

SCHWARZ



Implementation Plan

REduce Target

REduce Implementation Plan

The companies of Schwarz Group have jointly decided to apply this implementation plan for the jointly developed packaging reduction 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 companies of Schwarz Group will reduce the total amount of virgin material in their private-label single-use packaging by 15% in absolute terms compared with 2023.

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, Lidl will reduce the overall volume of virgin material in single-use private-label packaging by 15% in absolute terms compared to 2023.
- Target of the companies of Kaufland Group (hereinafter “Kaufland”):
By the end of 2030, Kaufland will reduce the overall volume of virgin material in single-use private-label packaging by 15% in absolute terms compared to 2023.

1. Section: System-Wide Baseline Assessment & Reference Value Management (Time frame: 2024–2025)

1.1. Definitions:

■ **Virgin plastic:**

Plastic that was produced directly from fossil-based primary raw materials (mainly petroleum or natural gas) and has 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.

- **Alternative materials (agricultural raw materials/agricultural byproducts):**

Plant-sourced raw materials and agricultural byproducts (such as straw or Silphium fibers) that are used in cascading recovery as an environmentally beneficial substitute for wood-sourced fresh fibers and to reduce the use of fossil-based primary raw materials.

1.2. **Baseline assessment:**

Conducting and continuously updating a comprehensive screening and a system-wide analysis of the current private-label packaging portfolio to establish a valid baseline. A data set based on assumptions was used in the absence of primary data.

1.3. **Reference value (base-year level):**

Binding determination of the total amount of virgin material used in the 2023 calendar year (in metric tons) as the overarching, fixed base-year level for target achievement.

1.4. **Systemic reporting structure:**

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

2. **Section: Regulatory Review & Quality Assurance** (Time frame: 2025–2026)

2.1. **Analysis of PPWR specifications:**

Detailed and ongoing review of specific European rates and requirements for recycled content in plastic packaging (by contact-sensitive and non-contact-sensitive applications).

2.2. **Legal compliance:**

Establishment of review processes to ensure that all planned reduction and transition measures comply with legal requirements.

2.3. **Quality assurance and certification:**

Jointly develop standardized requirements for selecting suppliers to ensure that recycled materials are provided in accordance with statutory quality, verification and certification standards.

3. Section: Transition, Material Optimization & Monitoring

(Time frame: 2026–2030)

3.1. Phased transition to recycled material:

- Phase 1 (pilot projects):
Targeted transition processes will be initiated in selected product groups where the transition to alternative materials is technologically feasible (e.g., for non-critical product ranges, such as laundry detergents, cleaning agents and household cleaners).
- Phase 2 (scaling):
Use of recycled materials will be gradually extended to additional types of packaging and the content of such materials continuously increased, with the primary focus placed on recognized post-consumer recycled material (PCR).

3.2. Interim target:

By the end of 2028, the companies of Schwarz Group will reduce the overall volume of virgin material in single-use private-label packaging by 13% in absolute terms compared to 2023 as an interim target on their road to reach the joint target by 2030.

3.3. Weight reduction & material optimization:

Ongoing implementation and refinement of measures aimed at specifically reducing the weights of individual items along the product ranges.

3.4. Use of alternative materials:

Ongoing review and phased implementation of more environmentally beneficial alternative materials.

3.5. Material-specific initiatives & global commitments:

Continuation of the voluntary commitment under the Ellen MacArthur Foundation's (EMF) Global Commitment initiative as a material-specific component aimed at the targeted reduction of virgin plastic. In addition to the overall target, the use of virgin plastic in the primary packaging of private-label products will be reduced by 5% by 2030 compared to the base year of 2018.

3.6. Review, monitoring and governance:

- A regular, data-driven monitoring process will be established to continuously track progress against the 15% 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 REduce target aimed at reducing materials in private-label packaging in absolute terms was published for the REduce 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 packaging weights of all material types (PPC, plastic, glass, metal, wood) as well as the continuous comparison of the reduced volumes and potential savings in absolute terms. In addition, the companies of Schwarz Group systematically test packaging innovations aimed at reducing material use (e.g., reducing the thickness of container walls, optimizing the cutouts and thickness of films and trays, as well as eliminating non-functional components, such as additional lids) in consultation with their departments and PreZero. In dedicated monthly meetings, a group comprising just under 20 people further supports these consultations to refine the jointly developed REduce Guidelines, assess supplier specifications for potential savings, and systematically review this in relation to the strategic savings targets. 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 reducing materials 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 weight of the entire private-label portfolio is optimized 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 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., transport simulations, drop testing, and tooling modifications for reducing wall thickness, as well as the IT integration of weight 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 “REduce” target. The initiative is therefore a top strategic priority for the companies of Schwarz Group. To ensure long-term compliance with the reduction targets, recurring follow-on costs (for ongoing screening of the portfolio for potential savings through weight reduction 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 REduce 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 individual weights and total tonnages in the EVE database system at the item level. The systems enable transparent tonnage monitoring for each material fraction, retail division and its respective national companies, as compared to the agreed baseline.
- **Technological innovations & investments in the testing infrastructure:**
To ensure the mechanical stability, stackability, and transport safety of lighter-weight packaging, the companies of Schwarz Group continuously invest in state-of-the-art simulation and testing methods:
 - **CAD, FEM & wall thickness optimization:**
Use of state-of-the-art design, finite element method (FEM) analysis, and computational software for the virtual simulation of mechanical loads (e.g., top load, crush and compressive resistance), as well as the geometric optimization of containers and trays to achieve maximum stability with minimal material usage.
 - **Drop testing & transport simulations:**
Conducting standardized stress and drop tests to ensure full product protection along the entire logistics chain.
- **System integration & controlling:**
Full synchronization and interface integration of the CR and weight databases with the existing merchandise management and procurement systems of the retail divisions (Lidl & Kaufland). This integration ensures that tonnage savings are included in all tenders and proof thereof is documented on an ongoing basis.