

SCHWARZ



Implementation Plan

REuse Target

REuse Implementation Plan

The companies of Schwarz Group have jointly decided to apply this implementation plan for the jointly developed REuse 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 2027, the companies of Schwarz Group will transition to at least 99% multi-use pallets for their internal picking processes.

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 2027, Lidl will transition to multi-use pallets in at least 99% of internal picking processes.
- Target of the companies of Kaufland Group (hereinafter “Kaufland”):
By the end of 2027, Kaufland will transition to multi-use pallets in at least 99% of internal picking processes.

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

1.1. KPI definition:

Determination of the key performance indicator used to track internal load carrier flows (e.g., the share of picking operations using multi-use load carriers relative to total volume).

■ Scope of application:

Refers to the picking of goods within the central warehouses of Lidl and Kaufland for delivery to their own stores (excluding overseas shipments).

■ Eligibility rules:

Multi-use pallets of all material types are eligible.

Single-use pallets of all material types are not eligible, nor are pallets that, due to logistical requirements (oversized dimensions, transport protection), are delivered directly by the supplier and transported to the stores without repacking.

The primary intended use of the load carrier at the time of first use is the determining factor for classification as a multi- or single-use system, regardless of whether it is in fact reused.

1.2. Target confirmation & reference value determination:

Confirmation of targets on the basis of internal feedback and logistical assumptions.

1.3. Root cause analysis:

Identification of remaining single-use flows (e.g., due to imported goods or non-standard formats) in order to identify optimization measures.

2. Section: Process Optimization & System Integration (Time frame: 2025–2026)

2.1. Capability assessment to close gaps:

Assessment and gradual implementation of technical or organizational solutions to transition identified single-use flows to multi-use systems.

2.2. System integration & reporting:

Integration of pallet KPIs into existing logistics reporting structures for the purpose of monitoring progress on a regular basis.

2.3. Supplier management:

Review and adjust interface processes together with logistics partners and suppliers on an ad hoc basis to ensure the target rate is met.

2.4. Employee training:

Conduct targeted training sessions to ensure that employees are properly trained to embed the modified processes.

3. Section: Target Achievement (Time frame: 2026–2027)

3.1. Final rollout:

Ensuring comprehensive compliance with the target rate of at least 99% in all relevant warehouse areas.

Contribution by Schwarz Produktion:

- With its multiple production plants, Schwarz Produktion makes a significant contribution to a closed-loop, multi-use logistics system within the value chain: As part of their internal picking processes, the companies of Schwarz Produktion already use 100% multi-use pallets.

3.2. External factors:

Measures will be dynamically adjusted in response to changes in the technological and regulatory landscape or new market developments.

3.3. Independent audit:

Post-project external review of the final target achievement.

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 REuse target for scaling up multi-use systems in logistics and picking processes was published for the REuse 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 four 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 use of all load carriers (Euro/Düsseldorf pallets, collapsible boxes, B2B multi-use containers) as well as the continuous comparison of multi-use rates at the logistics centers of the companies of Schwarz Group. In addition, the companies of Schwarz Group systematically test and scale processes for closed-loops – for instance, by using the PreTurn pooling system, optimizing the logistics processes for empties and using Schwarz Produktion's 100% multi-container rate as a best-practice benchmark. In addition, the companies of Schwarz Group actively promote knowledge sharing between the retail divisions (Lidl & Kaufland), including their national companies, and Schwarz Produktion so that they can efficiently share best practices and adapt these practices to the specific requirements of their countries.

Resources required, budgeting & prioritization:

- **Resources required:**

In order to ensure that logistics processes are converted 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 processes at the logistics centers and regional warehouses (e.g., at SCM, Warehouse Logistics and Purchasing) are continuously evaluated and factored into the budget and HR planning. The implementation in terms of staffing is closely supported by supply chain logistics experts (with the option to draw on the expertise of approximately 20 PreZero employees) and 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., the procurement and provision of multi-use load carriers, technical modifications to conveyor and picking equipment, IT integration and training of warehouse staff) and to ensure they are in place in due time, a standardized process was conducted 18 to 24 months in advance. This is followed by a targeted optimization of the process workflows. The validated remaining action plans are then integrated as a mandatory component into the respective fiscal year and departmental budgets and given final approval.

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

The companies of Schwarz Group have jointly made a binding commitment to the target in the "REuse" field of action. The initiative is therefore a top strategic priority for the companies of Schwarz Group. To ensure long-term compliance with and sustainability of these rates, recurring follow-on costs (for the provision, maintenance, and clearing – e.g., when using the PreTurn pooling network –, repair and servicing of load carriers and automated

tracking systems) are a permanent and mandatory fixture of the financial and budget models of the respective retail divisions and their national companies and Schwarz Produktion. The savings achieved by eliminating single-use wood and single-use material flows and reducing disposal costs help offset the financing costs of long-term optimization processes in a sustainable manner.

Required technologies & further development:

Achieving the REuse 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 multi-use rates and circulation rates as well as in the EVE and SCM databases. The systems enable transparent multi-use monitoring at each logistics center, retail division, including their respective national companies, and Schwarz Produktion.
- **Technological innovations & investments in the logistics infrastructure:**
To ensure the reliable circulation and automated handling of multi-use pallets and B2B containers, the companies of Schwarz Group continuously invest in state-of-the-art conveyor and tracking technologies:
 - **PreTurn pooling infrastructure & clearing:**
Expansion and maintenance of the Group's own load carrier pool and the implementation of automated inspection, cleaning and repair capacities.
 - **Adaptation of warehouse & conveyor technology:**
Technical retrofitting of picking lines, conveyor belts and automated high-bay warehouses in the logistics centers to ensure seamless handling of multi-use pallets.
- **System integration & controlling:**
Full synchronization and interface integration of the load carrier management system with the existing merchandise management, supply chain and control systems of the retail divisions (Lidl & Kaufland) and Schwarz Produktion. This integration ensures automated empties settlement and seamless tracking of load carriers in circulation.