

GUIDELINE ON

Circular Economy



REWE Group aims at reducing the consumption of resources in the value chain of its products, thus making a positive contribution to environmental and climate protection.

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I. UNDERSTANDING, SCOPE AND COMMUNICATION

REWE Group's customers expect and should be able to trust that REWE Group, as a trade company, is aware of its responsibility in the supply chains of its private labels and addresses the social and ecological effects. In its "[Guideline for Sustainable Business Practices](#)", REWE Group acknowledges this responsibility. The values described therein form the foundation for the responsible actions of the company. REWE Group has specified this foundation in the "[Approach for responsible supply chains](#)" in order to identify, evaluate and process the social and ecological effects. In addition, REWE Group obliges all suppliers of its private label products to comply with its Supplier [Code of Conduct](#).

For REWE Group, the circular economy is key to conserving resources and protect the environment and climate. The trade company aims at contributing to the circular economy by avoiding waste of resources, achieving the reuse of products and packaging and closing as many material cycles as possible through high-quality recycling.

Goal and Scope of the Guideline

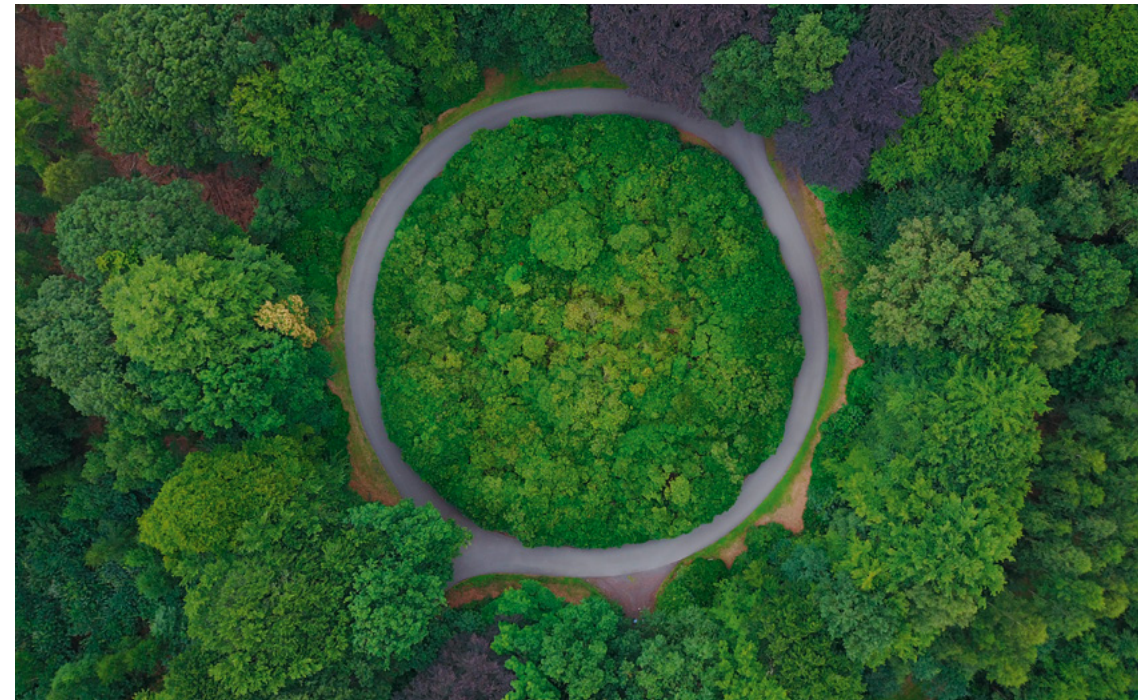
REWE Group has defined a circular economy strategy with focus on its private label products. The aim of the strategy is to make a positive contribution to environmental and climate protection by reducing the consumption of resources and closing cycles. The Guideline on Circular Economy offers employees and partners a framework to continuously review the efficient use of raw materials and the design of products and processes, to develop them further and to gradually close cycles. The strategic principles of the circular economy, which are already defined for the area of packaging in the Guideline on "More-eco-friendly packaging", are thus supplemented by a holistic approach for products and their value chains.

The scope of this guideline covers the supply chains of REWE Group's private label products, which are sold by REWE, PENNY and toom Baumarkt DIY stores in Germany. The guideline defines a binding framework for REWE Group's actions and the business relationships with its contractual partners.

The specified requirements and goals set out in the guideline are consistently checked. New measures and goals are agreed upon if necessary. In addition, the guideline is updated on the basis of future trends and developments.

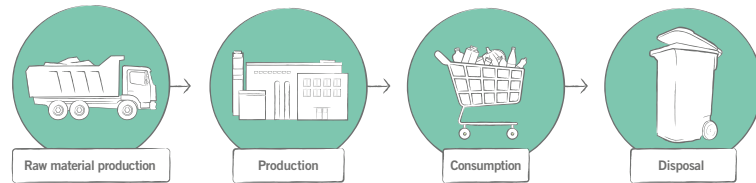
Reporting and Communication

REWE Group reports regularly and publicly on progress in implementing the measures and achieving the targets outlined. This is done in press releases, via the REWE Group website or the sustainability report of the Group. REWE Group is convinced that transparency and the provision of comprehensive information are important components of successful sustainability management.



II. ISSUES

In a linear economy, raw materials that are used for the production of goods will not be returned into the cycle after the product's end of use. Instead, they will be disposed of, mostly incinerated, and cannot be reutilized.



The need for resources for the manufacture of new products has increased considerably around the globe over the past 50 years. The mass of man-made materials is growing. As a result, the environment and climate suffer both from a rapidly increasing consumption of resources and from the growing amount of waste and the associated emissions into water, air and soil. REWE Group faces the following challenges:

Resource Consumption

The extraction and consumption of natural resources has serious impacts on the climate and the environment. Today, half of all global greenhouse gas emissions and more than 90 per cent of biodiversity loss and water stress can be attributed to the extraction and processing of resources (European Commission, 2020).

The per capita consumption of an EU citizen for food, housing, transport, consumption and other areas of life amounts to 16 tonnes per year (EUA, 2020). The consumption exceeds the earth's planetary boundaries by far.



The United Nations predict that the world population will grow to around 9.7 billion people by 2050 and that global resource consumption will double within the next forty years. Based on these conditions, three planets would be needed to sustain today's lifestyle (UN, 2019).

Waste Generation

The generation of waste is another unsolved problem in dealing with raw materials. Since the turn of the millennium, the per capita volume of typical household waste in Germany has increased by more than 18 per cent from an average of



458 kilogrammes per inhabitant in 2000 to 543 kilogrammes per inhabitant in 2019. In the same period, the proportion of recycled waste rose as well, however, in 2019, virtually one third of this recyclable material was still not recycled, but incinerated instead (UBA, 2020).

Another major problem is the waste of food: 12 million tonnes of food are disposed of in Germany every year. The majority of this (66 per cent) is generated in private households and in the restaurant and catering sector. The upstream supply chain also contributes significantly to this problem: It is responsible for one third of all food waste (BMEL, 2021). Wholesale and retail only account for four per cent. Nevertheless, REWE Group puts a special focus on avoiding food waste.

The Group envisages to meet these challenges in its own value chains by developing measures to reduce resource consumption with its suppliers and, where possible, gradually returning products and raw materials to cycles at the end of their use.

Legal Framework

In order to meet the challenges of environmental pollution and resource depletion, the European Commission presented an action plan for the circular economy in 2020. An expansion of the circular economy to relevant economic sectors is aimed at contributing to the European Union becoming climate neutral by 2050 (European Commission, 2020). The action plan defines seven key areas to achieve a circular economy, including plastics, food and packaging. In the coming years, goals and specifications in these areas are to be defined within the framework of legislative initiatives in order to achieve a reduction in primary resource consumption and waste flows.

In Germany, for example, the generation and management of waste is regulated by the German Circular Economy Act (KrWG, BMU, 2020). The aim of the law is to promote the circular economy to conserve natural resources and to ensure the protection of people and the environment. National legislation with regard to circular economy is largely based on the implementation of EU legal acts such as the Waste Framework Directive.

Other laws, such as the German Packaging Act (VerpackG, BMJV, 2021) or the Act Governing the Sale, Electrical and Electronic Equipment Act (ElektroG, BMJV, 2021), oblige initial distributors of packaging, as well as manufacturers, distributors or importers of electronic devices to an extended product responsibility. This transfer of waste management responsibility to manufacturers and distributors over the entire service life of a product is intended to promote high-quality recycling and reuse.

III. APPROACH

With a clear strategic commitment and appropriate measures, REWE Group aims at addressing the problem of overconsumption of resources and environmental pollution by waste and promoting the implementation of a circular economy within the Group.

In this way, existing activities and further potential circular economy projects can be summarised in a structured framework and communicated.

Strategic Approach for the Circular Economy

Sustainability is firmly established in REWE Group's corporate strategy. The group-wide strategy consists of four central pillars.

One of them is "Green Products". This pillar bundles all activities aimed at making purchasing and production processes more sustainable and thus expanding more sustainable product ranges. The circular economy strategy in the value chains of the products is assigned to the environmental field of action with the "Green Products" pillar.

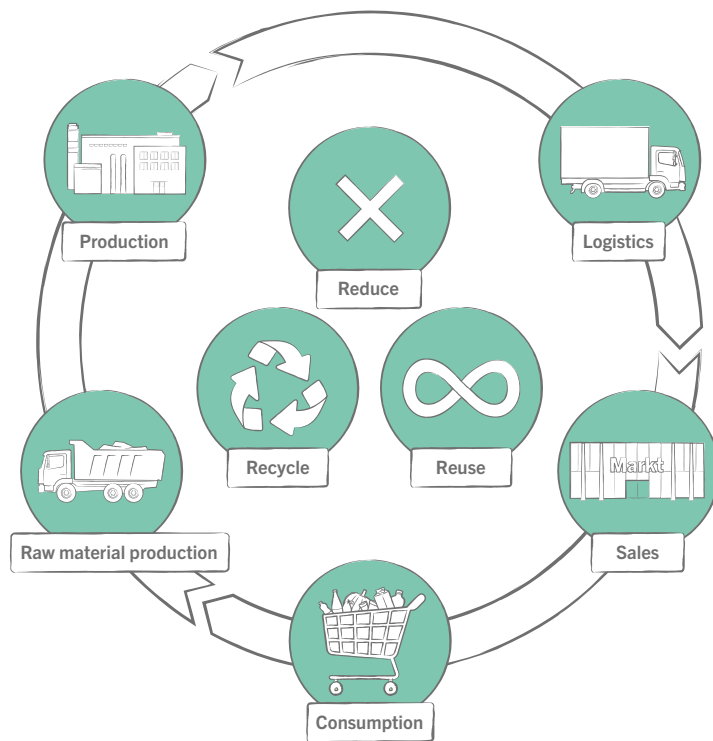
Principles of the Strategy

For the implementation of its circular economy strategy, REWE Group relies on three principles: Reduce, Reuse, Recycle. These principles are consistent with the principles "Avoid, Reduce, Improve" of the Guideline on More Eco-Friendly Packaging". The implementation of these principles along the life cycle of the Group's products is intended to avoid waste and to ensure that resources are used as long and as often as possible.

Reduce: Together with its suppliers, REWE Group aims at avoiding the generation of waste in the value chain of food, both in cultivation and in production. In the production of durable and consumable products, resource consumption should be reduced where possible and production waste minimised, for example by reducing the use of materials. For this purpose, processes are being further developed and product innovations created.

Reuse: The quality and longevity of durable products are being further developed in order to extend the products' service life. In addition, sustainable reusable alternatives for single-use-products, such as disposable household items, are to be assessed. Furthermore, the Group continues to investigate ways of offering customers products in rental or sharing models.

Recycle: For the manufacture of products, secondary resources, such as recycled plastics or paper, are used wherever possible. The Group also continuously examines recycling potentials in its own material flows in order to identify and close new material cycles. Residual materials are separated and sent for high-quality recycling.



IV. REQUIREMENTS, GOALS AND MEASURES

REWE Group has set itself a strategic goal which provides the Group with a clear orientation. It is subject to a continuous progress review.

Strategic Goal

REWE Group aims at actively reducing the consumption of resources in the value chain of its products, thus making a positive contribution to environmental and climate protection.

The subject area circular economy is taken into account in all relevant areas and developed further. Specific goals and requirements, for instance for partners and suppliers, were included and approved in the REWE Group's annual Sustainability Report:

- [Guideline on more eco-friendly packaging](#)
- [Commitment for the prevention of food waste](#)
- [Guideline on more sustainable textiles](#)
- [Sustainability Report](#)

Measures for the Implementation of a Circular Economy within the Group

REWE Group continuously examines areas of potential for the further development of the circular economy within the Group, thereby placing particular emphasis on the use of resources and the generation of waste in key supply chains in order to develop further strategic measures and goals.

With regard to the company's internal material flows, it also develops approaches to return recyclable materials along the value chain to material cycles and to reduce the need for primary resources.

In the range of private label products, more emphasis should be placed on products that make a positive contribution to the circular economy based on the principles of "Reduce, Reuse, Recycle".

Last but not least, the principles of the circular economy should likewise be integrated into purchasing processes and must play an even greater role in existing environmental programmes in the future.

REWE Group underlines its ambitions by joining the EU Code of Conduct on Responsible Food Business and Marketing Practices. The code was drawn up jointly by European associations and companies, the departments of the European Commission and with the active participation of international organisations, non-governmental organisations, trade unions and professional associations. The EU Commission presented the code in July 2021 as part of the European “Farm to fork” strategy.

By signing this code of conduct, REWE Group intensifies its efforts to reduce food waste along the value chain in cooperation with suppliers and with a view to its customers.

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The dialogue on the topic of Circular Economy is of major importance to us. Please do not hesitate to contact us with suggestions and questions at:
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