

SCHWARZ



**Commitment
by the companies of
Schwarz Group
on respecting
human rights and
environmental
standards**

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Basic position

The companies of Schwarz Group, which include the retail divisions Lidl and Kaufland, Schwarz Produktion, the environmental division PreZero, the Schwarz Dienstleistung companies, Schwarz Digital and other Schwarz companies, consider social and environmental sustainability to be of great importance.

We respect human rights and environmental standards in our organizations and throughout our global supply chains. It is our common goal to promote their application and to prevent violations. Together with our employees, customers, business partners and other stakeholders, we work every day to advance human rights – and this is expressed in particular in our commitment to fair business practices and good working and living conditions.

On that basis, the companies of Schwarz Group have come together to establish and define their stance and commitment.

Human rights and environmental due diligence at the companies of Schwarz Group is founded on our commitment to upholding human rights and environmental standards. This is established in the following internally recognized conventions, guidelines and standards:

- UN Universal Declaration of Human Rights
- UN Guiding Principles on Business & 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
- International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work
- Paris Climate Agreement
- Minamata Convention
- Stockholm Convention
- Basel Convention
- The ten principles of the UN Global Compact (UNGC)

Responsibilities and expectations of the companies of the Schwarz Group

The companies of Schwarz Group respect the human rights of their employees and take a proactive approach to complying with environmental standards, and we expect our business partners to do the same.

As such, compliance by the companies of Schwarz Group and their business partners with the highest applicable standard under the laws of the local jurisdiction and the requirements of the ILO core conventions as set out in the Declaration on Fundamental Principles and Rights at Work is essential. The following principles form the basic prerequisites for any cooperation:

- compliance with the ban on child labor and the protection of minors
- ban on forced labor and modern slavery
- equal treatment of all employees and zero tolerance for discrimination
- fair treatment at work and a workplace free from harsh and inhumane treatment
- protection of personal data
- the right of all employees to establish employee representative bodies and to conduct collective bargaining governing working conditions
- ban on inappropriate disciplinary action
- ensuring health and safety at the workplace
- granting remuneration at least in the amount of the minimum wage guaranteed by law for working hours in accordance with the applicable standards
- protection of land rights and ban on adverse environmental impacts, e.g., harmful changes to the soil or water pollution

These principles are anchored in our code of conduct and are incorporated into the contractual agreements with our business partners.

Our commitment in practice

Responsibilities and integration in the organization

Overall responsibility for our corporate due diligence obligation – which covers respect for human rights and compliance with environmental standards – lies with the management of the respective company of Schwarz Group. The management is also responsible for implementation, which is divided into specific tasks.

To comply with the requirements of the German Act on Corporate Due Diligence in Supply Chains (*Lieferkettensorgfaltspflichtengesetz* – LkSG), the companies of Schwarz Group have each established their own areas of responsibility for ensuring compliance with due diligence obligations.

Risk assessment and preventative action

Identifying the risks, assessing the potential impacts and developing effective measures to avoid the risks or minimize the impacts is an ongoing process in implementing human rights due diligence.

For that reason, the companies of Schwarz Group carry out annual and ad-hoc risk assessments to ensure that they identify and assess environmental and human rights risks within their own organizations and at business partners early on.

This involves a company-specific, risk-based classification of business partners and products, for instance based on the analysis of recognized indices and studies regarding the risk assessment for countries of origin, raw materials and products and – in some cases – in consultation with civil society organizations and experts. The findings of these risk assessments are used to develop specific measures to avoid or mitigate adverse impacts caused by our business activities. In this respect, the companies of Schwarz Group employ a combination of different measures and integrate the findings from their activities into their business processes.

Based on the risk assessment, action is taken to prevent environmental and human rights risks within our own organization and at our business partners.

The companies of Schwarz Group constantly review the effectiveness of that action. One way they do so is by maintaining regular dialog with civil society organizations, experts, business partners and other stakeholders – often as part of multi-stakeholder partnerships.

Managing grievances and remedial action

Access to grievance mechanisms plays an important role for those affected by or witness to potential violations of human rights and environmental standards. The companies of Schwarz Group have online reporting systems for the confidential reporting of suspected compliance violations and violations of human rights and environmental standards. The online systems are in many cases available in more than 25 languages and are generally accessible to every affected individual. Grievances can also be reported at any time to the compliance officers at the companies of Schwarz Group, or to the external counsel. The companies of Schwarz Group are also engaged in a variety of multi-stakeholder initiatives to promote the effectiveness of reporting systems as a whole and across sectors.

Key findings from grievances are used to further develop the mechanisms and identify risks. If adverse impacts are in fact identified that a company of Schwarz Group caused or contributed to, that company endeavors to enable remediation and use its influence to ensure that those affected receive appropriate remediation.

Reporting

Transparent communication on human rights and environmental challenges is a core element of human rights due diligence. The companies of Schwarz Group prepare an annual report detailing significant environmental and human rights risks, the action they have taken and the progress they have made, and the challenges that remain. These reports are published online.

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