we have been working with the Ministry of Education, the Ministry of Health, medical specialists, pediatricians, neonatologists, the Slovak Red Cross, the Slovak Police Force, the Slovak Fire and Rescue Service, schools, cities, towns, villages, and the non-profit sector for years.

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## Tomáš Bezák

Communications Manager

## WE WANT TO HELP

Our CSR strategy includes two main areas of focus – children (or young families) and the environment. In 2017, these two areas were strategically developed through the following projects:

### GOOD FAIRY TALES (DOBRÉ ROZPRÁVKY)

We helped prematurely born children for the third year in a row. Around 55,000 children are born in Slovakia every year and more than one tenth of them need medical assistance directly after birth. That is one of the reasons why we decided to launch a project where proceeds go towards the purchase of life-saving equipment. For purchases above 20 euros, our customers could buy an audio fairy tale for a symbolic 1 euro. The full proceeds from this campaign were then used to support Slovak hospitals. In the financial year 2017, all 53 neonatal centers that allow mothers to give birth free of charge received new sets of equipment that saves prematurely born children. This new equipment will allow them to provide extended help for those newborns who are not immediately transferred to centralized, highly specialized neonatal care centers. With the help of our customers, we managed to buy equipment worth more than €2,500,000 over the course of three years.

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This set of equipment for neonatal care centers was chosen after careful consideration of what equipment all neonatal care centers in Slovakia actually needed and used. These machines help provide basic care for sick newborns regardless of their birth weight and age.

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### prof. MUDr. Mirko Zibolen, CSc.

head physician of the neonatal clinic at the Jessenius Faculty of Medicine in Martin, chief neonatal care expert at the Ministry of Health

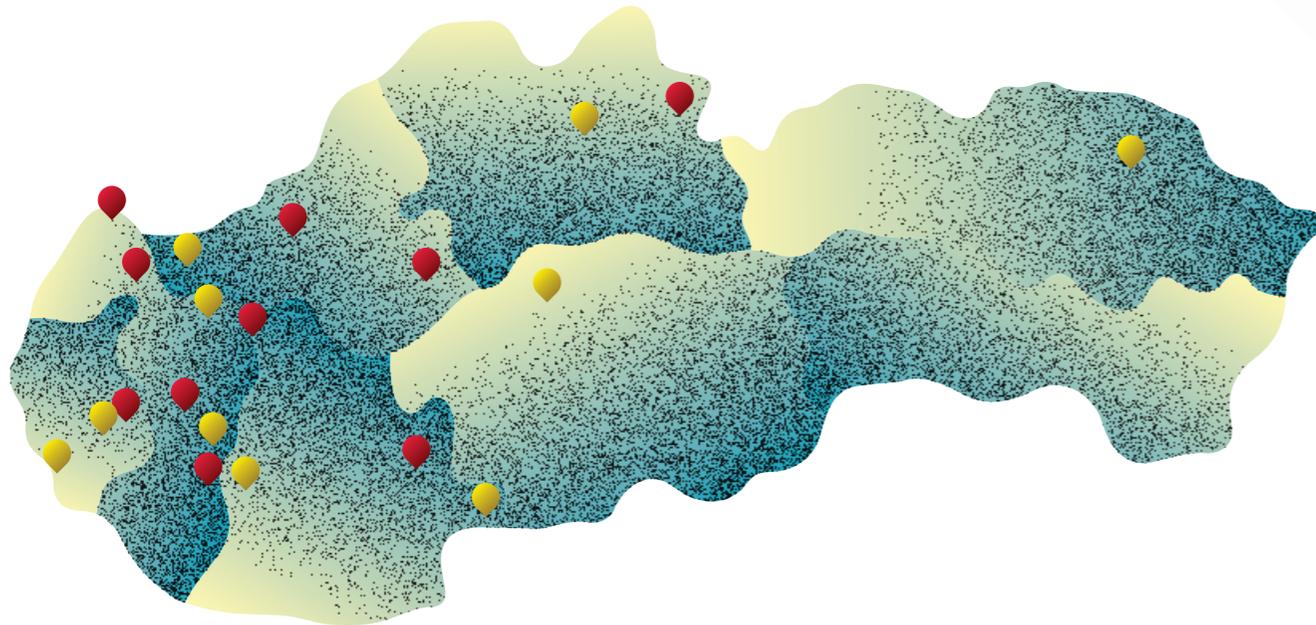
#### Direct economic value created in the financial year 2017<sup>1</sup>

Item	Value in EUR	Note (includes)
Net revenue	1,149,997,000	
Revenue from financial activities	8,475,000	interest, foreign exchange gains
Asset sales	273,000	
Operating costs:	<b>1,038,742,000</b>	
– consumption of material and goods	859,125,000	
– other operating costs	179,617,000	advertising, repairs, transport, pre-invoicing of services within the group, licensing fees, rent, utilities, security service, representation and travel expenses, cash-in-transit services, waste removal, cleaning services



### “ŽIHADIELKO” PLAYGROUNDS

Slovak towns and cities lack safe, modern children’s playgrounds. However, both pediatricians and psychologists point out how important it is for children to be active even at a very young age. That is why we decided to help construct modern playgrounds that provide children a place for fun, playful exercise. In 2017, 10 more cities received new “Žihadielko” playgrounds, which are thematically based on the Maya the Bee cartoon. Our investment in these playgrounds for this financial year was the same as the previous year – €870,000.



2016

Banská Bystrica, Bratislava-Dúbravka, Dolný Kubín, Myjava, Pezinok, Sereď, Stropkov, Šahy, Šaľa, Vrbové

2017

Galanta, Handlová, Levice, Modra, Piešťany, Senica, Skalica, Trenčín, Trnava, Tvrdošín

### TRAFFIC EDUCATION AND FIRST AID

This project started in 2016 with the goal of teaching children important road safety rules and improving their knowledge of traffic rules. We focused our attention on pupils in 2nd and 3rd grade of elementary schools and distributed a total 115,000 free copies of our educational book titled “Kamil and Emil on the Road”. This book was prepared in cooperation with the Ministry of Education, the Slovak Police Force, and the Slovak Red Cross. In 2017, the project continued, this time focusing on first aid. We created a new book titled “Kamil and His Medical Dog” for the same age group and donated a total 120,000 copies to schools. In addition to our other partners, we also received help from the Slovak Fire and Rescue Service when creating the book. But that is not all. Since we also care about the youngest children, we decided to expand traffic education to kindergartens. In 2017, they received 60,000 copies of our book for preschoolers titled “How Kamil met Emil”. The books we published in 2017 are certified by the Ministry of Education, Science, Research, and Sport of the Slovak Republic and they are currently included in the official list of recommended teaching materials.

All of these books are available for free download on our website:

[www.spolocenskazodpovednost.sk](http://www.spolocenskazodpovednost.sk)





### YOUR PURCHASE = GREAT HELP (VÁŠ NÁKUP = VELKÁ POMOC)

We want to be good neighbors in our communities, which is why we support the elementary schools located near our newly-opened stores. Since 2015, we have also been supporting the elementary schools near our stores that have been completely modernized or renovated. In 2017, this helped us increase the number of supported schools from the originally planned 7 to as many as 15. The main goal of this project is to donate part of the profits we make on opening day to schools, allowing them to purchase sports equipment and school supplies. For every purchase worth at least €10, we donate €0.50 to nearby elementary schools. In 2017, we supported our children's education by donating supplies worth €45,000 in total.

### WATER FOR TREES

Since 2012, we have been helping with reforestation efforts in forests damaged by natural disasters. For every 1.5-liter bottle of Saguaro mineral water purchased, Lidl donates one cent that will be used to buy and plant new trees. So far, our customers have helped plant as many as 685,000 trees in the Lidl Forest, which is located in the High and Low Tatras. It covers an area of over 280 hectares, which is equal to more than 400 soccer fields. In 2017, 60 of our employees helped as volunteers to plant 7,500 trees.

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The Water for Trees project serves as a good example of successful cooperation between state-owned enterprises and the private sector. But it is not just the material benefit that is good for Slovak forests. The important thing is that the project allows the public to assist in the aftermath of natural disasters.

### Marian Staník

CEO of LESY Slovenskej republiky (Forests of the Slovak Republic)



## OUR EMPLOYEES ARE THE DRIVING FORCE OF POSITIVE CHANGE

In the financial year 2017, we launched a program to support corporate volunteering among our employees. During a weekend-long volunteering event, 60 of our colleagues decided to spend their free time volunteering at five Slovak organizations – Kaspian and the Komúna civic association in Bratislava, DOMKA in Žilina, Slniečko Center in Nitra, and the Stonožka family center in Košice.

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I have more than 12 years of experience with volunteers, whether it is small community-organized activities or country-wide events I can honestly say that meeting volunteers as highly-motivated as those who came to Slniečko on Saturday morning, especially the corporate volunteers from Lidl, is not something that happens often.

### Melánia Kurpielová

Slniečko Center

In the financial year 2017, we participated in several charity sporting events, such as the National Devín – Bratislava Run and the Tatras to Danube Relay Run. Dozens of our colleagues joined these events in order to support children who will never have the opportunity to run on their own. For every kilometer passed, Lidl donated money to buy 10 mucus removal devices for children with muscular dystrophy.

## WE HELP WITH THE DEVELOPMENT OF SLOVAK REGIONS

In the financial year 2017, 7 out of 10 (i.e. 70%) of our executives and distribution center managers came from Slovakia.<sup>1</sup>

We use our strong position in the Slovak market to help improve the society we are part of. Our stores are scattered all over Slovakia, which allows us to create jobs in regions with a high unemployment rate. This strategy is also in line with the National Employment Strategy of the Slovak Republic (2014–2020). We are responsible taxpayers, which has earned us the Merkúr Award – an award that the Slovak Financial Directorate presents to the best taxpayers in Slovakia – three times now.

We help improve services in Slovak regions, we build playgrounds for children, and the opening of new stores is typically associated with investments in nearby sidewalks, roads, and intersections, planting trees, and creating green spaces. We support Slovak suppliers of good-related services and the Slovak construction companies that help us construct and renovate our stores or provide us with technical and operating equipment. All of our stores offer goods for the same prices – whether you are in Bratislava, Žilina, or Moldava nad Bodvou. We also try to reduce the negative impact of store construction and operation on the environment.<sup>2</sup>

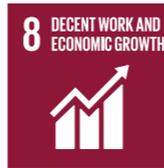


# WE CARE ABOUT THE FUTURE<sup>1</sup>

Our plan for 2018 is to continue focusing on the strategic development of our long-term goals – we will build new playgrounds and support hospitals as well as young families with children. We also want to provide more targeted help for children with health disabilities and support sporting activities at schools. Because of that, our plan for 2018 promotes sporting activities at schools in a way that gives as many children as possible the opportunity to exercise. We intend to improve our program of supporting local elementary schools on the opening day of our new stores by increasing the donated sum of money. We also have a long-term goal of promoting corporate volunteering – we want to continue working on this project and encourage our co-workers to actively participate in the identification of centers and organizations that need this help most.



Our activities in this area aim to contribute to the following Sustainable Development Goals:



# COMMUNICATION

The world of retail is very dynamic. We encounter new opportunities and challenges on a daily basis, which is why we need to have a clear message and communicate our CSR topics to our customers and partners in a simple and open way.



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 Every day, our employees come to work with a common goal – they want to make our customers' day simpler and better. This idea is what motivates us and makes us successful. In the coming years, we want to continue communicating this idea so that our customers understand and internalize it. We want the Lidl brand to be immediately recognizable in our communication. Because Lidl isn't just a concept – Lidl is made up of people full of ideas who work hard on improving our brand every day and always communicate our values in a consistent way. //

**Tomáš Bezák**  
Communications Manager

Our main priority is to have exceptional advertising, public relations, and marketing, which is why our communication is truly authentic and comprehensive and we regularly reevaluate our communication goals. Our large number of CSR projects is what makes every day and every marketing campaign special. Our co-workers are very flexible in their thinking. They channel their creativity and enthusiasm to create exceptional communication campaigns and materials like leaflets, POS visuals, cookbooks, social media posts, and commercials. In other words, they create everything that the rest of the world sees and hears about Lidl. Communication services and materials are managed by our Advertising and Marketing Department, which acts as an in-house marketing agency and helps Lidl create a positive brand image.<sup>2</sup>



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 For the fifth time in a row, we have received the People's Choice Award in the Mastercard Retailer of 2017 competition. We have also managed to keep first place in the Mastercard Food Retailer category. We are very glad to have received this award, which is based on a public opinion poll, for the fifth time in a row. We see it as proof that Slovaks prefer our business model and they value the exceptional freshness, quality, and price of our products. //

**Martin Nagy**  
Lidl Purchasing Executive

## WHY IS LIDL THE RIGHT CHOICE?

Our communication is based on promoting the Lidl brand, which has three basic components:

### “WHAT” – THE LIDL VALUES

The Lidl values are our DNA. They describe the qualities, skills, and elements of success that we currently have and want to retain in the future. Our brand values are what helps us adapt our marketing strategies.

### “HOW” – THE LIDL PERSONALITY

The personality of our brand expresses how we present ourselves and how we want to be perceived. It leaves a trace in everything we do. Our corporate design, communication, range of products, stores, even our employees – all of those things contribute to our unique character.

### “WHY” – OUR MAIN COMMITMENT

Our main commitment is an apt description of the benefits the Lidl brand brings its customers. The main idea is that Lidl should present itself through all of its activities.

However, our main commitment is not just a description of our product offer – it goes one (important) step further by describing the positive impact of our products on people's lives. Lidl is simple, which allows people to do their shopping quickly, easily, and without stress. Lidl also offers fresh, high-quality products for a good price and inspires people by constantly creating new, original offers and campaigns. This allows us to help our customers and their families improve their quality of life. The whole idea can be expressed using a simple equation:

**Less stress + less time and money spent shopping = more time, joy, and money to live life with**

## OUR CSR COMMUNICATION INSPIRES OTHER COMPANIES

Our CSR activities are regularly communicated through a variety of channels – our Facebook page, our website, leaflets, billboards, our stores, commercials on TV and in movie theaters, the media, etc. Our “Water for Trees” campaign is a good example of this communication. Media outlets are interested in regular updates on the project's progress and the planting activities themselves. This helps us increase public awareness about the need to continue helping the Tatras more than ten years after natural disaster struck. Our campaign has had a visible effect since it has made other companies interested in helping the reforestation efforts in the Tatras. Several companies have contacted us with requests to share our experience in this area.

We see the internet as a very important and attractive medium, always striving to follow current trends and communicate with our customers using a variety of platforms. We are currently using four social media channels: Facebook, Instagram, YouTube, and LinkedIn, each of them with a specific target group and content. Since we manage all of these accounts in-house and we employ a strategic approach with original content and real feedback, our corporate branding on these platforms is among the best in Slovakia.

**We are proud that the brand tracking survey conducted in February 2018, which measured spontaneous awareness among Slovak consumers, shows that our CSR communication has helped Lidl become one of the top 3 food chains in Slovakia. What makes us even prouder is the fact that 41% of the respondents labeled us a socially responsible food chain, which helped us finish first and surpass our competitors in this category.**

## WE ACCEPT CRITICISM<sup>1</sup>

All of our commercials and campaigns are created in accordance with applicable laws and regulations as well as the Marketing Code of Ethics we have voluntarily adopted. In the financial year 2017, there was one incident where part of our campaign titled “We have our own brands, we have our own prices” violated Article 18(1)(e) of the Marketing Code of Ethics published by the Advertising Standards Council (Rada pre reklamu – RPR) – a Slovak self-regulatory organization in the area of marketing. This violation was immediately corrected since the idea of the campaign itself was compliant. The full findings of the Advertising Standards Council are available on the organization's website.



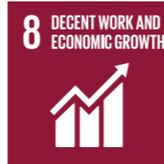
# WE CARE ABOUT THE FUTURE<sup>1</sup>

The current main goal of our CSR communication is to prepare, launch, and regularly update a website that will be used to communicate our CSR activities. Our plan is to launch this website in the fall of 2018 simultaneously with the publication of this sustainability report. We expect that this website will serve as a direct connection between our CSR projects and our customers, allowing us to reach the general public and start social discussions. Moreover, we plan to publish a CSR brochure, which will be a simplified and shortened version of this report.

Our plan for the financial year 2018 is to further work on our external communication of CSR topics. Our new CSR projects and activities will primarily focus on the education, sporting activities, and healthy lifestyle of children and young people in Slovakia. These projects will target our customers and employees as well as the general public, giving everyone the option to actively participate. A secondary goal of this plan is to increase the spontaneous awareness of the Lidl brand in order to strengthen our positive image as an inspiring and socially responsible company.



Our activities in this area aim to contribute to the following Sustainable Development Goals:



# CUSTOMER AWARENESS



We try to teach our customers what sustainability means in practice. By doing so, we want to motivate them to lead a healthy lifestyle and support projects that can improve our quality of life or help children with severe health issues or other disadvantages.



// The trust of our customers is most valuable for us. In our area of business, customer trust is what determines whether a company will be successful. But even more importantly, we want to educate our customers and draw their attention towards important social and environmental topics. This is because many problems, such as the production of food waste or insufficient waste sorting, occur directly in their households. We understand that being a leading food retailer brings great responsibility, but it also gives us the opportunity to influence the everyday behavior of our customers. We use several marketing and communication channels to motivate our consumers to make responsible purchasing decisions and we firmly believe we are on the right track. This can also be seen in the results of the representative survey that we conducted in January 2018 together with GfK. Our regular customers in particular are becoming more appreciative of our CSR activities, the increasing share of sustainable products, and our communication of sustainability topics. //

**Branislav Brzula**

Marketing Manager

## OUR CUSTOMERS' OPINIONS INFLUENCE OUR EVERYDAY DECISIONS

Transparent and open two-way communication is the basis of building an intensive long-term relationship with our customers. We try to react to every inquiry from our customers as soon as possible, no matter if they send it by letter, email, our social media accounts, or any other form. We make maximum effort to answer their questions and we always forward the inquiry to the relevant department in our company. The communication channels we use for this purpose include our customer service center (which can be contacted by email or phone), our social media (which are managed in-house) or our Communications Department. In addition to internal and external communication, the Communications Department also manages all our CSR activities. We care about our perception among journalists and the public, but another important group consists of our internal clients – our employees.

Our customer communication has received recognition in the Hermes Communicator of the Year Award, where we have won a total of **16 awards** over the past four years – both from the expert jury as well as the public.

## WE START DISCUSSIONS ABOUT SOCIALLY RESPONSIBLE TOPICS

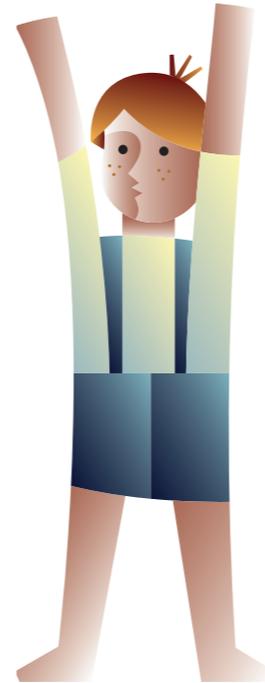
In order to help our customers become more considerate, we make CSR topics that we consider important in our area of business an active part of our communication. We focus on external communication through social media, billboards, commercials, online marketing tools, our websites, and POS promotions in order to draw our customers' attention to responsible consumption, healthy eating, regional and certified products, the fair remuneration of customers, and our CSR projects and events like Water for Trees, Good Fairy Tales, and our "Žihadielko" playgrounds. Our communication of CSR topics relies on a few key tools – a unified visual style for in-store CSR communication and our promotional leaflet, which informs about Lidl's socially responsible products and activities. We sort the waste in our stores, thus motivating our customers to be considerate towards the environment. Some of our parking lots are even equipped with charging stations for electric bicycles and cars, which can be used free of charge. Our employees learn about CSR topics from our LidlNet intranet as well as our "Medzi nami" company magazine.

## CONSTANTLY LOOKING FOR WAYS OF RAISING AWARENESS

According to a quantitative brand tracking survey conducted by GfK in February 2018, 42% of consumers noticed our advertising in some form that month. The highest increase in our advertising reach was recorded online. This is one of the impulses that have helped us decide to further strengthen our communication in this area and present the concept and benefits of corporate social responsibility to our customers. Our most successful campaign by the end of 2017 was our "Žihadielko" playground project, reaching as many as 80% of the respondents in the representative survey. Most of them noticed the campaign in TV commercials (89%), but it also managed to reach our customers online and in our special offer leaflet.

### The best-known CSR projects of Lidl Slovakia in 2017:

- ▣ Žihadielko playgrounds (88% familiarity)
- ▣ Water for Trees: Planting Trees in the Tatras (74% familiarity)
- ▣ Good Fairy Tales (30% familiarity)



Measuring the exact number of customers we have managed to reach with our CSR communication is impossible, but we are certain that our impact in this area is constantly increasing. **In a representative survey titled Corporate Social Responsibility as Viewed by the Slovak Public, which was carried out by the Pontis Foundation in cooperation with the FOCUS research agency in October 2017, we placed first in the list of socially responsible companies.** This means that we ranked better than all other chain stores. As many as **10.7% of the respondents spontaneously named us as a responsible company.**

Even our follower base is increasing. By the end of 2017, we had the following numbers of followers and interactions:

423,498 fans on Facebook (a 6.5% increase compared to 2016) – 92% of them from Slovakia

32,595 followers on Instagram (a 36.4 % increase compared to 2016) – 89% of them from Slovakia

## WE ARE ALWAYS READY TO COMMUNICATE

We understand that it can sometimes be difficult for customers to objectively evaluate information published online and check if it is correct and supported by evidence. Because of that, we also have a crisis communication plan for CSR topics. Its effectiveness was demonstrated by an incident that occurred in May 2017. A YouTube channel published a video whose author "exposed" a high nitrate content in the fruit and vegetables we sell using an amateur nitrate detector in an unprofessional way. This video with unfavorable test results was posted to our official Facebook profile, immediately gaining traction and prompting reactions from our followers. Thanks to our quick reaction, we managed to successfully moderate the discussion. However, communication through social media was not enough to turn public opinion back in our favor for good. We immediately used our internal communication channels to share all relevant details with our employees so that they could be good ambassadors of our company. We also created a press release with several expert opinions, which was published in a number of media outlets. The video and test results were also disputed in a statement published by the State Veterinary and Food Administration of the Slovak Republic. We responded to all inquiries we received and we communicated with the media. We did not hide from the reactions, delete anything, or intentionally misinform the public. We responded quickly and updated our statement regularly. Our response to this incident is what earned us the **Hermes Communicator of the Year Award for Crisis Communication.**

# WE CARE ABOUT THE FUTURE<sup>1</sup>

It is important that our customers continue to see us as a trustworthy partner whom they can contact with any inquiry they want. We also have a long-term goal of helping Slovak customers become more perceptive of CSR topics and give preference to high-quality products that are environmentally friendly and support the social aspects of production. We want to accomplish this task by continuing to develop and communicate our CSR activities, analyzing customer behavior, supporting the design of our products and stores, and starting discussions about new topics that are currently relevant for our customers.

We will continue to invest in technological innovations for our stores and expand our network of charging stations for electric cars and bicycles that customers can use free of charge at our stores.

// \_\_\_\_\_  
Lidl is heading the right way. Sooner or later, the whole retail market will draw inspiration from our business decisions. Charging vehicles near large stores, malls, and offices will become increasingly popular. This allows people to charge their electric cars while they do their shopping or attend meetings.  
// \_\_\_\_\_

## Marcel van der Hoek

CEO of ABB Slovakia



At Lidl, customers come first. This philosophy has allowed us to join the ICERTIAS Customers Friend international certification program, which is a historic first for us. In order to receive the certificate, we had to undergo a detailed audit that focused on a number of factors like our reputation, our relationship with the community and society, communication, customer experience, and public trust in our company. Our final score was 4.62 out of 5.

# EMPLOYEE AWARENESS

Our employees are the greatest ambassadors of sustainability at Lidl. They are in everyday contact with our customers, the community, and other partners, which is why it is extremely important for us to have employees who are constantly looking for new solutions and implementing them in line with the concept of corporate social responsibility.



// \_\_\_\_\_  
People make Lidl happen. But if we want our company to prosper and build a reputation of social responsibility, it is important to raise awareness about sustainability among our employees and motivate them to engage in socially responsible activities. Only by doing this can we improve our cooperation with key partners and build strong relationships with the surrounding communities. Our commitment is to motivate each and every employee to act as an ambassador of our sustainability values in their everyday work.  
// \_\_\_\_\_

## Matúš Gála

CEO

Not even the best company vision would work without our co-workers' commitment. We care about the opinions of our employees, which is why we joined forces with them to formulate the sustainability topics that our company considers most important. The importance of these steps can also be seen in our organizational structure – our Communications Department, which is responsible for the execution of our CSR strategy, is directly accountable to Matúš Gál, the CEO of Lidl Slovakia.<sup>2</sup>

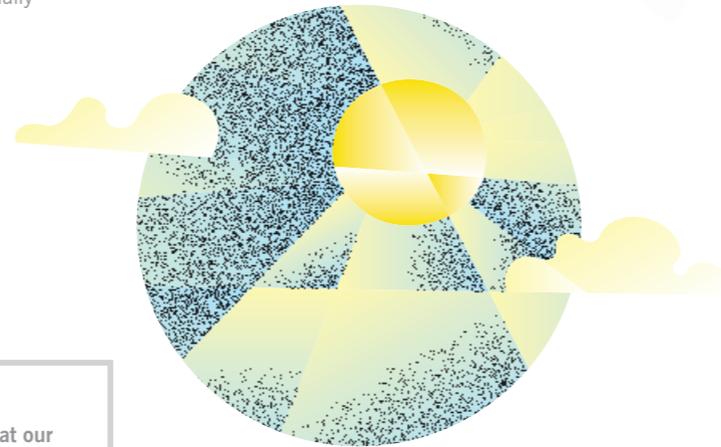
## SUSTAINABILITY ALL AROUND

Every employee plays a role in our sustainability philosophy – no matter if they are an intern, cashier, store manager, or the manager of the Quality Control Department. Our employees learn about our CSR philosophy as soon as they start working since it is part of the information included in our hiring package. Our sustainability goals and values along our whole value chain are promoted by targeted internal communication. The concept of corporate social responsibility is explained on plastic stands, noticeboards, and other visual communication materials located in all kitchens at our head office as well as all stores and employee areas. These topics are also communicated in our special offer leaflets, which are distributed all over Slovakia to almost every household and are also available in our stores. In addition to our online newsletter, we also use our printed special-offer leaflets to inform our employees and other stakeholders about our CSR philosophy and provide them with regular information about our socially responsible projects. Our other socially responsible activities include the Lidl CSR Calendar, which contains weekly information about current CSR activities and observance days (such as 5 June – World Environment Day). The most important communication channel used to inform our employees about social responsibility and sustainability is our intranet, where they receive information about the option to participate in our socially beneficial activities.

### 281 ARTICLES

In 2017, we published a total 281 articles on LidlNet. As many as 109 of them focused on the topic of social responsibility and related measures and projects that our employees could actively participate in.

Another important communication channel is our internal magazine titled “**Medzi nami**” (Among Us). In 2017, it published a number of interviews and accounts of authentic experiences that aimed to bring our employees information about volunteering, the Good Fairy Tales project, and other topics.



## VALUES DEVELOPED THROUGH PERSONAL EXPERIENCE ARE STRONGEST

We want our employees to have first-hand experience of the fact that corporate social responsibility is not just good PR, but rather a very meaningful activity. Our projects aim to change our employees' mindsets and raise awareness about the need to help. We appreciate the help of every colleague who participated in our community projects and we are happy to have achieved the following (and more) in 2017:

### 7,500 TREES

Together with our colleagues, we planted 7,500 trees in the Lidl Forest. Thanks to their help and the help of our customers, so far, we have planted a total of 685,000 trees in the High and Low Tatras.

### 1,200 KILOMETERS

Our charity run helped us collect enough money for 10 mucus removal devices for people with muscular dystrophy. We ran more than 1,200 kilometers for a good cause.

### 60 VOLUNTEERS

In September, 60 volunteers spent two days helping at 5 non-profit centers.

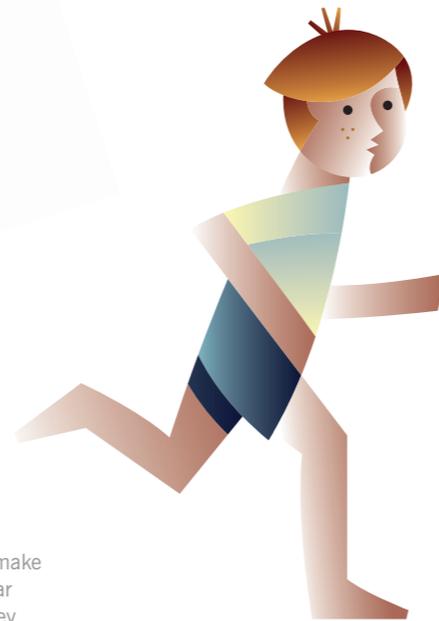
### 300 CHILDREN

We fulfilled the Christmas wishes of 300 children from crisis centers and a children's home.

### “THANK YOU”

We understand the incredible power of the words “thank you”, so at the end of 2017 we decided to thank everybody who joined us on our journey towards “a better tomorrow”.





### WE HAVE MORE CSR AMBASSADORS EACH YEAR

We want our employees to personally identify with the Lidl brand, while our other goal is to make social responsibility an integral part of all our activities. Towards the end of the marketing year 2017, we launched a poll on our intranet asking our employees how they view Lidl. The survey was filled out by 178 employees, who responded to questions about individual CSR topics and showed that activities in the following areas are most appreciated: compliance and transparency, corporate citizenship, and trustworthy corporate communication. The results of the survey prove that our employees are well-informed and they identify with Lidl's sustainability principles. This means that we have managed to achieve our goal – more and more employees are acting as ambassadors of our CSR activities and they identify with Lidl as their employer. Our employees are also becoming more interested in joining our CSR projects. For instance, there is a very high interest in participating in our charity runs. Moreover, our co-workers' interest in the Water for Trees project is always even higher than the available capacity.



// \_\_\_\_\_  
We are glad to see our employees interested in CSR activities. Having such a strong foundation greatly motivates us to come up with more systematic projects to work on.  
\_\_\_\_\_ //

**Zuzana Sobotová**

CSR Project Lead

## WE CARE ABOUT THE FUTURE<sup>1</sup>

Our goal for 2018 is to create a detailed specification of the basic areas of corporate social responsibility that are relevant for Lidl in Slovakia. We want as many of our employees as possible to work on increasing awareness about social responsibility. We also have a long-term goal of making our CSR philosophy part of our employees' everyday activities, which will allow us to strengthen the image of Lidl as a responsible company and increase employee loyalty. We want to be seen as an attractive employer by young people who have finished school and are looking for a job. That is why we try to inspire people and serve as a good role model for other companies.

We also want to help our co-workers become better informed through LidlNet by making our communication more intensive and interactive. We aim to give our employees the opportunity to become an active part of our CSR efforts, while also giving them practical recommendations for their everyday lives. Our company magazine – "Medzi nami" (Among Us) – is very popular. We distribute it directly into our employees' hands, which is why we would like to turn it into a bi-monthly magazine that would provide more space for socially responsible topics. We want to dedicate a whole issue in 2018 to these (from our perspective very important) topics and our CSR activities. This step will bring this information right into our employees' hands. We want to further educate our employees and the general public about CSR topics, and this sustainability report (including several other versions for various target groups) is one of the tools we have chosen for this goal. Complete, up-to-date information about sustainability will be available on our website, which we plan to launch in the fall of 2018.



# GRI INDEX<sup>1</sup>

GRI Standard	Disclosures	Page(s)	Reasons for omission/Notes
<b>GRI 101 Foundation 2016</b>			
<b>GRI 102 General Disclosures 2016</b>			
<b>GRI 102 General Disclosures 2016</b>	<b>Organizational profile</b>		
	GRI 102-1 Name of the organization	5	
	GRI 102-2 Activities, brands, products, and services	21–22, 35	
	GRI 102-3 Location of headquarters	5	
	GRI 102-4 Location of operations	19, 23	
	GRI 102-5 Ownership and legal form	21	
	GRI 102-6 Markets served	20–21	
	GRI 102-7 Scale of the organization	22	
	GRI 102-8 Information on employees and other workers	22	The calculations about employee distribution by gender, age group, and region were based on the total number of employees on 28 February 2018 – 4,558 people. This number is calculated per unique individual and only includes employees who have valid business contracts with Lidl Slovakia.
	GRI 102-9 Supply chain	34–35	
	GRI 102-10 Significant changes to the organization and its supply chain	80	
	GRI 102-11 Precautionary Principle or approach	32	
	GRI 102-12 External initiatives	23	
	GRI 102-13 Membership of associations	23	
	<b>Strategy</b>		
	GRI 102-14 Statement from senior decision-maker	10–11	
	GRI 102-15 Key impacts, risks, and opportunities	33	Our goals in individual areas are described in more detail next to specific disclosures.
<b>Ethics and integrity</b>			
GRI 102-16 Values, principles, standards, and norms of behavior	24–25		
GRI 102-17 Mechanisms for advice and concerns about ethics	126–127		

GRI Standard	Disclosures	Page(s)	Reasons for omission/Notes
<b>GRI 102 General Disclosures 2016</b>	<b>Governance</b>		
	GRI 102-18 Governance structure	43	
	GRI 102-19 Delegating authority	42	
	GRI 102-20 Executive-level responsibility for economic, environmental, and social topics	42	
	GRI 102-21 Consulting stakeholders on economic, environmental, and social topics	44	
	<b>Stakeholder engagement</b>		
	GRI 102-40 List of stakeholder groups	45	
	GRI 102-41 Collective bargaining agreements		Reason for omission – Confidentiality constraints. Information about trade unions is considered sensitive internal information.
	GRI 102-42 Identifying and selecting stakeholders	47	
	GRI 102-43 Approach to stakeholder engagement	44–45	
	GRI 102-44 Key topics and concerns raised	45, 50, 53	
	<b>Reporting practice</b>		
	GRI 102-45 Entities included in the consolidated financial statements	21	
	GRI 102-46 Defining report content and topic Boundaries	46, 50	
	GRI 102-47 List of material topics	51	
	GRI 102-48 Restatements of information		Not applicable – this is our first sustainability report.
	GRI 102-49 Changes in reporting		Not applicable – this is our first sustainability report.
	GRI 102-50 Reporting period	4	
	GRI 102-51 Date of most recent report	4	This is our first sustainability report.
	GRI 102-52 Reporting cycle	4	
GRI 102-53 Contact point for questions regarding the report	5		

GRI Standard	Disclosures	Page(s)	Reasons for omission/Notes
GRI 102 General Disclosures 2016	GRI 102-54 Claims of reporting in accordance with the GRI Standards	4	
	GRI 102-55 GRI content index	152–157	
	GRI 102-56 External assurance	5, 158–160	
<b>Material topics (Topic-specific Standards)</b>			
<b>GRI 201 Economic Performance 2016</b>			
GRI 103 Management Approach 2016	GRI 103 Management Approach (inclusive for GRI 103-1, GRI 103-2 and GRI 103-3)	126–127, 130–131, 138	
GRI 201 Economic Performance 2016	GRI 201-1 Direct economic value generated and distributed	132	Reason for omission – Confidentiality constraints. Information about our employees' wages and the value of CSR projects is considered sensitive internal information.
	GRI 201-4 Financial assistance received from government	129	
<b>GRI 202 Market Presence 2016</b>			
GRI 103 Management Approach 2016	GRI 103 Management Approach (inclusive for GRI 103-1, GRI 103-2 and GRI 103-3)	90, 95, 131, 138	
GRI 202 Market Presence 2016	GRI 202-1 Ratios of standard entry level wage by gender compared to local minimum wage	91	Reason for omission – Confidentiality constraints. Information about wages for work positions other than Cashier are considered sensitive internal information.
	GRI 202-2 Proportion of senior management hired from the local community	137	
<b>GRI 203 Indirect Economic Impacts 2016</b>			
GRI 103 Management Approach 2016	GRI 103 Management Approach (inclusive for GRI 103-1, GRI 103-2 and GRI 103-3)	78, 83, 131, 138	
GRI 202 Market Presence 2016	GRI 203-1 Infrastructure investments and services supported	80	
	GRI 203-2 Significant indirect economic impacts	137	
<b>GRI 204 Procurement Practices 2016</b>			
GRI 103 Management Approach 2016	GRI 103 Management Approach (inclusive for GRI 103-1, GRI 103-2 and GRI 103-3)	108, 116	
GRI 204 Procurement Practices 2016	GRI 204-1 Proportion of spending on local suppliers	109	This information has received limited assurance from independent auditors at EY Slovakia.

GRI Standard	Disclosures	Page(s)	Reasons for omission/Notes
<b>GRI 205 Anti-corruption 2016</b>			
GRI 103 Management Approach 2016	GRI 103 Management Approach (inclusive for GRI 103-1, GRI 103-2 and GRI 103-3)	126–127, 130	
GRI 205 Anti-corruption 2016	GRI 205-2 Communication and training about anti-corruption policies and procedures	128	This information has received limited assurance from independent auditors at EY Slovakia. Reason for omission – Information unavailable. This disclosure does not include region-specific information since we do not have complete numerical data.
<b>GRI 206 Anti-competitive Behavior 2016</b>			
GRI 103 Management Approach 2016	GRI 103 Management Approach (inclusive for GRI 103-1, GRI 103-2 and GRI 103-3)	126–127, 130	
GRI 206 Anti-competitive Behavior 2016	GRI 206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	129	
<b>GRI 301 Materials 2016</b>			
GRI 103 Management Approach 2016	GRI 103 Management Approach (inclusive for GRI 103-1, GRI 103-2 and GRI 103-3)	62, 67	
GRI 301 Materials 2016	GRI 301-1 Materials used by weight or volume	63	Reason for omission – Information unavailable. Lidl Slovakia does not have exact numerical data about the materials used for our product packaging. In order to maintain the quality of this report, we have decided not to publish this data.
<b>GRI 302 Energy 2016</b>			
GRI 103 Management Approach 2016	GRI 103 Management Approach (inclusive for GRI 103-1, GRI 103-2 and GRI 103-3)	78, 83	
GRI 302 Energy 2016	GRI 302-4 Reduction of energy consumption	81	Energy consumption is measured in kWh, not in joules and their multiples. Our internal methodology uses these units and in order to maintain the quality of this information we decided to use these units in the report as well.
<b>GRI 308 Supplier Environmental Assessment 2016</b>			
GRI 103 Management Approach 2016	GRI 103 Management Approach (inclusive for GRI 103-1, GRI 103-2 and GRI 103-3)	68, 75	

GRI Standard	Disclosures	Page(s)	Reasons for omission/Notes
GRI 308 Supplier Environmental Assessment 2016	GRI 308-2 Negative environmental impacts in the supply chain and actions taken	71	Reason for omission – Information unavailable. At Lidl Slovakia, we try to promote environmentally-friendly practices among our suppliers. However, we still do not have an auditing system set up in this area.
<b>GRI 401 Employment 2016</b>			
GRI 103 Management Approach 2016	GRI 103 Management Approach (inclusive for GRI 103-1, GRI 103-2 and GRI 103-3)	90, 95	
GRI 401 Employment 2016	GRI 401-1 New employee hires and employee turnover	92–93	This information has received limited assurance from independent auditors at EY Slovakia.
<b>GRI 404 Training and Education 2016</b>			
GRI 103 Management Approach 2016	GRI 103 Management Approach (inclusive for GRI 103-1, GRI 103-2 and GRI 103-3)	96, 101	
GRI 404 Training and Education 2016	GRI 404-1 Average hours of training per year per employee	98	This information has received limited assurance from independent auditors at EY Slovakia. The calculations were based on the total number of employees on 28 February 2018 – 4,558 people. This number is calculated per unique individual and only includes employees who have valid business contracts with Lidl Slovakia.
	GRI 404-3 Percentage of employees receiving regular performance and career development reviews	100	The calculations were based on the total number of employees on 28 February 2018 – 4,558 people. This number is calculated per unique individual and only includes employees who have valid business contracts with Lidl Slovakia. Due to internal reasons, we can only present the absolute value, not a percentage.
<b>GRI 405 Diversity and Equal Opportunity 2016</b>			
GRI 103 Management Approach 2016	GRI 103 Management Approach (inclusive for GRI 103-1, GRI 103-2 and GRI 103-3)	90, 95	
GRI 405 Diversity and Equal Opportunity 2016	GRI 405-2 Ratio of basic salary and remuneration of women to men	91	
<b>GRI 415 Public Policy 2016</b>			
GRI 103 Management Approach 2016	GRI 103 Management Approach (inclusive for GRI 103-1, GRI 103-2 and GRI 103-3)	126–127, 130	
GRI 415 Public Policy 2016	GRI 415-1 Political contributions	129	

GRI Standard	Disclosures	Page(s)	Reasons for omission/Notes
<b>GRI 416 Customer Health and Safety 2016</b>			
GRI 103 Management Approach 2016	GRI 103 Management Approach (inclusive for GRI 103-1, GRI 103-2 and GRI 103-3)	117, 121	
GRI 416 Customer Health and Safety 2016	GRI 416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	119	
<b>GRI 417 Marketing and Labeling 2016</b>			
GRI 103 Management Approach 2016	GRI 103 Management Approach (inclusive for GRI 103-1, GRI 103-2 and GRI 103-3)	122, 125, 139, 142	
GRI 417 Marketing and Labeling 2016	GRI 417-1 Requirements for product and service information and labeling	123	
	GRI 417-3 Incidents of non-compliance concerning marketing communications	141	
<b>FP Procurement/Sourcing Practices (Sector Supplement Food Processing –G4 version)</b>			
GRI 103 Management Approach 2016	GRI 103 Management Approach (inclusive for GRI 103-1, GRI 103-2 and GRI 103-3)	108, 116	
FP Procurement/Sourcing Practices	FP2 Percentage of products purchased according to sustainability standards	113–115	
<b>FP Animal Welfare (Sector Supplement Food Processing – G4 version)</b>			
GRI 103 Management Approach 2016	GRI 103 Management Approach (inclusive for GRI 103-1, GRI 103-2 and GRI 103-3)	56, 58	
FP Animal Welfare (G4)	FP11 Livestock breeding	57	Reason for omission – Information unavailable. Lidl Slovakia does not have exact numerical data about the husbandry conditions of animals used to produce our animal products. In order to maintain the quality of this report, we have decided not to publish this data.

Management Approach 2016 (GRI 103) – we also report on Lidl-specific topics not covered by the GRI Standards, namely:
Fair Business Relations (pages 68, 75)
Food Waste (pages 84, 88)
Work-Life Balance (pages 102, 105)
Customer Awareness (pages 143, 146)
Employee Awareness (pages 147, 151)

# INDEPENDENT EXPERT REPORT<sup>1</sup>



## Independent Expert Report

For the management of Lidl Slovenská Republika, v.o.s.:

This report is drawn up for the management of Lidl Slovenská republika, v.o.s. (hereinafter referred to as "Company") for the purpose of offering limited assurance on selected data used in the 2017 Sustainability Report (hereinafter referred to as "Sustainability Report") composed by the Company for the financial year ending on 28 February 2018.

## Presented Information and Valid Criteria

The assurance engagement in question applies to information marked with a check mark ("✓") in the Sustainability Report on pages 92–93, 98, 109, and 128. This is combined information about the activities of the Company in Slovakia (referred to as "Selected Information" as a whole) in the financial year 2017 (between 1 March 2017 and 28 February 2018) that has been composed using the Global Reporting Initiative Sustainability Reporting Standards 2016 ("GRI"). Limited assurance is awarded for the following GRI indicators: Average hours of training per year per employee (404-1), New employee hires and employee turnover (401-1), Communication and training about anti-corruption policies and procedures (205-2), and Proportion of spending on local suppliers (204-1).

## Restriction on Use

This Report is only compiled for purposes listed in its first paragraph and must not be used for any purpose other than as an appendix to the 2017 Sustainability Report. This Report applies exclusively to the Selected Information and must not be used in connection with other parts of the Company's financial statements or any other parts of the Sustainability Report.

To the extent permitted by the applicable laws, we do not assume responsibility for this Report towards anyone else, either representing a company or its management.

## Responsibilities of the Company Management

The Company management is responsible for the preparation, collection, and presentation of the Selected Information in accordance with the GRI standards. The management is

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responsible for the design and implementation of internal control mechanisms that will prevent significant inaccuracies in the Selected Information.

The Company management is responsible for making sure that the documentation provided for the expert is complete and accurate. The Company management is also responsible for having an internal control system that will ensure appropriate assurance that the documentation mentioned above does not include significant inaccuracies, created either with fraudulent intent or by mistake.

## Responsibilities of the Expert

We have conducted an assurance engagement in accordance with the International Standard for Assurance Engagements (ISAE) 3000 (revised version). This standard requires us to comply with ethical requirements and plan and conduct the engagement in a way that results in limited assurance on the Selected Information.

We comply with the ISQC 1 International Standard on Quality Control and we have a quality control system in place as well as a well-documented set of rules and procedures that allow us to comply with ethical requirements, professional standards, and applicable legislative requirements.

We maintain independence and fulfill other ethical requirements listed in the IESB Code of Ethics for Professional Accountants, which sets the basic principles of integrity, objectivity, professional competence as well as suitable care, confidentiality, and professional conduct.

The chosen procedures depend on the professional judgment of the expert. These primarily include communication with the persons responsible for the collection and reporting of the Selected Information as well as additional procedures focusing on the collection of evidence of the Selected Information.

This is a limited assurance engagement. The timing, type, and scale of assurance procedures are limited in comparison with the procedures used to provide reasonable assurance. This results in an overall lower level of assurance.

We have conducted the following procedures in connection with the Selected Information:

- ▶ Interviews with selected company staff responsible for specific selected areas in order to understand the procedures of data collection and compilation used in the Sustainability Report
- ▶ A review of the Selected Information using selected samples in order to find out if it was evaluated in detail before being approved for use in source documents
- ▶ An analytical review of the Selected Information, its compliance with our expectations, and its overall suitability
- ▶ Recalculation of the Selected Information using a selected sample
- ▶ Evaluation of the way the Selected Information is presented and disclosed in the Sustainability Report

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### Conclusion

Our examination of the conducted procedures and supporting documentation obtained has not identified any significant fact that would require the reevaluation of the Selected Information in order to make it compliant with the GRI Sustainability Standards.

30 August 2018

Bratislava, Slovakia

Ernst & Young Slovakia, s.r.o.

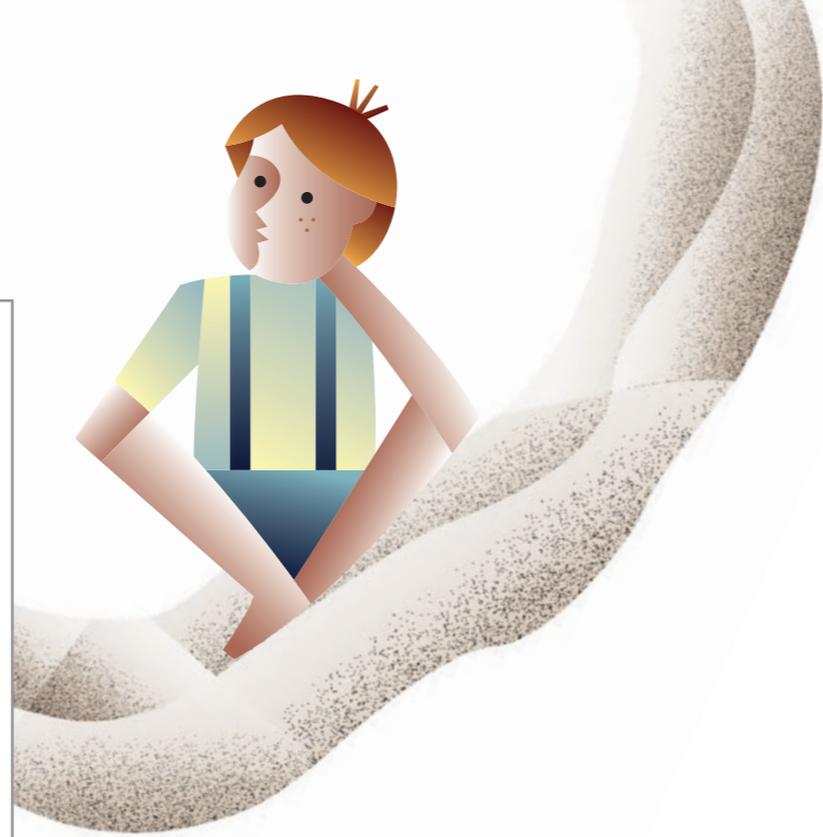
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