

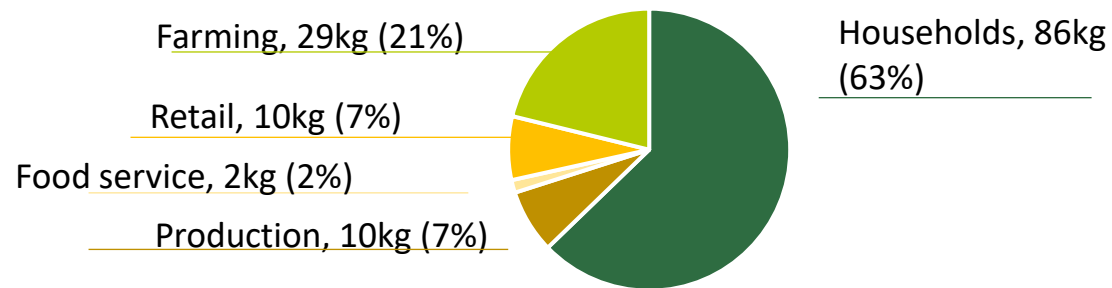


Reducing the Food waste – Action Plan

Food waste in EU and Lithuania

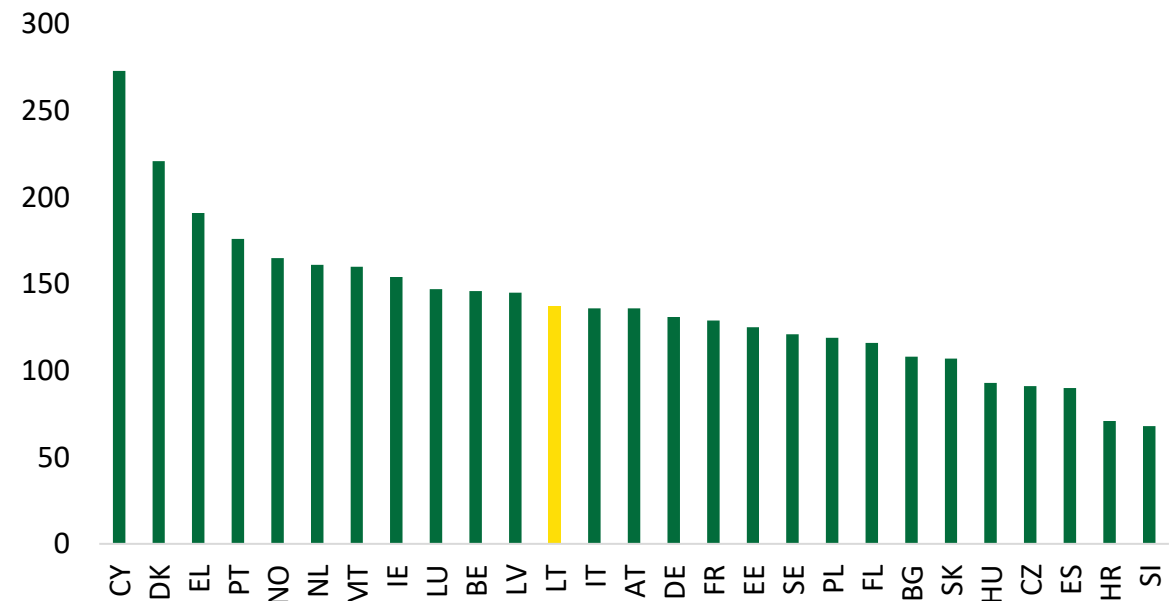
Food waste significantly harms the environment, with its annual economic cost in the European Union estimated at €132 billion

In Lithuania, an average of 137 kg of food is wasted per person each year. The retail sector is responsible for 7% of the country's total food waste.



Food waste has a negative impact on the environment — as much as 16% of food-related greenhouse gas emissions are caused by discarded food. When food decomposes in landfills, it also pollutes the soil and groundwater.

Food waste in European Union, KGs per capita, 2022



- https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Food_waste_and_food_waste_prevention_-_estimates, 2022 m
- <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52023SC0421>

Food waste has a negative impact on the environment, and the value of food thrown away in the European Union every year is €132 billion.

Regulation of food waste in Lithuania

To help reduce food waste, Article 34¹ of the Lithuanian Waste Management Law requires retail companies to:

- Develop a food waste prevention plan, covering either a one-year or three-year period.
- Set specific targets for reducing food waste, expressed in either absolute or relative terms.
- Outline concrete measures to achieve these targets.

Regulation of food waste in European Union

The European Union has set a target to reduce food waste by 30% per capita in retail, food service, and households by 2030, compared to 2020 levels

Retailers in Lithuania choose different metrics to track their food waste. IKI ranks 3rd among TOP 4 retailers.

Retailer	Total food waste (tonnes), 2023	Food waste (kg/m2), 2023	Food waste (kg/k EUR), 2023	Current Goal	Achievements and other relevant information
	2023: 5 670 2024: 7 063 2025f:	2023: 32,4 2024: 38,6 2025f:	2023: 6,4 2024: 7,6 2025f:	-50% (2030 vs 2022) of <u>total food waste</u>	N/A
	10 239 ¹	31,2	4,8	-30% (2030 vs 2023) of <u>total food waste</u>	N/A
	6 072 ²	59,2	7,0	-50% (2030 vs 2018) ratio of <u>food wasted vs food bought</u> ³	- Weight does not include packaging 37% decrease (2023 vs 2018)
	2 007 ⁴	13,3	4,4	-50% (2025 vs 2016) (food waste to food sold ratio)	- No data on Lithuania only 37% decrease in Baltic countries (2024 vs 2016)
	No data	No data	No data	No Information	No Information

¹ <https://storage.googleapis.com/web-prod-images-public/media/1/maisto-atlieku-susidarymo-prevencijos-planas-2024-12-19-1.pdf>

² <https://imone.lidl.lt/pdf/show/121751>

³ <https://imone.lidl.lt/tvarumas/maisto-atlieku-susidarymo-prevencijos-planas>

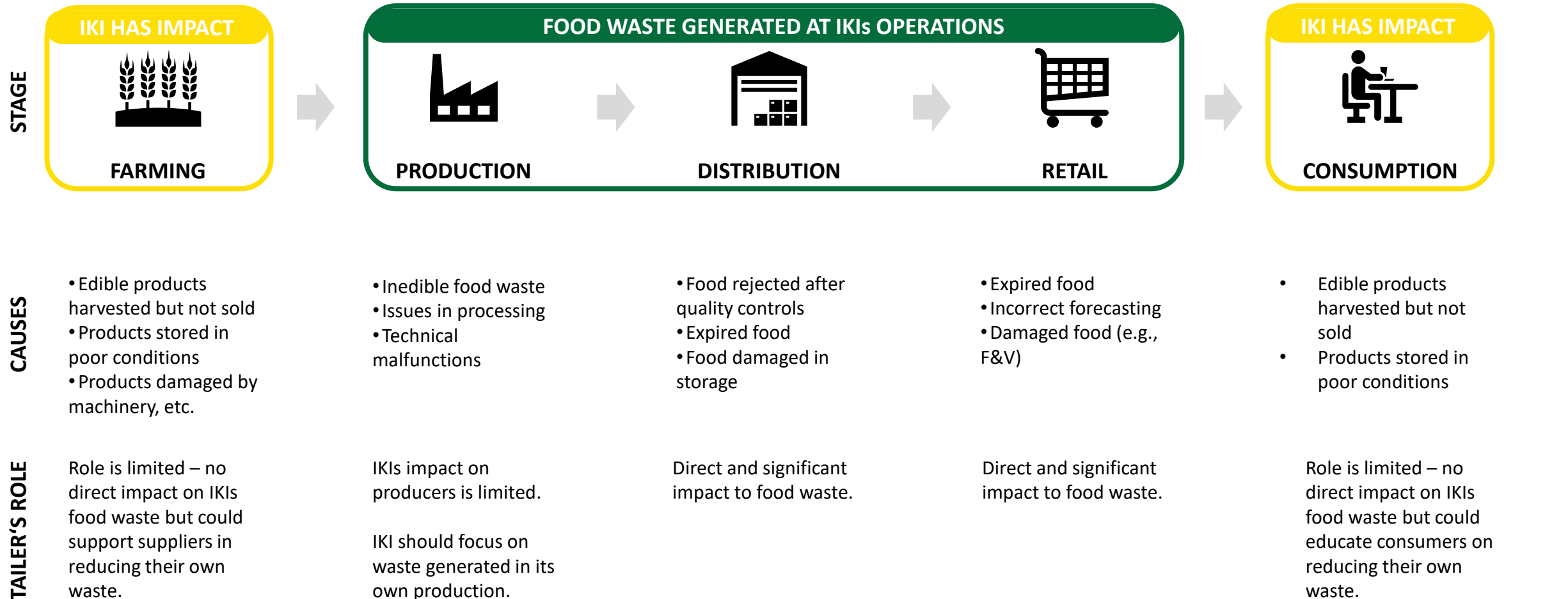
⁴ <https://rimibaltic-web-res.cloudinary.com/raw/upload/v1/web-cms/619f7270a989c567ed42ad2abac6944785e0de1b.pdf>

IKI is a leader on food donations. However, this means that our shrink (waste & donations) is the highest.

Retailer	Food donations (tonnes), 2023	Food donation ¹ (mEUR), 2023	Donation vs revenue	Shrink ³ per revenue (kg/k EUR), 2023
	2 737	2023: 6,8 2024: 3,1	2023: 0,8% 2024: 0,3%	9,5
	1 000 ²	2023: 1,7 2024: 2,4	2023: 0,1% 2024: 0,1%	5,2
	355	2023: 0,8 2024: 0,4	2023: 0,1% 2024: 0,05%	7,4
	661	2023: 1,9 2024: 2,2	2023: 0,4% 2024: 0,5%	5,9
	No data	No data. Total value of donations in 2024 – 1,6 million euros.	No data	No data

Food value chain and notion of food waste

IKI generates food waste in three stages of food value (VC) chain and can impact the rest



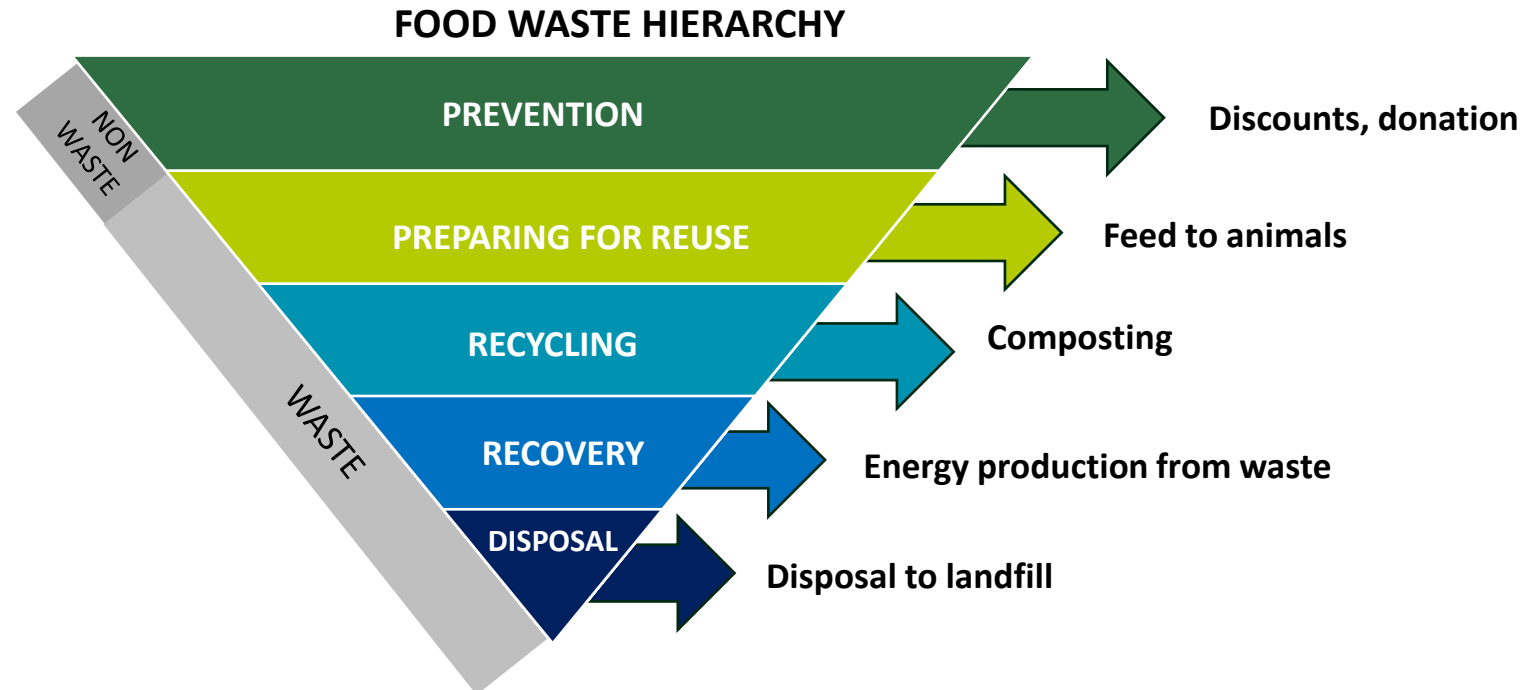
Hierarchy of food waste serves as a guiding principle for managing food waste in the most environmentally beneficial and resource-efficient way possible

FOOD

Food¹ – any substance or product, whether processed, partially processed or unprocessed, intended to be, or reasonably expected to be ingested by humans. ‘Food’ includes drink, chewing gum and any substance, including water, intentionally incorporated into the food during its manufacture, preparation or treatment.

FOOD WASTE

The European Commission's Waste Directive defines food waste as anything that is not consumed by humans – for example, food that is fed to animals, used for energy production, etc.² The Waste Directive also provides a hierarchy of food waste, which prioritizes actions from those most encouraged to those that should be avoided.



¹ <https://eur-lex.europa.eu/legal-content/LT/TXT/PDF/?uri=CELEX:32002R0178>

² https://environment.ec.europa.eu/topics/waste-and-recycling/waste-framework-directive_en

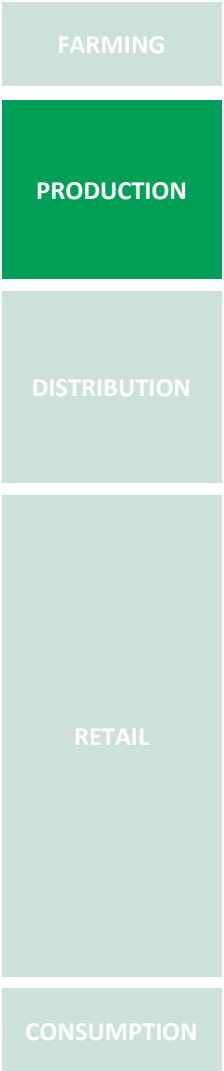
Scope of the action plan

STAGE IN FOOD VC	IKIs AREA OF IMPACT	RESPONSIBILITY WITHIN IKI	PRIORITY
FARMING*	COLLABORATION WITH SUPPLIERS	PURCHASING, CATEGORY MANAGEMENT	LOW
PRODUCTION (deli and bakeries)	PROCESS REVIEW AND IMPROVEMENT	PRODUCTION	MEDIUM
	REPURPOSING	PRODUCTION, PURCHASING	MEDIUM
DISTRIBUTION	INVENTORY MANAGEMENT	LOGISTICS, SUPPLY CHAIN	MEDIUM
	OPTIMIZED ORDERING	PURCHASING, SUPPLY CHAIN	HIGH
RETAIL	PROCESS REVIEW AND IMPROVEMENT	INTERNAL SALES	HIGH
	SALES (regular products)	CATEGORY MANAGEMENT, SUPPLY CHAIN, INTERNAL SALES	HIGH
	SALES (close to expiry, problematic categories), etc.	INTERNAL SALES, SUSTAINABILITY	HIGH
	FOOD DONATIONS	SUSTAINABILITY, INTERNAL SALES	HIGH
	FOOD TO ANIMALS	SUSTAINABILITY	MEDIUM
CONSUMPTION*	CONSUMER EDUCATION	SUSTAINABILITY	LOW

* IKI has some impact on food waste generated at this stage. Changes at this stage does not make any impact on IKI's own food waste.

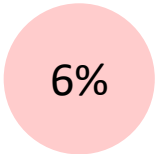
Action plan

Process review and improvement in production



Current situation

- Data and Visibility Void:** We currently lack the necessary KPIs, data infrastructure, and monitoring processes to effectively evaluate the efficiency of our food waste controls within production.
- Inability to Benchmark:** Unlike food waste generated in stores (where waste can be tracked relative to revenue), we cannot accurately determine the percentage or efficiency of food waste in production, rendering root-cause analysis impossible.



Share of production in total food waste in IKI

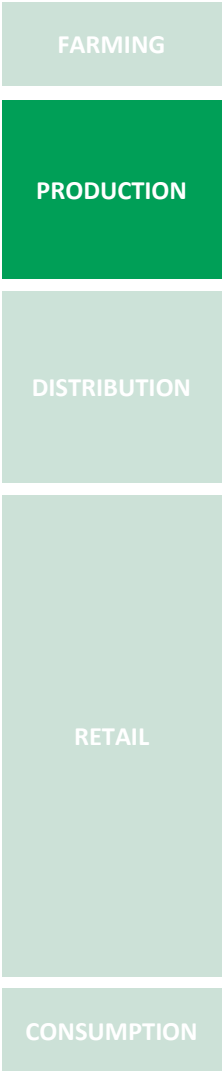
GOAL

Establish production efficiency metrics in relation to food waste: to create a fully transparent and actionable monitoring framework that accurately tracks, measures, and reports all food waste generated in production processes.

ACTION PLAN			
INITIATIVE	OWNERS AND STAKEHOLDERS	ROLE OF SUSTAINABILITY MANAGER	OUTCOME
Conduct in-depth analysis of current food waste generation and root causes in production.	Production , Category Management,	Limited – Initiate, ensure regular progress tracking, review outcome	- Main food waste categories identified (incl. weight) - Main causes for food waste identified
Establish KPIs and monitoring process for all tracked food waste in production.	Production , Category Management, Sustainability	Limited – only support with the methodology and requirements for KPIs and monitoring process	Set food waste reduction KPIs for production
Review processes of food waste management	Production , TAB, Quality (?)	Limited – only	



Repurposing in production



Current situation

- Production Waste Challenge:** Our manufacturing process currently generates various food sub-products (e.g., bone fragments, fruit peels, trims) that are inefficiently managed and disposed of as waste.
- External Interest, Internal Barriers:** We have received some inquiries from external organizations interested in utilizing these sub-products. However, internal product specifications and ingredient co-mingling (e.g., mixing animal and plant-based components) present a significant barrier to external resale. Also some of the waste occurs in stores (e.g., bakery) and it is too challenging for potential partners to collect it from many different locations.

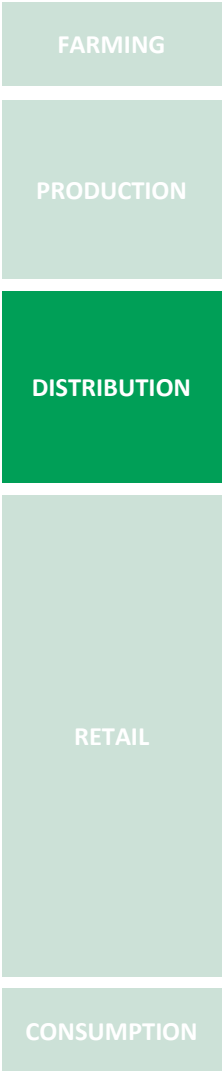
GOAL

Achieve circularity and reduce food waste by either monetizing sub-products through sales to third-party manufacturers for high-value applications or by developing and launching new, value-added products internally using these materials.

ACTION PLAN

INITIATIVE	OWNERS AND STAKEHOLDERS	ROLE OF SUSTAINABILITY MANAGER	OUTCOME
Investigate quality and sanitary requirements to utilize key sub-products (e.g., banana bread from banana leftovers).	Production , Category Management, Quality	Limited – Initiate, review outcome. Support with data on biggest food waste categories	At least 5 new products developed
Create Business Case for repurposing the largest categories of sub-products.	Production? Purchasing?	Limited – Initiate, review outcome	New revenue stream

Inventory management in logistics



Current situation

- **Data and Visibility Void:** We currently do not track or analyze data on food waste in logistics, do not know the causes for food waste.



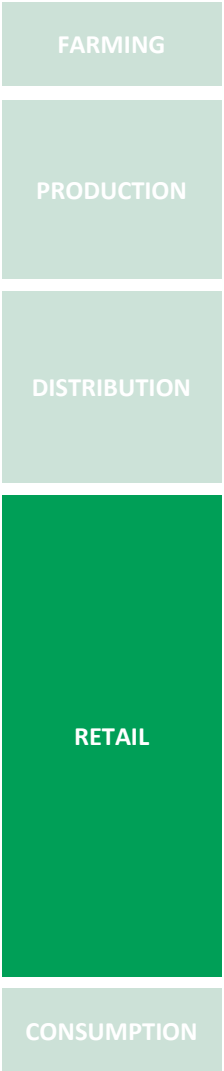
Share of logistics in total food waste in IKI

GOAL

Establish logistic efficiency metrics in relation to food waste: to create a fully transparent and actionable monitoring framework that accurately tracks, measures, and reports all food waste generated in logistic processes.

ACTION PLAN			
INITIATIVE	OWNERS AND STAKEHOLDERS	ROLE OF SUSTAINABILITY MANAGER	OUTCOME
Conduct in-depth analysis of current food waste generation and root causes in logistics.	Logistics	Limited – Initiate, ensure progress, review outcome	• Main food waste categories identified (incl. weight) • Main causes for food waste identified
Establish KPIs and monitoring process for all tracked food waste in logistics.	Logistics, Category Management, Sustainability	Limited – Initiate, review outcome and support with the methodology and requirements for KPIs and monitoring process	• Set food waste reduction KPIs for logistics

Process review and improvement



Current situation

- **Process Inefficiency:** Our existing solutions often fall short of targets, indicating a persistent gap in process adherence. For example:
 - The introduction of "best-before" sell-out process only yielded a 50% reduction in write-offs, despite being designed for near-zero loss. This indicates that stores find expired items much after more than 1 month of its expiry.
 - Pilot programs, such as the new bake-off bun sell-out process, should have achieved 0 costs for utilization (zero write-offs); however, they resulted in only a 60% reduction, confirming that stores are not consistently following defined protocols.
- **Inconsistent Management of Donations:** The volume and frequency of product donations are highly dependent on individual store management discretion rather than standardized, centralized protocols.
- **Inventory Control Failure:** The lack of strict adherence to the First-In, First-Out (FIFO) principle is directly contributing to preventable product expirations and avoidable food waste.

GOAL

Enhance accountability of stores and the internal sales team for managing and reducing food waste.

INITIATIVE	OWNERS AND STAKEHOLDERS	ROLE OF SUSTAINABILITY MANAGER	OUTCOME
Update compliance audits, coupled with performance-based incentives (e.g., recognition, bonuses for low write-off rates).	Internal sales, stores, quality	Limited – Initiate, review outcome	• Food waste related KPIs for stores and internal sales
FIFO Enforcement	Internal sales, stores	Limited – Initiate, review outcome	

Sales of products close to expiry, problematic categories and similar

FARMING

PRODUCTION

DISTRIBUTION

RETAIL

CONSUMPTION

Current situation

- **High-Volume Waste Categories:** There is lack of action to improve food waste in our most wasteful categories such as Fruits & Vegetables, bakery products .
- **Underperforming Initiatives:** Previous discount trials (50-70% markdowns) have failed to deliver the necessary reduction in waste, underscoring the urgent need for new, targeted interventions.

GOAL

Achieve circularity and reduce food waste by either monetizing sub-products through sales to third-party manufacturers for high-value applications or by developing and launching new, value-added products internally using these materials.

ACTION PLAN

INITIATIVE	OWNERS AND STAKEHOLDERS	ROLE OF SUSTAINABILITY MANAGER	OUTCOME
Fruit and vegetable bags	Sustainability , internal sales, stores, category management	Lead	F&V bags that include produce that may not meet standard visual or size requirements but is still fresh and safe to eat are sold with discount.
Bakery sell-out and donations	Sustainability , internal sales, stores	Lead	Reduced food waste from bake-off products by new sell out and/or donation plan

Food donations (to avoid food waste)

FARMING

PRODUCTION

DISTRIBUTION

RETAIL:
Food donations

CONSUMPTION

Current situation

- “Maisto bankas” – the main beneficiary. IKI remained the biggest contributor in 2024 but Maxima is very close and there is a high probability that we lose this status.
- Strong commitment and significant investments in last day products sales (barcode printers)
- Signed agreements with 4 new smaller beneficiaries in 2024/2025 (collecting fresh food at the last day of expiry in the evening)
- Donations to “Food bank” have been decreasing due to new sell out strategy of fresh products
- Corporate tax relief due to donations in 2024 – 950k euros. It could be increased but it also depends on other projects, e.g., tax relief related to investment.

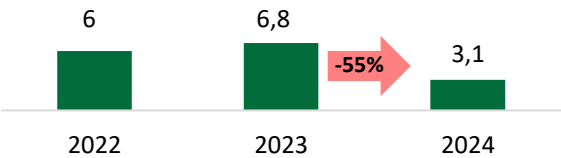
GOAL

Increase food donations by expanding the network of organizations, improving processes and expanding the categories we donate.

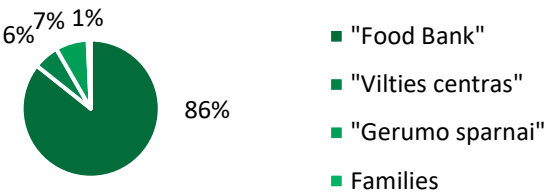
ACTION PLAN

INITIATIVE	OWNERS AND STAKEHOLDERS	ROLE OF SUSTAINABILITY MANAGER	OUTCOME
Review of current practices and processes	Sustainability , Internal sales, Stores	Lead	Evaluation of current processes and list of improvements.
New beneficiaries (to collect fresh food in the evenings)	Sustainability , Communication, Stores	Lead	
Store manager visits to “Maisto bankas”	Sustainability , Stores	Lead	KPI: all store managers visited “Maisto Bankas” by 1 st of September, 2026.
Donation of frozen products to “Food bank” in Vilnius	Internal sales , Sustainability, Stores	Initiate and support	Frozen products donated to “Maisto Bankas” in Vilnius area by 1 st of Jan, 2026.

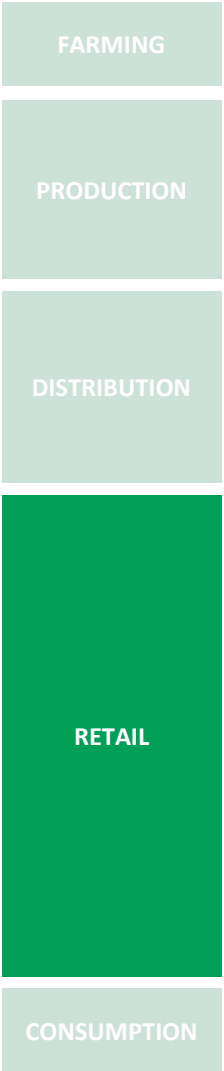
VALUE OF FOOD DONATIONS, M€



SHARE BY VALUE OF DONATIONS, JAN-JULY, 2025



Food to animals



Current situation

- About 14% of IKI’s food waste goes to animals (around 700 tones per year)
- 38 partner organizations that collect food from 95 stores
- Some issues in data reporting (reports submitted by stores differ by reports submitted by partners)
- Current annual savings due to this initiative – 86k euros

GOAL

Direct more food waste to animals as it is better use of resource than energy production and allows us to save the money we spend on food utilization.

ACTION PLAN

INITIATIVE	STAKEHOLDERS	ROLE OF SUSTAINABILITY MANAGER	OUTCOME
Website dedicated to inform about this possibility and communication campaign (press, newsletters, etc.)	Sustainability, Communication, TAB, Internal sales, Stores	Leading – designing a website and ensuring implementation. Monitoring further cooperation that is managed by TAB.	Increase in food donations to animals.

Methodology and KPIs

IKI Food Waste Calculation Methodology

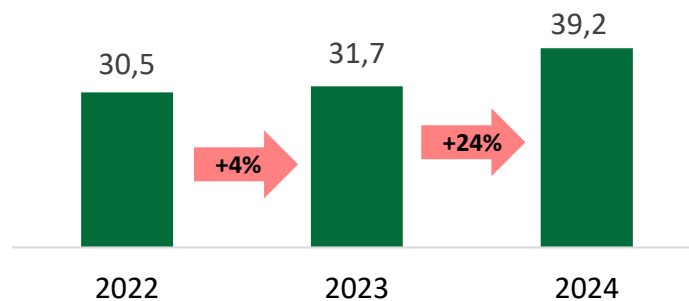
METHODOLOGY

We measure food waste generated in IKI activities per sales area:

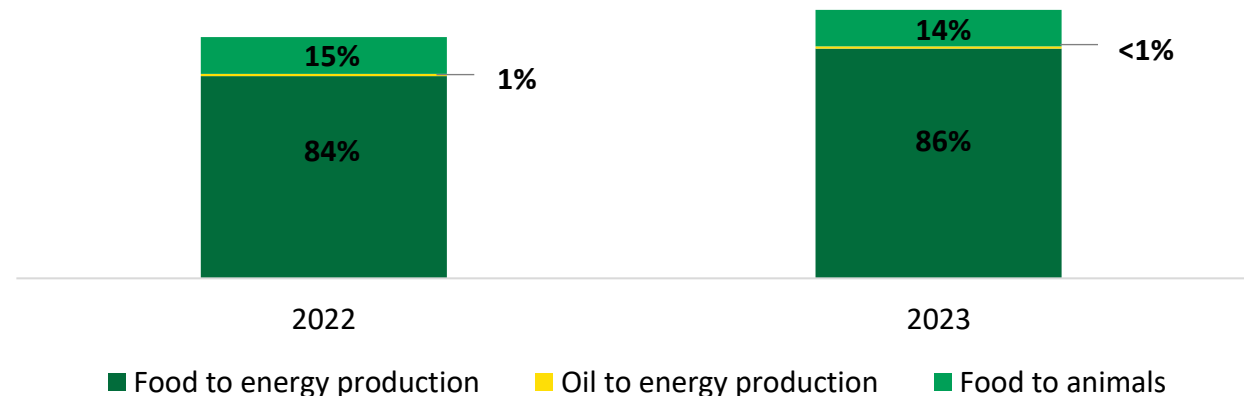
- 1) Total amount of food waste:** This is the quantity that is transferred for reuse (animal feed) and for energy and biofuel production. The indicator is measured in kilograms based on reports provided by our partners and stores.
- 2) Retail area:** The store area excluding premises intended for employees, other service providers, and stores located within the IKI building.

CURRENT STATUS

FOOD WASTE BY SALES AREA (KG/M²)



FOOD WASTE BY TREATMENT METHOD



■ Food to energy production ■ Oil to energy production ■ Food to animals

IKI Food Waste KPIs

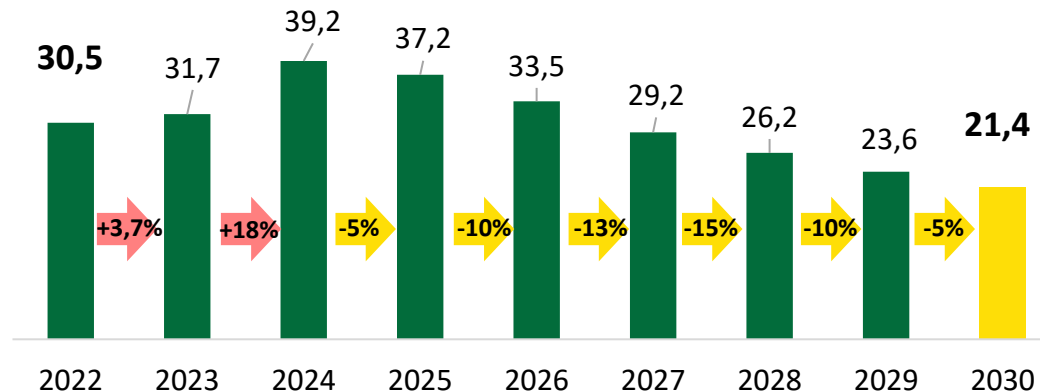
CURRENT GOAL (SET IN 2022)

Reduce total food waste by 50% by 2030

NEW GOAL (SET IN 2025)

Reduce food waste per sales area by 30% by 2030 (vs 2022)

FOOD WASTE PER SALES AREA (KG/M²)



Future plans:

Improve data quality and set the goal for food waste per food bought

Data sources for KPI tracking and review

- Food waste collected from Stores – The total amount of food waste (in kilograms) is determined based on data provided by our partner (*UAB Horeca Sprendimai*), who collects food waste from stores, logistics centers, bakeries, etc. The weight is reported including packaging (typically, packaging accounts for about 5–10% of the total weight). Currently, the partner is unable to provide data on the weight of food excluding packaging.
- Used Oil collected from Production – Information about the amount of oil collected from IKI bakeries and culinary centers is provided by our partner (*UAB Biomotorai*).
- Food Waste given for animal feed – Information about the amount of food (mostly fruits and vegetables) given for animal feed is obtained from reports filled out by store employees. Data is not considered to be accurate.
- Retail Area – Internal data about the store's area, excluding employee facilities, storage rooms, etc.

Future Plans – A better indicator would be to calculate the relative amount of food waste based on the quantity of food purchased, i.e., the amount of food discarded compared to the total amount of food purchased by IKI for sale. However, there are some data limitations for that. IKI should also align its goal to REWE and/or CEE food waste goals.

