

SCHWARZ



Sustainability Report of the
Companies of Schwarz Group
FY 22/23

Acting ahead

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Strengthening CR Management

36
27%
53.3%
UND FRISTET ANGESTELLTE MIT ARBEITEN
EINE WELT IN VERBRAUCHT MENSCHEN DIE SIE MIT LEISTUNGEN RESPEKT, VERTRAUEN
take it veggie
NO MILK
VEGANER HAFER DRINK
0% ZUCKER
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Legal Notice

The companies of Schwarz Group have created this report as the joint Sustainability Report of all companies of Schwarz Group. The words “we”, “us”, “our”, or similar expressions are meant to represent all of these companies.

To simplify readability, the German version of this report uses the masculine form when referring to groups of people (employees, colleagues, etc.). This is intended to include all genders equally.

About This Report

Content and Scope of the Report

[GRI 2-1, 2-2, 2-14]

This report is the joint Sustainability Report for the companies of Schwarz Group. Production of the report was coordinated by Schwarz Unternehmenskommunikation GmbH & Co. KG (Schwarz Corporate Communications) on behalf of the companies of Schwarz Group. The words “we”, “us”, “our”, or similar expressions are meant to represent all of these companies. Schwarz Group comprises the retail divisions Lidl and Kaufland, the environmental service provider PreZero, the production division Schwarz Produktion, Schwarz Digits, and the corporate functions and operations division Schwarz Dienstleistungen, as well as other companies and national organizations (see also p. 11). This report provides an overview of the strategic basis and management approach to sustainability in the companies of Schwarz Group. To give a comprehensive picture of our activities, the report not only includes the jointly developed strategies and management approaches, but also provides information on the work of individual companies and national companies. The Sustainability Report has been reviewed by CR/CSR and the relevant departments in the companies of Schwarz Group.

Reporting Standard and Navigating the Report

The report was compiled in accordance with the GRI standards. Corresponding contents are indicated in the GRI Content Index from p. 124. The content index contains the relevant page references to aid navigation through the report. In addition, texts and KPIs are marked with the corresponding GRI references.

Reporting Period and Cycle

[GRI 2-3]

The report relates to the period between March 1, 2022 and February 29, 2024, and therefore covers two full fiscal years. For reasons of completeness and to demonstrate developments, some key performance indicators are displayed over a three year course. Cut-off dates for data collection were – unless otherwise indicated – February 28, 2023 for FY 2022 and February 29, 2024 for FY 2023. Editorial deadline was August 30, 2024. If information from outside the reporting period was included, these passages are clearly indicated in the text. The companies of Schwarz Group publish a comprehensive sustainability report every two years, as well as an interannual progress report.

Key Performance Indicators

[GRI 2-3, 2-4]



The key performance indicators shown generally refer to all companies of Schwarz Group and are therefore labeled as aggregate key performance indicators or reported for the specified business units, respectively. Individual companies contribute to the key performance indicators which concern them based on their business activity or their business model. Purchasing figures, for instance, refer to the retail divisions only. For all companies, all units that were operating for the duration of at least one complete fiscal year (FY) are considered in the figures. The Human Resources topic area is an exception to this: Here, figures of all operationally active units are included, in addition to the key performance indicators collected as part of the annual financial statement. No new units were included for Kaufland in the FY 2022/23 reporting period, while Tailwind Shipping Lines has been included in the key performance indicators for Lidl as of FY 2022. From FY 2022, as a result of the acquisition of SUEZ and Ferrovia, PreZero has grown to include new companies in Luxembourg, Poland, Germany, the Netherlands, Spain and Portugal. At Schwarz Produktion, Bon Presso (business unit coffee) has been included in the key performance indicators since FY 2022 and Bon Pasta (business unit pasta) and Maxauer Papierfabrik (business unit paper) since FY 2023. Schwarz Digits was founded as an independent division in FY 2023. The key performance indicators reported for FY 2023 and previous years have been subtracted from the Schwarz Dienstleistungen figures included in earlier reports and are now reported separately for Schwarz Digits for the first time.



In the event of deviations from the figures published in the FY 2022 progress report, we have explained any significant deviations (> 5 percent) in the relevant section in this report. Any smaller deviations are due to improved data availability/quality.

External Assurance

[GRI 2-5]

In the summer of 2024, audit firm KPMG AG subjected selected disclosures in this report to an independent assurance engagement in accordance with the International Standard for Assurance Engagements (ISAE 3000 revised) to obtain limited assurance on sustainability information. The review focused on selected management approaches and some of the key performance indicators shown. Reviewed content is indicated with . The methodology, presentation and results of the materiality analysis (p. 33 et seq.) were the subject of a limited assurance assessment conducted in 2022 and are therefore indicated with . A dash (—) indicates the start and end of the reviewed content. The independent public auditor's note can be found on [pages 132-134](#).



Preface

[GRI 2-22]

Dear readers,

Driving ahead instead of hesitating, acting instead of reacting: As companies of Schwarz Group, we do not wait for challenges to become problems. We act ahead in order to promote a sustainable, healthy and safe life for billions of people.

Acting ahead – for the People in Our Ecosystem.

People are at the heart of what we do. Our more than 575,000 employees are decisive for the success of the companies of Schwarz Group. Our team is made up of 168 different nationalities, making our colleagues just as diverse as our unique ecosystem along the entire value cycle – from production through retailing up to recycling and our digital services. This wide spectrum of experience, ideas and skills opens up new perspectives and expedites innovations. Our diversity makes us strong. It is our motor.

Acting ahead – for a Sustainable Circular Economy.

Our jointly defined aim is to preserve resources and close recycling loops. With this in mind, we reached important milestones in the 2023 fiscal year. We reduced the percentage of plastic in our private-label packaging and transport aids by 34 percent. As such, we have already exceeded our original reduction target of 30 percent by 2025. Moreover, we have increased the recycled materials content of private-label packaging made of plastic to 19 percent. By 2025 we shall increase this proportion to 25 percent. This progress motivates us to continue driving ahead with the transition to a circular economy.

Acting ahead – for Climate Protection.

Scientifically based climate targets form the basis of our sustainability activities. We joined the Science Based Targets initiative (SBTi) back in 2020. Now we are taking the next logical step: The companies of Schwarz Group submitted an official joint net-zero commitment to the SBTi in September 2024. As such, we are committing to reduce all emissions that we generate to net-zero by 2050 at the latest. In this context, we are supplementing our existing jointly approved supplier obligations with absolute reduction targets in the upstream and downstream supply chain and are supporting our respective suppliers in implementing them together. In specific terms, this means a reduction of our indirect emissions in the agriculture and forestry area of 42.4 percent as well as 35 percent in the energy and industrial processes category. These measures make it clear that we are

assuming our responsibility. We act ahead – decisively – for climate protection.

Acting ahead – Together with Strong Partners.

We create transparency with the aid of our Sustainability Report and integrate all stakeholders into our joint commitment to sustainability. Every day we work shoulder to shoulder on innovation solutions with our customers and partners, such as the development of sustainable, electrified logistics, the drone-supported inspection of rooftops at logistic locations or on digital services like our European cloud service. In this way, we improve the life of current and future generations. For, our successes to date drive us forward. We always act one step ahead. With one ecosystem along the entire value cycle.

Let us tackle this together – in a unique ecosystem for a better life!

Gerd Chrzanowski

General Partner
Schwarz Group



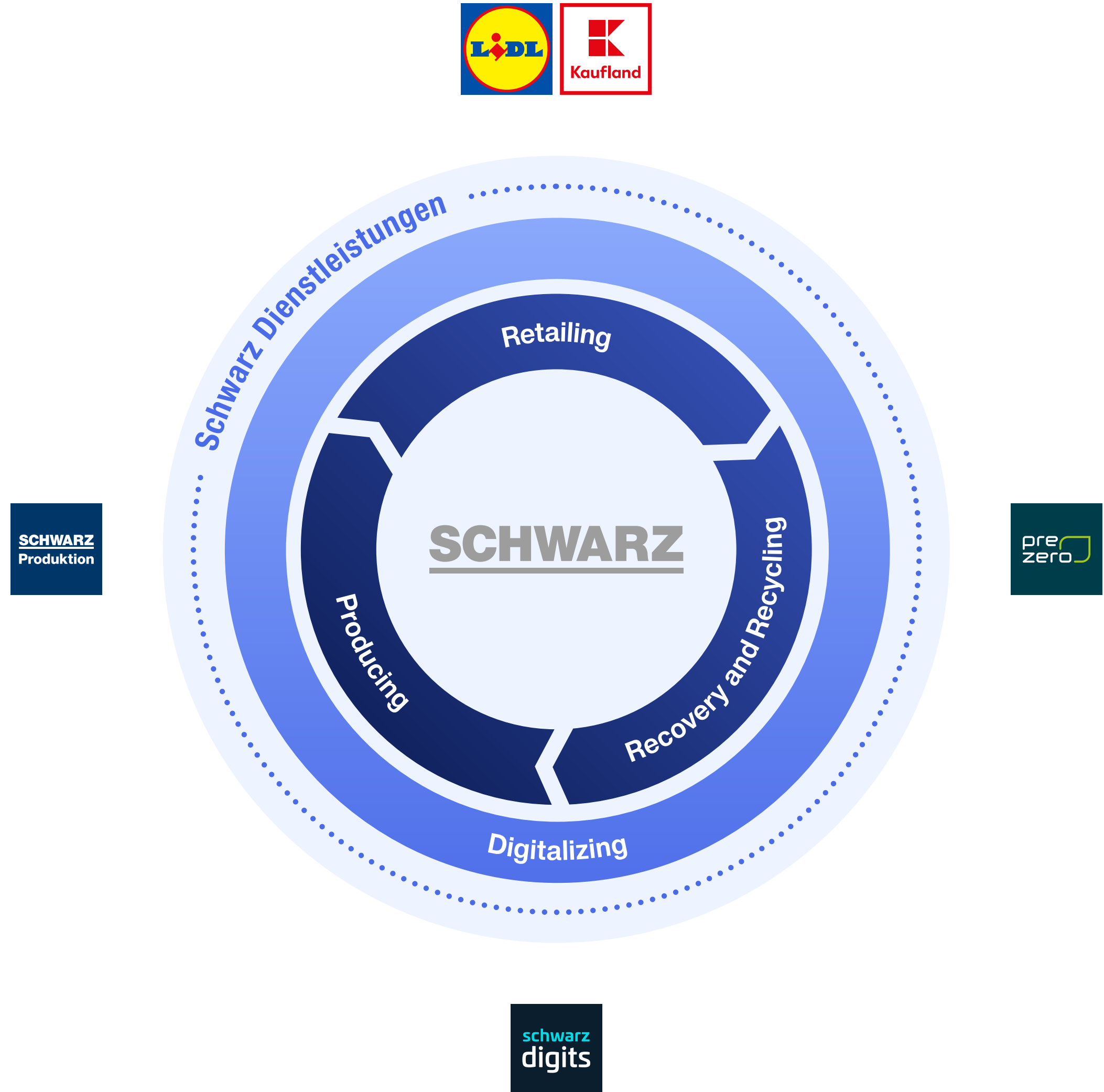
Living Diversity



Profile of Schwarz Group

[GRI 2-1, 2-6 and 2-7]

With about 575,000 employees in over 30 countries and total sales of 167.2 billion euros, Schwarz Group is among the top retail groups in the world. Hardly any other corporate group is more diverse than we are, since our companies cover the entire value cycle. Based in Neckarsulm, Baden-Wuerttemberg, the two retail divisions Lidl and Kaufland form the pillars in the food retail market. In addition, Schwarz Produktion is active in food manufacturing, and PreZero in environmental services. The topics of digitalization and IT are driven forward in a separate division, Schwarz Digits. All of the companies of Schwarz Group receive support from various service companies at home and abroad. As at the end of fiscal year 2023, Schwarz Group comprised 1,195 (2022: 1,135) companies. In all areas of Schwarz Group, we use our influence on society and the environment to make a positive contribution to sustainable development.



Profile of Schwarz Group Retail and Production

[GRI 2-1 and 2-6]



The national companies of the Lidl retail division are food retailers in the discount sector. The fresh food discounter currently operates about 12,350 stores and more than 220 goods distribution and logistics centers in 31 countries. Moreover, Lidl also has employees in Asia. In total, Lidl currently has around 375,000 employees. The product assortment comprises an average of 3,600 items. In the 2023 fiscal year, Lidl generated sales of 125.5 billion euros.

A better tomorrow – assuming responsibility:
To Lidl, sustainability means fulfilling the promise of quality every single day. Social responsibility, fair trade and sustainable production are firmly anchored in the division's processes. Lidl assumes economic, social and ecological responsibility, and works every day to further develop the business model and guarantee a secure future for the companies. This commitment is put into practice in Lidl's CSR strategy and its six focus areas: respecting biodiversity, protecting the climate, conserving resources, acting fairly, promoting health and engaging in dialog.



The national companies of Kaufland Group are large-scale food retailers – with around 1,550 stores as well as around 155,000 employees in eight European countries. With 30,000 items per store on average in Germany and 17,000 in other countries, Kaufland offers a wide assortment of food and everyday products. Kaufland also operates five meat processing plants (hereinafter also referred to as “Kaufland meat processing plants”), which produce the meat and sausage products for the stores. During the reporting period, the range of available products was increased with the launch of the Kaufland.de online marketplace (for further information, see the [Performance](#) section). In the 2023 fiscal year, Kaufland generated sales of 34.2 billion euros.

As a retailer, Kaufland is aware of its responsibility toward people, animals and the environment. That is why Kaufland is constantly expanding its sustainability work. The CR strategy forms the backbone of all work done across the division in this area, and comprises four focus areas: Shop consciously, conserve resources, protect the environment and strengthen society.



In the 2023 fiscal year, the companies of Schwarz Produktion – with around 5,500 employees at 20 production, administration and service locations across Germany – produced high-quality food as well as sustainable packaging and materials for the retail divisions, Lidl and Kaufland. Beverages, chocolate, ice cream, baked goods, nuts and dried fruit, coffee, pasta and paper products are produced at a total of 13 locations. Schwarz Produktion operates plastic and recycling plants at another three locations. These plants are integral elements of a unique and sustainable PET recycling loop (for further information, see the [Circular Systems](#) chapter).

The companies of Schwarz Produktion operate on the conviction that sustainable business and company success go hand in hand. To fulfill their responsibility, they have jointly set themselves ambitious sustainability goals, and are pursuing these goals in collaboration with their employees and partners.

Profile of Schwarz Group Recovery and Recycling

[GRI 2-1 and 2-6]



PreZero Group is an international environmental service provider. Across approximately 460 locations in eleven countries and with around 30,000 employees, PreZero handles the disposal of waste and the sorting, treatment and recycling of some 23.9 million tons of recyclables annually. In addition to operational waste management and recycling, PreZero is also active in the field of packaging consulting and licensing (PreZero Dual). The portfolio is supplemented by GreenCycle, the internal provider of services such as the recyclable materials management of the companies of Schwarz Group, as well as by OutNature's sustainable fiber and paper products and sustainable packaging and logistics solutions provided by Pre-Turn. In the 2023 fiscal year, PreZero generated sales of 3.7 (2022: 3.9) billion euros. This decline in sales is due to falling prices on some of the recyclables markets. However, PreZero has good news to report when it comes to market development: The environmental division of Schwarz Group recorded a significant increase in the number of municipalities turning to it for waste disposal services year on year.

PreZero is committed to a clean future where an efficient and fully closed recycling loop protects our environment. Together with their employees and partners, the companies of PreZero Group are working hard to close loops, develop packaging innovations and protect the environment and climate by using resources efficiently.

Profile of Schwarz Group Digitalization and IT Services

[GRI 2-1 and 2-6]



To ensure the highest possible digital sovereignty for the companies of Schwarz Group, Schwarz Digits, the IT and digital division of Schwarz Group, was established in the reporting period. Schwarz Digits provides the IT infrastructure and solutions for the vast ecosystem of the companies of Schwarz Group, continually developing it further for the future in accordance with its mandate. In doing so the division creates optimum conditions for the development of groundbreaking innovations for end customers, companies and public sector organizations. A total of 7,500 employees as well as the brands Schwarz IT, Schwarz Digital, STACKIT, XM Cyber, Lidl e-commerce, Kaufland e-commerce, Schwarz Media and mmmake are part of Schwarz Digits. The division generated sales of 1.9 billion euros in the 2023 fiscal year.

As the world becomes increasingly connected and global dependencies grow, it is crucial that the companies of Schwarz Group maintain control over their digital resources – particularly in critical areas. Digital sovereignty means control: We determine where our data is stored, who can access it, and how we use it. It also means independence: We are not dependent on companies or governments that do not consistently and reliably share our values of a liberal democracy. That is why digitalization at Schwarz Digits is based on three pillars: cloud, cyber security and artificial intelligence.

As a fundamental technology, there is a particular focus on the cloud. With STACKIT, we now also offer our cloud and colocation services to customers outside of Schwarz Group and have been doing so since March 2022. The scope of services of the STACKIT Cloud is based on the customer's specific requirements and can be individually adapted. The STACKIT portfolio is continually being developed further, including on the account of market requirements. Therefore, STACKIT is an attractive solution for new user groups. A great deal of importance is being placed on data security and data protection. The data centers of Schwarz IT in Germany and Austria are fully subject to European law and the General Data Protection Regulation (GDPR).

In order to protect the entire IT landscape against attacks, at the end of 2021, Schwarz IT acquired XM Cyber, an innovative Israeli cybersecurity company. Since the security solution successfully protects internal systems, it is also offered externally. A leading provider of hybrid cloud security solutions, XM Cyber develops new approaches for minimizing cyber risks within companies. This allows a host of organizations active around the world to operate their risk management systems. Artificial intelligence (AI) will fundamentally change economic value creation. That is why, in 2022, Schwarz IT developed a comprehensive AI Code on behalf of the companies of Schwarz Group to regulate their use of artificial intelligence.

To ensure that they retain control of their data when using artificial intelligence and to support the development of artificial intelligence in the European Economic Area, companies of Schwarz Group invested in an AI company, Aleph Alpha, in September 2023. This ensures that they also maintain digital sovereignty where artificial intelligence is concerned.

› DIENSTLEISTUNGEN.SCHWARZ

All departments of the companies of Schwarz Group are supported by Schwarz Dienstleistungen. Acting as a service provider, Schwarz Dienstleistungen provides the administrative and operational structure for the other companies of Schwarz Group, covering areas such as controlling, finance, and HR, as well as procurement and real estate. This approach enables us to combine forces, take advantage of synergies, and work together in partnership in our day-to-day business. Schwarz Dienstleistungen includes Schwarz Beschaffung, Schwarz Immobilien Service, Schwarz Mobility Solutions and Schwarz Restaurantbetriebe, among others.

Profile of Schwarz Group Overview



Lidl Stiftung & Co. KG (international)

National companies

- Lidl Dienstleistung GmbH & Co. KG (DE)
- Lidl Sverige Komanditbolag (SE)
- Lidl ITALIA S.r.l. (IT)
- Lidl US, LLC (USA)
- Lidl Great Britain Limited (GB)
- Lidl Supermercados S.A.U. (ES)
- Lidl SNC (FR)
- Lidl sp. z o.o. sp.k. (PL)
- Lidl Discount S.R.L. (RO)
- ...

Regional distribution centers, logistics companies, sales companies

Lidl Digital (online)

...



Kaufland Stiftung & Co. KG (international)

National companies

- Kaufland Dienstleistung GmbH & Co. KG (DE)
- Kaufland Bulgaria EOOD & Co KD (BG)
- Kaufland Polska Markety sp. z o.o. sp. k. (PL)
- Kaufland Česká republika v.o.s. (CZ)
- KAUF LAND HRVATSKA k.d. (HR)
- Kaufland Romania Societate in Comandita (RO)
- Kaufland Slovenská republika v.o.s. (SK)
- ...

Regional distribution centers, logistics companies, sales companies

Meat processing plants

...



PreZero Stiftung & Co. KG (international)

- GreenCycle GmbH
- OutNature GmbH
- PreTurn GmbH
- PreZero Dual GmbH

National companies

- PreZero Deutschland KG (DE)
- PreZero Polymers Italy S.P.A. (IT)
- PreZero Polska sp. z o.o. (PL)
- PreZero España, S.A.U. (ES)
- PreZero Portugal, S.A. (PT)
- PreZero Recycling AB (SE)
- LAMESCH Exploitation s.a. (LUX)
- ...



Schwarz Produktion Stiftung & Co. KG

MEG (Beverages, plastics and recycling)¹

Solent Übach-Palenberg GmbH & Co. KG

(Chocolate, dried fruit, nuts)

Bonback GmbH & Co. KG

(Baked goods)

Bon Gelati Übach-Palenberg GmbH & Co. KG

Bon Gelati Haaren GmbH

(Ice cream)

Bon Presso GmbH & Co. KG

(Coffee products)

Bon Pasta GmbH

(Pasta)

...



Schwarz Digits KG

Schwarz IT

Schwarz Digital

STACKIT

XM Cyber

Lidl e-commerce

Kaufland e-commerce

Schwarz Media

mmmmake

Schwarz Dienstleistungen

Schwarz Dienstleistung KG

- Schwarz Beschaffung GmbH
- Schwarz Mobility Solutions GmbH (vehicle fleet)
- Schwarz Immobilien Service GmbH & Co. KG
- Schwarz Versicherungsvermittlung GmbH & Co. KG
- ...

¹ | Production and recycling at eight locations in Germany by MEG Leibling GmbH, MEG Jessen GmbH, MEG Löningen GmbH, MEG Kinkel GmbH, MEG Wörth GmbH, MEG Roßbach GmbH, MEG Neuensalz GmbH, MEG Übach-Palenberg GmbH

[GRI 2-9, 2-10, 2-11, 2-14 and 2-18]

Operationally, companies of Schwarz Group are managed by their respective executive boards. Chief Executive Officers of the companies of Schwarz Group as at the end of the 2023 fiscal year were Kenneth McGrath (Lidl Stiftung & Co. KG), Frank Schumann (Kaufland Stiftung & Co. KG), Jörg Aldenkott (Schwarz Produktion Stiftung & Co. KG), Wolf Tiedemann (PreZero Stiftung & Co. KG), Christian Groh (Schwarz Dienstleistung KG) as well as Christian Müller and Rolf Schumann (Co-CEOs Schwarz Digits KG). This structure is supplemented by the Schwarz Unternehmenstreuhand KG, whose General Partner is Gerd Chrzanowski. This company assumes the role of a supervisory committee and also has external members.



Gerd Chrzanowski
General Partner
Schwarz Group



Kenneth McGrath
Chief Executive Officer
Lidl Stiftung & Co. KG



Frank Schumann
Chief Executive Officer
Kaufland Stiftung
& Co. KG



Jörg Aldenkott
Chief Executive Officer
Schwarz Produktion
Stiftung & Co. KG



Wolf Tiedemann
Chief Executive Officer
PreZero Stiftung & Co. KG



Christian Müller
Co-Chief Executive Officer
Schwarz Digits KG



Rolf Schumann
Co-Chief Executive Officer
Schwarz Digits KG



Christian Groh
Chief Executive Officer
Schwarz Dienstleistung KG

Profile of Schwarz Group Performance

[GRI 2-6, 201-1 and 203-1]

The companies of Schwarz Group are constantly developing their business, and thus setting the foundation for future success. Accordingly, during the reporting period, we continued growing our business in all business areas and in over 30 countries. By the end of the 2023 fiscal year, the companies of Schwarz Group generated total sales of 167.2 (2022: 154.1) billion euros with a total workforce of over 575,000 employees (corresponding to an increase in sales of 8.5 percent compared with 2022). Improved processes and further digitalization made it possible to generate additional revenue with the same number of employees. Across 13,900 (2022: 13,700) stores globally, the retail divisions Lidl and Kaufland welcomed some 7.2 (2022: 6.8) billion customers. We owe this to our highly motivated employees as well as to stable business and supply processes.

With investments of around 8 billion euros, our brick-and-mortar business was strengthened, and strategic projects and digital business areas were developed. This included the expansion of Schwarz Produktion and the establishment of Schwarz Digits. Capacity at Schwarz Produktion was expanded in the reporting period with the acquisition of a number of production sites: Bon Pasta, a pasta factory with a rich history, became part of Schwarz Produktion in October 2022. Meanwhile, the acquisition of Maxauer Papierfabrik in February 2023 secured a reliable supply of environmentally friendly and ecologically sustainable paper for the retail divisions. In Great Britain, MEG Derby started operating at the end of 2023. Our investment activities also focused in particular on modernizing and expanding stores, new warehouse locations, and securing supply chains.

Digitalization is a crucial factor in the success of the companies of Schwarz Group, and this is also reflected in the retail divisions' comprehensive omnichannel strategy: Lidl and Kaufland link their brick-and-mortar business with the online world in an optimal fashion. The Lidl online shops, Kaufland online marketplace, and the Lidl Plus and K-Card loyalty programs are key components of this strategy. Lidl online shops are already available in eight countries – in Belgium, Germany, France, the Netherlands, Poland, Slovakia, Spain and Czechia. In the online marketplace Kaufland.de, more than 11,000 sellers offer more than 45 million products. Kaufland opened new online marketplaces in Slovakia and Czechia in 2023, with plans to open new online marketplaces in Austria and Poland in 2024. The companies of Schwarz Group generated a total of 1.7 billion euros in online sales in 2023.

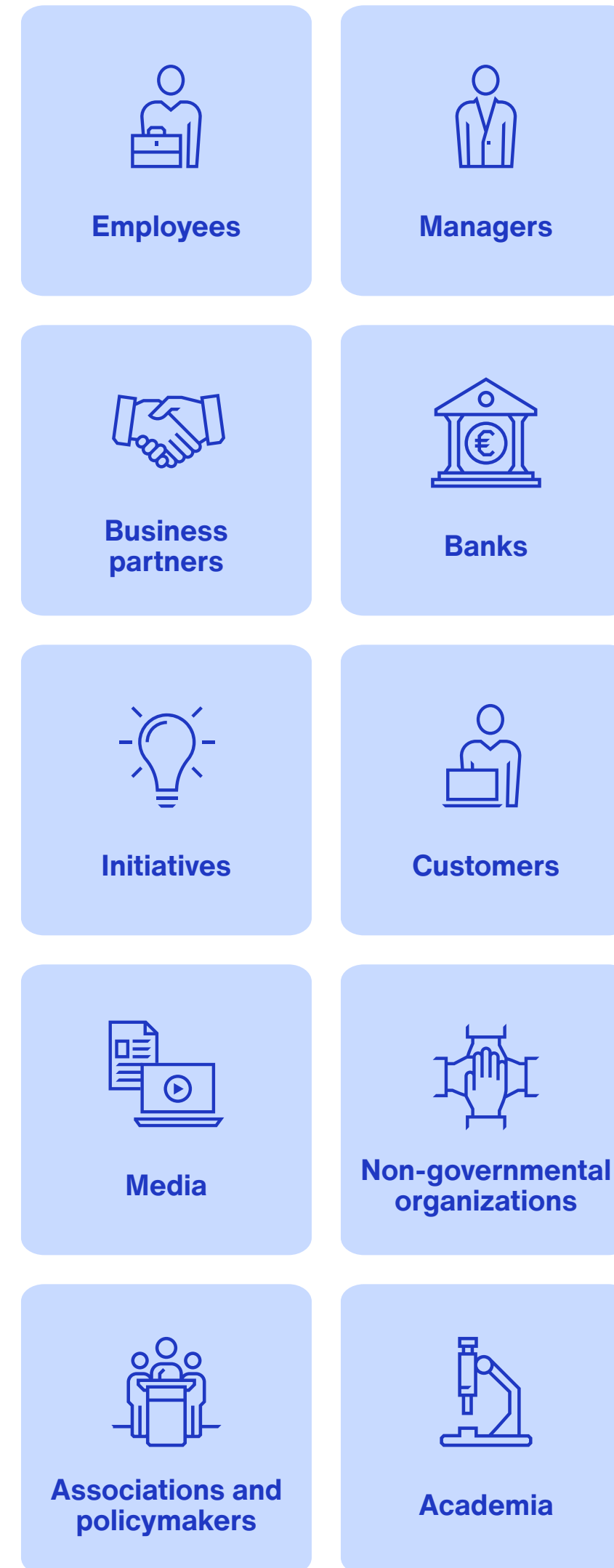


Stakeholder Management Dialog Formats at a Glance

Stakeholders of Schwarz Group

[GRI 2-29]

Trust-based cooperation is based upon listening to other opinions, sharing ideas and experiences, and striving to find the best solution. Dialog with stakeholders is therefore an important element of our values-based approaches to corporate management. The companies of Schwarz Group operate all over the world, and this means that they interact with numerous stakeholders in a variety of ways. First and foremost, this includes customers who visit Lidl and Kaufland stores on a daily basis. However, it also includes banks, direct and indirect business partners, non-governmental organizations (NGOs), and policymakers, as well as associations and initiatives. Members of the scientific community, the media, and subject matter experts are also important stakeholders for us.



Engagement of Relevant Stakeholders

[GRI 2-29]

The continuous exchange we have with our stakeholders using various dialog formats is a core component of day-to-day work activities in the sustainability and communication departments of the companies of Schwarz Group. They regularly analyze the relevant stakeholders and their interests and focus areas, for example, by conducting surveys and monitoring topics. Other departments may also have direct contact to stakeholders, where the subject matter warrants it. This dialog gives us the inspiration to successfully and sustainably develop our business and ensures transparency in our actions and interactions.

The companies of Schwarz Group actively keep their stakeholders informed using various formats, including sustainability reports, letters to stakeholders, press releases and company websites. They also reach customers and employees through customer brochures, social media and corporate intranet portals. We also actively use online surveys – for example, following seminars and training sessions – as feedback and exchange formats for employees. We facilitate and encourage dialog with external stakeholders through event series and personal exchanges. This includes the neighborhood and resident dialogs that are held alongside larger construction projects. This approach ensures that stakeholders are informed about decision-making processes in a transparent way and are actively involved.

Moreover, the companies of Schwarz Group also get involved in a variety of cooperations and networks, and participate in dialog and exchange formats initiated by third parties. For instance, we regularly engage in constructive dialog with NGOs, which not only gives us inspiration for the sustainable development of our product assortment but also enables us to establish a position on a range of issues that are relevant to society. Representatives of the companies of Schwarz Group participate in various events, for example by giving speeches at conferences and taking part in panel discussions.

Our Stakeholder Events

[GRI 2-16, 2-26, 2-29]

We also engage in dialog with our stakeholders via our own formats. The following overview presents a selection of the dialog formats organized in-house during the reporting period:

- In April 2022, a panel discussion initiated by Lidl in Germany was held under the heading “Lidl im Dialog” (Lidl in Dialog). The discussion addressed the question of how uniform sustainability labeling for food products can be implemented across the entire food sector in Germany. In March 2023, the same format was used to examine the transition to healthy and sustainable nutrition. Representatives from politics, business, society and science were invited to both events.
- In November 2022, Kaufland in Germany organized a panel entitled “Nachhaltige Immobilien im Spannungsfeld zwischen Vermieter und Mieter” (Sustainable Real Estate Practices and Aligning these Practices with the Conflicting Interests of Landlords and Tenants) in cooperation with “Der Tagesspiegel” newspaper as part of the Future Sustainability Week in Berlin. The panel addressed issues such as the challenges that tenants face in trying to make their rented premises more sustainable. The discussion proved a valuable source of inspiration for Kaufland as it strives to find joint solutions with its landlords to reach its own climate targets.

- As part of the SCHWARZ Brotzeit dialog series organized by the representative office of Schwarz Unternehmenskommunikation GmbH & Co. KG in the capital, politicians with subject matter expertise were invited to a discussion in Berlin. In December 2022, a dialog took place as the year drew to a close. At a dialog event in September 2023, participants reflected on the past six months in politics and discussed future topics of relevance.
- In October 2023, the Public Affairs department at Schwarz Unternehmenskommunikation GmbH & Co. KG organized the “Schwarz Impulse” event on the topic of digitalization in Brussels. Various speakers gave the audience of some 200 representatives from the worlds of politics and business an insight into the current situation in digitalization and the opportunities and challenges in this field. Participants were then invited to share their thoughts and ideas.
- In December 2023, Kaufland in Germany invited representatives from politics and business to attend a panel discussion at the logistics center in Möckmühl. The EV charging station with eight charging points was officially opened during the event, which focused on innovative spirit, alternative drives, climate protection and sustainable supply chains.
- Kaufland in Germany demonstrated its commitment to sustainability at “Grüne Woche,” the leading trade fair for food and agriculture, in January 2024 with its own booth and program of events. Highlights included the presentation of Kaufland in Germany’s first sustainability report. The opportunity to connect and interact

with partners, suppliers, politicians and other interested parties was a key focus for Kaufland at the event.

- PreZero engaged in stakeholder dialog with representatives from the fields of politics, sports and science as part of its certification for sustainable waste and resource management at Bundesliga team TSG 1899 Hoffenheim’s soccer stadium. The participants discussed the motivations for sustainable action, the potential for sustainability in sports, and potential political courses of action.

Employee Surveys

[GRI 2-16, 2-26, 2-29]

In order to systematically gather insights on the opinion of the employees of the companies of Schwarz Group, we regularly conduct the jointly developed employee surveys. In the surveys, employees across all divisions are asked about their level of satisfaction. The latest survey took place in fall 2023. In addition, there are employee relations consultants at all companies of Schwarz Group. They act as a mouthpiece for the general mood and opinions of the employees which they convey to top management through reports based in part on conversations with employees. These reports are anonymous and cannot be used to identify the employees. Further information about this can be found in the [People](#) chapter.

Stakeholder Management Political Representation of Interests

[GRI 415-1 and 2-29]

As a leading retail group in Europe, the companies of Schwarz Group regard themselves as a partner to state and politicians providing their expert knowledge to government and political decision-makers and in doing so, participating in decision-making processes. When it comes to the political representation of interests at a national and international level, the focus of the companies of Schwarz Group is always on promoting sustainable development. This is evident in relation to the energy and mobility transition, for example. Suggestions for improvement and obstacles to progress are constantly and constructively being discussed in dialog with politicians.

Various companies of Schwarz Group, including Schwarz Unternehmenskommunikation GmbH & Co. KG, are registered in the Lobbying Register for the Representation of Special Interests vis-à-vis the German Bundestag and the Federal Government. Consequently, these companies are subject to the Code of Conduct for representatives of special interests in the framework of the German Lobbying Register Act (Lobbyregistergesetz). On account of its office in Brussels, Schwarz Unternehmenskommunikation GmbH & Co. KG is also registered in the European Union Transparency register and is subject to a corresponding Code of Conduct there.

According to its mandate, Schwarz Unternehmenskommunikation GmbH & Co KG represents the interests of the companies of Schwarz Group in the political arena and plays an active role in this respect. In addition, the company establishes positions on topics that are relevant to politics or

society, working with the divisions to incorporate their specific focus areas. The companies of Schwarz Group participate in political debates purely on a content-related basis; they do not make donations to political parties.

Focus areas for the political representation of interests are:

- Renewable energy
- Energy efficiency
- E-mobility
- Climate-friendly construction
- Circular economy
- Packaging and recycling
- Single-use/multi-use bottle deposit systems (closed-loop bottle)
- Textiles and electrical appliances/batteries (product responsibility and collection)
- Packaging design
- Food labeling
- Origin labeling
- Animal husbandry labeling
- Reshaping animal husbandry
- Nutrition strategy
- Corporate due diligence obligations in supply chains
- Work and social affairs
- E-commerce
- Digital sovereignty (infrastructure and digitalization of administration)
- Data economy and key enabling technologies (including AI)
- Cyber security and data privacy

The “Public Affairs Countries” team at Schwarz Unternehmenskommunikation GmbH & Co. KG coordinated the strategically important EU Packaging Regulation (PPWR) project based on the work and process structures established in the past year. This was done on behalf of the companies of Schwarz Group via the relevant target markets. A particular focus was the involvement of the national companies in the relevant legislative work of the Council of Ministers.

Schwarz Unternehmenskommunikation GmbH & Co. KG represents its key interests at various political events. For a selection of events from the current reporting period, please refer to [Dialog Formats at a Glance](#).

Stakeholder Management

Memberships and Commitments

[GRI 2-28]

Companies of Schwarz Group are actively involved in various industry associations, initiatives and organizations, and actively contribute by either providing specialist expertise or by supporting them with a membership fee.

Companies of Schwarz Group joined the United Nations Global Compact (UNGC) in 2020, and in doing so, have committed themselves to complying with and promoting the ten principles of the UNGC. We see it as our respective corporate responsibility to stand up for the strengthening of human rights, fair remuneration and safe working conditions in all areas of our business activities worldwide. We oppose any form of corruption and are committed to environmental and climate protection. As part of an annual "Communication on Progress" report, the companies of Schwarz Group document the measures they have implemented in this respect and the progress they have made.

WE SUPPORT



A selection of the various companies of Schwarz Group other commitments and memberships is listed alphabetically below. The sustainability reports of the companies of Schwarz Group also provide an insight into other memberships at an international and national level. Further information is also provided in the [Product Quality](#) chapter.

- Bundesverband der deutschen Entsorgungs-, Wasser- und Kreislaufwirtschaft e. V. (BDE; Association of German Waste Management, Water and Circular Economy)
- Circular Economy Initiative of the Bundesverband der Deutschen Industrie e. V. (BDI; Federation of German Industries)
- Berliner Steuergespräche e. V. (Berlin Tax Consultations)
- Bitkom e. V.
- Federal Association of German Food Retailers (BVLH)
- Deutsches Institut für Compliance e. V. (DICO; German Institute for Compliance)
- Ellen MacArthur Foundation (see also the [Circular Systems](#) chapter)
- Europäische Bewegung Deutschland e. V. (European Movement Germany)
- Forum Moderne Landwirtschaft e. V. (Forum for Modern Agriculture)
- Gesellschaft für Datenschutz und Datensicherheit e. V. (GDD; German Association for Data Protection and Data Security)
- gfo – gesellschaft für organisation e. V. (Association for Organization)
- Global Standards One Network (GS1)
- Handelsverband Deutschland e.V. (HDE; German Retail Federation)
- International Fiscal Association Germany (IFA)
- Institut für Digitalisierung im Steuerrecht e. V. (Institute for Digitalization in Tax Law)
- Institut Finanzen und Steuern e. V. (Institute for Finance and Tax)
- Lebensmittelverband Deutschland e. V. (Food Federation Germany)
- Science Based Targets initiative (SBTi) (see also the [Ecosystems](#) chapter)
- Market Economy Foundation
- Foundation for Family Businesses and Politics
- We Mean Business Coalition
- Grüner Wirtschaftsdialog e. V. (Green Economic Dialog)
- Wirtschaftsvereinigung der Grünen e. V. (Green Party Trade Association)
- Wirtschaftsforum der SPD e. V. (SPD Economic Forum)
- Wirtschaftsrat der CDU e. V. (CDU Economic Council)

[Company portal and CoP report](#)

Stakeholder Management Cooperations

[GRI 2-28 and 2-29]

To drive forward sustainable innovation, the companies of Schwarz Group exchange ideas and knowledge with various partners in cooperations and projects. Their focus is on topics such as recycling solutions or decarbonization. Companies of Schwarz Group also work with startups in various formats:

Experts from departments of some companies of Schwarz Group have been supporting the Futury accelerator program as initiators and partners since October 2022. As part of the Futury program, innovative solutions from the areas of nutrition (Mission Food), waste prevention and recycling (Mission Waste), and sustainable construction and real estate (Mission Construction) are supported, and in some cases, piloted. Various events relating to these individual areas of the Futury program were held during the reporting period: At an event on the topic of sustainable construction in February 2023, representatives of individual companies of Schwarz Group and other Futury partner companies and participating startups congregated in Neckarsulm to discuss ideas for sustainable solutions in the construction and real estate industry. In August 2023, a Kaufland representative discussed the issue of sustainable nutrition with other representatives of the business community at a joint panel in Munich. Lidl in Germany welcomed the participating startups to the Mission Food Final Event in Bad Wimpfen in December 2023. In this way, specific needs from the industry are shared and the project partners work together on potential further developments for the relevant startup solutions. The Futury program gave rise to our successful collaboration with the

company Recyda, among others, which developed a digital solution for assessing the recyclability of own-brand packaging.

Furthermore, in cooperation with other corporate partners, we facilitated the establishment of the FUTURE Institute for Sustainable Transformation in 2022. This makes it possible to successfully and sustainably solve more complex challenges, in particular by working closely with scientists. Suggestions for joint projects in the areas of employee empowerment, attitude-behavior gap, and sustainable logistics were developed during the reporting period, among other initiatives.

As a company of Schwarz Group, PreZero is also a member of the "Digital Watermarks Initiative HolyGrail 2.0", which aims to demonstrate the technical viability of digital watermarks for the accurate sorting of packaging waste as well as the economic viability of the business case on a large scale.

Compliance

Key Corporate Principle

[GRI 2-23, 2-24 and 2-27]

For all companies of Schwarz Group, economic success is directly related to responsible corporate management. The compliance management systems established in the companies, which ensure conduct with integrity, are a key part of this. Widely launched training concepts ensure that our employees are systematically sensitized to codes of conduct and prevailing policies.

The companies of Schwarz Group endeavor to embody integrity. Their actions and the actions of their employees are subject to the jointly adopted principle: "We comply with applicable law and internal guidelines." This key corporate principle is binding for all employees of the companies of Schwarz Group. The companies of Schwarz Group place great value on compliance with laws and regulations and see it as their social responsibility to act with integrity. Violations of the law can lead to financial damage and loss of reputation for the companies of Schwarz Group. Moreover, they can lead to personal compensation claims and have criminal consequences for individual employees or members of company boards. The companies of Schwarz Group and their Management Boards are therefore expressly committed to complying with and ensuring the implementation of this corporate principle.

Respecting Human Rights and Environmental Standards

Whether as customers, employees, or business partners – people are at the heart of what the companies of Schwarz Group do. They are therefore committed to ensuring that human rights and environmental standards are respected and strengthened in all areas of their business activities around the world. With this joint declaration on the commitment of all of the companies of Schwarz Group to respect human rights and environmental standards, the companies of Schwarz Group stress their responsibility as a leading retail group. Due to the complex value chain structure in retail and food production, the greatest human rights and environmental challenges lie in increasingly globalized supply chains.

Legal requirements in Germany (German Supply Chain Due Diligence Act – Lieferkettensorgfaltspflichtengesetz) and at European level add to these challenges. The companies of Schwarz Group therefore strive to meet their responsibility toward people and the environment not only within the scope of our own activities, but also jointly with direct and indirect suppliers along the supply chains and service sectors. Further information about this can be found in the [People](#) chapter.

The publication of the joint declaration mentioned above (as at December 2022) was a logical further development of the long-standing commitment of the companies of Schwarz Group to this issue and is based on our commitment to respect human rights and environmental standards as laid down in internationally recognized frameworks. With this declaration, the companies of Schwarz Group have made a commitment to ensure that respect and integrity continue to shape their self-image in the future.

For many years, the companies of Schwarz Group have also had a jointly created Code of Conduct for Business Partners in which we set out our expectations regarding compliance with human rights and environmental standards and also reserve the right to audit business partners' compliance with them (see also the [People](#) chapter). The companies of Schwarz Group also establish the processes required for the adequate protection of human rights among their employees and compliance with environmental standards in their corporate principles, policies and procedural instructions.

[Business Partner Code of Conduct](#)

[Commitment on Respecting Human Rights and Environmental Standards](#)

Compliance Management Systems as a Basis

Against the background of the core shared corporate principle, the companies of Schwarz Group have implemented Compliance Management Systems (CMS), which include binding requirements. These systems define specific requirements and elements to ensure an appropriate level of compliance is maintained.

The key aim of CMS is to avoid and identify any violations against current legislation and internal policies and to resolutely pursue and prosecute if violations are identified (zero-tolerance principle). In terms of the content covered by compliance management systems, the focus is on areas such as anti-corruption, anti-fraud, data privacy, business partners, antitrust law and supply chains.

In order for the companies of Schwarz Group to also fulfill their financial responsibility, the focus areas of tax and accounting compliance have also been established. This ensures that the companies of Schwarz Group adhere to their tax and other financial duties in the countries where they operate.

The compliance measures include in particular the adoption and communication of regulations (for example, on the handling of benefits and data privacy regulations), the implementation of training measures, and the investigation and follow-up of all material internal and external tips regarding potential compliance-related legal violations. As well as the support of all employees and managers, the implementation of each CMS requires

a compliance organization tailored to the respective part of the company. The respective departments and roles responsible for compliance regularly review the suitability and effectiveness of the systems and assess the potential for improvements.

The Compliance working group of the companies of Schwarz Group provides a platform for regular discussions on compliance matters relevant to the group as a whole and continuously develops the Compliance Management Systems. The working group consists of the compliance officers or their deputies. The CMS are reviewed by the Audit department on a regular basis.

Training Courses and Whistleblower Systems for Prevention

[GRI 205-2]

In order to avoid compliance violations, a key topic aside from the continuous identification of compliance risks is raising awareness amongst employees and management by means of training courses. These training courses cover the potential compliance risks that may be encountered at work and the correct and appropriate way to behave should they arise. Employees are given risk-oriented training on the compliance issues that are relevant to them based on their roles and responsibilities. The divisions conduct both mandatory in-person training courses and online training courses for this purpose. As a rule, business partners and suppliers are also obliged to comply with statutory requirements pursuant to a corresponding contractual clause.

In addition, employees are given unrestricted access to internal employee relations consultants as well as to fair and transparent complaints procedures. They can also contact the respective compliance officer directly. Moreover, in the divisions, ombudspersons (external lawyers of trust) have been appointed, and online reporting systems have been set up, which can be used to report information.

Any significant findings resulting from complaints are used to identify risks and further develop compliance measures. If adverse impacts are identified, which may directly or indirectly be associated with the business activities of the companies of Schwarz Group, the relevant company endeavors to rectify the situation with appropriate measures and use their powers of influence to ensure that affected parties may receive appropriate redress.

Data Privacy

The protection and security of the data of customers, business partners and employees is a top priority. Digitalization and networking lead to more efficient processes and resource-saving planning, and thus contribute to sustainability. At the same time, data-based solutions also demand particular care and attention.

As well as fulfilling the applicable regulatory requirements, the companies of Schwarz Group also want their customers, business partners and employees to trust them with the protection of their personal data. As such, the aim of all companies of Schwarz Group is to protect personal data to

the greatest possible extent at all times, while incorporating state-of-the-art standards and consistently fulfilling data privacy requirements. This is an ongoing process.

Data protection forms part of the CMS at the companies of Schwarz Group and is covered by the respective measures defined in these systems. In addition to binding specifications in the form of policies and processes, this includes training measures and the offer of advisory services from the Data Protection departments. In this way, the companies of Schwarz Group ensure that the relevance of the issue is communicated and that personal data is processed in a legally compliant manner.

In line with legal requirements, the information obligations under data protection law are fulfilled and the rights of data subjects are respected. In the event of personal data breaches, the breaches are analyzed and corrective action is taken. Any reporting obligations with respect to supervisory authorities and/or notification obligations with respect to data subjects are fulfilled.

Tax

[GRI 207-1, 207-2 and 207-3]

The companies of Schwarz Group observe all valid tax laws, policies and regulations in the countries and communities in which they operate. The jointly adopted tax principles of the companies of Schwarz Group stipulate not only complete compliance with all relevant tax laws, but also timely fulfillment of all tax obligations and the submission of correct tax returns.

The companies of Schwarz Group are conscious of the fact that the taxes they pay represent a significant source of income for the countries and communities and are thus a prerequisite for a functioning society. In the spirit of corporate citizenship, the companies of Schwarz Group engage in legal tax planning based on economic grounds. We are opposed to aggressive tax planning based on artificial structures employed solely for tax-saving purposes. The same applies to transactions which lack economic substance and which only serve the purpose of obtaining undue tax advantages.

The companies of Schwarz Group strive to maintain a cooperative, open and trusting relationship with all tax authorities. In so doing, they endeavor to avoid the risk of uncertainty or even disputes. When dealing with financial authorities, our interests are protected and our legal positions are defended where we consider this to be the correct approach in accordance with the prevailing opinion in case law and literature.

The companies of Schwarz Group have multiple tax departments, which are responsible for compliance with tax obligations. The Tax department of Schwarz Dienstleistung KG is the service provider tasked with tax matters by the companies of Schwarz Group and the contact for this subject area. The foreign companies of the individual divisions generally have their own Tax departments, which may draw on the expertise of the Schwarz Dienstleistung KG Tax department on key issues.

The Tax departments develop policies and target processes as required, defining the relevant responsibilities and the early involvement of the Tax departments in operational processes. On behalf of the companies of Schwarz Group, the Tax department at Schwarz Dienstleistung KG also informs the employees affected about any relevant tax changes and arranges training if required. To ensure that tax processes are legally correct, the companies of Schwarz Group have jointly established tax compliance as a focus area in their CMS.



Strengthening CR Management



CR Strategy Our Driving Force

The companies of Schwarz Group – by their own account, the fourth largest retail group in the world – have created a unique ecosystem: from production through retailing up to disposal and recycling in addition to digital services. We use our influence throughout the whole value cycle to set standards for respectable behavior toward one another and create an environment worth living in. Our jointly developed corporate responsibility (CR) strategy provides the framework for our group-wide commitment to sustainability. This strategy is based on the four focus areas of People, Product Quality, Circular Systems and Ecosystems. It enables us to grasp the challenges of sustainable development as an opportunity and devise business strategies that are fit for the future. We act ahead.

Our world is changing. The economy and society are going through a profound transformation and this presents significant challenges for us all – but also opportunities. Climate change in particular is a challenge that requires a response from society as a whole and we must not shy away from our responsibility here. It is a complex issue to be mastered at many levels: On the one hand, we are duty bound to conserve our natural resources. On the other, we need to ensure that we have enough resources to feed a growing global population. In order to achieve this, we support climate-friendly, plant-based nutrition pursuant to the Planetary Health Diet: In selected countries, our retail divisions Lidl and Kaufland have aligned the prices of virtually the entire plant-based, private-label range with the prices of products of animal origin: zero price difference for conscious nutrition.

In addition to curbing climate change, the world has a responsibility to end global poverty once and for all and to prevent human rights violations, especially in the Global South. At the same time, it is important to secure one's own prosperity in consideration of future generations. Digitalization accompanies and influences all of these opportunities and challenges, opening up a whole host of new possibilities. We are tackling these developments head-on and using them as a driving force for the development of our business. As companies of Schwarz Group, we do not wait for challenges to become problems. We act ahead in order to secure a sustainable, healthy and safe life.

CR Strategy

Our Strategic Approach

There is hardly any other group around that is as diverse as Schwarz Group and covers the entire value cycle. This starts with the variety of products produced by Schwarz Produktion that find their way onto the shelves of the retail divisions Lidl and Kaufland. PreZero manages waste and recycling while the innovative IT solutions are taken care of by our IT and digital division Schwarz Digits, not to mention Schwarz Dienstleistungen as the backbone of our operations. This diversity is what makes us unique and enables us to tackle sustainability with everything we have. Although the companies of Schwarz Group may have different business models, they all focus on the same direction. We consistently act ahead in pursuit of our jointly developed sustainability vision:

projects and measures. The individual business units also have their own individual sustainability strategies as well as other company-specific and country-specific goals.



Assuming Global Responsibility. Acting with Diversity.

The companies of Schwarz Group are tackling the complex challenges that lie ahead over the coming years with resolute determination. They are striving to ensure sustainable development in all business areas and are incorporating sustainability into all business processes. A common understanding of sustainability underpins these efforts: The four focus areas of our jointly developed CR strategy – People, Product Quality, Circular Systems and Ecosystems – give us clarity and serve as a guiding light for our commitment to sustainability and clearly define our priorities. They provide guidance, helping us to identify material topics, define goals, and implement a variety of



Our Vision
Assuming Global Responsibility. Acting with Diversity.

People	Product Quality	Circular Systems	Ecosystems
Targeted Empowerment More transparency for our customers by 2025	Mindful Nutrition 20% less salt and sugar by 2025 in GER	Smart Recycling Maximum recyclability by 2025	Save Water
 Fair Wages	 Certified Raw Materials	 Conscious Use of Materials 30% less plastic by 2025	 Active Climate Protection Contribution to reducing global warming to 1.5 degrees

CR Strategy

Our Understanding of the Focus Areas

People: We Believe in Cooperation Based on Respect, Appreciation and Trust.

As responsible employers, the companies of Schwarz Group want to offer an attractive and healthy work environment founded on diversity and equal opportunities. We believe that education is essential: Through targeted empowerment and support, we promote employees' development both professionally and personally. Good working and living conditions, which include fair, attractive remuneration, are important to us – also in the supply chain, so we take care to ensure compliance with social and environmental standards there too. We are a reliable partner for our social environment and promote social and environmental issues around the world.

Product Quality: We Leave no Stone Unturned when It Comes to Quality – Sustainable, Safe and Healthy.

With our commitment to more sustainable product design, we are bringing conscious nutrition to the mainstream of society. By offering high-quality products at a favorable price, we enable customers to make more sustainable, conscious choices and to enjoy healthy nutrition within the boundaries of our planet. The diverse range of products and services offered by the companies of Schwarz Group are characterized by transparent labeling and high quality, which builds trust among our customers. For the assortment in our retail divisions, for example, we prioritize sustainable products from certified sources with recognized seals as well as raw materials from the local region.

Circular Systems: We Are Resource-efficient and Embrace the Circular Economy.

Thanks to our diverse corporate structure, we are able to put the circular economy into practice. It is therefore an important element of our jointly developed strategy. This does not just apply to our own processes, but also along the entire supply and value chain. Our aim is to preserve resources and close recycling loops. That is why the companies of Schwarz Group also strive to avoid generating internal waste and food waste, and work hard to conserve and reuse resources. The sustainable design of packaging and products as well as the use of efficient collection, recycling and recovery processes are also important elements of our strategy.

Ecosystems: We Are Committed to Protecting the Climate and Environment.

The companies of Schwarz Group actively contribute to environmental and climate protection. With our jointly developed climate strategy, we are doing our bit to limit global warming. In this respect, we work together to consistently reduce operational emissions, among other things. As part of these efforts, we ensure that stores are optimized from an energy perspective and use almost 100 percent¹ electricity from renewable energy sources. We are continuously ramping up our own generation of electricity. We also focus on conserving and protecting water resources so as to preserve vital freshwater supplies. The same applies to biodiversity, which we are committed to protecting to ensure plants and all living things have a safe space to live in for many years to come.

1 | Excluding any purchase agreements that the companies of Schwarz Group cannot influence, such as those for individual leased properties with a binding electricity procurement clause. Additional information below: www.gruenstrom.schwarz



CR Targets

The companies of Schwarz Group are continually setting binding, group-wide targets within the four focus areas. Through this approach, we want to ensure that our business activities are in harmony with our responsibility to the environment and to society over the long term. We are also focused on preserving quality of life for current and future generations along with our own long-term business success.

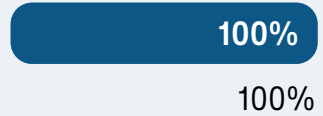

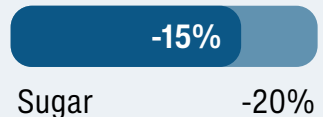
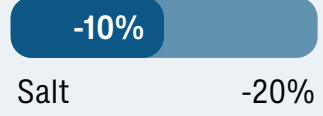
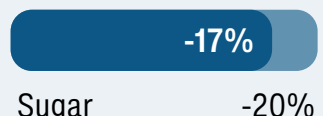
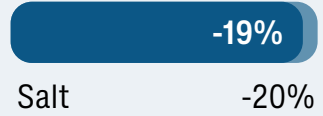
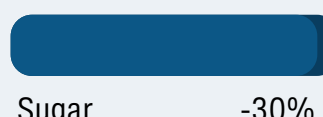
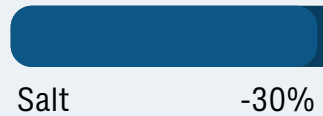
Focus Area: People

Target	KPI / Measurement	Status	Target Attainment	Page(s)
Our goal by 2030: We will regularly update all our respective employees on our sustainability commitment and implement target-group-specific empowerment measures to build on this.	1. Development of results of the employee sustainability survey	*	New target	
Our goal by 2030: We will empower our respective management to consistently implement sustainability in their area of responsibility.	2. Semiannual, standardized tracking of measures, incl. level of implementation	*	New target	

Focus Area: Product Quality

Target	KPI / Measurement	Status	Target Attainment	Page(s)
Lidl aimed to achieve 100% certification through selected sustainability seals (Fairtrade, Rainforest Alliance and organic) for all items containing cocoa and chocolate bars by 2022.	Proportion of certified cocoa in cocoa assortment (private-label products)		96% ¹ 100% Lidl	69
Kaufland aimed to achieve 100% certification through selected sustainability seals (Fairtrade, Rainforest Alliance, and organic) for all items in its private-label assortment containing cocoa by 2023.			88% ¹ 100% Kaufland	69
In terms of coffee procurement, Lidl and Kaufland aimed to achieve 100% raw material certification through selected sustainability seals (Fairtrade, Rainforest Alliance, organic) for roasted beverages, instant coffee, capsules and cappuccinos in the private-label product assortment by the end of 2022.	Proportion of certified coffee products in the entire coffee product assortment (private-label products)		95% ¹ 100% Lidl	69
In terms of coffee procurement, Kaufland aimed to achieve 100% raw material certification through selected sustainability seals (Fairtrade, Rainforest Alliance, organic) for whole beans, ground coffee, instant coffee, system coffee and blended coffee drinks in the private-label product assortment by the end of 2023.			96% ¹ 100% Kaufland	69
Lidl aimed to achieve 100% raw material certification by RSPO for procured items containing palm (kernel) oil (incl. derivatives and fractions) pursuant to the “Mass Balance” standard by the end of 2022. For food items containing palm (kernel) oil, the aim was to achieve RSPO certification pursuant to the “Segregated” standard by the end of 2023.	Proportion of sustainable palm (kernel) oil items in the entire product assortment of palm (kernel) oil items (private-label products)		88% 100% Lidl	118
Kaufland aimed to achieve 100% raw material certification by RSPO for procured items containing palm (kernel) oil pursuant to the “segregated” standard or higher by the end of 2022. Derivates and fractions are required to have a 100% raw material certification by RSPO pursuant to the “Mass Balance” standard.			98% 100% Kaufland	118
By the end of 2025, 100% of procured fish and shellfish from aquaculture or wild-caught in Lidl’s permanent assortment will be certified (organic, Global G.A.P., BAP, or ASC/MSC [except tuna]); 50% of these items in Lidl’s promotional assortment will be certified (organic, Global G.A.P., BAP, or ASC/MSC [except tuna]). Furthermore, by the end of 2025, 100% of fish procured by Lidl in frozen goods and convenience as well as in canned tuna in the permanent assortment will be certified (MSC/ASC, Global G.A.P., BAP; except the following canned tuna: FIP, FAD free, pole&line). Finally, Lidl aimed to procure “fish” cat food varieties certified according to MSC or ASC by the end of 2022.	Total target attainment as a percentage		90% 100% Lidl	71

1 | The purchasing figures for Lidl and Kaufland are calculated at an international level by weighting the country figures in relation to the respective number of items and stores



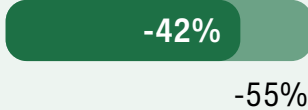

Target	KPI / Measurement	Status	Target Attainment	Page(s)
For the production of the Kaufland private label K-take it veggie with soy as a basic ingredient, our suppliers exclusively use soy from the EU as an ingredient. The soy used is deforestation-free and conversion-free (pursuant to the criteria of the Accountability Framework initiative).	Proportion of certified soy in the entire soy assortment	➔	 100% Kaufland 100%	118
With regard to the procurement of cotton, Lidl and Kaufland aimed to achieve 100% certification through selected seals (GOTS, OCS, CmiA) for textiles, hard goods and more sustainable cotton by the end of 2022. By the end of 2025, Lidl aims to procure 20% of its cotton items in organic quality.	Proportion of certified cotton in the entire cotton assortment	➔	 95% 100%	70
By 2025, Lidl will reduce the sales-weighted, average added sugar and salt content in its private-label assortment by 20% (base year: 2015).	Weighted average content of added sugar, salt and fat based on sales	➔	 -15% Lidl Sugar -20%	72
		➔	 -10% Lidl Salt -20%	
By 2025, Kaufland in Germany will reduce the sugar, salt and/or fat content in 500 private-label items by 20% on average (base year: 2015).		➔	 -17% Kaufland Sugar -20%	72
		➔	 -19% Kaufland Salt -20%	
By 2025, the companies of Schwarz Produktion will reduce the average sugar content per liter of beverages sold by approx. 30% and the average salt content per kilogram of baked goods sold by approx. 30% (base year: 2015).		➔	 -32% Schwarz Produktion Sugar -30%	72
		➔	 -34% Schwarz Produktion Salt -30%	

Focus Area: Circular Systems

Target	KPI / Measurement	Status	Target Attainment	Page(s)
By 2025, Lidl and Kaufland will use on average 25% recycled material in their private-label packaging made of plastic.	Target attainment in percent		<div style="width: 19%;">19%</div> 25%	83-85
By 2025, Lidl and Kaufland will maximize the recyclability of 100% of their private-label packaging made of plastic.	Target attainment in percent		<div style="width: 54%;">54%</div> 100%	83, 85
By 2025, Lidl and Kaufland will use 30% less plastic in their private-label packaging and transport aids made of plastic compared with the base year of 2017. By 2027 they will increase this value to 35%.	Target attainment in percent		<div style="width: 34%;">-34%</div> -30%	83, 85
By the end of 2030, the companies of Schwarz Group will reduce their food waste by 50% at group level compared with 2018.	Target and measurement methods under development.			93
By the end of 2025, the companies of Schwarz Group will recover, recycle or reuse a significant proportion of the waste they generate.	Target attainment in percent		<div style="width: 88%;">88%</div>	93

1 | Transport aids include, for example, carrier bags and plastic bags/knot bags.

Focus Area: Ecosystems

Target	KPI / Measurement	Status	Target Attainment	Page(s)
By 2030, the companies of Schwarz Group will reduce their operational emissions (Scope 1 and 2) by 55% in total compared with 2019. ¹ 	Scope 1 and 2 greenhouse gas emissions			
The companies of Schwarz Group are making the joint commitment to oblige suppliers, who are responsible for 78% of product-related emissions, to set themselves climate targets by 2026 pursuant to the criteria of the SBTi.	Proportion of product-related emissions of suppliers with a validated SBT			116



The companies of Schwarz Group found their sustainability activities on scientifically-based climate targets. They joined the Science Based Targets initiative (SBTi) back in 2020. Now they are taking the next logical steps: The companies of Schwarz Group jointly submitted an official net-zero commitment to the SBTi in September 2024. As such, they are committing to reduce all greenhouse gases emitted along the value added chain to net-zero by 2050 at the latest.

Due to the inorganic growth of the companies of Schwarz Group and adjustments to the methodology, the base year and the previous year were recalculated in 2023. Owing to this recalculation, our new and updated climate targets are being (re)validated by the SBTi.

1 | The target for Scopes 1 and 2 also includes biogenic emissions and the removal of biogenic raw materials.



CR Governance Organizational Integration and Responsibilities

[GRI 2-12, 2-13, 2-16 and 2-17]

The fields of activity in the companies of Schwarz Group are just as diverse as the manifold requirements of effective CR management. The companies of Schwarz Group work together closely to coordinate their sustainability activities. Yet, they also align their actions to the respective business model and the environment of the respective company.

The responsibility for sustainability lies with the Chief Executive Officers of the respective companies of Schwarz Group. The CR department at Schwarz Unternehmenskommunikation GmbH & Co. KG (Schwarz Corporate Communications) has been coordinating the strategic sustainability approach of the companies of Schwarz Group according to its mandate in an inspirational and guiding capacity since January 2023: It is headed by Susanne Marell, the department's first executive vice president. This department supports the companies with their sustainability activities and enables cross-company cooperation on global topics.

In accordance with the organizational structure, the topic of sustainability is anchored in all of the companies of Schwarz Group with the incumbent CR/CSR Heads in the departments of each company and national company. They act as coordinators for CR issues within their own business unit and manage implementation.

[GRI 2-15]

The CR Round Table coordinates the strategic approach of the overarching, jointly developed CR commitment. Its members include the responsible Heads of CR/CSR from the companies of Schwarz Group incumbent during the reporting period. The content of group-specific topics is addressed within the individual focus areas. Together, group-wide guiding principles and general conditions are defined and constantly refined. The CR Round Table meets regularly and is also involved in constant exchange with the established work structures about overarching topics. Expert coordination is provided by the CR department of Schwarz Unternehmenskommunikation GmbH & Co. KG.

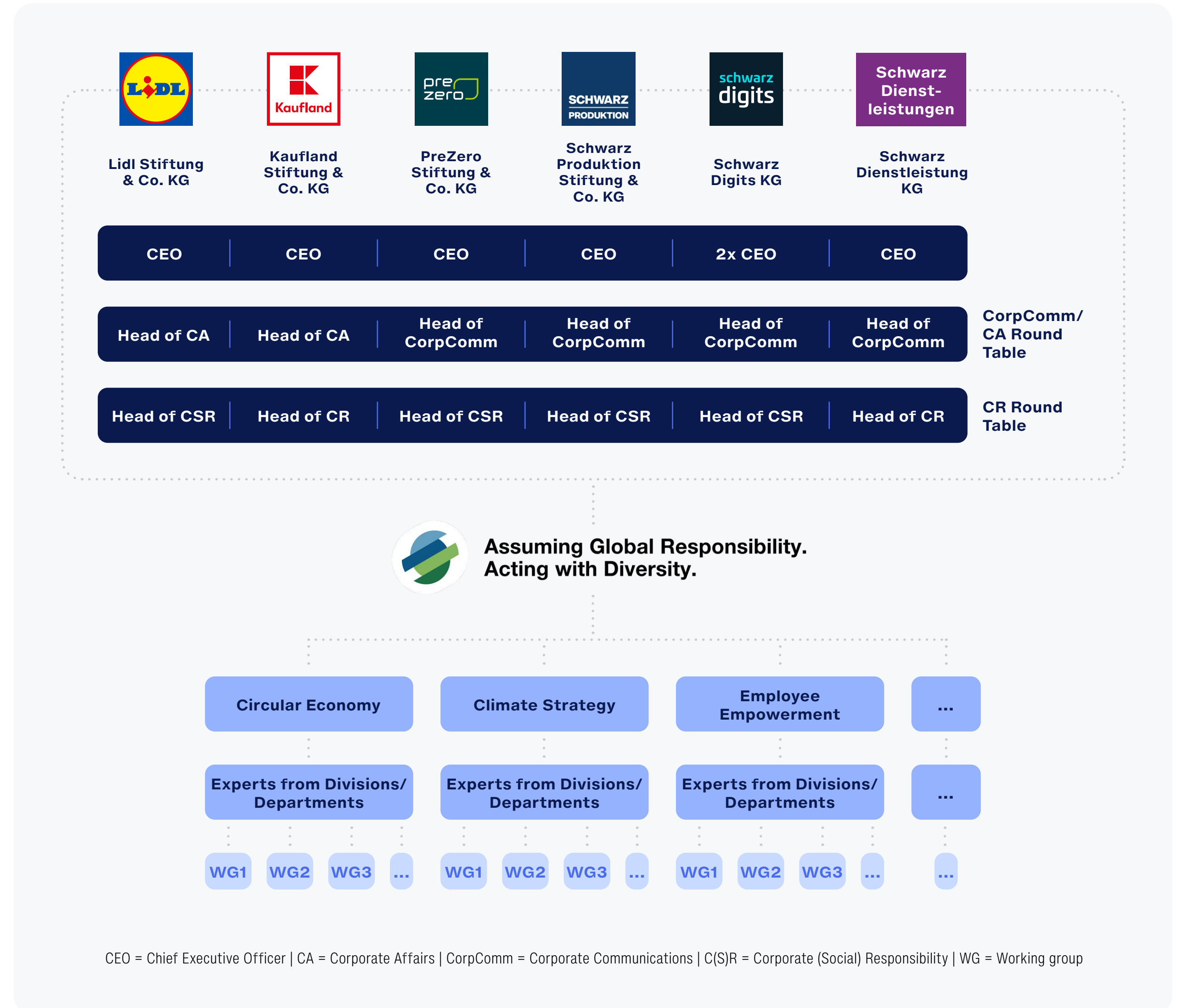
CR Governance

Involving Top Management as regards Sustainability

[GRI 2-14]

The members of the CR Round Table are connected to the Chief Executive Officer of the relevant company of Schwarz Group via their unit. This keeps reporting lines short and means knowledge can be shared quickly and directly. Strategic guidelines such as materiality analyses are validated and approved by top management. All members of the Executive Board as well as the International Management Boards of the companies of Schwarz Group regularly receive management circulars in which CR topics are reported on, among others.

In order to define and achieve the jointly developed, group-wide goals, cross-company working structures are in place. In the process, the relevant departments in the companies of Schwarz Group for the subject areas concerned are identified and representatives are integrated into the various boards with clear roles and tasks.



CR Governance Materiality Analysis

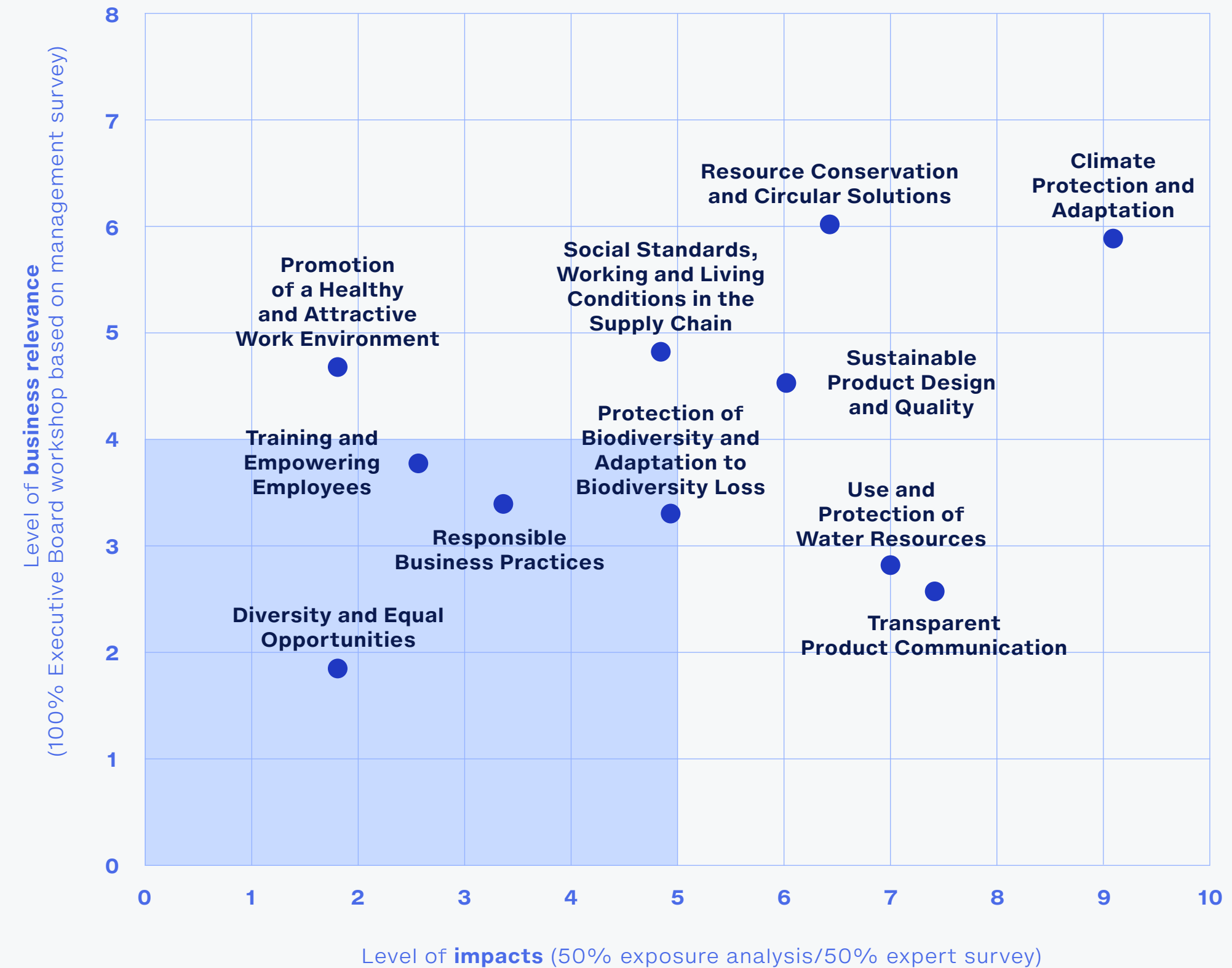
In our materiality analysis, we regularly take a comprehensive look at the sustainability-related opportunities and risks that arise from the business activities of the companies of Schwarz Group. Based on this analysis, we continually develop the content of our jointly-developed strategic sustainability agenda.

Schwarz Unternehmenskommunikation GmbH & Co. KG conducted a comprehensive and substantiated materiality analysis by order of the companies of Schwarz Group in 2022. We use this analysis to validate and further develop our CR strategy and to determine relevant report content. The results of the materiality analysis were reviewed in the current reporting period and form the basis of this report.

They confirm the direction of our CR strategy to date and will serve as the basis for its continuation.

Materiality Analysis

[GRI 3-1]



Key Findings:

- Top issues are Climate Protection and Adaptation as well as Conservation of Resources and Circular Solutions.
- Also particularly important in terms of impact relevance: Transparent Product Communication
- Also particularly important in terms of business relevance: Social Standards, Working and Living Conditions in the Supply Chain

Materiality Analysis Methodology

[GRI 3-1]

— On the basis of the two dimensions, “Impacts on People and the Environment” and “Business Relevance,” a list of systematically and carefully chosen sustainability topics was assessed. The eleven topics assessed were derived from a comprehensive analysis of the sustainability frameworks relevant to the companies of Schwarz Group, such as the Global Reporting Initiative (GRI), central political frameworks like the EU Green Deal, a competitor analysis as well as the sustainability strategies of the divisions.

The two materiality dimensions specified above were both assessed in two analysis steps. Among other things, the design of the analysis was based on stakeholder mapping and the desire to link qualitative and quantitative assessment methods to each other as effectively as possible.

In order to identify the impact of the companies of Schwarz Group in the eleven topics, we firstly examined them by means of an exposure analysis – statistically modeling the impacts of the companies of Schwarz Group on people and the environment. As part of this process, the hot spot shortlist was drawn up for the eleven defined topics. It shows the level of sustainability attained for the different topics in a country compared to other countries. If the sustainability indicators selected for a particular topic and country depict a high-risk picture, that country is classified as a hot spot for this topic. The countries where the companies of Schwarz Group are active

according to statistical modeling were determined based on an analysis of the divisions’ sales data. Using this method, the global value creation chains and links of the companies of Schwarz Group were drafted and the potential impacts localized. Secondly, we also spoke to experts from the field of science, civil society, associations and the finance industry in the course of an expert survey. We held semi-standardized, qualitative interviews with them on the biggest environmental and social impacts of the companies of Schwarz Group.

To determine business relevance, first of all a representative sample survey was conducted among managers and employees of the companies of Schwarz Group, focusing on the influence of CR issues on business success. The results of the employee survey were then qualitatively discussed and validated in Executive Board workshops involving all the divisions. The focus in these workshops was on the opportunity and risk perspective.

The outcome of this process is the materiality matrix illustrated on p. 33, which identifies seven of the eleven topics as being material. The material topics cover all four focus areas in the jointly developed CR strategy of the companies of Schwarz Group and also provide new inspiration. For example, the analysis made it clear that the greatest expectations, both externally and internally, relate to the topics of climate protection and adaptation, as well as the use and conservation of resources and circular solutions.

Material Topics

[GRI 3-1 and 3-2]

As a result of the materiality analysis, we have identified the following seven topics as being material. They also form the basis for this report and the management approaches described in the following chapters.

- [Climate Protection and Adaptation](#)
- [Resource Conservation and Circular Solutions](#)
- [Sustainable Product Design and Quality](#)
- [Transparent Product Communication](#)
- [Use and Protection of Water Resources](#)
- [Social Standards, Working and Living Conditions in the Supply Chain](#)
- [Promotion of a Healthy and Attractive Work Environment](#)

For detailed information on the content of each material topic based on concise guiding principles, please refer to our Sustainability Report FY 2020/2021 on p. 38 et seq. —

[Sustainability Report
FY 2020/2021](#)

CR Governance Effectively Managing Sustainability

Depending on the level of maturity of the topic, each of the focus areas in the jointly developed sustainability strategy of the companies of Schwarz Group has specific milestones and measurable targets. The measurement of progress forms part of our annual planning and strategy cycle. Solid data management provides the basis for this. According to its mandate, the internal processes in the companies of Schwarz Group are defined in an IT-based business process management tool. In almost all of the companies of Schwarz Group, they are modeled using the ARIS software. ARIS is used for process documentation, process design and process publication.

IT-based Sustainability Management

The companies of Schwarz Group also use a jointly selected, group-wide software solution for sustainability management in order to provide greater transparency around CR activities. The software is used to record and aggregate all CR measures from all companies of Schwarz Group. They form the central reporting elements to internal and external stakeholders. This means that best practices can be adopted on a company-specific basis by the Heads of CR/CSR and other employees, and adapted to their particular country.

In light of increasing requirements in relation to internal management and external reporting, the companies of Schwarz Group made a collective decision in the reporting period to implement a structured selection process for a new group-wide software solution that is fit for the future. As part of this process, strategic targets and specific

requirements were defined for the new solution, taking into account all relevant stakeholders. Various software solutions were put through their paces in a series of comprehensive tests with diverse user groups. The chosen software solution will be introduced in the course of the coming fiscal year and will significantly strengthen data-based sustainability management.

The companies of Schwarz Group are also focused on continuously developing the sustainability key performance indicators. With the aid of a collectively defined, group-wide set of CR key performance indicators, a coordinated data collection process is carried out using standardized definitions and parameters across all companies of Schwarz Group and all countries. The set of key performance indicators is revised and updated each year. An extensive range of control measures at all levels and the integration of established controlling structures ensure comprehensive quality assurance of the more than 1,000 key performance indicators for sustainability.

CR Risk Management and ESG Rating

The companies of Schwarz Group are confronted with a wide range of internal and external developments and events that can have a material impact on their ability to achieve financial and non-financial targets. Risk management of CR topics is therefore an integral part of the respective corporate management. In the course of the materiality analysis, we also paid particular attention to sustainability risks and opportunities in consideration of our jointly developed sustainability strategy.

In this context, risks and opportunities were discussed and validated by the CR Round Table and the members of the Executive Boards of the companies of Schwarz Group. You can find more information about the materiality analysis in the [Materiality Analysis](#) chapter.

Since spring 2022, the companies of Schwarz Group have been jointly completing an annual ESG rating assessment in partnership with Sustainalytics. This involves an independent assessment of all potential sustainability risks and the corresponding risk management. In the rating completed at the start of 2023, the companies of Schwarz Group achieved a score of 19.4, which marks an above-average improvement of 2.3 points and corresponds to a low risk. This positive development confirms that the companies of Schwarz Group are setting the right priorities and shows that their management of environmental and social topics, as well as their respective responsible corporate management, are continuing to mature and improve. That notwithstanding, the result of the assessment continues to provide valuable guidance for the further development of the group's policies and programs. Based on a joint analysis of the rating results, we identified various areas that were subsequently developed further and which will contribute to an improvement of the rating over the coming years.

Shaping Focus Areas



91%

UNBEFRISTET ANGESTELLTE
MITARBEITER

27%

SITUATION

53.3%

TIGUNG



Shaping Focus Areas

People



Attractive Employers Strategic Approaches

Priority Topics

The employees of each company of Schwarz Group are key to our sustainable corporate success. We want to be exceptional employers for them, a place of work where people are at the heart of what we do, and a work-life balance is guaranteed.

In order to protect and actively promote the health of employees, we offer a variety of health care options and ensure a safe working environment. We focus on the following aspects in particular:

- **Working conditions:** We offer attractive working conditions and are developing flexible working time models that will allow employees to balance their professional and private lives. We also focus on offering a fair, competitive wage.
- **Diversity, equity and belonging:** Our goal is to create motivating work environments that are founded on diversity and equal opportunities. We believe that different backgrounds, perspectives and experiences enrich our work.
- **Education and empowerment:** Faced with a shortage of skilled workers and demographic change, we prioritize needs-based training and offer tailored training opportunities. We also raise awareness of sustainability among employees through various initiatives.

Principles, Policies and Obligations

[GRI 2-30, 403-2, 403-3 and 407-1]
Corporate Principles, Values and Management Guidelines

The position of the companies of Schwarz Group is derived from a corporate philosophy that puts people at the center of what we do. Every employee at the companies of Schwarz Group has the same opportunities to develop themselves personally and professionally. Within the companies of Schwarz Group, a holistic approach to diversity and equal opportunities helps to strengthen employee loyalty to the respective company and supports the performance of the teams within the companies. We promote a management culture that relies on working together and motivates employees. We want to encourage employees to contribute their diverse range of skills and perspectives, knowledge, creativity and experiences as part of their roles.

We have embedded diversity in the jointly developed principles and values of the companies of Schwarz Group through the aspects of fairness, mutual respect and appreciation. To support their implementation but also to emphasize the importance of respectful leadership, the management guidelines in all divisions incorporate the aspects of respect and diversity. Lidl Stiftung & Co. KG, Kaufland Stiftung & Co. KG and Schwarz Dienstleistung KG also signed the Diversity Charter – a voluntary corporate agreement to promote diversity.

Principles for the Implementation of Diversity, Equity and Belonging

When it comes to implementing diversity, equity and belonging (DE&B), we are guided by the principles that influence our day-to-day work. We do not tolerate any form of discrimination and we act in accordance with the General Act on Equal Treatment (Allgemeines Gleichbehandlungsgesetz – AGG), including the establishment of complaints offices for employees.¹ There is a group-wide requirement for all employees in Germany to complete training on the General Act on Equal Treatment. We involve the entire workforce in the further development of DE&B. We raise employee awareness and facilitate exchange across all levels and employee groups. We also integrate DE&B in jointly developed internal empowerment and development formats in order to raise the profile of the topic. Furthermore, we communicate individual measures taken as part of our jointly developed sustainability strategy transparently outside the group. When shaping career opportunities, the companies of Schwarz Group also focus on equal opportunities and use recognized selection tools and objective selection criteria when making personnel decisions and supporting talent development.

We offer employees a modern work environment in their respective company that meets the diverse requirements of our workforce. Together, we are constantly developing key elements such as working time models, the work environment and occupational health management to ensure that working conditions are adapted to the needs of employees. As well as offering the best-possible

¹ | PreZero does not have a separate complaints office – this function is performed by the Human Resources department or, if available, an employee relations consultant. Schwarz Produktion does not have a separate complaints office either.

working conditions, our remuneration systems ensure that each company offers fair pay across all divisions and organizational units. We make our decisions based on data and promote internal transparency within each company by using a defined set of key performance indicators. We use the available data and external benchmarks to identify where action is required in each company and ensure that we reach our organizational targets.

Compliance with Legal Requirements

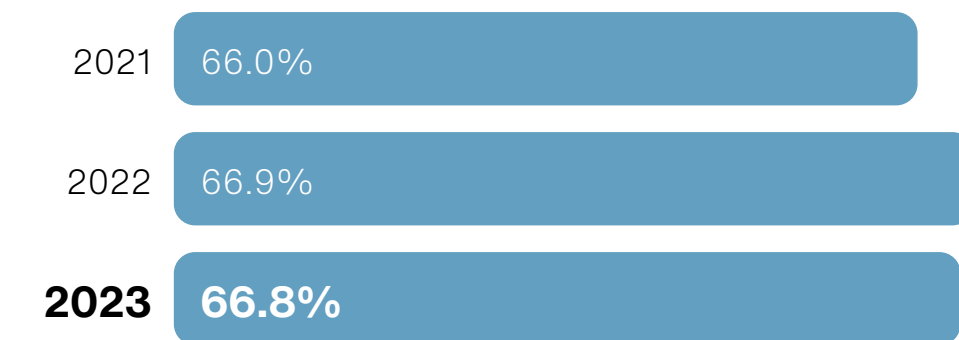
Attractive pay, and in particular complying with the principle of equality with regard to wages, is also essential for all companies of Schwarz Group. We adhere to the requirements of the Transparency in Wage Structures Act (Entgelttransparenzgesetz). Every employee of the companies of Schwarz Group is able to obtain information on remuneration-related topics.

All employees have the right to form representative bodies and engage in employee coalitions (e.g., trade unions). Employees are permitted to form representative bodies depending on the location, in accordance with the applicable national regulations. It is important to all companies of Schwarz Group that we maintain a trusting, fair and ongoing relationship with the selected employee representatives. Employee representative bodies participate in accordance with the national regulations of the respective country. We also support collective bargaining and adhere to the agreements.

We comply with the obligations set out in collective bargaining agreements just as strictly as we do our legal obligations and intra-company agreements – such as works agreements with works councils in Germany.

Collective Bargaining Agreements

Proportion of employees to whom collective agreements apply¹



Under the German Supply Chain Due Diligence Act (Lieferkettensorgfaltspflichtengesetz – LkSG), in addition to performing an annual risk analysis of our supply chain, we are required to identify human rights and environmental risks within our respective areas of business. In the 2023 fiscal year, all companies of Schwarz Group that fall under the scope of the German Supply Chain Due Diligence Act conducted this risk analysis and took the findings into account in their respective management approaches. In addition, all divisions offer complaint mechanisms for their employees so that they can respond on an ad hoc basis to any potential risks that may arise from tips received. Binding internal regulations in each company ensure that whistleblowers do not suffer any disadvantages or punishment as a result of submitting a tip.

Impacts

All companies of Schwarz Group consider their employees to be a decisive factor for success and stability. As attractive employers, we are working hard to combat the shortage of skilled workers and attract and retain talented employees. A shortage of qualified and motivated workers could potentially lead to bottlenecks in individual departments, and as well as impacting productivity, this may have a negative effect on our competitive ability. Forward-looking human resources development is a key factor for each company to enable us to position ourselves as attractive employers for employees and on the job market. Given the current shortage of skilled workers and demographic change, needs-based training and development also offers the opportunity to recruit and retain qualified employees. Holistic employee development has a positive effect on the reputation of the group companies as employers and supports their future viability.

¹ | The percentage of both tariff and non-tariff employees covered by a collective bargaining agreement is recorded.



Targets, KPIs and Target Attainment



























Target	KPI / Measurement	Status	Target Attainment	Page(s)
Our goal by 2030: We will regularly update all our respective employees on our sustainability commitment and implement target-group-specific empowerment measures to build on this.	1. Development of results of the employee sustainability survey	*	New target	
Our goal by 2030: We will empower our respective management to consistently implement sustainability in their area of responsibility.	2. Semiannual, standardized tracking of measures, incl. level of implementation	*	New target	

In the future, the progress in achieving our employee empowerment targets will be measured by regularly carrying out an anonymous employee survey. The zero measurement/first survey for this annual review was carried out at the end of the 2022 fiscal year at Kaufland, Schwarz Produktion and Schwarz Dienstleistungen, and in 2023 at Lidl. The results show that the majority of employees feel informed about sustainability activities at their company and state that they act as sustainably as possible in their day-to-day work. Kaufland and Schwarz Dienstleistungen conducted the survey again at the start of 2024. All companies of Schwarz Group will participate in the survey in 2025.

Some national companies set their own goals and focal points for the welfare of their employees. Lidl Switzerland, for example, has set itself the target of improving employees' subjective view of their work-life balance by ten percent by 2025 compared with 2020. To quantify this target, Lidl Switzerland is using data from the "Great Place to Work" survey. The results of this survey from 2022 are positive: 64 percent of employees are satisfied with their work.



Employer Awards Lidl

Europe 	Belgium 	Bulgaria 	Czechia 	Finland 	France 	Germany 	Greece 	Hungary 
Ireland 	Italy 	Latvia 	Lithuania 	Luxembourg 	Malta 	Poland 	Portugal 	Romania 
Serbia 	Slovakia 	Slovenia 	Spain 	Sweden 	Switzerland 	The Netherlands 	United Kingdom 	USA 

Employer Awards Kaufland

Europe 	Bulgaria 	Croatia 	Czechia 	Germany 	Moldova 	Poland 	Romania 	Slovakia 
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Attractive Employers Management Approaches

Working Conditions

Organization & Responsibility

[GRI 403-4]

— At the companies of Schwarz Group, the individual aspects of working conditions are regulated individually by the divisions and implemented organizationally on a division-specific basis. At Lidl, the Chief HR Officer is generally responsible. The Compensation & Benefits department is responsible for remuneration, while the Engagement department is responsible for working time models. At Kaufland, overall responsibility for remuneration lies with the Chief HR Officer, while the individual departments are responsible for working time models.

Responsibility for occupational health and safety and promoting the health of employees is extensively regulated in the companies of Schwarz Group. From employees to managers, every individual is responsible for compliance with and implementation of the relevant requirements. In accordance with country-specific laws and regulations, the companies of Schwarz Group have set up occupational health and safety committees, with the composition of these committees defined according to the applicable national laws. At Kaufland and Schwarz Produktion, for example, the Occupational Health and Safety Committee meets on a quarterly basis and comprises the Production Manager, the Works Council, the Company Physician, an occupational Health and Safety Specialist, and the Safety Officer. The meetings are also attended by a representative from the HR department and, where required, other specialists. All committees hold an advisory and coordinating

function in matters of occupational health and safety pursuant to the statutory regulations. The Occupational Health and Safety Committee's responsibilities include analyzing accidents that have occurred in the company, advising on preventive and corrective measures and the outcome of measures that have been implemented, and coordinating occupational health and safety tasks.

Pursuant to the applicable national and site-specific legal requirements, the companies of Schwarz Group appoint occupational health and safety officers, including occupational health and safety specialists, occupational physicians, fire protection officers, and safety officers, to provide expert advice and support in occupational health and safety matters. Special occupational safety organization officers are also appointed in the respective divisions.

Our internal employee relations consultants and occupational health management employees act as neutral counselors for employees to talk to about sensitive subjects and also serve as important contact persons for health-related issues.

Stakeholder Involvement

Employees are the most important stakeholders when it comes to our working conditions. Their opinion matters to us and informs our HR work. We use various exchange and feedback formats – such as our annual employee survey – to regularly assess employee satisfaction (see p. 15).

Measures & Projects

Alternative Working Models

The companies of Schwarz Group are working on the development of alternative working models. Depending on the area of responsibility and duties, employees of the companies of Schwarz Group generally have the option to take advantage of flexible working hours to ensure a proper work-life balance. For instance, Lidl is developing flexible working models such as job sharing and part-time management. Employees at companies of Schwarz Produktion also have the option of hybrid working time models. The current shift models are being reviewed and optimized to ensure a work-life balance. Kaufland and PreZero also offer employees hybrid working options in agreement with management where this is possible for their particular area of work.

The companies of Schwarz Group consider personal communication and interaction in the workplace to be an important element of cooperation. At the same time, we want to benefit from the advantages of flexible working methods. With this in mind, the companies of Schwarz Group facilitate mobile working for up to five days per working week for employees in Administration. The scope and individual handling depend on the operational requirements and individual tasks. Details shall be determined and agreed upon between managers, the team and employees on an ongoing basis – always keeping an eye on achieving the best possible work result. —

Total Workforce

[GRI 2-7]

	FY	Lidl	Kaufland	PreZero	Schwarz Produktion	Schwarz Digits	Schwarz Dienstleistungen	Schwarz Group
Total number of employees^{1,2,3}	2021	372,255	143,706	11,845	3,831	40	6,569	538,246
	2022	386,563	148,969	27,125	4,097	5,175	3,779	575,708 ✓
	2023	385,665	148,345	26,769	5,106	5,666	4,074	575,625 ✓
Of which full-time⁴	2021	149,853	66,355	10,691	3,353	34	5,729	236,015
	2022	164,996	70,497	22,266	3,548	4,579	3,185	269,071 ✓
	2023	167,875	70,576	21,835	3,854	4,732	3,424	272,296 ✓
By gender⁵								
Female	2023	92,981	44,422	3,663	765	1,100	1,533	144,464
Male	2023	74,891	26,154	18,172	3,089	3,632	1,891	127,829
Diverse	2023	3	0	0	0	0	0	3
Of which part-time⁴	2021	222,402	77,351	1,154	478	6	840	302,231
	2022	221,567	78,472	4,859	549	596	594	306,637 ✓
	2023	217,753	77,769	4,934	628	615	650	302,349 ✓
By gender⁵								
Female	2023	154,335	62,288	1,530	226	381	590	219,350
Male	2023	63,406	15,480	3,404	402	234	60	82,986
Diverse	2023	12	1	0	0	0	0	13

1 | The number of employees listed here shows the internal control figure, which is based on a different definition of employee to that used in the annual financial statement. While the annual financial statement states the number of employees including those on long-term sick leave and maternity leave as end-of-quarter averages for the fiscal year, the internal reporting date is the end of the fiscal year. Employees on maternity leave and long-term leave (exception: Lidl) are excluded internally.

2 | All employee figures in the table refer to the head count.

3 | Not all companies in the individual divisions are able to provide a full set of HR data. The total of the detailed employment figures therefore does not correspond to the total number of employees.

4 | Employees with average working hours of less than 100 percent of full-time hours are classed as part-time. Unless there is national regulation on the issue, part-time employment is considered to be fewer than 163 hours/month.

5 | The employment relationships by gender have been collated since FY 2023, so no figures are available for previous years.



Employees by Employment Relationship

[GRI 2-7]

	2021		2022 ¹		2023 ²		Trend 2022/23	
	Permanent	Fixed-term	Permanent	Fixed-term ⁷	Permanent	Fixed-term	Permanent	Fixed-term
Total number of employees¹⁻⁴	490,245	47,675	525,973	49,785	528,921	45,761	+0.6%	-8.1%
By gender								
Female	326,294	27,598	338,558	27,773	338,540	25,732	-0.0%	-7.3%
Male	163,951	20,077	187,415	22,012	190,367	20,027	+1.6%	-9.0%
Diverse ⁵	--	--	--	--	14	2	--	--
By region⁶								
Germany	177,462	12,424	181,341	11,960	182,235	10,513	+0.5%	-12.1%
International	312,783	35,251	344,632	37,825	346,686	35,248	+0.6%	-6.8%

- 1 | The number of employees listed here shows the internal control figure, which is based on a different definition of employee to that used in the annual financial statement. While the annual financial statement states the number of employees including those on long-term sick leave and maternity leave as end-of-quarter averages for the fiscal year, the internal reporting date is the end of the fiscal year. Employees on maternity leave and long-term leave (exception: Lidl) are excluded internally.
- 2 | Not all companies in the individual divisions are able to provide a full set of HR data. The total of the detailed employment figures therefore does not correspond to the total number of employees.
- 3 | All employee figures in the table refer to the head count.
- 4 | Transfer effect: In the FY 2022 progress report, the figures for Schwarz IT (SIT) were still allocated to Schwarz Dienstleistungen. Since Schwarz Digits was established in FY 2023, SIT has been part of the new division.
- 5 | The gender "diverse" has only been recorded from the 2023 fiscal year onward. Until the 2022 fiscal year, only the gender "female" was collected and the gender "male" was calculated as the difference between this figure and the total.
- 6 | The "Germany" region includes Lidl in Germany, Kaufland in Germany, PreZero Germany, Schwarz Produktion, and Schwarz Dienstleistungen with Zentrale Dienste. The online business is not restricted to a location and is therefore assigned to the "International" region.
- 7 | Differences from the FY 2022 Progress Report are the result of retrospective corrections due to additional data availability.

Employee Turnover

[GRI 401-1]

	2021		2022		2023	
	Number	Rate ¹	Number	Rate ¹	Number	Rate ¹
Total number of employees who left the company^{2,3}	134,403	25.9%	152,128	27.1%	144,934	25.8%
By gender						
Female	76,228	22.3%	84,932	23.7%	80,278	22.4%
Male	58,175	32.8%	66,812	33.3%	64,646	31.8%
Diverse ⁴	--	--	--	--	10	89.5%

- 1 | Employee turnover is calculated as the ratio of employees who leave the company compared with the average number of employees.
- 2 | All employees who left companies of Schwarz Group in the respective FY are included, excluding temporary staff, interns, working students and diploma students. Transfers from one company of Schwarz Group to another are recorded as departures from the company. Employees who transfer from one company of Schwarz Group to another in the context of a transfer of undertakings are not recorded as departures from the company. At Lidl, by way of derogation from the above, all employees with a fixed term of less than six months are not included; changes within the Lidl division are also not included.
- 3 | All employee figures in the table refer to the head count.
- 4 | The gender "diverse" has only been recorded from the 2023 fiscal year onward.



Fair Wages

[GRI 2-19, 202-1, 405-1 and 405-2]

— As well as offering a variety of working models, the companies of Schwarz Group ensure that their employees receive a fair, competitive wage. Each company of Schwarz Group has established uniform salary structures based on objective criteria such as professional experience, expertise, skills and area of responsibility. Employees are also offered a range of corporate benefits. In Germany, an internal minimum wage was introduced at Lidl, Kaufland, Schwarz Produktion and Schwarz Dienstleistungen back in 2010. This minimum wage has been continuously adapted in line with the job market situations of the respective companies of Schwarz Group. For example, Lidl in Germany increases the minimum entry-level salary for its employees from 14 to 15 euros gross per hour in September 2024¹. In most of the countries in which the group operates where a statutory minimum wage is in place, the minimum wages implemented by the companies of Schwarz Group are significantly higher than the national minimum wages. This applies to employees working in stores, production facilities and warehouses. The Schwarz Produktion sites are predominantly covered by collective bargaining agreements, which guarantee fair and comparable wages.

The work of the management personnel of the companies of Schwarz Group is compensated according to the same principles. For this purpose, the companies of Schwarz Group have jointly developed and defined framework conditions and minimum standards. The level of remuneration is calculated based, in particular, on the tasks linked to the position and the associated responsibility.

As a general rule, we use an approach of reliable and secure remuneration with a focus on attractive fixed salaries. Variable or performance-based remuneration components and company shares are avoided for the most part. In individual companies of Schwarz Group, for example at individual companies of PreZero or brands of Schwarz Digits and at selected Lidl national companies, employees are offered variable remuneration components where this is customary in the market for a particular function or department. Compliance with the described principles is regularly monitored in the companies of Schwarz Group by the respective Internal Audit department.

At the same time, remuneration is based on the respective sector and the usual market circumstances. Data analyses and benchmarks are used to ensure the remuneration structure for our managers is just as attractive and competitive as the one we use for our employees.

Occupational Health and Safety

[GRI 403-1, 403-2, 403-3, 403-5, 403-7 and 404-2]

The physical and mental health of our employees is a top priority at the companies of Schwarz Group. Both Lidl and Kaufland at an international level, as well as PreZero, Schwarz Produktion and Schwarz Dienstleistungen, have continued to expand and strengthen their occupational safety and occupational health management measures during the reporting period.

Almost all of the companies of Schwarz Group have defined all of the processes related to occupational health and safety in an IT-based business process management system and in the ARIS

software. These processes are closely aligned with the requirements for occupational health and safety management systems as defined in ISO 45001. Since 2012, all of the Kaufland meat processing plants in Germany have been awarded the "Sicher mit System" (Safe with a system) quality seal by the employer's liability insurance, which is based on ISO 45001. In addition, the Kaufland stores and logistics centers in Bulgaria and Croatia are certified pursuant to ISO 45001. At Lidl, this is the case in Ireland and Northern Ireland. At Schwarz Produktion, the occupational health and safety management system at each site is based on ISO 45001. This system defines the occupational health and safety standard within the group by means of guidelines and procedural instructions. Schwarz Produktion production facilities also have an IT-based tool for the management of environment, health and safety (EHS) aspects. This tool enables all material such as risk assessments, operating instructions and registers of hazardous substances to be created, updated and made available to all production facilities in digital form.

The companies of Schwarz Group employ a range of measures to prevent work accidents. Prevention and the expansion of safety measures play a crucial role at the companies of Schwarz Group and influence all occupational health and safety activities across the group. If there is an accident or near miss at work, an in-depth analysis of the cause of the accident is performed where necessary in order to determine appropriate preventive measures and thus prevent future or potential accidents. At Schwarz Produktion, in addition to this structured accident analysis, measures include

the organization of an EHS topic of the month for communication to company employees as well as the communication of safety messages. These are shared across plants to encourage proactive risk assessment.

PreZero has also continued to improve accident prevention and has set up an international accident reporting process. This makes it possible to learn from each other and derive preventive measures to ensure the safety of employees. As part of this program, the national companies are working together and using their many years of experience to anticipate accident potentials.

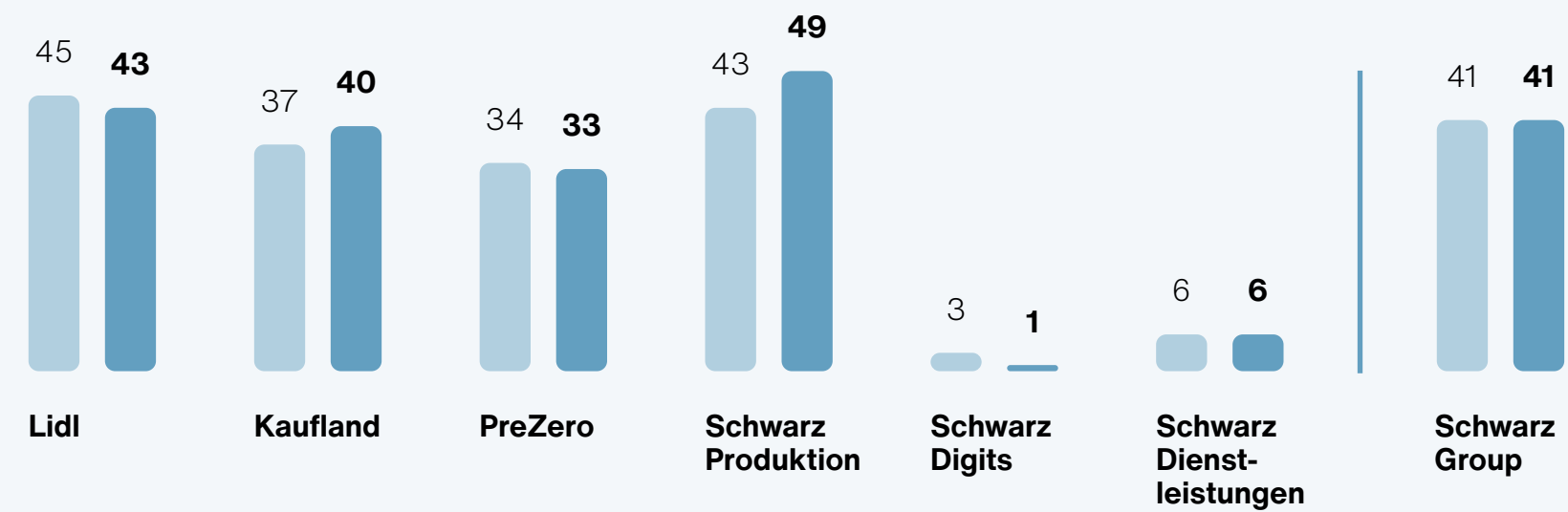
To ensure that employees are adequately protected, from production, stores and logistics sites to waste disposal and recycling, the level of protection at locations is monitored and adapted where required.

As part of its digitalization strategy, Lidl has started to roll out the Platform for Organizational Safety and Health (POSH) software developed by the company itself. By digitally linking management processes such as accident investigations, risk assessments, safety inspections and the tracking of training, the aim is to continually improve safety and simplify the management of work accidents.

¹ | Statement was not included in external review.

Number of Work Accidents

Work accidents per 1,000 full-time employees¹
[GRI 403]



At all divisions, activity-related risk assessments are conducted, which are adapted in the event of changes to the relevant activities or the procurement of new equipment and are regularly updated. The responsible occupational health and safety specialist at the division concerned supports and advises managers on the creation and regular updating of the assessments. The results of the risk assessments are used by each division to define and implement the necessary technical/structural, organizational, and/or personal occupational health and safety measures.

Measures to improve ergonomics in the workplace play a key role. Partly automated order picking systems make an important contribution to occupational health and safety at Kaufland, for example. These systems are used to minimize the physical strain on employees, thereby making the

picking process more ergonomic and efficient. Kaufland was awarded a RETA award in the “Best AI and Robotics Application” category in the reporting period for its automated system for fruit and vegetables, which is in use at five locations in Germany. The Kaufland foldable metal pallets, which are used on a daily basis for order picking and when transporting and stocking goods, also offer significant ergonomic advantages for employees working in logistics and in stores when packing and unpacking. Kaufland meat processing plants regularly invest in intelligent occupational health and safety systems for particularly hazardous individual workstations to improve the working conditions in noisy areas and ergonomically strenuous environments. Corresponding measures are also employed at other divisions: At Schwarz Produktion, certain tools were installed to record ergonomic loads. At Lidl, ergonomic risks are taken

into account in risk assessments in all countries and managed with relevant risk control measures, such as training. Comprehensive ergonomics programs are also offered in certain countries, including France, Portugal and Romania.

Safety inspections are performed at regular intervals at the production sites of all divisions in order to identify risks and hazards at an early stage and to avoid them. Kaufland, for example, carries out regular site-based occupational health and safety inspections in all countries. The aim of these inspections is to identify potentials for optimization at an early stage and to implement appropriate measures. For this process, Kaufland relies on close cooperation between the occupational health and safety experts and the operational department managers. Kaufland supports and encourages the individual initiative of the local occupational health and safety experts with the aim of creating a safe work environment for employees and increasing the effectiveness of the processes.

Applicable policies and processes and their implementation are audited regularly. For the occupational health and safety systems, this is done down to country level by the Internal Audit department at Schwarz Dienstleistungen; at Kaufland, these audits are supplemented by the company’s internal corporate security audits, for example. At Lidl, the Internal Audit department assesses compliance with the process requirements to ensure safe working conditions. Internal and external audits are also performed on a regular basis at Schwarz Produktion. The external audits are performed by an external service provider in cooperation with the central EHS department.

To ensure that there is a functioning occupational health and safety organization in place and to actively involve employees, selected employees are trained and deployed as fire protection officers and first-aiders, among other roles. As a general rule, all employees are given regular training on potential risks in their work environment. For employees in Germany and many other countries, participation in annual training is mandatory. The training sessions mostly take place online, with in-person sessions held where necessary. For employees at the central administrative locations of Lidl, Kaufland, Schwarz Digits and Schwarz Dienstleistungen, the occupational health and safety training sessions are coordinated centrally by the Occupational Safety and Fire Protection department of Schwarz Dienstleistungen on behalf of the respective company. This is also the case for PreZero at the Heilbronn site. At other PreZero locations in Germany, these training sessions are coordinated by the internal Health & Safety department in cooperation

1 | The definition for collecting the number of work accidents has been significantly revised since the figures were published in the Sustainability Report for FY 2020/21. For this reason, only figures for FY 2022 and 2023 are available under the new definition.

with other departments. The frequency of training at the national companies is determined by the applicable national requirements and the results of risk assessments, respectively. Kaufland, for example, has introduced an online course to provide general training on occupational health and safety for all employees at stores and central locations as standard across all countries. At Schwarz Produktion, all employees are required to complete annual occupational health and safety and fire protection training, usually in digital form. Depending on employees' area of work and assigned duties, this training may be supplemented by additional workplace-specific training, which takes place in person directly in their working environment.

The companies of Schwarz Group also insure certain employee groups worldwide against unforeseeable events resulting from accidents, both at and outside of work.

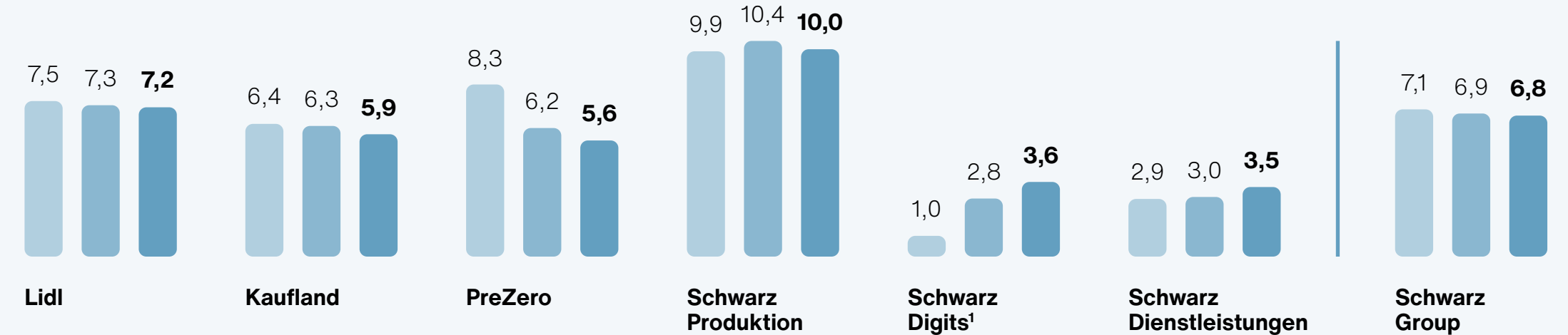
Health Protection and Promotion

[GRI 403-2, 403-3 and 403-6]

To promote employees' health and prevent work-related damage to health, the companies of Schwarz Group provide an occupational health service in all countries and business units in accordance with the statutory regulations. This service includes measures such as risk assessments and compulsory preventive examinations. Many locations also have health promotion measures that are coordinated by the HR departments.

A cross-divisional occupational health service is provided for the administrative locations of Lidl, Kaufland, PreZero, Schwarz Digits and Schwarz Dienstleistungen in the Heilbronn/Neckarsulm region. At Schwarz Produktion, support is provided by local occupational health services. As part of this service, employees can book eye examinations and flu vaccinations – as well as general medical consultations. We also aim to provide adequate occupational health care in the national companies of the divisions: Lidl Cyprus, for example, offers a mobile medical practice for employees at its stores.

Sickness Rate
in Percent
[GRI 403]



Some companies, for example Schwarz Dienstleistungen, also offer employees access to completely anonymous online psychological support free of charge. Since the start of 2024, PreZero has offered employees in Germany, Poland, Spain and Portugal access to advice on personal and psychological topics, as well as financial and legal matters, as part of an employee assistance program (EAP). The EAP is offered in cooperation with an external service provider. PreZero launched a similar offer in collaboration with an external service provider in the Netherlands back in November 2023. This includes health checkups for employees with the option of a tailored follow-up health program. There are plans to introduce similar offers in additional countries in the 2024 fiscal year.

Occupational health management employees and employee relations consultants are available in the companies of Schwarz Group to assist with specific questions relating to inclusion and severe disabilities. Depending on the location, a representative body for disabled employees is available at Kaufland, Schwarz Digits and PreZero Germany respectively for employees with a severe disability or equivalent status.

¹ | Transfer effect: In the FY 2022 progress report, the figures for Schwarz IT (SIT) were still allocated to Schwarz Dienstleistungen. Since Schwarz Digits was established in FY 2023, SIT has been part of the new division.

In Germany, each of the companies of Schwarz Group has established a company integration management program in accordance with statutory obligations. Lidl and Kaufland national companies as well as some PreZero locations also have a company integration management program or similar approach in place on an individual basis in line with legal regulations. The purpose of this program is to jointly agree on measures to avoid future inability to work, support the affected employees in their integration and preserve jobs.

Activities such as corporate runs, sports events and health days complete the offer and, as well as providing an opportunity for physical exercise, help to raise consciousness of how to lead a healthy lifestyle. The Schwarz Dienstleistung KG HR department is planning its very first target-group-specific health day for entry-level programs in 2024 on behalf of the companies of Schwarz Group. The focus of this event will be on movement, nutrition, resilience and (digital) addiction. Because the COVID-19 pandemic has brought about a lasting change to the ratio of mobile work and in-office work, the companies of Schwarz Group are continuously expanding their range of online sports courses and offers relating to movement, nutrition and mental health. Employees can also enjoy attractive discounts and special terms with a wide range of cooperation partners, as well as mobility subsidies and benefits depending on the location.

The range of services provided to employees also includes the chance to enjoy healthy meals at the restaurants of Schwarz Restaurantbetriebe GmbH & Co. KG (hereinafter: Schwarz Restaurantbetriebe). These help to promote conscious nutrition for employees. Further information about this can be found in the [Product Quality](#) chapter. —

Education and Empowerment

Organization and Responsibility

[GRI 404-2 and 404-3]

Trainee programs, work-study courses, and commercial and technical training courses and programs that provide professional qualifications, such as retraining opportunities, are firmly embedded in the corporate culture at all of the companies of Schwarz Group. With an extensive range of methods, the companies of Schwarz Group support every single employee in their professional and personal development. Another key factor in this context is raising employee awareness of sustainability and empowering employees to get involved in the topic.

The development and implementation of training and development concepts is also reflected in the organizational structure. The subject is managed in a decentralized manner in all of the companies of Schwarz Group by the respective HR department. Responsibility for the further development and training of individual employees lies primarily with the respective manager and the employees themselves. With the current and future tasks of the specific employee in mind, the manager and employee agree on which specific further training is required and what training measures are appropriate. The relevant responsibilities of managers are clearly defined in this context.

At Lidl and Kaufland, the HR departments in the countries and at the regional distribution centers support managers and departments with targeted processes, programs and seminars. At the two companies, the countries receive additional,

central support from the Talent Management department. For the purposes of sustainable talent management, individual development plans are created in cooperation with employees as part of this approach. This same approach is taken at Schwarz Dienstleistungen as part of a systematic process with the support of the HR department.

A clear, transparent assessment system ensures fairness of performance evaluation throughout the company. As part of the annual talent management process, employees receive feedback on their performance over the preceding twelve months. Depending on whether it is required or not, a development plan for the year ahead may also be defined. The aim of this process is to identify talent from within the company's ranks, highlight career opportunities and create transparent career paths.

Stakeholder Involvement

Alongside the group's own employees and managers as the most relevant stakeholders, the companies of Schwarz Group also work with external partners and institutions on training and development and empowerment concepts. For entry-level programs, for example, this includes chambers of commerce and industry as well as vocational schools and cooperative universities. Across divisions, we also collaborate with schools and universities and continuously work with the German Federal Employment Agency, in particular regarding the employment of third-country nationals.

Measures & Projects

Entry-level Programs and Training

[GRI 404-2]

To offer students an attractive way into the group, all divisions provide the opportunity to complete a work-study degree program, in some cases supplemented with programs for external students. The number and type of degree courses vary depending on need and, at Lidl and Kaufland, also depending on the availability of a corresponding system in a particular country. All divisions offer over 20 degree courses in total. There is a particular focus on Germany, although Lidl offers corresponding courses in four countries. Since the 2023 academic year, our students in Germany have also been able to choose the sustainability focus in the Food Management degree course. Baden-Wuerttemberg Cooperative State University (DHBW) in Heilbronn also introduced a new course, "Business Administration – Technical Management: Recyclables Management and Recycling" in 2023.

All trainees and students receive a lot of support at the companies of Schwarz Group and, in some cases, are also given the opportunity to attend in-house training, for example at the company's training workshops. The comprehensive exam preparation and the relevant responsibilities can be defined on a division and country-specific basis. New "blended learning" formats were incorporated in the 2023 training year. These new formats use modern, future-oriented forms of learning to develop trainees' knowledge and skills.

To ensure a high level of training quality, all divisions have measures in place to support the development of training coordinators and specialist supervisors. One such measure is the modular training program introduced by the Schwarz companies in 2022, which includes a cross-divisional networking event. The program covers topics such as problem-solving skills as the key to success, resilience training, and tips and tricks for sustainable learning success.

Like all other employees, trainees and students can contact their responsible HR department, works council (where available), or the designated training and development managers or employee relations consultants with queries or complaints at any time. At Kaufland in Germany, PreZero Germany and Schwarz Digits, there are also youth and trainee representatives available in some locations.

Onboarding and Further Training

New employees also receive in-depth onboarding at the companies of Schwarz Group. For employees at administrative locations, this includes the opportunity to gain practical insights about the store business operations at Lidl or Kaufland when starting their position. Store employees also receive a structured onboarding plan designed to prepare them for their role.

At the companies of Schwarz Group, the various training and development opportunities on offer are tailored to each individual. We therefore offer an extensive training program for all employees in all companies in order to accommodate individual requirements and support the entire workforce.



In addition to in-person events, Lidl, Kaufland, Schwarz Produktion and Schwarz Dienstleistungen also offer e-learning concepts for their employees, covering topics such as communication and leadership. Schwarz Digits is also committed to the targeted training and development of its employees. Its People, Organisation & Projects department develops and offers both traditional and AI-supported learning formats on IT topics relevant to competition. Employees have access to a wide variety of training courses via the SIT Academy.

As part of their efforts to provide comprehensive training, the companies of Schwarz Group offer job rotation programs. Over the course of this process, employees take over a role with specialist responsibility or management responsibility for a period of up to two years in order to gain experience in different companies or departments. Lidl also offers the job rotation program on an international level, allowing employees to work in another Lidl country for a set period of time and expand their professional, personal and cultural horizons.

Manager Development

Schwarz Group also focuses on the development of managers. Kaufland teaches junior staff about its corporate values and management tools using a modular training program. In this way, the division promotes a holistic understanding of the new role. There are development programs for all levels – from junior managers to the Executive Board. Lidl has also introduced standardized development programs that support employees in leadership roles with their new tasks. At Schwarz Dienstleistungen and Schwarz Digits, new managers complete the “Fit für Führung” (Fit for Management) management program during their first year in management. This program runs alongside their day-to-day duties and combines practical workshops with training sessions. Schwarz Produktion also has various opportunities for managers, designed to help them train for the role and support them in the execution of their new leadership duties. In addition, there are modular training options for different target groups and needs. Alongside the international development center, PreZero uses an international modular management development program to support the development of its managers, including at Executive Board level. PreZero countries also have separate development programs for managers in addition to these international options, such as the Leadership Academy in Spain.

Raising Awareness of Sustainability Topics

All companies of Schwarz Group inform their employees about sustainability matters and provide training on this topic, including regular communication via internal channels such as the intranet. Each division determines how to implement this training and sets the requirements for participation.

At Schwarz Dienstleistungen, all new employees complete mandatory sustainability training when they join the company, and all other employees and managers – including members of the Executive Board – complete this training every two years. The training was updated and carried out in the 2023 reporting year. During the training, employees learn about selected sustainability topics and relevant aspects of the sustainability strategies of the companies of Schwarz Group, such as waste prevention, food waste, human rights, the circular economy and raw materials. As part of this process, they learn about how they can incorporate the topic of sustainability into their day-to-day work environment and their private life. Furthermore, at Schwarz Dienstleistungen, additional employee empowerment formats aimed at teaching employees about technical principles and department-specific contents are currently being developed. The aim is to create a learning journey for success-critical target groups to cover our focus areas, and in doing so, to incorporate sustainable business practices in our day-to-day work processes.

Schwarz Produktion also revised and carried out its mandatory sustainability training for all employees and managers, including members of the Executive Board, in the 2023 reporting year.

Similar sustainability training was developed at Kaufland as a starter training course and was rolled out in the countries in 2023 and in Germany in 2024. The training is now mandatory for all employees in all national companies. It is predominantly carried out in the form of an e-learning course and contains information about the company's sustainability management and suggestions for conscious and sustainable behavior. The training session is updated on a regular basis and is supplemented with additional formats for targeted employee empowerment. The subject of sustainability is also addressed at the welcome event for new employees at Kaufland and Schwarz Dienstleistungen administrative locations.

In addition, an internal communication campaign aims to encourage Kaufland employees to become sustainability ambassadors. Sustainability ambassadors share the sustainable actions they take in the workplace and act as “multipliers,” raising awareness of the practical side of CR matters among employees. The campaign was launched in all Kaufland countries at the start of 2023. It is being implemented across the company over the course of 2024 and will continue in 2025.

Lidl is currently implementing a major sustainability initiative, YOU, which aims to educate all employees on sustainable action and encourage them to incorporate sustainability into their day-to-day lives. The concept comprises internal communication campaigns, training courses for all employees and the establishment of an international CSR community made up of CSR ambassadors. As well as general sustainability training courses for store employees, Lidl provides in-depth training for logistics personnel. Lidl offers an e-learning course on recyclable materials management that teaches logistics employees about resource efficiency and clean material sorting processes, which is now set to be rolled out in the countries. Training courses on the topic of energy management are also carried out in all Lidl countries for employees working in stores and in warehouses. Lidl Stiftung is currently updating a training course on lifting and carrying correctly, which will be made available in the Lidl countries as soon as it is completed. At Kaufland, new employees in inventory management complete the online training course "Recycling macht den Unterschied" (Recycling makes the difference). They also receive a checklist that illustrates the principles of clean waste separation.

At PreZero Stiftung, since 2022, employees have been empowered through regular training sessions on CSR and strategic key topics. Marketing, Corporate Communications and Sales colleagues at PreZero Stiftung also receive training on the responsible use of resources with sessions that highlight the company's own sustainability successes. The aim of this training is to identify and prevent greenwashing.

In addition, PreNet – the PreZero intranet that is already available to office employees in multiple countries – showcases the more sustainable products and services developed by various teams. In Sweden, the "Hero" employee magazine is published four times a year. It is aimed at all employees in the country and explains the contribution that they are making to the circular economy in a clear, concise way. The success stories highlight the role that PreZero and its colleagues are playing in the sustainable transformation.

Employee Initiatives

We also encourage employees to get involved in sustainability topics through joint employee initiatives. In September 2023, for instance, employees of the companies of Schwarz Group came out in force for the environment for the second time in a row as part of a cross-border, cross-divisional project – the River Cleanup Collective (RCC). More than 120 campaigns were organized across 22 national companies as part of the RCC. The main aim of the project was to protect the environment by cleaning up bodies of water and separating the waste that was collected. The process of collecting and sorting waste also brings home to participants just how much waste can actually be recycled or reused. Together, the 5,000+ participants in the 2023 cleanup campaigns collected more than 30,000 kilograms of waste. A collective cleanup campaign was also held in the city and district of Heilbronn. Across 50 teams, 420 employees collected a total of 1.5 tons of waste together. The campaign was supported by PreZero, with the company's employees sorting, recycling and disposing of the collected waste at a dedicated recycling point.

Lidl Stiftung also offers the "Team Clean Up" principle to its employees who want to get involved and also view the campaign as a team-building measure. Lidl provides support in the form of expertise and equipment. Kaufland in Germany also offers its employees in stores, logistics centers and meat processing plants, as well as Kaufland e-commerce employees, the opportunity to individually organize regional cleanup campaigns across Germany using a modular system. More than 680 participants took part in over

45 cleanup campaigns as part of this initiative in 2023. Kaufland employees have also been supporting the external cleanup campaign "Saarland Picobello" for over a decade, providing protective gloves and heavy-duty garbage bags for all participants.

The companies of Schwarz Group also support employees' social commitment: Kaufland gives employees in Germany, Poland, Slovakia and Croatia the chance to get involved in blood donation campaigns, and there are plans to extend this to further countries. This offer is also available to employees of Lidl Stiftung. In addition, Kaufland employees in Germany have the opportunity to get involved in stem cell matching campaigns. Each year around Christmas, employees of the companies of Schwarz Group also get the chance to take part in a social project in the form of a coordinated wishing tree campaign.

Diversity, Equity and Belonging

Organization & Responsibility

As an international group, the companies of Schwarz Group employ people from all sorts of biographical backgrounds. We want to offer our employees a respectful working environment – regardless of their age and the generation they are from, their ethnic background and nationality, their gender or gender identity, their physical and mental capabilities, their religion or world view, their sexual orientation, or their social background.

The companies of Schwarz Group make a conscious effort to integrate diversity and equal opportunities into their employee life cycle and consider the relevant matters at every stage of the process – from recruitment, onboarding and retention to offboarding. Every company of Schwarz Group is constantly assessing the status quo. They identify any potential areas for improvement and initiate strategic focus areas. Supported by group-wide collaboration between experts in the field, the companies regularly review their strategic guidelines, adapting them as necessary, and share best practices. Our group-wide principles for the implementation of Diversity, Equity and Belonging (DE&B) are set out on [p. 38](#).

Diversity and equal opportunities are extremely important to the companies of Schwarz Group, and this is reflected by the organizational integration of these issues within the corporate structure. At Lidl, responsibility for the topic rested with the HR Centers of Expertise executive management unit in the 2023 reporting year, while at Kaufland, PreZero and Schwarz Dienstleistungen, it is

Employee Diversity

According to employee categories in FY 2023¹⁻⁴

[GRI 405-1]

	Employees without management role		Management		Senior Management		Top Management		Total	
	Number	Proportion	Number	Proportion	Number	Proportion	Number	Proportion	Number	Proportion
Total workforce	536,615	93.2%	37,852	6.6%	764	0.1%	394	0.1%	575,625	100.0%
By age										
Age group < 30 years old	160,840	30.0%	4,043	10.7%	1	0.1%	0	0.0%	164,884	28.6%
Age group 30–50 years old	276,978	51.6%	29,122	76.9%	604	79.1%	287	72.8%	306,991	53.3%
Age group > 50 years old	95,514	17.8%	4,687	12.4%	159	20.8%	107	27.2%	100,467	17.5%
By gender										
Female	346,966	64.7%	16,269	43.0%	127	16.6%	60	15.2%	363,422	63.1%
Male	186,339	34.7%	21,716	57.4%	637	83.4%	334	84.8%	209,026	36.3%
Diverse ⁵	15	0.0%	1	0.0%	0	0.0%	0	0.0%	16	0.0%

the direct responsibility of the Chief HR Officer. The HR department is in charge of operational implementation in cooperation with managers. At national level, responsibility for the topic lies with the individual national Chief Executive Officer and HR director. The main work involved in managing diversity and equal opportunities is carried out by the international HR departments. The national companies implement the defined framework conditions and – where applicable – additional country-specific measures in line with defined focus areas. They collect key performance indicators to enable them to manage

and evaluate the measures taken to support diversity and equal opportunities. At Schwarz Produktion, the Management Board, the HR department and managers are responsible for diversity. At Schwarz Digits, the Schwarz IT HR department is currently responsible for diversity for the entire division.

- 1 | To ensure controlling relevance, the employee definition used in internal management reports is used as the basis for the collection and reporting of all specified figures here rather than the definition provided in the annual financial statement. This includes full-time/part-time employees, employees in marginal employment, trainees, dual students, employees on assignments from abroad, employees on sabbatical and part-time retirees in their active phase, temporary employees such as working students, interns, diploma students and temporary staff (provided that working hours have been undertaken during the reporting period).
- 2 | Employee categories are defined according to our joint understanding as follows: Top Management = Management Level I – II, Senior Management = Management Level III, Management = Managers from Management Level IV – VI excluding deputies/no specialist level, employees without management role = other employees.
- 3 | Not all companies in the individual divisions are able to provide a full set of HR data. The total of the detailed employment figures therefore does not correspond to the total number of employees.
- 4 | All employee figures in the table refer to the head count.
- 5 | The gender “diverse” has only been recorded from the 2023 fiscal year onward. Until the 2022 fiscal year, only the gender “female” was collected and the gender “male” was calculated as the difference between this figure and the total.



Stakeholder Involvement

[GRI 406-1]

Employees are our most important stakeholders when it comes to DE&B. We want to involve them in all aspects and give them the opportunity to ask questions or express criticism. For that reason, there are clear structures and points of contact in place for employees at all companies of Schwarz Group. Besides the relevant managers, this includes the HR departments and – where applicable in accordance with national regulations and local conditions – employee representative bodies, for example – depending on the location – at Lidl, Kaufland, PreZero, Schwarz Produktion, and in parts of Schwarz Dienstleistungen and Schwarz Digits. There are also designated employee relations consultants in most of the companies of Schwarz Group, who act as neutral and independent contact persons. They are available to assist all employees and managers with any questions and concerns they may have about general HR topics, including diversity and equal opportunities. Employees can report information about potential discrimination cases via Lidl's official internal reporting channels. Kaufland employees in Germany can also submit complaints and express criticism via the internal "K Stimme" portal.

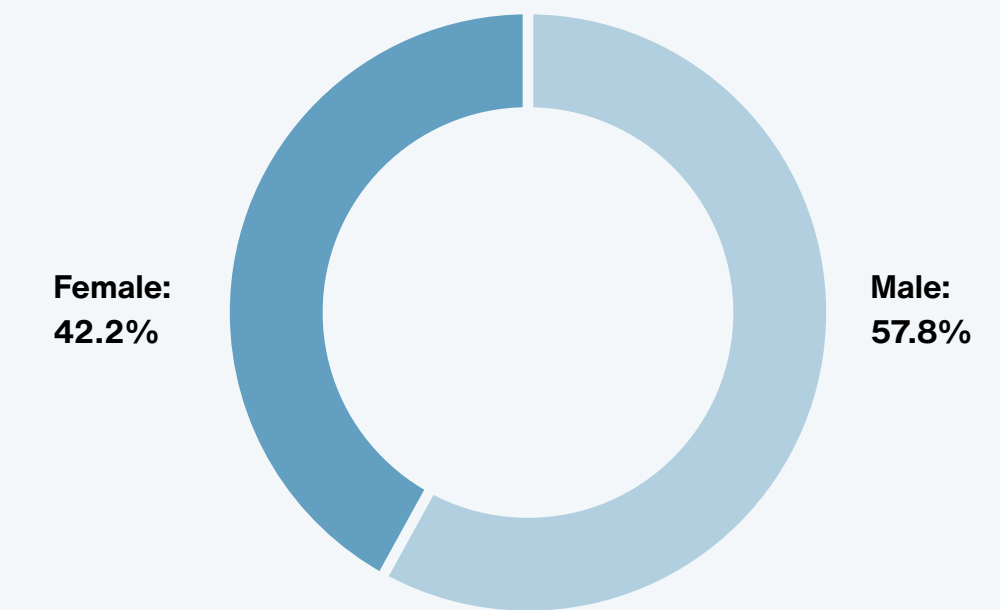
We support diversity and equal opportunities outside of the group, too. In pursuit of the goal of promoting women in particular in management positions, Lidl has been a partner of the international network Leading Executives Advancing Diversity (LEAD) since 2020. This network is committed to promoting diversity and increasing the proportion of women in management positions in retail and in the consumer goods industry. Lidl emphasized its commitment to this issue by signing the United Nations Women's Empowerment Principles (WEP). WEP is the first global initiative intended to systematically promote and empower women in business – based on a leadership culture that advocates equal opportunities.

As a matter of principle, the path to a management position is open to all employees at the companies of Schwarz Group. The 2023 fiscal year ended with 42.2 percent of management positions occupied by women in the companies of Schwarz Group – virtually identical to the previous year. At Kaufland, half of the management positions across all countries are held by women.

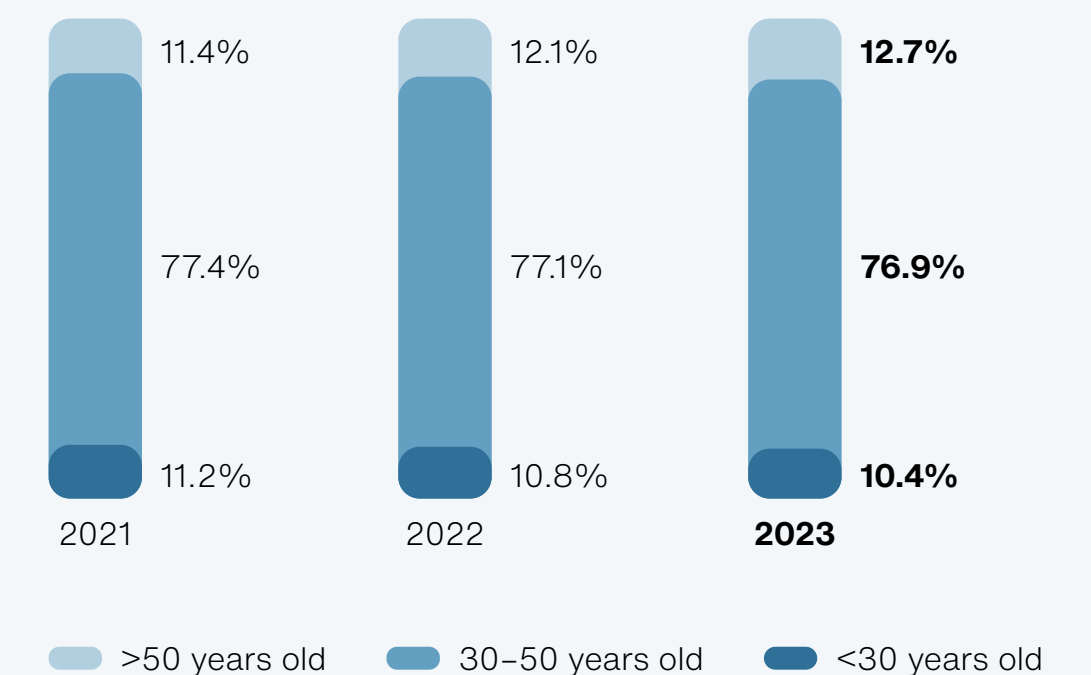
Diversity in Management Bodies

Proportion by gender in FY 2023

[GRI 405-1]



Proportion by age group



Measures & Projects

[GRI 2-23 and 404-2]

To meet the internal and legal obligations in relation to diversity and equal opportunities, managers and employees in the HR departments of the companies of Schwarz Group, in particular, are constantly informed of relevant aspects and changes. Lidl, Kaufland, Schwarz Digits and Schwarz Dienstleistungen offer needs-based intercultural training courses to promote internationality and cultural understanding of specific groups of people. This can be required in the context of a new country opening, foreign assignments or in the event of job rotation. At Lidl and Schwarz Dienstleistungen, this also applies to trainees.

In addition, e-learning courses on culture, diversity and inclusion are currently offered across all Lidl countries for office-based managers and employees, along with an e-learning course on HR compliance that is just for managers. The countries can decide for themselves which target groups should complete the e-learning courses and whether participation is mandatory. Employee training on diversity and inclusion is also currently being developed and rolled out at Lidl, with similar training planned at Schwarz Dienstleistungen. Since 2021, training on diversity and inclusion has been offered to vice presidents at Lidl as part of their international development program; since 2022, this training has been extended to senior vice presidents.

At Kaufland, the existing employee training courses are currently being assessed and revised and modules on related topics are being added. PreZero also provides training to its managers on this topic. For example, PreZero in Sweden trains all new and established managers in diversity. Schwarz Produktion is also actively committed to the equal treatment of all employees of its companies. Its aim is to remove barriers, reduce prejudices and build bridges in order to take full advantage of the potential of employee diversity. One of the measures employed by Schwarz Produktion to reach this goal is an anti-discrimination campaign, which has run over several years. As part of the campaign, interactive formats were organized at multiple locations, designed to bring the various aspects of tolerance and diversity to life for employees and raise awareness of the issues.

Aiming to curb common gender stereotypes right from the moment young people begin to think about their career, the companies of Schwarz Group are supporting the “#empowerGirl” internship initiative from 2024. The aim of this initiative is to get girls interested in a career in STEM. Division-specific events will also be held to mark Boys’ and Girls’ Day at Lidl, Kaufland, Schwarz Dienstleistungen, Schwarz Digits and Schwarz Produktion in 2024.

New Hires

[GRI 401-1]

	2021		2022		2023	
	Number	Proportion	Number	Proportion	Number	Proportion
Total new employees hired¹	141,916		165,157		151,606	
By age						
Age group < 30 years old	92,130	64.9%	101,922	61.7%	94,189	62.1%
Age group > 30 to < 50 years old	43,115	30.4%	53,522	32.4%	48,228	31.8%
Age group > 50 years old	6,671	4.7%	9,713	5.9%	9,189	6.1%
By gender²						
Female	81,811	57.6%	90,932	55.1%	80,964	53.4%
Male	60,105	42.4%	74,224	44.9%	70,621	46.6%
Diverse	0	0.0%	1	0.0%	21	0.0%
By region³						
Germany	37,802	26.6%	43,680	26.4%	44,547	29.4%
International	104,114	73.4%	121,477	73.6%	107,059	70.6%

1 | All new hires in the companies of Schwarz Group are included in the relevant FY, irrespective of whether the employees are hired on a fixed-term contract (start date). All employee figures in the table refer to the head count.

2 | The gender “diverse” has only been recorded from FY 2023 onward. Until FY 2022, only the gender “female” was collected and the gender “male” was calculated as the difference between this figure and the total.

3 | The “Germany” region includes Lidl in Germany, Kaufland in Germany, PreZero Germany, Schwarz Produktion, and Schwarz Dienstleistungen with Zentrale Dienste. The online business is not restricted to a location and is therefore assigned to the “International” region.



Responsibility in the Supply Chain Strategic Approach

Priority Topics

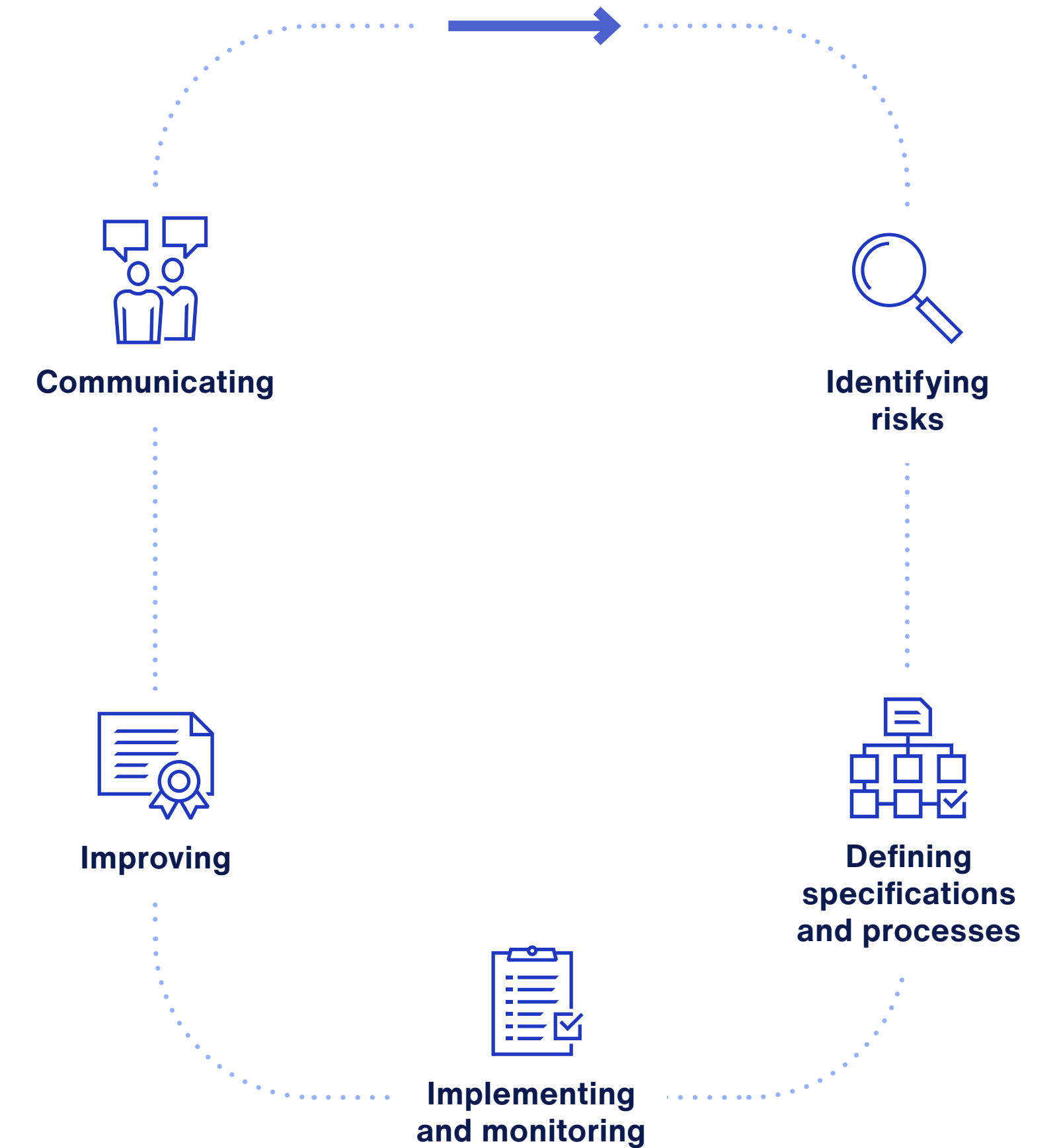
[GRI 2-23]

The retail divisions, Lidl and Kaufland, sell food, non-food and everyday products that are partly produced in complex supply chains. Some of these products are also produced by the in-house production facilities of the companies of Schwarz Group. People from around the world are employed in these supply chains, and we have a particular responsibility toward them. The companies of Schwarz Group therefore undertake to take into account human rights-related and environment-related due diligence obligations in their supply chains. As part of the Code of Conduct (CoC) of the companies of Schwarz Group, we oblige our business partners to comply with human rights and environmental protection laws along the supply chain in a risk-oriented manner and to avoid or reduce resource and environmental pollution as far as possible. These are in accordance with statutory regulations such as the German Supply Chain Due Diligence Act (LkSG).

Our actions follow the process of corporate due diligence:

- **Step 1 – Identifying risks:** The companies of Schwarz Group carry out annual and ad hoc risk assessments in order to identify environmental and human rights risks with business partners early on and manage these risks.

- **Step 2 – Defining specifications and processes:** This ensures that sustainability is managed effectively, laws are adhered to, and appropriate priorities are set.
- **Step 3 – Implementing and monitoring:** Once specifications and processes have been defined, appropriate preventive measures are derived and their implementation and effectiveness are monitored.
- **Step 4 – Improving:** Identified problem areas are continually improved. Risks are systematically eliminated, avoided or minimized. Access to effective complaint mechanisms for the affected parties is essential. Complaint mechanisms have therefore been established with this in mind.
- **Step 5 – Communicating:** There is transparent communication about all of the described steps, in particular the implementation status and progress of the measures.



Principles, Policies and Obligations

[GRI 2-23, 2-24, 407-1 and 414-2]

The companies of Schwarz Group consider social and environmental sustainability to be of great importance when cooperating with business partners and in their supply chains. The jointly developed and adopted Business Partner Code of Conduct of the Companies of Schwarz Group (see section [Compliance](#)) sets out the basic principles governing cooperation and describes what the companies of Schwarz Group expect of their business partners in terms of human rights and environmental issues. The Code of Conduct is based on the international guidelines and principles for the reduction of negative environmental and social impacts throughout the value chain listed below:

- International Bill of Human Rights
- 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
- Principles of the UN Global Compact (UNGC)

The fundamental principles defined by the International Labour Organization are also covered, and the relevant environmental standards are taken into account. The joint understanding and commitment of the companies of Schwarz Group is therefore based on the following fundamental principles:

- **No child labor:**
Children require special protection. That is why all forms of child labor are prohibited. National laws and international standards on the protection of minors must be complied with.
- **No forced labor, (modern) slavery or slavery-like practices:**
Forcing people to work violates a fundamental human right. We have a zero-tolerance policy on this issue. There are many forms of forced labor, including coercion, threats and the withholding of pay.
- **No unequal treatment in employment:**
Any distinction, exclusion or preference on account of age, gender, sexual orientation, pregnancy, disability, nationality, ethnic origin, skin color, religion or ideology, political opinion, social background, or marital status that results in unequal treatment or disadvantage is prohibited.

- **Fair wages:**
We support fair wages in individual projects in our supply chains, which ensure a humane living standard that enables people to meet their basic needs and those of their family.
- **Freedom of coalition and association:**
The freedom to join employee representative bodies and participate in collective negotiations must be ensured and must not have any negative consequences for employees.
- **Occupational health and safety:**
Occupational health and safety must always be ensured so that employees' health is not endangered or compromised in the workplace.
- **No forced eviction or illegal dispossession of land, water and soil:**
People's livelihoods must not be endangered by illegal evictions or the dispossession of land, forests and bodies of water.
- **No use of private or public security staff for the provision of disproportionate or illegal protection for business projects:**
Security staff provide protection and are not permitted to use violence due to a lack of supervision or training by the company.

- **Environmental protection:**
Any harmful changes to or contamination of soil, water and air, harmful noise emissions, and excessive use of water must be avoided and measures taken to mitigate the effects.
- **Compliance with internationally recognized environmental agreements:**
We observe obligations under international agreements, for example in relation to the production, use and disposal of products described in the Minamata Convention (mercury), Stockholm Convention (POPs) and Basel Convention (hazardous waste).

The companies of Schwarz Group also welcome the political decision by the European Union to establish binding, uniform regulations that ensure human rights and the environment are protected while also providing legal certainty and establishing a level playing field for companies in the value chains.

As well as abiding by external guidelines and principles, we have also defined internal principles that guide our work in supply chains. Further information on this topic can be found on the respective websites for the divisions.

[Policy Statement on the Lidl Human Rights Strategy \(German\)](#)

[Compliance at Kaufland \(German\)](#)



Impacts

By engaging with their supply chains in a responsible manner, the companies of Schwarz Group ensure that their products are produced under fair, ethical and environmentally sustainable conditions. Taking responsibility in the supply chain also helps to improve the working conditions and quality of life for the workers employed along the chain. For example, improved social standards can increase the resilience and quality of suppliers and have a positive impact on social conditions in the countries of origin. In the long term, this ensures a stable, more sustainable supply chain, which in turn can improve the success of the company and strengthen its competitive position. In achieving this, the customers' trust in the company increases and legal and reputational risks are reduced.

Our Purchasing Structures and Overarching Responsibilities

[GRI 2-6, 2-23 and 2-24]

The organization of purchasing and procurement at the companies of Schwarz Group is partly division-specific and partly cross-divisional. In the retail divisions Lidl and Kaufland, the respective Purchasing departments have overall responsibility for supplier management for merchandise and work in close cooperation with the relevant departments in the national companies.

At Lidl, the Chief Purchasing Officer is responsible for sustainable purchasing. Quality and Sustainability in Purchasing International is responsible for the strategic and operational implementation of all sustainability matters in Purchasing International and Purchasing National in cooperation with the national companies. At Kaufland, the Sustainability Purchasing International department was established as a strategic and expert point of contact for purchasing-related sustainability issues. Close cooperation with the international purchasing departments and national colleagues for sustainability in purchasing enables targeted measures that help us to fulfill our responsibilities as a food retailer. Purchasing for non-food items at Kaufland is almost fully integrated into the respective Purchasing department at Lidl.

Purchasing is also responsible for procurement at Schwarz Produktion. Lidl Purchasing is in charge of part of the procurement process regarding selected strategic product groups. At GreenCycle, as part of PreZero group, the Waste Disposal Network department has been responsible for purchasing waste disposal services for Lidl and Kaufland, and for creating and developing a central supplier and service management system since 2019.

Schwarz Beschaffung GmbH (hereinafter: Schwarz Beschaffung) supports the companies of Schwarz Group through the strategic procurement of non-merchandise goods (capital goods needed within the companies to carry out business activities) and by providing services. It is based within Schwarz Dienstleistungen and works with numerous suppliers from all over the world.

The international CR/CSR departments in all divisions support and promote sustainable purchasing and the commitment to responsible action in the supply chain. The overall responsibility for human rights-related and environment-related due diligence lies with the respective Management Board of each of the companies of Schwarz Group.

Responsibility in the Supply Chain Management Approaches

Organization and Responsibility

The following steps are implemented in close co-operation between the purchasing/procuring departments, Compliance, the CR/CSR departments and Risk Management of the companies of Schwarz Group. The responsibility for implementing the group's human rights-related and environment-related due diligence of the companies of Schwarz Group lies with the respective management of the involved functional departments of the companies of Schwarz Group and is implemented on a task-specific basis. Each company implements its responsibility in line with its business model and has integrated suitable approaches into its business practices.

Stakeholder Involvement

The perspective of the potential stakeholders is always taken into account when implementing the following steps to ensure maximum effect.

Process Step 1: Identifying Risks

[GRI 414-2]

A core aspect of the human rights due diligence process of the companies of Schwarz Group is a holistic, risk-based approach. This allows the companies of Schwarz Group to identify potential risks related to human rights and the environment along the supply chains, to prevent these risks, and to take remedial action where necessary.

Since 2022, the companies of Schwarz Group have been systematically carrying out an annual risk analysis of all direct business partners in accordance with the requirements of the German Supply Chain Due Diligence Act, as well as intra-year/needs-based risk analyses. Based on the findings, business partners are prioritized according to their risk exposure in order to effectively counteract adverse effects of business activities on human rights and environmental standards.

The individual risk classification of direct business partners is based on the products purchased or the services rendered. The risk assessment uses recognized indexes and studies while taking the country-specific information and raw materials information into account. In this way, by utilizing various sources of information – including the ILO, the Global Slavery Index, the UNICEF Global Databases for Child Protection and the UN Gender Inequality Index – the companies of Schwarz Group evaluate which of our supply chains have the highest risk of human rights violations. The companies of Schwarz Group are constantly striving to improve and systematically expand these processes for identifying risks and opportunities.

The Purchasing departments in the retail divisions were carrying out analyses even before the German Supply Chain Due Diligence Act came into force. Based on the results of these analyses, the companies of Schwarz Group have put in place appropriate measures for their raw materials policy. Further information about this can be found in the [Product Quality](#) chapter.

In 2020, Lidl became the first German retailer to begin conducting Human Rights Impact Assessments (HRIA) and publishing them on the respective Lidl websites. The HRIAs are used to systematically identify potential and actual human rights risks in individual supply chains. They are therefore an important step in the process of identifying specific adverse impacts on human rights in the supply chain concerned. Lidl has set itself the goal of carrying out three HRIAs per year in its supply chains for food products by 2025. A total of six HRIAs have been completed as of the end of the reporting period.

[Lidl Human Rights Impact Assessments \(HRIA\)\(German\)](#)



Process Step 2: Defining Specifications and Processes

Clear sustainability-related criteria, standards and legal obligations apply at both a global and regional level to ensure compliance with human rights and environmental standards in supply chains. The companies of Schwarz Group make contractual partners aware of their obligations in line with the contractual agreements, for example the jointly developed and adapted Business Partner Code of Conduct of the Companies of Schwarz Group (see section [Compliance](#)). In addition to this Code of Conduct, Schwarz Beschaffung also has its own procurement principles, for example. These also include production standards for suppliers. In addition to selection criteria related to the financial situation and quality, there are also selection criteria related to human rights and environmental aspects pursuant to the German Supply Chain Due Diligence Act.

The retail divisions, Schwarz Produktion, and PreZero also have corresponding criteria for supplier selection and management. At Schwarz Produktion, suppliers of raw materials and packaging must go through a supplier approval process, including the provision of a detailed self-disclosure, in order to successfully complete the approval process to become a business partner. Audits may also be performed. These are separate to any risk assessment performed by Quality Management in relation to quality risks. Schwarz Produktion also requires suppliers of raw materials and packaging to make a commitment themselves by becoming members of programs such as amfori BSCI or SEDEX, for example.

The aim of this requirement is to improve social standards in global supply chains. If they do not commit to this undertaking, suppliers will not be approved. Lidl has summarized its requirements for business partners alongside the general and cross-divisional requirements in three Sustainable Purchasing Policies, one for each assortment category (non-food, F&V, food). These include product-group-specific information on the expectations regarding compliance with the Code of Conduct. Kaufland has also published its own position on human rights on its website and explains its approach to this matter and the relevant supplier obligations as well as providing numerous other documents.

When entering into a business relationship with companies of Schwarz Group, business partners are required to adhere to the relevant standards in their businesses as far as possible and to promote compliance with the standards in their upstream supply chain. In this way, the companies of Schwarz Group are helping to ensure that their direct suppliers respect human rights and comply with statutory environmental and social requirements.

For raw materials associated with high human rights risks and environmental risks in particular, the companies of Schwarz Group set themselves specific goals and continuously work to implement appropriate measures. They define clear requirements for their business partners to ensure that these targets are achieved. These requirements include certification for products and raw materials, participation in the further development of standards, and the implementation of funding projects.

The divisions develop their own human rights strategies. The aim of these strategies is to ensure that human rights risks are minimized and that standards are consistently met. A risk-based approach is taken when developing the strategies. This means that Lidl, for example, focuses on the supply chains that are particularly relevant based on its own assortment-specific risk analysis. The company has also taken into account the expectations of its customers and society and the priorities of NGOs, as well as legal developments and scientific findings. The individual elements of the human rights strategy are: keeping track of impacts, safeguarding standards, expanding fair trade and driving change. This approach is based on clear responsibilities: The implementation of the strategy is monitored by the respective Management Board of the company concerned. The respective Board is regularly updated on any incidents and progress relating to human rights issues in the supply chains. In addition, routine decision-making exercises take place at Executive Board level to align the human rights strategy. In addition to the requirements for business partners, there are corresponding internal requirements and processes in place for Procurement and Purchasing departments. At Lidl, the CSR Purchasing Manual provides important guidance when it comes to assigning clear responsibilities and targets.

This is an internal document aimed at all Purchasing departments for Lidl merchandise. The manual covers topics such as the potential negative impacts of business activities in supply chains and sets out requirements and tips for how Lidl buyers can mitigate and have a positive influence on

these effects. Scope for action arises for instance in adopting principles for responsible purchasing practice and implementing enhanced transparency requirements for suppliers with standards and certification partners. Kaufland also has corresponding internal documents, which contain requirements for the Purchasing departments and are constantly being revised.

Process Step 3: Implementing and Monitoring

[GRI 2-23, 2-24 and 414-2]

Based on the defined specifications and processes (see [Process Step 2](#)), the companies of Schwarz Group implement appropriate measures and review these on a regular basis. In regard to implementing the German Supply Chain Due Diligence Act, the companies of Schwarz Group have worked together to devise an approach for assessing measures to ensure that sensible standards are established with suppliers. Companies of Schwarz Group have already introduced corresponding training for business partners on the implementation of the requirements of the Supply Chain Act, and there are plans to expand the training formats in the future.

One way in which we help ensure that human rights are observed along the supply chains is by adding certified raw materials to our portfolio. We are aware that preventive measures such as seals or certificates cannot completely rule out human rights violations. However, they are still an important step toward more transparency and go beyond legal minimum standards, which makes them a fundamental component of meeting existing due diligence obligations. Internationally recognized, standard-setting seal organizations like Fairtrade, Rainforest Alliance and FSC® (Lidl: FSC® N001585, Kaufland: FSC® N001539), which the companies of Schwarz Group work with in various ways, act as an extended arm reaching down to the producer level.

The organizations ensure regular checks are performed to confirm compliance with the defined standards. These checks are also carried out by independent third parties.

Compliance with the requirements and measures is monitored by means of audits, among other measures. Since 2010, Lidl has taken the preventive measure of requiring producers in high-risk countries who produce non-food goods for the Lidl private label to provide proof that they have undergone a valid social audit completed by an independent, local expert. By implementing this measure, Lidl is aiming to ensure compliance with the applicable social standards. This requirement was subsequently expanded to also include environmental audits. There are certain basic requirements that must be met as part of this process. The audits are documented systematically and repeated at regular intervals. In the event of any complaints, such as violations of working hours regulations, proof of the relevant remedial actions taken must be provided in a transparent manner. Building on the assessment of measures in accordance with the German Supply Chain Due Diligence Act, Lidl will review the portfolio of measures on a regular basis and as it is needed in the future to assess its effectiveness and develop the portfolio further.

Since the end of 2021, Lidl has gradually taken over the purchasing of non-food private-label products on behalf of Kaufland. As part of this management of affairs by Lidl, the requirements Lidl places on suppliers also apply to the products procured for Kaufland. For selected product groups, Kaufland has required producers to undergo a social audit since 2020.

Prior to the introduction of the mandatory BSCI audit standard for producers of non-food goods, Kaufland audited high-risk suppliers to verify compliance with minimum social criteria. To ensure cascading, Kaufland business partners are expected to also fulfill their due diligence duty and to require their suppliers to likewise comply with social and environmental standards.

In the first instance, the focus is on the long-term development of suppliers to ensure adherence to minimum environmental and social standards.

Process Step 4: Improving

[GRI 2-6, 2-24, 2-25, 2-26, 203-2 and 414-2]

The companies of Schwarz Group strive to bring about improvements within supply chains through targeted involvement. By monitoring and evaluating the requirements and processes, the identified hotspots can be continuously improved. Lidl, for example, uses the EcoVadis platform for selected food and non-food suppliers. This platform is used to assess the sustainability management system of direct business partners. The business partner's performance is analyzed using a universal scorecard, and Lidl and the business partner can then jointly work on measures for improvement.

Complaint Mechanisms and Remedial Measures

Negative effects should be systematically eliminated, avoided or minimized. In this context, it is important to us that we ensure that all parties involved have access to effective complaint mechanisms. To ensure that they are informed of any human rights violations and that affected parties receive appropriate redress, the companies of Schwarz Group have established such complaint mechanisms in over 30 languages. This means that action can also be taken if there is a cluster of similar cases. The complaint mechanisms allow affected parties or witnesses to report potential violations of human rights and environmental standards in confidence, including via the "BKMS" online reporting system. All complaint mechanisms of the companies of Schwarz Group are constantly being developed further and improved. There are also numerous training sessions

containing information on and references to the complaints systems available. Suspected violations can be reported at any time to the compliance officers of the companies of Schwarz Group or, if desired, anonymously via the various online reporting systems. Key findings from complaints are used to further develop the mechanisms and identify risks. If any adverse impacts caused or influenced by the companies of Schwarz Group are identified, we will always strive to remedy the situation. To achieve this, we use our powers of influence to ensure that the affected parties receive appropriate redress. The companies of Schwarz Group reserve the right, as a last resort, to terminate supplier relationships if there is no evidence of progress despite remedial measures being taken and the supplier has violated fundamental social and environmental standards and laws.

As part of the implementation of the German Supply Chain Due Diligence Act, the topic of child labor and forced labor is afforded the same level of consideration as other relevant topics in the area of human rights and environmental standards. Even before the German Supply Chain Due Diligence Act came into force, the risk analyses carried out by Lidl and Kaufland already involved analyzing the procurement of products containing raw materials from high-risk sectors where child labor is a concern. If cases of child labor are confirmed, we work closely with our suppliers and independent third parties in order to remedy the situation with regard to the affected children and their family. At Lidl, for example, we do this in cooperation with the Center for Child Rights and Business. As part of the remediation, affected

families, for instance, receive financial assistance equal to the standard minimum wage in the respective country. This is aimed at ensuring that the children are not forced back to work out of economic necessity.

Based on discussions with affected children and their families, the goal is also to enable the affected children to attend school and get an education so that they are able to improve the income situation for their families over the long term.

Fair Wages in the Supply Chain

As well as taking a stand against child and forced labor, it is important to the companies of Schwarz Group to ensure fair wages as well as a secure income for employees in the supply chains. We consider our commitment in this regard to be an integral part of our corporate due diligence. This applies not only to the remuneration of our own employees, but also to that of partners throughout the global supply chain. In particular, this includes local suppliers in international procurement markets and producers in the regional agricultural sector, for whom we aim to ensure fair wages. Flagship projects in this area include Lidl's commitment to the "Living Wage Banana" in Germany, Belgium, the Netherlands and Austria, as well as Lidl's Way To Go products.

The aim of the "Living Wage Banana" project is to ensure living wages in the supply chain. When Lidl in Germany committed to this project in 2022, it became the first German retailer to set the goal of closing its share of the wage gap in its banana supply chains. As a result of this initiative, Lidl's share of the wage gap in the procurement of

bananas has been completely closed for around 10,000 plantation workers. Lidl in Germany is implementing various measures to bridge the wage gap in the four producer countries of Colombia, Ecuador, Guatemala and the Dominican Republic. In addition to organic Fairtrade bananas, customers in all German Lidl stores are offered Fairtrade and Rainforest Alliance certified bananas. Lidl in Germany published its first report on the findings and successes of the project in 2024. Moving forward, the project will be expanded to include other Lidl countries and the findings will be shared with the relevant stakeholders. In the future, the project will also seek to close the gender pay gap.

Another example of our commitment to fair trade and a higher, secure income is the Way To Go project initiated by Lidl. When producers sell their products, in addition to the minimum price and Fairtrade Premium, they receive a further surcharge in the form of a cash component as well as funding for training opportunities and projects to help them diversify their income. Way To Go therefore permanently improves the working and living situation of small-scale farmers through higher incomes, training and targeted support for women. This approach has been developed in collaboration with the longstanding partner Fairtrade. Since 2020, Lidl has been selling Way To Go Fairtrade certified chocolate bars under its private label of the same name.

The sale of Way To Go chocolate has already benefited over 2,220 cocoa farmers from 26 Ghanaian municipalities – 30 percent of whom were women. The project has since been expanded to include other product groups such as coffee and



cashew nuts, with juice also part of the project assortment in some cases. The Way To Go orange juice and orange and mango juice drink were added to the range at 3,250 stores in Germany in summer 2023. The products are now also part of the range in Austria, Switzerland, Finland and Denmark. In February 2024, Way To Go orange juice came out on top in a product comparison test conducted by Ökotest. In addition to quality, where we achieved the top score, we were also awarded full marks for supply chain, corporate due diligence, fair and safe working conditions, and living wages.

Involvement in Initiatives and Multi-stakeholder Partnerships

In the food industry, Kaufland signed a voluntary commitment in 2020 demonstrating its support for the Initiative for Sustainable Agricultural Supply Chains (INA). The initiative advocates fair living wages for farmers and workers in producer countries. By making this commitment and also by participating in a working group on the issue, the aim – among other things – is to develop specific approaches for action and to further intensify the cooperation with local stakeholders. In its first joint pilot project, the Kaufland working group is focused on achieving living wages in the banana sector. As part of this project, a Wage Gap Report was recently published about Ecuador. Another project in the field of coffee production has also been agreed on by Lidl and Kaufland. This project aims to ensure living wages for smallholder farming families in Peru and Honduras. The project was launched in 2023 and potential pilot farms have been assessed in the supply chains. A specific project plan will be developed in 2024.

We believe that multi-stakeholder partnerships with civil society or standard-setting organizations, experts and other companies are an important means of making improvements together and solving complex social problems in a cooperative way. For example, as a member of the Partnership for Sustainable Textiles, we work with other companies, standard-setting organizations, NGOs and the German Government to improve conditions in textile production worldwide. Lidl is also part of the Action Collaboration Transformation (ACT) initiative and is working with 19 competitors and trade unions to implement living wages for workers in the textile industry. The initiative has recently had some initial success in Cambodia, where Lidl and other ACT members signed an individual agreement with IndustriALL in June 2024 to support a collective agreement in the country.

Lidl and Kaufland also take part in various multi-stakeholder formats with the aim of improving the effectiveness of reporting systems in general and across industries and expanding the reach of their own complaint mechanisms. For example, in addition to its own online reporting system “BKMS,” Lidl participates in the complaint mechanisms of initiatives such as the International Accord, amfori Speak for Change and ACT for textile supply chains. The company also continuously reviews participation in other pilot projects and the further development of existing mechanisms. In the fruit and vegetables sector, Lidl is one of the initiators of the “appellando” initiative, a platform for industry-wide complaint mechanisms that is being rolled out in Spain in 2024 with other countries set to follow. This initiative builds on a pilot project conducted by Lidl in the Spanish berries supply chain

in Huelva, which was successfully completed in 2022. Kaufland is also actively involved in “appellando” and works with multiple suppliers on the industry-wide complaint mechanism for the fruit and vegetable sector.

Process Step 5: Communicating

The companies of Schwarz Group continuously report on their progress and measures implemented, and in doing so, they create the basis for transparent communication with internal and external target groups. To that end, they publish sustainability reports – jointly as the companies of Schwarz Group and, in some cases, also at a divisional and country level. Other communication channels used by the companies of Schwarz Group include press releases and other publications such as documents on purchasing policy, position papers and company websites. Division-specific policy statements and the respective complaint mechanisms also fall under this umbrella.





Shaping Focus Areas
Product Quality

More Conscious and Sustainable Nutrition Strategic Approach

Priority Topics

In many countries, the companies of Schwarz Group contribute significantly to local supply and provide a reliable supply of food and availability of goods for their customers. This means that they bear particular responsibility for the quality and safety of their products and for developing future-proof products. They are setting a new course together with powerful partners and offer an increasing number of products that are produced in a more sustainable manner – bringing more sustainable, conscious nutrition to the mainstream of society, and including both producers and consumers on this journey.

We focus on three key components when it comes to more sustainable product design:

- Certified sustainable and regional raw material procurement: This means ensuring the sustainable procurement of raw materials in cooperation with powerful partners. It also means focusing on the local region for our raw materials and on cooperation with local suppliers. This approach ensures short transport routes, fresh products and support for local businesses.
- The foundations for more conscious nutrition: We are increasing the nutritional value of our products, for example by setting goals to reduce salt, sugar and fat in our private-label products, using high-quality ingredients, and pursuing a targeted strategy for the use of plant-based proteins.
- Safety and quality of products and services: To ensure the safety and high quality of our products and services, we adhere to generally recognized standards, implement management systems to monitor our actions and keep division-specific goals in sight.

Principles, Policies and Obligations

The latest scientific findings are an important source of guidance for us as we pursue our aim of more conscious and sustainable nutrition. This includes approaches such as the Planetary Health Diet proposed by the EAT-Lancet Commission, which is intended to support both human and planetary health. Lidl bases the targets in its own strategy for conscious nutrition on these scientific findings. To keep within planetary boundaries and support customer health, the consumption of fruit, vegetables, legumes and wholegrain products should be increased, for example.

Our commitment to product quality is also significantly guided by the European Union's (EU) "Farm to Fork" strategy, which was introduced as part of the European Green Deal. This strategy aims to improve the sustainability of food production and supply throughout the EU. Its overarching goal is to make the European food system healthier, fairer and more environmentally friendly. Regulatory measures such as taxes on carbon, plastic, sugar and salt and the EU Deforestation Regulation (EUDR) demonstrate the political will to help make products healthier and more sustainable. You can find more information on the EU Deforestation Regulation in the [Ecosystems](#) chapter.

Our actions are also guided by internal guidelines and principles. The companies of Schwarz Group publish the approaches and measures they take for a sustainable assortment and the procurement of raw materials in various position papers and purchasing policies:

[Lidl in Germany – Positions, Position Papers and Purchasing Policies \(German\):](#)

Purchasing Policy Raw Materials

- Position Paper for the More Sustainable Purchasing of Coffee
- Position Paper for the More Sustainable Purchasing of Cocoa
- Position Paper for the More Sustainable Purchasing of Fruit and Vegetables
- Position Paper for Flowers and Plants
- Position Paper for the More Sustainable Purchasing of Palm (Kernel) Oil
- Position Paper for the More Sustainable Purchasing of Tea
- Purchasing Policy for the More Sustainable Purchasing of Animal Products
- Position Paper for the More Sustainable Purchasing of Fish, Shellfish and Their Products
- Position for Sustainable, Future-Proof German Agriculture
- Purchasing Policy Conscious Nutrition
- Position for the Reduction of Food Waste
- Position Paper for Microplastics
- Position Paper on the Mandatory Deposit for PET Single-Use Bottles in Germany

- Position Paper for the More Sustainable Purchasing of Private-Label Products and Packaging Containing Cellulose
- Position Paper for a More Conscious Use of Water
- Purchasing Policy for Supply Chains Free from Deforestation and Conversion
- Human Rights & Environmental Due Diligence Policy
- Human Rights in the Supply Chain Policy
- Purchasing Policy for Gender Equality in the Supply Chain

[Kaufland – Guidelines \(German\):](#)

- Fish Guideline
- Guideline for Better Animal Welfare
- Guideline on Soy as Animal Feed
- Guideline on Sustainable Textiles
- Transparency Report on Fruit and Vegetables
- Transparency Report on Flowers and Plants
- Water Guideline
- Guideline on Combating Food Waste

The scope of the two retail divisions' policies and position papers is always clearly defined and can vary at national level depending on the topic.

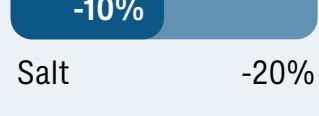
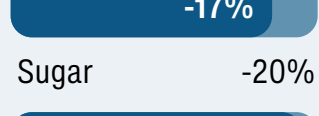
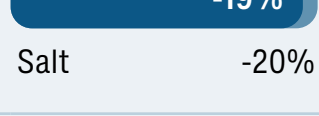
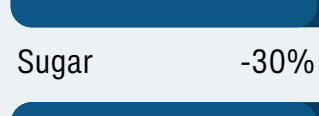
Impacts

There is a risk of potentially negative impacts when producing food. Examples include the intensive use of land to cultivate feed or working conditions that may result in disadvantages for workers. Sustainable product design can reduce these negative impacts while bringing about positive change for the environment and society, for example by using recognized labels such as the organic seal to ensure high product quality. Providing information about the supply chains, which can partially improve the traceability of products, enables consumers to make informed decisions and choose to buy products that are produced sustainably. Food also has an impact on the health of customers. By offering a responsible product assortment, for example by reducing salt, sugar and fat, we can improve the nutritional value of products and mitigate negative effects.



Targets, KPIs and Target Attainment

Target	KPI / Measurement	Status	Target Attainment	Page(s)	
Lidl aimed to achieve 100% certification through selected sustainability seals (Fairtrade, Rainforest Alliance and organic) for all items containing cocoa and chocolate bars by 2022.	Proportion of certified cocoa in cocoa assortment (private-label products)		<div style="display: flex; align-items: center;"> <div style="width: 100px; height: 15px; background: linear-gradient(to right, #0056b3 96%, #0056b3 96%, #0056b3 100%);"></div> <div style="margin-left: 5px;">96%¹</div> </div> <div style="display: flex; align-items: center; margin-top: 2px;"> <div style="width: 100px; height: 15px; background-color: #0056b3; opacity: 0.2;"></div> <div style="margin-left: 5px;">100%</div> </div>	Lidl	69
Kaufland aimed to achieve 100% certification through selected sustainability seals (Fairtrade, Rainforest Alliance, and organic) for all items in its private-label assortment containing cocoa by 2023.			<div style="display: flex; align-items: center;"> <div style="width: 100px; height: 15px; background: linear-gradient(to right, #0056b3 88%, #0056b3 88%, #0056b3 100%);"></div> <div style="margin-left: 5px;">88%¹</div> </div> <div style="display: flex; align-items: center; margin-top: 2px;"> <div style="width: 100px; height: 15px; background-color: #0056b3; opacity: 0.2;"></div> <div style="margin-left: 5px;">100%</div> </div>	Kaufland	69
In terms of coffee procurement, Lidl and Kaufland aimed to achieve 100% raw material certification through selected sustainability seals (Fairtrade, Rainforest Alliance, organic) for roasted beverages, instant coffee, capsules and cappuccinos in the private-label product assortment by the end of 2022.	Proportion of certified coffee products in the entire coffee product assortment (private-label products)		<div style="display: flex; align-items: center;"> <div style="width: 100px; height: 15px; background: linear-gradient(to right, #0056b3 95%, #0056b3 95%, #0056b3 100%);"></div> <div style="margin-left: 5px;">95%¹</div> </div> <div style="display: flex; align-items: center; margin-top: 2px;"> <div style="width: 100px; height: 15px; background-color: #0056b3; opacity: 0.2;"></div> <div style="margin-left: 5px;">100%</div> </div>	Lidl	69
In terms of coffee procurement, Kaufland aimed to achieve 100% raw material certification through selected sustainability seals (Fairtrade, Rainforest Alliance, organic) for whole beans, ground coffee, instant coffee, system coffee and blended coffee drinks in the private-label product assortment by the end of 2023.			<div style="display: flex; align-items: center;"> <div style="width: 100px; height: 15px; background: linear-gradient(to right, #0056b3 96%, #0056b3 96%, #0056b3 100%);"></div> <div style="margin-left: 5px;">96%¹</div> </div> <div style="display: flex; align-items: center; margin-top: 2px;"> <div style="width: 100px; height: 15px; background-color: #0056b3; opacity: 0.2;"></div> <div style="margin-left: 5px;">100%</div> </div>	Kaufland	69
Lidl aimed to achieve 100% raw material certification by RSPO for procured items containing palm (kernel) oil (incl. derivatives and fractions) pursuant to the “Mass Balance” standard by the end of 2022. For food items containing palm (kernel) oil, the aim was to achieve RSPO certification pursuant to the “Segregated” standard by the end of 2023.	Proportion of sustainable palm (kernel) oil items in the entire product assortment of palm (kernel) oil items (private-label products)		<div style="display: flex; align-items: center;"> <div style="width: 100px; height: 15px; background: linear-gradient(to right, #0056b3 88%, #0056b3 88%, #0056b3 100%);"></div> <div style="margin-left: 5px;">88%</div> </div> <div style="display: flex; align-items: center; margin-top: 2px;"> <div style="width: 100px; height: 15px; background-color: #0056b3; opacity: 0.2;"></div> <div style="margin-left: 5px;">100%</div> </div>	Lidl	118
Kaufland aimed to achieve 100% raw material certification by RSPO for procured items containing palm (kernel) oil pursuant to the “segregated” standard or higher by the end of 2022. Derivates and fractions are required to have a 100% raw material certification by RSPO pursuant to the “Mass Balance” standard.			<div style="display: flex; align-items: center;"> <div style="width: 100px; height: 15px; background: linear-gradient(to right, #0056b3 98%, #0056b3 98%, #0056b3 100%);"></div> <div style="margin-left: 5px;">98%</div> </div> <div style="display: flex; align-items: center; margin-top: 2px;"> <div style="width: 100px; height: 15px; background-color: #0056b3; opacity: 0.2;"></div> <div style="margin-left: 5px;">100%</div> </div>	Kaufland	118
By the end of 2025, 100% of procured fish and shellfish from aquaculture or wild-caught in Lidl’s permanent assortment will be certified (organic, Global G.A.P., BAP, or ASC/MSC [except tuna]); 50% of these items in Lidl’s promotional assortment will be certified (organic, Global G.A.P., BAP, or ASC/MSC [except tuna]). Furthermore, by the end of 2025, 100% of fish procured by Lidl in frozen goods and convenience as well as in canned tuna in the permanent assortment will be certified (MSC/ASC, Global G.A.P., BAP; except the following canned tuna: FIP, FAD free, pole&line). Finally, Lidl aimed to procure “fish” cat food varieties certified according to MSC or ASC by the end of 2022.	Total target attainment as a percentage		<div style="display: flex; align-items: center;"> <div style="width: 100px; height: 15px; background: linear-gradient(to right, #0056b3 90%, #0056b3 90%, #0056b3 100%);"></div> <div style="margin-left: 5px;">90%</div> </div> <div style="display: flex; align-items: center; margin-top: 2px;"> <div style="width: 100px; height: 15px; background-color: #0056b3; opacity: 0.2;"></div> <div style="margin-left: 5px;">100%</div> </div>	Lidl	71

Target	KPI / Measurement	Status	Target Attainment	Page(s)
For the production of the Kaufland private label K-take it veggie with soy as a basic ingredient, our suppliers exclusively use soy from the EU as an ingredient. The soy used is deforestation-free and conversion-free (pursuant to the criteria of the Accountability Framework initiative).	Proportion of certified soy in the entire soy assortment	➔	 100% Kaufland 100%	118
With regard to the procurement of cotton, Lidl and Kaufland aimed to achieve 100% certification through selected seals (GOTS, OCS, CmiA) for textiles, hard goods and more sustainable cotton by the end of 2022. By the end of 2025, Lidl aims to procure 20% of its cotton items in organic quality.	Proportion of certified cotton in the entire cotton assortment	➔	 95% 100%	70
		➔	 18% Organic Cotton 20%	
By 2025, Lidl will reduce the sales-weighted, average added sugar and salt content in its private-label assortment by 20% (base year: 2015).	Weighted average content of added sugar, salt and fat based on sales	➔	 -15% Lidl Sugar -20%	72
		➔	 -10% Lidl Salt -20%	
By 2025, Kaufland in Germany will reduce the sugar, salt and/or fat content in 500 private-label items by 20% on average (base year: 2015).		➔	 -17% Kaufland Sugar -20%	72
		➔	 -19% Kaufland Salt -20%	
By 2025, the companies of Schwarz Produktion will reduce the average sugar content per liter of beverages sold by approx. 30% and the average salt content per kilogram of baked goods sold by approx. 30% (base year: 2015).		➔	 -32% Schwarz Produktion Sugar -30%	72
		➔	 -34% Schwarz Produktion Salt -30%	

More Conscious and Sustainable Nutrition Management Approaches

Certified Sustainable and Regional Raw Material Procurement

Organization & Responsibility

[GRI 2-23]

At Lidl and Kaufland, the respective Purchasing departments are responsible for developing the assortment and ensuring that their respective policies and principles are implemented. Non-food products are procured by a joint Purchasing department. For both retail divisions, expanding regional offers and the procurement of local products is predominantly the domain of the national companies. Schwarz Beschaffung supports the companies of Schwarz Group through the strategic procurement of non-merchandise goods (capital goods needed within the companies to carry out business activities) and by providing services. As part of product development, particular focus is placed on ensuring a sustainable development process. As such, sampling and product selection processes are conducted virtually where possible, which helps to save material, energy and transport capacities.

The Purchasing department at Schwarz Produktion is responsible for procuring raw materials, packaging and services (some of which are certified) that are not procured by SBES. Schwarz Produktion also engages Lidl Purchasing as a service provider in the procurement process for selected strategic product groups.

Stakeholder Involvement

As well as cooperating with suppliers and producers in the procurement of raw materials and food, Lidl, Kaufland and Schwarz Produktion also work with renowned certification associations such as the Rainforest Alliance and Fairtrade as well as recognized organic associations such as Demeter and Bioland. Ongoing exchange with NGOs is also a crucial part of Lidl and Kaufland's networking activities.

In order to further expand the regional focus of their products, Lidl and Kaufland are involved in various associations. For example, the retail divisions support the work of the Zentrale Koordination Handel-Landwirtschaft (ZKHL; Central Trade and Agriculture Coordination Association) to introduce labeling of origin in Germany. Under these plans, agricultural products that are produced in Germany and processed into an end product will be uniformly labeled across the entire food retail market.

Lidl and Kaufland are also involved in various multi-stakeholder partnerships at a national and international level, such as the Roundtable on Sustainable Palm Oil (RSPO, license number Lidl: 3-0049-12-100-00 / Kaufland: 3-0052-12-000-00), the Forum for Sustainable Palm Oil, the German Initiative on Sustainable Cocoa, the Sustainable Nut Initiative, the Sustainable Rice Platform (SRP), the Initiative for Sustainable Agricultural Supply Chains (INA), the Forum Moderne Landwirtschaft (Forum for Modern Agriculture) and Donau Soja. The goal of these multi-stakeholder platforms is to work together with all stakeholders in the supply chain to implement

suitable measures and solutions for the responsible use of resources in the value chain and for raw material procurement.

[GRI 203-2]

Kaufland was the first food retailer to be actively involved in the Action Alliance for Sustainable Bananas (ABNB), with its commitment spanning from 2014 to 2022. In 2022, the activities of the ABNB were transferred to a working group of the World Banana Forum (WBF), and Kaufland has remained involved in this new format. Kaufland's commitment is directly reflected in its product assortment: All bananas at Kaufland are Rainforest Alliance certified at a minimum. Organic bananas and baby bananas are also traded under fair conditions. Lidl has been actively involved in the work of the WBF for many years.

Lidl's commitment to a conscious lifestyle and the responsible use of raw materials goes beyond its assortment: In 2023, Lidl in Germany became the first retailer to join the Verband für alternative Proteinquellen (BALPro; German Association for Alternative Protein Sources). Members of this association benefit from cross-network collaboration.

You can find more information about dialog formats with our stakeholders in the [Dialog Formats at a Glance](#) chapter.

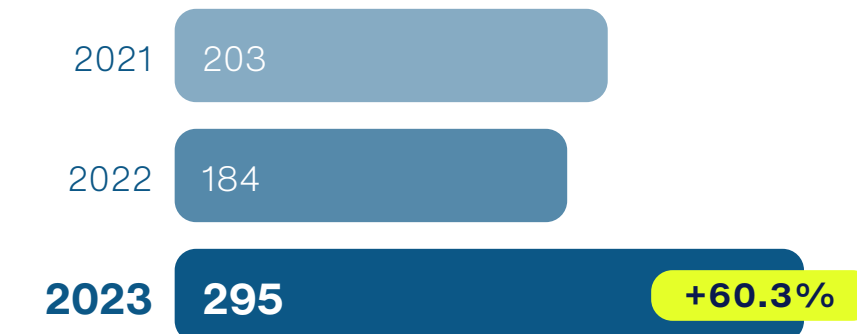
Measures & Projects
Certified Products in the Food Industry
[GRI 417-1]

The companies of Schwarz Group focus on sustainable product design with raw materials that are certified by third parties. Powerful partners and their certification systems play a fundamental role in relation to our strategic direction and the development of a sustainable product assortment. In the food industry, the retail divisions rely on recognized standards, such as Fairtrade, organic and the Rainforest Alliance, to promote socially and environmentally sustainable production. At Lidl, most of the private-label chocolate bars bear corresponding seals. At Kaufland, all private-label products that contain cocoa are – as of September 2024 – Fairtrade, Rainforest Alliance or organic certified. The cocoa used in all ice cream products manufactured by Schwarz Produktion is labeled with a sustainability seal. This expansion of certified products is also happening at country level (see graphics with example countries). An overview of the certifications used at Lidl and Kaufland can be found online (see the overviews of seals to the right).

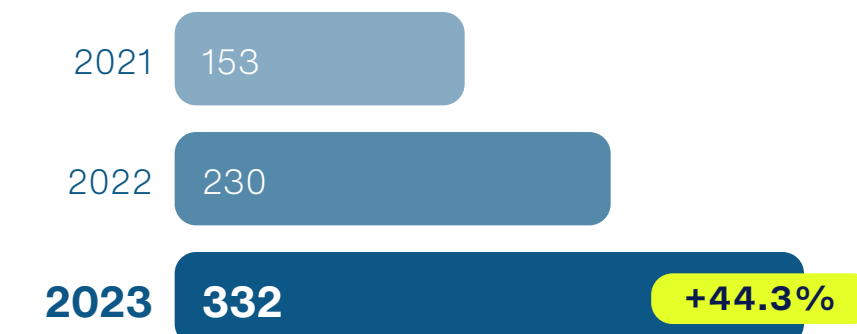
When procuring raw materials, the focus of the companies of Schwarz Group is always on ensuring a responsible approach to natural resources and the people employed in the supply chain. This applies in particular to the strategically important raw materials of cocoa, palm (kernel) oil, coffee, soy, fish and cotton. Large quantities of these raw materials are needed to produce the products sold and used by the retail divisions. Lidl and Kaufland have also defined critical raw materials at a division-specific level.



Number of Fairtrade-certified Items in the Assortment – Lidl Croatia^{1,2}



Number of Rainforest Alliance-certified Items in the Assortment – Kaufland Slovakia¹



In collaboration with well-respected associations, Lidl and Kaufland are increasingly offering their customers local and organic food that is produced to the highest standards. For example, Kaufland in Germany had over 250 products of Demeter quality in its assortment in the 2023 fiscal year, including juices, dairy products, spreads, pasta products, baby food, and fruit and vegetables. Under the K-Bio private label, over 100 products are certified pursuant to Bioland requirements. As part of their cooperations with Demeter and Bioland, the retail divisions are also supporting various sustainable future-oriented projects. These include, for example, projects that promote the establishment of biotopes and traditional German orchard meadows. K-Bio Bioland apple juice, which contains 30 percent meadow orchard apples, has been helping to preserve and maintain meadow orchards since 2024.

By 2025, Lidl in Germany wants ten percent of the permanent assortment to be organic or Bioland food, with the aim of promoting sustainable agriculture. This share was already over nine percent⁴ in the 2023 fiscal year. In total, Lidl in Germany has introduced around 600 organic items⁵, of which over 130 items⁵ from the food sector are produced pursuant to the strict requirements of the Bioland association. The assortment includes cereals and dairy products, fruit and vegetables, meat and sausage products, eggs, frozen goods, and potato snacks. Other national companies have also set targets to expand their range of organic products.

Furthermore, since January 2020, Lidl in Germany has also supported the Bioland Stiftung. Through this commitment, we are supporting forward-looking, sustainable agricultural projects, such as training opportunities for farmers. As part of the BODEN.BILDUNG project, farmers are trained to become soil practitioners and learn how to make their soil more fertile, for example through measures to build up humus. Another project supported by the foundation is HÖFE.BILDEN.VIELFALT, which gives farmers practical, tailored guidance on how to protect and increase biodiversity on their farm.

Lidl – Overview of Seals (German): [Responsibility – Good For You – Lidl in Germany](#)

Kaufland – Overview of Seals (German): [Product seals: What is behind them? | Kaufland](#)

1 | Number of all sales items (excluding promotional/seasonal items and non-food items) designated for sale to in-store customers. At Kaufland, items are counted on the FY end cut-off date, while at Lidl, all private-label items are included that were available for sale to customers over the entire FY.

2 | At Lidl, promotional private-label items are also included.

3 | www.ra.org

4 | Not including non-food items.

5 | In the permanent assortment and promotional assortment.

Sustainable Textiles

[GRI 417-1]



The companies of Schwarz Group also integrate various social and/or environmental certifications for their textile products: Both retail divisions have committed to the Global Organic Textile Standard (GOTS) and the Organic Content Standard (OCS) and have been certified accordingly. Their textile goods made from organic cotton are certified – insofar as possible given goods availability, qualities and economic factors – according to the ambitious criteria of the GOTS and OCS standards. On top of this, Lidl and Kaufland are partners of the “Cotton made in Africa” initiative. Through this cooperation, they are actively advocating for more socially and ecologically sustainable cotton production in Africa right from the very start of the textile supply chain. The retail divisions thus ensure that the raw materials they purchase for their private labels can be cultivated and sold under more responsible conditions. In 2019, Lidl and Kaufland were among the first German retailers to have themselves and their merchandise certified according to the social and environmental criteria of the Green Button – the German government’s certification label for sustainable textiles.

The employee clothing of all store employees at Lidl and Kaufland worldwide is made from organic cotton according to the stringent GOTS criteria and certified accordingly. Like their private-label textile products, the employee clothing of both retail divisions also carries the Green Button label. Moreover, our store clothing at Lidl and Kaufland is made from cotton that is 100 percent Fairtrade certified. Along the entire supply chain, the GOTS environmental and social criteria were also tested. Compliance with the defined minimum standards is verified by the Quality Assurance for Non-Merchandise department of Schwarz Beschaffung. Even after employee clothing has been used, we want to ensure that it is recycled in a useful way as part of an effective circular economy: From mid-2024, some of the clothing that is no longer used will be made into entry wristbands for experimenta – Germany’s largest science center, at its site in Heilbronn.

Regional Products

[GRI 204-1]

The retail divisions of Schwarz Group support short transport routes, fresh products and local businesses, which is why Lidl and Kaufland have initiated programs to promote and improve the visibility of regional or locally produced food in their respective national companies. In Germany, for example, Lidl and Kaufland were the first retailers to implement a nationwide 5xD-compliant product range for meat products. “5xD” (five times Germany) means that the animals are born, raised, fattened, slaughtered and processed in Germany. Another example is the private-label milk from Kaufland and Lidl in Germany, which now comes exclusively 100% from Germany.

Lidl in Germany has launched the program “Ein gutes Stück Bayern” (EgSB; A good piece of Bavaria). The aim of the program is to promote regional and sustainable cultivation by family-run farms. Some of these farms also take part in an added value program. In collaboration with some of the farmers from the EgSB program and a dairy, Lidl in Germany has also launched a scientifically backed project to reduce carbon emissions in milk production. As well as establishing a climate advisory board, 50 farmers are working to reduce the carbon emissions per liter of milk by at least 25 percent by 2026 compared to the base year of 2021.

Lidl Austria is supporting the domestic economy with its Austrian organic private label “Ein gutes Stück Heimat” (A good piece of home) and was awarded a Market Institut Quality Award in the “Willingness to buy” category in 2023 for its work in this area. There are examples of similar initiatives in other national companies, such as Lidl Greece’s “Noma” (Νόμα) private label, Lidl Great Britain’s “Backing British” and Lidl Croatia’s “Okusi zavičaja”. These brands are all characterized by the use of national ingredients exclusively produced locally. Lidl Latvia also labels products produced in Latvia to make them more recognizable for customers, as do Lidl Portugal and Lidl Slovenia.

Each day, over 2,000 regional growers and producers deliver their regionally produced food to Kaufland stores in Germany. These are labeled accordingly with the “Regio-Herz” (regional heart). At Kaufland in Germany, products that were produced or harvested in the respective region within a radius of approx. 30 kilometers of the store are referred to as regional. In 2021, Kaufland in Germany also introduced the label “Qualität aus Deutschland” (Quality from Germany) for private-label fruit, vegetables and meat. The logo is now used for other product groups as well, as long as the main ingredient comes from Germany. At the end of the 2023 fiscal year, more than 1,000 items featured this label.

Other Kaufland national companies also label their domestically produced private labels with corresponding seals. In addition, the sale of some regional products in the assortment is promoted to some extent through corresponding programs. For example, Kaufland Slovakia is supporting small and medium-sized food producers from the region as part of a sponsorship project. In the 2023 fiscal year, Kaufland Slovakia worked with 135 regional suppliers that supplied stores with items such as dairy products and craft beer. Lidl Czech Republic also supports Czech suppliers with the umbrella brand “Náš kraj”.

Responsible Animal Husbandry

Compliance with and the promotion of responsible husbandry conditions for terrestrial and aquatic live-stock plays an important role for the retail divisions Lidl and Kaufland, with due consideration given to the specific circumstances and characteristics of each country.

The focus here is on labeling animal products with transparent information about the respective animal husbandry conditions, which gives consumers the information they need to make an informed purchasing decision (you can find more information on this topic in the [Transparent Product Communication](#) chapter). In Germany, Lidl and Kaufland have been using a 4-level model to transparently label husbandry methods for all fresh meat products (1 = Indoor husbandry to 4 = Premium) since 2018. For the higher husbandry method levels, Lidl uses exclusively raw materials from Germany. A revised political agenda is necessary to create the requirements for reshaping animal husbandry in line with the higher husbandry methods.

By 2025, Lidl aims to establish the level 2 husbandry method as the minimum standard for its entire fresh meat assortment in Germany, excluding international specialties. All fresh poultry products and the entire fresh pork assortment are already produced in accordance with at least the level 2 husbandry method or higher. Furthermore, the level 3 and 4 husbandry methods are being expanded and used for an increasing amount of Lidl's private-label products: Lidl beef and milk products are currently being converted to these two levels. The aim is for at least 40 percent of the Lidl fresh meat assortment to be produced

in accordance with the level 3 and 4 husbandry methods by 2024, at least 50 percent by 2025, and 100 percent by 2030. Seven other Lidl countries (the Netherlands, France, Great Britain, Ireland, Denmark, Austria and Switzerland) also set stricter targets in 2024 to improve animal welfare in the production of pork, beef and poultry products by 2026 or in some cases by 2030.

One of the ways in which Kaufland promotes more humane animal husbandry in Germany is with its K-Wertschätze private label. All K-Wertschätze products are certified pursuant to recognized animal welfare standards and programs. At Kaufland in Germany, meat from pigs, cows, turkeys and chickens at the deli counters is exclusively produced according to the level 3 husbandry method "Outdoor environment," which involves higher animal welfare standards. In the self-service area at Kaufland in Germany, pork and beef produced in accordance with the level 3 husbandry method have been offered throughout Germany since 2021. The amount of fresh poultry products produced in accordance with the level 3 and level 4 husbandry methods was doubled in the 2023 reporting year, with the plan to increase this to 20 percent of the fresh poultry products on offer by 2026. In 2022, the proportion of milk produced according to the level 3 and level 4 husbandry methods was increased to 40 percent for UHT milk and to over 65 percent for fresh milk. You can find more information on animal welfare standards and programs in the [Kaufland International Animal Welfare Guidelines \(German\)](#).



The retail divisions also pay attention to the use of genetic engineering in animal feed. Around 89 percent of the dairy products sold by Kaufland in Germany are produced without using genetically modified feed. At Lidl in Germany, this figure is 85%. Milk sold by Lidl in Germany is already 100% produced without using genetically modified feed. Exceptions include compound products or specialties whose milk ingredients do not come from Germany. In addition, Lidl and Kaufland exclusively sell fresh poultry that complies with the German Genetic Engineering Act (Gentechnikgesetz).



The retail divisions are also focusing on sustainable purchasing for fish. At Lidl in Germany, almost all wild-caught fish and shellfish in the frozen, fresh, canned, and specialty goods areas bear the MSC label. 100 percent of fish and shellfish from aquaculture is ASC, organic or GLOBALG.A.P. certified. In the promotional assortment, 80 percent of Lidl private-label items are certified fish products. The long-term plan is to increase the proportion of certified raw ingredients in this assortment as well. Since 2018, Kaufland has offered exclusively ASC, MSC and GLOBALG.A.P. certified fish and prawns across its entire frozen private-label assortment in all its German stores –

and was the first food retailer to do so in Germany. Other national companies are also successfully expanding their certified fish assortment, including Lidl Belgium and Kaufland Poland (see graphics below).

Our commitment to responsible animal husbandry also applies to the food we serve our own employees: Almost all of the fish prepared at Schwarz Restaurantbetriebe comes from MSC-certified fisheries or ASC-certified fish farms. No live animals or animals on red lists of endangered species are used in the restaurants.



Number of ASC-certified Items in the Assortment – Lidl Belgium^{1,2}



Number of MSC-certified Items in the Assortment – Kaufland Poland¹



1 | Number of all sales items (excluding promotional/seasonal items and non-food items) designated for sale to in-store customers. At Kaufland, items are counted on the FY end cut-off date, while at Lidl, all private-label items are included that were available for sale to customers over the entire FY.
2 | At Lidl, promotional private-label items are also included.

The Foundations for More Conscious Nutrition

Organization & Responsibility

It is mainly the CR/CSR Purchasing departments of each retail division that are responsible for laying the foundations for more conscious nutrition. The organization of the reduction strategies of Lidl and Kaufland is also anchored in their respective Purchasing departments. They are implemented in conjunction with Quality Management/Quality Assurance and in close collaboration with the private-label suppliers of Lidl and Kaufland as well as the production plants of Schwarz Produktion and the Kaufland meat processing plants.

Stakeholder Involvement

We maintain an ongoing dialog with our stakeholders. For example, when publishing its strategy for conscious nutrition, Lidl in Germany spoke to NGOs such as foodwatch and ProVeg and discussed current developments with them. Lidl in Germany also dedicated a panel discussion to the topic in 2023 as part of the "Lidl im Dialog" (Lidl in Dialog) series. This topic will continue to be prioritized in 2024 in a similar format. You can find more information about dialog formats with our stakeholders in the [Dialog Formats at a Glance](#) chapter.

Measures & Projects Vegan and Vegetarian Nutrition

In keeping with the Planetary Health Diet created by the EAT-Lancet Commission, Lidl has set itself targets in relation to the focus area of conscious nutrition. These targets include a fiber strategy for increasing the proportion of whole grains in Lidl's private-label products as well as a protein strategy. As part of this protein strategy, Lidl is aiming to continuously increase the proportion of plant-based protein sources in its product range by 2030. To achieve this goal, Lidl will expand its range of legumes and nuts and also offer more vegan alternative products under its Vemondo private label.

Lidl was the first German food retailer to calculate and publish the ratios of animal to plant-based proteins in its product range as part of its protein strategy.¹ In the 2022 fiscal year, the overall percentage of plant-based proteins was 11 percent, and the percentage of alternative dairy products was six percent. As of 2023, Lidl in Germany has disclosed its protein split each year.² Lidl in Germany has also set itself ambitious protein targets for 2030. By 2030, Lidl in Germany will increase the share of plant-based proteins – including legumes, nuts, seeds, and vegan alternatives to meat, egg and fish products – to 20 percent. The proportion of alternative dairy products will be increased to 10 percent.

In addition to individual targets for specific product groups, Lidl in Germany is also putting concrete measures in place: For example, in 2023, the retail division aligned the prices of virtually the entire range of Vemondo private-label vegan alternatives in Germany to those of comparable non-vegan products. As a result, the majority of Vemondo products are available at the same basic price as comparable animal products. Kaufland has also lowered the prices of the products from its K-take it veggie private label to match their meat-based counterparts.

At the 2023 Vegan Food Awards, organized by the animal rights organization PETA, Lidl in Germany was awarded the Vegan Food Award in the "Best Vegan Range" category for its private label Vemondo. Vemondo was also successful at the 2023 International V-Label Awards: The product range won the 2023 Consumers' Choice Award as the most popular vegan product line. Vemondo also won Lidl the V-Label Award in the "Marketing & Branding" category.

Strategies for Reducing Sugar, Salt and Fat

Another focus of the companies of Schwarz Group is increasing the nutritional quality of our food. With regard to our private-label products, some examples include reducing sugar and salt and using more sustainable and healthier fats with the highest possible proportion of unsaturated fats. As part of this approach, Lidl, Kaufland and the companies of Schwarz Produktion have set themselves corresponding reduction targets (see the [Targets, KPIs and Target Attainment](#) section). Items whose salt, sugar or saturated fat content has already been reduced will be continuously reviewed for further reduction possibilities. For its own reduction strategy, Lidl has defined focus groups, such as yogurt and sweet baked goods for a reduction in sugar. For a reduction in salt, groups such as bread, rolls and pizza were selected. With these products, there is potential to improve the nutritional profile and/or to avoid the use of additives. All relevant private-label items that belong to these focus groups and present opportunities for reduction are reviewed. Where possible, one policy for each product family defines the targets for improving the nutritional profile and reducing undesirable additives. The reduction strategy was gradually expanded to all food product groups. Kaufland is also targeting specific product groups for the reduction of salt, sugar and fat. One particular area of focus for Kaufland is products such as soft drinks or cereals, which are often consumed by children.

1 | Lidl in Germany uses the WWF methodology for the calculation. The items are first grouped into animal protein sources and plant-based protein sources. Dairy products and plant-based dairy alternatives are calculated separately. The proportion of each type of protein is then calculated based on the total weight of the received goods for the items in each category.

2 | The figures on the protein split in FY 2023 will be published in the new Lidl in Germany Sustainability Report in September 2024.



Healthy Nutrition at Schwarz Restaurantbetriebe

The companies of Schwarz Group also treat the topic of conscious nutrition as a priority when it comes to their employees. Schwarz Restaurantbetriebe prepare fresh dishes using seasonal products and do not use any ready-made sauces, powdered ingredients, artificial flavor enhancers or glutamate in their recipes. The restaurants focus on offering a balanced menu with regional and seasonal recipes and the use of legumes and vegetables. For almost every dish, we also offer a vegan or vegetarian alternative. We do not use palm oil in any of our recipes.

Ensuring the Safety and Quality of Products and Services

Organization & Responsibility

[GRI 416-1 and 416-2]

— Safety is a key element in ensuring the quality of all goods and services. This includes not only food safety, but also data privacy and secure digital services, such as the Schwarz Digits cloud service.

Compliance with food regulations, evaluating potential consumer complaints, and in-house requirements for labeling private-label products are the responsibility of the Purchasing departments at Lidl and Kaufland, together with Quality Management and Quality Assurance. The national companies of the two retail divisions implement their own measures and projects. At Schwarz Produktion, the Quality department is responsible for ensuring compliance with food regulations, reviewing potential customer complaints and implementing internal specifications for the production of private-label products. The quality managers in the production plants are responsible for ensuring all quality-related regulations and processes are implemented and adhered to in operations.

At Schwarz Digits, in order to ensure the security of the STACKIT cloud solution, cutting-edge security technologies such as Zero Trust, least privilege and multi-factor authentication are implemented, and existing security technologies are continuously being expanded. All of these technologies are certified pursuant to the ISO 27001 standard. Since 2023, external auditors have

conducted annual BSI C5 audits to verify the implementation of the requirements and the effectiveness of the controls.

Stakeholder Involvement

[GRI 2-25 and 2-29]

The needs of our customers are a top priority for us. Therefore, a comprehensive complaint management system is a key aspect of quality assurance. A complaint management system is established and anchored in the customer service and customer management processes at both Lidl and Kaufland. Customer concerns and complaints can be submitted by phone or via an online form on the Lidl and Kaufland websites.

To enable a complaint process for all parties in the supply chain, both divisions have also established a publicly accessible online reporting system (see the [People](#) chapter). Moreover, emergency numbers are available to all contract partners – at Lidl this is organized internationally, while Kaufland has country-specific contacts. Quality complaints about products and product-related crises are also managed, assessed and processed by the person or persons responsible for quality assurance and/or quality management in Purchasing.

Beyond their own extensive activities, Lidl and Kaufland are also involved with various organizations that are responsible for food safety. A comprehensive overview can be found in the [Stakeholder Management](#) chapter.

PreZero provides an online contact form, a customer phone number and an online reporting system for compliance violations. At Schwarz Produktion, a complaint and queries management system has been established for years, including reporting to general management and the Management Board. All consumer inquiries or complaints, whether by phone, post, email or via the homepage, are processed and analyzed in the Quality department, and effective corrective measures are defined together with the departments/plants.

Measures & Projects

Quality Management Systems

[GRI 416-1, 416-2 and 417-1]

To systematically manage product safety, legality and high quality, Lidl works according to a recognized quality management system certified pursuant to ISO 9001. Product safety is its top priority. At Lidl, all corresponding processes are carried out according to the requirements of this management system, which governs the quality targets and principles as well as clear process specifications and responsibilities. The processes are regularly reviewed and subjected to corresponding audits. Employees are trained by the responsible departments where required. A CR manual with internal specifications for selected raw materials offers the purchasers and quality managers the necessary guidance to implement sustainability requirements for specific product groups.

For private labels in the food and drugstore area, Kaufland has also defined quality standards for ingredients, pollutants and sustainable raw materials that, to some extent, go beyond legal requirements.

Both retail divisions have defined and incorporated key steps for compliance with food safety:

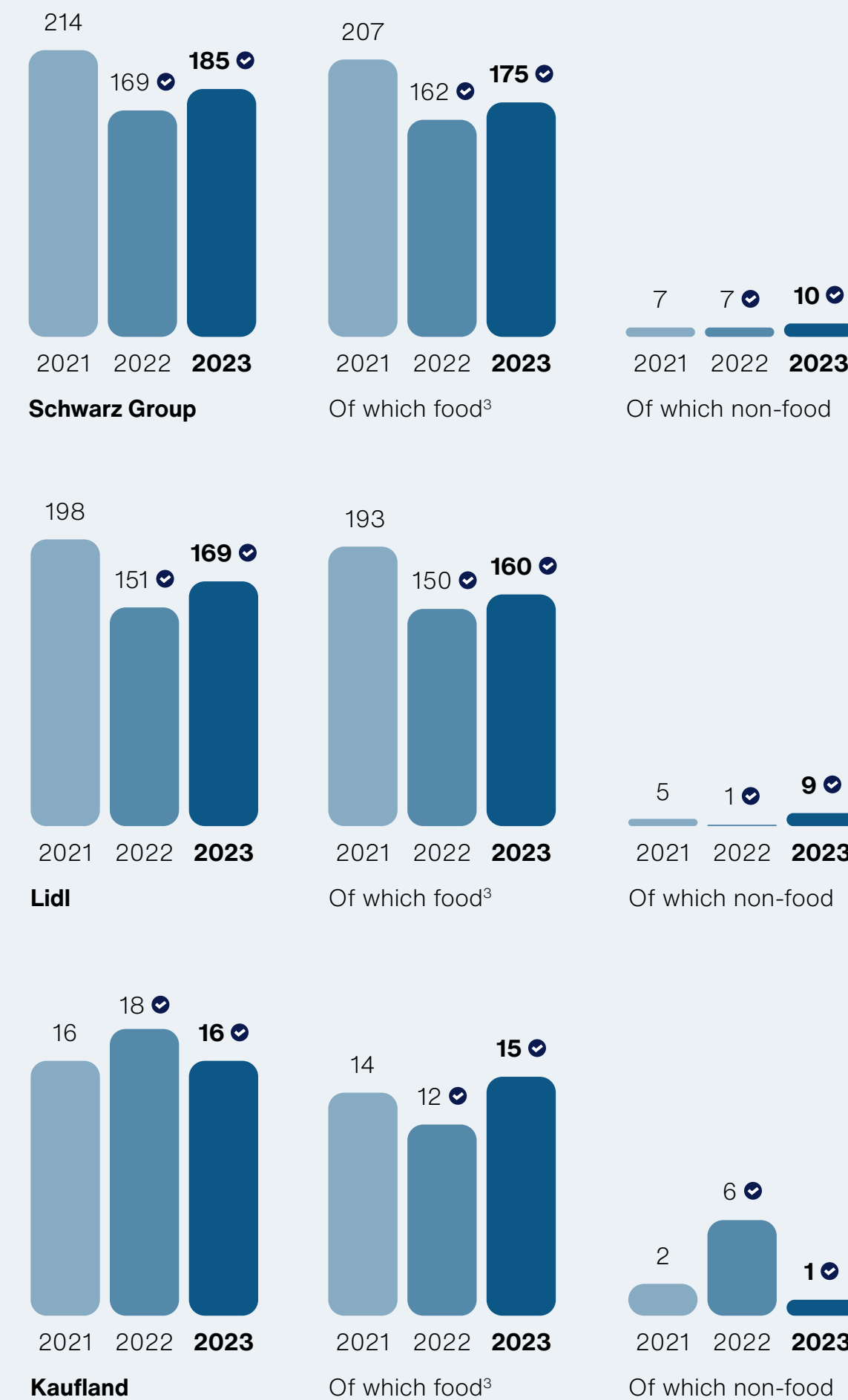
- Certification pursuant to the International Featured Standard (IFS) or the British Retail Consortium (BRC) of production sites that supply the companies of Schwarz Group with food and drugstore products in the private-label assortment. The certifications are included in Lidl and Kaufland's supplier requirements. If corresponding proof cannot be produced, a risk assessment and an audit are conducted. The results are then used to decide whether or not to enter into a supplier relationship.
- Regular, risk-oriented, and, if necessary, unannounced production site audits by selected external certification bodies
- Risk-oriented inspection of private-label items in the food and drugstore area by independent accredited institutes (e.g., SGS Fresenius, Eurofins) to test their marketability
- Compliance of specification values that, in some cases, go beyond legal requirements and also consider the requirements of NGOs and test magazines, including corresponding checks by independent accredited institutes.¹

All potentially critical results that are determined through the above-mentioned processes are forwarded to the company departments responsible for product safety to be processed as a priority, for potential problems to be resolved, and if necessary, for suitable measures to be initiated.

As manufacturers for the retail divisions Lidl and Kaufland, the production plants of Schwarz Produktion and the Kaufland meat processing plants have a direct impact on the product quality of private labels. The raw materials used and production conditions are subject to the highest requirements, like those of the IFS, and undergo countless quality checks. The jointly defined maximum is to only bring safe food onto the market, to ensure consistently high quality and to avoid potential dangers to health. In the reporting period, no product recalls occurred in Kaufland's own meat processing plants.

For private labels and own imports in the non-food area, there are also extensive quality specifications. To ensure compliance with the OEKO-TEX® STANDARD 100, for example, a comprehensive quality management system is implemented in the textiles area to test for potentially harmful substances in products. All components of an item must be tested in order for it to be awarded this label. ✓—

Number of Recalled Private-label Items² [GRI 416-2]



In the 2023 fiscal year, the companies of Schwarz Group recorded a slight increase in the number or recalled private-label items year on year. This can be partially attributed to an increase in the total number of private-label items sold. Therefore, the likelihood of product recalls also increased. This can also be influenced by regulatory and country-specific developments – such as the introduction of new warning guidelines in France.

1 | Statement was not included in external review.
 2 | The number of different sales items recalled as part of public private-label product/goods recalls is reported. Goods withdrawals are not considered. At Lidl, this includes all sales items (incl. fruit & vegetables and flowers & plants) for each country, which were designated for sale to customers during the fiscal year. This concerns in-store trade excluding promotional articles. Each single item/each sorting is counted. At Kaufland, this includes all actively listed articles (listed in at least one hypermarket) at the fiscal year end cut-off date. Excluded are: Differential markets, dummy purchasing groups, secondary business (and irrelevant product groups), special items/special stock/seasonal articles, displays, sales sets.
 3 | For the food category, all foods are counted, as are items from the near-food area, e.g., cosmetics, laundry, cleaning and household products, flowers and plants.

Quality Assurance for Fruit and Vegetables

— Every day, hundreds of tons of fresh fruit and vegetables are delivered to around 13,900 Lidl and Kaufland stores around the world. Therefore, product and food safety are of the utmost importance for this product group.

In order to define a high safety standard for the use of pesticides, Lidl and Kaufland have jointly drawn up a binding banned substances list for fresh fruit and vegetables containing over 200 active substances.

To guarantee a high level of product quality, we must perform a detailed analysis on all deliveries following standardized processes. Many tests are carried out even before harvest, or before the goods are loaded. In addition to results from the test reports of neutral samplers and external accredited laboratories, evaluations of the conditions in the growing regions are incorporated into our findings.

Other examples of quality assurance by the Lidl and Kaufland retail divisions:

- Definition of own specification values for pesticides in purchasing policies that go beyond the legal requirements set out in Regulation (EC) No 396/2005 of the European Parliament
- Cooperation with agricultural producers that are certified pursuant to the GLOBALG.A.P. standard for controlled agricultural corporate management or the QS quality standard¹
- Cooperation with and support for all producers of fruit and vegetables during the completion of the GLOBALG.A.P. GRASP add-on for social concerns of workers¹
- To take into account the topic of biodiversity, Lidl and GLOBALG.A.P. worked in a multi-stakeholder project team to release an industry-wide solution for biodiversity, published in April 2022 as the GLOBALG.A.P. Biodiversity add-on. As part of an extensive pilot project, by the end of 2023, over 900 European fruit and vegetable growers had been certified in accordance with the new add-on.



- In order to promote sustainable water management in farming and agriculture, Lidl has set itself a specific target¹ with regard to the certification of its fruit and vegetables assortment in various risk countries. Kaufland is also planning a similar certification. The targets as well as additional information related to this topic can be found in the Ecosystems chapter.

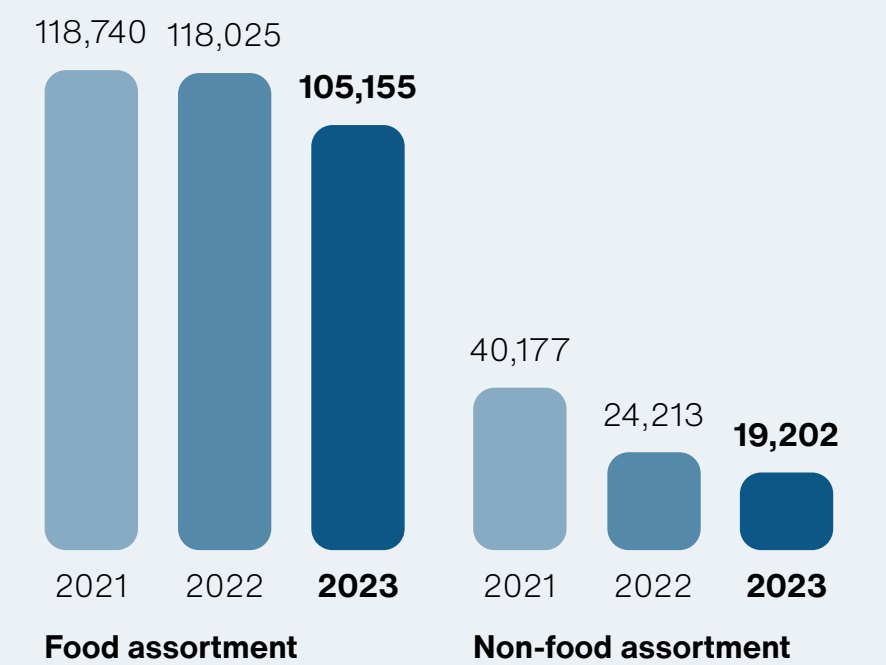
A Focus on Ingredients

For the companies of Schwarz Group, private-label products represent a key lever to achieve improvements in product quality. The topic of ingredients is a key area of focus here: On the one hand, the goal is to reduce undesirable substances, such as possible residues or contaminants. On the other hand, the companies of Schwarz Group want to increase the proportion of selected raw materials from certified, sustainable production.

To reduce or replace criticized ingredients, Lidl and Kaufland are implementing a wide range of measures for their private-label products. For example, Lidl in Germany has set concrete targets for reducing colorants and flavoring agents (which can be viewed in the Purchasing Policy for Conscious Nutrition). Lidl in Germany is also pursuing the goal of reducing the use of preservatives as much as possible, or even outright avoiding them, as long as this does not impact food safety. For example, Lidl and Kaufland have introduced a corresponding blacklist that excludes certain colorants from their private labels in the food area. —

Product Analyses in the Private-label Assortment

[GRI 416-1]



The number of product analyses in the non-food area (private labels) in particular has decreased over the past fiscal years. One reason for this is the use of synergy effects between the two retail divisions Lidl and Kaufland since the 2023 fiscal year.

¹ | Statement was not included in external review.

Transparent Product Communication Strategic Approach

Priority Topics

[GRI 417-1]

13,900 (2022: 13,700) stores and online shops offer customers all over the world the opportunity to purchase their everyday food, drugstore items and non-food products at Lidl or Kaufland. This means that the retail divisions do not just make a significant contribution to local supply – they also have an impact on the health and sustainable behavior of their customers, both through the products that they offer and through the way they communicate with consumers. Transparent product communication covering social, environmental and health-related aspects of the product range plays a fundamental role in enabling customers to make more conscious and more sustainable nutrition choices. At the companies of Schwarz Group, transparent product communication is built on two pillars:

- The use of sustainability and nutritional labels, including the Nutri-Score voluntary nutritional label or sorting instructions on multi-component packaging (see the [Circular Systems](#) chapter)
- Raising awareness of conscious nutrition: The focus here is on initiatives that provide children and adults with an understanding of how to use food and resources responsibly and teach them about healthy nutrition.

Principles, Policies and Obligations

When developing their initiatives and measures, the retail divisions consider international rules and directives, such as the European Parliament's regulation on nutrition and health claims. This includes claims that a product is sugar-free or low fat, or claims regarding the levels of fiber or vitamins. This is particularly relevant for labels concerning claims of reduced sugar, salt or fat content.

Internal purchasing policies, position papers about specific topics and test criteria of the respective retail division, which include the assessment of NGOs, are used as the basis for developing a responsible assortment.

Lidl has developed a matrix for customer communication containing CSR messages, which is available for all countries. This is intended to ensure transparent communication on sustainability aspects of the products and prevent greenwashing.

Impacts

A lack of awareness of sustainable and healthy food can lead to unhealthy nutrition choices that harm the environment. As the companies of Schwarz Group, we want to counteract this in a targeted manner. That is why transparent product communication is essential, as it provides customers with the information they need to make informed, healthy choices when it comes to their nutrition. By providing clear information about products, enabling customers to trace the origins of ingredients and disclosing details of individual manufacturing processes, the companies of Schwarz Group can increase customers' awareness of healthy nutrition. At the same time, transparent product communication also builds trust and helps to create and maintain long-term customer relationships. We also consider it our duty to use initiatives to raise awareness among children and young people and to teach them about simple ways in which they can incorporate conscious nutrition into their day-to-day lives.

Transparent Product Communication Management Approaches

The Use of Sustainability and Nutritional Labels

Organization & Responsibility

[GRI 2-29]

At Lidl, the Product Marketing team based in Purchasing as well as the Marketing and Corporate Communications teams are responsible for customer information. The Branding & Packaging and Quality & Sustainability teams are responsible for packaging design.

At Kaufland, the communication measures, the initiatives to raise consumers' awareness and product marketing are the responsibility of the CR team, supported by Marketing and Corporate Communications as well as the Purchasing and Quality Management departments. Complaint mechanisms such as hotlines are based in the Customer Management department. Customers receive a prompt answer, and if necessary, additional departments are involved in the response. If suggestions are made or constructive criticism is expressed, the responsible department checks whether they can be implemented.

Measures & Projects

Nutri-Score and Eco-Score

[GRI 417-1]

Lidl and Kaufland were two of the first companies to introduce the Nutri-Score voluntary nutritional label. Since taking this step, both divisions have been gradually extending the label to their private-label portfolio. By doing so, Lidl and Kaufland make it possible for customers to consider the nutritional value of foods when making a purchasing decision. Back in early 2020, Kaufland

became one of the first retailers to start introducing the Nutri-Score nutritional label and is seeking to introduce this label for all eligible products where regulations allow. Since then, the food retailer has introduced the voluntary Nutri-Score rating for many items from its K-Bio, K-Classic and K-take it veggie private labels. At Lidl, the Nutri-Score is also used in all countries that do not yet have a corresponding labeling system and where legislation allows. Lidl started using the Nutri-Score label for its private-label products in 2019, and now the majority of the private-label product range bears it.

As part of a pilot project, Lidl in Germany trialed the Eco-Score¹ label on the price tags of selected products in all of its Berlin stores, becoming the first German retailer to do so. With this five-level product label, customers can identify the level of sustainability of food and its impacts on the environment at a glance. The project was successfully completed. The results were evaluated in collaboration with researchers from Baden-Wuerttemberg Cooperative State University (DHBW) and made available to the public. Lidl supports a standard European label.

Other Markings and Labels

The companies of Schwarz Group strive to further increase the level of transparency around their products. They are already using traceability solutions in order to achieve this goal. These solutions make it possible to trace the origins of individual raw materials and provide access to the information via barcodes on the packaging. Kaufland customers receive extensive information about all fish products and certain meat products from various

private labels. At Lidl, information is also provided for fish and meat products. On a large proportion of its packaging for marinated and seasoned meat, Lidl has introduced a voluntary country of origin label. This is also used for all fish items. As a result, Lidl has exceeded the legal requirements within the EU. When it comes to labeling of origin, a QR code is usually used. The next step will involve providing a more transparent picture with regard to potential CSR risks in the food retail supply chains. The aim is to digitally map out supply chains and to identify social and environmental risks. In this context, Lidl is currently considering working together with external service providers that offer relevant solutions in this area.

Both retail divisions are also implementing programs and projects to continuously reduce the use of pesticides beyond what is required by law. To this end, Lidl has introduced its own internal requirement that only one third of the legal maximum level of active substance residues is allowed. Merchandise produced according to ecological and social standards is clearly identified at Lidl and Kaufland with independent certifications and respective product labels. To highlight the benefits, consumers are informed about the sustainability of the products in leaflets and on packaging. For example, Kaufland marks the respective products from its private-label assortment with the logo "Machen macht den Unterschied" (Our actions do the talking), in connection with the relevant and current sustainability labels such as Fair-trade or Rainforest Alliance. For more information on this, see the Certified Sustainable and Regional Raw Materials Procurement chapter.

1 | The Eco-Score project was developed by a French consortium to inform consumers of the impacts of food. More information: <https://docs.score-environnemental.com/v/en>



Transparency and awareness regarding the end-of-life impact of products is a key element of effective action within the companies of Schwarz Group: For example, sorting and disposal instructions on multi-component packaging were gradually introduced at the Lidl and Kaufland retail divisions as part of the REset Plastic strategy. The goal is to motivate customers to properly dispose of their packaging waste. By doing this, we want to help to improve recycling processes. PreZero has also been supporting these efforts. The company is part of associations and initiatives that explicitly strive to increase the amount of recyclable materials that are recycled by sharing knowledge about waste separation. You can also find more information about the REset Plastic strategy in the [Circular Systems](#) chapter.

Raising Awareness of Conscious Nutrition

Organization & Responsibility

Specific measures for raising awareness of conscious nutrition are implemented by the CR/CSR departments of the retail divisions in cooperation with the communication departments, CR/CSR Purchasing or the HR departments. These measures depend on the affected stakeholder groups, e.g., customers, society, employees, etc.

Measures & Projects

[GRI 413-1]

The companies of Schwarz Group have put various measures and initiatives in place in order to make children and adults more aware of the topic of conscious nutrition and the responsible consumption of food.

The topic of marketing to children is a key area of focus. As of the 2023 fiscal year, Lidl in Germany no longer advertises any unhealthy foods to children – aside from promotional items sold around the Christmas, Easter and Halloween holidays. This includes foods that contain a high proportion of saturated fats, sugar or salt, and which are therefore categorized as unhealthy according to the criteria of the World Health Organization (WHO). For private-label products that are categorized as unhealthy, Lidl and Kaufland avoid the use of packaging designs that are aimed at children.

Kaufland is involved in the educational initiative “Machen macht Schule” (Taking action in the classroom), which teaches children about sustainable future topics in an age-appropriate and fun way. The initiative involves organizing campaign days on nutrition in schools, daycare centers or soccer clubs, which aim to increase children’s awareness around the topic of healthy nutrition. During these campaign days, certified nutritional experts teach the children basic information about healthy nutrition and the conscious use of food in a playful and age-appropriate way. The Kaufland stores provide fresh fruit and vegetables and additional food items for the campaign days. During the reporting period, Kaufland organized 250 (2022: 80) of these campaign days and will hold a similar number of them in the coming fiscal year. At a national level, Croatia and Slovakia have been committed to this topic for several years.

Lidl is also involved in promoting conscious and healthy nutrition for children: At Lidl Czech Republic, the “Essbare Schulgarten” (Edible gardens) project has been running in schools since 2022. In 2023, gardens were opened in six schools to teach children about healthy eating habits and encourage them to adopt these themselves.

We are also committed to the health of our own employees: For example, our employees can learn about conscious nutrition by means of campaigns held in the Schwarz Restaurantbetriebe restaurants during the Sustainability Weeks, or through the balanced menu on offer there. Calorie information is provided for all of the meals on the menu, and this transparency allows our employees to make an informed decision about how many calories they want to consume. As part of the campaign week “Yes to Health. Yes to the Planet” in November 2023, the Schwarz Restaurantbetriebe at the headquarters in Neckarsulm as well as at Lidl and Kaufland locations provided information on the topic of sustainability in the employee restaurants in addition to giving advice on conscious nutrition based on the Planetary Health Diet. Nine out of the ten Schwarz Restaurantbetriebe restaurants have undergone the organic certification process. This process involves testing the food and cleaning products with regard to harmful substances, environmental compatibility, and the supplier and supply chains.



Shaping Focus Areas
Circular Systems



Resource Conservation and Circular Solutions Strategic Approach

Priority Topics

[GRI 301, 306-2]

— The circular economy is a core part of the corporate strategies of the companies of Schwarz Group. This applies equally to our own processes and to the processes along our value chains. The companies of Schwarz Group cover most of these processes internally thanks to their diverse business models – with each division making an important contribution to the success and to the implementation of the concept of a circular economy. PreZero, the environmental service provider, is pressing ahead with the change from a linear to a circular economy. We want to conserve resources, prevent waste and close recycling loops. We focus on three key levers in this context: first of all, the avoidance of waste and the reuse of packaging and products; secondly, designing sustainable products and packaging; and thirdly, innovative collection, recycling and recovery processes. The Circular Systems focus area is divided into four key action areas:

- **Packaging:** Packaging materials are essential for the companies of Schwarz Group, particularly to keep food fresh and protect it during transportation. Simultaneously, resources and energy are needed to it. Our goal is to use as little material as possible and to feed the materials used back into the production cycles. As part of the continuous development of our commitment in this area, we are currently working on expanding the jointly developed REset Plastic strategy to create a comprehensive packaging strategy.

- **Products:** In our private-label products, we are placing greater emphasis on the use of recycled plastic (recyclate)¹, such as in household goods and sandbox toys, offered as part of Lidl and Kaufland promotions. The selective use of recycled material in store construction and store design also belongs to this action area.
- **Road to Zero Waste:** We reduce waste, minimize waste which cannot be recycled and return recyclable materials to production cycles. In accordance with the DIN SPEC 91436, which PreZero helped to develop, the “Road to Zero Waste” label aims to guarantee future-proof management of recyclable material and waste. This is implemented by PreZero both within Schwarz Group and also for other clients.
- **Food Waste:** The measures taken by the companies of Schwarz Group to prevent food waste extend from production through to transportation and sale. Here, passing on food that cannot be sold but is still fit for consumption to non-profit organizations like the Tafel food banks plays a key role. —

1 | By recycled materials, we mean 100 percent PCR (post-consumer recycled materials, i.e., recycled plastic from household waste), coloring (color pigment) and filler for the referenced product category.

Principles, Policies and Obligations

[GRI 2-23]

The companies of Schwarz Group continue to review their level of ambition in relation to the topic of circular systems. As part of our commitment, we regularly exceed the legally required minimums – such as for packaging or our “Road to Zero Waste”. Nevertheless, statutory developments also help to push this topic forward. Among other things, the following regulatory developments are key:

- The Packaging Regulation of the European Union (EU) will replace the existing Packaging and Packaging Waste Directive. The goal of this regulation is to more effectively reduce the environmental impacts of packaging and increase the responsibility placed on manufacturers. The regulation also promotes the development of more sustainable packaging solutions and the use of recyclable materials.
- The EU Ecodesign Regulation sets harmonized and binding minimum requirements for products in the EU. As such, the market for efficient and environmentally friendly products is strengthened, and the reduction of energy and resources facilitated. The regulation focuses on product design so as to take the fullest advantage of potential at this early stage.

- The EU Waste Framework Directive establishes a legal framework for the handling of waste. The top priority of this directive is to bring the EU closer to the goal of becoming a “recycling society” by promoting improved separation and recycling of waste.

The companies of Schwarz Group have been taking action for many years now to pave the way toward a functioning circular economy, even beyond the statutory driving forces. Since signing the Global Commitment of the Ellen MacArthur Foundation in 2018, we have made a commitment to actively work toward the more sustainable use of resources. The Ellen MacArthur Foundation is a nonprofit organization founded in 2010. Its aim is to accelerate the transition to a circular economy. This agreement was launched by the Ellen MacArthur Foundation in collaboration with the UN Environment Programme. Working together with the involved companies and with governments, NGOs and initiatives, we develop new strategies and solutions to promote a circular economy, in particular for plastics.



The Plastics Pact Network of the Ellen MacArthur Foundation includes national plastics pacts in countries such as Great Britain, the USA and Poland as well as regional pacts like the European Plastics Pact. The companies of Schwarz Group participate globally and support national implementation wherever possible on a company-specific or cross-company basis. Lidl Portugal (Steering Committee), Lidl Great Britain as well as Lidl, Kaufland and PreZero in Poland are currently involved in this initiative.

Impacts

[GRI 306-1]

The goal of conserving resources also applies to packaging materials in particular. The most important functions of packaging include guaranteeing the quality and hygiene of food and preventing food waste. It protects sensitive goods from environmental influences and ensures that they reach the consumers undamaged. Packaging therefore contributes to the preservation of food products. On the other hand, resources and energy are needed to produce packaging. Packaging made from plastic poses a particular challenge. Due to its durability, plastic packaging negatively impacts the environment if disposed of improperly. You can find more information about the topic of microplastics in the [Ecosystems](#) chapter.

The adverse environmental impacts resulting from the use of packaging materials and plastics can be mitigated by adopting approaches that aim to establish a circular economy. For example, increasing the use of recycled material reduces the consumption of natural resources and decreases the carbon footprint¹.

Food waste also has a negative impact on the consumption of energy and resources. With limited production space and capacity, and therefore also the limited availability of raw materials, taking steps to reduce food waste and carbon emissions is also important. The companies of Schwarz Group are also placing their reliance on awareness-raising measures to help their customers reduce food waste.

¹ | The carbon footprint of recycled plastic is 59 to 88 percent lower than that of the raw material (virgin plastic), depending on factors such as the recycling process and the type of plastic (sources: Virgin vs. Recycled Plastic Life Cycle Assessment Energy Profile and Life Cycle Assessment Environmental Burdens 2020, Syndicat national des Régénérateurs de matières Plastiques 2017).

Targets, KPIs and Target Attainment

Target	KPI / Measurement	Status	Target Attainment	Page(s)
By 2025, Lidl and Kaufland will use on average 25% recycled material in their private-label packaging made of plastic.	Target attainment in percent		19% 25%	83-85
By 2025, Lidl and Kaufland will maximize the recyclability of 100% of their private-label packaging made of plastic.	Target attainment in percent		54% 100%	83, 85
By 2025, Lidl and Kaufland will use 30% less plastic in their private-label packaging and transport aids made of plastic compared with the base year of 2017. By 2027 they will increase this value to 35%.	Target attainment in percent		-34% -30%	83, 85
By the end of 2030, the companies of Schwarz Group will reduce their food waste by 50% at group level compared with 2018.	Target and measurement methods under development.			93
By the end of 2025, the companies of Schwarz Group will recover, recycle or reuse a significant proportion of the waste they generate.	Target attainment in percent		88%	93

1 | Transport aids include, for example, carrier bags and plastic bags/knot bags.



Resource Conservation and Circular Solutions Management Approaches

Packaging

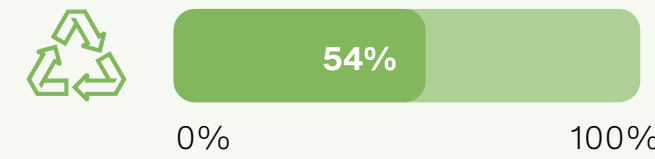
Organization and Responsibility

— In the Packaging action area, the primary focus is on plastic as a recyclable material. Its excellent protective functions make it a key packaging material for food. However, whoever puts plastic into circulation also bears responsibility for its future use. That is why the companies of Schwarz Group are committed to the collection, sorting and recycling of plastics. Since 2018, our commitment to this area has been supported and guided by the REset Plastic strategy, which was jointly developed by the companies of Schwarz Group.

The companies of Schwarz Group work together closely on this topic: in particular, the retail divisions Lidl and Kaufland, Schwarz Produktion, and the environmental service provider PreZero with its company, GreenCycle. Specific responsibilities for individual measures and process steps are assigned on a division-specific basis. Other departments and brands also complement work on this topic. For example, under the PreTurn brand of PreZero, intelligent multi-use pallets and pooling services are developed in cooperation with Schwarz Beschaffung. These solutions can be used to make the supply chain more efficient and sustainable.

Targets of the Jointly Developed REset Plastic Strategy¹

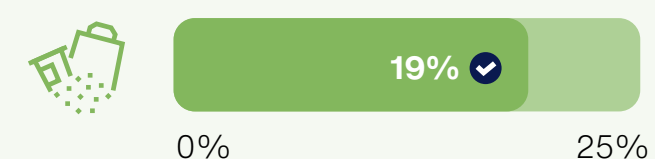
Make 100% of private-label packaging recyclable to the greatest extent possible.



Use 30% less plastic in private-label packaging and transport aids (compared with 2017).



Use on average 25% recycled material in private-label plastic packaging.



Stakeholder Involvement

The companies of Schwarz Group regularly discuss the topic of packaging with their stakeholders – including suppliers, interested experts, NGOs and scientists. This exchange mainly takes place while participating in and holding our own congresses, specialist presentations and workshops. For instance, in October 2023, the IT Hardware Checkout department of Schwarz Beschaffung invited its suppliers to Neckarsulm for the Sustainable Packaging Days. To prepare for the event, the packaging of over 100 products was analyzed and assessed together with colleagues from PreZero. A key focus of the event was in-depth exchange between the individuals responsible for packaging in the suppliers' companies and the PreZero colleagues. Based on the results of the packaging analysis, workshops were carried out to derive measures for the suppliers to implement. The suppliers had until February 2024 to assess and implement these measures. A style guide for sustainable packaging resulted in this context, which will be relevant during the tendering process in future.

Customers are also important stakeholders when it comes to packaging and establishing a functional recycling loop. In this respect, the companies of Schwarz Group are taking various approaches toward involving customers and raising their awareness, such as by providing relevant information on packaging (see the [Separation and Disposal Instructions](#) section).

¹ | Plastic KPIs are recorded on a calendar year basis.

Measures and Projects

PET Recycling Loop

[GRI 301-3, 306-2]

An example of our commitment in the area of packaging is provided by the PET recycling loop in Germany in which every step in the value chain is covered by the companies of Schwarz Group: the collection of deposit bottles, sorting, recycling, the manufacture of new PET bottles as well as filling and sale.

Schwarz Produktion is one of the pioneers when it comes to implementing the recycling loop for single-use PET deposit bottles in Germany. This has been confirmed by a new life cycle assessment carried out by the Institute for Energy and Environmental Research Heidelberg (ifeu)¹: According to this, the “Kreislaufflasche” (closed-loop bottle) from Schwarz Produktion offers some advantages in comparison to other multi-use bottles commonly found on the market which were assessed.

Since June 2021, all single-use PET deposit bottles produced by companies of Schwarz Produktion for Lidl and Kaufland private labels in Germany have been made of 100 percent recycled material, with the exception of the cap and the label. Every new bottle is produced entirely from old bottles and is particularly resource-friendly due to its low weight. Schwarz Produktion achieved this by investing heavily in the recycling loop, partially developing its own solutions and building up expertise over many years.

In the 2023 fiscal year, the recycled content of all single-use PET bottles brought into circulation in Europe by the companies of Schwarz Produktion was around 98 (2022: 95) percent.² This highlights the high aspirations of Schwarz Produktion. These figures far exceed the content required in Germany by the Packaging Act: 25 percent from 2025 and 30 percent from 2030.

In the 2023 fiscal year, by using 100 percent recycled materials for the bodies of single-use PET bottles in Germany, we were able to save a total of almost 62,000 tons of new plastic (2022: almost 59,000 tons) and more than 100,000 tons of carbon – compared with PET bottles without recycled materials. Together we are tackling the next goal of REset Plastic: By 2025, we want to use 25 percent recycled materials on average in all Lidl and Kaufland private-label packaging.

The PET recycling loop also depends on consumer commitment. By using the bottle deposit system, they provide the foundation for a functioning recycling loop. The companies of Schwarz Group are supporting the development of single-use bottle deposit systems in all European countries in which no such systems currently exist. These systems also prevent littering. In a trial project in selected stores, Lidl² and Kaufland are also accepting returns of single-use PET bottles and beverage cans from reverse vending machines in countries that do not prescribe this by law.

1 | Drescher/Kauertz 2023:
The life cycle assessment of the MEG (diekreislaufflasche.de) PET single-use, closed-loop bottle.

2 | Statement was not included in external review.



Recyclability and the Use of Recycled Material in Packaging

[GRI 301-3]

To ensure that customers of Kaufland are able to make informed decisions about more sustainable packaging, Kaufland used an appropriate label “Bewusster verpackt” (consciously packed) during the reporting period. To qualify for this labeling, at least one of the following criteria must be met:

- Recyclability of at least 80 percent
- Recycled content of 30 percent for plastic¹
- Reduction in packaging materials of at least 20 percent²
- Use of alternative materials³



kaufland.com/packaging

As a result of working closely with PreZero, the retail divisions Lidl and Kaufland already use recycled material in their packaging for a wide range of laundry, cleaning and household products, as well as shampoos and shower gels. In 2023, PreZero won the award together with COMPO – a provider of branded plant care products for homes and gardens – for the development of a fertilizer bottle made entirely from regranulate.

Schwarz Beschaffung is also reducing the use of new plastic in other packaging materials. An example of this can be found in the food storage containers that are used at the service counters at all Kaufland stores in Germany and in Czechia, which have been made of 80 percent recycled PET since July 2023. They are gradually being introduced in other countries. —

Plastic Reduction, Recyclability and the Use of Recycled Materials⁴

	Unit	2021	2022	2023	Trend 2022/23
Recyclability of plastic packaging					
Recyclability	%	49.7	53.2	53.7	+0.5%P
Recycled materials in private-label primary plastic packaging					
Recycled materials content	%	14.3	17.4 ✓	18.7 ✓	+7.3%P
Recycled materials content laundry/cleaning/household products/cosmetics	%	13.8	16.5	16.6	+0.6%P
Recycled material produced					
Recycled material produced by Schwarz Produktion	t	54,265	58,861	61,872	+5.1%
Recycled material produced by PreZero	t	87,594	123,535	100,490	-18.7% ⁵
Plastic reduction in private-label packaging					
Plastic use	g/€ sales	7.5	6.6 ✓	6.1 ✓	-7.1%
Reduction in microplastics					
Proportion of microplastic-free items	%	89.6	99.1	99.2	+0.1%P

1 | Recyclability is based on the official criteria of the Zentrale Stelle Verpackungsregister (Central Agency Packaging Register): www.verpackungsregister.org.

2 | Compared with own previous packaging or relevant competitor packaging

3 | E.g., silphium paper, chemical recycling

4 | The values shown in the table are for the respective calendar year.

5 | The decrease in recycled material produced by PreZero in the 2023 fiscal year is partly due to changes in the client base.

Fiber and Paper Products Made from the Silphium Plant

— With its OutNature brand, PreZero develops sustainable fiber and paper products based on the silphium plant for packaging solutions in trade and industry. Silphium paper is particularly resource-efficient and can be used in a variety of ways in the food and non-food sectors. With a share of at least 35 percent in paper, the fibers of the energy crop form the basis for the novel packaging. Silphium cultivation in Germany reduces transport distances and associated carbon emissions. The fibers of the plant can be obtained without the use of chemicals. OutNature has succeeded in separating the plant fibers using a biothermal process. In this way, the PreZero brand is harnessing silphium as a new raw material produced in Germany that is revolutionizing the paper and packaging industry.

Both of the retail divisions Lidl and Kaufland have successively introduced the innovative paper packaging for various product groups following a successful pilot phase. At Kaufland, the paper packaging is now used internationally for smoked salmon and “Stremel” salmon strips as well as in Germany for organic apples and the Cameo® club apples. Lidl in Germany has introduced the packaging for Bioland apples and Lidl Austria has introduced it for organic cherry tomatoes. Even products that are not produced by the companies of Schwarz Group, such as displays from Procter & Gamble and Kneipp lip balm, were transitioned to the new packaging.

For its commitment to the production of fiber and paper products made from the silphium plant, OutNature was awarded the German Design Award 2022 in gold and another award at the German Innovation Award 2022. Moreover, OutNature was part of the 2023 brand book entitled “Die großen Marken in Deutschland” (The Major Brands in Germany).

Reusable Packaging

With their reusable bread bag and reusable nets for fruit & vegetables, the companies of Schwarz Group contribute toward reducing the consumption of produce bags and bread bags, and thus the use of new plastic. At Lidl, the reusable bread bags and reusable nets are both made of 100 percent recycled material. Since 2019, the companies of Schwarz Group have introduced the reusable nets in almost every country and have been gradually rolling out the updated version since 2021. In 2022, the reusable bread bags were introduced at Kaufland in Croatia, Bulgaria, Poland and Slovakia. A trial run was also started in multiple stores in Germany and Czechia in 2022. In the meantime, Kaufland has also introduced the reusable bread bags in both of these countries. In total, the number of reusable nets for fruit & vegetables sold amounted to approximately 4.33 million pieces in the 2023 calendar year; this corresponds to an increase of 1.7 percent year on year.¹

Since March 2023, customers at all of the service counters at Kaufland stores in Germany have been able to save plastic by having their goods filled into the reusable container produced by the “FairCup” start-up. Afterwards, customers can return the containers in a large number of stores via the reverse vending machines.

Resource-saving technologies are also used in the area of logistics. For example, since 2020 Kaufland has been using the internally developed foldable pallet (Kaufland-Klapp-Palette – KKP), used between the distribution centers and stores for the transportation and picking of goods. The pallet offers ergonomic advantages for employees in logistics and the stores when packing and unpacking, and at the same time, it reduces the amount of pallet wrap used each year by around 20 percent thanks to its stable side walls. The KKP foldable pallet is used by Kaufland in all countries. We also rely on intelligent multi-use pallets and the pooling services of PreTurn in logistics (see p. 83).

Furthermore, with regard to the purchasing of food at Schwarz Restaurantbetriebe, we already ensure that the goods are delivered in reusable crates. Our aim is to offer a high proportion of fresh products and avoid outer packaging. We have established a return-and-refill system at the counters of our twelve employee restaurants in Germany. We only serve drinks in reusable cups or glasses. Additionally, we use dispensers to avoid packaging materials for condiments like ketchup and mayonnaise.

Removal of Packaging and Plastic Waste from the Environment

The pollution of land and bodies of water resulting from packaging and plastic waste is a major problem worldwide. The companies of Schwarz Group assume responsibility for plastic which already exists in the environment and is therefore outside of recycling loops. Large quantities of these unused recyclable materials are transported into seas through rivers. The companies of Schwarz Group support the removal of existing plastic waste from rivers, lakes, the sea and land – both through various projects with cooperation partners and also through self-initiated clean-up campaigns, such as the River Cleanup Collective. You can find further information in the [People](#) and [Ecosystems](#) chapters. —

¹ | Statement was not included in external review.



Products

Organization and Responsibility

— Schwarz Beschaffung together with Green-Cycle – a member of the PreZero group – are responsible for the use of recycled material in products and building materials: They work closely with Lidl and Kaufland as well as in cooperations with manufacturers and recyclers. In the retail divisions, this takes products into consideration and involves consultation with the international Purchasing departments for non-food products and with Sales. The international and national Construction departments are involved with regard to sustainable construction materials.

Measures and Projects

Use of Recycled Material in Products and Stores [GRI 301-2]

In collaboration with PreZero, Lidl and Kaufland offer promotional private-label household goods; their plastic content is made from 100 percent recycled material¹. What is special about the products made of recycled material: A large proportion of the process is covered by the companies of Schwarz Group themselves. The recycled material comes from plastic packaging that is disposed of in private households and subsequently collected, sorted, cleaned and reprocessed as regranulate by PreZero. The recycled material is then used to produce new household goods, such as organizers, waste bins and cleaning buckets, laundry baskets, and transport and storage containers. These are sold at Lidl and Kaufland in promotions. Our household products are also recognized by external parties: For example, in 2022, the “Kuniboo Beach Toy Set” – created in cooperation

with Mochtoys and sold at Kaufland – was a finalist at the Plastics Recycling Awards Europe. Five different sandbox toys made of recycled materials are available at Kaufland as promotional items – including vehicles, differently shaped molds, shovels and a sand mill. Whereas the toy vehicles are made from 80 percent recycled and 20 percent new plastic granulates, all the other products are made entirely² from recycled plastic granulates as a general rule. PreZero and Kaufland have also developed a Bobby Car in cooperation with toy manufacturer BIG. The body of the Bobby Car is made from over 70 percent post-consumer recycled plastic. The limited special edition called “Recycling-Helden” (Recycling Hero) was available in all Kaufland stores in Germany in March 2024. In the future, the companies of Schwarz Group will continue to extend the range of recycled products.

Recycled material is also used in construction: To seal the roofs of stores and warehouses, the companies of Schwarz Group partially use roof sheeting containing 60 percent recycled materials made of used Lidl plastics. Not only does this increase supply reliability, it also reduces costs. After a successful pilot phase in Lidl and Kaufland stores, the roof sheeting will be deployed in new constructions or in roof modernizations in 23 countries in future. Since 2022, Lidl has also been relying on wall crash rails with recyclate from PreZero. They are made of at least 80 percent recycled material and deployed in some stores. In the 2023 fiscal year alone, the number of new wall crash rails amounted to 50,000 pieces.

Individual fixtures and parts of the store equipment, such as goods dividers for the checkouts or flower buckets are manufactured either entirely or partly from recycled plastic. For example, the goods dividers for the checkouts which were developed in a cooperation between the environmental division PreZero, Schwarz Beschaffung and Sales departments of the respective retail division is made of 100 percent recycled plastic. The advantages: around 14 tons of new material saved in the 2022 fiscal year and 15 tons in the 2023 fiscal year as well as more cost-effective production.

Materials Used by Weight and Volume

In tons³

[GRI 301-1]

CY	2021	2022	2023	Trend 2022/23
Total promotional materials	537,310	476,990	387,036	-18.9%
From fresh fibers ⁴	243,182	216,424	129,306	-40.3%
From recycled material ⁴	294,128	260,566	257,730	-1.1%
From recycled material	5,147	4,012	3,093	-22.9%
From fresh fibers ⁴	2,251	1,736	1,163	-33.0%
From recycled material ⁴	2,896	2,276	1,930	-15.2%

A significant reduction in the promotional material and printer paper used in the companies of Schwarz Group was achieved compared with the previous year. This is largely due to the advancing transition toward digital advertising and digital work.⁵

1 | By recycled materials, we mean 100 percent PCR (Post-Consumer Recycled Materials, i.e., recycled plastic from household waste), coloring (color pigment) and filler for the referenced product category.

2 | Plastic content (approx. 95 percent) of the product is made of 100 percent recycled plastic, with the additional use of additives and coloring (approx. five percent).

3 | The calendar year was used.

4 | For consumables made from paper, we differentiate between fresh-fiber and recycled paper types. If the consumables are made from both fresh fibers and recycled paper, the larger proportion is key to assigning a paper type.

5 | Statement was not included in external review.



Road to Zero Waste

Organization & Responsibility

As the internationally active environmental division of Schwarz Group, PreZero delivers a comprehensive range of services in the area of waste and recycling management – both for external customers and within Schwarz Group. GreenCycle, a PreZero company, takes care of the internal waste and recycling management for Lidl and Kaufland, the administrative locations as well as for Schwarz Produktion. The environmental services focus on:

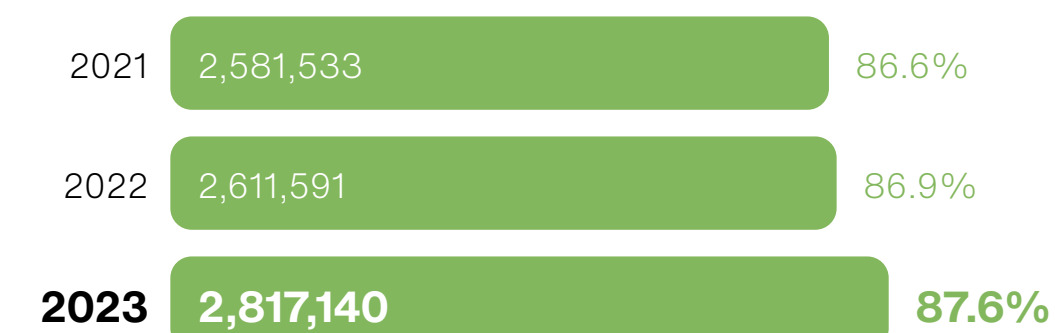
- Waste prevention
- Increasing the efficiency of raw materials handling
- The provision of resources thanks to correct separation of recyclable material accumulated internally

With around 30,000 employees at about 460 locations in Europe and North America, PreZero combines its expertise in areas all along the value chain under one roof. These include consulting, waste disposal, sorting, processing and recycling services. With its licensing activities, the Dual System (German EPR system) is the strategic link between manufacturers and disposal companies. In the area of recyclable materials, PreZero ensures that waste of various fractions is separately collected, sorted and correctly processed. The waste passes through different recovery steps and is recycled into new secondary raw materials or energetically recovered, for example.

In each of the companies of Schwarz Group, the close collaboration with PreZero is organized and anchored in different ways. For example, employees and managers receive advice and training from PreZero in the form of partially customized workshops, training measures, information letters and sorting instructions. Contents may include current topics such as sorting concepts and changes to the law. In addition, PreZero regularly evaluates relevant KPIs and discusses them with the departments. Specifications, such as those concerning sorting and recycling rates, can vary from country to country due to the lack of uniformity of recyclable materials management at an international level. However, as a general rule, waste in stores, logistics and production should be sorted and disposed of or prepared for transport in accordance with defined specifications. —

Total internal waste that is recycled, reused, fermented or composted

Data in tons



Recycling Rates of Internally Accumulated Recyclable Materials

	Unit	2021	2022	2023	Trend 2022/23
Total recyclable materials	t	2,981,615	3,005,709	3,215,278	+7.0%
Recyclable materials that are recycled	t	2,140,579	2,142,713	2,252,335	+5.1%
Recycling rate	%	71.8%	71.3%	70.1%	-1.2%P

Overall, in 2023 the companies of Schwarz Group recycled around five percent more recyclable materials than in the previous year. However, in relation to the total amount of recyclable materials, a slight decline in the recycling rate is reported. This can be partly attributed to the integration of new plants and locations. The recycling activities will be further expanded here in the future too.

Stakeholder Involvement

— As part of our efforts to continuously improve the recyclability of products and packaging, we maintain a continuous dialog with relevant stakeholders. For example, in 2021, working as the initiator with a consortium of non-governmental organizations (NGOs), organizations and testing/auditing institutions (TÜV Süd, DEKRA, TU Dresden, Resourcify, Repaq, Circular Berlin, and DIN), we developed a new standard: the Zero Waste certification pursuant to DIN SPEC 91436. You can find more information about this standard in the [Developing the DIN SPEC 91436 Standard](#) section.

Waste at PreZero is generated at the central and administrative locations as well as at the recycling and production sites. It mainly consists of municipal waste, paper and other waste that is generated during plant operation. The environmental impact varies depending on the type of waste.

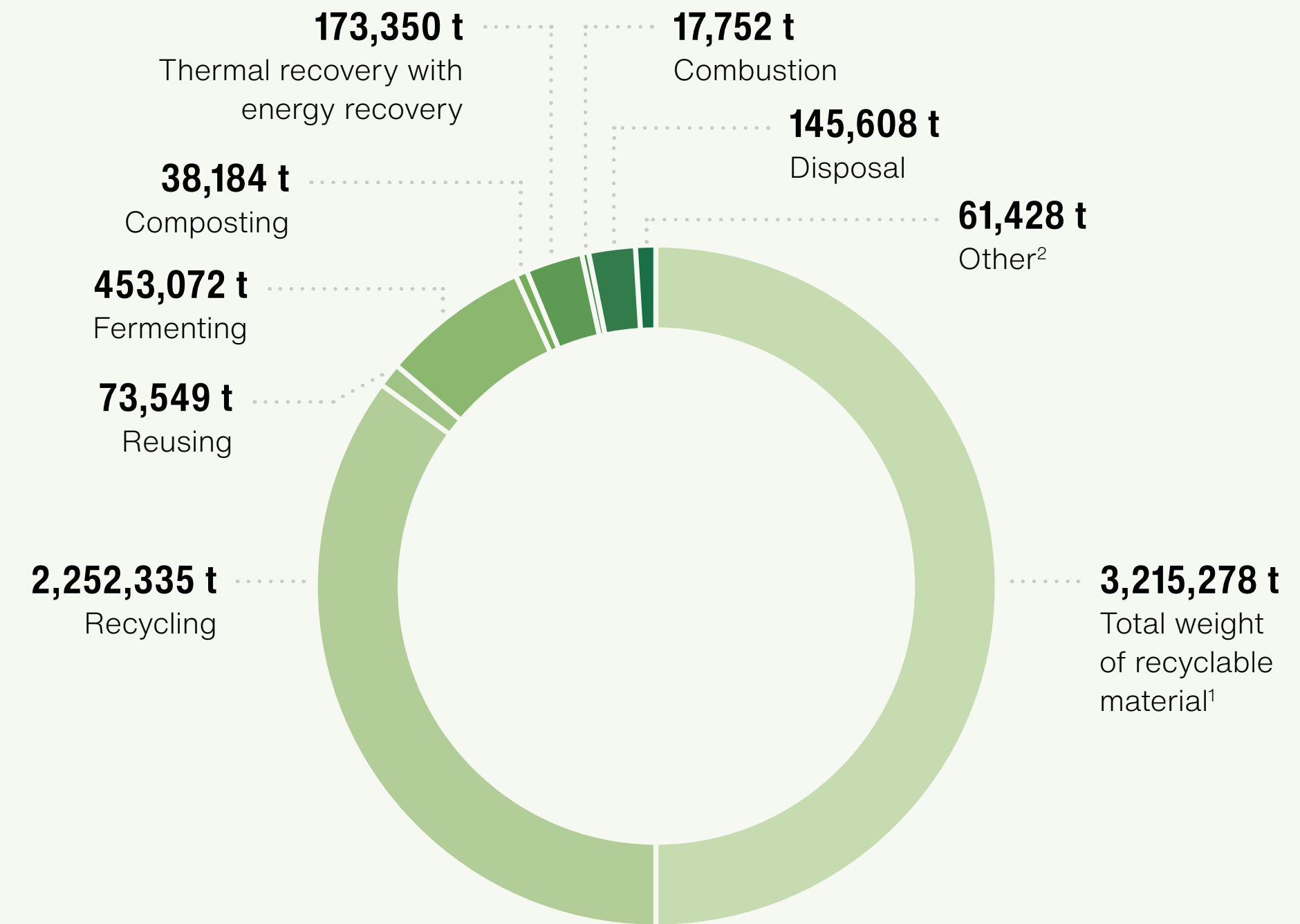
Generally speaking, waste is avoided or reused whenever possible. If this is not possible, it is recycled according to the specific national laws and the remnants are fed into other recovery methods. At selected sites there are individual supplementary measures to reduce the volume of waste.

Measures and Projects
Types and Sources of Waste
[GRI 306-1]

What kinds of waste are generated where depends on the business models of the respective company of Schwarz Group. For example, in the retail divisions Lidl and Kaufland, waste from the stores and warehouses, such as packaging and transport aids made of plastic or paper/cardboard/carton are the primary types of waste.

At the production plants, the focus is on waste from food production and packaging, and transport aids made from plastic or paper/cardboard/carton. Waste from the PET bottle recycling plants, such as impurities and non-recyclable components, is also among the waste generated at the production sites. In this context, a distinction is made between organic waste, plastics and metals. Conversely, at the administrative locations, waste is predominantly made up of municipal waste from the social areas and paper waste from the offices.

Recovery Types¹
In tons (2023)



1 | Figures for PreZero's own waste are only included as of the 2023 fiscal year.

2 | The category "Other" is a compound category which also includes volumes that cannot be positively assigned to the abovementioned categories.

Recyclable Materials and Waste by Type and Reuse Process¹

In tons

[GRI 306-3, 306-4, 306-5]

	FY	Recycling	Reusing	Fermenting	Composting	Thermal Recovery with Energy Recovery	Combustion	Disposal	Other ²	Total
Total weight of recyclable material	2021	2,140,579 ³	47,178 ³	379,641	14,135	155,373	15,871	193,165	35,672	2,981,615
	2022 ⁴	2,142,713	50,635 ^{3,8}	407,543	10,700	163,332	18,917	164,443	47,427	3,005,709
	2023 ⁴	2,252,335	73,549	453,072	38,184	173,350	17,752	145,608	61,428	3,215,278
	Trend 2022/23	+5.1%	+45.3%	+11.2%	>100%	+6.1%	-6.2%	-11.5%	+29.5%	+7.0%
Of which non-hazardous recyclable material	2021	2,132,811 ³	47,147 ³	379,641	14,135	154,671	15,638	193,072	33,409	2,970,525
	2022 ⁴	2,134,356	49,270 ³	407,543	10,700	163,169	18,432	164,338	44,462	2,992,271
	2023 ⁴	2,244,844	72,389	453,072	38,184	172,821	17,069	145,154	60,207	3,203,739
	Trend 2022/23	+5.2%	+46.9%	+11.2%	>100%	+5.9%	-7.4%	-11.7%	+35.4%	+7.1%
Paper/cardboard/ carton	2021	1,696,695	30	0	0	1,229	797	0	14	1,698,766
	2022 ⁴	1,690,458	29	0	0	962	30	0	907	1,692,386
	2023 ⁴	1,710,475	25	0	0	235	13	0	9,794	1,720,541
	Trend 2022/23	+1.2%	-16.0%	--	--	-75.6%	-57.1%	--	>100%	+1.7%
Organic waste ⁴	2021	79,562 ³	8,530 ³	379,641	13,397	2,940	7,374	17,994	13,766 ⁷	523,204
	2022 ⁴	78,246 ³	9,680 ³	407,543	9,988	2,345	5,741	14,928	15,064	543,535
	2023 ⁴	77,771	26,523	453,072	37,779	1,131	5,600	7,224	14,689	623,790
	Trend 2022/23	-0.6%	>100%	+11.2%	>100%	-51.8%	-2.5%	-51.6%	-2.5%	+14.8%
Residual waste	2021	0	0	0	0	128,457	7,049	168,766	19,294	323,567
	2022 ⁴	0	0	0	0	140,320	12,488	146,963	26,494	326,266
	2023 ⁴	0	0	0	0	135,790	11,243	129,397	30,836	307,266
	Trend 2022/23	--	--	--	--	-3.2%	-10.0%	-12.0%	+16.4%	-5.8%

1 | The tables only include the internally accumulated recyclable materials of the companies of Schwarz Group; for PreZero, values are only included as of FY 2023, with the exception of PET figures. Recyclables that PreZero collects from its customers and processes are not included.

2 | The category “Other” is a compound category which also includes volumes that cannot be positively assigned to the abovementioned categories.

3 | Differences from the Progress Report FY 2022 and the Sustainability Report FY 2020/2021 result of retrospective corrections to the figures for “Organics” reuse/recycling due to a revised definition for the recyclable material type “Organics”.

4 | As of FY 2023, the donations to the Tafel food banks are recorded under the “Reusing” recovery type.

5 | This includes, for example, old paints/varnishes, household/industrial batteries, energy-saving bulbs, electrical waste, fluorescent tubes, (neon) toner, cleaning products, acids and lye, solvents, spray bottles.

6 | The other hazardous waste that is processed using thermal recovery with energy recovery was calculated for the 2021 and 2022 fiscal years using an old calculation methodology.

7 | Differences from the Progress Report FY 2022 and the Sustainability Report FY 2020/2021 result from retrospective corrections due to additional data availability.

8 | Differences from the Progress Report FY 2022 result from retrospective corrections to the figures for “wood” reuse/recycling due to better data quality.

Since the companies of Schwarz Group are consistently working on improving the sorting quality of recyclable materials, they were able to significantly increase (+14.8 percent) the percentage of organic recyclable material (organic waste) while also reducing non-recyclable waste by 5.8 percent.



	FY	Recycling	Reusing	Fermenting	Composting	Thermal Recovery with Energy Recovery	Combustion	Disposal	Other ²	Total
PET	2021	155,006	0	0	0	0	0	0	1	155,007
	2022	166,187	0	0	0	0	0	0	0	166,187
	2023 	171,404	0	0	0	8	0	0	251	171,663
	Trend 2022/23	+3.1%	--	--	--	--	--	--	>100%	+3.3%
Plastics	2021	70,065	0	0	0	8,794	6	845	233	79,943
	2022	71,824	0	0	0	7,080	29	292	119	79,344
	2023 	84,151	0	0	0	5,541	40	240	825	90,796
	Trend 2022/23	+17.2%	--	--	--	-21.7%	+38.8%	-17.7%	>100%	+14.4%
Wood	2021	55,611	32,037	0	738	6,191 ⁷	2	997	4	95,580
	2022	54,872	27,897 ⁸	0	711	3,885	0	725	981	89,072
	2023 	53,818	32,179	0	404	3,296	67	1,528	68	91,361
	Trend 2022/23	-1.9%	+15.3%	--	-43.2%	-15.2%	--	>100%	-93.1%	+2.6%
Scrap metal	2021	44,133	0	0	0	0	0	15	0	44,148
	2022	41,074	0	0	0	0	0	17	0	41,091
	2023 	52,492	0	0	0	0	0	21	72	52,585
	Trend 2022/23	+27.8%	--	--	--	--	--	+21.2%	>100%	+28.0%
Glass	2021	23,439	0	0	0	0	0	0	0	23,439
	2022	23,434	0	0	0	0	0	0	0	23,434
	2023 	25,316	0	0	0	0	0	1	17	25,335
	Trend 2022/23	+8.0%	--	--	--	--	--	--	>100%	+8.1%

1 | The tables only include the internally accumulated recyclable materials of the companies of Schwarz Group; for PreZero, values are only included as of FY 2023, with the exception of PET figures. Recyclables that PreZero collects from its customers and processes are not included.

2 | The category "Other" is a compound category which also includes volumes that cannot be positively assigned to the abovementioned categories.

3 | Differences from the Progress Report FY 2022 and the Sustainability Report FY 2020/2021 result of retrospective corrections to the figures for "Organics" reuse/recycling due to a revised definition for the recyclable material type "Organics".

4 | As of FY 2023, the donations to the Tafel food banks are recorded under the "Reusing" recovery type.

5 | This includes, for example, old paints/varnishes, household/industrial batteries, energy-saving bulbs, electrical waste, fluorescent tubes, (neon) toner, cleaning products, acids and lye, solvents, spray bottles.

6 | The other hazardous waste that is processed using thermal recovery with energy recovery was calculated for the 2021 and 2022 fiscal years using an old calculation methodology.

7 | Differences from the Progress Report FY 2022 and the Sustainability Report FY 2020/2021 result from retrospective corrections due to additional data availability.

8 | Differences from the Progress Report FY 2022 result from retrospective corrections to the figures for "wood" reuse/recycling due to better data quality.

	FY	Recycling	Reusing	Fermenting	Composting	Thermal Recovery with Energy Recovery	Combustion	Disposal	Other ²	Total
Textiles	2021	6	2,893	0	0	9	5	41	1	2,954
	2022 ⁷	20	3,147	0	0	15	12	24	0	3,219
	2023 ⁸	209	2,916	0	0	18	27	6	20	3,195
	Trend 2022/23	>100%	-7.4%	--	--	+16.7%	>100%	-77.0%	--	-0.7%
Other	2021	8,293	3,658	0	0	7,051	405	4,414	96	23,917
	2022 ⁷	8,242	8,516	0	0	8,562	133	1,390	897	27,739
	2023 ⁸	69,208	10,747	0	0	26,802	79	6,738	3,634	117,208
	Trend 2022/23	>100%	+26.2%	--	--	>100%	-40.5%	>100%	>100%	>100%
Of which, hazardous recyclables^{5,6}	2021	7,768	31	0	0	702	233	93	2,263	11,089
	2022 ⁷	8,356	1,365	0	0	163	484	104	2,965	13,438
	2023 ⁸	7,492	1,159	0	0	530	683	454	1,221	11,538
	Trend 2022/23	-10.3%	-15.1%	--	--	>100%	+41.1%	>100%	-58.8%	-14.1%

1 | The tables only include the internally accumulated recyclable materials of the companies of Schwarz Group; for PreZero, values are only included as of FY 2023, with the exception of PET figures. Recyclables that PreZero collects from its customers and processes are not included.

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Separation and Disposal Instructions

[GRI 306-3]

— Correct waste separation is the prerequisite for successful recycling, as sorting plants do not sort as effectively and correctly as people can at home. Consumers play a crucial role here: The more effectively the waste is separated, the easier it can be turned into new, high-quality recycled materials. In order to increase awareness of this topic affecting society as a whole, PreZero has long been a permanent supporter of the initiative “Mülltrennung wirkt!” (Waste separation works). a campaign of the Dual Systems in Germany. PreZero makes advertising space available to the initiative on a total of 20 collection and transport vehicles.

The separation and disposal instructions on private-label packaging at Lidl and Kaufland are another important element of consumer education. Both divisions base these instructions on country-specific statutory regulations and market conditions. The instructions provide information about the materials that make up the individual packaging components, making it easier for customers to dispose of them correctly. The goal is to motivate customers to properly dispose of their packaging and thus do their part to improve recycling.

The separation and disposal instructions were designed so that they can be implemented internationally in all Lidl and Kaufland countries. Instead of specifying the disposal methods, which differ across Europe when it comes to collections from households, the material used and the corresponding recycling symbol are indicated in the instructions provided by the companies of

Schwarz Group. The advantage here is that the separation and disposal instructions do not have to be redesigned for every country. Exceptions may arise from country-specific statutory requirements and market circumstances.

Developing the DIN SPEC 91436 Standard

[GRI 2-23 and 306-2]

As part of its efforts to promote sustainable waste and recyclables management, PreZero worked together with other experts to develop the new DIN SPEC 91436 “Road to Zero Waste” standard. The aim is to minimize non-recyclable waste and to optimize recovery and disposal.

In line with our strategic target formulation, by the end of 2025, the companies of Schwarz Group will reuse, recycle or recover a significant percentage of the waste we generate. The companies of Schwarz Group had set themselves the goal of limiting their non-recoverable waste to a maximum of five percent in four pilot countries by the end of 2022. In these pilot countries, the DIN SPEC 91436 “Road to Zero Waste” standard is used to gain experience and derive measures for the companies of Schwarz Group. The certification processes were completed during the reporting period at Lidl in the Czech Republic, Lidl Netherlands, Kaufland Romania and Kaufland Slovakia. In the process, the Lidl national companies met the set target of a maximum of five percent and thus achieved Gold certification. The Kaufland national companies recorded values of around seven percent, which earned them Silver certification. Lidl in the Czech Republic were re-audited in 2023 and received Gold certification once again for the following year. A roll-out to additional countries is currently being evaluated.

Generally, all waste generated within the companies is considered. At Kaufland, municipal waste that is generated by customers in the store parking lots is excluded from consideration. In addition, waste can be excluded if there are specific statutory requirements regarding the way it is recovered. German law stipulates that waste needs to be recovered, in principle, using the most suitable recovery measure while taking into consideration the ranking of the measure in accordance with the waste hierarchy. If this is not technically possible nor economically reasonable, the recovery measure must be verifiably assessed and the evidence provided to an independent supervisory body. —

Food Waste

Organization & Responsibility

The companies of Schwarz Group have a joint aim to reduce food waste by 50 percent by 2030. To achieve this goal, the retail divisions consider the topic of food waste to be a cross-departmental goal. Sales and Supply Chain Management are primarily tasked with the development and implementation of operational guidelines as well as projects and measures. Purchasing in the respective retail divisions provides support on topics affecting the product assortment or cooperation with suppliers of the respective retail divisions. Schwarz Produktion and the Kaufland meat processing plants also contribute toward reducing food waste as a sub-target of the division-specific sustainability strategy. For example, the development and implementation of measures in the production facilities are a priority. The Public Relations and Sustainability department takes on the role of monitoring progress toward achieving

targets. GreenCycle also provides support with topics such as avoidance, reuse and recycling. The Schwarz Restaurantbetriebe also take measures to prevent food waste. The companies of Schwarz Group are in close consultation with each other on this topic in order to jointly develop overarching strategic measures and goals. We are currently working to improve the collection of key performance indicators to achieve more accurate measurement and presentation of progress in the area of food waste.

Stakeholder Involvement

In June 2023, Lidl and Kaufland in Germany signed a “Pakt gegen Lebensmittelverschwendung” (Pact against Food Waste) together with the Federal Ministry of Food and Agriculture (BMEL), the Federal Association of German Food Retailers (BVLH), and other industry representatives in Berlin. This pact includes a series of verifiable agreements, such as the commitment to increase donations of goods which are still fit for consumption to charitable organizations. Furthermore, the participating industry representatives will be implementing additional measures within their markets as well as at the interfaces to suppliers and customers. The Thünen Institute will evaluate the success of the measures.



Measures and Projects

Initiatives to Prevent Food Waste in the Stores

The largest amount of food waste occurs in private households. A note on suitable products informs consumers that they should use their own senses to assess the shelf life of food before disposing of it too soon. In this way, the retail divisions of Schwarz Group contribute to improving consumer awareness regarding the shelf life of food.

With the "Rettertüte" (rescue bag), Lidl gives fruit and vegetable products that do not look perfect on the outside a second chance by offering them for sale at a heavily discounted price. The aim is to create a purchasing incentive for customers by means of the reduced price. Since summer of 2023, Lidl in Germany has donated 20 cents to the Tafel food banks in Germany for each "Rettertüte" sold. Schwarz Beschaffung was able to achieve a recycling content of 50 percent for the "Rettertüte" bags; these have been used in Germany since 2022. In 2023, the "Rettertüte" bags were rolled out in eight additional European countries.

With the "Rette mich" (rescue me) and "Ich bin noch gut" (I'm still good) initiatives, Lidl and Kaufland offer high-quality, perfectly good items from all relevant product groups, such as baked goods, dairy products and sausage products from the self-service area at heavily discounted prices if they are close to their best before date or use-by date, or the packaging is soiled or slightly damaged. This also applies to the dry food assortment and frozen goods. Lidl packages baked goods from the previous day into bags and sells these

at a reduced price. For fruit and vegetables, Lidl uses the "Rettertüte" bags, while Kaufland provides an IBNG (I'm still good) corner.

Working together with Tafel Food Banks

[GRI 413-1]

Despite predictive quantity planning, the retail divisions occasionally have to write off food. Since 2008, Lidl in Germany has been working closely with the local Tafel food banks. The Kaufland stores in Germany have been working closely with the local Tafel food banks for over 20 years as a matter of fact by donating goods from stores and the logistics centers that have almost reached their best-before date to the Tafel food banks and other nonprofit organizations. Similar commitments are in place in a considerable number of other national companies in the retail divisions.

Kaufland also supports the Tafel food banks with further deliveries in addition to the regular food donations. In January 2023, the logistics centers of Kaufland in Germany donated a total of 134 metric tons of food worth 276,000 euros to Tafel food banks in Germany. Furthermore, Kaufland donated a truck load of food worth 11,500 euros in December 2023 as part of the opening of the new electric charging park at the logistics center in Möckmühl. In addition to working together with the Tafel food banks, Kaufland in Germany also cooperates in the food-sharing initiative at 80 locations, making leftover food available for collection.

The Tafel-Zukunftsfonds (Tafel food bank Future Fund) launched in 2018; Lidl in Germany has been supporting it since then with a total donation volume amounting to 3,500,000 euros.

In the reporting period, Lidl in Germany enabled the financing of various energy projects with a donation of 1,000,000 euros to the fund. The Tafel food bank volunteers can also participate in seminars, projects and conferences as part of the "Tafel Academy" to gain valuable knowledge to support them in their volunteering activities.

Since 2020, Lidl and Kaufland in Germany have been communicating measures and guides on how to prevent food waste to help raise awareness of the matter among consumers. As part of these efforts, Lidl and Kaufland in Germany run extensive campaigns in which national influencers also call on their communities to reduce food waste. In October 2022, Lidl in Germany and the nonprofit organization RESTLOS GLÜCKLICH started the education project DICH RETT'ICH together to educate primary school children from Baden-Wuerttemberg and Berlin about sustainable food consumption. From April to November 2023, 16 free of charge workshops were held as part of the project. A total of 2,000 schoolchildren were trained to become food savers in 75 free of charge workshops.

Handling of Food Waste

Lidl and Kaufland work together with companies that specialize in converting food waste into animal feed so that baked goods and fruit and vegetables that can no longer be sold can be used to feed animals. If leftover food cannot be prevented, used for the "Rettertüte" bags, passed on to the Tafel food banks or processed into animal feed, then the retail divisions in Germany and some other countries largely have it processed into biogas.

In the restaurants operated by the companies of Schwarz Group, we prevent waste by well-thought-out dishes, and by separating catering waste generated in the production and processing as well as leftovers; we then have these processed by appropriate organic waste disposal companies. In addition, newly constructed restaurants are equipped with and operate their own wet waste treatment systems for organic waste.

Residue trapped in machines and waste due to errors in the handling of raw materials are minimized by optimized processes at the production sites of Schwarz Produktion and Kaufland meat processing plants. Risk-optimized contamination detection systems improve product safety and thereby prevent recalls and product disposal.

PreZero is also researching ways that the larvae of the black soldier fly can be used on an industrial scale to upcycle organic waste and thus reintroduce the nutrients back to the food chain. The larvae break down the organic waste, rendering the nutrients that it contains reusable. Due to the high protein content and fat content of the larvae, they are processed into protein meal and insect oil and can then be used in aquaculture production or as other animal feed. The insect oil can also replace palm oil, fish oil or rapeseed oil.



Shaping Focus Areas

Ecosystems



Climate Protection and Adaptation Strategic Approach

Priority Topics

[GRI 302, 305]

— Climate change poses enormous challenges for our society and demands action at all levels of society. The companies of Schwarz Group aim to minimize their own contribution to climate change and steadily reduce greenhouse gas emissions¹. The primary focus of our jointly developed climate strategy is the prevention and reduction of carbon emissions and other greenhouse gases.

We translate our ambitions into four priority topics within our climate strategy:

- **Energy:** The use of renewable energies is an important lever to step up climate protection. Almost 100 percent^{2,3} of the electricity purchased by the companies of Schwarz Group comes from renewable sources. The expansion of our own energy generation capacities and improving energy efficiency are also important areas of focus.
- **Climate-friendly construction:** The companies of Schwarz Group place great importance on the energy-efficient and sustainable construction of their stores, administration buildings and logistics centers. In the process, they also aspire to comply with the relevant national and international standards for sustainable construction.

- **Mobility:** Climate-friendly mobility and logistics concepts are another priority of our climate strategy. Among other things, the focus is on the expansion of the charging infrastructure at the locations of the companies of Schwarz Group, the use of alternative drive technologies in logistics as well as mobility offerings for employees.
- **Climate-friendly assortment:** The core business of the companies of Schwarz Group entails designing the product assortment as a lever to boost climate protection. In order to reduce greenhouse gas emissions caused by animal products, the retail divisions are continuing to expand their climate-friendly product ranges and are offering an increasing number of plant-based alternative products.

Within the Ecosystems focus area, the topic of biodiversity is closely linked to climate protection and adaptation. The group-wide management of biodiversity risks and the prevention of deforestation and land use conversion in global supply chains are also important priority topics in this context. You can find detailed information on this topic in the [Biodiversity](#) chapter.

1 | The terms greenhouse gas emissions and carbon emissions are used as synonyms throughout the chapter. For greater readability, the text also refers to carbon instead of CO₂e/CO₂ equivalents.

2 | Excluding any purchase agreements that the companies of Schwarz Group cannot influence, such as those for individual leased properties with a binding electricity procurement clause. Find more information at: www.gruenstrom.schwarz

3 | Statement was not included in external review.

Principles, Policies and Obligations

By adopting science-based climate targets, we provide a solid foundation for our commitment. The companies of Schwarz Group joined the Science Based Targets initiative (SBTi) in 2020 and have used the SBTi methodology to define and validate their climate target: This is how we align our targets to those of the Paris Agreement on climate change. A central tool for illustrating and monitoring consumption data and emissions is the carbon footprint. Since the 2019 fiscal year, all companies and national companies of Schwarz Group have been creating a comprehensive annual carbon footprint report pursuant to the Greenhouse Gas Protocol (GHG Protocol) and aggregate this as a carbon footprint report for Schwarz Group. Due to the inorganic growth of the companies of Schwarz Group and adjustments to the methodology, the base year¹ and the previous year were recalculated in 2023. Owing to this recalculation, our new and updated climate targets are being (re)validated by the SBTi. A comprehensive illustration of the carbon footprint can be found on p. 106 et seq.



Greenhouse Gas Emissions of the Companies of Schwarz Group

In tons of CO₂equivalent²⁻⁴

[GRI 305]

	Base year 2019	2021	2022	2023	Trend 2019/23
Gross volume GHG emissions	148,277,241	164,884,945	168,844,894	173,517,646	+17.0%
Direct & indirect GHG emissions (Scope 1 and 2)	4,492,963	3,910,200	2,615,563	2,557,794	-43.1%
Direct (Scope 1) GHG emissions	2,350,535	2,459,396	2,400,459	2,350,877	+0.0%
Indirect GHG emissions (Scope 2) – market-based approach	2,142,428	1,450,804	215,104	206,917	-90.3%
Indirect GHG emissions (Scope 3)	143,784,278	160,974,746	166,229,331	170,959,851	+18.9% ⁵

Impacts



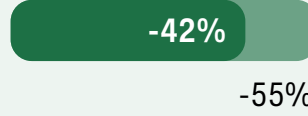

[GRI 201-2 and 304-2]

The advancing climate change has far-reaching impacts on the living and working conditions of people around the world. Even the companies of Schwarz Group themselves are exposed to significant risks: in agriculture, for example, where extreme weather events can lead to crop failures and a decreased availability of goods, lower planning security as well as increasing prices for goods and raw materials. As a globally active corporate group, we want to actively contribute to the fight against climate change to safeguard our long-term business success. However, the business activities of the companies of Schwarz Group may also have an adverse impact on biodiversity. Biodiversity is a requirement for functioning and stable ecosystems – and also makes them more resilient. The companies of Schwarz Group are working hard on measuring these adverse impacts

and taking proactive steps to counteract them. By implementing measures to protect biodiversity and prevent deforestation, they can make a positive impact on securing livelihoods as well as on securing their base for business. You can find further information about these impacts and the corresponding measures in the [Biodiversity](#) chapter. —

- 1 | Base year was not included in the external review.
- 2 | Differences from the FY 2022 Progress Report are the result of retrospective corrections due to additional data availability as well as the re-calculation of the FY 2019 base year and the previous years (FY 2021–2022). The latter took into account the inorganic growth of the companies of Schwarz Group as well as methodology adaptations.
- 3 | Unlike the other KPIs shown in the report, in the carbon footprint, the emissions of the acquired companies/business units are taken into account in the previous years.
- 4 | In order to ensure year on year comparability, emission factors are partly used for the calculation which are not the latest available.
- 5 | The increase compared with the previous years is due to a growth in sales and methodological adjustments.

Targets, KPIs and Target Attainment

Target	KPI / Measurement	Status	Target Attainment	Page(s)
By 2030, the companies of Schwarz Group will reduce their operational emissions (Scope 1 and 2) by 55% in total compared with 2019. ¹ 	Scope 1 and 2 greenhouse gas emissions			
The companies of Schwarz Group are making the joint commitment to oblige suppliers, who are responsible for 78% of product-related emissions, to set themselves climate targets by 2026 pursuant to the criteria of the SBTi.	Proportion of product-related emissions of suppliers with a validated SBT			116



The companies of Schwarz Group found their sustainability activities on scientifically-based climate targets. They joined the Science Based Targets initiative (SBTi) back in 2020. Now they are taking the next logical steps: The companies of Schwarz Group jointly submitted an official net-zero commitment to the SBTi in September 2024. As such, they are committing to reduce all greenhouse gases emitted along the value added chain to net-zero by 2050 at the latest.

Due to the inorganic growth of the companies of Schwarz Group and adjustments to the methodology, the base year and the previous year were recalculated in 2023. Owing to this recalculation, our new and updated climate targets are being (re)validated by the SBTi.

1 | The target for Scopes 1 and 2 also includes biogenic emissions and the removal of biogenic raw materials.



Division-Specific Targets

— To build upon these overarching targets, the divisions have also set individual climate targets for themselves. Lidl and Kaufland are aiming to reduce their operational greenhouse gas emissions (scope 1 and 2) by 80 percent by 2030 (compared with 2019).

Schwarz Produktion has set itself the target of saving at least 33 million kilowatt-hours of energy by taking appropriate measures in the period from 2018 to 2025. This strategic target had already been met by the end of fiscal year 2022. Over and above, in the 2023 fiscal year alone, Schwarz Produktion was able to further increase efficiency by more than 17 million (2022: 5 million) kilowatt-hours through energy efficiency measures. In total, since the 2018 fiscal year up to and including the 2023 fiscal year, more than 59 million kilowatt-hours (2022: 41 million) have been saved through energy efficiency measures.

The Kaufland meat processing plants have also set themselves the target of continually monitoring and systematically reducing energy consumption in their own plants using energy management software. The Kaufland meat processing plants have defined the KPI "Improvement in energy efficiency" and set a target of reducing their electricity and natural gas consumption by 7.8 million kilowatt-hours by 2023 across all sites. Each year, energy-saving measures that contribute to target attainment are defined for the relevant sites. Hence, compared with 2018, an energy saving of 6.26 million kilowatt-hours was achieved across all sites in 2023, equating to a target attainment of 80 percent. Compared with the 2022 fiscal year, energy reductions of around 3.84 million kilowatt-hours were achieved in the 2023 fiscal year. Optimizing processes and combining production lines made it possible to achieve efficiency improvements that impact positively on energy requirements. However, the very high hygiene requirements associated with increased production and delivery volumes lead to increased energy consumption, since, for example, the water used is heated with gas and the increased volumes result in increased consumption even in refrigeration systems. At the end of the fiscal year, the new target value of a two percent increase in energy efficiency by 2025 (base year 2023) was defined, which is equal to a saving of 2 million kilowatt-hours. —

[GRI 302-1, 302-4, 302-5]

The total energy consumption of the companies of Schwarz Group increased in the 2023 fiscal year compared to the previous year; this results primarily from the growth of the companies of Schwarz Group. For example, in March 2023, Schwarz Produktion acquired a new location in Maxau (Baden-Wuerttemberg) where they manufacture recyclable and biodegradable paper. The 2024 fiscal year will see the start of this very energy-intensive new business unit being converted to use renewable energy. The increasing energy figures in 2023 are also partly due to the inclusion of new data for the first time, such as alternative fuels and biomass.

Energy Consumption within the Companies of Schwarz Group

In megawatt-hours^{1,2,3}

[GRI 302-1]

		Lidl ⁴	Kaufland	PreZero ⁵	Schwarz Produktion ⁶	Schwarz Digits	Schwarz Dienstleistungen	Schwarz Group ^{5,6}
Total energy consumption	2021	7,060,301	3,305,478	461,080	475,763	276	80,731	11,383,630
	2022	7,948,189	3,156,117	1,569,540	517,717	45,110	39,504	13,276,177
	2023	9,070,622	3,106,043	1,780,078	2,213,182	63,654	36,939	16,270,518
from renewable sources	2021	4,645,394	455,124	92,835	1,443	0	117	5,194,913
	2022	6,226,823	2,271,021	410,193	320,999	27,005	12,529	9,268,571
	2023	6,376,854	2,229,691	507,402	1,304,540	38,430	8,026	10,464,943
from non-renewable sources	2021	2,414,907	2,850,353	368,245	474,320	276	80,614	6,188,716
	2022	1,721,366	885,096	1,159,347	196,718	18,105	26,975	4,007,606
	2023	2,693,768	876,352	1,272,676	908,642	25,225	28,913	5,805,576
Electricity	2021	5,802,856	2,270,256	172,543	298,673	0	46,201	8,590,529
	2022	6,232,552	2,280,405	419,116	323,767	27,005	12,731	9,295,577
	2023	6,379,873	2,235,448	474,369	837,255	38,644	9,089	9,974,678
from renewable sources	2021	4,645,394	455,124	52,282	1,443	0	117	5,154,361
	2022	6,225,873	2,270,533	332,438	320,999	27,005	12,529	9,189,378
	2023	6,375,710	2,228,791	398,988	517,885	38,430	8,026	9,567,830

- 1 | In principle, for reasons of control relevance, we report all energy key performance figures in the unit megawatt-hour (MWh).
- 2 | Differences from the FY 2022 Progress Report are the result of retrospective corrections due to additional data availability.
- 3 | Due to values being rounded, there may be slight discrepancies in the totals.
- 4 | The energy increases for mobile combustions are largely due to the acquisition of Tailwind Shipping Lines and the associated operation of container ships within the group. For FY 2022, the corresponding figures are partially included, but are complete for FY 2023.
- 5 | The energy increases are mainly due to the acquisition of companies/business units such as SUEZ and Ferrovial.
- 6 | The energy increases in FY 2023 are mainly due to the acquisition of Maxauer Papierfabrik and the pasta manufacturer Bon Pasta.
- 7 | Due to the implementation of the renewable energy target of the companies of Schwarz Group, the date for transitioning externally purchased electricity from non-renewable gray energy to renewable energy has been pushed back.
- 8 | Includes energy consumption from propane gas, liquefied petroleum gas, gas for glass drying and diesel for waste incineration plants.
- 9 | Conversion of liters into megawatt-hours with combined factor from IPCC 2006, GHG Protocol Cross Sector Tools and DEFRA 2022/2023 (Gasoline: 0.009585/Diesel: 0.010561/Biodiesel: 0.006711/Heating oil: 0.010561/Kerosene: 0.01018/HVO: 0.00953)
- 10 | Conversion of kilograms into megawatt-hours with combined factor from IPCC 2006, GHG Protocol Cross Sector Tools, CDP Technical Note: Conversion of fuel data to MWh, DEFRA 2021/2022 and TREMOD (CNG/LNG: 0.01481/LPG: 0.014599/Biogas: 0.01555/Bio-LNG: 0.01481/Bio-CNG: 0.01481/Heavy fuel oil: 11812.8655/Marine gas oil: 12579.79485/Hydrogen: 0.03703)
- 11 | Fuels for own company cars and internal logistics.

		Lidl ⁴	Kaufland	PreZero ⁵	Schwarz Produktion ⁶	Schwarz Digits	Schwarz Dienstleistungen	Schwarz Group ^{5,6}
Outsourcing ⁷	2021	4,503,199	448,811	52,282	0	0	0	5,004,292
	2022	6,003,352	2,260,531	276,592	317,331	27,005	11,891	8,896,702
	2023	6,091,673	2,208,143	264,946	358,121	38,430	7,785	8,969,098
Self-consumption from self-generation	2021	142,196	6,313	0	1,443	0	117	150,069
	2022	222,520	10,002	55,846	3,669	0	638	292,676
	2023	284,037	20,648	134,042	159,764	0	241	598,732
from non-renewable sources	2021	1,157,462	1,815,132	120,260	297,230	0	46,084	3,436,168
	2022	6,680	9,872	86,678	2,768	0	202	106,199
	2023	4,163	6,657	75,381	319,370	214	1,063	406,848
Outsourcing ⁷	2021	1,157,462	1,812,805	120,260	294,751	0	46,084	3,431,362
	2022	6,680	3,553	56,927	0	0	202	67,361
	2023	4,163	0	9,609	245,999	214	1,063	261,048
Self-consumption from self-generation	2021	0	2,327	0	2,479	0	0	4,806
	2022	0	6,319	29,751	2,768	0	0	38,838
	2023	0	6,657	65,771	73,372	0	0	145,800
District heating	2021	83,648	124,363	1,385	0	0	4,049	213,445
	2022	80,757	113,668	3,782	0	136	5,542	203,884
	2023	99,410	115,979	3,265	33,807	654	4,350	257,465

- 1 | In principle, for reasons of control relevance, we report all energy key performance figures in the unit megawatt-hour (MWh).
- 2 | Differences from the FY 2022 Progress Report are the result of retrospective corrections due to additional data availability.
- 3 | Due to values being rounded, there may be slight discrepancies in the totals.
- 4 | The energy increases for mobile combustions are largely due to the acquisition of Tailwind Shipping Lines and the associated operation of container ships within the group. For FY 2022, the corresponding figures are partially included, but are complete for FY 2023.
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- 8 | Includes energy consumption from propane gas, liquefied petroleum gas, gas for glass drying and diesel for waste incineration plants.
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- 10 | Conversion of kilograms into megawatt-hours with combined factor from IPCC 2006, GHG Protocol Cross Sector Tools, CDP Technical Note: Conversion of fuel data to MWh, DEFRA 2021/2022 and TREMOD (CNG/LNG: 0.01481/LPG: 0.014599/Biogas: 0.01555/Bio-LNG: 0.01481/Bio-CNG: 0.01481/Heavy fuel oil: 11812.8655/Marine gas oil: 12579.79485/Hydrogen: 0.03703)
- 11 | Fuels for own company cars and internal logistics.



		Lidl ⁴	Kaufland	PreZero ⁵	Schwarz Produktion ⁶	Schwarz Digits	Schwarz Dienstleistungen	Schwarz Group ^{5,6}
from renewable sources	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	399	41,250	423	0	0	42,071
Outsourcing	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	399	0	0	0	0	399
Self-consumption from self-generation	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	41,250	423	0	0	41,673
from non-renewable sources	2021	83,648	124,363	1,385	0	0	4,049	213,445
	2022	80,757	113,668	3,782	0	136	5,542	203,884
	2023	99,410	115,580	13,121	33,971	654	4,350	267,086
Outsourcing	2021	83,648	124,363	1,385	0	0	4,049	213,445
	2022	80,757	113,668	3,782	0	136	5,542	203,884
	2023	99,410	115,580	3,265	33,807	654	4,350	257,066
Self-consumption from self-generation	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	9,856	164	0	0	10,019

- 1 | In principle, for reasons of control relevance, we report all energy key performance figures in the unit megawatt-hour (MWh).
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- 3 | Due to values being rounded, there may be slight discrepancies in the totals.
- 4 | The energy increases for mobile combustions are largely due to the acquisition of Tailwind Shipping Lines and the associated operation of container ships within the group. For FY 2022, the corresponding figures are partially included, but are complete for FY 2023.
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- 10 | Conversion of kilograms into megawatt-hours with combined factor from IPCC 2006, GHG Protocol Cross Sector Tools, CDP Technical Note: Conversion of fuel data to MWh, DEFRA 2021/2022 and TREMOD (CNG/LNG: 0.01481/LPG: 0.014599/Biogas: 0.01555/Bio-LNG: 0.01481/Bio-CNG: 0.01481/Heavy fuel oil: 11812.8655/Marine gas oil: 12579.79485/Hydrogen: 0.03703)
- 11 | Fuels for own company cars and internal logistics.



		Lidl ⁴	Kaufland	PreZero ⁵	Schwarz Produktion ⁶	Schwarz Digits	Schwarz Dienstleistungen	Schwarz Group ^{5,6}
Natural gas (non-renewable)	2021	607,791	638,800	6,412	156,224	0	2,465	1,411,691
	2022	542,023	585,257	36,524	165,848	0	1,524	1,331,176
	2023	524,740	582,630	35,199	255,450	2,186	549	1,400,755
Other gases/fuels⁹ (non-renewable)	2021	0	679	15,504	6,228	0	0	22,411
	2022	1,427	770	24,936	5,869	0	0	33,002
	2023	3,111	763	50,446	6,379	0	0	60,699
Heating oil⁹ (non-renewable)	2021	8,136	148,671	0	0	0	0	156,807
	2022	10,849	41,268	20,210	5,803	0	0	78,129
	2023	11,150	40,987	27,889	13,252	0	0	93,278
Wood pellets (renewable)	2021	0	0	1,551	0	0	0	1,551
	2022	0	0	1,616	0	0	0	1,616
	2023	0	0	1,038	0	0	0	1,038
Emergency power systems and sprinkler systems	2021	0	0	0	0	0	0	0
	2022	21,294	7,355	33	0	0	0	28,682
	2023	23,500	4,161	31	30	274	99	28,095
from renewable sources	2021	0	0	0	0	0	0	0
	2022	951	488	0	0	0	0	1,438
	2023	1,144	501	0	0	0	0	1,645

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- 7 | Due to the implementation of the renewable energy target of the companies of Schwarz Group, the date for transitioning externally purchased electricity from non-renewable gray energy to renewable energy has been pushed back.
- 8 | Includes energy consumption from propane gas, liquefied petroleum gas, gas for glass drying and diesel for waste incineration plants.
- 9 | Conversion of liters into megawatt-hours with combined factor from IPCC 2006, GHG Protocol Cross Sector Tools and DEFRA 2022/2023 (Gasoline: 0.009585/Diesel: 0.010561/Biodiesel: 0.006711/Heating oil: 0.010561/Kerosene: 0.01018/HVO: 0.00953)
- 10 | Conversion of kilograms into megawatt-hours with combined factor from IPCC 2006, GHG Protocol Cross Sector Tools, CDP Technical Note: Conversion of fuel data to MWh, DEFRA 2021/2022 and TREMOD (CNG/LNG: 0.01481/LPG: 0.014599/Biogas: 0.01555/Bio-LNG: 0.01481/Bio-CNG: 0.01481/Heavy fuel oil: 11812.8655/Marine gas oil: 12579.79485/Hydrogen: 0.03703)
- 11 | Fuels for own company cars and internal logistics.



		Lidl ⁴	Kaufland	PreZero ⁵	Schwarz Produktion ⁶	Schwarz Digits	Schwarz Dienstleistungen	Schwarz Group ^{5,6}
from non-renewable sources	2021	0	0	0	0	0	0	0
	2022	20,343	6,867	33	0	0	0	27,244
	2023	22,356	3,660	31	30	274	99	26,450
Hard coal (non-renewable)	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	1,029	93,940	0	0	94,969
Sludge/alternative fuels/biomass	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	954,126	0	0	954,126
from renewable sources	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	786,233	0	0	786,233
from non-renewable sources	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	167,894	0	0	167,894
Mobile combustion^{9,10,11}	2021	557,870	122,708	263,686	14,639	276	28,016	987,196
	2022	1,059,287	127,393	1,063,323	16,431	17,969	19,707	2,304,110
	2023	2,028,838	126,074	1,135,705	18,356	21,897	22,852	3,353,722

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- 11 | Fuels for own company cars and internal logistics.

		Lidl ⁴	Kaufland	PreZero ⁵	Schwarz Produktion ⁶	Schwarz Digits	Schwarz Dienstleistungen	Schwarz Group ^{5,6}
from renewable sources	2021	0	0	39,002	0	0	0	39,002
	2022	0	0	76,139	0	0	0	76,139
	2023	0	0	66,125	0	0	0	66,125
from non-renewable sources	2021	557,870	122,708	224,684	14,639	276	28,016	948,194
	2022	1,059,287	127,393	987,184	16,431	17,969	19,707	2,227,971
	2023	2,028,838	126,074	1,069,580	18,356	21,897	22,852	3,287,597

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[GRI 305-1, 305-2, 305-3, 305-5]

— The carbon footprint highlights the varied business models of the companies of Schwarz Group. While operational emissions are comparably low for Lidl and Kaufland, the scope 1 and scope 2 values of PreZero make up around 40 percent¹² of these categories in relation to all companies of Schwarz Group as a whole. The main drivers of these values are the waste-to-energy plants and the volatile gases emanating from the landfill sites purchased by PreZero as part of the acquisitions of additional companies. However, if one considers the total emissions of Schwarz Group, including emissions from the downstream and upstream supply chains, PreZero is only responsible for two percent¹² of the total emissions of the companies of Schwarz Group. —

Volumes of Greenhouse Gas Emissions

In tons of CO₂ equivalent¹⁻⁴

[GRI 305-1, 305-2]

		Lidl ⁷	Kaufland ⁸	PreZero ^{5,9}	Schwarz Produktion ¹⁰	Schwarz Digits	Schwarz Dienstleistungen	Schwarz Group ⁶	
Total	Gross volume GHG emissions	2021	125,605,573	35,799,769	3,004,301	2,011,043	80,688	249,186	164,884,945
		2022	127,203,203	36,931,015	3,013,694	3,623,399	229,469	196,683	168,844,894
		2023	132,219,423	34,882,898	4,438,513	4,060,719	234,227	349,819	173,517,646
		Trend 2022/23	+3.9%	-5.5%	+47.3%	+12.1%	+2.1%	+77.9%	+2.8%
Scope 1 and 2	Direct & indirect GHG emissions (Scope 1 and 2)¹¹	2021	1,318,049	1,053,453	1,104,034	416,511	68	18,085	3,910,200
		2022	819,216	452,752	1,032,360	299,998	4,573	6,664	2,615,563
		2023	803,204	432,269	1,002,722	306,086	6,225	7,288	2,557,794
		Trend 2022/23	-2.0%	-4.5%	-2.9%	+2.0%	+36.1%	+9.4%	-2.2%
Scope 1	Direct (Scope 1) GHG emissions	2021	817,993	450,280	1,039,519	143,985	68	7,550	2,459,396
		2022	802,621	418,652	1,007,060	162,337	4,540	5,248	2,400,459
		2023	784,595	403,860	998,124	152,386	6,008	5,905	2,350,877
		Trend 2022/23	-2.2%	-3.5%	-0.9%	-6.1%	+32.3%	+12.5%	-2.1%
Scope 1	Volatile gases	2021	174,382	268,592	219,027	2,129	0	0	664,129
		2022	159,645	263,148	214,569	70	0	0	637,432
		2023	148,033	251,504	185,642	908	0	0	586,087
		Trend 2022/23	-7.3%	-4.4%	-13.5%	>100%	--	--	-8.1%

- 1 | Unlike the other KPIs shown in the report, in the carbon footprint, the emissions of the acquired companies/business units are taken into account in the previous years.
- 2 | Analyzed sources for the emission factors: International organizations (e.g., IEA, IPCC), LCA databases (e.g., Ecoinvent, Optimeal), national institutions (e.g., DBEIS/DEFRA), and industrial associations and organizations (e.g., Plastics Europe, FEFCO). In order to ensure year on year comparability, the emission factors used for the calculation are not always the latest available.
- 3 | Differences from the FY 2022 Progress Report are the result of retrospective corrections due to additional data availability as well as the re-calculation of the base year FY 2019 and the previous years (FY 2021-2022). The latter took into account the inorganic growth of the companies of Schwarz Group as well as methodology adaptations.
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- 10 | The increases in FY 2023 are mainly due to the acquisition of Maxauer Papierfabrik.
- 11 | Scope 2 emissions according to the market-based approach were used for the total calculation of (operational) GHG emissions.
- 12 | The figure was not included in the external review.



		Lidl ⁷	Kaufland ⁸	PreZero ⁵	Schwarz Produktion ¹⁰	Schwarz Digits	Schwarz Dienstleistungen	Schwarz Group ⁶	
Scope 1	Mobile combustion	2021	523,817	31,561	274,754	5,055	68	7,101	842,356
		2022	530,283	32,386	251,876	5,403	4,540	4,971	829,459
		2023	530,396	32,056	270,727	4,673	5,539	5,779	849,171
		Trend 2022/23	+0.0%	-1.0%	+7.5%	-13.5%	+22.0%	+16.3%	+2.4%
	Stationary combustion	2021	119,795	150,128	545,738	136,800	0	449	952,911
		2022	112,693	123,119	540,616	156,864	0	278	933,569
		2023	106,166	117,740	541,754	146,805	468	125	913,059
		Trend 2022/23	-5.8%	-4.4%	+0.2%	-6.4%	--	-54.8%	-2.2%
	Indirect GHG emissions (Scope 2) including electricity acc. to market-based approach ¹¹	2021	500,055	603,172	64,515	272,526	0	10,535	1,450,804
		2022	16,595	34,100	25,299	137,661	33	1,415	215,104
2023		18,609 	28,410 	4,598	153,699	217	1,384	206,917 	
Trend 2022/23		+12.1%	-16.7%	-81.8%	+11.7%	>100%	-2.2%	-3.8%	
Scope 2	District heating	2021	15,797	31,281	819	5,829	0	995	54,721
		2022	15,542	28,065	930	6,480	33	1,362	52,412
		2023	17,227	28,410	803	6,592	161	1,069	54,261
		Trend 2022/23	+10.8%	+1.2%	-13.7%	+1.7%	>100%	-21.5%	+3.5%
Electricity acc. to market-based approach	2021	484,259	571,892	63,696	266,697	0	9,539	1,396,083	
	2022	1,053	6,036	24,370	131,180	0	53	162,692	
	2023	1,382	0	3,795	147,107	56	314	152,656	
	Trend 2022/23	+31.2%	-100%	-84.4%	+12.1%	--	>100%	-6.2%	

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		Lidl ⁷	Kaufland ⁸	PreZero ⁵	Schwarz Produktion ¹⁰	Schwarz Digits	Schwarz Dienstleistungen	Schwarz Group ⁶	
Scope 2	Indirect GHG emissions (Scope 2) including electricity acc. to location-based approach	2021	1,606,320	943,803	81,923	195,960	0	16,954	2,844,960
		2022	1,548,984	816,312	87,755	186,727	8,478	5,144	2,653,400
		2023	1,640,675 	842,992 	72,568	217,430	13,647	4,157	2,791,470
		Trend 2022/23	+5.9%	+3.3%	-17.3%	+16.4%	+61.0%	-19.2%	+5.2%
	District heating	2021	15,797	31,281	819	5,829	0	995	54,721
		2022	15,542	28,065	930	6,480	33	1,362	52,412
		2023	17,227	28,410	803	6,592	161	1,069	54,261
		Trend 2022/23	+10.8%	+1.2%	-13.7%	+1.7%	>100%	-21.5%	+3.5%
	Electricity acc. to location-based approach	2021	1,590,523	912,522	81,104	190,131	0	15,959	2,790,239
		2022	1,533,442	788,248	86,826	180,247	8,445	3,782	2,600,988
		2023	1,623,448	814,582	71,765	210,838	13,487	3,088	2,737,208
		Trend 2022/23	+5.9%	+3.3%	-17.3%	+17.0%	+59.7%	-18.3%	+5.2%
Scope 3	Indirect GHG emissions (Scope 3)	2021	124,287,524	34,746,316	1,900,267	1,594,532	80,620	231,102	160,974,746
		2022	126,383,986	36,478,263	1,981,334	3,323,402	224,896	190,019	166,229,331
		2023	131,416,219 	34,450,629 	3,435,791	3,754,633	228,002	342,531	170,959,851
		Trend 2022/23	+4.0%	-5.6%	+73.4%	+13.0%	+1.4%	+80.3%	+2.8%
	Cat. 3.1 Purchased goods and services	2021	103,302,743	29,688,241	60,894	1,237,697	72,942	44,121	132,542,700
		2022	102,928,054	30,540,196	63,627	2,808,250	136,053	53,771	134,319,924
	2023	105,112,380	29,470,049	89,147	3,144,118	176,064	131,030	135,719,864	
	Trend 2022/23	+2.1%	-3.5%	+40.1%	+12.0%	+29.4%	>100%	+1.0%	

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		Lidl ⁷	Kaufland ⁸	PreZero ⁵	Schwarz Produktion ¹⁰	Schwarz Digits	Schwarz Dienstleistungen	Schwarz Group ⁶	
Scope 3	Cat. 3.2 Capital goods	2021	0	0	140,778	0	0	140,778	
		2022	0	0	146,491	0	0	146,491	
		2023	0	0	148,750	0	0	148,750	
		Trend 2022/23	--	--	+1.5%	--	--	--	+1.5%
	Cat. 3.3 Fuel- and energy-related emissions	2021	642,298	301,673	78,515	79,632	10	6,083	1,108,211
		2022	649,357	273,007	85,388	82,117	3,445	2,273	1,095,588
		2023	659,573	263,059	83,323	83,485	4,939	2,041	1,096,421
		Trend 2022/23	+1.6%	-3.6%	-2.4%	+1.7%	+43.4%	-10.2%	+0.1%
	Cat. 3.4 Transportation (upstream)	2021	6,991,819	2,018,164	57,124	257,320	0	0	9,324,427
		2022	6,927,421	1,846,188	59,443	244,955	271	0	9,078,278
		2023	6,862,290	1,841,781	79,988	349,380	122	0	9,133,561
		Trend 2022/23	-0.9%	-0.2%	+34.6%	+42.6%	-55.1%	--	+0.6%
	Cat. 3.5 Waste generated in operations	2021	281,759	86,389	0	11,497	0	0	379,646
		2022	321,949	74,680	0	10,825	0	0	407,454
		2023	272,008	64,348	0	10,845	0	0	347,201
		Trend 2022/23	-15.5%	-13.8%	--	+0.2%	--	--	-14.8%
	Cat. 3.6 Business travel	2021	62,957	22,990	13,906	1,921	7,621	3,398	112,793
		2022	95,301	22,324	14,470	2,819	7,550	6,533	148,998
		2023	89,350	24,347	12,270	4,195	10,494	7,407	148,062
		Trend 2022/23	-6.2%	+9.1%	-15.2%	+48.8%	+39.0%	+13.4%	-0.6%

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- 6 | In order to avoid double counting of emissions in the joint carbon footprint of the companies of Schwarz Group, the product emissions for products from Schwarz Produktion that appear both in the Schwarz Produktion carbon footprint and in the retail divisions' carbon footprints are only considered once for aggregation into the group carbon footprint. This also means that the individual totals of the retail divisions do not correspond to the values of Schwarz Group in the corresponding categories.
- 7 | Consideration of acquired company: Tailwind Shipping Lines (container ships)
- 8 | Consideration of acquired business units: Real and Tesco stores
- 9 | Consideration of acquired companies/business units: Including SUEZ, Ferrovial
- 10 | The increases in FY 2023 are mainly due to the acquisition of Maxauer Papierfabrik.
- 11 | Scope 2 emissions according to the market-based approach were used for the total calculation of (operational) GHG emissions.
- 12 | The figure was not included in the external review.

		Lidl ⁷	Kaufland ⁸	PreZero ⁵	Schwarz Produktion ¹⁰	Schwarz Digits	Schwarz Dienstleistungen	Schwarz Group ⁶	
Scope 3	Cat. 3.7 Employee commuting	2021	444,720	183,297	31,281	4,791	48	7,883	672,019
		2022	463,876	180,044	32,550	5,076	6,210	4,535	692,290
		2023	462,798	178,014	32,123	5,948	6,799	4,889	690,571
		Trend 2022/23	-0.2%	-1.1%	-1.3%	+17.2%	+9.5%	+7.8%	-0.2%
	Cat. 3.9 Transportation (downstream)	2021	41,056	631	162	0	0	0	41,848
		2022	34,229	0	168	0	625	0	35,022
		2023	27,810	0	0	0	538	0	28,348
		Trend 2022/23	-18.8%	--	>100%	--	-14.0%	--	-19.1%
	Cat. 3.10 Processing of sold products	2021	0	0	106,605	0	0	0	106,605
		2022	0	0	110,931	0	0	0	110,931
		2023	0	0	485,699	0	0	0	485,699
		Trend 2022/23	--	--	>100%	--	--	--	>100%
Cat. 3.11 Use of sold products	2021	12,369,050	2,405,092	3,025	0	0	169,616	14,946,782	
	2022	9,541,962	2,103,365	3,148	0	65,502	122,906	11,836,883	
	2023	11,440,084	1,269,781	292,167	0	27,884	197,163	13,227,079	
	Trend 2022/23	+19.9%	-39.6%	>100%	--	-57.4%	+60.4%	+11.7%	
Cat. 3.12 Disposal/recovery of sold products	2021	151,123	39,840	1,407,977	1,672	0	0	1,598,936	
	2022	5,421,839	1,438,459	1,465,117	169,359	5,240	0	8,357,472	
	2023	6,489,925	1,339,251	2,212,325	156,662	1,163	0	9,934,295	
	Trend 2022/23	+19.7%	-6.9%	+51.0%	-7.5%	-77.8%	--	+18.9%	

- 1 | Unlike the other KPIs shown in the report, in the carbon footprint, the emissions of the acquired companies/business units are taken into account in the previous years.
- 2 | Analyzed sources for the emission factors: International organizations (e.g., IEA, IPCC), LCA databases (e.g., Ecoinvent, Optimeal), national institutions (e.g., DBEIS/DEFRA), and industrial associations and organizations (e.g., Plastics Europe, FEFCO). In order to ensure year on year comparability, the emission factors used for the calculation are not always the latest available.
- 3 | Differences from the FY 2022 Progress Report are the result of retrospective corrections due to additional data availability as well as the re-calculation of the base year FY 2019 and the previous years (FY 2021-2022). The latter took into account the inorganic growth of the companies of Schwarz Group as well as methodology adaptations.
- 4 | Due to values being rounded, there may be slight discrepancies in the totals.
- 5 | Due to immateriality, the emissions of GHG categories 3.8, 3.13, 3.14 and 3.15 are not accounted.
- 6 | In order to avoid double counting of emissions in the joint carbon footprint of the companies of Schwarz Group, the product emissions for products from Schwarz Produktion that appear both in the Schwarz Produktion carbon footprint and in the retail divisions' carbon footprints are only considered once for aggregation into the group carbon footprint. This also means that the individual totals of the retail divisions do not correspond to the values of Schwarz Group in the corresponding categories.
- 7 | Consideration of acquired company: Tailwind Shipping Lines (container ships)
- 8 | Consideration of acquired business units: Real and Tesco stores
- 9 | Consideration of acquired companies/business units: Including SUEZ, Ferrovial
- 10 | The increases in FY 2023 are mainly due to the acquisition of Maxauer Papierfabrik.
- 11 | Scope 2 emissions according to the market-based approach were used for the total calculation of (operational) GHG emissions.
- 12 | The figure was not included in the external review.

Climate Protection and Adaptation Management Approaches

— Since August 2020, the business units of all companies of Schwarz Group that are relevant for our joint climate strategy have been involved in this process. Among them are the respective business departments including Corporate Responsibility (CR), Purchasing, Procurement, Sales, Logistics, Real Estate as well as Controlling. Those involved have defined clear tasks and responsibilities for themselves. The overall project manager for the climate strategy is commissioned by the companies of Schwarz Group and reports to the Head of Ecosystems Focus Area, who in turn reports to the Head of CR of Schwarz Corporate Communications. In the four priority topics of Energy, Climate-Friendly Construction, Mobility, and Climate-Friendly assortment, work is being done on the objectives of the climate strategy and their successful implementation. The project groups are made up of experts from all companies of Schwarz Group. Depending on the subject area, the groups are led by a designated project manager.

Energy

Organization and Responsibility

Holistic energy management pursuant to the international ISO 50001 norm enables the companies of Schwarz Group to improve their energy efficiency and cut the associated carbon emissions. The companies of Schwarz Group manage their measures to increase energy efficiency using energy management systems.

At Kaufland, all countries are certified pursuant to the ISO 50001 energy management system. In 2022, Lidl achieved its goal of having all European Lidl organizations certified pursuant to ISO 50001. As such, the matrix certification awarded to Lidl during the reporting period unites all operationally active Lidl countries with around 12,000 stores and 189 logistics centers. Having local energy teams at all certified locations is a prerequisite of the ISO 50001 standard. Lidl and Kaufland regularly carry out internal and external audits to evaluate the energy management in the national companies. Suggestions from employees from the internal idea management process are also used to identify further suitable measures to reduce energy consumption.

At the reporting cut-off date, administrative locations in the greater Heilbronn area as well as the production locations of the Kaufland meat processing plants and Schwarz Produktion had been certified pursuant to ISO 50001 with the exception of the Maxauer Papierfabrik and Bon Pasta. These are certified pursuant to EMAS. Schwarz Produktion draws on the EnEffCo energy management software for cross-plant recording and processing of the over 5,000 measuring and data points. Furthermore, the Energy Management department draws up management reviews and a central monitoring process for key performance indicators of individual plants and energy consumption on an annual basis. The Schwarz Digits data centers in Germany, operated by Schwarz IT KG, first introduced an energy management system in 2022 and are certified pursuant to ISO 50001. The data center in Austria has a DGNB Certificate in Gold for sustainable industrial buildings.

The majority of PreZero sites have also implemented a certified environmental and quality management system – for instance, pursuant to ISO 14001 and ISO 9001. Some of the PreZero Germany, PreZero Polymers Austria and PreZero Spain sites also run an energy management system pursuant to ISO 50001. As a general rule, newly acquired locations must be included in the certification process within 24 months. Three companies of Schwarz Produktion and all of the Kaufland meat processing plant companies are also certified pursuant to ISO 14001.

Stakeholder Involvement

By means of their group-wide climate strategy, the companies of Schwarz Group support the Paris Agreement on climate change. They therefore officially joined the Science Based Targets initiative (SBTi) back in 2020: The goal of this initiative is to promote science-based climate targets in companies.

We also involve our employees in the topic of climate protection and adaptation, and empower them to act in a sustainable manner. For example, we raise their awareness of energy saving potential at home and in the office. With the “#GemeinsamWasAusmachen” initiative, the companies of Schwarz Group provide specific energy-saving tips via the intranet. Moreover, Lidl is currently implementing the major sustainability initiative, YOU, which aims to educate all employees on sustainable action and encourage them to incorporate sustainability into their day-to-day lives. You can find more information about this initiative in the [People](#) chapter.

Measures & Projects

Energy efficiency

The companies of Schwarz Group rely on a wide range of approaches and methods to increase energy efficiency. For newly built or existing facilities, the companies of Schwarz Group are striving to reduce carbon emissions through the use of climate-friendly energy sources. An example of this is checking whether connection to a regional heat network is possible, provided that the heat supplied via this network meets our quality requirements. In our buildings, the energy consumption of the technical building installations is also optimized through standardized monitoring, control and regulation functions, and reduced to the bare necessity.

The measures implemented by Schwarz Produktion and the Kaufland meat processing plants include, for example, performance optimizations as well as heat recovery and the reduction of idle times. In addition to standard measures, process optimizations also play an important role, such as at MEG Wörth am Rhein, where process temperatures have been significantly reduced and more concentrated solutions have been used. The energy efficiency measures at Schwarz Produktion and Kaufland meat processing plants range from the modernization of refrigeration systems to optimizing energy monitoring of refrigeration systems at the Bonback GmbH & Co. KG site.

The energy management system fully implemented at Lidl and Kaufland pursuant to ISO 50001 has made it possible to achieve significant energy reductions in the course of systematic analyses and global implementation of measures.

Conversion to LED lighting, adjusting illumination times and optimizing building air conditioning systems contributed to achieving these reductions. In addition to the existing energy-saving measures, special energy-reduction measures were implemented in response to the unique situation on the energy market in 2023. In particular, these included adjustments to the lighting control and reducing the intensity of the lighting on the sales floor. The temperature in the stores and the logistics centers was also reduced in winter.

Reducing Carbon through the Use of Climate-friendly Concepts

In addition to increasing energy efficiency, further measures aimed at reducing carbon emissions also play a role. This includes, for example, using the waste heat from refrigeration systems in the energy concepts of the stores. At Lidl and Kaufland, the waste heat from chiller equipment and refrigeration systems is used to some extent for heating the building, thus reducing energy consumption.

In this respect, the long-term commitment of the retail divisions is evident in the total of around 1,940 stores (2022: 1,850)¹ that are equipped with refrigeration systems for product cooling with heat recovery capabilities. In all of the companies of Schwarz Group, over 2,000 buildings (2022: 1,980)¹ are equipped with the corresponding technology. To further reduce carbon emissions, the chiller equipment in over 4,042 Lidl and Kaufland stores¹ is operated with natural refrigerants like propane or with CO₂. In total, across all companies of Schwarz Group, almost 617 buildings¹ are equipped with corresponding cooling technology.

As part of the modernization of our stores, we are also increasingly replacing fossil fuel-powered heat generators with heat pumps.

You can find other approaches and measures on sustainable store construction in the [Climate-friendly Construction](#) chapter on p. 114.

¹ | Statement was not included in external review.



Renewable Energies

The self-generation of renewable energies plays a key role in our climate strategy – particularly from photovoltaic systems (PV). In the 2023 fiscal year, the companies of Schwarz Group were able to generate around 338,000 (2022: 265,000) megawatt-hours in this way – an increase of around 27.5 (2022: 36.9) percent year on year. The power we generated could supply over 97,000 (2022: 76,000) households¹. The area used for the PV system is over 4 (2022: 2.5) million square meters.² This equates to the surface area of approximately 568 soccer pitches – and represents an increase of about 1.5 million (2022: 885,760) square meters compared to the previous year. In addition to photovoltaic systems, PreZero also relies on the generation of renewable energy through recovery plants, such as bioenergy plants.

The existing buildings often do not have sufficient load reserves for a standard PV solution. Furthermore, to retrofit existing real estate with PV at as many locations as possible, thin-film PV solar panels are currently being tested at the Kaufland store in Zeitz.

Self-generation of Renewable Energies from PV Systems in MWh

[GRI 302-1]

Trend 2022/23: +27.5%



Lidl and Kaufland in Germany have concluded a long-term power purchase agreement (PPA) with RWE Supply & Trading. They will therefore purchase part of their electricity directly from an off-shore wind farm in the North Sea in future. The PPA with RWE covers the procurement of around 250,000 megawatt hours of renewable energy annually. The agreement is set to run for ten years from 2028 and thus forms an important component of the jointly developed climate strategy of the companies of Schwarz Group. Lidl has also concluded PPAs in Belgium and the Netherlands, beginning in 2023 and 2024. —

Self-generation of Renewable Energies from Photovoltaic Systems⁴

[GRI 302-1]

	Unit	2021	2022	2023	Trend 2022/23
Buildings with photovoltaic systems	Number	1,886	2,483	3,356	+35.2%
Area used for photovoltaic systems²	m ²	1,608,018	2,493,778	4,058,095	+62.7%
corresponds to ... soccer pitches ³	Number	225	349	568	+62.7%
Photovoltaic systems output	kWp	271,834	347,928	489,134	+40.6%
Buildings with solar power systems for heat generation	Number	120	125	132	+5.6%
Electricity: Self-generation of renewable energies from photovoltaic systems	MWh	193,724	265,186	338,029	+27.5%
Of which electricity: Renewable energy fed back into the grid	MWh	43,655	28,375	30,143	+6.2%

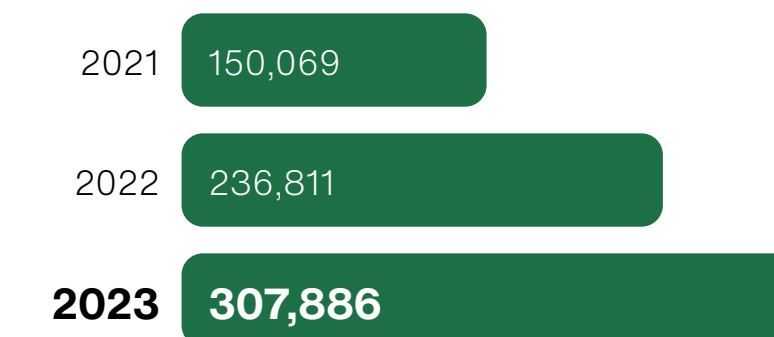
Use of Self-generated Electricity from PV Systems

In megawatt-hours⁴

Fed into grid



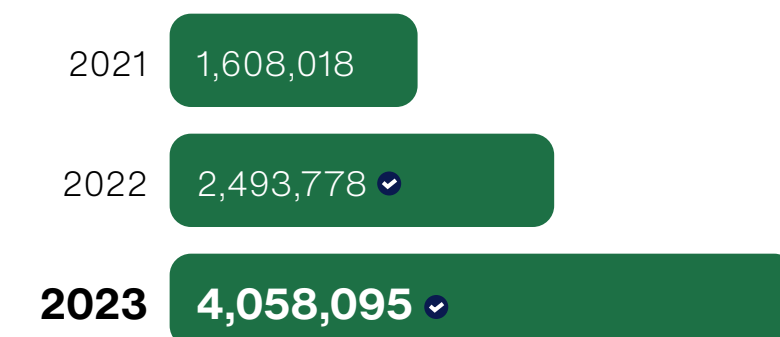
Consumed ourselves



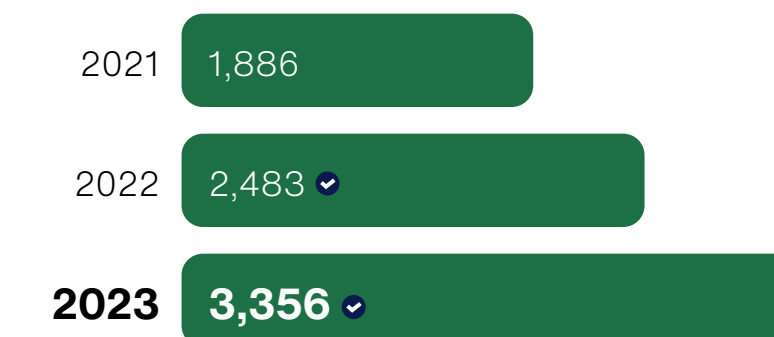
Area Used for PV Systems

In square meters⁴

Areas used



Number of building with PV systems



1 | Calculated with an assumed average consumption of 3,470 kilowatt-hours per household.

2 | Due to the change in the methodology used for the collection of key performance indicators, the values for FY 2022 and FY 2023 are not directly comparable.

3 | When converting the area into the comparison figure of equivalent soccer pitches, an average soccer pitch area of 7,150 m² was used for the calculation.

4 | Differences from the FY 2022 Progress Report are the result of retrospective corrections due to additional data availability.

Climate-friendly Construction

Stakeholder Involvement

— During the construction of our buildings, a multitude of external stakeholders are involved – for instance, we work with suppliers, certification bodies and standard setters (see Measures and Projects).

Measures and Projects

Application of Certifications and Standards

When it comes to expansion, the companies of Schwarz Group place great importance on the energy-efficient and sustainable construction of their stores, administration buildings and logistics centers. Their activities are based on the relevant renowned national and international standards for sustainable construction – such as Excellence in Design for Greater Efficiencies (EDGE), Building Research Establishment Environmental Assessment Method (BREEAM), Leadership in Energy and Environmental Design (LEED) or the standard published by the German Sustainable Building Council (DGNB). At Lidl, this already affects over 4,000 stores and logistics centers in over 20 countries. Lidl in Germany has started the certification process of existing buildings pursuant to the EDGE standard. Plans are in place to certify around 1,200 stores by mid-2025. Kaufland has started the certification process in every country. At Kaufland, 49 stores in Bulgaria, one hypermarket in Romania and five hypermarkets in Croatia have the certification. By the start of 2025, all of the approx. 1,000 stores and properties owned by Kaufland are to be certified pursuant to the EDGE standard. Schwarz Immobilien Service GmbH & Co. KG has also commissioned the certification of

buildings and a residential district pursuant to the latest DGNB standards.

Innovative and Climate-friendly Construction of Stores and Logistics Centers

For new buildings, Lidl is committed to ensuring that sustainable construction practices are observed, such as by using recyclable and already recycled materials, or by achieving a high level of energy efficiency. Energy efficiency is taken into account over the entire life cycle of the property – from construction to demolition. For example, the store in Albstadt-Ebingen (Baden-Wuerttemberg, Germany), completed in 2021, was erected in a wooden construction style. Thanks to the wooden structure, around 650 tons of carbon can be sequestered permanently and the greenery concept of the store also contributes to the preservation of local biodiversity. In December 2023, the second store in this future-oriented wooden construction style was opened in Wangen im Allgäu. The logistics center in Erlensee, commissioned in 2021, also sequesters carbon thanks to its construction method: It uses self-generated energy from the on-site photovoltaic system as well as waste heat from the refrigeration system for heating and cooling. In general, no fossil fuels are used in Erlensee. All three buildings meet the platinum criteria of the DGNB certificate, which is the highest level. The certification was carried out in accordance with the criteria catalog for 2018. We also want to highlight the energy-neutral and carbon-neutral Lidl store in Almere, Netherlands: Its outdoor areas have systematically designed greenery and its facade is made of wood. Bucharest is also home to the Lidl national headquarters in Romania. In this building, energy losses are

Buildings of the Companies of Schwarz Group with a Sustainability Certificate¹

	Unit	2021	2022	2023	Trend 2022/23
Buildings with a sustainability certificate	Number	2,564	3,648	4,132	+13.3%
Percentage of stores with a sustainability certificate	%	18.8	25.2	28.1	+2.9%P
Percentage of distribution centers/warehouses with a sustainability certificate	%	19.0	25.1	25.6	+0.5%P

reduced through insulating building materials and geothermal energy is used for heating and cooling. In spring of 2024, an energy self-sufficient Lidl store was opened in Villa Franca (Italy).

Kaufland opened its first store made of wood in Marktredwitz (Bavaria, Germany) in 2022. In September 2023, Kaufland opened a corresponding store in the Slovakian capital of Bratislava. Wood was also used as the main material here. The store was also equipped with a photovoltaic system as well as a green roof and green facades.

Schwarz Immobilien Service GmbH & Co. KG is also planning innovative construction projects, such as buildings in a hybrid-timber construction style, facades made of recycled materials or building with a modular design. These methods can be used to improve the life cycle assessment scores of the construction activities. For the new construction of administration buildings and mixed-use properties (for example, a Lidl store and a residential building), a process for optimizing carbon emissions is currently under development.

In this context, benchmarks for the carbon emissions of residential and non-residential buildings are defined, and various scenarios for building materials and energy sources are tested in the initial planning phase.

A Kaufland store is being built in Tuttlingen (Baden-Wuerttemberg) in which various sustainable materials will be tested and deployed with a focus on circular economy aspects. These materials include roof sheeting made of 60 percent recycled materials from supermarket film accumulated within our group, or a crash rail made of 100 percent recycled content from the group's own recycled materials.

Protection of Biodiversity

The topic of biodiversity also plays an important role in sustainable construction. For Kaufland stores in Zahorska (Slovakia) and Sinsheim (Baden-Wuerttemberg) as well as in various logistics warehouses, measures such as insect hotels or bird nesting boxes are being implemented and a flowering field has been planted.

¹ | The number of all properties that have been certified as sustainable pursuant to international/national certification systems and that have an existing and valid certificate/proof (individual and portfolio certificates with audited reference properties). Relevant international certification systems are BREEAM, LEED and Edge. Relevant national certification systems are DGNB, ÖGNI, HQE and VERDE, for example.



Mobility

Stakeholder Involvement

As part of the expansion of the charging infrastructure at their locations, the companies of Schwarz Group have relied on powerful partners and initiated appropriate cooperations. For example, Kaufland opened a charging park with eight charging stations at its logistics site in Möckmühl (Baden-Wuerttemberg) in 2023. Each station has its own bay for electric semi-trailer tractors. To this end, the company cooperated with Einride, a leading provider of intelligent solutions for digital, electric and autonomous goods transport, to introduce heavy e-trucks in supplying its stores.

Measures & Projects

Charging Infrastructure and Mobility Solutions

The companies of Schwarz Group have made considerable progress with the expansion of their charging infrastructure. Group-wide, as of the end of the 2023 fiscal year, there were over 15,300 (2022: 11,600) electric charging stations at around 4,370 (2022: 3,570) locations. This expansion is continuing. The companies of Schwarz Group are also expanding the charging infrastructure at their sites for their employees, enabling them to charge their electric vehicle from home or while on the go. The range of company cars also includes electric cars. As a result of this, employees also have the option to choose a more environmentally friendly option when selecting a company car.

We are also continuously developing our portfolio of climate-friendly mobility solutions as alternatives to a company car (for example, the Deutschlandticket as a Jobticket, the ride-sharing app twogo.de, discounted offers for bicycles, etc.). Through these measures, we want to enable every single person to make a valuable contribution to curbing climate change by not using fossil fuels.

Distribution Logistics

The companies of Schwarz Group want to make their logistics processes more sustainable, efficient and lower in emissions. The warehouse sites are already operated as sustainably as possible thanks to the use of energy-efficient technologies and renewable energies. The companies of Schwarz Group have jointly set out the material aspects of sustainable logistics processes in a cross-divisional road map, which serves as the basis for a wide range of measures in the national companies. The basis for all measures are the comprehensive data that are part of the carbon footprint. At Lidl and Kaufland in the 2023 fiscal year, transportation was the cause of around 8.73 (2022: 8.81) million tons of carbon. A focus of the companies of Schwarz Group is the deployment of low-emission, heavy-goods transport.

The companies of Schwarz Group are also promoting steps toward reduced carbon emissions in logistics with their transport service providers too. The aim is to enable them to measure and reduce their own carbon emissions. Especially in its cooperation with freight forwarders, Kaufland recognizes a great deal of potential to reduce greenhouse gas emissions. In order to assess the technical status of the vehicle fleet in terms of energy

efficiency and carbon emissions, they are commissioning FUMO® Solutions GmbH to audit their pool of over 100 freight forwarders in the Kaufland countries. If they pass the auditing process, the freight forwarders will be awarded the title "Green Carrier". The findings from this audit will be used as specific starting points for the introduction of measures. For instance, derivation of the individual energy consumption, thus leading to the reduction of carbon emissions. These audits will also be carried out annually for all freight forwarders in all Kaufland countries. In the logistics center in Möckmühl, Kaufland in Germany has been using four electric trucks to supply its stores since September 2023. Following the December 2023 opening of its own electric charging park for electric semi-trailer trucks, including an electrically operated cooling trailer with a performance of 1,000 kilovolt-amperes, eight electric trucks have been supplying ten Kaufland stores in the Ludwigsburg area (Baden-Wuerttemberg), thus replacing their diesel equivalents. The electric charging park project is one of the biggest of its kind in Germany.

Lidl has entered into partnerships for climate-friendly transport of merchandise using alternative drive technologies in some countries. In total, Lidl already has over 30 battery electric trucks in ten countries in use for store deliveries, including Switzerland, Italy, France, Czechia and the Netherlands. The latter already had five electric trucks in its vehicle fleet during the reporting period and plans to increase the share of electric trucks in the coming fiscal year. Lidl Netherlands will carry out all store deliveries using electric trucks before 2030. The trailers of the trucks are also

battery-powered, which significantly reduces operational emissions. Additional countries, such as Lidl Spain, were also able to gain their first experiences with battery electric trucks and will integrate more of these into their vehicle fleet in future.

At PreZero, tests and pilot projects on alternative drive technologies have already been carried out in seven national companies. As a result, PreZero in Germany and Spain have received public funding to convert their diesel trucks to electric trucks or fuel cell trucks. Since the end of 2022, electric heavy-duty trucks have been in use at PreZero in Sweden; another four are being ordered. PreZero Netherlands has purchased ten new electric vehicles for its Duiven site. As part of the EU-funded HECTOR project, PreZero is gaining first valuable experience with hydrogen cell technology.

Kaufland's commitment to innovative and sustainable logistics is also being recognized in the industry: At the retail awards at the start of 2024, which recognizes the outstanding technology projects of retail companies every year, Kaufland received an award for the successful introduction of an automatic picking system in its distribution centers. Kaufland won the award in the "Best AI and Robotics Application" category. Back in spring 2023, Kaufland Logistics in Germany received the "3rd Star" environmental award of the "Lean & Green" initiative for the significant reduction of its carbon emissions. It was the first food retailer and only the second company in Germany to receive this award. The "Lean and Green" initiative pursues the goal of reducing greenhouse gas



emissions in logistics processes. Kaufland has been a member of the initiative since back in 2013 and avoids around 25,000 tons in carbon emissions in this context every year. The Lidl countries are also being certified by the "Lean & Green" initiative. For example, Lidl Spain and Lidl Switzerland have also been awarded the "3rd Star". Lidl in Germany received the "2nd Star" for reducing carbon emissions by almost 30 percent.

Climate-Friendly Assortment

Stakeholder Involvement

Producers, suppliers and customers are the main key stakeholders for the companies of Schwarz Group when it comes to designing the assortment. Our cooperation with suppliers provides a concrete example of this. Suppliers, who are responsible for 78 percent of product-related emissions, are urged by the companies of Schwarz Group to set their own climate targets pursuant to the criteria of the Science Based Targets initiative by 2026. Specifically, this means that we work very closely with around 1,000 suppliers in the context of the so-called S3 initiative and support them in defining their own scientifically-based climate targets through training courses, for example. The inclusion of suppliers is managed via a supplier platform. Using this platform, not only is annual progress documented; information and training programs related to climate protection are also offered. The aim is to provide suppliers with the necessary background information to assist them in making well-founded decisions regarding climate protection measures or activities and on implementing them effectively. In 2023, two supplier academies were organized to promote knowledge transfer and active exchange.

Measures and Projects

A division-specific example is provided by Kaufland's cooperation with the AgriTech company Klim. Together, they support farmers during the transition to regenerative farming. Kaufland is also funding climate protection projects in its own supply chain in the form of insetting projects. In this way, the retail divisions worked together with Klim and the farmers who cultivate oats for the suppliers of K-Classic muesli: Measures to reduce GHG emissions were successfully implemented in the fields. This was achieved through optimized crop rotation and fertilization, for example. The digital AgriTech platform from Klim offers farmers various features, such as documentation features for regenerative measures.

In particular, animal products are a significant cause of high GHG emissions. In order to reduce these, the retail divisions are continuing to expand their climate-friendly product ranges and are offering an increasing number of plant-based alternative products. In the Fall of 2023, Lidl became the first food retailer in Germany to align the prices of virtually the entire range of the Lidl Vemondo private-label vegan range to those of comparable non-vegan products. As a result, the majority of Vemondo products are available at the same basic price as comparable products of animal origin. Kaufland in Germany is also taking the same approach with the plant-based alternatives in its K-take it veggie range. Further information about this can be found in the [Product Quality](#) chapter.

Biodiversity

[GRI 304]

Organization and Responsibility

The respective Purchasing and Real Estate/Construction departments at Lidl and Kaufland are responsible for the topic of biodiversity and its implementation. Here, the respective Purchasing department is responsible for compliance with and implementation of ecological standards in the supply chain. At Lidl and Kaufland, the department is also responsible for managing raw materials targets and pesticide management together with Quality Assurance. The CR/CSR departments of the companies of Schwarz Group support this process, and act as both catalysts and internal consultants. The respective Real Estate/Construction department of the companies of Schwarz Group is in turn responsible for environmental protection in the construction of stores and logistics centers. Schwarz Immobilien Service GmbH & Co. KG supervises all biodiversity-related topics during the construction of new administration buildings. The focus here is on creating high-quality green spaces.

In the context of EU Regulation no. 2023/1115¹ on deforestation-free products (EUDR), which was enacted by the European Parliament and the Council of the European Union in May 2023, the companies of Schwarz Group took part in expert groups that aimed to jointly develop a binding approach to corporate due diligence. The aim of this process was to ensure deforestation-free supply chains in the companies of Schwarz Group for the relevant raw materials wood, cocoa, coffee, rubber, palm oil, soy and beef as well as the products

created with these raw materials. Lidl, Kaufland and Schwarz Produktion are working on relevant ways to factor the EUDR into their strategies for deforestation-free supply chains.

Stakeholder Involvement

Lidl, Kaufland and Schwarz Produktion are working intensively to promote the topic of deforestation-free supply chains in stakeholder forums hosted by the Federal Ministry of Food and Agriculture and at EU level through the EuroCommerce association. Lidl, Kaufland and Schwarz Produktion also tested the EUDR information system of the EU Commission and submitted suggestions for improvements.

Furthermore, Lidl and Kaufland signed the WWF's business statement against deforestation and the destruction of the environment, thereby underlining their commitment to these issues. The retail divisions also advocated for the inclusion of "other wooded lands"² in the context of the EUDR. This step will provide more protection for important ecosystems around the world as well as facilitating easier implementation of the regulation for companies and the relevant authorities. Furthermore, this step will also create a level playing field for everyone.

In 2020, Lidl in Germany, Great Britain and the Netherlands as well as Kaufland in Germany signed the Cerrado Manifesto, which was initiated by the WWF and other organizations. As such, they commit themselves to protecting habitats in Brazil. The Cerrado is a savanna region with the greatest diversity of species in the world, containing five percent of the global biodiversity. Lidl, Kaufland and the other signatory companies are thereby taking a clear stand against further loss of diversity of species in the region and will not sell any agricultural products cultivated on land that has been converted since 2020. For instance, Kaufland and Lidl in Germany do not offer any beef products from Brazil. This way, they can ensure that they do not contribute to deforestation in the species-rich ecosystems of the Cerrado and the Amazon basin for the purposes of the conversion of land to pastures.

The retail divisions also work together with other stakeholders beyond the topic of deforestation to promote biodiversity-related topics: In 2020, Kaufland working together with the Leibniz Institute of Vegetable and Ornamental Crops (IGZ) e. V. and Gemüsering Stuttgart GmbH, launched a scientific project to promote sustainable agricultural measures. By working with almost 20 businesses from the three culture groups "vegetables," "fruit" and "potatoes" from Germany, Poland and Czechia, the aim is for biodiversity, humus content, and soil fertility to be analyzed and improved by applying scientific findings. The findings of the analysis on the current status of the soil were published in a scientific publication. Based on this, soil improvement measures have been implemented since 2022. The project is scheduled to run until 2025.

Lidl and Kaufland are also founding members of Food for Biodiversity e. V., a registered association in which representatives from companies, associations and standard setters from the food industry contribute to maintaining biodiversity through various projects. To date these are pilot projects, in which a jointly developed basic set of biodiversity criteria is implemented and monitored.

1 | Regulation - 2023/1115 - EN - EUR-Lex (europa.eu)

2 | Pursuant to the definition from the Food and Agriculture Organization of the United Nations (FAO)



Measures & Projects

[GRI 304-2]

Measures to Prevent Deforestation

The commitment of Lidl and Kaufland to deforestation-free supply chains without land conversion is an important element in maintaining and supporting biodiversity (see the sections Organization and Responsibility as well as Stakeholder Involvement).

This commitment has also received external recognition: In the 2022 WWF deforestation scorecard¹, Lidl in Germany was rated as the best company based on its policy for deforestation-free supply chains. When it comes to palm oil as a raw material, Lidl has achieved good results by implementing measures such as using palm oil certified by the Roundtable on Sustainable Palm Oil (RSPO) in its private-label products. Lidl is seeking to implement supply chains that are free from deforestation, land conversion and exploitation by the end of 2025.

Kaufland also scored very highly on the deforestation scorecard, which was last recorded in 2022, especially with regard to the certification of raw materials, its voluntary commitment to human rights and the implementation of corporate due diligence. From 12/30/2024, Kaufland will ensure deforestation-free cultivation areas for soy, palm oil, cocoa, coffee, beef, rubber and wood. Already today, the raw materials wood, cocoa, coffee and palm oil that are used in the production of private-label products are 100 percent certified. Soy is a focus raw material in relation to measures to prevent deforestation. The two retail divisions Lidl and Kaufland are increasingly relying on

European soy to effectively prevent deforestation. To encourage the cultivation of GM-free soy in Europe, Lidl and Kaufland entered into a partnership with the nonprofit organization Donau Soja back in 2019. In 2023, Kaufland and Lidl Stiftung supported soy farmers in Ukraine, Croatia, Serbia, and Bosnia and Herzegovina, which were able to certify around 468,462 (2022: 450,000) tons of soy beans as GM-free and sustainable through protein partnerships.

Kaufland was also one of five companies that took part in the pilot project that ran until mid-2023, aimed at promoting deforestation-free and conversion-free soy supply chains. The project was supported by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH on behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ). In this context, Kaufland published an ambitious voluntary agreement for deforestation-free soy supply chains. Following the conclusion of the project, Kaufland is currently working on measures that will become part of the strategy on deforestation-free products. You can find more information about the work of the retail divisions in the area of more sustainable soy cultivation online.

Promoting Biodiversity in Agriculture

In order to conserve ecosystems systematically, Lidl and GLOBALG.A.P. developed an industry-wide solution for biodiversity in a multi-stakeholder project team. This was published in April 2022 as the GLOBALG.A.P. BioDiversity add-on. The add-on contributes to conserving biodiversity by, for example, prescribing a management plan for biodiversity. It also defines more effective criteria for soil protection and integrated pest management. Between June 2022 and February 2023, a pilot project for the add-on was carried out with over 250 growers in Germany, Spain, Greece, Italy, Poland and Portugal. Lidl is the first food retailer to use the BioDiversity add-on in the field. To date, over 900 producers are certified and the standard is now available for the entire industry. Lidl works with other initiatives and standard setters that should be recognized in a comparable way.

1 | On the basis of the raw materials palm oil, soy, cocoa and beef products, the Deforestation Scorecard of the WWF environmental organization investigates whether German companies in the meat and animal feed industry, food retail and food production, consumer goods and chemical industry as well as drugstores have integrated protective measures against deforestation into their supply chains.

[Lidl soy initiative \(German\)](#)

[Voluntary Commitment to Deforestation-Free Soy Supply Chains \(Kaufland\)\(German\)](#)

Use and Protection of Water Resources Strategic Approach

Priority Topics

[GRI 303-1]

In order to reduce the water footprint of the companies of Schwarz Group, we are focusing on the sustainable use of freshwater resources. This applies to both the companies and the supply chain – from manufacturing resources through the production of our merchandise to our own operations. We are also committed to protecting bodies of water and seas.

Our activities focus on two jointly defined aspects:

- The responsible and efficient use of water resources: We aspire to reusing water and reducing water consumption wherever and whenever we can.
- Protection against contamination and pollution: We are in pursuit of a holistic wastewater management process to prevent potential pollutant input.

Principles, Policies and Obligations

Lidl and Kaufland are members of the Alliance for Water Stewardship (AWS), a global alliance made up of companies, NGOs and the public sector. The initiative advocates for the responsible use of water resources along the value chain. The retail divisions support this commitment, and the principles and standards of the AWS.

Furthermore, Lidl and Kaufland have also published their own guidelines for a water policy in relation to the purchasing of merchandise:

[Position Paper on Water Policy for Purchasing Merchandise \(German\)](#)

[Kaufland Water Guideline \(German\)](#)

Impacts

Fresh water is one of Earth's most important resources. However, due to its uneven global distribution and the negative effects of usage, it is a scarce resource. Agriculture and industrial production would be inconceivable unless there is enough clean water. Given these challenges, the companies of Schwarz Group want to avoid and reduce risks related to the availability of clean fresh water – at all sites and in all countries. Water scarcity represents a risk for the retail divisions Lidl and Kaufland, particularly for the upstream supply chain. This applies particularly to agricultural primary production, which is responsible for around 70 percent of the water consumption worldwide.



Targets, KPIs and Target Attainment

In consideration of their commitment to the use and protection of water resources, the divisions of Schwarz Group have also each set their own division-specific targets. By the end of the 2025 fiscal year at the latest, 100 percent of the fruit and vegetable growers for Lidl and Kaufland in the water risk countries of Spain, Portugal, Italy, Greece, Egypt, South Africa, Morocco, Israel and Chile are to be certified pursuant to recognized water standards. The countries were selected with the aid of the WWF water risk filter. For Kaufland, Tunisia is also included. Since the end of 2023, strawberries from Spain for Kaufland must be certified pursuant to the Alliance for Water Stewardship (AWS) or GLOBALG.A.P. SPRING. The retail divisions recognize the following standards in the context of the aforementioned target attainment:

- GLOBALG.A.P. SPRING
- On the way to PlanetProof
- Fairtrade Standard
- Rainforest Alliance Agriculture Standard
- SIZA Environmental Standard
- SCS Sustainably Grown
- AWS Water Stewardship Standard

Kaufland meat processing plants have set themselves the target of continually monitoring and cutting specific water consumption in their own plants. With this aim in mind, they are working on reducing the average water consumption across all sites by three percent. This target applies until the end of the 2025 fiscal year. The Kaufland meat processing plants are currently using around eight percent more water than in 2017. The main cause of this increase is the high consumption of water that is necessary to meet hygiene requirements during normal operations and the additional cleaning procedures due to new production areas. Further causes for the increased water consumption include new production technology and ongoing conversion measures. Various measures to reduce water consumption are planned for the new fiscal year and these measures were considered when setting the new target value.

Schwarz Produktion has defined the key performance indicator "Specific Water Consumption" for its six beverage plants. Each year an ambitious target is determined for the sites involved and every improvement must be safeguarded through concrete measures.

Water Consumption within the Companies of Schwarz Group

In cubic meters¹
[GRI 303-3]

	2021	2022	2023
Water withdrawal	12,658,586	14,603,761	41,154,435
of which returned water	--	--	34,593,007
Total water consumption	12,658,586	14,603,761	6,561,428

1 | Due to the change in the methodology used to collect/define key performance indicators, the 2023 FY values are not comparable with those from the previous year. In the previous years, the assumption was made that water withdrawal = water consumption. Since FY 2023, the key figure for returned water has also been recorded.

The significant increase in water withdrawal in FY 23 is largely due to the growth of Schwarz Produktion (+25 million cubic meters year on year). For the Maxauer Papierfabrik, acquired in 2023, large quantities of water are used to operate the factory and power plant, and then returned to the natural cycle. The companies of Schwarz Group optimize new sites after acquisition in terms of their sustainability commitment.

Use and Protection of Water Resources Management Approaches

Use of Water Resources

Organization and Responsibility

[GRI 303-1]

Each division of Schwarz Group has defined responsibilities in consideration of its use of water resources. At Kaufland, the construction department is responsible for water topics in operational management; at Lidl, the topic of fresh water in the supply chain is the responsibility of the CSR departments.

At Schwarz Produktion, responsibility for implementing efficiency measures and investigating water consumption is held by central Technology and the respective companies. At the Kaufland meat processing plants, this is the responsibility of the Environmental Management department. Here, the plant managers and the local water protection officers are responsible for compliance with the specifications of the waste water regulations.

In both retail divisions and at Schwarz Dienstleistungen, the Purchasing or Procurement departments are responsible for compliance with the specifications in the supply chain. At Lidl, the CSR departments have overarching responsibility for the topic of fresh water in the supply chain.

In future, the companies of Schwarz Group will further consolidate their know-how and activities in order to jointly develop and adapt a common group-wide water strategy.

Stakeholder Involvement

As a member company of the Alliance for Water Stewardship (AWS), Lidl and Kaufland take responsibility for water as a resource and take credible and verifiable measures to protect our shared water resources. Kaufland is also taking part in the "Impact Accelerator" of the AWS with six farms in Spain. The AWS Impact Accelerator was developed to support the spread of water stewardship and the establishment of the AWS standard. Projects in additional regions and countries are already planned.

Lidl also actively advocates for the further development of standards, and works together with partners and stakeholders from industry, governments, nonprofit organizations, standard setters, science and local communities to promote a more sustainable use of water as a resource. In addition to its work with the AWS, Lidl is also a member of the Leather Working Group (LWG) and the Partnership for Sustainable Textiles. The retail division is also involved in the Cotton made in Africa (CMiA) initiative.

Measures and Projects

[GRI 303-2]

Lidl and Kaufland utilize certifications for relevant areas of their assortment in order to ensure the responsible use of water. Aspects of water use are also considered here. Further relevant standards in the non-food area include Cotton made in Africa (CmiA), Fairtrade, Organic, the Global Organic Textile Standard and the OEKO-TEX® STeP. Lidl and Kaufland have also been part of the "Greenpeace" Detox campaign since 2014.

Currently, Schwarz Produktion exclusively uses its own mineral water springs for the production of its mineral waters. Product-related mineral water is also taken from its own springs for the production of soft drinks. To this end, several deep wells are operated in each of the six beverage plants. None of the springs used are located in nature reserves. We are also committed to ensuring that our mineral water sources in Germany fulfill all of the specifications set out in the German mineral and drinking water regulation (MTVO). The Rheinblick water source at the Wörth am Rhein location and the Schlossblick water source at the Leibling location also meet the strict SGS requirements for premium mineral water. Compliance with all legal provisions and the approved extraction volume defined by the authorities for each spring ensures that there is no excessive extraction of the renewable groundwater. An imbalance between groundwater removal and regeneration is also ruled out. Schwarz Produktion informs the competent environment agencies about all relevant data in an annual report.

Protection against Contamination and Pollution

Stakeholder Involvement

In order to protect natural water resources against contamination and pollution, we work closely with standard setters, suppliers and producers as well as independent NGOs and institutes.

Measures and Projects

Assessing Water Risks

[GRI 308-2 and 414-2]

To investigate water risks in more detail, in 2020 Kaufland carried out a hot spot analysis which also considered water pollution and scarcity. Lidl also analyzed its water risks using the WWF Water Risk Filter. In addition, product-specific key performance indicators for water are used, based on the data from the Water Footprint Network (WFN). The combination of these two approaches makes it possible to assess the water risks for different country-product combinations. The results act as a basis for ranking the water risk in a product's supply chain.

Compliance with Standards in the Textile Supply Chain

[GRI 306-2 and 414-2]

In the Lidl and Kaufland supply chain, companies who are commissioned to produce textiles for promotional goods and the permanent assortment of the retail divisions have to undergo a detailed audit. Textiles are checked for substances hazardous to health, on the basis of various legal specifications and voluntary commitments. All textile suppliers must comply with the targets as part of the Detox Commitment. In principle, the respective

Codes of Conduct for business partners apply to all suppliers of Lidl and Kaufland as well as for Schwarz Produktion. They also call for compliance with environmental standards in the supply chain. You can find more information about the topics of environmental and social standards as well as our Code of Conduct in the [Responsibilities in the Supply Chain](#) chapter.

Avoiding Microplastics

The Avoidance of Microplastics Is also critically important for Protecting Ecosystems and Bodies of Water. Back in 2013, in our "(No) Microplastics Voluntary Commitment", we committed to forgo the use of microbeads (microplastic particles with abrasion effect) in our private-label products in the area of cosmetics, personal care, laundry and household cleaning, including car care products. In 2020, we extended our commitment to include other non-biodegradable, purely synthetic polymers. Even now, we do without microplastics and other non-biodegradable, purely synthetic polymers in the formulations of our cosmetic products or in the laundry, cleaning and household products of our private-label ranges, provided that this is technically possible and does not significantly limit the product performance or safety of the product. The quality, functionality and safety of products are extremely important to us. Therefore, some items can only be adapted once alternative solutions have been developed on the market first. The retail divisions are therefore working continuously with their suppliers. The aim for the future is to be able to offer even more laundry, cleaning and household products as well as cosmetics products without microplastics through appropriate formula adjustments. In terms of work in relation to the

topic of microplastics, the independent research institute Fraunhofer UMSICHT (Institute for Environmental, Safety and Energy Technology) supported us in defining the corresponding targets as a scientific competence partner. Our label "Formulation without microplastics" identifies products whose recipes do not contain microplastics.

Chemically Synthesized Pesticides

Agriculture also uses chemically synthesized pesticides and fertilizers, which can have adverse impacts on water quality. In this context, the retail divisions of Schwarz Group pursue corresponding programs on the responsible use of chemically synthesized pesticides. Please also refer to the [Product Quality](#) chapter on p. 75.



Commitment to Clean Rivers and Seas

As part of their REset Plastic strategy (p. 83 et seq.), the companies of Schwarz Group support the removal of plastic waste from rivers, lakes and seas. The companies of Schwarz Group organize their overarching commitment to this task together with their global partners. In recent years, many different projects have been carried out and two of these were completed during the reporting period:

- During the reporting period, working together with the environmental organization One Earth – One Ocean e. V. and the local waste and circular economy specialists “PT Waste-forchange Alam Indonesia”, the companies of Schwarz Group completed a river cleaning project in the Indonesian city of Bekasi that has been underway since 2019. In addition to removing waste from the river, a particular focus of this project was to establish a recycling infrastructure for the river waste and to run the project in the most climate-friendly manner possible. Since the station was fully commissioned three years ago, “Sea Hamsters” have been used to remove up to 500 kilograms of waste from the Bekasi river on a daily basis, with around 60 percent being fed back into the local recycling loops and recycled. According to plan, the project was handed over to local stakeholders by employees of the companies of Schwarz Group in 2023.

- By participating in Project STOP, the companies of Schwarz Group also supported the leading initiative for preventing plastic waste in oceans from 2019 to 2023. The aim of this project was to establish an effective waste management system in Indonesia. In this context, the implementation of recyclable materials management systems was supported with funding and expertise. As a result of the project, 320,000 people were connected to new waste disposal systems, 333 full-time jobs were created and more than 47,000 tons of waste were collected (of which around 5,800 tons was plastic waste).

You can find more information about cross-company and cross-country campaigns aimed at removing waste from the environment in the [People](#) chapter.



GRI Index

The Sustainability Report for FY 2022/23 was submitted to GRI Services for the performance of the “GRI Content Index – Essentials Service.” This involved checking whether the GRI index was presented according to the reporting requirements of the GRI standards and whether the information in the index is clearly presented and accessible to stakeholders. The service was performed for the German version of the report. This index distinguishes between essential standards pursuant to GRI on the basis of the materiality analysis conducted in 2021/22 and additional standards that are reported for reasons of transparency.



Use Declaration

Schwarz Unternehmenskommunikation GmbH & Co. KG has reported on behalf of the companies of the Schwarz Group in accordance with the GRI Standards for the period from March 1, 2022 to February 29, 2024.

GRI 1 used	GRI 1: Foundation 2021
Applicable GRI sector standard(s)	None

GRI Standards

Page(s)

Omission/Comment

General Disclosures

GRI 2: General Disclosures 2021

1. The organization and its reporting practices

2-1 Organizational details	3, 7, 8, 9, 10	
2-2 Entities included in the organization's sustainability reporting	3	
2-3 Reporting period, frequency and contact point	3	
2-4 Restatement of information	3, 97	Retrospective corrections of individual key performance indicators are indicated with footnotes on the relevant pages.
2-5 External assurance	4	

2. Activities and employees

2-6 Activities, value chain and other business relationships	7, 8, 9, 10, 13, 57, 61	
2-7 Employees	7, 43, 44	Information not available/incomplete: No internal control relevance to employees with non-guaranteed working hours, classified according to gender and region.
2-8 Workers who are not salaried		Information not available/incomplete: The data basis for the information is only partly available to companies of Schwarz Group. A consolidated collection and quality assurance for future reporting will be checked.

GRI Standards	Page(s)	Omission/Comment
General Disclosures		
GRI 2: General Disclosures 2021		
3. Corporate management		
2-9 Governance structure and composition	12	
2-10 Nomination and selection of the highest governance body	12	
2-11 Chair of the highest governance body	12	
2-12 Role of the highest governance body in overseeing the management of impacts	31	
2-13 Delegation of responsibility for managing impacts	31	
2-14 Role of the highest governance body in sustainability reporting	12, 32	
2-15 Conflicts of interest	31	
2-16 Communication of critical concerns	15, 31	
2-17 Collective knowledge of the highest governance body	31	
2-18 Evaluation of the performance of the highest governance body	12	
2-19 Remuneration policies	45	
2-20 Process to determine remuneration		Restrictions due to a duty of confidentiality: Individual salaries of employees are subject to non-disclosure as confidential information and their forwarding, even for purposes of statistical evaluation, remains limited.
2-21 Annual total compensation ratio		Restrictions due to a duty of confidentiality: Individual salaries of employees are subject to non-disclosure as confidential information and their forwarding, even for purposes of statistical evaluation, remains limited.

GRI Standards	Page(s)	Omission/Comment
General Disclosures		
GRI 2: General Disclosures 2021		
4. Strategy, policies and practices		
2-22 Statement on sustainable development significance and strategy	5	
2-23 Corporate responsibility policies	19, 54, 55, 56, 57, 60, 68, 81, 93	
2-24 Implementation of corporate responsibility principles	19, 56, 57, 60, 61	
2-25 Processes to remediate negative impacts	61, 73	
2-26 Mechanisms for seeking advice and raising concerns	15, 61	
2-27 Compliance with laws and regulations	19	Information not available/incomplete: The data basis for the information is only partly available to companies of Schwarz Group. A consolidated collection and quality assurance for future reporting will be checked.
2-28 Membership associations	17, 18	
5. Stakeholder engagement		
2-29 Approach to stakeholder engagement	14, 15, 16, 18, 73, 77	
2-30 Collective bargaining agreements	38	



GRI Standards	Page(s)	Omission/Comment
Material Topics		
GRI 3: Material topics 2021		
GRI 3-1: Process to determine material topics	33, 34	
GRI 3-2: List of material topics	34	
Climate protection and adaptation		
GRI 3: Material topics 2021		
3-3: Management of material topics	96, 97	
GRI 201: Economic performance 2016		
201-2: Financial consequences of climate change for the organization, and other risks and opportunities associated with climate change	97	
GRI 302: Energy 2016		
302-1: Energy consumption within the organization	100, 113	
302-3: Energy intensity		Not applicable: Due to the planned change to the calculation methodology, this information is not currently being reported.
302-4: Reduction of energy consumption	100	
302-5: Reductions in energy requirements of products and services	100	
GRI 305: Emissions 2016		
305-1 Direct (scope 1) GHG emissions	106	
305-2: Energy indirect (scope 2) GHG emissions	106	
305-3: Other indirect (scope 3) GHG emissions	108, 109, 110	
305-4: GHG emissions intensity		Not applicable: Due to the planned change to the calculation methodology, this information is not currently being reported.
305-5: Reduction of GHG emissions	106	

GRI Standards	Page(s)	Omission/Comment
Material Topics		
Resource conservation and circular solutions		
GRI 3: Material topics 2021		
3-3: Management of material topics	80, 81	
GRI 301: Materials 2016		
301-1: Materials used by weight or volume	88	
301-2: Recycled input materials used	87	
301-3: Reused products and their packing materials	84, 85	
GRI 306: Waste 2020		
306-1: Waste generation and significant waste-related impacts	81, 89	
306-2: Management of significant waste-related impacts	69, 80, 84, 93, 122	
306-3: Waste generated	90, 93	
Sustainable product design and quality		
GRI 3: Material topics 2021		
3-3: Management of material topics	87, 88, 89	
GRI 204: Procurement practices 2016		
204-1: Proportion of spending on local suppliers	70	
GRI 301: Materials 2016		
301-1: Materials used by weight or volume	88	
301-2: Recycled input materials used	87	
301-3: Reused products and their packing materials	87, 88, 89, 90	
GRI 308: Supplier environmental assessment 2016		
308-1: New suppliers that were screened using environmental criteria		Information not available/incomplete: The data basis for the information is only partly available to companies of Schwarz Group. A consolidated collection and quality assurance for future reporting of the indicator will be checked, particularly for private-label suppliers.
308-2: Adverse environmental impacts in the supply chain and actions taken	122	



GRI Standards	Page(s)	Omission/Comment
Material Topics		
Transparent product communication		
GRI 3: Material topics 2021		
3-3: Management of material topics	76, 77, 78	
GRI 416: Customer health and safety 2016		
416-1: Assessment of the health and safety impacts of different product and service categories	73, 75	
416-2: Incidents of non-compliance concerning the health and safety impacts of products and services	73, 74	Information not available/incomplete: For reasons of internal control relevance, we report the number of recalled sales items of public product/merchandise recalls for private-label products and not violations of regulations and/or voluntary codes related to the health and safety impacts of products and services.
GRI 417: Marketing and labeling 2016		
417-1: Requirements for product and services information and labeling	69, 70, 73, 76, 77	
Use and protection of water resources		
GRI 3: Material topics 2021		
3-3: Management of material topics	119	
GRI 303: Water and effluents 2018		
303-1: Interactions with water as a shared resource (management approach)	119, 121	
303-2: Management of water-discharge related impacts (management approach)	121	
303-3: Water withdrawal	120	Information not available/incomplete: We report our water consumption without breaking it down by further sources and regions with water risks. We are working on improving our data basis for future reporting.
Social standards, working and living conditions in the supply chain		
GRI 3: Material topics 2021		
3-3: Management of material topics	58, 59, 60, 61, 62	
GRI 407: Freedom of association and collective bargaining 2016		
407-1: Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	38, 56	
GRI 414: Supplier social assessment 2016		
414-1: New suppliers that were screened using social criteria		Information not available/incomplete: The data basis for the information is only partly available to companies of Schwarz Group. A consolidated collection and quality assurance for future reporting of the indicator will be checked, particularly for private-label suppliers.
414-2: Negative social impacts in the supply chain and actions taken	56, 58, 60, 61, 122	

GRI Standards	Page(s)	Omission/Comment
Material Topics		
Promotion of a healthy and attractive work environment		
GRI 3: Material topics 2021		
3-3: Management of material topics	38	
GRI 202: Market presence 2016		
202-1: Ratios of standard entry level wage by gender compared with local minimum wage	13	
GRI 401: Employment 2016		
401-1: Newly hired employees and employee turnover	44, 54	
401-3: Parental leave		Information not available/incomplete: The data basis for the information is only partly available to companies of Schwarz Group. A consolidated collection and quality assurance for future reporting will be checked.
GRI 403: Occupational health and safety 2018		
403-1: Occupational health and safety management system	45	
403-2: Hazard identification, risk assessment and incident investigation	38, 45, 47	
403-3: Occupational health services	38, 45, 47	
403-4: Employee participation, consultation and communication on occupational health and safety	42	
403-5: Employee training on occupational health and safety	45	
403-6: Promotion of employee health	47	
403-7: Avoidance and minimization of impacts on occupational health and safety directly linked to business relationships	45	
403-8: Workers covered by an occupational health and safety management system		Information not available/incomplete: The data basis for the information is only partly available to companies of Schwarz Group. A consolidated collection and quality assurance for future reporting will be checked.
403-9: Work-related injuries		Information not available/incomplete: The data basis for the information is only partly available to companies of Schwarz Group. A consolidated collection and quality assurance for future reporting will be checked.
403-10: Work-related ill health		Information not available/incomplete: The data basis for the information is only partly available to companies of Schwarz Group. A consolidated collection and quality assurance for future reporting will be checked.

GRI Standards	Page(s)	Omission/Comment
Additional reported topics		
Protection of biodiversity and adaptation to biodiversity loss		
GRI 3: Material topics 2021		
3-3: Management of material topics	117	
GRI 304: Biodiversity 2016		
304-2: Significant impacts of activities, products and services on biodiversity	97, 118	
Education and empowerment of employees		
GRI 3: Material topics 2021		
3-3: Management of material topics	49, 50	
GRI 404: Training and development 2016		
404-2: Programs for upgrading employee skills and transition assistance programs	45, 49, 54	
404-3: Percentage of employees receiving regular performance and career development reviews	49	
Diversity and equal opportunities		
GRI 3: Material topics 2021		
3-3: Management of material topics	52	
GRI 405: Diversity and equal opportunity 2016		
405-1: Diversity of governance bodies and employees	45, 52, 53	
405-2: Proportion of basic salary and remuneration of women compared with basic salary and remuneration of men	45	
GRI 406: Non-discrimination 2016		
406-1: Discrimination incidents and remedies taken	53	

GRI Standards	Page(s)	Omission/Comment
Additional reported topics		
Responsible business practices		
GRI 3: Material topics 2021		
3-3: Management of material topics	7	
GRI 201: Economic performance 2016		
201-1: Direct economic value generated and distributed	13	
GRI 203: Indirect economic impacts 2016		
203-1: Infrastructure investments and promoted services	13	
203-2: Significant indirect economic impacts	61, 68	
GRI 205: Anti-corruption 2016		
205-1: Operations assessed for risks related to corruption		Restrictions due to a duty of confidentiality: Regularly reviewed by Auditing. The compliance management system are regularly checked by the auditing department. For confidentiality and competitive reasons, no other information is published.
205-2: Communication and training courses on anti-corruption policies and procedures	20	
GRI 207: Tax 2019		
207-1: Approach to tax	21	
207-2: Tax governance, control and risk management	21	
207-3: Stakeholder engagement and management of concerns related to tax	21	
207-4: Country-related reporting		Restrictions due to a duty of confidentiality: The companies of Schwarz Group provide country-by-country reporting (CbCR) on the basis of international agreements worldwide to participating tax authorities. In accordance with the currently applicable regulations, we refrain from publishing the CbCR beyond this, as the required transparency for the participating tax authorities is already ensured.
GRI 413: Local communities 2016		
413-1: Production sites that involve local communities, impact assessments and funding programs	78, 94	
GRI 415: Political influence 2016		
415-1 Political contributions	16	



Independent Auditor's Report

To the Schwarz Unternehmenskommunikation GmbH & Co.KG, Neckarsulm, Germany

We have performed limited assurance procedures on selected sustainability performance disclosures and metrics in the Sustainability Report (Annex 1) of Schwarz Unternehmenskommunikation GmbH & Co.KG, Neckarsulm, Germany (hereinafter referred to as the "Company" or "Schwarz"), for the period from March 1, 2022, to February 29, 2024 (hereinafter referred to as the "Report").

Selected sustainability performance disclosures that have been subject to our assurance engagement are part of the GRI Index and have been identified in the Report with the following symbol: "🔍".

Essentially, the following content and metrics were subjected to the audit:

- Management approaches, in selected material aspects of the report (energy, emissions, waste and materials, occupational health and safety, customer health and safety) including selected metrics and disclosures on these material aspects,
- Total number of employees by fixed term of the employment contract, by gender and by region,
- Percentage of employees per employee category by gender and age group,
- Fuel consumption within the organization from non-renewable and renewable sources,
- Indirect energy consumption, energy sold, total energy consumption within the organization,
- Direct GHG emissions (Scope 1); indirect energy-related GHG emissions (Scope 2), other indirect GHG emissions (Scope 3),
- Total weight of accrued waste as well as breakdown by composition,

- Total weight of diverted hazardous and non-hazardous waste with breakdown according to composition and recovery procedure,
- Total weight of hazardous and non-hazardous waste directed to disposal with breakdown according to composition and disposal method,
- Product recalls,
- Number of buildings with PV systems and area of the PV systems,
- Buildings with a sustainability certificate,
- Development of plastic use g/€ (in grams) as well as the proportion of recycled materials,
- Sustainable coffee (private label) as well as sustainable cocoa (private label).

Our engagement does not include the verification of references to external sources, expert opinions and forward-looking statements in the Report.

Responsibility of the Legal Representatives

The legal representatives of the Company are responsible for the preparation of the Report in accordance with the reporting criteria. Schwarz applies the principles and standard disclosures specified in the GRI Sustainability Reporting Standards of the Global Reporting Initiative (GRI) in conjunction with the Corporate Accounting and Reporting Standard (Scope 1 and 2) and the Corporate Value Chain (Scope 3) of the Greenhouse Gas Protocol Initiative of the World Resources Institute (WRI) and the World Business Council for Sustainable Development, as well as definitions developed internally by the company, which are documented in the CR profiles, as reporting criteria (hereinafter: "Reporting Criteria").

This responsibility of the Company's legal representatives includes the selection and application of appropriate sustainability reporting methods and making assumptions and estimates about individual sustainability performance disclosures and metrics that are reasonable in the circumstances. Furthermore, the legal representatives are responsible for such internal control as they consider necessary to enable the preparation of the Report that is free from material misstatement, whether due to premeditated or fraudulent actions (manipulation of the Report) or errors.

Assurance of the Independence and Quality of the Public Auditor

In performing the engagement, we have complied with the independence and quality assurance requirements set out in national legal regulations and professional pronouncements, in particular the Professional Code of Conduct for Public Auditors and Certified Public Accountants and the IDW Standard on Quality Management: Requirements for Quality Management in Auditing (IDW QM 1 (09.2022)).

Responsibility of the Public Auditor

Our responsibility is to conduct a limited assurance assessment on the sustainability performance disclosures and metrics in the Report described above based on our audit procedures.

We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements ISAE 3000 (Revised) "Assurance Engagements Other than Audits or Reviews of Historical Financial Information", (ISAE 3000 rev.) as a limited assurance engagement. Those standards require that we comply with our professional duty, and plan and perform the assurance engagement in consideration of the materiality principle to issue a limited assurance statement about whether any matters have come to our attention that cause us to believe that the selected sustainability performance data and metrics in the Company's Report have not been prepared, in all material respects, in accordance with the Reporting Criteria. This does not mean that a separate audit opinion is issued for each of the disclosures.

In a limited assurance engagement, the audit procedures performed are less extensive than in a reasonable assurance engagement, and accordingly, a significantly lower level of assurance is obtained. The procedures selected depend on the public auditor's professional judgment. This includes an assessment of the risks of material misstatement of the report, taking into account the Reporting Criteria.

In the course of our audit, we performed the following audit procedures and other activities, among others:

- Risk assessment, including a media analysis, of relevant information on the sustainability performance of Schwarz during the reporting period.
- Assessing the design and implementation of systems and processes for identifying, processing, and monitoring the selected sustainability metrics, including the consolidation of data.
- Inquiries of employees at the divisional and group level responsible for determining the disclosures on concepts, due diligence processes, results and risks, performing internal control actions and consolidating the respective data.
- Inspection of selected internal and external documents.
- Analytical assessment of data and trends of quantitative disclosures reported for consolidation at group level that were reported from the sites.

- Assessment of local data collection, validation and reporting processes as well as reliability of reported data through sampling in three national companies: Lidl in Germany, Lidl Austria and Kaufland in Germany.
- Assessment of the overall presentation of the data.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit Opinion

Based on the audit procedures performed and the audit evidence obtained, no information has come to our attention that causes us to believe that the selected sustainability performance disclosures and metrics marked with the following symbol “🔍” in the Report of Schwarz Unternehmenskommunikation GmbH & Co.KG, Neckarsulm, for the period March 1, 2022, to February 29, 2024, are not prepared, in all material respects, in accordance with the Reporting Criteria.

Restriction on Use/AAB Clause

This audit opinion is addressed to Schwarz Unternehmenskommunikation GmbH & Co.KG and is intended solely for their use.

The engagement, in the performance of which we have rendered the aforementioned services for Schwarz Unternehmenskommunikation GmbH & Co.KG, was based on the General Engagement Terms and Conditions for German Public Auditors and Public Audit Firms dated January 1, 2017 (<https://www.kpmg.de/bescheinigungen/lib/aab.pdf>). By taking note of and using the information contained in this audit opinion, each recipient confirms that it has taken note of the provisions made therein (including the limitation of liability to EUR 4 million for negligence in Section 9 of the AAB) and acknowledges their validity in its relationship with us.

Mannheim, September 11, 2024

KPMG AG Wirtschaftsprüfungsgesellschaft
[Original German Version signed by:]

Beyer	Wiegand
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Annexes

“Sustainability Report of the Companies of Schwarz Group FY 22/23” for the period from March 1, 2022, to February 29, 2024	Annex 1
General Engagement Terms	Annex 2



Legal Notice

Schwarz Unternehmenskommunikation GmbH & Co. KG is represented by Schwarz Unternehmenskommunikation Beteiligungs-GmbH based in Neckarsulm, Registry Court Stuttgart HRB 769866, which in turn is represented as a whole by two executive vice presidents authorized to represent the company acting jointly, e.g., Susanne Marell and Gerd Wolf.

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Editorial

Accenture GmbH, Kronberg im Taunus;
CR team of Schwarz Unternehmenskommunikation GmbH & Co. KG

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