

SCHWARZ



Implementation Plan

REdesign Target

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The companies of Schwarz Group have jointly decided to apply this implementation plan for the jointly developed recyclability target 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 weighted average recyclability of all private-label packaging of the companies of Schwarz Group will be at least 85%.

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 have a weighted average recyclability of at least 85%.
- Target of the companies of Kaufland Group (hereinafter “Kaufland”):
By the end of 2030, all private-label packaging of Kaufland will have a weighted average recyclability of at least 85%.

1. Section: System-Wide Baseline Assessment & Analysis of Potential

(Time frame: 2024–2025)

1.1. Baseline assessment:

Conduct a detailed analysis of private-label packaging on the basis of the design for recycling guidelines and an initial systematic preliminary classification in line with future European performance grades.

The preliminary classification is already based on the future European performance grades in accordance with Regulation (EU) 2025/40 (PPWR, Article 6):

- Grade A: Recyclability $\geq 95\%$
- Grade B: Recyclability $\geq 90\%$
- Grade C: Recyclability $\geq 70\%$
- Technically non-recyclable / below Grade C: Recyclability $< 70\%$

A data set based on assumptions was used in the absence of primary data.

1.2. Analysis of potential and complexity:

Systematic identification of critical packaging structures to identify specific opportunities for technological optimization.

1.3. Systemic reporting structure:

System-wide implementation of digital monitoring processes to record and manage recyclability KPIs on an ongoing basis. Relevant packaging is identified as part of the annual controlling process, and the central IT recyclability tool ensures that recyclability KPIs are continuously calculated and monitored.

2. Section: Continuous Optimization

(Time frame: 2025–2028)

2.1. Regular style guide updates:

Continuous revisions of the packaging style guide for the companies of Schwarz Group based on updates to guidelines on the ongoing optimization of packaging, with the aim of enabling suppliers to create future-proof packaging designs. As part of the regular updates to the packaging style guide, the Central Agency Packaging Register's (*Zentrale Stelle Verpackungsregister* – ZSVR) annually revised minimum standard is taken into account to identify and document any resulting need for optimization within the system. The harmonization of the reference framework (transition from ZSVR to PPWR; see section 3.1) is scheduled for the calendar year 2028.

2.2. Portfolio optimization:

Gradual implementation of targeted optimization measures for private-label packaging to ensure early compliance with strict European recycling standards.

2.3. Packaging optimization measures:

■ **Mono-materials & material purity:**

Targeted transition from composite materials that are difficult to separate to recyclable mono-material structures to ensure the materials can be mechanically sorted and recovered in the recycling process.

■ **Design for recycling & elimination of impurities:**

Consistent removal of impediments to recycling (such as aluminum layers, undetectable pigments or non-dissolvable sleeves) as well as polymer-based harmonization of containers and closures.

■ **Fiber-based & alternative material concepts:**

Gradual substitution of fossil-based plastic components with recyclable, environmentally beneficial alternative materials (e.g.,

fiber-based raw materials or alternative plant fibers) where feasible with regard to product protection and the overall environmental assessment.

3. Section: Legal Harmonization, Target Management & Monitoring (Time frame: 2028–2030)

3.1. Legal harmonization:

Align the portfolio's assessment system with the mandatory European design for recycling criteria as soon as the corresponding harmonized EU requirements are available (see Article 6(4) PPWR).

3.2. Interim target:

Compliance with the legal requirements on recyclability (pursuant to Article 6 PPWR) for all private-label packaging for products that the companies of Schwarz Group place on the market on or after January 1, 2030.

3.3. Review, monitoring and governance:

- A regular, data-driven monitoring process will be established to continuously track progress against the 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 REdesign target relating

to the recyclability of private-label packaging was published for the REdesign 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 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 collaboration covers the regular collection of data on the material composition of all types of packaging (PPC, plastic, glass, metal, wood) as well as the continuous comparison of the recyclability rates pursuant to the design for recycling (D4R) and PPWR criteria. In addition, the companies of Schwarz Group systematically test packaging innovations (e.g., switching to mono-materials, eliminating aluminum and interfering sleeves, ensuring NIR sortability) at PreZero's sorting plants. In dedicated monthly meetings, a group comprising just under 20 people further supports these consultations to refine the jointly developed D4R Guidelines, assess supplier specifications for mono-materials, accessibility and NIR detectability and systematically review this in relation to European standards (e.g., PPWR criteria). 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 D4R best practices 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 packaging of the entire private-label portfolio is revised in due time, the departments are prescribed a fixed number of hours

to work on the projects. In the national companies of the divisions, the capacities for converting packaging (e.g., for Purchasing, Quality Assurance and Packaging Development) are continuously evaluated and factored into the budget and HR planning. Operational implementation in terms of staffing needs and knowledge transfer is ensured through close cooperation with PreZero's specialists in sustainable packaging solutions (approximately 25 employees) and the national companies.

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

To systematically define the necessary budgets and capacities for individual operational measures (e.g., laboratory tests, NIR sorting system tests at PreZero and the IT integration of D4R 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 packaging 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 "REdesign" target. The initiative is therefore a top strategic priority for the companies of Schwarz Group. To ensure long-term compliance with the D4R criteria and PPWR requirements, recurring follow-on costs (for ongoing screening of the entire private label product range, regular D4R recertifications and updating the EVE database) are a permanent and mandatory fixture of the financial and budget models of the respective retail divisions and their national companies.

Required technologies & further development:

Achieving the REdesign 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 recyclability KPIs in the EVE database system at the item level. The systems enable transparent D4R controlling for each material fraction.

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

To ensure the packaging innovations can be mechanically sorted and recovered before they are placed on the market, the companies of Schwarz Group continuously invest in advanced testing and analysis methods:

- **NIR & sorting plant tests (PreZero):** Use and further development of test benches and practical testing in PreZero's own sorting plants to

verify near-infrared detectability (e.g., carbon black-free inks, sleeves, mono-material composites).

- **Laboratory & material analysis:** Systematic examination of barrier layers, adhesives, and labels to determine their washability and sortability in the recycling process.

- **System integration & controlling:**

Full synchronization and interface integration of the CR and D4R databases with the existing merchandise management and procurement systems of the retail divisions (Lidl & Kaufland). Based on the framework agreed upon with suppliers during the packaging development process, this integration enables the structured incorporation of the suppliers' D4R documentation (provided as part of conformity assessment procedures and declarations of conformity), ensuring transparent monitoring and complete documentation within the systems of the companies of Schwarz Group.