

Second-Party Opinion

REWE Group Sustainability-Linked Bond Framework



Evaluation Summary

Sustainalytics is of the opinion that the REWE Group Sustainability-Linked Bond Framework aligns with the Sustainability-Linked Bond Principles (SLBP) 2023. This assessment is based on the following:

- Selection of Key Performance Indicators** The Sustainability-Linked Bond Framework includes three KPIs for REWE and PENNY Germany: i) absolute scope 1 and 2 GHG emissions; ii) absolute scope 3 non-FLAG GHG emissions; and iii) absolute scope 3 FLAG GHG emissions (see Table 1). Sustainalytics considers the KPIs chosen to be very strong, given that: i) they are a direct measure of REWE Group’s performance on a relevant and material ESG issue; ii) they have a high scope of applicability; iii) they follow a clear and consistent methodology that is externally defined; and iv) they lend themselves to being benchmarked against science-based global decarbonization pathways.
- Calibration of Sustainability Performance Targets** Sustainalytics considers the SPTs to be aligned with REWE Group’s sustainability strategy. Sustainalytics further considers SPT 1.3, 2.2, 2.3, 3.2 and 3.3 to be highly ambitious, SPT 1.2, 2.1 and 3.1 to be ambitious, and SPT 1.1 to be moderately ambitious based on the comparison with past performance, peer performance and alignment with science.
- Bond Characteristics** REWE Group has linked the bonds’ financial characteristics to the achievement of all three SPTs. Failure to achieve these SPTs would constitute a trigger event and would lead to a step-up in the coupon or a redemption price adjustment. Sustainalytics notes that the financial characteristics of the bonds are aligned with the SLBP 2023.
- Reporting** REWE Group commits to report on an annual basis on its progress towards the KPIs, relevant information regarding recalculations, updates on the emission reduction strategy and governance affecting the KPIs’ and SPTs’ trajectories, and qualitative or quantitative data explaining the main factors behind the evolution of its progress towards the KPIs. This reporting will be made publicly available in a Sustainability-Linked Bond Progress Report, which will be published on the Group’s website. These commitments are aligned with the SLBP 2023.
- Verification** REWE Group commits to have external limited assurance conducted against each SPT for each KPI at least once a year, which is aligned with the SLBP 2023.

Evaluation Date	August 21, 2023
Issuer Location	Cologne, Germany

The SPTs contribute to the following SDGs:



Overview of KPIs and SPTs

KPI	Baseline	Strength of KPI	SPT	Ambitiousness of SPT
Absolute scope 1 and 2 GHG emissions for REWE and PENNY Germany (ktCO ₂ e)	2021	Very Strong	SPT 1.1: Reduce absolute scope 1 and 2 GHG emissions by 25% by 2028, compared to a 2021 baseline.	Moderately Ambitious
			SPT 1.2: Reduce absolute scope 1 and 2 GHG emissions by 32% by 2029, compared to a 2021 baseline.	Ambitious
			SPT 1.3: Reduce absolute scope 1 and 2 GHG emissions by 42% by 2030, compared to a 2021 baseline.	Highly Ambitious
Absolute scope 3 non-FLAG GHG emissions for REWE and PENNY Germany (ktCO ₂ e)	2021	Very Strong	SPT 2.1: Reduce absolute scope 3 non-FLAG GHG emissions by 25% by 2028, compared to a 2021 baseline.	Ambitious
			SPT 2.2: Reduce absolute scope 3 non-FLAG GHG emissions by 32% by 2029, compared to a 2021 baseline.	Highly Ambitious
			SPT 2.3: Reduce absolute scope 3 non-FLAG GHG emissions by 42% by 2030, compared to a 2021 baseline.	Highly Ambitious
Absolute scope 3 FLAG GHG emissions for REWE and PENNY Germany (ktCO ₂ e)	2021	Very strong	SPT 3.1: Reduce absolute scope 3 FLAG GHG emissions by 18% by 2028, compared to a 2021 baseline.	Ambitious
			SPT 3.2: Reduce absolute scope 3 FLAG GHG emissions by 23% by 2029, compared to a 2021 baseline.	Highly Ambitious
			SPT 3.3: Reduce absolute scope 3 FLAG GHG emissions by 30.3% by 2030, compared to a 2021 baseline.	Highly Ambitious

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Scope of Work and Limitations

REWE Group has engaged Sustainalytics to review the Sustainability-Linked Bond Framework dated August 2023 (the "Framework") and provide an opinion on its alignment with the Sustainability-Linked Bond Principles 2023 (SLBP).¹

Sustainalytics' Second-Party Opinion reflects Sustainalytics' independent² opinion on the alignment of the Framework with the SLBP, as administered by ICMA.

As part of this engagement, Sustainalytics exchanged information with various members of REWE Group's management team to understand the sustainability impact of their business processes and SPTs, as well as the reporting and verification processes of aspects of the Framework. REWE Group's representatives have confirmed that:

- (1) They understand it is the sole responsibility of the issuer to ensure that the information provided is complete, accurate and up to date;
- (2) They have provided Sustainalytics with all relevant information; and
- (3) Any provided material information has been duly disclosed in a timely manner.

Sustainalytics also reviewed relevant public documents and non-public information. This document contains Sustainalytics' opinion of the Framework and should be read in conjunction with the Framework. Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and REWE Group. Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated SPTs of KPIs but does not measure KPI performance.³ The measurement and reporting of the KPIs is the responsibility of the issuer. No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that REWE Group has made available to Sustainalytics for the purpose of this Second-Party Opinion.

The Second-Party Opinion is valid for issuances aligned with the respective Framework for which the Second-Party Opinion was written and aligned with the methodology to calculate the KPI performance outlined in the Second-Party Opinion for up to 24 months or until one of the following occurs:

- (1) A material change to the external benchmarks⁴ against which targets were set;
- (2) A material corporate action (such as material M&A or a change in business activity) that has a bearing on the achievement of the SPTs or the materiality of the KPIs.

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¹The Sustainability-Linked Bond Principles were launched by ICMA in June 2023. They are administered by ICMA and are available at: <https://www.icmagroup.org/assets/documents/Sustainable-finance/2023-updates/Sustainability-Linked-Bond-Principles-June-2023-220623.pdf>.

²When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics' hallmarks is integrity, another is transparency.

³Sustainalytics has provided an opinion based on the understanding that the financial characteristics of instruments issued under this Framework will be tied to the achievement of SPTs corresponding to each of the KPIs included in the Framework.

⁴Benchmarks refers to science-based benchmarks.

Introduction

REWE Group (the “Group” or the “Issuer”) is a German retail and tourism cooperative group. Headquartered in Cologne, REWE Group operates retail, convenience and DIY stores, as well as travel agencies, across 21 European countries, focusing on food retail as part of its core business. As of year-end 2022, the Group employed approximately 384,000 people. Its revenue for FY2022 amounted to EUR 84.8 billion, of which 69% was generated in Germany.⁵

The Group intends to issue sustainability-linked bonds (SLBs) and “Schuldscheine”. Failure to achieve the SPTs for the selected KPIs will lead to a coupon rate step-up or redemption premium payment. The selected KPIs refer to scope 1, 2 and 3 (FLAG and non-FLAG) GHG emissions of its two brands REWE and PENNY Germany.

REWE Group has engaged Sustainalytics to review the Framework and provide an opinion on the alignment of the Framework with the SLBP. The Framework will be published in a separate document.⁶

The KPIs and SPTs used by REWE Group are defined in Tables 1 and 2 below.

Table 1: KPIs Definitions

KPI	Definition
Absolute scope 1 and 2 GHG emissions for REWE and PENNY Germany (ktCO ₂ e)	The KPI is defined as the absolute amount of scope 1 and 2 GHG emissions of REWE and PENNY Germany, measured in kilotonnes of CO ₂ equivalent (ktCO ₂ e) and calculated in line with the GHG Protocol Corporate Accounting and Reporting Standard (the “GHG Protocol”). ⁷ Scope 1 and 2 emissions are generated from 100% of REWE’s and PENNY Germany’s own operations. They stem from the consumption of electricity, heat, and fuel for trucks and cars, as well as refrigerant losses.
Absolute scope 3 non-FLAG GHG emissions for REWE and PENNY Germany (ktCO ₂ e)	The KPI measures absolute scope 3 GHG emissions in ktCO ₂ e from non-FLAG (forest, land and agriculture) sources. The Group calculates its GHG emissions in accordance with the GHG Protocol. The KPI covers the emissions from the following GHG Protocol scope 3 categories: 1. Purchased Goods and Services (excluding forest, land and agriculture-related products); 2. Capital Goods; 4. Upstream Transportation and Distribution; and 11. Use of Sold Products. The Issuer reports that the other 11 categories of scope 3 emissions under the GHG Protocol are not significant, being estimated at less than 1% of total scope 3 non-FLAG GHG emissions. ⁸
Absolute scope 3 FLAG GHG emissions for REWE and PENNY Germany (ktCO ₂ e)	The KPI is defined as the absolute amount of scope 3 FLAG GHG emissions of REWE and PENNY Germany, measured in ktCO ₂ e and calculated in line with the GHG Protocol. Scope 3 FLAG emissions cover scope 3 GHG emissions category 1, referring to purchased goods from Forest, Land and Agriculture activities.

Table 2: SPTs and Past Performance

KPI	2021 (baseline)	SPT 2028	SPT 2029	SPT 2030
KPI 1: Absolute scope 1 and 2 GHG emissions for REWE and PENNY Germany (ktCO ₂ e)	202.13	151.26 (-25%)	137.14 (-32%)	117.24 (-42%)
KPI 2: Absolute scope 3 non-FLAG GHG emissions for REWE and PENNY Germany (ktCO ₂ e)	12,658.07	9,493.55 (-25%)	8,607.49 (-32%)	7,341.68 (-42%)

⁵ REWE Group, “Annual Report - Key Figures 2022”, at: <https://www.rewe-group.com/en/annual-report-2022/key-figures-2022/>

⁶ The REWE Group Sustainability-Linked Bond Framework is available on REWE Group’s website at: <https://www.rewe-group.com/en/company/creditor-relations/sustainability-linked-bond-framework>

⁷ The Greenhouse Gas Protocol, “A Corporate Accounting and Reporting Standard”, at: <https://ghgprotocol.org/sites/default/files/standards/ghg-protocol-revised.pdf>

⁸ Greenhouse Gas Protocol, “Technical Guidance for Calculating Scope 3 Emissions (version 1.0)”, at: https://ghgprotocol.org/sites/default/files/standards/Scope3_Calculation_Guidance_0.pdf

KPI 3: Absolute scope 3 FLAG GHG emissions for REWE Germany and PENNY Germany (ktCO ₂ e)	16,935.84	13,887.39 (-18%)	13,040.59 (-23%)	11,804.28 (-30.3%)
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Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Alignment of the Sustainability-Linked Bond Framework with the Sustainability-Linked Bond Principles

Sustainalytics is of the opinion that the Sustainability-Linked Bond Framework aligns with the five core components of the Sustainability-Linked Bond Principles 2023.



Selection of Key Performance Indicators

Relevance and Materiality of KPIs

In its assessment of materiality and relevance, Sustainalytics considers: i) whether an indicator speaks to a material impact of the Issuer's business on environmental or social issues; and ii) to what extent the KPI is applicable.

KPI 1: Absolute scope 1 and 2 GHG emissions for REWE and PENNY Germany (ktCO₂e)

KPI 2: Absolute scope 3 non-FLAG GHG emissions for REWE and PENNY Germany (ktCO₂e)

KPI 3: Absolute scope 3 FLAG GHG emissions for REWE Germany and PENNY Germany (ktCO₂e)

Sustainalytics considers KPIs 1, 2 and 3 to be material and relevant, given the following:

Sustainalytics' Industry Report on Food Retailers recognizes Carbon – Own Operations as a material ESG issue. The report outlines energy as significant cost in the industry, as retailers depend on continuous refrigeration, heating, ventilation, air conditioning and lighting.⁹ Moreover, the Sustainability Accounting Standards Board (SASB) identifies GHG emissions as a relevant issue for food retailers and distributors.¹⁰ The SASB standard highlights that emissions linked to vehicle fleets and refrigeration activities of food retailers and distributors represent significant industry expenses, which contribute to negative environmental impacts, including climate change.

Additionally, for KPI 2 and KPI 3, Sustainalytics notes that more than 90% of REWE's and PENNY Germany's GHG emissions are scope 3. Based on a 2022 industry research report, scope 3 emissions of most food retailers account for approximately 93.1% of their GHG emissions. Two-thirds of all scope 3 emissions reportedly occur at the farming and food processing stages.¹¹

Sustainalytics has taken a combined approach to assessing the applicability of all three KPIs. The KPIs lend themselves to this combined approach, as they are absolute measures of different scopes of the Issuer's GHG emissions, and their SPTs need to be met to avoid a trigger event (please see Bond Characteristics below for further information). REWE and PENNY Germany's combined scope 1, 2 and 3 emissions make up the largest share of REWE Group's total GHG emissions. In 2021, the emissions within the scope of all three KPIs accounted for a total 29,796.04 ktCO₂e.

On this basis, Sustainalytics considers KPIs 1, 2 and 3 to be highly material with a high scope of applicability.

KPI Characteristics

⁹ Sustainalytics' Industry Report on Food Retailers (2022)

¹⁰ SASB, "Materiality Finder – Food Retailers & Distributors", at: <https://sasb.org/standards/materiality-finder/find/?industry%5B0%5D=FB-FR>

¹¹ McKinsey & Company, "Decarbonizing grocery", at: <https://www.mckinsey.com/industries/retail/our-insights/decarbonizing-grocery>

In its assessment of the KPIs' characteristics, Sustainalytics considers: i) whether they use a clear and consistent methodology; ii) whether they follow an externally recognized definition; iii) whether the KPIs are a direct measure of the Issuer's performance on the material environmental issue; and iv) if applicable, whether the methodology can be benchmarked against an external contextual benchmark.¹²

KPI 1: Absolute scope 1 and 2 GHG emissions for REWE and PENNY Germany (ktCO₂e)

Sustainalytics considers the Group's definition and methodology for calculating its performance on KPI 1 to be clear and consistent with the baseline year of 2021, based on the ease of calculation using ktCO₂e as an absolute emissions metric. The Group follows the GHG Protocol's methodology for measuring and reporting its scope 1 and 2 GHG emissions.¹³ This approach is considered an industry standard and supports the benchmarking against science-based global decarbonization pathways.

Sustainalytics considers KPI 1 to be directly linked to the Issuer's performance regarding the material environmental impact.

KPI 2: Absolute scope 3 non-FLAG GHG emissions for REWE and PENNY Germany (ktCO₂e)

Sustainalytics considers the Group's definition and methodology for calculating progress on the KPI to be clear and consistent in accordance with the GHG Protocol's methodology, which is considered an industry standard. The Issuer has been reporting publicly on scope 3 GHG emissions since 2019.¹⁴ The Group reports that, since 2021, it has changed its scope 3 GHG emissions calculation methodology to include all relevant scope 3 emissions categories that apply to its business. Sustainalytics considers KPI 2 to be directly linked to the Group's performance on the material environmental issue of GHG emissions.

As the KPI represents an absolute emissions metric, Sustainalytics is of the opinion that it is well suited for benchmarking against science-based global decarbonization pathways, such as the Science Based Targets initiative's (SBTi) absolute contraction approach.¹⁵

KPI 3: Absolute scope 3 FLAG GHG emissions for REWE and PENNY Germany (ktCO₂e)

Sustainalytics considers REWE Group's definition and methodology for calculating KPI 3 to be clear and to follow an externally defined methodology, namely the GHG Protocol. Sustainalytics notes that as of 2021, REWE Group has changed its scope 3 emission calculation methodology, expanding the scope to include REWE Group's manufacturer brands and all emissions under scope 3.¹⁶ Hence, annual values for scope 3 emissions starting from 2021 are not comparable to the values from preceding years. However, Sustainalytics considers reporting to be consistent, as the Group has confirmed that starting from 2021, it will ensure comparability of data until the final maturity of the securities issued under the Framework. Furthermore, Sustainalytics considers KPI 3 to be directly linked to the Company's sustainability performance, given that it measures the Company's GHG emissions. In addition, KPI 3 lends itself to being benchmarked against the SBTi's absolute contraction approach, in particular the near-term target pathway under the FLAG sector approach.¹⁷

Overall Assessment

Sustainalytics considers KPI 1, KPI 2 and KPI 3 to be very strong, given that: i) they are a direct measure of REWE Group's environmental performance on a relevant and material ESG issue; ii) they have a high scope of applicability; iii) they follow a clear and consistent methodology; and iv) they lend themselves to being externally benchmarked against science-based global decarbonization pathways.

¹² External contextual benchmarks provide guidance on alignment with ecological system boundaries. This criterion is not applied to social KPIs or impact areas for which such contextual benchmarks are not available.

¹³ The Greenhouse Gas Protocol, "A Corporate Accounting and Reporting Standard revised edition", at: <https://ghgprotocol.org/sites/default/files/standards/ghg-protocol-revised.pdf>

¹⁴ REWE Group, "Guideline on Climate Action in the Supply Chain", at: <https://www.rewe-group.com/content/uploads/2022/01/guideline-on-climate-action-in-the-supply-chain.pdf?t=2023062509>

¹⁵ The SBTi uses two target-setting methods: the absolute contraction approach, a one-size-fits-all method that ensures companies setting targets deliver absolute emissions reductions in line with global decarbonization pathways; and the sectoral decarbonization approach, an alternative method that allows targets to be derived from global mitigation pathways for some of the most carbon-intensive activities, such as road transportation, aviation, generation of electricity and production of basic materials.

¹⁶ REWE Group has informed Sustainalytics that before the expansion in 2019, supply chain emissions and a wider scope of brands were not included in the calculations.

¹⁷ The FLAG sector pathway is based on calculations that consider mitigation measures in the following seven priority categories: i) land use change; ii) agriculture; iii) diet shift; iv) food loss and waste; v) forest restoration; vi) sustainable forest management and agroforestry; and vii) agriculture soil carbon. Based on this, the FLAG sector pathway has set a GHG emission reduction rate of 3.03% per year.

KPI(s)	Strength of KPI(s)			
KPI 1: Absolute scope 1 and 2 GHG emissions for REWE and PENNY Germany (ktCO ₂ e)	Not Aligned	Adequate	Strong	Very strong
KPI 2: Absolute scope 3 non-FLAG GHG emissions for REWE and PENNY Germany (ktCO ₂ e)	Not Aligned	Adequate	Strong	Very strong
KPI 3: Absolute scope 3 FLAG GHG emissions for REWE and PENNY Germany (ktCO ₂ e)	Not Aligned	Adequate	Strong	Very strong



Calibration of Sustainability Performance Targets

Alignment with REWE Group's Sustainability Strategy

REWE Group has set the following SPTs for its KPIs:

- SPT 1.1 to 1.3: Reduce absolute scope 1 and 2 GHG emissions by 25% by 2028, 32% by 2029 and 42% by 2030, compared to a 2021 baseline
- SPT 2.1 to 2.3: Reduce absolute scope 3 non-FLAG GHG emissions by 25% by 2028, 32% by 2029 and 42% by 2030, compared to a 2021 baseline
- SPT 3.1 to 3.3: Reduce absolute scope 3 FLAG GHG emissions by 18% by 2028, 23% by 2029 and 30.3% by 2030, compared to a 2021 baseline

Sustainalytics considers the SPTs to be aligned with REWE Group's sustainability strategy. Please refer to Section 2 for an analysis of the credibility of REWE Group's sustainability strategy. As part of its strategy, REWE Group highlights "Energy, Climate and the Environment" as one of four focus areas for the future. The SPTs are also aligned with REWE Group's decarbonization target to reduce its scope 1, 2 and 3 GHG emissions by 30% between 2019 and 2030.¹⁸

Strategy to Achieve the SPTs

SPT 1.1 to 1.3: Reduce absolute scope 1 and 2 GHG emissions by 25% by 2028, 32% by 2029 and 42% by 2030, compared to a 2021 baseline

REWE Group intends to achieve SPT 1 through the following strategies:

- Replacing the company's fleet with electric and hybrid vehicles
- Converting its diesel truck fleet used in the field of logistics to electric and hybrid drive systems
- Converting refrigeration technology to more climate-friendly refrigerants, such as supporting the phase-out of R134a, an environmentally harmful refrigerant gas
- Retrofitting to reduce emissions from heating, ventilation and air conditioning, such as through the use of heat pumps

SPT 2.1 to 2.3: Reduce absolute scope 3 non-FLAG GHG emissions by 25% by 2028, 32% by 2029 and 42% by 2030, compared to a 2021 baseline

REWE Group intends to achieve SPT 2 through the following strategies:

- Reducing scope 1 and 2 emissions of direct and indirect suppliers by reinforcing and influencing their efforts to switch to green energy and by increasing energy efficiency
- Committing all strategic suppliers to climate targets based on the SBTi by the end of 2024

¹⁸ REWE Group, "Nachhaltigkeitsbericht 2022", at: https://rewe-group-nachhaltigkeitsbericht.de/2022/de/assets/downloads/REWE_Group-Nachhaltigkeitsbericht_2022.pdf

- Reducing transportation needs by increasing regional and seasonal sourcing of produce
- Increasing the level of electrification of supply chain transportation
- Improving packaging with eco-friendly solutions such as: using reusable materials; reducing the amount of packaging material; promoting recyclability; using secondary raw materials; using alternative materials; using certified raw materials; or providing unpackaged products

SPT 3.1 to 3.3: Reduce absolute scope 3 FLAG GHG emissions by 18% by 2028, 23% by 2029 and 30.3% by 2030, compared to a 2021 baseline

REWE Group intends to achieve SPT 3 through the following strategy:

- Using alternative agricultural practices such as precision farming, which will help optimize the use and production of fertilizers and pesticides, as well as improved field management and technologies
- With regard to livestock farming, reducing suppliers' methane emissions through feed additives, optimisation of manure storage, and animal health
- Conducting a project to research food loss¹⁹ along its supply chains, analysing where food loss occurs and introducing measures to address it
- Developing a strategy for carbon removals across the Group's own supply chain, i.e. sequestering CO₂ in agricultural processes (for example through agroforestry, intermediate crops and other regenerative techniques)
- Making its supply chains at REWE and PENNY Germany deforestation-free in the areas of wood/paper, palm oil and soy feed by the end of 2025
- Implementing changes in product ranges such as the promotion of regional and seasonal or vegan products

Ambitiousness, Baseline and Benchmarks

To determine the ambitiousness of the SPTs, Sustainalytics considers: i) whether the SPTs go beyond a business-as-usual trajectory; ii) how the SPTs compare to targets set by peers; and iii) how the SPTs compare with science-based pathway.²⁰

REWE Group has set the baseline year for all SPTs at 2021, as this represents the most recent and complete data set as of 2023, when it committed its SPTs for the SBTi's validation. Sustainalytics notes that the baseline will be recalculated if any of the following material factors change (impacting the SPTs, individually or in aggregate, by 5% or more): i) the calculation methodology for the KPIs; ii) regulation; iii) data quality; and iv) corporate action.

SPT 1.1 to 1.3: Sustainalytics used the following benchmarks to assess ambitiousness: past performance, peer performance and alignment with external science-based decarbonization pathways.

In terms of past performance, Sustainalytics notes that REWE Group's historical data for scope 1 and 2 GHG emissions cannot be delimited to the scope of REWE and PENNY Germany only. Therefore, Sustainalytics has not been able to assess past performance.

Aside from that, Sustainalytics has analysed the targeted performance against five peers in the food retail industry. Based on the comparative assessment, Sustainalytics found that regarding SPT 1.1 and 1.2, there are four peers with a more ambitious target and there is one peer with a less ambitious target. Therefore, Sustainalytics considers SPT 1.1 and SPT 1.2 to be below peer performance. For SPT 1.3, there is only one peer with a more ambitious target, and that REWE Group's target remains above those of the other four peers. Therefore, Sustainalytics considers SPT 1.3 to be above peer performance.

As for the comparison with recognized science-based decarbonization trajectories, Sustainalytics notes that SPT 1.1 is not aligned, SPT 1.2 is nearly aligned and SPT 1.3 is aligned with the SBTi's 1.5°C scenario, using an absolute contraction approach.²¹ This model requires a minimum GHG emissions reduction rate of 4.2% annually in absolute terms.²² REWE Group's SPT 1.1, with an annual average linear reduction of 3.54% is below this minimum

¹⁹ This includes losses caused during production, processing and transport of food.

²⁰ We refer here to contextual benchmarks that indicate the alignment of targets with ecosystem boundaries.

²¹ The absolute contraction approach is a method for companies to set emissions reduction targets that are aligned with the global annual emissions reduction rate that is required to meet the 1.5°C or well-below 2°C targets.

²² SBTi, "SBTi Corporate Manual, Version 2.0", (2021), at: <https://sciencebasedtargets.org/resources/files/SBTi-Corporate-Manual.pdf>

reduction rate. SPT 1.2, with an annual average linear reduction of 4.02% is nearly aligned with the minimum reduction rate. SPT 1.3, with an annual average linear reduction of 4.68%, is above this minimum reduction rate.

SPT 2.1 to 2.3: Sustainalytics was able to use the following benchmarks to assess ambitiousness: peer performance and external science-based decarbonization pathways.

Sustainalytics has analyzed the targeted performance of five of the Issuer's industry peers and found that REWE Group's SPTs 2.1 and 2.2 are in line with similar targets set by its peers, while SPT 2.3 exceeds all similar targets set by peers. Therefore, Sustainalytics considers SPTs 2.1 and 2.2 to be aligned with peer performance and SPT 2.3 to be above peer performance.

With regard to the comparison with recognized science-based decarbonization trajectories, Sustainalytics notes that the Issuer must reduce its absolute scope 3 non-FLAG GHG emissions by an average annual 3.57% between 2021 and 2028, 4.0% between 2021 and 2029 and 4.67% between 2021 and 2030 to achieve SPT 2.1, SPT 2.2 and SPT 2.3 respectively. SPT 2.1 is aligned with the SBTi's well-below 2°C scenario using an absolute contraction approach, which requires a minimum average annual GHG emission reduction rate of 2.5%. Sustainalytics notes that SPT 2.2 in 2029 is close to being aligned with the SBTi's 1.5°C scenario, while SPT 2.3 in 2030 is aligned with the SBTi's 1.5°C scenario using an absolute contraction approach, which requires a minimum average annual GHG emission reduction rate of 4.2%.²³

SPT 3.1 to 3.3: Sustainalytics was able to use the following benchmarks to assess ambitiousness: peer performance and alignment with external science-based decarbonization pathways.

With regard to peer performance of SPT 3.1, 3.2 and 3.3, Sustainalytics acknowledges the novelty of the FLAG target guidance. Assessing a group of five peers, three had not addressed FLAG targets in their publicly available documents, whereas one company had stated it would announce such targets. Only one company had set a target for scope 3 FLAG emissions, which was above REWE Group's target for an annual reduction rate of 3.37%. Overall, Sustainalytics assessed the SPT 3.1 to 3.3 to be above peer performance.

As for comparison with recognized decarbonization trajectories, SBTi's absolute contraction approach, in particular the near-term target pathway under the FLAG sector approach, requires a 3.03% annual reduction in FLAG scope 3 GHG emissions in absolute terms in order for a target to be aligned with the 1.5°C scenario. SPT 3.1 is below this minimum reduction rate, i.e. an annual 2.57% reduction between 2021 and 2028. SPT 3.2 is close to being aligned with the 3.03% reduction rate, i.e. an annual 2.88% reduction between 2021 and 2029. SPT 3.3 is above this minimum reduction rate, i.e. an annual 3.37% reduction between 2021 and 2030. Therefore, Sustainalytics considers the Group's SPT 3.2 and 3.3 to be in alignment with a 1.5°C scenario and 3.1 not to be aligned with a 1.5°C scenario.

Overall Assessment

Sustainalytics considers the SPTs to align with REWE Group's sustainability strategy and considers SPT 1.1 to be moderately ambitious, given that it is: i) below the targets of industry peers; and ii) not aligned with the SBTi's thresholds for carbon emissions consistent with a 1.5°C scenario, but the target will converge within two years to an industry specific pathway.

Sustainalytics considers REWE Group's SPT 1.2 to be ambitious, given that it is: i) below the targets of industry peers; and ii) nearly aligned with the SBTi's thresholds for carbon emissions consistent with a 1.5°C scenario, with a limited difference of 0.18%.

Sustainalytics considers REWE Group's SPT 1.3 to be highly ambitious, given that it is: i) above the targets of industry peers; and ii) aligned with the SBTi's thresholds for carbon emissions consistent with a 1.5°C scenario.

Sustainalytics considers REWE Group's SPT 2.1 to be ambitious, given that it is: i) in line with targets of industry peers; and ii) aligned with the SBTi's thresholds for carbon emissions consistent with a well below 2°C scenario.

Sustainalytics considers REWE Group's SPT 2.2 to be highly ambitious, given that it is: i) in line with targets of industry peers; and ii) nearly aligned with the SBTi's thresholds for carbon emissions consistent with a 1.5°C scenario.

Sustainalytics considers REWE Group's SPT 2.3 to be highly ambitious, given that it is: i) above the targets of industry peers; and ii) aligned with the SBTi's thresholds for carbon emissions consistent with a 1.5°C scenario.

²³ The absolute contraction approach is a method for companies to set emissions reduction targets that are aligned with the global annual emissions reduction rate that is required to meet the 1.5°C or well-below 2°C targets.

Sustainalytics considers REWE Group’s SPT 3.1 to be ambitious, given that it is: i) above similar targets compared to its peers; but ii) not aligned with a 1.5°C scenario.

Sustainalytics considers REWE Group’s SPT 3.2 to be highly ambitious, given that it is: i) above similar targets compared to its peers; and ii) nearly aligned with a 1.5°C scenario with a limited difference of 0.15.

Sustainalytics considers REWE Group’s SPT 3.3 to be highly ambitious, given that it is: i) above similar targets compared to its peers; and ii) aligned with a 1.5°C scenario.

SPT(s)	Ambitiousness of SPT(s)			
SPT 1.1: Reduce absolute scope 1 and 2 GHG emissions by 25% by 2028, compared to a 2021 baseline	Not Aligned	Moderately Ambitious	Ambitious	Highly Ambitious
SPT 1.2: Reduce absolute scope 1 and 2 GHG emissions by 32% by 2029, compared to a 2021 baseline	Not Aligned	Moderately Ambitious	Ambitious	Highly Ambitious
SPT 1.3: Reduce absolute scope 1 and 2 GHG emissions by 42% by 2030, compared to a 2021 baseline	Not Aligned	Moderately Ambitious	Ambitious	Highly Ambitious
SPT 2.1: Reduce absolute scope 3 non-FLAG GHG emissions by 25% by 2028, compared to a 2021 baseline	Not Aligned	Moderately Ambitious	Ambitious	Highly Ambitious
SPT 2.2: Reduce absolute scope 3 non-FLAG GHG emissions by 32% by 2029, compared to a 2021 baseline	Not Aligned	Moderately Ambitious	Ambitious	Highly Ambitious
SPT 2.3: Reduce absolute scope 3 non-FLAG GHG emissions by 42% by 2030, compared to a 2021 baseline	Not Aligned	Moderately Ambitious	Ambitious	Highly Ambitious
SPT 3.1: Reduce absolute scope 3 FLAG GHG emissions by 18% by 2028, compared to a 2021 baseline	Not Aligned	Moderately Ambitious	Ambitious	Highly Ambitious
SPT 3.2: Reduce absolute scope 3 FLAG GHG emissions by 23% by 2029, compared to a 2021 baseline	Not Aligned	Moderately Ambitious	Ambitious	Highly Ambitious
SPT 3.3: Reduce absolute scope 3 FLAG GHG emissions by 30.3% by 2030, compared to a 2021 baseline	Not Aligned	Moderately Ambitious	Ambitious	Highly Ambitious



Bond Characteristics

The sustainability-linked bonds issued by REWE Group will be tied to the Group's sustainability performance on selected SPIs and SPTs. Failure to achieve these SPTs will constitute a trigger event and will lead to a step-up in the coupon rate or a redemption price adjustment. For each instrument, REWE Group will disclose in the respective securities documentation which mechanism will be used. Additionally, REWE Group has confirmed that it commits to tying each issuance to the achievement of all three SPTs. Sustainalytics recognizes that the Group can issue multiple SLBs and “Schuldscheine” under the Framework and notes that the relevant characteristics of bonds are aligned with the SLBP but does not opine on the adequacy of the magnitude and structure of the financial penalty.



Reporting

REWE Group commits to report on an annual basis on its progress towards the KPIs. The reporting will be made publicly available in a Sustainability-Linked Bond Progress Report, which will be published on the Group's website. The Group further commits to disclose relevant information regarding recalculations, updates on the emissions reduction strategy and governance impacting the KPIs' and SPTs' trajectories, and qualitative or quantitative data explaining the main factors behind the evolution of the KPIs' performance.



Verification

REWE Group commits to have one or multiple external verifiers provide limited assurance against each SPT for each KPI at least once a year, which will be made public together with the SLB Progress Report. This is aligned with the SLBP 2023 on verification.

Section 2: Assessment of REWE Group's Sustainability Strategy

Credibility of REWE Group's Sustainability Strategy

REWE Group introduced its sustainability strategy in 2008 and has regularly updated it since. Its sustainability strategy focuses on four key pillars: i) green products; ii) energy, climate and the environment; iii) employees; and iv) social commitment.^{24,25}

For each pillar, REWE Group has developed a set of Group-level targets. In the context of energy, climate and the environment, REWE Group has set a goal of reducing its GHG emissions by 30% between 2019 and 2030, tackling emissions generated through the operation of stores, travel agencies, headquarters, transportation of goods and business trips.²⁶ To achieve the reduction of GHG emissions on Group-level, REWE Group focuses on the deployment of climate-friendly refrigerants, green electricity, energy-efficient buildings and green transportation as part of its logistics activities.²⁷ Moreover, the Group aims to reduce GHG emissions of refrigerants by 60% between 2019 and 2030 through the use of more climate-friendly refrigerants and energy-efficient freezers, as well as retrofitting of glass doors, such as for shelves used to cool milk products.²⁸ REWE Group also aims to purchase around 450,000 MWh from a wind farm in the North Sea from 2025 onwards, which is expected to cover approximately 17% of the Group's total electricity consumption.²⁹ To decrease logistics-related GHG emissions, REWE Group has set the following targets: i) reduce transportation distances between stores and warehouses through identifying short routes using data processing systems; ii) increase high-capacity utilization of vehicles through filling lorries to minimum 90% capacity; and iii) focus on the conversion to electric and hybrid vehicles.³⁰ Furthermore, REWE Group aims to increase energy efficiency through applying green building concepts to all new construction projects and leases in Germany, using energy-efficient technologies and renewable energies.³¹ By 2024, REWE Group aims to agree on SBTi-aligned climate targets with all of REWE and PENNY Germany's strategic suppliers, which account for 75% of REWE's and PENNY Germany's total product-related GHG emissions.³² Moreover, REWE and PENNY Germany are focusing on the following initiatives to achieve REWE Group's supply-chain-related GHG emissions reduction target: i) develop GHG emissions reduction roadmaps for milk and meat products, fruits and vegetables, among other products; ii) support farmers in the Alps to improve energy efficiency across agricultural activities; and iii) use more climate-friendly packaging.

²⁴ REWE Group, "Nachhaltigkeitsbericht 2022", at: https://rewe-group-nachhaltigkeitsbericht.de/2022/de/assets/downloads/REWE_Group-Nachhaltigkeitsbericht_2022.pdf

²⁵ REWE Group, "Our four pillars for more sustainability", at: <https://www.rewe-group.com/de/nachhaltigkeit/strategie/vier-saeulen-fuer-mehr-nachhaltigkeit/>

²⁶ REWE Group, "Nachhaltigkeitsbericht 2022", at: https://rewe-group-nachhaltigkeitsbericht.de/2022/de/assets/downloads/REWE_Group-Nachhaltigkeitsbericht_2022.pdf

²⁷ Ibid.

²⁸ Ibid.

²⁹ REWE Group, "Ørsted and REWE Group reach agreement on green power to be supplied by the offshore wind farm Borkum Riffgrund 3", (2021), at: <https://www.rewe-group.com/en/press-and-media/newsroom/press-releases/orsted-and-rewe-group-reach-agreement-on-green-power-to-be-supplied-by-the-offshore-wind-farm-borkum-riffgrund-3/>

³⁰ REWE Group, "Nachhaltigkeitsbericht 2022", at: https://rewe-group-nachhaltigkeitsbericht.de/2022/de/assets/downloads/REWE_Group-Nachhaltigkeitsbericht_2022.pdf

³¹ Ibid.

³² REWE Group, "Lieferantenplattform: Gemeinsam für mehr Klimaschutz", (2021), at: <https://www.rewe-group.com/de/presse-und-medien/newsroom/stories/rewe-group-lieferantenplattform-gemeinsam-fur-mehr-klimaschutz/>

REWE Group has been reporting on its environmental and sustainability issues since 2009.³³ The Group's sustainability reports are written in accordance with the GRI Standards, an internationally recognized sustainability framework.³⁴ Moreover, REWE Group has confirmed its intention to submit its climate targets for REWE and PENNY Germany for validation by the SBTi in 2023.³⁵

Sustainalytics considers REWE Group's sustainability strategy to be strong and expects the instruments issued under the Framework to further support the Group's sustainability strategy.

REWE Group's Environmental and Social Risk Management

Sustainalytics recognizes that REWE Group's defined targets are impactful but acknowledges that achieving the SPTs bears environmental and social risks related to: i) human and labour rights; ii) sustainable sourcing; iii) land use and biodiversity; and iv) emissions, effluents and waste. Sustainalytics comments below on REWE Group's ability to mitigate such potential risks.

- Human and Labour Rights:** REWE Group has established a Human Rights Policy, which outlines an approach to address human rights-related risks within its own business operations and across its supply chains, including the implementation of preventive measures and grievance mechanisms, the management of violations, and monitoring practices.³⁶ In 2021, REWE Group developed a Supplier Code of Conduct, which defines minimum sustainability standards including due diligence practices to which suppliers must adhere in their business transactions with REWE Group companies. Suppliers are expected to undertake preventive measures to ensure that no violations of human rights occur within their own operations.³⁷ The code is based on international standards, such as the UN Guiding Principles on Business and Human Rights, the OECD Guidelines for Multinational Enterprises, the United Nations Convention on the Rights of the Child, the International Labour Organization (ILO), and the 10 principles of the UN Global Compact. Furthermore, REWE Group has developed guidelines on sustainable business practices, which serve as an operational framework that builds the foundation for the Group's commitment to sustainability. Those guidelines cover labour and social standards to ban forced labour, avoid child labour and ensure fair treatment, among other standards.³⁸
- Sustainable Sourcing:** REWE Group commits to addressing social and environmental risks across its entire supply chain through its Supplier Code of Conduct, which outlines environmental protection measures related to resource consumption, avoidance of environmental pollution, handling of waste, climate protection and animal welfare, among other topics.³⁹ Furthermore, REWE Group has established fairness guidelines, which cover supply chain management processes to tackle risks related to 11 focus areas such as raw materials and women's rights in the supply chain.⁴⁰
- Land Use and Biodiversity:** To address risks pertaining to land use and biodiversity, REWE Group aims to preserve and protect environmental systems, supporting the goals of the UN Convention on Biological Diversity.^{41,42} Since 2015, REWE Group has been the strategic partner of the German nature conservation union Naturschutzbund Deutschland e.V. (NABU)⁴³ and a founding partner of the NABU climate fund, which is used for implementing nature conservation projects and revitalizing peatlands in Germany. Furthermore, REWE Group commits to conserve resources such as soil, air and water, as well as raw materials, through using technologies for waste and recycling management, improving environmental and social conditions across its value chains, and continuously monitoring business processes.⁴⁴
- Emissions, Effluents and Waste:** REWE Group encourages its suppliers to improve energy efficiency and minimize energy consumption and GHG emissions, as emphasized in its guidelines on sustainable business practices.⁴⁵ Furthermore,

³³ REWE Group, "Publications", at: <https://rewe-group-nachhaltigkeitsbericht.de/2022/de/archiv/>

³⁴ REWE Group, "Nachhaltigkeitsbericht 2022", at: https://rewe-group-nachhaltigkeitsbericht.de/2022/de/assets/downloads/REWE_Group-Nachhaltigkeitsbericht_2022.pdf

³⁵ Ibid.

³⁶ REWE Group, "Human Rights Policy", (2023), at: <https://www.rewe-group.com/content/uploads/2023/01/rewe-group-policy-statement.pdf?t=2023071906>

³⁷ REWE Group, "Supplier Code of Conduct", (2021), at: <https://www.rewe-group.com/content/uploads/2021/06/rewe-group-supplier-code-of-conduct-en.pdf>

³⁸ REWE Group, "Guidelines on Sustainable Business Practices", (2022), at: <https://www.rewe-group.com/content/uploads/2019/06/guideline-sustainable-business-practices.pdf?t=2023071906>

³⁹ REWE Group, "Supplier Code of Conduct", (2021), at: <https://www.rewe-group.com/content/uploads/2021/06/rewe-group-supplier-code-of-conduct-en.pdf>

⁴⁰ REWE Group, "Guidelines on Fairness", (2021), at: <https://www.rewe-group.com/content/uploads/2020/02/guideline-fairness-01-12-2021.pdf?t=2023072403>

⁴¹ REWE Group, "Guidelines on Sustainable Business Practices", (2022), at: <https://www.rewe-group.com/content/uploads/2019/06/guideline-sustainable-business-practices.pdf?t=2023071906>

⁴² UN Convention on Biological Diversity: <https://www.cbd.int/convention/>

⁴³ NABU, at: <https://www.nabu.de/wir-ueber-uns/index.html>

⁴⁴ REWE Group, "Guidelines on Sustainable Business Practices", (2022), at: <https://www.rewe-group.com/content/uploads/2019/06/guideline-sustainable-business-practices.pdf?t=2023071906>

⁴⁵ Ibid.

REWE Group has set a standard for mandatory labelling of hazardous substances, chemicals and materials, as well as mandatory care to ensure their safe handling, movement, storage, recycling, reuse and disposal.⁴⁶ As part of its guidelines on the circular economy, REWE Group aims to improve internal material flows through reusing recyclable materials along the value chain and reducing the need for primary resources. Moreover, REWE Group is a signatory to the EU Code of Conduct on Responsible Food Business and Marketing Practices, with the purpose of improving its efforts to reduce food waste, including its collaboration with around 950 food banks across Germany.^{47,48,49}

In addition to the above, Sustainalytics has found no evidence of major environmental or social controversies related to REWE Group. Sustainalytics considers the Group's management programmes and policies to be strong and expects the Group to be able to mitigate the environmental and social risks mentioned above.

Section 3: Impact of the SPTs

The global food system is highly resource-intensive, accounting for a third of global anthropogenic GHG emissions.⁵⁰ Agriculture and land-use change activities account for 71% of food-related GHG emissions, while GHG emissions from retail, transport, consumption, fuel production and waste management collectively amount to 29% of food-related GHG emissions.⁵¹ According to a study published by Nature Food in 2021, global food production increased by 40% between 1990 and 2015, with annual emissions from the food system rising by 12% in the same time period. Although emissions from the agricultural sector in industrialized countries decreased between 1990 and 2015, the shares of emissions from post-production processes, including retail, packaging and processing, increased by between 33% and 300% between 1990 and 2015.⁵² In 2021, the global and European food retail market sizes were valued at USD 11.3 trillion and USD 2.9 trillion, respectively; these amounts are forecast to grow by 3% and 2.6%, respectively, on an annual basis between 2022 and 2030.⁵³ Due to the complexity of the food and drinks value chain, where each stage contributes to the generation of GHG emissions, it is estimated that the industry was responsible for approximately 2.5% of the EU's GHG emissions in 2020.^{54, 55} A significant portion of a food retailer's environmental footprint comes from stores: lighting, heating, cooling, ventilation, refrigeration and food waste.⁵⁶ In retail, packaging, transportation and processing are increasingly energy-intensive, so reducing scope 1, 2 and 3 emissions in this industry can aid in meaningfully reducing post-production emissions from the food sector. The EU has committed to becoming climate-neutral by 2050 and to limiting the rise of global temperatures within 1.5°C above 1990 levels. The food and drinks industry has the potential to contribute to reducing the EU's GHG emissions by reaching net zero by 2050.⁵⁷

FoodDrinkEurope, a food industry confederation in the EU, has established initiatives to decarbonize the food and drinks sector and make it carbon-neutral by 2050. The confederation has created an action plan for sustainable food systems, targeting issues related to climate change, packaging and nutrition. The plan states that stakeholders in the food and drinks sector need to: i) achieve a net zero carbon food chain, while taking significant strides towards a 55% reduction in food chain emissions by 2030; ii) halve per capita food waste at the retail and consumer levels, along with minimizing food losses throughout the food supply chain by 2030; iii) create a deforestation-free food supply chain, ensuring no harm to natural habitats or forest degradation; and iv) source all commodities from sustainable farming practices.⁵⁸ A roadmap to decarbonize the food and drink sector is currently

⁴⁶ Ibid.

⁴⁷ Ibid.

⁴⁸ European Commission, "EU Code of Conduct on Responsible Food Business and Marketing Practices", (2021), at: https://food.ec.europa.eu/system/files/2021-06/f2f_sfpd_coc_final_en.pdf

⁴⁹ REWE Group, "Combating food waste" (2023), at: <https://www.rewe-group.com/de/presse-und-medien/newsroom/pressemitteilungen/gegen-food-waste-rewe-group-verstaerkt-ihre-langjaehrigen-erfolgreichen-engagement-mit-beitritt-zum-pakt-gegen-lebensmittelverschwendung/>

⁵⁰ Nature Food, "Food systems are responsible for a third of global anthropogenic GHG emissions", at: <https://www.nature.com/articles/s43016-021-00225-9>

⁵¹ Ibid.

⁵² Ibid.

⁵³ Grand View Research, "Food & Grocery Retail Market Size, Share & Trends Analysis Report By Product (Food Cupboard, Beverages), By Distribution Channel (Supermarkets & Hypermarkets, Online), By Region (APAC, Europe), And Segment Forecasts, 2022 – 2030", at: <https://www.grandviewresearch.com/industry-analysis/food-grocery-retail-market>

⁵⁴ Ricardo Energy & Environment, "Decarbonisation road map for the European food and drink manufacturing sector", (2021), at: https://www.fooddrinkeuropa.eu/wp-content/uploads/2021/09/Decarbonising-the-European-food-and-drink-manufacturing-sector_v2.pdf

⁵⁵ European Environment Agency, "Annual European Union greenhouse gas inventory 1990–2020 and inventory report 2022 Submission to the UNFCCC Secretariat", (2022), at: <https://www.eea.europa.eu/publications/annual-european-union-greenhouse-gas-1>

⁵⁶ European Commission, "Measurement and reduction of carbon footprint of stores", (2011), at: <http://ec.europa.eu/environment/industry/retail/pdf/Issue%20Paper%206.pdf>

⁵⁷ FoodDrinkEurope, "Climate Change", at: <https://www.fooddrinkeuropa.eu/policy-area/climate-energy/>

⁵⁸ FoodDrinkEurope, "Action Plan for Sustainable Food Systems", at: <https://www.fooddrinkeuropa.eu/wp-content/uploads/2022/06/FoodDrinkEurope-Action-Plan-For-Sustainable-Food-Systems-single.pdf>

in development.⁵⁹ Furthermore, the confederation plans to develop a toolkit and the training necessary for companies to create their individual paths towards net zero emissions.⁶⁰

Based on the above, Sustainalytics is of the opinion that REWE's SPTs to reduce scope 1 and 2 GHG emissions and address scope 3 FLAG and non-FLAG emissions will positively contribute to shrinking the food and drink retail sector's environmental footprint and support the EU's carbon neutrality goals.

Alignment with/contribution to SDGs

The Sustainable Development Goals were adopted by the United Nations General Assembly in September 2015 and form part of an agenda for achieving sustainable development by the year 2030. The sustainability-linked bonds issued under the Framework are expected to help advance the following SDG goals and targets:

KPI	SDG	SDG Target
Absolute scope 1 and 2 GHG emissions for REWE and PENNY Germany (measured in ktCO ₂ e)	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix 7.3 By 2030, double the global rate of improvement in energy efficiency
Absolute scope 3 non-FLAG GHG emissions for REWE and PENNY Germany (measured in ktCO ₂ e)	9. Industry, Innovation and Infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities
Absolute scope 3 FLAG GHG emissions for REWE and PENNY Germany (measured in ktCO ₂ e)	12. Responsible Consumption and Production	12.5 By 2030, achieve the sustainable management and efficient use of natural resources

Conclusion

REWE Group intends to issue sustainability-linked bonds and "Schuldscheine" tied to the achievement of the below SPTs. Failure to achieve these SPTs will constitute a trigger event leading to a coupon rate step-up or redemption premium payment:

- 1.1 Reduce absolute scope 1 and 2 GHG emissions by 25% by 2028, compared to a 2021 baseline.
- 1.2 Reduce absolute scope 1 and 2 GHG emissions by 32% by 2029, compared to a 2021 baseline.
- 1.3 Reduce absolute scope 1 and 2 GHG emissions by 42% by 2030, compared to a 2021 baseline.
- 2.1 Reduce absolute scope 3 non-FLAG GHG emissions by 25% by 2028, compared to a 2021 baseline.
- 2.2 Reduce absolute scope 3 non-FLAG GHG emissions by 32% by 2029, compared to a 2021 baseline.
- 2.3 Reduce absolute scope 3 non-FLAG GHG emissions by 42% by 2030, compared to a 2021 baseline.
- 3.1 Reduce absolute scope 3 FLAG GHG emissions by 18% by 2028, compared to a 2021 baseline.
- 3.2 Reduce absolute scope 3 FLAG GHG emissions by 23% by 2029, compared to a 2021 baseline.
- 3.3 Reduce absolute scope 3 FLAG GHG emissions by 30.3% by 2030, compared to a 2021 baseline.

The REWE Group Sustainability-Linked Bond Framework defines three KPIs: (i) absolute scope 1 and 2 GHG emissions; ii) absolute scope 3 non-FLAG GHG emissions; and iii) absolute scope 3 FLAG GHG emissions. Sustainalytics considers all three KPIs to be very strong, based on their materiality and relevance to REWE Group's business, their high scope of applicability, the use of a clear and consistent methodology, and their suitability for being benchmarked against external decarbonization trajectories. Moreover, Sustainalytics considers all SPTs to be aligned with REWE Group's sustainability strategy. Sustainalytics considers SPT 1.3, 2.2, 2.3, 3.2 and 3.3 to be highly ambitious, SPT 1.2, 2.1 and 3.1 to be ambitious, and SPT 1.1 to be moderately ambitious. Furthermore, Sustainalytics considers the reporting and verification commitments to be aligned with market expectations.

⁵⁹ Ricardo Energy & Environment, "Decarbonisation road map for the European food and drink manufacturing sector", (2021), at: https://www.fooddrinkurope.eu/wp-content/uploads/2021/09/Decarbonising-the-European-food-and-drink-manufacturing-sector_v2.pdf

⁶⁰ FoodDrinkEurope, "Action Plan for Sustainable Food Systems", at: <https://www.fooddrinkurope.eu/wp-content/uploads/2022/06/FoodDrinkEurope-Action-Plan-For-Sustainable-Food-Systems-single.pdf>

Based on the above, Sustainalytics considers the REWE Group Sustainability-Linked Bond Framework to be aligned with the five core components of the SLBP 2023 and the prospective achievement of the SPTs to be impactful.

Appendix 1: Sustainability-Linked Bonds - External Review Form

Section 1. Basic Information

Issuer name: REWE Group

Sustainability-Linked Bond ISIN:

Independent External Review provider's name for second party opinion pre-issuance (sections 2 & 3): Sustainalytics

Completion date of second party opinion pre-issuance: August 21, 2023

Independent External Review provider's name for post-issuance verification (section 4):

Completion date of post issuance verification:

Original completion date of post issuance verification:

At the launch of the bond, the structure is:

- a step-up structure a variable redemption structure

Section 2. Pre-Issuance Review

2-1 SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review:

- assessed all the following elements (complete review) only some of them (partial review):
- | | |
|---|---|
| <input type="checkbox"/> Selection of Key Performance Indicators (KPIs) | <input type="checkbox"/> Bond characteristics (acknowledgment of) |
| <input type="checkbox"/> Calibration of Sustainability Performance Targets (SPTs) | <input type="checkbox"/> Reporting |
| <input type="checkbox"/> Verification | |
- and confirmed their alignment with the SLBP.

2-2 ROLE(S) OF INDEPENDENT EXTERNAL REVIEW PROVIDER

- | | |
|--|---|
| <input checked="" type="checkbox"/> Second Party Opinion | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Scoring/Rating |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

2-3 EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (if applicable)

REWE Group intends to issue sustainability-linked bonds and “Schuldscheine” tied to the achievement of the below SPTs. Failure to achieve these SPTs will constitute a trigger event leading to a coupon rate step-up or redemption premium payment:

- 1.1 Reduce absolute scope 1 and 2 GHG emissions by 25% by 2028, compared to a 2021 baseline.
- 1.2 Reduce absolute scope 1 and 2 GHG emissions by 32% by 2029, compared to a 2021 baseline.
- 1.3 Reduce absolute scope 1 and 2 GHG emissions by 42% by 2030, compared to a 2021 baseline.
- 2.1 Reduce absolute scope 3 non-FLAG GHG emissions by 25% by 2028, compared to a 2021 baseline.
- 2.2 Reduce absolute scope 3 non-FLAG GHG emissions by 32% by 2029, compared to a 2021 baseline.
- 2.3 Reduce absolute scope 3 non-FLAG GHG emissions by 42% by 2030, compared to a 2021 baseline.
- 3.1 Reduce absolute scope 3 FLAG GHG emissions by 18% by 2028, compared to a 2021 baseline.
- 3.2 Reduce absolute scope 3 FLAG GHG emissions by 23% by 2029, compared to a 2021 baseline.
- 3.3 Reduce absolute scope 3 FLAG GHG emissions by 30.3% by 2030, compared to a 2021 baseline.

The REWE Group Sustainability-Linked Bond Framework defines three KPIs: (i) absolute scope 1 and 2 GHG emissions; ii) absolute scope 3 non-FLAG GHG emissions; and iii) absolute scope 3 FLAG GHG emissions. Sustainalytics considers all three KPIs to be very strong, based on their materiality and relevance to REWE Group’s business, their high scope of applicability, the use of a clear and consistent methodology, and their suitability for being benchmarked against external decarbonization trajectories. Moreover, Sustainalytics considers all SPTs to be aligned with REWE Group’s sustainability strategy. Sustainalytics considers SPT 1.3, 2.2, 2.3, 3.2 and 3.3 to be highly ambitious, SPT 1.2, 2.1 and 3.1 to be ambitious, and SPT 1.1 to be moderately ambitious. Furthermore, Sustainalytics considers the reporting and verification commitments to be aligned with market expectations.

Based on the above, Sustainalytics considers the REWE Group Sustainability-Linked Bond Framework to be aligned with the five core components of the SLBP 2023 and the prospective achievement of the SPTs to be impactful.

Section 3. Detailed pre-issuance review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

3-1 SELECTION OF KEY PERFORMANCE INDICATORS (KPIs)

Overall comment on the section: The Sustainability-Linked Bond Framework includes three KPIs for REWE and PENNY Germany: i) absolute scope 1 and 2 GHG emissions; ii) absolute scope 3 non-FLAG GHG emissions; and iii) absolute scope 3 FLAG GHG emissions (see Table 1). Sustainalytics considers the KPIs chosen to be very strong, given that: i) they are a direct measure of REWE Group’s performance on a relevant and material ESG issue; ii) they have a high scope of applicability; iii) they follow a clear and consistent methodology that is externally defined; and iv) they lend themselves to being benchmarked against science-based global decarbonization pathways.

List of selected KPIs:

- Absolute scope 1 and 2 GHG emissions
- Absolute scope 3 non-FLAG GHG emissions
- Absolute scope 3 FLAG GHG emissions

Definition, Scope, and parameters

- Clear definition of each selected KPIs
- Clear calculation methodology
- Other (please specify):

Relevance, robustness, and reliability of the selected KPIs

- | | |
|--|--|
| <input checked="" type="checkbox"/> Credentials that the selected KPIs are relevant, core and material to the issuer’s sustainability and business strategy. | <input checked="" type="checkbox"/> Evidence that the KPIs are externally verifiable |
| <input checked="" type="checkbox"/> Credentials that the KPIs are measurable or quantifiable on a consistent methodological basis | <input checked="" type="checkbox"/> Evidence that the KPIs can be benchmarked |
| | <input type="checkbox"/> Other (please specify): |

3-2 CALIBRATION OF SUSTAINABILITY PERFORMANCE TARGETS (SPTs)

Overall comment on the section: Sustainalytics considers the SPTs to be aligned with REWE Group’s sustainability strategy. Sustainalytics further considers SPT 1.1 to be moderately ambitious, SPT 1.2, 2.1 and 3.1 to be ambitious, and SPT 1.3, 2.2, 2.3, 3.2 and 3.3 to be highly ambitious based on the comparison with past performance, peer performance and alignment with science.

Rationale and level of ambition

- | | |
|--|---|
| <input checked="" type="checkbox"/> Evidence that the SPTs represent a material improvement | <input checked="" type="checkbox"/> Credentials on the relevance and reliability of selected benchmarks and baselines |
| <input checked="" type="checkbox"/> Evidence that SPTs are consistent with the issuer’s sustainability and business strategy | <input checked="" type="checkbox"/> Credentials that the SPTs are determined on a predefined timeline |
| | <input type="checkbox"/> Other (please specify): |

Benchmarking approach

- | | |
|--|--|
| <input checked="" type="checkbox"/> Issuer own performance | <input checked="" type="checkbox"/> Issuer’s peers |
| <input checked="" type="checkbox"/> reference to the science | <input type="checkbox"/> Other (please specify): |

Additional disclosure

- | | |
|--|--|
| <input checked="" type="checkbox"/> potential recalculations or adjustments description | <input checked="" type="checkbox"/> issuer’s strategy to achieve description |
| <input type="checkbox"/> identification of key factors that may affect the achievement of the SPTs | <input type="checkbox"/> Other (please specify): |

3-3 BOND CHARACTERISTICS

Overall comment on the section: REWE Group has linked the bonds’ financial characteristics to the achievement of all three SPTs. Failure to achieve these SPTs would constitute a trigger event and would lead to a step-up in the coupon or a redemption price adjustment. Sustainalytics notes that the financial characteristics of the bonds are aligned with the SLBP 2023.

Financial impact:

- variation of the coupon
- redemption price adjustment mechanism
- Other (please specify):

Structural characteristic:

- ...
- ...
- Other (please specify):

3-4 REPORTING

Overall comment on the section: REWE Group commits to report on an annual basis on its progress towards the KPIs, relevant information regarding recalculations, updates on the emission reduction strategy and governance affecting the KPIs' and SPTs' trajectories, and qualitative or quantitative data explaining the main factors behind the evolution of its progress towards the KPIs. This reporting will be made publicly available in a Sustainability-Linked Bond Progress Report, which will be published on the Group's website. These commitments are aligned with the SLBP 2023.

Information reported:

- performance of the selected KPIs
- level of ambition of the SPTs
- verification assurance report
- Other (please specify):

Frequency:

- Annual
- Other (please specify):
- Semi-annual

Means of Disclosure

- Information published in financial report
- Information published in ad hoc documents
- Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review):
- Information published in sustainability report
- Other (please specify):

Where appropriate, please specify name and date of publication in the "useful links" section.

Level of Assurance on Reporting

- limited assurance
- reasonable assurance
- Other (please specify):

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

Section 4. Post-issuance verification

Overall comment on the section: REWE Group commits to have external limited assurance conducted against each SPT for each KPI at least once a year, which is aligned with the SLBP 2023.

Information reported:

- limited assurance
- reasonable assurance
- Other (please specify):

Frequency:

- Annual
- Semi-annual
- Other (please specify):

Material change:

- Perimeter
- KPI methodology
- SPTs calibration

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