

SCHWARZ



Implementation Plan

REcollect Target

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The companies of Schwarz Group have jointly decided to apply this implementation plan for the jointly developed target for collecting and recovering recyclable materials to the companies of Schwarz Group. References to years refer to fiscal years.

Target of the companies of Schwarz Group:

- By the end of 2030, the companies of Schwarz Group will collect and recycle at least the same quantity of recyclable materials put into circulation through their private-label packaging and household leaflets.

1. Section: System-Wide Baseline Assessment & Quantification

(Time frame: 2024–2025)

1.1. Input monitoring:

The quantities of sales packaging for private-label products and household leaflets placed on the market by each national company are recorded annually and serve as a dynamic calculation basis. The data collected includes sales packaging for the private labels of the Lidl and Kaufland retail divisions made of plastic, PPC (paper, paperboard and cardboard), glass, and metals (aluminum and tin), as well as printed paper household leaflets. A data set based on assumptions was used in the absence of primary data.

1.2. Output monitoring:

The quantities of recyclable materials collected and sent to be recovered are recorded on an ongoing basis.

■ PreZero flows recorded:

Collection and sorting of plastics/lightweight packaging and PPC (paper, paperboard and cardboard).

■ Retail division (Lidl & Kaufland) flows recorded:

Deposit-return single-use beverage packaging (bottles and cans) and recyclable materials collected by Sales, Logistics and at the production and administrative locations of the companies of Schwarz Group.

1.3. Accounting basis:

Implementation of a permanent mass balance approach to ensure full recyclable material equivalence between private-label sales packaging (including household leaflets) and the actual materials recovered.

This accounting method is a key management tool, the aim of which is to ensure continuous parity. Under this approach, any increase in quantities

placed on the market (by retailers) is offset by a corresponding increase in output tonnage for the purpose of maintaining an overall substitution rate.

2. Section: Operational Synchronization & Capacity Management

(Time frame: 2025–2030)

2.1. Leveraging the unique ecosystem:

The companies of Schwarz Group purposefully collaborate as a value-creation ecosystem (retail divisions, Produktion and PreZero) to comprehensively collect, sort and process recyclable materials from stores, logistics centers and production locations, with the aim of closing material loops for all materials within the Group's own ecosystem.

REcollect serves as the crucial link within the jointly developed "REset Resources" strategy, connecting the REdesign, REduce, and REcycle fields of action within a unique ecosystem.

2.2. Infrastructure expansion in line with growth:

Continuous expansion and adaptation of take-back systems in stores and sorting capacities to keep pace with the rising volume of private-label sales packaging and household leaflets.

2.3. Dynamic material flow management:

Targeted routing of recorded recyclable materials to the appropriate recycling channels to ensure their return to the economic cycle.

3. Section: Mass Balance Accounting, Target Management & Monitoring

(Time frame: 2026–2030)

3.1. Annual mass balance accounting:

Ongoing mass balance accounting of input and output quantities to ensure that full recyclable material equivalence is permanently maintained through the end of 2030. Due to the volatility of international recycling markets and the steady rise in volume in circulation, no rigid, percentage-based interim steps are being set. The interim operational target is to adjust the quantity collected and sent for recycling during the year so as to at least maintain a stable mass balance in each reporting year with regard to private-label sales packaging and household leaflets.

3.2. Review, monitoring and governance:

- A regular, data-driven monitoring process will be established to continuously track progress against the jointly developed overall target.
- Measures will be dynamically adjusted in response to changes in the technological and regulatory landscape or new market developments.
- Processes for regular progress reviews by an independent, external certification body will be incorporated to ensure data integrity and transparency in sustainability reporting.

4. Section: Resources and Control Mechanisms

History & integration:

From 2018 to 2025, the jointly developed REset Plastic strategy was the basis for the commitment of the companies of Schwarz Group. In order to address growing regulatory requirements (such as the EU Packaging and Packaging Waste Regulation (PPWR)) and the global shortage of strategic raw materials early on, the companies worked together to refine the strategy into the holistic REset Resources circular economy strategy. This strategy broadens the focus from plastic packaging to all material streams, the entire life cycle, and all key fields of action in the circular economy (products, construction, food waste, recyclables management, packaging, and recycling processes). In 2025, as part of REset Resources, the companies jointly established new, comprehensive targets across the five strategic REdesign, REDuce, REuse, REcollect, and REcycle fields of action. In 2025, the REcollect target of achieving full material equivalence in the collection and recovery of private-label packaging and household leaflets was published for the REcollect field of action.

Current structure & project management:

With regard to operational implementation, specialized project groups comprising experts from the companies of Schwarz Group are formed that are led by dedicated project managers. This cross-divisional collaboration within the companies of Schwarz Group involves more than 200 employees at all levels of the organization from key areas and departments, such as Purchasing, Procurement, Sales, Logistics, Supply Chain Management, Corporate Responsibility (CR), Corporate Affairs and Controlling as well as experts from the environmental division PreZero. Projects are managed by various bodies on the basis of a clear, multi-tiered system:

- **Meetings & meeting frequency:**

The project group comprising approximately 20 people meets every two weeks to evaluate the progress of the action plans. A quarterly high-level review of the sub-projects in relation to the jointly developed overall strategy is held at the management level with approximately 18 people. A decision-making meeting is held every six months at the Executive Board level with approximately 15 people.

- **Collaboration specifics:**

The cooperation covers the collection of data on a regular basis on the tonnage placed on the market (private-label packaging and household leaflets) as well as the ongoing reconciliation of global collection, sorting, and recovery rates through both proprietary and partner-operated collection systems. Material components of the overall REcollect target are state-of-the-art customer take-back systems (e.g., reverse vending machines) and the initiatives of the companies of Schwarz Group, such as the “Road to Zero Waste” program that calls for waste to be systematically sorted at administrative locations and in stores (e.g., through targeted sorting stations, clear separation of waste fractions and the use of cutting-edge compaction technology, such as screw compactors for PPC). In addition, the companies of Schwarz Group actively promote knowledge sharing between the retail divisions (Lidl & Kaufland), including their national companies, and PreZero so that they can efficiently share best practices with regard to material flow management and mass balance accounting in preparation for certification audits and adapt these practices to the specific requirements of their countries.

Resources required, budgeting & prioritization:

- **Resources required:**

In order to ensure that the action plans are implemented in due time, the departments are prescribed a fixed number of hours to work on the projects. At the divisions and their national companies, capacities for managing material flows and collecting data on volumes are evaluated on an ongoing basis and factored into budget and HR planning. The implementation in terms of staffing is closely supported by PreZero’s environmental and waste management experts, GreenCycle’s specialized material flow unit and the central international organization.

- **Structured budgeting & capacity planning process (short-term individual measures):**

The history of internal material flow management traces back to the formation of the GreenCycle department, which was established to centrally manage the recyclable materials of Lidl and Kaufland. This gave rise to PreZero, which emerged as Schwarz Group’s independent environmental division, within which GreenCycle to this day continues to serve as a specialized department, managing global material flow for the retail divisions down to the level of the national companies.

To systematically define the necessary budgets and capacities for individual operational measures (e.g., expansion of deposit and collection systems, procurement of sorting stations and compactor equipment for stores, collection of recycling data for individual national companies, licensing and waste management IT, and training) and to ensure they are in place in due time, the requirements are assessed as part of a standardized process 18 to 24 months before the planned launch or implementation of measures. The consolidated individual measures are included as mandatory items in the respective annual and departmental budgets for the relevant fiscal year and are approved.

- **Ensuring approval of long-term budget allocation & prioritization:**

The companies of Schwarz Group have jointly made a binding commitment to the target in the "REcollect" field of action. The initiative is therefore a top strategic priority for the companies of Schwarz Group. To ensure long-term compliance with this equivalence balance, recurring follow-on costs (for continuously tracking quantities, auditing of material flow records and the expansion of recovery infrastructure) are a permanent and mandatory fixture of the financial and budget models of the respective retail divisions and their national companies and PreZero. The synergies and revenue generated through closed material loops, optimized recycling marketing, and the companies' own sorting and recycling capacities help to sustainably finance long-term collection and recovery processes.

Required technologies & further development:

Achieving the REcollect targets, in conjunction with the jointly developed holistic REset Resources circular economy strategy, is supported by the targeted use and further development of technological resources:

- **Monitoring systems & data infrastructure:**

Widespread use of digital tracking tools and databases for the detailed recording, classification and comparison of the quantities placed on the market (packaging & household leaflets) with the quantities of recyclable materials collected and recycled along the entire value chain. The systems enable transparent equivalence controlling for each material fraction.

- **Technological innovations & investments in waste management and recycling infrastructure:**

To ensure access to the necessary volumes of recyclable materials and their high-quality recovery, the companies of Schwarz Group continuously invest in PreZero's cutting-edge collection, sorting and recycling technologies:

- PreZero's commitment to directly financing recycling logistics across the board is reflected in the ongoing investments in the operation, expansion and modernization of approximately 470 locations and over 30 state-of-the-art sorting plants by PreZero across 10 European countries, as well as continuous investments in the expansion and modernization of its own collection vehicle and garbage truck fleet. The plants use a multi-stage process combining mechanical and automated pre-sorting with sensor-based fine sorting, using up to 26 near-infrared (NIR) sorters per plant. In addition, in order to prevent serious fires and downtimes at the plants, cutting-edge sorting technologies are used to automatically detect and remove improperly disposed waste and rechargeable batteries. To optimize purity and control sorting processes, PreZero uses state-of-the-art robotics, artificial intelligence techniques, and innovative methods, such as black scanning to precisely sort hard-to-detect dark or black plastics.
- PreZero also deploys leading-edge plant technology in its downstream processing. This approach to providing premium processing has established PreZero as a leading recycler of post-consumer plastics in Europe. Organic and biological waste is converted into high-quality biogas, compost, and fertilizer. Processed secondary raw materials, which offer reliable quality and supply security, are returned as resins

to the internal ecosystem and to external partners in the paper, glass, and metal industries.

- **System integration & controlling:**

Full synchronization and interface integration of the CR and material flow databases with the existing merchandise management and control systems of the departments, retail divisions (Lidl & Kaufland) and PreZero. This integration ensures reliable mass balance reporting and the seamless incorporation of the REcollect KPIs into regular corporate and budget management processes of the respective entities.