Business Partner Code of Conduct of the Companies of Schwarz Group

Business Partner Code of Conduct

Introduction

The companies of Schwarz Group, which include the retail divisions Lidl and Kaufland, Schwarz Produktion, the environmental division PreZero, the IT and digital division Schwarz Digits, Schwarz Corporate Solutions and other Schwarz companies, consider social and environmental sustainability to be of great importance. They are aware of their responsibility throughout the supply chain, in particular their responsibility to respect human rights and comply with social- and environmental standards.

This Business Partner Code of Conduct sets out the basic principles governing the cooperation with business partners and describes what the divisions of Schwarz Group expect of their business partners in terms of human rights and environmental issues.

The principles outlined in this Code of Conduct serve as minimum standards for our business relationships. The Code of Conduct is based on the following international guidelines and principles:

- International Bill of Human Rights
- 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
- 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)

The national and other relevant laws and requirements applicable in the countries in which business is conducted as well as the principles contained in this Code of Conduct must be complied with. Whatever applicable rules or regulations are best suited to achieve the protected interests, those shall always be controlling.

The standards derived from these principles are addressed below. They are to be implemented and monitored by corresponding company-internal procedures.

Bribery and any other forms of corruption are prohibited. The business partner shall furthermore comply with all professional standards applicable in the industry in which it operates.

1. Work

1.1. Ban of discrimination

The business partner must ensure equal treatment and equal opportunity for its employees and avoid any form of discrimination. This applies to the entire employment relationship, in particular recruitment, training, further training, remuneration, promotion, termination, retirement, and disciplinary measures. No person shall be discriminated against or disadvantaged on the grounds of their age, disability, ethnic background, marital status, gender, skin color, membership in workers' organizations, nationality, political persuasion, religion or ideology, sexual orientation, pregnancy, social background, other personal attributes, or for other objectively illegitimate reasons. In addition, the business partner must prohibit, and take active measures to combat, any form of discrimination.

1.2. Fair treatment

The business partner shall ensure that no individual is exposed to rough or inhumane treatment in the workplace. This particularly includes sexual harassment, corporal punishment, mental and physical coercion, insults, and the verbal abuse of employees. No such conduct may be threatened against employees either.

1.3. Forced labor and modern slavery

The business partner does not use forced labor. Forced labor includes any work or service required of a person, under penalty of punishment, for which the person has not volunteered.

The business partner observes the ban on modern slavery and any other slavery-like practices. These include serfdom or other forms of exercising power or oppression in the work environment, for example through extreme economic or sexual exploitation or humiliation.

The business partner shall also respect its employees' right of termination.

1.4. Child labor and the protection of minors

All forms of child labor are prohibited

National laws and international standards on the protection of minors must be complied with. The minimum employment age may not be lower than the legal school leaving age. Under no circumstances may employees be younger than 15 years of age, or 14 years of age if permitted under national law pursuant to ILO Convention 138. Nor may young persons aged under 18 work during night hours.

1.5. Wages and working hours

The business partner shall comply with all applicable laws, requirements and industry standards relating to wages and working hours. Wages and other benefits must, at the very least, comply with legal requirements and the standards applicable to the local production industry. They must be clearly defined and paid and/or provided at regular intervals. The aim must be to pay wages and other benefits that will cover the cost of living to the extent that the statutory minimum wage is insufficient in this regard. Any deductions for non-cash benefits shall only be permitted provided they are limited in scope and Code of Conduct V.2.0 3 reasonable compared to the value of the non-cash benefit. The business partner shall pay the social security contributions required by law and the benefits to which employees are entitled under national law (e.g., insurance benefits, overtime pay and paid leave).

Furthermore, employees shall receive clear and regular notification of the composition of their remuneration. The obligations arising out of the employment relationship must be set out in text form and provided to the employee in the form of an employment agreement. The business partner shall not withhold any amounts for work equipment or resources.

Employees shall not work for longer than the working hours permitted by law and shall take the breaks required by law. Official public holidays shall be observed. In addition, employees may not be regularly asked to work more than 48 hours per week and, including overtime, more than 60 hours per week. Overtime must be performed voluntarily and must be remunerated separately in accordance with national law or with compensatory time. Every employee is entitled to at least one day off after six consecutive working days.

1.6. Freedom of association and collective bargaining

The business partner guarantees its employees freedom of association and the right to engage in collective bargaining. Employees have the right to hold meetings in accordance with applicable laws and to establish or join unions and representative bodies. Employees also have the right to engage in collective bargaining, and the statutory right to strike, to resolve workplace and wage issues.

Under no circumstances may the exercise of such rights be met with threats of reprisal.

1.7. Safety and health

The business partner shall ensure a safe working environment and compliance with relevant safety standards, as well as ensuring that sufficient protective measures and measures to prevent excessive physical or mental exhaustion are in place. Workplaces and work equipment must comply with applicable laws and requirements. Any violation of fundamental human rights in the workplace and in operational facilities is prohibited. Especially fire safety and emergency care standards must also be complied with.

In particular young persons aged under 18 shall not be exposed to any situations that are hazardous or unsafe to their physical and mental health and development. Employees must have the qualifications required to meet the requirements associated with their role and undergo regular training on health and safety at

work. It must also be ensured that workplaces are sufficiently hygienic. If the business partner provides accommodation to employees, the same requirements shall apply to such accommodation.

A representative shall be appointed to be responsible for ensuring a safe and healthy workplace environment for all employees and for introducing and implementing health and safety standards in the workplace.

1.8. Disciplinary action

Disciplinary action must be in accordance with national law and internationally recognized human rights. No unreasonable disciplinary action may be taken, particularly including withholding pay, social security contributions or documents (e.g., identification cards) or placing a ban on leaving the workplace.

When deploying private security forces, the business partner ensures appropriate control and instruction Code of Conduct V.2.0 4 measures, especially to prevent torture, cruel, inhumane, or humiliating treatment, injury to life, limb or health, or the impairment of freedom of association.

1.9. Land rights

The business partner respects the prevailing land rights and refrains from any form of unlawful forced eviction or unlawful deprivation or dispossession of land, forest, or bodies of water whose use secures a person's livelihood or the livelihood of several people, in particular in connection with acquisition or development.

2. Environment

2.1. Environmental protection laws

The business partner shall comply with applicable environmental laws and regulations, as amended from time to time, as well as the bans resulting from the environmental conventions referred to above regarding mercury, persistent organic pollutants, and hazardous waste

The business partner's operations shall meet waste law, emission control and water protection standards and requirements. The business partner shall comply with all regulations relating to hazardous substances. This particularly concerns the storage, handling, and disposal of hazardous substances. Employees shall be instructed on how to handle hazardous materials and substances

2.2. Resources and pollution of the environment

The business partner shall not cause any harmful changes to the soil, water pollution, air pollution, harmful noise pollution, or excessive water consumption resulting in significant impairments to the natural foundations to protect and produce food, preventing access to clean drinking water, making access to sanitary facilities difficult or having the potential to be harmful to the health of an individual or several individuals.

Any further pollution of the environment shall be avoided to the extent reasonably possible, or at least minimized. Protection of the environment and climate and promoting biodiversity is an ongoing challenge which can only be met by consistently improving the level of protection, achieved by permanently reducing the consumption of resources and reducing waste. The business partner shall make a reasonable effort to do this in the course of its business activities.

3. Compliance

3.1. Implementation throughout the supply chain

The business partner assures that it will address the provisions of this Code of Conduct appropriately along the supply chain and enforce them against its own contractual partners by means of suitable contractual provisions.

3.2. Reporting

The business partner shall establish a company-internal system for reporting violations of the standards set out in this Code of Conduct; employees who report any violations may not be disciplined or discriminated against as a result.

3.3. Remedial action

In cases where a violation of the Code of Conduct has already occurred or is at risk of occurring, either in its own business domain or in the business partner’s supply chain, the business partner commits

1. to do everything possible, without delay, to put an end to that violation as soon as possible, prevent or at least minimize the extent of the violation;
2. at the request of companies of Schwarz Group, to implement a concept prepared by the latter to put an end to or minimize the violation;
3. at the request of companies of Schwarz Group, to develop and implement together a plan to put an end to the violation, or to prevent or minimize the violation.

3.4. Audits

Companies of Schwarz Group have the right to conduct appropriate risk-based audits to verify compliance with this Code of Conduct. Within this context, the business partner shall, upon the request of companies of Schwarz Group, provide all necessary information and disclosures and, subject to reasonable advance notice, allow the companies of Schwarz Group to conduct on-site inspections of the business partner’s premises. Companies of Schwarz Group may also engage a third party bound by a duty of confidentiality to conduct such audits. The business partner's data protection policy as well as business and trade secrets shall be respected. Audit rights arising from other provisions shall remain unaffected. Upon request, the

business partner shall require subcontractors it engages to provide the services to grant corresponding rights of audit in favor of the companies of Schwarz Group.

3.5. Termination

Any violation of obligations under this Code of Conduct shall give companies of Schwarz Group the right, in particular, to set the business partner a reasonable grace period in which to remedy the violation and, should this period expire without result, to rescind or terminate the agreement. In the case of a serious violation, no grace period need be set. In the event of rescission or termination, the companies of Schwarz Group shall not be obligated to compensate the business partner for damage incurred as a result of such rescission or termination.