



# Sustainability Report

Lidl & Kaufland Asia

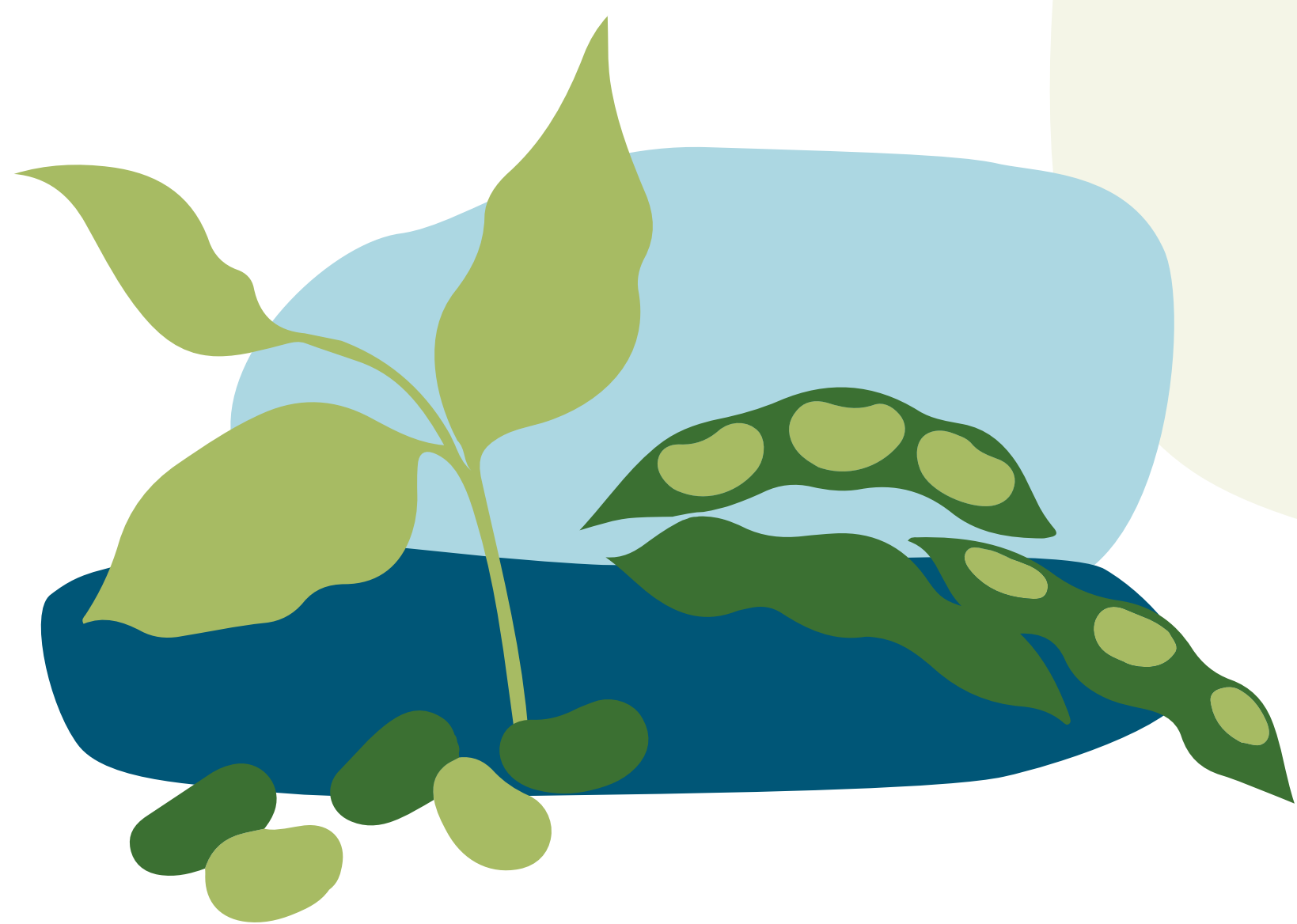
**Fiscal Year 2023**

March 2023 - February 2024

# Contents

Foreword	3
Highlights	5
About Lidl & Kaufland Asia	6
Sustainability at Lidl & Kaufland Asia	7
Our Sustainability Strategy	7
Our Sustainability Targets	10
Our Sustainability Governance	12
<b>🌱 Protecting Climate</b>	<b>19</b>
1.5 Degrees	20
<b>🌿 Conserving Resources</b>	<b>24</b>
Responsible Products	25
Raw Materials	28
Circular Economy	31

<b>⚖️ Acting Fairly</b>	<b>36</b>
Labour & Human Rights	37
Fair Remuneration	43
Diversity, Equity & Inclusion	44
<b>🏥 Promoting Health</b>	<b>47</b>
Occupational Health & Safety	48
<b>GRI Content Index</b>	<b>50</b>



# About the Report

**GRI 2-1**   **GRI 2-2**   **GRI 2-3**

This report is Lidl & Kaufland Asia Pte. Limited (L&K Asia)'s first annual Sustainability Report prepared in accordance with the Global Reporting Initiative (GRI) Standards. The report details our sustainability strategy, progress against our targets, and the ongoing management of sustainability in L&K Asia.

The report covers our activities from the period of 1 March 2023 to 29 February 2024 or Fiscal Year (FY) 2023, unless otherwise stated. All L&K Asia operations are covered in our reporting, including but not limited to Lidl & Kaufland Asia Pte. Limited and any of our associated companies, including our subsidiary, representative office, liaison office or branch. For our list of operating countries, refer to [About Lidl & Kaufland Asia](#).

This report was published in February 2025.

For queries and feedback on our sustainability performance and reporting, please contact [sustainability@lidl.sg](mailto:sustainability@lidl.sg).

# Foreword

**GRI 2-22**

At Lidl & Kaufland Asia, we are dedicated to championing sustainability throughout our entire value chain. We strive to take responsibility for our impact on people and the environment, with the aim of making a positive difference in every action we take. Aligned with the sustainability strategy of Lidl International, we not only implement these principles consistently but also continuously enhance them.

Evolving regulatory requirements like the German Supply Chain Due Diligence Act and the EU Deforestation Regulation have marked a shift in the sustainability landscape and emphasize the importance of evolving our operations to become more sustainable. The growing amount of regulatory requirements emphasizes the long-term importance of integrating sustainability into our policies and processes, to continue to align with due diligence best practice and stakeholder expectations.

Over the last year, our focus has expanded from concentrating solely on supply chain management to also encompassing our internal operations. We are working to reduce our environmental footprint by optimizing resources used and engaging our colleagues to integrate sustainability into our daily activities. We are also preparing to establish baselines for sustainability in our own operations, enabling us to set reduction targets and take meaningful action in the future.

In FY 2023, we further developed our sustainability strategy around key focus topics, set clear goals for the coming years, and defined projects and initiatives to achieve them. We remain committed to continuous improvement and transparent reporting as we strive to create value for our business, our stakeholders, and the planet. Together, we are committed to reaching the next level of sustainability.

This Sustainability Report outlines our performance and progress in accordance with the GRI Standards, covering material environmental, social, and governance (ESG) topics as well as the issues that are most important to our stakeholders. Highlights include our sustainability strategy, goals, governance structure, and actions taken to achieve our objectives.

We welcome your feedback on this report and our sustainability performance. Please contact [sustainability@lidl.sg](mailto:sustainability@lidl.sg) with any comments or questions.



**Robert Maier**  
CEO



**Sarah Obser**  
Senior Sustainability & Regulatory Supply Chain Manager



**Elisabeth Nestor-Sindele**  
Director, Quality & Sustainability



# L&K Asia's Regulatory Supply Chain Management & Sustainability Team

Hong Kong



Singapore



From left to right:

**Charlie Choi** (Senior Regulatory Supply Chain Specialist)

**Clara Chan** (Sustainability Specialist)

**Wilson Chan** (Sustainability Specialist)

**Maanav Gupta** (Graduate Trainee)

**Elisabeth Nestor-Sindele** (Director, Quality & Sustainability)

**Sarah Obser** (Senior Sustainability & RSCM Manager)

**Annie Lao** (Sustainability Manager)

**Janina Pilgrim** (Senior Sustainability Specialist)

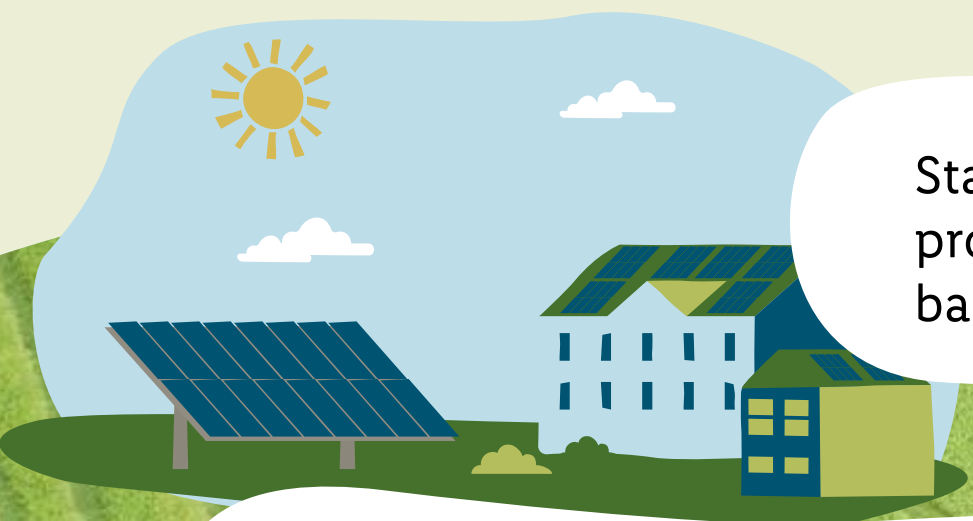
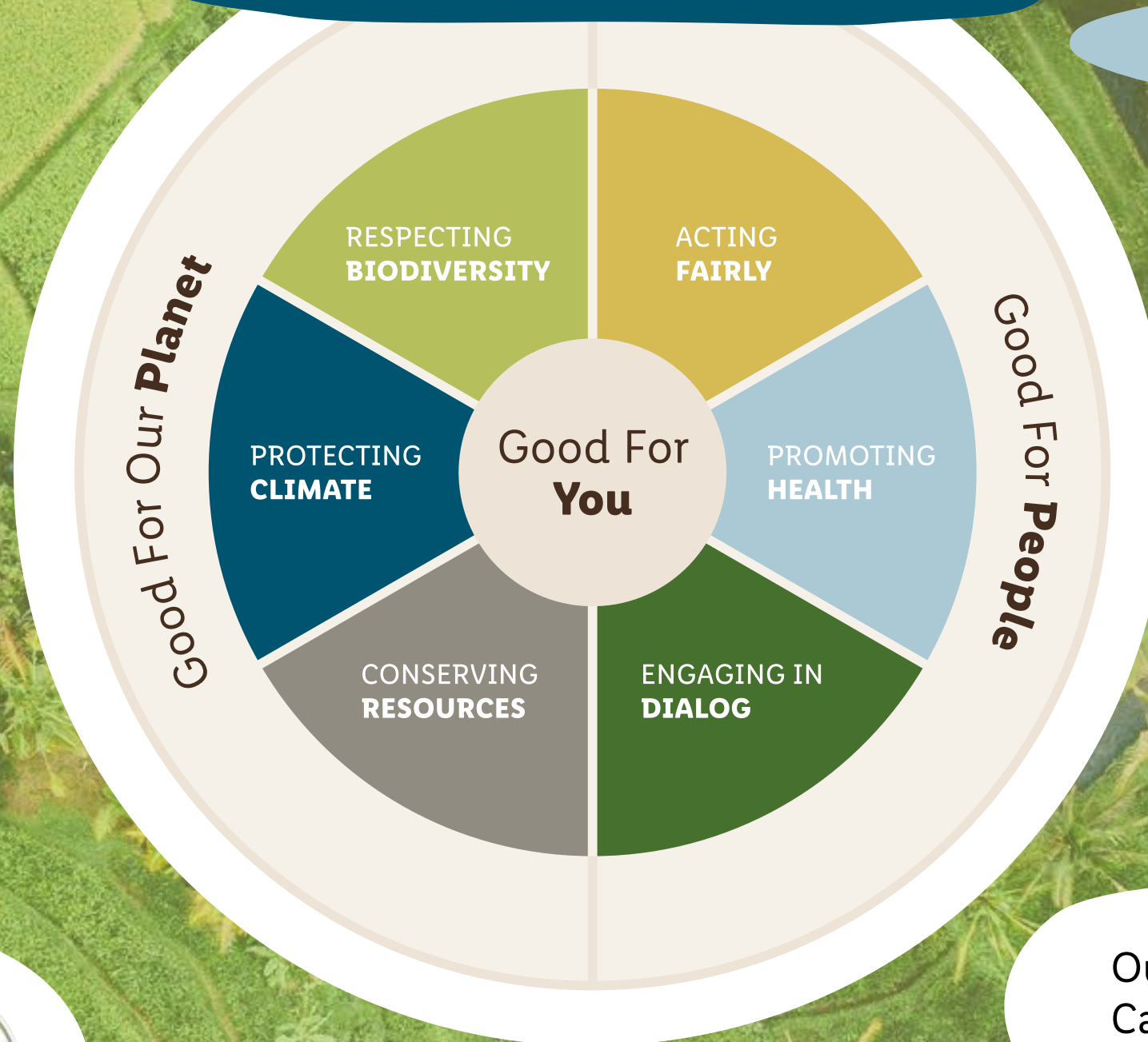
**Yuki Chan** (Senior Sustainability Specialist)

**May Choi** (Regulatory Supply Chain Consultant)

**Samantha Toh** (Senior Regulatory Supply Chain Specialist)

**Yee Jen Tan** (Sustainability Analyst)

# Highlights of Fiscal Year 2023



Started the journey of our producers to set science-based targets



Organized Sustainability Week 2023, our internal event dedicated to promoting a sustainability mindset amongst our employees, with 38% of employees attending the events

Conducted our first full carbon inventory with external consultants to identify hot spots and guide reduction measures

Developing a key update to our Regulatory Supply Chain Management & Sustainability Policy, including training sessions to producers and internal stakeholders

Launched an initiative to use 50% Global Recycled Standard (GRS)-certified post-consumer recycled low density polyethylene (LDPE) in our polybag packaging, with a total of 615 products using recycled polybags from launch

Launched the first Sustainability Quarterly Report to internal stakeholders, detailing performance and improvement actions on our sustainability targets

Our headquarters in Singapore located at Mapletree Business City received the Green Mark for Healthier Workplaces Certified award from the Singapore Building and Construction Authority



Our Hong Kong office was recognized as a Caring Company by The Hong Kong Council of Social Service



Started the development of a Supplier Environmental Scoring System to measure the environmental performance of our producers





# About Lidl & Kaufland Asia

GRI 2-1    GRI 2-6

L&K Asia is a sourcing arm for Lidl International, a Germany-headquartered discount retailer chain. We are part of the companies of Schwarz Group. With over 1,000 employees, we engage in product design, development, sourcing, production through our network of factories, quality assurance, logistics and compliance for stores across Europe and the United States. L&K Asia supplies products to both Lidl and Kaufland. Our sustainability strategy is aligned with Lidl, as Lidl constitutes the majority of our business operations.

## Our Presence

**Headquarters**

Singapore

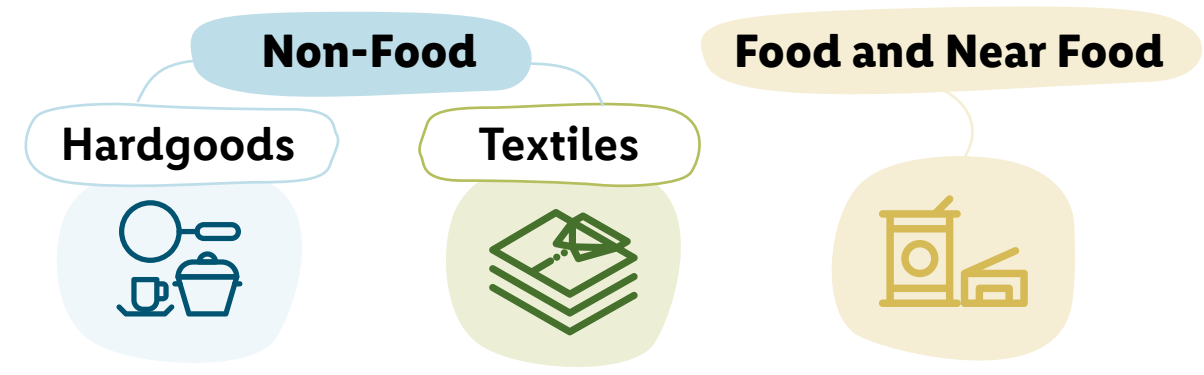
Hong Kong	China	Bangladesh
Vietnam	Pakistan	Cambodia

## About Lidl Stiftung & Co. KG

The retailer Lidl is part of the companies of Schwarz Group, and is one of the leading food retailers in Europe. Lidl currently operates around 12,350 stores and around 225 goods distribution and logistics centers in 31 countries. Overall, Lidl operates with around 375,000 employees.

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

## Our Products



**Total Products**  
**~4,000**

**Non-Food Products with Sustainability Labels**  
**50%**



## Our Supply Chain

To create our products, we rely on a large pool of business partners. While we design and develop products, our business partners engage in the manufacturing and assembly of our products. Our direct business partners are our Tier 1 producers. They mainly engage in the sourcing of materials and components and the processing, assembly, and packaging of our products. Our Tier 2 and Tier 3 suppliers produce raw materials and components for our Hardgoods, Textiles and Near Food products, and fresh ingredients for our Food products.

Raw material production, the processing of agricultural primary products, and the resulting production and transport processes all have environmental and social impacts. We want to contribute to the step-by-step improvement of environmental and social standards. That is why we work in partnership with suppliers, reduce our use of raw materials where possible, and incorporate the concept of closed loops right from the production stage. L&K Asia is also committed to working towards the improvement of living and working conditions for people in our production countries.

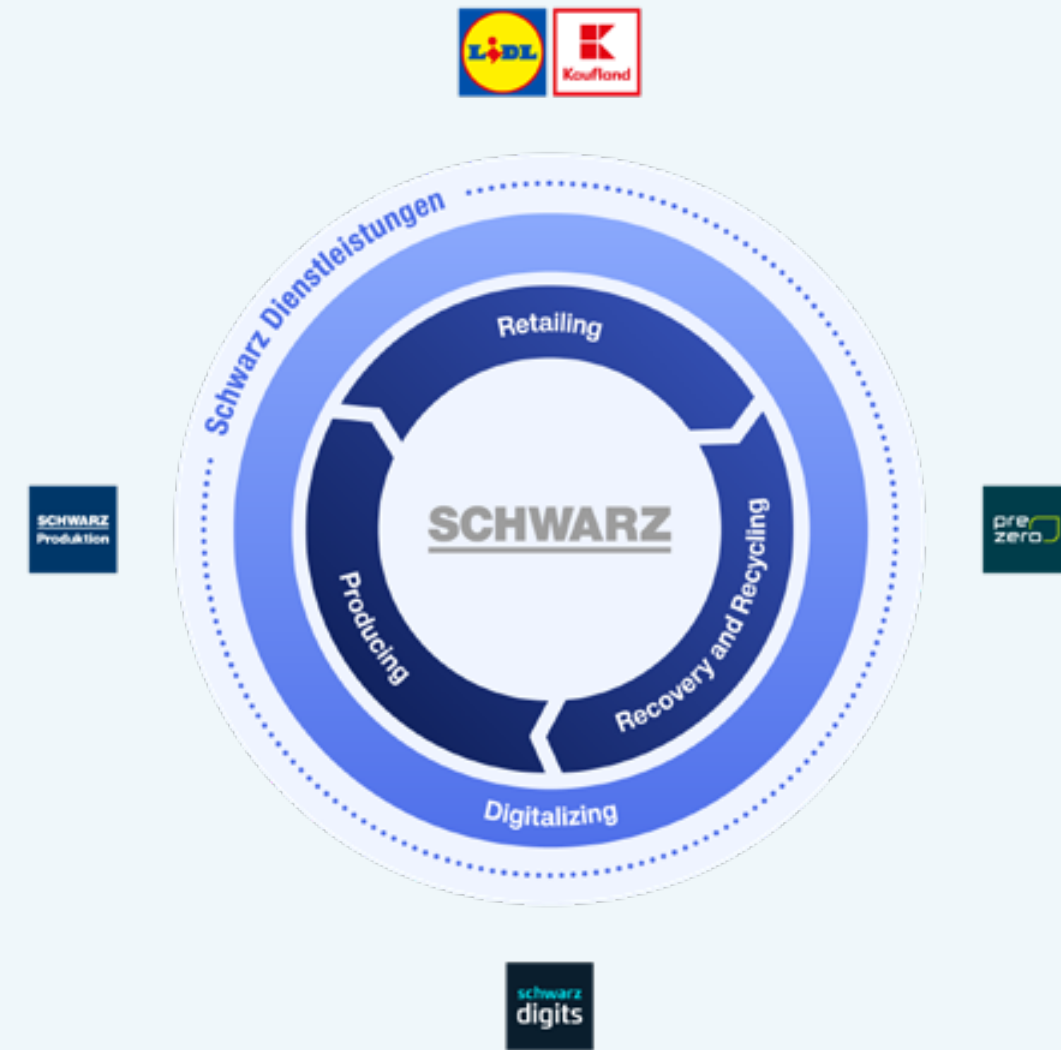
**11 COUNTRIES**

**~600 FACTORIES**





## About the Companies of Schwarz Group



The companies of Schwarz Group, with business activities in 32 countries<sup>1</sup>, together form one of the leading retail groups in the world. With around 13,900 stores and more than 575,000 employees, the companies of Schwarz Group jointly generated total sales of 167.2 billion euros by the end of the 2023 fiscal year. As one of only a few retail groups, Schwarz Group thus covers the entire value cycle, from production and retail to recycling and digitalization. The retail divisions Lidl and Kaufland are the Group's pillars in food retailing. Many private label products on Lidl's and Kaufland's shelves, ranging from ice cream to beverages, are produced by the companies of Schwarz Produktion.

Special emphasis is placed on the use of sustainable raw materials as well as the manufacturing, use and recycling of environmentally friendly packaging. The environmental service provider PreZero pursues the vision of closed loop recycling in waste and recycling management and thus contributes to a cleaner tomorrow. Schwarz Digits as IT and digital division offers compelling products and services, which comply with Germany's strict data protection standards. Schwarz Dienstleistungen, the Group's corporate services division, provides administrative and operational services – for example with regard to controlling, finances or personnel – for all other companies of Schwarz Group.

<sup>1</sup>Of which L&K Asia is considered as one country

### Sustainability at Lidl & Kaufland Asia

# Our Sustainability Strategy

## Materiality Assessment

GRI 3-1 GRI 3-2

In 2023, L&K Asia conducted our first materiality assessment to determine our material CSR topics. This assessment takes account of new and amended regulatory requirements, including the updated materiality definition of the GRI Standards 2021. The approach also covers the issue of double materiality as defined in the EU Corporate Sustainability Reporting Directive.

The basis for this process is the updated Lidl Responsibility Model 2.0, which covers a total of 17 CSR topics under six key pillars.

Each of the 17 CSR topics were assessed by:

### 1. Impact Relevance

**Our positive and negative impacts on people, the environment and society (inside-out perspective)**

### 2. Business Relevance

**The impact of CSR topics on the success of our business (outside-in perspective)**

The Lidl materiality analysis is updated every two years as part of sustainability reporting. This is standardized across all Lidl countries and simultaneously enables the national perspective to be incorporated.



## Lidl Responsibility Model 2.0

### Good for our Planet

**Protecting Climate**

1.5 Degrees

**Respecting Biodiversity**

Ecosystems

**Conserving Resources**

Fresh Water  
Raw Materials  
Circular Economy  
Food Waste

### Good for People

**Acting Fairly**

Animal Welfare  
Labour & Human Rights  
Fair Remuneration  
Diversity, Equity & Inclusion  
Business Relationships & Integrity  
Corporate Citizenship & Local Development

**Promoting Health**

Conscious Nutrition  
Occupational Health & Safety

**Engaging in Dialog**

Enabling  
Stakeholder Dialog & Cooperation

### Good for You

Responsible Products

## The materiality assessment was carried out in three steps.

### Step 1

#### Assess the impact relevance of Lidl across all countries

Lidl's overall impact on people, the environment and society for Lidl across all countries was assessed in a two-stage process involving exposure analysis and expert interviews carried out by Lidl International.

The exposure analysis serves as a data-based assessment of Lidl's potential direct and indirect impact on people, the environment, and society. It considers risks that could arise from Lidl's business activities across these domains. The analysis of Lidl's environmental and social impact was conducted quantitatively, based on economic, company, and industry-specific data across the international value chain. To address Lidl's international nature, potential local needs for action were identified in relation to each other, enabling a comparison to be made between the CSR topics. To identify the countries in which Lidl potentially has significant leverage, Lidl's value chain was then modeled using sales data, industry information, and economic data. This enabled country-specific direct and indirect economic activities to be determined and applied an economic weighting to the analysis. This weighting mainly considers countries where, based on the data, Lidl demonstrates a high level of activity and therefore has a potentially greater influence on the CSR topics. This combined need for action with economic relevance resulted in the materiality scores for the individual CSR topics.

Following the exposure analysis, the statistical results were validated through a qualitative survey. This mixed-method approach ensures the analysis is more resilient, enables deeper conclusions to be drawn and mitigates the potential weaknesses of standalone methods. Nine international experts from relevant Lidl stakeholder groups were interviewed to gain a deeper understanding of Lidl's impact across the 17 CSR topics. These experts were selected by considering the different markets in the countries and the variety of sustainability issues. The interviews were prepared, conducted and assessed by an external partner. The combination of exposure analysis and expert interviews produced impact relevance values for the 17 CSR topics, represented on the x-axis of the materiality matrix. When combining the results, the exposure analysis and expert survey were compared and weighted according to rank, depending on the quality and availability of the data.

### Step 2

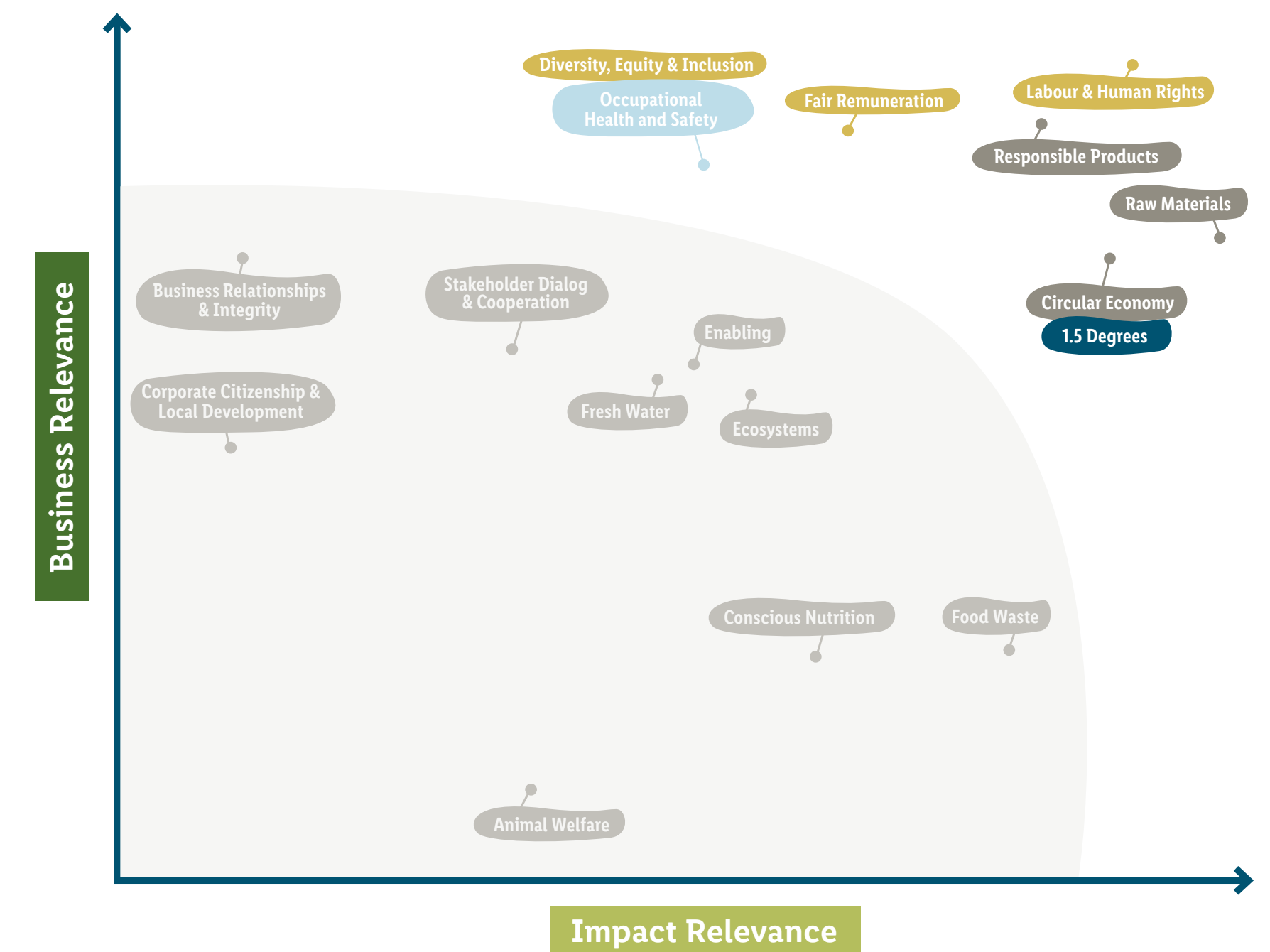
#### Assess the business relevance to L&K Asia

L&K Asia conducted a survey with key departments across all operating countries to assess the business relevance of the 17 CSR topics. The survey required participants to assess each topic in terms of their business-related opportunities and risks. The results were evaluated and validated by senior leadership to represent the y-axis of the materiality matrix.

### Step 3

#### Unite both dimensions to determine L&K Asia's material topics

Based on the assessment on impact relevance and business relevance, a total of eight CSR topics were determined to be of material importance to L&K Asia. This means that the business activities of L&K Asia have a significant impact on people, the environment and society in relation to the respective topic, or that the topic is where the greatest business-related opportunities and risks lie for L&K Asia. These eight CSR topics are within the company's materiality threshold and form the basis for this report.





## Sustainability Vision 2030

At L&K Asia, we believe sustainability is essential to everything we do. Our international sustainability strategy is a key aspect of our business operations. We start with Lidl's international goals and then evaluate our priorities in Asia, which allows us to develop a strategy that complements our international objectives.

Based on our materiality assessment, we have derived a strategy around four strategic pillars. Each of our strategic pillars considers the impact we have on the people and planet, in our own operations as well as the supply chain. As a result, each strategic pillar is broken down into focus areas, measurable goals and projects or initiatives to achieve them. Details on these goals and activities are detailed in [Our Targets](#).



**Under our strategy “For a better tomorrow”, our vision is the following:**

We actively promote sustainability along the entire value chain and assume responsibility wherever our actions have an impact on people and the environment.

We make sustainability an integral part of our actions and pursue measurable goals. This is how we secure our future.



### Protecting Climate

We reduce the carbon footprint across our own operations and the supply chain through decarbonization and a change in mindset.



### Conserving Resources

We reduce, recycle or repurpose resources in our own operations and supply chain to reduce our environmental footprint and offer innovative and sustainable alternatives.



### Acting Fairly

We promote human rights and sustainability amongst the people in our supply chain and own operations to drive positive change.



### Promoting Health

We create a safe and healthy working environment to promote our employees' overall health and wellness.

Sustainability at Lidl & Kaufland Asia

# Our Sustainability Targets

- Goal Achieved
- Goal in Progress
- Goal Not Started



## Protecting Climate

Topic	Goal	Due	Progress in FY 2023
Own Operations	Consume 100% renewable energy <sup>2</sup>	2022	<span style="color: green;">●</span> 100% renewable energy consumed by L&K Asia's own operations ➤ <a href="#">More details in 1.5 Degrees</a>
	Reduce operational emissions (scope 1 and 2) by 70% from a 2019 base year	2030	<span style="color: green;">●</span> Scope 1 and 2 emissions decreased by 78% compared to FY 2019 base year ➤ <a href="#">More details in 1.5 Degrees</a>
Supply Chain	75% of suppliers by emissions covering purchased goods and services (PG&S) to set science-based targets	2026	<span style="color: orange;">●</span> Engaged with producers accounting for 34% of L&K Asia's PG&S emissions, reaching 6% of PG&S emissions covered by producers with science-based targets ➤ <a href="#">More details in 1.5 Degrees</a>

<sup>2</sup>Excluding any purchase agreements that L&K Asia cannot influence, such as those for individual leased properties with a binding electricity procurement clause

## Conserving Resources

Topic	Goal	Due	Progress in FY 2023
Raw Materials	In line with our raw material targets, we will continually source more certified raw materials for our own-branded products	2026	<span style="color: green;">●</span> Targets on track for Hardgoods and Textiles categories <span style="color: orange;">●</span> Food and Near Food category to begin target tracking in 2024
Packaging	In line with the Sustainable Purchasing Policy of Lidl International and the jointly elaborated REset Plastic strategy of the companies of Schwarz Group, we will continually source for packaging options that can improve the packaging recyclability, increase the usage of recycled materials and reduce plastic usage	2025	<span style="color: green;">●</span> Hardgoods and Textiles categories achieved targets for cellulose and black plastic packaging, and are working towards upcoming REset Plastic targets <span style="color: orange;">●</span> Food and Near Food category to begin target tracking in 2024
Products	Advance sustainability, circularity and eco-design in our assortment	2026	<span style="color: orange;">●</span> Prepared for the launch of our Circular Design Toolkit with product ratings and a raw material scoring system, to be launched in 2024 ➤ <a href="#">More details in Responsible Products</a>
Supply Chain	Complete an environmental assessment for all L&K Asia office locations and set reduction targets to reduce negative environmental impacts	2024	<span style="color: orange;">●</span> Development, assessment and target setting to begin in 2024
	Complete an environmental assessment for L&K Asia's supply chain to identify hot spots and reduce negative environmental impacts	2025	<span style="color: orange;">●</span> Developed a Supplier Environmental Scoring System to measure the environmental performance of our producers, with pilot testing in 2024 ➤ <a href="#">More details in Circular Economy</a>
	Create a transparent supply chain by mapping upstream suppliers	2028	<span style="color: orange;">●</span> Prepared for Tier 2 traceability and EU Deforestation Regulation ➤ <a href="#">More details in Raw Materials</a>



**Acting Fairly**

Topic	Goal	Due	Progress in FY 2023
Supply Chain	Strengthen our producers to prevent compliance issues and drive positive change	2026	<ul style="list-style-type: none"> <li>● Training program for producers on high-risk issues to start in 2024</li> </ul>
	Producers comply with our Regulatory Supply Chain Management requirements	2026	<ul style="list-style-type: none"> <li>● Prepared for the update of our Regulatory Supply Chain Management &amp; Sustainability Policy, including training sessions to producers and internal stakeholders</li> </ul>
	Increase efficiency and effectiveness of our remediation management	2026	<ul style="list-style-type: none"> <li>● Standardized minimum remediation expectations and guidelines</li> <li>● Standardized tools for monitoring and internal reporting</li> </ul>
Own Operations	Engage 90% of our employees in sustainability-related activities	2028	<ul style="list-style-type: none"> <li>● 38% of employees participated in at least one sustainability-related activity  <ul style="list-style-type: none"> <li>▸ <i>More details in <b>Circular Economy</b></i></li> </ul> </li> </ul>
	Achieve at least one external recognition every two years for sustainability	-	<ul style="list-style-type: none"> <li>● Our Singapore office obtained the Green Mark for Healthier Workplaces certification from the Singapore Building and Construction Authority  <ul style="list-style-type: none"> <li>▸ <i>More details in <b>Occupational Health &amp; Safety</b></i></li> </ul> </li> <li>● Our Hong Kong office was recognized as a 'Caring Company' by The Hong Kong Council of Social Service</li> </ul>



**Promoting Health**

Topic	Goal	Due	Progress in FY 2023
Employee Health & Wellness	Establish an Engagement Committee in all countries to promote social and mental wellbeing through local activities	2023	<ul style="list-style-type: none"> <li>● All countries have established Engagement Committees, led by HR and supported by employee volunteers. Throughout the year, these committees have conducted local activities such as celebrations of local and international festivals, health and wellness initiatives, and family events</li> </ul>
	Standing desks will be installed in all newly opened offices to improve ergonomics and encourage movement	-	<ul style="list-style-type: none"> <li>● Standing desks were implemented in our Singapore office in 2022 and in our main Hong Kong office in 2024. Further installations are scheduled for any other office that undergoes major renovation or address relocation</li> </ul>





Sustainability at Lidl & Kaufland Asia

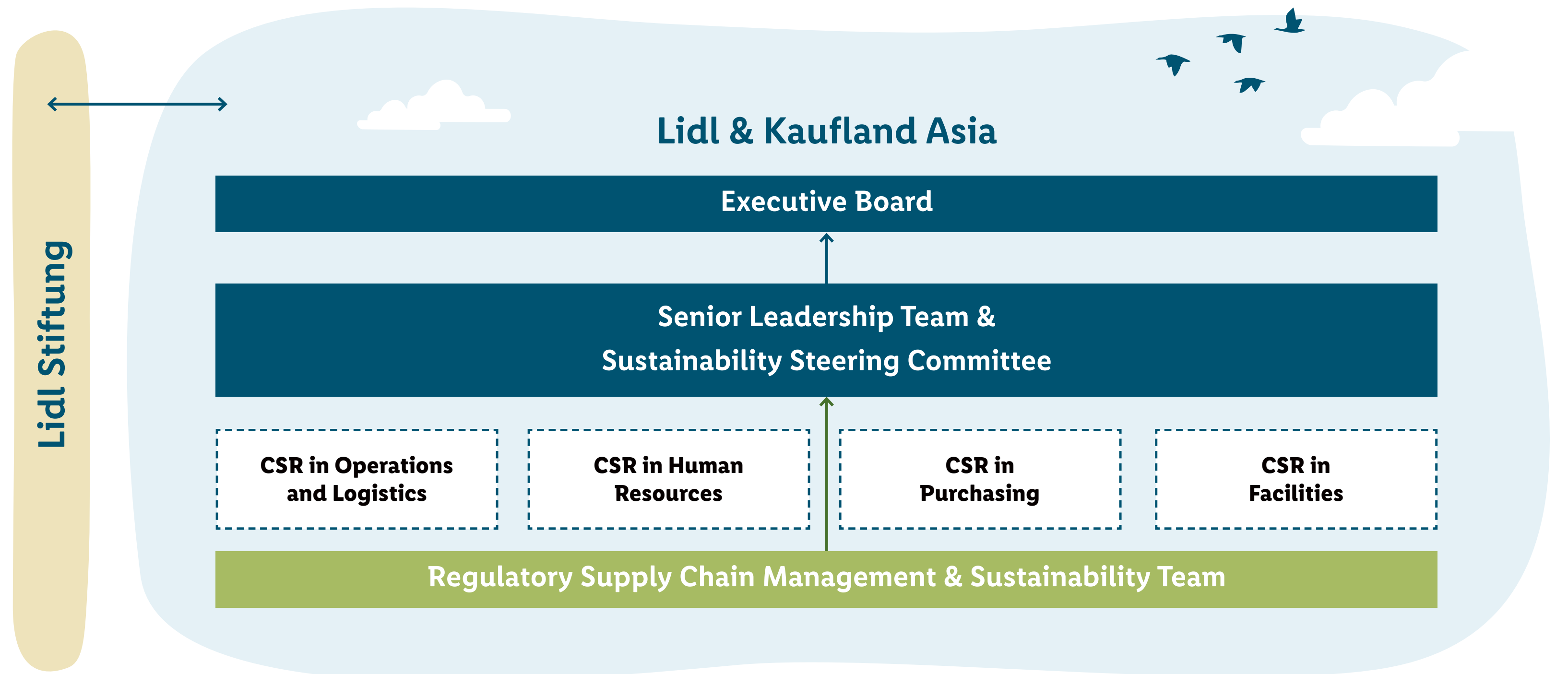
# Our Sustainability Governance

## Sustainability Management

- GRI 2-9
- GRI 2-10
- GRI 2-11
- GRI 2-12
- GRI 2-13
- GRI 2-14
- GRI 2-16

The top decision-making body at L&K Asia is the Executive Board consisting of the CEO and CFO, headed by the CEO. The Executive Board appointed a Senior Leadership Team consisting of Divisional Heads at the start of 2024. Members of the Executive Board and Senior Leadership Team are appointed on the basis of merit and L&K Asia’s own talent development programs. The aim is to take into account diversity in the selections.

Sustainability, as a strategic priority for L&K Asia, is supervised by the Executive Board with the overall responsibility resting with the CEO. Sustainability management is led by the Regulatory Supply Chain Management (RSCM) & Sustainability Department, reporting to the Director, Quality & Sustainability.



## Sustainability Governance

The RSCM & Sustainability Department develops and implements L&K Asia's sustainability strategy together with stakeholders in the business, with oversight and approval from the Sustainability Steering Committee.

The progress of the sustainability strategy is reported to the Sustainability Steering Committee on a monthly basis. The Sustainability Steering Committee was selected by senior management and signed off by the CEO, consisting of the Director, Quality & Sustainability and the Senior HR Director. On a quarterly basis, progress of the sustainability measures is reported back to the Senior Leadership Team.

The RSCM & Sustainability Department also works closely with other teams in the business. In case of any potential or actual negative impact on people or the environment, the Purchasing, Operations and Production teams are immediately informed, with the CEO informed for impacts classified as severe or zero-tolerance. After investigating such instances, and if such breaches by our producer are confirmed, the consequences are discussed together with the Purchasing Department and must be signed off by the CEO. This structure ensures that the final decision lies with the highest governance body.

## Structure of the Regulatory Supply Chain Management & Sustainability Department

The RSCM & Sustainability Department enhances social and environmental compliance in our supply chain while advancing more sustainable business operations and products.

The team's responsibilities include defining standards, exercising due diligence on our suppliers, providing consultation for regulatory compliance matters, monitoring and verifying remediation of non-compliances, and conducting training sessions to internal and external stakeholders involved in maintaining a compliant supply chain.

The team also develops and implements sustainability initiatives, supports the business on sustainability-related requests, fulfils sustainability targets, and conducts trainings, research and analysis on a variety of sustainability topics. Key areas of focus include Products, Packaging, Climate, Traceability, Corporate Sustainability and Data & Reporting.

The department coordinates cross-departmental sustainability activities across L&K Asia. They are responsible for stakeholder management, implementation, and monitoring related to L&K Asia's sustainability initiatives and supply chain compliance. The department is supported by business process experts from all departments at L&K Asia and local representatives in the country offices. This team of experts and representatives support the implementation of the sustainability strategy into business operations and submits data for reporting to the Senior Leadership Team and Executive Board.

In addition, the RSCM & Sustainability Department works closely with various departments from Lidl Stiftung to implement standards, drive improvements in the sustainability target compliance rate and discuss the handling of supply chain non-compliances.

## Internal Reporting

As part of the reporting to management, the RSCM & Sustainability Department has launched new internal reports that ensure close monitoring of our targets. Reports already developed include a quarterly update on our raw material, product and packaging targets, as well as the Science Based Targets initiative. Further reports are being developed to closely monitor supply chain compliance cases, remediation progress, and trends of high-risk issues. This will be followed by a report on our corporate sustainability targets, once defined.

## External Reporting

The RSCM & Sustainability Department leads the development of the sustainability report and liaises with other internal departments on their respective topics. The report undergoes multiple rounds of reviews from all relevant stakeholders, including the Executive Board, which provides the final approval for publication.



## Policies and Commitments

GRI 2-23

### Code of Conduct

As a company, we are responsible to proactively avoid or minimize any negative impacts our business activities may have on the environment and society. At L&K Asia, this precautionary principle from the UN Rio Declaration on Environment and Development (UNCED) is reflected in our corporate principles and in the Code of Conduct jointly elaborated by the companies of Schwarz Group, forming an integral part of our corporate governance.

L&K Asia strives to ensure that all our business partners commit to our Code of Conduct, which outlines minimum social and environmental standards for our business relationships, and incorporate it into negotiations accordingly. The Code of Conduct is based on the following international guidelines and principles:

- » International Bill of Human Rights
- » United Nations (UN) Guiding Principles on Business and Human Rights
- » UN Convention on the Rights of the Child
- » UN Convention on the Elimination of All Forms of Discrimination against Women
- » OECD Guidelines for Multinational Enterprises
- » International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work
- » Paris Climate Agreement
- » Minamata Convention
- » Stockholm Convention
- » Basel Convention
- » The ten principles of the UN Global Compact (UNGC)

According to the Code of Conduct, violations of labor and human rights are not acceptable. This includes discrimination, the use of forced or child labor, restricting freedom of association, unfair recruitment practices, amongst other internationally recognized human rights. Business partners must also comply with applicable environmental regulations and not cause harmful changes to the environment. The full Code of Conduct is available on the [website](#) of the companies of Schwarz Group.



### L&K Asia Regulatory Supply Chain Management & Sustainability Policy

L&K Asia is committed to conducting our operations ethically by implementing and cascading the social and environmental due diligence obligations of Lidl International across our entire value chain. To fulfil this commitment, L&K Asia requires all business partners affiliated with the production of our goods to adhere to our Regulatory Supply Chain Management & Sustainability Policy, in addition to the Code of Conduct. All relevant business partners receive the policy during onboarding, in English or Mandarin, and sign on the document to agree to be bound by the policy.

Under the policy, business partners in scope must comply with our social, environmental, transparency and product standards. The policy also further details chemical, emission and effluent standards, the implementation of effective management systems, key data to report as part of our traceability efforts, climate requirements, and product and packaging material requirements.



## Compliance and Information Security

GRI 2-25 GRI 2-26

### Compliance

Adherence to the law and our internal guidelines is a key principle in our company and is binding on all our staff. The management of L&K Asia is committed to upholding to this principle.

We have implemented a Compliance-Management-System (CMS) to ensure that our business complies with the law. We adopt a zero-tolerance policy – steps are taken to systematically avoid, identify and impose appropriate disciplinary action on any violation of the law or internal guidelines.

The Legal & Compliance department is responsible for ensuring the adequacy and effectiveness of the CMS, which encompasses risk analysis, implementation of necessary compliance measures, carrying out communication to employees, and continuous monitoring and improvement. Our CMS consists of the following focus areas: anti-corruption/ anti-fraud, data protection, business partner compliance, antitrust law, as well as HR, accounting, tax and product compliance. In FY 2023, 100% of our operational sites were certified with an anti-corruption management system and had conducted an internal audit or risk assessment on business ethics.

Our compliance measures include guidelines and policies, consulting services, training, and monitoring signs of internal and external breaches. To raise compliance awareness, our employees are required to attend compliance training shortly after their onboarding and thereafter repeated training at regular intervals. The training covers multiple compliance topics, including but not limited to anti-corruption/ anti-fraud, data protection and business partner compliance. In FY 2023, 94% of our employees completed the training. We also conduct frequent communication

to our employees via internal communication channels and other targeted training, as well as carry out regular reporting to the management.

L&K Asia always encourages employees, customers or business partners to report potential compliance violations. To ensure compliance violations are reported to us timely, we have set up a whistleblowing system to provide a secure and confidential communication channel for our employees and external parties. Reports can be made, anonymously if the whistleblower so prefers, via our electronic reporting channels or directly to the Compliance Officer at **compliance@lidl.sg**. Details about the reporting channels can be found on our website under “Compliance” at Compliance ([lidl.asia](http://lidl.asia)). Necessary measures have been implemented to protect the whistleblower’s identity and to prevent retaliation. The whistleblowing system accepts reports on all compliance violations, including but not limited to corruption, bribery, anti-competitive practices, information security, discrimination and harassment.

All compliance-relevant incidents are acted upon. If substantiated adverse impacts directly or indirectly associated with L&K Asia's business activities are identified, we take appropriate measures to rectify them and to ensure that affected parties receive appropriate redress. Key findings from complaints are used to identify risks and further develop compliance measures.

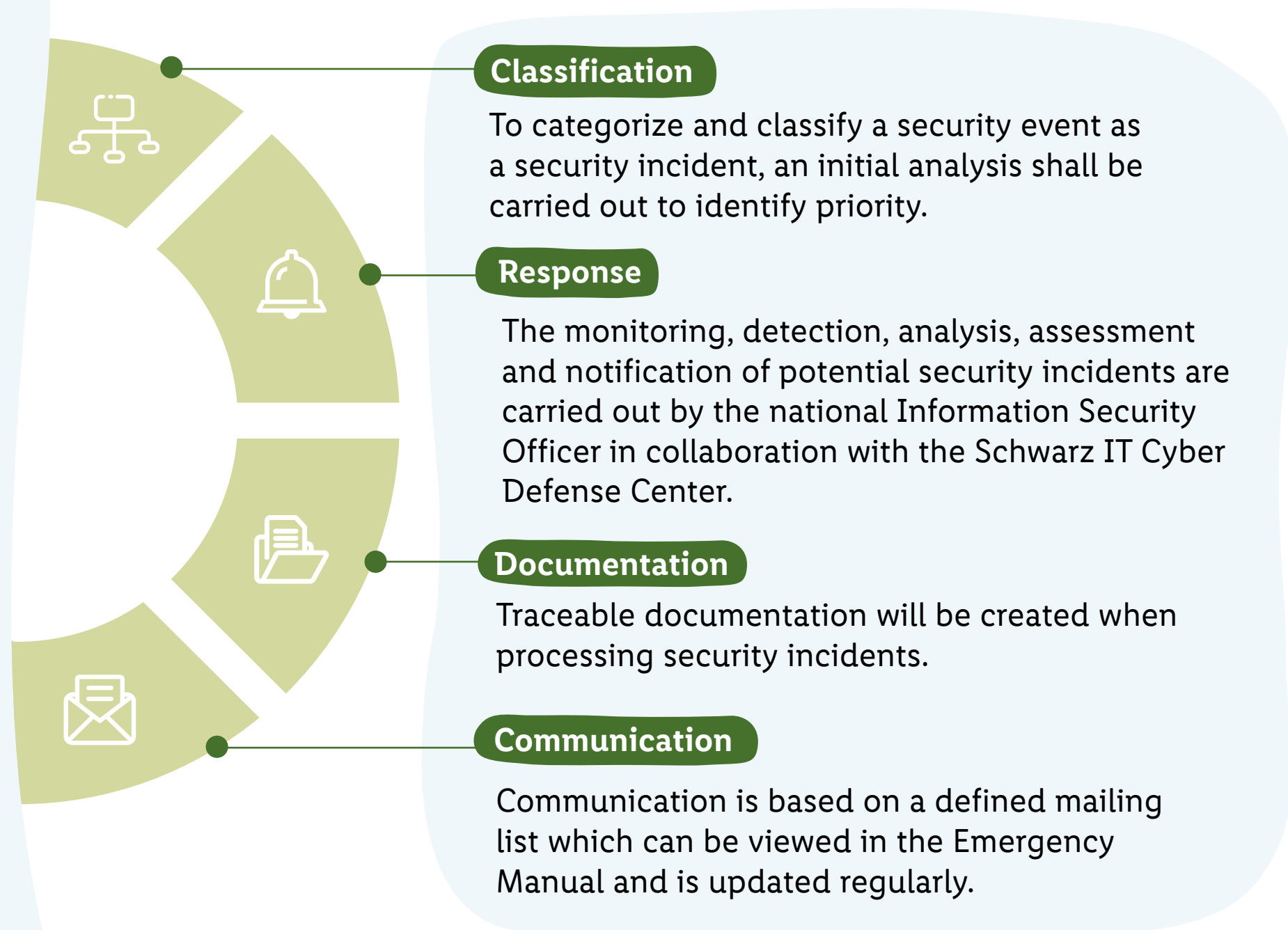
Social, human rights and environmental abuses may also occur within supply chains. L&K Asia maintains the whistleblower channels described above, which are also accessible to affected parties in our supply chain.



## Information Security

At L&K Asia, we prioritize the protection and integrity of our information assets through a robust and comprehensive information security program. Our commitment to information security is driven by our recognition of the critical role it plays in maintaining the trust of our employees, partners, and stakeholders. L&K Asia has an Information Technology Policy which covers information security.

In the event of a breach of confidential information, we have an incident response procedure (IDP) in place to manage the breach, following the steps below.



We have also implemented a records retention and deletion schedule for different types of documents covering emails, accounting documents, etc.

To ensure information security across all fronts, we exercise due diligence when engaging with third parties. This process includes checking third party’s compliance with our information security practices. As part of this process, we request vendors to complete an information security questionnaire. This questionnaire enables us to track and monitor their data privacy practices and promptly identify any potential vulnerabilities or loopholes.

To safeguard internal and third-party data from unauthorized access or disclosure, we have implemented stringent measures. Physical access is carefully controlled through the use of access cards and electronic door locks, ensuring that only authorized personnel can gain entry. Access to sensitive rooms are granted on need-to-know principles, so unauthorized employees cannot access rooms they should not enter. Access is granted after approval by respective managerial authorities. Furthermore, closed-circuit television (CCTV) surveillance is in place to enhance security.

To manage system access requests effectively, we employ identity management solutions, controlling digital access based on need-to-know principles. These solutions facilitate a structured and controlled approval process for accessing systems that house both internal and third-party data. Access is granted via approval by a managerial authority in an audit proof manner. We also have multiple firewall systems and solutions in place. By implementing these measures, we maintain a robust security framework to protect the confidentiality and integrity of data.

Employees are also required to complete mandatory training modules on data protection and information security. These training modules must be completed within three months of starting with the business and are then repeated every two years. In FY 2023, 95% of our employees were trained on data protection, and 95% were trained on information security. We also have regular Phishing Email Campaigns to train our employees and raise their awareness of phishing emails.

In FY 2023, there was one case of a confirmed information security incident. 100% of our operational sites are equipped with an information security management system.











## Stakeholder Engagement

GRI 2-28 GRI 2-29

Stakeholder engagement is an important building block of sustainability management in L&K Asia. This engagement is anchored in proactive communication, participation in critical discourse and forging partnerships and collaborations with third parties. We have identified several key objectives that guide our approach.

- 
**Creating a Function of Impact**  
 We ensure the actions of our company remain aligned with our corporate values and sustainability strategy
- 
**Business & Political Intelligence**  
 We ensure our core business functions are fully informed and equipped to respond to changes in markets and the political landscape
- 
**Political Engagement & Participation**  
 We work and collaborate with government stakeholders to drive sustainable development practices across the global retail value chain
- 
**Brand Visibility & Networking**  
 We see ourselves as an active partner in social-political discussions



We regularly evaluate and identify the key stakeholders that are most relevant to our business. This is done by monitoring and assessing public discourse and social issues, evaluating the evolving roles and responsibilities of the public sector and civil society on sustainability-related topics, and scrutinizing our materiality analysis. We cluster our stakeholders into the following categories:



For more information on how we manage our employee and supplier relationships, refer to the [Acting Fairly](#) chapter.

The continuous exchange of information with our stakeholders is a material part of L&K Asia's sustainability management. L&K Asia leverages a multi-channel communication strategy to disseminate information to internal and external stakeholders, including publishing our sustainability report, showcasing success stories on our social media and press corner, and engaging employees through Intranet portals and town halls. We also facilitate and encourage direct and mutual exchange by organizing events, holding one-to-one meetings, and taking part in roundtable discussions with external stakeholders. Through these exchanges, we contribute to the sustainability discourse and are able to obtain valuable external impulses, feedback and ideas on how to optimize our sustainability management. Forging mutually beneficial partnerships and collaboration with government bodies and civil society, such as participation in Enterprise Singapore's Sustainability Open Innovation Challenge, rounds off stakeholder management and allows us to tap into external know-how and leverage synergies to achieve better outcomes.



**Highlights**



During an EU-ASEAN Business Council mission trip to Cambodia in October 2023, L&K Asia engaged with Cambodia’s Minister of Environment on environmental and climate change policies. We expressed support for Cambodia’s tree plantation campaign, which will be instrumental in Cambodia’s transition to a carbon neutral economy with an additional 60% of forest cover by 2050.



L&K Asia discussed the implementation of the EU Carbon Border Adjustment Mechanism with the EU’s Directorate General Taxation and Customs Unions in Singapore in November 2023 to contribute to the discourse on carbon leakage and the impact and implications of the legislation on sourcing products in Asia.



In 2023, L&K Asia participated in Enterprise Singapore’s Sustainability Open Innovation Challenge. The challenge aims to foster collaboration between industry partners and innovators to develop groundbreaking solutions in the sustainability space. L&K Asia’s challenge statement to participants was to find a sustainable alternative to expanded polystyrene in packaging that can offer the same level of product protection.



We maintain a zero-tolerance policy towards forced labour and modern slavery, and we closely investigate any potential or confirmed instances to ensure swift remediation.

L&K Asia is a member of the Mekong Club, a Hong Kong based non-profit organization with a focus on addressing modern slavery in the private sector. The Mekong Club provides us with valuable support in ensuring our commitment to address forced labour in our supply chain, in line with the 11 ILO indicators.

For our annual Sustainability Week event in 2023, we had the pleasure of hosting Matt Friedman, Founder and CEO and Clémence Aron, Programme Director to conduct an educational sharing on modern slavery and forced labour to our employees.

**Our Membership Associations**



Producer of a member of amfori, the leading global business association for open and sustainable trade. For more information visit [www.amfori.org](http://www.amfori.org)



Singaporean-German Chamber of Industry and Commerce

Indo-German Chamber of Commerce

German Chamber of Commerce Hong Kong

AHK Greater China

L&K Asia is also represented in the following international associations, organizations, and initiatives through Lidl Stiftung:

ACT - Action, Collaboration, Transformation Partnership for Sustainable Textiles

Danube Soya Fur Free Retailer ILO Better Work

Sustainable Rice Platform (SRP) Econsense Food for Biodiversity

International ACCORD Leather Working Group

RMG Sustainability Council (RSC) Bangladesh Forest Stewardship Council (FSC)

Roundtable on Sustainable Palm Oil (RSPO)

L&K Asia is a member of the following institutions through companies of Schwarz Group:

Ellen MacArthur Foundation UN Global Compact

Science Based Targets Initiative

L&K Asia recognizes its special responsibility on sustainable development and acts in a manner that social, health and environmental awareness is promoted in its day-to-day business. It is the intention of L&K Asia that this clear commitment to sustainability is also made transparent to the public.

For this reason, at the beginning of 2020, the companies of Schwarz Group together joined the United Nations Global Compact (UNGC), the world’s largest and most important initiative for responsible corporate governance. They thereby commit themselves to the ten universal principles of the UNGC in the areas of human rights, labour, environment, and anti-corruption. In this way, a global framework is provided for the companies’ extensive commitment to sustainability, which has grown over the years.

L&K Asia, as part of the companies of Schwarz Group, provides an important contribution, and has already implemented a variety of measures in the past to support the principles for a sustainable global economy.



# Protecting Climate

Climate change caused by greenhouse gases is one of the greatest challenges facing the world today, leading to more extreme weather events and posing serious threats to human health and well-being. L&K Asia is committed to doing our part to address the climate crisis, as per the Paris Climate Agreement's target of limiting the global temperature increase to 1.5 degrees Celsius. To achieve this, we are working to reduce emissions in our own operations, such as through the use of renewable energy sources, and throughout our supply chain by collaborating with our suppliers to set science-based targets.



Protecting Climate

# 1.5 Degrees

GRI 3-3

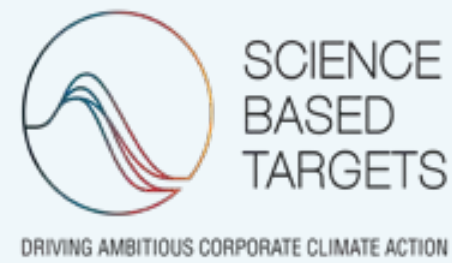
At L&K Asia, protecting the climate is a focus across the entire business, from our own operations to the manufacturing, processing, logistics, transport and sale of our products. We define our climate targets based on the Science Based Targets initiative (SBTi), having joined the initiative in 2020 as part of the companies of Schwarz Group. At L&K Asia, the climate topic is managed by our Sustainability Team.

## Joint Climate Strategy of the Companies of Schwarz Group

As part of the companies of Schwarz Group, L&K Asia aims to minimize its contribution to climate change and to steadily reduce greenhouse gas emissions. To achieve this goal, the companies of Schwarz Group are jointly committed to three principles:

- 1 We prevent the generation of greenhouse gas emissions wherever possible.
- 2 We reduce those greenhouse gas emissions which are unavoidable.
- 3 We offset operational greenhouse gas emissions (scope 1 and 2) that we can currently neither prevent nor reduce, based on internationally recognized standards.

## Science-Based Targets as the basis of Joint Climate Targets



As part of the joint climate strategy, the companies of Schwarz Group joined the SBTi in August 2020. After preparing a complete climate impact assessment and analyzing the carbon footprint, climate protection targets were mutually defined according to the method of the initiative. These were filed together with jointly elaborated measures to reduce, prevent, or compensate carbon emissions in operations and along the supply chain. These science-based targets were validated and released by SBTi in September 2021.

In total, the companies of Schwarz Group have pledged to reduce operational greenhouse gas emissions (scope 1 and 2) by 55% by 2030, from a 2019 baseline.<sup>3</sup> As part of the initiative, L&K Asia have set ourselves the goal of reducing our operational greenhouse gas emissions by 70% over the same period. To achieve this mutually set goal, all companies of Schwarz Group will procure 100% of their electricity from renewable energies from 2022.<sup>4</sup>

The companies of Schwarz Group also commit to reducing their absolute scope 3 emissions with regard to the use of sold fuels, by 27.5% by 2030, from a 2019 baseline. L&K Asia commits to ensuring that producers responsible for 75% of product-related emissions will set their own climate targets by 2026, according to the criteria of the SBTi.

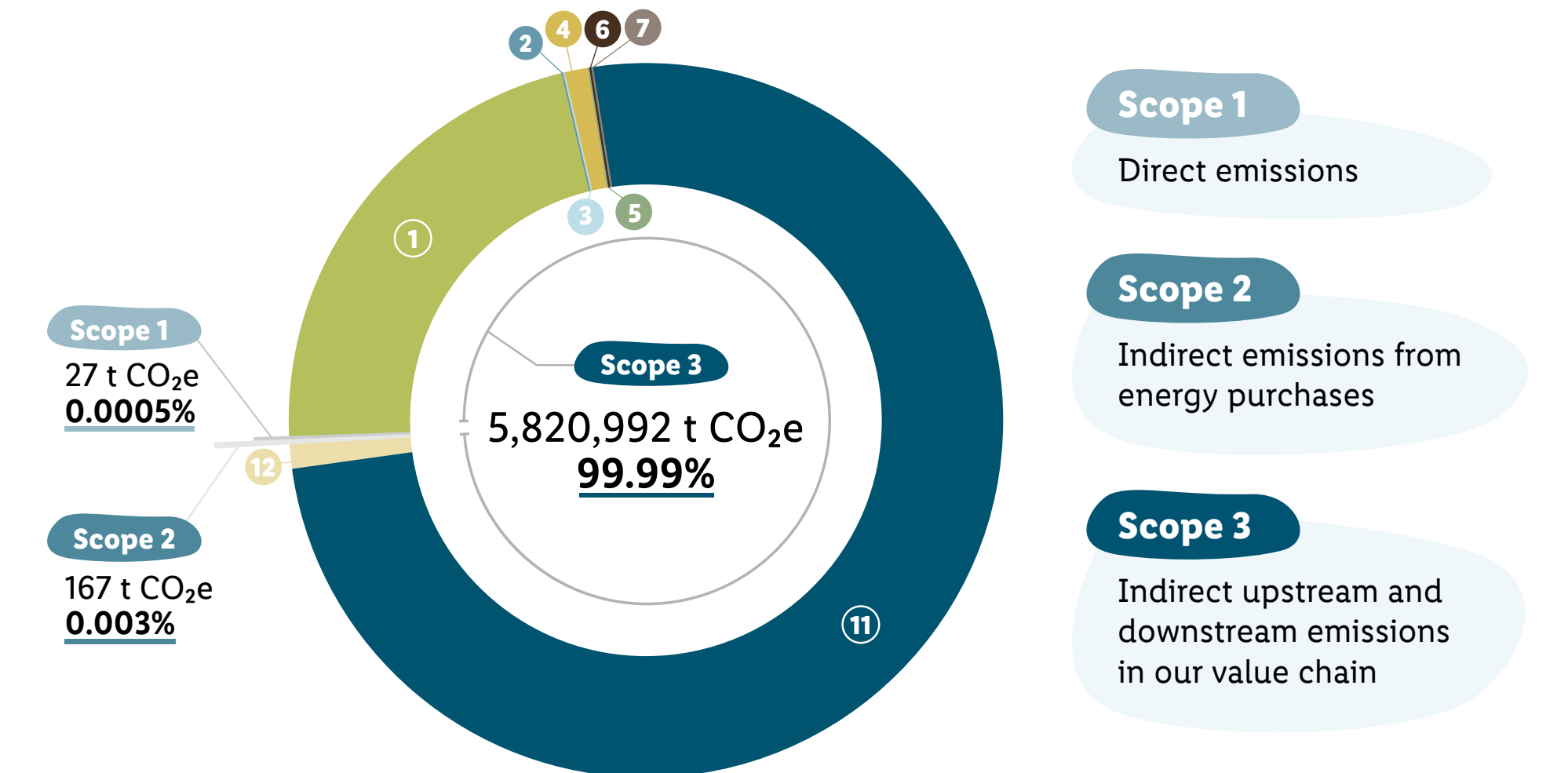
<sup>3</sup>This target for scope 1 and 2 also includes biogenic emissions and the removal of biogenic raw materials (only PreZero)  
<sup>4</sup>Excluding any purchase agreements that L&K Asia cannot influence, such as those for individual leased properties with a binding electricity procurement clause

## L&K Asia's Carbon Inventory

GRI 305-1 GRI 305-2 GRI 305-3 GRI 305-4 GRI 305-5

Our approach begins with a carbon inventory, which includes greenhouse gas emissions generated in our operations and supply chain. This carbon inventory serves as the foundation of our climate management, allowing us to track our carbon emissions, identify potential reductions, review the impact of our measures and document progress towards achieving our targets.

The carbon inventory illustrated below shows the market-based greenhouse gas emissions for L&K Asia in FY 2023, expressed in metric tons of CO<sub>2</sub> equivalent (t CO<sub>2</sub>e), and covers all our operating locations. The calculations are aligned with the requirements of the Greenhouse Gas (GHG) Protocol. Our operational GHG emissions include:



### Scope 3 Categories

- 1 Purchased Goods and Services **22%**
- 2 Capital Goods **0.003%**
- 3 Fuel- and Energy-Related Activities **0.0008%**
- 4 Upstream Transportation and Distribution **1%**
- 5 Waste Generated in Operations **0.0004%**
- 6 Business Travel **0.03%**
- 7 Employee Commuting **0.01%**
- 11 Use of Sold Products **75%**
- 12 End-of-Life Treatment of Sold Products **1%**



### Greenhouse Gas Emissions (t CO<sub>2</sub>e)

GHG Protocol Category	FY 2019	FY 2023
<b>Scope 1</b>	<b>25</b>	<b>27</b>
Mobile Combustion	25	26
Stationary Combustion	0.03	0.6
<b>Scope 2 (Market-Based)</b>	<b>872</b>	<b>167</b>
Electricity (Market-Based)	872	167
<b>Scope 2 (Location-Based)</b>	<b>872</b>	<b>661</b>
Electricity (Location-Based)	872	661
<b>Scope 3</b>	-	<b>5,820,922</b>
1 Purchased Goods and Services		1,267,108
2 Capital Goods		162
3 Fuel- and Energy-Related Activities		49
4 Upstream Transportation and Distribution		86,345
5 Waste Generated in Operations	-	25
6 Business Travel		1,789
7 Employee Commuting		622
11 Use of Sold Products		4,394,883
12 End-of-Life Treatment of Sold Products		69,940
<b>Total GHG Emissions (Market-Based)</b>		<b>5,821,116</b>

### Greenhouse Gas Emissions Intensity

GHG Protocol Category	FY 2019	FY 2023
Scope 1 (t CO <sub>2</sub> e per m <sup>2</sup> of total operating floor area)	0.001	0.001
Scope 2 (Market-Based) (t CO <sub>2</sub> e per m <sup>2</sup> of total operating floor area)	0.038	0.008
Scope 2 (Location-Based) (t CO <sub>2</sub> e per m <sup>2</sup> of total operating floor area)	0.038	0.030
Scope 3 (t CO <sub>2</sub> e per gross metric ton of sold product)	-	21.19

<sup>5</sup>Excluding any purchase agreements that L&K Asia cannot influence, such as those for individual leased properties with a binding electricity procurement clause

We internally track data on our operational energy and resource consumption. To determine our overall carbon footprint, we engaged an external consultant to calculate our emissions by providing the necessary emission factors and advising on assumptions and estimations, where applicable. The operational control approach was followed.

In FY 2023, our Scope 1 emissions totaled 27 t CO<sub>2</sub>e. As our operations are mainly based in offices, our Scope 1 emissions contribute only 0.0005% of our total inventory, with most emissions from the fuel consumption of company-owned vehicles. Regardless, we continuously monitor our energy use in our operations for potential significant changes. The emission factors applied for our Scope 1 emissions are sourced from the Department for Environment, Food and Rural Affairs (Defra) in the United Kingdom.

We use both the location-based and market-based methods for our Scope 2 emission calculations. Our location-based Scope 2 emissions were 661 t CO<sub>2</sub>e in FY 2023, decreasing by 24% compared to our target baseline of FY 2019 (872 t CO<sub>2</sub>e). This decrease is mostly due to the closure of a large office space and grid improvements in our operating countries. With the goal of procuring 100% renewable energy<sup>5</sup>, L&K Asia purchases International Renewable Energy Certificates (I-RECs) to mitigate electricity consumption in our operations. As a result, our market-based Scope 2 emissions amounted to 167 t CO<sub>2</sub>e in FY 2023, representing a 81% decrease compared to FY 2019 (872 t CO<sub>2</sub>e), prior to our I-REC procurement. We are working on procuring I-RECs from the energy markets of our operating countries to reach zero market-based Scope 2 emissions. The emission factors applied for our Scope 2 emissions are sourced from the respective geographical locations where our operations are based, consisting of data from the International Energy Agency (IEA), local electricity suppliers, and local governments.

The bulk of L&K Asia's operational emissions (Scope 1 and 2) stem from purchased grid electricity. Consequently, the redemption of I-RECs resulted in a significant reduction in our market-based operational emissions. Our market-based operational emissions, combining Scope 1 and 2, totaled 194 t CO<sub>2</sub>e in FY 2023, representing a 78% reduction compared to our FY 2019 baseline of 897 t CO<sub>2</sub>e. As a result, we have achieved our operational emissions target of a 70% reduction by 2030 ahead of schedule.

For Scope 3, L&K Asia's emissions totaled 5,820,922 t CO<sub>2</sub>e in FY 2023, accounting for over 99.99% of our overall carbon inventory. Our Scope 3 upstream emissions were 1,356,099 t CO<sub>2</sub>e, while downstream emissions amounted to 4,464,823 t CO<sub>2</sub>e. We identified two major hotspot categories – Purchased Goods and Services and the Use of Sold Products – which account for 97% of our Scope 3 emissions. Our other relevant Scope 3 categories are detailed in the table. This is L&K Asia's first year calculating our full Scope 3 emissions, and we will use these insights to develop a reduction roadmap moving forward, in addition to our current [Science Based Targets engagement](#) with our suppliers. The emission factors applied for our Scope 3 emissions are sourced from IEA, Defra,ecoinvent, Higg Materials Sustainability Index (MSI), Supply Chain Greenhouse Gas Emission Factors v1.3 by NAICS-6 (USEEIO), and AGRIBALYSE.



## In Our Operations

GRI 302-1   GRI 302-3   GRI 302-4

### Sustainable Energy Consumption and Education

With purchased grid electricity as the largest share of our energy consumption, we purchase renewable energy to cover 100% of electricity consumed in our operations.<sup>6</sup> In FY 2023, the electricity use across all our offices totaled to 1,568,504 kWh, and we purchased a matching amount of I-RECs. Our electricity intensity was 71 kWh per square meter of total floor area in FY 2023, remaining relatively unchanged from 72 kWh per square meter from our baseline year of FY 2019.

In addition to using renewable energy, optimizing energy efficiency is crucial for reducing our carbon emissions. All our offices use LED lighting and have access to natural sunlight, with some offices equipped with motion sensor lights. Our largest offices feature automatic power-down timings for lighting and air-conditioning during non-working hours.

It is also vital to involve our employees in conserving energy in the workplace. Therefore, we place signage around our offices as reminders to switch lights and equipment off when not in use. Additionally, we address the topics of climate and energy in our mandatory onboarding training for all employees to increase awareness on energy conservation.

We actively monitor and evaluate our energy consumption to gain insights into our usage patterns, allowing us to effectively target our reduction measures.

<sup>6</sup>Excluding any purchase agreements that L&K Asia cannot influence, such as those for individual leased properties with a binding electricity procurement clause

### Energy Consumption (kWh)

	FY 2019	FY 2023
<b>Direct Energy Consumption</b>		
Petrol (Mobile)	59,749	31,209
Diesel (Mobile)	42,611	73,804
Petrol (Stationary)	127	301
Natural Gas	0	2,783
<b>Indirect Energy Consumption</b>		
Purchased Grid Electricity	1,661,824	1,568,504
<b>Total Energy Consumption</b>	<b>1,764,311</b>	<b>1,676,601</b>

### Sustainable Logistics

Many of L&K Asia's goods are shipped to Europe by Lidl's own Tailwind Shipping Lines. To reduce carbon emissions and optimize fuel consumption, all Tailwind Shipping Lines vessels and chartered ships use specific weather routing. This allows vessels to select more favorable routes by leveraging weather conditions such as wind and currents, thus reducing travel distance and fuel usage. By the end of 2030, Tailwind Shipping Lines will develop more strategies and implement efficiency measures with the aim of reducing emissions from owned and long-term chartered ships, including the replacement of propellers and the application of silicone paint on selected vessels.

For truck transport, Lidl's logistics partner Moov uses short-distance electric trucks in China and biofuel trucks in Europe. Their logistics warehouse in Shanghai has also installed solar panels on its rooftop.



### Lidl & Kaufland Asia Forest

In 2021, we launched L&K Asia's Global Forest with the purchase of 3,020 trees from EcoMatcher, a certified B Corporation that works with vetted organizations and NGOs to plant trees. All new joiners are gifted with a tree in their name from our HR Team.

Our trees are planted across the Philippines and Nepal, with the planting efforts carried out by several partner organizations. In the Philippines, the NGO FEED is overseeing tree planting efforts as part of its work in sustainable education and biodiversity protection, including running social forestry programs and conducting university research. Meanwhile, in Nepal, the New Growth Nepal trust is implementing the tree planting with the goal of establishing 10 million fruit and nut trees to support local livelihoods and communities.





## In Our Supply Chain

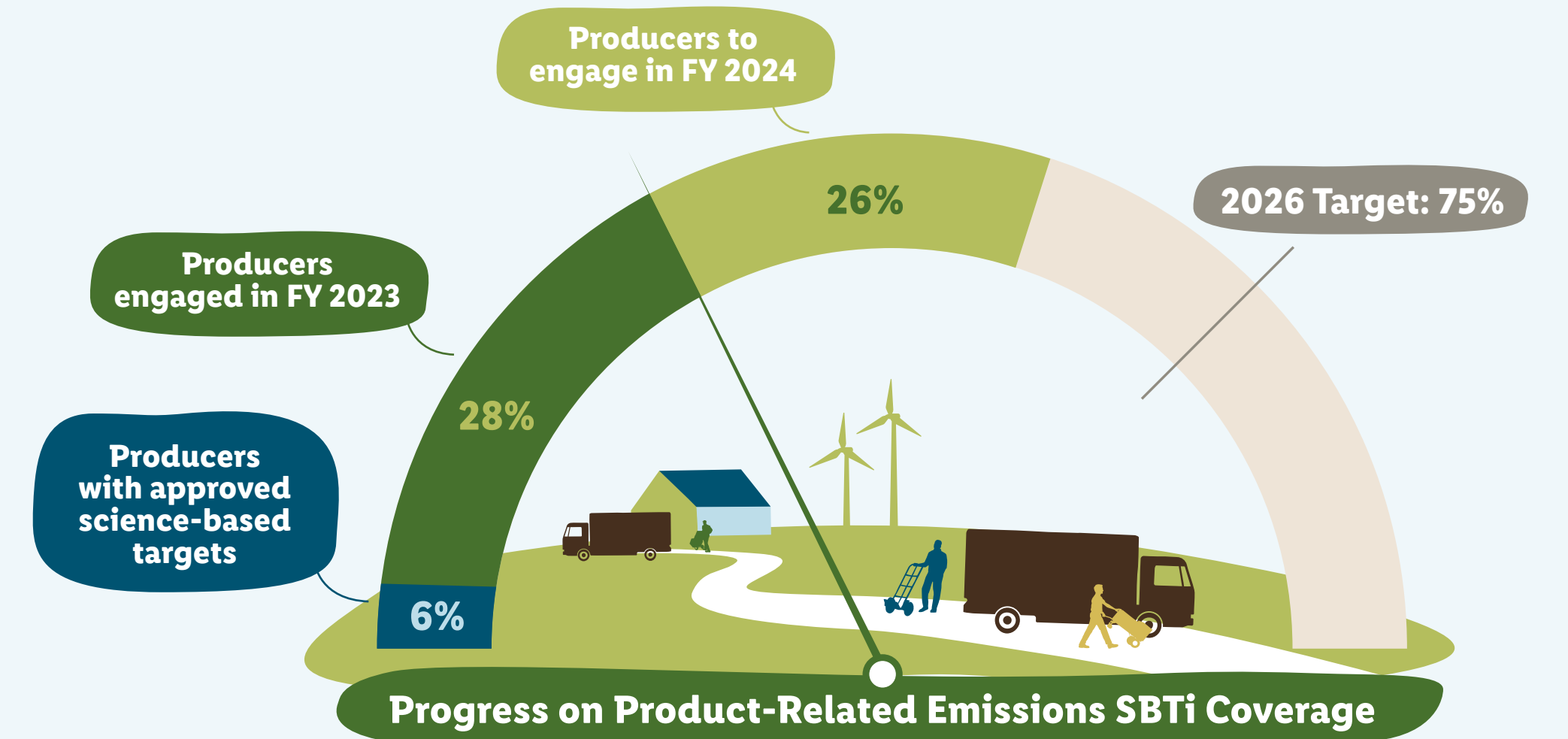
### Science Based Targets Engagement

One of the largest contributors to L&K Asia's total carbon footprint is from the manufacturing of our products. Thus, we place a strong focus on reducing greenhouse gases in our supply chain. As part of the jointly set target of the companies of Schwarz Group, L&K Asia's producers who are responsible for 75% of our purchased goods and services (PG&S) emissions are required to set science-based targets by 2026.

L&K Asia engages with our producers to set their targets in batches. Starting from FY 2023, we engaged with producers across our Non-Food categories that account for more than

34% of our PG&S emissions. Our engagement aims to facilitate the process of setting science-based targets and to support our producers' decarbonization efforts. By end FY 2023, 6% of our PG&S emissions were covered by producers with validated SBTi targets.

In order to achieve our 75% target, we will continuously invite and support our producers on their decarbonization journey. In FY 2024, we will engage with producers that contribute to 26% of our PG&S emissions, reaching a 60% coverage in total.

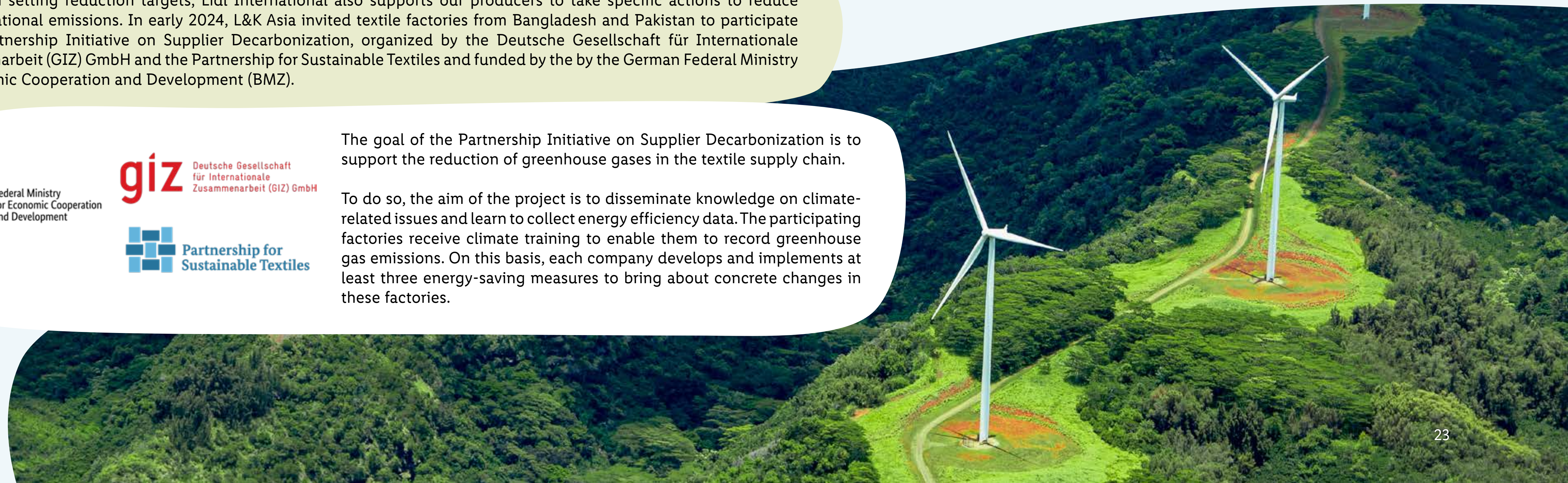


### Partnership Initiative on Supplier Decarbonization

Apart from setting reduction targets, Lidl International also supports our producers to take specific actions to reduce their operational emissions. In early 2024, L&K Asia invited textile factories from Bangladesh and Pakistan to participate in the Partnership Initiative on Supplier Decarbonization, organized by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH and the Partnership for Sustainable Textiles and funded by the by the German Federal Ministry for Economic Cooperation and Development (BMZ).

The goal of the Partnership Initiative on Supplier Decarbonization is to support the reduction of greenhouse gases in the textile supply chain.

To do so, the aim of the project is to disseminate knowledge on climate-related issues and learn to collect energy efficiency data. The participating factories receive climate training to enable them to record greenhouse gas emissions. On this basis, each company develops and implements at least three energy-saving measures to bring about concrete changes in these factories.



# Conserving Resources

The world's ever-growing population presents enormous challenges to the finite resources of our planet. That is why we focus on the careful and efficient use of raw materials and develop sustainable solutions to create responsible products and packaging. Collaborating with our employees and suppliers, we also strive to promote circularity in our operations and our supply chain, especially on waste management.





## Conserving Resources

# Responsible Products

## GRI 3-3

As a sourcing office in the Asia Pacific region for our retail business, we responsibly source products and daily necessities for customers in Europe and the United States. We believe it is our responsibility to ensure the quality and safety of our products, with sustainability and origin included as important quality criteria.

Our quality assurance system closely monitors product quality, safety and sustainability. All products pass through stringent internal and external controls, and measures are immediately taken if deviations from the guidelines are identified. Our products and production sites are regularly audited by external institutes and our own local teams in accordance with the applicable legislation and other globally recognized criteria.

We take a comprehensive approach to product safety, conducting thorough risk assessments for all our products, regardless of their complexity. As part of this process, we evaluate whether our offerings could pose any potential safety risks to customers, in accordance with the relevant regulations in each market we serve. We are committed to ensuring full compliance with all product-specific requirements before introducing our goods in any market. This enables us to provide our customers with the assurance that our products meet the necessary safety standards.

Thorough and regular reviews of customer complaints ensure that any identified failures are isolated and random cases rather than indicative of a broader issue. In the event of serial failure, Lidl has robust measures in place to promptly initiate a product recall in the affected market. This allows us to swiftly address any safety concerns and protect the well-being of our customers.

We also recognize the potential risks that production processes can present, both socially and environmentally. Social risks may include labor rights violations, poor working conditions, and exploitation. Environmental risks can encompass pollution, resource depletion, and waste discharge. Therefore, it is crucial for us to ensure that our producers adhere to our standards.



The requirements Lidl places on suppliers for social and environmental standards are very high. To remain in our producer pool, each producer must obtain certification in at least one standard for each aspect. Our recognized certifications include SteP by OEKO-TEX, ISO 14001, amfori BEPI, HIGG FEM, amfori BSCI, SA 8000, ILO Better Work and Accord/ RSC. In FY 2023, 100% of L&K Asia's producers had at least one social and one environmental certification from our recognized list.

On top of product quality and safety, sustainability and origin are also critical quality criteria. Our sustainability strategy defines goals for promoting sustainable products. Strict raw material targets apply for our critical raw materials, and we comply with the requirements of Lidl's Sustainable Purchasing Policies. In addition, we continuously refine our products to optimize their packaging to support our responsible product offering.

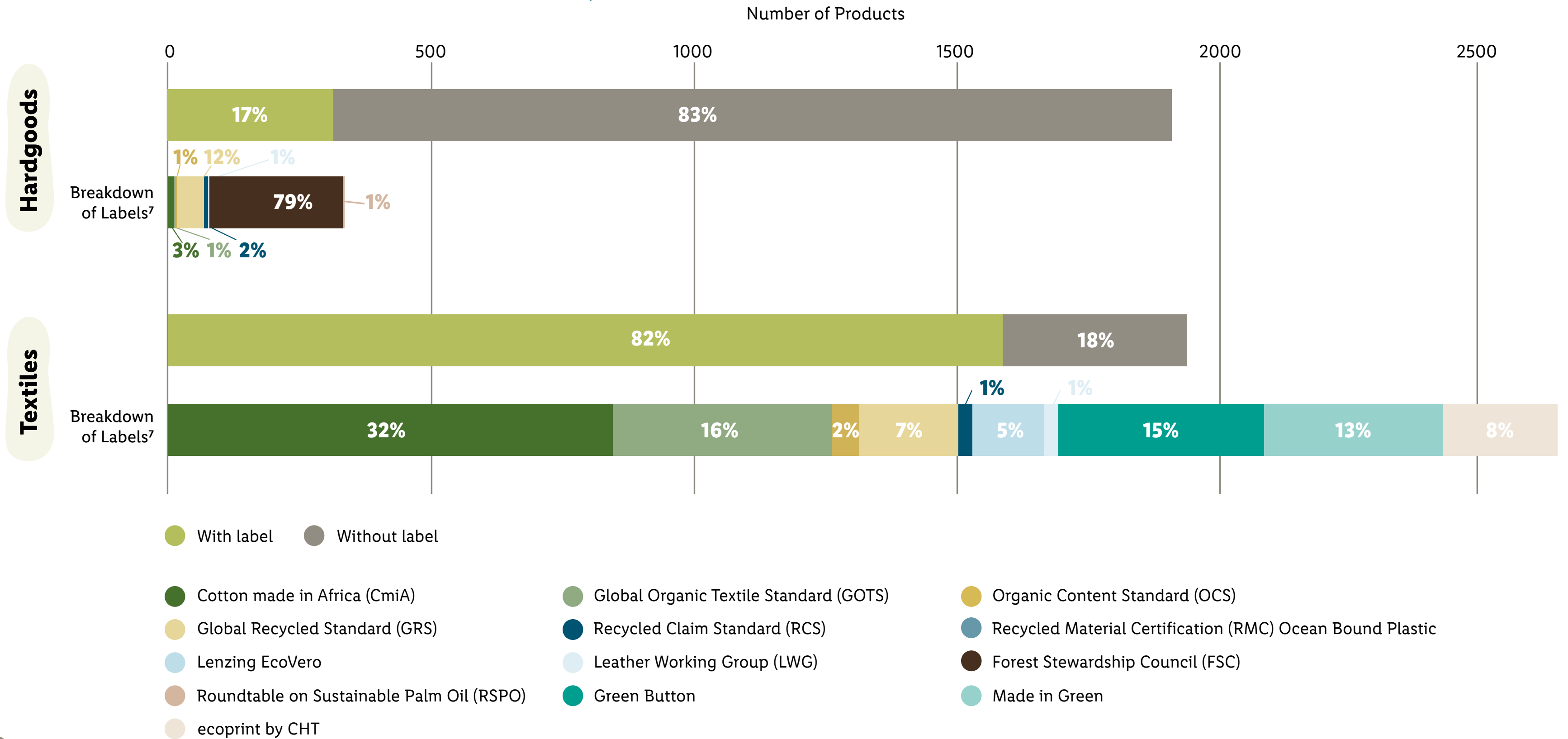
The organizational responsibility for responsible products lies with Lidl International's Quality and Sustainability units, and with L&K Asia's Quality Assurance and Regulatory Supply Chain Management & Sustainability departments.

### Sustainability Product Labels

Product labels provide important information for consumers to identify and choose sustainable products. They support responsible consumption and promote sustainability within our product range.

In FY 2023, 50% of L&K Asia's Non-Food products carried at least one sustainability product label, which includes a range of sustainable materials and certifications as detailed in the chart.

### Non-Food Products with Sustainability Labels



<sup>7</sup>The number of products with sustainability labels is less than the total "Breakdown of Labels" as some products carry multiple sustainability labels



## Global Organic Textile Standard (GOTS)

Cotton is one of L&K Asia's key raw materials for our Textile products. We target for cotton in our products to be 100% sustainable (from our list of recognized labels), with 20% to be organic by January 2026.

GOTS is the worldwide leading textile processing standard for organic fibers, including environmental, human rights and social criteria, backed up by independent third-party certification of the entire textile supply chain.<sup>8</sup> Most of our organic textile products are certified with GOTS.

<sup>8</sup>Global Organic Textile Standard Key Features, <https://global-standard.org/the-standard/gots-key-features>

**417**  
GOTS-certified Textile products in FY 2023

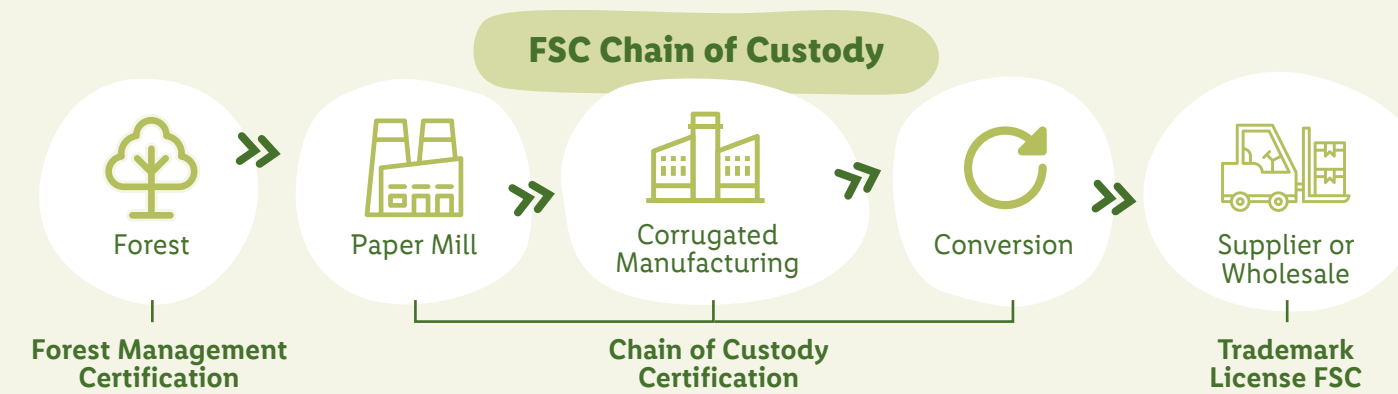


## Forest Stewardship Council (FSC)

Cellulose is one of L&K Asia's main raw materials used for our Hardgoods products. We target for all cellulose-containing products to be 100% sustainable, made from FSC-certified new fibers or recycled sources.

The FSC standard upholds 10 principles and associated criteria, covering a range of sustainable forest management issues such as managing forest biodiversity and respecting the rights of indigenous people and workers. Additionally, the FSC aims to combat illegal logging, deforestation, and land conversion.

We continuously support FSC Chain of Custody audits and certifications to ensure the traceability of materials coming from responsibly managed forests.



**263**  
FSC-certified Hardgoods products in FY 2023



## Fairtrade

At L&K Asia, we are proud to be a Fairtrade licensee. Fairtrade promotes fair wages, decent working conditions, local sustainability and fair buying practices for both farmers and workers.

We contribute part of our net wholesale value to a Fairtrade Minimum Price that is given to the producer organization. This covers the cost of sustainable production and an additional Fairtrade Premium that they can choose to invest in social or economic development projects in the local community, such as training or healthcare facilities.

**1,974,000** pieces  
Fairtrade cotton-certified Near Food products in FY 2023



A better deal for farmers!

### How does Fairtrade work?

In exchange for meeting the Fairtrade standards which support farmers to sustainably improve the yield and quality of their products, farmers:

- 1 Receive a fair price which reflects the cost of sustainable production
- 2 Can invest in their communities

## Circularity in our Products



In FY 2023, we initiated a shift towards circularity in our product assortment. With the aim to conserve resources by keeping materials in use for as long as possible and increasing reparability, we plan to introduce our Circular Design Toolkit in FY 2024. The toolkit will take into account the entire product lifecycle, including 'raw material sourcing', 'production', 'in use', and 'after use' stages. It encourages recycling, reusing, and refurbishing, which reduces the need for new resources.

Conserving Resources

# Raw Materials

GRI 3-3

We offer a large assortment of products derived from a multitude of raw materials. These resources, spanning agricultural crops, animal-based products, metals, and energy sources, form the basis of our offerings. However, the origins, production methods, and processing of these raw materials can potentially lead to varying degrees of adverse environmental impacts.

We therefore consider it our responsibility to contribute to the preservation of natural resources and to mitigate the adverse effects that raw material cultivation, production, and extraction can have on people, the environment, and society. Our core focus is on preserving ecosystems and upholding human rights, as raw material production is intrinsically linked to resource depletion and at risk for critical working conditions and other human rights violations.

We concentrate our efforts on critical raw materials that have a significant impact on people, the environment, and society, while also being integral to our product range. Through systemic analyses, Lidl identifies potential risks associated with these materials and derives specific measures based on the findings. This approach enables us to sustainably reduce the impacts of our business operations and ultimately eliminate them in the long run. To enhance our management of critical raw materials, we have established targets for continuous improvement.

In pursuing these targets, we utilize internationally recognized sustainability labels, which are highlighted on the following page. For example, by 2025, we aim to establish supply chains free of deforestation and exploitation and are therefore particularly committed to the reliable certification of palm (kernel) oil and cellulose.

The requirements for sourcing critical raw materials are communicated to L&K Asia's producers through our Regulatory Supply Chain Management & Sustainability Policy. The policy governs the use of raw materials in our product assortment that are associated with social or environmental risks, thereby mitigating these risks. We are planning to roll out training events for our Tier 1 producers to educate on such risks and the relevant measures to consider when sourcing these materials. Within the scope of the policy, we also require our partners to comply with human rights and environmental protection laws along the supply chain, as well as to avoid or reduce resource depletion and environmental pollution wherever possible. If business partners fail to cooperate, we take appropriate action, up to and including terminating the business relationship as a last resort.



## Raw Material Targets

The responsibility for setting targets and requirements for raw material use in areas of quality and sustainability lies with our international headquarters. At L&K Asia, our Quality Assurance and Regulatory Supply Chain Management & Sustainability departments monitor the implementation of these targets.

### Raw Material Certifications in FY 2023

#### Cotton



Cotton made in Africa (CmiA)

Global Organic Textile Standard (GOTS)

Organic Content Standard (OCS)

Fairtrade



#### Palm (Kernel) Oil



Roundtable on Sustainable Palm Oil (RSPO)

In FY 2023, 57% of our palm (kernel) oil-based products were RSPO-certified



#### Polyester



Global Recycled Standard (GRS)

Recycled Claim Standard (RCS)



#### Viscose



Lenzing EcoVero



#### Cellulose



Forest Stewardship Council (FSC)



#### Leather



Leather Working Group (LWG)



### Raw Material Compliance for Non-Food

In FY 2023, we launched a quarterly report for our Hardgoods and Textile departments, creating a key channel for progress visibility and fostering closer collaboration with our product teams to meet our raw material targets. In these reports, we share insights into the level of compliance and outline improvement plans to empower our teams to make sustainable decisions for future products.

### Raw Material Tracking for Food and Near Food

In FY 2023, we started collaborating with our Food and Near Food Department to track the use of raw materials in their products. As our business in the category continues to expand, it is crucial for us to monitor the material sources to maintain our sustainable supply chain and meet our commitment to offer sustainable products.





## Transparency & Traceability

Risks concerning human rights and environmental violations often occur in the lower levels of the supply chain. Hence, L&K Asia not only works with our direct business partners but also systematically identifies our upstream suppliers, with the aim to conduct due diligence throughout our supply chain.

L&K Asia registers and actively manages our Tier 1 producers, who are our direct business partners. To achieve our goal of traceability, we have developed a step-by-step approach to extend our visibility along the supply chain.

In FY 2023, we focused on reviewing the existing tools and processes within the organization that contain information of the upper tiers of the supply chain.

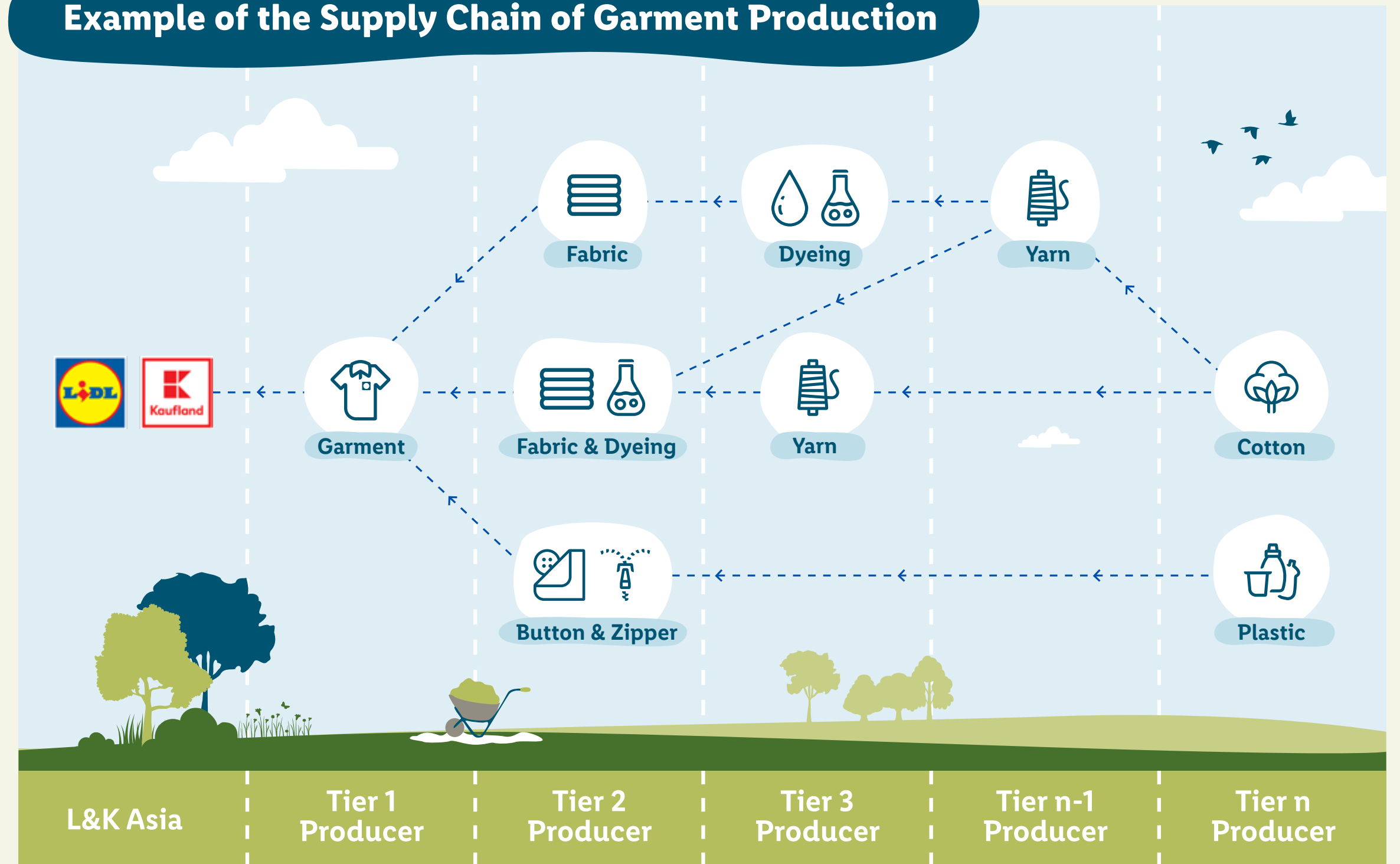
In FY 2024, L&K Asia targets to systematically collect Tier 2 supplier data from our direct business partners. In order to achieve Tier 2 traceability linked to a specific product, we plan to roll out new tools that collect more comprehensive data on our Tier 2 producers, including location, production processes and more.

## EU Deforestation Regulation

New regulations, including the EU Deforestation Regulation (EUDR), require us to ensure that our supply chain is traceable up to the raw material level for products in scope. To ensure these products were produced under deforestation-free conditions and without violating environmental and human rights, risk assessments are required. Comprehensive data and documents, including the geolocation of the forest and all supply chain relationships, will be collected.

L&K Asia is working to identify the best approach to respond to the new traceability requirements. In FY 2024, we will engage with external providers to identify the best solutions in the market, including online software and services from third party laboratories. Ultimately, by 2025, we will need to trace relevant goods (based on HS code) that contain cattle, wood, cocoa, soy, palm (kernel) oil, coffee and rubber back to the GPS coordinates of the forest level. This is to ensure that no land use rights violations have occurred and that no deforestation has taken place.

### Example of the Supply Chain of Garment Production



Conserving Resources

# Circular Economy

GRI 3-3

GRI 306-1

GRI 306-2

L&K Asia’s business operations are directly tied to resource consumption. In our offices, we use a variety of supplies in our day-to-day operations. Proper waste separation and disposal facilitates the reuse or recycling of such resources, minimizing the proportion of incinerated or landfilled waste from our operations. We also put a strong emphasis on educating and engaging our employees on the principles of circularity and effective waste management.

We recognize that, if not managed properly, the consumption of our products and corresponding packaging materials can lead to resource depletion and environmental pollution. This is particularly true for disposable packaging, especially plastic, which can degrade further into harmful microplastics. To promote circularity in our assortment, we work closely with our product teams to increase the use of recycled materials and integrate sustainable packaging solutions into our products.

At L&K Asia, the Sustainability Team is responsible for the topic of circularity, with the support of the Facilities Management for office-related initiatives.

In FY 2023, we recorded 927 cubic meters of water use in our operations from three locations - we are working on expanding data collection to cover all our operations

## In Our Operations

GRI 306-3

GRI 306-4

GRI 306-5



### Paper, Plastic, and Metal

At our Hong Kong, Singapore and China offices, we have implemented internal sorting systems for employees to correctly separate common recyclables from our operations into their respective waste streams. Through clear signage and designated recycling bins placed throughout the office, we encourage employees to dispose of paper, plastic, and metal waste appropriately.

### Cornerstone Smart Recycling's Reverse Vending Machine

To further enhance our recycling initiatives, we have installed a reverse vending machine in our Hong Kong office. The machine accepts plastic bottles and aluminum cans and provides incentives at a rate of **HKD 0.50 per item** for employees to participate in our recycling efforts.



In FY 2023, our employees recycled a total of:



**43,400**  
PET Bottles



**42,900**  
aluminum cans

### Organic Waste

We have implemented measures in Hong Kong for recycling food waste and coffee grounds. The organic recyclables collected are processed by the office building’s composting machine, and repurposed as nutrient-rich compost for the building’s garden.

### Product Samples

As we source and develop our products, we receive many product samples throughout the process. To ensure that samples in good condition do not go to waste, we encourage our employees to take them home for personal use and collaborate with non-profit organizations in our operating countries to distribute them to their beneficiaries. In FY 2023, we partnered with The Salvation Army Hong Kong and Macau, Crossroads Foundation Hong Kong, Buy42.com in China and Lions Befrienders Service Association (Singapore) to donate our product samples, including apparel, home textiles, toys, stationery, and more. This collaboration allows us to minimize waste while providing valuable support to individuals and families in need, creating a positive impact on the environment and in our communities.



### Electronic Waste

At L&K Asia, we are committed to responsible e-waste management. When our office equipment reaches its End-of-Life (EOL) or becomes irreparably damaged, we follow the decommissioning, disposal, and divestment principles established by the Schwarz Group. This includes the secure logical erasure of data using methods and software solutions provided by Schwarz IT. Our process involves collaborating with third-party organizations, such as manufacturers with take-back programs, certified e-waste recyclers, and NGOs, to manage the equipment and maximize material recovery wherever feasible. Additionally, we are actively collecting data on the volume of electronic waste produced for future reporting purposes.

#### Operational waste in FY 2023, in metric tons<sup>9</sup>

Waste diverted to landfill	29.3
Paper and cardboard recycled	6.5
Plastic recycled	0.9
Metal recycled	0.7
Organic waste composted	0.5
<b>Total waste recovered</b>	<b>8.6</b>
<b>Total non-hazardous waste</b>	<b>37.9</b>

In 2024, we will conduct a baseline assessment for all offices in our operating countries to determine the environmental and social impact of our own office operations. The assessment will allow us to pinpoint improvement areas and reduction opportunities. After concluding the assessment, tailored targets will be set for each office to enhance the sustainability of our operations for both the environment and our employees.

<sup>9</sup>Data only covers our largest office in Hong Kong due to limited data availability for other locations - we are working on expanding data collection to cover all our operations

## Employee Engagement and Education

In 2023, we held L&K Asia's third annual Sustainability Week across all offices in our operating countries. The annual event is a key part of our efforts to promote a sustainability mindset among our employees and to positively impact the communities we operate in. This year, we saw a significant increase in employee participation, with 38% of our total workforce participating in at least one event.

The week-long event featured a diverse range of engaging talks, interactive workshops, field trips and an educational exhibition, inspiring and empowering attendees to drive sustainability within their own spheres of influence. Through various volunteering initiatives, attendees also drove positive change in their communities.

Under our Sustainability Vision 2030, we strive to embed sustainability at the core of our business and will continue to equip our employees with the knowledge, skills and resources they need to become sustainability champions at work and in their personal lives.

## Exhibitions



### Sustainable Products and Packaging Exhibition

An exhibition was set up in Hong Kong to showcase L&K Asia's assortment of sustainable products and packaging. The exhibition highlighted the sustainable features and improvements that have been implemented, accompanied by guided explanations from the Sustainability Team to engage and educate attendees.



## Workshops



### Packaging Waste Workshop in Hong Kong

We conducted a workshop to enhance our employees' understanding of the environmental impact of plastic waste, with a focus on packaging and strategies to improve its recyclability. Participants actively engaged in interactive discussions, sharing their insights and experiences. Our goal was to empower them to take an active role in reducing our environmental footprint and driving positive change in our packaging.



### Beeswax Wrap Workshop in Singapore

Participants made their own reusable beeswax wraps with scrap fabrics and a beeswax mending bar, a sustainable replacement for plastic cling wrap.



### Coffee Soap Workshop in Shenzhen

Using spent coffee grounds, participants learned to upcycle the waste to make soaps with exfoliating properties.



## Volunteering



### Beach Cleanup in Pakistan

Participants conducted a cleanup session at Turtle Beach, removing rubbish to prevent debris from re-entering the ocean and harming marine life.



### Tree Planting in Vietnam

Participants headed to Phuoc Buu National Forest, Vietnam's only intact coastal primeval forest, to plant trees for restoration and learn about the impacts of climate change on the forest and wildlife.



### Tree Planting in Cambodia

Participants went down to Trapeang Sangke to take part in the community's eco-tourism project, planting saplings for mangrove reforestation and supporting jobs for its locals.



## Field Trips



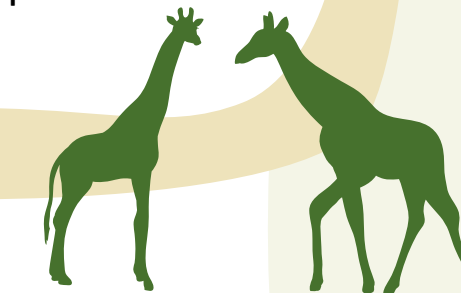
### Shanghai Dawn Solid Waste Disposal Science Base

Participants visited an exhibition that introduces the waste management process, emphasizing the importance of waste separation and disposal.



### Factory Visit in Bangladesh

Participants visited one of our supplier's factories, learning about the sustainable features that have been incorporated in their operations and facilities.



## Talks



### Recycling 101: The What-Why-How of Recycling

Our Sustainability Team conducted a sharing on the basics of recycling to raise awareness on proper recycling in the office and at home.

By emphasizing the importance and impact of reducing waste, providing guidelines on what items can be recycled and sharing ways to consume more sustainably, we aimed to encourage and empower our employees to be more mindful with their waste.

In addition to Sustainability Week, we have implemented **mandatory training on environmental and social topics**, covering subjects such as sustainable certifications and waste reduction for new joiners and existing employees.

In FY 2023, 83% of our employees participated in these training sessions to enhance their understanding of environmental and social issues, as well as sustainable practices within the company.

Senior merchandisers are also requested to attend training on sustainable procurement, covering social and environmental topics with a focus on the supply chain. In 2024, 100% of our senior merchandisers attended this training.



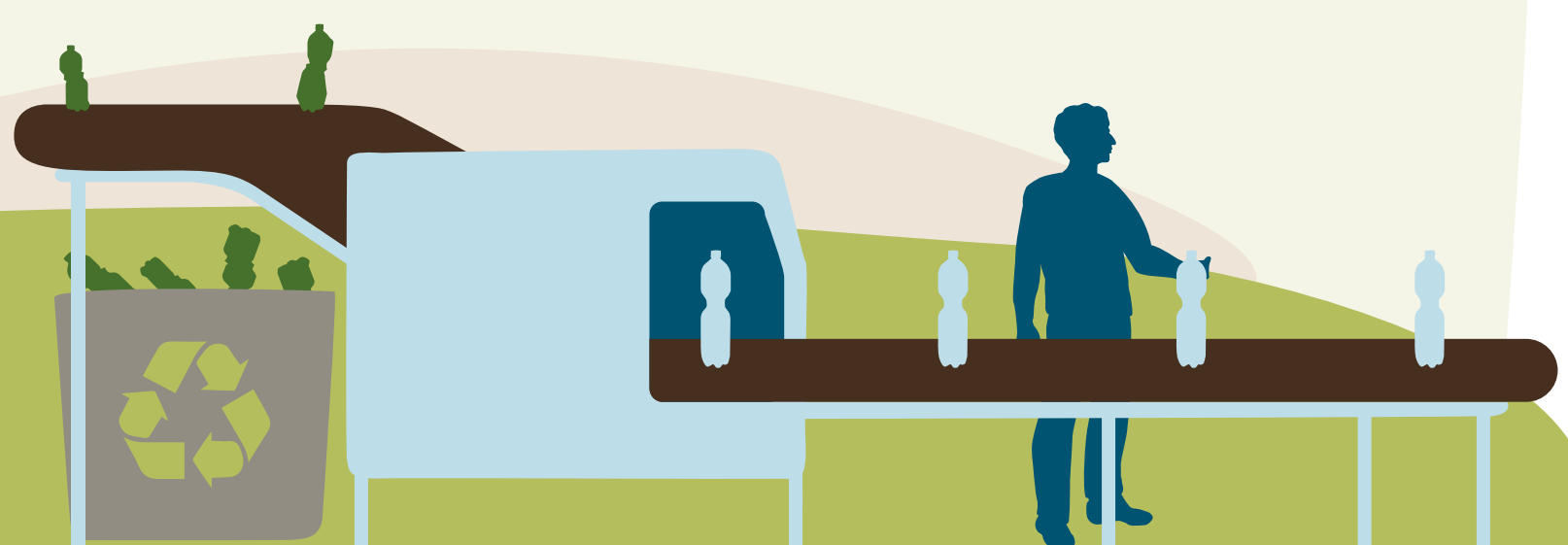
## In Our Supply Chain

### Producer Environmental Scorecard

In FY 2023, we initiated our Producer Environmental Scorecard project. The primary objective of this project is to gather comprehensive environmental data and establish a scoring system for our producers by the end of 2025. The goal is to effectively monitor, evaluate, and support improvements in environmental performance among our producers.

In the scorecard, Solid Waste and Circularity & Materials are two focus areas that enable us to monitor and manage circularity and waste within our supply chain. We also evaluate our producers' management systems and their impacts. Additionally, the scorecard encompasses other crucial areas, including Energy and Emissions, Climate Change, Water, Wastewater, and Air Pollution.

Ultimately, this project aims to identify hot spots in our supply chain, foster sustainable practices by our producers, encourage responsible environmental management, and drive positive change throughout our supply chain.



## In Our Packaging

### REset Plastic – the holistic plastics strategy of the companies of Schwarz Group

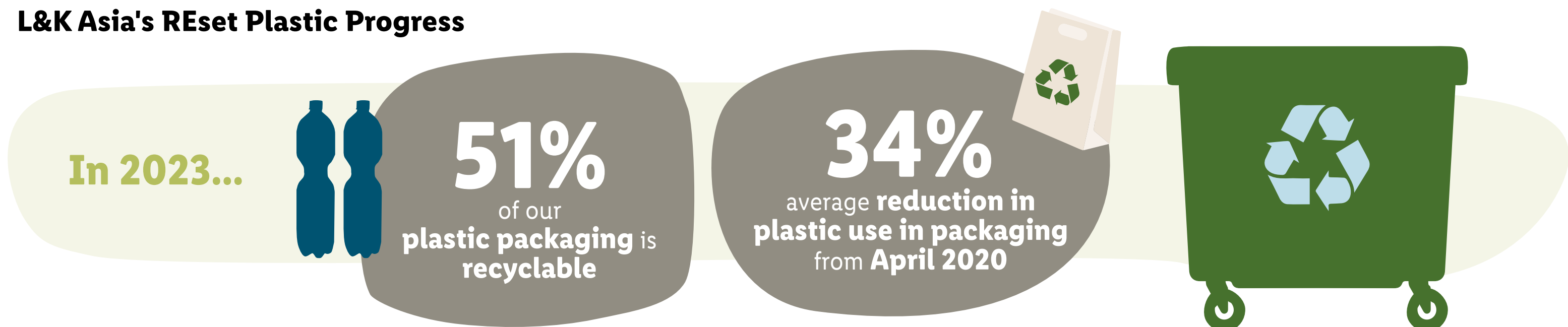


L&K Asia has committed ourselves to the following targets by 2025, under the jointly elaborated REset Plastic strategy of the companies of Schwarz Group:

- ⦿ Reduce plastic consumption for private label packaging and plastic transport aids by 30% compared with 2017
- ⦿ Reduce the proportion of virgin plastic by 10%
- ⦿ Make 100% of private label packaging maximum recyclable
- ⦿ Use an average of 25% recycle in private label packaging

Therefore, in 2018, companies of Schwarz Group signed the Global Commitment of the New Plastics Economy of the Ellen MacArthur Foundation. We have a common vision of Less Plastic – Closed Loops.

### L&K Asia's REset Plastic Progress



There is no simple solution to the issue of plastics. To do justice to the complexity, the REset Plastic strategy defines five action areas that address the subject holistically:

- REduce** We reduce plastic wherever sustainably possible.
- REdesign** We design recyclable packaging and close loops.
- REcycle** We collect, sort, and recycle plastic to close the loop.
- REmove** We support the removal of plastic waste from the environment.
- REsearch** We invest in research and the development of innovative solutions and educate on recycling.

### Minimization of Production Packaging

In FY 2023, we analyzed our packaging to determine the surplus waste that can be reduced. One key area we identified is the cut protection insert used in our export cartons. Significant quantities of cartons are being shipped by L&K Asia's producers. The cut protection insert itself can contribute to around 4,000 metric tons of paper usage in a year, estimated from our shipment data in 2022. After identifying the use of double cut protection inserts by our producers, L&K Asia sent out an official announcement to avoid the use of excess transport packaging, as outlined in our Transport Packaging and Labeling Policies. This increased awareness amongst our producers can potentially result in an estimated 2,000 metric tons of paper packaging saved. The Sustainability Team is continuously monitoring improvements in this area.

### Recycled Plastic in Product Packaging

With our REset Plastic target to use recyclates in our product packaging, we kicked off an initiative to increase the use of recycled plastic polybags in our supply chain, as opposed to virgin plastic polybags. This initiative was launched in FY 2023, in the Guangdong and Jiangsu provinces of China as well as Bangladesh. Suppliers in these regions are supplied with recycled polybags from our preferred producers. By end 2023, the implementation rate for our Textile category reached 94% in China and 82% in Bangladesh, with 11% in China for our Hardgoods category. We are working on an expansion to cover other regions. This initiative supports in reducing our reliance on virgin plastic and diverts plastic waste from the environment, supporting the circular economy.

### Minimization of Product Packaging

With the aim to eliminate unnecessary packaging components in our products, we have taken steps to streamline our packaging designs. An example is the replacement of ribbon packaging from our towel range. By eliminating the ribbon and insert card components and switching to a simpler header card, we reduced unnecessary packaging parts and eliminated waste. The packing process is also simplified, leading to production efficiencies. We proactively look for packaging reduction opportunities in all our product categories, aiming to minimize our environmental footprint whilst ensuring the quality and presentation of our products.

#### Ribbon and Insert Removal



Ribbon Packaging

Header Card

Before

After

### Plastic Reduction in Product Packaging

We have made advancements in reducing our plastic packaging, most notably in our successful efforts to eliminate polystyrene foam from our packaging materials. Recognizing the damaging environmental impacts of this material, we have taken significant steps to find alternative packaging solutions. Through research and development, we have identified and implemented more sustainable packaging alternatives that maintain the necessary protective qualities, whilst minimizing our environmental footprint. This transition contributes to the reduction of our plastic packaging use as per the REset Plastic strategy.

#### Alternative for Polystyrene Foam



Polystyrene Foam

Paper Pulp Tray

Before

After

### Promoting Consumer Recycling

Under France's Anti-Waste for a Circular Economy (AGEC) law, the Triman logo is a mandatory label that informs consumers about the recyclability of products and their packaging. We have integrated this logo into our product packaging, ensuring that recycling information is visible and accessible to our customers. We will continue to support labeling regulations, enabling consumers to make better-informed purchasing decisions.



# Acting Fairly

At L&K Asia, fairness is a core principle that guides our actions and sustainability strategy. We are committed to upholding human rights throughout our supply chain and ensuring fair compensation for all workers, working closely with our suppliers to meet our standards. For our own employees, we are dedicated to providing opportunities for professional development and growth, promoting diversity, equity and inclusion in the workplace, and supporting a healthy work-life balance.



Acting Fairly

# Labour and Human Rights

## In Our Supply Chain

GRI 2-24 GRI 2-25 GRI 2-26 GRI 3-3 GRI 414-1 GRI 414-2

We sell products that are produced within increasingly complex global supply chains, spanning different countries' regulatory frameworks and social and environmental standards. This has an impact on social risks such as workplace health and safety, freedom of association, discrimination, remuneration, child and forced labor. The responsibility for upholding human rights is binding for both countries and companies. On the one hand, it is the task of the relevant legislators to establish minimum social standards and ensure their compliance. On the other, businesses are an important stakeholder that can make significant contributions to the continued development, implementation, and safeguarding of social standards in direct and indirect business activities.

L&K Asia takes our responsibility to comply with human rights and environmental due diligence requirements seriously. Our goal is to drive improvements in our supply chains and within our own business through targeted involvement. Therefore, it is vital for us to source our products from supply chains that prioritize fair and respectful treatment of people, the environment, and animals. This commitment drives us to consistently enhance working conditions within our supply chain and our organization.

Lidl International rejects any form of violation of human and labor rights and places great importance on ensuring that our business partners also respect human rights, social, and environmental standards, address them in their supply chains, and ensure compliance with them. This is why the Code of Conduct jointly elaborated by the companies of Schwarz Group forms the basis for all our business relationships. Through the Code of Conduct, we aim to oblige our partners to comply with and address the social standards for workplace safety, freedom of association, remuneration, and equal treatment based on international guidelines and principles.

L&K Asia is continuously working to integrate our corporate due diligence principles in company-wide processes. A large focus of this commitment lies on our supply chain, as this is where our business activities have the greatest impact. L&K Asia has developed a Regulatory Supply Chain Management & Sustainability Policy providing further guidance to producers about our standards, the implementation of our due diligence measures, and best practices. It is mandatory for all of our business partners affiliated with the production of our goods to sign this policy, with 100% of our suppliers having signed the policy in FY 2023. The relevant L&K Asia contact points and channels are provided in the policy for business partners to seek advice on implementing our standards. Our standards on environmental, labor, and human rights are also part of our contracts with business partners.

We review the potential risks of human rights violations and environmental impacts that exist or could arise in our business processes and supply chains. Based on these analyses, we develop strategic remedial measures, such as topic-specific training for internal teams and suppliers. Where necessary, we adjust our business processes to avoid negative impacts.

Compliance with our requirements is also founded on making sure our employees are fully informed about them. Awareness-raising and training on our standards and sustainable procurement are therefore undertaken soon after employees join the company and are repeated regularly thereafter.

## Key Risks and Measures Taken to Address Them

We source the range of our products from 11 different countries. Each of our sourcing countries have different advantages in terms of production capabilities, cost of production, and quality levels. Yet, they also expose us to environmental, social and governance (ESG) risks, which we need to manage. Such risks include freedom of association, delayed payments, excessive working hours, child or forced labor, and the risk of environmental pollution.

To effectively manage these risks, we have implemented a system of continuous monitoring and remediation in our factories. Additionally, we collaborate with local partners such as Better Work, the Ready-Made Garment (RMG) Sustainability Council (RSC) in Bangladesh, and the Cambodia Transportation Working Group from the International Labor Organization's Better Factories Cambodia program. The training of our producers on high-risk issues is pivotal to reducing actual issues from occurring. Hence, the launch of our new policy will include training and on-site supplier events in 2024.

In specifically high-risk countries, we have implemented additional due diligence measures to monitor risks like freedom of association and act fast should any actual negative impacts be identified. Such due diligence measures include quarterly unannounced visits, an application for workers with a grievance chat feature, anonymous worker voice surveys and news monitoring.

In other countries like Bangladesh where we are identifying an increasing number of issues, we are reviewing our approach to ongoing monitoring to include unannounced spot checks. We will further educate our quality inspectors to increase our on-site monitoring for high-risk issues like subcontracting or child labor.

As risks concerning human rights violations primarily occur in the lower supply chain, we will be launching a systematic approach to increasing transparency in our supply chain to improve labor conditions at the lower supply chain levels.



## Supply Chain Monitoring and Remediation Program

Ensuring the protection of human rights and the environment in our supply chain is a day-to-day task of our teams. Our due diligence approach aims to effectively avoid potential risks and remediate actual adverse effects of our business activities on people and the environment, while simultaneously enhancing our positive impact. This entails ongoing and proactive assessment of risks and human rights infringements throughout the supply chain by our teams on the ground.

Within our Non-Food supply chains, we have a requirement for suppliers to conduct annual social and environmental audits by third-parties. Additionally, we conduct our own social, environmental and technical on-site assessments for all Food, Near Food and Non-Food producers. This is done before entering our supplier pool and at least every two years. In FY 2023, 100% of our suppliers were evaluated by these on-site audits. Producers must pass these assessments before entering into business with us. Further, the results of

these assessments inform buying decisions with producers in our producer pool. We also promote suppliers that are committed to transparency and compliance with our standards at regular supplier summits. Our supplier award categories include, amongst others, sustainability topics (e.g., science-based targets) and compliance ratings.

Due to the global nature of supply chain structures, social, human rights and environmental abuses may arise within supply chains. If actual adverse impacts are identified, which may be directly or indirectly associated with L&K Asia's business activities, we endeavor to take appropriate measures to rectify these and use our powers of influence to ensure affected parties receive appropriate redress. Where possible, we apply an approach of continuous improvement in which we work with our business partners to remediate any non-compliances and strengthen their management systems.

## Grievance Channels and Raising Concerns

Access to effective complaint mechanisms is an important element for identifying human rights violations in our supply chain. As part of our corporate due diligence obligations, we maintain effective grievance channels aligned with the UN Guiding Principles.

Ensuring the well-being of workers within our supply chain is of utmost importance, including their ability to raise concerns about working conditions. To facilitate this, Lidl has established an online reporting system (BKMS), designed for reporting instances of human rights or environmental violations, which all suppliers and business partners are required to support. We further support industry-wide grievance mechanisms like amfori Speak for Change and RSC in Bangladesh.

Grievance Mechanism	Scope
Lidl's BKMS	Online reporting system for all actors in our supply chain that ensures a structured process towards remedy
Lidl's Integrity Counts	Whistleblower mechanism for L&K Asia's own employees and third parties
amfori Speak for Change	Industry-level grievance mechanism in selected countries
Bangladesh Ready Made Garment Sustainability Council (RSC)	Grievance mechanism for the textile industry in Bangladesh

The majority of the complaints we receive relate to allegations of delayed payments, lack of benefit payment and harassment in our supply chain. Each complaint is thoroughly investigated by L&K Asia's own team. Depending on the type of grievance, we conduct a desktop or on-site investigation. In cases where grievances are confirmed, we address the issue with the supplier and identify the root cause, as well as measures to prevent similar violations from occurring in the future.

In a similar manner to our grievance mechanisms, we conduct anonymous worker interviews during our regular on-site assessments. Through these interviews, workers can raise any questions or concerns related to working conditions in our supply chain.

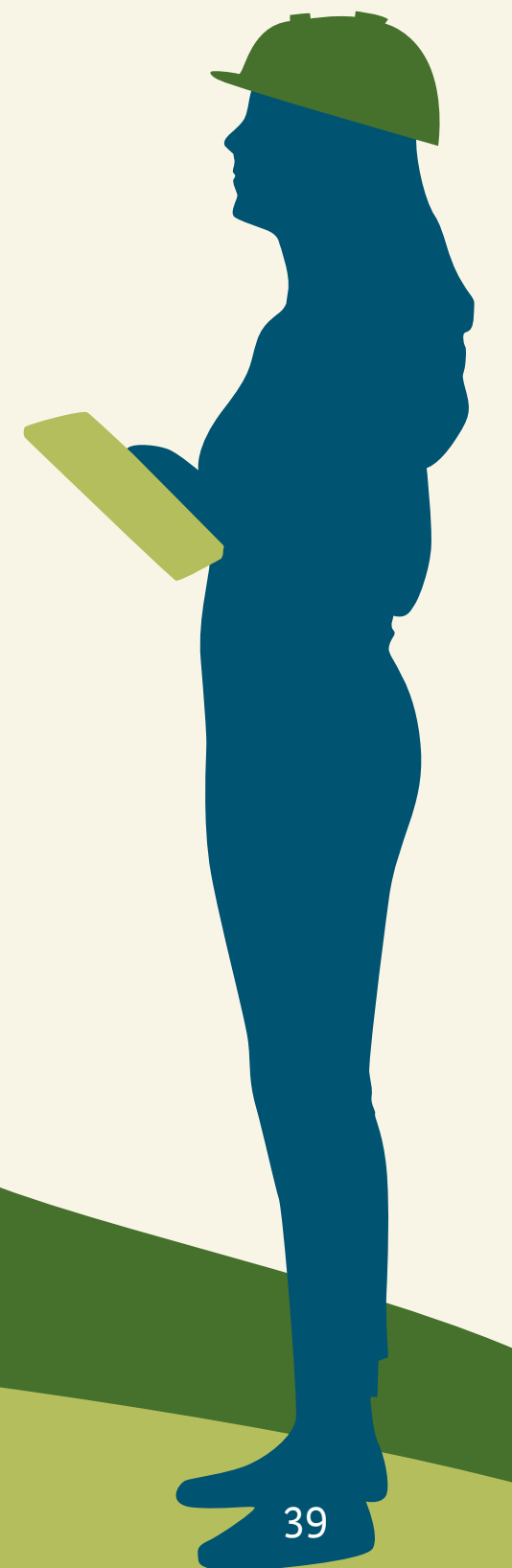
## Overview of Non-Compliances Identified and Actions Taken

In FY 2023, we screened all our new producers using social, environmental and technical criteria. We also monitor our existing producers through follow-up audits conducted at varying time intervals based on their performance. Overall, we conducted social and environmental compliance evaluations at over 450 producers in FY 2023, with the majority conducted in China.

In addition to L&K Asia's own assessment, we identify risks in our supply chain through other channels like our grievance mechanisms, news screening, collaboration with NGOs and inspections. The non-compliances we identified were from various regions, with the majority from China, followed by Bangladesh. Of all confirmed non-compliances, the majority of issues were related to excessive overtime work, delay of payment to workers, and not having a valid environmental license.

Our team has worked very closely with producers to remedy such breaches and remediated over 50% of cases by the end of the reporting period. Due to their nature, certain non-compliances will take time to demonstrate long-term improvement and to be considered fully closed. In FY 2023, 100% of our assessed suppliers co-developed a corrective action plan or a performance improvement plan with L&K Asia to address non-compliances that were confirmed and to facilitate continuous improvement.

Out of all our suppliers with non-compliances in FY 2023, 3% were eventually terminated from our producer pool due to repeated failures to meet our performance and remediation requirements.



## Fair Remuneration in Our Supply Chain

Providing workers in our supply chain with the wages they are entitled to is a fundamental responsibility for L&K Asia. Through our contracts with suppliers, we require them to abide by local laws, which outline minimum wage compensation, overtime and other benefit payments as well as severance pay. We further have a zero-tolerance policy towards the payment of recruitment fees, which refer to any fees or costs incurred in the recruitment process in order for workers to secure employment or placement, regardless of the manner, timing or location of their imposition or collection.<sup>10</sup>

Through our due diligence efforts, which include on-site audits and grievance mechanisms, we are able to identify instances of non-compliance with our commitments. When workers in our supply chain are not paid accurately or on time, we work with the factory management to establish a payment or repayment plan. We strictly monitor its implementation through documented evidence from the factory and verification with workers itself. In exceptional cases where factories are unable to pay their workers, we engage with multi-stakeholder initiatives and local trade associations to identify solutions for remediation.



Since 2019, Lidl International is a member of ACT, a multi-stakeholder initiative with the aim of improving wages in the textile supply chain through collective bargaining.

Under the ACT agreement, L&K Asia is going to roll out labor cost transparency across our Cambodia factories in 2024. Labor costing enables us to separate all direct and indirect labor expenses as a separate component in price negotiations and assess whether our prices enable agreed wages to be paid. We can further adjust prices if local wages or benefits change.

## Diversity, Equity & Inclusion in Our Supply Chain

Factory workers, management, and owners in our 11 sourcing countries come from a diverse range of nationalities, cultures, religions, ages and educational backgrounds. It is therefore particularly important for us to promote a work environment that fosters respect and acceptance. L&K Asia is committed to fostering a respectful working environment for all employees in our supply chain, regardless of age, origin, religion, gender identity, sexual orientation, beliefs, disability, and furthermore.

Any form of discrimination or harassment is considered a zero-tolerance breach to our Code of Conduct. Our on-site audits and grievance channels are important for ensuring the timely identification and management of potential risks to diversity, equity and inclusion. We have identified the importance of strengthening internal grievance mechanisms at our factories as an early warning mechanism. We are therefore providing more dedicated training, and will pilot a dedicated assessment to evaluate the effectiveness of our factories' grievance mechanisms.



In 2023, L&K Asia signed the Women's Empowerment Principles (WEPs) to demonstrate our commitment to gender equality and encourage our producers to follow suit. The WEPs provide a holistic framework for companies to promote gender equality and women's empowerment in the workplace, marketplace, and community, thereby driving positive outcomes for society and business.

<sup>10</sup>General principles and operational guidelines for fair recruitment and definition of recruitment fees and related costs, International Labor Organisation, 2019



## For Our Employees

GRI 2-7   GRI 3-3   GRI 401-3



Companies have a fundamental obligation to ensure the protection and rights of people in the workplace. This responsibility extends beyond simply adhering to regulations; it requires companies to establish working conditions that promote a respectful and responsible environment for their employees.

As an employer with operations across multiple countries in Asia, we are committed to providing all our employees with a safe, attractive, and supportive work environment. At L&K Asia, the observance and protection of employee rights form the basis of a relationship built on trust. These principles are deeply embedded in our corporate policies, procedures, and daily business practices.

The HR Department of L&K Asia is internally responsible for overseeing the topics of labor and human rights, work-life balance, and the implementation of all associated measures, while taking country-specific requirements and laws into consideration.

### As of end FY 2023, as a percentage of total employees

<b>Total employees</b>	<b>100%</b>
Women: 54%   Men: 46%	
<b>Full-time employees</b>	<b>99.8%</b>
Women: 54%   Men: 46%	
<b>Part-time employees</b>	<b>0.2%</b>
Women: 50%   Men: 50%	
<b>Permanent employees</b>	<b>97%</b>
Women: 55%   Men: 45%	
<b>Fixed-term employees</b>	<b>3%</b>
Women: 45%   Men: 55%	
<b>Non-guaranteed hours employees</b>	<b>0%</b>

In FY 2023, almost 100% of employees were hired on a full-time basis, with 97% on permanent contracts. Our workforce remained stable during the reporting period, with a minor 3.5% difference in the number of employees at the end of the fiscal year compared to the beginning.



## Work-Life Balance

L&K Asia helps our employees to achieve a better balance between their professional and personal lives. To facilitate this, we have introduced various initiatives. For certain roles, we offer remote work arrangements that provide our employees with greater flexibility and autonomy in managing their time and responsibilities. This is formalized in our Flexible Work Policy, which ensures that most office-based employees are eligible to work flexible hours or from different locations, subject to the approval of their managers.

Recognizing the importance of family and personal commitments, all L&K Asia employees also have access to parental leave entitlements.

We are constantly evaluating and enhancing our work-life balance initiatives to better support the needs and well-being of our employees. Through such initiatives, we aim to foster a more engaged, productive, and satisfied workforce.

### In FY 2023

<b>Employees that took parental leave</b>	<b>52</b>
Women: 36   Men: 16	
<b>Employees that returned to work in the reporting period after parental leave ended</b>	<b>50<sup>11</sup></b>
Women: 34   Men: 16	
<b>Employees that returned to work after parental leave ended that were still employed 12 months after their return to work</b>	<b>46</b>
Women: 31   Men: 15	
<b>Return to work rate of employees that took parental leave</b>	<b>96%</b>
Women: 94%   Men: 100%	
<b>Retention rate of employees that took parental leave</b>	<b>92%</b>
Women: 91%   Men: 94%	

<sup>11</sup>Two employees were still on parental leave and had not yet returned to work by the end of our reporting period

## Employee Development

We believe that enabling access to development opportunities and lifelong learning is crucial for the growth and success of our organization and our employees. To this end, we actively contribute to the professional training and development of our workforce to encourage continuous learning and growth. L&K Asia has established numerous programs and initiatives aimed at providing our employees with the resources and support they need to develop their skills, knowledge, and capabilities.

We provide a Training Sponsorship Programme for all permanent employees in our operating countries. Employees may use the sponsorship to fund training courses, programmes or qualifications to gain technical or behavioral skills that support their career, or to achieve professional qualifications linked to their role. In addition, our Learning & Development Team offers multiple training courses from external parties for employees to register and participate in. In FY 2023, the trainings offered included Excel, PowerPoint, leadership, conflict management, communication, project management and more.

We also provide an online training platform for all employees, offering a diverse array of courses covering a wide range of topics, including compliance, sustainability, and productivity.

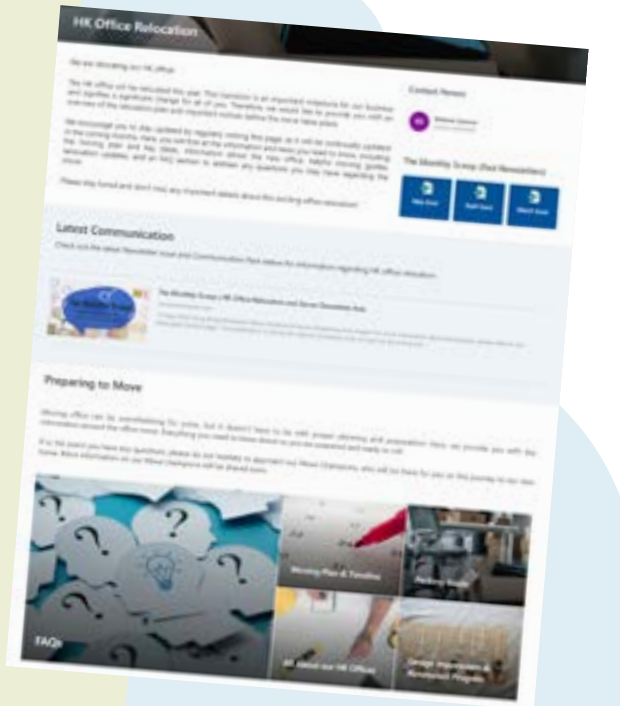
## Communication Channels

We have implemented effective communication channels at L&K Asia to ensure that our employees' voices and opinions are heard. Through our dedicated Engagement Committees, we actively collect feedback from employees throughout the year, addressing their concerns related to daily operations and working conditions. Furthermore, we organize regular town hall meetings where senior management provides business updates and engages in interactive Q&A sessions to address employee inquiries directly, facilitating ongoing dialogue between employees and management.

## L&K Asia's Intranet

In light of our upcoming Hong Kong office move, we have established a dedicated page on our Intranet as a central hub for communication. This platform serves as a valuable resource, providing updates and information regarding the relocation process.

To foster open dialogue, we have also incorporated questionnaires to allow employees to express their concerns and voice any issues they may have. By utilizing the Intranet page and town hall meetings, senior management ensures that these concerns are promptly addressed and communicated back to employees, enabling transparency and effective resolution.



### In FY 2023...

**7.5**

hours of **training** per employee, on average

**98%**

of employees received **career- or skills-related training**

**100%**

of employees received **regular performance and career development reviews**

## Pulse Survey 2023



Our biennial employee satisfaction survey, the Pulse Survey, was conducted in 2023 with all our employees. The purpose of the survey is to gather feedback from employees on their satisfaction with L&K Asia as an employer, by collecting anonymous feedback on 11 key topics.

The majority of our scores have improved compared to our 2021 Pulse Survey results. Based on the survey, our strengths lie in the areas of leadership (i.e., employees' working relationship with their managers), working conditions and environment, as well as managers' support in maintaining a work-life balance. We see further opportunities for improvement in the areas of efficiency in our processes, communication and learning & development.

The insights obtained from the employee survey are invaluable to us, and we are committed to implementing meaningful changes to enhance employee satisfaction across the company.

Acting Fairly

# Fair Remuneration

GRI 2-20

GRI 3-3

GRI 401-2

Providing living wages is a fundamental responsibility for companies, as it establishes the basis for a dignified life for employees. By guaranteeing an adequate level of remuneration that is structured fairly and equitably, companies create the foundations for an employment relationship built on trust and respect, benefiting all stakeholders.

L&K Asia's remuneration policy is designed to ensure strict compliance with all applicable local legislation and is subject to constant review and adjustment to align with the latest regulatory requirements. Our employees are paid in accordance with their experience, qualifications, competencies, and the specific responsibilities and demands of their roles. Wages are benchmarked against industry standards and market rates, moving in line with broader wage trends and economic factors within the countries where we operate, including inflation, GDP growth, and other indicators that influence local labor markets.

As part of our HR strategy, we seek to embody equal opportunity and ensure that equal treatment is reflected in our remuneration system. Our compensation practices are thus designed to eliminate discrimination and are structured without reference to gender, age, origin, sexual orientation, ideology, religion or mental or physical abilities. We collect data on our gender pay gap to promote gender equity within the remuneration system, and in FY 2023, the average salaries of women in our organization were 5% higher than men. We will continue to endeavor to ensure gender equity in our remuneration system and take appropriate measures to reduce the pay gap across all levels of the hierarchy.

L&K Asia's employees are also compensated based on their individual performance from a budget allocated by management. This is reflected in annual increments and discretionary bonus review payments to employees. Each year, all departments and countries receive a list of eligible employees for the annual remuneration exercise. Details on our efforts to prevent discrimination in our review processes are outlined under [Diversity, Equity & Inclusion](#). We also plan to be more transparent in disclosing our processes relating to progression, pay and rewards.

On top of wages, L&K Asia provides our employees with benefits in line with or above legislated requirements and market norms. For example, paternity leave is provided to all our male employees, including employees in countries where this is not mandated by law. The entitlement includes at least five days of paid paternity leave, or the relevant statutory paid paternity leave, whichever is higher. This ensures support for all parents, regardless of gender, and across all countries. All temporary and part-time employees are entitled to the same benefits as our full-time employees, for all our operating countries.

Our Compensation & Benefits Team within L&K Asia's HR Department is responsible for structuring our remuneration system and benefits, observing all country-specific requirements and laws. We also receive guidance from Lidl International as and when necessary.



Acting Fairly

# Diversity, Equity & Inclusion



GRI 3-3   GRI 401-1   GRI 405-1

Operating across multiple countries in Asia, our employees come from around the world and work together successfully every day. We value the diversity of our workforce, customers and business partners and appreciate the diversity of their values, perspectives and experiences.

With the mission statement “Together at Lidl”, L&K Asia is committed to fostering a diverse and inclusive work environment where all employees are treated with respect and have equal opportunities for personal and professional growth, regardless of their age, origin, religion, gender identity, sexual orientation, belief, or disability. We are strongly opposed to any form of discrimination and comply with all applicable legislation. Our commitment is firmly entrenched in our management and corporate principles.

Our HR Department is responsible for diversity, equity and inclusion in our operations, working closely with Lidl International to share best practices and projects to continuously enhance diversity, equity and inclusion in Asia.

## Celebrating Our Diverse Cultures Together

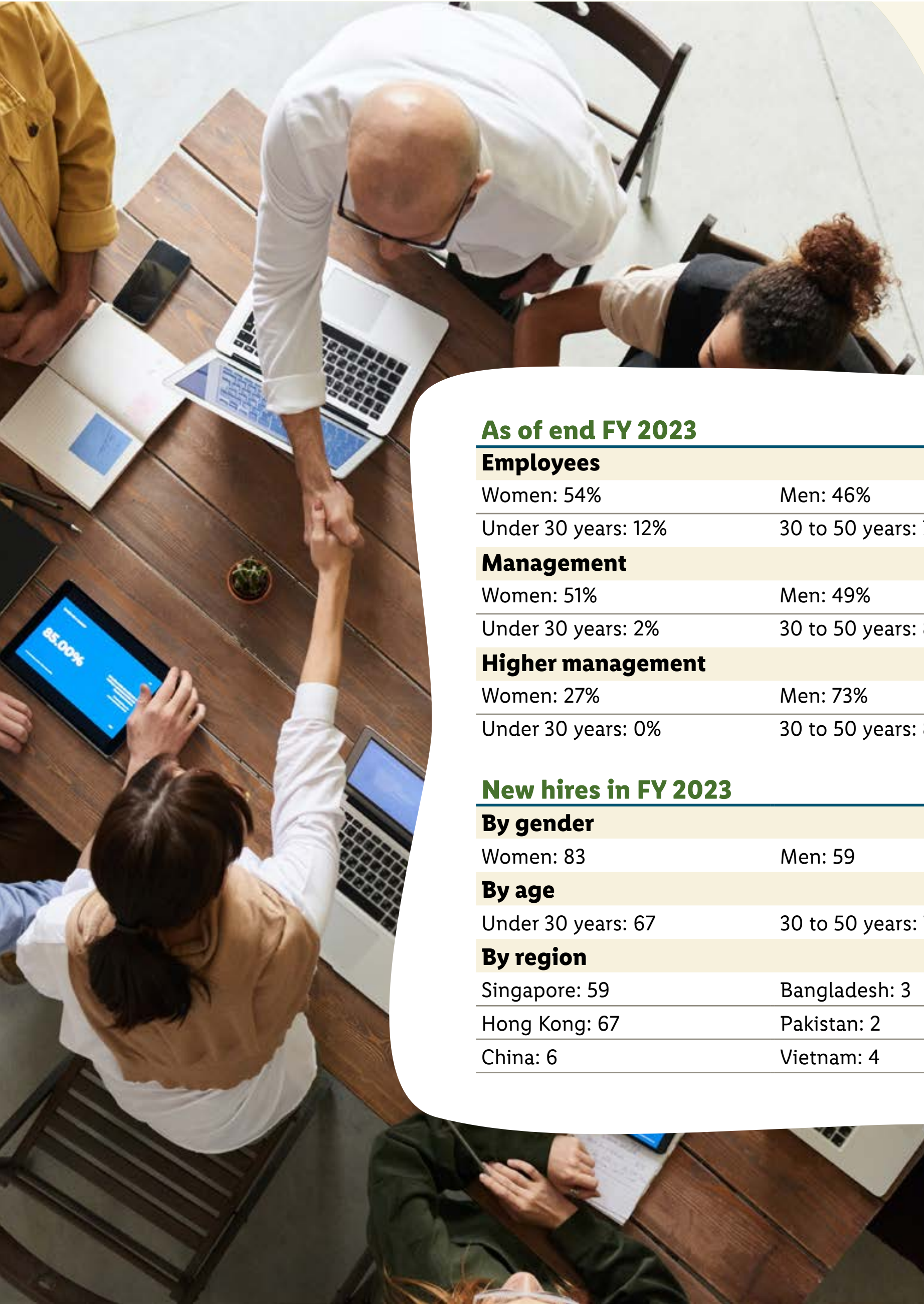
At our headquarters in the multicultural city of Singapore, we unite to celebrate our diverse cultural festivals, sharing various customs, activities, and cuisines. Throughout the year, we observe the major festivals of Singapore's principal ethnic groups - Chinese New Year, Hari Raya for our Malay Muslim employees, Deepavali for our Indian Hindu employees, and Oktoberfest for our German employees.



## Raising Awareness through International Women’s Day and Pride Month



At L&K Asia, we believe that diversity, equity and inclusion must be reflected at all levels of the organization, including in management positions. Our leadership team serves as a role model, and as signatories of the UN Women’s Empowerment Principles, we will continue to ensure women are represented in our executive positions. In FY 2023, women accounted for 51% of management and 27% of higher management. To further support women’s development in our business, our female senior leaders hold quarterly round table meetings at the headquarters to discuss relevant initiatives.



In FY 2023  
**98%**  
 of L&K Asia employees completed our **Respectful Culture Training** to strengthen their knowledge on diversity, discrimination and harassment issues.

**As of end FY 2023**

**Employees**

Women: 54%	Men: 46%	
Under 30 years: 12%	30 to 50 years: 77%	Over 50 years: 11%

**Management**

Women: 51%	Men: 49%	
Under 30 years: 2%	30 to 50 years: 81%	Over 50 years: 17%

**Higher management**

Women: 27%	Men: 73%	
Under 30 years: 0%	30 to 50 years: 82%	Over 50 years: 18%

**New hires in FY 2023**

**By gender**

Women: 83	Men: 59
-----------	---------

**By age**

Under 30 years: 67	30 to 50 years: 71	Over 50 years: 4
--------------------	--------------------	------------------

**By region**

Singapore: 59	Bangladesh: 3	Cambodia: 0
Hong Kong: 67	Pakistan: 2	
China: 6	Vietnam: 4	

**Preventing Discrimination**

Various efforts have been made to prevent discrimination during our recruitment phase. We reinforce in our job advertisements that we are an equal opportunities employer and welcome applications from any candidates with the required skills and experience. Furthermore, the four-eye principle is practiced throughout the recruitment process to ensure more than one hiring manager assesses each candidate with the same set of criteria. Hiring managers, both new and existing, receive regular training to ensure they are aware of unconscious biases and understand our overall recruitment process, enabling them to make fair hiring decisions.

We also have a comprehensive approach in place to prevent discrimination in professional development and the promotion process. Employees and managers meet regularly for one-to-one sessions to provide feedback and follow up on progress made toward achieving goals. This open communication helps to ensure all employees are evaluated fairly based on their performance. Development opportunities focused on competency building are also available to all employees based on discussions with their managers. This nomination-based approach ensures development is allocated equitably.

Our annual performance review involves a 360-degree feedback, which is visible to managers and transparent to reviewees. To ensure consistency, all employee performance reviews are calibrated through talent forums that welcome diverse perspectives across the organization. This collaborative review process assists in eliminating any potential for discrimination in performance assessments, ensuring that all decisions are merit-based.

Through this holistic approach of transparent processes, objective evaluations and equitable access to development, we are committed to providing equal opportunities to all our employees for professional growth and advancement.

## Preventing Workplace Harassment

L&K Asia has established a robust framework to address and prevent instances of harassment within the workplace. Our organization maintains a strict policy and disciplinary procedures that clearly outline the consequences associated with engaging in harassing behavior. All new employees undergo mandatory training on the company's policies and expectations around respectful behavior.

Additionally, we are committed to promoting a culture of respect, with our leadership championing our core values. Through this approach, we aim to prevent harassment and foster a safe workplace for all employees.

## Grievance Mechanism and Remediation Procedures for Employees

We have a comprehensive process in place for employees to report any incidents of discrimination or harassment. Multiple reporting channels are provided for employees to voice concerns, including anonymous options, backed by a strict no-retaliation rule.

Once a case is filed, we conduct a fair investigation process with clear guidelines, and the findings are documented. If the investigation determines that the allegations are true, disciplinary measures are then taken against the perpetrator. Throughout this process, we ensure that the victim is provided with support, such as access to our Employee Assistance Program, to help them cope. Our goal is to maintain a safe and inclusive work environment where all employees feel empowered to voice their concerns and are confident that they will be addressed fairly.

## Promoting Wage Equality

L&K Asia has implemented various initiatives to promote equity and prevent discrimination in our compensation practices. Fair pay is enabled within the company with a non-discriminatory salary system in place, and we are accredited as a Fair and Progressive employer by the Tripartite Alliance for Fair and Progressive Employment Practices. New hire offers are based on objective and job-related factors rather than on personal characteristics. We also conduct annual salary reviews for all eligible employees, ensuring salaries are adjusted in line with economic and market movements, while addressing disparities among similar roles and eliminating pay gaps. Promotion increments are offered based on external and internal alignments, regardless of the employee's gender, race, or ethnicity. Our performance evaluations are objective and fair, focusing on the tasks and goals achieved, without bias.

Moving forward, we are working to evaluate each job within the organization, ensuring roles are accurately reflected and appropriately leveled. We will also create internal salary ranges for each job level, to be applied consistently across the company.

## Inclusion of Employees with Disabilities

To support our employees, including those with disabilities, we provide long-term sick leave benefits for individuals who require time off beyond the statutory entitlement due to extended illnesses or medical conditions. We also have our Employee Assistance Program in place to provide further support, with the program extended to immediate family members to help address our employees' work and personal needs. We aim to provide all employees with the resources and accommodations necessary to thrive in the workplace.



# Promoting Health

Our modern and dynamic world presents us with environments and situations that can negatively affect our health. With employees spending a significant portion of their time at work, it is crucial for companies to actively promote their health and well-being. At L&K Asia, we place the utmost importance on the wellness and safety of our employees. We have a responsibility to protect our employees in their day-to-day work, and we go beyond that by actively supporting their overall health and wellness through a variety of benefits and initiatives.



## Promoting Health

# Occupational Health and Safety

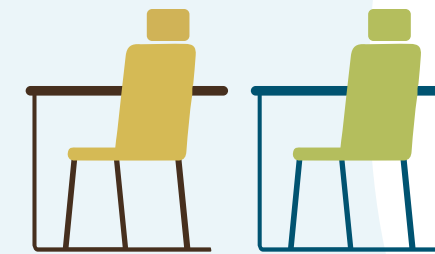
GRI 3-3

GRI 403-6

At L&K Asia, occupational health and safety (OH&S) is our paramount priority. We are committed to complying with the requirements of OH&S, in accordance with national laws, ordinances, and other regional regulations, as well as promoting and maintaining the overall well-being of all workers.

Through the collaborative engagement of all parties in our core and support divisions, we strive to create a safe and healthy working environment with continuous improvement. The concept of prevention is also applied in other areas of our operations, as we firmly believe that a safe work environment lays the foundation for productive work.

At L&K Asia, the Facilities Management Department manages the topic of OH&S and develops health promotion initiatives together with HR. Both departments coordinate the implementation of all measures, taking into account country-specific requirements and laws. Our Engagement Committees in our countries also support the HR Department to develop and set up such initiatives.



## Preventive Measures for Repetitive Strain Injury

We are dedicated to fostering a healthy workplace environment through proactive measures. To mitigate repetitive strain injuries from occurring in our office environment, we have developed guidelines for working with display screen equipment to promote ergonomic practices and help reduce the risk of musculoskeletal issues. Additionally, our Singapore office is equipped with standing desks, and our new Hong Kong office will soon follow suit. These desks provide employees with greater flexibility and contribute to a healthier work environment.



## First Aid Training

To ensure that prompt and effective first aid can be administered when needed, we offer comprehensive first aid training to employees. Our HR Department diligently reviews the validation of first aid certificates and arranges for new training sessions where applicable, ensuring that our workforce is adequately prepared to respond to medical emergencies.

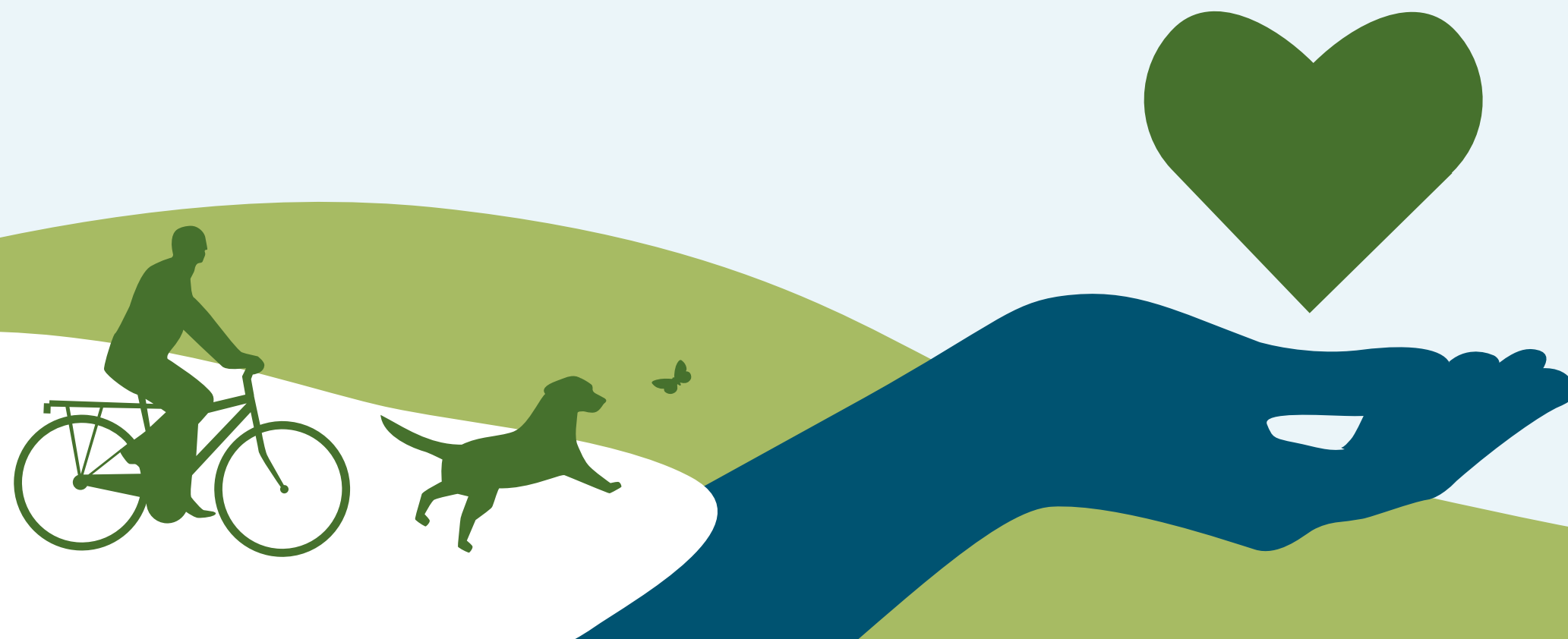


## Emergency Evacuation Route and Assembly Area

In the event of an emergency, it is crucial for all employees to be familiar with evacuation procedures and assembly areas. To facilitate this, we provide an easily accessible illustration of the emergency evacuation route and designated assembly areas on our company's Intranet. Additionally, we conduct annual fire drills to practice and reinforce emergency evacuation protocols, ensuring that everyone is well-prepared and aware of their roles during emergencies.

## Employee Assistance Program

L&K Asia offers an Employee Assistance Program (EAP) to provide confidential counseling and support services to our employees. The service provides free information, referrals and in-the-moment support, covering a wide range of issues. These can include improving relationships, parenting, couples' support, managing stress, navigating life changes, and career development. We understand that both work-related stress and personal challenges can impact mental health, and through the EAP, we aim to assist employees in managing and overcoming these difficulties.







### Mental Well-being

To promote the mental well-being of our employees, Engagement Committees in all countries identify local needs and organize activities throughout the year. These activities include celebrations of local festivals, family events like Bring Your Kids to Work Day, and wellness programs including mental health seminars and on-site massages. Through these initiatives, we encourage employees to take time away from work to unwind, socialize, and celebrate as a community.



### Fitness Activities

We encourage a healthy work-life balance by incorporating sports and physical activities into our workplace culture. Our employees participated in various activities throughout the year, including a corporate football tournament, marathons, sunset cycling and jogging, charity running, basketball games, yoga sessions and more. These activities not only promote physical fitness but also foster team spirit and camaraderie among our employees.



### Healthy Eating

We motivate our employees to adopt healthier diets by offering an assortment of fresh fruits in a few offices. Facilities such as reusable kitchenware, microwave ovens and wash bays are also provided to encourage our employees to bring healthier, home-cooked meals to the office.



By implementing these initiatives, we are dedicated to creating a safe, healthy, and supportive work environment that prioritizes the physical and mental well-being of our employees.

### Healthcare and Checkups

We value the well-being of our employees and understand the importance of preventive healthcare. As part of our employee benefits package, we provide comprehensive insurance coverage, including regular health checkups. These checkups play a vital role in early detection and prevention of potential health issues, ensuring that our employees receive the necessary medical attention and support to maintain their health. In FY 2023, 99% of employees were covered by a company health care plan.

### Injury Reporting Procedure

Our organization has a clear procedure for employees to report injury cases. If an employee encounters a work-related injury or incident, they are instructed to report it promptly to their HR Business Partner. The HR Operations Team will then handle the case, ensuring a thorough investigation and appropriate actions to address the issue.

#### In FY 2023

Lost time injury frequency rate for direct workforce	1.4
Lost time injury severity rate for direct workforce	4.8
Days lost to work-related injuries, fatalities and ill health	30
Cases of work-related accidents	4

$$\frac{\text{Number of lost time injury events} \times 1,000,000}{\text{Total hours worked}}$$

$$\frac{\text{Number of days lost to injuries} \times 1,000}{\text{Total hours worked}}$$



As an office-based organization, we do not have major equipment or vehicles, nor situations that require working at heights. Therefore, there is no current need to implement specific guidelines on the above. We continuously monitor our working environments and will implement additional safety protocols should the need arise in the future.

### Green Mark for Healthier Workplaces Certified

In 2023, our headquarters in Singapore located at Mapletree Business City received the Green Mark for Healthier Workplaces Certified award. Created by Singapore's Building and Construction Authority, the award recognizes companies with resource efficient, healthier indoor spaces that focus on the health, comfort and well-being of its users and occupants.

The office premises was graded on aspects such as energy and lighting efficiency, indoor temperature, the use of low-VOC paints and the presence of recycling facilities. The certification also requires sustainability and health promotion activities to be organized for employees regularly, such as volunteering opportunities, sponsorships for marathons and the organization of sports interest groups.



# GRI Content Index

Lidl & Kaufland Asia Pte. Limited has reported in accordance with the GRI Standards for the period from 1 March 2023 to 29 February 2024.

GRI STANDARD	DISCLOSURE	LOCATION	COMMENTS	
<b>General Disclosures</b>				
GRI 2: General Disclosures 2021	2-1	Organizational details	About the Report About Lidl & Kaufland Asia	-
	2-2	Entities included in the organization's sustainability reporting	About the Report	-
	2-3	Reporting period, frequency and contact point	About the Report	-
	2-4	Restatements of information	-	There are no restatements in this report.
	2-5	External assurance	Assurance Statement	-
	2-6	Activities, value chain and other business relationships	About Lidl & Kaufland Asia	-
	2-7	Employees	Labour & Human Rights - For Our Employees	Reason for omission for (a) and (b): Due to confidentiality constraints, no disclosures can be made on these requirements.
	2-8	Workers who are not employees	-	Reason for omission: Not applicable, as L&K Asia does not have any workers who are not employees and whose work is controlled by the organization.
	2-9	Governance structure and composition	Sustainability Management	Reason for omission for (c): Due to confidentiality constraints, no disclosures can be made on this requirement.
	2-10	Nomination and selection of the highest governance body	Sustainability Management	-
	2-11	Chair of the highest governance body	Sustainability Management	Reason for omission for (b): Due to confidentiality constraints, no disclosures can be made on this requirement.
	2-12	Role of the highest governance body in overseeing the management of impacts	Sustainability Management	-
	2-13	Delegation of responsibility for managing impacts	Sustainability Management	-
	2-14	Role of the highest governance body in sustainability reporting	Sustainability Management	-
	2-15	Conflicts of interest	-	Reason for omission: Due to confidentiality constraints, no disclosures can be made on this topic.
	2-16	Communication of critical concerns	Sustainability Management	Reason for omission for (b): Due to confidentiality constraints, no disclosures can be made on this requirement.
	2-17	Collective knowledge of the highest governance body	-	There are currently no measures taken to advance the collective knowledge, skills and experience of the highest governance body on sustainable development.
	2-18	Evaluation of the performance of the highest governance body	-	Reason for omission: Due to confidentiality constraints, no disclosures can be made on this topic.
	2-19	Remuneration policies	-	Reason for omission: Due to confidentiality constraints, no disclosures can be made on this topic.
	2-20	Process to determine remuneration	Fair Remuneration	-
	2-21	Annual total compensation ratio	-	Reason for omission: Due to confidentiality constraints, no disclosures can be made on this topic.
	2-22	Statement on sustainable development strategy	Foreword	-
	2-23	Policy commitments	Policies and Commitments	-
	2-24	Embedding policy commitments	Labour & Human Rights – In Our Supply Chain	-
	2-25	Processes to remediate negative impacts	Compliance and Information Security Labour & Human Rights – In Our Supply Chain	-
	2-26	Mechanisms for seeking advice and raising concerns	Compliance and Information Security Labour & Human Rights – In Our Supply Chain	-
	2-27	Compliance with laws and regulations	-	Reason for omission: Due to confidentiality constraints, no disclosures can be made on this topic.
	2-28	Membership associations	Stakeholder Engagement	-
	2-29	Approach to stakeholder engagement	Stakeholder Engagement	-
	2-30	Collective bargaining agreements	-	Reason for omission: Not applicable, as collective bargaining agreements are not common for office workers in L&K Asia's operating countries.
GRI 3: Material Topics 2021	3-1	Process to determine material topics	Materiality Assessment	-
	3-2	List of material topics	Materiality Assessment	-



GRI STANDARD	DISCLOSURE	LOCATION	COMMENTS
<b>Protecting Climate</b>			
<b>1.5 DEGREES</b>			
GRI 3: Material Topics 2021	3-3 Management of material topics	1.5 Degrees	-
GRI 302: Energy 2016	302-1 Energy consumption within the organization	1.5 Degrees - In Our Operations	-
	302-3 Energy intensity	1.5 Degrees - In Our Operations	-
	302-4 Reduction of energy consumption	1.5 Degrees - In Our Operations	-
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	1.5 Degrees - L&K Asia's Carbon Inventory	-
	305-2 Energy indirect (Scope 2) GHG emissions	1.5 Degrees - L&K Asia's Carbon Inventory	-
	305-3 Other indirect (Scope 3) GHG emissions	1.5 Degrees - L&K Asia's Carbon Inventory	-
	305-4 GHG emissions intensity	1.5 Degrees - L&K Asia's Carbon Inventory	-
	305-5 Reduction of GHG emissions	1.5 Degrees - L&K Asia's Carbon Inventory	-

GRI STANDARD	DISCLOSURE	LOCATION	COMMENTS
<b>Conserving Resources</b>			
<b>RESPONSIBLE PRODUCTS</b>			
GRI 3: Material Topics 2021	3-3 Management of material topics	Responsible Products	-
<b>RAW MATERIALS</b>			
GRI 3: Material Topics 2021	3-3 Management of material topics	Raw Materials	-
<b>CIRCULAR ECONOMY</b>			
GRI 3: Material Topics 2021	3-3 Management of material topics	Circular Economy	-
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	Circular Economy	-
	306-2 Management of significant waste-related impacts	Circular Economy	-
	306-3 Waste generated	Circular Economy - In Our Operations	-
	306-4 Waste diverted from disposal	Circular Economy - In Our Operations	-
	306-5 Waste directed to disposal	Circular Economy - In Our Operations	-



GRI STANDARD	DISCLOSURE	LOCATION	COMMENTS
<b>Acting Fairly</b>			
<b>LABOUR &amp; HUMAN RIGHTS</b>			
GRI 3: Material Topics 2021	3-3 Management of material topics	Labour & Human Rights	-
GRI 401: Employment 2016	401-3 Parental leave	Labour & Human Rights – For Our Employees	-
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	Labour & Human Rights – In Our Supply Chain	-
	414-2 Negative social impacts in the supply chain and actions taken	Labour & Human Rights – In Our Supply Chain	Reason for omission for (b): Due to confidentiality constraints, no disclosures can be made on this requirement.
<b>FAIR REMUNERATION</b>			
GRI 3: Material Topics 2021	3-3 Management of material topics	Fair Remuneration	-
GRI 401: Employment 2016	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Fair Remuneration	-
<b>DIVERSITY, EQUITY &amp; INCLUSION</b>			
GRI 3: Material Topics 2021	3-3 Management of material topics	Diversity, Equity & Inclusion	-
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	Diversity, Equity & Inclusion	Reason for omission for (b): Due to confidentiality constraints, no disclosures can be made on this requirement.
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	Diversity, Equity & Inclusion	Reason for omission for (a): Due to confidentiality constraints, no disclosures can be made on this requirement.

GRI STANDARD	DISCLOSURE	LOCATION	COMMENTS
<b>Promoting Health</b>			
<b>OCCUPATIONAL HEALTH &amp; SAFETY</b>			
GRI 3: Material Topics 2021	3-3 Management of material topics	Occupational Health & Safety	-
GRI 403: Occupational Health and Safety 2018	403-6 Promotion of worker health	Occupational Health & Safety	-



# Assurance Statement

GRI 2-5



## ASSURANCE STATEMENT

### SGS HONG KONG LIMITED'S REPORT ON THE SUSTAINABILITY REPORT OF LIDL & KAUFLAND ASIA PTE. LIMITED FOR 2023/24

#### NATURE OF THE ASSURANCE/VERIFICATION

SGS Hong Kong Limited (hereinafter referred to as SGS) was commissioned by Lidl & Kaufland Asia Pte. Limited (hereinafter referred to as L&K Asia) to conduct an independent assurance of the Lidl & Kaufland Asia Sustainability Report Fiscal Year 2023 (hereinafter referred to as the Report). The reporting period of the Report is 1 March 2023 to 29 February 2024.

#### INTENDED USERS OF THIS ASSURANCE STATEMENT

This Assurance Statement is provided with the intention of informing all L&K Asia's Stakeholders.

#### RESPONSIBILITIES

The information in the Report and its presentation are the responsibility of the directors and the management of L&K Asia. SGS has not been involved in the preparation of any of the material included in the Report.

Our responsibility is to express an opinion on the text, data, graphs and statements within the scope of verification with the intention to inform all L&K Asia's stakeholders.

#### ASSURANCE STANDARDS, TYPE AND LEVEL OF ASSURANCE

The SGS ESG & Sustainability Report Assurance protocols used to conduct assurance are based upon internationally recognised reporting and assurance guidance and standards including the principles of reporting process contained within the Global Reporting Initiative Sustainability Reporting Standards (GRI Standards) GRI 1: Foundation 2021 for report quality, GRI 2 General Disclosure 2021 for organisation's reporting practices and other organizational detail, GRI 3 2021 for organisation's process of determining material topics, its list of material topics and how to manage each topic, and the guidance on levels of assurance contained within the AA1000 series of standards and International Standard on Assurance Engagements 3000 (Revised) - Assurance Engagements Other Than Audits or Reviews of Historical Financial Information (ISAE 3000).

The assurance of this report has been conducted according to the following Assurance Standards:

Assurance Standards	Level of Assurance
A SGS ESG & SRA Assurance Protocols (based on GRI Principles and guidance in AA1000)	N/A
B ISAE 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information	Limited

#### SCOPE OF ASSURANCE AND REPORTING CRITERIA

The scope of the assurance included evaluation of quality, accuracy and reliability of specified performance information as detailed below and evaluation of adherence to the following reporting criteria:

##### Reporting Criteria Option

Global Reporting Initiative Sustainability Reporting Standards 2021 [GRI] (In accordance with)

#### SPECIFIED PERFORMANCE INFORMATION AND DISCLOSURES INCLUDED IN SCOPE

- 1.5 Degrees: 3-3 Management of material topics, 305-1 Direct (Scope 1) GHG emissions, and 305-2 Energy indirect (Scope 2) GHG emissions

- Responsible Products: 3-3 Management of material topics and Percentage of Non-Food products with at least one sustainable label
- Circular Economy: 3-3 Management of material topics, Percentage of recyclable plastic packaging, and Percentage reduction of plastic packaging use from baseline of April 2020

#### ASSURANCE METHODOLOGY

The assurance comprised a combination of pre-assurance research, communication with relevant employees; documentation and record review and validation.

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

#### INHERENT LIMITATIONS

The GHG emissions are quantified based on the relevant estimated values provided by the relevant organizations. There is a certain level of inherent uncertainty because the estimated values come from estimation.

#### STATEMENT OF INDEPENDENCE AND COMPETENCE

The SGS Group of companies is the world leader in inspection, testing and verification, operating in more than 140 countries and providing services including management systems and service certification; quality, environmental, social and ethical auditing and training; environmental, social and sustainability report assurance. SGS affirms our independence from L&K Asia, being free from bias and conflicts of interest with the organisation, its subsidiaries and stakeholders.

The assurance team was assembled based on their knowledge, experience and qualifications for this assignment.

#### FINDINGS AND CONCLUSIONS

##### ASSURANCE/VERIFICATION OPINION

On the basis of the methodology described and the verification work performed, nothing has come to our attention that causes us to believe that the specified performance information included in the scope of assurance is not fairly stated and has not been prepared, in all material respects, in accordance with the reporting criteria.

We believe that L&K Asia has chosen an appropriate level of assurance for this stage in their reporting.

Signed:

For and on behalf of SGS Hong Kong Limited

Miranda Kwan  
Director  
Business Assurance  
30 October 2024

WWW.SGS.COM





[lidl.asia](https://www.lidl.asia)



Lidl & Kaufland Asia Pte. Limited



[sustainability@lidl.sg](mailto:sustainability@lidl.sg)