

SCHWARZ



Implementation Plan

REcycle 65% Target

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The companies of Schwarz Group have jointly decided to apply this implementation plan for the jointly developed recycled materials target to the companies of Schwarz Group. It covers only primary and secondary packaging for all private-label products. References to years refer to fiscal years.

Target of the companies of Schwarz Group:

- By the end of 2030, all private-label packaging of the companies of Schwarz Group will contain a weighted average of at least 65% recycled material.

Targets of the divisions of the companies of Schwarz Group contributing thereto:

- Target of the companies of Lidl Group (hereinafter “Lidl”):
By the end of 2030, all private-label packaging of Lidl will be made of 65% recycled materials by weighted average.
- Target of the companies of Kaufland Group (hereinafter “Kaufland”):
By the end of 2030, all private-label packaging of Kaufland will be made of 60% recycled materials by weighted average.

1. Section: System-Wide Baseline Assessment & Measurement Methodology (Time frame: 2024–2025)

1.1. Definitions:

■ Virgin materials:

Materials that have been newly produced directly from primary natural resources (e.g., petroleum/natural gas, wood, ores) and have not yet undergone any recovery or recycling process.

■ Recycled material (plastic, paper, metal, glass, etc.):

Secondary material resources obtained from qualified processing and recycling processes. The primary focus is generally on the use of post-consumer recycled material (PCR, generated after use by the end user), verified through established industry and certification standards. The operational use of post-industrial recycled material (PIR, generated in industrial and manufacturing processes) is permissible from a processing standpoint. However, when calculating the percentage of recycled material, the methodology is based primarily on the verified PCR content.

- **Fresh fiber:**

Plant-sourced primary resources that are obtained directly from forestry production (such as solid wood or native pulp) and have not yet been integrated into secondary material loops.

- 1.2. **Baseline assessment:**

The current recycled content and material requirements across all private-label product groups (plastics, paper, paperboard and cardboard (PPC), glass, metals) are systematically recorded to establish a valid baseline for measuring progress. A data set based on assumptions was used in the absence of primary data.

- 1.3. **Definition of the measurement methodology and calculation standard:**

Establishment of a binding, uniform standard for calculating the weighted average, taking into account current and upcoming European requirements (e.g., EU implementing acts for the PPWR).

- 1.4. **Systemic reporting structure:**

Digital tracking tools are used to systematically record and monitor material compositions (virgin vs. recycled material).

2. **Section: Scaling & Technological Qualification**

(Time frame: 2025–2028)

- 2.1. **Supplier management & certification requirement:**

Recycled material targets are incorporated into requirements for suppliers and specification processes. Suppliers are required to disclose the recycled content, where possible by providing proof on the basis of recognized industry standards (e.g., RecyClass, RAL, or self-declarations in accordance with ISO 14021).

- 2.2. **Focus on food contact:**

Collaboration with recycling partners will be intensified to ensure the availability of food-grade PCR material (e.g., rPET, rPP) that meets EFSA safety requirements.

- 2.3. **Cross-material piloting of innovations:**

Trial runs and pilot projects will be conducted across all material groups (e.g., novel mechanical processing methods, chemical recycling of hard-to-recycle plastics) where conventional grades have thus far failed to provide sufficient stability or purity for high recycled material rates.

2.4. Interim target:

By the end of 2028, all private-label packaging of the companies of Schwarz Group will be made of 50% recycled materials by weighted average.

3. Section: Transition, Monitoring & Governance (Time frame: 2029–2030)

3.1. Rollout:

The percentage of recycled material in the more critical product ranges will be successively increased and scaled.

3.2. Intra-year gap analysis & management:

The achieved rates for each material fraction will be regularly compared against the overall target (65% weighted average) to dynamically offset technological or market-related deviations in individual fractions by making targeted operational adjustments in other product ranges.

3.3. Review, monitoring and governance:

- A regular, data-driven monitoring process will be established to continuously track progress against the 65% 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 REcycle targets aimed at significantly increasing the content of recycled materials in private-label packaging were published for the REcycle 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 specialized packaging engineers and materials experts. Projects are managed by various bodies on the basis of a clear, multi-tiered system:

- **Meetings & meeting frequency:**

The project group comprising approximately 15 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 collaboration covers the regular collection of data on recycled materials by polymer and material groups (e.g., rPET, rHDPE, rPP, waste paper/PPC) and the continuous review of target achievement in the weighted portfolio average. The companies of Schwarz Group also systematically test and qualify recycled material grades for a wide variety of packaging applications (including plastics approved for contact with food) in close consultation with suppliers, Schwarz Produktion and PreZero. The project group comprising just under 20 people evaluates these consultations to refine the jointly developed REcycle Guidelines of the companies of Schwarz Group, secure certified proof of recycled material and systematically review this in relation to the statutory minimum rates under the PPWR. In addition, the companies of Schwarz Group actively promote knowledge sharing between the retail divisions (Lidl & Kaufland), including their national companies, so that they can efficiently share best practices for recycled material in connection with tenders and specifications, and adapt these practices to the specific requirements of their countries.

Resources required, budgeting & prioritization:

- **Resources required:**

In order to ensure that the rates of recycled material are increased across the entire private-label product portfolio in due time, the departments are prescribed a fixed number of hours to work on the projects. In the divisions and their national companies, the capacities for material transitions and quality testing (e.g., for Purchasing, Quality Assurance and Packaging Development) are continuously evaluated and factored into the budget and HR planning. The implementation in terms of staffing is closely supported by

PreZero's experts in secondary raw materials as well as the central international organization.

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

To systematically define the necessary budgets and capacities for individual operational measures (e.g., migration tests and EFSA compliance assessments for food contact, qualifications of material at PreZero, adjustments to injection- and blow-molding tools, as well as the IT integration of recycled material parameters into the EVE system) 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 of new or revised specifications. 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 targets in the "REcycle" field of action. The initiative is therefore a top strategic priority for the companies of Schwarz Group. To ensure long-term compliance and over-compliance with PPWR and group targets, recurring follow-on costs (for ongoing recycled material portfolio screenings, audits of quantity reports, and updating the EVE system database) are a permanent and mandatory fixture of the financial and budget models of the respective retail divisions (Lidl & Kaufland), including their national companies, and Schwarz Produktion. Through strategic access to the Group's own secondary raw material flows from the PreZero environmental division, the avoidance of PPWR penalties, and reduced license fees (eco-modulation), the synergies achieved help offset the financing costs of long-term qualification and transition processes in a sustainable manner.

Required technologies & further development:

Achieving the REcycle targets, in conjunction with the 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 for the seamless recording, accounting and analysis of recycled material quantities in the EVE database system at the item level. The systems enable precise monitoring of recycled material quantities in the weighted portfolio average across all retail divisions, including their national companies.

- **Technological innovations & investments in the processing infrastructure:**

To ensure the long-term availability of high-quality, food-grade, and technical recycled materials, the companies of Schwarz Group continuously invest in advanced processing and recovery technologies:

- **Research & innovation:**

Strategic establishment and operation of PreZero's own Innovation department to research, test, and support novel recycling and

processing technologies and business models through to market readiness.

- **Cross-industry collaborations & pilot projects:**

Active collaboration in industry-wide alliances, academic partnerships with universities and innovative startups, and the implementation of joint pilot projects with recycled material stakeholders and peers in the retail sector (e.g., to develop functional closed-loop systems for PET trays).

- **Regranulation & decontamination:**

Ongoing investments in the expansion and technological upgrading of specialized recycling plants (e.g., PreZero Grünstadt for rHDPE/rPP). Use of state-of-the-art washing, extrusion, and EFSA-compliant decontamination processes to produce secondary plastics of the highest purity that are approved for food contact (e.g., rPET for trays and bottles).

- **Capacity expansion & major investments in recycling locations:**

Targeted investments in the tens of millions to build and expand state-of-the-art recycling and processing infrastructure to provide high-quality secondary raw materials in reliable quality and large volumes both for the internal needs of the companies of Schwarz Group and for the external market.

- **System integration & controlling:**

Full synchronization and interface integration of the CR and recycled material databases with the merchandise management and procurement systems of the retail divisions and Schwarz Produktion. This integration ensures that recycled material specifications are automatically included in all tenders and proof thereof verifiably documented along the entire supply chain.