

SCHWARZ



Assuming Global Responsibility.
Acting with Diversity.

Be a Part of Our Sustainable Future

Progress Report for the 2022 Fiscal Year for the Companies of Schwarz Group



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The companies of Schwarz Group have created this report as the joint Sustainability report of all companies of Schwarz Group. The words “we”, “us”, “our” or similar expressions are meant to represent all of these companies.





Dear Reader,

Major changes are often based upon a myriad of individual activities. These consistently drive us forward – on our path toward a sustainable future. In this progress report of the companies of Schwarz Group, we will be addressing our goals and strategies as well as milestones achieved in 2022 fiscal year.



Together, the companies of Schwarz Group form a unique ecosystem. From Schwarz Produktion and the retail divisions, Lidl and Kaufland, to the environmental division, PreZero, we cover a substantial part of the value chain ourselves. Furthermore, we offer solutions and products in the field of digitalization. Thanks to this diversity, we are able to consistently drive sustainable solutions forward. We owe our successes, such as those achieved in the context of our jointly created REset Plastic strategy, largely to our interdisciplinary expertise and approach; find more on that on page [96 ff.](#)

We engage in cooperations and partnerships along the entire value chain. One example is the S3 initiative, in which we work together with suppliers to systematically promote climate protection. To align our own actions with those of the Paris Climate Agreement, we had our jointly elaborated climate targets validated by the Science Based Targets initiative back in 2021. The fact that we have been procuring 100 percent of our energy from renewable sources since fiscal year 2022 is a huge success on this journey. You can read more about our commitment to climate protection on page [110 ff.](#)

We are resolutely working on being able to offer an even more sustainable assortment in the Lidl and Kaufland stores. With 6.8 billion customer contacts each year, we are able to bring sustainability into the mainstream of society, for example, by continuously expanding the organic assortment in the retail divisions – see page [78](#).

Being Europe's largest retail group, we bear particular responsibility toward society and the environment. We exist to improve life for both current and future generations by means of our products and services. In order to achieve this, we work consistently with our customers and partners to develop innovative solutions for a future worth living in. It is important to us to transparently inform and involve all stakeholder groups along this journey.

Be a part of our sustainable future.

Susanne Marell

Executive Vice President
Schwarz Unternehmenskommunikation
GmbH & Co. KG



Profile of Schwarz Group

With about 575,000 employees in 30 different countries, Schwarz Group is among the top retail groups in the world. Based in Neckarsulm, Baden-Wuerttemberg, the two retail divisions Lidl and Kaufland form the pillars in the food retail market. In addition, Schwarz Produktion is active in food manufacturing, and PreZero in environmental services. This makes Schwarz Group one of a few retail groups to cover the entire value cycle – from production and retail to disposal and recycling. All of the companies of Schwarz Group receive support from various service companies at home and abroad. In the future, the topics of digitalization and IT will be driven forward in a separate division, Schwarz Digits. On February 28, 2023, 1,135 companies were part of Schwarz Group. We want to make a positive contribution to sustainable development across all areas of Schwarz Group.



Retail



The national companies in the Lidl Group are food retailers in the discount sector. As a leading discounter, Lidl currently operates more than 12,200 stores in 31 countries, as well as more than 220 goods distribution centers and logistics centers. All in all, Lidl has over 384,000 employees¹. Lidl also employs staff in Asia. The Lidl product assortment comprises an average of 22,300 items. In the 2022 fiscal year, Lidl generated sales of 114.8 billion euros.

A Better Tomorrow – Assuming Responsibility.

This is how Lidl reaffirms its commitment to quality each and every day, thereby ensuring the best possible future for the company. Lidl has developed six strategic focus areas to put this understanding into practice: Protecting the Climate, Conserving Resources, Respecting Biodiversity, Acting Fairly, Promoting Health, and Engaging in Dialog.



¹ The number of employees listed here shows the internal control figure, which is based on different definition of employee to that used in the annual financial statement. While the annual financial statement states the number of employees including those on long-term sick leave and maternity leave as end-of-quarter averages for the fiscal year, the internal reporting date is the end of the fiscal year. Employees on maternity leave and long-term sick leave (exception: Lidl) are not taken into account for internal reporting.



The national companies in the Kaufland Group are large-scale food retailers – with over 1,500 hypermarkets as well as around 150,000 employees¹ in eight European countries. With on average 30,000 items in Germany and 17,000 in other countries, Kaufland offers a wide assortment of food and everyday products. Kaufland also has five meat processing plants, which produce the meat and sausage products for the stores. In the 2021 fiscal year, the range of available products was increased with the launch of the Kaufland.de online marketplace, and in 2023, additional online marketplaces were launched in the Czech Republic and Slovakia. In the 2022 fiscal year, Kaufland generated sales of 31.8 billion euros.

Commitment to Greater Sustainability.

Kaufland is focused on creating a sustainable product assortment and advocates for responsible production conditions and species-appropriate animal husbandry. In addition, Kaufland is committed to comprehensively protecting the environment, the climate and biodiversity.



Recovery and Recycling



The PreZero Group is an international environmental services provider. Across approximately 480 locations in 11 countries and with around 30,000 employees¹ and 166 sorting and recycling plants, PreZero handles the disposal of waste and the sorting, treatment, and recycling of some 17.5 million tons of recyclables annually. The closed-loop concept plays a central role for PreZero. For example, in addition to its operational waste management and recycling activities, PreZero is also active in the field of packaging consulting and packaging licensing (PreZero Dual). The portfolio is supplemented by the internal service provider GreenCycle, which is responsible for areas such as recyclable materials management of the companies of Schwarz Group, developing sustainable fiber and paper products for OutNature and providing logistics solutions for PreTurn. In the 2022 fiscal year, PreZero generated sales of 3.9 billion euros.



New Thinking for a Cleaner Tomorrow.

PreZero is committed to a clean future where an efficient and fully closed recycling loop protects our environment. The company's aspiration is: We want to conserve resources and reduce the amount of waste that cannot be recycled.



Production



In the 2022 fiscal year, the companies of Schwarz Produktion – with around 4,500 employees at 18 production, administration, and service locations across Germany – produced high-quality food plus sustainable packaging and materials for the retail divisions Lidl and Kaufland. Beverages, chocolate, ice cream, baked goods, nuts, dried fruits, as well as coffee and pasta products were produced at a total of eleven locations. An additional paper production site has been in operation since March 2023. Schwarz Produktion operates plastic and recycling plants at another three locations. These plants are a core part of a unique and sustainable PET recycling loop.

Delivering Today, Thinking of Tomorrow.

The companies of Schwarz Produktion operate on the belief that sustainable business and company success go hand in hand. In order to meet their responsibility, the companies of Schwarz Produktion have defined sustainability as one of their seven corporate values. As such, it is firmly anchored in their corporate philosophy.

¹ | The figure relates to all PreZero employees at the end of the 2022 fiscal year. Unlike the personnel figures, it also includes the employees who have joined PreZero this fiscal year as a result of the company's growth.





Corporate Functions and Operations

> SERVICES.SCHWARZ

All companies of Schwarz Group are supported by Schwarz Dienstleistungen. Corporate functions and operations include administrative (e.g., controlling, financial and human resources) services and operational (e.g., procurement and real estate) services. This approach enables us to combine forces, take advantage of synergies, and operate efficiently and sustainably.






Assuming Global Responsibility. Acting with Diversity.

As an international corporate group, Schwarz Group has the ability to influence society and the environment in many areas. Hardly any other corporate group is more diverse than we are, since our companies cover the entire value cycle. We take the responsibility that comes with this position very seriously and align our actions with our sustainability vision, which is based on the four focus areas of **People**, **Product Quality**, **Circular Systems**, and **Ecosystems**.



As of FY 2023, digitalization and IT topics will be bundled and driven forward at Schwarz Digits, an independent division of Schwarz Group.



 <p>Lidl Group</p> <p>Lidl Stiftung & Co. KG (international)</p> <p>National Companies</p> <ul style="list-style-type: none"> ■ Lidl Dienstleistung GmbH & Co. KG (DE) ■ Lidl Sverige Komanditbolag (SE) ■ Lidl ITALIA S.r.l. (IT) ■ Lidl US, LLC (USA) ■ Lidl Great Britain Limited (GB) ■ Lidl Supermercados S.A.U. (ES) ■ Lidl SNC (FR) ■ Lidl sp. z o.o. sp.k. (PL) ■ Lidl Discount S.R.L. (RO) ■ ... <p>.....</p> <p>Regional/Logistics, Sales Companies</p> <p>Lidl Digital (Online) ...</p>	 <p>Kaufland Group</p> <p>Kaufland Stiftung & Co. KG (international)</p> <p>National Companies</p> <ul style="list-style-type: none"> ■ Kaufland Dienstleistung GmbH & Co. KG (DE) ■ Kaufland Bulgaria EOOD & Co KD ■ Kaufland Polska Markety sp. z o.o. sp. k. (PL) ■ Kaufland Česká republika v.o.s. (CZ) ■ KAUF LAND HR-VATSKA k.d. (HR) ■ Kaufland Romania Societate in Comandita (RO) ■ Kaufland Slovenská republika v.o.s. (SI) ■ ... <p>.....</p> <p>Regional/Logistics, Sales Companies</p> <p>Meat processing plants (DE, CZ) ...</p>	 <p>PreZero Group</p> <p>PreZero Stiftung & Co. KG (international)</p> <ul style="list-style-type: none"> ■ GreenCycle GmbH ■ OutNature GmbH ■ PreTurn GmbH ■ PreZero Dual GmbH <p>National Companies</p> <ul style="list-style-type: none"> ■ PreZero Deutschland KG (DE) ■ PreZero US, Inc. (US) ■ PreZero Polska sp. z o.o. (PL) ■ PreZero España, S.A.U. (ES) ■ PreZero Portugal, S.A. (PT) ■ PreZero Recycling AB (SE) ■ LAMESCH Exploitation s.a. (LUX) ■ ... 	 <p>Schwarz Produktion</p> <p>Schwarz Produktion Stiftung & Co. KG</p> <p>MEG (Beverages, plastics and recycling)¹</p> <p>Solent GmbH & Co. KG (Chocolate, dried fruits, nuts)</p> <p>Bonback GmbH & Co. KG (Baked goods)</p> <p>Bon Gelati Übach-Palenberg GmbH & Co. KG Bon Gelati Haaren (Ice-Cream)</p> <p>Bon Presso GmbH & Co. KG (Coffee products) ...</p>	 <p>Schwarz Digits²</p> <p>Schwarz IT KG</p> <p>Schwarz Digital GmbH & Co. KG</p> <p>STACKIT</p> <p>XM Cyber</p> <p>Kaufland e-commerce</p> <p>Lidl e-commerce</p> <p>Schwarz Media</p> <p>Mmmake</p> <p>Schwarz IT-Hubs</p>	<p>Schwarz Dienstleistungen</p> <p>Schwarz Dienstleistung KG</p> <ul style="list-style-type: none"> ■ Schwarz Beschaffung GmbH ■ Schwarz Mobility Solutions GmbH (Vehicle fleet) ■ Schwarz Immobilien Service GmbH & Co. KG ■ Schwarz Versicherungsvermittlung GmbH & Co. KG ■ ...
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1 | Production and recycling at eight locations in Germany by MEG Leißling GmbH, MEG Jessen GmbH, MEG Lönningen GmbH, MEG Kinkel GmbH, MEG Wörth GmbH, MEG Roßbach GmbH, MEG Neuensalz GmbH, MEG Übach-Palenberg GmbH.

2 | Schwarz Digits was founded as an independent division in FY 2023.

Operationally, the companies of Schwarz Group are managed by their respective executive boards. Chief Executive Officers of the companies of Schwarz Group in 2022 fiscal year were Kenneth McGrath (Lidl), Frank Schumann (Kaufland), Jörg Aldenkott (Schwarz Produktion), Thomas Kyriakis (PreZero), Carsten Theurer (Schwarz Dienstleistung), Christian Müller (Schwarz IT) and Rolf Schumann (Schwarz Digital).

Schwarz Digits, the IT and digital division newly founded in 2023 fiscal year, will in future be led by co-CEOs Christian Müller and Rolf Schumann. In future, PreZero will be led by Wolf Tiedemann, whilst Schwarz Dienstleistungen will be led by CEO Christian Groh.

This structure is supplemented by the Schwarz Unternehmenstreuhand KG, whose General Partner is Gerd Chrzanowski. This company assumes the role of a supervisory committee and also has external members.



Performance

The companies of Schwarz Group are constantly developing their business, and thus setting the course for future success. Accordingly, during the reporting period, we continued growing our business in all business areas and in over 30 countries. By the end of 2022 fiscal year, the companies of Schwarz Group generated total sales of 154.1 billion euros with a total workforce of over 575,000 employees (corresponding to an increase in sales of 15.4 percent compared with 2021). Retail divisions Lidl and Kaufland welcomed about 6.8 billion of customers in more than 13,700 stores worldwide (2021: 13,300) and ensured their supply with goods. We owe this to our highly motivated employees as well as to stable business and supply processes.

With investments of around 8 billion euros, our brick-and-mortar business was strengthened, and strategic projects and digital business areas were also developed. This includes the expansion of Schwarz Produktion. For instance, in the area of food production, Schwarz Produktion opened its first coffee roastery production plant in North Rhine-Westphalia in 2022 and began supplying the European stores of Lidl and Kaufland with coffee products.

Since then, more than 50,000 tons of filter coffee has been produced annually for Lidl and Kaufland in the North Rhine-Westphalia-based site by over 100 employees. Bon Pasta, a traditional pasta factory, has also been part of Schwarz Produktion since October 2022. In Erfurt (Thuringia), around 180 employees produce noodles and pasta products for the retail divisions. Schwarz Produktion is also involved in industries outside of the food industry. With the acquisition of the Maxau paper mill (Karlsruhe, Baden-Wuerttemberg), which was concluded in February 2023, Schwarz Produktion also ensures that the retail divisions of Schwarz Group have a reliable supply of environmentally friendly and ecologically sustainable paper, which is manufactured at the paper mill by around 440 employees.

Additional areas of focus for the investment activities include safeguarding supply chains as well as expansion and modernization of the store network. We have also invested in the digital infrastructure and IT security as key drivers of innovation.



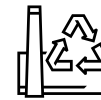
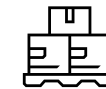
Active in over

30 countries

Around

6.8 billion store customers at Lidl and Kaufland

Over

575 thousand employees worldwide**17** production sites**168** sorting and recycling facilities**251** warehouses

Over

13.700 stores



Digitalization

Digitalization is a crucial factor in the success of the companies of Schwarz Group. An important aspect of this is our comprehensive omnichannel strategy: The retail divisions Lidl and Kaufland link their brick-and-mortar business with the online world in an optimal fashion. The Lidl online shop, Kaufland online marketplace, and the Lidl Plus and K-Card loyalty programs are key components of this strategy. In the online marketplace Kaufland.de, more than 10,000 sellers offer more than 45 million products. In 2023, Kaufland opened additional online marketplaces in Slovakia and the Czech Republic. Lidl online shops are already available in eight countries – in Belgium, Germany, France, the Netherlands, Poland, Slovakia, Spain and the Czech Republic. As such, our retail divisions are already in a very good position in terms of their online business, thereby creating the basis for promising synergies between brick-and-mortar and online retail. The companies of Schwarz Group generated total online sales of 1.9 billion euros in 2022.



As of FY 2023, digitalization and IT topics will be bundled and driven forward at Schwarz Digits, an independent division of Schwarz Group.

To position the companies of Schwarz Group for the future, they develop new trends and business areas in a digital world. We are focusing in particular on the cloud as a fundamental technology in this respect. With STACKIT, we now also offer our cloud and colocation services to customers outside of Schwarz Group and have been doing so since March 2022.

The scope of services of the STACKIT Cloud is based on the specific requirements and can be individually adjusted. It can be implemented easily in any organizations, from those without existing digital solutions to those with isolated and segmented IT landscapes. The services offered therefore enable individual and direct entry into the cloud.

The portfolio is continually being developed further, including on the basis of market requirements. Therefore, STACKIT is also an attractive solution for new user groups. A great deal of importance is being placed on data security and data protection. The data centers of Schwarz IT in Germany and Austria are fully subject to European law and the General Data Protection Regulation (GDPR).

In order to protect the entire IT landscape including the cloud against attacks, at the end of 2021, Schwarz IT acquired XM Cyber, an innovative Israeli cybersecurity company. Since the security solution successfully protects our own systems, it is also offered externally. A leading provider of hybrid cloud security solutions, XM Cyber develops new approaches for minimizing cyber risks within companies.

The XM Cyber solution uncovers how attackers can use faulty configurations, stolen login data and other vulnerabilities to gain access to important resources and systems in cloud, on-prem and hybrid environments. Around the clock, XM Cyber displays these attack vectors by priority in real-time and shows how these attack vectors can be blocked. This allows a host of organizations operating around the world to manage their risk management processes.















Stakeholder Management

The companies of Schwarz Group operate all over the world, and this means that they connect and interact with their numerous stakeholders in a variety of ways. First and foremost, this includes customers who visit Lidl and Kaufland stores on a daily basis. However, it also includes cooperation with banks, direct and indirect business partners, non-governmental organizations (NGOs), and policymakers as well as our involvement in associations and initiatives. Key stakeholders also include representatives from the field of science, the public, and organizations that are affected by the activities of the companies of Schwarz Group or those which may themselves affect the activities of the companies of the group.



Stakeholders of Schwarz Group

 Employees	 Managers
 Business partners	 Banks
 Initiatives	 Customers
 Media	 Non-governmental organizations
 Associations and politicians	 Academia

Dialog Formats at a Glance

The continuous exchange we have with our stakeholders using various dialog formats is a core component of day-to-day work activities in the sustainability and communication departments of the companies of Schwarz Group. These departments regularly analyze the relevant stakeholders and their interests and focus areas, for example, by conducting surveys and monitoring topics. Other departments may sometimes have direct contact to stakeholders too, if this is considered expedient based on issue-specific reference points. This dialog also gives us the inspiration to successfully and sustainably develop our business.

The companies of Schwarz Group actively inform their stakeholder groups using different formats, such as sustainability reports, letters to stakeholders, press releases or via our company websites. They also reach their customers and employees through customer brochures, social media, and company intranet portals. Online surveys – for example, following seminars and training sessions – are also actively used as a feedback and exchange format for employees. The companies of Schwarz Group enable and promote comprehensive exchange through series of events and personal talks. As part of this approach, company management and experts from individual departments engage in a direct dialog with stakeholders on individual topics.

Another example of personal exchange with stakeholders are neighborhood and resident dialogs that are held in association with larger construction projects. Moreover, the companies of Schwarz Group also get involved in a variety of cooperations and networks, and participate in dialog and exchange formats initiated by third parties. For instance, the companies of Schwarz Group regularly engage in constructive dialog with non-governmental organizations (NGOs), which not only gives them inspiration for the sustainable development of their assortment but also enables them to establish a position on a range of issues that are relevant to society. In April 2022, a podium discussion initiated by Lidl took place in Berlin. The discussion addressed the question of how uniform sustainability labeling for food products can be implemented across the entire food sector in Germany. Representatives from politics, business and society were invited to the “Lidl in Dialog” (German title: “Lidl im Dialog”) event. At the event, Lidl shared its experience of working with Eco-Score sustainability labeling. Lidl was the first German retailer to test this labeling system for all coffee, tea, and dairy products at all of its Berlin stores.

In 2021, PreZero supported the study “Verpackungswende jetzt! Systemwandel zur Kreislaufwirtschaft” (Packaging turnaround now! System change toward a circular economy) by WWF Germany in which the authors designed and calculated a change scenario for plastic packaging. Building on this study, as part of IFAT 2022 – the world’s leading trade fair for environmental technologies – a podium discussion with the title “#PreThink: Circular economy now! Is the packaging turnaround coming in 2022?” took place in June 2022. Participants from the scientific field, politics and civil society discussed the opportunities and challenges associated with a packaging turnaround in Germany. At the first dialog event in February 2022, PreZero and WWF Germany published a discussion paper, which clarifies common positions on the topic of circular economy in relation to packaging and recycling.





In November 2022, Kaufland was present at the Future Sustainability Week in Berlin, which is a sector-wide exchange platform on the topic of sustainability, and took part in the panel discussion on “Nachhaltige Immobilien im Spannungsfeld zwischen Vermieter und Mieter” (Sustainable real estate practices and aligning these practices with the conflicting interests of landlords and tenants). This discussion focused on the challenges for tenants to make their premises more sustainable and on potential incentives and framework conditions that could be introduced at a political level. Participating in the discussion provided Kaufland with valuable insights and ideas for the development of joint solutions with its landlords in the context of achieving its own climate targets.

In order to systematically gather insights on the opinion of the employees within the companies of Schwarz Group, we regularly conduct the “PULS survey”. In the survey, employees across all divisions are asked about their level of satisfaction. The next survey is planned in fall 2023. At all companies of Schwarz Group, there are employee relations consultants. These employee relations consultants act as a mouthpiece for the general mood and opinions of the employees. They create reports for top management based on conversations with employees, among other things. These reports are anonymous and cannot be used to identify the employees.

Political Representation of Interests

As a leading retail group in Europe, the companies of Schwarz Group regard themselves as a partner of the state and politicians. The companies provide their expert knowledge to government and political decision-makers and in doing so, play a role in decision-making processes. When it comes to the political representation of interests at a national and international level, the focus of the companies of Schwarz Group is always on promoting sustainable development. That demonstrates, for example, in relation to the energy and green mobility transition, where the company continually and constructively offers suggestions for improvement in dialog with politicians and highlights obstacles to progress.

Structured Public Affairs Management

In order to coordinate public affairs activities in the up to 30 countries in which the companies of Schwarz Group currently operate, in 2022, the necessary work and process structures were established by the Public Affairs Countries team of Schwarz Unternehmenskommunikation (Schwarz Corporate Communications/SUK). At the end of the year, these structures were expanded to include the topic of circular economy/ recyclable materials management. Various companies of Schwarz Group are registered in the Lobbying Register for the Representation of Special Interests vis-à-vis the German Bundestag and the Federal Government. Consequently, these companies are subject to the Code of Conduct for representatives of special interests in the framework of the Lobbying Register Act (Lobbyregistergesetz). On account of its office in Brussels, Schwarz Unternehmenskommunikation is also registered in the European Union transparency register and is subject to a corresponding Code of Conduct there.

Schwarz Unternehmenskommunikation represents the interests of its clients – Lidl Stiftung & Co. KG, Kaufland Stiftung & Co. KG, PreZero Stiftung & Co. KG, Schwarz Produktion Stiftung & Co. KG, Schwarz Digital GmbH & Co. KG and Schwarz IT KG – in the political arena and plays an active role in this respect. In addition, it establishes positions on topics that are relevant to politics or society. The companies of Schwarz Group participate in political debates purely on a content-related basis; they do not make donations to political parties.

Focus areas for the political representation of interests:

- Renewable energies
- E-mobility
- Climate-friendly construction
- Energy efficiency
- Circular economy
- Packaging and recycling
- Single-use/multi-use
- Bottle deposit systems
- Textiles (product requirements, returns and recovery)
- Reshaping animal husbandry
- Nutrition strategy
- Food labeling
- Digital infrastructure
- Digital administration
- Data economy and key technologies (AI, amongst others)
- IT security
- Platforms/E-commerce
- Work and social affairs

As part of the SCHWARZBrotzeit dialog series organized by the representative office of Schwarz Unternehmenskommunikation (Schwarz Corporate Communications/SUK) in the capital, politicians with specialist expertise in the field were invited to a discussion in Berlin during the reporting period. In December 2022, for example, a dialog took place as the year drew to a close. In addition to a summary of the 2022 political year, topics for 2023 were also discussed. As part of this discussion, colleagues from the operational departments with specialist expertise provided their own input and insights. In a final round of discussions, questions related to the activities and goals of the companies of Schwarz Group were debated.



Memberships and Commitments

The companies of Schwarz Group are actively involved in various industry associations, initiatives, and organizations, and actively contribute by either providing specialist expertise or by supporting them with a membership fee. A selection of these is set out below in alphabetical order. The sustainability report of the companies of Schwarz Group or their national companies provide insight into their additional memberships at an international and national level. Further information on memberships and commitments can also be found in the [“Product Quality” chapter](#).

The BDE association is the Bundesverband der deutschen Entsorgungs-, Wasser- und Kreislaufwirtschaft e. V. (BDE; The Association of German Waste Management, Water and Circular Economy). The approx. 750 member companies of the BDE cover the entire value chain in recycling and resource management.

The Circular Economy initiative of the Federation of German Industries e. V. (BDI) currently comprises a network of around 60 players that covers the entire industrial range. As well as being a political mouthpiece at a national level and at EU level, it is also actively developing the concept of the circular economy – from product development to recycling.

To promote tax law in the field of science, research, and education, Berliner Steuergespräche e. V. (Berlin Tax Consultations) supports expert dialog and discussion on tax law. In addition, in the area of tax law, the association can promote other non-profit corporations or public corporations.

Bitkom e. V. is an association of the German information technology and telecommunications sector. The overarching goal of Bitkom is to turn Germany into a leading digital hub and to drive forward the digital transformation of the German economy and public authorities. The association has more than 2,200 member companies.

The Federal Association of German Food Retailers (BVLH) is a trade association representing the interests of food retailers in Germany. Its purpose is to represent the interests of companies in the food retail market when dealing with politicians, authorities, and other stakeholders.

The aim of the Deutsche Institut für Compliance e. V. (DICO; German Institute for Compliance) is to set and further develop standards for compliance practice. The institute acts as a point of contact for all parties interested in compliance from industry, associations, authorities, and legislators.

The companies of Schwarz Group joined the United Nations Global Compact (UNGC) in 2020, and in doing so, have committed themselves to complying with and promoting the ten principles of the UNGC. The companies of Schwarz Group see it as their corporate responsibility to stand up for the strengthening of human rights, fair remuneration and safe working conditions in all areas of their business activities worldwide. They oppose all forms of corruption and are committed to protecting the environment and mitigating climate change. As part of an annual “Communication on Progress” report, the companies of Schwarz Group document the measures they have implemented in this respect and the progress they have made.

The European Movement Germany is a cross-party coalition of interest groups from industry and civil society that is committed to a clearly pro-European agenda.

The German Association for Data Protection and Data Security (GDD) is an association for data protection and data protection officers. As a non-profit association, it is committed to sensible, reasonable, and technically feasible data protection.

The gfo – gesellschaft für organisation e. V. (Community for Organization) is developing itself as a think tank on the subject of “organization” in the German-speaking world. The community connects people who are dedicated to and interested in issues related to organization. These people contribute their extremely diverse experiences and perspectives during discussions, which benefits organizers by helping them on their journey toward efficient and optimized work processes.



[Corporate Platform & CoP Report](#)



The GS1 network develops standards for cross-company work processes around the world and sees itself as a neutral platform that facilitates discussion between companies, manufacturers, retailers, service providers and competitors. Barcodes from GS1 are the universal standard in international retail and form the basis for efficient and secure business processes across 20 sectors.

The Handelsverband Deutschland e. V. (HDE; The Retail Association of Germany) as the central association of the German Retail sector, represents the interests of its members when dealing with politicians at national and EU level, other industry sectors, the media and the general public.

The International Fiscal Association Germany (IFA) pursues solely non-profit purposes. One of its tasks is to promote the study of international and foreign financial and tax law among its members through academic events.

The aim of the Institut für Digitalisierung im Steuerrecht e. V. (Institute for Digitalization in Tax Law) is to promote the education of children, adult education, and vocational training, including student assistance. Its purpose is also to promote science and research in digitalization as one of Germany's main tasks for the future. The institute concentrates on the area of tax and duty law, without being limited to this area of legislation.

The aim of the Institut Finanzen und Steuern e. V. (Institute of Finance and Taxation) is to promote science and research in the field of financial and fiscal affairs.

The Food Federation Germany is the leading association for the German food industry. In addition to stakeholder organizations, companies from the whole food chain are part of this federation.

The Science-Based Targets initiative (SBTi) is a partnership between the Carbon Disclosure Project (CDP), the United Nations Global Compact (UNGC), the World Resources Institute (WRI) and the World Wide Fund for Nature (WWF). The SBTi has developed its own standard based on the GHG Protocol for setting CO₂ reduction targets.

The objective of the "We Mean Business" coalition is to halve global emissions by 2030 and to accelerate a comprehensive transition to a net-zero economy. To this end, the non-profit organization – as a coalition of seven non-profit alliances, including the CDP and the World Business Council for Sustainable Development – cooperates with companies around the world.

The Grüne Wirtschaftsdialog e. V. (Green Economic Dialogue) views itself as bridge builder between politics and industry. It aims to create mutual understanding and options for action in discussions with stakeholders. The aim of the organization is to critically discuss measures aimed at creating a fully sustainable economy, to develop measures together, and to provide impetus for their implementation.

The Wirtschaftsforum der SPD e. V. (SPD Economic Forum) is an independent professional association that first and foremost organizes dialog between industry representatives and social democratic decision-makers in the executive and legislative sectors.

The Wirtschaftsrat der CDU e. V. (CDU Economic Council) is an independent, nationwide professional association that represents the interests of its members when dealing with politicians, administrative bodies, and the public.



Cooperations

In order to drive forward innovations – including industry-wide innovations – the companies of Schwarz Group exchange ideas and knowledge with various partners around the world in cooperations and projects. During these projects and cooperations, the focus is on topics such as recycling solutions or decarbonization.

In this way, the companies of Schwarz Group work together with startups through various formats. For example, since October 2022, experts from specialist departments from all companies have been working as initiators and partners for the Futury accelerator program. As part of the Futury program, innovative solutions from the areas of food (Mission Food), waste prevention and recycling (Mission Waste) and sustainable construction and buildings (Mission Construction) are supported, and in some cases, piloted. The startups benefit from support from the cooperation partners, such as the companies of Schwarz Group.

In this way, specific needs from the industry are shared and the project partners work together on potential further developments for the relevant startup solutions. This program gave rise to our successful collaboration with the company Recyda, which developed a digital solution for assessing the recyclability of own-brand packaging.

Furthermore, in cooperation with other corporate partners, we facilitated the establishment of the FUTURE Institute for Sustainable Transformation (based at the ESMT Berlin) in January 2022. This makes it possible to successfully and sustainably solve more complex challenges, in particular by working closely with scientists. Suggestions for joint projects in the areas of employee empowerment, attitude-behavior gap, and sustainable logistics were developed during the reporting year.

PreZero as part of the companies of Schwarz Group is also a member of the initiative “HolyGrail 2.0 – Digital watermarks for accurate sorting and high-quality recycling”, which aims to establish better recycling loops in the EU.

Cooperation with the Ellen MacArthur Foundation

The Ellen MacArthur Foundation is a non-profit organization founded in 2010. Its aim is to accelerate the transition to a circular economy. To underline our ambitions surrounding the topic of the circular economy, the companies of Schwarz Group signed the New Plastics Economy Global Commitment back in 2018. This agreement was launched by the Ellen MacArthur Foundation in collaboration with the UN Environment Programme. They have thus made a commitment as part of their comprehensive [plastics strategy](#) “REset Plastic” to actively participate in endeavors to use plastic in a more sustainable way and work toward specific targets. To this end, they work together with all involved companies, governments, NGOs, initiatives and local organizations in both a European and international context as well as at a national level to develop tailored strategies and solutions in the relevant markets. The aim is to create a circular economy for plastics.

Key goals in the context of the Ellen MacArthur New Plastics Economy include:

- Abolishing unnecessary and problematic plastic packaging through redesign and innovation
- Ensuring that all plastic packaging is reusable, recyclable, or compostable
- Increasing the proportion of recycled material in plastic packaging

The Plastics Pact Network of the Ellen MacArthur Foundation includes national plastics pacts in countries such as Great Britain, the USA, and Poland, as well as regional pacts like the European Plastics Pact. The companies of Schwarz Group participate globally and support national implementation wherever possible on a company-specific or cross-company basis. Lidl Portugal (Steering Committee), Lidl UK, Lidl Netherlands, PreZero in the USA, and Lidl, Kaufland, and PreZero in Poland are involved in this initiative.





Compliance

For the companies of Schwarz Group, economic success is directly related to responsible corporate management. The compliance management systems established in all divisions, which ensure conduct with integrity across the group, are a key part of this. Widely launched training concepts ensure that our employees are systematically sensitized to codes of conduct and prevailing policies.



Central Corporate Principle

The companies of Schwarz Group endeavor to embody integrity. Their actions and the actions of their employees are subject to the following principle: “We comply with applicable laws and internal guidelines.” This key corporate principle is binding for all employees of the companies of Schwarz Group. The companies of Schwarz Group place great value on compliance with laws and other legislation and see it as their social responsibility to act with integrity. Violations of the law can lead to financial damage and loss of reputation for companies of Schwarz Group. Moreover, they can lead to personal compensation claims and have criminal consequences for individual employees or board members from the companies of Schwarz Group. The companies of Schwarz Group and the Management Board members are therefore expressly committed to complying with and ensuring the implementation of this corporate principle.

Respecting Human Rights and Environmental Standards

Whether as customers, employees, or business partners, people are at the heart of everything the companies of Schwarz Group do. The companies of Schwarz Group are therefore committed to ensuring that human rights are respected and strengthened in all areas of their business activities around the world.

With this joint declaration on the commitment of all of the companies of Schwarz Group to respect human rights and environmental standards, the companies of Schwarz Group stress their responsibility as a leading retail group. Due to the complex value chain structure in retail and food production, the greatest human rights and environmental challenges lie in increasingly globalized supply chains.

Legal requirements at German level (German Supply Chain Due Diligence Act – Lieferkettensorgfaltspflichtengesetz) and, in the future, at European level add to these challenges. The companies of Schwarz Group therefore strive to meet their responsibility toward people and the environment not only within the scope of our own activities, but also jointly with direct and indirect suppliers along the supply chains and service sectors.

The publication of the joint declaration mentioned above in May 2020 was a logical further development of the long-standing commitment of the companies of Schwarz Group to this issue and is based on our commitment to respect human rights as laid down in internationally recognized frameworks. With this declaration, companies of Schwarz Group have made a commitment to ensure that respect and integrity continue to shape the self-image of the companies of Schwarz Group in the future.

For many years, the companies of Schwarz Group have also had a group-wide Code of Conduct for Business Partners in which we set out our expectations regarding compliance with human rights and environmental standards and also reserve the right to audit business partners' compliance with them (see also the [“People” chapter](#)). The companies of Schwarz Group also establish the processes required for the adequate protection of their employees' human rights in their corporate principles, policies, and procedural instructions.





Compliance Management Systems as a Basis

Against the background of the core shared corporate principle, the companies of Schwarz Group have implemented Compliance Management Systems (CMS), which include binding requirements. These systems define specific requirements and elements to ensure an appropriate level of compliance is maintained.

The key aim of CMS is to avoid and identify any violations against current legislation and internal policies and to resolutely pursue and prosecute if violations are identified (zero-tolerance principle). In terms of the content covered by Compliance Management Systems, the focus is on areas such as anti-corruption, anti-fraud, data protection, business partners, antitrust law, supply chains, and product compliance.

In order for the companies of Schwarz Group to also fulfill their financial responsibility, the focus areas of tax and accounting compliance have also been established. This ensures that the companies of Schwarz Group adhere to their tax and other financial duties in the countries where they operate.

The compliance measures include in particular the adoption and communication of regulations (for example, on the handling of benefits and data privacy regulations), the implementation of training measures, and the investigation and follow-up of all material internal and external tips regarding potential compliance-related legal violations. As well as the support of all employees and managers, the implementation of each CMS requires a compliance organization tailored to the respective part of the company. The departments and roles responsible for compliance in the divisions regularly review the suitability and effectiveness of the systems and assess the potential for improvements.

The Compliance working group of the companies of Schwarz Group provides a platform for regular discussions on compliance issues relevant to the group as a whole and continuously develops the Compliance Management Systems. The working group consists of the compliance officers from the divisions or their deputies. The Compliance Management Systems are inspected on a regular basis by the Audit department based in Schwarz Dienstleistungen.

Training Courses and Whistleblower Systems for Prevention

In order to avoid compliance violations, a key topic aside from the continuous identification of compliance risks is raising awareness amongst employees and management by means of training courses. These training courses cover the potential compliance risks that may be encountered at work and the correct and appropriate way to behave should they arise. Employees are given training on the compliance issues that are relevant to them based on their roles and responsibilities. The divisions conduct both mandatory in-person training courses and online training courses for this purpose. As a rule, business partners and suppliers are also obliged to comply with statutory requirements pursuant to a corresponding contractual clause.

In addition, employees are given unrestricted access to internal employee relations consultants as well as to fair and transparent complaints procedures. Often the supervisor is the first contact person. Furthermore, the compliance officer may be contacted directly. Moreover, in the divisions, ombudspersons (external lawyers of trust) have been appointed, and online reporting systems have been set up, which can be used to report information.

Any significant findings resulting from complaints are used to identify risks and further develop compliance measures. If adverse impacts are identified, which may directly or indirectly be associated with the business activities of the companies of Schwarz Group, the relevant company endeavors to rectify the situation with appropriate measures and use their powers of influence to ensure that affected parties may receive appropriate redress.



Data Privacy

The protection and security of the data of customers, business partners, and employees is a top priority. Digitalization and networking lead to more efficient processes and resource-saving planning, and thus contribute to sustainability. At the same time, data-based solutions also demand particular care and attention.

As well as fulfilling the applicable regulatory requirements, the companies of Schwarz Group also want their customers, business partners, and employees to trust them with the protection of their personal data. As such, the aim of the companies of Schwarz Group is to protect personal data to the greatest possible extent at all times, while incorporating state-of-the-art standards and consistently fulfilling data privacy requirements. This is an ongoing process.

Data protection forms part of the CMS at the companies of Schwarz Group and is covered by the measures defined in these systems. In addition to binding specifications in the form of policies and processes, this includes training measures and the offer of advisory services from the Data Protection departments. In this way, the companies of Schwarz Group ensure that the relevance of the issue is communicated and that personal data is processed in a legally compliant manner.

In line with legal requirements, the information obligations under data protection law are fulfilled and the rights of data subjects are respected. In the event of personal data breaches, the breaches are analyzed and corrective action is taken. Any reporting obligations with respect to supervisory authorities and/or notification obligations with respect to data subjects are fulfilled.



Tax

The companies of Schwarz Group observe all valid tax laws, policies and regulations in the countries and communities in which they operate. The joint tax principles of the companies of Schwarz Group include not only complete compliance with all relevant tax laws, but also timely fulfillment of all tax obligations and the submission of correct tax returns.

The companies of Schwarz Group are conscious of the fact that the taxes they pay represent a significant source of income for the countries and communities and are thus a prerequisite for a functioning society. In the spirit of corporate citizenship, the companies of Schwarz Group engage in active, legal tax planning for their economic activities. The companies of Schwarz Group do not perform aggressive tax planning based on artificial structures employed solely for tax-saving purposes. The same applies to transactions which lack economic substance and which only serve the purpose of obtaining undue tax advantages.

The companies of Schwarz Group strive to maintain a cooperative, open, and trusting relationship with all tax authorities. In so doing, they endeavor to avoid the risk of uncertainty or even disputes. When dealing with financial authorities, our interests are protected and our legal positions are defended where we consider this to be the correct approach in accordance with the prevailing opinion in case law and literature.

The companies of Schwarz Group have multiple tax departments, which are responsible for compliance with tax obligations. The Tax department of Schwarz Dienstleistung KG is the central service provider and contact for tax matters for the companies of Schwarz Group. The companies outside Germany of the individual divisions generally have their own Tax departments, which consult the Schwarz Dienstleistung KG Tax department on key issues.

The Tax departments develop policies, instructions, and to-be processes as required in which the relevant responsibilities are also clearly defined. The Tax department at Schwarz Dienstleistung KG also informs the employees affected about any relevant tax changes and arranges training if required. To ensure that tax processes are legally correct, the companies of Schwarz Group have established tax compliance as a focus area in our CMS.



Social Commitment

The companies of Schwarz Group are committed to sustainable development beyond the bounds of their core business. They devote themselves to ecological and social concerns, and together with their employees, customers and partner organizations, provide assistance locally – principally in the vicinity of the locations and stores of the companies of Schwarz Group. In the course of this, activities and funding priorities are individually adapted to the needs of the individual regions and countries, in order to do justice to the particular needs of the people living there and to improve the ecological and social development in a targeted manner.



Acute Support in Crisis Situations

To support people in Ukraine in their current crisis in the best way they can, the retail divisions Lidl and Kaufland have been working with various on-site aid organizations since the start of the war and without any red tape. Consequently, monetary and material donations were made to begin with. This support was increased to ten million euros in March 2022: With non-perishable foods, home textiles, hygiene products, and other urgently needed products worth seven million euros, a substantial contribution to the care of refugees in the areas bordering Ukraine was provided. In February 2023, the companies of Schwarz Group supported those affected by the earthquakes in Turkey and Syria with a donation of one million euros to the Emergency Relief Services of the German Red Cross.

Working with Partners to Prevent Food Waste

The retail divisions of Schwarz Group are actively committed to preventing food waste – as one of the measures they are taking to implement their reduction target in this area. Numerous stores and logistics centers worldwide also donate food that is no longer fit for sale but is still consumable to non-profit organizations.

For example, there has been a partnership in place between Lidl in Germany and local Tafel food banks since 2008. Similarly, the Kaufland stores and logistics centers in Germany also donate goods that have almost reached their best-before date to the Tafel food banks and other non-profit organizations. There are similar commitments in place in other countries. As such, Lidl Austria has been donating food which can no longer be sold, but is nonetheless still edible, to local and regional charitable bodies for distribution to people in need since as early as 2009.

The Tafel food bank Future Fund, launched in 2018, has been supported by Lidl in Germany since its launch with a total donation volume amounting to 3,000,000 euros. In the reporting period, with a donation of 500,000 euros to the fund, Lidl in Germany enabled the financing of various energy projects. For example, the Tafel food bank volunteers can participate in seminars, projects, and conferences as part of the “Tafel Academy” to gain valuable knowledge to support them in their volunteering activities. In October 2022,

Lidl in Germany and the non-profit organization RESTLOS GLÜCKLICH started the education project DICH RETT'ICH together to educate primary school children about sustainable food consumption. Since 2020, Lidl and Kaufland in Germany have been communicating measures and guides on how to prevent food waste to help raise awareness of the issue among consumers. As part of these efforts, Kaufland in Germany runs extensive campaigns in which national influencers also call on their communities to reduce food waste.

In the reporting period, the logistics centers of Kaufland in Germany donated a total of 134 metric tons of food to the Tafel food banks in Germany. The value of the food was 276,000 euros. In addition to working together with the Tafel food banks, Kaufland in Germany also cooperates in the food-sharing initiative at 80 locations, making leftover food available for collection. There are similar initiatives and concepts for food donations at Kaufland in Croatia, the Czech Republic, and Romania, for example. In Bucharest, Kaufland also runs a “social canteen” which provides approximately 1,000 meals each day to people in need.



The companies of Schwarz Group donated a total of 37.7 million euros for charitable purposes in the reporting period.



[Lidl – Focus Area: Saving Food](#)



[Kaufland – Focus Area: Food Waste \(German\)](#)



Donating Deposits

Since 2008, Lidl customers in Germany have been able to donate the deposit amount to Tafel food banks when returning their empties simply by pressing a donation button. This option is now available at some 6,600 bottle deposit machines in around 3,250 stores.

By the end of the 2022 fiscal year, over 27 million euros (2021: 24 million euros) was collected through this option. These donations were used by the Tafel food banks to finance new refrigerated vehicles and furnishings and also to fund and implement cooking courses for the Tafel food bank customers. By the end of 2022, support had been given to over 3,180 projects (2021: 3,100) in total.

Other countries also have initiatives based on deposit donations: Lidl Lithuania doubles the amount donated each month, and has been using these funds to support a national fundraising project for day care centers since December 2017, for example. In September 2022, Lidl Latvia introduced a system for deposit donations. These donations support the Samaritan Association of Latvia. This organization

provides basic foodstuffs and necessities for elderly people who live alone and have a low income. In January 2023, Lidl Latvia doubled the donations received over the first few months and added over 5,000 euros to the total.

Kaufland Germany has introduced deposit receipt donation boxes in almost all stores across Germany to support regional non-profit organizations. The donation boxes for the deposit receipts are positioned next to the reverse vending machines. Over 2.5 million euros were collected through this scheme in the first two years alone. The majority of the donations go to organizations that support children/young people and families. Almost a quarter of the hypermarkets give the donations to animal welfare charities, while twenty percent goes to organizations that help care for the sick and ten percent goes to the local Tafel food banks. The rest is donated to organizations that care for people with disabilities and to general aid organizations.



More than 27 million euros have been raised for the Tafel food banks by Lidl in Germany so far – thanks to the donation button on bottle deposit machines.



Supporting and Encouraging Children

It is important for school children in particular to start the day right: To make sure this happens, Lidl in Germany has been supporting brotZeit e. V. since 2009. This organization provides children in schools with a balanced breakfast before they start class. With a donation of 600 tons of food last year, around 14,000 school children in over 300 schools could be provided for. By the end of the 2022 fiscal year, a total of 13,785,900 breakfasts had been provided – a significant milestone for the cooperation.

Since 2004, Kaufland has been involved in the educational program that it helped develop – “Machen macht Schule” (Taking action in the classroom) – through which the retail division hopes to educate children about future topics. As part of this program, environment, nature, and nutrition campaign days are organized by experts in schools and kindergartens. The campaign days focus on teaching young people about future topics related to sustainability using practical and fun methods. In the reporting year, Kaufland held more than 250 campaign days, reaching over 7,500 children.

In December 2022, Kaufland customers had the opportunity to donate to various projects that mainly help children through a digital wishing tree campaign. Kaufland doubles each donation made and also rounds the amount up. With this approach, a total of 100,000 euros was collected.

Kaufland donated another 5,000 euros for each of the wishing tree projects, of which there are eight in total.

In a wide range of international projects, Kaufland promotes conscious nutrition for children: For instance, since 2018, the “Akademia Kinderland” project (Children’s Nursery Academy) in Romania has been teaching nutrition in a fun way through activities organized right outside the stores. Kaufland Poland is involved in the project “Öko ab Kindheit” (Eco from childhood), which educates elementary school children about food waste and was able to reach over 600 children in the reporting period.

As part of the Trollinger Marathon in Heilbronn, certain Kaufland group companies donate 20 cents for each kilometer covered by their employees to the “Große Hilfe für kleine Helden” Stiftung (big help for little heroes foundation). These donations are used to provide support for families with seriously ill children during and after inpatient hospital stays in Heilbronn children’s hospital. This support takes the form of a wide range of projects and therapy services. Kaufland group companies were last involved in the marathon in 2019 and their next participation is scheduled for 2023. Furthermore, in February 2023, employees of Schwarz IT handed over a check for 5,000 euros to senior management, which will also go towards the “Große Hilfe für kleine Helden” Stiftung (big help for little heroes foundation).



Fresh Fruit and Vegetables for Schools and Kindergartens

As part of the EU school program, Kaufland supplies fresh fruit and vegetables to schools and kindergartens in Europe once a week. In Germany, between 2010 and the conclusion of the project at the end of the school year, more than 50,000 children have enjoyed healthier and more varied nutrition in the greater Heilbronn area alone.

Since 2017, Kaufland Croatia has been providing children in elementary schools with fresh fruit and vegetables throughout the entire school year. In the last six years, the project “Kaufland Obst- und Gemüseschule” (Kaufland School of Fruits and Vegetables) donated fruit and vegetables to around 20,000 school children throughout the country. Over the course of the project, Kaufland Croatia donated a total of more than 700 tons of fruit and vegetables.

Slovakia also joined the project in 2018. Since the start of the new school year, over 70 Kaufland hypermarkets in the country have been donating fruit and vegetables each week to elementary schools. Through this project, over 500 tons of fresh fruit and vegetables have been donated to children in recent years.

Employees Get Involved

Many employees of the companies of Schwarz Group in Germany are personally involved in initiatives that support the environment and their communities. For example, once a year, as part of the group-wide plastics strategy “REset Plastic”, they take part in a cleanup campaign at the administrative locations in Neckarsulm and Heilbronn. In 2022, around 1,000 employees from Lidl, Kaufland, PreZero and Schwarz Dienstleistungen took part in the cleanup campaign under the motto “Weniger Umweltverschmutzung – mehr Zusammenhalt” (less pollution – more solidarity). They collected over three tons of waste, which was then recovered and recycled by the environmental division PreZero. PreZero set up a dedicated recycling facility on site in Neckarsulm for this purpose on the day.

Lidl Stiftung also permanently offers the “Team Clean Up” principle for its employees, who want to get involved and also view the campaign as a team-building measure. Lidl provides support in the form of expertise and equipment. In 2022, Lidl and Kaufland also implemented a cross-company and cross-country cleanup campaign along the Danube river under the title “River Cleanup Collective @Danube – Together for Cleaner Rivers”. Further information about this can be found in the [“Circular Systems” chapter](#).

Kaufland also gives employees in Germany, Slovakia and Croatia the chance to get involved in blood donation campaigns. This offer is also available to employees of Lidl Stiftung. Each year around Christmas, employees of the companies of Schwarz Group also get the chance to take part in a social project in the form of a coordinated wishing tree campaign.



Countries engaged in the River Cleanup Collective Project



Sports Brings People Together

German Bundesliga club TSG Hoffenheim (TSG) and PreZero agreed on a wide-ranging cooperation in 2019 to strengthen a sustainable fan culture. This cooperation is based on our conviction that sports brings people together. PreZero is providing the soccer club with substantial support in the area of resource-efficient waste management, and as a widely visible symbol of the partnership, the TSG soccer stadium has been renamed the PreZero Arena.

But the sustainability cooperation between the two partners goes much further than stadium sponsorship: As the official sustainability partner, PreZero is helping the club to transform the PreZero Arena into a symbol for resource efficiency. The goal is to make the PreZero Arena the first independently certified zero-waste arena in the German Bundesliga. In this context, zero waste means that almost all waste from the stadium must be treated as a recyclable material and positively recovered. PreZero is currently preparing for the stadium's Zero Waste certification test by an independent testing organization (TÜV Süd).

PreZero provides TSG Hoffenheim with support and advice on all matters related to waste and recyclable materials management and resource conservation. This includes analyzing material streams and optimizing them through separation concepts and waste prevention measures, as well as designing and producing grass paper and other products (e.g., autograph cards) using grass clippings from the

PreZero Arena. In November 2022, PreZero introduced a waste separation system in the area, which allows all recyclable materials to be separated from the non-recyclable waste. In addition, during the reporting period, training sessions were carried out for all relevant internal and external service providers in the arena on the topics of zero waste and waste and recyclable materials management. Another one of the measures was the transition to a returnable cup system: The new returnable cups are made from recyclable polyethylene (PE) or polypropylene (PP) and can be washed up to 400 times. They were first used in January 2020. In this way, the achievements of PreZero are also creating awareness among fans around the topic of sustainability.

You can find further information about the topic of Road to Zero Waste on the [website of PreZero Arena](#) and in the ["Circular Systems" chapter](#).



In the reporting year, PreZero introduced a waste separation system in PreZero Arena.



Strengthening CR Management



Our Vision:

**Assuming Global Responsibility.
Acting with Diversity.**





CR Strategy

The companies of Schwarz Group want to use their influence to set standards for respectable behavior towards one another and create an environment worth living in. The Corporate Responsibility (CR) of the companies of Schwarz Group provides the framework for this, with its four focus areas of “People”, “Product Quality”, “Circular Systems” and “Ecosystems”. Our strategy is based on the solid foundation created by the many years of commitment to sustainability demonstrated by the companies and national subsidiaries of Schwarz Group and the countries they operate in. This strategy provides the companies of Schwarz Group with adequate freedom to react to the challenges associated with sustainable development and to align their business strategies with an eye to the future.



Taking On Global Challenges

Industrial development and the globalization of the economy provides humans with a wide range of opportunities. At the same time, they also give rise to complex economic, ecological and social challenges. This includes resource scarcity, climate change, the loss of biodiversity, improper disposal and insufficient recycling of waste, and deforestation. Additional challenges include the overloading of soil and bodies of water, poverty, human rights violations and restricted access to education. Combined with advancing digitalization, the way we live and the way we do business is changing profoundly. We, as companies of Schwarz Group, are meeting this challenge head-on. We view this change as a driving force for our business development. We want to have a positive influence on social developments.

Developing and Implementing Our Vision

As companies of Schwarz Group, we have the opportunity to influence society and the environment in many areas. There is hardly any other corporate group that is as diverse as we are and that covers the entire value chain. Nevertheless, despite the differences between the individual companies and their business activities, we are all headed in the same direction. This is because we are confident that our position as a large corporate group means that we can make a real difference. We take responsibility, act as a catalyst for the future and base our actions on our sustainability vision.



Assuming Global Responsibility. Acting with Diversity.

The companies of Schwarz Group want to use their strengths to set standards for respectable behavior towards one another and create an environment worth living in. We take action for people - thus ensuring the future viability of the companies of Schwarz Group and preserving quality of life for future generations. The companies of Schwarz Group will tackle the complex challenges that lie ahead over the coming years with resolute determination. They will strive to achieve sustainable development in all business areas and view a common understanding of sustainability as the basis for this development.



“Being and remaining fit for the future, means acting sustainably at the same time. Thanks to sound core businesses and entrepreneurial diversity, the companies of Schwarz Group can regard sustainability in a holistic manner and drive it forward consistently. For us, sustainability is more than just a strategy. It is a part of our jointly lived corporate culture.”

Florian Schütze

Senior Managing Director Corporate Responsibility of Schwarz Unternehmenskommunikation GmbH & Co. KG



Our Vision
Assuming Global Responsibility. Acting with Diversity.



Basis

With its four focus areas of people, product quality, closed-loop systems and ecosystems, the jointly developed CR strategy of the companies of Schwarz Group provides clarity, orientation and focus on the issues of the future. It serves as a guiding principle that helps us shape our future in the best way possible and tackle the far-reaching changes to the world and society. At the same time, it also grants us adequate freedom to adapt to the ever-changing challenges we face. For example, we are currently facing a scarcity of resources and limited availability of goods that is affecting our business activities. Therefore, in our materiality analysis, we regularly and comprehensively assess the opportunities and risks that such developments involve. Based on this analysis, we are continually developing the content of our strategic sustainability agenda.



Sustainable action across the four focus areas – The four focus areas set out the shared and overarching framework for action. These focus areas consider the individual business units with their individual sustainability strategies. They provide the framework for additional company-specific and country-specific targets and for the implementation of various measures and projects. The group-wide, coordinated sustainability strategy provides clarity and guidance as well as adequate freedom to respond to the various challenges ahead.

Four Focus Areas



People:

We believe in cooperation based on respect, appreciation and trust.

As responsible employers, the companies of Schwarz Group want to offer an attractive and healthy work environment founded on diversity and equal opportunities. We consider education to be the most valuable resource for people. As such, we promote employees' development both professionally and personally through targeted empowerment and support measures. It is important to us that people receive fair, attractive remuneration and good working and living conditions – and that includes supply chain. That is why we take care to ensure that we comply with social and environmental standards. We want to be a reliable partner for our social environment and promote social and environmental issues around the world.



Product Quality:

We leave no stone unturned when it comes to quality – sustainable, safe and healthy.

The wide range of products and services offered by the companies of Schwarz Group are characterized by transparency and trust. This includes sustainable product design and quality with the certified cultivation of raw materials for business operations and retails as our core business. We transparently explain to our customers in our product communication how we implement this, thus enabling them to consume more sustainably. The same applies to ingredients and the reduction of salt, sugar and fat in private-label products. In so doing, we can contribute to a more conscious and healthier diet for our customers - for a better life.



Circular Systems:

We are resource-efficient and embrace the circular economy.

The circular economy is an important part of the corporate strategies of the companies of Schwarz Group. This does not just apply to our own processes, but also along the entire supply and value chain. Our aim is to preserve resources and close recycling loops. This is why the companies of Schwarz Group are committed to preventing internally generated waste and food waste, preserving and recycling resources, ensuring sustainable packaging and product design, and using efficient collection, recycling, and recovery methods.



Ecosystems:

We are committed to protecting the climate and environment.

The companies of Schwarz Group want to actively contribute to the protection of the environment and the climate. With a view to adapting to climate change, our climate strategy enables us to make a measurable contribution to the goal of limiting global warming. In this respect, we are focused on consistently reducing operations-based emissions, among other things. As part of these efforts, we are ensuring that our stores are optimized from an energy perspective and that we source our electricity from renewable energy sources – some of which is self-generated. This commitment to efficiency and sustainability also includes the use and protection of water resources, so as to preserve our precious, vital freshwater reserves.



CR Targets

In order to meet the global challenges of the future head-on, the companies of Schwarz Group agree on continuous, binding, group-wide targets within the four focus areas. Through this approach, we want to ensure that our business activities align with our responsibility to the environment and to society as a whole over the long term. We are also focused on preserving quality of life for future generations along with our own long-term business success. All of these targets count towards our sustainability vision: Assuming Global Responsibility. Acting with Diversity. To ensure that these targets agreed at group level can be achieved, the companies of Schwarz Group make an important contribution in all of the countries in which they operate.



Overview and Status of the CR Targets

Focus Area: People

Target	KPI / Measurement	Status	Target Attainment	Page(s)
By 2022, the companies of Schwarz Group will empower and support each employee to act in a sustainable manner in their respective areas of responsibility and will continue to do so on an ongoing basis thereafter. → Target and suitable measurement instruments are currently being developed.	Controlled through annual sustainability survey			37 , 50 ff.
By the end of 2025, the companies of Schwarz Group will provide their customers with transparency on the social, ecological, and health impacts of their offer in order to allow them to make conscious choices. The companies of Schwarz Group will lay the groundwork for this by 2022.	Controlled through division-specific measures; see page references			71 ff. , 77 ff. , 82 f. , 99 , 103

Focus Area: Product Quality

Target	KPI / Measurement	Status	Target Attainment	Page(s)
By the end of 2022, Lidl and Kaufland are aiming for 100 % of the raw cocoa procured to be certified with selected sustainability seals ¹ – for private-label products containing cocoa with the claim “Chocolate content > 5 %”.	Proportion of certified cocoa in cocoa assortment (own brands)		Lidl 96 % 100 % Kaufland 83 % 100 %	63 , 77 , 80
By the end of 2022, Lidl and Kaufland are aiming for 100 % of their procured palm (kernel) oil to be RSPO certified. This applies to palm (kernel) oil as well as all own-brand products that contain palm (kernel) oil as an ingredient or that are based on palm (kernel) oil derivatives and fractions.	Proportion of sustainable edible palm (kernel) oil items in the entire product assortment of edible palm (kernel) oil items (own-brand products)	New target	Lidl 82 % 100 % Kaufland 98 % 100 %	77 , 80
With regard to the procurement of coffee, by the end of 2022, Lidl and Kaufland are aiming for 100 % of coffee drinks, instant coffee, capsules and cappuccinos from the own-brand product assortment to be certified with selected sustainability seals (Fairtrade, Rainforest Alliance, organic, UTZ).	Proportion of sustainable coffee products in the entire coffee product assortment (own-brand products)	New target	Lidl 89 % 100 % Kaufland 95 % 100 %	77 , 80
→ Targets and KPIs for the strategically relevant raw materials soy, fish and cotton are currently being revised.				
By 2025, Lidl will reduce the sales-weighted, average added sugar and salt content in its private-label assortment by 20 % (base year: 2015).	Weighted average content of added sugar and salt based on sales ²		Lidl – Sugar -11 % -20 %	83
By 2025, Kaufland in Germany will reduce the sugar, salt, and/or fat content in 500 private-label items by 20 % on average (base year: 2015).			Lidl – Salt -7 % -20 %	
By 2025, Schwarz Produktion will reduce the average salt content per kilogram of baked goods sold by approx. 30 % (base year: 2015).			Kaufland – Items 325 500 items	
By 2025, Schwarz Produktion will reduce the average sugar content per liter of beverages sold by approx. 30 % (base year: 2015).			Schwarz Produktion – Salt -31 % -30 % Schwarz Produktion – Sugar -35 % -30 %	

1 | Organic, Fairtrade, Rainforest Alliance, UTZ.

2 | KPI applies to the calculation of Lidl's disclosed sugar and salt reduction targets.



Focus Area: Circular Systems

Target	KPI / Measurement	Status	Target Attainment	Page(s)
By 2025, Lidl and Kaufland will use on average 25 % recycled material in their private-label packaging made of plastic.	Proportion of weight of recycled materials used compared with total plastic weight		<div style="width: 17%;"><div style="width: 17%;"></div></div> 17 % 25 %	90 , 92 , 99 f. , 107
By 2025, Lidl and Kaufland will maximize the recyclability of 100 % of their private-label packaging made of plastic.	Proportion of weight of plastic classed as recyclable compared with total plastic weight		<div style="width: 53%;"><div style="width: 53%;"></div></div> 53 % 100 %	90 , 92 , 96 ff. , 107
By 2025, Lidl and Kaufland will use 30 % less plastic in their private-label packaging and transport aids made of plastic compared with the base year of 2017. (Note: Target was raised from 20 % to 30 % in 2023).	Weight of plastic volume used compared with sales that Lidl and Kaufland achieve with their own brands		<div style="width: -28%;"><div style="width: -28%;"></div></div> -28 % -30 %	90 , 92 , 96 ff. , 107
From the end of 2021, Lidl and Kaufland will no longer use microplastics in the formulas for their own-brand LCH/cosmetics products ¹ .	Proportion of microplastic-free items		<div style="width: 98%;"><div style="width: 98%;"></div></div> 98 % 100 %	103
By the end of 2030, the companies of Schwarz Group will reduce their food waste by 50 % at group level compared with 2018. → Target and measurement methods are under development.				22 , 90 , 93
By the end of 2025, the companies of Schwarz Group will recover, recycle, or reuse a significant proportion of the waste they generate.	Proportion of recyclables that have been recovered, recycled, composted, or fermented		<div style="width: 87%;"><div style="width: 87%;"></div></div> 87 % 100 %	92 , 95 , 105 f. , 108
By the end of 2022, Lidl and Kaufland will strive to limit the non-recoverable waste that accumulates within the companies themselves in pilot countries to a maximum of 5 %.	Proportion of recyclables that have not been recovered, recycled, composted, or fermented		<div style="width: 50%;"><div style="width: 50%;"></div></div> 50 % 100 %	90 , 95

Focus Area: Ecosystems

Target	KPI / Measurement	Status	Target Attainment	Page(s)
By 2030, the companies of Schwarz Group will reduce their operational greenhouse gas emissions (scope 1 and 2) by a total of 55 % compared with 2019.	Greenhouse gas emissions in scope 1 and 2		Due to re-calculation of base year/previous years the state of target attainment can currently not be specified. ²	111 f. , 116 f. , 130 ff.
The companies of Schwarz Group are making the commitment to oblige suppliers, who are responsible for 78 % of product-related emissions, to set themselves climate targets by 2026 according to the criteria of the SBTi. ²	Proportion of product-related emissions of suppliers with a validated SBT		<div style="width: 27%;"><div style="width: 27%;"></div></div> 27 % 78 %	111 f. , 116 f.
As of 2022, the companies of Schwarz Group will procure 100 % of their electricity from renewable sources. ³	Proportion of electricity from renewable sources		<div style="width: 100%;"><div style="width: 100%;"></div></div> 100 % 100 %	111 f. , 129
→ Targets and KPIs for the topic of fresh water are being defined.				119 ff.

1 | LCH = Laundry, cleaning, and household products

2 | Due to the inorganic growth of the companies of Schwarz Group and methodological adjustments, we are currently working on a new calculation for our base year and the previous years. After this recalculation is complete, we will submit our climate targets to the SBTi for revalidation.

3 | Excluding supply contracts over which the companies of Schwarz Group have no control, such as tying the leasing of properties to power purchase agreements. Further information at <https://gruppe.schwarz/en/sustainability/ecosystems>





CR Governance

The requirements of effective CR management are just as diverse as the different fields of activity in which the companies of Schwarz Group operate – from production and retail to recycling. Therefore, the companies of Schwarz Group work together closely to coordinate their sustainability activities. They also align their actions with the relevant business model and the environment of the company. We facilitate a group-wide exchange through a CR Round Table in which the responsible CR/CSR managers from all of the companies of Schwarz Group are represented. This allows us to develop a common understanding within the group and to adopt a coordinated approach.



Organizational Integration and Responsibilities

The overall responsibility for sustainability lies with the Chief Executive Officers of the companies of Schwarz Group. The CR department at Schwarz Unternehmenskommunikation (Schwarz Corporate Communications) coordinates the strategic sustainability approach of the companies of Schwarz Group. Since January 2023, it has been headed by Susanne Marell, the department's first executive vice president. This department supports the companies with their sustainability activities and enables cross-company cooperation on global topics.

In accordance with the organizational structure, the topic of sustainability is anchored in all of the companies of Schwarz Group – with responsible CR/CSR managers in the departments of each company and national company. They act as coordinators for CR issues within their own business unit and coordinate implementation.

The CR Round Table – which includes the responsible CR/CSR managers from all of the companies of Schwarz Group – coordinates the strategic approach of the overarching CR commitment. The content of our CR strategy is categorized into the individual focus areas and coordinated within the CR Round Table. Together, group-wide guiding principles and general conditions are developed and constantly refined. The CR Round Table meets regularly and is also involved in constant exchange with

the established work structures about overarching topics. Expert coordination is provided by the CR department of Schwarz Unternehmenskommunikation (Schwarz Corporate Communications).

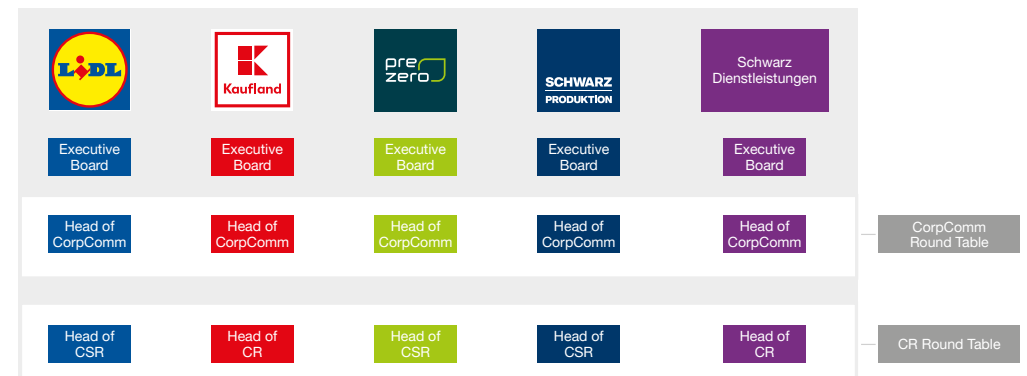
Top Management Involvement in Sustainability Topics

The members of the CR Round Table are connected to the Chief Executive Officer of the relevant company of Schwarz Group via their department. This keeps reporting lines short and means knowledge can be shared quickly and directly. Strategic guidelines such as materiality analyses are validated and approved by top management. All members of the Executive Board and the international management levels of the companies of Schwarz Group regularly receive management circulars. These circulars report on CR topics, among other issues. Members of the Executive Board and Management Board of companies of Schwarz Group are also assigned appropriate roles on management committees within the structure of projects from the Corporate Responsibility department of Schwarz Corporate Communications, which means that they play an active part in decision-making and achieving targets and implementing measures.

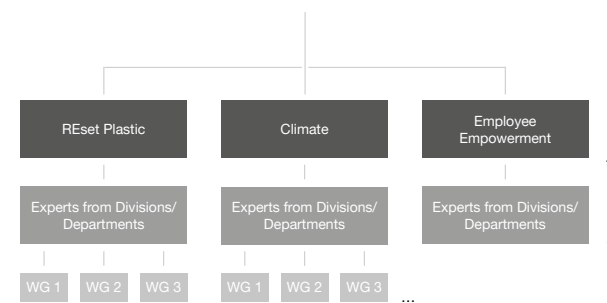
In order to define and achieve the jointly developed, group-wide goals, there are cross-company working and management structures in place. The relevant departments in the companies of Schwarz Group for the subject areas concerned are identified, and representatives are integrated into the various boards with clear roles and

tasks. A key element of corporate due diligence is transparent communication about human rights issues and environmental protection aspects. The companies of Schwarz Group regularly report on significant risks, measures, and the progress made, as well as on remaining challenges.

CR Cooperation Structure within Schwarz Group



Assuming Global Responsibility. Acting with Diversity.



CorpComm = Corporate Communications
CR/CSR = Corporate (Social) Responsibility
WG = Working group



Effectively Managing Sustainability

Depending on the level of maturity of the particular area, each of the focus areas in our sustainability strategy has specific milestones and measurable targets. The measurement of progress forms part of our annual planning and strategy cycle. In the future, the companies of Schwarz Group will be reporting even more transparently on the progress of achieving their goals. Solid data management provides the basis for this. The internal processes in the companies of Schwarz Group are defined through an IT-based business process management tool. In almost all of the companies of Schwarz Group, they are modeled using the ARIS software. ARIS is used for process documentation, process design, and process publication.

IT-based Sustainability Management

The companies of Schwarz Group have also introduced a group-wide software solution for sustainability management in order to provide greater transparency around CR activities. The software is used to record and aggregate all CR measures from all companies, countries, and departments of Schwarz Group. They form the central elements of reports to internal and external stakeholders. This means that best practices can be adopted by CR/CSR managers and other employees in line with the specific companies and adapted to their particular country.

The companies of Schwarz Group further developed the software solution during the reporting year. As part of this work, the jointly developed targets of the companies of Schwarz Group have been added to the software application. Linked with the company-related and country-related targets and measures, they form a comprehensive goal pyramid. The next planned step is to enable the control and continuous monitoring of the strategic activities in the CR department. To implement this next step, projects covering the topic of CR data management with a view to future reporting requirements are planned for the 2023 fiscal year.

The companies of Schwarz Group are also focused on continuously developing the sustainability key performance indicators. On the basis of a group-wide set of CR key performance indicators, a coordinated data collection process is carried out using standardized definitions across all companies of Schwarz Group and all countries. The set of key performance indicators is revised and updated each year. An extensive range of control measures at all levels and the integration of established controlling structures ensure comprehensive quality assurance of the more than 1,000 key performance indicators for sustainability.

Consolidating Sustainability Awareness

In order to fulfill statutory obligations and the obligations we impose on ourselves, employees in HR departments in particular, as well as all members of management, are informed about any relevant content and changes on an ongoing basis. From a sustainable business perspective, the companies of Schwarz Group are also committed to involving their employees in sustainable management.

In previous years, the target listed below – which is currently being revised and developed further – was pursued:

By 2022, the companies of Schwarz Group will empower and support each employee to act in a sustainable manner in their respective areas of responsibility and will continue to do so on an ongoing basis thereafter. The companies of Schwarz Group worked together to develop this target. Concepts that will give employees the skills and expertise they need to act in a sustainable manner are currently being developed in all companies of Schwarz Group or are already being implemented to some extent. The programs, which supplement existing training concepts, provide information on the background and measures already implemented for relevant issues, such as climate and resource protection, the circular economy, and human rights.

They also support the employees with the implementation of sustainable business practices in their respective area of responsibility. This includes internal information and communication campaigns, as well as training sessions on preventing waste and food waste and on energy management.



Within the companies of Schwarz Group, we measure and evaluate the topic of sustainability using over 1,000 key performance indicators.

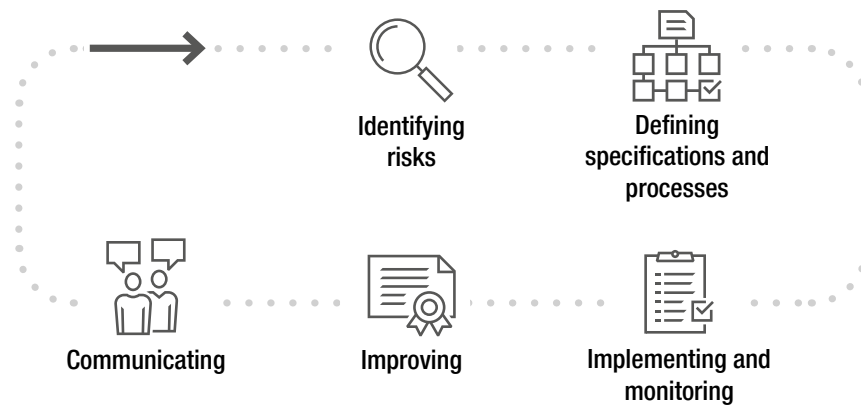


Management of Corporate Due Diligence Duties

The companies of Schwarz Group are committed to observing and strengthening human rights and environmental standards in their global supply chains, preventing the violation of these rights and standards, and taking appropriate remedial measures, if required. The commitment of the companies of Schwarz Group to respect and observe human rights, environmental standards and the individual policy statements of the group companies provides the foundation for the activities required to fulfill our corporate due diligence duties. To fulfill these duties, the companies of Schwarz Group have established a five-stage process where they are in communication with their stakeholders at every stage as necessary.



Corporate Due Diligence Process



Identifying Risks

The companies of Schwarz Group carry out risk analyses on a regular basis to identify and evaluate the impacts their business activities have in relation to human rights and the environment. Due to the varying business activities, the companies of Schwarz Group employ the same methodological approach to carry out these analyses. This approach is based on analyzing recognized indexes and studies regarding the risk assessment of countries of origin, raw materials, and products, while also accounting for the individual risk characteristics of the relevant company's business partners and products. Likewise, they also perform assortment-based analyses.

Defining Specifications and Processes

Using the findings from the preceding analyses, the companies of Schwarz Group can manage sustainability effectively, determine focus areas, define targets and key performance indicators, and identify suitable measures – and, as such, they can

define concrete specifications and processes for avoiding risks or mitigation. In so doing, we follow the precautionary principle. The processes are organized with revision security in mind and thereby ensure that the results are measurable. In this process step, it is essential to define clear responsibilities.

Implementing and Monitoring

The next step involves the consistent implementation of guidelines and process that are then monitored and evaluated in the supply chain by the relevant stakeholders. The tools that the companies of Schwarz Group use to do this include training sessions, external controls and audits, certifications, and cooperation with standard-setters, as well as industry initiatives.

Improving

By monitoring and evaluating the requirements and processes, the identified hot-spots can be continuously improved. Negative effects are systematically eliminated, avoided, or minimized. In this context, it is important to us that we ensure that all parties involved have access to effective complaint mechanisms. To this end, the companies of Schwarz Group have implemented an online reporting system in close to 30 languages. They use complaints to help them identify risks and further develop processes. In addition, where violations are found, they endeavor to rectify the situation through appropriate measures.

Communicating

The companies of Schwarz Group continuously report on their progress and measures implemented, and in doing so, they create the basis for transparent communication with internal and external target groups. They release sustainability reports and press releases and also make use of other publications, such as documents on purchasing policy, position papers, and the websites of the companies of Schwarz Group and their national companies.

CR Risk Management and ESG Rating

As companies of Schwarz Group, we are subject to a wide range of internal and external developments and events that can have a significant impact on our ability to achieve our financial and non-financial targets. Risk management of CR topics is therefore an integral part of corporate management. In the course of the materiality analysis, we also pay particular attention every two years to sustainability risks and

opportunities in consideration of our shared sustainability strategy. In this context, risks and opportunities were discussed and validated by the CR Round Table and the members of the Executive Boards of the companies of Schwarz Group.

In spring 2022, the companies of Schwarz Group completed an ESG rating assessment. Working in partnership with Sustainability, they were subject to their first independent assessment of all potential sustainability risks, and the appropriate risk management measures were implemented. This process will be repeated on a yearly basis in future. The result of this first ESG rating, with a score of 21.7, and the corresponding classification into the low medium risk area, is a testament to both the strategic focus and the varied sustainability activities of the companies of Schwarz Group. The result of the assessment also provides valuable guidance for the further development of the group's policies and programs. In the reporting year of 2022, the result of this first rating was analyzed comprehensively. With the future in mind, we prepared the rating for the following year and established structures and processes for analyzing, communicating and continuously improving the rating score.



Our Vision

Assuming Global Responsibility. Acting with Diversity.



People:

We Believe in Cooperation Based on Respect, Appreciation and Trust.



Product Quality:

We Leave No Stone Unturned when It Comes to Quality – Sustainable, Safe and Healthy.



Circular Systems:

We Are Resource-efficient and Embrace the Circular Economy.



Ecosystems:

We Are Committed to Protecting the Climate and Environment.

A common understanding of sustainability is indispensable. Therefore, all our activities are based on the group-wide sustainability strategy with the four focus areas of **People, Product Quality, Circular Systems, and Ecosystems**. Ambitious objectives guide our actions.



Shaping Focus Areas People



Our Mission:

**We Believe in Cooperation
Based on Respect, Appreciation
and Trust.**

Our Commitment to Respectful Cooperation



Attractive Employer

The employees of the companies of Schwarz Group are key to our sustainable corporate success. We want to be an outstanding employer that puts people first. In order to actively promote the health of employees, we offer health care options and are always available to them as a contact partner for questions related to health. We want to ensure an adequate work-life balance by considering the needs of our employees. For example, one of the ways we do this is by offering flexible working hours. We view diversity and equal opportunities as essential, as different backgrounds, perspectives and experiences only serve to enrich our companies and the work they do.





Focus on People

The position of the companies of Schwarz Group is derived from a corporate philosophy that puts people at the heart of everything. One focus is on establishing a culture of cooperation based on respect, appreciation and trust. The right to codetermination is respected and ensured at all times. We are passionate companies and retailers, ambitious in pursuing our goals, yet discreet. Personal appreciation and respectful communication characterize the spirit of our social and business interactions both with our customers and with our employees.

Promoting a Healthy and Respectful Working Environment

Attractive pay, and in particular complying with the principle of equality with regard to wages is also essential for the companies of Schwarz Group. Employees are also offered further corporate benefits. Depending on the area of responsibility and duties, employees of the companies of Schwarz Group also have the option to take advantage of flexible working hours to ensure a proper work-life balance.

In order to promote the health awareness of employees, the companies of Schwarz Group have set up an occupational health management system that can be used by almost every employee. This system was set up because the companies of Schwarz Group believe that the physical and mental well-being of their employees is their greatest asset. Our employee relations consultants act as neutral counselors for employees to talk to about sensitive subjects and also serve as important contact persons for this issue. They have established themselves as the first point of contact for health-related issues. Employees of Schwarz Dienstleistungen can also access online psychological support free of charge. At Schwarz Produktion, for instance, certain tools were installed to record ergonomic loads. The intention behind this measure is to create awareness among the employees on site and to further improve ergonomic conditions at the workplace.

The companies of Schwarz Group are committed to promoting the well-being of their employees and preventing longer periods of absence. Employees have access to a wide range of health-promoting benefits within the companies and targeted measures to prevent occupational accidents are put in place.

The companies of Schwarz Group ensure that their employees are adequately protected – whether they are working in production facilities, in stores, at logistics sites, or in the area of waste disposal and recycling. To ensure this is the case, the level of coverage provided at company sites is regularly reviewed and adjusted where necessary.

Some national companies set their own goals and focal points for the welfare of their employees. Lidl Switzerland, for example, has set itself the target of improving employees' subjective view of their work/life balance by ten percent by 2025 compared with 2020. The data is collected by conducting an employee survey.

Diverse Employee Offers

Depending on the location, the companies of Schwarz Group offer their employees a range of health promotion activities such as sports classes and medical check-ups. These activities focus on both physical and mental health. The measures available vary between companies and locations and include services such as preventive examinations like skin and breast cancer screening, care consultations, eye examinations, training on back health, flu vaccinations, psychological support, dietary consultations, and training and advice on office chair setup and the correct way to lift and carry items.

Employees can enjoy attractive discounts and special terms with a wide range of cooperation partners, as well as mobility subsidies and benefits depending on the location. The companies of Schwarz Group also provide coverage for certain employee groups against unforeseeable events resulting from accidents. This coverage applies to both the professional and private life of the relevant employee groups.

The range of services provided to employees also includes the chance to enjoy healthy meals at the Schwarz Restaurants. This helps to promote conscious nutrition for employees. Nine out of the ten Schwarz Restaurants have undergone the organic certification process.

This process involves testing of the food and cleaning products for harmful substances, environmental compatibility, and the supplier and supply chains. A weekly dish, which is developed in coordination with the company's health management, as well as transparency regarding the kilocalories contained in the dishes, enable employees to eat more healthily.

Activities such as corporate runs, sports events, and health days complete the offer and, as well as providing an opportunity for physical exercise, help to raise consciousness of how to lead a healthy lifestyle. Because the COVID-19 pandemic has brought about a lasting change to the ratio of mobile work and in-office work, the companies of Schwarz Group in the Heilbronn and Neckarsulm locations are continuously expanding their range of hybrid sports/fitness classes.



Ensuring Fair Wages

We owe our success as a globally operating corporate group to the work of our employees. Each company of Schwarz Group has established uniform salary structures based on objective criteria such as professional experience, expertise, skills, and area of responsibility.

In Germany, an internal minimum wage was introduced at Lidl, Kaufland, Schwarz Produktion and Schwarz Dienstleistungen back in 2010. This minimum wage has been continuously adapted in line with the job market situations of the respective companies of Schwarz Group. For example, Lidl in Germany increased the minimum entry-level salary for its employees to 14 euros gross per hour in June 2022. In most of the countries in which the group operates where a statutory minimum wage is in place, the minimum wages implemented by the companies of Schwarz Group are significantly higher than the national minimum wages. This applies to employees working in stores, production facilities, and warehouses. The Schwarz Produktion sites are predominantly covered by collective bargaining agreements, which guarantee fair and comparable wages.

The work of the management personnel of the companies of Schwarz Group is compensated transparently according to the same principles. For this purpose, the companies of Schwarz Group have jointly developed and defined framework conditions and minimum standards. The level of

remuneration is calculated based, in particular, on the tasks linked to the role and the associated responsibility.

At the same time, the remuneration is based on the relevant sector and the usual market circumstances. Data analyses and benchmarks are used for this purpose. All of this ensures an attractive and competitive remuneration structure for our management personnel and employees.

Variable or performance-based remuneration components and company shares are avoided for the most part. Instead, we use an approach of reliable and secure remuneration with a focus on attractive fixed salaries. Compliance with these principles is regularly monitored in the companies of Schwarz Group by the Internal Auditing department.

Minimum entry level wage at Lidl in Germany raised to

14 euros

gross per hour.

Occupational Health and Safety

Responsibility for occupational health and safety and promoting the health of employees is extensively regulated in the companies of Schwarz Group. From employees to managers, every individual is responsible for compliance with and implementation of the relevant requirements.

Both Lidl and Kaufland at an international level, as well as PreZero and Schwarz Produktion, have continued to expand and strengthen their occupational safety and occupational health management measures during the reporting period. For example, the Kaufland meat processing plants regularly invest in intelligent occupational health and safety systems at individual work stations where there is a particularly high level of risk.

Partly automated order picking systems make an important contribution to occupational health and safety at Kaufland. These systems are used to minimize the physical strain on order pickers, thereby making the picking process more ergonomic and efficient. The Kaufland meat processing plants are constantly working on technical solutions for jobs that place a high level of ergonomic strain on employees.

The Kaufland foldable metal pallets, which are used on a daily basis for order picking and when transporting and stocking goods, offer significant ergonomic advantages for employees working in logistics and in stores when packing and unpacking the goods. The pallet was awarded the prevention prize “Die Goldene Hand 2021” (the golden hand 2021) by the German Social Accident Insurance Institution for the Trade and Logistics Industry (Berufsgenossenschaft Handel und Warenlogistik – BGHW).

As part of its digitalization strategy, Lidl has started to roll out the Platform for Organizational Safety and Health (POSH) software developed by the company itself. This software aims to continuously improve the company's safety performance and enable simpler management of occupational accidents.

PreZero has also improved accident prevention and has set up an international accident reporting process. This makes it possible to learn from each other and derive preventive measures to ensure the safety of employees. As part of this program, the national companies are working together and using their many years of experience to anticipate accident potentials.



Occupational Health and Safety Management

Almost all of the companies of Schwarz Group have defined all of the processes related to occupational health and safety in an IT-based business process management system and in the ARIS software. These processes are based predominantly on the main requirements of recognized occupational health and safety management systems, such as ISO 45001. Since 2012, all of the Kaufland meat processing plants in Germany have been awarded the “Sicher mit System” (Safe with a system) quality seal by the employer’s liability insurance, which is based on ISO 45001. In addition, the Kaufland stores and logistics centers in Bulgaria and Croatia are certified according to ISO 45001.

Recurring, location-based occupational health and safety inspections are carried out at Kaufland across all countries. The aim of this measure is to identify potentials for optimization at an early stage and to implement appropriate measures. For this process, Kaufland relies on close cooperation between the occupational health and safety experts and the operational department managers.

Kaufland supports and calls on the individual initiative of the local occupational health and safety experts with the aim of creating a safe work environment for employees and increasing the effectiveness of the processes. An example of this is the creation of the training videos on how to use equipment by the Polish Occupational Health and Safety department of Kaufland.

At Schwarz Produktion, the occupational health and safety management system at each site is based on ISO 45001. This system defines the occupational health and safety standard within the group by means of guidelines and procedural instructions. There is also an IT-based EHS tool for the production facilities of Schwarz Produktion. This tool enables all material such as risk assessments, operating instructions, and registers of hazardous materials to be created, updated, and made available to all production facilities in digital form.

Diversity and Equal Opportunities

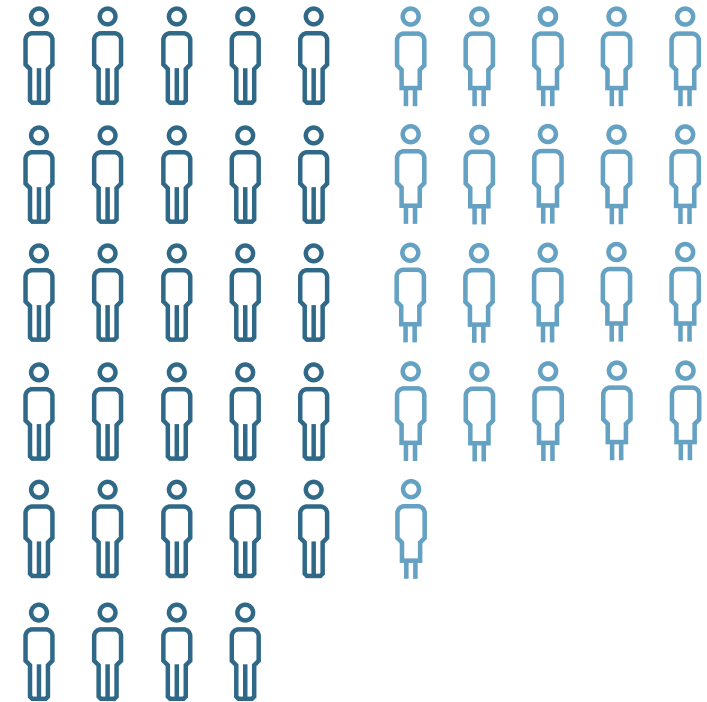
The companies of Schwarz Group place a great deal of value on having a diverse team of employees. Our goal is to create a motivating work environment that is founded on diversity and equal opportunities. We promote a management culture that relies on working together and motivates employees. We want to encourage employees to contribute their diverse range of skills, knowledge, creativity, experiences, and perspectives as part of their roles. This is the only way that diversity can be anchored in our day-to-day interactions.


As an international corporate group, the companies of Schwarz Group employ people from all sorts of backgrounds. They want to offer their employees a respectful working environment – regardless of their age and the generation they are from, their ethnic background and nationality, their gender or gender identity, their physical and mental capabilities, their religion or world view, their sexual orientation, or their social background. As a fair employer, the companies of Schwarz Group want to use objective selection criteria to create the framework conditions for equality right from the recruitment phase.


Every employee has the same opportunities to develop themselves personally and professionally. Within the companies of Schwarz Group, the continuous development of a holistic approach to diversity and equal opportunities also helps to strengthen employee loyalty to the company and supports the performance of the teams within the companies. Diversity is therefore of great importance across all companies of Schwarz Group and the aspects of fairness as well as mutual respect and appreciation are entrenched in the corporate principles and values of the companies of Schwarz Group. Lidl Stiftung & Co. KG, Kaufland Stiftung & Co. KG and Schwarz Dienstleistungen all signed the Diversity Charter – a voluntary corporate agreement to promote diversity. In doing so, they confirmed their commitment to diversity and are planning to define quantifiable targets for the topic of equal opportunities. The 2022 fiscal year ended with 41.7 percent of management positions occupied by women.

41.7%

Women in management in FY 22 – with regard to all management positions



 **Male**
 2022: 58.3 %
 2021: 57.8 %
 2020: 60.0 %

 **Female**
 2022: 41.7 %
 2021: 42.2 %
 2020: 40.0 %

Diversity and equal opportunities are extremely important to the companies of Schwarz Group, and this is reflected by the organizational integration of these issues within the corporate structure. At Lidl, responsibility for the topic rests with the HR Concepts executive management unit, while at Kaufland, PreZero, and Schwarz Dienstleistungen, it is the direct responsibility of the Chief HR Officer. The HR department is in charge of operational implementation in cooperation with management. At national level, responsibility for the topic lies with the individual national Chief Executive Officer and HR director. The main work involved in managing diversity and equal opportunities is carried out by the international HR departments. The national companies implement the defined framework conditions and – where applicable – additional country-specific measures in line with defined focus areas. They collect key performance indicators to enable them to manage and evaluate the measures taken to support diversity and equal opportunities. At Schwarz Produktion, the Management Board, the HR department, and management are responsible for diversity.

Respect for diversity and the fair and considerate treatment of one another are issues that affect every single employee, regardless of their company and level. In order to put the corporate principles and company values into practice, but also to emphasize the importance of respectful leadership, Lidl, Kaufland, PreZero, Schwarz Produktion and Schwarz Dienstleistungen have also incorporated the topics in their leadership models.

Contacts and Complaint Mechanisms

There are clear structures and contacts in place in all of the companies of Schwarz Group for employees to raise any questions or complaints about diversity and equal opportunities. Besides the relevant managers, this includes the HR departments and – where applicable in accordance with national regulations and local conditions – employee representative bodies, for example – depending on the location – at Lidl, Kaufland, PreZero, Schwarz Produktion, and in parts of Schwarz Dienstleistungen. There are also designated employee relations consultants in all of the companies of Schwarz Group, who act as neutral and independent contact persons. This is not the case across all of PreZero. The employee relations consultants are available in addition to the HR and compliance departments to assist all employees with any concerns or questions they may have on general HR topics but also with complaints regarding diversity and equal opportunity. This includes information about potential cases of discrimination in the work environment. Kaufland employees in Germany can also submit complaints and express criticism via the internal “K Stimme” portal.

In principle, the provisions set out in the General Act on Equal Treatment (Allgemeine Gleichbehandlungsgesetz – AGG) – including the requirement to set up a department responsible for handling complaints at the employer’s premises – and the provisions of the Transparency in Wage Structures Act (Entgelttransparenzgesetz) apply. In accordance with this act, every employee has the right to demand information on issues related to remuneration.

Employees are permitted to form representative bodies within the companies of Schwarz Group, depending on the location, in accordance with the applicable national regulations. It is important to us that we maintain a trusting, fair and ongoing relationship with the selected employee representatives in our companies at the relevant locations. Employee representative bodies participate in accordance with the national regulations of the respective country. We also support collective bargaining and adhere to the agreements. We comply with the obligations set out in collective agreements just as strictly as we do our legal obligations and intra-company agreements – such as works agreements with works councils in Germany.

Raising Awareness among Employees and Managers

To meet the internal and legal obligations, managers and employees in the HR departments of the companies of Schwarz Group, in particular, are constantly informed of relevant aspects and changes. Lidl, Kaufland and Schwarz Dienstleistungen offer needs-based intercultural training courses to promote internationality and cultural understanding of specific groups of people. This can be required in the context of a new country opening, foreign postings, or in the event of job rotation. At Lidl and Schwarz Dienstleistungen, this also applies to trainees. Since 2021, training on diversity & inclusion has been offered to executive management at Lidl as part of their international development program; since 2022, this training has been extended to senior vice presidents as part of an international development program. In addition, e-learning courses on culture, diversity, and inclusion are currently being rolled out across all Lidl countries for office-based managers and employees, along with an e-learning course on HR compliance that is just for managers. Across all group companies in Germany, managers are regularly educated about the General Act on Equal Treatment (Allgemeine Gleichbehandlungsgesetz – AGG), and at Lidl, Kaufland, PreZero, Schwarz Produktion and Schwarz Dienstleistungen, this training is also received by all other employees.

Delivering More Equal Opportunities with the Support of Strong Partners

In pursuit of the goal of promoting women in management positions, Lidl has been a partner of the international network Leading Executives Advancing Diversity (LEAD) since 2020. This network is committed to promoting diversity and increasing the proportion of women in management positions in retail and in the consumer goods industry. Lidl emphasized its commitment to this issue by signing the United Nations Women's Empowerment Principles (WEP). WEP is the first global initiative intended to systematically promote and empower women in business - based on a leadership culture that advocates equal opportunities. In order to promote equal opportunities, a mentoring program that is available to employees of any gender was also introduced in Lidl Stiftung and in Schwarz Dienstleistungen. Kaufland also strives to maintain balance in its management structure. For example, half of the management positions across all countries are held by women.

Schwarz Produktion is also actively committed to the equal treatment of all employees of its companies. To exclude any disadvantages, Schwarz Produktion carried out the Federal Anti-Discrimination Agency's Gender Bias Check in 2019 and received a certificate for completing this check at the start of 2020. Schwarz Produktion set up an extensive action plan based on the findings from the equal opportunities check. This action plan primarily relates to job advertisements, recruitment and promotion processes, and family-friendly policies and working time models, and it serves as a way for the company to further promote equal opportunities. Lidl Stiftung & Co. KG took part in the pilot project for the equal opportunities check back in 2016/2017 and was awarded the corresponding seal to mark its efforts.



Half of the management positions at Kaufland across all countries are held by women.

100%

of the new directors, senior vice presidents and national board members at Lidl receive training on diversity and inclusion



An Eye on the Future

A changing world needs people who can help shape it. To do this, we must keep looking ahead and always be prepared to continue **developing**. From education to the chance to take part in a dual-study program right up to professional development within the companies of Schwarz Group: With our continuous professional development measures, we adapt to the needs of our employees and set the course for the future. This is why forward-looking human resources development is a key factor to enable us to position ourselves as an attractive employer for our employees and on the job market.

Training and Empowerment of our Employees

Education is the key foundation for business success for the companies of Schwarz Group. Given the current shortage of skilled workers and demographic change, needs-based training and development represents an opportunity to recruit and retain qualified employees. Holistic employee development also has a positive effect on the reputation of the group companies as an employer and supports their future viability.

Trainee programs, work-study courses, and commercial and technical training courses and programs that provide professional qualifications, such as retraining opportunities, are firmly embedded in the corporate culture at all of the companies of Schwarz Group. With an extensive range of methods, the companies of Schwarz Group support every single employee in their professional and personal development. Another key factor in this context is providing employees with education and further training on the topic of sustainability.

A target that we set ourselves was that by 2022, we would empower all employees to act in a sustainable manner in their relevant area of responsibility and support them in this pursuit. We are continuing with this commitment and are currently updating our targets. Concepts that will give employees the skills and expertise they need to act in a sustainable manner are currently being developed in all of the companies of Schwarz Group.

Training on the Topic of Sustainability

In 2022, the sustainability training program implemented in the Schwarz Dienstleistungen and Schwarz Produktion for all employees and management personnel, including members of the Executive Board, was revised in terms of its content and carried out. Relevant topics from the sustainability strategies of the companies of Schwarz Group, such as waste prevention, food waste, human rights, the circular economy, and raw materials are included in this training program. Existing training concepts have been updated accordingly.

In the mandatory training sessions, which new employees are signed up to when starting and, which existing employees must complete every two years, the employees learn about selected CR measures implemented in the companies of Schwarz Group. As part of this process, they learn about how they incorporate the topic of sustainability into their day-to-day work environment and their private life. The training covers topics such as waste separation and energy management. The content of the training sessions is regularly updated. Furthermore, at Schwarz Dienstleistungen, additional employee empowerment formats aimed at teaching employees about technical principles and department-specific contents are currently being developed. The aim is to create a learning journey for success-critical target groups to cover our focus areas, and in doing so, to incorporate sustainable business practices in our day-to-day work processes. A similar sustainability training course was developed by Kaufland in 2022

as a type of starter training course. The course was designed as a mandatory course for all new and existing employees and was rolled out in the national companies. The training course is predominantly carried out in the form of an e-learning course and contains information about the company's sustainability management and suggestions on ways that employees can incorporate conscious and sustainable actions into their work life and private life. The training session is updated on a regular basis and is scheduled to be supplemented with additional formats for targeted employee empowerment. Kaufland also offers existing training courses on individual topics, such as energy management, which are being integrated into the concept. The concept not only provides for training following the classic training format, but also allows other formats to be used depending on the target group and content.

An internal communication campaign aimed at empowering employees to become sustainability ambassadors was developed. The campaign was made available to all Kaufland countries at the beginning of 2023 and is currently being implemented gradually, with full implementation scheduled for the start of 2024.



“We want to inspire our over 575,000 employees to act sustainably and win them over as ambassadors for our sustainability topics. By means of transparent communication, empowerment offers, and shared employee campaigns, we would like sustainability to permeate into daily working life and to integrate it into material decision processes.”

Sina Traub

CR Focus Area Supervisor
People of Schwarz
Unternehmenskommunikation
GmbH & Co. KG

Lidl Stiftung & Co. KG is currently working on “YOU” – a comprehensive sustainability initiative that aims to equip all employees with the skills and expertise they need to act in a sustainable manner. The concept comprises internal sustainability campaigns, e-learning courses for all employees, and the establishment of an international CSR community made up of CSR ambassadors. At PreZero Stiftung & Co. KG, since December 2022, employees have been empowered through regular training sessions on CSR and strategic key topics. PreZero is also planning a mandatory training course on the topic of sustainability and the Supply Chain Due Diligence Act (LkSG).

In addition to the general sustainability training sessions, there are also in-depth training sessions for store employees and logistics employees. Lidl offers an e-learning course that is currently being developed on the topic of recyclable materials management. This training course is aimed at increasing logistics employees’ awareness of resource efficiency and a clean materials sorting process. Training courses on the topic of energy management are also carried out in all Lidl countries for employees working in stores and in warehouses. At Kaufland, new employees in inventory management complete the online training course “Recycling macht den Unterschied” (Recycling makes the difference). They receive a checklist that they go through with an experienced trainer to illustrate the principles of clean waste separation.

In the future, the progress in achieving our employee empowerment targets will be measured by carrying out an annual anonymous employee survey. The zero measurement/first survey for this annual review was carried out at the end of the 2022 fiscal year at Kaufland, Schwarz Produktion, PreZero and Schwarz Dienstleistungen. A summary of the findings across all companies of Schwarz Group is currently being compiled and is likely to be completed by fall of 2023.



“I feel very strongly about the success of our internal YOU sustainability initiative. This is because: Change starts with people. Always. We aim to take our employees from simply understanding sustainability to implementing it. We promote internal dialog about our commitment to sustainability. Through YOU, we’ll prepare the entire Team Lidl to implement our international CSR strategy.”

Jennifer Cords

Senior Vice President Corporate Affairs Lidl Stiftung & Co. KG

Needs-Based Training for our Employees

The development and implementation of training and development concepts in the companies of Schwarz Group is also reflected in the organizational structure. The subject is managed in a decentralized manner in all of the companies of Schwarz Group by the respective HR department. Responsibility for the further development and training of individual employees lies primarily with the respective manager and the employees themselves. With the current and future tasks of the specific employee in mind, the manager and employee agree on which specific further training is required and what training measures are appropriate. The relevant responsibilities of managers are clearly defined in this context. In each of the companies of Schwarz Group, there are defined competencies and management guidelines that are based on joint corporate values and principles, and are adapted in line with the requirements of the relevant company.

Employee Development

At Lidl and Kaufland, the HR departments in the countries and at the regional distribution centers support managers and departments with targeted processes, programs, and seminars. At the two companies, the countries receive additional, central support from the Talent Management department. For the purposes of sustainable talent management, individual development plans are created in cooperation with employees as part of this approach. This same approach is taken at Schwarz Dienstleistungen as part of a systematic process with the support of the HR department.

A structured talent management process ensures year-round employee development at all of the companies of Schwarz Group. Individual development opportunities are defined for certain employee groups in a targeted manner. A clear, transparent assessment system ensures fairness of performance evaluation throughout the company. As part of the annual talent management process, employees receive feedback on their performance over the preceding twelve months. Depending on whether it is required or not, a development plan for the year ahead may also be defined. The aim of this process is to identify talent from within the company's ranks, highlight career opportunities, and create transparent career paths.

At the companies of Schwarz Group, the various training and development opportunities on offer are tailored to each individual. We therefore offer a wide range of opportunities for all employees in all companies in order to accommodate individual requirements and support the entire workforce.

In addition to in-person events, Lidl, Kaufland, Schwarz Produktion and Schwarz Dienstleistungen also offer e-learning concepts for their employees, covering topics such as communication and leadership.

At the Kaufland Frischeakademie, employees who work on the fresh food counters are given training on various product areas and the special requirements that apply to the fresh food counters over the course of six modules. They learn independently in self-learning phases with interactive online training sessions before attending an in-person training session where they have the opportunity to build on their knowledge, practice specific tasks and skills, and discuss the topics within the team. Supplementary material and discussions help participants to put their new knowledge and skills into practice in their day-to-day work. The trainers that oversee the program are referred to as “freshness trainers”.

Schwarz IT (SIT) is also committed to the targeted training and development of employees. The company offers various learning formats on IT-related issues through its dedicated People, Organisation & Projects department. It has also launched the Learning@SIT initiative, which is designed to help SIT employees develop the skills they need to tackle future challenges in IT. This includes skills relating to data, and to security and cloud technologies, with the aim of meeting future market requirements.

Schwarz Group also focuses on the development of managers. Kaufland teaches junior staff about its corporate values and management tools using a modular training program. In this way, the division is promoting a holistic understanding of the new role. There are transnational development programs for all levels – from junior managers to directors. Lidl also offers standardized development programs that support employees in leadership roles with their new tasks. At Schwarz Dienstleistungen, new managers attend a leadership program called “Fit für Führung” (Fit for leadership) during their first year in the role. The program combines practical workshops with training courses. Schwarz Produktion also has various opportunities for managers, designed to help them train for the role and support them in the execution of their new leadership duties. In addition, there are modular training options for different target groups and needs.

Comprehensive Training and Onboarding

As part of their efforts to provide comprehensive training, the companies of Schwarz Group offer a group-wide job rotation program. As part of this process, employees take over a role with specialist responsibility or management responsibility in a different company of Schwarz Group for a period of up to two years. During this time, the employees gain experiences from working in different companies and/or different departments, which they can then

bring back to their regular job after the job rotation period ends. New employees also receive in-depth onboarding in the companies of Schwarz Group. For employees of Schwarz Dienstleistungen, this includes the opportunity to gain practical insights about the store business operations at Lidl or Kaufland when starting their role.





Responsibility in the Supply Chain

People from all over the world are involved in the supply chains of the retail divisions Lidl and Kaufland. The companies of Schwarz Group have a special responsibility toward these people. They undertake to take into account human rights-related and environment-related due diligence obligations in their supply chains. We also require our partners along the supply chains to comply with the requirements for fair and safe working and living conditions developed jointly by the companies of Schwarz Group. These requirements are in line with the statutory regulations, such as the German Supply Chain Due Diligence Act (LkSG). As part of our commitment to these causes, we are focused on employment-related human rights, have established complaint mechanisms in the event of violations, and review human rights-related aspects and environmental aspects when selecting suppliers. We advocate for living wages in the supply chain.

Social Standards, Working and Living Conditions in the Supply Chain

The companies of Schwarz Group are committed to ensuring that employment-related human rights and environmental standards are observed. This commitment is put into practice mainly by the Purchasing and Procurement departments through the use of sustainable purchasing and procurement strategies, as well as through intensive cooperation with our suppliers. Our retail divisions, Lidl and Kaufland, sell food, non-food, and near-food products that are partly produced in complex supply chains spanning the entire world. Some of these products are also produced by production facilities that are part of the companies Schwarz Group. At the end of the life cycle of the products, the companies of Schwarz Group actively contribute to closing recycling loops on an international scale with the environmental service provider PreZero.

A core aspect of the human rights due diligence process of the companies of Schwarz Group is a holistic, risk-based approach. This allows the companies of Schwarz Group to identify potential risks related to human rights and the environment along the supply chains, to effectively prevent these risks, and to take remedial action where necessary. As part of implementing the Supply Chain Due Diligence Act, the companies of Schwarz Group raise awareness among business partners

through contractual agreements and training courses. Furthermore, they are also developing a methodology for assessing preventive and remedial actions and defining responsibilities.

The companies of Schwarz Group also advocate for the creation of a level playing field in Europe and for fair competition in international markets. They acknowledge that in global supply chains, joint solutions must be developed in order to achieve systemic changes and thereby improve conditions for local people. On the one hand, this requires the collaboration of international stakeholders, and on the other hand, it requires a uniform legal framework. As such, the companies of Schwarz Group advocate for binding supply chain regulations at a European level.

The companies of Schwarz Group take their responsibility to uphold their human rights-related and environment-related due diligence obligations seriously. They are committed to driving forward appropriate improvements in the supply chains and in their own business area through targeted involvement. This approach has also been appropriately anchored in the commitment of the companies of Schwarz Group to respect human rights and environmental standards. They share this responsibility to properly address their actions and the impacts of these actions along the supply chains with all of their business partners and expect them to act in a manner that is consistent with the legal requirements. The Code of Conduct for Business Partners of

the companies of Schwarz Group sets out the basic principles governing the cooperation with business partners and describes what the companies of Schwarz Group expect of their business partners in terms of human rights and environmental issues.



[Code of Conduct for Business Partners](#)



[Commitment by the Companies of Schwarz Group on Respecting Human Rights and Environmental Standards](#)

Human Rights in the Supply Chain

The Purchasing and Procurement departments of the companies of Schwarz Group have the opportunity to make a contribution to ensuring that human rights are observed along the supply chains. One way in which they do this is by adding certified raw materials to our portfolio. We are aware that preventive measures such as seals or certificates cannot completely rule out human rights violations. However, they are still an important step toward more transparency and go beyond legal minimum standards, which makes them a key component of meeting existing due diligence obligations.

Purchasing and supplier management processes are defined in the Purchasing departments. Long-term contracts and active supplier management are important elements of these processes when it comes to strategically important goods and services. These processes help minimize risks specific to purchasing, such as supply shortages or large price fluctuations, ensure competitiveness, and build trusting relationships with suppliers. The companies of Schwarz Group also want to fulfill their responsibility to society and the environment jointly with direct and indirect business partners along the supply chains and service sectors.

Clear sustainability criteria and standards apply to our supply chains at a global and regional level. In the companies of Schwarz Group, criteria and measures for assessing and further developing sustainability practices in the supply chain in the context of the German Supply Chain Due Diligence Act (LkSG) are currently under development. Since 2022, the companies of Schwarz Group have been systematically carrying out an annual risk analysis of all direct business partners as well as intra-year/needs-based risk analyses. Based on its findings, business partners are prioritized according to their risk exposure in order to effectively counteract adverse effects of business activities.

Focus on Employment-related Human Rights

In the context of fulfilling their social responsibility, the companies of Schwarz Group focus mainly on the so-called employment-related human rights. These rights are intended to ensure that human rights and minimum working conditions of people in employment are respected. The fundamental principles of the International Labour Organization (ILO) serve as the framework for this. Accordingly, the companies of Schwarz Group focus particularly on the six following employment-related rights:

- **No child labor**
Children require special protection. That is why all forms of child labor are prohibited. National laws and international standards on the protection of minors must be complied with.
- **No forced labor**
Forcing people to work violates a fundamental human right. There are many forms of forced labor, including coercion, threats, and the withholding of pay.
- **No discrimination**
Any distinction, exclusion, or preference on account of age, gender, sexual orientation, pregnancy, disability, nationality, ethnic origin, skin color, religion or ideology, political opinion, social background, or marital status that results in unequal treatment or disadvantage is prohibited.

- **Fair wages**
Fair wages ensure a humane living standard that enables people to meet their basic needs and those of their family.
- **Freedom of association**
The freedom to join employee representative bodies and participate in collective negotiations must be ensured.
- **Occupational health and safety**
Occupational health and safety must always be ensured so that employees' health is not endangered or compromised in the workplace.

If our business partners fail to cooperate with us on the points listed above, we take appropriate action, up to and including termination of the business relationships.

The overall responsibility for human rights-related and environment-related due diligence lies with the Chief Executive Officers of the companies of Schwarz Group. The responsibility for implementing the group's human rights-related and environment-related due diligence lies with the respective management of the involved functional departments of the companies of Schwarz Group and is implemented on a task-specific basis. Each company implements its responsibility in line with its business model and has integrated suitable approaches into its business practices.

Human Rights in Purchasing

Lidl, for example, has created its own human rights strategy for purchasing. The aim of this strategy is to ensure that human rights measures are implemented in a structured manner and that standards are consistently met. When developing its supply chain strategy, Lidl Purchasing focused on supply chains, which are particularly relevant based on a product assortment-specific risk analysis. The company has also taken into account the expectations of its customers and society and the priorities of NGOs, as well as legal developments and scientific findings. This approach is based on clear responsibilities: The implementation of the strategy is monitored by the Senior Management Board. The Board is regularly updated on any incidents and progress relating to human rights issues in the supply chains. In addition, routine decision-making exercises take place at Executive Board level to align the human rights strategy. The CSR Purchasing Manual also provides important guidance when it comes to assigning clear responsibilities and targets within Lidl. This is an internal document aimed at all Purchasing departments in the group. The manual highlights potential negative effects in the supply chains and sets out requirements and tips for how Lidl buyers can have a positive influence on these effects. Scope for action arises for instance in adopting principles for responsible purchasing practice and implementing enhanced transparency requirements for suppliers with standards and certification partners.

Kaufland has also published its own position on human rights on its website and explains how it tackles this issue; it starts with a risk analysis followed by the creation of an action plan and the implementation of a continuous improvement process. Kaufland also has an internal document, which contains requirements for the Purchasing departments and is currently being revised.

Establishing Complaint Mechanisms

In order to quickly identify and counteract human rights violations, the companies of Schwarz Group have put in place a complaint mechanism. This mechanism enables those who are affected by or those who observe potential violations of human rights and environmental standards to report them in confidence. Suspected violations can be reported at any time to the compliance officers of the companies of Schwarz Group, ombudspersons, or, if desired, anonymously via the various online reporting systems. Lidl and Kaufland are also involved in various multi-stakeholder formats. Through their involvement in these formats, they want to promote the importance of reporting systems in general and across all sectors and to expand the reach of their own complaint mechanisms. In addition to their own online reporting system, Lidl is also involved in the complaint mechanisms of initiatives such as Accord/RSC, ETI, Amfori, and ACT. Lidl is also piloting specific complaint mechanisms in supply chains with high risk exposure. An example of this is the successfully completed pilot project involving the berries supply chain in Huelva, Spain.

All complaint mechanisms of the companies of Schwarz Group are constantly being developed further and improved. There are also numerous training sessions containing information on and references to complaints systems.

The assortment of Lidl and Kaufland includes numerous products certified by organizations like Fairtrade or FSC®. Similar to initiatives like amfori-BSCI, they have certain channels and complaint mechanism in place to report potential violations.

Key findings from complaints are used to further develop the mechanisms and identify risks. If any adverse impacts caused or influenced by the companies of Schwarz Group are identified, we will always strive to remedy the situation. To achieve this, we use our powers of influence to ensure that the affected parties receive appropriate redress.



[Lidl – Responsibility along Supply Chains](#)



[Kaufland – Responsibility along Supply Chains \(German\)](#)

Our Purchasing Structures

Schwarz Beschaffung (SBES) supports the companies of Schwarz Group through the strategic procurement of non-merchandise goods (capital goods needed within the companies to carry out business activities) and by providing services. It is based within Schwarz Dienstleistungen and works with numerous suppliers from all over the world. In addition to the group-wide Code of Conduct for Business Partners that was jointly developed and introduced by the companies of Schwarz Group, Schwarz Beschaffung also has its own procurement principles. This includes production standards for suppliers. In addition to selection criteria related to the financial situation and quality, there are also selection criteria related to human rights and environmental aspects in accordance with the German Supply Chain Due Diligence Act. For items of particular focus for quality assurance, the companies of Schwarz Group work together with Schwarz Beschaffung to define individual and risk-based minimum requirements for quality assurance. The requirements are reviewed by the Internal Audit department on a regular basis.

Responsibilities at the Retail Divisions

In the retail divisions Lidl and Kaufland, the respective purchasing departments have overall responsibility for supplier management of merchandise and work in close cooperation with the relevant departments in the national companies.

A large number of private-label products fall under the responsibility of the Purchasing International department, which is also the department assigned to conduct quality assurance in these cases. For other private-label products, the Purchasing department in the relevant national company is the one in charge.

At Lidl, the Chief Purchasing Officer is responsible for sustainability in purchasing. CSR Purchasing is responsible for the strategic and operational implementation of all sustainability issues in Purchasing International and Purchasing National in cooperation with the national companies.

In terms of content, the risk analyses performed on a regular basis form the central basis for the definition of sustainability requirements and publication of corresponding purchasing policies. The sustainability requirements agreed upon by the companies of Schwarz Group are binding for all buyers.

Implementation is constantly monitored and the findings are regularly reported to the Chief Purchasing Officer. These findings provide the basis for the systematic identification of the potential risks of human rights violations and environmental impacts that could arise as part of the business processes.

At Kaufland, the CR International department coordinates the strategic sustainability management. The strategic and company-wide significance of the topic is emphasized by the fact that the department reports directly to the Chief Executive Officer. The CR International department provides inspiration and advice to all national organizations and international departments through the joint definition of strategic objectives. Consistent international standards and policies for all sustainability issues affecting Kaufland support the implementation of the objectives. The International Sustainability for Goods department was established as a strategic and expert point of contact for purchasing related sustainability issues. Close cooperation with the international purchasing departments and national colleagues for sustainability in purchasing enable targeted measures that help us to fulfill our responsibilities as a food retailer.

Responsibilities at Schwarz Produktion and PreZero

Purchasing is also responsible for procurement at Schwarz Produktion. Lidl Purchasing is in charge of part of the procurement process regarding selected strategic product groups. Suppliers of raw materials

and packaging have to go through a supplier approval process including the provision of a detailed self-disclosure, in order to successfully complete the approval process to become a business partner. Audits may also be performed. These are separate to any risk assessment performed by Quality Management in relation to quality risks. These processes are part of internal supplier management practices. Schwarz Produktion also requires suppliers of raw materials and packaging to make a commitment themselves by becoming members of programs such as amfori-BSCI or SEDEX, for example. The aim of this requirement is to improve social standards in global supply chains. If they do not commit to this undertaking, suppliers will not be approved.

At PreZero, the Waste Disposal Network department has been responsible for waste disposal services and, for creating and developing a central supplier and service management system since 2019. When procuring waste disposal services, in addition to compliance with legal requirements, the company also attaches great importance to sustainability-related aspects, such as reducing transport distances, by ensuring optimal utilization of recyclables containers. The companies of Schwarz Group are constantly striving to improve and systematically expand these processes for identifying risks and opportunities.

Selecting Suppliers: Setting Standards and Raising Consciousness

The companies of Schwarz Group consider social and environmental sustainability to be of great importance when cooperating with business partners and across the entire supply chain. The companies of Schwarz Group share their responsibility to address any adverse effects in the supply chains appropriately with their contractual partners. The Business Partner Code of Conduct of the companies of Schwarz Group sets out the basic principles governing the cooperation with business partners and describes what the companies of Schwarz Group expect of their business partners in terms of human rights and environmental issues. The Code of Conduct is based on the international guidelines and principles for the reduction of negative environmental and social impacts throughout the value chain listed below: It is currently being updated to include the requirements set out in the German Supply Chain Due Diligence Act.

- Universal Declaration of Human Rights
- UN Global Compact
- UN Guiding Principles on Business and Human Rights
- UN Convention on the Rights of the Child
- UN Convention on the Elimination of All Forms of Discrimination against Women
- OECD Guidelines for Multinational Enterprises
- Core labor standards of the ILO
- Paris Climate Agreement

The companies of Schwarz Group regard compliance with human rights as a fundamental requirement for any cooperation. The companies of Schwarz Group categorically reject any form of human rights violations such as child labor or forced labor during the production, processing, and delivery of resources and goods.

When entering into a business relationship with companies of Schwarz Group, business partners not only have to comply with the relevant standards in their own business, but also have to ensure that their subcontractors adhere to these standards. In this context, the companies of Schwarz Group also require their direct suppliers to make a commitment to respect human dignity and comply with statutory environmental and social requirements. This includes observing the internationally recognized principles of the UN Global Compact and the United Nations Universal Declaration of Human Rights.

Transparent Positioning and Business Relations

Lidl and Kaufland also define their requirements for responsible purchasing of retail goods through topic-specific guidelines, position papers and purchasing policies. This is an important contribution to respecting corporate due diligence obligations in the supply chain. For example, in the 2022 fiscal year, in Germany, the Netherlands, and Great Britain, Lidl published an updated overview of its direct business partners for tea, bananas, and strawberries, as well as the suppliers and actual producers. Lidl also published a list of the main suppliers for its private-label products in the textile and hardware sector, for its private-label and branded products in its food assortment, and for fruit and vegetables. The information was published in 2023 but relates to the 2022 fiscal year; it includes information for Germany, the Netherlands and Great Britain. In 2017, Lidl became the first retailer to publish a list of the textile and shoe manufacturers involved in its private-label assortment.



[Lidl – Guidelines & Position Papers](#)



[Kaufland – Guidelines & Position Papers \(German\)](#)

Supplier Evaluation and Development: Ensuring Standards and Driving Change

Since 2010, Lidl has taken the preventive measure of requiring producers in high-risk countries who produce non-food goods for Lidl to provide proof that they have undergone a valid social audit completed by an independent, local expert. By implementing this measure, Lidl is aiming to ensure compliance with the applicable social standards.

This requirement was subsequently expanded to also include environmental audits. There are certain basic requirements that must be met as part of this process. The audits are documented systematically and repeated at regular intervals. In the event of any complaints, such as violations of working time regulations, proof of the relevant remedial actions taken must be provided in a transparent manner. Lidl has also set itself the goal of carrying out three Human Rights Impact Assessments in its supply chains every year up to 2025. Since the end of 2021, Lidl has gradually taken over Kaufland's purchasing of non-food own-brand products. As part of this consolidation, the requirements Lidl places on suppliers also apply to the products procured for Kaufland. For selected product groups, Kaufland has required producers to undergo a social audit since 2020.

Prior to the introduction of the mandatory BSCI audit standard for producers of non-food goods, Kaufland audited high-risk suppliers to verify compliance with minimum social criteria. To ensure cascading, business partners are expected to also fulfill their due diligence duty and to require their suppliers to likewise comply with social and environmental standards. In the first instance, the focus is on the long-term development of suppliers to ensure adherence to minimum environmental and social standards. However, Kaufland terminates supplier relationships if, despite corrective action being taken, there is no demonstrable improvement and the supplier is found to be in breach of fundamental social and environmental standards and the law. Lidl also uses the EcoVadis supplier platform for selected suppliers in the area of food and non-food products. With this platform, companies can use a universal scorecard with benchmarks and tools to assess their sustainability performance and then work together with EcoVadis to improve their performance.

In addition, internationally recognized, standard-setting seal organizations like Fairtrade, Rainforest Alliance, and FSC® act as an extended arm, reaching down to the producer level. The organizations ensure regular checks are performed to confirm compliance with the relevant standards. These checks are also carried out by independent third parties. In order to actively improve the local situation, the retail divisions of Schwarz Group are focused on increasing awareness and competencies. Save the Children, a non-governmental organization, also trains suppliers on the prevention of child labor in producer countries on behalf of Lidl.

Identifying and Responsibly Procuring High-Risk Raw Materials

The companies of Schwarz Group carry out regular and needs-based risk analyses in the context of their business activities. In the process, the companies of Schwarz Group use an individual risk classification of direct business partners on the basis of the products purchased and services rendered. The risk assessment uses recognized indexes and studies while taking the country-specific information and raw materials information into account. In this way, by utilizing various sources of information – including the ILO, the Global Slavery Index, the UNICEF Global Data Base Child Protection and the UN Gender Inequality Index – the companies of Schwarz Group evaluate which of our supply chains have the highest risk of human rights violations.¹

Even before the German Supply Chain Due Diligence Act came into force, the Purchasing departments in the retail divisions were already carrying out analyses and using the results of these analyses to develop appropriate measures in the area of raw materials policy. As an international corporate group, the issue of raw materials and the production of raw materials is extremely important in all business areas across the companies of Schwarz Group. The retail divisions and Schwarz Produktion have a significant influence on how and under what conditions natural resources and raw materials are processed and consumed.

Therefore, for raw materials associated with high human rights risks and environmental risks, the companies of Schwarz Group set themselves specific goals and continuously work to implement appropriate measures. They define clear requirements for their business partners to ensure that their targets are achieved. These requirements include certification for products and raw materials, participation in the further development of standards, and funding projects.

An important tool for us is collaborating with civil society or standard-setting organizations, experts, and other companies as part of multi-stakeholder partnerships. By taking this approach, we want to work together to achieve improvements and collaboratively resolve complex social problems. For example, as a member of the Partnership for Sustainable Textiles, we work with other companies, standard-setting organizations, NGOs, and the German Government to improve conditions in textile production worldwide. We are attempting to link our many years of work surrounding the issue of raw materials with new findings from the Supply Chain Due Diligence Act risk assessment in order to develop appropriate preventive measures.

Countering Child and Forced Labor

As part of the implementation of the German Supply Chain Due Diligence Act, the topic of child labor and forced labor is afforded the same level of consideration as other relevant topics in the area of human rights and environmental standards. Even before the German Supply Chain Due Diligence Act came into force, the risk analyses carried out by Lidl and Kaufland already involved analyzing the procurement of products containing raw materials from high-risk sectors where child labor is a concern. By signing the Code of Conduct, the business partners of the companies of Schwarz Group undertake not to allow any practices that involve child labor or forced labor in any form whatsoever, or that breach legal requirements or restrict human rights.

If cases of child labor are confirmed, we work closely with our suppliers and independent third parties, such as the Centre for Child Rights and Business, in order to remedy the situation with regard to the affected children and their family. As part of the remediation, affected families, for instance, receive financial assistance equal to the standard minimum wage in the respective country. This is aimed at ensuring that the children are not forced back to work out of economic necessity. Based on discussions with affected children and their families, the goal is to enable the affected children to attend school and get an education so that they are able to improve the income situation for their families over the long term.

¹ | In the past, information made available by Transparency International and the Failed State Index was integrated into the evaluation as well.

Endeavoring to Ensure Living Wages in the Supply Chain

Fair, living wages in the supply chain are a key component of our corporate due diligence. For the companies of Schwarz Group, fair remuneration is a show of respect and appreciation, and for this reason, it is anchored in the shared Code of Conduct for Business Partners as a target. This applies not only to the remuneration of our own employees, but also to partners throughout the global supply chain, in particular, local suppliers across international procurement markets, for which we aim to ensure living wages. In the global agriculture sector in particular, poverty is a widespread problem and also a driving factor behind child labor.

Kaufland Supports the Sustainable Agricultural Supply Chain Initiative

Based on this fundamental understanding, in January 2020, Kaufland signed a voluntary agreement supporting the Initiative for Sustainable Agricultural Supply Chains (INA), which advocates for fair living wages for farmers and workers in producer countries. By making this commitment and also by participating in a working group on the issue, the aim – among other things – is to develop specific approaches for action and to further intensify the cooperation with local stakeholders. In its first joint pilot project, the Kaufland working group is focused on achieving living wages in the banana sector. As part of this project, the first Wage Gap Report was published about Ecuador. Another project in the field of coffee production was agreed on.

This project aims to ensure living wages for smallholder farming families in Peru and Honduras.

Lidl is Committed to Securing Living Wages

Lidl is a member of the Action Collaboration Transformation (ACT) initiative. This membership demonstrates Lidl's commitment to securing living wages for workers in production countries for the textile industry.

Another example of our commitment to fair trade and securing living wages is the Way To Go project initiated by Lidl. Since spring 2020, Lidl has been selling Way To Go Fairtrade certified chocolate bars under its own brand of the same name. The processed cocoa is produced by small farmers in Ghana. In addition to a Fairtrade bonus, they receive an additional Lidl bonus and can take part in further training and projects to diversify their income. This project has now been expanded to include other products groups, such as coffee and cashews. In the future, juice should also become part of the project assortment; this is already the case in Germany. As part of the project, flows of processed foods such as chocolate bars can be segregated. This allows the origin of the cocoa from Fairtrade certified cocoa cultivation to be traced from the producing cooperative to the origin.

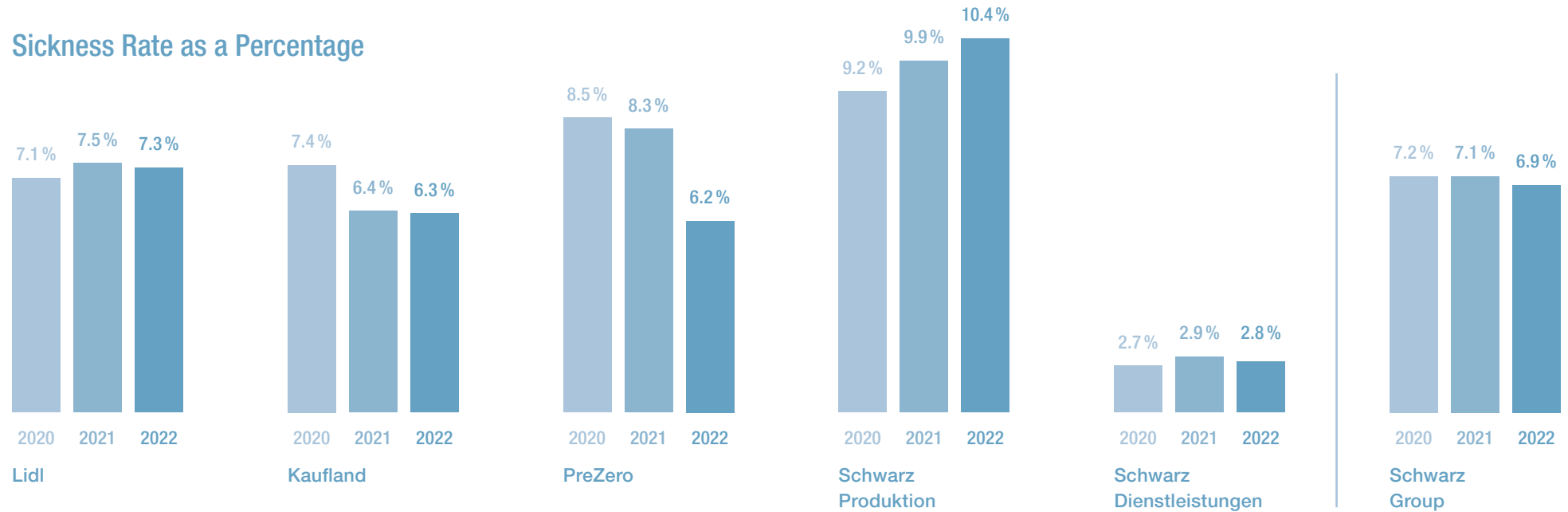
A Chocolate Bar's Commodity Flow – From the Plantation to the Final Product



As part of the Way To Go project, Lidl promotes the topic of gender equality and is working on a long-term approach to close the pay gap in the producing countries. Using cocoa as an example to demonstrate the company's holistic approach, Lidl has actively been promoting the work of this German multi-stakeholder initiative on sustainable cocoa as a founding member since 2012. The issue of wages is a strategic goal in this context as well.

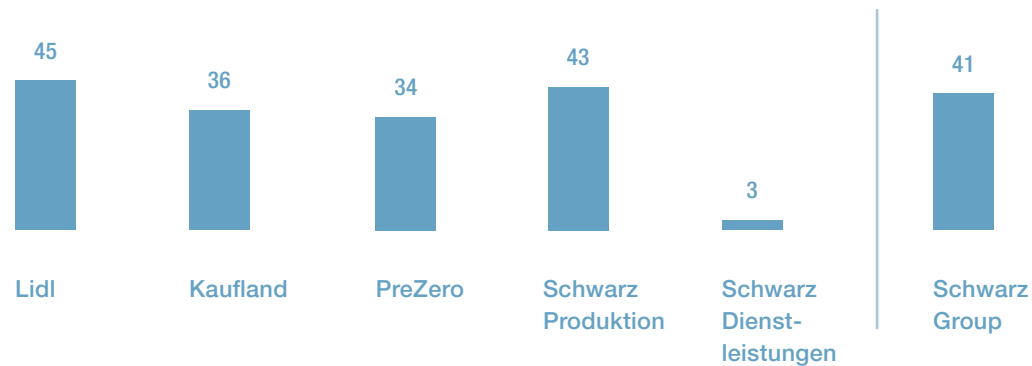
Key Performance Indicators

Sickness Rate as a Percentage



Number of Occupational Accidents¹

Occupational accidents per 1,000 FTE in the 2022 FY



1 | The definition for collecting this data has been significantly revised from that which was used for the number of occupational accidents published in the Sustainability Report for FY 20/21.

Total Workforce

	FY	Lidl	Kaufland	PreZero	Schwarz Produktion	Schwarz Dienstleistungen	Schwarz Group
Total number¹ of employees	2020	341,419	136,445	4,198	3,477	5,684	491,223
	2021	372,255	143,706	11,845	3,831	6,609	538,246
	2022	386,563	149,677	27,125	4,097	8,246	575,708
of which full time employees	2020	124,427	62,391	3,834	3,268	4,823	198,743
	2021	149,853	66,355	10,691	3,353	5,763	236,015
	2022	164,996	71,060	22,266	3,548	7,201	269,071
of which part-time ²	2020	216,992	74,054	364	209	861	292,480
	2021	222,402	77,351	1,154	478	846	302,231
	2022	221,567	78,617	4,859	549	1,045	306,637
Number of trainees according to annual financial statement	2020	4,152	1,399	78	86	121	5,836
	2021	5,815	1,712	198	89	141	7,955
	2022	7,220	1,689	192	92	135	9,328

1 | The number of employees listed here shows the internal control figure, which is based on different definition of employee to that used in the annual financial statement. While the annual financial statement states the number of employees including those on long-term sick leave and maternity leave as end-of-quarter averages for the fiscal year, the internal reporting date is the end of the fiscal year. Employees on maternity leave and long-term sick leave (exception: Lidl) are not included in internal reporting.

2 | Employees with average working hours of less than 100 percent of full-time hours are classed as part-time. Unless there is national regulation on the issue, part-time is considered to be fewer than 163 hours/month.

Collective Bargaining Agreements

Proportion of employees to whom collective agreements apply ¹



1 | The percentage of both tariff and non-tariff employees covered by a collective bargaining agreement is recorded.



Employees by Employment Relationship¹

	2020				2021				2022			
	Number	Permanent Proportion	Number	Fixed-term Proportion	Number	Permanent Proportion	Number	Fixed-term Proportion	Number	Permanent Proportion	Number	Fixed-term Proportion
Total	442,273	90.0 %	48,950	10.0 %	490,245	91.1 %	47,675	8.9 %	523,543	90.9 %	52,165	9.1 %
By gender												
Female	290,937	65.8 %	28,427	58.1 %	326,294	66.6 %	27,598	57.9 %	338,040	64.6 %	29,315	56.2 %
Male	151,336	34.2 %	20,523	41.9 %	163,951	33.4 %	20,077	42.1 %	185,503	35.4 %	22,850	43.8 %
By region²												
Germany	162,703	36.8 %	11,323	23.1 %	177,462	36.2 %	12,424	26.1 %	185,371	35.4 %	12,298	23.6 %
International	279,570	63.2 %	37,627	76.9 %	312,783	63.8 %	35,251	73.9 %	338,172	64.6 %	39,867	76.4 %

1 | The number of employees listed here shows the internal control figure, which is based on different definition of employee to that used in the annual financial statement. While the annual financial statement states the number of employees including those on long-term sick leave and maternity leave as end-of-quarter averages for the fiscal year, the internal reporting date is the end of the fiscal year. Employees on maternity leave and long-term sick leave (exception: Lidl) are not included in internal reporting.

2 | For 2020, for data collection reasons, all PreZero employees were assigned to the Germany region even if individual PreZero business units are located outside of Germany. For FY 2021 and 2022, only PreZero DE is assigned to "Germany"; the rest are assigned to the "International" category. "Germany" region: Lidl in Germany, Kaufland in Germany, PreZero Germany, Schwarz Produktion and Schwarz Dienstleistungen incl. Zentrale Dienste. The online business is not restricted to a location and is therefore assigned to the "International" region.

New Hires

	2020		2021		2022	
	Number	Proportion	Number	Proportion	Number	Proportion
Total new employees hired¹	131,930		141,916		165,157	
By age						
Age group < 30 years old	89,098	67.5 %	92,130	64.9 %	101,922	61.7 %
Age group 30–50 years old	38,033	28.8 %	43,115	30.4 %	53,522	32.4 %
Age group > 50 years old	4,799	3.6 %	6,671	4.7 %	9,713	5.9 %
By gender						
Female	75,810	57.5 %	81,811	57.6 %	90,932	55.1 %
Male	56,120	42.5 %	60,105	42.4 %	74,225	44.9 %
By region²						
Germany	40,643	30.8 %	37,802	26.6 %	44,179	26.7 %
International	91,287	69.2 %	104,114	73.4 %	120,978	73.3 %

1 | All new hires in Schwarz Group are included in the relevant FY, irrespective of whether the employees are hired on a fixed-term contract (start date).

2 | see Footnote 2 above

Employee Turnover

	2020		2021		2022	
	Number	Rate ²	Number	Rate ²	Number	Rate ²
Total number of employees who left the company¹	101,556	21.1 %	134,403	25.9 %	152,055	27.1 %
By gender						
Female	56,923	17.8 %	76,228	22.3 %	84,922	23.6 %
Male	44,633	27.9 %	58,175	32.8 %	66,749	33.3 %
Diverse	0	0.0 %	0	0.0 %	384	33.8 %

1 | All employees who left companies of Schwarz Group in the respective FY are included, excluding temporary staff, interns, working students, and diploma students. Transfers from one company of Schwarz Group to another are recorded as departures from the company. Employees who transfer from one company of Schwarz Group to another in the context of a transfer of undertakings are not recorded as departures from the company. At Lidl, by way of derogation from the above, all employees with a fixed term of less than six months are not included; transfers within the Lidl division are also not included.

2 | Employee turnover is calculated as the ratio of employees who leave the company compared with the average number of employees.

Employee Diversity

According to employee categories in FY 2022^{1,2}

	Employees without management role		Management		Senior Management		Top Management		Total	
	Number	Proportion	Number	Proportion	Number	Proportion	Number	Proportion	Number	Proportion
Total workforce	539,434	93.7 %	35,180	6.1 %	753	0.1 %	341	0.1 %	575,708	100.0 %
By age										
Age group < 30 years old	167,378	31.0 %	3,884	11.0 %	2	0.3 %	2	0.6 %	171,266	29.7 %
Age group 30–50 years old	279,978	51.9 %	27,148	77.2 %	602	79.9 %	265	77.7 %	307,993	53.5 %
Age group > 50 years old	92,078	17.1 %	4,148	11.8 %	149	19.8 %	74	21.7 %	96,449	16.8 %
By gender										
Female	352,242	65.3 %	14,938	42.5 %	120	15.9 %	55	16.1 %	367,355	63.8 %
Male	187,192	34.7 %	20,242	57.5 %	633	84.1 %	286	83.9 %	208,353	36.2 %

1 | To ensure controlling relevance, the employee definition used in internal management reports is used as the basis for the collection and reporting of all specified figures here rather than the definition provided in the annual financial statement. This includes full-time/part-time employees, employees in marginal employment, apprentices, dual students, trainees, employees on postings from abroad, employees on sabbatical and part-time retirees in their active phase temporary staff like e. g., working students, interns, diploma students, and temporary staff (provided that working hours have been undertaken during the reporting period).

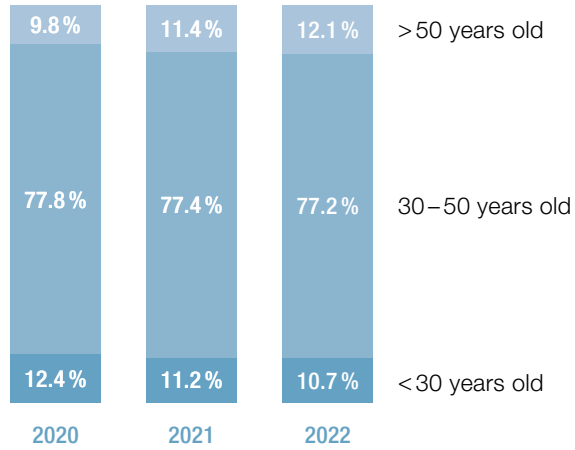
2 | Employee categories are defined according to our joint understanding as follows: Top Management = Management Level I – II, Senior Management = Management Level III, Management = Managers from Management Level IV – VI excluding deputies / no specialist level, employees without management role = other employees.



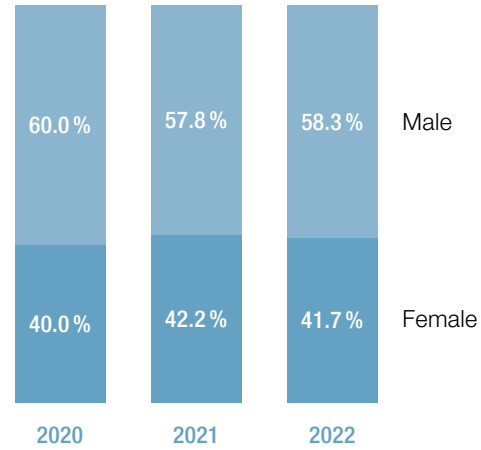
Diversity in Management Bodies

Proportion of persons by age group and gender ¹

By age



By gender



¹ | The Top Management, Senior Management, and management levels are classed as management bodies in accordance with the definition jointly coordinated by the companies of Schwarz Group.

Employee categories are broken down according to the joint definitions as follows: Top Management = Management Level I – II, Senior Management = Management Level III, Management = Managers from Management Level IV-VI excluding deputies / no specialist level. The figures represent the status as at the end of FY 2022.

Employer Awards Kaufland

Europe



Bulgaria



Croatia



Czech Republic



Germany



Moldova



Poland



Romania



Slovakia



Employer Awards Lidl

Europe



Belgium



Bulgaria



Cyprus



Czech Republic



Germany



Finland



France



Greece



Hungary



Ireland



Italy



Lithuania



Luxembourg



Malta



The Netherlands



Poland



Portugal



Romania



Serbia



Slovakia



Slovenia



Spain



Sweden



Switzerland



The United Kingdom



Shaping Focus Areas Product Quality



Our Mission:

**We Leave No Stone Unturned when
It Comes to Quality – Sustainable,
Safe and Healthy.**

Our Commitment to Conscious Consumption





Transparent Product Communication

The companies of Schwarz Group strive to communicate in a way that is transparent and easy to understand when it comes to their products. This ensures that consumers can make informed purchasing decisions. We are working to increase transparency all the way into the supply chains. We also want our products to reflect this. To do this, we rely on established and new labels that act as anchors when consumers make purchasing decisions. Customers are invited to find out more so they can shop consciously and with foresight, because only by working together can we create a more sustainable economy.

Informing Customers and Raising Awareness

With over 13,700 stores along with online shops, the companies of Schwarz Group reach a vast number of customers worldwide who purchase their everyday food, drugstore items, and non-food products at Lidl or Kaufland. This means that they do not just make a significant contribution to local supply – they also have an impact on the health and sustainable behavior of their customers, both through the products that they offer and through the way they communicate with consumers. Transparent product communication plays a fundamental role in sustainable, safe and healthy food. This is true from cultivation in the supply chain, which the companies of Schwarz Group are making more transparent through digital traceability, to initiatives that give both kids and adults an understanding of how to use food and natural resources responsibly.

With the aim of providing their customers with simplified nutritional labeling, Lidl and Kaufland were two of the first companies to introduce the “Nutri-Score” voluntary nutritional label. Since taking this step, both divisions have been gradually extending the label to their own-brand portfolio. At Lidl, Nutri-Score has been introduced in all countries where regulations allow. Kaufland is seeking to introduce the Nutri-Score label for all eligible products where regulations allow.



As part of a pilot project, Lidl in Germany has been testing the Eco-Score label on the price labels of selected products in all of its Berlin stores since 2021 and was the first German retailer to do so. With this five-level product label, customers can identify the level of sustainability of food as it relates to its environmental impacts at a glance. The aim is to create a standard European label.

Transparency and awareness regarding the end-of-life impact of products is also a key element of effective action within the companies of Schwarz Group: For example, sorting instructions on multi-component packaging were gradually introduced at the Lidl and Kaufland retail divisions as part of the REset Plastic strategy. The goal

is to motivate customers to properly dispose of their packaging waste. By doing this, we want to help to improve recycling processes.

In order to always give the customers the most transparent information possible and enable them to make conscious purchasing decisions, the companies of Schwarz Group have collectively set themselves the following goal in the area of product communication: The companies of Schwarz Group will provide their customers with more transparency on the social, environmental, and health impacts of their offers by the end of 2025 in order to allow them to make informed choices.

Creating Transparency through Digital Traceability

The companies of Schwarz Group strive to further increase the level of transparency around their products. They are already using traceability solutions in order to achieve this goal. These solutions make it possible to trace the origins of individual raw materials and provide access to the information via barcodes on the packaging. Thanks to the fTrace service, Kaufland customers receive extensive information about all fish products and certain meat products from various own brands. At Lidl, this service is also used to provide traceability information for fish and meat products.

The next step will be providing a more transparent picture of potential CSR risks in the food retail supply chains. The aim is to digitally map out supply chains and to identify social and environmental risks. In this context, Lidl is currently considering working together with external service providers that offer relevant solutions in this area.

Promoting Customer Health through Transparency

At Kaufland, the communication measures and initiatives to raise consumers' awareness are the responsibility of the CR team, supported by Marketing and Corporate Communications as well as the Purchasing and Quality Management departments. Complaint mechanisms such as hotlines are based in the Customer Management department. Customers receive an answer within a couple of days, and if necessary additional departments are involved in the response. If suggestions are made or constructive criticism is expressed, the responsible department checks whether they can be implemented.

At Lidl, the Product Marketing team based in Purchasing as well as the Marketing and Corporate Communications teams are responsible for customer information. Compliance with food regulations, evaluating potential consumer complaints, and in-house specifications for labeling private-label products are the responsibility of the Purchasing departments at Lidl and Kaufland, together with Quality Management and Quality Assurance. The national companies of both retail divisions implement their own measures and projects that are suited to local circumstances and meet the needs of local customers. The retail divisions also take into account international rules and directives, such as the European Parliament's health claims regulation, in their initiatives and actions. This is particularly relevant for labels concerning claims of reduced sugar, salt, or fat

content. Internal purchasing policies, position papers about specific topics and test criteria which include the assessment of NGOs are used as the basis for developing a responsible assortment.

Promoting Conscious Food Choices

Lidl and Kaufland are initiating and supporting projects and initiatives around the world that give children and adults an understanding of how to use food and natural resources responsibly.

Kaufland is involved in the educational initiative "Machen macht Schule" (Taking action in the classroom), which teaches children about sustainable future topics in an age-appropriate and fun way. The initiative also involves organizing campaign days on nutrition, which aim to increase children's awareness around the topic of healthy nutrition. During these campaign days, certified nutritional experts teach the children basic information about healthy nutrition and the conscious use of food in an age-appropriate and fun way. Kaufland organized 80 of these campaign days during the reporting period. In fiscal year 2023, this will be increased to 250 campaign days. In fiscal year 2022, Kaufland was once again involved in the EU school scheme by supplying fruit and vegetables to schools and nurseries once a week (you can find additional information in the ["Living Diversity" chapter](#)).

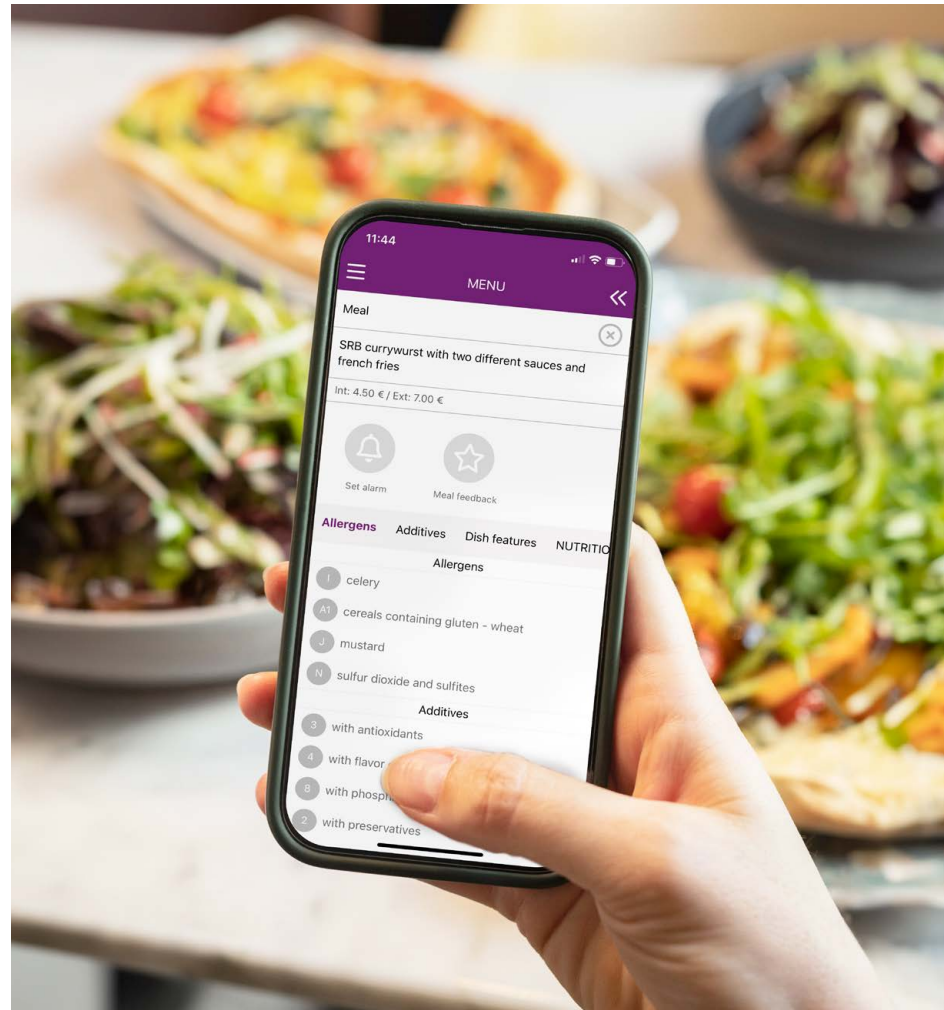
Lidl is also involved in various programs aimed at promoting conscious and healthy nutrition for children: In Cyprus, for example, the company is carrying out the program "Lidl Food Academy for Kids". Pupils attend the Lidl Food Academy, where they have a chance to cook and, in the process, are made aware of the importance of a balanced diet. In Greece and Cyprus, as part of a partnership with the Center for Talented Youth, Lidl is also supporting the subject "Nutrition: Highway to Health." In these lessons, children learn about the chemistry of food and the benefits of a healthy diet.

80

campaign days on children's nutrition were organized by Kaufland in FY 2022.

To show nutritional values at a glance, Lidl and Kaufland have also successfully tested the introduction of the simplified nutritional label Nutri-Score for their private labels. At the start of 2020, Kaufland became one of the first German retailers to begin introducing the Nutri-Score nutrition label. By now, the food retailer has introduced the voluntary Nutri-Score rating for many items from its K-Bio and K-take it veggie own brands. In this way, Kaufland is promoting a uniform and comprehensive solution across all stores in Germany. Lidl began implementing the nutritional label for its Trattoria Alfredo and Crownfield own brands, as well as others, in 2021 and is rolling out Nutri-Score in all countries where it is possible to do so.

At Schwarz Restaurantbetriebe (restaurant operations), the number of kilocalories is explicitly stated on the menu as information for employees and visitors to the restaurants. In the SRB app, users can set additional filters based on this information, sorting the dishes accordingly. In addition, the menu is put together to include different diets, seasonal dishes and regional suppliers.





Sustainable Product Design and Quality

In many countries, the companies of Schwarz Group contribute significantly to local supply and provide a reliable supply of food and availability of goods for their customers. This means that they bear great responsibility for the quality and safety of their products and for developing future-proof products. They are setting a new course together with strong partners. The companies of Schwarz Group are always offering more products that are produced in a more sustainable manner. They are getting both producers and consumers involved to make a difference together. They are labeling regional and GM-free food, and are reducing the proportion of sugar, salt, and fat in their products. The companies of Schwarz Group also purchase particularly strategic raw materials in a more sustainable way and pay considerable attention to animal welfare.

Foundations for Sustainable Product Design

The companies of Schwarz Group leave no stone unturned when it comes to quality. This includes sustainable product design with raw materials that are certified by third parties. Increasing the nutritional value of our food also contributes to product quality – for example, reduced sugar, salt, and fat in private label products. As a fundamental building block, safety also plays a central role in the quality of our products and services.

It encompasses everything from food safety to data protection and secure digital services such as the cloud service of Schwarz IT. In the context of sustainable product development, sustainable packaging is another key area of focus for the companies of Schwarz Group. Information about this can be found in the [“Circular Systems” chapter](#).

The companies of Schwarz Group can continue to make improvements to their private label products in particular, which is why they are specifically targeting the topic of ingredients in this area: On the one hand, the goal is to reduce undesirable ingredients such as possible residues or contaminants. On the other hand, the companies of Schwarz Group want to increase the proportion of selected raw materials from certified, sustainable production.



“We offer good, healthy, and sustainable products for all needs. To achieve this, we first of all listen carefully to the wishes of our customers, while constantly keeping an eye on what is going on around us. Our own brands, K-Bio, K-Wertschätze and K-take it veggie, stand for goods produced in a more sustainable and more responsible manner.”

Stefan Bachmann

Senior Vice President Purchasing International
Kaufland Stiftung GmbH & Co. KG

Offering More Sustainable Products

At Lidl and Kaufland, the respective Purchasing departments are responsible for developing the assortment and ensuring that their respective policies and principles are implemented. For both retail divisions, expanding regional offers and the procurement of local products is predominantly the domain of the national companies. Schwarz Beschaffung, in its role as service provider, is responsible for procuring non-merchandise such as employee clothing or store equipment. As part of product development, particular focus is placed on ensuring a sustainable development process. As such, sampling and product selection processes are conducted virtually where possible, which helps to save material, energy and transport capacities.

Lidl and Kaufland each define their expectations for the responsible purchasing of merchandise with topic-specific policies and position papers, supported by CR contact persons in Purchasing. This applies, for example, to relevant raw materials such as palm oil, coffee, fruit and vegetables, or fish and shellfish, and the principles of responsible animal husbandry or corporate due diligence duty. This also includes the topic of living wages and income.

Lidl in Germany – Position Papers

- Human Rights & Environmental Due Diligence Policy
- Purchasing Policy Raw Materials
- Policy on the Responsible Sourcing of Fruit and Vegetables
- Purchasing Policy Cocoa
- Policy on the Sustainable Sourcing of Palm (Kernel) Oil
- Policy on the Sustainable Sourcing of Animal Products

Kaufland – Position Papers (German)

- Transparency Report on Flowers and Plants
- Policy on the Sustainable Sourcing of Fish
- Policy on the Sustainable Sourcing of Soy as Animal Feed
- Transparency Report on Fruit and Vegetables
- Policy on Animal Welfare
- Policy on Living Wages and Income
- Water Guideline

The scope of the two retail divisions' policies and position papers is always clearly defined, and can vary at the national level depending on the topic. Lidl and Kaufland also set themselves ambitious goals as part of their respective raw materials programs. For example, Lidl is aiming to eliminate deforestation and land conversion, for purposes such as palm oil production, from its supply chains. Kaufland is committed to deforestation-free supply chains as well. As of 2022, the retail division intends to use only soy animal feed produced without deforestation or land conversion that affect valuable ecosystems in the supply chain for its own-brand animal products.

Both retail divisions are also implementing programs and projects to continuously reduce the use of pesticides beyond what is required by law. Merchandise produced according to ecological and social standards is clearly identified at Lidl and Kaufland with independent certifications and respective product labels. To highlight the benefits, consumers are informed about the sustainability of the products in leaflets and on packaging. For example, Kaufland marks the respective products from its own-brand assortment with the logo “Machen macht den Unterschied” (Our actions do the talking!), in connection with the relevant and current sustainability labels such as Fairtrade. Lidl and Kaufland are also committed partners in various raw materials initiatives at both national and international level: for example, the Roundtable on Sustainable Palm Oil (RSPO), the Forum for Sustainable Palm Oil, the Initiative for Sustainable Agricultural Supply Chains, or Donau Soja. The goal of these multi-stakeholder platforms is to work together with stakeholders in the supply chain to identify and establish suitable measures and solutions for the responsible use of raw materials.

Schwarz Produktion is setting a great example in this context: 100 percent of raw materials containing cocoa at Schwarz Produktion are certified according to recognized sustainability standards. In addition, all companies of Schwarz Produktion that process raw materials containing palm oil are certified according to the RSPO standard.

Average Figures for Sustainable Cocoa in Private-label Products

96 %

at Lidl

83 %

at Kaufland

100 %

at Schwarz Produktion

Taking Sustainable Action with Strong Partners in the Food Industry

Strong partners and their certification systems play a fundamental role in relation to our strategic direction and the development of a sustainable product assortment. In the food industry, the retail divisions rely on recognized standards, such as Fair-trade, organic, and the Rainforest Alliance, to promote the socially and environmentally sustainable production of food. An overview of the certifications used at Lidl and Kaufland can be found online.

In collaboration with well-respected associations, Lidl and Kaufland are increasingly offering their customers local and organic food that is produced to the highest standards. For example, since 2018, Kaufland has offered a wide range of food in Demeter quality. By now, this assortment has grown to over 250 products and includes juices, dairy products, spreads, baked goods, baby food, and fruit and vegetables. It now also contains seedfast seeds which are offered according to seasonal availability. These seeds can be used to grow plants that are robust and more resistant to changes in climate. They can be cultivated successfully without the need for synthetic chemical fertilizers or pesticides. Members of Demeter comply with particularly strict standards in the field of biodynamic agriculture, which go far beyond the minimum standards of the EU organic label. The offer will be gradually extended, as the cooperation with Demeter is planned to be long term.

In 2022, Kaufland in Germany also started a collaboration with Bioland, the leading association for organic farming in Germany. As a result, many products from the K-Bio own brand will be certified with the Bioland logo in future. As part of their cooperations with Demeter and Bioland, the retail divisions are also supporting various sustainable future-oriented projects. This includes, for example, projects that promote the establishment of biotopes and traditional German orchard meadows in agricultural holdings.

Lidl in Germany has also been collaborating with Bioland since 2018. In total, some 116 permanently listed food items are already produced according to Bioland's rigorous criteria. This includes, for example, a wide range of flour and dairy products, fruit and vegetable products, eggs, and potato snacks. By 2025, Lidl in Germany wants ten percent of the permanent assortment to be organic or Bioland food, with the aim of promoting sustainable agriculture. As of mid-2023, Bioland products already made up seven percent of the assortment. Furthermore, since January 2020, Lidl has supported the Bioland Stiftung, and at the start of 2023, the cooperation was extended for another three years. The Bioland Stiftung supports future-oriented, sustainable agricultural projects, such as a further education initiative for farmers. The farmers are supported in boosting the richness of their soils by developing humus, which effectively binds CO₂ in the soil. The project BODEN.KLIMA (SOIL.CLIMATE) actively

uses this method to combat climate change and has developed a tool which farmers can use to create a report of the overall carbon footprint of their business, including the soil used for agriculture.



[Lidl – Overview of Seals](#)



[Kaufland – Overview of Seals \(German\)](#)

Taking Responsible Action with Strong Partners in the Textile Industry

The retail divisions are also focusing on sustainable and recyclable products in the textile industry. Lidl and Kaufland are therefore integrating different social and/or environmental certifications for their products: Both retail divisions have committed to the Global Organic Textile Standard (GOTS), and the Organic Content Standard (OCS), and have been certified accordingly. Their textile goods made from organic cotton are certified – insofar as possible given goods availability, qualities, and economic factors – according to the ambitious criteria of the GOTS and OCS standards. On top of this, Lidl and Kaufland are partners of the “Cotton made in Africa” initiative. Through this cooperation, they are actively advocating for socially and ecologically sustainable cotton production in Africa right from the very start of the textile supply chain. The retail divisions thus ensure that the raw materials they purchase for their own brands can be cultivated and sold under more responsible conditions.

In 2019, Lidl and Kaufland were among the first German retailers to have themselves and their merchandise certified according to the social and environmental criteria of the Green Button – the German government’s certification label for sustainable textiles.

Lidl in Germany is also working on new Cradle to Cradle (C2C) certified products. When manufacturing products according to the C2C standard, all aspects are evaluated for resource efficiency and recyclability by independent experts.

Employee clothing is also subject to the highest sustainability standards. The employee clothing of all store employees at Lidl and Kaufland worldwide is made from organic cotton according to the stringent GOTS criteria, is GOTS certified and carries the Green Button label as well. Along the entire supply chain, the GOTS environmental and social criteria were tested. Moreover, our store clothing at Lidl and Kaufland is made from cotton that is 100 percent Fairtrade certified. Compliance with the defined minimum standards is verified by the Quality Assurance for Non-Merchandise department of Schwarz Beschaffung.



Promoting and Improving the Visibility of Regional Products

The companies of Schwarz Group are committed to short transport routes, fresh products, and supporting local businesses, which is why Lidl and Kaufland have initiated programs to promote and improve the visibility of food from regional or local production. Lidl and Kaufland were the first retailers to implement a 5xD-compliant product range throughout Germany. “5xD” (five times Germany) means that the animals are born, raised, fattened, slaughtered, and processed in Germany. Almost the entire range of sausage and meat products is now in compliance with “5xD”. Fresh milk is another example, as Lidl and Kaufland in Germany now exclusively sell milk from domestic production.

Kaufland pursues short delivery routes and is continuously expanding its range of regional products. Each day, over 1,800 regional growers and producers deliver their regionally produced food to the German Kaufland stores. These are labeled accordingly with the “Regio-Herz” (regional heart). At Kaufland in Germany, products that were produced or harvested in the respective region within a radius of approx. 30 kilometers of the store are referred to as regional. In 2021, Kaufland in Germany also introduced the label “Qualität aus Deutschland” (Quality from Germany) for fruit, vegetables, and meat. This label is used to identify local agricultural produce, promotes the targeted purchase of German produce, and therefore also directly supports farmers in Germany. Kaufland in Germany currently sells over 500 own-brand products in the prod-

uct categories of fruit and vegetables, meat and sausage, canned food, and dairy, all of which are produced by a variety of different producers.

Over

1,800

regional growers and producers deliver to the Kaufland stores in Germany.

Lidl in Germany has also launched the program “Ein gutes Stück Bayern” (A good piece of Bavaria). The aim of the program is to promote regional and sustainable cultivation by family-run farms. Some of these farms also take part in an added value program. In this program, Lidl compensates farms that not only produce locally but have also switched to higher animal welfare standards in their production and have implemented biodiversity measures for the additional expenses incurred. Up to this point, Lidl has paid out 27 million euros through this program. Other countries have implemented comparable initiatives, for example, Lidl Austria with “Ein gutes Stück Heimat” (A good piece of home). The regional origin of the products is made transparent for consumers with the label “Geprüfte Qualität Bayern” (Verified Bavaria quality) and “Regionalfenster” (Window to the region). In addition, the label of the German Animal Welfare Federation indicates husbandry in

line with higher animal welfare standards. Regional fruit and vegetable growers are also strengthened by Lidl and Kaufland’s partnerships with Bioland and Demeter.

For meat products at Kaufland in Germany, the animals are born, raised, and slaughtered in Germany. In addition to fruit and vegetables and meat, the logo “Qualität aus Deutschland” (Quality from Germany) has also been extended to other product groups, as long as the main ingredient comes from Germany, for example, sauerkraut or gherkins. Other Kaufland countries in Central and Eastern Europe also label their domestically produced own brands with corresponding seals. In addition, the sale of some regional products in the assortment is promoted to some extent through corresponding programs. For example, Kaufland Slovakia is supporting small and medium-sized food manufacturers from the region as part of a sponsorship project. In the 2022 fiscal year, Kaufland Slovakia worked with 135 regional suppliers that supplied stores with items such as dairy products and craft beer.

Purchasing Strategically Relevant Raw Materials in a More Sustainable Way

As part of their joint CR strategy, the companies of Schwarz Group are focusing on the responsible use of raw materials. Large quantities of these raw materials are needed to produce the products sold and used by the retail divisions. The strategically relevant raw materials were selected as part of a raw materials analysis carried out in 2019. As a first step in this process, the companies of Schwarz Group created a longlist based on all of the position papers published by the companies and the raw materials targets defined by the Purchasing departments. This was followed by an assessment using an input-output model to determine which raw materials have the biggest social and environmental impacts.

For example, Fairtrade and Rainforest Alliance certified bananas are available to customers in addition to conventional bananas in over 12,200 Lidl stores. Lidl informs its customers about the benefits of Fairtrade certified bananas through different kinds of informational material with a focus on fair wages for producers, for example. In future, Lidl in Germany is aiming to only offer bananas from plantations for which an additional surcharge is paid as a contribution to living wages. By taking this step, Lidl is contributing to ensuring that plantation workers in the producing countries can also make a living and can secure prospects for their families.

From 2014 to mid-2022, Kaufland was actively involved in the Action Alliance for Sustainable Bananas (ABNB) and was the first food retailer to do so. The goal of the ABNB was to promote climate-adapted banana cultivation and to produce the fruit in a more sustainable way throughout the entire value chain, thereby driving forward environmental and social improvements in the banana industry. In the summer of 2022, the activities of the ABNB were transferred to a working group of the World Banana Forum (WBF). Here, the work to support climate-relevant measures continues. Kaufland's commitment is directly reflected in its product assortment: All bananas at Kaufland are Rainforest Alliance certified at a minimum. Organic bananas and baby bananas are also traded under fair conditions, which customers can recognize by the Fairtrade or organic label.

Another focus in the responsible use of strategically relevant raw materials is the certification of raw materials containing cocoa. In addition to products used by Schwarz Produktion in the production of various finished products, this also applies to all own brands containing cocoa which are supplied by third-party manufacturers. Certification is in line with the specifications of the retail divisions Lidl and Kaufland. In each of the production units, certifications via the Rainforest Alliance and/or Fairtrade standard are implemented. All chocolate bars and cocoa in the entire ice cream assortment bear the corresponding labels. Lidl is also setting its own standards here. Since spring 2020, Lidl has extended the assortment in its German stores with

Fairtrade certified chocolate bars containing cocoa from Ghana as part of the "Way to Go" project. In August 2022, Way To Go caffè crema coffee and espresso were also introduced in more than 850 stores in southern Germany.

The companies of Schwarz Group have set themselves ambitious goals regarding the procurement of strategically relevant raw materials. They will organize procurement so it is even more sustainable in the future – and use relevant raw materials from growers certified by third parties for their private label products. This applies to soy, coffee, cocoa, palm (kernel) oil, cotton, and

fish. With the exception of cocoa, palm (kernel) oil and coffee, the targets and associated KPIs are currently being revised. For other raw materials, detailed analyses are continuously carried out and possible implementations are reviewed. By setting corresponding strategic targets in purchasing, both Lidl and Kaufland are focusing on the implementation of concrete company-specific raw material targets.

In more than

850

Lidl stores in southern Germany, Fairtrade certified Way To Go coffee has been introduced.

100%

of the bananas available at Kaufland are at least Rainforest Alliance certified.

More Responsible Animal Husbandry and Sustainable Purchasing of Fish

Compliance with and promotion of more responsible husbandry conditions for terrestrial and aquatic livestock plays an important role for the retail divisions Lidl and Kaufland. The specific circumstances and characteristics of each country need to be considered – which is why the national companies of the retail divisions have set corresponding targets. The focus here is on labeling animal products with transparent information about the relevant animal husbandry conditions, which gives consumers the information they need to make an informed purchasing decision. In Germany, Lidl and Kaufland have been using a 4-level model to transparently label husbandry methods for all fresh meat products (1 = Indoor husbandry to 4 = Premium) since 2018. In this context, the intention is to establish the level 2 husbandry method as a universal minimum standard for primary products of animal origin.



By 2025, Lidl aims to establish the level 2 husbandry method as a minimum standard for its entire own-brand fresh meat assortment, excluding international specialties. All fresh poultry products and the entire fresh pork assortment are already produced in accordance with at least the level 2 husbandry method or higher. Furthermore, the level 3 and 4 husbandry methods are being expanded and used for an increasing amount of Lidl's own-brand products. Here, the aim is for at least 25 percent of Lidl's fresh meat assortment to be produced in accordance with the level 3 or 4 husbandry methods by 2024 and 33 percent by 2026.

With its K-Wertschätze own brand, Kaufland promotes humane animal husbandry in Germany – in the form of more space and larger runs for the animals, for example. All K-Wertschätze products are certified according to recognized animal welfare standards and programs. Since 2019, at Kaufland in Germany, meat from pigs, turkeys, and chickens at the deli counters has been available exclusively at the level 3 husbandry method “Outdoor environment”, which involves higher animal welfare standards. Beef was also switched to the level 3 husbandry method “Outdoor environment” in 2021. All K-Classic pork sausage products produced by Kaufland are produced in accordance with the level 2 husbandry method at a minimum. Throughout Germany, selected items are also offered with the level 3 husbandry method. In 2022, the proportion of milk produced according to the level 3 and level 4 husbandry methods was increased to 40

percent for UHT milk and to over 65 percent for fresh milk. In the self-service area at Kaufland in Germany, pork and beef produced in accordance with the level 3 husbandry method have been offered throughout Germany since 2021. There are plans in place to double the amount of fresh poultry products produced in accordance with the level 3 and level 4 husbandry methods by 2023, and by 2026, 20 percent of the fresh poultry products on offer are to be produced in accordance with the level 3 and level 4 husbandry methods.

The retail divisions are also focusing on sustainable purchasing for fish. At Lidl in Germany, almost all wild-caught fish and shellfish in the frozen, fresh, canned, and specialty foods areas are labeled with the MSC label, while fish and shellfish from aquaculture are 100 percent ASC, organic, or GLOBALG.A.P. certified. In the future, Lidl wants to expand its offer of own-brand certified fish products to the promotional product assortment and transition to certified raw ingredients in the long term. Since 2018, Kaufland has offered exclusively ASC, MSC and GLOBALG.A.P. certified fish and prawns across its entire frozen own-brand assortment in all its German stores – and was the first food retailer to do so in Germany.

Almost all of the fish prepared at Schwarz Restaurantbetriebe (restaurant operations) is labeled with the MSC seal or is ASC certified. No live animals or animals on red lists of endangered species are used in the restaurants.



Offering Healthier and More Sustainable Products

In addition to empowering customers, the selection and composition of the food on offer are key aspects for healthy nutrition. One way that we can make a difference in this context is by reducing the amounts of sugar, salt and fat in our own-brand assortment. The retail divisions and Schwarz Produktion have adopted appropriate reduction strategies aimed at considerably reducing the proportion of these ingredients. In the 2022 fiscal year, Lidl published a purchasing policy about its commitment to conscious nutrition and the corresponding targets it has set for itself. The policy is applied by all national companies excluding the USA. In keeping with the Planetary Health Diet created by the EAT-Lancet Commission, additional focus areas include a fiber strategy for increasing the proportion of whole grains in Lidl's own-brand products, as well as a protein strategy. This approach aims to increase the amount of plant-based protein sources in the product assortment.

The topic of marketing to children is a key area of focus. From the 2023 fiscal year, Lidl will no longer be advertising any unhealthy foods to children that are high in saturated fatty acids, sugar, or salt – with the exception of promotional items at Christmas, Easter, and Halloween. By adopting this approach, Lidl is also preparing for a proposed statutory provision in Germany banning advertisements for unhealthy food that explicitly target children. Schwarz Produktion, Lidl and Kaufland are currently working on a joint, group-wide position on this topic.

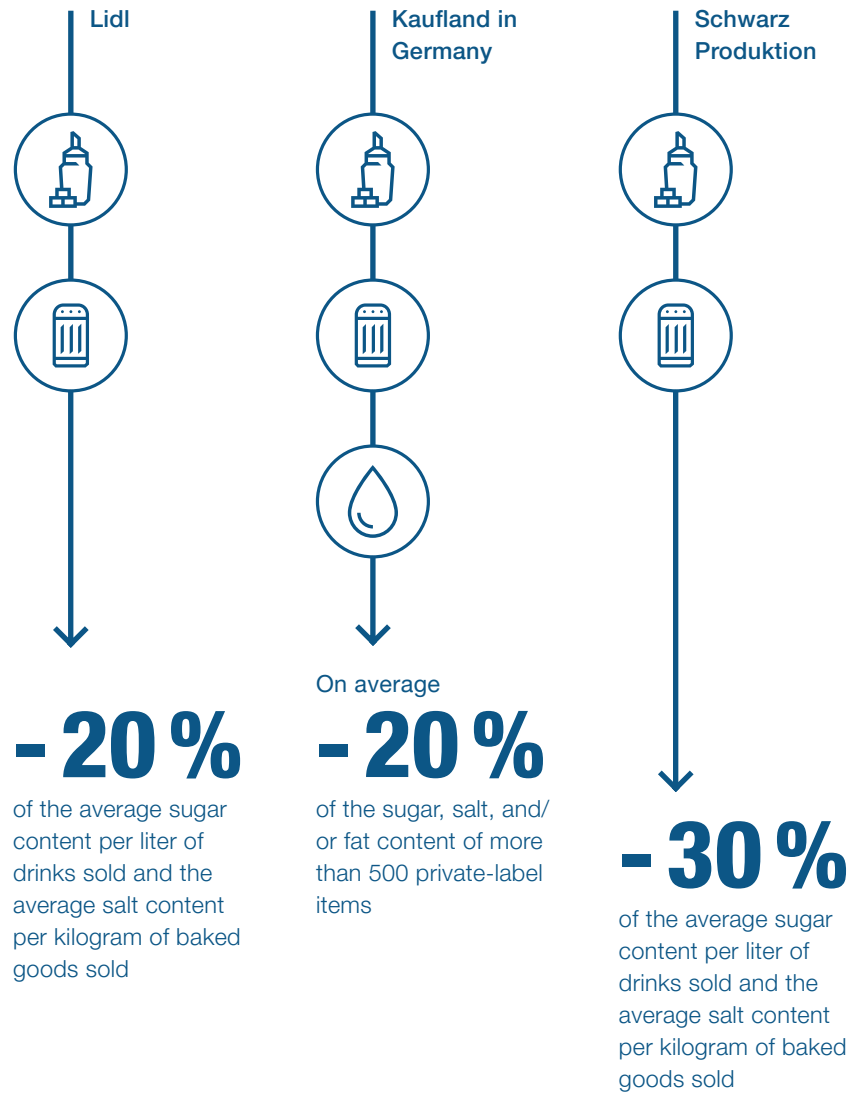


“As Europe’s largest retail group, it is both our responsibility and aspiration to promote a healthier and more sustainable diet. In the course of this, we pay particular regard to children. Our retail division Lidl, became a pioneer in November 2022 by independently determining that it would no longer advertise any unhealthy items from the permanent range to children, from 2023 onwards.”

Helena Keller

CR Focus Area Supervisor Product Quality
of Schwarz Unternehmenskommunikation
GmbH & Co. KG

Reduction Targets for Salt, Fat, and Sugar by 2025



Kaufland is aiming to reduce the proportion of sugar, salt, and/or fat in 500 private label products by an average of 20 percent by 2025. The items for which reductions have already been implemented will also be reviewed on an ongoing basis to assess whether there is potential for further reductions. The focus is also on products that are frequently consumed by children, like soft drinks or cereals. Schwarz Produktion has also set itself targets in this context: Firstly, the average sugar content per liter of drinks sold is to be reduced by around 30 percent by 2025. Secondly, Schwarz Produktion wants to reduce the average salt content per kilogram of baked goods sold by around 30 percent by 2025.

The organization of the reduction strategies of the retail divisions Lidl and Kaufland is anchored in their respective Purchasing departments. They are implemented in close collaboration with the own-brand suppliers of Lidl and Kaufland as well as the production plants of Schwarz Produktion and the Kaufland meat processing plants.

Lidl is continuously pursuing the goal of reducing the sales-weighted, average content of added sugar and salt in its private-label assortment by 20 percent from 2015 through to 2025 in all of its national companies. In 2022, Lidl succeeded in cutting the sugar content by 11.2 percent and the salt content by 7.4 percent. To achieve this, the company has defined focus groups in which there is potential to improve the nutritional profile and/or additives can be avoided.

For a reduction in sugar, these are groups such as yogurt and sweet pastries, while groups such as bread, rolls, and pizza were selected for a reduction in salt.

All relevant private-label items that belong to these focus groups and present opportunities for reduction are reviewed. Where possible, one policy for each product family defines the targets for improving the nutritional profile and reducing undesirable additives. The reduction strategy was gradually expanded to all food product groups.

The Schwarz Restaurantbetriebe (restaurant operations) prepare fresh dishes using seasonal products and do not use any ready-made sauces or powdered ingredients in their recipes. They also do not use any artificial flavor enhancers or glutamate. Instead, their focus is on offering a balanced menu with regional and seasonal recipes and the use of legumes and vegetables. In addition, no palm oil is used in the preparation of any dishes. Calibrated measuring equipment for the fat in the fryers enables continuous monitoring of the polar fractions in the fat.

GM-free Products

Around 85 percent of the dairy products sold by Lidl and Kaufland in Germany are produced without using genetically modified feed. Exceptions include compound products or specialties whose milk ingredients do not come from Germany. Lidl and Kaufland also sell 100 percent fresh poultry without using genetically modified feed. Lidl and Kaufland are continuing to expand their range of certified GM-free (“Ohne Gentechnik”) fresh meats with the aim of offering this range throughout Germany.



Offering Safe Products

The topic of product and food safety is a central point of focus for all companies of Schwarz Group concerned.

To systematically manage product safety, legality, and high quality, Lidl works according to a recognized quality management system certified according to ISO 9001. Product safety is its top priority. At Lidl, all corresponding processes are carried out according to the requirements of this management system, which governs the quality targets and principles as well as clear process specifications and responsibilities. All processes are reviewed by a law firm specializing in food law and also subjected to regular internal audits. Lidl employees are regularly trained in the processes. A CR manual with internal specifications for selected raw materials offers the purchasers and quality managers the necessary guidance to implement sustainability requirements for specific product groups. There is also a CR measure database which was jointly created by all companies of Schwarz Group and acts as a communication tool. Here, they can digitally record the CR measures of all countries and departments and share them with each other.

For own brands in the food and drugstore area, Kaufland has also defined quality standards for ingredients, pollutants, and sustainable raw materials that, to some extent, go beyond legal requirements. For own brands and own imports in the non-food area, there are also extensive quality specifications that are continuously developed. Both retail divisions have defined and incorporated key steps for compliance with food safety:

- Certification according to the International Featured Standard (IFS) or the British Retail Consortium (BRC) of all production sites that supply the companies of Schwarz Group with food and drugstore products in the own-brand assortment
- Regular, risk-oriented, and, if necessary, unannounced production site audits by selected external certification bodies
- Risk-oriented inspection of all private-label items in the food and drugstore area by independent accredited institutes (e.g., Fresenius, Eurofins) to test their marketability
- Compliance with specification values that go beyond legal requirements and also consider the requirements of NGOs and test magazines, including corresponding checks by independent accredited institutes

All potentially critical results that are determined through the above-mentioned processes are forwarded to the company departments responsible for product safety to be processed as a priority, resolved, and if necessary, for suitable measures to be initiated.

148,688

product analyses carried out for own brands (FY 2022)

1 | At Lidl and Kaufland, the certifications are included in the supplier requirements. If corresponding proof cannot be produced, a risk assessment and an audit are conducted. The results are then used to decide whether or not to enter into a supplier relationship.

Fresh Fruit and Vegetables

Every day, hundreds of tons of fresh fruit and vegetables are delivered to around 13,700 Lidl and Kaufland stores around the world.

In order to define a high safety standard in relation to the use of pesticides, Lidl and Kaufland have jointly drawn up the Schwarz Banned Substances List for fresh fruit and vegetables. The defined list contains over 200 active substances and is implemented by both retail divisions in all countries.

To ensure consistently high product quality, all deliveries are closely scrutinized according to standardized processes. The pesticide management strategy is underpinned by approximately 100,000 independent chemical product tests each year. Many tests are carried out even before harvest, or before the goods are loaded. In addition to results from the test reports of neutral samplers and external accredited laboratories, evaluations of the conditions in the growing regions are incorporated into our findings.

Other examples of quality assurance by the Lidl and Kaufland retail divisions:

- Definition of own specification values for pesticides that go beyond the legal requirements
- Insistence on certification of all agricultural suppliers of Lidl and Kaufland according to the GLOBALG.A.P. or QS quality standards
- Insistence on completion of the GLOBALG.A.P. GRASP add-on – for social concerns of workers – for all producers of fruit and vegetables at Lidl and Kaufland
- To consider the topic of biodiversity, Lidl and GLOBALG.A.P. released the first industry-wide add-on for biodiversity in April 2022 with the BioDiversity add-on. As part of an extensive pilot project, to date, over 250 European fruit and vegetable growers have been certified in accordance with the new add-on.

More information about each company's approaches and measures can be found in Lidl's Policy on the Responsible Sourcing of Fruit and Vegetables and in Kaufland's Transparency Report on Fresh Fruit and Vegetables.










[Lidl Policy on Fruit and Vegetables](#)



[Kaufland Transparency Report on Fruit and Vegetables \(German\)](#)

Key Performance Indicators

Number of Items with Sustainability Label^{1,2}

	FY	Average	Lidl ³ Max. number per year	Average	Kaufland Max. number per year
Organic	2020	454	753	1,879	3,304
	2021	425	682	2,464	4,301
	2022	403	663	2,424	4,258
Fairtrade	2020	286	476	156	236
	2021	330	544	255	401
	2022	338	566	262	391
Rainforest Alliance⁴	2020	101	532	104	160
	2021	361	767	208	326
	2022	754	1,090	296	399
UTZ⁴	2020	474	849	290	517
	2021	380	1,014	281	484
	2022	-	-	202	356
FSC⁵	2020	158	544	61	104
	2021	177	600	85	132
	2022	254	1,531	175	286
MSC	2020	130	208	251	467
	2021	138	235	264	475
	2022	135	225	252	447
ASC	2020	83	182	37	69
	2021	91	206	52	94
	2022	90	188	61	112

1 | Number of all sales items, excluding promotional/seasonal items and non-food, which were designated for sale to in-store customers. At Kaufland, items are counted on the FY end cut-off date, at Lidl all private-label items are included that were available for sale to customers over the entire FY.

2 | In order to indicate an average number of items for the entire Lidl or Kaufland division, the figures of each country were weighted using the number of stores per country. In addition, for each label the figure of a country from each division is reported. This figure represents the highest number of items with this label in the respective division.

3 | For Lidl, private-label items from promotions are also included.

4 | The merger of UTZ and Rainforest Alliance (www.ra.org) means the UTZ certification program is being phased out. For this reason, the number of UTZ certified items shows a decline for 2021 and is at zero for 2022.

UTZ is now part of the Rainforest Alliance and will also bear its logo in future;

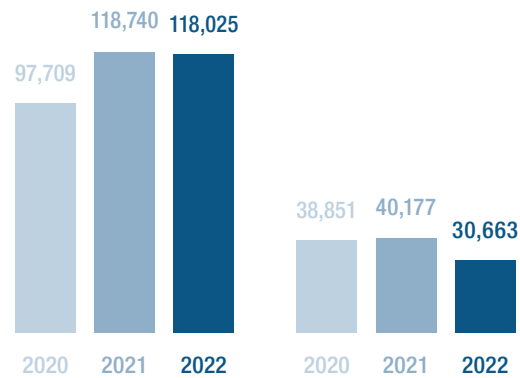
<https://www.rainforest-alliance.org/utz/>

5 | FSC licence number Lidl: FSC® N001585, FSC licence number Kaufland: FSC® N001539

Average Number of Certified Organic Items in the Assortment

FY	Lidl	Kaufland
2020	454	1,879
2021	425	2,464
2022	403	2,424

Product Analyses in the Own-brand Assortment



Food assortment

Non-food assortment

Number of Recalled Own-brand Items¹

	2020	2021	2022	delta 2021/22
Total	233	214	175	-18%
Of which food²	227	207	168	-19%
Lidl	221	193	156	-19%
Kaufland	6	14	12	-14%
Of which non-food	6	7	7	0%
Lidl	5	5	1	-80%
Kaufland	1	2	6	+200%

1 | The number of different sales items recalled as part of public own-brand product/goods recalls is reported. Goods withdrawals are not considered. At Lidl, this includes all sales items (incl. fruit & vegetables and flowers & plants) for each country, which have been designated for sale to customers during the fiscal year. This concerns in-store trade excluding promotional articles. Each single article/each sorting is counted. At Kaufland, this includes all actively-listed articles (listed in at least one hypermarket) at the fiscal year end cut-off date. Excluded are: Differential markets, dummy purchasing groups, secondary business (and irrelevant product groups), special items/special stock/seasonal articles, displays, sales sets.

2 | For the food category, all foods are counted, as are items from the near-food area, e.g., cosmetics, laundry, cleaning and household products, flowers and plants.



Shaping Focus Areas Circular Systems



Our Mission:

**We Are Resource-efficient
and Embrace the
Circular Economy.**

Our Contribution to a Functioning
Circular Economy



Use and Conservation of Resources, and Circular Solutions

The companies of Schwarz Group consider the circular economy to be a core part of the corporate strategies. This applies equally to our own processes and to the processes along the supply and value chain. We want to conserve resources, prevent waste and close recycling loops. In order to achieve these targets, the companies of Schwarz Group are committed to preventing and reusing waste and conserving resources. We attach great importance to ensuring that our packaging and products are designed with sustainability in mind, and to using efficient recycling and recovery methods.



Conserving Resources and Preventing Waste

By signing the Global Commitment of the Ellen MacArthur Foundation, we have made a commitment to actively work toward the more sustainable use of resources. Within the global network of the Ellen MacArthur Foundation, we are therefore developing new strategies and solutions to promote the circular economy, together with all companies involved as well as governments and NGOs. Additional information about this can be found in the [“Living Diversity” chapter](#).

By reducing waste and food waste and establishing recycling loops, we can reduce our environmental impact. This approach also gives us the opportunity to gain recyclable materials for tomorrow from today’s waste. The basic idea is to avoid wasting resources throughout the entire value chain.

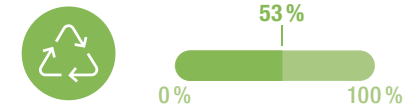
As part of their joint sustainability strategy, the companies of Schwarz Group have made a specific commitment to the issues of waste prevention and food waste, and have set themselves the following targets:

- **Road to zero waste:** By the end of 2025, the companies of Schwarz Group will reuse, recycle, or recover a significant percentage of the waste they generate¹. In pilot countries, the companies of Schwarz Group will strive to limit the non-recoverable waste they generate¹ to a maximum of 5 percent by the end of 2022.
- **Food waste:** By the end of 2030, the companies of Schwarz Group will reduce food waste by 50 percent.^{2,3} This target is currently being revised.

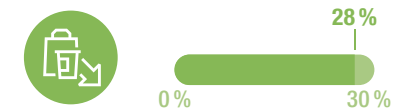
For the companies of Schwarz Group, the responsible use of packaging materials is an important factor in creating a value chain that conserves resources. Packaging materials are essential for the companies of Schwarz Group, particularly to keep food fresh and protect it during transport. At the same time, manufacturing packaging requires resources and energy. The companies of Schwarz Group therefore aim to use as little material as possible and to feed the materials used back into production cycles. Here, a particular focus is on plastic as a recyclable material, as its ability to provide excellent protection for food makes it a key packaging material for food retail. However, whoever puts plastic into circulation also bears responsibility for its future use. Accordingly, the companies of Schwarz Group have been committed to the collection, sorting, and recycling of recyclable materials for several years now. In general, they pay attention to relevant environmental criteria for the packaging and transport aids of their own brands, as well as for consumables in the stores, logistics centers, administration and at production sites.

This includes recyclability, the proportion of recycled material, and the general conservation of resources. As part of the REset Plastic strategy, the companies of Schwarz Group have set themselves the following targets that they want to achieve by 2025:

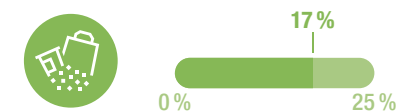
Make 100 % of private-label packaging recyclable to the greatest extent possible



Use 30 % less plastic in private-label packaging and transport aids (compared with 2017)⁴



Use on average 25 % recycled material in private-label plastic packaging



1 | Excluding communal waste.

2 | Compared with the base year 2018 for the retail divisions.

3 | In our own production, we will cut food waste by 50 percent (solid food) and by 25 percent (beverages) by 2025 (compared with the base year 2017; in relation to material quantity sales).

4 | After the end of FY 2022, the target was adapted from 20 % to 30 % less plastic.

Waste and Recycling Management throughout the Recycling Loop

As internationally active environmental division of Schwarz Group, PreZero is responsible for a comprehensive range of services in the area of waste and recycling management – both for external customers and within Schwarz Group. PreZero takes care of the internal waste and recycling management for Lidl and Kaufland, the administrative locations and Schwarz Produktion.

With around 30,000 employees at about 480 locations in Europe and North America, PreZero combines its expertise in areas all along the value chain under one roof. These include consulting, waste disposal, sorting, processing and recycling services. With its licensing activities, the Dual System (German EPR system) is the strategic link between manufacturers and disposal companies. In the area of recyclable materials, PreZero ensures that waste of various fractions is separately collected, sorted and properly processed. The waste passes through different recovery steps and is recycled into new materials or energetically recovered, for example. The portfolio is supplemented by various departments and brands. Under the brand PreTurn, smart multi-use pallets and pallet pooling services are developed, which can make the supply chain more efficient and transparent.

The OutNature brand develops and markets sustainable fiber and paper products made from the silphium plant for packaging solutions in retail and industry.

In each of the companies of Schwarz Group, the close collaboration with PreZero is organized and anchored in different ways. For example, employees and managers receive advice and training from PreZero in the form of individually tailored workshops, training measures, information letters and sorting instructions. Contents may include current topics such as sorting concepts and changes to the law. In addition, PreZero regularly evaluates relevant KPIs and discusses them with the departments. Requirements, such as those concerning sorting and recycling rates, can vary from country to country due to the lack of uniformity of recyclable materials management at an international level. However, as a general rule, waste in stores, logistics and production should be sorted and disposed of or prepared for transport in accordance with fixed guidelines. These are defined in the ARIS process system used by the companies of Schwarz Group.



“Waste becomes our recyclable material and the resources of tomorrow. So that it may be used as such, it first and foremost has to be carefully separated in our sorting plants. Only in this way, can high-quality starting materials for a new life cycle be generated from it once again at the recycling sites. PreZero always tries to keep an eye on the whole loop. That makes us an interesting partner for many companies, interested in improving their own loops.”

Steffen Schott

Operations Manager of PreZero Lightweight Packaging Sorting Plants in Ölbronn/Eitting

A Unique Recycling Loop

Schwarz Produktion is responsible for recycling disposable PET bottles in the German bottle deposit system. At the end of the reporting year, in the companies of Schwarz Produktion, a total of around 4,500 employees manufactured high-quality food and sustainable packaging and materials for the retail divisions of Schwarz Group. Three plastics and recycling plants are also key components of a unique PET recycling loop. As a pioneer in introducing a recycling loop for disposable PET deposit bottles in Germany, Schwarz Produktion already set the course for a functioning circular economy early on.

Today, all stages of the recycling loop are covered by companies of Schwarz Group: collection of deposit bottles, sorting, recycling, manufacturing and filling of new PET bottles as well as selling the finished product. Since June 2021, all disposable PET deposit bottles produced by Schwarz Produktion for Lidl and Kaufland private labels in Germany are made of 100 percent recycled plastic (rPET), with the exception of the cap and label.

By the end of the 2022 fiscal year, Schwarz Produktion had successfully completed the expansion of the MEG Übach-Palenberg plastics and recycling plant. This marked another milestone in the continued development of the recycling loop. In just ten months, Schwarz Produktion was able to increase the capacity of the plant by 50 percent.

The companies of Schwarz Group are supporting the development of deposit systems for disposable bottles in all European countries in which no such systems currently exist. The aim is to reduce littering in public spaces and to promote a functioning circular economy. As of 2023, Kaufland voluntarily accepts returns of empty disposable PET bottles and beverage cans via reverse vending machines in

all countries in which the company operates and where there are no legal requirements in this regard.

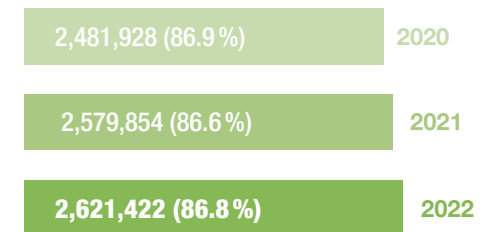
Types and Sources of Waste

What kinds of waste are generated where depends on the business modes of the respective company of Schwarz Group. For example, the Lidl and Kaufland retail divisions are mainly concerned with waste from stores and warehouses, such as packaging and transport aids made from plastic and paper/cardboard/carton, and with food waste from write-offs that are no longer suitable for human consumption. At the production sites, the focus is on waste from food production and packaging and transport aids made from plastic or paper/cardboard/carton. Waste from the PET bottle recycling plants, such as impurities and non-recyclable components, is also among the waste generated at the production sites. In this context, a distinction is made between organic waste, plastics and metals. Conversely, at the administrative locations, waste is predominantly made up of municipal waste from the social areas and paper waste from the offices.

Waste at PreZero is generated at the central and administrative locations, as well as at the recycling and production sites. It mainly consists of municipal waste, paper and other waste that is generated during plant operation. The environmental impact varies depending on the type of waste. Generally, waste is reused if possible. If this is not possible, it is recycled according to the specific national laws, and the remnants are fed into other recovery methods. At selected sites there are individual supplementary measures to reduce the volume of waste.

Total Waste That Is Recycled, Reused, Fermented, or Composted

Data in tons



Preventing Food Waste

The responsible use of resources is a key aspect along the entire value chain.

The measures taken by the companies of Schwarz Group to prevent food waste extend from production through to transport and sale. Here, passing on food that cannot be sold but can still be consumed to nonprofit organizations like the Tafel food banks plays a key role. Furthermore, in the event of overstocking, the prices of the affected items are reduced in good time. A considerably bigger contribution to preventing waste can be made by our customers if they store food correctly and trust their own senses when it comes to 'best before' dates.

A note on suitable products informs consumers that they should use their own senses to assess the shelf life of food. With the "Rettertüte" (rescue bag), Lidl gives fruit and vegetable products that do not look perfect on the outside a second chance by offering them at a heavily discounted price. The aim of the discount is to create a buying incentive for customers and to stop food from being thrown away prematurely. In this way, the retail divisions of Schwarz Group contribute to improving consumer awareness regarding the shelf life of food.

Under the "Ich bin noch gut" (IBNG – I'm still good) initiative, Lidl and Kaufland offer products that are still of perfectly good quality from all relevant product groups, such as baked goods, dairy products and sausage products from the self-service area, at heavily discounted prices. Moreover, the stores also set up IBNG corners in the dry food, fruit and vegetables, and frozen goods areas. In these areas, the products in the green boxes labeled "Ich bin noch gut" are easy for customers to find.

Despite predictive quantity planning, the retail divisions occasionally have to write off food and dispose of it. If this food cannot be given to social institutions or put to other uses, a large proportion of the food waste generated by the retail divisions in Germany and in some other countries is processed in biogas plants.

In the restaurants operated by the companies of Schwarz Group, we separate out catering waste – generated in the production, processing and consumption of food – and have it processed by organic waste disposal companies. In addition, newly constructed restaurants are equipped with and operate their own wet waste treatment systems for organic waste.

Residue trapped in machines and waste due to errors in the handling of raw materials are minimized by optimized processes at the production sites of Schwarz Produktion and Kaufland meat processing plants. Risk-optimized contamination detection systems improve product safety and thereby prevent recalls and product disposal.

We are currently working to improve the collection of key performance indicators to be used to measure our progress in the area of food waste.



Raising Awareness for Waste Separation among Consumers

Correct waste separation is the prerequisite for successful recycling, as sorting facilities do not sort as effectively and correctly as people can at home. Consumers therefore play a crucial role here: The more effectively the waste is separated, the easier it can be turned into new, high-quality recycled materials. To increase awareness of this issue affecting society as a whole, PreZero and Kaufland have been committed to the initiative "Mülltrennung wirkt!" (Separating waste works!) since 2021 – a campaign of the Dual Systems in Germany. PreZero makes advertising space available to the initiative on a total of 20 collection and transport vehicles to spread its imagery and messages. Kaufland contributes to consumer education with posters in its stores and radio spots about the right way to dispose of packaging and residual waste. Being a member since 2019, PreZero has been working together with the "Gelbe Tonne" (yellow waste bin) initiative to educate consumers in Germany about the need for waste separation in the yellow bins.

The separation and disposal instructions on own-brand packaging at Lidl and Kaufland are another important element of consumer education. Both divisions base these instructions on country-specific statutory regulations and market conditions.

The separation instructions located directly on the packaging provide information about the materials that make up the individual packaging components, making it easier for customers to dispose of them correctly. The goal is to motivate customers to properly dispose of their packaging and do their part to improve recycling. The separation and disposal instructions were designed with international implementation in all Lidl and Kaufland countries in mind. Instead of specifying the disposal methods, which differ across Europe when it comes to collections from households, the material used and the corresponding recycling symbol are indicated in the instructions provided by the companies of Schwarz Group. The advantage here is that the separation and disposal instructions do not have to be redesigned for every country. Exceptions may arise from country-specific legal regulations and market circumstances. Currently, the separation and disposal instructions are gradually being rolled out in other European countries.



Recycling Recyclable Materials

The companies of Schwarz Group promote the circular economy approach – from fully recyclable products, through retail and waste disposal, to sustainable recycling and reprocessing into new products.

Working alongside other experts, PreZero developed the new DIN SPEC 91436 Road to Zero Waste standard, a reference model for sustainable waste and recyclable materials management.

The aim is to minimize non-recyclable waste generated in internal operations and to optimize recovery and disposal.

By the end of 2025, the companies of Schwarz Group will reuse, recycle, or recover a significant percentage of the waste we generate. The companies of Schwarz Group had set themselves the goal to limit their non-recoverable waste to a maximum of five percent in pilot countries by the end of 2022. For Lidl, the Netherlands and the Czech Republic were chosen; for Kaufland, Slovakia and Romania. In these pilot countries, the DIN SPEC 91436 Road to Zero Waste standard is used to gain experience and derive measures for the companies of Schwarz Group.

By the end of the 2022 fiscal year, the certification processes for Lidl Czech Republic, Lidl Netherlands, and Kaufland Romania had been successfully completed. Kaufland Slovakia is to be certified in the 2023 fiscal year. A roll-out to additional countries is currently being evaluated. Generally, all waste generated within the companies is considered. Municipal waste that is generated by customers in the store parking lots, for example, is excluded from consideration. In addition, waste can be excluded if there are specific statutory requirements regarding the way it is recovered. German law stipulates that waste needs to be recovered, in principle, using the most suitable recovery measure while taking into consideration the ranking of the measure in accordance with the waste hierarchy. If this is not technically possible nor economically reasonable, the recovery measure must be verifiably assessed and the evidence provided to an independent supervisory body.

Recovery Types

in tons (2022)

2,120,891

Recycling

82,407

Reusing

3,018,758

Total waste

407,524

Fermenting

10,600

Composting

166,829

Thermal recovery with energy recovery

18,936

Combustion

164,267

Disposal

47,305

Miscellaneous



REset Plastic: Plastics Strategy of the Companies of Schwarz Group

The goal of resource conservation also particularly applies to packaging materials. The most important functions of packaging include guaranteeing the quality and hygiene of food and preventing food losses. It protects sensitive goods from environmental influences and ensures that they reach the consumers undamaged. On the one hand, food packaging can thus serve to prevent food waste and to improve the carbon footprint. On the other hand, resources and energy are required to manufacture packaging, which affects the environment and the climate. Plastic packaging is a particular challenge, as the longevity of the material can become a problem once it enters the environment. For this reason, we are committed to collecting, sorting, and reusing plastics – since 2018, we have facilitated and managed this commitment with our REset Plastic strategy.

REset Plastic is the international, holistic plastics strategy of the companies of Schwarz Group for all departments and countries. The group-wide strategy aims at reducing the use of plastic and closing loops as well as at creating a new awareness and fundamentally changing the way we handle plastic.

Our Five REset Plastic Action Areas



“The companies of Schwarz Group are pioneers when it comes to the circular economy. As companies putting packaging into circulation, we take our responsibility very seriously. For example, in fiscal year 2022, within the framework of our joint REset Plastic strategy, we were able to exceed some of our targets for the use of recycled material, plastic reduction and recyclability. The successes spurn us on to together raise the bar even higher for our targets in future.”

Florian Cebulla

CR Focus Area Supervisor Circular Systems
of Schwarz Unternehmenskommunikation
GmbH & Co. KG

Sustainable Transport Aids and Transport Packaging

Our REset Plastic strategy includes measures to reduce plastic as well as activities to promote the circular economy – for example through the use of recycled materials. With reusable bread bags and reusable nets for transporting loose fruit and vegetables, the companies of Schwarz Group meet both objectives in equal measure: The durable, reusable nets reduce the consumption of produce bags each time they are used again. The reusable bread bags and reusable nets are both made of 100 percent recycled material. However, due to a new EU regulation, the first production batch of reusable bread bags at Kaufland is made of newly produced, “virgin” material. This refers to material that has previously not been used in manufacturing. Since 2019, the companies of Schwarz Group have introduced the reusable nets in almost every country and have been gradually rolling out the updated version since 2021. Since their introduction, this range of alternative solutions and additional measures have reduced the use of flat bags/produce bags in Lidl and Kaufland's fruit and vegetables areas by around 32 percent overall.

With regard to the purchasing of food at Schwarz Restaurantbetriebe, we already ensure that the goods are delivered in reusable crates. Our aim is to offer a high proportion of fresh products and avoid outer packaging. In the restaurants, we first established a reusable system for food in 2018 and have since rolled out this system to all employee restaurants. Drinks have been exclusively sold in reusable cups since 2016. Additionally, we use dispensers to avoid packaging materials for condiments like ketchup and mayonnaise.

Resource-saving technologies are also used in the area of logistics. For example, since 2020 Kaufland has been using the foldable pallet (Kaufland-Klapp-Palette – KKP), specifically designed for use in the transport and picking goods between the distribution centers and stores. The pallet offers ergonomic advantages for employees in logistics and the stores when packing and unpacking, and at the same time, it reduces the amount of pallet wrap used each year by around 20 percent thanks to its stable side walls. At Kaufland, the pallets are currently used in the food area in Germany, the Czech Republic, Slovakia, Croatia, Romania and Bulgaria. In all of these countries with the exception of Germany, the KKP is also used in the fresh food area.



Developing Innovative Packaging Materials

With its OutNature brand, PreZero develops sustainable fiber and paper products based on the silphium plant for packaging solutions in trade and industry. After a successful pilot phase, since the end of 2021, the two retail divisions, Lidl and Kaufland, have been introducing this innovative paper packaging in the fruit and vegetable area – starting with organic cress. At Lidl, organic cress will initially be available in silphium packaging in southern Germany. In Germany and Austria, additional products were switched to the new packaging during the reporting period: In 2022, the paper packaging was introduced for the smoked salmon sold at Kaufland and for the organic cherry tomatoes sold at Lidl Austria. Next to follow suit were the

organic apples at Kaufland at the beginning of 2023, followed by the Bioland apples at Lidl in Germany. Even products that are not produced by the companies of Schwarz Group, such as displays from Procter & Gamble and Kneipp lip balm, were transitioned to the new packaging. In the coming years, the new packaging will be expanded to additional regions and more items in the product assortment, such as adhesive labels.

Silphium paper is particularly resource-efficient and can be used in a variety of ways in the food and non-food sectors. With a share of at least 35 percent, the fibers of the energy crop form the basis for the novel packaging. Regional silphium cultivation reduces transport distances and associated carbon emissions.



The processing of the plant requires little water and energy, and fibers are obtained without the use of chemicals. OutNature has succeeded in separating the plant fibers using a biothermal process prior to bioenergy generation. In this way, the PreZero brand is harnessing silphium as a new raw material produced in Germany that is revolutionizing the paper and packaging industry. As a result of this achievement, OutNature received Gold in the German Design Award, and the German Innovation Award at the end of 2022. In addition OutNature was part of the brand book titled “The Major Brands in Germany”.

Further research is expected to provide silphium paper with additional properties as a barrier, for example against water or fat. This means that the innovative paper could possibly also be used as a replacement material for plastic in packaging in the future.



Identifying Sustainable Packaging

To enable their customers to consciously choose sustainable packaging, the retail divisions of Schwarz Group use labels: At Kaufland this is the “Consciously packed” logo, Lidl uses the “Packaging responsibly” logo. Both labels must satisfy at least one of the following criteria:

- Recyclability of at least 80 percent¹
- For plastic, recycle or recycled content of 30 percent¹
- Packaging material volume or weight savings of at least 10 percent² at Lidl and 20 percent at Kaufland
- Use of alternative materials³



1 | Recyclability is based on the official criteria of the Zentrale Stelle Verpackungsregister (Central Agency Packaging Register): <https://www.verpackungsregister.org/en>

2 | Compared with own previous packaging or relevant competitor packaging

3 | E.g., silphium paper, chemical recycling

4 | Drescher/Kauertz 2023: Ökobilanz der PET-Einweg-Kreislaufflasche der MEG

Recycling Disposable PET Bottles

Schwarz Produktion is a pioneer in implementing the recycling loop for disposable PET deposit bottles in Germany. This has been confirmed by a new life cycle assessment carried out by the Institute for Energy and Environmental Research Heidelberg (ifeu)⁴. The assessment showed that Schwarz Produktion’s closed-loop bottle is one of the most eco-friendly bottles when compared with the standard returnable bottles on the market that were part of the assessment. Since June 2021, all disposable PET deposit bottles produced by the companies of Schwarz Produktion for Lidl and Kaufland private labels in Germany have been made of 100 percent recycled plastic (recyclate), with the exception of the cap and label. In the 2022 fiscal year, the recycled content of all single-use PET bottles brought into circulation in Europe by the companies of Schwarz Produktion was 95 percent. On the one hand, this highlights the excellence of the bottle deposit system in Germany, and on the other hand, the strong ambitions of Schwarz Produktion which go far beyond the legally required recycled content of 25 percent from 2025 and 30 percent from 2030. What makes the difference here is our integrated loop from production through sale all the way to recycling: Every new bottle is produced entirely from old bottles and is particularly resource-friendly due to its low weight. Schwarz Produktion achieved this major development step in PET recycling by investing heavily in the recycling loop, developing some of its own solutions, and building up expertise over many years. In the 2022 fiscal year, by

using 100 percent recycled materials to produce disposable PET bottles, we were able to save a total of almost 59,000 tons of new plastic and 100,000 tons of CO₂ – compared with PET bottles without recycled materials. Together we are tackling the next goal of REset Plastic: By 2025, we want to use 25 percent recycled materials on average in all Lidl and Kaufland private-label packaging.



“As part of Schwarz Group, Schwarz Produktion is a pioneer in terms of the circular economy. In the last 13 years, we have built up a PET recycling loop which is second to none. In our recycling center in Übach-Palenberg, one of the most modern in Europe, far more than a billion PET bottles are recycled each year and new bottle bodies are made out of 100 percent recyclate.”

Rene Witter

Executive Managing Director
Plastics, Schwarz Produktion

Household Products from the Recycling Loop of the Companies of Schwarz Group

Together with PreZero, Lidl and Kaufland offer promotional private-label household goods with plastic components made entirely from recycled material¹. What makes these products made of recycled material so special is the fact that a large part of the process is covered by the companies of Schwarz Group. The recycled material comes from plastic packaging that is disposed of in private households and subsequently collected, sorted, cleaned, and reprocessed as regranulate by PreZero. The recyclable material recovered in this way is used to produce new, high-quality household goods. These sustainable products, including organizers, waste bins and cleaning buckets, laundry baskets, as well as transport and storage boxes, are then occasionally sold at Lidl and Kaufland.

In promotions, Kaufland customers can choose from five different types of sandbox toys made of recycled materials – including toy vehicles, various molds, shovels and a sand mill. The toy vehicles are made from 80 percent recycled and 20 percent new plastic granulates, whereas all the other products are made completely² from recycled plastic granulates.

Recycled materials are also being used in construction: The companies of Schwarz Group are pioneers in the use of roof sheeting containing 60 percent recycled materials made of used Lidl plastics to seal the roofs of stores and warehouses. Not only does this increase supply reliability, it also reduces costs. After a successful pilot phase in Lidl and Kaufland stores, the roof sheeting will be deployed in new constructions or in roof modernizations in 22 countries in future.

Our household products are also recognized by external parties: For example, in 2022 reporting year, the “Kuniboo Beach Toy Set” created in cooperation with Mochtoys was a finalist at the Plastics Recycling Awards Europe. In the future, the companies of Schwarz Group will continue to extend the range of recycled products.

Across the group, we are not just reducing the use of new plastic; we are using recycled materials and ensuring the best possible recyclability.



1 | By recycled materials, we mean 100 percent PCR (Post-Consumer Recycled Materials, i.e., recycled plastic from household waste), coloring (color pigment), and filler for the referenced product category.
2 | Plastic content (approx. 95 percent) of the product is made of 100 percent recycled plastic, with the additional use of additives and coloring (approx. 5 percent).

Removing Plastic Waste from the Environment

The companies of Schwarz Group assume responsibility for plastic which already exists in the environment and is therefore outside of recycling loops. Large quantities of these unused recyclable materials are transported into seas through rivers. The companies of Schwarz Group support the removal of existing plastic waste from rivers, lakes, the ocean, and on land. In the hotspot regions in Asia, they rely on global collaboration with different partners, from NGOs to local governments. In addition, our national companies are involved at a national level through a wide variety of activities.

The companies of Schwarz Group organize their overarching commitment to remove plastic waste from the environment together with their global partners. For example, they have joined forces with the environmental organization One Earth – One Ocean e.V. and a local specialist for waste management and circular economy, PT Waste-forchange Alam Indonesia, to launch a river cleanup project in Bekasi, Indonesia.

This cooperation aims to sustainably clean the river running through the metropolis before the waste can reach the oceans.

In addition to removing waste from the river, a particular focus of this project is to establish a recycling infrastructure for the river waste and to run the project in the most climate-friendly manner possible. This includes the use of self-generated energy from photovoltaic systems. The project was scheduled to run from 2019 to the end of 2022. In this period, we developed a local infrastructure, created jobs and increased the awareness of the problem of plastic waste among the local people. Since the station was fully commissioned three years ago, “SeeHamster” have been used to remove 500 kilograms of waste from the Bekasi river on a daily basis, with around 60 percent being fed back into the local recycling loops and recycled. In addition, the entire project was carbon-neutral. As per the plan, the project was handed over to local stakeholders by employees of the companies of Schwarz Group in 2023.

By participating in Project STOP, the companies of Schwarz Group also supported the leading initiative for preventing plastic waste in oceans from March 2019 to April 2023. Project STOP develops effective recyclable materials management systems and supports their implementation with funding and expertise. The aim of this project was to establish an effective waste management system in Indonesia.

As part of Project STOP, we were able to connect 327,370 people to new waste disposal systems, create 333 full-time jobs and collect more than 47,000 tons of waste (of which around 5,800 tons was plastic waste).



AN INITIATIVE CO-FOUNDED BY BOREALIS AND SYSTEMIQ





In the fall of 2022, Lidl and Kaufland started the first cross-company and cross-country cleanup campaign along the Danube river. As part of the “River Cleanup Collective @Danube – Together for Cleaner Rivers” project, 15 national companies of our retail divisions took part. As part of this project, we organized 55 local campaigns in nine countries with 3,000 internal and external participants who managed to collect a total of 20 tons of waste.

PreZero also advocates for the protection of the international oceans and supports projects that prevent plastic waste from ending up at sea, in collaboration with WWF Germany. As part of this partnership, PreZero supports the recovery of so-called ghost nets from the Baltic Sea.

PreZero also supports the WWF sea protection program in their efforts to dispose of and prevent plastic waste in Southeast Asia. PreZero does not just provide financial support for the WWF projects; it also supports them with technical expertise. PreZero brings its many years of experience in the areas of waste prevention, circular economy, recycling, and waste management to the partnership in order to stop the flood of plastic entering the seas. In 2020, the collaboration with WWF was expanded internationally, and extended until 2025, to spread the word of the collaboration in the project regions to countries other than Germany. The cooperation now involves ten national companies of PreZero.



PreZero is working with WWF to stop plastics from entering the oceans



20 tons of waste was collected in nine countries along the Danube river as part of our “River Cleanup Collective @Danube – Together for Cleaner Rivers” project.

Recycling Ocean-bound Plastic

Products made from ocean-bound plastic can be found in the assortments of Lidl and Kaufland. In 2022, Kaufland once again brought a sports collection made from recycled polyester onto the market. The products were made from used PET bottles that could not be reused as bottles, fishing nets, or plastic waste and were certified in accordance with the Global Recycling Standard (GRS). Several Lidl national companies had a private-label shoe in their assortment with a textile outer material made from recycled plastic. 25 percent of the recycled plastic came from old plastic bottles collected in coastal regions in Asia.

Avoiding Microplastics

Microplastics are used intentionally in cosmetics, laundry, cleaning and household products. This is because the use of microplastics offers benefits for the consumer, for example, in hair styling products to provide hold. Microplastics are formed as a result of the breakdown of larger plastic waste, for example due to weathering, wave action, sunlight, tire wear or the washing of synthetic textiles. From the environment, the plastic particles can also enter the human body via the food chain.¹

Therefore, as part of the REset Plastic strategy, the companies of Schwarz Group are aiming to avoid the use of microplastics and non-biodegradable, purely synthetic polymers in the recipes for their private-label products in the areas of cosmetics, laundry and cleaning products, including car care products, as long as this does not significantly impact the safety or quality of the relevant products. A large proportion of the recipes have already been adapted. Due to challenges with recipes, the connected properties, and the availability of the respective raw materials, it was not possible to fully launch all the new products in both retail divisions and in all countries by the end of 2022. The companies of Schwarz Group are also working closely together with their suppliers on other adaptations. In some cases, these first require new solutions to be developed on the market. The independent research institute Fraunhofer UMSICHT (Institute for Environmental, Safety and Energy Technology) supported us in defining the corresponding targets as a scientific competence partner. Our label “Formulation without microplastics” (recipe without microplastics) identifies products whose recipes do not contain microplastics.



1 | Leslie et al. 2022: Discovery and quantification of plastic particle pollution in human blood

Key Performance Indicators

Materials Used by Weight and Volume

Consumables in tons ¹	2020	2021	2022
Total promotional materials	534,586	537,310	475,185
from fresh fibers ²	222,317	243,182	216,424
from recycled material ²	312,270	294,128	258,761
Total printing paper	5,074	5,147	3,872
from fresh fibers ²	1,963	2,251	1,693
from recycled material ²	3,111	2,896	2,179
Total bread bags	15,730	16,970	23,703
from fresh fibers ²	15,408	16,970	23,341
from recycled material ²	321	0	363
Waste bags	7,911	8,470	9,227
Plastic bags/produce bags	6,203	5,279	6,146
Stretch film (packaging material)	13,129	13,057	14,118
Reusable nets for fruits & vegetables sold (in units)	10,105,147	6,777,414	4,255,822

1 | The calendar year was used.

2 | For consumables made from paper, we differentiate between fresh-fiber and recycled paper types. If the consumables are made from both fresh fibers and recycled paper, the larger proportion is key to assigning a paper type.

Recyclable Materials and Waste by Type and Recovery Process in Tons¹

	FY	Reusing	Recycling	Fermenting	Composting	Thermal recovery with energy recovery	Combustion	Disposal	Miscellaneous ²	Total
Total weight	2020	9,697	2,110,531	347,771	13,930	137,449	17,475	184,744	33,699	2,855,295
Recyclable materials	2021	68,561	2,117,581	379,641	14,070	155,373	15,871	193,100	35,867	2,980,065
	2022	82,407	2,120,891	407,524	10,600	166,829	18,936	164,267	47,305	3,018,758
Of which non-hazardous waste	2020	9,625	2,099,994	347,771	13,930	137,096	17,254	184,628	31,335	2,841,632
	2021	68,530	2,109,813	379,641	14,070	154,671	15,638	193,007	33,604	2,968,976
	2022	81,042	2,112,231	407,524	10,600	166,666	18,452	164,162	44,340	3,005,017
Paper / cardboard / carton	2020	31	1,645,729	0	0	1,904	405	0	35	1,648,103
	2021	30	1,696,695	0	0	1,229	797	0	14	1,698,766
	2022	29	1,693,020	0	0	962	30	0	907	1,694,948
Organic waste	2020	0	61,884	347,771	13,930	4,166	6,651	19,055	11,136	464,592
	2021	29,913	56,564	379,641	13,332	2,940	7,374	17,929	13,961	521,655
	2022	33,123	53,880	407,524	9,889	2,345	5,761	14,847	14,942	542,310
Residual waste	2020	0	0	0	0	119,696	9,159	161,342	19,778	309,976
	2021	0	0	0	0	128,457	7,049	168,766	19,294	323,567
	2022	0	0	0	0	143,817	12,488	146,866	26,494	329,666
PET ³	2020	0	165,323	0	0	0	0	0	0	165,323
	2021	0	155,006	0	0	0	0	0	1	155,007
	2022	0	166,187	0	0	0	0	0	0	166,186
Plastic	2020	0	70,606	0	0	4,461	0	821	20	75,908
	2021	0	70,065	0	0	8,794	6	845	233	79,943
	2022	0	71,824	0	0	7,080	29	292	119	79,344

1 | This table only contains recyclables of the companies of Schwarz Group. Recyclables that PreZero collects from its customers and processes are not included.

2 | The category "Miscellaneous" is a compound category which also includes volumes that cannot be positively assigned to the abovementioned categories.

3 | The figures shown contain the recyclable PET materials of all companies of Schwarz Group.

4 | This includes for example, old paints/varnishes, household/industrial batteries, energy-saving bulbs, electrical waste, fluorescent tubes, (neon) toner, cleaning products, acids and lye, solvents, spray bottles.



	FY	Reusing	Recycling	Fermenting	Composting	Thermal recovery with energy recovery	Combustion	Disposal	Miscellaneous ²	Total
Wood	2020	0	88,961	0	0	5,159	486	851	3	95,462
	2021	32,037	55,611	0	738	6,191	2	997	4	95,580
	2022	36,227	54,850	0	711	3,885	0	725	981	97,379
Scrap	2020	0	36,261	0	0	0	0	58	0	36,319
	2021	0	44,112	0	0	0	0	15	0	44,127
	2022	0	41,043	0	0	0	0	17	0	41,061
Glass	2020	0	23,782	0	0	0	0	0	0	23,782
	2021	0	23,439	0	0	0	0	0	0	23,439
	2022	0	23,434	0	0	0	0	0	0	23,434
Textiles	2020	4,069	49	0	0	33	24	9	1	4,185
	2021	2,893	6	0	0	9	5	41	1	2,954
	2022	3,147	20	0	0	15	12	24	0	3,219
Miscellaneous	2020	5,525	7,398	0	0	1,677	528	2,492	362	17,983
	2021	3,658	8,314	0	0	7,051	405	4,414	96	23,938
	2022	8,516	7,974	0	0	8,562	133	1,390	897	27,471
Of which hazardous waste ⁴	2020	72	10,537	0	0	353	221	116	2,364	13,663
	2021	31	7,768	0	0	702	233	93	2,263	11,089
	2022	1,365	8,660	0	0	163	484	104	2,965	13,741

1 | This table only contains recyclables of the companies of Schwarz Group. Recyclables that PreZero collects from its customers and processes are not included.

2 | The category "Miscellaneous" is a compound category which also includes volumes that cannot be positively assigned to the abovementioned categories.

3 | The figures shown contain the recyclable PET materials of all companies of Schwarz Group.

4 | This includes for example, old paints/varnishes, household/industrial batteries, energy-saving bulbs, electrical waste, fluorescent tubes, (neon) toner, cleaning products, acids and lye, solvents, spray bottles.



Recycling Rate, Recyclability and Use of Recyclables

	Unit	2020	2021	2022	2021/22 delta
Recycling rates of recyclable materials accumulated internally					
Total recyclable materials	t	2,855,295	2,980,065	3,018,758	+1.3 %
Recycling	t	2,110,531	2,117,581	2,120,891	+0.2 %
Recycling rate	%	73.9	71.1	70.3	-0.8 %P
Recyclability of plastic packaging					
Recyclability	%	33.8	49.7	53.2	+3.5 %P
Recycled materials in own-brand primary plastic packaging					
Recycled materials content	%	10.2	14.3	17.4	+3.1 %P
Recycled materials content LCH/cosmetics	%	-	14.2	16.9	+19.0 %
Recycled material produced					
Recycled material produced by Schwarz Produktion	t	39,059	54,265	58,861	+8.5 %
Recycled material produced by PreZero	t	-	87,594	123,535	+41.0 %
Reduction of plastic in private labels					
Plastic use	g/€ sales	8.0	7.5	6.6	-28.4 %
Reduction in microplastics					
Proportion of microplastic-free items	%	22.0	89.6	97.8	+8.2 %P



Recovery Types

Data in tons	2020	2021	2022
Total waste	2,855,295	2,980,065	3,018,758
Recycling	2,110,531	2,117,581	2,120,891
Reusing	9,697	68,561	82,407
Fermenting	347,771	379,641	407,524
Composting	13,930	14,070	10,600
Thermal recovery with energy recovery	137,449	155,373	166,829
Combustion	17,475	15,871	18,936
Disposal	184,744	193,100	164,267
Miscellaneous	33,699	35,867	47,305

Shaping Focus Areas Ecosystems



Our Mission:

**The Companies of Schwarz Group
are Committed to Protecting the
Climate and Environment.**

Our Contribution to a Healthy Environment



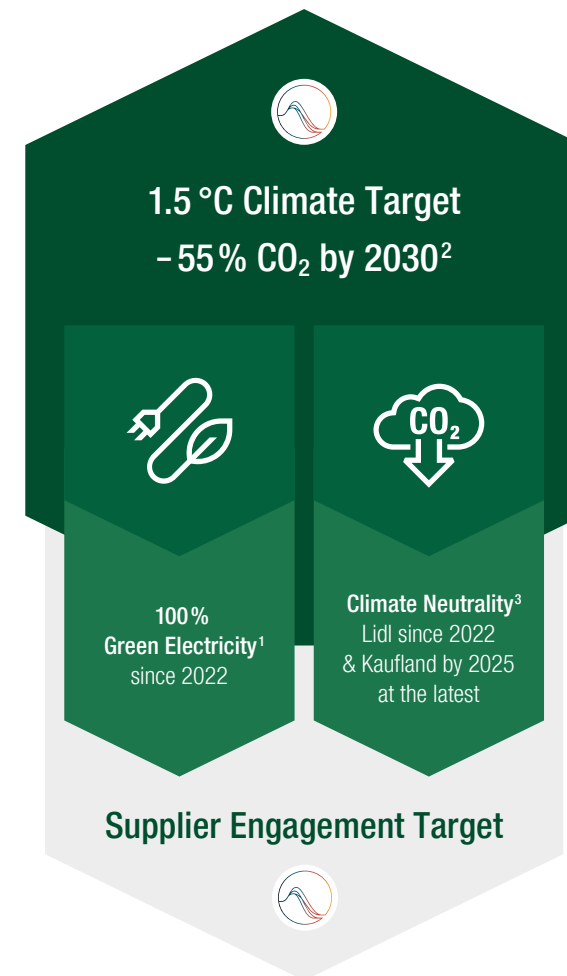
Climate Protection and Adaptation

As companies of Schwarz Group, we want to keep our impacts on the climate and the environment to a minimum. The main focus of our jointly developed climate strategy is on reducing our emissions of CO₂ and other greenhouse gases by prioritizing energy efficiency and renewable energies. In this context, we attach great importance to the climate-friendly construction of stores, administration buildings and logistics centers. Furthermore, we are actively working on mobility and logistics concepts, as well as developing a climate-friendly assortment. Science-based climate targets give our commitment a solid foundation and show us the way to the future.

Implementing Climate Protection across all Companies

The advancing climate change has far-reaching impacts on the living and working conditions of people around the world. Even the companies of Schwarz Group themselves are exposed to significant risks: in agriculture, for example, where extreme weather events can lead to crop failures and a decreased availability of goods, lower planning security as well as increasing prices for goods and raw materials. As a group active worldwide, the companies of Schwarz Group want to do their part to combat climate change. For this reason, they have entrenched a joint systematic climate strategy throughout the group. To ensure the targets are based on solid foundations, in August 2020, the companies of Schwarz Group joined the Science Based Targets initiative (SBTi) and defined their climate targets based on the methodology of the SBTi. These science-based targets were validated and approved by the SBTi in September 2021.

Since August 2020, the business units of all companies of Schwarz Group that are relevant for our joint strategy have been involved in this process. Among them are Corporate Responsibility (CR), Purchasing, Procurement, Sales, Logistics, Real Estate and Controlling, for example. Those involved have defined clear tasks and responsibilities for themselves. The overall project management is also responsible for the Ecosystems focus area and reports to the CR Manager of Schwarz Corporate Communications in this role. In the four projects, Energy, Climate-Friendly Construction, Mobility, and Climate-Friendly Assortment, work is being done on the objectives of the climate strategy and their successful implementation. The project groups are made up of experts from all companies of Schwarz Group. Depending on the subject area, the groups are led by a designated project manager.



1 | Reduction in operational emissions (scope 1 and 2) compared with 2019.
 2 | Excluding any purchase agreements that the companies of Schwarz Group cannot influence, such as those for individual leased properties with a binding electricity procurement clause. You can find more information here: <https://gruppe.schwarz/en/sustainability/ecosystems>
 3 | Remaining operational greenhouse gas emissions (scope 1 and 2) are offset by certified climate protection projects.

Climate Strategy of the Companies of Schwarz Group

Climate change poses enormous challenges for our society and demands action at all levels of society. The companies of Schwarz Group aim to minimize their own contribution to climate change and steadily reduce greenhouse gas emissions¹. We want to first and foremost prevent emissions. If this is not possible, we reduce or offset these emissions.

After a full analysis of their climate and carbon footprint was conducted, the companies of Schwarz Group defined climate protection targets in accordance with the methodology of the SBTi. These were combined with measures to reduce, prevent, or offset carbon emissions in operations and along the supply chain.

By 2030, the companies of Schwarz Group will reduce their operational greenhouse gas emissions (scope 1 and 2) by a total of 55 percent compared with 2019.² As part of this initiative, Lidl and Kaufland have set themselves the target of reducing their operational greenhouse gas emissions by 80 percent over the same period. To achieve this target, the companies of Schwarz Group will purchase 100 percent³ of their electricity from renewable sources from fiscal year 2022. Lidl and Kaufland are taking this one step further and are aiming to achieve climate neutrality⁴ in terms of their operational scope 1 and scope 2 emissions. Kaufland strives to achieve this target by 2025 at the latest, while Lidl is implementing its targets from the reporting year 2022.⁵

Suppliers, which are responsible for 78 percent of product-related emissions, are urged by the companies of Schwarz Group to set their own climate targets based on the SBTi criteria by 2026. Specifically, this means that we work very closely with over 1,000 suppliers in the context of the so-called S3 initiative, and support them in defining their own scientifically-based climate targets through training courses, for example. In addition, the companies of Schwarz Group are committed to reducing their absolute scope 3 emissions, which relate to the use of sold fuels, by 27.5 percent by 2030 compared with 2019. A variety of measures to prevent and reduce carbon emissions in operations and along the supply chain are put in place to reach these targets.

Due to the inorganic growth of the companies of Schwarz Group and methodological adjustments, we are currently working on a new calculation for our base year and the previous years. After this recalculation is complete, we will submit our climate targets to the SBTi for revalidation.



- 1 | The terms greenhouse gas emissions and carbon emissions are used as synonyms throughout the chapter. For greater readability, the text also refers to CO₂ instead of CO₂e/CO₂ equivalents.
- 2 | The target for scope 1 and 2 also includes biogenic emissions and the removal of biogenic raw materials.
- 3 | Excluding any purchase agreements that the companies of Schwarz Group cannot influence, such as those for individual leased properties with a binding electricity procurement clause. You can find more information here: <https://gruppe.schwarz/en/sustainability/ecosystems>
- 4 | Remaining operational greenhouse gas emissions (scope 1 and 2) are offset by certified climate protection projects.
- 5 | Additional information on the climate protection projects is available here: <https://fpm.climatepartner.com/project/1321/en>; <https://fpm.climatepartner.com/project/1358/en>; <https://fpm.climatepartner.com/project/1322/en>

Reduction: Measures to Increase Energy Efficiency

The companies of Schwarz Group rely on a wide range of approaches and methods to increase energy efficiency. As such, at Schwarz Produktion, local energy teams are responsible for implementing these measures. The measures include, for example, optimizing pressurized air or effectiveness, reducing idle time, and heat recovery. In addition to standard measures, process optimizations also play an important role, like at MEG Wörth am Rhein, where process temperatures have been significantly reduced and more concentrated solutions have been used.

In the store concepts of the retail divisions, energy efficiency also plays an important role, for example using the waste heat from refrigeration systems. At Lidl and Kaufland, the waste heat from chiller equipment and refrigeration systems is used to some extent for heating the building, thus reducing energy consumption.

The long-standing commitment of the retail divisions in this context is reflected in the around 1,850 stores equipped with so-called compound refrigeration systems. When taking all of the companies of Schwarz Group into account, there are 1,980 buildings with this technology. To further reduce carbon emissions, the chiller equipment in over 570 Lidl and Kaufland stores is operated with natural refrigerants like propane or with CO₂. Across all companies of Schwarz Group, there are over 630 buildings equipped with the corresponding refrigeration technology.

In administrative buildings, the energy consumption of the technical building installations is optimized through standardized monitoring, control and regulation functions and reduced to only what is necessary. At the same time, for newly built or existing facilities, we are striving to reduce carbon emissions through the use of climate-friendly energy sources. An example of this is district heating, provided that it is available from the relevant region or network.



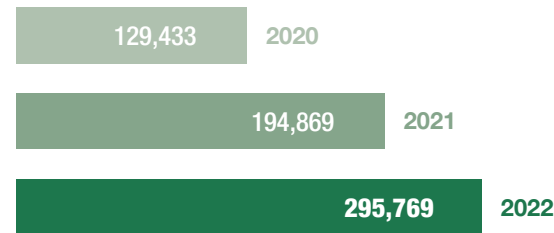
Generating Renewable Energy Ourselves

With the companies of Schwarz Group joining the Science Based Targets initiative and setting ambitious targets as part of a group-wide climate strategy, we are setting a strong example for climate protection. A key role is played here by our own generation of electricity – particularly from photovoltaic systems. In the 2022 fiscal year, the companies of Schwarz Group were able to generate around 300,000 megawatt-hours in this way – which is an increase of around 50 percent compared with the previous year. The power generated could supply over 85,000 households.¹ The surface area of the photovoltaic systems adds up to more than 2.4 million square meters. That is equivalent to around 342 soccer pitches² – and represents an increase of approx. 834,000 square meters in comparison with the previous year. In addition to photovoltaic systems, PreZero also relies on the generation of renewable energy through recovery plants, such as bioenergy plants.

Lidl and Kaufland in Germany have concluded a long-term power purchase agreement (PPA) with RWE Supply & Trading. Thus, they will purchase part of their electricity directly from an offshore wind farm in the North Sea. The PPA with RWE covers the procurement of around 250 million kilowatt hours of renewable energy annually. The agreement is set to run for ten years from 2028 and thus forms an important component of the joint climate strategy of the companies of Schwarz Group.

Self-generation of Renewable Energies from PV Systems in MWh

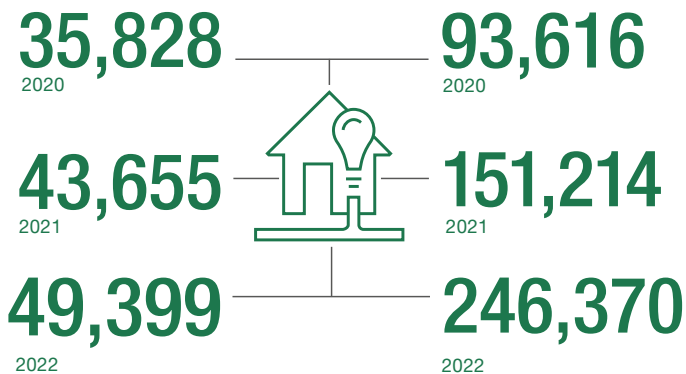
(2021/22 delta: +51.8 %)



Use of Self-generated Electricity from PV Systems in MWh

Fed into grid

Consumed ourselves



1 | Calculating with an average consumption of 3,470 kilowatt-hours per household.

2 | Base of calculation is a soccer pitch measuring 7,150 square meters.

3 | Excluding any purchase agreements that the companies of Schwarz Group cannot influence, such as those for individual leased properties with a binding electricity procurement clause. You can find more information here: <https://gruppe.schwarz/en/sustainability/ecosystems>



“Since March 2022, all companies of Schwarz Group have been procuring their electricity exclusively from renewable energy sources³ – some of which is self-generated. As a result of Lidl and Kaufland in Germany concluding the first long-term power purchase agreement, we laid the groundwork in the reporting year for securing renewable energy in the long run.”

Toni Thudium

Team Manager Energy Systems
Schwarz Immobilien Service
GmbH & Co. KG

Driving the Energy and Mobility Transition Forward

The companies of Schwarz Group have made considerable progress with the expansion of their charging infrastructure. Across the group, at the end of the 2022 fiscal year, there were over 11,600 electric charging points at some 3,570 sites. And we are continuing to expand this infrastructure. The companies of Schwarz Group are also expanding the charging infrastructure at their sites for their employees, enabling them to charge their electric vehicle from home or while on the go. The company car fleet is undergoing a gradual process of electrification. The portfolio of climate-friendly mobility solutions as an alternative to a company car (e.g., job ticket for the Heilbronn region, twogo ride-sharing app) is continuously being expanded. Through these measures, we want to enable every single person to make a valuable contribution to curbing climate change by not using fossil fuels.



Climate-friendly Construction

Even when it comes to expansion, the companies of Schwarz Group place great importance on the energy-efficient and sustainable construction of their stores, administration buildings and logistics centers. Their activities are based on the relevant renowned national and international standards for sustainable construction – such as Excellence in Design for Greater Efficiencies (EDGE), Building Research Establishment Environmental Assessment Method (BREEAM), Leadership in Energy and Environmental Design (LEED), or the standard published by the German Sustainable Building Council (DGNB). At Lidl, this already involves over 3,000 stores and logistics centers in over 20 countries. Lidl in Germany is currently starting to certify existing stores according to EDGE. Kaufland has started the certification process in every country. At Kaufland, 49 stores in Bulgaria, one hypermarket in Romania, and five hypermarkets in Croatia have the certification. By 2024, Kaufland aims to have 1,000 stores and properties that are certified according to EDGE.

BREEAM®



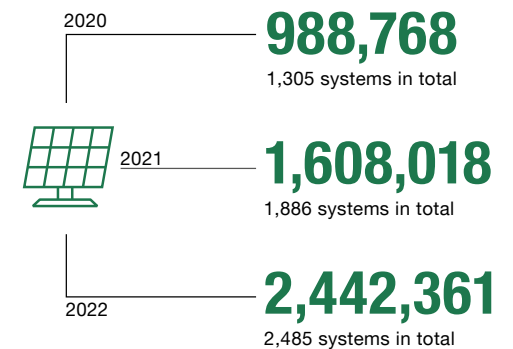
For new buildings, Lidl is focused on particularly sustainable building design. The store in Albstadt-Ebingen (Baden-Wuerttemberg, Germany), completed in 2021, was erected in a wooden construction style. It stands out thanks to its very high energy efficiency rating and the use of recyclable as well as already recycled material. Energy efficiency is taken into account over the entire life cycle of the property – from construction to demolition. Thanks to the wooden structure, around 650 tons of CO₂ can be stored permanently and the greenery concept of the store also contributes to the preservation of local biodiversity. The building serves as a test of the practicality of the sustainable Lidl store concept. The logistics center in Erlensee which was also commissioned in 2021, also saves CO₂ based on its design; it uses self-generated heat from the on-site photovoltaic system and waste heat from the refrigeration system for heating and cooling. In general, no fossil fuels are used in Erlensee. Both buildings meet the platinum criteria of the DGNB certificate, which is the highest level. The certification was carried out accordance with the criteria catalog for 2018. We also want to highlight the energy-neutral and carbon-neutral Lidl store in Almere, Netherlands: Its outdoor areas have systematically designed greenery and its facade is made of wood. Furthermore, Lidl Romania has its national headquarters in Bucharest. In this building, energy losses are reduced through insulating building materials and geothermal energy is used for heating and cooling.

Kaufland, on the other hand, opened its first store made of wood in Marktredwitz (Bavaria, Germany) in 2022. The roof and the roof beams are made of cross-laminated timber and glued laminated timber trusses, while the exterior walls feature a timber frame construction with wooden walls on the inside.

In addition to the focus on expansion and the sustainable construction of buildings, Lidl and Kaufland also consider ways to improve energy efficiency when renovating existing buildings, and continue to actively drive these forward as part of the Energy climate strategy project.

For the new construction of administration buildings and mixed-use properties (for example, a Lidl store and a residential building), a process for optimizing carbon emissions is currently under development. In this context, benchmarks for the carbon emissions of residential and non-residential buildings are defined, and various scenarios for building materials and energy sources are tested in the initial planning phase.

Surface Area of Photovoltaic Systems in m²



Ensuring Transparency with Energy and Climate Accounting

A central tool for illustrating and monitoring consumption data and emissions is the carbon footprint. All companies of Schwarz Group have prepared a comprehensive carbon footprint every year since the 2019 fiscal year in accordance with the Greenhouse Gas Protocol and aggregate these to calculate the carbon footprint of Schwarz Group. In this way, they can develop and evaluate useful measures aimed at preventing and reducing emissions.

The total energy consumption of the companies of Schwarz Group increased by 17.1 percent in the reporting period, which primarily results from the growth of the companies of Schwarz Group. The absolute energy consumption from renewable sources has increased by 78.6 percent, while energy consumption from non-renewable sources has decreased by 36.3 percent. Calculating by sales area, energy consumption from non-renewable sources at Lidl and Kaufland decreased by 54.7 percent.



Saving Energy in Production

By 2025, Schwarz Produktion wants to have saved at least 33 million kilowatt-hours (kWh) of energy. The Kaufland meat processing plants have also set themselves the target of continually monitoring and systematically reducing energy consumption in their own plants using energy management software. For their sites, the Kaufland meat processing plants have defined the key performance indicator “Improvement in energy efficiency”. Each year an ambitious target is determined for the sites involved, and every improvement must be safeguarded with concrete measures.

The Kaufland meat processing plants had pursued electricity and gas savings across all sites of 7.8 million kilowatt-hours from the total energy requirement by 2022 (base year 2018). Compared with the 2021 fiscal year, energy savings of around 5 million kilowatt-hours were achieved in the 2022 fiscal year. This was mainly due to the comprehensive COVID-19 measures (ventilation, disinfection) being lifted. Nevertheless, the original target was not achieved. The time line was therefore extended to the end of 2023. The energy efficiency measures at Schwarz Produktion and Kaufland meat processing plants range from the modernization of refrigeration systems and the prevention of pressurized air leaks to the optimization of energy monitoring of refrigeration systems at the Bonback GmbH & Co. KG site.

Schwarz Produktion draws on the energy controlling software EnEffCo for cross-plant recording and processing of the over 3,000 measuring and data points. Furthermore, the Energy Management department draws up management reviews and a central monitoring process for key performance indicators of individual plants and energy consumption on an annual basis.

Lidl and Kaufland regularly carry out internal and external audits to evaluate the energy management in the national companies. To identify other suitable measures to reduce energy consumption, they also use suggestions from employees as part of an idea management process.

Managing with Certified Energy and Environmental Management Systems

Holistic energy management in line with the international norm ISO 50001 enables the companies of Schwarz Group to improve their energy efficiency and cut the associated carbon emissions. All companies of Schwarz Group manage their measures to increase energy efficiency using energy management systems. At Kaufland, all countries are certified according to the ISO 50001 energy management system. In 2022, Lidl achieved its goal of having all European Lidl countries certified according to ISO 50001. As a result, 11,862 stores and 192 logistics centers are all combined under the matrix certificate of Lidl Stiftung. As at the reporting cut-off date, all production sites of Schwarz Produktion and Kaufland meat processing plants and all administrative locations of the companies

of Schwarz Group in the metropolitan area of Heilbronn are also certified according to ISO 50001.

In addition, the majority of PreZero sites has implemented a certified environmental and quality management system – for instance, according to ISO 14001 and ISO 9001. The goal is to certify all operational PreZero sites in line with ISO 14001 and ISO 9001 by the end of 2023. Two companies of Schwarz Produktion and all companies of Kaufland meat processing plants are also certified according to ISO 14001. PreZero Germany and PreZero Polymers Austria sites also run energy and environmental management systems according to ISO 50001 and ISO 14001.

Schwarz Produktion has set itself the target of saving at least 33 million kilowatt-hours (kWh) of energy by taking appropriate measures in the period from 2018 to 2025. This strategic target was already met by the end of fiscal year 2022. In fiscal year 2022 alone, Schwarz Produktion achieved an increase in efficiency of more than 5 million kilowatt-hours by implementing energy efficiency measures. In total, more than 41 million kilowatt-hours have been saved through energy efficiency measures since the 2018 fiscal year.

Overview of Greenhouse Gas Emissions in the Companies of Schwarz Group

	2020	2021	2022 ¹
Gross volume of GHG emissions in tons of CO₂ equivalent	159,185,967	163,154,150	165,323,139
Direct GHG emissions in tons of CO₂ equivalent (scope 1)	1,165,244	1,296,473	2,000,556
Indirect GHG emissions in tons of CO₂ equivalent (scope 2) – market-based approach	1,431,887	1,255,284	65,738
Direct & indirect GHG emissions in tons of CO₂ equivalent (scope 1 and 2)	2,597,131	2,551,757	2,066,294
Indirect GHG emissions in tons of CO₂ equivalent (scope 3)	155,012,438	158,736,778	163,256,845

¹ | Due to the inorganic growth of the companies of Schwarz Group and methodological adjustments in FY 22, we are currently working on a new calculation for our base year and the previous years. Drawing a direct comparison with previous years is therefore currently not feasible. After this recalculation is complete, we will submit our climate targets to the SBTi for revalidation.

Promoting Sustainable Distribution Logistics

The companies of Schwarz Group want to make their logistics processes more sustainable, efficient and lower in emissions. With this in mind, they are working to develop forward-looking solutions as part of the Mobility climate strategy project. The warehouse sites are already operated as sustainably as possible thanks to the use of energy-efficient technologies and renewable energies. In the course of continuous modernization of the refrigeration systems, they are also gradually being transitioned to natural refrigerants. The companies of Schwarz Group are also promoting steps toward reduced carbon emissions in logistics when it comes to their transport service providers. The aim is to enable them to measure and reduce their own emissions.

Especially in its cooperation with freight forwarders, Kaufland has a great deal of potential to reduce greenhouse gas emissions. In order to test the technical status of its vehicle fleet in terms of energy efficiency and carbon emissions, Kaufland is auditing its freight forwarding partners in accordance with the FUMO@Green Carrier standard. The findings from this audit were used to derive concrete measures, such as their individual energy consumption, which led to reduced carbon emissions.

In order to provide information on the key aspects of sustainable logistics, during the reporting period, the companies of Schwarz Group transferred the contents of a road-map to an internal website, which serves as the foundation for numerous measures in the national companies. The basis for all measures are the comprehensive data that are part of the carbon footprint. For instance, in the 2022 fiscal year at Lidl, transport caused some 9.18 million tons of carbon emissions, 86 percent of which were caused by trucks. Accordingly, a focus of the companies of Schwarz Group is the use of low-emission trucks.

In spring 2023, Kaufland Logistics received the “3rd Star” environmental award of the “Lean & Green” initiative for the significant reduction of its carbon emissions. It was the first food retailer and only the second company in Germany to receive this award.

The “Lean and Green” initiative pursues the goal of reducing greenhouse gas emissions in logistics processes. Kaufland has been a member of the initiative since 2013. During this time, the division has reached a significant milestone in that emissions in logistics have been verifiably reduced by up to 40 percent compared with the base year. The Lidl countries are also being certified by the “Lean & Green” initiative. For example, Lidl in Spain was also awarded the “3rd Star” and Lidl Switzerland was awarded the “2nd Star” for CO₂ savings of at least 30 percent in the reporting period. More Lidl countries will be certified in the coming years.

As part of existing collaborations, Lidl has already agreed new partnerships for the climate-friendly transport of merchandise using alternative drive technologies in a number of countries. For example, Lidl Sweden has already switched over 80 percent of its trucks to electric, HVO, or biomethane, and has set itself the target of ensuring that 100 percent of store deliveries are fossil-free by 2025.

In Möckmühl (Baden-Wuerttemberg), Kaufland in Germany will use four electric trucks during a test phase starting in September 2023. After the completion of a charging park with an output of 1,000 kilovolt-amps, eight electric trucks will deliver to ten Kaufland hypermarkets in the Ludwigsburg area (Baden-Wuerttemberg, Germany) starting in 2024. These electric trucks will fully replace their diesel counterparts. The trailers of the trucks are also battery-powered, which means that the

trucks’ operation causes no emissions at all. Thanks to the full replacement of diesel technology, the tractor-trailer combinations are also much quieter. The proportion of electric trucks at Lidl is also increasing. In total, ten Lidl countries already have battery-powered electric trucks in regular use, including Switzerland, Italy, France, the Czech Republic and the Netherlands. The latter already had five electric trucks in its vehicle fleet during the reporting period and plans to increase the share of electric trucks in the coming fiscal year.

Additional countries, such as Lidl in Spain, were also able to gain their first experiences with electric trucks and will integrate more of these into their vehicle fleet in future. The transport service providers of Lidl Digital are also using electric vehicles in order to reduce carbon emissions.

At PreZero, tests and pilot projects on alternative drive technologies have already been carried out in seven national companies. As a result, PreZero in Germany has received public funding for the conversion of a diesel truck into an electric truck. In Spain, PreZero received government support for the conversion of a diesel truck into a fuel cell truck. At PreZero Netherlands, ten new electric collection vehicles are already in operational use in Arnheim.



Use and Protection of Water Resources

All life on our planet depends on water. In order to reduce the water footprint of the companies of Schwarz Group, we are focusing on the sustainable use of freshwater resources and the protection of the oceans. Wherever possible, we want to reuse water, cut consumption, and implement wastewater management without adding pollutants. This applies to both the companies and the supply chain – from manufacturing resources through the production of our merchandise to our own operations.

Reducing our Water Footprint

Fresh water is one of Earth's most important resources. However, due to uneven distribution and negative effects of usage, it is a scarce resource. Agriculture and industrial production would be inconceivable unless there is enough clean water. Without clean oceans, fishery would be impossible, and the entire ecological system of the Earth would be disrupted. Given these challenges, the companies of Schwarz Group want to avoid and reduce water risks at all sites and in all countries.

As part of our jointly developed REset Plastic strategy, plastic in packaging and the corresponding waste is being reduced, packaging is being made more recyclable, and valuable resources are being kept in circulation to a greater extent. In this way, we contribute to ensuring that plastic waste does not end up in the environment and does not make its way into the world's oceans and bodies of water. You can find more information about the REset Plastic strategy in the ["Circular Systems" chapter](#).

Avoiding microplastics is also critically important for protecting ecosystems and bodies of water. As retail companies with a wide range of products, Lidl and Kaufland are committed to the use of recipes that do not contain any microplastics. Back in 2013, they both committed to completely avoid the use of microbeads in their own-brand products in the area of cosmetics, body care, detergents and cleaning products. This definition has been expanded in the meantime: In addition to microbeads, it also covers additional non-biodegradable, purely synthetic polymers. A large proportion of the recipes have already been adapted.

The companies of Schwarz Group want to protect bodies of water against pollution and contamination by waste and chemicals. At the same time, they are also focused on the efficient use of water as a resource. They place great importance on using water-saving systems in production processes and in construction measures at their own sites. Kaufland meat processing plants, and to some extent Schwarz Produktion, have also set themselves the target of continually monitoring and cutting specific water consumption in their own plants. With this aim in mind, Kaufland meat processing plants are working on a reduction of 20 percent of the average water consumption across all sites. This target was originally set for 2022, but the time line has now been extended to the end of the 2023 fiscal year. Water consumption has actually been reduced slightly compared with 2021. Nevertheless, the Kaufland meat processing plants are currently using about four percent more water

than in 2017. The main cause of this increase is the high consumption of water that is necessary to meet hygiene requirements during normal operations and the additional cleaning procedures due to new production areas and conversion measures. Furthermore, in the 2022 fiscal year, more six-day production weeks took place, which resulted in increased cleaning work.

Schwarz Produktion has defined the key performance indicator "Specific Water Consumption" for its five beverage plants. Each year an ambitious target is determined for the sites involved, and every improvement must be safeguarded with concrete measures.

Lidl and Kaufland are members of the Alliance for Water Stewardship (AWS), a global alliance made up of companies, NGOs and the public sector. The initiative advocates for the responsible use of water resources along the value chain. With their membership, the two companies want to assume responsibility for water as a resource and implement reliable and verifiable measures aimed at protecting joint water resources.



In the future, a group-wide water strategy will bring together the expertise and activities of the companies of Schwarz Group.

Managing Water Risks

Water Policy of the Retail Divisions

Water scarcity represents a risk for the retail divisions Lidl and Kaufland, particularly for the upstream supply chain. This applies particularly to agricultural primary production, which is generally responsible for 70 percent of the total water consumption worldwide. Agriculture also uses pesticides and fertilizers, which can have a negative impact on water quality. The retail divisions of Schwarz Group are thus pursuing corresponding pesticide reduction programs.

Kaufland is constantly working on optimizing its production processes and saving as much water as possible with new procedures that conserve resources. All non-food own-brand products for which the water consumption was reduced are labeled with the “Water-saving” logo. For example, in the production of textiles, dyeing processes that protect the environment are used, such as dope dyeing.

To investigate water risks in more detail, in 2020 Kaufland carried out a hotspot analysis which took also into account water pollution and scarcity. Lidl also analyses its water risks using a water stress index at country level that was developed by the World Resources Institute (WRI) for the agricultural sector. In addition, product-specific key performance indicators for water are used, based on the data from the Water Footprint Network (WFN). The combination of these two approaches makes it possible to assess

the water risks for different country-product combinations. The results act as a basis for ranking the water risk in a product’s supply chain.

In order to consequently address water risks, Lidl is working together with farmers to assess the introduction of the risk-based GLOBALG.A.P. SPRING certification, which focuses on water-related aspects specifically.

To ensure good agricultural practices, Lidl and Kaufland require all agricultural partner companies to participate in the GLOBALG.A.P. IFA standard. Aspects of water use are also considered here.

You can find more information about water management at Lidl in the Policy on the Responsible Sourcing and Consumption of Water. You can find the corresponding information for Kaufland in the Water Guideline.



[Lidl Position Paper on Water Policy](#)



[Kaufland Water Guideline \(German\)](#)

Using Water and Springs Responsibly

Currently, Schwarz Produktion exclusively uses its own mineral water springs for the production of its mineral waters. Mineral water from its own springs is also used for the production of certain soft drinks. To this end, several deep wells are operated in each of the five beverage plants. None of the springs used are located in nature reserves. Our mineral springs also meet all specifications of the Mineral and Table Waters Ordinance (MTVO) in principle. Compliance with all legal provisions and the approved extraction volume defined by the authorities for each spring ensures that there is no excessive extraction of the renewable groundwater. Imbalance between groundwater removal and regeneration is also ruled out. Schwarz Produktion informs the competent environment agencies about all relevant data in an annual report.

Protecting Oceans and Bodies of Water

In addition to our work in Southeast Asia as part of the REmove action area, the national companies of the companies of Schwarz Group are taking action in a variety of ways to prevent marine and land-based plastic pollution. The national companies are supported and empowered to create transparency, foster an overarching exchange of ideas, and create synergies. Among other resources, a sorting and recycling concept, a best practice catalog, and exchange formats such as workshops have been provided for this purpose.

As an example, as part of the project TransforMAR, Lidl Portugal is advocating for cleaner Atlantic beaches and raising awareness among the population about reducing and recycling plastic. Using collection containers made from recycled plastic on the beaches and increased incentives for environmentally conscious behavior, around 33 tons of plastic waste were collected and recycled in 2021. In 2021, for the third year running, Kaufland Bulgaria supported the environment initiative Books for Waste, an exchange campaign where every kilogram of plastic waste collected could be swapped for a book. Around 14,000 people took part in the campaign and swapped around 13 tons of plastic waste for books.

You can find more information about the use of microplastics and the cross-company and cross-country River Cleanup Collective campaign in the “Circular Systems” chapter.



Protecting Biodiversity and Adapting to the Loss of Biodiversity

Stable and healthy ecosystems are the basis of our existence. The companies of Schwarz Group do their part to protect the diversity of species and habitats. They are already working together with strong partners to counteract the negative impacts of land use on ecosystems. At the same time, they are adapting their processes to changing environmental conditions, also with regard to the availability of raw materials and resources. Biodiversity is a requirement for functioning and stable ecosystems – and also makes them more resilient. By promoting biodiversity, the companies of Schwarz Group are having a positive impact on the basis of our existence and on the basis of their business. In this context, they take measures to maintain biodiversity at a company level. They also initiate activities and projects along the supply chain.

Group-wide Management of Biodiversity Risks

The Purchasing and Real Estate/Construction departments at Lidl and Kaufland are responsible for the topics of land use and biodiversity and their implementation. Here, Purchasing is responsible for compliance with and implementation of ecological standards in the supply chain. At Lidl and Kaufland, the department is also responsible for managing raw materials targets and pesticide management, together with Quality Assurance. The CR/CSR departments of the companies of Schwarz Group support this process and act as both catalysts and internal consultants. The respective Real Estate/Construction department of the companies of Schwarz Group is in turn responsible for environmental protection in the construction of stores, logistics centers and administration buildings.

At Schwarz Dienstleistungen, Schwarz Beschaffung is responsible for the distribution and implementation of the Code of Conduct for Business Partners.¹ All matters related to the construction of new buildings and the associated land sealing are the responsibility of the Real Estate/Construction department of Schwarz Immobilien Services.

¹ | Defined exceptions to this are transport services for merchandise, financial services, plots and real estate.

Lidl and Kaufland pay particular attention to comprehensive pesticide management for fruit and vegetables as well as flowers and plants when it comes to protecting biodiversity in cultivation and agriculture. The topic of regionality is also important for biodiversity.

Within the framework of the Kaufland quality meat program, for example, regional farmers are supported in growing their own feed with local forage crops and using natural crop rotation. Schwarz Produktion sets its focus on the upstream supply chains in particular. In addition to raw materials certifications, which cover the topic of biodiversity, it requires new suppliers to make a voluntary disclosure about essential sustainability topics. These processes are part of the internal supplier management practices of Schwarz Produktion. They are also defined in internal guidelines, which can be accessed by all employees.

For PreZero, the downstream value chain is particularly relevant. Corresponding measures are implemented here to counteract pollution of the environment and the destruction of biodiversity. In the whole value and disposal chain, waste producers, retailers and agents are obligated to be able to fully disclose the whereabouts of waste materials at all times.

Setting Standards for Greater Biodiversity

In order to systematically promote the preservation of ecosystems, Lidl and GLOBALG.A.P released the BioDiversity add-on, the first industry-wide add-on module for biodiversity, in April 2022. Lidl was the first food retailer to apply the standard in the field. Between June 2022 and February 2023, a pilot project for the add-on was carried out with over 250 growers in Germany, Spain, Greece, Italy, Poland and Portugal. The comprehensive pilot project showed that the add-on can be applied on a broad scale. Therefore, Lidl will continue to work on this. The add-on contributes to biodiversity by prescribing a management plan for biodiversity, for example. In addition, it defines more effective criteria for soil protection and integrated pest management.

Kaufland is also taking a systematic approach to biodiversity: Together with the Leibniz Institute of Vegetable and Ornamental Crops (IGZ) e.V. and Gemüsering Stuttgart GmbH, Kaufland launched a scientific project to promote sustainable agricultural measures in 2020. By working with almost 20 businesses from the three culture groups “vegetables,” “fruit,” and “potatoes” from Germany, Poland and the Czech Republic, the aim is for biodiversity, humus content, and soil fertility to be analyzed and improved by applying scientific findings. The findings regarding the current status of the soil were published in a scientific publication. Building on this, soil improvement measures were implemented in the 2022 fiscal year. The project is scheduled to run until 2025.

Lidl and Kaufland are founding members of Food for Biodiversity e.V., a registered association in which representatives from companies, associations and standards bodies from the food industry contribute to maintaining biodiversity through various projects. To date these are pilot projects, in which a jointly developed basic set of biodiversity criteria is implemented and monitored.



Lidl is the first food retailer to use the GLOBALG.A.P. BioDiversity add-on as standard in the field.



[Publication on Promoting Sustainable Agricultural Measures](#)

Taking Active Action against Deforestation

Lidl and Kaufland's commitment to deforestation-free supply chains without land conversion is another key aspect of maintaining and supporting biodiversity. This has also received external recognition:

In the 2022 WWF deforestation scorecard¹, Lidl was rated as the best company based on its policy for deforestation-free supply chains. When it comes to palm oil as a raw material, Lidl has achieved good results by implementing measures such as using RSPO-certified palm oil in its private-label products. Lidl is seeking to implement supply chains that are free from deforestation, land conversion and exploitation by the end of 2025. Raw materials that are currently particularly relevant in this context are soy, palm (kernel) oil, cocoa, beef, and cellulose or timber.

Kaufland also scored very highly on the deforestation scorecard, especially with regard to the certification of raw materials, its commitment to human rights, and the implementation of corporate due diligence.

Lidl and Kaufland are currently working on further developing their deforestation strategy, taking the requirements of the EU Deforestation Regulation (EUDR) into account. As part of this process, Lidl plans to include the high-risk raw materials of coffee and rubber in its strategy.

Kaufland is one of five companies participating in a pilot project to establish deforestation-free and conversion-free soy supply chains. The aims are to implement the Deforestation and Conversion Free (DCF) toolkit and to work on transforming one or more supply chains according to the Accountability Framework initiative (AFI). With this aim in mind, the participating companies discuss the implementation of DCF supply chains in a monthly project group organized by WWF Germany. With the support of Nextra Consulting, the companies apply the DCF toolkit in order to develop a strategy for implementing deforestation- and conversion-free supply chains.

To this end, during the project period, Kaufland published an ambitious voluntary agreement for deforestation-free soy supply chains. The project is supported by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH on behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ).

In 2020, Lidl and Kaufland in Germany signed the "Cerrado Manifesto" initiated by WWF and other organizations, thus making a commitment to the protection of habitats in Brazil. The Cerrado is a savanna region and has the greatest diversity of species in the world, containing five percent of the global biodiversity. Lidl, Kaufland, and the other signatory companies are thereby taking a stand against further loss of diversity of species in the region, and will not sell any agricultural products cultivated on land that has been converted since 2020. For instance, Kaufland and Lidl in Germany do not offer any beef products from Brazil. This way they can ensure that they do not contribute to deforestation for the purposes of feed production and conversion of land to pastures in the species-rich ecosystems of the Cerrado and the Amazon basin.

Furthermore, Lidl and Kaufland signed the WWF's business statement against deforestation and the destruction of the environment, thereby underlining their commitment to these issues. The retail divisions also advocate for the inclusion of "other wooded lands" (shrublands) in the regulation against deforestation and for deforestation-free products. This step will provide more protection for important ecosystems around the world and will also make the regulation easier for companies and the relevant authorities to implement. Furthermore, this step will also create a level playing field for everyone.

1 | The WWF Deforestation Scorecard investigates whether German companies in the meat and animal feed industry, food retail and food production, consumer goods and chemical industry, and drug stores have integrated protecting measures against deforestation into their supply chains for the raw materials of palm oil, soy, cocoa, and beef products.



Sustainable Soy Cultivation

The retail divisions, Lidl and Kaufland, are increasingly using European soy. To encourage the cultivation of GM-free soy in Europe, Lidl and Kaufland entered into a partnership with the nonprofit organization Donau Soja in 2019. In 2022, Kaufland and Lidl Stiftung supported soy farmers in Ukraine, Croatia, Serbia, and Bosnia and Herzegovina, which were able to certify around 450,000 tons of soy beans as GM-free and sustainable through protein partnerships. This support will be continued in a similar fashion in 2023 and 2024.

The organization supports small and medium-sized producers on a long-term basis in the production according to a more sustainable and GM-free standard. Lidl and Kaufland each initiated a soy mapping project in 2021 to be able to quantify and assess the relevant soy volumes in the indirect supply chain of their private-label animal products. This gives the retail divisions a precise view of the origin, quantity, and certification status of the soy fed to the animals that are used to make our animal products. Thus, risks can be prioritized and suppliers can be involved at an early stage in order to jointly derive suitable measures.

By May 2023, the entire soy feed used for Kaufland's own-brand poultry products will be deforestation- and conversion-free, certified soy under the Donau Soja, ProTerra, and Round Table on Responsible Soy Association (RTRS) certification systems. Within the quality meat program initiated by Kaufland in Germany, already 25 percent of participating companies refrain from using soy from South America for pigs reared in accordance with the level 3 husbandry method. Lidl France has also pilot tested the use of deforestation-free soy in the feeding of dairy cows and was able to achieve a 50 percent reduction in the percentage of soy in pig feed. The long-term project for optimizing feeding rations replaces soy from overseas with domestic pulses and forage crops.

450,000

tons of soy beans were certified by soy farmers as GM-free and sustainable in partnership with Kaufland and Lidl Stiftung in 2022



“We can only take on the biggest challenges of our time, such as climate change or the loss of biodiversity, by joining forces. To this end, we as companies of Schwarz Group, cooperate closely and foster partnerships along the entire value chain. An example of this is our commitment to sustainable soy cultivation that the Lidl and Kaufland retail divisions developed further in the past fiscal year.”

Sabrina Wohlfeil

CR Focus Area Supervisor
Ecosystems of Schwarz
Unternehmenskommunikation
GmbH & Co. KG

Key Performance Indicators

Energy Consumption within the Companies of Schwarz Group

	FY	Lidl	Kaufland	PreZero	Schwarz Produktion	Schwarz Dienstleistungen	Schwarz Group
Total energy consumption in MWh^{1,2,3}	2020	6,363,509	2,967,565	426,656	459,412	68,046	10,285,187
	2021	7,044,475	3,103,458	461,798	479,205	77,546	11,166,481
	2022	7,836,676	3,062,612	1,574,811	516,844	83,497	13,074,441
from renewable sources	2020	3,278,802	329,001	78,847	1,285	231	3,688,166
	2021	4,645,134	455,124	84,603	2,714	117	5,187,691
	2022	6,227,174	2,271,982	408,170	320,999	38,460	9,266,786
from non-renewable sources	2020	3,084,707	2,638,564	347,808	458,127	67,815	6,597,021
	2021	2,399,341	2,648,333	377,195	476,491	77,429	5,978,790
	2022	1,609,501	790,630	1,166,641	195,845	45,038	3,807,655
Electricity	2020	5,247,782	2,211,663	237,607	298,165	40,226	8,035,442
	2021	5,802,596	2,270,256	172,543	299,943	46,201	8,591,539
	2022	6,232,177	2,281,513	431,248	323,767	38,661	9,307,366
from renewable sources	2020	3,278,802	329,001	78,847	1,285	231	3,688,166
	2021	4,645,134	455,124	52,282	2,714	117	5,155,371
	2022	6,226,508	2,271,640	348,196	320,999	38,460	9,205,803
Outsourcing	2020	3,190,939	324,764	78,847	0	0	3,594,551
	2021	4,503,064	448,811	52,282	0	0	5,004,157
	2022	6,004,360	2,261,638	274,800	317,331	11,891	8,870,020
Self-consumption from self-generation	2020	87,863	4,237	0	1,285	231	93,616
	2021	142,070	6,313	0	2,714	117	151,214
	2022	222,147	10,002	73,396	3,669	638	309,853

1 | In principle, for reasons of control relevance, we report all energy key performance figures in the unit megawatt-hour (MWh).

2 | Discrepancies from the publication in the Sustainability Report FY 2020/21 are a result of retrospective corrections due to additional data availability.

3 | Due to values being rounded, there may be slight discrepancies in the totals.

	FY	Lidl	Kaufland	PreZero	Schwarz Produktion	Schwarz Dienstleistungen	Schwarz Group
from non-renewable sources	2020	1,968,980	1,882,661	158,759	296,881	39,995	4,347,276
	2021	1,157,462	1,815,132	120,260	297,230	46,084	3,436,168
	2022	5,669	9,872	83,052	2,768	202	101,564
Outsourcing	2020	1,968,980	1,882,661	158,759	293,684	39,995	4,344,080
	2021	1,157,462	1,812,805	120,260	294,751	46,084	3,431,362
	2022	5,669	3,553	24,548	0	202	33,972
Self-consumption from self-generation	2020	0	0	0	3,196	0	3,196
	2021	0	2,327	0	2,479	0	4,806
	2022	0	6,319	58,505	2,768	0	67,591
District heating	2020	76,928	90,192	285	0	1,667	169,073
	2021	83,648	96,079	1,385	0	4,049	185,161
	2022	80,756	85,384	3,782	0	5,677	175,599
Natural gas	2020	583,851	527,769	22,366	148,086	5,890	1,287,963
	2021	607,791	579,912	21,670	156,224	2,465	1,368,062
	2022	545,817	516,250	54,235	165,848	1,524	1,283,673
Other gases ⁴	2020	0	0	303	0	0	303
	2021	0	679	246	6,228	0	7,153
	2022	217	770	2,339	5,869	0	9,195
Heating oil ⁵	2020	0	37,454	771	0	0	38,225
	2021	3,999	41,267	9,227	3,001	0	57,494
	2022	10,595	38,674	20,210	5,803	0	75,282
Wood pellets	2020	0	0	0	0	0	0
	2021	0	0	1,551	0	0	1,551
	2022	0	0	1,616	0	0	1,616

4 | Includes propane and LPG.

5 | Conversion of liters into MWh with a combined factor from IPCC 2006 and GHG Protocol Cross Sector Tools (heating oil: 0.010561).

	FY	Lidl	Kaufland	PreZero	Schwarz Produktion	Schwarz Dienstleistungen	Schwarz Group
Emergency power systems and sprinkler systems – heating oil	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	4,355	3,953	0	0	0	8,308
Emergency power systems and sprinkler systems – diesel	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	15,988	2,914	33	0	0	18,936
Emergency power systems and sprinkler systems – biodiesel	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	667	342	0	0	0	1,009
Emergency power systems and sprinkler systems – HVO	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
Hard coal	2020	0	0	0	0	0	0
	2021	0	0	403	0	0	403
	2022	0	0	924	0	0	924
Mobile combustion ^{6,7,8}	2020	454,947	100,487	165,323	13,160	20,262	754,181
	2021	546,441	115,264	254,773	13,810	24,831	955,119
	2022	946,103	132,813	1,060,424	15,557	37,635	2,192,532
from renewable sources	2020	0	0	0	0	0	0
	2021	0	0	30,769	0	0	30,769
	2022	0	0	58,358	0	0	58,358
from non-renewable sources	2020	454,947	100,487	165,323	13,160	20,262	754,181
	2021	546,441	115,264	224,004	13,810	24,831	924,349
	2022	946,103	132,813	1,002,065	15,557	37,635	2,134,174

6 | Fuels for own company cars and internal logistics.

7 | Conversion of liters into MWh with combined factor from IPCC 2006, GHG Protocol Cross Sector Tools and CDP Technical Note: Conversion of fuel data to MWh (gasoline: 0.009585/Diesel: 0.010561/Biodiesel: 0.006711).

8 | Conversion of kg into MWh with combined factor from IPCC 2006, GHG Protocol Cross Sector Tools, CDP Technical Note: Conversion of fuel data to MWh and DEFRA 2021 (CNG/LNG: 0.01481/LPG: 0.014599).

Percentage of Renewable Energy¹

FY	Lidl	Kaufland	PreZero	Schwarz Produktion	Schwarz Dienstleistungen	Schwarz Group
2020	62.5 %	14.9 %	33.2 %	0.4 %	0.6 %	45.9 %
2021	80.1 %	20.0 %	30.3 %	0.9 %	0.3 %	60.0 %
2022	99.9 %	99.6 %	80.7 %	99.1 %	99.5 %	98.9 %

¹ | The data shows the percentage in regard to total electricity consumed (incl. self-generated electricity from combined heat and power plant), not just the percentage in regard to total electricity purchased.

Total Energy Consumption per Employee

in MWh/employee

FY	Lidl	Kaufland	PreZero	Schwarz Produktion	Schwarz Dienstleistungen	Schwarz Group
2020	19	22	102	132	12	21
2021	19	22	39	125	12	21
2022	20	20	58	126	10	23

Self-generation of Renewable Energies from Photovoltaic Systems

Schwarz Group	Unit	2020	2021	2022	2021/22 delta
Buildings with photovoltaic systems	Number	1,305	1,886	2,485	+31.8 %
Photovoltaic systems area	m ²	988,768	1,608,018	2,442,361	+51.9 %
corresponds to... soccer pitches ¹	Number	138	225	342	+51.9 %
Photovoltaic systems performance²	kWp	-	271,834	485,471	+78.6 %
Buildings with solar power systems for heat generation	Number	113	120	126	+5.0 %
Electricity self-generated renewable energies from PV systems³	MWh	129,443	194,869	295,769	+51.8 %
of which renewable energies fed into electricity grid	MWh	35,828	43,655	213,070	+388.1 %

¹ | When converting the area into the comparison figure of equivalent soccer pitches, an average soccer pitch area of 7,150 m² was used for the calculation.

² | Was collected for the first time for FY 21. Therefore, there are no values for FY 20.

³ | Incl. generation of electricity from biogas plant.

Volumes of Greenhouse Gas Emissions¹⁻⁵

		FY	Lidl	Kaufland	PreZero	Schwarz Produktion	Schwarz Dienstleistungen	Schwarz Group ⁶
Total	Gross volume of GHG emissions in tons of CO₂ equivalent	2020	122,497,672	33,647,255	959,195	1,620,319	461,526	159,185,967
		2021	125,136,389	33,823,862	2,096,148	1,717,156	380,594	163,154,150
		2022	127,560,353	34,242,781	3,012,193	2,005,294	303,894	165,323,139
Scope 1	Direct GHG emissions in tons of CO₂ equivalent (scope 1)	2020	400,598	403,467	322,091	32,314	6,774	1,165,244
		2021	435,420	405,507	411,105	36,053	8,389	1,296,473
		2022	547,589	400,569	1,005,784	36,835	9,778	2,000,556
	Volatile gases	2020	169,624	269,590	100,910	133	0	540,257
		2021	174,382	256,490	155,646	2,129	0	588,647
		2022	157,518	260,975	214,569	70	0	633,131
	Mobile combustion	2020	116,093	26,460	42,854	3,375	5,700	194,482
		2021	141,257	31,018	55,682	3,543	7,940	239,440
		2022	280,504	33,724	250,900	3,981	9,501	578,609
	Stationary combustion	2020	114,881	107,417	178,327	28,806	1,074	430,505
		2021	119,781	118,000	199,776	30,380	449	468,386
		2022	109,568	105,871	540,316	32,783	278	788,815

1 | Analyzed sources for the emission factors: International organizations (e.g., IEA, IPCC), LCA databases (e.g., Ecoinvent), diff. national institutions (e.g., DBEIS/DEFRA), and industrial associations and organizations (e.g., PlasticsEurope, FEFCO).

2 | Discrepancies in the climate footprint 2020 and 2021 from the Sustainability Report FY 2020/21 are a result of retrospective corrections due to additional data availability.

3 | Due to values being rounded, there may be slight discrepancies in the totals.

4 | Due to immateriality, the emissions of GHG categories 3.8, 3.13, 3.14, and 3.15 are not accounted.

5 | Due to the inorganic growth of the companies of Schwarz Group and methodological adjustments, we are currently working on a new calculation for our base year FY 2019 and the previous years (FY 2020–2021). A direct comparison with the previous years therefore can currently not be undertaken.

6 | In order to avoid duplicate accounting of emissions in the joint carbon footprint of the companies of Schwarz Group, the product emissions for products from Schwarz Produktion that appear both in the Schwarz Produktion carbon footprint and in the retail divisions' carbon footprints are only considered once for aggregation into the group carbon footprint. This also means that the individual totals of the divisions do not correspond to the values of Schwarz Group in the corresponding categories.

7 | Scope-2 emissions according to the market-based approach were used for the total calculation of (operational) GHG emissions.

	FY	Lidl	Kaufland	PreZero	Schwarz Produktion	Schwarz Dienstleistungen	Schwarz Group ⁶		
Scope 2	Indirect GHG emissions in tons of CO ₂ equivalent (scope 2) including electricity acc, to market-based approach	2020	560,910	697,561	25,036	138,132	10,249	1,431,887	
		2021	501,040	566,103	40,135	137,472	10,535	1,255,284	
		2022	17,207	21,783	25,299	0	1,449	65,738	
	Indirect GHG emissions in tons of CO ₂ equivalent (scope 2) including electricity acc, to location-based approach	2020	1,614,048	961,771	33,663	117,885	16,464	2,743,830	
		2021	1,607,305	892,446	41,898	102,072	16,954	2,660,675	
		2022	1,549,862	801,726	87,755	99,229	13,285	2,551,857	
	District heating	2020	16,122	22,169	112	0	410	38,813	
		2021	16,782	23,616	340	0	995	41,734	
		2022	16,420	20,987	930	0	1,395	39,733	
	Electricity acc, to market-based approach	2020	544,788	675,392	24,924	138,132	9,839	1,393,074	
		2021	484,259	542,486	39,794	137,472	9,539	1,213,550	
		2022	787	796	24,370	0	53	26,006	
	Electricity acc, to location-based approach	2020	1,597,926	939,602	33,551	117,885	16,054	2,705,017	
		2021	1,590,523	868,829	41,557	102,072	15,959	2,618,941	
		2022	1,533,442	780,738	86,826	99,229	11,890	2,512,125	
	Scope 1 and 2	Direct & indirect GHG emissions in tons of CO ₂ equivalent (scope 1 & 2) ⁷	2020	961,507	1,101,028	347,127	170,446	17,022	2,597,131
			2021	936,461	971,609	451,239	173,524	18,924	2,551,757
			2022	564,796	422,353	1,031,084	36,835	11,227	2,066,294

1 | Analyzed sources for the emission factors: International organizations (e.g., IEA, IPCC), LCA databases (e.g., Ecoinvent), diff. national institutions (e.g., DBEIS/DEFRA), and industrial associations and organizations (e.g., PlasticsEurope, FEFCO).

2 | Discrepancies in the climate footprint 2020 and 2021 from the Sustainability Report FY 2020/21 are a result of retrospective corrections due to additional data availability.

3 | Due to values being rounded, there may be slight discrepancies in the totals.

4 | Due to immateriality, the emissions of GHG categories 3.8, 3.13, 3.14, and 3.15 are not accounted.

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7 | Scope-2 emissions according to the market-based approach were used for the total calculation of (operational) GHG emissions.

	FY	Lidl	Kaufland	PreZero	Schwarz Produktion	Schwarz Dienstleistungen	Schwarz Group ⁶	
Scope 3	Indirect GHG emissions in tons of CO ₂ equivalent (scope 3)	2020	121,536,165	32,546,227	612,068	1,449,873	444,503	155,012,438
		2021	124,199,928	32,852,253	1,644,909	1,543,632	361,670	158,736,778
		2022	126,995,557	33,820,429	1,981,109	1,968,460	292,667	163,256,845
	Cat. 3.1 Purchased goods and services	2020	106,511,793	28,054,956	21,208	1,179,892	172,379	134,365,302
		2021	103,302,743	28,270,516	42,563	1,237,528	172,139	131,161,551
		2022	104,374,649	28,824,608	63,618	1,671,808	143,726	133,279,045
	Cat. 3.2 Capital goods	2020	0	0	84,262	0	0	84,262
		2021	0	0	85,066	0	0	85,066
		2022	0	0	146,491	0	0	146,491
	Cat. 3.3 Fuel and energy-related emissions	2020	544,706	288,762	18,706	39,738	5,680	897,593
		2021	555,533	281,513	28,174	37,623	6,202	909,046
		2022	592,520	266,224	85,173	39,458	5,614	988,989
	Cat. 3.4 Upstream transportation and distribution	2020	3,519,008	2,081,843	21,454	218,353	0	5,840,657
		2021	6,991,819	1,948,915	29,459	255,098	0	9,225,291
		2022	6,923,733	2,082,850	59,443	242,479	0	9,308,505
	Cat. 3.5 Waste generated in operations	2020	273,263	84,854	0	5,171	0	363,288
		2021	280,927	82,832	0	5,192	0	368,951
		2022	279,334	74,571	0	5,000	0	358,905

1 | Analyzed sources for the emission factors: International organizations (e.g., IEA, IPCC), LCA databases (e.g., Ecoinvent), diff. national institutions (e.g., DBEIS/DEFRA), and industrial associations and organizations (e.g., PlasticsEurope, FEFCO).

2 | Discrepancies in the climate footprint 2020 and 2021 from the Sustainability Report FY 2020/21 are a result of retrospective corrections due to additional data availability.

3 | Due to values being rounded, there may be slight discrepancies in the totals.

4 | Due to immateriality, the emissions of GHG categories 3.8, 3.13, 3.14, and 3.15 are not accounted.

5 | Due to the inorganic growth of the companies of Schwarz Group and methodological adjustments, we are currently working on a new calculation for our base year FY 2019 and the previous years (FY 2020–2021). A direct comparison with the previous years therefore can currently not be undertaken.

6 | In order to avoid duplicate accounting of emissions in the joint carbon footprint of the companies of Schwarz Group, the product emissions for products from Schwarz Produktion that appear both in the Schwarz Produktion carbon footprint and in the retail divisions' carbon footprints are only considered once for aggregation into the group carbon footprint. This also means that the individual totals of the divisions do not correspond to the values of Schwarz Group in the corresponding categories.

7 | Scope-2 emissions according to the market-based approach were used for the total calculation of (operational) GHG emissions.

	FY	Lidl	Kaufland	PreZero	Schwarz Produktion	Schwarz Dienstleistungen	Schwarz Group ⁶	
Scope 3	Cat. 3.6 Business travel	2020	43,704	12,772	5,119	1,061	3,555	66,212
		2021	62,957	22,990	5,866	1,921	5,783	99,517
		2022	95,301	22,324	14,470	2,819	10,526	145,440
	Cat. 3.7 Employee commuting	2020	409,703	163,734	7,595	4,172	6,821	592,025
		2021	444,720	172,447	14,214	4,597	7,931	643,909
		2022	463,876	179,612	32,550	4,872	9,895	690,805
	Cat. 3.9 Downstream transportation and distribution	2020	34,210	0	7,163	0	0	41,373
		2021	41,056	0	237	0	0	41,292
		2022	34,229	625	168	0	0	35,022
	Cat. 3.10 Processing of sold products	2020	0	0	63,539	0	0	63,539
		2021	0	0	84,443	0	0	84,443
		2022	0	0	110,931	0	0	110,931
Cat. 3.11 Use of sold products	2020	10,048,568	1,825,405	4	0	256,069	12,130,046	
	2021	12,369,050	2,036,629	0	0	169,616	14,575,295	
	2022	14,082,145	2,343,700	3,148	0	122,906	16,551,899	
Cat. 3.12 End-of-life treatment of sold products	2020	151,210	33,901	383,018	1,486	0	568,143	
	2021	151,123	36,410	1,354,887	1,672	0	1,542,417	
	2022	149,771	25,913	1,465,117	2,023	0	1,640,813	

1 | Analyzed sources for the emission factors: International organizations (e.g., IEA, IPCC), LCA databases (e.g., Ecoinvent), diff. national institutions (e.g., DBEIS/DEFRA), and industrial associations and organizations (e.g., PlasticsEurope, FEFCO).

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7 | Scope-2 emissions according to the market-based approach were used for the total calculation of (operational) GHG emissions.

Emissions Intensity of the Companies of Schwarz Group

	FY	Lidl	Kaufland	PreZero	Schwarz Produktion	Schwarz Dienstleistungen	Schwarz Group
Total emissions in t of CO ₂ equivalent per employee	2020	359	247	228	466	81	324
	2021	336	235	177	448	58	303
	2022	330	229	111	489	37	287
Total emissions in t CO ₂ equivalent per m ² sales area	2020	9.9	6.9	-	-	-	-
	2021	9.7	6.6	-	-	-	-
	2022	9.5	6.2	-	-	-	-

Water Consumption within the Companies of Schwarz Group in Cubic Meters

	2020	2021	2022	2021/22 delta
Total water consumption	11,204,916	12,658,586	14,603,761	+15.4 %
Water consumption per employee	22.8	23.5	25.4	+7.9 %



About This Report

This report represents the joint progress report of all companies of Schwarz Group for the 2022 fiscal year. Production of the report was coordinated by Schwarz Unternehmenskommunikation GmbH & Co. KG (Schwarz Corporate Communications) on behalf of the companies of Schwarz Group.

The companies of Schwarz Group are comprised of the retail divisions Lidl and Kaufland, the environmental service provider PreZero, the production division Schwarz Produktion, and the corporate functions and operations division Schwarz Dienstleistungen, as well as other associated companies and national organizations ([see also p. 8](#)). To give a comprehensive overview of our activities, the report not only includes the jointly developed strategies and management approaches, but is also supplemented with information at the level of individual companies and countries.

The key performance indicators represented generally refer to the companies of Schwarz Group at aggregate level and are therefore labeled as key performance indicators of Schwarz Group or reported for the specified business units, respectively. Individual companies contribute to the recording of key performance indicators which concern them based on their business activity or their business model. Purchasing KPIs, for instance, refer to the retail divisions only. For all companies, all units that were operating for at least one complete fiscal year (FY) are considered in the figures. The Human Resources topic area is an exception to this. In addition to key performance indicators collected as part of the annual accounts from FY 2021, values of all operationally active units are also included herein for internal controlling reasons. The retail divisions Lidl and Kaufland did not move into any new operating countries in the 2022 fiscal year. In the reporting year, PreZero set up national companies in Spain, Portugal, Sweden and Luxembourg.

The report relates to the period between March 1, 2022 and February 28, 2023. Some key performance indicators are displayed over a three year course to ensure completeness and demonstrate developments. The cut-off date for data collection was February 28, 2023, unless otherwise indicated; the editorial deadline was November 24, 2023. If information was included that was not from the reporting period, these passages are clearly indicated in the text.



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