



Our deposit strategy.
Turning old bottles into new ones
again and again.



**Acting Globally
Responsible with Diversity**



Legal Notice

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Schwarz Unternehmenskommunikation GmbH & Co. KG is represented by Schwarz Unternehmenskommunikation Beteiligungs-GmbH, based in Neckarsulm, Stuttgart Register Court, HRB 769866, which in turn is jointly represented by two managing directors, Gerd Wolf and Leonie Knorpp, who have joint powers of representation.

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We are committed to a circular economy

Together with our divisions Lidl, Kaufland, PreZero and Schwarz Produktion, we at the Schwarz Group cover all steps of the material loop and reduce the environmental impact of plastics in a holistic manner. All phases of plastic use and recycling are covered: from production, to retail, to recyclables management.

For us as a corporate group, single-use deposit systems represent an important lever in the circular economy and resource conservation. In some European countries, such as Germany, Sweden, Finland, and Croatia, deposit systems for non-refillable PET beverage bottles have already been successfully established. In the meantime, many other European countries are considering reducing single-use deposit systems in order to establish material loops and thus help conserve resources.

The Schwarz Group promotes the introduction of deposit systems for single-use beverage bottles and cans throughout Europe. In order to fulfill our self-concept as a future-oriented innovation driver, we proactively help initiators, national administrations, and system providers in planning, setting up, and operating single-use deposit systems. In doing so, we contribute the experience and expertise of all divisions of the Schwarz Group.



More information on our
plastics strategy at
www.reset-plastic.com/en

The Schwarz Group – Who we are

The Schwarz Group is one of the world's leading retail companies. Lidl and Kaufland form our pillars in food retailing. In addition, we are active in food production and in PET recycling with Schwarz Produktion and in environmental services with PreZero. This makes us

one of the few retail companies to cover the entire value chain - from production and retail to disposal and recycling. All companies of the Schwarz Group share the common sustainability vision: "Acting globally responsible with diversity."

Worldwide, around

550,000

employees work for the Schwarz Group. Of these, around 194,000 are in Germany.

Diversity, commitment, passion – these are the unifying strengths our employees in all parts of the group.

Around

133.6 Mrd.

euros in annual sales in fiscal 2021

We have a close eye on how we develop our business and set the course today for tomorrow's success. This is demonstrated by our dynamic growth over many years. We see new challenges as opportunities.

Our diversity also includes our international orientation:

In

32

countries, Lidl and Kaufland together have around

13,350

stores.

With around

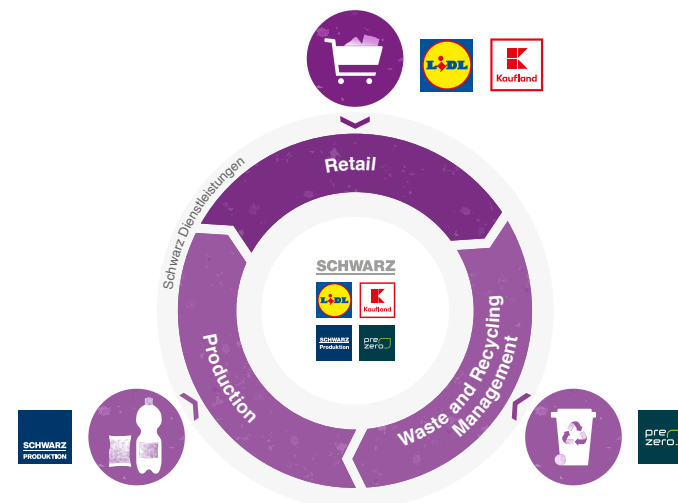
6.1 Mrd.

store customers per year

we as leading retailer are part of the daily lives of millions of people.



More information about the engagement of the Schwarz Group
www.responsibility.schwarz



Trade

Our retail divisions Lidl and Kaufland offer their customers an extensive range of products in more than 30 countries every day. Both divisions are continuously committed to a wide range of measures across the entire value chain, such as climate protection or resource conservation. Lidl currently operates around 11,900 stores and more than 200 goods distribution and logistics centers in 31 countries. Kaufland has around 1,450 stores in eight countries and offers an assortment of 34,000 articles on average.

Disposal and Recycling

As the environmental division of the Schwarz Group, PreZero is active in waste and recycling management. Its services include the collection, sorting, processing and recycling of recyclable materials. With innovative solutions, resources are conserved, and the amount of non-recyclable waste is reduced to nearly zero.

Production

Schwarz Produktion produces high-quality private label products in the areas of beverages, chocolate, dried fruit, baked goods and ice cream for Lidl and Kaufland. Three plastic and recycling plants are also part of a unique material cycle based on the German single-use deposit system, in which PET bottle bodies are produced from 100 percent recycled material (excluding label and cap).

REset Plastic - Our group-wide plastics strategy

Those who put plastic on the market also bear responsibility for its continued use

As the Schwarz Group, we have been committed to collecting, sorting and recycling plastics for many years - with REset Plastic, this commitment has been centralized since 2018. REset Plastic is the Schwarz Group's holistic, internation-

al plastics strategy. With the group-wide strategy, we not only want to reduce the use of plastic and promote the circular economy, but also create a new awareness and fundamentally change the way we deal with plastic.

Our goals by 2025



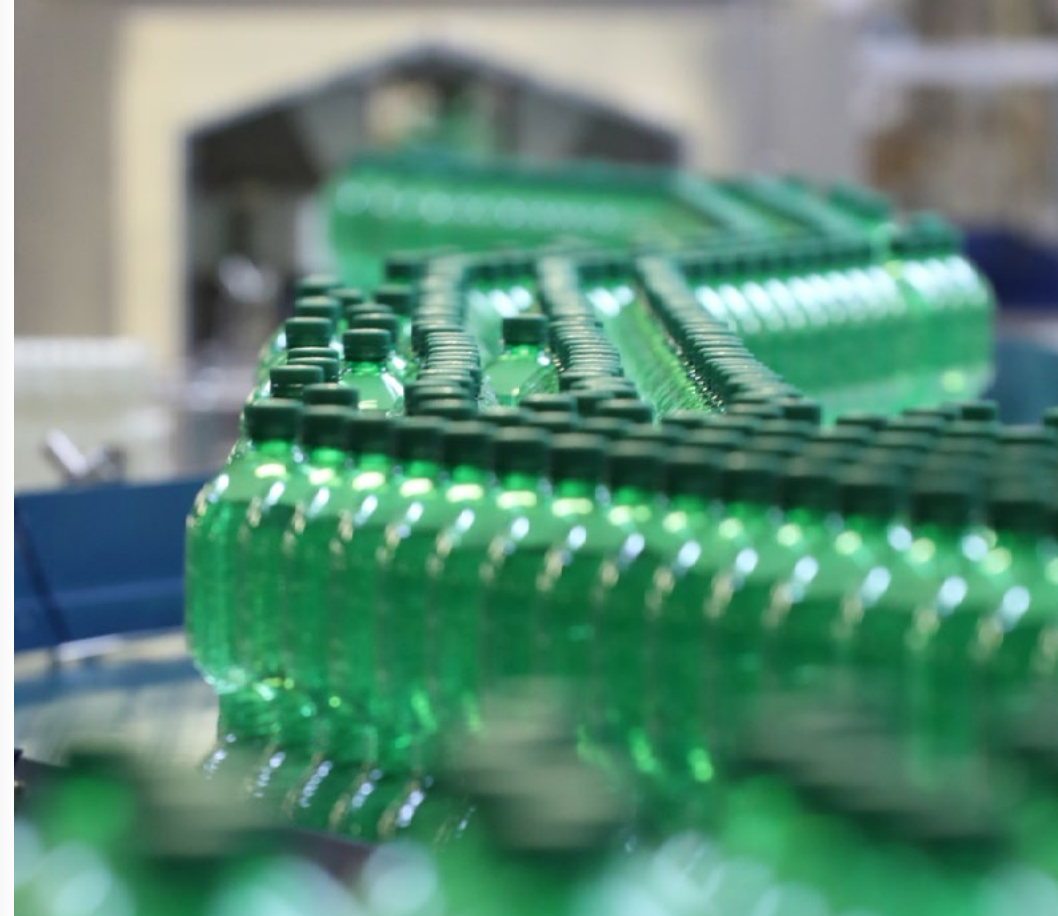
Make 100 percent of our private label packaging maximum recyclable.



Use 20 percent less plastic in private label packaging and transport aids.



Use an average of 25 percent recycled content in our private label plastic packaging.



The REset deposit strategy

The principle of a circular economy is the most effective approach to making our use of resources such as plastic sustainable in the long term.

That is why we are convinced that deposit systems for PET single-use beverage bottles and beverage cans are an elementary component of a functioning circular economy. They allow us to reduce the impact on the environment

and prevent littering. Our ambition is to advance the PET cycle and process old bottles into new ones. To do this, we need a system that collects old beverage containers separately.

Reasons for implementing deposit systems:

Reduction of littering and virgin plastic

Countries like Germany with deposit systems for single-use beverage packaging that are organized based on market economic principles achieve return rates of nearly 100 percent and, as such, contribute to effectively reducing the plastic input into the environment. At the same time, they help set-up a market for high-quality recyclate that is necessary for an effective circular economy. Thus, every use of the deposit system contributes to the reduction of virgin plastic and conserves valuable resources as well as the environment.

Food contact possible due to single-variety collection

Reverse vending machines also ensure that the valuable material PET can be collected and further processed according to type. This separate collection is what makes it possible in the first place for PET to be reused in food packaging - because extremely strict legal requirements apply, especially in the case of direct contact with food.

Savings in emissions

Due to the low weight of plastic and the space-saving transport options of emptied and pressed bottles, emissions are reduced during transport and trips by truck are saved. In addition, the use of recycled PET reduces the use of virgin plastic, thereby reducing emissions from plastic manufacturing.

Around 400,000 pressed bottles fit on one truck

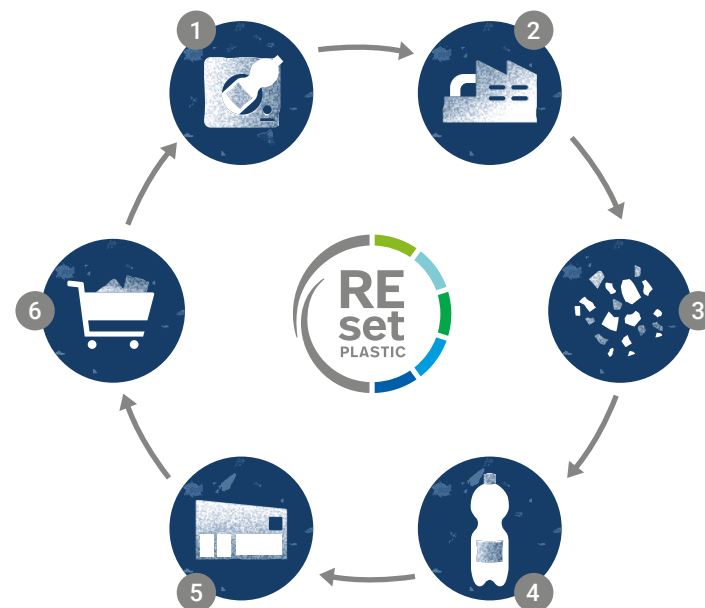


In order to move closer to the vision of our plastics strategy REset Plastic "Less Plastic - Closed Loops," we are committed to introducing market-based collection and deposit systems for non-refillable PET beverage bottles and beverage cans in all European countries as part of a group-wide deposit strategy.

A key aspect of this is that the collectors should have the greatest possible access to the collected material. This is the best way to design efficient deposit systems, close material loops to a great extent, and achieve high recycling rates and recyclate contents.

The bottle cycle

Step by step from the old to the new bottle. This is how the deposit loop works in "bottle-to-bottle" recycling.



1. PET bottles are returned to the deposit machine in stores

2. Bottles are pressed into bales

3. Bottles are processed into flakes and then into PET regranulate

4. Blanks ("preforms") are produced from PET regranulate and partly new material

5. Blanks are inflated to new bottles and filled with beverages

6. Bottles are available for purchase, the loop begins again

Our expertise

The Schwarz Group with Lidl, Kaufland, PreZero and Schwarz Produktion is a competent partner with many years of expertise in PET recycling when it comes to introducing and designing deposit systems:

Our circular-loop bottles at Lidl and Kaufland

- Establishment of a **unique PET material loop** based on the German single-use deposit
- Production of particularly lightweight bottles in **bottle-to-bottle recycling**, which consist of 100 percent recyclate (excluding label and cap)
- Savings of around 50,000 tons of virgin plastic and thus 83,000 metric tons of CO₂ in 2021 through the use of recycled material



Our plastics and recycling plants in Germany

- As one of the first European companies: Establishing a plant that combines both **recycling** and **plastics production**
- Operation of three plastics and recycling plants in which over **2 billion PET bottles** are recycled and **2.7 billion bottle blanks** are produced each year

Our recycling plants worldwide

- Since 2021: PET recycling in Spain with a total capacity of **50,000 tons** per year
- **Aluminum and plastics recycling** at our own recycling plants in Germany, Italy and the USA



Our expertise in the recycling of packaging

- **Waste disposal service provider** with expertise in collecting, sorting, and plastic processing
- Development of our own **recycling and circular products products**, such as house hold goods made of post-consumer recyclate and film bags made of store waste
- **Packaging licensing** provider in Germany with our own **dual system** for collecting light packaging

We support national administrations and system providers in the development and introduction of deposit systems. To this end, we proactively seek contact with the initiators, participate in pilot projects, and strive towards collaboration in the relevant committees to establish a deposit system for single-use beverage packaging.

SCHWARZ



REset Plastic is part of the group-
wide sustainability strategy