

# Talking plainly. Acting sustainably. Making progress.

Communication on Progress on the  
Sustainability Activities of the  
Schwarz Group in the 2020 Fiscal Year



## Foreword

Dear readers,

Transformation is the word of the hour. Our society, the economy, and retail are facing far-reaching changes. Today, more than ever, companies are required to position themselves in the face of pressing, interconnected challenges – such as advancing climate change, a conscious use of resources, and respect for human rights. Transparency and digitization are taking on key roles in this. There is no alternative to sustainable action.

As one of the largest retailers in the world, we at the Schwarz Group have the chance and the responsibility to change something. We take this responsibility seriously and therefore align our actions to the group-wide sustainability strategy with ambitious objectives.

A particular milestone from last year is the introduction of our group-wide climate strategy, which decisively reinforces our previous commitment to climate protection. In August 2020, we joined the Science Based Targets initiative for this purpose and have developed climate targets based on this globally recognized method. These targets have now been officially validated.

Conscious use of resources is of central importance to us at the Schwarz Group. We cover the entire value chain – from production and trade to disposal and recycling. We made significant progress with the group-wide plastics strategy REset Plastic. Good examples of this are our



first products made from the Group's own recycled material and our bottle cycle, where every new PET bottle is produced entirely from old ones. This makes us a pioneer in the circular economy.

We fulfill our corporate due diligence, because we regard entrepreneurial strength and consciously sustainable action along the entire value chain as inseparable.

We are confident that, as a large company, we can make a real difference. Together with our approximately 500,000 employees, we are actively shaping transformation. "Acting globally responsible with diversity" – that is our sustainability vision.

**Gerd Chrzanowski**  
General Partner of the Schwarz Group

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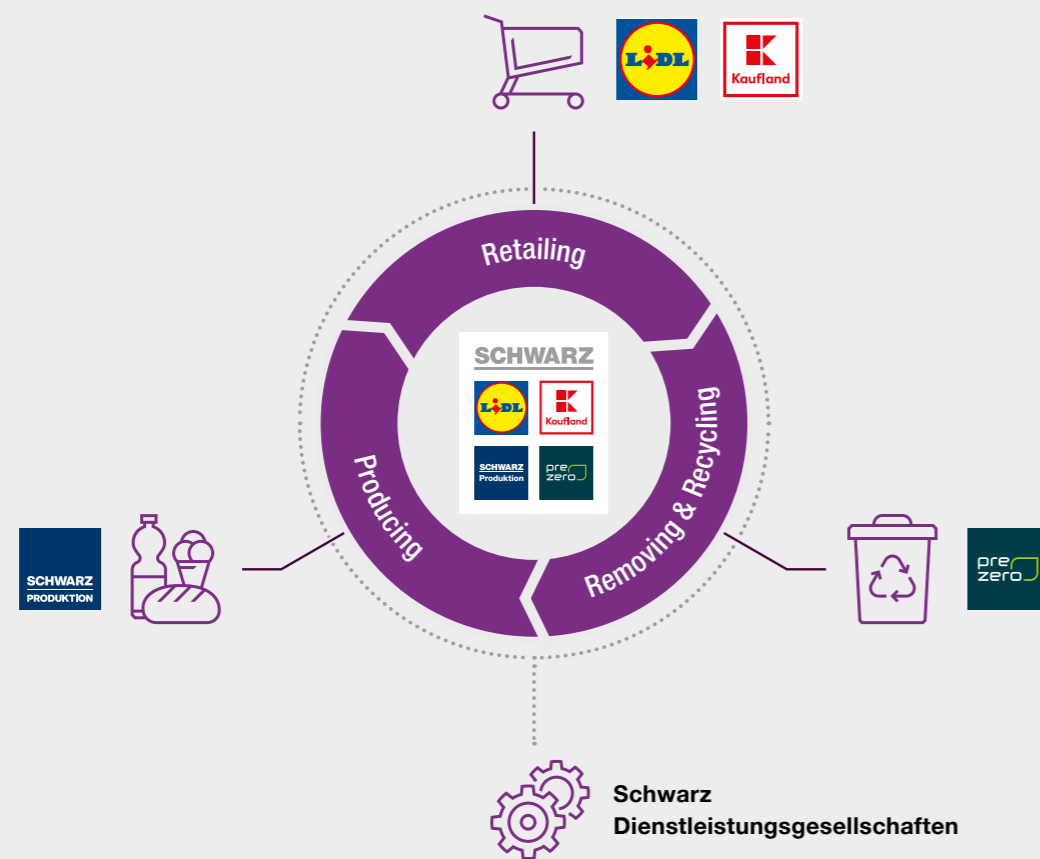
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## About the Schwarz Group

The Schwarz Group is among the top retailers in the world. Based in Neckarsulm, Baden-Württemberg, Germany, the Group's pillars in food retailing are Lidl and Kaufland. We are also active in the areas of food production with Schwarz Produktion and environmental services with PreZero. As the Schwarz Group, we thus cover the entire value cycle within our own

company and rely on a functioning circular economy. We are actively expanding the associated influence on sustainable development in the environmental, economic and social sense – using our diverse business models as the greatest levers.

### Corporate Strength Combined with Responsible Action



Over  
**12,900**  
stores worldwide

Around  
**125.3 billion**  
Euro in annual sales  
revenue in 2020

Around  
**500,000**  
employees

Active in over  
**30**  
countries worldwide



With more than 341,000 employees, the discounter Lidl is currently present in 30 countries with around 11,550 stores and more than 200 goods distribution and logistics centers. Lidl also has employees in Asia and Estonia. At the same time, the discounter assumes responsibility for people, society, and the environment. Sustainability for Lidl means meeting its promise of quality every day anew.



The companies of Schwarz Produktion, with their more than 4,000 employees at 16 locations throughout Germany, produce high-quality food for the retail divisions Lidl and Kaufland. Schwarz Produktion's three plastic and recycling plants are key components of a unique PET material cycle.



Kaufland is active in eight European countries with more than 1,350 stores and over 139,000 employees. With an average of 30,000 items, the company offers an extensive range of groceries and everything for everyday needs. The full-range retailer is committed to food from sustainable production and to comprehensive environmental, climate and species protection.



PreZero is an international environmental services provider in Europe and North America. The company employs around 13,000 people at more than 280 sites and handles the disposal of waste as well as the sorting, processing and recycling of recyclable materials.

#### Schwarz Dienstleistungsgesellschaften

All corporate divisions are supported by Schwarz Dienstleistungen, the Group's corporate services division, with administrative and operational services. In this way, we pool our strengths, exploit potential synergies, and act efficiently and sustainably.

## Our Sustainability Strategy

Industrial development and globalization of the economy offer mankind a variety of opportunities – and at the same time are accompanied by complex economic, environmental, and social challenges. These include scarcity of raw materials, climate change, loss of biodiversity, deforestation and overloading of soils and water bodies, as well as limited access to education, poverty or human rights violations. Moreover, the world population will continue to rise, which will further increase resource consumption. “Business as usual” no longer works in this context: If the depletion of natural resources continues at the current rate, it will destroy our livelihood and economic base in the long term.

As a globally active corporate group, the Schwarz Group has an impact on society and the environment in many areas. We take the responsibility this entails very seriously and base all our actions on our sustainability vision:

### Acting globally responsible with diversity.

We want to use our size and company strength to set standards for an appreciative togetherness and an environment worth living in. For example, the Schwarz Group is committed to fair working and social conditions within the Group and along the global value chains, and contributes to environmental and climate protection. Our large, steadily growing selection of fair traded, ecological and locally grown products also contributes to the Schwarz Group’s social commitment and its sustainability principle.

Our group-wide objectives have been established to tackle the global challenges of the future. In this way, we can ensure that our economic activities are in line with our responsibility to the environment and society in the long term, so that the quality of life is preserved for future generations.

We want to resolutely tackle the complex, often closely interwoven questions of the coming years and are striving to ensure sustainable development in all areas of our business. A common understanding of sustainability within the Schwarz Group is essential for this. All our activities are therefore based on the group-wide sustainability strategy with the four focus topics of People, Product Quality, Circulatory Systems and Ecosystems.

With these four focus topics, we provide ourselves and our divisions with a uniform framework for action and define binding, overarching objectives. Selected objectives are presented in the figure on page 7.

We are constantly refining the substance of our strategic sustainability agenda. In this way, our sustainability strategy creates a clear guideline while at the same time providing scope for shaping the changing challenges.



## Organization and Responsibilities

The overall responsibility for sustainability lies with the Chairs of the Board of the Schwarz Group companies. The Corporate Responsibility department of Schwarz Corporate Communications coordinates the strategic sustainability orientation of the Schwarz Group. It supports the divisions in their sustainability activities and manages cross-divisional cooperation on global issues.

A core element of corporate due diligence is transparent communication about human rights issues and environmental protection aspects. As Schwarz Group, we regularly report on significant risks, our measures, and the progress made, as well as on remaining challenges.

# Corporate Due Diligence

## Our Belief

We are convinced that corporate size also correlates to greater responsibility – for society, our environment, and sustainable development. The Schwarz Group is also clearly committed

to sustainable corporate governance in its dealings with the public and undertakes to act accordingly in its day-to-day business.

### 10 Principles of the UN Global Compact

**WE SUPPORT**



The Schwarz Group has already made considerable efforts in the past and implemented a wide range of measures to support the principles of the United Nations Global Compact (UNGC). This commitment was taken even further following our UNGC accession in early 2020 and the associated commitment to uphold and promote the ten principles of the UNGC. Within the scope of our influence, we are committed to upholding human rights, creating fair working conditions, promoting environmental and climate protection, and stand firmly against corruption and bribery in all its forms.



#### Human Rights

### 01

Businesses should support and respect the protection of internationally proclaimed human rights.

### 02

Businesses should make sure that they are not complicit in human rights abuses.



#### Labor

### 03

Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.

### 04

Businesses should advocate the elimination of all forms of forced and compulsory labor.

### 05

Businesses should advocate the effective abolition of child labor.

### 06

Businesses should advocate the elimination of discrimination in respect of employment and occupation.



#### Environment

### 07

Businesses should support a precautionary approach to environmental challenges.

### 08

Businesses should undertake initiatives to promote greater environmental responsibility.

### 09

Businesses should encourage the development and diffusion of environmentally friendly technologies.



#### Anti-Corruption

### 10

Businesses should work against corruption in all its forms, including extortion and bribery.



### Group-Wide Policy Statement on Respect for Human Rights

Whether as customers, employees or business partners, people are at the heart of what we do. We are therefore committed to ensuring that human rights are respected and strengthened in all areas of our business activities around the world. With the Human Rights Policy Statement, which applies to the entire Schwarz Group, we underline our responsibility as a leading retail group.

Due to the complex value chain structure in retail and food production, our greatest human rights and environmental challenges lie in increasingly globalized supply chains. Thus, we want to meet our responsibility towards people and the environment not only within the scope of our own activities, but also jointly with direct and indirect suppliers in the supply chains and service sectors.

The publication of the group-wide Policy Statement in May 2020 represents a consistent further development of the Schwarz Group's long-standing commitment and is based on our dedication to respect human rights as set out in internationally recognized frameworks. It is a commitment to ensuring that acting with respect and integrity will continue to shape the way our corporate group sees itself in the future.



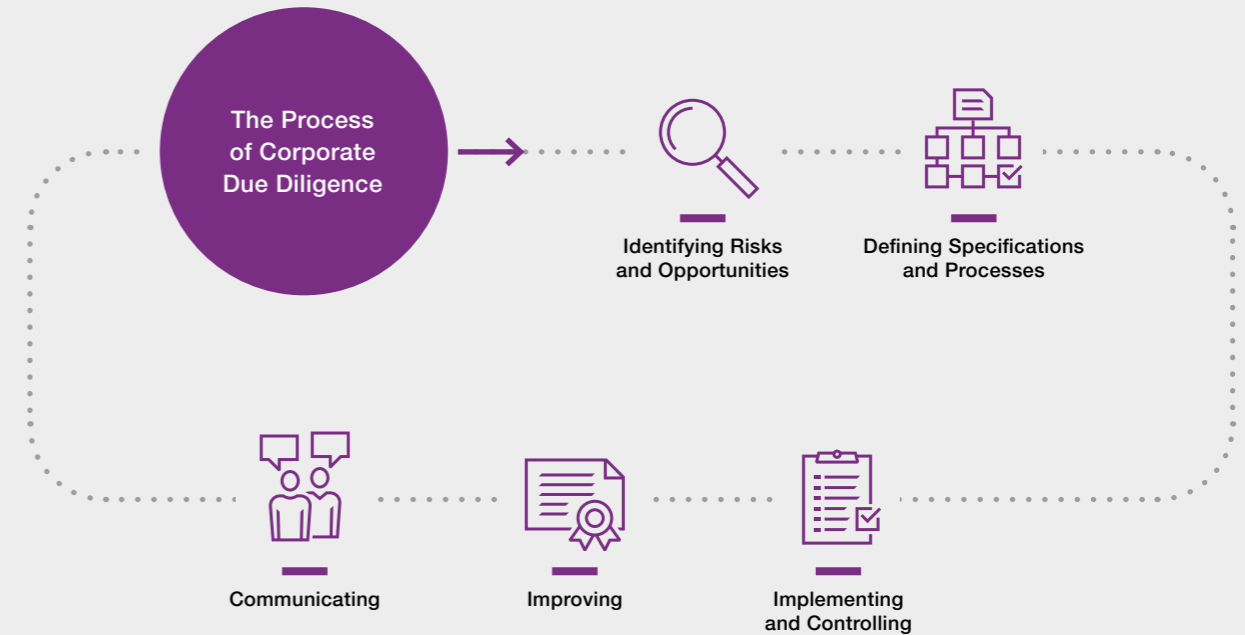
### Codes of Conduct Govern Partnerships

The Schwarz Group attaches great importance to social and ecological sustainability in its cooperation with business partners as well as in the entire supply chain. We share this responsibility to properly address our impacts along the supply chains with our contractual partners and expect them to act in a manner that is consistent with our code.

Our valid group-wide Code of Conduct for Business Partners applies categorically to suppliers, and has replaced the individual division-specific Codes of Conduct since November 2020. It is based on the following international guidelines and principles for reducing negative environmental and social impacts throughout the value chain:

- Universal Declaration of Human Rights
- UN Global Compact
- 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

For us, respect for human rights is a basic prerequisite for any collaboration: The Schwarz Group categorically rejects any form of child labor and compulsory labor as well as breaches of human rights and labor law during the production, processing and delivery of resources and goods. By entering into a business relationship with the Schwarz Group, business partners undertake not only to comply with the standards in their own operations, but also to implement them with their subcontractors.



### Corporate Due Diligence Along Global Value Chains

At the Schwarz Group, we are committed to respecting and strengthening social and environmental standards in our global value chains, preventing their violation, and taking appropriate remedial action when necessary (see also the chapter "Grievance Mechanism and Access to Remedy"). The publication of our group-wide Human Rights Policy Statement and the Code of Conduct for Business Partners form the basis of the activities we undertake in fulfilling our corporate duty of care.

All divisions of the Schwarz Group already conduct risk analyses in the context of their business activities. In doing so, the divisions pursue an individual risk classification of business partners and products, for example based on the analysis of recognized indices and studies regarding the risk assessment of countries of origin, raw materials and products. Based on the findings, the Schwarz Group divisions then derive specific measures for their business operations to avoid or mitigate any adverse effects of their business activities. We continuously strive to improve and systematically expand these processes.



### Grievance Mechanism and Access to Remedy

Access to grievance mechanisms plays an important role for those who are affected by or observe human rights and environmental violations. The Schwarz Group has online reporting systems in place for the confidential reporting of information relating to compliance violations as well as on human rights and the environment. The online systems are available in more than 25 languages and accessible to every potentially affected party. A confidential, fair procedure for handling complaints is guaranteed. In addition, Schwarz Group companies are engaged in various multi-stakeholder formats, such as the Supply Chain Initiative, to promote the effectiveness of reporting systems overall and also across industries.

Key findings from complaints are used to refine the mechanisms and to identify risks. If negative impacts that are directly or indirectly related to the business activities of the Schwarz Group are actually identified, we strive to take appropriate measures to redress the situation and use our influence to ensure that those affected are granted appropriate remedies.

Likewise, the Schwarz Group establishes the necessary processes for adequate protection of its employees' human rights in its corporate principles, guidelines and procedural instructions. To identify any potential contraventions early on and respond accordingly, the Schwarz Group regularly carries out anonymized employee surveys. In addition, employees are given unrestricted access to internal employee relations consultants as well as fair and transparent complaints procedures.

Through its retail divisions as well as Schwarz Produktion, the Schwarz Group has a significant influence on how and under what conditions natural resources and raw materials are processed and consumed.

As a globally active trading company, the topic of raw materials and raw material cultivation is of central importance to the Schwarz Group across all business models. For resources with high human rights as well as environmental risks, we therefore set ourselves specific goals and constantly work on implementing appropriate measures. We formulate clear targets for the achievement of our goals towards our business partners. These include, for example, certifications relating to products and raw materials, participation in the further development of standards, and funding of projects. An important means for us is to work together with civil society or standard-setting organizations, experts and other companies – often realized within the framework of multi-stakeholder partnerships – to achieve improvements and solve complex

social problems in a cooperative manner. In non-food supply chains, for example, we have relied on cooperation with audited supplier companies for many years.

We are convinced that tackling environmental and human rights challenges in our global value chains is an ongoing task that requires systemic changes in addition to our company-specific activities and can only be solved together with our partners.



## Implementation and Measures

### Due Diligence on Human Rights



#### Value-Based Corporate Governance

At the Schwarz Group, we operate in a dynamic environment in which agile and flexible actions and responses to the demands and needs of our customers are a fundamental requirement. We not only operate within constant change processes, but actively help shape them. This demands that we reflect on existing processes and structures, striving for constant development and improvement. Trusting collaboration based on common values is particularly important to us in this respect. All the values and norms that are crucial to us and our corporate culture are defined in our corporate principles and are binding for all employees.

Our actions are guided by the corporate principle “We comply with applicable laws and internal guidelines”. Only those who do the right thing out of personal conviction are perceived as fair partners. That is why we see it as our social responsibility to act with integrity and prevent damage. The Schwarz Group and the divisional executive management expressly declare their commitment to compliance with this corporate principle and to ensuring its implementation.

Against this background, the Schwarz Group has implemented compliance management systems in all relevant business units. The binding guidelines prescribe specific standards and elements for the purpose of ensuring an appropriate level of compliance within the entire Group. A key component is preventing both violations of applicable law and internal guidelines, as well as the strict punishment of identified violations (“principle of zero tolerance”). Emphasis is placed on the areas of anti-corrup-

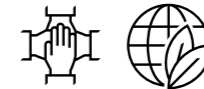
tion /anti-fraud, anti-trust law, and data protection. All employees of the Schwarz Group are regularly informed about these as part of regulations (e.g. on handling financial contributions as well as data protection) or training measures. In addition, the designated compliance representatives follow up on and resolve all internal and external indications of compliance violations.



#### Promoting Diversity and Equal Opportunities

As an international group of companies, the Schwarz Group employs people from a wide variety of backgrounds. We seek to provide our employees with a respectful work environment – regardless of gender, age, skin color, ethnic origin, intellectual and physical capabilities, sexual orientation, or religious affiliation. As a fair employer, we want to use objective selection criteria to create the conditions for equality right from the recruitment phase. All employees are given the same opportunities to develop personally and professionally.

For the Schwarz Group, the continuous development of a holistic approach to diversity and equal opportunities is also a tool to strengthen the bond between employees and the company and to promote the performance of our teams. Diversity is therefore of great importance across all group divisions and the aspects of fairness, mutual respect, and appreciation are entrenched in the Schwarz Group’s corporate principles and values.



#### Raising Awareness

As a responsible employer, we want to make an overall contribution to economic development in the regions and communities where we do business. Together with our business partners, we are committed to decent employment with good working conditions and fair pay. This ensures that the Schwarz Group’s business activities have a positive impact on the people employed in the supply chain as well as their families and local municipalities.

In order to comply with legal and corporate obligations, managers and employees in the HR departments in particular are continuously sensitized with regard to relevant content and changes. As the Schwarz Group, we are also committed to involving our employees in our responsibility for sustainable business. A holistic empowerment concept focusing on human rights, climate protection, resource conservation and recycling management is currently being developed in all divisions and will supplement training concepts already in place. The program provides background information and covers measures that have already been implemented on the individual topics, as well as helping employees to act sustainably in their own area of responsibility.

## Environmental Due Diligence



### Selected Progress in Environmental and Climate Protection

With the Schwarz Group's accession to the Science Based Targets initiative this year and ambitious targets as part of our group-wide climate strategy, we are sending a strong signal for climate protection. The increased use of electricity from renewable sources, such as by expanding our photovoltaic areas by 30 percent, is just one example of the various measures we are already implementing throughout the Group to this end.

We also made great progress in the area of our plastics strategy REset Plastic. Group-wide, we are not only reducing the use of plastic, but also focusing on the use of recycled material and the best possible recyclability. The Schwarz Group is thus positioning itself as a pioneer in the field of the circular economy and is showing how materials can be recycled in the best possible way and the need for new plastic can be reduced.

We are thus pursuing our sustainability aspirations through the establishment of closed-loop systems and consistent waste management. Once again, we have increased our recycling rate for internal waste compared to the previous year. Furthermore, our waste management specialist PreZero has worked with a consortium from NGOs, science and business to develop a new DIN standard for sustainable waste and recyclables management.

Photovoltaics area  
**988,768 m<sup>2</sup>**

Growth of 259,367 m<sup>2</sup> compared to the previous year

Power generation from renewable energies  
**128,825 MWh**

63 % increase over the previous year. This could supply over 30,000 households

**-13 %**

Plastic use compared to 2017

Recyclate content of  
**ø10 %**

in our private label packaging out of plastic

Internal waste recycling rate  
**85.56 %**

Previous year's figure: 84.34 %

Development of a new  
**DIN standard**

for sustainable waste and recyclables management<sup>1</sup>



### Schwarz Group Climate Strategy

Ongoing climate change is having a significant impact on the living and working conditions of people around the world. There are also considerable risks for the Schwarz Group, for example in agriculture, where extreme weather events can lead to crop failures and limited availability of goods, reduced planning certainty, and rising commodity for goods and raw materials.

As the Schwarz Group, we aim to minimizing the impact of climate change and steadily reducing greenhouse gas emissions. To achieve this, we are committed to the following three principles:

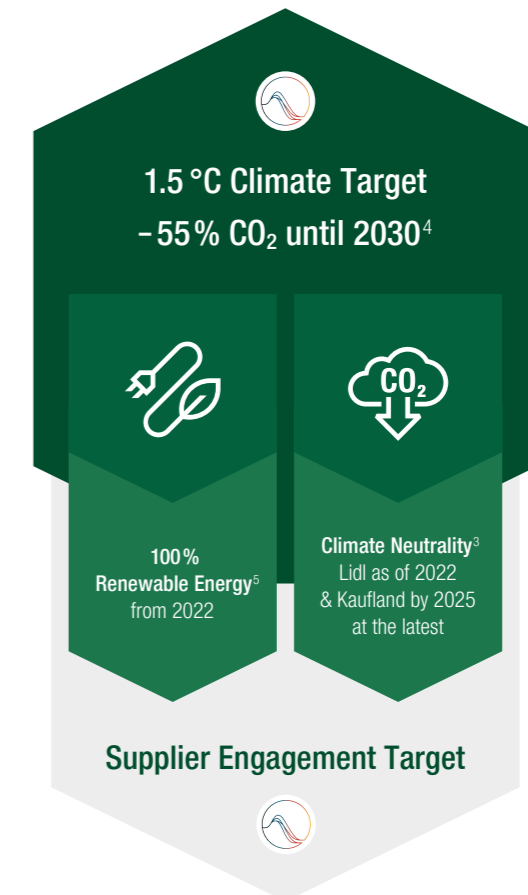
1. We prevent the generation of greenhouse gas emissions wherever possible.
2. We reduce greenhouse gas emissions that we cannot prevent.
3. We offset (based on internationally recognized standards) operational greenhouse gas emissions (scope 1 and 2) that we are currently not able to prevent or reduce.

Back in August 2020, the Schwarz Group officially joined the Science Based Targets initiative (SBTi) and defined climate targets based on the SBTi methodology. These science-based targets were validated and released by the SBTi in September 2021.

**Our objectives** – The Schwarz Group will reduce its operational greenhouse gas emissions by 55 percent by 2030 compared to 2019 levels.<sup>2</sup> As part of this, Lidl and Kaufland have set themselves the target of reducing their operational greenhouse gas emissions by 80 percent over the same period. To achieve this, the entire Schwarz Group intends, among other things, to obtain 100 percent of its electricity from renewable sources from fiscal year 2022 onwards. Lidl and Kaufland are going one step further and focus on climate neutrality.<sup>3</sup> Suppliers, which

are responsible for 78 percent of product-based emissions, are encouraged by the Schwarz Group to set themselves climate targets in line with SBTi criteria by 2026. In addition, the Schwarz Group commits to reduce absolute scope 3 emissions from use of sold products covering sold fuels, by 27.5 percent by 2030 compared to 2019 levels.

A variety of measures to reduce, prevent, or offset CO<sub>2</sub> emissions in operations and along the supply chain serve to achieve these targets.



1 | DIN SPEC 91436: Reference model for operational waste and recyclables management oriented towards a vision of "zero waste".

2 | The target boundary includes biogenic emissions and removals from bioenergy feedstocks.

3 | Remaining emissions (scope 1 and 2) will be offset by carbon offset projects.

4 | Reduction of operational emissions (scope 1 and 2) in comparison to 2019.

5 | We intend to convert the entire Schwarz Group to 100% renewable energy as of 03/01/2022.

Together with other companies in the German retail sector, the Schwarz Group already committed itself in 2015 to the results of the Paris Climate Agreement – in essence, to limiting global warming to below 1.5 degrees Celsius compared to the pre-industrial era. By joining the SBTi and the associated commitment to implement specific climate targets, we have once again significantly strengthened our existing activities to avoid, reduce or offset CO<sub>2</sub> emissions. Overall, this will allow us to contribute to sustainable and responsible development from a social, ecological, and economic perspective.

By improving our energy efficiency, we have also made further progress in implementing our climate protection measures in the reporting period: Among other things, energy management systems in accordance with ISO 50001 were introduced at the administrative sites of Schwarz Dienstleistungen, the Schwarz Produktion sites, the Kaufland meat processing plants and a large number of the countries in which Lidl or Kaufland operate by the end of 2020. The majority of PreZero's sites have also been certified since this reporting year.





## Group-Wide Climate Footprinting

An important tool for describing and monitoring consumption and emissions across the Group is climate footprinting. Since fiscal year 2019,

a full carbon footprint has been prepared annually for all divisions and countries in accordance with the Greenhouse Gas Protocol and aggregated at Group level.<sup>6</sup> In this way, we can develop and evaluate sensible measures to avoid and reduce emissions both group-wide and for each division or country.

### Volume of Greenhouse Gas (GHG) Emissions of the Schwarz Group

	2019	2020
<b>Gross volume GHG emissions in metric tons of CO<sub>2</sub> equivalent<sup>7</sup></b>	<b>141,122,082</b>	<b>157,659,900</b>
<b>SCOPE 1</b>		
<b>Direct GHG emissions in metric tons of CO<sub>2</sub> equivalent (Scope 1)</b>	<b>1,096,035</b>	<b>1,179,878</b>
Volatile gases / coolants	448,194	540,388
Mobile combustion	222,497	218,530
Stationary combustion	425,344	420,960
<b>SCOPE 2</b>		
<b>Indirect GHG emissions in metric tons of CO<sub>2</sub> equivalent (Scope 2)</b>		
<b>Incl. electricity per market-oriented approach</b>	<b>1,832,702</b>	<b>1,441,488</b>
<b>Incl. electricity per location-oriented approach</b>	<b>2,772,391</b>	<b>2,764,253</b>
District heating	35,478	41,720
Electricity per market-oriented approach	1,797,224	1,399,768
Electricity per location-oriented approach	2,736,913	2,722,533
<b>SCOPE 3</b>		
<b>Indirect GHG emissions in metric tons of CO<sub>2</sub> equivalent (Scope 3)</b>	<b>138,193,345</b>	<b>155,038,534</b>
Cat. 3.1 Purchased goods and services	120,326,260	134,402,520
Cat. 3.2 Capital goods	91,037	84,262
Cat. 3.3 Fuel- and energy-related emissions	906,513	903,187
Cat. 3.4 Upstream transportation and distribution	5,333,443	5,839,229
Cat. 3.5 Waste generated in operations	618,767	627,722
Cat. 3.6 Business travel	164,433	69,233
Cat. 3.7 Employee commuting	545,160	588,725
Cat. 3.9 Downstream transportation and distribution	45,023	41,373
Cat. 3.10 Processing of sold products	68,286	63,539
Cat. 3.11 Use of sold products	9,882,278	12,122,138
Cat. 3.12 End-of-life treatment of sold products	212,145	296,606

Already  
**10.54 %**  
Reduction in operational emissions compared to previous year (Scope 1 and 2)

<sup>6</sup> | Deviations in the 2019 climate footprint from the FY18/19 sustainability report result from the change in the survey methodology.

<sup>7</sup> | Scope 2 emissions from the market-based approach were used to calculate total gross GHG emissions.



## Closing the Loop

At the Schwarz Group, the responsible use of available resources is an important factor along the entire value chain. Our goal is to use as few resources as possible and to reuse or recycle the materials used wherever possible – to close loops where we can. Overall, we pay attention to environmental criteria, such as recyclability, the amount of recycled material, and the general conservation of resources, for all of our private label packaging and transport aids as well as those for consumable materials in the stores, logistics centers and administration centers.



100 % of our private label packaging is maximum recyclable



20 % less plastic in our private label packaging and transport aids



On average a 25 % use of recycle in our private label packaging out of plastic



## REset Plastic: The Schwarz Group's Holistic Plastics Strategy

The goal of resource conservation also particularly applies to packaging materials. The most important tasks of packaging include guaranteeing food quality and hygiene and preventing food losses. In this way, it protects the sensitive goods from environmental influences and ensures that they reach the consumer undamaged. In the case of food, packaging can serve to preserve food and improve the carbon footprint. At the same time, resources and energy are required to manufacture packaging, which places a burden on the environment and the climate. Plastic packaging is a particular challenge, as the longevity of the material can become a problem once it enters the environment.

As a result, we have been committed for many years to the collecting, sorting and recovering of plastics – REset Plastic has enabled us to pool our commitment centrally since 2018. REset Plastic is the Schwarz Group's international, holistic plastics strategy for all company divisions and countries. It is not only about eliminating plastic, but also about creating a new awareness and fundamentally changing the way we handle plastic.

Our joint vision: “Less Plastic – Closed Loops”

We take a holistic approach towards plastic reduction and recycling loops. As such, we have divided our plastics strategy into the following five action areas REduce, REdesign, REcycle, REmove, and REsearch.



A unique example of a functioning circular economy is our recyclable materials cycle for PET beverage bottles in Germany, which we cover completely within our own group of companies. As part of an independent strategic objective, Schwarz Produktion intends to use, on average, around 90 percent recycled PET in the bottles it sells domestically and internationally by 2023. Since June 2021, all non-refillable PET deposit bottles produced by Schwarz Produktion for Lidl and Kaufland private labels in Germany have been made of 100 percent recycled PET, with the exception of the label and lid. These new bottles are produced entirely from old bottles and are also particularly resource-friendly due to their low weight. Schwarz Produktion achieves progress in PET recycling by expanding its own recycling capacities, in part through independently-developed technical solutions and extensive know-how acquired over the years.



### Household Products from Our Own Recycling Loop

Together with PreZero, Lidl and Kaufland offer promotional own brand household goods that are made of recycled plastic.<sup>8</sup> The special thing about the products made from recycled material is that we cover a large part of the entire process within our group of companies. The recycled material originates from plastic packaging disposed of in private households, which is then collected, sorted, cleaned and processed into regranulate by PreZero. The raw material obtained in this way is used to produce new, high-quality household goods. These sustainable products, including for example organizers, trash, cleaning and laundry bins, and transport and storage boxes, are temporarily sold at Lidl and Kaufland.

The Schwarz Group was selected as a finalist in the household and leisure products category of the Plastics Recycling Awards Europe 2021 with its “regranulate bucket”. These award assess the functionality of the product as well as its ability to effectively replace conventional materials, together with its aesthetics and recyclability.

The Schwarz Group will continue to expand its range of recycled products in the future, bringing us a decisive step closer to the joint vision of our plastics strategy REset Plastic “Less Plastic – Closed Loops”.



### Raising Consumer Awareness

Educating people on the correct separation of waste is an important concern for us when it comes to conserving resources. After all, only recyclables that end up in the correct trash can, and are assigned to the correct flow of materials, can be recycled. Consequently, during the reporting period we developed separation instructions that help customers to dispose of packaging correctly, thus improving the quality

of separation. The separation instructions can be found on selected packaging at Lidl in some countries and at Kaufland Germany from the beginning of 2021.

The Schwarz Group regularly informs its customers about its sustainable commitment and product range via its various communication channels. In so doing, we are contributing to our group-wide objective of providing our consumers with greater transparency on our products by 2025.

<sup>8</sup> | Plastic content (approx. 95 percent) of the product is 100 percent recycled plastic, with the additional use of additives and color (approx. 5 percent).

## About this Report

Transparent communication on human rights and environmental challenges is a core element of corporate diligence. With this progress report, we are providing our internal and external stakeholder groups with information on the main social, ecological and economic challenges associated with our core business. We also report on conflicting goals that result from them and on the strategy we have developed in the area of corporate responsibility to counter them. The Schwarz Group will critically review and continuously refine its position and its associated implementation on a regular basis.

The transparent presentation of our progress in implementing the guidelines of the United Nations Global Compact in the four areas of human rights, labor, environment, and anti-corruption, as well as the ten associated sustainability principles means that we meet the UN Global Compact's "Communication on Progress" requirements. Our next comprehensive progress report is due to be published at the end of 2022.

This report is published by and focuses on the Schwarz Group. It is comprised of the Lidl and Kaufland retail divisions, Schwarz Produktion, the PreZero environmental division, and Schwarz Dienstleistungen as well as other affiliated companies and national organizations. The information contained in this report refers primarily to the overall Schwarz Group. Any areas in which this is not the case for individual KPIs or contents are expressly indicated. The report relates to the period from March 1, 2020 to February 28, 2021 and thus comprises a full fiscal year. Unless otherwise specified, the closing date for data collection was February 28, 2021. The editorial deadline was October 11, 2021.

This report is available in German and English in digital and printed format.

For more information, please visit [www.responsibility.schwarz](http://www.responsibility.schwarz)

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